

HB 2184 -2, -3 STAFF MEASURE SUMMARY

House Committee On Economic Development

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Sub-Referral To: Joint Committee On Ways and Means

Meeting Dates: 2/11, 2/18

WHAT THE MEASURE DOES:

Expands definition of retail telecommunications service to include wireless and wireline services, including interconnected voice over Internet protocol service. Adds universal service surcharge to the expanded list of retail telecommunication services sold in Oregon and to the sale of other communications and broadband services as determined by the Public Utility Commission. Establishes Broadband Fund and directs Commission to deposit a portion of the universal service surcharge in the fund to encourage broadband service availability. Appropriates moneys in the Fund to Oregon Business Development Department to provide grants and loans for qualified entities to develop open access broadband service infrastructure projects under program rules.

ISSUES DISCUSSED:

- Universal Service Fund and Broadband Fund amounts and eligible entities
- Surcharge rate and services subject to surcharge
- Cost to provide and receive broadband service in rural Oregon
- Tax rates in Oregon and other states
- Federal and state funding for school broadband

EFFECT OF AMENDMENT:

-2 Replaces measure. Defines commercial mobile radio service and interconnected voice over Internet protocol. Transfers \$10 million per year to Broadband Fund and sets cap of \$30 million per year for basic telephone service from universal service fund. Identifies the services subject to the universal service surcharge, defines how intrastate revenues subject to surcharge are identified, and changes surcharge to seven percent. Prohibits Public Utility Commission from exercise of regulatory authority over mobile radio service and interconnected voice over Internet protocol service providers beyond certain authorities in measure. Defines unserved and underserved areas. Requires Oregon Business Development Department to develop program rules, apply certain preferences to grants and loans, and establish procedures for distributing grant or loan funds, including to the Connecting Oregon Schools Fund. Requires annual report by Department on fund, grants or loans, and status of broadband deployment. Fund and program become operative on January 1, 2020, and sunset on January 2, 2030. Declares emergency, effective on passage.

-3 Replaces measure and includes the same amendments as the -2 with two changes. Removes provision limiting future eligibility for the universal service fund for basic telephone service to those entities that received moneys from the fund on or before December 31, 2018. Makes the amount of moneys deposited annually in the universal service fund to ensure basic telephone service based on Public Utility Commission Orders No. 16-093 and 16-102, not the fund cap or surcharge rate, through December 31, 2021.

BACKGROUND:

The Public Utility Commission of Oregon (PUC) is responsible for implementing a balanced program of regulation and competition aimed at encouraging innovation in the telecommunications industry, and making high quality telecommunications services available to Oregon residents at just and reasonable prices. In 1999, the Legislative Assembly directed the PUC to create and implement the Oregon Universal Service (OUS) Fund and to pay for it with a surcharge on all retail telecommunications sales in Oregon. The surcharge is now assessed on wireline

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telephone customers, but not on wireless or video service; the current surcharge rate is 8.5 percent. The OUS Fund is designed to support local telephone companies that provide basic telephone service in high-cost rural areas in Oregon, and its purpose is to ensure basic telephone service at reasonably comparable and affordable rates throughout the state.

The Oregon Business Development Department, commonly known as Business Oregon, helps facilitate the deployment and utilization of telecommunications infrastructure to support innovation, create economic opportunities, and build quality communities throughout Oregon. In 2018, Business Oregon funded seven broadband planning and infrastructure projects in areas lacking adequate broadband service (less than 25 million bits per second downstream and 3 million bits per second upstream) through the Rural Broadband Capacity Pilot Program. The Department received 25 applications totaling more than \$4.8 million in requested funding for the \$500,000 available through the pilot program.

House Bill 2184 expands the definition of retail telecommunications service and adds the universal service surcharge to the expanded list of retail telecommunication services sold in Oregon. The measure establishes a Broadband Fund, requires the PUC to deposit a portion of the universal service surcharge in the fund to encourage broadband service availability, appropriates moneys in the fund to Business Oregon to provide grants and loans for open access broadband service infrastructure projects, and requires Business Oregon to develop program rules.