

## HB 2184 B STAFF MEASURE SUMMARY

### Joint Committee On Ways and Means

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**Prepared By:** Kim To, Budget Analyst

**Meeting Dates:** 6/12, 6/14

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#### WHAT THE MEASURE DOES:

Modifies definitions applicable for purposes of universal 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 six percent of sale of services subject to surcharge. Directs Public Utility Commission to transfer up to \$5 million per year of moneys deposited in universal service fund to Broadband Fund. Establishes Broadband Fund. Continuously appropriates moneys in Broadband Fund to Oregon Business Development Department to provide grants and loans under program for assisting qualified entities with projects for development of broadband service infrastructure. Directs department to adopt program for providing grants and loans by rule. Directs department to report annually to interim committee of Legislative Assembly related to telecommunications on status of Broadband Fund. Sunsets Broadband Fund, transfer of moneys from universal service fund to Broadband Fund and grant program January 2, 2030. Becomes operative January 1, 2020. Takes effect on 91st day following adjournment sine die.

#### ISSUES DISCUSSED:

- Effect of amendment
- Fiscal impact

#### EFFECT OF AMENDMENT:

Stipulates that the Oregon Business Development Department may use moneys in the Broadband Fund for administration expenses as well as for loans and grants to develop broadband service infrastructure.

#### 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 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.

PRELIMINARY