



Oregon Citizens' Utility Board

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**Testimony of Samuel Pastrick, Oregon Citizens' Utility Board
Before the House Committee on Economic Development
Re: Oregon House Bill's 2184 and 2173**

My name is Samuel Patrick. I'm the Outreach Manager at Oregon Citizens' Utility Board (CUB). Oregon voters founded CUB by way of the State's ballot initiative process in 1984 to represent the interests of residential customers of Oregon's regulated energy and telecommunications utilities.

I submit the following testimony to urge the Committee's support for HB 2184 with the -3 amendment and HB 2173 as introduced.

Beginning with HB 2184, CUB endorses this legislation for three primary reasons:

1. HB 2184 would remedy a now two-decade-long inequality among landline and other voice customers in terms of their payment for both the maintenance and deployment of statewide network infrastructure to support widespread, high-quality and low-cost voice services. Such services include traditional 'landline', wireless, and Voice over Internet Protocol (VoIP).
2. HB 2184 would lower costs for standalone landline customers, many of whom live in rural, economically challenged areas, by sharing the cost burden of maintaining statewide network infrastructure necessary for high-quality voice services beyond landline.
3. HB 2184 both recognizes the need for Oregon to remedy the digital divide and proposes a prudent solution in the form of a Broadband Grants Program that would prioritize un-and-underserved areas of our State, most of which exist outside of high-density, urban cores due to the challenging economics of delivering both voice and internet access services.

The background behind CUB's support for HB 2184 begins in 1999 when the Oregon legislature recognized the importance of widespread, high-quality, and low-cost landline telephone service by creating the Oregon Universal Service Fund (OUSF) and instructing the Oregon Public Utility Commission (PUC) to oversee the Fund. By establishing the OUSF, the Legislature understood two, key dynamics: The first is that it would always be expensive to maintain network infrastructure to support voice services for communities around Oregon. The second was that nascent voice service technologies did, at the time, warrant exemption from the statute.

20 years later, the economics of maintaining statewide network infrastructure to support widespread, high quality, and low-cost voice services remain challenging. However, voice service technologies beyond landline telephone, particularly wireless and VoIP, are no longer nascent. Yet these services continue to utilize and benefit from network infrastructure maintained by only landline and certain VoIP companies and their customers. This represents an unfair situation, though one for which a straightforward policy solution exists: Apply a lower surcharge to landline telephone and other voice services utilizing the statewide network. This includes wireless and VoIP.

HB 2184 with the -3 amendment would cap both the surcharge at 7 percent and overall fund at \$40 million while maintaining needed funds (around \$30 million) for the existing program. Funds raised beyond those required to maintain high-cost voice support, which PUC anticipates to be around \$10 million annually, would be allocated toward ‘broadband grants’, with priority given to rural schools, as well as un-and-underserved communities throughout the State.

This last point regarding broadband grants is critical. Beyond the need for the Legislature to fix the inherent ‘cost-sharing’ inequality among landline and non-landline voice customers, the Legislature should further modernize the OUSF to support broadband infrastructure projects – particularly in areas where the current market has ignored and will continue to ignore, but for some intervention.

Thankfully, HB 2173 would accomplish two important goals to this end. The first is to create an Oregon Broadband Office; and the second is to eliminate the sunset for the Oregon Broadband Advisory Council (OBAC). CUB supports both goals, though I will focus the remainder of my testimony on creating an Oregon Broadband Office as doing so leverages the Broadband Grants Program created by HB 2184.

It’s important to highlight for the record that internet access service is an essential utility – one on equal footing with electricity, home heating and cooling, and water. Participation in a dynamic, 21st century economy, maintaining important social connections, engaging civically, and even seeking and receiving an increasing number of critical services, requires access to and use of internet access service. In 2019, there is simply no questioning the importance of the Internet in our daily lives.

Oregonians, especially rural Oregonians, still have limited availability of internet access service. Low subscription rates reflect this lack of availability, especially in certain counties.

On February 2, 2018, the Federal Communications Commission (FCC) released their annual Broadband Deployment Report. This report relates, however, to service availability – not usage. That is, figures suggest what could exist as opposed to what exactly does exist because they’re based off advertised availability of service. The Report nevertheless paints a concerning picture:

- Below 80 percent of the population in 15 Oregon counties has access to fixed broadband (internet access service with a speed of 25/3 megabits per second).

- Below 90 percent of the population in 24 Oregon counties has access to fixed broadband.
- Below 17 percent of the population in five Oregon counties (Wheeler, Gilliam, Baker, Sherman, and Harney) has access to fixed broadband.

Regarding usage of internet access service, the American Community Survey (ACS) maintains the most current records. ACS single-year estimates from 2017 are striking to say the least:

- An estimated 414, 969 Oregonians did not have a broadband subscription, relying on either cellular data or “dialup” service over an existing landline.
- An estimated 217, 433 Oregonians did not have an internet access service subscription of any kind.

Oregonians deserve better. The Legislature should modernize the OUSF to support broadband grants for un-and-underserved areas. To be clear: The OUSF already supports broadband projects. This is consistent with Federal Universal Service Fund policy. However, only landline and certain VoIP providers pay for these projects, as well the as overall maintenance of the statewide network. This is an unfair and outdated approach. Finally, to explore strategic opportunities and solutions to bridge the digital divide, the Legislature should also codify an Oregon Broadband Office.

Respectfully,

Samuel Pastrick
Outreach Manager
Oregon CUB