



**Testimony of  
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CTIA  
Opposition to Oregon House Bill 4079  
Before the House Committee on Revenue**

**February 4, 2020**

Chair Nathanson, Vice Chairs Marsh and Reschke, and Committee Members, on behalf of CTIA, the trade association for the wireless communications industry, thank you for the opportunity to provide this testimony in opposition to HB 4079. This legislation would result in wireless consumers paying in excess of \$35 million annually in new Oregon Universal Service Fund (OUSF) surcharges on voice telephone to support a new broadband program.

Under federal law, state USF surcharges can only be applied to Intrastate telephone service. Interstate telephone service is subject to the federal USF charge, and Internet Access and other information services are not subject to either state or federal USF surcharges.

Under HB 4079, the surcharge imposed on wireless consumers would increase the funding for landline providers under the “traditional” OUSF and a much smaller portion of the funds would go to a “broadband fund” that would be used to pay for broadband service infrastructure in unserved and underserved areas of the state.

While it is a worthwhile goal to fund deployment of broadband retail service to underserved areas of the state, it does not make sense to impose a new tax on wireless Intrastate voice service to subsidize a completely different service -- broadband. Why should



Oregonians – including those with low and moderate incomes - pay a fee on wireless voice service to fund broadband networks? Instead, these efforts should be funded from the Oregon General Fund as all Oregonians receive the benefit of additional users of broadband service.

The proposed new surcharges on wireless consumers would be regressive, imposing a significantly higher burden on the poorest Oregon residents. Recent US government studies show that over 68 percent of poor adults have “cut the cord” and rely solely on wireless for telephone service.<sup>1</sup> These poorer Oregon residents tend to purchase less expensive wireless plans that include a higher proportion of assessable voice service than the more expensive plans with unlimited data/ Internet access. Since the OUSF charge would only apply to Intrastate voice service and not Internet access, the fee would fall disproportionately on residents of modest means.

If HB 4079 is enacted, wireless consumers will pay into the fund and, at most, will be eligible for only a small portion of the available funding. This legislation creates a scenario where one industry, wireless providers, will be subsidizing their competitors. Furthermore, it appears that recently proposed amendments to the legislation would make it so that wireless

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<sup>1</sup> Stephen J. Blumberg and Julian V. Luke, “Wireless Substitution: Early Release Estimates from the National Health Interview Survey, July-December 2017,” National Center for Health Statistics, June 2018, pp. 1-3. <https://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201806.pdf>



carriers would be ineligible to receive any money from the fund for the provision of broadband service.

Additionally, the Public Utilities Commission has an open docket in which it is reviewing Carrier of Last Resort obligations as part of ensuring universal service in the State. Passage of HB 4079 would prematurely impact and potentially dictate the outcome of such discussions. Any legislative action should wait until the PUC has completed its investigation and reported back to the legislature.

Separately, HB 4079 raises \$5 million a year for rural broadband. Expanding rural broadband is a state priority, but this legislation is not the best answer. On January 30, 2020, the Federal Communications Commission established the new Rural Digital Opportunity Fund to efficiently fund the deployment of high-speed broadband networks in rural America. Through a two-phase reverse auction mechanism, the FCC will direct up to \$20.4 billion over ten years to finance up to gigabit speed broadband networks in unserved rural areas of the country, including Oregon, connecting millions more American homes and businesses to digital opportunity.<sup>2</sup>

CTIA respectfully urges the committee not to move HB 4079.

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<sup>2</sup> <https://www.fcc.gov/document/fcc-launches-20-billion-rural-digital-opportunity-fund>