
HOUSE BILL 2534

State of Washington

56th Legislature

2000 Regular Session

By Representatives Crouse and Poulsen

Read first time 01/17/2000. Referred to Committee on Technology, Telecommunications & Energy.

1 AN ACT Relating to establishing a universal service program to be
2 funded by explicit per line charges to provide intrastate universal
3 service support for basic telecommunications services in rural and
4 high-cost areas; amending RCW 80.36.610; adding new sections to chapter
5 80.36 RCW; adding a new section to chapter 80.66 RCW; repealing RCW
6 80.36.600; providing an effective date; providing expiration dates; and
7 providing for submission of this act to a vote of the people.

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

9 NEW SECTION. **Sec. 1.** Universal telephone service, which is the
10 widespread availability of basic telecommunications services at
11 reasonably affordable rates, has long been the policy of the state of
12 Washington and is essential to the economic well-being of the state.
13 By this act, the legislature intends to establish a state universal
14 service program which replaces existing implicit intrastate universal
15 service support with explicit intrastate support to ensure that the
16 availability and rates for basic telecommunications services in rural
17 and high-cost locations of the state are reasonably comparable to the
18 availability and rates for basic telecommunications services in urban
19 and lower-cost locations of the state and, consistent with the program

1 established by this act, to minimize the shifting of contributions
2 among customers, groups of customers, and classes of customers.

3 This section expires December 31, 2011.

4 NEW SECTION. **Sec. 2.** (1) The commission shall implement a program
5 for the preservation and advancement of universal telecommunications
6 services that is provided for in this act that the legislature finds is
7 consistent with the requirements of the federal telecommunications act
8 of 1996 (47 U.S.C. Sec. 254).

9 (2) The purposes of the program are to:

10 (a) Benefit all telecommunications ratepayers in the state by
11 ensuring that there exists a modern telecommunications network to which
12 all citizens and businesses have reasonable access; and

13 (b) Provide specific, sufficient, and competitively neutral support
14 for all telecommunications lines used to provide basic
15 telecommunications services for customers of telecommunications
16 companies in high-cost locations.

17 (3) This section expires December 31, 2011.

18 NEW SECTION. **Sec. 3.** The definitions in this section apply
19 throughout this section and sections 1, 2, 4 through 11, and 13 of this
20 act unless the context clearly requires otherwise.

21 (1) "Administrator" means the administrator of the state universal
22 service funds designated under sections 5 and 6 of this act.

23 (2) "Benchmark" means an amount per high-cost location, determined
24 by the commission by rule or order for nonrural telephone companies,
25 above which universal service funds will be available to support the
26 provision of service in the high-cost location.

27 (3) "Cost" means the cost determined using the cost proxy model,
28 methodology, and assumptions used by the federal communications
29 commission in determining cost for purposes of the federal high-cost
30 universal service program established under the federal
31 telecommunications act of 1996 (47 U.S.C. Sec. 254). Cost also means
32 the federal communications commission model as may be subsequently
33 revised or replaced if the commission determines that doing so would
34 result in more accurate determinations of cost.

35 (4) "Funds" means the rural state universal service fund and the
36 nonrural state universal service fund created by section 5 of this act.

1 (5) "High-cost location" means an exchange or wire center service
2 area, as determined by the commission for nonrural telephone companies,
3 where the cost of providing basic telecommunications services is
4 greater than the benchmark established by the commission.

5 (6) "Nonrural telephone company" means an incumbent local exchange
6 carrier that does not qualify as a rural telephone company as that term
7 is defined in 47 U.S.C. Sec. 153(37).

8 (7) "Radio access line" means the telephone number assigned or used
9 by a customer for two-way local wireless voice service available to the
10 public for hire from a radio communications service company. Radio
11 access lines include, but are not limited to, radio-telephone
12 communications lines used in cellular telephone service, personal
13 communications services, and network radio access lines, or their
14 functional and competitive equivalent. Radio access lines do not
15 include lines that provide access to one-way signaling service, such as
16 paging service, or to communications channels suitable only for data
17 transmission, or to nonlocal radio access line service, such as
18 wireless roaming service, or to a private telecommunications system.

19 (8) "Radio communications service company" has the same meaning as
20 in RCW 80.04.010.

21 (9) "Rural telephone company" has the same meaning as that term is
22 defined in 47 U.S.C. Sec. 153(37).

23 (10) "Switched access line" means the telephone service line which
24 connects a customer's telephone or equivalent telephones to the public
25 switched telephone network. In the case of lines which provide
26 multichannel or the equivalent access to the public switched telephone
27 network, each voice-grade channel or channel equivalent shall be
28 considered a separate switched access line for purposes of this act.
29 In the case of blocked centrex service, the number of switched access
30 lines shall equal the number of lines capable of accessing the public
31 switched telephone network at any one time.

32 (11) "Telecommunications carrier" has the same meaning as that term
33 is defined in 47 U.S.C. Sec. 153(44).

34 (12) "Telecommunications services" has the same meaning as that
35 term is defined in 47 U.S.C. Sec. 153(46).

36 This section expires December 31, 2011.

1 NEW SECTION. **Sec. 4.** The telecommunications services to be
2 supported by the state universal service program shall be limited to
3 basic telecommunications services, which are the following services:

- 4 (1) Single-party service;
- 5 (2) Voice-grade access to the public switched network;
- 6 (3) Support for local usage;
- 7 (4) Dual tone multifrequency signaling (touch-tone);
- 8 (5) Access to emergency services (911);
- 9 (6) Access to operator services;
- 10 (7) Access to interexchange services;
- 11 (8) Access to directory assistance; and
- 12 (9) Toll blocking services and toll limitation services at such
13 time as toll limitation is technically feasible at a reasonable cost.

14 This section expires December 31, 2011.

15 NEW SECTION. **Sec. 5.** (1) The rural state universal service fund
16 and the nonrural state universal service fund are created. All
17 receipts from contributions from telecommunications carriers as
18 provided in subsection (2) of this section and other moneys authorized
19 to be deposited in the funds by law or by order of any court with
20 proper jurisdiction must be deposited into the funds. Any interest
21 earned on moneys deposited in the funds shall be used for fund
22 purposes. The funds shall be outside the state treasury. An
23 appropriation is not required for expenditures from the funds. Amounts
24 collected by carriers and deposited in the funds shall not be treated
25 as income or revenue for tax purposes.

26 (2) The commission shall establish by rule flat rate amounts per
27 line to fulfill the directions set forth in this act, to be assessed
28 per switched access line and per radio access line served by each
29 telecommunications carrier to provide support for the funds not to
30 exceed one dollar and seventy cents per month per residential switched
31 access line and per radio access line and not to exceed three dollars
32 and forty cents per month per business switched access line. The rate
33 per business switched access line shall be two times the rate per
34 residential switched access line and per radio access line. Beginning
35 July 1, 2001, every telecommunications carrier providing switched
36 access lines or radio access lines in the state shall contribute to the
37 funds on an equitable and nondiscriminatory basis the amount per
38 switched access line and radio access line established by the

1 commission. Each carrier shall establish a surcharge to its customers
2 in the amount per switched access line and per radio access line
3 established by the commission under this subsection. The surcharge
4 shall be shown on the customer's bill as a separate item identified as
5 the "state universal service charge." The rural fund shall not exceed
6 fifty-five million dollars per calendar year plus the cost of
7 administration. The nonrural fund shall not exceed fifty-seven million
8 dollars per calendar year plus the cost of administration.

9 (3) Rural and nonrural telephone companies shall use moneys
10 received from the funds to first provide a bill credit to offset the
11 residential per line charge established under subsection (2) of this
12 section, second to provide a bill credit to offset the business per
13 line charge established under subsection (2) of this section, third to
14 offset the costs of providing basic telecommunications services to
15 areas that are unserved as of the effective date of this act in an
16 amount for all telephone companies in total not to exceed two million
17 dollars in any one year, and then to reduce intrastate access charge
18 rate elements referred to in section 7 of this act. The commission
19 shall restructure the remaining access rates on a revenue neutral basis
20 so that the rates for originating and terminating access shall be
21 equal. The commission shall increase access charges or other rates to
22 reflect reductions in universal services support used to provide basic
23 telecommunications services to areas unserved as of the effective date
24 of this act.

25 (4) The funds shall be administered by a fund administrator, acting
26 outside of the commission, designated by the commission through a
27 competitive bid process. The commission shall establish and approve
28 the budget for the administrator and the administrative expenses shall
29 be paid out of the funds. The administrator may establish an account
30 or accounts in one or more independent financial institutions. Moneys
31 in the state universal service funds shall be used only for universal
32 service support determined under this section, and to pay the costs of
33 administration of the state universal service program.

34 (5) Any support provided by the funds to a rural telephone company
35 or a nonrural telephone company may be provided to another carrier
36 designated as an eligible telecommunications carrier for an area served
37 by the rural telephone company or nonrural telephone company if the
38 carrier provides basic telecommunications services throughout that
39 area.

1 This section expires December 31, 2011.

2 NEW SECTION. **Sec. 6.** The commission shall designate
3 telecommunications carriers that are eligible to receive support for
4 their provision of service in high-cost locations as eligible
5 telecommunications carriers and establish criteria for making such
6 designations. In making such designations, the commission shall
7 require the carriers to serve all persons requesting service, who pay
8 the lawful charges therefor, with the basic telecommunications services
9 within the geographic area for which designation is made. Before
10 granting a carrier status as an eligible telecommunications carrier,
11 the commission shall ensure that the carrier is capable of providing
12 basic telecommunications services to any customer that may desire such
13 services within the area the carrier seeks to serve as an eligible
14 telecommunications carrier. Support for service provided to any
15 individual customer shall be available for either wireline service or
16 nonwireline service radio access lines, but not both.

17 This section expires December 31, 2011.

18 NEW SECTION. **Sec. 7.** (1) Beginning July 1, 2001, the commission,
19 consistent with the direction of section 5(3) of this act, shall
20 require that moneys from the rural universal service fund be used to
21 replace the rural companies' interim universal service rate element to
22 the extent possible. The commission shall also require that moneys
23 from the rural universal service fund also replace the universal
24 service rate element established by the commission in its U-85-23
25 docket to the extent possible. The administrator shall determine each
26 year the amount that would have been raised by these rate elements and
27 shall provide to each rural telephone company an amount from the rural
28 state universal service fund equivalent to the amount that would have
29 been raised had the rate elements remained in effect.

30 (2) The total amount calculated by the administrator for all
31 companies shall be used to calculate the per line amounts under section
32 5 of this act. The amounts shall be calculated on an annual basis, but
33 distributed monthly. If the funds are insufficient, the administrator
34 shall distribute moneys on a pro rata basis, and the commission shall
35 allow the rural telephone companies to recover the difference through
36 access or other rates as proposed by the affected telephone company on
37 a revenue-neutral basis.

1 (3) Beginning January 1, 2003, the commission may, after hearing,
2 replace the universal service mechanism for rural telephone companies
3 set out in subsection (1) of this section with the universal service
4 mechanism that has been adopted by the federal communications
5 commission for rural telephone companies, or continue the mechanism set
6 out in subsection (1) of this section. If the commission chooses to
7 implement the federal communications commission's universal service
8 mechanism adopted by the federal communications commission for rural
9 telephone companies, it shall do so using company specific inputs, as
10 appropriate for the mechanism, and shall implement the new mechanism
11 only after any court appeals concerning the federal communications
12 commission's universal service mechanism for rural telephone companies
13 have become final. The first year transition to the new mechanism
14 shall be revenue neutral to the rural telephone companies, with the
15 rural telephone companies increasing or decreasing, as appropriate,
16 rates as proposed by the affected rural telephone company for the
17 first-year implementation of the new mechanism.

18 (4) This section expires December 31, 2011.

19 NEW SECTION. **Sec. 8.** Beginning July 1, 2001, the commission shall
20 implement a program to provide explicit support for basic
21 telecommunications services in high-cost locations served by nonrural
22 telephone companies. The support shall be based on the difference
23 between the cost of providing basic telecommunications services and a
24 benchmark determined by the commission, less any financial support
25 received by the eligible carrier from any federal high-cost universal
26 service support program. A separate benchmark may be established by
27 the commission: (1) For residence lines and radio access lines; and
28 (2) for business lines. Support shall be available for all lines used
29 to provide basic telecommunications services in high-cost locations.
30 If the nonrural state universal service fund is insufficient to support
31 the nonrural universal service program at the commission-determined
32 level of support, the commission shall adjust the benchmark, or
33 benchmarks, upward.

34 This section expires December 31, 2011.

35 NEW SECTION. **Sec. 9.** (1) The administrator of the funds may
36 request, and each telecommunications carrier shall provide, information

1 the commission or the administrator may reasonably require for the
2 implementation and operation of the program.

3 (2) Any telecommunications carrier may submit such information, or
4 any portion thereof, under the protection of RCW 80.04.095 and the
5 administrator shall treat such information according to the terms of
6 RCW 80.04.095.

7 This section expires December 31, 2011.

8 NEW SECTION. **Sec. 10.** (1) In addition to any other penalties
9 prescribed by law, the commission may impose penalties for delays in
10 making the required reports or contributions under the program. The
11 penalties shall be calculated as a percentage of the carrier's required
12 contribution for the previous calendar year, and may not exceed an
13 amount equal to the amount owed by the carrier.

14 (2) Any penalties imposed by the commission under this section or
15 imposed for violation of rules adopted under sections 2 through 11 and
16 13 of this act, and RCW 80.36.610 shall be payable to the universal
17 service fund created by section 5 of this act.

18 (3) In addition to any penalties imposed under this section, the
19 administrator may withhold payments to any eligible telecommunications
20 carrier that fails to submit information required to be submitted under
21 sections 2 through 11 and 13 of this act, and RCW 80.36.610.

22 (4) This section expires December 31, 2011.

23 NEW SECTION. **Sec. 11.** (1) The commission may delegate to the
24 secretary of the commission the authority to resolve disputes, approve
25 expenses of the administrator, and make other administrative decisions
26 necessary to the administration and supervision of the program
27 consistent with the relevant statutes and commission rules.

28 (2) This section expires December 31, 2011.

29 **Sec. 12.** RCW 80.36.610 and 1998 c 337 s 2 are each amended to read
30 as follows:

31 ((+1)) The commission is authorized to take actions, conduct
32 proceedings, and enter orders as permitted or contemplated for a state
33 commission under the federal telecommunications act of 1996, P.L. 104-
34 104 (110 Stat. 56), including requiring contribution by commercial
35 mobile service providers to the rural state universal service fund and
36 the nonrural state universal service fund as provided in sections 1

1 through 11 and 13 of this act, but the commission's authority to either
2 establish a new state program or to adopt new rules to preserve and
3 advance universal service under section 254(f) of the federal act is
4 limited to the actions expressly authorized by ((RCW 80.36.600)) this
5 act. The commission may establish by rule fees to be paid by persons
6 seeking commission action under the federal act, and by parties to
7 proceedings under that act, to offset in whole or part the commission's
8 expenses that are not otherwise recovered through fees in implementing
9 the act((, but new fees or assessments charged telecommunications
10 carriers to either establish a state program or to adopt rules to
11 preserve and advance universal service under section 254(f) of the
12 federal act do not take effect until the legislature has approved a
13 state universal service program.

14 (2) The legislature intends that under the future universal service
15 program established in this state:

16 (a) Every telecommunications carrier that provides intrastate
17 telecommunications services shall contribute, on an equitable and
18 nondiscriminatory basis, to the preservation and advancement of
19 universal service in the state;

20 (b) The contributions shall be competitively and technologically
21 neutral; and

22 (c) The universal service program to be established in accordance
23 with RCW 80.36.600 shall not be inconsistent with the requirements of
24 47 U.S.C. Sec. 254)).

25 This section expires December 31, 2011.

26 NEW SECTION. Sec. 13. A new section is added to chapter 80.66 RCW
27 to read as follows:

28 (1) Nothing in this chapter shall prohibit the commission from
29 administering the universal service fund created by this act, or from
30 conducting arbitration or other proceedings under the 1996
31 telecommunications act, P.L. 104-104 (110 Stat. 56).

32 (2) This section expires December 31, 2011.

33 NEW SECTION. Sec. 14. Sections 1 through 11 of this act are each
34 added to chapter 80.36 RCW.

35 NEW SECTION. Sec. 15. RCW 80.36.600 (Universal service program--
36 Planning and preparation--Commission's duties--Approval of legislature

1 required--Definitions) and 1999 c 372 s 16 & 1998 c 337 s 1 are each
2 repealed.

3 NEW SECTION. **Sec. 16.** This act takes effect January 1, 2001.

4 NEW SECTION. **Sec. 17.** The secretary of state shall submit this
5 act to the people for their adoption and ratification, or rejection, at
6 the next general election to be held in this state, in accordance with
7 chapter 1, Laws of 2000 (Initiative Measure No. 695).

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