

Item 33

Rules Pertaining to Reform of the California High Cost Fund - B R06-06-028

**Statement of Commissioner Timothy Simon
September 6, 2007**

Colleagues:

This proposed decision will reduce millions of dollars of surcharges now collected from California communication customers. The proposed decision discusses the timing of the subsidy decreases, the adoption of a cap to ensure that rates in rural areas remain reasonable, and the proposal to consider a new broadband fund in phase II of this proceeding.

Amid these technical considerations, it is important to keep focused on the major matter before the Commission. Item 33 finds that the \$434 million tax and subsidy scheme known as the California High Cost Fund-B no longer serves the public interest. Therefore, Item 33 orders a \$315 million dollar decrease in the size of this fund by July 1, 2009. As a result of these actions, both businesses and consumers will benefit. The smaller resulting fund focuses on a few areas with incontrovertibly high costs.

Because of the many technical aspects of this decision, it is easy to quibble with how any one issue was resolved. Such quibbling, however, does not serve the public interest. Item 33 reduces a tax and subsidy scheme that no longer serves Californians. It warrants support and I will vote for it.

Let me thank Commissioner Chong for her work in shepherding this matter to a decision. Item 33 is a critical step in reforming telecommunications regulation, and it is a step well taken.