

HB 4079 A STAFF MEASURE SUMMARY

Joint Committee On Ways and Means

Prepared By: Steve Bender, Budget Analyst

Meeting Dates: 2/27, 2/28

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 the universal service fund surcharge. Reduces surcharge rate cap from eight-and-one-half percent to six percent of sales of services subject to surcharge. Caps revenue to the universal service fund (USF) at \$28 million per year. Directs the Public Utility Commission to transfer the lesser of excess USF revenue or \$5 million, per year, to the Broadband Fund. Establishes the Broadband Fund and continually appropriates the Fund to the Oregon Business Development Department for the provision of grants and loans under program for assisting qualified entities with projects for planning or development of broadband service infrastructure, and for the administration of the Oregon Broadband Office. Specifies order of priority for distribution of Broadband Fund monies. Directs Department to adopt program for providing grants and loans by rule. Directs Department to report annually to interim committee of Legislative Assembly related to telecommunications on status of Broadband Fund. Becomes operative January 1, 2021. Sunsets Broadband Fund and the transfer of moneys from the universal service fund to the Broadband Fund, and the grant and loan program, on January 2, 2030. Takes effect on 91st day following adjournment *sine die*.

ISSUES DISCUSSED:

- Funding of the Oregon Broadband Office
- Fiscal impact of the bill

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The Universal Service Fund (OUSF) is established to ensure basic telephone service in Oregon and is funded by a service surcharge on telephone service. The Public Utility Commission is tasked with setting standards and costs for basic service, and OUSF moneys are utilized to lower costs in areas where the provision of basic service is deemed to be more costly. Historically, the surcharge has been collected from telecommunication carriers for retail telecommunications service (i.e., from charges for land line services).

In 1999, the Legislative Assembly directed the PUC to create and implement the OUSF with a surcharge on all retail telecommunications sales in Oregon. The surcharge is currently assessed on wireline telephone customers, but not on wireless or VOIP service; and 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, and its purpose is to ensure basic telephone service at reasonably comparable and affordable rates throughout the state.

The Oregon Business Development Department (OBDD) houses the Oregon Broadband Office, which helps develop policies to expand broadband services throughout the state. 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.