

SENATE BILL REPORT

SJM 8031

As Reported By Senate Committee On:
Ways & Means, February 10, 1998

Brief Description: Petitioning for amendment to the Federal Communications Commission ruling barring direct reimbursement to state agencies that provide telecommunications services.

Sponsors: Senators Finkbeiner, Bauer, Wood and West.

Brief History:

Committee Activity: Ways & Means: 2/10/98 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Brown, Fraser, Hochstatter, Kohl, Long, Loveland, McDonald, Rossi, Schow, B. Sheldon, Snyder, Spanel, Swecker, Thibaudeau and Winsley.

Staff: Michael Groesch (786-7434)

Background: In 1996, Congress passed legislation establishing a \$2.25 billion program to subsidize telecommunications services for schools and libraries. The subsidy, known as e-rate, allows schools and libraries to receive discounts of 20 to 90 percent on their purchases of eligible services.

Many schools and libraries in Washington purchase telecommunications services through the Department of Information Services (DIS). Because DIS can leverage the purchasing power of all state and local government, it can receive services from the private sector at significantly reduced costs. In addition, it often configures and adds services to meet the special needs of the public entities DIS serves.

The Federal Communications Commission (FCC) was charged by Congress to implement the program. On December 30, 1997, the commission made two rulings that have a potentially adverse effect on DIS' services.

First, it ruled that state networks « because they are not strictly defined as telecommunications carriers « are not eligible to receive subsidies directly from the fund.

Second, it ruled that schools and libraries cannot obtain discounts for state services other than those obtained from private carriers. Any additional services or costs which DIS adds to rates for schools and libraries is not eligible for discounts.

As a result of the FCC ruling, schools and libraries now have incentives to leave the DIS network and obtain more expensive services for which larger discounts apply. It is possible

that schools and the federal universal service fund will end up paying more. And the state network will lose a significant part of its customer base, its volume purchasing power, resulting in higher costs for telecommunications services for all state government.

Summary of Bill: The memorial requests that members of the Committee on Commerce, Science and Transportation of the United States Senate, and members of the Subcommittee on Telecommunications, Trade and Consumer Protection of United States House of Representatives urge the Federal Communications Commission to review and amend its ruling barring direct reimbursement to state agencies that provide telecommunications services.

Appropriation: None.

Fiscal Note: Not requested.

Testimony For: The state of Washington has invested over \$54 million in the K-20 telecommunications backbone. A federal change will allow the state's K-20 telecommunications system to participate in the federal universal service fund. This change will provide cost discounts to libraries and schools in a way that is similar to other states.

Testimony Against: None.

Testified: Steve Kolodney, Director, Department of Information Services (pro).