

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
80th Oregon Legislative Assembly
2020 Regular Session
Legislative Revenue Office

Bill Number: HB 4079 - A
Revenue Area: Telecom
Economist: Jaime McGovern
Date: 02/10/2020

*Only Impacts on Original or Engrossed
Versions are Considered Official*

Measure Description:

Modifies definitions applicable for purposes of universal service surcharge. Subjects sale of all retail telecommunications services, retail commercial mobile radio services and retail interconnected voice over Internet protocol services to universal service surcharge. Reduces rate cap to six percent of sale of services subject to surcharge. Establishes Broadband Fund. Caps the OUSF at \$28 million annually. Directs the Public Utility Commission to transfer annually, lesser of excess USF revenue or \$5 million to Broadband Fund. Continually appropriates monies to Oregon Business Development Department for the provision of grants and loans under program for assisting qualified entities with projects for development of broadband service infrastructure. Specifies order of priority for appropriation of Broadband funds. 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. Sunsets Broadband Fund, transfer of moneys from universal service fund to Broadband Fund and grant program January 2, 2030. Becomes operative January 1, 2021. Takes effect on 91st day following adjournment sine die.

Revenue Impact (in \$Millions):

| | Fiscal Year | | Biennium | | |
|-----------------------------|-------------|-----------|----------|---------|---------|
| | 2019-2020 | 2020-2021 | 2019-21 | 2021-23 | 2023-25 |
| Total Revenue Change | 0.0 | 2.5 | 2.5 | 3.1 | -4.6 |

Impact Explanation:

This bill broadens the taxable base of telecom providers by including wireless and VOIP service providers, and also lowers the assessed rate from 8.5% to 6%. Wireless customer base has been growing, but the assessable portion of the bill has been shrinking. Therefore, in the first two biennium, the positive revenue impact of a broadened base swamps the effect of the lower rate and declining bill portion, and there is a net revenue gain. In the latter years, however, it is estimated that lowered assessable bill portion and lower assessment rate have a stronger effect than the broadened base, and the net revenue impact is negative.

Creates, Extends, or Expands Tax Expenditure: Yes No