



**Testimony of
Lisa McCabe
CTIA
Opposition to SB 1603 (LC 39)
Before the Oregon Joint Interim Committee on the First
Special Session of 2020**

June 24, 2020

Senate President Courtney, Speaker Kotek 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 SB 1603. 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 service at a time when many consumers, especially those living near or below the poverty line, are already struggling to pay their bills. In addition, the legislation directs the vast majority funding, 85%, to the existing OUSF which does not have any buildout requirements for broadband. Further, significant funding for broadband buildout (\$20 million) was just allocated by the Emergency Board and the Federal Communications Commission (“FCC”) will be allocating significantly more funding later this year with specific broadband buildout requirements. Finally, Oregon needs to develop a comprehensive forward-looking policy to address telecommunications and broadband service in the state that takes into consideration several items already being evaluated by the Oregon Public Utilities Commission such as the current OUSF and carrier of last resort



obligations. This review should conclude before the legislature allocates additional funding from wireless customers to programs that are over 20-years old. For these reasons, CTIA opposes SB 1603.

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 SB 1603, the USF surcharge imposed on wireless consumers would increase the funding for landline providers under the “traditional” OUSF and a much smaller portion, only 15%, 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.¹

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 adults living in poverty have “cut the cord” and rely solely on wireless for telephone service.² This new surcharge falls disproportionately on residents of modest means.

¹ 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 tax on voice telecommunications intrastate 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.

² 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>



If SB 1603 is enacted, wireless consumers will pay into the fund and, at most, will be eligible for only a portion of the 15% of the funding that is being directed to broadband. This legislation creates a scenario where one industry, wireless providers, will be subsidizing their competitors.

Additionally, the Oregon Public Utilities Commission (PUC) has an open docket in which it is reviewing Carrier of Last Resort (COLR) obligations as part of ensuring universal service in the State and will review the OUSF as the current OUSF stipulation expires in 2021. Passage of LC 39 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 in the COLR docket and determined whether these recommendations have an impact on the appropriate level of OUSF funding.

Separately, SB 1603 raises at most \$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 (“RDOF”) 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.³ The FCC’s auction to distribute RDOF funding is currently scheduled for October 22, 2020.

Furthermore, in light of the current pandemic and the economic impact it has had on families and small businesses, now is not the time to impose a new tax on wireless consumers who rely on their mobile devices to stay connected.

CTIA members, including AT&T, T-Mobile, U.S. Cellular and Verizon, have already agreed to be a part of Federal Communications Commission (FCC) Chairman Ajit Pai’s “Keep Americans Connected Pledge” to assist customers during this time and have taken other steps to address consumer concerns. Furthermore, wireless carriers stepped up early during this difficult time to assist consumers impacted by COVID-19. In fact, wireless carriers have signed the FCC’s pledge and committed to: (1) not terminate service to any residential or small business customers because of their inability to pay their bills due to the disruptions caused by the coronavirus pandemic; (2) waive any late fees that any residential or small business customers incur because of their economic circumstances related to the coronavirus pandemic; and (3) open Wi-Fi hotspots to any American who needs them. Each company has also taken additional steps, including providing free data to consumers, expanding options and increasing mobile data for low-income consumers, and providing support to our

³ <https://www.fcc.gov/document/fcc-launches-20-billion-rural-digital-opportunity-fund>



educators. CTIA has compiled information on these efforts:

<https://www.ctia.org/homepage/covid-19>

Moreover, the CARES Act, recently passed by Congress allocates funds specifically to help rural communities connect to broadband internet, including \$100 million to the U.S. Department of Agriculture’s Rural Utility Service (RUS) for its Reconnect Pilot Program, which provides grants for the costs of construction, improvement, or acquisition of facilities and equipment needed to provide broadband service in eligible rural areas and in addition to providing additional funding to connect underserved populations to the Internet, the legislation appropriates specific funding for remote education, healthcare, and work. The Oregon Emergency Board recently allocated \$20 million of funding from the CARES Act to the Oregon Business Development Department (“OBDD”) to expand broadband in the state.

CTIA respectfully urges the committee not to move SB 1603.