
**Innovation, Technology & Economic
Development Committee**

HB 1373

Brief Description: Modifying provisions of the universal communications services program.

Sponsors: Representatives Wylie, Smith, Doglio, Vick, Maycumber, Blake, Frame, Orcutt, Springer, Chandler, Pollet, MacEwen, DeBolt, Kloba, Griffey, Tarleton, Walsh, Dent, Fey, Slatter, Schmick, Morris, Dye, Fitzgibbon, Sullivan, Appleton, Paul, Chapman and Valdez.

Brief Summary of Bill

- Modifies and extends the Universal Communications Services program.

Hearing Date: 1/30/19

Staff: Yelena Baker (786-7301).

Background:

Universal Communications Services Program.

In 2011, the Federal Communications Commission began a process to end the system of fees, inter- and intrastate access charges, and subsidies that support rural telephone companies and to transition a portion of the federally supported universal service fund toward expanding broadband internet in underserved areas.

The Universal Communication Services (UCS) program was established in 2014 to provide temporary direct support to Washington's smaller incumbent communications service providers during these changes in federal funding.

Funding.

The UCS program is funded by a general fund state appropriation to the universal communications services account. Expenditures from the account may be used only for the

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purposes of the UCS program. A maximum of \$5 million is appropriated each year, for a total of \$25 million over five years. Any unspent funds in a particular year may be carried over to subsequent years as long as final distributions of available funds are completed by June 30, 2020.

Fund Distributions.

A communications provider is eligible to receive distributions under the UCS program if:

- the provider is an incumbent local exchange carrier and has fewer than 40,000 lines in the state;
- the customers of the provider are at risk of rate instability or service interruptions absent distributions to the provider; and
- the provider meets any other criteria established by the Utilities and Transportation Commission (UTC).

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

Utilities and Transportation Commission.

In December 2017, the UTC issued the required UCS program report to the Legislature on the adequacy of funding levels, funding impacts, and an analysis of the need for future program funding. In December 2018, the UTC issued the required preliminary report to the Legislature on the need for future UCS program funding and recommendations on potential funding mechanisms to improve the availability of communications services, including broadband services, in unserved and underserved areas.

Expiration.

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

Summary of Bill:

Universal Communications Services Program.

The purpose of the Universal Communications Services (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 changes in federal funding.

Broadband services are included as a communications service that eligible communications providers function to provide, and as a service that must continue to be provided during the period covered by a distribution under the UCS program.

Funding.

Expenditures from the UCS account are authorized for the Utilities and Transportation Committee (UTC) expenses related to implementation and administration of the UCS program. Any unspent funds in a particular year may be carried over to subsequent years as long as final distributions of available funds are completed by June 30, 2030.

Fund Distributions.

The requirement that customers must be at risk of rate instability or service interruptions is removed. Instead, a communications provider has to adopt a plan to provide, enhance, or maintain broadband services in its service area.

A provider who is not an incumbent local exchange company is eligible to receive distributions from the UCS account if the provider:

- demonstrates to the UTC the ability to provide that same or comparable services at the same or similar quality standards at a lower rate; and
- submits to UTC regulation of its services as if the provider was an incumbent local exchange company servicing the exchange for which the provider seeks distribution.

Distributions to eligible communications providers are no longer based on a benchmark established by the UTC. Instead, the UTC is directed to establish the criteria to be used to calculate distributions. Distributions must be reduced on a proportional basis if the program is unable to fully fund the distribution formula.

Utilities and Transportation Commission.

By December 1, 2028, the UTC may report to the Legislature on the adequacy of funding levels, funding impacts, an analysis of the need for future program funding, and recommendations on potential funding mechanisms to improve availability of services, including broadband, in unserved and underserved areas.

The UTC is required, no later than 90 days following the effective date of the bill, to initiate rulemaking to reform the UCS program, including future funding and eligibility.

Expiration.

The expiration dates of the UCS program and the statutory sections establishing the program are extended by 10 years.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.