

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1738 HB	<b>Title:</b> Universal comm. services
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## Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Utilities and Transportation Commission	0	0	10,522,598	0	0	10,000,000	0	0	10,041,251
Utilities and Transportation Commission	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.								
<b>Total \$</b>	<b>0</b>	<b>0</b>	<b>10,522,598</b>	<b>0</b>	<b>0</b>	<b>10,000,000</b>	<b>0</b>	<b>0</b>	<b>10,041,251</b>

## Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Office of Financial Management	.0	0	0	0	.0	0	0	0	.0	0	0	0
Utilities and Transportation Commission	.6	0	0	10,522,598	.0	0	0	10,000,000	.1	0	0	10,041,251
<b>Total \$</b>	<b>0.6</b>	<b>0</b>	<b>0</b>	<b>10,522,598</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>10,000,000</b>	<b>0.1</b>	<b>0</b>	<b>0</b>	<b>10,041,251</b>

## Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of Financial Management	.0	0	0	.0	0	0	.0	0	0
Utilities and Transportation Commission	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

## Estimated Capital Budget Breakout

NONE

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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1738 HB	<b>Title:</b> Universal comm. services	<b>Agency:</b> 105-Office of Financial Management
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Operating Expenditures from:**

NONE

**Estimated Capital Budget Impact:**

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Emily Poole	Phone: 360-786-7106	Date: 02/06/2023
Agency Preparation: Kathy Cody	Phone: (360) 480-7237	Date: 02/08/2023
Agency Approval: Jamie Langford	Phone: 360-902-0422	Date: 02/08/2023
OFM Review: Steven Puvogel	Phone: (360) 701-6459	Date: 02/08/2023

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

HB 1738 changes the expiration date for the Universal Communications Services Account from July 1, 2025, to July 1, 2035. OFM transfers expenditures from the General Fund – State into the Universal Communications Account when directed by enacted legislation. Removing the expiration date will have a de minimis impact on OFM.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

### II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

NONE

### III. B - Expenditures by Object Or Purpose

NONE

**III. C - Operating FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

### III. D - Expenditures By Program (optional)

NONE

## Part IV: Capital Budget Impact

### IV. A - Capital Budget Expenditures

NONE

### IV. B - Expenditures by Object Or Purpose

NONE

### IV. C - Capital Budget Breakout

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1738 HB	<b>Title:</b> Universal comm. services	<b>Agency:</b> 215-Utilities and Transportation Commission
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
Universal Communications Services Acct-State 19J-1	5,522,598	5,000,000	10,522,598	10,000,000	10,041,251
<b>Total \$</b>	5,522,598	5,000,000	10,522,598	10,000,000	10,041,251

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

### Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.3	0.0	0.7	0.0	0.1
<b>Account</b>					
Universal Communications Services Acct-State 19J-1	5,522,598	5,000,000	10,522,598	10,000,000	10,041,251
<b>Total \$</b>	5,522,598	5,000,000	10,522,598	10,000,000	10,041,251

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Emily Poole	Phone: 360-786-7106	Date: 02/06/2023
Agency Preparation: Amy Andrews	Phone: 360-481-1335	Date: 02/07/2023
Agency Approval: Amy Andrews	Phone: 360-481-1335	Date: 02/07/2023
OFM Review: Tiffany West	Phone: (360) 890-2653	Date: 02/09/2023

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

Extends the state universal communications services program for ten years. Section expiration date is updated to July 1, 2035 in sections 1, 2, 3, 4, 5, 6, and the program expiration date is updated to June 30, 2034 in section 2.

Section 2 is revised, and communication providers adopted plan must provide, enhance, and maintain broadband services.

Section 3 requires the commission to review rules no less than every five years.

Section 7 amends the program expiration date to June 30, 2034, and updates the section expiration date to July 1, 2035.

The proposed bill extends the program for an additional ten years. Current rules were created based on the program expiring on June 30, 2024. Rulemaking will take into consideration key areas such as technology, funding, deployment costs or other factors. Additionally, the UTC believes the eligibility criteria need to be reviewed and revised by considering changes in federal high-cost support, BEAD funding, and digital equity goals. Any broadband commitment should ensure it does not jeopardize potential BEAD or other federal support. State USF support distribution is currently based on a frozen federal metric that should also be reviewed to identify policy and funding priorities now and in the future.

The UTC assumes a complex rulemaking is necessary to identify number of unserved and underserved locations and determine the cost per location for equitable distribute of the support funding of \$5,000,000 per fiscal year. As part of the rule making, staff will review the broadband buildout location requirements, eligibility criteria, and the broadband speed to be consistent with stated goal in SB 5511.

The current cost per location was derived based on the CostQuest Associates cost model that Federal Communications Commission (FCC) has published in its alternative connect America program in the past. Over time, however, the cost of providing broadband service and building infrastructure have changed, the Commission needs to conduct new cost review and analysis based on the CostQuest Associates cost model which includes up-to-date data made available for purchase. One-time cost of \$312,000 to access CostQuest Associates cost model is included to support the rulemaking effort and program administrative support. By gaining access to the cost model, staff will be able to determine accurate costs and pinpoint specific locations where the state USF support is effectively used.

The commission will continue to administer the program and the administrative expenses will continue to be recovered from the funding of \$5,000,000 per fiscal year.

Commission review of program to be completed no less than every five years, simple rulemaking will be necessary if any changes are required. The rulemaking will be in 2029.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

Cash receipt impact is indeterminate as the amount that will be deposited into the UCS account by the legislature and any penalties or other recoveries received pursuant to RCW 80.36.670 is not known at this time. Currently, \$5,000,000 is being deposited at the beginning of each fiscal year into the UCS account. UTC assumes that amount will be the baseline for continuing the program which includes program administration costs to support existing staff, however the rulemaking and software costs are considered by the UTC to be provided by Account 19J – Universal Communications Services Account as an incremental impact.

Legislation extends program operation through June 30, 2034, extending the funding from amounts deposited by the legislature in the UCS account established in RCW 80.36.690.

## II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

Expenditure impact is indeterminate as the amount that will be deposited into the UCS account by the legislature is not known at this time. Therefore, we do not know the number of applications that will be awarded and how much it will cost to administer the program. Currently, \$5 million is being deposited at the beginning of each fiscal year into the UCS account. The UTC assumes the \$5 million will remain the baseline for the program. The costs of the rulemaking are an incremental cost while the cost to administer the program is assumed to be absorbed within the baseline \$5 million.

The Commission would conduct a complex rulemaking in FY 2024 to update the existing state UCS program and codify a process for calculating the broadband deployment cost per location, number of broadband deployment obligations for each company, and update the broadband speed definition. The Commission would also be required to administer the program through June 30, 2035. The Commission would conduct a simple rulemaking in FY 2029 if it determines that program rules need to be revised to account for new factors. Costs associated with a complex rulemaking, simple rulemaking, and for administering the program are assumed to be recovered from the Universal Service Fund (USF) appropriation that supports the UCS program.

Complex Rulemaking (FY24)  
\$210,598

(Administrative Law Judge, 0.17; Commissioner, 0.05; Consumer Program Specialist 3, 0.31; Deputy Director | Regulatory Services, 0.05; Director | Regulatory Services, 0.05; Paralegal 3, 0.07; Policy Advisor, 0.13; Regulatory Analyst 2, 0.05; Regulatory Analyst 3, 0.31; Asst. Director, Policy, 0.10) "E" includes \$27,000 attorney general expense.

Simple Rulemaking (FY29)  
\$41,251

(Administrative Law Judge, 0.06; Director | Regulatory Services, 0.02; Deputy Director | Regulatory Services, 0.02; Policy Advisor, 0.02; Deputy Asst. Director | Regulatory Services, 0.02; Regulatory Analyst 2, 0.03; Regulatory Analyst 3, 0.04; Asst. Director, Policy, 0.02) "E" includes \$5,000 attorney general expense.

Broadband Infrastructure Cost Software (FY24) One-time cost  
\$312,000

The current cost per location was derived based on the CostQuest Associates cost model that Federal Communications Commission (FCC) has published in its alternative Connect America program in the past. Over time, however, the cost of providing broadband service and building infrastructure have changed, the Commission needs to conduct a new cost review and analysis based on the CostQuest Associates cost model. These costs are not included in the rulemaking expenditure. By gaining access to the cost model, staff will be able to determine accurate costs and pinpoint specific locations where the state USF support is effectively used.

Program Administration (FY24 – FY29)

Annual expenditures would be commensurate with current spending levels incurred in administering the program in its current form. The Commission estimates 3% of annual USF funds to be used on administering the program. Therefore, assuming \$5 million is deposited each fiscal year, the estimated amount available for awarding grants is \$4.85 million, assuming administrative costs of \$150,000 per fiscal year.



## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
19J-1	Universal Communications Services Acct	State	5,522,598	5,000,000	10,522,598	10,000,000	10,041,251
<b>Total \$</b>			5,522,598	5,000,000	10,522,598	10,000,000	10,041,251

### III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.3		0.7		0.1
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts	312,000		312,000		
E-Goods and Other Services	42,017		42,017		
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services	4,850,000	4,850,000	9,700,000	9,700,000	9,700,000
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	318,581	150,000	468,581	300,000	341,251
9-					
<b>Total \$</b>	5,522,598	5,000,000	10,522,598	10,000,000	10,041,251

### III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Administrative Law Judge	119,088	0.2		0.1		0.0
Asst Director   Policy	110,064	0.1		0.1		0.0
Commissioner	168,012	0.1		0.0		
Consumer Program Spec 3	68,076	0.3		0.2		
Deputy Asst. Director   Regulatory Services	101,136					0.0
Deputy Director   Regulatory Services	101,136	0.1		0.0		0.0
Director   Regulatory Services	134,532	0.1		0.0		0.0
Paralegal 3	78,900	0.1		0.0		
Policy Advisor	100,008	0.1		0.1		0.0
Regulatory Analyst 2	82,896	0.1		0.0		0.0
Regulatory Analyst 3	93,840	0.3		0.2		0.0
<b>Total FTEs</b>		1.3		0.7		0.1

### III. D - Expenditures By Program (optional)

NONE

## Part IV: Capital Budget Impact

### IV. A - Capital Budget Expenditures

NONE

### IV. B - Expenditures by Object Or Purpose

NONE

#### **IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

### **Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

New rules are necessary in WAC 480-123 to account for changes in technology, broadband speed demands, deployment costs for each location, rising deployment costs and to define supported broadband speeds. Additionally, as the program criteria were originally developed for a 5-year program timeframe, the UTC believes the eligibility criteria need to be reviewed and revised by considering changes in federal high-cost support, BEAD funding, and digital equity goals. Any broadband commitment should ensure it does not jeopardize potential BEAD or other federal support. State USF support distribution is currently based on a frozen federal metric that should also be reviewed to identify policy and funding priorities now and in the future.

The complex rulemaking is expected to entail one workshop, development of draft and proposed rules, and two rounds of public comments.

The simple rulemaking would include changes to program operation to ensure it takes technological improvements, federal funding, and broadband speeds into consideration.