

# HOUSE BILL REPORT

## SSB 6046

---

---

### As Reported By House Committee On: Energy & Utilities

**Title:** An act relating to a study by the utilities and transportation commission on universal telecommunications service.

**Brief Description:** Creating a study by the utilities and transportation commission on universal telecommunications service.

**Sponsors:** Senate Committee on Energy & Utilities (originally sponsored by Senator Finkbeiner).

**Brief History:**

**Committee Activity:**

Energy & Utilities: 3/25/97, 3/26/97 [DPA].

---

### HOUSE COMMITTEE ON ENERGY & UTILITIES

**Majority Report:** Do pass as amended. Signed by 13 members: Representatives Crouse, Chairman; DeBolt, Vice Chairman; Mastin, Vice Chairman; Poulsen, Ranking Minority Member; Morris, Assistant Ranking Minority Member; Bush; Cooper; Honeyford; Kastama; Kessler; Mielke; Mulliken and B. Thomas.

**Staff:** Margaret Allen (786-7110).

**Background:** Universal service— refers to federal and state policies to provide affordable telephone service to all residents, regardless of income or location. This means residents who live in areas expensive to serve, such as sparsely populated or hard-to-serve areas, may pay less for their phone service than the actual cost to provide the service.

**Definition.** Initially, universal service— meant the subsidizing of phone companies to provide local telephone services, although there was no formal definition of those services, and the services that were funded varied by state.

The Telecommunications Act of 1996 (1996 Act) described universal service as an evolving level of telecommunications services that the [Federal Communications Commission] shall establish periodically...taking into account advances in telecommunications and information technologies and services.— The act provided for

the creation of the Federal-State Joint Board on Universal Service to recommend changes in Federal Communications Commission (FCC) universal service regulations, including defining the services to be supported by the federal universal service fund.

In November 1996, the joint board made its recommendations to the FCC; new FCC rules regarding universal service are due in May. However, the state has the authority to create a universal-service program to meet its own definitions, and to adopt a universal support program consistent with FCC rules.

**Funds.** Universal service has been funded by a complex system of excise taxes and above-cost charges for certain services (such as interstate service). Under the 1996 Act, all providers of telecommunications services should make equitable and nondiscriminatory contributions to fund universal service.

Currently, the Washington Exchange Carrier Association (WECA), a non-profit corporation, administers the development and filing of intrastate common carrier line and universal service fund access tariffs. The WECA pools and distributes the revenues derived from those tariffs.

The 1996 Act requires the WUTC to designate at least one, and in non-rural areas where required by the public interest more than one, carrier to receive universal funds. To be eligible, a telecommunications carrier must offer services using its own facilities, or a combination of its own facilities and resale of another carrier's services.

**Summary of Amended Bill:** The Legislature finds that in a competitive industry, telecommunications companies may be less inclined to invest in facilities to serve sparsely populated or hard-to-serve areas of the state. The Legislature further finds it necessary to study the creation of a universal service fund. The purpose of the fund would be to provide an incentive to telecommunications carriers to build facilities and serve sparsely populated and hard-to-serve areas of the state at affordable rates comparable to rates in urban areas.

By January 1, 1998, or within six months of the date the FCC adopts universal service rules, whichever is later, the WUTC must study and make recommendations regarding the future of providing universal telecommunications services in Washington. The study is to include, at a minimum: (1) a definition of basic service; (2) an analysis of the range of potential carriers, including wireless; (3) an analysis of cost methodologies for determining universal service funding; and (4) options for generating and disbursing universal service funding.

The study is to be reported to the House and Senate Energy and Utilities committees.

**Amended Bill Compared to Substitute Bill:** The amended bill clarifies that the WUTC is to conduct the study, and extends the time the WUTC has to complete the study if the FCC is late in adopting universal service rules.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** Universal service is a important issue. It is important that all areas of the state have access to reasonably comparable services at reasonably comparable prices. Revising the intent section of the bill to refer to basic telecommunications services– may mean data transmission is unavailable in rural areas. The definition of basic service should be kept as narrow and affordable as possible; the intent section of the bill should be revised to clarify that the purpose of the study is to look at basic, not advanced, telecommunications services.

**Testimony Against:** None.

**Testified:** (Pro) Terry Vann, Washington Independent Telephone Association; and Teresa Osinski, Washington Utilities and Transportation Commission. (Pro with amendment) Mark Greenberg, TRACER.