

HOUSE BILL REPORT

HB 1738

As Reported by House Committee On:
Innovation, Community & Economic Development, & Veterans

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

Brief Description: Concerning the state universal communication services program.

Sponsors: Representatives Ryu and Pollet.

Brief History:

Committee Activity:

Innovation, Community & Economic Development, & Veterans: 2/7/23, 2/10/23 [DP].

Brief Summary of Bill

- Extends the expiration date of the State Universal Communications Services Program to June 30, 2034.

HOUSE COMMITTEE ON INNOVATION, COMMUNITY & ECONOMIC DEVELOPMENT, & VETERANS

Majority Report: Do pass. Signed by 15 members: Representatives Ryu, Chair; Donaghy, Vice Chair; Rule, Vice Chair; Volz, Ranking Minority Member; Barnard, Assistant Ranking Minority Member; Chambers, Christian, Corry, Cortes, Paul, Senn, Shavers, Street, Waters and Ybarra.

Staff: Emily Poole (786-7106).

Background:

The State Universal Communications Services Program (Program) was established in 2014 to provide temporary support to Washington's smaller incumbent telephone companies. The Program originally expired in 2019, but was extended and now expires June 30, 2024.

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

The Program supports continued provision of basic telecommunication services under rates, terms, and conditions established by the Utilities and Transportation Commission (UTC) and the provision, enhancement, and maintenance of broadband services. Under the Program, eligible communications providers may receive distributions from the Program in exchange for an agreement to provide continued telecommunications services under the rates, terms, and conditions established by the UTC, and broadband services, for the period covered by the distribution.

A communications provider is eligible to receive distributions from the Program if:

- the provider is an incumbent local exchange carrier and has fewer than 40,000 lines in the state or is a radio communications service company providing wireless two-way voice communications service and broadband services to less than the equivalent of 40,000 access lines in the state;
- the provider has adopted a plan to provide, enhance, or maintain broadband services in its service area; and
- the provider meets any other criteria established by the UTC.

A communications provider other than a provider meeting the criteria above is eligible to receive distributions from the program if the provider:

- demonstrates to the UTC that the provider is able to provide the same or comparable services at the same or similar service quality standards at a lower price;
- will provide communications services to all customers in the exchange or exchanges in which it will provide service; and
- submits to the UTC's regulation of its service as if it were the incumbent local exchange company serving the exchange or exchanges for which it seeks distribution from the account.

To receive a distribution from the Program, the eligible communications provider must affirmatively consent to continue providing services to its customers under rates, terms, and conditions established by the UTC for the period covered by the distribution. Distribution amounts to eligible communications providers are based on criteria established by the UTC.

Expenditures from the Program may not exceed \$5 million per fiscal year. If less than \$5 million is expended in any fiscal year, the unexpended portion must be carried over to subsequent fiscal years and be available for program expenditures in subsequent fiscal years in addition to the \$5 million allotted for each of the subsequent fiscal years. The Program is funded from amounts deposited by the Legislature into the Universal Communications Services Account. The UTC must operate the Program within amounts appropriated.

Summary of Bill:

The Program terminates on June 30, 2034.

The UTC must review rules adopted to implement the program no less than every five years.

A communications provider is eligible to receive distributions from the Program if, in addition to other criteria, the provider has adopted a plan to provide, enhance, and maintain broadband services in its service area.

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) Rural telephone companies face unique challenges, rising costs, and decreasing revenues. It is difficult and expensive to extend services out to rural areas, especially where there is harsh terrain and communities are isolated. In noncompetitive markets, smaller telephone companies are obligated to serve every customer that requests voice service. As companies grow into more competitive markets, there is no state or federal support. There is an ongoing need for the Program, which was originally established to prevent customers of small rural telephone companies from losing phone service, and which now requires recipients to provide and maintain broadband services. This Program supports rural network providers and helps prevent customers from losing service or being charged higher rates. Other states have adopted similar programs. Communications providers that receive distributions from the Program are required to file reports describing how the distributions were used.

(Opposed) None.

Persons Testifying: Representative Cindy Ryu, prime sponsor; Betty Buckley, Washington Independent Telecommunications Association; Rick Vitzthum, Kalama Telephone Company and Tenino Telephone Company; and Gail Long.

Persons Signed In To Testify But Not Testifying: None.