

HB 4079 -1 STAFF MEASURE SUMMARY

House Committee On Revenue

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Sub-Referral To: Joint Committee On Ways and Means

Meeting Dates: 2/4, 2/6

WHAT THE MEASURE DOES:

Modifies definitions applicable for purposes of universal service surcharge. Subjects sale of all retail telecommunications services, 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. Specifies additional use of OUSF funds by Public Utility Commission. Removes opt-in provision to access of OUSF funds. Establishes Broadband Fund. Caps the USF at \$28 million annually. Directs the Public Utility Commission to transfer annually, lesser of excess USF revenue or \$5 million to Broadband Fund. Continually appropriates monies to Oregon Business Development Department for the provision of grants and loans under program for assisting qualified entities with projects for development of broadband service infrastructure. Specifies order of priority for appropriation of Broadband funds. 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, 2021. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Reduction of rate cap
- Broadened base of covered entities
- Regions with underserved broadband
- Impacts on industries and companies
- Interaction with Federal grants and funding

EFFECT OF AMENDMENT:

-1 Removes base bill language regarding additional use of OUSF funds. Double amend for sunset date.

BACKGROUND:

The Universal Service Fund 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 currently assessed on wireline telephone customers, but not on wireless or VOIP service; the current surcharge rate is 8.5 percent. The OUSF 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

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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