

HB 2184 A -11 STAFF MEASURE SUMMARY

House Committee On Revenue

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Sub-Referral To: Joint Committee On Ways and Means

Meeting Dates: 4/2, 4/25, 5/14

WHAT THE MEASURE DOES:

Modifies definitions applicable for service surcharge. Subjects sale of retail commercial mobile radio services and retail interconnected voice over internet protocol services to universal service surcharge. Reduces rate cap to seven percent of sale of services subject to surcharge. Establishes Broadband Fund and directs Commission to deposit a portion of the universal service surcharge in the fund to encourage broadband service availability. Transfers \$10 million per year to newly created Broadband Fund and sets cap of \$30 million per year for basic telephone service from universal service fund. 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:

- Whether to use General Fund dollars to seed the Broadband Fund
- Whether the OUSF will be stabilized with this bill
- The interaction between the Federal USF and the State USF
- The OPUC has the ability to adjust the cap
- The safe harbor voice portion of the bill is decreasing over the years
- The digital divide in Oregon and its effect on participation in democracy and economy
- whether there is an interaction with other legislation currently be considered
- digital equity and access in rural area for education, 911 and regional attractiveness
- base broadening and certainty of funding level

EFFECT OF AMENDMENT:

-11 Reduces overall cap to \$33 Million, OUSF cap to \$28 million, and lowers assessment rate to 6%. Removes emergency clause.

BACKGROUND:

The Universal Service Fund (OUSF) is intended to ensure basic telephone service for all Oregonians and is funded by a service charge on telephone service. The Public Utility Commission is tasked with setting standards and costs for basic service and then OUSF moneys are utilized to lower per unit costs in areas where the provision of basic service is deemed to be more costly. Historically, the surcharge has been collected from Telecommunication carriers for retail telecommunications service.

In 1999, the Legislative Assembly directed the PUC to create and implement the OUSF with a surcharge on all retail telecommunications sales in Oregon. The surcharge is now assessed on wireline 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

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opportunities, and build quality communities throughout Oregon. In 2018, Business Oregon funded seven broadband planning and infrastructure projects in areas lacking adequate broadband service (defined as less than 25 million bits per second downstream and three 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-A identifies services subject to the universal service surcharge, defines how intrastate revenues subject to the surcharge are identified, and reduces the surcharge maximum from 8.5 percent of voice allocated revenues to 7 percent. The measure establishes a Broadband Fund, sets a cap of \$30 million per year to support basic telephone service from the OUS Fund, and transfers the lesser of \$10 million, or the remainder in the OUS Fund above \$30 million per year, to the Broadband Fund. The measure requires Business Oregon to develop broadband program rules, apply certain preferences to grants and loans, establish procedures for distributing grant or loan funds, including to the Connecting Oregon Schools Fund, and report annually on the program and status of broadband deployment. The Broadband Fund and program become operative on January 1, 2020, and sunset on January 2, 2030.