

HOUSE BILL REPORT

SSB 5670

As Reported by House Committee On: Appropriations

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

Brief Description: Clarifying expenditures under the state universal communications services program.

Sponsors: Senate Committee on Energy, Environment & Telecommunications (originally sponsored by Senators Braun, Chase, Kohl-Welles, Sheldon, Hatfield, Rivers, Bailey, Dansel, Ericksen, Becker and Hewitt).

Brief History:

Committee Activity:

Appropriations: 2/27/16, 2/29/16 [DP].

Brief Summary of Substitute Bill

- Allows unspent funds in the Universal Communications Services Account remaining at the end of any fiscal year to be carried over and spent in subsequent fiscal years.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 31 members: Representatives Dunshee, Chair; Chandler, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Wilcox, Assistant Ranking Minority Member; Buys, Cody, Condotta, Dent, Fitzgibbon, Haler, Hansen, Harris, Hudgins, S. Hunt, Jinkins, Kagi, Lytton, MacEwen, Magendanz, Manweller, Pettigrew, Robinson, Schmick, Senn, Springer, Stokesbary, Sullivan, Taylor, Tharinger, Van Werven and Walkinshaw.

Minority Report: Do not pass. Signed by 2 members: Representatives Ormsby, Vice Chair; Sawyer.

Staff: Lily Sobolik (786-7157).

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.

Background:

Universal Service Fund.

Universal service is the long-standing policy of the United States and the State of Washington to enable every American to have access to affordable high-quality telephone and, more recently, internet services regardless of location. The federal government operates a universal service fund that supports the construction and maintenance of national telecommunications infrastructure. The net goal of this program is to keep telephone service affordable for customers in areas where telephone service would be dramatically more expensive than the national average.

In 2011 the Federal Communication Commission (FCC) approved a process to end the complex system of fees, surcharges, and subsidies that support rural communication providers, and transitioned federal moneys toward expanding broadband internet capability in underserved areas.

State Universal Service Program.

In 2014 the Legislature established a temporary universal service program to assist existing rural communications providers in the transition to the FCC changes. The Washington Utilities and Transportation Commission (UTC) operates the program, which expires June 30, 2019.

The Universal Service Program is funded by legislative appropriations to the Universal Communications Services Account (Universal Services Account). Expenditures for the program may not exceed \$5 million per fiscal year. A communications provider is eligible to receive distributions from the Universal Services Account if:

- the provider has fewer than 40,000 access lines in the state;
- the provider's customers are at risk of rate instability or service interruptions absent distributions to the provider; and
- the provider meets any other criteria established by the UTC.

Distributions from the Universal Services Account are made according to a formula developed by the UTC. The first round of distributions occurred in fiscal year 2015 and totaled \$3.3 million; distributions totaled \$3.5 million in fiscal year 2016. The UTC estimates distributions for the remainder of the program as shown in the chart below.

Fiscal Year	Estimated Distributions: Universal Services Account
2017	\$4.5 million
2018	\$5.0 million
2019	\$5.8 million

Summary of Bill:

If less than \$5 million is spent from the Universal Services Account in any fiscal year, the unspent portion must be carried over to subsequent fiscal years. Any money carried over

may be distributed for program expenditures, in addition to the \$5 million allotted for any subsequent year.

Appropriation: None.

Fiscal Note: Available.

Effective Date: 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 state Universal Service Program helps many small rural phone companies continue to provide landline coverage to 21 of the most rural communities in Washington. The situation is going to continue for some time, and there are areas with no cell phone coverage.

(Opposed) None.

Persons Testifying: Betty Buckley, Washington Technology Industry Association.

Persons Signed In To Testify But Not Testifying: None.