

HOUSE BILL REPORT

HB 2423

As Reported by House Committee On:
Technology & Economic Development
Appropriations

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

Brief Description: Concerning the state universal communications services program.

Sponsors: Representatives DeBolt, Tarleton, Orcutt, Blake, Doglio, Fey, Springer, Pollet, Maycumber, Nealey, Schmick, Wilcox, Dye, Smith and Vick.

Brief History:

Committee Activity:

Technology & Economic Development: 1/25/18, 1/30/18 [DPS];
Appropriations: 2/3/18, 2/6/18 [DPS(TED)].

Brief Summary of Substitute Bill

- Modifies eligibility and specifications for distributions under the Universal Communications Services program.
- Removes the expiration date for the Universal Communications Services program.

HOUSE COMMITTEE ON TECHNOLOGY & ECONOMIC DEVELOPMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives Morris, Chair; Kloba, Vice Chair; Tarleton, Vice Chair; DeBolt, Assistant Ranking Minority Member; Doglio, Fey, Harmsworth, Hudgins, Manweller, McDonald, Nealey, Santos, Slatter, Steele, Wylie and Young.

Staff: Lily Smith (786-7175).

Background:

Universal Communications Services Program.

The Universal Communications Services (UCS) program and associated account was established in 2014 for the purpose of supporting the continued provision of basic

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telecommunications services during a period when incumbent communications providers would be adapting to changes in federal funding.

Fund Distributions.

A communications provider is eligible to receive distributions under the UCS program if: (1) the provider has less than 40,000 lines in the state; (2) the customers of the provider are at risk of rate instability or service interruptions absent distributions to the provider; and (3) the provider meets any other criteria established by the Utilities and Transportation Commission (UTC). A communications provider must agree to provide continued services under requirements established by the UTC for the duration of the funding.

Distributions under the UCS program are based on a benchmark that the UTC determines is a reasonable amount customers should pay for basic service.

Advisory Board.

The UTC is required to establish an advisory board for rules and policies governing the operation of the UCS program.

Expiration.

The UCS program expires in 2019 and the statutory sections establishing the program expire in 2020.

Funding.

The program is funded by annual deposits from the State General Fund to the USC Account of up to \$5 million annually.

Summary of Substitute Bill:

Universal Communications Services Program.

The purpose of the UCS program is expanded to include the provision, enhancement, and maintenance of broadband services, and is no longer limited to the time period in which incumbent communications providers would be adapting to certain changes in federal funding. Broadband services are included as a communications service that the incumbent public network functions to provide, and as a service that must continue to be provided during the period covered by a distribution under the UCS program.

Fund Distributions.

Distributions under the UCS program no longer require there to be a risk of rate instability or service disruptions to customers unless a distribution is made. Instead, distributions require the communications provider to have adopted a plan for broadband service in the area.

Distributions are no longer based on a benchmark established by the UTC. Instead, benchmarks are based on criterion established by the UTC. Distributions must be reduced on a proportional basis if the program is unable to fully fund the distribution formula.

Advisory Board.

The UTC is no longer required to establish an advisory board for rules and policies governing the operation of the program.

Expiration.

The expiration dates of the UCS program and the statutory sections establishing the program are removed.

Substitute Bill Compared to Original Bill:

The substitute bill changes the way distributions are calculated from a formula based on revenue loss to criterion established by the UTC.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Many people still rely on landlines, and rural broadband is expensive to provide. Extending this program will help to balance the playing field and help the economy. Small telecommunications companies provide services where others will not because of the extreme cost. This is a critical program without which rates would increase. Every dollar received goes into operation and investment and allows broadband to be provided to a majority of customers. School districts, medical clinics, libraries, and other services have benefitted, and development has increased.

(Opposed) None.

Persons Testifying: Representative DeBolt, prime sponsor; Rick Vitzthum, Kalama Telephone Company and Tenino Telephone Company; and Dale Merten, ToledoTel.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill by Committee on Technology & Economic Development be substituted therefor and the substitute bill do pass. Signed by 33 members: Representatives Ormsby, Chair; Robinson, Vice Chair; Chandler, Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Stokesbary, Assistant Ranking Minority Member; Bergquist, Buys, Caldier, Cody, Condotta, Fitzgibbon, Graves, Haler, Hansen, Harris, Hudgins, Jinkins, Kagi, Lytton, Manweller, Pettigrew, Pollet, Sawyer, Schmick, Senn, Springer, Stanford, Sullivan, Taylor, Tharinger, Vick, Volz and Wilcox.

Staff: Charlie Gavigan (786-7340).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Technology & Economic Development:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill addresses the part of the rural broadband problem that has already been fixed. In 2013 the Legislature created the Universal Communications Services Account and adopted a residential telephone services tax that goes into the State General Fund. The Legislature deposits \$5 million in this fund each year for this program. While landline services are provided in areas of the state that do not have cell phone service, the primary focus is on building broadband; continuation of the fund will enable that to continue.

(Opposed) None.

Persons Testifying: Betty Buckley, Washington Independent Telecommunications Association.

Persons Signed In To Testify But Not Testifying: None.