BILL ANALYSIS

Technology & Economic Development Committee

HB 2679

Brief Description: Concerning the expenditure limit for the state universal communications services program.

Sponsors: Representatives DeBolt and Haler.

Brief Summary of Bill

- Requires the Utilities and Transportation Commission to make expenditures for the State Universal Communications Program of $5 million per fiscal year, less administrative costs appropriated in the operating budget.

Hearing Date: 2/4/14

Staff: Jasmine Vasavada (786-7301).

Background:

Universal Services Fund.
Universal service has been the long-standing policy of the United States and the State of Washington to enable every individual, regardless of location, to have access to affordable high-quality telephone and, more recently, internet services. In 2011 the Federal Communications Commission (FCC) announced changes in access to the Federal Universal Service Fund's (FUSF) High Cost Program. The High Cost Program was created to keep telephone service affordable for customers in areas where, absent the subsidy, telephone service would be dramatically more expensive than the national average. A complex system of fees, surcharges, and subsidies supported telephone companies in rural and remote areas. The FCC approved a six-year transfer process that would transition money from the FUSF's High Cost Program to a new $4.5 billion a year Connect America Fund for broadband internet expansion, effectively putting an end to the FUSF's High Cost Program subsidies by 2018. Small rural phone companies, known as rural incumbent local exchange carriers (ILECs), are experiencing

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

substantial reduction of their revenue streams, which will be accelerated due to these changes in federal regulation.

Temporary State Universal Communications Service Program.
In 2013 the Legislature enacted a comprehensive communications services reform bill that affected a number of taxes on landline and wireless telephone service. Among other changes, the bill repealed taxes previously dedicated to the Washington Telephone Assistance Program, which provides discounted wireline telephone services to low-income residents of the state. A sales and use tax exemption that had formerly applied to landline telephone services was repealed. The bill also established a temporary State Universal Communications Services Program (Program), to begin on July 1, 2014, and expires on July 1, 2019.

The Program is funded by legislative appropriations to a new Universal Communications Services Account (Account). The maximum amount appropriated each year cannot exceed $5 million. The Utilities and Transportation Commission (UTC) must operate the Account, establish benchmarks used to calculate distributions, and adopt rules that address a number of issues, including eligibility criteria for receiving a distribution. Distributions from the Account are available for a number of eligible communications providers, including certain ILECs. An ILEC serving fewer than 40,000 access lines in Washington is eligible to receive a distribution, if its customers are at risk of rate instability or service interruptions absent such distributions and the provider meets any other criteria established by the UTC. An ILEC may only receive such distributions if its rates do not exceed UTC benchmarks for reasonable basic residential service rates.

The UTC must report back to the Legislature by December 1, 2017, as to the adequacy of funding under the Program and the potential impacts on carriers and customers when the Program terminates. The UTC must operate the Program within amounts appropriated for this purpose by the Legislature and deposited in the Account.

Summary of Bill:

The Utilities and Transportation Commission (UTC) expenditures for the State Universal Communications Program (Program) from the Universal Communications Services Account must be $5 million per fiscal year, less administrative costs appropriated in the operating budget to the UTC to administer the Program. Previously, expenditures were capped at $5 million, but there was no requirement that $5 million in expenditures be authorized.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect on July 1, 2014.