

Oregon Citizens' Utility Board

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04/02/2019

**Testimony of Samuel Pastrick, Oregon Citizens' Utility Board
Before the House Committee on Revenue
Re: Oregon House Bill's 2184**

My name is Samuel Patrick. I'm the Outreach Manager at Oregon Citizens' Utility Board (CUB). Oregon voters founded CUB by way of the State's ballot initiative process in 1984 to represent the interests of residential customers of Oregon's regulated energy and telecommunications utilities.

I submit the following testimony to urge the Committee's support for HB 2184 with the -6 amendments.

CUB endorses HB 2184 for three reasons:

1. HB 2184 would remedy a now two-decade-long inequality among landline and other voice customers in terms of their payment for both the maintenance and deployment of statewide network infrastructure to support widespread, high-quality, and low-cost voice services. Such services include traditional 'landline', wireless, and Voice over Internet Protocol (VoIP).
2. HB 2184 would lower costs for standalone landline customers, many of whom live in rural, economically challenged areas, by sharing the cost burden of maintaining statewide network infrastructure necessary for high-quality voice services beyond landline.
3. HB 2184 both recognizes the need for Oregon to remedy the digital divide and proposes a prudent solution in the form of a Broadband Grants Program that would prioritize un-and-underserved areas of our State, most of which exist outside of high-density, urban cores due to the challenging economics of delivering both voice and internet access services.

The background behind CUB's support for HB 2184 begins in 1999 when the Oregon legislature recognized the importance of widespread, high-quality, and low-cost landline telephone service by creating the Oregon Universal Service Fund (OUSF) and instructing the Oregon Public Utility Commission (PUC) to oversee the Fund.

By establishing the OUSF, the Legislature understood two, key dynamics: The first is that it would always be expensive to maintain network infrastructure to support voice services for communities throughout Oregon. The second was that nascent voice service technologies did, at the time, warrant exemption from the statute.

20 years later, the economics of maintaining statewide network infrastructure to support widespread, high quality, and low-cost voice services remain challenging. However, voice service technologies beyond landline telephone, particularly wireless and VoIP, are no longer nascent. Yet these services continue to utilize and benefit from network infrastructure maintained by only landline and certain VoIP companies and their customers. This represents an unfair situation, though one for which a straightforward policy solution exists: Apply a lower surcharge to landline telephone and other voice services utilizing the statewide network. This includes wireless and VoIP.

HB 2184 with the -6 amendments would cap both the surcharge at 7 percent and overall fund at \$40 million while maintaining needed funds (around \$30 million) for the existing program. Funds raised beyond those required to maintain high-cost voice support, which PUC anticipates to be around \$10 million annually, would be allocated toward ‘broadband grants’, with priority given to rural schools and libraries, as well as un-and-underserved communities throughout the State.

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 projects – particularly in areas where the current market has ignored and will continue to ignore, but for some intervention.

It’s important to highlight for the record that internet access service is an essential utility – one on equal footing with electricity, home heating and cooling, and water. Participation in a dynamic, 21st century economy, maintaining important social connections, engaging civically, and even seeking and receiving an increasing number of critical services, requires access to and use of internet access service. In 2019, there is simply no questioning the importance of the Internet in our daily lives.

Oregonians, especially rural Oregonians, still have limited availability of internet access service. Low subscription rates reflect this lack of availability, especially in certain Oregon counties.

On February 2, 2018, the Federal Communications Commission (FCC) released their annual Broadband Deployment Report. This report relates to service availability. Data suggest what infrastructure could exist as opposed to what infrastructure does exist because they’re based off advertised availability of service. The Report nevertheless paints a concerning picture:

- Below 80 percent of the population in 15 Oregon counties has access to fixed broadband (internet access service with a speed of 25/3 megabits per second).
- Below 90 percent of the population in 24 Oregon counties has access to fixed broadband.
- Below 17 percent of the population in five Oregon counties (Wheeler, Gilliam, Baker, Sherman, and Harney) has access to fixed broadband.

Regarding usage of internet access service, the American Community Survey (ACS) maintains the most current records. ACS single-year estimates from 2017 are striking to say the least:

- An estimated 414,969 Oregonians did not have a broadband subscription, relying on either cellular data or “dialup” service over an existing landline.
- An estimated 217,433 Oregonians did not have any internet access service subscription.

ACS five-year (2013-2017) average broadband subscription data highlights the stark urban-rural digital divide in Oregon:

Lowest Broadband Subscription Rate		Highest Broadband Subscription Rate	
Lake	62.1 %	Washington	87.9 %
Gilliam	67.1 %	Benton	87.3 %
Malheur	67.9 %	Clackamas	85.4 %
Baker	70.0 %	Multnomah	84.1 %
Coos	70.0 %	Deschutes	83.0 %

Oregonians deserve better. The Legislature should modernize the OUSF to support broadband grants for un-and-underserved areas. To be clear: The OUSF already supports broadband projects. This is consistent with Federal Universal Service Fund policy. However, only landline and certain VoIP providers pay for these projects, as well the as overall maintenance of the statewide network. This is an unfair and outdated approach.

Respectfully,

Samuel Pastrick
 Outreach Manager
 Oregon CUB

2018 FCC Broadband Deployment Report Data

Oregon County or County Equivalent	Population Evaluated	% of Pop. with Fixed 25 Mbps/3 Mbps	% of Pop. with Mobile 5 Mbps /1 Mbps	% of Pop. with Fixed & Mobile	Population Density	Per Capita Income (\$2016)
Oregon	4,086,337	91.00%	99.20%	90.80%	42.571	.
Wheeler County	1,340	0.00%	9.90%	0.00%	0.781	\$22,723
Gilliam County	1,850	3.80%	79.90%	3.70%	1.536	\$23,360
Baker County	16,088	5.90%	97.30%	5.50%	5.243	\$24,776
Sherman County	1,703	6.00%	100.00%	6.00%	2.068	\$32,223
Harney County	7,304	17.00%	97.00%	17.00%	0.721	\$22,795
Lake County	7,861	46.40%	92.30%	44.00%	0.966	\$20,327
Grant County	7,147	53.20%	85.00%	52.40%	1.578	\$23,960
Morrow County	11,238	56.00%	94.90%	56.00%	5.532	\$21,279
Union County	26,091	64.50%	96.50%	64.50%	12.811	\$25,458
Hood River County	23,135	67.80%	100.00%	67.80%	44.324	\$28,347
Columbia County	50,784	69.90%	99.20%	69.90%	77.255	\$27,449
Malheur County	30,405	74.10%	98.40%	73.90%	3.075	\$17,150
Josephine County	85,752	76.40%	96.80%	76.40%	52.298	\$23,004
Wasco County	26,058	77.50%	99.00%	77.50%	10.942	\$22,931
Yamhill County	104,916	79.70%	99.50%	79.70%	146.559	\$26,523
Clatsop County	38,591	82.40%	99.30%	82.40%	46.548	\$27,071
Klamath County	66,490	82.80%	99.80%	82.80%	11.192	\$23,071
Jefferson County	23,127	82.90%	99.30%	82.90%	12.987	\$21,630
Lane County	369,246	84.90%	98.80%	84.90%	81.097	\$25,612
Umatilla County	76,268	86.10%	99.00%	86.10%	23.719	\$21,528
Coos County	63,789	87.30%	97.60%	87.20%	39.964	\$24,261
Douglas County	108,465	87.40%	97.30%	87.20%	21.538	\$23,608
Lincoln County	47,849	89.00%	98.00%	88.50%	48.837	\$24,593
Jackson County	216,323	89.10%	97.10%	87.90%	77.715	\$25,612
Wallowa County	6,934	92.10%	93.20%	89.80%	2.204	\$24,956
Tillamook County	26,129	93.10%	95.20%	90.90%	23.698	\$23,688
Clackamas County	407,097	93.10%	99.80%	93.10%	217.661	\$35,506
Curry County	22,706	93.20%	98.00%	92.80%	13.952	\$24,908
Polk County	81,650	93.70%	99.20%	93.60%	110.221	\$24,827
Crook County	22,645	94.20%	98.80%	94.20%	7.601	\$22,346
Marion County	335,667	95.10%	99.80%	95.10%	283.904	\$23,348
Deschutes County	181,178	96.20%	100.00%	96.20%	60.029	\$30,177
Washington County	580,791	96.60%	99.90%	96.60%	801.943	\$33,433
Linn County	122,633	96.90%	99.40%	96.80%	53.549	\$22,934
Multnomah County	797,689	97.70%	100.00%	97.70%	1,849.51	\$33,255
Benton County	89,398	98.80%	99.90%	98.80%	132.257	\$28,986

ARIZON
NEW MEXICO

OKLAHOMA

ARKANSAS

TENNESSEE

NORTH CAROLINA

SOUTH CAROLINA

B28008

PRESENCE OF A COMPUTER AND TYPE OF INTERNET SUBSCRIPTION IN HOUSEHOLD

Universe: Population in households

2017 American Community Survey 1-Year Estimates

Supporting documentation on code lists, subject definitions, data accuracy, and statistical testing can be found on the American Community Survey website in the Technical Documentation section.

Sample size and data quality measures (including coverage rates, allocation rates, and response rates) can be found on the American Community Survey website in the Methodology section.

Although the American Community Survey (ACS) produces population, demographic and housing unit estimates, it is the Census Bureau's Population Estimates Program that produces and disseminates the official estimates of the population for the nation, states, counties, cities, and towns and estimates of housing units for states and counties.

	Oregon	
	Estimate	Margin of Error
Total:	4,053,223	*****
Has a computer:	3,891,755	+/-10,682
With dial-up Internet subscription alone	7,745	+/-1,539
With a broadband subscription:	3,666,577	+/-20,106
With a fixed broadband Internet subscription:	3,251,608	+/-27,815
With a cellular data plan	2,895,151	+/-31,990
Without a cellular data plan	356,457	+/-16,763
Cellular data plan alone or with dial-up	414,969	+/-21,636
Without Internet subscription	217,433	+/-15,684
No Computer	161,468	+/-10,682

Data are based on a sample and are subject to sampling variability. The degree of uncertainty for an estimate arising from sampling variability is represented through the use of a margin of error. The value shown here is the 90 percent margin of error. The margin of error can be interpreted roughly as providing a 90 percent probability that the interval defined by the estimate minus the margin of error and the estimate plus the margin of error (the lower and upper confidence bounds) contains the true value. In addition to sampling variability, the ACS estimates are subject to nonsampling error (for a discussion of nonsampling variability, see Accuracy of the Data). The effect of nonsampling error is not represented in these tables.

Data about computer and Internet use were collected by asking respondents to select "Yes" or "No" to each type of computer and each type of Internet subscription. Therefore, respondents were able to select more than one type of computer and more than one type of Internet subscription.

The category "Has a computer" includes those who said "Yes" to at least one of the following types of computers: Desktop or laptop; smartphone; tablet or other portable wireless computer; or some other type of computer. The category "No computer" consists of those who said "No" to all of these types of computers.

An Internet "subscription" refers to a type of service that someone pays for to access the Internet such as a cellular data plan, broadband such as cable, fiber optic or DSL, or other type of service. This will normally refer to a service that someone is billed for directly for Internet alone or sometimes as part of a bundle.

Caution should be used when comparing data for computer and Internet use before and after 2016. Changes in 2016 to the questions involving the wording as well as the response options resulted in changed response patterns in the data. Most noticeable are increases in overall computer ownership or use, the total of Internet subscriptions, satellite subscriptions, and cellular data plans for a smartphone or other mobile device. For more detailed information about these changes, see the 2016 American Community Survey Content Test Report for Computer and Internet Use located at <https://www.census.gov/programs-surveys/acs/methodology/content-test.htm> or the user note regarding changes in the 2016 questions located at <https://www.census.gov/programs->

The category "With a broadband Internet subscription" refers to those who said "Yes" to at least one of the following types of Internet subscriptions: Broadband such as cable, fiber optic, or DSL; a cellular data plan; satellite; or a fixed wireless subscription. The category "Without an Internet subscription" includes those who accessed the Internet without a subscription and also those with no Internet access at all.

While the 2017 American Community Survey (ACS) data generally reflect the July 2015 Office of Management and Budget (OMB) delineations of metropolitan and micropolitan statistical areas, in certain instances the names, codes, and boundaries of the principal cities shown in ACS tables may differ from the OMB delineations due to differences in the effective dates of the geographic entities.

Estimates of urban and rural populations, housing units, and characteristics reflect boundaries of urban areas defined based on Census 2010 data. As a result, data for urban and rural areas from the ACS do not necessarily reflect the results of ongoing urbanization.

Source: U.S. Census Bureau, 2017 American Community Survey 1-Year Estimates

Explanation of Symbols:

1. An '***' entry in the margin of error column indicates that either no sample observations or too few sample observations were available to compute a standard error and thus the margin of error. A statistical test is not appropriate.
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6. An '*****' entry in the margin of error column indicates that the estimate is controlled. A statistical test for sampling variability is not appropriate.
7. An 'N' entry in the estimate and margin of error columns indicates that data for this geographic area cannot be displayed because the number of sample cases is too small.
8. An '(X)' means that the estimate is not applicable or not available.



GCT2801

PERCENT OF HOUSEHOLDS WITH A BROADBAND INTERNET SUBSCRIPTION - State -- County / County Equivalent

Universe: Households

2013-2017 American Community Survey 5-Year Estimates

**Thematic Map of Percent
Geography by: County**

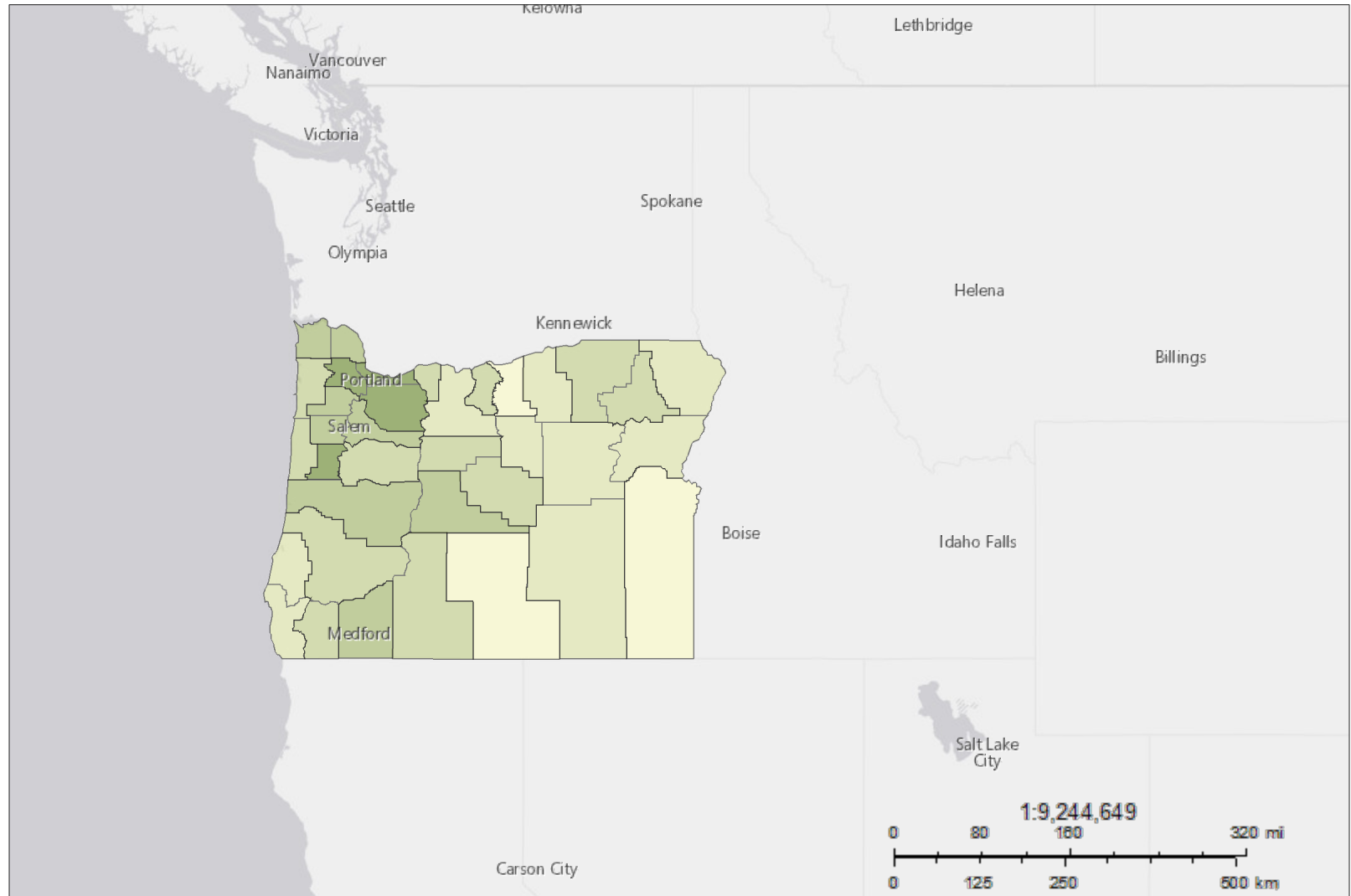
Legend:

Data Classes

- 62.1 - 67.9
- 70.0 - 73.1
- 74.3 - 78.3
- 79.8 - 83.0
- 84.1 - 87.9

Boundaries

No Legend



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In 2016, changes were made to the computer and Internet use questions, involving the wording as well as the response options. A crosswalk was used to map pre-2016 data to the post-2016 categories, enabling creation of 5-year data. For more detailed information about the 2016 changes, see the 2016 American Community Survey Content Test Report for Computer and Internet Use located at <https://www.census.gov/programs-surveys/acs/methodology/content-test.htm> or the user note regarding changes in the 2016 questions located at <https://www.census.gov/programs-surveys/acs/technical-documentation/user-notes.html>. For more detailed information about the crosswalk, see the user note regarding the crosswalk located at <https://www.census.gov/programs-surveys/acs/technical-documentation/user-notes.html>.

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Geography: Oregon

Geographic Area	Percent	Margin of Error
Oregon	81.9	+/-0.2
Baker County	70.0	+/-2.6
Benton County	87.3	+/-1.1
Clackamas County	85.4	+/-0.6
Clatsop County	79.8	+/-1.9
Columbia County	81.4	+/-1.6
Coos County	70.0	+/-1.8
Crook County	77.7	+/-2.9
Curry County	72.3	+/-2.8
Deschutes County	83.0	+/-1.2
Douglas County	75.6	+/-1.5
Gilliam County	67.1	+/-6.4
Grant County	73.1	+/-3.1
Harney County	70.9	+/-4.7
Hood River County	77.9	+/-3.8
Jackson County	81.2	+/-0.8
Jefferson County	75.6	+/-2.8
Josephine County	76.5	+/-1.9
Klamath County	74.3	+/-1.7
Lake County	62.1	+/-5.1
Lane County	80.8	+/-0.6
Lincoln County	76.8	+/-1.7
Linn County	78.3	+/-1.2
Malheur County	67.9	+/-2.7
Marion County	81.0	+/-0.8
Morrow County	72.7	+/-3.4
Multnomah County	84.1	+/-0.4
Polk County	82.4	+/-1.4
Sherman County	75.9	+/-4.7
Tillamook County	74.7	+/-2.5
Umatilla County	75.2	+/-1.8
Union County	75.4	+/-2.3
Wallowa County	72.3	+/-3.4
Wasco County	73.0	+/-2.1

Geographic Area	Percent	Margin of Error
Washington County	87.9	+/-0.5
Wheeler County	70.3	+/-5.4
Yamhill County	81.2	+/-1.4

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