

REVENUE: No revenue impact

FISCAL: No fiscal impact

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Action: Do Pass as Amended and Be Printed Engrossed

Vote: 4 - 0 - 1

Yeas: George L., Monnes Anderson, Starr, Metsger

Nays: 0

Exc.: Deckert

Prepared By: Janet Adkins, Administrator

Meeting Dates: 3/26

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**WHAT THE MEASURE DOES:** Authorizes the Public Utility Commission to adopt rules that conform the Oregon Universal Service Fund to the federal Telecommunications Act of 1996 and to related rules adopted by the Federal Communications Commission.

**ISSUES DISCUSSED:**

- Anticipated program changes at the federal level
- Without changes in the Oregon authorizing statutes, two systems could result
- Whether universal service charges and funds should be ongoing or limited
- Use of universal service fund for operations in remote areas
- Whether to limit role of commission in adopting rules

**EFFECT OF COMMITTEE AMENDMENT:** Adds authority for the Public Utility Commission to adopt rules to conform to rules adopted by the Federal Communications Commission related to the Universal Service funds.

**BACKGROUND:** Universal Service programs help to ensure basic telephone service is available at a reasonable cost to areas of the country that are expensive to serve. The Federal Communications Commission (FCC) imposes a percentage surcharge on retail interstate and international telecommunications revenues to fund the federal universal service program. The federal Telecommunications Act of 1996 left the development of a funding mechanism up to the FCC and the surcharge imposition is part of the rules adopted by the FCC.

Oregon law directs the Public Utility Commission (PUC) to establish a percentage surcharge on Oregon retail telecommunications revenue to fund Oregon's universal service program, which supplements the federal program and supports providers serving high cost areas of the state.

Currently Oregon's surcharge is consistent with FCC rules, but the FCC is considering a rule change that would replace the current percentage surcharge with a fixed surcharge on each telephone number or network connection. The authority in Senate Bill 894-A would allow the PUC to change Oregon's surcharge to match the FCC's. Advantages of matching the FCC surcharge include ease of compliance for providers, ease of enforcement by the PUC, and eliminating the need for determining which telecommunication revenues are intrastate and subject to the Oregon surcharge.