

SENATE BILL REPORT

SB 5985

As of March 3, 1997

Title: An act relating to encouraging the development of telecommunications infrastructure in all areas of the state and ensuring that telecommunications services are available in rural and hard-to-serve areas of the state by establishing a universal service fund for telecommunications.

Brief Description: Establishing a universal service fund for telecommunications.

Sponsors: Senators Finkbeiner, Brown, Hochstatter, Strannigan, Rossi and Jacobsen.

Brief History:

Committee Activity: Energy & Utilities: 3/3/97.

SENATE COMMITTEE ON ENERGY & UTILITIES

Staff: Phil Moeller (786-7445)

Background: The concept of "universal service" has been a fundamental element in the development of the telecommunications network in the United States. This concept entails the position that the network is more valuable to all users as it is expanded. Some areas will cost more to serve, but all customers benefit by being able to call as widely as possible.

In an effort to serve as extensively as practical, the pricing of telephone services has historically contained implicit and explicit subsidies in an effort to levelize prices between low-cost and high-cost areas. This was less challenging prior to competition in the marketplace, when many elements of the network did not face competition, and costs could be loaded into various services without the threat of a another provider avoiding the costs and gaining a competitive advantage.

With some elements of the telecommunications marketplace presently facing competition, and with impending competition in other services, concerns have been raised over the future of assuring affordable service to high-cost areas. Additionally, as telecommunications technology advances, the concept of basic service is likely to evolve to include more services or offerings.

Summary of Bill: By December 31, 1997, the Washington Utilities and Transportation Commission is directed to adopt and place into effect rules that establish a universal service fund, including selecting an administrator of the fund. The administrator is directed to assess at the same rate all telecommunications companies in the state a total amount that is sufficient to fund the universal service fund. The administrator of the fund, along with officers and employees of the fund, are held harmless by companies paying into or withdrawing from the fund for all acts or omissions in administering the fund.

For the purposes of the universal service fund, basic service is defined, and the commission is directed to review and potentially expand the definition every two years.

To draw from the universal service fund, a telecommunications company must be facilities-based and have a substantive physical plant presence. Methodologies for determining the cost of service are prescribed for telecommunications companies drawing from the universal service fund. Using universal service funds to cross-subsidize activities is prohibited.

Appropriation: None.

Fiscal Note: Requested on February 28, 1997.

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