



Oregon Citizens' Utility Board

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Testimony of Samuel Pastrick

Regarding LC 39

Before the Joint Interim Committee On The First Special Session of 2020

My name is Samuel Pastrick. I am the Advocacy and Development Manager at Oregon Citizens' Utility Board (CUB). Representing CUB, I submit the following testimony in support of LC 39 – the Rural Telecommunications Investment Act (RTIA) – and encourage swift passage.

RTIA has two important goals, both of which demand immediate attention in light of COVID-19: (1) Solve a long-standing fairness issue with the Oregon Universal Service Fund (OUSF); and (2) Establish a reliable funding stream for rural broadband deployment and planning grants.

The OUSF fairness issue reflects technological advances in the telecommunications industry since the Oregon legislature established the Fund in 1999. The Fund's purpose was and still is to ensure safe, reliable, and affordable advanced communication services across Oregon. But 20 years ago, "advanced communication services" referred largely to traditional landline telephone or "plain old telephone service" (POTS).

The 1999 OUSF legislation ensured safe, reliable, and affordable POTS in all areas of the state by applying a small surcharge on the intrastate portion (calls delivered and received within state boundaries) of customer bills to appropriately compensate telephone companies for their carrier of last resort (COLR) obligations. The legislation, however, exempted wireless companies. Because the Internet was still gaining popularity, voice over internet protocol (VoIP) service was not yet a competitive alternative to POTS. The Oregon Public Utility Commission (PUC) administers the OUSF, and the surcharge is capped at 8.5 percent.

In 2020, the advanced communications landscape is radically different – particularly in that the number of wireless and VoIP lines in Oregon now far exceeds the 1999 peak for the number of POTS lines. Yet wireless and VoIP carriers continue to use the terrestrial networks built and maintained by the telephone companies without compensation for that use. This dynamic presents an obvious fairness issue for both the telephone companies, many of which are rural local exchange carriers that have served their communities for decades, and their customers, many of whom are older, rural, and low-income.

RTIA will solve this fairness issue by spreading a lower, six percent surcharge across the intrastate portion of all voice customers' bills – including wireless and VoIP. This will stabilize the existing fund while generating approximately \$5 million annually for a new broadband infrastructure and planning grants program targeting rural Oregon communities.

This last point regarding broadband grants is critical. Beyond the need for the Legislature to fix the inherent cost-sharing inequality among landline and non-landline voice customers, the Legislature should further modernize the OUSF to support broadband infrastructure and community planning grants, particularly in areas where the current market has ignored and will continue to ignore, but for some intervention.

The COVID-19 crisis has proven that internet access service is a utility on equal footing with electricity, and home heating/cooling. Participation in a dynamic, modern economy; maintaining important social connections; engaging civically; and seeking and receiving critical services requires access to and use of the Internet.

As Oregon continues to battle COVID-19 and address the economic destruction left in its wake, there is no questioning the importance of the Internet. Oregonians, particularly rural Oregonians, still have limited service availability. Limited infrastructure deployment and low subscription rates reflect this lack of availability, especially in certain Oregon counties.

Oregonians deserve better. The Legislature must modernize the OUSF to support broadband grants for un-and-underserved areas. And, to be clear, The OUSF can already support broadband projects. This is consistent with Federal Universal Service Fund policy. Yet only landline and certain VoIP providers currently pay for these projects. This is an unfair and outdated approach.

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