

HB 2184 A STAFF MEASURE SUMMARY
House Committee On Economic Development

Action Date: 03/11/19

Action: Do pass with amendments to the bill, refer to Revenue, then to Ways and Means by prior reference. (Printed A-Eng).

Vote: 7-4-0-0

Yeas: 7 - Fahey, Helm, Lively, Marsh, McKeown, McLain, Witt

Nays: 4 - Barreto, Bonham, Drazan, Wallan

Fiscal: Fiscal impact issued

Revenue: Revenue impact issued

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Meeting Dates: 2/11, 2/18, 3/11

WHAT THE MEASURE DOES:

Identifies services subject to universal service surcharge, defines how intrastate revenues subject to surcharge are identified, and changes surcharge maximum to seven percent. Establishes cap of \$30 million per year for basic telephone service from universal service fund. Creates Broadband Fund and transfers an amount equal to the lesser of \$10 million, or the remainder in the universal service fund above \$30 million per year to Broadband Fund. Prohibits Public Utility Commission from exercise of regulatory authority over mobile radio service and interconnected voice over Internet protocol service providers beyond certain authorities in measure. Makes the amount of moneys deposited annually in the universal service fund to ensure basic telephone service based on Public Utility Commission Orders No. 16-093 and 16-102, not the fund cap or surcharge rate, through December 31, 2021. Requires Oregon Business Development Department 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. Requires annual report by Department on program and status of broadband deployment. Specifies that Broadband Fund and program become operative on January 1, 2020, and sunset on January 2, 2030. Declares emergency, effective on passage.

ISSUES DISCUSSED:

- Universal service fund and Broadband Fund amounts and eligible entities
- Surcharge rate, services subject to surcharge, and how calculated by companies
- Cost to provide and receive broadband service in rural Oregon
- Tax rates in Oregon and other states
- Federal and state funding for school broadband
- Affordability as part of broadband access

EFFECT OF AMENDMENT:

Replaces original measure.

BACKGROUND:

The Public Utility Commission of Oregon (PUC) is responsible for implementing a balanced program of regulation and competition aimed at encouraging innovation in the telecommunications industry, and for making high quality telecommunications services available to Oregon residents at just and reasonable prices. In 1999, the Legislative Assembly directed the PUC to create and implement the Oregon Universal Service (OUS) Fund and to pay for it with a surcharge on all retail telecommunications sales in Oregon. The surcharge is now assessed on wireline telephone customers, but not on wireless or video service; the current surcharge rate is 8.5 percent. The OUS Fund is designed to support local telephone companies that provide basic telephone service in high-cost rural areas in Oregon, and its purpose is to ensure basic telephone service at reasonably comparable and affordable

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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 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.

House Bill 2184-A identifies services subject to the universal service surcharge, defines how intrastate revenues subject to the surcharge are identified, and reduces the surcharge maximum from 8.5 to seven percent. The measure establishes a Broadband Fund, sets a cap of \$30 million per year to support basic telephone service from the OUS Fund, and transfers the lesser of \$10 million, or the remainder in the OUS Fund above \$30 million per year, to the Broadband Fund. The measure requires Business Oregon to develop broadband program rules, apply certain preferences to grants and loans, establish procedures for distributing grant or loan funds, including to the Connecting Oregon Schools Fund, and report annually on the program and status of broadband deployment. The Broadband Fund and program become operative on January 1, 2020, and sunset on January 2, 2030.