

# HOUSE BILL REPORT

## HB 2423

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**As Reported by House Committee On:**  
Technology & Economic Development

**Title:** An act relating to the state universal communications services program.

**Brief Description:** Concerning the state universal communications services program.

**Sponsors:** Representatives DeBolt, Tarleton, Orcutt, Blake, Doglio, Fey, Springer, Pollet, Maycumber, Nealey, Schmick, Wilcox, Dye, Smith and Vick.

**Brief History:**

**Committee Activity:**

Technology & Economic Development: 1/25/18, 1/30/18 [DPS].

**Brief Summary of Substitute Bill**

- Modifies eligibility and specifications for distributions under the Universal Communications Services program.
- Makes the Universal Communications Services program permanent.

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### HOUSE COMMITTEE ON TECHNOLOGY & ECONOMIC DEVELOPMENT

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives Morris, Chair; Kloba, Vice Chair; Tarleton, Vice Chair; DeBolt, Assistant Ranking Minority Member; Doglio, Fey, Harmsworth, Hudgins, Manweller, McDonald, Nealey, Santos, Slatter, Steele, Wylie and Young.

**Staff:** Lily Smith (786-7175).

**Background:**

Universal Communications Services Program.

The Universal Communications Services (UCS) program and associated account was established in 2014 for the purpose of supporting the continued provision of basic telecommunications services during a period when incumbent communications providers would be adapting to changes in federal funding.

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*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.*

*Fund Distributions.*

A communications provider is eligible to receive distributions under the UCS program if: (1) the provider has less than 40,000 lines in the state; (2) the customers of the provider are at risk of rate instability or service interruptions absent distributions to the provider; and (3) the provider meets any other criteria established by the Utilities and Transportation Commission (UTC). A communications provider must agree to provide continued services under requirements established by the UTC for the duration of the funding.

Distributions under the UCS program are based on a benchmark that the UTC determines is a reasonable amount customers should pay for basic service.

*Advisory Board.*

The UTC is required to establish an advisory board for rules and policies governing the operation of the UCS program.

*Expiration.*

The UCS program expires in 2019 and the statutory sections establishing the program expire in 2020.

*Funding.*

The program is funded by annual deposits from the State General Fund to the USC Account of up to \$5 million annually.

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**Summary of Substitute Bill:**

Universal Communications Services Program.

The purpose of the UCS program is expanded to include the provision, enhancement, and maintenance of broadband services, and is no longer limited to the time period in which incumbent communications providers would be adapting to certain changes in federal funding. Broadband services are included as a communications service that the incumbent public network functions to provide, and as a service that must continue to be provided during the period covered by a distribution under the UCS program.

*Fund Distributions.*

Distributions under the UCS program no longer require there to be a risk of rate instability or service disruptions to customers unless a distribution is made. Instead, distributions require the communications provider to have adopted a plan for broadband service in the area.

Distributions are no longer based on a benchmark established by the UTC. Instead, benchmarks are based on criterion established by the UTC. Distributions must be reduced on a proportional basis if the program is unable to fully fund the distribution formula.

*Advisory Board.*

The UTC is no longer required to establish an advisory board for rules and policies governing the operation of the program.

*Expiration.*

The expiration dates of the UCS program and the statutory sections establishing the program are removed.

**Substitute Bill Compared to Original Bill:**

The substitute bill changes the way distributions are calculated from a formula based on revenue loss to criterion established by the UTC.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) Many people still rely on landlines, and rural broadband is expensive to provide. Extending this program will help to balance the playing field and help the economy. Small telecommunications companies provide services where others will not because of the extreme cost. This is a critical program without which rates would increase. Every dollar received goes into operation and investment and allows broadband to be provided to a majority of customers. School districts, medical clinics, libraries, and other services have benefitted, and development has increased.

(Opposed) None.

**Persons Testifying:** Representative DeBolt, prime sponsor; Rick Vitzthum, Kalama Telephone Company and Tenino Telephone Company; and Dale Merten, ToledoTel.

**Persons Signed In To Testify But Not Testifying:** None.