

# HOUSE BILL REPORT

## HB 1698

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**As Reported by House Committee On:**  
Technology, Energy & Communications  
Finance

**Title:** An act relating to broadband adoption and deployment.

**Brief Description:** Creating a state broadband adoption and deployment authority.

**Sponsors:** Representatives Hudgins and McCoy.

**Brief History:**

**Committee Activity:**

Technology, Energy & Communications: 2/4/09, 2/12/09 [DPS];

Finance: 2/24/09, 3/2/09 [DP2S(w/o sub TEC)].

**Brief Summary of Second Substitute Bill**

- Authorizes the Department of Information Services as an eligible entity for the purposes of the Broadband Data Improvement Act (Act), and authorizes continued work towards the goals of the Act and those of the 2008 High Speed Internet Strategy Work Group.

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### HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives McCoy, Chair; Eddy, Vice Chair; Crouse, Ranking Minority Member; Haler, Assistant Ranking Minority Member; Carlyle, Condotta, Finn, Hasegawa, Herrera, Hudgins, Jacks, McCune, Morris, Takko and Van De Wege.

**Staff:** Kara Durbin (786-7133)

**Background:**

Federal Broadband Efforts.

In 2008 Congress passed the Broadband Data Improvement Act (Act). Part of the Act directed the Secretary of Commerce to make competitive grants available to states to support

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identification and tracking of availability and adoption of broadband services. Any competitive grants awarded would require a 20 percent match of non-federal funding.

The Act also required the Federal Communications Commission (FCC) to provide eligible entities with electronic access to aggregate data collected by the FCC from broadband service providers. "Eligible entity" is defined as an entity that is: (1) either a state agency or instrumentality of the state, a non-profit organization, or certain independent agencies; and (2) the single eligible entity designated by the state to receive such a grant.

While the Act provided authorization for funding, no funds have been appropriated by the federal government to implement the Act.

#### State Broadband Efforts.

In 2008 the Legislature directed the Department of Information Services (DIS) to convene a work group to identify and develop strategies for high-speed internet deployment and adoption. The DIS established the High-Speed Internet Strategy Work Group (Work Group) in June of 2008, which included representatives from government, community, education, business, non-profit, economic development, health care, technology, union, public utility, and service provider interests. The Work Group met seven times between July of 2008 and November of 2008. It issued its final report to the Legislature on December 1, 2008.

In its report, the DIS, in concurrence with the Work Group, made the following recommendations:

1. *Defining High-Speed Internet Service:* The state should adopt a definition of "high-speed internet service" that is consistent with the FCC's broadband speed tiers in the upload and download direction, except for the bottom tier. High-speed internet should also be defined by the applications it can enable.
2. *Mapping:* The state should consider mapping at the census tract level, rather than the census block level. The map should be produced by a third-party entity to ensure the confidentiality of proprietary and competitively sensitive data. The map should provide adoption information, availability information, the technology used, and available speed tiers. The map should provide a link to the service provider's web site to provide pricing data. An interactive, web-based map also should be available to allow queries and inputs from consumers.
3. *Local Technology Teams:* The DIS should coordinate Local Technology Planning Teams (LTPTs) and assist the LTPTs in conducting local needs assessments, developing and implementing strategic plans, and identifying funding sources.
4. *Spurring Development:* The state should conduct several initiatives to spur the development of high-speed internet in the state, which may include expanding the Community Technology Opportunities Program, soliciting funding sources, and establishing low-cost hardware and software programs.

5. *Benchmarks*: The DIS should oversee tracking of residential, business, and statewide high-speed internet adoption. A variety of metrics and benchmarks should be used to measure the success of the state's high-speed internet deployment and adoption strategy.

The final report also recommended that legislation be introduced to: (1) authorize the DIS to coordinate implementation of the high-speed internet deployment and adoption strategy, as outlined in the report; and (2) provide initial funding to support implementation.

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### **Summary of Substitute Bill:**

The Broadband Adoption and Deployment Authority (Authority) is created within the Department of Information Services (DIS). The Authority may oversee implementation of federally funded broadband programs, which may include:

- contracting for a completed high-speed internet map;
- tracking residential and business adoption of high-speed internet, computers, and related information technology;
- identifying barriers to broadband adoption; and
- creating programs to improve computer ownership, technology literacy, and high-speed internet access for unserved populations.

A business and occupation (B&O) tax credit is allowed for telecommunications companies equal to 50 percent of any contributions made to the Community Technology Opportunity Account (Account). The credit cannot exceed \$200,000 per fiscal year per telecommunication company. Any unclaimed B&O tax credit for contributions made to the Account may be carried over for three years. This B&O tax credit expires June 30, 2018.

Leasehold taxes collected from a telecommunications company as a result of the company's leasehold interest in publicly owned property must be deposited in the Account.

The Council on Digital Inclusion (Council) is created with the following duties:

- to review available grant programs and identify appropriate sources of revenue for the Account;
- to analyze how support from the public and private sector, the philanthropic community, and other not-for-profit organizations can build a sustainable infrastructure with a variety of access alternatives for citizens;
- to plan for long-term sustainability of digital inclusion initiatives;
- to research and catalog existing programs that can advance digital literacy and computer access; and
- to present any information compiled by the Council to the Authority.

### **Substitute Bill Compared to Original Bill:**

The substitute bill specifies that the Broadband Adoption and Deployment Authority is housed within the Department of Information Services. It removes the Digital Inclusion Account, and it specifies that membership on the Council on Digital Inclusion is voluntary.

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**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) The goal is to bring forward and implement the recommendations of the High Speed Internet Strategy Work Group without it costing the state very much money. The state needs to position itself to be ready to receive federal funding

Broadband is of critical value to all parts of our state – rural and urban. Jobs, business, education, and health care can be more efficiently distributed by government with broadband.

The federal economic stimulus package has included \$350 million for mapping, infrastructure and other efforts. This funding, if approved, could support a multi-year broadband effort in our state.

The purpose of having a voluntary council is to continue the work of the High Speed Internet Strategy Work Group and the work of the Council on Digital Inclusion. It is important to direct federal dollars to the Community Technology Opportunity Program, which is housed at Washington State University right now. We want to position that program to qualify for additional funding. Broadband deployment and adoption programs should all be housed at one place: the Department of Information Services (DIS). The take rate is often a function of being able to afford the monthly fee.

(In support with concerns) The High Speed Internet Strategy Work Group was an excellent start in moving the state forward on broadband. The Governor agrees that the DIS should be the lead agency on this issue, and as long as DIS has the budget authority to proceed with these tasks, the board or authority may be more symbolic than anything else. The tax incentives may drive up the fiscal note and may not be the appropriate incentive for the telecommunications companies to make these investments.

It is important to work with community groups in which there is no broadband provider to identify opportunities where broadband would increase take rates. Some areas are very expensive to serve.

(With concerns) We need to watch closely what the federal government does with the stimulus package. We can work out the details as we go forward. The map should be meaningful so that we get broadband deployment at the right speed.

(Opposed) None.

**Persons Testifying:** (In support) Representative Hudgins, prime sponsor; Michael Briggs, Northwest Telecommunications; Alison McCaffree, NPower Seattle; Gail Love, Communications Workers of America; Wilson Bull, Puget Sound Center for Teaching, Learning, and Technology; Betty Buckley, Communities Connect Network; and Bruce McGregor and Chris Tugwell, YMCA.

(In support with concerns) Ron Main, Broadband Cable Association; Mary Taylor, CenturyTel; and Steve Gano, AT&T.

(With concerns) Tom Walker, Qwest; and Vicki Austin, Washington Public Utility Districts Association.

(Opposed) None.

**Persons Signed In To Testify But Not Testifying:** (In support) Slimeer Singla, Verizon Northwest.

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## HOUSE COMMITTEE ON FINANCE

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Technology, Energy & Communications. Signed by 6 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Conway, Ericks, Santos and Springer.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Orcutt, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Condotta.

**Staff:** Joseph Archuleta (786-7192)

### **Summary of Recommendation of Committee On Finance Compared to Recommendation of Committee On Technology, Energy & Communications:**

The second substitute bill removes the provisions creating a Broadband Adoption and Deployment Authority within DIS. Instead, DIS is authorized to continue the work of the 2008 High Speed Internet Strategy Work Group, which may include:

- developing programs to provide low-income families or non-profit entities with low-cost internet access;
- securing additional funding for digital inclusion programs; and
- developing last-mile technology loan programs.

The second substitute bill removes the business and occupational and leasehold tax provisions, the Council on Digital Inclusion provision, as well as the reference to underserved areas in the intent section of the bill.

The second substitute bill adds a null and void section if federal funding is not received for the purposes of the act by July 1, 2009.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Second 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) Communication Workers of America is attempting to position the state to accept and apply for broadband stimulus dollars that the federal government is now putting out there. We think that this piece of legislation is needed to get rid of these unneeded tax credits that would have cost the state. It would also allow the state to have the option to make their decision on how they want to approach the stimulus dollars. We hope the state will continue to work with broadband work group. We feel this is a very important part of the broadband overall. We are supporting the fact that the stimulus dollars will be the funding for this mechanism.

(In support with concerns) One area of concern is the definition of underserved areas in the original substitute. There was a definition of underserved areas could exclude a lot of urban and metropolitan areas and the second proposed substitute is silent on that. Currently, the City of Seattle neighborhoods and community groups receive community technology grants to help the underserved areas of the city, and Seattle does not want to turn its back on that definition and those underserved areas of the city, so clarification on how that would be defined is needed.

**Persons Testifying:** (In support) Gail Love, Communication Workers of America.

(In support with concerns) Genesee Adkins, City of Seattle.

**Persons Signed In To Testify But Not Testifying:** None.