

HOUSE BILL REPORT

HB 2601

As Reported by House Committee On:
Technology, Energy & Communications

Title: An act relating to reviewing the telecommunications regulatory structure.

Brief Description: Studying telecommunication regulatory reform.

Sponsors: Representatives McCoy, Chase, Kenney and Morris.

Brief History:

Committee Activity:

Technology, Energy & Communications: 1/28/10, 2/1/10 [DPS].

Brief Summary of Substitute Bill

- Requires the Technology Law and Public Policy Clinic at the University of Washington School of Law to conduct a telecommunication study.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives McCoy, Chair; Finn, Vice Chair; Carlyle, Condotta, Eddy, Hudgins, Jacks, Morris, Takko and Van De Wege.

Minority Report: Without recommendation. Signed by 7 members: Representatives Crouse, Ranking Minority Member; Haler, Assistant Ranking Minority Member; Hasegawa, Hinkle, McCune, Nealey and Taylor.

Staff: Kara Durbin (786-7133).

Background:

In 1994 Governor Lowry established the Governor's Telecommunications Policy Coordination Task Force (Task Force). The Task Force's objective was to assess current telecommunications policies and recommend ways the state could better attract telecommunications companies and jobs while also encouraging the deployment of advanced networks. In 1996 the Task Force issued its report, which contained a set of policy

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

recommendations to the Legislature. These recommendations included: (1) achieving regulatory consistency in converging industries; (2) leveling the taxation playing field; (3) bringing infrastructure to rural areas; and (4) leveraging the state's role as a large purchaser, user, and provider of telecommunications services. With respect to taxation, the report proposed that additional analysis be conducted to review the tax structure as it applies to the telecommunications industry. In 1997 the Task Force released a second report, which contained several proposals pertaining to equalizing the tax burdens among telecommunications providers.

The Legislature has adopted and signed into law a number of the Task Force's recommendations, including proposals regarding cellular tower siting, utility pole attachment, telecommunications infrastructure along state rights-of-way, and the deployment of the K-20 network. Much of the tax-related policy recommendations of the Task Force have not been substantively addressed.

Summary of Substitute Bill:

By December 1, 2011, the Technology Law and Public Policy Clinic at the University of Washington School of Law (Clinic) must prepare a comprehensive report analyzing trends in the telecommunications industry and pathways for regulatory reform.

The report must address the following issues:

- the taxation treatment of all telecommunications services that provide the same or functionally equivalent services;
- the character and degree of competition in the telecommunications market;
- the regulatory, legal, and economic barriers to competition;
- what changes could be made in policy, law, or administrative rule to address any barriers to competition; and
- the role of the Washington Utilities and Transportation Commission (WUTC) in the oversight and regulation of telecommunications services.

The Clinic must consult with telecommunications providers, local governments, public utility districts, the WUTC, the Department of Revenue, and other stakeholders in preparing its report.

Substitute Bill Compared to Original Bill:

The substitute bill requires the Clinic to consult with the following groups in conducting the study and preparing the report: public utility districts, local governments, the WUTC, the Department of Revenue, and other stakeholders.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) A comprehensive study of telecommunications policy is needed. Competition in the telecommunications industry is constantly evolving, and the role of the WUTC is unclear. The Clinic chosen to conduct this study has access to national and international policy experts. The Clinic would approach this task in four stages: (1) organize a board and formulate a work plan; (2) conduct research and hold a public forum; (3) produce a draft report and hold a second public forum; and (4) produce a final report. The Clinic would solicit participation and input from both the public and private sector.

The WUTC is constantly reviewing the telecommunications industry and the current regulatory environment. An outside review of the telecommunication industry would be beneficial, and the Clinic would produce a good work product. The WUTC is willing to participate, although it expects that their participation will consume some staff resources as indicated in the fiscal note.

(Commented) Utility taxes are an important revenue stream for local governments. Cities would like to be specifically named in the bill to ensure that they are involved in the development of the study.

(Opposed) None.

Persons Testifying: (In support) Representative McCoy, prime sponsor; Ron Main, Broadband Communication Association of Washington; and William Covington, University of Washington.

(Commented) Victoria Lincoln, Association of Washington Cities; and Dave Danner, Washington Utilities and Transportation Commission.

Persons Signed In To Testify But Not Testifying: None.