



HOUSE OF REPRESENTATIVES

June 22, 2020

Joint Interim Committee on The First Special Session of 2020
SB 1603 (LC 39) Testimony from Rep Marsh:

Thank you, Co-Chair Courtney, Co-Chair Kotek, and members of the committee. For the record, I'm Pam Marsh, House Representative from District 5, southern Jackson County.

The coronavirus crisis has demonstrated beyond doubt that broadband is vital for our social, economic and physical health.

But vital and accessible are two different things. Individuals and families who lacked access to broadband over the past three months missed out on public health information, remote work opportunities, online learning, health appointments, digital grocery deliveries, live-streamed religious services, and more services and functions, including the opportunity to participate in on-line legislative hearings.

In some cases, that's because we haven't built the physical infrastructure. For many Oregonians, it's because they can't afford services or don't understand how to use the technologies. Whatever the cause, the result is that many of us have been without basic coping tools that we need at a time of crisis.

The FCC defines minimum adequate residential broadband service as 25 megabits per second download, and 3 megabits per second for uploads. But Business Oregon estimates 21% of urban residents, and about 43% of rural residents have services that are less than 10/1 standard, which is already well below 25/3. Across the state, we have more than 50 schools with little to no broadband capacity and about one third of our public libraries fail to meet FCC residential broadband standards.

A disproportionate share of those on the wrong side of the digital divide are in lower income brackets. Nationally, forty-four percent of adults in households with incomes below \$30,000 lack broadband. Even accounting for income, Black and Latinx Americans lag behind in broadband adoption.

SB 1603 (LC 39) will stabilize telecommunications services in rural Oregon and provide targeted funding to address our digital gaps by modernizing Oregon's universal service fund, which currently provides support to our rural telecommunications providers. The bill will expand the fund, now supported entirely by landline users, to include cell phones and voice over internet protocol providers. Expansion will enable the OUSF to generate dedicated broadband revenues to fund our state Broadband Office and support infrastructure projects in unserved or underserved areas of the state. The new broadband fund will be technology and provider neutral, supporting planning, technical assistance or infrastructure projects

that best fit the needs of individual communities. Funding will enable us to leverage grants from federal or private sources and will provide the cash match to be used to attract up to a 90% federal match for projects in our Connecting Oregon Schools Fund.

It will not surprise you to learn that landlines have declined precipitously over the last 20 years. However, the obligation to serve high cost residents, and the need to maintain infrastructure used for all calls, cell or landline, has not changed. Expanding the mix of providers that contribute to the fund reflects consumer usage and is consistent with practice across the nation. Forty-two states provide universal service support; thirty include cell providers in their fund, and 28 include VOIP providers. Data from the Tax Foundation indicates that Oregon is near the bottom of the 50 states in taxes and fees imposed on cell phone providers.

LC 39 caps the traditional universal service fund at its current level of \$28 million and the new broadband fund at \$5 million, generating maximum revenues of \$33/million year. The addition of cell and VOIP users significantly broadens the base, enabling us to decrease the current surcharge. Accordingly, the bill caps the surcharge at 6%, down from the current maximum of 8.5%.

The surcharge on cell phones will be applied to just that portion of the bill that addresses intrastate voice calls. It will not apply to internet charges, texts, or inter-state voice. Costs per cell phone are estimated at \$4/year.

Please note that the 6% surcharge is a cap, not a guarantee. The PUC will continue to regulate the universal service fund in accordance to all stipulations and agreements now in place. If revenue needs change in either the base fund or the broadband fund, the surcharge will be decreased in the regulatory process. The PUC will monitor the fund and adjust the surcharge accordingly so that revenues never exceed the goal.

Let me close with a plea regarding the urgency of this work. We already know the consequences of our digital divide. We've seen that in children who have fallen behind their peers, isolated elders who can't get health care, and rural communities without a path toward economic vitality. Our urban areas are primed for the unrolling of next generation technology. But we need to make sure that the race to 'faster & better' does not exacerbate the rural-urban divide, grow our income gaps, or spur greater inequities. The current crisis is a test. SB 1603 (LC 39) will provide institutional capacity and funding necessary to ensure that the digital age leaves no Oregonian behind.

Background: Oregon's Universal Service Fund

Contemporary telecommunications regulation traces its beginnings to the Communications Act of 1934, which established the concept of universal service – the principal that all Americans should have access to communications services. The act described a nationwide, regulated telecommunications network... available to all the people of the United States...with adequate facilities at reasonable charges...through the use of wire and radio communications. Carriers were required to serve anyone who asked.

That worked well for decades, until deregulation of telephone service began to threaten the provision of services to customers who cost more than others. In response, many states, including Oregon, established carrier of last resort obligations, or COLR. These obligations require certain telecommunications companies to continue to serve all customers in their service territory, even those in the most remote corners. Recognizing that the COLR obligation imposed costs that couldn't be recouped, in 1999 the Oregon legislature established the universal service fund, which provides funding via a monthly surcharge on landlines to support local telephone companies that provide basic telephone service in high cost rural areas of the state. Revenue from the universal service fund supports the maintenance of infrastructure that is used to complete calls made from both landlines and cell phones, although cell phone users do not currently support the fund. The Public Utility Committee sets the rate, manages the fund, and dispenses money in a structured regulatory framework.

In 2017 the legislature approved use of the universal service fund by carriers of last resort for broadband service where applicable. SB 1603 (LC 39) takes the next steps toward modernization by expanding the universe of providers participating in the fund, and by dedicating funding specifically to broadband.

Over the past 15 years, broadband has joined traditional voice service as essential communications technology required for the 21st century. The FCC recognized this shift 20 years ago and has funded broadband services as part of its universal service fund since the passage of the 1996 Telecommunications Act.