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DATE: April 23, 1998

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: HB 4785

RELATING TO: Telecommunications

SPONSOR(S): Utilities and Communications and Rep. Arnall

COMPANION BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) UTILITIES AND COMMUNICATIONS YEAS 11 NAYS 5
 - (2) TRANSPORTATION & ECONOMIC DEV. APPROPRIATIONS YEAS 12 NAYS 0
 - (3)
 - (4)
 - (5)
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I. SUMMARY:

The Committee on Transportation and Economic Development Appropriations adopted a "strike everything after the enacting clause" amendment that eliminated the universal service program and replaced it with a study. The amendment also revised the Public Service Commission study of rates and subsidies and the criteria for a determination of fair and reasonable basic telephone rates.

The bill: (prior to amendment by the Committee on Transportation and Economic Development Appropriations)

- * Establishes an explicit universal service program to support high cost and low income customers. The program is to be operated by a third party administrator to be selected by the Public Service Commission (PSC) according to criteria set forth in the bill and determinations made by the PSC in administrative proceedings.
- * Requires the PSC to determine the extent to which subsidies can be eliminated and rates for services can be realigned. The PSC also must determine the fair and reasonable rate for local service considering affordability, rates in other states, and the cost of providing local service. Taking the foregoing PSC determinations into account the 1999, Legislature is to determine the extent and timing of any switched access charge reductions in addition to those required by section 364.163, Florida Statutes.
- * Provides for frozen Lifeline rates and a transition rate for those leaving Lifeline.
- * Reduces intrastate switched access charges for Sprint and GTE by 15 % and requires long distance providers to flow benefits through to customers.
- * Repeals current universal service language.
- * Requires the PSC to study and report to the Legislature on policy matters associated with telecommunications service offered in multi-tenant environments.
- * Corrects numerous "glitches" remaining from 1995, rewrite of Chapter 364.
- * Requires a consumer information program; creates the Telecommunications Consumer Protection Act addressing telecommunications billing practices and carrier change policies.
- * Extends basic and nonbasic price caps from January 1, 1999 to January 1, 2000.
- * Provides that universal service assessments are not state funds.
- * Requires local exchange companies to provide services for resale and support of such service on a timely basis. The PSC is to monitor complaints on this subject and to include results in its annual competition report.
- * Except as otherwise provided, the bill is to take effect upon becoming a law.

The bill as amended in the Transportation and Economic Development Appropriations Committee to appropriates \$2,000,000 to the Public Service Commission Regulatory Trust Fund.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

UNIVERSAL SERVICE, INTRASTATE SWITCHED ACCESS CHARGES, AND RATES FOR BASIC LOCAL TELECOMMUNICATIONS SERVICE

The following two concepts are at the heart of the matter before the Legislature:

"Network access service" is a service provided by local exchange companies to connect interexchange ("long distance") carriers to their customers by use of the local telecommunications network. An access service is used in both originating and terminating long distance calls. See section 364.163, Florida Statutes.

"Universal service" is an "evolving level of access to telecommunications services . . . provided at just, reasonable, and affordable rates to customers, including those in rural, economically disadvantaged, and high cost areas." Section 364.025(1), Florida Statutes. See also, 47 U.S.C. 254, which sets forth federal universal service principles.

Charges for intrastate network access services (intrastate switched access charges) are priced far in excess of cost and, in many cases, substantially higher than comparable charges applicable to interstate calls (interstate switched access charges). Regulators traditionally have used revenues from the high intrastate switched access charges to implicitly subsidize universal service and maintain basic local telecommunications rates at a level below the cost to provide such service. This implicit subsidy mechanism was left in place when chapter 364, Florida Statutes, was revised in 1995 to open Florida's local telecommunications markets to competition.

However, the pricing structure resulting from this historic regulatory policy appears to be a barrier to market entry for telecommunications providers wishing to compete in local markets. As such, the policy has contributed to the stalled development of local competition.

In its Report and Order, adopted on May 7, 1997, and released on May 8, 1997, in CC Docket No. 96-45 (Universal Service Order), the Federal Communications Commission (FCC) stated: "We believe that, as competition develops, states may be compelled by marketplace forces to convert implicit support to explicit, sustainable mechanisms consistent with section 254(f)." *Id.* at paragraph 202.

The Federal Telecommunications Act provides the following at 47 U.S.C. 254(f):

A State may adopt regulations not inconsistent with [FCC] rules to preserve and advance universal service. Every telecommunications carrier that provides intrastate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, in a manner determined by the State to the preservation and advancement of universal service in that State. A State may adopt regulations to provide for additional definitions and standards to preserve and advance universal service within that State only to the extent that such regulations adopt additional specific, predictable, and sufficient

mechanisms to support such definitions or standards that do not rely on or burden federal universal service support mechanisms.

ACCESS TO TENANTS

As a general proposition, landlords must provide some form of access to the telecommunications network in order to attract and keep tenants. Prior to the advent of local telecommunications competition this simply meant allowing the incumbent local exchange company to have access to tenants.

With the advent of multiple providers in the local telecommunications market, new entrants in that market report that building owners are attempting to charge competitive providers a fee for the right to access tenants. It is reported that landlords typically do not extract similar charges from incumbent providers. For this reason, competitive providers may be placed at a substantial disadvantage in terms of reaching customers in rental settings.

The right of a company to access a tenant by occupying the landlord's property has constitutional implications under article X, section 6 (a) of the Florida Constitution which provides in part that "No private property shall be taken except for a public purpose and with full compensation therefor paid to each owner" and similar provisions of the United States Constitution. See *Storer Cable T.V. of Florida, Inc. v. Summerwinds Apartments Associates, Ltd.* 493 So.2d 417 (Fla. 1986).

"GLITCHES" REMAINING FROM THE 1995 REWRITE OF CHAPTER 364

In 1996, the PSC identified several minor and noncontroversial statutory "glitches" resulting from the 1995 rewrite of chapter 364, Florida Statutes. The consensus among the PSC and industry representatives is that as long as chapter 364, Florida Statutes, is being "opened" this session, the minor corrections recommended by the PSC should be made. The "glitch" section also includes minor corrections to statutory cross-references resulting from the changes anticipated by the bill.

CONSUMER PROTECTION

With the advent of competition there have been abuses of billing and carrier change processes. These abuses have become so prevalent that they have been given popular culture names: the unauthorized change of a carrier is known as "slamming;" charges for unauthorized or unordered services appearing on a customer's bill is known as "cramming." The PSC has several ongoing proceedings addressing related consumer billing issues. The Telecommunications Workers of America, AFL-CIO has reported that telephone operators are receiving a large volume of calls from customers who have been unable to obtain adequate information regarding charges appearing on customer bills.

LOCAL EXCHANGE COMPANY PRICE CAPS

Section 364.051, Florida Statutes, price caps for basic local service and specified nonbasic services will lapse on July 1, 1999.

RESALE OF LOCAL EXCHANGE COMPANY SERVICES

It has been reported by Taylor and Company, a Sarasota-based telecommunications consulting firm, that local exchange companies are not adequately supporting the services that they provide for competitive resale. Related issues have been raised in the BellSouth, "Section 271" proceeding at the Public Service Commission.

B. EFFECT OF PROPOSED CHANGES:

Please see section-by-section review of substantive provisions of the bill. Please see amendment section for Committee on Transportation and Economic Development Appropriations amendment.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

Yes. The PSC is granted additional rulemaking authority.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

Yes. The PSC is given additional responsibilities and a third-party administrator for the universal service support program is established.

(3) any entitlement to a government service or benefit?

No.

b. If an agency or program is eliminated or reduced:

- (1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A.

- (2) what is the cost of such responsibility at the new level/agency?

N/A.

- (3) how is the new agency accountable to the people governed?

N/A.

2. Lower Taxes:

- a. Does the bill increase anyone's taxes?

No.

- b. Does the bill require or authorize an increase in any fees?

Yes. The bill creates an explicit, industry-funded, universal service funding mechanism that requires industry members to pay assessed amounts to a third-party universal service administrator.

- c. Does the bill reduce total taxes, both rates and revenues?

No.

- d. Does the bill reduce total fees, both rates and revenues?

No.

- e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

- a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No.

- b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

No.

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

No.

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

No.

5. Family Empowerment:

- a. If the bill purports to provide services to families or children:

- (1) Who evaluates the family's needs?

N/A.

- (2) Who makes the decisions?

N/A.

- (3) Are private alternatives permitted?

N/A.

- (4) Are families required to participate in a program?

N/A.

- (5) Are families penalized for not participating in a program?

N/A.

- b. Does the bill directly affect the legal rights and obligations between family members?

N/A.

- c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A.

(2) service providers?

N/A.

(3) government employees/agencies?

N/A.

D. STATUTE(S) AFFECTED:

Sections 166.231; 203.01; 364.02; 364.025; 364.026; 364.051; 364.161; 364.163; 364.336; 364.337; 364.339; 364.601; 364.602; 364.603; 364.604; 364.605, Florida Statutes.

E. SECTION-BY-SECTION RESEARCH:

UNIVERSAL SERVICE

Section 1 creates section 364.026, Florida Statutes, which does the following:

(1) Establishes legislative intent referencing requirements of the Federal Act; directs the PSC to establish and make effective by July 1, 1999, an intrastate universal service support mechanism to assure affordable local service for customers in high cost areas and for low income customers.

(a) Upon notice and an opportunity for hearing, the PSC is to determine the amount of support that is necessary and establish that amount as the explicit universal service support requirement. The PSC is prohibited from considering rate-of-return or earnings concepts in this process.

(b) The PSC is to determine support for high cost areas by establishing forward looking costs based on specified criteria. To this end, the PSC is to adopt, after an opportunity for hearing, a cost proxy model that addresses additional specified criteria.

Available high cost support for a given geographic area is the difference between the cost as established by the PSC (using the proxy model) and the threshold rate (\$23.50). For small local exchange companies, the threshold rate is the July 1, 1998 tariffed rate. In determining the intrastate high cost support amount, the PSC is to deduct from the total high cost support amount any explicit federal universal service support.

(c) Small local exchange companies (serving less than 100,000 lines) are not required to use a cost proxy model until federal proxy models are developed; in no event will they be required to use a cost proxy model prior to January 1, 2001. In the interim, small companies can elect to establish universal service support based either on a cost proxy model or by calculating embedded costs according to specified criteria.

(d) The PSC also is to determine the amount of support necessary to provide basic local telecommunications service to low income customers and to include that amount in the universal service support fund. Only customers who qualify for Lifeline service are considered low-income. The universal service amount for low income customers will be the maximum intrastate matching funds for low-income customers required to enable Lifeline customers to qualify for maximum matching federal support (currently \$3.50).

(e) The program is to be administered by an independent third party administrator. The administrator is to be selected by the commission in accordance with applicable statutes and rules.

(f) The PSC is to have oversight over the third party administrator according to specified criteria. The third party administrator is to have the authority necessary to operate the program according to specified criteria.

(g) The intrastate universal service support requirement is to be assessed on a monthly basis to each telecommunications carrier providing retail intrastate telecommunications service. Monthly assessments by the third party administrator will be based on each provider's relative share of all intrastate retail end user telecommunications revenues generated by, or billed to, end users in the state. Wireless contributions are to be based only on revenues from a monthly basic service charge and from intrastate calls originated on the wireless provider's network. If a telecommunications company would owe less than \$10,000.00 for a year, that provider is not required to contribute.

(h) Amounts collected by the third party administrator will be disbursed to local exchange telecommunications companies, or other eligible carriers providing basic local telecommunications service, based upon criteria to be established by the PSC in accordance with standards set forth in the bill. Such criteria must not be based on a means, earnings, or rate of return test.

(i) A local exchange company receiving support from the program shall reduce the prices of its intrastate switched access services by the net amount received from the universal service support program except that BellSouth can reduce the price of other services providing implicit universal service support.

(j) The local exchange telecommunications company is to remain the carrier of last resort until another eligible telecommunications provider is designated for that area.

(2) Requires long distance carriers whose intrastate switched access rates have been reduced as a result of this section to reduce intrastate long distance rates by the amount necessary to return the benefits of such reduction to its customers. Long distance carriers are not to reduce per minute intraLATA toll rates by a percentage greater than the per minute switched access rate reductions required by the bill. The amount of the long distance rate reduction will be net of that company's universal support assessment.

Provided residential and business customers benefit, the specific rates to be reduced will be within the discretion of each long distance company.

(3) The PSC is required to reevaluate the need for high cost support by January 1, 2003. The reevaluation is to be undertaken subject to specified limitations and considerations.

(4) Defines the following for purposes of the section:

(a) "Universal service" is defined to be consistent with FCC rules.

(b) "Telecommunications carrier" is defined to include any provider of telecommunications services except it does not include cable companies offering cable service or Internet service providers.

(c) "Eligible telecommunications carrier" means a carrier that does the following:

(1) meets the requirements of the Federal Act at 47 U.S.C. 214(e) [describing the requirements of an eligible telecommunications carrier]. Such requirements can be met without regard to the technology used by the carrier; and

(2) offers primary residential basic local telecommunications service at a fair and reasonable rate to all customers throughout a specified area. Mobile radio service providers operating under authority of the FCC are exempt from subparagraph (2).

(d) "Telecommunications service" is defined to be consistent with the Federal Act.

PUBLIC SERVICE COMMISSION STUDY OF RATES, COSTS AND SUBSIDIES

Section 2 requires the PSC to review rates, costs, and subsidies as follows:

(1) The Legislature determines that residential basic local telecommunications rates *may* be:

--- priced below cost:

--- a barrier to the development of residential basic local telecommunications service competition;

--- supported with revenue from intrastate switched access charges.

Therefore, the PSC is to determine the extent to which the subsidies can be eliminated and the extent to which the rates for such services may be realigned.

(2) (a) Notwithstanding price caps, the PSC is to determine the fair and reasonable rate for basic residential local service considering affordability, the price of such service in other states, and the cost of providing the service. In making its determination the PSC is to hold numerous public hearings throughout the state.

(b) Local exchange companies are required to provide needed cost information to the PSC. The PSC and intervenors are to have access to company records supporting cost data.

(3) Taking the foregoing PSC determinations into account, the 1999 Legislature shall determine the extent and timing of any possible switched access reductions in addition to those provided in section 364.163, Florida Statutes.

LIFELINE RATE CAPPED, TRANSITION RATE

Section 3 caps rates for Lifeline subscribers at January 1, 1998, level. Creates a transition rate for those leaving Lifeline service; this rate is to be 70% of the residential rate and is to be available for one year after a person leaves Lifeline. The offering of a transition rate does not preclude a local exchange company from offering other discounted services that are consistent with specified statutes.

IMMEDIATE SWITCHED ACCESS CHARGE REDUCTIONS AND FLOW-THROUGH

Section 4 amends sections 364.163 (1) and (6), Florida Statutes, to provide that, effective January 1, 1999, rates for switched network access services are capped until January 1, 2001. GTE and Sprint must reduce switched access charges by 5% on July 1, 1998 and by 10% on October 1, 1998. The existing annual 5% reduction is eliminated.

Any long distance carrier who benefits from these reductions is to decrease intrastate long distance rates in an amount that returns the benefits of the reduction to the long distance carrier's customers. However, long distance carriers are prohibited from reducing per minute intraLATA toll rates by a percentage greater than the per minute switched access rate reductions required by the bill.

REPEAL OF OLD UNIVERSAL SERVICE LANGUAGE

Section 5 repeals section 364.025, Florida Statutes, which addresses universal service in the current statutes. The statutory language found at section 364.025, Florida Statutes, will not be needed given the new universal service language in section 1 of the bill.

ACCESS TO TENANTS

Section 6 requires the PSC to undertake a study of issues associated with telecommunications companies providing service in multi-tenant environments and to report the results of the study and policy recommendations to the Legislature by January 15, 1999. Publicly noticed workshops are required. The PSC is to consider promotion of competition, consistency with applicable federal requirements, landlord property rights, rights of tenants, and other considerations developed in the workshop process.

“GLITCHES” FROM 1995 REWRITE OF CHAPTER 364 (Sections 7-12, 15)

Sections 7 & 8 amend, with identical language, section 166.231(9)(d)3., Florida Statutes, and section 203.01(9)(c), Florida Statutes. Both sections currently require the PSC to publish statewide average tariff rates annually. A literal reading of the existing language would require the PSC to publish average rates for all tariffs on file at the commission. The revisions will add the words "for commonly used services." This will clarify that the PSC is to publish statewide tariff rates for only the rates that are likely to be provided by an alternative local exchange company (ALEC) on a bundled basis. If the PSC strictly construes the existing statutory language it will be required to publish the statewide average rates for hundreds of tariffs; pursuant to the revision the commission will be required to publish statewide averages for fewer than one hundred rates.

Section 9 amends section 364.02(12), Florida Statutes. Telecommunications companies must be certificated by the PSC. Under the current language of section 364.02(12), Florida Statutes, the definition of a "telecommunications company" does not extend to entities providing telecommunications facilities solely to a certificated telecommunications company (e.g., an electric company does not become a telecommunications company by providing fiber facilities to a local exchange company). The revision extends this "exemption" from the definition of a telecommunications company to entities that provide telecommunications facilities to those entities that are specifically excluded in section 364.02(12), Florida Statutes, from the definition of a telecommunications company (e.g., an electric company would not become a telecommunications company by providing fiber facilities to a cellular company). The same rationale that supports the existing "exemption" to PSC certification extends to the revision; namely, PSC certification is intended to protect end-user consumers and is generally unnecessary in the context of an arm's length offering of telecommunications facilities to members of the telecommunications industry. A statutory cross-reference to universal service provisions is updated in light of the anticipated repeal of section 364.025, Florida Statutes, and implementation of section 364.026, Florida Statutes.

Section 10 amends section 364.336, Florida Statutes, to clarify how regulatory assessment fees (RAFs) are to be computed. With the advent of competition, it is anticipated that telecommunications services will be provided over a "network of networks" with companies compensating one another for the use of network facilities and services that are necessary to complete calls. In recognition of the changed environment, the commission has suggested that companies should be allowed to set-off such payments when calculating the basis for the commission's regulatory assessment fees.

Section 11 amends sections 364.337(2) and (4), Florida Statutes, to make clear that alternative local exchange companies (ALECs) must provide "911" service at a level equivalent to that required of local exchange companies (LECs). The bill also deletes the interexchange telecommunications companies' (IXCs) exemption from the PSC authority to demand records of any telecommunications company pursuant to section 364.183(1), Florida Statutes. This revision ensures that the PSC has the authority to obtain necessary documents from an IXC during an investigation.

Section 12 amends section 364.339, Florida Statutes, to prohibit the offering of shared tenant services (STS) from interfering with or precluding a residential tenant from obtaining direct access to the lines and services of competitive providers. Similar language previously applied to only commercial tenants. The revision is necessary because the rewrite of chapter 364, Florida Statutes, opened the residential STS market.

Additionally, this section corrects a typographical error in section 364.339(3)(b), Florida Statutes, in which a reference to subsection (3) should be made, instead, to subsection (4). The words "serving local exchange" are deleted leaving simply the words "telecommunications company" in the statute. This broadens the language to reflect the evolving competitive environment.

Section 15 repeals section 364.337(7), Florida Statutes. The change in Section 11, above, establishes how RAFs are to be computed for all telecommunications companies. Therefore, the current language in section 364.337(7), Florida Statutes, addressing the computation of RAFs for IXC's and pay telephone providers is unnecessary and may create confusion.

CONSUMER PROTECTION (Sections 13-14)

Section 13 requires that a consumer information program be implemented--subject to specified standards--by each local exchange telecommunications company to inform consumers about the act. The PSC is to expand its existing consumer information program and to assist consumers in resolving billing disputes with telecommunications companies. The PSC is authorized to specify information to be provided by companies to customers and also the manner of distribution of such information.

Section 14 creates part III of chapter 364, Florida Statutes, consisting of new sections 364.601, 364.602, 364.603, and 364.604, Florida Statutes.

Creates section 364.601, Florida Statutes, which provides that part III of chapter 364, Florida Statutes, may be cited as the "Telecommunications Consumer Protection Act.

Creates section 364.602, Florida Statutes, which defines the following for purposes of Part III: (1) "billing party" (2) "commission" (3) "customer" and (4) "originating party".

Creates section 364.603, Florida Statutes, which requires the PSC to adopt rules to prevent "slamming" according to specified criteria.

Section 364.604, Florida Statutes, is created to address billing practices as follows:

(1) Provides standards for items that must be included on a bill and requires that responses to consumer inquiries must be initiated within 24 hours. Telecommunications carriers are given until June 30, 1999 to comply with this section.

(2) Provides that customers are not liable for any charges for telecommunications service which the customer did not order or which were not provided to the customer.

(3) Provides that every billing party is to offer free blocking for 900 or 976 calls.

(4) Provides that the commission may, by rule, require that a customer's Lifeline local service not be disconnected provided the charges, taxes, and fees applicable to basic local service are paid.

CURRENT PRICE CAPS EXTENDED

Section 16 amends section 364.051, Florida Statutes, to extend price caps for basic, and specified nonbasic, telecommunications services from July 1, 1999, until July 1, 2000.

UNIVERSAL SERVICE ASSESSMENT

Section 17 creates subsection (b) of section 215.311, Florida Statutes, to provide that universal service assessments are not "state funds."

LOCAL EXCHANGE COMPANY SERVICES FOR COMPETITIVE RESALE

Section 18 requires local exchange telecommunications companies to provide specified services in a timely manner and for the PSC to monitor alternative local exchange company complaints against local exchange companies regarding such services and to report the results to the Legislature in the annual report on competition.

EFFECTIVE DATE

Section 19 provides that, except as otherwise provided, the act is to take effect upon becoming a law.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

<u>Expenditures</u>	<u>1998-99</u>	<u>1999-00</u>
Public Service Commission		
Public Ser. Reg. Trust Fund	\$1,515,093	

2. Recurring Effects:

<u>Revenues</u>	<u>1998-99</u>	<u>1999-00</u>
General Revenue Fund	\$(391,500)	\$(409,000)

(RAF)

<u>Expenditures</u>	<u>1998-99</u>	<u>1999-00</u>
Public Service Commission		
Public Ser. Reg. Trust Fund	\$484,907	\$484,907

3. Long Run Effects Other Than Normal Growth:

Indeterminate.

4. Total Revenues and Expenditures:

<u>Revenues</u>	<u>1998-99</u>	<u>1999-00</u>
General Revenue Fund (RAF)	\$(391,500)	\$(409,000)
<u>Expenditures</u>	<u>1998-99</u>	<u>1999-00</u>
Public Service Commission		
Public Ser. Com. Reg. Trust Fund	\$2,000,000	\$484,907

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

Indeterminate.

2. Recurring Effects:

Indeterminate.

3. Long Run Effects Other Than Normal Growth:

Indeterminate.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

Telecommunications companies that are net contributors to the universal service fund are not *prohibited* from imposing a line-item charge on their bills to recover these costs from customers.

2. Direct Private Sector Benefits:

Indeterminate.

3. Effects on Competition, Private Enterprise and Employment Markets:

Indeterminate.

D. FISCAL COMMENTS:

The Public Service Commission estimates that the reduction in revenues under section 10 of the bill would not have a significant effect on the commission's operations since the regulatory assessment fee rate currently being assessed is less than the cap set by section 364.336, Florida Statutes. The assessed rate could be adjusted if necessary.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend or to take an action requiring the expenditure of funds

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The Committee on Transportation and Economic Development Appropriations adopted a strike everything after the enacting clause amendment that changed the bill as follows:

Section 1 was amended to remove the creation of the universal service support mechanism and administration of the mechanism from the bill. The amendment provides that to assist the Legislature in establishing a permanent universal service mechanism, the PSC is to determine and report to the Legislature, by February 15, 1999, the total forward-looking cost of providing basic local telecommunications service on a wire center basis using a proxy model selected by the commission after notice and opportunity for hearing.

The PSC also is to determine and report to the Legislature, by February 15, 1999, the amount of support necessary to provide basic local telecommunications service to low-income customers. Low-income customers are those customers who qualify for Lifeline service as defined in section 364.10(2), Florida Statutes.

Section 2 was amended to provide that the Legislature has determined that intrastate switched access and other services may be set above cost and may be providing an implicit subsidy of residential basic local telecommunications service rates.

The PSC is to study and report to the Legislature by February 15, 1999, the relationships among the costs and charges associated with providing basic service, intrastate access, and other services provided by the local telephone company.

The PSC is to report to the Legislature, by February 15, 1999, its conclusions as to the fair and reasonable rate for basic service considering affordability, the value of service, comparable rates in other states, and the cost of providing service, including the proportionate share of joint and common costs.

Section 3 was amended to eliminate the creation of a new cap on Lifeline services that is unnecessary because local rate caps are extended and no telecommunications rates are increased by the bill.

The amendment also places the "glitch" provisions at the end of the bill.

In the newly created Consumer Protection Act, the amendment extends consumer billing protection to bills for "information service" which is defined in the bill.

VII. SIGNATURES:

COMMITTEE ON UTILITIES AND COMMUNICATIONS:

Prepared by:

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AS REVISED BY THE COMMITTEE ON TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS:

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