



**Testimony Before the House Economic Development Committee  
Relating to Support of HB 2173 and HB 2184  
February 17, 2019**

**Submitted by Jim McCauley, Legislative Director League of Oregon Cities**

Chair Lively and Vice-Chairs Fahey and Bonham, on behalf of Oregon's 241 cities we are offering the following comments in support of HB 2173 and HB 2184.

Going into the 2019 session The League of Oregon Cities (LOC) established 6 priority issues leading up to the 2019 session including state investment in broadband infrastructure. Our membership recognizes a very real digital divide that still exists for many of Oregon's cities isolated from the urban core and find themselves short of an incredibly key economic development tool. HB 2173 and HB 2184 as a package addresses our membership's concerns and ultimately a missing piece of infrastructure for many communities.

HB 2173 provides the necessary institutional structure needed to create a Broadband Office in Business Oregon that will be responsible for development of broadband to the remaining 400,000 residents, 26 school districts and an untold number of businesses. Without broadband office in place the digital divide will remain in place and as technology advances communities without the critical link of broadband will become even more separated.

HB 2184 is the financial mechanism needed to generate funds to not only staff the Oregon Broadband Office with expertise but provide a stable revenue flow for matching funds in the newly created Broadband Fund that will help rural Oregon.

It should be no surprise that the key contributing factor for broadband deployment is money. The expansion of the telecommunications system in Oregon as in every state comes from a combination of private and public investments. The model for expansion in areas without a large population or concentration of businesses however needs a little extra financial strength and that is where the Broadband Fund in HB 2184 comes into play. With an additional infusion of \$10 million annually, the digit divide will be eliminated and the communities without broadband access will see the light at the end of the fiber optic cable.

HB 2184 expands the Oregon Universal Service Fund (OUSF) and allows for the Oregon Public Utility Commission to collect an additional surcharge that is only applied to a segment of cell phone usage effectively capturing intrastate calls and text messages.. Any data usage associated with video, texts out of state or calls out of state are not part of the surcharge. It should be noted that cell phones have been exempt from this surcharge since the OUSF was established in 1999. For the last 20 years, well over 100 hundred million dollars has been generated by the OUSF to extend, maintain, and repair critical infrastructure in the telecommunications network in Oregon.

Without question, some of the infrastructure created or maintained has had a direct benefit to the wireless industry without their direct participation in the fund. Given the emergence of new technology with (small cell and 5G), demand for more reliance on broadband infrastructure in the future will only accelerate. If the current OUSF funding system was used for transportation infrastructure, front wheel drive cars would be charged while all-wheel drive would be exempt from fees even though both use the same transportation system.

Effectively, land lines that have been assessed for 2 decades have subsidized valuable infrastructure, that the wireless industry depends on to complete phone calls, text messages to friends and family, etc. For anyone to suggest there is little value or some cross-subsidy of infrastructure not needed by the wireless industry simply ignores the mechanics of communicating.

The combination of HB 2173 and HB 2184 creates a critical digital infrastructure package for rural Oregon. Deployment of broadband infrastructure should be treated no differently in scale than what water and sewer, power, and transportation provide a community. Broadband is the baseline of community infrastructure in the future.

- It will expand the communication grid that allows kids growing up in small communities to have the same opportunity in school and at home that kids who grow up in Beaverton, Eugene or Portland have.
- It will create a critical piece of infrastructure for Oregon's small businesses who may be isolated in the smaller communities and struggle with competing for business.
- It will provide farms and agricultural operations not located next to an urban strip the ability to compete on a more even playing field than what's available today.
- It will also provide a critical health care link for people and families who are not close to health services.

This broadband package is an absolute win for rural Oregon. Don't wait for another study or the digital divide will continue to widen and leave rural Oregon on the outside looking in, please support HB 2173 and HB 2184.