



Celebrating 40 Years

Telecommunications Regulation: The Year in Review 2016 and the Outlook for 2017

Sherry Lichtenberg, Ph.D.
Principal Researcher - Telecommunications

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Today's discussion will cover . . .

- The year in review 2016
 - Deregulation
 - Broadband funding
 - Carrier of last resort rules
 - Emergency services
- Early review of 2017 legislation
 - Deregulation
 - Universal service
 - Broadband
- Key issues facing state commissions in 2017



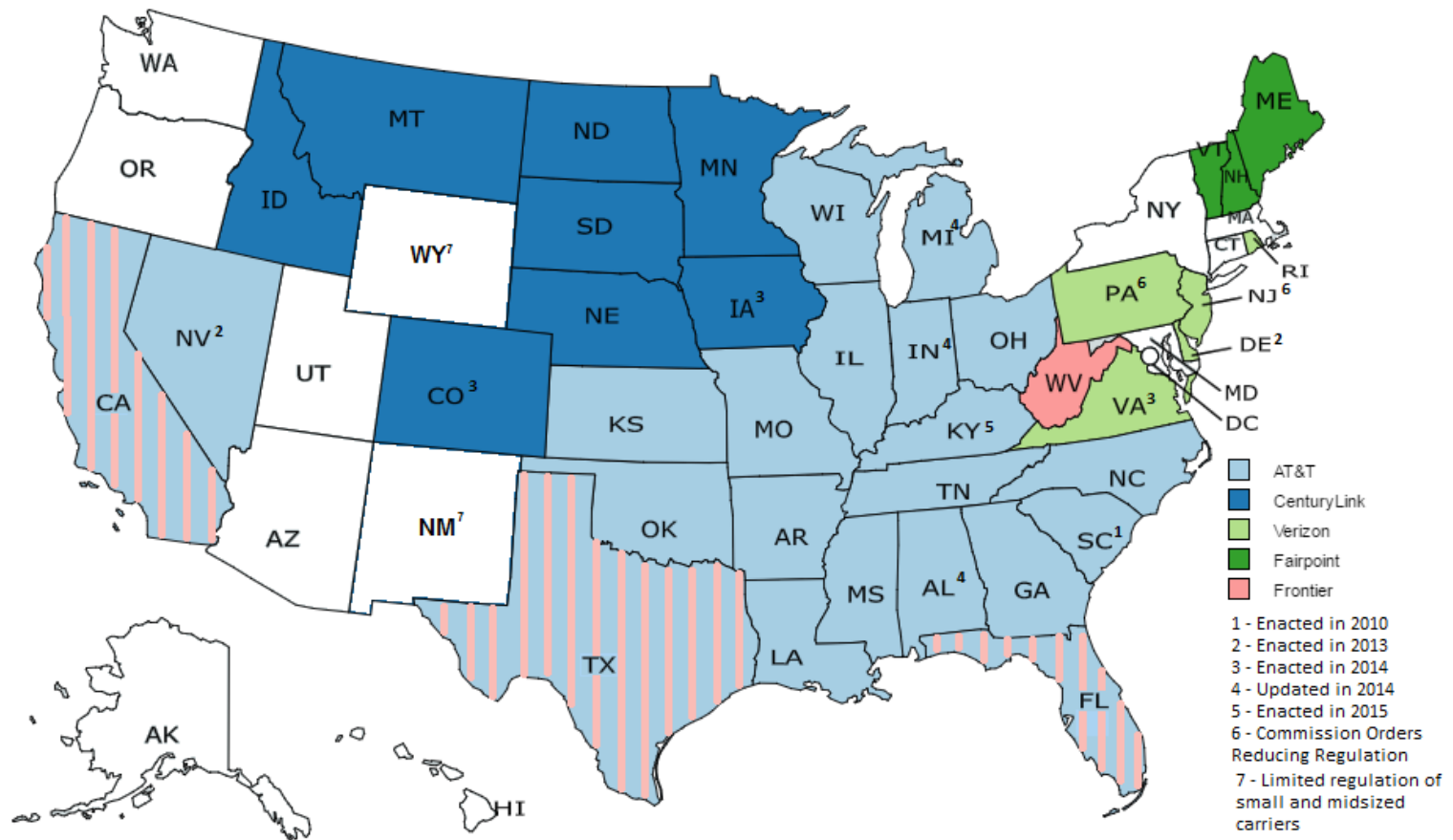
2016 legislation addressed deregulation, COLR, and broadband

- 70+ substantive telecom bills
 - Reduced focus on deregulation
 - Increased focus on carrier of last resort, broadband, emergency services, and USF
- 2 states proposed deregulation bills
 - MN – deregulation in areas with effective competition (passed)
 - DC – reduced oversight of incumbent carrier (failed)
- 11 states reviewed/modified COLR regulations
- 19 states reviewed broadband availability/adoption
- 9 states addressed USF
- 11 states proposed changes to emergency services
- 8 states reviewed quality of service requirements



2016 deregulation map

Legislation Reducing Telecommunications Regulation by State, 2010-2015



Source: Author's construct, data from Legiscan.



Minnesota bill Stat. §237.025 (HF 1066) provides a glide path to deregulation

- Commission decision process
 - Deregulation option 1
 - ✦ Carrier serves <50% of households in an exchange service area
 - ✦ 60% percent of households can purchase voice service from an unaffiliated competitive service provider (including wireless and cable)
 - Deregulation option 2
 - ✦ Carrier serves 50% of households
 - ✦ 60% of households can purchase from an unaffiliated competitor
 - ✦ No significant barriers to competitive entry (condition unique to MN)
- Maintains COLR requirements
- Continues oversight of VoIP as a telecommunications service
- CenturyLink petition for deregulation still pending



Maine began the process of eliminating COLR requirements with H.P. 305 (Chapter 462),

- FairPoint began to eliminate COLR service on a scheduled basis in May 2016
- Replace with a “market rate” offer
 - Current COLR rules continue until May 2017 for existing customers
 - Market rate service for new customers
- Initial withdrawal in large cities -Portland, Bangor, South Portland, Auburn, Biddeford, and Sanford
- 5 more cities will be added in March/April
 - Commission approval required
 - Must meet quality of service standards
 - Open meetings to inform customers of the change



Legislation also addressed universal service, broadband availability, and service quality

- **Universal Service funds**
 - Louisiana: pre-paid wireless providers must contribute to 911
 - South Carolina: wireless providers contribute to TRS
 - Oklahoma: VoIP and wireless providers must contribute to USF
 - Washington: USF funds may carry over to next year
- **Broadband**
 - CA and WI passed bills to fund broadband projects; 6 other bills failed
 - GA and MA passed bills to study broadband deployment
 - Utah approved municipal broadband choice; bills in MO and TN failed
- **Service Quality/Concerns over 911 outages**
 - Colorado legislative task force to determine oversight of emergency service providers
 - Nebraska - PUC to oversee emergency service deployment
 - Maine - adjusted SQ rules as part of COLR changes



Early focus in 2017 is deregulation, USF, and broadband deployment

- 29 bills in the pipeline across the states as of 2/10/2017
- 6 bills would refine previous deregulation processes
 - Simplify the process for defining/proving “effective competition”
 - Eliminate oversight of VoIP
 - Ensure availability of emergency services
- 3 bills target USF funding
 - Expand the contribution base
 - Reduce costs over time
 - Add broadband
- 10 bills address broadband funding,
 - Grants to build infrastructure
 - Incentives for public-private partnerships
 - Study broadband deployment



2017 bills propose changes to commission oversight

- CO – SB 17-081 – clarify the definition of effective competition
 - Identify areas with effective competition by 1/1/2018
 - 2 or more unaffiliated providers reviewed separately for wired/wireless service
- MN – HF 776 – deregulate IP-enabled services/VoIP
 - Exempt IP-enabled services from PUC, DOC or municipal oversight
 - VoIP providers must contribute to USF, 911, other state programs
- NM – HB 57 – deregulate competitive services
 - PRC retains jurisdiction over wholesale, consumer complaints, but not COLR
 - Regulate all retail service providers equivalently
- UT – HB 59 – “informal adjudication” for rule changes
- WY – HB 190 – reduce regulation of large carriers
 - Carriers with >50K lines may “elect” competitive regulation for essential services
 - Deregulated carriers may not receive USF funds
- NH – SB 120 – increased oversight of emergency services



USF funding remains a key issue for the states

- Texas – SB 586 – Small company funding
 - ILECs with <31K lines may request fixed, monthly USF funding
 - Commission must develop disbursement rules by 1/1/2018
- Indiana – HB 1626 – USF study
 - Review contribution and distribution rules
 - ✦ Identify the services assessed and the types of providers that contribute
 - ✦ Review distribution rules and eligibility requirements
 - ✦ Seek comment from IRUC, providers, customers, outside experts
 - Provide legislative recommendations by 11/1/17
- Oklahoma – SB 599 – Contribution and distribution
 - Reduce/control fund size
 - ✦ Cap 2017 fund size at 80% of 2016 collections
 - ✦ Additional reductions every two years until cap reaches 20% in 2021
 - Phase out by 2022
- Utah – SB 130 – Amend state USF to include broadband



States continue to review ways to increase broadband availability

- Tennessee Broadband Accessibility Act (SB 370)
 - \$45 M over 3 years in grants and tax credits
 - Expand broadband to unserved rural areas, including funding libraries
 - Permit electric cooperatives to provide retail broadband service
- Connect Oklahoma Broadband Development Program (SB 528)
 - Expand access to broadband, including supporting broadband lifeline
 - Directs OCC to report on regulatory compliance issues by 5/1/2018
- Minnesota Broadband Grant (SF 234) - \$100M to rural areas
- New Mexico (HB 113) – Create a statewide education network
- Connect New York (SB 3091) – Public/private broadband partnerships
- Connecticut Muni Broadband Network (HB 6117)
- Missouri (SB 186) – no municipal networks



Key issues for 2017 include mergers, broadband, and the IP transition

- Gauging the impact of proposed mergers/acquisitions
 - ATT/Time Warner
 - FairPoint/Consolidated Communications
 - CenturyLink/Level 3
 - Potential wireless mergers
- Supporting the Broadband Lifeline Program (LBP)
 - How can commissions support consumers without direct program oversight?
 - Will the LBP increase broadband adoption?
 - Implementing the National Verifier program
- Supporting the IP transition
 - Applications for the phase out of traditional services
 - COLR requirements