Celebrating 40 Years

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

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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
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, Aubern, 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
  o ATT/Time Warner
  o FairPoint/Consolidated Communications
  o CenturyLink/Level 3
  o Potential wireless mergers

• Supporting the Broadband Lifeline Program (LBP)
  o How can commissions support consumers without direct program oversight?
  o Will the LBP increase broadband adoption?
  o Implementing the National Verifier program

• Supporting the IP transition
  o Applications for the phase out of traditional services
  o COLR requirements