

**SB 1603 STAFF MEASURE SUMMARY**  
**Joint Committee On The First Special Session of 2020**

**Carrier:** Rep. Marsh

**Action Date:** 06/24/20

**Action:** Do Pass.

**House Vote**

**Yeas:** 4 - Bynum, Holvey, Salinas, Speaker Kotek

**Nays:** 3 - Drazan, Lewis, Stark

**Senate Vote**

**Yeas:** 4 - Burdick, Frederick, President Courtney, Prozanski

**Nays:** 3 - Girod, Knopp, Thatcher

**Fiscal:** Fiscal impact issued

**Revenue:** Revenue impact issued

**Prepared By:** Melissa Leoni, LPRO Analyst

**Meeting Dates:** 6/24, 6/24

**WHAT THE MEASURE DOES:**

Subjects sale of all retail telecommunications services, retail commercial mobile radio services, and retail interconnected voice over Internet protocol services to universal service surcharge. Defines how intrastate revenues subject to surcharge are identified and reduces rate cap to six percent of sale of services subject to surcharge. Removes opt-in provision to access universal service funds. Establishes Broadband Fund. Caps universal service fund at \$28 million annually. Directs the Public Utility Commission to annually transfer to Broadband Fund the amount equal to the lesser of \$5 million or the amount in the universal service fund above \$28 million. Continually appropriates moneys in Fund to Oregon Business Development Department (OBDD) to establish a program for providing grants and loans for broadband service infrastructure projects. Requires OBDD to develop program rules, apply certain preferences to grants and loans, and establish procedures for distributing grant or loan funds, including to the Connecting Oregon Schools Fund. Directs OBDD to report annually to interim legislative committee related to telecommunications on status of Broadband Fund. Sunsets Broadband Fund, transfer of moneys from universal service fund to Broadband Fund, and grant program on January 2, 2030. Becomes operative January 1, 2021. Takes effect on 91st day following adjournment sine die.

**ISSUES DISCUSSED:**

- Expansion of fee to new telecommunications services
- Whether measure is a fee expansion or revenue raising measure
- Use of Universal Service Fund for broadband
- Federal action and funding for broadband
- Emergency Board allocation of CARES Act funding for broadband projects completed by December 30, 2020
- Broadband Office needs analysis
- Priorities for Broadband Fund and needs in underserved urban areas
- Caps established on surcharge fee, Universal Service Fund, and Broadband Fund
- Impact of fee on customer bills

**EFFECT OF AMENDMENT:**

No amendment.

**BACKGROUND:**

The Oregon Universal Service Fund (OUSF) is intended to ensure basic telephone service for all Oregonians. In 1999, the Legislative Assembly directed the Public Utility Commission (PUC) to create and implement the OUSF with a surcharge on all retail telecommunications sales in Oregon. The surcharge is currently assessed on wireline

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telephone customers, but not on wireless or voice over Internet protocol service; the current surcharge rate is 8.5 percent. The OUSF is designed to support local telephone companies that provide basic telephone service in high-cost rural areas in Oregon, 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 providing 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.

In December 2018, Governor Kate Brown issued Executive Order 18-31, establishing the Oregon Broadband Office within Business Oregon to develop broadband investment and deployment strategies for underserved areas, promote public-private partnerships, support local broadband planning, advocate for policies that remove barriers to broadband deployment, and help communities access federal and state funds. The Office was codified by House Bill 2173 (2019) and was to be funded by House Bill 2184-C (2019), which would have broadened the telecommunications services subject to the universal service surcharge, reduced the surcharge maximum to six percent, created the Broadband Fund, and established the broadband program. Senate Bill 1603 was also introduced as House Bill 4079-A in the 2020 session and was passed out of the House Revenue and Joint Ways and Means committees.

Senate Bill 1603 identifies services subject to the universal service surcharge and reduces the surcharge maximum from 8.5 to six percent. The measure establishes a Broadband Fund and requires Business Oregon to develop broadband program rules, apply certain preferences to grants and loans, establish procedures for distributing grant or loan funds, and report annually on the Fund. The Broadband Fund and rate change become operative on January 1, 2021; the Broadband Fund and program sunset on January 2, 2030.