

SENATE BILL REPORT

SSB 5670

As Passed Senate, February 17, 2016

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, Dangel, Ericksen, Becker and Hewitt).

Brief History:

Committee Activity: Energy, Environment & Telecommunications: 2/10/15, 2/18/15 [DPS-WM].

Ways & Means: 2/24/15, 2/26/15 [DPS(EET)].

Passed Senate: 3/05/15, 39-8; 2/17/16, 37-10.

SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TELECOMMUNICATIONS

Majority Report: That Substitute Senate Bill No. 5670 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Ericksen, Chair; Sheldon, Vice Chair; McCoy, Ranking Minority Member; Braun, Brown, Cleveland, Habib, Honeyford and Ranker.

Staff: Jan Odano (786-7486)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5670 as recommended by Committee on Energy, Environment & Telecommunications be substituted therefor, and the substitute bill do pass.

Signed by Senators Hill, Chair; Braun, Vice Chair; Dammeier, Vice Chair; Honeyford, Vice Chair, Capital Budget Chair; Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Ranking Minority Member, Operating; Bailey, Becker, Billig, Brown, Conway, Fraser, Hasegawa, Hewitt, O'Ban, Padden, Rolfes, Schoesler, Warnick, Hatfield and Kohl-Welles.

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.

Staff: Sherry McNamara (786-7402)

Background: State Universal Service Program. In 2011 the Federal Communication Commission (FCC) approved a process to end the complex system of fees, surcharges, and subsidies that support rural telephone companies, and transitioned federal monies toward expanding broadband internet capability in underserved areas. To assist rural companies in this transition period, the Legislature established a temporary universal service program operated by the Washington Utilities and Transportation Commission (UTC). The program expires in July 2019.

The Universal Service Program is funded by legislative appropriations to the Universal Communications Services Account (Universal Services Account). The maximum amount appropriated each year cannot exceed \$5 million. A telephone company is eligible to receive distributions from the account if:

- the company has fewer than 40,000 access lines in the state;
- the company's customers are at risk of rate instability or service interruptions absent distributions to the company; and
- the company 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. Future distributions will increase annually. By the fourth year, the amount projected to be distributed will exceed the \$5 million annual cap.

Summary of Substitute Bill: Allowing Unspent Funds in the Universal Services Account to be Carried Over to Subsequent Years. 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 is in addition to the \$5 million allotted for any subsequent year.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony (Energy, Environment & Telecommunications): PRO: The state universal service program was a complex deal to help small, rural telephone companies. The annual \$5 million appropriations are not fully being distributed, so this bill makes sure the companies get the full appropriated amount. The universal service distributions are needed to offset the deficits created by declining federal assistance. The money is not used for planning but to meet direct, immediate needs.

Persons Testifying (Energy, Environment & Telecommunications): PRO: Senator Braun, prime sponsor; Dale Merten, ToledoTel.

Staff Summary of Public Testimony (Ways & Means): PRO: Based on the formula used by the UTC, we estimate that the UTC should distribute \$5.1 million in the fourth year of the program, and \$5.6 million in the fifth year of the program. Unfortunately because of the cap, this isn't currently possible. This bill will allow the dollars to move forward.

Persons Testifying (Ways & Means): PRO: Betty Buckley, WA Independent Telecommunications Assn.