

HOUSE BILL ANALYSIS

HB 1909

Title: An Act relating to the implementation of the federal telecommunications act of 1996.

Brief Description: Creating a program to advance universal telecommunications service.

Sponsors: Representatives Poulsen and Ruderman

HOUSE COMMITTEE ON TECHNOLOGY, TELECOMMUNICATIONS & ENERGY

Meeting Date: February 23, 1999.

Bill Analysis Prepared by: Julia Harmatz, (786-7135)

Background:

Universal service is the policy of providing access to the telephone network at an affordable price. In areas where the cost of providing service is very expensive, service is provided at a price to the customer that is below cost. Customers in low cost locations pay above cost prices so that every citizen can have access to the network. The estimated cost of service in Washington per month, by exchange varies from a low of \$15.90 to a high of \$476.21.

Washington has a functioning program of universal service. The program is the result of federal and state legislative decisions, federal and state regulatory decisions and active compliance by regulated telecommunications carriers for more than sixty years. This successful program has resulted in an affordable price for basic telecommunications service for most households and business regardless of the actual cost or providing service to any particular household or business. As a result, 94.8 percent of Washington households subscribe to telecommunications service. This subscription rate has been achieved by averaging both costs and process for basic telecommunications services. This situation would continue if it were not for the combination of legal requirements to promote competition, the mandate to exchange implicit support for explicit support, and the advent of actual competition in the market for telecommunications services.

Last session, the Legislature passed ESSB 6622 (Chapter 337). This act directed the Washington Utilities and Transportation Commission to plan and prepare to implement a program for the preservation and advancement of universal service until the Legislature

approves the program. The Technology, Telecommunications and Energy Committee received the full report in early December 1998.

The sooner universal service is guaranteed for the future through competitively and technologically neutral means, the sooner the natural strengths and weaknesses of competitors can be left to determine their future. At present, universal service places burdens on monopoly incumbents that result in benefits to those competitors who do not have any responsibility for universal service.

Summary:

The Commission

As per this bill, the commission is authorized to take actions, conduct proceedings, and enter orders as permitted under the federal Telecommunications Act of 1996. Further, the Washington Utilities and Transportation Commission shall:

1. implement the universal service program and ensure consistency with the Telecommunications Act of 1996 and any federal program;
2. establish by rule a specific, predictable, and sufficient mechanism to provide support for universal service;
3. establish each carriers annual contribution to the fund. If the contribution is insufficient to support universal service, the commission shall adjust the benchmark(s) upwards;
4. adopt rules that detail the criteria for the selection of the fund administrator and approve the related administrative expenses paid out of the fund;
5. designate eligible recipients of the fund and distribute universal service support;
6. establish by rule both the criteria and method for making distributions for benchmark(s)
7. audit the eligible recipients of funds;
8. determine the reporting requirements for carriers;
9. coordinate the program with any federal program; and
10. impose penalties on carriers that delay to report or contribute to the fund.

Explicit Funding

This bill requires replacement of current implicit funding mechanisms with explicit funding mechanisms.

The Universal Service Fund

The fund will consist of all contributions, penalties and other authorized moneys. Every telecommunications company is to contribute on an equitable and non-discriminatory basis, and contributions will not exceed 3 percent of the gross end user revenue of each carrier. End user telecommunications revenue is derived from international, interstate, and intrastate revenue from intrastate operations.

Benchmark & Support for All Lines

The commission designates the price benchmark for universal service support. This bill requires that all telephone lines be supported by the fund.

Basic Services

Basic services supported by the fund include: single party service; voice grade service; support for local usage; touch tone; E-911 services; access to operator services; access to interexchange services; access to directory assistance; and toll limitation services.

Independent Fund Administrator

An independent administrator will be selected through a competitive bid process, although the administrator will still be subject to the guidance and the direction of the commission. The administrator may establish bank accounts at one or more independent financial institution.

Penalties

Penalties may be imposed for delay of filing reports or making required payments. Penalties are payable into the universal service fund. In addition, the administrator may withhold payments to eligible carriers that fail to adhere to the reporting requirements.

Evaluation of the Program

The commission will evaluate, assess and report to the legislature by December 31st of each year on the following issues: the comparability of rates for high cost and low cost locations; impacts on competition; whether rates are affordable; and whether the fund is adequate.

Appropriation: None.

Fiscal Note: Requested.

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