



**State Representative Brian D. Hill  
H.B. 402 Sponsor Testimony  
January 16<sup>th</sup>, 2018**

Chairman Cupp, Vice Chair Carfagna, Ranking Member Ashford, and members of the House Public Utilities Committee, thank you for allowing me to provide sponsor testimony today on HB 402, The Ohio Telecom Modernization Act. This bill will reduce the legacy barriers to investment in Ohio for telecommunications and broadband providers that operate in our state. The last update to regulations for landline telephone service took place in 2010, and current regulations have not kept pace with the rapidly changing telecommunications marketplace. Our local telephone service providers want to innovate and provide their customers, who are our constituents, with modern products and services that are reflective of advances in technology over the past decade. This bill will provide Ohio's local phone companies with the ability to increase their service offerings to customers and expand investment into their networks in many underserved areas.

Today, there are more wireless phone numbers used in the State of Ohio than there are people living in the state. Our local phone companies are losing customers to wireless service providers who do not have to comply with the same outdated, burdensome regulations. Many of the regulations in place for local telephone companies are over 20 years old, predating wireless service and the internet. This puts the local phone companies at a competitive disadvantage, and makes it difficult for them to fund additional capital investments in areas where customers demand upgraded service options.

This legislative proposal attempts to update Ohio's pricing and regulatory structure to create a regulatory framework that recognizes a competitive market and permits on a permissive basis, where competition exists, the pricing flexibility necessary for Ohio's local phone companies to make the investments in Ohio that are responsive to their customers' demands for services and offerings.

In Ohio, over 96% of all local exchanges have two or more providers for basic local phone service, and are considered "competitive" by state law. The 40 incumbent local exchange carriers or ILECS, have very limited flexibility on the pricing of their services. Local phone rates are set by the PUCO, and carriers must prove competition exists in order to have their request to raise service rates approved. Despite competition existing in almost all exchanges in Ohio, ILECS are limited under current law to a \$1.25 increase per year, disregarding costs or the number of other carrier options available to consumers. We are the only state in the Midwest with such restrictions.

This bill changes current law to allow annual increases in local phone service to \$1.25 or up to 20 percent, if the carrier can prove the exchange is competitive. The bill provides an exemption to this limitation if an increase is necessary to for an ILEC to reach the "urban rate floor" set by the FCC. Meeting the "urban rate floor" is necessary for carriers to continue to receive federal subsidies that provide funding for network upgrades. The FCC's "urban rate floor" is currently \$22.49, as of February 2017. Some rural carriers have artificially low rates, with local phone service available for lower than \$5 per month, and with the current limitations on pricing, it could take a carrier 15 years or more to reach the urban rate floor by raising their rates. The current pricing limitations restrict carriers with these low rates from being eligible for funding that would allow them to complete the last mile of connection and broadband upgrades in rural areas. The

exemption in this bill is subject to a 3-year phase-in of rate increases if the PUCO finds it necessary to protect the public interest.

This bill also eliminates many irrelevant regulatory service standards for basic local exchange service, while retaining PUCO authority to intervene in the instances where there are customer complaints. In addition, in cases where federal standards are in place through the Federal Communications Commission, Ohio standards would not duplicate these efforts for programs such as Lifeline and mergers and acquisitions.

House Bill 402 aligns with several components of the Buckeye Pathway, and will tear down regulatory barriers to investment in our state. This will create a level playing field for our local phone companies, who have operated in Ohio for years and employed many of our constituents, and give them the ability to invest in their network in underserved areas. Rural companies that currently don't have the ability to receive federal funds for investment into high-speed internet infrastructure will be able to reach the eligibility requirements to help them defray the cost of these much needed upgrades. This legislation has the support of the Ohio Telecom Association and their 42 member companies, and I hope the members of this committee will join me in supporting these long overdue reforms.

Thank you for giving me the opportunity to speak before the committee today, I am happy to answer any questions you may have at this time.