

**FISCAL IMPACT OF PROPOSED LEGISLATION****Measure: HB 3256 - A**81st Oregon Legislative Assembly – 2021 Regular Session  
Legislative Fiscal Office***Only Impacts on Original or Engrossed  
Versions are Considered Official***Prepared by: Michael Graham  
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Date: April 2, 2021**Measure Description:**

Establishes the Connecting Oregon Libraries Fund in the State Treasury, separate and distinct from the General Fund. Directs the Public Utility Commission to investigate and make recommendations on the feasibility of expanding or increasing broadband internet access service, or other telecommunications services, pursuant to the Oregon Telephone Assistance Program, to an appropriate interim committee of the Legislative Assembly no later than September 15, 2022.

**Government Unit(s) Affected:**

Public Utility Commission (PUC), Oregon Business Development Department (OBDD), Oregon State Library (OSL)

**Summary of Fiscal Impact:**

Costs related to the measure may require budgetary action - See analysis.

**Summary of Expenditure Impact:****Oregon State Library**

<b>General Fund</b>	<b>2021-23 Biennium</b>	<b>2023-25 Biennium</b>
Personal Services	\$67,965	\$90,620
Services and Supplies	5,678	5,678
<b>Total Funds</b>	<b>\$73,643</b>	<b>\$96,298</b>
Positions	1	1
FTE	0.38	0.50

**Analysis:**

House Bill 3256, A-engrossed, establishes the Connecting Oregon Libraries Fund. The Fund consists of any moneys deposited into it from whatever source, and it may include moneys appropriated, allocated, deposited or transferred to the Fund by the Legislative Assembly or otherwise and interest earnings. Moneys in the Fund are continuously appropriated to the Oregon State Library (OSL) to provide matching funds for federal moneys received by eligible libraries to provide broadband access to libraries in Oregon. An eligible public, school, tribal, or academic library may receive these matching funds if the library receives federal moneys to provide broadband access to the library, takes steps to determine whether existing broadband infrastructure may be integrated into the proposed broadband project, and meets any other eligibility requirements that OSL establishes. Before OSL may distribute any state funds in accordance with this measure, the OSL Board shall adopt administrative rules to implement the measure, including establishing criteria that govern the distribution of the matching funds to eligible libraries.

The measure also directs the Public Utility Commission (PUC or the commission), in consultation with the Oregon Broadband Office, the Oregon Broadband Advisory Council and the Oregon Telephone Assistance Program Advisory Committee, to investigate and make recommendations on the feasibility of expanding or increasing broadband internet access service, or other telecommunications services, pursuant to the Oregon Telephone Assistance Program. As part of its investigation, PUC shall consider barriers faced by low-income residential customers to obtaining broadband internet access service or other telecommunications services. PUC shall

submit a report on its findings to an appropriate interim committee of the Legislative Assembly no later than September 15, 2022. The measure takes effect 91 days after adjournment *sine die*.

### **Public Utility Commission**

The measure directs PUC to investigate and make recommendations on the feasibility of expanding or increasing broadband internet access service, or other telecommunications services, and report its findings to an appropriate interim committee of the Legislative Assembly. PUC would be able to absorb the time and expense needed to conduct this investigation and report its findings to the Legislature. The measure would thus have a minimal fiscal impact on PUC.

### **Oregon Business Development Department**

PUC would consult the Oregon Broadband Office, which is administered by the Oregon Business Development Department (OBDD), as the commission conducts its investigation on the feasibility of expanding or increasing broadband internet access service. Consultation of this kind falls within the normal course and scope of the Oregon Broadband Office's regular business operations. The measure would thus have no fiscal impact on OBDD.

### **Oregon State Library**

At the outset, it is worth noting that while the measure establishes a new fund, it does not yet appropriate, allocate, deposit or transfer any moneys to the fund. Nevertheless, the measure directs OSL to administer this new matching funds program for eligible libraries that receive federal funds for the purpose of providing broadband access to libraries. To administer this program, the OSL Board would first need to adopt administrative rules establishing criteria to govern the distribution of these matching funds to eligible libraries.

The Schools and Libraries Universal Service Support Program, commonly known as the "E-rate program," is a federal program through the Federal Communications Commission that helps schools and libraries obtain affordable broadband access. While the program does provide discounts for support, discounts depend on the level of poverty and whether the school or library is in an urban or rural area. The discounts range from 20 to 90 percent of the costs of eligible services. A library's E-rate eligibility for support also depends on its funding as an independent entity. A library is only eligible to receive discounted services under the E-rate program if its budget is separate from any education institution, including but not limited to elementary and secondary schools, colleges and universities. This is relevant because, according to OSL, there are no school or academic libraries in Oregon that are separately funded from their education institution. Consequently, although the measure states that school and academic libraries would be eligible for these matching funds, as a practical matter, OSL anticipates that only public and tribal libraries would be eligible to receive these matching funds.

In 2016, OSL conducted an E-rate program survey of public libraries in Oregon. Of the 97 respondents, 58 libraries (59 percent) indicated they had never participated in the E-rate program. The primary reasons for not participating in the program included not having the staffing and/or resources to complete the application process and a lack of awareness or understanding of the program. According to OSL, when respondents were asked about their biggest concerns about the E-rate application process, 50 percent indicated that the process was too complex, and 30 percent indicated they did not know how to navigate the process.

In addition to administering the matching funds program, the measure would require OSL to provide information, resources, training, and consultation services to local libraries in navigating the E-rate program. Given the low utilization of the E-rate program by Oregon libraries, the complexity of the application process, and the resource constraints of the libraries who could most benefit from this program, OSL would need one permanent, part-time Librarian position (0.38 FTE in 2021-23, 0.50 FTE in 2023-25) to administer this program. Unless another funding source is identified, OSL would need a General Fund appropriation to pay for this position. Including related services and supplies, the estimated cost of this position is \$73,643 General Fund in 2021-23 and \$96,297 General Fund in 2023-25.

The measure warrants a subsequent referral to the Joint Committee on Ways and Means for consideration of the continuously appropriated fund it establishes, as well as the impact to the State's General Fund and OSL's biennial budget.