



Joint Interim Committee on the

First Special Session of 2020

SB 1603

Testimony of Brant Wolf

Oregon Telecommunications Association

June 24, 2020

The Oregon Telecommunications Association (OTA) represents telecommunications carriers that provide service throughout Oregon.

I have provided written and oral testimony on the language and merit of SB 1603 many, many times over the previous year and a half. What follows immediately are comments about SB 1603 and why, in this current pandemic situation, OTA strongly urges this Committee to support SB 1603 and pass it on to your colleagues with a do pass recommendation.

Covid-19 and the ensuing move to distance and virtual learning, telehealth use and working from home have created the perfect environment to further exacerbate the broadband inequity between rural and urban areas of Oregon. The need for more bandwidth to participate in the economy, complete school-work and speak to your health-care provider should be obvious to the most casual observer. SB 1603 would help address those inequities.

Opponents of SB 1603 have indicated that passage would preclude the use of federal dollars in rural Oregon. Please consider this fact when determining your position on that matter: the federal E-rate program (which provides schools with federal support for broadband related projects) requires the state to provide a matching grant. SB 1603 would provide the funding for that required state match.

Recent action by the Legislative Emergency Board to allocate 10 million dollars for broadband projects was very helpful. However, the very tight timeline for completing the projects necessarily means that some projects which address distance learning covid-19 inequities cannot be completed. For example, a long fiber build to serve Fossil and Mitchell simply can't be completed by December 31, 2020. SB 1603 would provide the funding needed for that project. This is also a perfect example of when state support is necessary to extend fiber to areas where it may not make strict economic sense to build fiber.

Finally, I want to point out and stress the fact that SB 1603 does not contemplate a new fund. The Oregon USF has been around for over 20 years and for that period of time the surcharge has not been applied in a competitively neutral manner. If you consider that there are three main segments of the telecommunications industry – wireline, cable and wireless – two of those three have been contributing to the fund over the years and one has not: wireless. This despite the fact that the wireless industry utilizes the network that the fund supports in rural Oregon. LC 39 would fix this inequity as well.

This concludes my testimony for today. What follows below is my previous testimony on this language.

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For the reasons detailed in my previous written and oral testimony, The OTA requests that this Committee give positive consideration to SB 1603. This legislation eliminates existing language in ORS 759.425 (7) which provides an exemption to wireless carriers from contributing to the Oregon Universal Service Fund (OUSF). The proposed legislation will allow Oregon Universal Service Fund (OUSF) funds to support continued deployment and maintenance of high speed broadband capable networks in rural Oregon. OUSF support is specifically dedicated to rural Oregon, it does not provide support to urban areas.

OUSF support is not a windfall for carriers. The support, in part, is in return for the mandated obligation to serve (Carrier of Last Resort or COLR found in ORS 759.506) and is a replacement for implied support that was formerly received through access charges. Support is provided to the carriers and is based on information reported to OPUC Staff. Support is not speculative in any way and the fund is carefully managed by OPUC Staff. It is also important to note that before any rural carrier receives OUSF support, all other forms of federal support are taken into account by OPUC Staff.

The proposed legislation does not seek and will not result in a larger surcharge amount. In fact, the legislation will result in a lower surcharge amount on over one million Oregonians currently paying this fee on their telecommunications bills.

OTA members believe asking the wireless industry to contribute to the OUSF is fully justified. Wireless carriers utilize the landline network in order to complete calls, text messages, etc. Formerly, access charges were paid to use rural landline networks. That method of compensation has been changed to an explicit USF form of compensation that in Oregon, the wireless carriers have not had to pay for almost 20 years. In short, the landline customers have been subsidizing the mobile carrier industry in Oregon for many years.

Additionally, this legislation would create a broadband grant program utilizing OUSF funds. Historically, the legislature has appropriated general fund dollars to support individual requests for assistance related to broadband projects. These project requests receive very little scrutiny by the legislature prior to the appropriation and to date, little if any follow up. The OTA believes that creating a professionalized broadband grant program will help eliminate duplicative spending by carefully scrutinizing requests for funds.

Rather than submit pages of written testimony what follows are bullet points meant to provide background on the OUSF generally as well as the effect of the proposed legislation if signed into law. My hope is both to answer questions you might have and prompt further discussion.

- The OUSF was created by the Legislature in 1999 with an exemption for wireless carriers
- Current support amounts total approximately 27 million and will be continually reduced by OPUC stipulation until the end of 2021. Passage of the legislation would result in a fund capped at 28 million dollars
- The current surcharge rate is 8.5% and is capped at 8.5% by law. The surcharge is assessed on wireline telephone customers and certain VoIP providers, not wireless or video service
- The largest contributors to the fund are CenturyLink, Comcast and Frontier Communications
- Wireless providers use the landline network supported by the OUSF to complete calls, transmit data and other uses
- The surcharge does not apply to internet access service, only voice service

Thank you for your consideration of this testimony and this important legislation. When the appropriate time comes, the OTA urges this Committee to pass SB 1603 with a do pass recommendation.