1516

17

18

19

SECOND SUBSTITUTE HOUSE BILL 1498

State of Washington

66th Legislature

2019 Regular Session

By House Capital Budget (originally sponsored by Representatives Hudgins, Dye, Tharinger, Maycumber, DeBolt, Wylie, Orcutt, Chapman, Kloba, Tarleton, Frame, Appleton, Smith, Shewmake, Doglio, Paul, Reeves, Stanford, Valdez, Leavitt, Macri, and Steele; by request of Office of the Governor)

READ FIRST TIME 02/27/19.

- AN ACT Relating to expanding affordable, resilient broadband 1 2 service to enable economic development, public safety, health care, 3 and education in Washington's communities; amending RCW 54.16.330, 53.08.370, 80.36.630, 80.36.650, 80.36.660, 80.36.670, 80.36.680, 4 80.36.690, and 80.36.700; amending 2013 2nd sp.s. c 8 ss 212 and 303 5 (uncodified); reenacting and amending RCW 43.84.092; 6 adding new 7 sections to chapter 43.330 RCW; adding new sections to chapter 43.155 8 RCW; creating a new section; repealing RCW 43.330.415, 43.330.418, 80.36.620; providing expiration dates; and declaring an 9 and 10 emergency.
- 11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:
- 12 <u>NEW SECTION.</u> **Sec. 1.** The legislature finds that:
 - (1) Access to broadband is critical to full participation in society and the modern economy;
 - (2) Increasing broadband access to unserved areas of the state serves a fundamental governmental purpose and function and provides a public benefit to the citizens of Washington by enabling access to health care, education, and essential services, providing economic opportunities, and enhancing public health and safety;
- 20 (3) Achieving affordable and quality broadband access for all 21 Washingtonians will require additional and sustained investment,

p. 1 2SHB 1498

research, local and community participation, and partnerships between private, public, and nonprofit entities;

- (4) The federal communications commission has adopted a national broadband plan that includes recommendations directed to federal, state, and local governments, including recommendations to:
- (a) Design policies to ensure robust competition and maximize consumer welfare, innovation, and investment;
- (b) Ensure efficient allocation and management of assets that the government controls or influences to encourage network upgrades and competitive entry;
- (c) Reform current universal service mechanisms to support deployment in high-cost areas, ensuring that low-income Americans can afford broadband, and supporting efforts to boost adoption and utilization; and
- (d) Reform laws, policies, standards, and incentives to maximize the benefits of broadband in sectors that government influences significantly, such as public education, health care, and government operations;
- (5) Extensive investments have been made by the telecommunications industry and the public sector, as well as policies and programs adopted to provide affordable broadband services throughout the state, that will provide a foundation to build a comprehensive statewide framework for additional actions needed to advance the state's broadband goals; and
- (6) Providing additional funding mechanisms to increase broadband access in unserved areas is in the best interest of the state. To that end, this act establishes a grant and loan program that will support the extension of broadband infrastructure to unserved areas. To ensure this program primarily serves the public interest, the legislature intends that any grant or loan provided to a private entity under this program must be conditioned on a guarantee that the asset or infrastructure to be developed will be maintained for public use for a period of at least fifteen years.
- NEW SECTION. Sec. 2. A new section is added to chapter 43.330 RCW to read as follows:
- The definitions in this section apply throughout this section and sections 3 through 6 of this act unless the context clearly requires otherwise.

p. 2 2SHB 1498

- 1 (1) "Board" means the public works board established in RCW 43.155.030.
 - (2) "Broadband" or "broadband service" means any service providing advanced telecommunications capability and internet access with transmission speeds that, at a minimum, provide twenty-five megabits per second download and three megabits per second upload.
 - (3) "Broadband infrastructure" means networks of deployed telecommunications equipment and technologies necessary to provide high-speed internet access and other advanced telecommunications services to end users.
 - (4) "Department" means the department of commerce.

4

5

7

8

9

10

1112

13

14

15

1617

18

19

20

2122

25

2627

28

29

30 31

- (5) "Last mile infrastructure" means broadband infrastructure that serves as the final connection from a broadband service provider's network to the end-use customer's on-premises telecommunications equipment.
- (6) "Local government" includes cities, towns, counties, municipal corporations, public port districts, public utility districts, quasi-municipal corporations, special purpose districts, and multiparty entities comprised of public entity members.
- (7) "Middle mile infrastructure" means broadband infrastructure that links a broadband service provider's core network infrastructure to last mile infrastructure.
- 23 (8) "Office" means the governor's statewide broadband office 24 established in section 3 of this act.
 - (9) "Tribe" means any federally recognized Indian tribe whose traditional lands and territories included parts of Washington.
 - (10) "Unserved areas" means areas of Washington in which households and businesses lack access to broadband service, as defined by the office, except that the state's definition for broadband service may not be actual speeds less than twenty-five megabits per second download and three megabits per second upload.
- NEW SECTION. Sec. 3. A new section is added to chapter 43.330 RCW to read as follows:
- 34 (1) The governor's statewide broadband office is established. The 35 director of the office must be appointed by the governor. The office 36 may employ staff necessary to carry out the office's duties as 37 prescribed by this act, subject to the availability of amounts 38 appropriated for this specific purpose.

p. 3 2SHB 1498

- 1 (2) The purpose of the office is to encourage, foster, develop, 2 and improve affordable, quality broadband within the state in order 3 to:
 - (a) Drive job creation, promote innovation, improve economic vitality, and expand markets for Washington businesses;
 - (b) Serve the ongoing and growing needs of Washington's education systems, health care systems, public safety systems, industries and business, governmental operations, and citizens; and
- 9 (c) Improve broadband accessibility for unserved communities and 10 populations.
- NEW SECTION. Sec. 4. A new section is added to chapter 43.330 RCW to read as follows:
 - (1) The office has the power and duty to:

5

7

8

13

16

17

1819

20

23

24

25

2627

28

2930

35

3637

- 14 (a) Serve as the central broadband planning body for the state of Washington;
 - (b) Coordinate with local governments, tribes, public and private entities, nonprofit organizations, and consumer-owned and investor-owned utilities to develop strategies and plans promoting deployment of broadband infrastructure and greater broadband access, while protecting proprietary information;
- 21 (c) Review existing broadband initiatives, policies, and public 22 and private investments;
 - (d) Develop, recommend, and implement a statewide plan to encourage cost-effective broadband access and to make recommendations for increased usage, particularly in rural and other unserved areas;
 - (e) Update the state's broadband goals and definitions for broadband service in unserved areas as technology advances, except that the state's definition for broadband service may not be actual speeds less than twenty-five megabits per second download and three megabits per second upload; and
- 31 (f) Encourage public-private partnerships to increase deployment 32 and adoption of broadband services and applications.
- 33 (2) When developing plans or strategies for broadband deployment, 34 the office must consider:
 - (a) Partnerships between communities, tribes, nonprofit organizations, local governments, consumer-owned and investor-owned utilities, and public and private entities;
- 38 (b) Funding opportunities that provide for the coordination of 39 public, private, state, and federal funds for the purposes of making

p. 4 2SHB 1498

- broadband infrastructure or broadband services available to rural and
 unserved areas of the state;
- 3 (c) Barriers to the deployment, adoption, and utilization of 4 broadband service, including affordability of service; and
 - (d) Requiring minimum broadband service of twenty-five megabits per second download and three megabits per second upload speed, that is scalable to faster service.
- 8 (3) The office may assist applicants for the grant and loan 9 program created in section 7 of this act with seeking federal funding 10 or matching grants and other grant opportunities for deploying 11 broadband services.
 - (4) The office may take all appropriate steps to seek and apply for federal funds for which the office is eligible, other grants, and accept donations, and must deposit these funds in the statewide broadband account created in section 8 of this act.
- 16 (5) In carrying out its purpose, the office may collaborate with 17 the utilities and transportation commission, the office of the chief 18 information officer, the department of commerce, the community 19 economic revitalization board, the public works board, the state 20 librarian, and all other relevant state agencies.
- NEW SECTION. Sec. 5. A new section is added to chapter 43.330 RCW to read as follows:
- It is a goal of the state of Washington that:

7

12

1314

15

- 24 (1) By 2024, all Washington businesses and residences have access 25 to high-speed broadband that provides minimum download speeds of at 26 least twenty-five megabits per second and minimum upload speeds of at 27 least three megabits per second;
- (2) By 2026, all Washington communities have access to at least one gigabit per second symmetrical broadband service at anchor institutions like schools, hospitals, libraries, and government buildings; and
- 32 (3) By 2028, all Washington businesses and residences have access 33 to at least one provider of broadband with download speeds of at
- 34 least one hundred fifty megabits per second and upload speeds of at
- 35 least one hundred fifty megabits per second.
- NEW SECTION. Sec. 6. A new section is added to chapter 43.330 RCW to read as follows:

p. 5 2SHB 1498

- 1 (1) Beginning January 1, 2021, and biennially thereafter, the 2 office shall report to the legislative committees with jurisdiction 3 over broadband policy and finance on the office's activities during 4 the previous two years.
 - (2) The report must, at a minimum, contain:
 - (a) An analysis of the current availability and use of broadband, including average broadband speeds, within the state;
 - (b) Information gathered from schools, libraries, hospitals, and public safety facilities across the state, determining the actual speed and capacity of broadband currently in use and the need, if any, for increases in speed and capacity to meet current or anticipated needs;
- 13 (c) An overview of incumbent broadband infrastructure within the 14 state;
 - (d) A summary of the office's activities in coordinating broadband infrastructure development with the public works board, including a summary of funds awarded under section 7 of this act;
 - (e) Suggested policies, incentives, and legislation designed to accelerate the achievement of the goals under section 5 of this act; and
- 21 (f) Any proposed legislative and policy initiatives.
- NEW SECTION. Sec. 7. A new section is added to chapter 43.155 23 RCW to read as follows:
- 24 (1) The board shall establish a competitive grant and loan 25 program to award funding to eligible applicants in order to promote 26 the expansion of access to broadband service in unserved areas of the 27 state.
 - (2) (a) Grants and loans may be awarded under this section to assist in funding acquisition, installation, and construction of middle mile and last mile infrastructure that supports broadband services and to assist in funding strategic planning for deploying broadband service in unserved areas.
- 33 (b) The board may choose to fund all or part of an application 34 for funding, provided that the application meets the requirements of 35 subsection (9) of this section.
- 36 (3) Eligible applicants for grants and loans awarded under this section include:
 - (a) Local governments;
- 39 (b) Tribes;

7

8

9

10 11

12

1516

17

18

1920

28

2930

31

32

38

p. 6 2SHB 1498

1 (c) Nonprofit organizations;

2

3

4

5

7

8

9

10 11

12

13

14

1516

17

18

1920

21

24

25

26

27

28

40

- (d) Cooperative associations;
 - (e) Multiparty entities comprised of public entity members;
- (f) Limited liability corporations organized for the purpose of expanding broadband access; and
 - (g) Incorporated businesses or partnerships.
- (4)(a) The board shall develop administrative procedures governing the application and award process. The board shall act as fiscal agent for the program and is responsible for receiving and reviewing applications and awarding funds under this section.
- (b) At least sixty days prior to the first day applications may be submitted each fiscal year, the board must publish on its web site the specific criteria and any quantitative weighting scheme or scoring system that the board will use to evaluate or rank applications and award funding.
- (c) The board may maintain separate accounting in the statewide broadband account created in section 8 of this act as the board deems necessary to carry out the purposes of this section.
- (d) The board must provide a method for the allocation of loans, grants, provision of technical assistance, and interest rates under this section.
- 22 (5) An applicant for a grant or loan under this section must 23 provide the following information on the application:
 - (a) The location of the project;
 - (b) Evidence regarding the unserved nature of the community in which the project is to be located;
 - (c) Evidence that proposed infrastructure will be capable of scaling to greater download and upload speeds;
- 29 (d) The number of households passed that will gain access to 30 broadband service as a result of the project or whose broadband 31 service will be upgraded as a result of the project;
- 32 (e) The estimated cost of retail services to end users 33 facilitated by a project;
- 34 (f) The proposed actual download and upload speeds experienced by 35 end users;
- 36 (g) Evidence of significant community institutions that will 37 benefit from the proposed project;
- 38 (h) Anticipated economic, educational, health care, or public 39 safety benefits created by the project;
 - (i) Evidence of community support for the project;

p. 7 2SHB 1498

- (j) If available, a description of the applicant's user adoption assistance program and efforts to promote the use of newly available broadband services created by the project;
 - (k) The estimated total cost of the project;

- (1) Other sources of funding for the project that will supplement any grant or loan award;
- (m) A demonstration of the project's long-term sustainability, including the applicant's financial soundness, organizational capacity, and technical expertise;
- 10 (n) A strategic plan to maintain long-term operation of the 11 infrastructure;
 - (o) Evidence that no later than six weeks before submission of the application, the applicant contacted, in writing, all entities providing broadband service near the proposed project area to ask each broadband service provider's plan to upgrade broadband service in the project area to speeds that meet or exceed the state's definition for broadband service as defined in section 2 of this act, within the time frame specified in the proposed grant or loan activities;
 - (p) If applicable, the broadband service providers' written responses to the inquiry made under (o) of this subsection; and
 - (q) Any additional information requested by the board.
 - (6)(a) Within thirty days of the close of the grant and loan application process, the board shall publish on its web site the proposed geographic broadband service area and the proposed broadband speeds for each application submitted.
 - (b) Any existing broadband service provider near the proposed project area may, within thirty days of publication of the information under (a) of this subsection, submit in writing to the board an objection to an application. An objection must contain information demonstrating that:
 - (i) The project would result in overbuild, meaning that the objecting provider currently provides, or has begun construction to provide, broadband service to end users in the proposed project area at speeds equal to or greater than the state speed goals contained in section 5 of this act; or
 - (ii) The objecting provider commits to complete construction of broadband infrastructure and provide broadband service to end users in the proposed project area at speeds equal to or greater than the state speed goals contained in section 5 of this act, no later than

p. 8 2SHB 1498

twenty-four months after the date awards are made under this section for the grant and loan cycle under which the application was submitted.

- (c) Objections submitted to the board under this subsection must be certified by affidavit.
- (d) The board may evaluate the information submitted under this section by the objecting provider and must consider it in making a determination on the application objected to. The board may request clarification or additional information. The board may choose to not fund a project if the board determines that the objecting provider's commitment to provide broadband service that meets the requirements of (b) of this subsection in the proposed project area is credible. In assessing the commitment, the board may consider whether the objecting provider has or will provide a bond, letter of credit, or other indicia of financial commitment guaranteeing the project's completion.
- (e) If the board denies funding to an applicant as a result of a broadband service provider's objection made under this section, and the broadband service provider does not fulfill its commitment to provide broadband service in the project area, then for the following two grant and loan cycles, the board is prohibited from denying funding to an applicant on the basis of a challenge by the same broadband service provider, unless the board determines that the broadband service provider's failure to fulfill the provider's commitment was the result of factors beyond the broadband service provider's control. The board is not prohibited from denying funding to an applicant for reasons other than an objection by the same broadband service provider.
- (f) An applicant or broadband service provider that objected to the application may request a debriefing conference regarding the board's decision on the application. Requests for debriefing must be coordinated by the office and must be submitted in writing in accordance with procedures specified by the office.
- (g) Confidential business and financial information submitted by an objecting provider under this subsection is exempt from disclosure under chapter $42.56\ \text{RCW}$.
- (7) (a) In evaluating applications and awarding funds, the board shall give priority to applications that are constructed in areas identified as unserved.

p. 9 2SHB 1498

- 1 (b) In evaluating applications and awarding funds, the board may 2 give priority to applications that:
 - (i) Provide assistance to public-private partnerships deploying broadband infrastructure from areas currently served with broadband service to areas currently lacking access to broadband services;
 - (ii) Demonstrate project readiness to proceed;

- (iii) Construct infrastructure that is open access, meaning that during the useful life of the infrastructure, service providers may use network services and facilities at rates, terms, and conditions that are not discriminatory or preferential between providers, and employing accountable interconnection arrangements published and available publicly;
- (iv) Are submitted by tribal governments whose reservations are in rural and remote areas where reliable and efficient broadband services are unavailable to many or most residents;
- (v) Bring broadband service to tribal lands, particularly to rural and remote tribal lands or areas servicing rural and remote tribal entities;
- (vi) Are submitted by tribal governments in rural and remote areas that have spent significant amounts of tribal funds to address the problem but cannot provide necessary broadband services without either additional state support, additional federal support, or both;
- (vii) Serve economically distressed areas of the state as the term "distressed area" is defined in RCW 43.168.020;
 - (viii) Offer new or substantially upgraded broadband service to important community anchor institutions including, but not limited to, libraries, educational institutions, public safety facilities, and health care facilities;
 - (ix) Facilitate the use of telemedicine and electronic health records, especially in deliverance of behavioral health services and services to veterans;
 - (x) Provide technical support and train residents, businesses, and institutions in the community served by the project to utilize broadband service;
- 35 (xi) Include a component to actively promote the adoption of 36 newly available broadband services in the community;
- 37 (xii) Provide evidence of strong support for the project from 38 citizens, government, businesses, and community institutions;
- 39 (xiii) Provide access to broadband service to a greater number of unserved households and businesses, including farms;

p. 10 2SHB 1498

- 1 (xiv) Utilize equipment and technology demonstrating greater 2 longevity of service;
 - (xv) Seek the lowest amount of state investment per new location served and leverage greater amounts of funding for the project from other private and public sources;
 - (xvi) Include evidence of a customer service plan;

4

5

9

14

15

1617

18

19

2021

22

2324

25

26

27

2829

30

33

34

- 7 (xvii) Consider leveraging existing broadband infrastructure and 8 other unique solutions;
 - (xviii) Benefit public safety and fire preparedness; or
- 10 (xix) Demonstrate other priorities as the board may prescribe by 11 rule.
- 12 (c) The board shall endeavor to award funds under this section to 13 qualified applicants in all regions of the state.
 - (d) The board shall consider affordability and quality of service to end users in making a determination on any application.
 - (e) The board may develop additional rules for eligibility, project applications, the associated objection process, and funding priority, as provided under this subsection and subsections (3), (5), and (6) of this section.
 - (f) The board may adopt rules for a voluntary nonbinding mediation between incumbent providers and applicants to the grant and loan program created in this section.
 - (8) To ensure a grant or loan to a private entity under this section primarily serves the public interest and benefits the public, any such grant or loan must be conditioned on a guarantee that the asset or infrastructure to be developed will be maintained for public use for a period of at least fifteen years.
 - (9) (a) No funds awarded under this section may fund more than fifty percent of the total cost of the project, except as provided in (b) of this subsection.
- 31 (b) The board may choose to fund up to ninety percent of the 32 total cost of a project in financially distressed counties.
 - (c) Funds awarded to a single project under this section must not exceed two million dollars.
- 35 (10) Prior to awarding funds under this section, the board must 36 consult with the Washington utilities and transportation commission. 37 The commission must provide to the board an assessment of the 38 economic and technical feasibility of a proposed application. The 39 board must consider the commission's assessment as part of its 40 evaluation of a proposed application.

p. 11 2SHB 1498

- 1 (11) The board shall have such rights of recovery in the event of 2 default in payment or other breach of financing agreement as may be 3 provided in the agreement or otherwise by law.
- 4 (12) The community economic revitalization board shall facilitate 5 the timely transmission of information and documents from its 6 broadband program to the board in order to effectuate an orderly 7 transition.
- 8 (13) The definitions in section 2 of this act apply throughout 9 this section unless the context clearly requires otherwise.
- NEW SECTION. Sec. 8. A new section is added to chapter 43.155
 RCW to read as follows:
 - (1) The statewide broadband account is created in the state treasury. Moneys received from appropriations by the legislature, the proceeds of bond sales when authorized by the legislature, repayment of loans, or any other lawful source must be deposited into the account for uses consistent with this section. Moneys in the account may be spent only after appropriation.
 - (2) Expenditures from the account may be used only:

13

1415

1617

18

24

25

26

- 19 (a) For grant and loan awards made under section 7 of this act, 20 including costs incurred by the board to administer section 7 of this 21 act;
- 22 (b) To contract for data acquisition, a statewide broadband 23 demand assessment, or gap analysis;
 - (c) To supplement revenues raised by bonds sold by local governments for broadband structure development; or
 - (d) To provide for state match requirements under federal law.
- 27 (3) The board must maintain separate accounting for any federal funds in the account.
- 29 (4) The definitions in section 2 of this act apply throughout 30 this section unless the context clearly requires otherwise.
- 31 **Sec. 9.** RCW 54.16.330 and 2004 c 158 s 1 are each amended to 32 read as follows:
- 33 (1) (a) A public utility district in existence on June 8, 2000, 34 may construct, purchase, acquire, develop, finance, lease, license, 35 handle, provide, add to, contract for, interconnect, alter, improve, 36 repair, operate, and maintain any telecommunications facilities 37 within or without the district's limits for the following purposes:

p. 12 2SHB 1498

1 $((\frac{a}{a}))$ (i) For the district's internal telecommunications needs; 2 $(\frac{and}{a})$

3

4

5

7

8

10 11

12

1314

1516

17

18

19

2021

22

23

2425

26

27

2829

30 31

32

33

34

35 36

37

38

3940

- (b))) (ii) For the provision of wholesale telecommunications services within the district and by contract with another public utility district.
- (b) Except as provided in subsection (8) of this section, nothing in this ((subsection)) section shall be construed to authorize public utility districts to provide telecommunications services to end users.
- (2) A public utility district providing wholesale <u>or retail</u> telecommunications services shall ensure that rates, terms, and conditions for such services are not unduly or unreasonably discriminatory or preferential. Rates, terms, and conditions are discriminatory or preferential when a public utility district offering rates, terms, and conditions to an entity for wholesale <u>or retail</u> telecommunications services does not offer substantially similar rates, terms, and conditions to all other entities seeking substantially similar services.
- (3) A public utility district providing wholesale or retail telecommunications services shall not be required to, but may, establish a separate utility system or function for such purpose. In either case, a public utility district providing wholesale or retail telecommunications services shall separately account for any revenues expenditures for those services according to standards established by the state auditor pursuant to its authority in chapter 43.09 RCW and consistent with the provisions of this title. Any revenues received from the provision of wholesale or retail telecommunications services must be dedicated to costs incurred to build and maintain any telecommunications facilities constructed, installed, or acquired to provide such services, including payments on debt issued to finance such services, until such time as any bonds or other financing instruments executed after June 8, 2000, and used to finance such telecommunications facilities are discharged or retired.
- (4) When a public utility district provides wholesale <u>or retail</u> telecommunications services, all telecommunications services rendered to the district for the district's internal telecommunications needs shall be allocated or charged at its true and full value. A public utility district may not charge its nontelecommunications operations rates that are preferential or discriminatory compared to those it

p. 13 2SHB 1498

charges entities purchasing wholesale <u>or retail</u> telecommunications services.

- (5) If a person or entity receiving retail telecommunications services from a public utility district under this section has a complaint regarding the reasonableness of the rates, terms, conditions, or services provided, the person or entity may file a complaint with the district commission.
- (6) A public utility district shall not exercise powers of eminent domain to acquire telecommunications facilities or contractual rights held by any other person or entity to telecommunications facilities.
- $((\frac{(6)}{(6)}))$ <u>(7)</u> Except as otherwise specifically provided, a public utility district may exercise any of the powers granted to it under this title and other applicable laws in carrying out the powers authorized under this section. Nothing in chapter 81, Laws of 2000 limits any existing authority of a public utility district under this title.
- (8) (a) If an internet service provider operating on telecommunications facilities of a public utility district that provides wholesale telecommunications services but does not provide retail telecommunications services, ceases to provide access to the internet to its end-use customers, and no other retail service providers are willing to provide service, the public utility district may provide retail telecommunications services to the end-use customers of the defunct internet service provider in order for end-use customers to maintain access to the internet until a replacement internet service provider is, or providers are, in operation.
- (b) Within thirty days of an internet service provider ceasing to provide access to the internet, the public utility district must initiate a process to find a replacement internet service provider or providers to resume providing access to the internet using telecommunications facilities of a public utility district.
- (c) For a maximum period of five months, following initiation of the process begun in (b) of this section, or, if earlier than five months, until a replacement internet service provider is, or providers are, in operation, the district commission may establish a rate for providing access to the internet and charge customers to cover expenses necessary to provide access to the internet.

p. 14 2SHB 1498

- **Sec. 10.** RCW 53.08.370 and 2018 c 169 s 2 are each amended to 2 read as follows:
 - (1) A port district in existence on June 8, 2000, may construct, purchase, acquire, develop, finance, lease, license, handle, provide, add to, contract for, interconnect, alter, improve, repair, operate, and maintain any telecommunications facilities within or without the district's limits for the following purposes:
 - (a) For the district's own use; and

- (b) For the provision of wholesale telecommunications services within <u>or without</u> the district's limits. Nothing in this subsection shall be construed to authorize port districts to provide telecommunications services to end users.
- (2) Except as provided in subsection (9) of this section, a port district providing wholesale telecommunications services under this section shall ensure that rates, terms, and conditions for such services are not unduly or unreasonably discriminatory or preferential. Rates, terms, and conditions are discriminatory or preferential when a port district offering such rates, terms, and conditions to an entity for wholesale telecommunications services does not offer substantially similar rates, terms, and conditions to all other entities seeking substantially similar services.
- (3) When a port district establishes a separate utility function for the provision of wholesale telecommunications services, it shall account for any and all revenues and expenditures related to its wholesale telecommunications facilities and services separately from revenues and expenditures related to its internal telecommunications operations. Any revenues received from the provision of wholesale telecommunications services must be dedicated to the utility function that includes the provision of wholesale telecommunications services for costs incurred to build and maintain the telecommunications facilities until such time as any bonds or other financing instruments executed after June 8, 2000, and used to finance the telecommunications facilities are discharged or retired.
- (4) When a port district establishes a separate utility function for the provision of wholesale telecommunications services, all telecommunications services rendered by the separate function to the district for the district's internal telecommunications needs shall be charged at its true and full value. A port district may not charge its nontelecommunications operations rates that are preferential or

p. 15 2SHB 1498

discriminatory compared to those it charges entities purchasing wholesale telecommunications services.

1

2

3

4

5

7

8

9

10

1112

1314

1516

17

18 19

2021

22

23

2425

26

- (5) A port district shall not exercise powers of eminent domain to acquire telecommunications facilities or contractual rights held by any other person or entity to telecommunications facilities.
- (6) Except as otherwise specifically provided, a port district may exercise any of the powers granted to it under this title and other applicable laws in carrying out the powers authorized under this section. Nothing in chapter 81, Laws of 2000 limits any existing authority of a port district under this title.
- (7) A port district that has not exercised the authorities provided in this section prior to June 7, 2018, must develop a business case plan before exercising the authorities provided in this section. The port district must procure an independent qualified consultant to review the business case plan, including the use of public funds in the provision of wholesale telecommunications services. Any recommendations or adjustments to the business case plan made during third-party review must be received and either rejected or accepted by the port commission in an open meeting.
- (8) A port district with telecommunications facilities for use in the provision of wholesale telecommunications in accordance with subsection (1)(b) of this section may be subject to local leasehold excise taxes under RCW 82.29A.040.
- (9) (a) A port district under this section may select a telecommunications company to operate all or a portion of the port district's telecommunications facilities.
- 27 <u>(b) For the purposes of this section "telecommunications company"</u>
 28 <u>means any for-profit entity owned by investors that sells</u>
 29 <u>telecommunications services to end users.</u>
- 30 <u>(c) Nothing in this subsection (9) is intended to limit or</u> 31 <u>otherwise restrict any other authority provided by law.</u>
- 32 **Sec. 11.** RCW 80.36.630 and 2013 2nd sp.s. c 8 s 202 are each 33 amended to read as follows:
- 34 (1) The definitions in this section apply throughout this section 35 and RCW 80.36.650 through 80.36.690 and 80.36.610 unless the context 36 clearly requires otherwise.
- 37 (a) "Basic residential service" means those services set out in 38 47 C.F.R. Sec. 54.101(a) (2011), as it existed on the effective date

p. 16 2SHB 1498

- of this section, and mandatory extended area service approved by the commission.
- 3 (b) "Basic telecommunications services" means the following 4 services:
 - (i) Single-party service;

11

17

18

19

2021

26

27

28

29

30

- (ii) Voice grade access to the public switched network;
- 7 (iii) Support for local usage;
- 8 (iv) Dual tone multifrequency signaling (touch-tone);
- 9 (v) Access to emergency services (911);
- 10 (vi) Access to operator services;
 - (vii) Access to interexchange services;
- 12 (viii) Access to directory assistance; and
- 13 (ix) Toll limitation services.
- 14 (c) "Broadband service" means any service providing advanced 15 telecommunications capability, including internet access and access 16 to high quality voice, data, graphics, or video.
 - (d) "Communications provider" means a provider of communications services that assigns a working telephone number to a final consumer for intrastate wireline or wireless communications services or interconnected voice over internet protocol service, and includes local exchange carriers.
- 22 (((d))) <u>(e)</u> "Communications services" includes telecommunications 23 services and information services and any combination thereof.
- 24 $((\frac{(e)}{(e)}))$ <u>(f)</u> "Incumbent local exchange carrier" has the same 25 meaning as set forth in 47 U.S.C. Sec. 251(h).
 - $((\frac{f}{f}))$ <u>(g)</u> "Incumbent public network" means the network established by incumbent local exchange carriers for the delivery of communications services to customers that is used by communications providers for origination or termination of communications services by or to customers.
- 31 (((g))) <u>(h)</u> "Interconnected voice over internet protocol service" 32 means an interconnected voice over internet protocol service that: $((\frac{a}{a} - \frac{(i)}{a}))$ Enables real-time, two-way voice communications; 33 $((\frac{b}{(ii)}))$ (ii) requires a broadband connection from the user's 34 location; $((\frac{c}{(c)}, \frac{(iii)}{(iii)}))$ <u>(iii)</u> requires internet protocol-compatible 35 customer premises equipment; and $((\frac{d) - (iv)}{v}))$ (iv) permits users 36 generally to receive calls that originate on the public network and 37 to terminate calls to the public network. 38
- $((\frac{h}{h}))$ (i) "Program" means the state universal communications services program created in RCW 80.36.650.

p. 17 2SHB 1498

- $((\frac{1}{2}))$ "Telecommunications" has the same meaning as defined 2 in 47 U.S.C. Sec. 153(43).
- $((\frac{(j)}{(j)}))$ (k) "Telecommunications act of 1996" means the 4 telecommunications act of 1996 (P.L. 104-104, 110 Stat. 56).
 - (((k) "Working telephone number" means a north American numbering plan telephone number, or successor dialing protocol, that is developed for use in placing calls to or from the public network, that enables a consumer to make or receive calls.))
 - (2) This section expires July 1, ((2020)) 2025.

- **Sec. 12.** RCW 80.36.650 and 2016 c 145 s 1 are each amended to 11 read as follows:
 - (1) A state universal communications services program is established. The program is established to protect public safety and welfare under the authority of the state to regulate telecommunications under Article XII, section 19 of the state Constitution. The purpose of the program is to support continued provision of basic telecommunications services under rates, terms, and conditions established by the commission ((during the time over which incumbent communications providers in the state are adapting to changes in federal universal service fund and intercarrier compensation support)) and the provision, enhancement, and maintenance of broadband services, recognizing that, historically, the incumbent public network functions to provide all communications services including, but not limited to, voice and broadband services.
 - (2) Under the program, eligible communications providers may receive distributions from the universal communications services account created in RCW 80.36.690 in exchange for the affirmative agreement to provide continued telecommunications services under the rates, terms, and conditions established by the commission under this chapter, and broadband services, for the period covered by the distribution. The commission must implement and administer the program under terms and conditions established in RCW 80.36.630 through 80.36.690. Expenditures for the program may not exceed five million dollars per fiscal year; provided, however, that if less than five million dollars is expended in any fiscal year, the unexpended portion must be carried over to subsequent fiscal years and, unless fully expended, must be available for program expenditures in such subsequent fiscal years in addition to the five million dollars allotted for each of those subsequent fiscal years.

p. 18 2SHB 1498

1 (3) A communications provider is eligible to receive 2 distributions from the account if:

- (a) (i) The communications provider is: (((i))) (A) An incumbent local exchange carrier serving fewer than forty thousand access lines in the state; or (((ii))) (B) a radio communications service company providing wireless two-way voice communications service and broadband services to less than the equivalent of forty thousand access lines in the state. For purposes of determining the access line threshold in this subsection, the access lines or equivalents of all wireline affiliates must be counted as a single threshold, if the lines or equivalents are located in Washington;
- (((b))) (ii) The ((customers of the communications provider are at risk of rate instability or service interruptions or cessations absent a distribution to the provider that will allow the provider to maintain rates reasonably close to the benchmark)) communications provider has adopted a plan to provide, enhance, or maintain broadband services in its service area; and
- $((\frac{(c)}{(c)}))$ (iii) The communications provider meets any other requirements established by the commission pertaining to the provision of communications services, including basic telecommunications services; or
- (b) The communications provider demonstrates to the commission that the communications provider is able to provide the same or comparable services at the same or similar service quality standards at a lower price; and: (i) Will provide communications services to all customers in the exchange or exchanges in which it will provide service; and (ii) submits to the commission's regulation of its service as if it were the incumbent local exchange company serving the exchange or exchanges for which it seeks distribution from the account.
- (4) (a) Distributions to eligible communications providers are based on ((a benchmark)) criteria established by the commission. ((The benchmark is the rate the commission determines to be a reasonable amount customers should pay for basic residential service provided over the incumbent public network. However, if an incumbent local exchange carrier is charging rates above the benchmark for the basic residential service, that provider may not seek distributions from the fund for the purpose of reducing those rates to the benchmark.))

p. 19 2SHB 1498

(b) If the program does not have sufficient funds to fully fund the distribution formula set out in (a) of this subsection, distributions must be reduced on a pro rata basis using the amounts calculated for that year's program support as the basis of the pro rata calculations.

1

2

3

4

5

6 7

8

9

10 11

12

1314

15

1617

18

19

20

2122

23

24

- (c) To receive a distribution under the program, an eligible communications provider must affirmatively consent to continue providing communications services to its customers under rates, terms, and conditions established by the commission pursuant to this chapter for the period covered by the distribution.
- (5) The program is funded from amounts deposited by the legislature in the universal communications services account established in RCW 80.36.690. The commission must operate the program within amounts appropriated for this purpose and deposited in the account.
- (6) The commission must periodically review the accounts and records of any communications provider that receives distributions under the program to ensure compliance with the program and monitor the providers' use of the funds.
- (7) The commission must establish an advisory board, consisting of a reasonable balance of representatives from different types of stakeholders, including but not limited to communications providers and consumers, to advise the commission on any rules and policies governing the operation of the program.
- 25 (8) The program terminates on June 30, $((\frac{2019}{2019}))$ 2024, and no 26 distributions may be made after that date.
- 27 (9) This section expires July 1, $((\frac{2020}{2000}))$ 2025.
- 28 **Sec. 13.** RCW 80.36.660 and 2013 2nd sp.s. c 8 s 204 are each 29 amended to read as follows:
- 30 (1) To implement the program, the commission must adopt rules for 31 the following purposes:
- 32 (a) Operation of the program, including criteria for: Eligibility 33 for distributions; use of the funds; identification of any reports or 34 data that must be filed with the commission, including, but not 35 limited to, how a communication provider used the distributed funds; 36 and the communications provider's infrastructure;
- 37 (b) Operation of the universal communications services account 38 established in RCW 80.36.690;

p. 20 2SHB 1498

- 1 (c) Establishment of the ((benchmark)) criteria used to calculate distributions; and
- 3 (d) Readoption, amendment, or repeal of any existing rules 4 adopted pursuant to RCW 80.36.610 ((and 80.36.620)) as necessary to 5 be consistent with RCW 80.36.630 through 80.36.690 and 80.36.610.
 - (2) This section expires July 1, $((\frac{2020}{2020}))$ 2025.

9

11

12

13

1415

16

17

27

28

2930

31

- 7 **Sec. 14.** RCW 80.36.670 and 2013 2nd sp.s. c 8 s 205 are each 8 amended to read as follows:
 - (1) In addition to any other penalties prescribed by law, the commission may impose penalties for failure to make or delays in making or filing any reports required by the commission for administration of the program. In addition, the commission may recover amounts determined to have been improperly distributed under RCW 80.36.650. For the purposes of this section, the provisions of RCW 80.04.380 through 80.04.405, inclusive, apply to all companies that receive support from the universal communications services account created in RCW 80.36.690.
- 18 (2) Any action taken under this section must be taken only after 19 providing the affected communications provider with notice and an 20 opportunity for a hearing, unless otherwise provided by law.
- 21 (3) Any amounts recovered under this section must be deposited in 22 the universal communications services account created in RCW 23 80.36.690.
- 24 (4) This section expires July 1, ((2020)) 2025.
- 25 **Sec. 15.** RCW 80.36.680 and 2013 2nd sp.s. c 8 s 206 are each 26 amended to read as follows:
 - (1) The commission may delegate to the commission secretary or other staff the authority to resolve disputes and make other administrative decisions necessary to the administration and supervision of the program consistent with the relevant statutes and commission rules.
- 32 (2) This section expires July 1, ((2020)) 2025.
- 33 **Sec. 16.** RCW 80.36.690 and 2013 2nd sp.s. c 8 s 208 are each amended to read as follows:
- 35 (1) The universal communications services account is created in 36 the custody of the state treasurer. Revenues to the account consist 37 of moneys deposited in the account by the legislature and any

p. 21 2SHB 1498

- 1 penalties or other recoveries received pursuant to RCW 80.36.670.
- 2 Expenditures from the account may be used only for the purposes of
- 3 the universal communications services program established in RCW
- 4 80.36.650 and commission expenses related to implementation and
- 5 administration of the provisions of RCW 80.36.630 through 80.36.690
- 6 and section 212, chapter 8, Laws of 2013 2nd sp. sess. Only the
- 7 secretary of the commission or the secretary's designee may authorize
- 8 expenditures from the account. The account is subject to allotment
- 9 procedures under chapter 43.88 RCW, but an appropriation is not
- 10 required for expenditures.
- 11 (2) This section expires July 1, ((2020)) 2025.
- 12 **Sec. 17.** RCW 80.36.700 and 2013 2nd sp.s. c 8 s 211 are each
- 13 amended to read as follows:
- 14 (1) The universal communications services program established in
- 15 RCW 80.36.630 through 80.36.690 terminates on June 30, ((2019)) 2024.
- 16 (2) This section expires July 1, ((2020)) 2025.
- 17 **Sec. 18.** 2013 2nd sp.s. c 8 s 212 (uncodified) is amended to 18 read as follows:
- 19 (1) By December 1, ((2017)) 2024, and in compliance with RCW
- 20 43.01.036, the Washington utilities and transportation commission
- 21 ((must)) may report to the appropriate committees of the legislature,
- 22 on the following: $((\frac{1}{2}))$ <u>(a)</u> Whether funding levels for each small
- 23 telecommunications company have been adequate to maintain reliable
- 24 universal service; $((\frac{2}{2}))$ the future impacts on small
- 25 telecommunications companies from the elimination of funding under
- 26 this act; $((\frac{3}{3}))$ <u>(c)</u> the impacts on customer rates from the current
- 27 level of funding and the future impacts when the funding terminates
- 28 under this act; and $((\frac{4}{}))$ in the impacts on line and service
- 29 delivery investments when the funding is terminated under this act.
- 30 The report may also include an analysis of the need for future
- 31 program funding and recommendations on potential funding mechanisms
- 32 to improve the availability of communications services, including
- 33 <u>broadband service</u>, in unserved areas. Commission expenses related to
- 34 conducting all analysis in preparation of this report must be
- 35 <u>expended from the universal communications services account.</u>
- 36 (2) The Washington utilities and transportation commission must
- 37 <u>initiate a rule making to reform the state universal communications</u>
- 38 services program no later than ninety days following the effective

p. 22 2SHB 1498

- date of this section. The rule making must address adding broadband
 as a supported service and, consistent with the size of the fund,
 setablishing:
 - (a) Broadband provider eligibility;

7

8

13

1415

16

1718

1920

21

22

2324

25

2627

2829

30

31

32

33

34

35

36

3738

- 5 (b) Service performance and buildout requirements for funding 6 recipients;
 - (c) Support amounts for maintaining systems that meet federal or state broadband speed guidelines; and
- 9 <u>(d) Methods to effectively and efficiently distribute program</u> 10 <u>support to eliqible providers.</u>
- 11 Sec. 19. RCW 43.84.092 and 2018 c 287 s 7, 2018 c 275 s 10, and 2018 c 203 s 14 are each reenacted and amended to read as follows:
 - (1) All earnings of investments of surplus balances in the state treasury shall be deposited to the treasury income account, which account is hereby established in the state treasury.
 - (2) The treasury income account shall be utilized to pay or receive funds associated with federal programs as required by the federal cash management improvement act of 1990. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for refunds or allocations of interest earnings required by the cash management improvement act. Refunds of interest to the federal treasury required under the cash management improvement act fall under RCW 43.88.180 and shall not require appropriation. The office of financial management shall determine the amounts due to or from the federal government pursuant to the cash management improvement act. The office of financial management may direct transfers of funds between accounts as deemed necessary to implement the provisions of the cash management improvement act, and this subsection. Refunds or allocations shall occur prior to the distributions of earnings set forth in subsection (4) of this section.
 - (3) Except for the provisions of RCW 43.84.160, the treasury income account may be utilized for the payment of purchased banking services on behalf of treasury funds including, but not limited to, depository, safekeeping, and disbursement functions for the state treasury and affected state agencies. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for payments to financial institutions. Payments shall occur

p. 23 2SHB 1498

1 prior to distribution of earnings set forth in subsection (4) of this 2 section.

3

4

5

7

8

9

10

1112

13

14

1516

17

18

19

20

21

2223

2425

26

2728

29

30 31

32

33

34

35

36

37

3839

40

- (4) Monthly, the state treasurer shall distribute the earnings credited to the treasury income account. The state treasurer shall credit the general fund with all the earnings credited to the treasury income account except:
- The following accounts and funds shall receive their proportionate share of earnings based upon each account's and fund's average daily balance for the period: The abandoned recreational vehicle disposal account, the aeronautics account, the aircraft search and rescue account, the Alaskan Way viaduct replacement project account, the brownfield redevelopment trust fund account, the budget stabilization account, the capital vessel replacement account, the capitol building construction account, the Cedar River channel construction and operation account, the Central Washington University capital projects account, the charitable, educational, penal and reformatory institutions account, the Chehalis basin account, the cleanup settlement account, the Columbia river basin water supply development account, the Columbia river basin taxable bond water supply development account, the Columbia river basin water supply revenue recovery account, the common school construction fund, the community forest trust account, the connecting Washington account, the county arterial preservation account, the county criminal justice assistance account, the deferred compensation administrative account, the deferred compensation principal account, the department of licensing services account, the department of licensing tuition recovery trust fund, the department of retirement systems expense account, the developmental disabilities community trust account, the diesel idle reduction account, the drinking water assistance account, the drinking water assistance administrative account, the early learning facilities development account, the early facilities revolving account, the Eastern Washington University capital projects account, the Interstate 405 express toll lanes operations account, the education construction fund, the education legacy trust account, the election account, the electric vehicle charging infrastructure account, the energy freedom account, the energy recovery act account, the essential rail assistance account, The Evergreen State College capital projects account, the federal forest revolving account, the ferry bond retirement fund, the freight mobility investment account, the freight mobility multimodal account,

p. 24 2SHB 1498

the grade crossing protective fund, the public health services 1 account, ((the high capacity transportation account,)) the state 2 higher education construction account, the 3 higher education construction account, the highway bond retirement fund, the highway 4 infrastructure account, the highway safety fund, the high occupancy 5 6 toll lanes operations account, the hospital safety net assessment fund, the industrial insurance premium refund account, the judges' 7 retirement account, the judicial retirement administrative account, 8 the judicial retirement principal account, the local leasehold excise 9 tax account, the local real estate excise tax account, the local 10 11 sales and use tax account, the marine resources stewardship trust account, the medical aid account, the mobile home park relocation 12 fund, the money-purchase retirement savings administrative account, 13 the money-purchase retirement savings principal account, the motor 14 15 vehicle fund, the motorcycle safety education account, the multimodal 16 transportation account, the multiuse roadway safety account, the 17 municipal criminal justice assistance account, the natural resources 18 deposit account, the oyster reserve land account, the pension funding 19 stabilization account, the perpetual surveillance and maintenance account, the pollution liability insurance agency underground storage 20 tank revolving account, the public employees' retirement system plan 21 1 account, the public employees' retirement system combined plan 2 22 23 and plan 3 account, the public facilities construction loan revolving account beginning July 1, 2004, the public health supplemental 24 25 account, the public works assistance account, the Puget Sound capital 26 construction account, the Puget Sound ferry operations account, the Puget Sound taxpayer accountability account, the real estate 27 28 appraiser commission account, the recreational vehicle account, the 29 regional mobility grant program account, the resource management cost account, the rural arterial trust account, the rural mobility grant 30 31 program account, the rural Washington loan fund, the sexual assault 32 prevention and response account, the site closure account, the skilled nursing facility safety net trust fund, the small city 33 pavement and sidewalk account, the special category C account, the 34 special wildlife account, the state employees' insurance account, the 35 36 state employees' insurance reserve account, the state investment board expense account, the state investment board commingled trust 37 fund accounts, the state patrol highway account, the state route 38 39 number 520 civil penalties account, the state route number 520 40 corridor account, the state wildlife account, the statewide broadband

p. 25 2SHB 1498

account, the statewide tourism marketing account, the student 1 achievement council tuition recovery trust fund, the supplemental 2 pension account, the Tacoma Narrows toll bridge account, the 3 teachers' retirement system plan 1 account, the teachers' retirement 4 system combined plan 2 and plan 3 account, the tobacco prevention and 5 6 control account, the tobacco settlement account, the toll facility 7 bond retirement account, the transportation 2003 account (nickel account), the transportation equipment fund, the transportation 8 future funding program account, the transportation 9 account, the transportation improvement board bond retirement 10 11 account, the transportation infrastructure account, the 12 transportation partnership account, the traumatic brain injury account, the tuition recovery trust fund, the University of 13 Washington bond retirement fund, the University of Washington 14 building account, the volunteer firefighters' and reserve officers' 15 16 relief and pension principal fund, the volunteer firefighters' and 17 reserve officers' administrative fund, the Washington judicial retirement system account, the Washington law enforcement officers' 18 and firefighters' system plan 1 retirement account, the Washington 19 law enforcement officers' and firefighters' system plan 2 retirement 20 21 account, the Washington public safety employees' plan 2 retirement account, the Washington school employees' retirement system combined 22 plan 2 and 3 account, the Washington state health insurance pool 23 account, the 24 account, the Washington state patrol retirement 25 Washington State University building account, the Washington State 26 University bond retirement fund, the water pollution control revolving administration account, the water pollution control 27 revolving fund, the Western Washington University capital projects 28 29 account, the Yakima integrated plan implementation account, the Yakima integrated plan implementation revenue recovery account, and 30 31 Yakima integrated plan implementation taxable bond account. 32 Earnings derived from investing balances of the agricultural 33 permanent fund, the normal school permanent fund, the permanent common school fund, the scientific permanent fund, the state 34 university permanent fund, and the state reclamation revolving 35 account shall be allocated to their respective beneficiary accounts. 36

(b) Any state agency that has independent authority over accounts or funds not statutorily required to be held in the state treasury that deposits funds into a fund or account in the state treasury pursuant to an agreement with the office of the state treasurer shall

37

3839

40

p. 26 2SHB 1498

- receive its proportionate share of earnings based upon each account's or fund's average daily balance for the period.
- 3 (5) In conformance with Article II, section 37 of the state 4 Constitution, no treasury accounts or funds shall be allocated 5 earnings without the specific affirmative directive of this section.
- 6 **Sec. 20.** 2013 2nd sp.s. c 8 s 303 (uncodified) is amended to read as follows:
- 8 Section 209 of this act expires July 1, ((2020)) 2025.
- 9 <u>NEW SECTION.</u> **Sec. 21.** The following acts or parts of acts are 10 each repealed:
- 11 (1) RCW 43.330.415 (Washington community technology opportunity 12 account) and 2011 1st sp.s. c 43 s 608, 2009 c 509 s 8, & 2008 c 262 13 s 8;
- 14 (2) RCW 43.330.418 (Broadband deployment and adoption—Governor's actions—Oversight and implementation by the department) and 2011 1st sp.s. c 43 s 609 & 2009 c 509 s 9; and
- 17 (3) RCW 80.36.620 (Universal service program—Rules) and 1998 c 18 337 s 3.
- NEW SECTION. Sec. 22. If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.
- NEW SECTION. Sec. 23. Sections 11 through 18 and 20 of this act are necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and take effect immediately.

--- END ---

p. 27 2SHB 1498