
SUBSTITUTE HOUSE BILL 2679

State of Washington

63rd Legislature

2014 Regular Session

By House Technology & Economic Development (originally sponsored by Representatives DeBolt and Haler)

READ FIRST TIME 02/05/14.

1 AN ACT Relating to the expenditure limit for the state universal
2 communications services program; amending RCW 80.36.650; creating a new
3 section; and providing an effective date.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** The legislature makes the following
6 findings:

7 (1) The state has long relied on incumbent local exchange carriers
8 as carriers of last resort to provide a public telephone network that
9 reaches as many consumers as possible, even in areas that are expensive
10 to serve.

11 (2) Consumers in all areas of the state should continue to have
12 access to communications services at reasonable rates.

13 (3) The rapidly declining revenue of incumbent local exchange
14 carriers is threatening the ability of these businesses with
15 obligations to serve as a carrier of last resort from continuing to
16 provide landline telephone and other communications service in much of
17 rural Washington.

18 (4) This declining revenue is attributable to a number of factors,
19 including but not limited to a loss of federal universal service funds

1 to subsidize service in high-cost areas, changes in intercarrier
2 compensation, and the technological transformation in which many for
3 whom such service is available are switching to relying more heavily on
4 broadband for communications.

5 (5) Although the federal government has decided to transition
6 federal subsidies from the connect America fund and reduce intercarrier
7 compensation revenues available to incumbent local exchange carriers,
8 Washington state needs time to develop a strategy before transitioning
9 away from the decades-long policy of ensuring universal service.

10 (6) Access to reliable, quality telephone and internet service is
11 not a luxury but rather a basic staple essential to modern life, and it
12 is necessary to the health and welfare of all and to the success of the
13 economy in all our communities, urban and rural, to ensure that such
14 service is available throughout the state.

15 (7) Customers in many parts of the state are at grave risk of rate
16 instability and service interruptions or cessations without a limited
17 and temporary influx of funds to support additional investments that
18 rural incumbent local exchange carriers would otherwise have little
19 hope of recouping in the marketplace.

20 (8) Changes in the communications marketplace have resulted in a
21 revenue shortfall of greater than five million dollars for rural
22 incumbent local exchange carriers in the state.

23 (9) The effective expenditure limit for the state universal
24 communications services program, as established by current law
25 governing the authority of the utilities and transportation commission
26 to make distributions to an eligible communications provider, is too
27 low to effectuate the legislature's intent of providing funding that is
28 adequate to ensure that quality, affordable local communications
29 services are not interrupted.

30 (10) As a result of the foregoing, and to enable all consumers in
31 Washington to access and benefit from a public network that leaves no
32 community behind, the legislature intends to modify the temporary
33 universal communications services program to ensure that five million
34 dollars is expended in each fiscal year over the five years of the
35 program.

36 **Sec. 2.** RCW 80.36.650 and 2013 2nd sp.s. c 8 s 203 are each
37 amended to read as follows:

1 (1) A state universal communications services program is
2 established. The program is established to protect public safety and
3 welfare under the authority of the state to regulate telecommunications
4 under Article XII, section 19 of the state Constitution. The purpose
5 of the program is to support continued provision of basic
6 telecommunications services under rates, terms, and conditions
7 established by the commission during the time over which incumbent
8 communications providers in the state are adapting to changes in
9 federal universal service fund and intercarrier compensation support.

10 (2) Under the program, eligible communications providers may
11 receive distributions from the universal communications services
12 account created in RCW 80.36.690 in exchange for the affirmative
13 agreement to provide continued services under the rates, terms, and
14 conditions established by the commission under this chapter for the
15 period covered by the distribution. The commission must implement and
16 administer the program under terms and conditions established in RCW
17 80.36.630 through 80.36.690. Expenditures for the program (~~may not~~
18 ~~exceed~~) must be five million dollars per fiscal year less
19 administrative costs appropriated to the commission to administer the
20 program established in subsection (1) of this section in the omnibus
21 operating appropriations act. In order to ensure that the entire five
22 million dollars is expended, the commission shall make distributions
23 for the fiscal year by October 1st of the fiscal year.

24 (3) A communications provider is eligible to receive distributions
25 from the account if:

26 (a) The communications provider is: (i) An incumbent local
27 exchange carrier serving fewer than forty thousand access lines in the
28 state; or (ii) a radio communications service company providing
29 wireless two-way voice communications service to less than the
30 equivalent of forty thousand access lines in the state. For purposes
31 of determining the access line threshold in this subsection, the access
32 lines or equivalents of all affiliates must be counted as a single
33 threshold, if the lines or equivalents are located in Washington;

34 (b) The customers of the communications provider are at risk of
35 rate instability or service interruptions or cessations absent a
36 distribution to the provider that will allow the provider to maintain
37 rates reasonably close to the benchmark; and

1 (c) The communications provider meets any other requirements
2 established by the commission pertaining to the provision of
3 communications services, including basic telecommunications services.

4 (4)(a) Distributions to eligible communications providers are based
5 on a benchmark established by the commission. The benchmark is the
6 rate the commission determines to be a reasonable amount customers
7 should pay for basic residential service provided over the incumbent
8 public network. However, if an incumbent local exchange carrier is
9 charging rates above the benchmark for the basic residential service,
10 that provider may not seek distributions from the fund for the purpose
11 of reducing those rates to the benchmark.

12 (b) To receive a distribution under the program, an eligible
13 communications provider must affirmatively consent to continue
14 providing communications services to its customers under rates, terms,
15 and conditions established by the commission pursuant to this chapter
16 for the period covered by the distribution.

17 (5) The program is funded from amounts deposited by the legislature
18 in the universal communications services account established in RCW
19 80.36.690. The commission must operate the program within amounts
20 appropriated for this purpose and deposited in the account. If
21 expenditures for distributions together with administrative costs
22 amount to less than five million dollars in expenditures in a fiscal
23 year, the remainder must be expended as provided in subsection (7)(b)
24 of this section.

25 (6) The commission must periodically review the accounts and
26 records of any communications provider that receives distributions
27 under the program to ensure compliance with the program and monitor the
28 providers' use of the funds.

29 (7)(a) The commission must establish an advisory board, consisting
30 of a reasonable balance of representatives from different types of
31 communications providers and consumers, to advise the commission on
32 any rules and policies governing the operation of the program.

33 (b) In the event that the amounts expended by the commission in
34 distributions, pursuant to the distribution methodology established by
35 rule under this section, together with the administrative costs of the
36 commission, do not amount to five million dollars, the commission shall
37 expend the remaining funds before the end of the fiscal year,
38 consistent with the intent of the legislature as provided in section 1

1 of this act and pursuant to a recommendation from the advisory board.
2 The advisory board shall make a recommendation to the commission for
3 how to expend the remaining amounts through additional funding to
4 incumbent local exchange carriers serving fewer than forty thousand
5 access lines in the state, prioritizing expenditures that help carriers
6 fulfill carrier of last resort obligations to serve and expand
7 communications services to underserved populations.

8 (8) The program terminates on June 30, 2019, and no distributions
9 may be made after that date.

10 (9) This section expires July 1, 2020.

11 NEW SECTION. **Sec. 3.** This act takes effect July 1, 2014.

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