

HB 2184

A 21st Century Oregon Universal Service Fund

The proposal

The Oregon Universal Service Fund surcharge, which currently applies only to landline telecommunications, would be expanded to include cell phone providers and VOIP (voice over internet protocol). The expanded OUSF would: 1) continue to fund high need telecom services in rural areas of the state; and 2) establish a Broadband Fund to assist communities in developing a robust broadband network that will serve every Oregonian.

Why does Oregon have a Universal Service Fund?

The OUSF was created by the legislature in 1999 to support basic telecommunications service in rural and remote areas of Oregon. Support does not go to urban areas. Since wireless service was relatively new in 1999, that industry segment sought and was granted an exemption from contributing to the OUSF. **Now, nearly 20 years later, cell phones dominate the market but wireless carriers are not required to share fiscal responsibility for the infrastructure that they use to complete cell phone calls.**

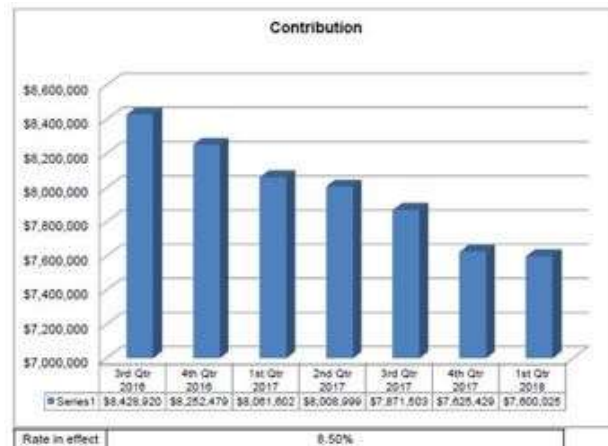
The OUSF does not receive revenue from the General Fund. The surcharge on landline-based telecommunications customers began at 2.35% in 2000, which resulted in about \$12.6 million in revenue collected in the 4th quarter of that year. Since then, the surcharge has steadily been raised to keep up with falling revenue as more people have abandoned their landlines in favor of wireless devices. It was capped at 8.5% in 2017. A total of \$7.4 million was collected in the 1st quarter of 2018.

Why should we care?

Declining OUSF revenue could have a significant negative effect on the economic development and well-being of vulnerable communities throughout our state.

What do we need to do?

Wireless telecommunications service providers have enjoyed an exemption from contributing to the OUSF. This exemption should be eliminated. The additional funds generated would be used to stabilize the existing OUSF and to create a continuously funded broadband grant program administered by Business Oregon. Broadband grant funds would be distributed as grants or loans to underserved areas of the state as well as communities with no broadband access.



This graph was presented at the OUS Advisory Board Meeting on May 2, 2018

Frequently Asked Questions:

How do wireless carriers utilize the landline network and why should they pay into the OUSF? The infrastructure that currently supports landlines also supports the mobile carriers. Without the OUSF, people in rural areas would not have access to mobile devices. The PUC is currently working to extend the surcharge to apply to VOIP (Voice over Internet Protocol), but cell phones continue to use the infrastructure without contributing to costs.

How would communities benefit from the OUSF support? Broadband is a critical component of community infrastructure, enabling innovation and new opportunities in education, health and economic development. Communities in Oregon that find themselves on the wrong side of the digital divide will increasingly struggle to recruit and retain businesses, provide quality education and deliver healthcare services. Given market realities and decades of experience in rural areas of our state, we cannot expect that the telecommunications industry alone will successfully address this issue. An expanded OUSF would help communities in Oregon prosper by supporting access to an increasingly vital part of today's communications infrastructure.

How would funds be used? The expanded OUSF would continue to 1) fund high need providers (both telephone and broadband service), and, 2) establish a Broadband Fund, to be used to help unserved and underserved communities establish broadband. The Broadband Fund would be administered by Business Oregon and distributed via grants and loans to support providers and technologies that best fit each local community.

How much would this cost consumers? Depending upon their bills, cell phone users would pay \$4-9 **per year**. Landline users will likely see a decrease in their monthly charges. Total revenues would stabilize the existing OUSF at approximately \$28-30 million/year and produce \$10 million/year for Broadband Fund investments.

How would the expanded OUSF be structured? Cell phone providers would pay into the universal service fund bucket, along with landline providers. The surcharge would be applied to intrastate (not interstate) calls only. The funds would be received and rates set by the Public Utility Commission. The PUC will continue to administer the high need fund, while Business Oregon will manage the Broadband Fund.

For more information, contact:

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