

SENATE BILL REPORT

SB 5157

As of February 4, 2015

Title: An act relating to the state universal communications services program.

Brief Description: Concerning the state universal communications services program.

Sponsors: Senator McCoy.

Brief History:

Committee Activity: Energy, Environment & Telecommunications: 2/03/15.

SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TELECOMMUNICATIONS

Staff: William Bridges (786-7416)

Background: Washington State Broadband Office (Broadband Office). Created by the Legislature in 2009, and funded by a five-year federal grant under the American Recovery and Reinvestment Act, the Broadband Office is charged with coordination, programming, and outreach on broadband issues in the state. The Broadband Office issued its last legislative report in January 2014, and is currently unfunded.

Federal Connect America Fund. In 2011 the Federal Communication Commission (FCC) approved a process to end the complex system of fees, surcharges, and subsidies that support rural telephone companies and transition federal monies to the Connect America Fund for expanding broadband internet capability to underserved areas. Underserved areas will be identified at the census-block level.

FCC Definition of Broadband. The FCC requires companies receiving Connect America funding for fixed broadband to offer speeds of at least 10 megabits per second (Mbps) for downloads and 1 Mbps for uploads.

State Universal Service Program. To assist rural companies in this transition period, the Legislature established a temporary universal service program operated by the Washington Utilities and Transportation Commission (UTC). The program expires in July 2019.

The Universal Service Program is funded by legislative appropriations to the Universal Communications Services Account. The maximum amount appropriated each year cannot

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exceed \$5 million. A telephone company is eligible to receive distributions from the account if:

- the company has fewer than 40,000 access lines in the state;
- the company's customers are at risk of rate instability or service interruptions absent distributions to the company; and
- the company meets any other criteria established by the UTC.

An advisory board advises the UTC on any rules and policies governing the operation of the program. The board consists of consumers and communications providers.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Proposed First Substitute): Expanding the State Universal Service Program to Cover Broadband Planning Efforts. Qualifying entities may apply for distributions from the Universal Communications Services Account for planning and assessing underserved areas that do not receive advanced telecommunications services. The total annual distributions from the account must not exceed 10 percent of the total distributions in any given year.

The Broadband Office is charged with receiving and evaluating applications for broadband planning distributions. Underserved areas must be evaluated using census block data developed by the FCC in determining high-cost areas for assistance under the Connect America Fund. The UTC retains final authority to determine the recipients and the amount of each disbursement.

Adding Tribal Representatives to Advisory Board. Tribal representatives are added to the board that advises the UTC on matters relating to the Universal Service Program.

Defining Terms. Qualifying entities means towns, cities, port districts, and counties who represent customers of communications providers residing in areas that do not receive advanced telecommunications services. Federally recognized Indian tribes in the state are also qualifying entities. Advanced telecommunications services generally means broadband telecommunications capability with minimum speeds of 10 Mbps downstream and 1 Mbps upstream.

Appropriation: None.

Fiscal Note: Requested for proposed substitute on February 2, 2015.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This bill will help underserved communities begin the process of bringing broadband to their areas by identifying their needs and estimating the costs of deployment. The Universal Communications Services Account isn't large enough to pay for broadband infrastructure but it is sufficient to pay for planning.

CON: The purpose of the Universal Communications Services Account is to help small, rural telephone companies continue providing basic phone service in the face of declining federal support. These companies are carriers of last resort that face competition from wireless carriers and other phone companies. The account does not have enough money for broadband planning. The state already did broadband planning with federal money from American Recovery and Reinvestment Act of 2009. Most municipal broadband experiments have failed because of insufficient revenue. The solution to rural broadband is private providers, not government.

Persons Testifying: PRO: Senator McCoy, prime sponsor.

CON: Betty Buckley, WA Independent Telecommunications Assn.; Elaine Davis, Fair Competition Alliance.