

ANALYSIS

Item 32: Oregon Business Development Department Broadband

Analyst: Matt Stayner

Request: Increase Other Funds expenditure limitation by \$1.5 million for the expenditure of monies transferred to the Oregon Business Development Department, Broadband Fund, from the Public Utilities Commission.

Analysis: During the November 30, 2021 regular meeting of the Public Utilities Commission, the Commission approved the transfer of \$1.5 million from the Universal Service Fund (USF) to the Broadband Fund. Senate Bill 1603 (2020 1st Special Session) amended statute to require that the lesser of \$5.0 million or that amount in excess of the amount designated by the Commission as necessary to ensure basic telephone service be transferred to the Oregon Business Development Department for deposit in the Broadband Fund.

The Public Utilities Commission estimated total 2021 revenues for the USF at \$28.1 million and determined that the amount required to ensure basic telephone service totaled \$26.6 million. The difference between these two amounts, \$1.5 million, was transferred to the Broadband Fund at OBDD.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend including an increase of \$1,500,000 in the Other Funds expenditure limitation for the Oregon Business Development Department in a budget reconciliation bill during the 2022 legislative session to expend monies in the Broadband Fund.

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Oregon Business Development Department
McDonald

Request: Increase Other Funds expenditure limitation by \$1.5 million to allow the Oregon Business Development Department (OBDD) to expend unanticipated funds received from the Public Utility Commission (PUC).

Recommendation: Approve the request during the February 2022 Legislative Session.

Discussion: Senate Bill 1603 (2020 1st Special Session) established the Broadband Fund within OBDD and directed PUC to annually transfer the lesser of \$5 million or the balance above \$28 million from the universal service fund to the Broadband Fund. Monies in the Broadband Fund are continuously appropriated to OBDD to support a program providing grants and loans for the planning and development of broadband service infrastructure in Oregon.

On November 30, 2021, PUC transferred \$1.5 million to the Broadband Fund. At the time OBDD's 2021-23 biennial budget was developed, revenue projections for the universal service fund did not anticipate enough funds to necessitate the transfer. Therefore, the Department's current budget does not include the expenditure limitation necessary to make use of the available revenue.

Legal Reference: Increase the Other Funds expenditure limitation established by chapter 560, section 2(2), Oregon Laws 2021, for the Oregon Business Development Department, Infrastructure Division, by \$1,500,000 for the 2021-23 biennium.



December 8, 2021

Senator Elizabeth Steiner Hayward, Co-Chair
Representative Dan Rayfield, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Dear Co-Chairpersons:

Nature of the Request

The Oregon Business Development Department (Department) respectfully requests an increase in Other Fund limitation in the amount of \$1,500,000 to allow the Department to expend unanticipated funds received from the Public Utility Commission.

Agency Action

Background

In 2020, Senate Bill 1603 established the Broadband Fund and capped the Public Utility Commission's (PUC) universal service fund at \$28M. The legislation directed the PUC to transfer annually to the Broadband Fund an amount "equal to the lesser of \$5M or the amount in the universal service fund above \$28M". Funds in the Broadband Fund are continuously appropriated to the Department to establish a program for providing grants and loans for broadband service infrastructure projects.

On November 30, 2021, the PUC approved a transfer of \$1.5M to the Broadband Fund per ORS 759.425(1)(a), as amended by Senate Bill 1603 2020.

At the time the Department's budget was developed and approved, it was not anticipated there would be sufficient funds in the universal service fund to trigger a transfer to the Broadband Fund. The legislatively adopted budget does not include limitation to expend these funds.

Action Requested

The Department respectfully requests an increase in Other Fund limitation in the amount of \$1,500,000 to allow the Department to expend unanticipated funds received from the Public Utility Commission.

Legislation Affected

Increase the Other Funds expenditure limitation established by chapter 560, Section 2(2), Oregon Laws 2021 for the Oregon Business Development Department for Infrastructure by \$1,500,000.

Sincerely,

Sophorn Cheang
Director