

**SUBJECT:** Creating a rural broadband program through the universal service fund

**COMMITTEE:** State Affairs — committee substitute recommended

**VOTE:** 11 ayes — Phelan, Deshotel, Guerra, Harless, Holland, Hunter, P. King, Parker, Raymond, E. Rodriguez, Springer

0 nays

2 absent — Hernandez, Smithee

**WITNESSES:** For — (*Registered, but did not testify:* Andrew Wise, Microsoft; Jennifer Bergland, Texas Computer Education Association; Michael Pacheco, Texas Farm Bureau; Dan Finch, Texas Medical Association)

Against — Bob Digneo, AT&T Texas; Charles Land, TEXALTEL; Richard Lawson, Verizon; (*Registered, but did not testify:* James Hines, Texas Association of Business; Walt Baum, Texas Cable Association; Vance Ginn, Texas Public Policy Foundation; Deborah Giles, Texas Technology Consortium and Center for Technology; Lynden Kamerman, Texas Telephone Association)

On — Weldon Gray, Texas Statewide Telephone Cooperative, Inc.; (*Registered, but did not testify:* Thomas Gleeson and Diana Zake, Public Utility Commission of Texas)

**BACKGROUND:** Utilities Code ch. 56 establishes a universal service fund to assist telecommunications providers in providing basic local telecommunications services at reasonable rates in high cost rural areas. The fund is funded by a statewide uniform charge payable by each telecommunications provider that has access to the customer base and is overseen by the Public Utility Commission.

**DIGEST:** CSHB 669 would establish the rural broadband service program to support broadband service providers offering retail broadband service in underserved rural areas of the state. The program would be overseen by

the Public Utility Commission (PUC) and supported through the commission's universal service fund.

The bill would grant PUC jurisdiction relating to broadband service providers only as necessary to enforce the program and related provisions. PUC would not otherwise have authority to regulate broadband services or broadband service providers.

**Rural broadband service program.** CSHB 669 would establish a rural broadband service program. Under this program, PUC would support broadband service providers to offer retail broadband services in underserved rural areas of the state at rates comparable to federal benchmark rates established by the Federal Communications Commission.

PUC would adopt criteria for areas of the state to qualify as underserved rural areas and establish standards for networks built or maintained using program support. The standards would have to require a network to provide broadband service and be consistent with federal standards.

Support would be provided using broadband charge receipts from providers who elected to participate in the program and could not be used for any other purpose. A provider would have to notify PUC of the provider's election to participate in the program and pay the uniform charge before the provider could receive financial assistance.

**Universal service fund.** Under the bill, PUC rules governing the universal service fund would apply to broadband service providers that elected to participate in the rural broadband service program. The purpose of the universal service fund would include providing support for the rural broadband service program.

Participating broadband providers would be required to pay a statewide uniform charge used to fund the universal service fund. The charge would have to be impartially established by PUC, and the commission could establish separate uniform charges for telecommunications providers and broadband service providers. Funds from the uniform charge on

telecommunications providers could be used only for certain programs supporting such providers, and funds from the uniform charge on broadband service providers could be used only to fund the rural broadband service program.

PUC could assess a uniform charge on a broadband service provider only if the provider notified the commission of the provider's election to participate in the rural broadband service program. A provider could notify PUC of the provider's intention to discontinue participation at any time, and the discontinuation would be effective 60 days after the notification date.

**Duties.** PUC would adopt eligibility criteria for broadband service providers that elected to participate in the rural broadband service program and determine which service providers met the criteria.

The commission also would have to review procedures necessary for the credit, collection, and distribution of broadband charge receipts under the program as specified in the bill.

The commission could require service providers to provide a report or information necessary to assess contributions, broadband charges, and disbursements to the universal fund. The information would be confidential and not subject to disclosure.

The bill would take effect September 1, 2019.

**SUPPORTERS  
SAY:**

CSHB 669 would create the rural broadband service program, which would incentivize broadband service providers to pursue broadband development in rural and less populated areas of the state.

Broadband access is a key driver of economic development, yet many Texans remain underserved or without any connection because the cost of expanding broadband service is high. The state also currently lacks a coordinated vision or plan for broadband development. CSHB 669 would enable the Public Utility Commission to provide that vision and would

help meet the needs of rural populations.

Because rural development is costly, many internet service providers have elected not to expand their service areas to include many rural portions of the state. This has left part of the state's population without access to a broadband internet connection, which has negative impacts on almost every aspect of life, from education to business and health care. More is needed to encourage the expansion of broadband service and prepare all Texans for the future.

Fees assessed would be universal and have been requested by rural broadband providers. The current universal fee set by PUC is a small percentage of a customer's bill. Any provider that assessed the fee would be allowed to access the rural broadband service program's account under terms determined by the Public Utility Commission. This practice would be no different from the way other accounts funded by the commission's universal service fund operate.

OPPONENTS  
SAY:

CSHB 669 would create a program to support rural broadband development that may be unlikely to achieve its intended goal, as it would require broadband service providers to levy a fee on customers to access the program's benefits. Broadband providers that operate in rural areas have a small customer base, so fees levied against the base would have to be large in order to effectively incentivize broadband development. This could burden the same Texans the bill is attempting to help. CSHB 669 also would provide no guidance on whether providers would receive the full benefit of fees assessed on their customers. Creating such a program also could be a stepping stone to making participation mandatory for broadband service providers.