



**Testimony of
John Cmelak
Verizon
Opposition to Oregon House Bill 4079
Before the House Committee on Revenue**

February 4, 2020

Chairman Nathanson, Vice Chairs Marsh and Reschke, and Committee Members, my name is John Cmelak. I am a Tax Policy Director for Verizon, and I thank you for the opportunity to express opposition to HB 4079.

Verizon believes that all Americans, no matter where they live, should have access to broadband. Expanding rural broadband is a state priority here in Oregon, but HB 4079 is not the best answer.

On January 30, 2020, the FCC established the new Rural Digital Opportunity Fund to efficiently fund the deployment of high-speed broadband networks in rural America. Verizon supports the FCC's proposal as an important step in addressing our nation's digital divide. The FCC's order awarded \$20.4 billion using two phases of "reverse auctions."¹

We believe that HB 4079 runs the risk of duplicating and overlapping its new state Broadband Fund objectives with those of the federal Rural Digital Opportunity Fund (RDOF).

Further, HB 4079 would impose a major new 6% "surcharge" on wireless customers in Oregon, imposing a total of \$35 million annually in new OUSF surcharges on Oregon consumers. However, paying OUSF on wireless service would not result in much benefit for wireless customers. This is because the new funds generated by these new taxes would be primarily paid out in subsidies for landline telephone companies. This creates a scenario where one

¹ Phase I is a \$16 billion auction that the FCC will hold in 2020. Phase II is a \$4.4 billion auction that the FCC will hold later, after the FCC obtains more accurate broadband mapping data. For Phase I, a census block will be eligible for funding if it is both "unserved" at a minimum of 25/3 MBPS service and "high cost" using current FCC definitions of those terms. Phase II eligibility criteria will be determined later.

industry, wireless providers, will be subsidizing landline competitors. We believe this makes no tax policy sense.

We also believe that if the OUSF is applied to wireless, it would disproportionately impact low-income Oregonians. This is because OUSF can only be applied to intrastate voice services and cannot be applied to data/Internet access plans. If enacted, consumers who purchase low-cost voice and text-only plans would pay the same amount as consumers and business users who purchase the more expensive unlimited data/Internet plans. This means that the surcharge will fall disproportionately on low-income residents.

Under the current stipulation approved by the Oregon PUC for the OUSF, the PUC will reduce high-cost funding for phone companies each year through 2021. HB 4079 will impose a regressive 6% tax when the Oregon PUC will reduce the burden of providing high-cost service.

Also, during Oregon's 2019 session, HB 3065 was approved. It directs the Oregon PUC to review carrier of last resort obligations and report back to the Legislative Assembly no later than September 15, 2020. In the event existing carrier of last resort obligations are significantly lessened, carriers will not need to rely on continued OUSF funding. HB 4079 may possibly be a solution in search of a problem.

If the goal is to increase broadband deployment in rural and unserved areas, a fairer and more appropriate way to pay for rural broadband would be to either: 1) use the \$20.4 billion of federally-available RDOF funds, or 2) use general fund revenues raised by broad-based taxes.

Mr. Chairman, thank you for the opportunity to express opposition to HB 4079 on behalf of Verizon.