

SUBJECT: Exempting pay telephone service from the universal charge assessment

COMMITTEE: State Affairs — committee substitute recommended

VOTE: 11 ayes — Wolens, S. Turner, Brimer, Counts, Craddick, Danburg, Hunter, Longoria, McCall, McClendon, Merritt

0 nays

4 absent — Bailey, Hilbert, D. Jones, Marchant

WITNESSES: For — Scott Pospisil, Texas Payphone Association Inc.; *Registered but not testify*: Timothy P. Leahy, Southwestern Bell Telephone

Against — None

On — Pam Whittington, Public Utility Commission of Texas

BACKGROUND: Utility Code, sec. 56.021 established a Universal Service Fund to:

- ! assist telecommunications providers in providing basic local telecommunications service at reasonable rates in high-cost rural areas;
- ! reimburse telecommunications providers for revenue lost by providing tel-assistance service;
- ! reimburse the telecommunications carrier that provides the statewide telecommunications relay-access service;
- ! finance the specialized telecommunications assistance program;
- ! reimburse the Texas Department of Human Services, the Texas Commission for the Deaf and Hard of Hearing, and the Public Utility Commission (PUC) for implementation costs;
- ! reimburse a telecommunications carrier providing lifeline service.

Utilities Code, sec. 56.022 provides funding for the Universal Service Fund through a statewide uniform charge payable by telecommunications providers. The PUC determines the uniform charge rates and the services to which it applies.

DIGEST: CSHB 1351 would amend Utilities Code, sec. 56.022(c) to prohibit the PUC from assessing the uniform charge for the universal service fund on pay telephone service.

This bill would take effect September 1, 2001.

SUPPORTERS SAY: CSHB 1351 would correct an oversight made when originally assigning the universal charge assessment to pay phone service. The PUC assesses the surcharge on a telecommunications provider's gross receipts. Telephone companies are able to pass the surcharge on to customers as a charge on their monthly telephone bill. However, pay telephone service providers do not have access to a captive customer base like the telephone companies. Unable to pass the surcharge on to the consumer, pay telephone service providers must pay the surcharge themselves.

CSHB 1351 would not cause an increase in private customers' monthly telephone bills. Pay phone revenues to the universal service fund have been dropping in recent years anyway because of the increased number of cell phones. The \$4.5 million revenue to the fund represented by the pay phone industry is negligible and represents less than one-tenth of a percent of the fund's total revenue of \$579 million for 2001. Moreover, the revenue decrease would be more than compensated for by the rapid growth in private telecommunications revenue to the fund. Additionally, the fund currently maintains a \$7 million operating surplus.

OPPONENTS SAY: Exempting pay telephone service providers from the universal service charge could increase customers' telephone bills. The decreased revenue to the Universal Service Fund would have to be made up by other telephone customers statewide.

NOTES: The original version of HB 1351 would have defined telecommunications provider so that it did not include a provider of customer-owned pay telephone service.

The companion bill, SB 564 by Armbrister and Wentworth, was reported favorably, without amendment, by the Senate Business and Commerce Committee on March 26 and recommended for the Local and Uncontested Calendar.

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House Research Organization
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