

SENATE COMMITTEE ON INFORMATION MANAGEMENT & TECHNOLOGY

March 01, 2001 Hearing Room 357
1:00 PM Tapes 12 - 13

MEMBERS PRESENT: Sen. Verne Duncan, Chair
Sen. Peter Courtney, Vice-Chair
Sen. Jason Atkinson
Sen. Rick Metsger
Sen. David Nelson

STAFF PRESENT: Marjorie Taylor, Administrator
Pamela Johansen, Committee Assistant

MEASURE/ISSUES HEARD: Overview of the Implementation of SB 622 (1999)
SB 11 Public Hearing and Work Session
SB 479 Public Hearing and Work Session SB 833 Public Hearing

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
TAPE 12, A		
010	Chair Duncan	Calls meeting to order at 1:15 p.m. and opens informational meeting.
<u>SB 622 OVERVIEW</u>		
028	Sherry Sheng	Oregon Economic & Community Development Department. Presents and refers to written testimony (EXHIBIT A).
049	Sheng	Discusses the focus of SB 622. States it requires: <ol style="list-style-type: none">1. Carriers electing price regulation to fund telecommunications infrastructure and technology.2. Prioritizes investment in connectivity to broadband, route diversity and expedited advanced services.3. Forms the Connecting Oregon Communities Advisory Board.4. Eligible carriers: Qwest (US WEST), Verizon (GTE), Sprint, and CenturyTel.
100	Sheng	States that the K-12 non-school money account is called Telecommunications Infrastructure Account and contains a balance of \$68.2 million dollars. Says that this money is in addition to Administration funds.
136	Chair Duncan	Asked to elaborate on helping community and business groups assess their telecommunications service needs.
143	Link Shadley	Oregon Economic & Community Development Department. Responds there are two parts and both were done statewide. <ol style="list-style-type: none">1. They selected partners who had some technical assistance funding from the department to organize community groups in every county.2. A household survey done statewide to get an idea of the number of computers, number of users, those with dial up, access to broadband, or local voice problems.
176	Sheng	Gives example of how Harney County Chair is concerned with multiple T1 lines in the county courthouse employed by State Services wanted to know if there were opportunities for the county to piggyback onto existing T1 connections.
178	Sen. Atkinson	Ask about T1 lines in Burns?
187	Sheng	Comments there are numerous T1 lines in the Harney County Courthouse and Burns has it because of the Archives Building.
214	Sheng	Gives an overview of progress from September 1999 to February 2001.
236	Chair Duncan	Asks if there are enough funds to match current proposals.
236	Sheng	Responds they had \$68.2 million to work with at the start. States the first round of projects total to \$49 million dollars leaving \$19 million left to work with. Comments that the second round of projects will cost \$24 million leaving a shortage of \$5 million.
240	Sen. Nelson	Asks how the process of funding is established and where are they in this process.

257	Sheng	Responds to briefly cover the quandary that faces the staff and advisory commission.
261	Sen. Nelson	States concern of where SB 622 is going.
265	Chair Duncan	Asks for clarification of the word commission.
269	Sheng	States she is referring to the Economic and Community Development Commission not the Connecting Oregon Communities Advisor Board. Explains the difference between the two groups.
311	Sheng	States they established 5 connected rings in the state that would provide to route diversity to most of eastern, central, northwest, and southern Oregon. Comments these total to \$44 million and when taken out of the \$68.2 million would leave a balance of \$24 million.
354	Sheng	States the cost for the first round of projects and the cost for the 5 set of rings would total \$13 million. Says that the commission wants to do the right thing and would like to see the funds used in the most effective way. Comments the first round of proposals and the 5 rings could be funded from the \$24 million balance only if everyone agrees.
389	Sheng	Refers to written material. States the map shows the 5 Self-Healing rings throughout the state. Comments that some areas in the central part of the state are not highlighted because other providers, who are not participating at this time, cover them.
413	Shoeing	States in closing that the OECD will continue to serve as convener, facilitator and resource for future projects, monitor progress of approved projects and increase knowledge and use of technology.
TAPE 13, A		
006	Link Shadley	Comments that SB 622 has created enthusiasm in the communities.
013	Sen. Nelson	Asks where is the Lakeview project in this process.
019	Sheng	Responds the Lakeview project is part of the southern ring and was approved at the February 22, 2001 meeting and is part of the contract to proceed.
020	Patrick McLarney	Oregon Economic & Community Development Department. States that portion of the project is not an essential part of the ring. Comments it is has a connection into the ring and their interpretation of what the commission said from the February 22 meeting was to take care of the ring. Explains legal counsel states that connections into the ring are not the ring and will not be done.
024	Sen. Nelson	Asks to restate where Lakeview falls in this process.
028	Sheng	Comments the staff has not gone out to talk one on one with the community. Suggests they could schedule one on one time with Legislators from those communities and address concerns.
051	Sen. Ferrioli	State – District 28. States that communities are feeling a “bait and switch” between two different entities that don’t communicate very well. Comments many of the economic plans of the future of the communities is at stake due to the prioritizing of the rings and may not be easy to sell to rural communities. States his concern for the credibility of the product of SB 622.
072	Sheng	Responds there has been no prioritization. The commission has chosen not to proceed. Agrees more conversation needs to take place between the local partners, Advisory Board and staff to seek solutions. States the intent is to have all these worked out at the next commission meeting in April.
097	Chair Duncan	Asks if SB 622 is in jeopardy.
099	Sen. Ferrioli	States many of those who have a stake in the outcomes have received voluminous communication via fax, mail and phone calls from constituents who are being activated by their community organizations such as Chambers of Commerce and Business Assistance League throughout the state. There is a very real sense that this may be prioritized to oblivion. Comments that in this meeting he is hearing no problem with funding, but his constituents are not reflecting that confidence.
113	Chair Duncan	Asks if there will be no further prioritization.
116	Sheng	States a final decision would be made at the Commissions April meeting. Comments the Advisory Board and the Commission are trying to do the right thing and buy the most given the intent of the legislation out of available monies while continuing to follow administrative rule processes and do what the legislation requires to be done.
143	Chair Duncan	Stresses the importance of the Advisory Board and staff to go out into the communities to quell the rumors and discontent.
147	McLarney	States there will be a board meeting on 3/8/01 in Bend to hear what was said at the commission meeting on 2/22/01 and to set up a series of meetings around the state with the communities to discuss problems and variety of solutions. Explains these will be taken back to the commission for the April 19, 2001 meeting.
163	Chair Duncan	Asks if this information has been circulated about the meeting.

165	McLarney	Responds no. States the location has not been confirmed yet.
171	Sen. Nelson	Comments this process has gone on for 2 years while waiting for the economic portion to be completed. States the education portion is in place but the economic portion is still in transition. Says communities are looking for some action.
177	Ginny Lang	Qwest Director, Governmental Relations. Submits and refers to written testimony (EXHIBIT B) .
239	Lang	Points out regulatory components of SB 622. States it eliminates rate of return regulation, price caps for non-basic services, establishes a Universal Service Fund, service quality levels and "Prohibited Acts".
263	Lang	Discusses regulatory impacts on Qwest. States it has been a very positive partnership with the commission. Expresses equal concerns to result turnaround.
269	Sen. Nelson	Asks what is holding up the contracts and could this committee help expedite their efforts.
276	Lang	Responds legal counsel is the hold up.
280	Sen. Ferrioli	Asks if they are also receiving negative publicity on the implementation of SB 622.
300	Lang	States they are receiving the same comments and frustrations from customers. States only solid results will satisfy communities that all is back on track.
311	Chair Duncan	Comments that people want to see action and not words at this point.
313	Sen. Ferrioli	The intention is good and the legislation effective. States concerns that the process is now an impediment to the implementation and that causes people in every community to be angry and suspicious that state agencies prevent the progress that they are assigned to promote.
TAPE 12, B		
006	David Rike	Technology Director, Oregon Department of Education. Presents and refers to written testimony (EXHIBIT C) .
008	Rike	States 85 videoconference nodes are installed and operational, 245 schools are currently participating and implementing 15-20 video sites per month and will put them on track for project goals.
016	Tom Cook	Executive Director, Oregon Public Education Network. Submits and refers to written testimony (EXHIBIT D) .
040	Cook	States SB 622 provided funding for telecommunications infrastructure and hardware for Oregon schools. Though the legislation did not provide funds to administer the program, the ODE, ESD and OPEN, have succeeded in facing challenges head on and accomplishing much over the last 14 months.
097	Chair Duncan	Complements the efforts of OPEN, OED and ESD for the accomplishments over the last 14 months.
140	Cook	Mentions SB 622 success stories: <ul style="list-style-type: none"> • Over 1500 videoconferences were scheduled during the first 14 months of the project. • Legislators are able to use the Network to conduct business with their home communities and districts. • Educators statewide are able to share resources. • In Lincoln County one teacher teaches advanced physics at two district schools at the same time from one site. • Powers High School (Coos County) and Prospect High School (Klamath County) share a calculus teacher.
147	Cook	States Oregon needs to have a distance education strategy. Comments there is no government structure on how this will work or a strategy on sustainability. Expresses the most critical element in this process is the scheduling coordination of the whole network and environment.
166	Chair Duncan	Comments that Senator Courtney has expressed concerns of young people on technology development. Suggests that through students statewide can become involved in this issue through teleconferencing.
172	Phil Nyegaard	Telecommunications Administrator Public Utilities Commission. Submits and refers to written testimony (EXHIBIT E) . States the term "universal service" refers to the idea of making basic telephone service available to all citizens at affordable rates. Says Oregon Universal Service (OUS) fund was established on 6/16/01 and states: <ul style="list-style-type: none"> • Eligible carriers will receive OUS fund money to offset the cost of providing basic telephone service in high cost areas. • Currently, only the high cost servicing areas of Qwest and Verizon are authorized to receive money from the OUS Fund. • Funds are expected to become available to areas served by small

incumbent carriers before the end of the 2001-2003 biennium.

- The Commission estimates that \$243 million will be paid out by the OUS fund during the 2001-2003 biennium.
- Estimated funding needs for OUS is based upon a cost benchmark that was established by SB 622.

201 Dan Stark Director, Regional Services Institute Eastern Oregon University and Principal Staff for Eastern Oregon Telecommunication Consortium OECDD. Presents and refers to written testimony **(EXHIBIT F)**. Comments the purpose of the consortium is to make sure telecommunications built in eastern Oregon will benefit all residents of the region. Expresses concern that 7 projects approved in the first round has no guarantee to be honored. Suggests that all projects be done in round one and then fund second round. States people in the communities are nervous that it may not happen.

246 Chair Duncan Asks if he will be attending the meeting in Bend on 3/8/01.
257 McLarney Explains the purpose of the meeting on 3/8/01 is for the board to form a plan to go into communities and discuss these issues.

285 Chair Duncan Asks to clarify who will be at the meeting.
292 Sen. Metsger States there needs to be a general consensus of confidence in the process. Comments he would like to see it addressed while legislature is in session.

302 Stark Reiterates that 7 projects have been approved through the economic commission and communities are building grant proposals based on those approvals. States back tracking to change those decisions will cause much more concern from rural communities.

329 Closes informational meeting on SB 622 and opens public hearing on SB 11.

SB 11 PUBLIC HEARING

350 David Rike Oregon Department of Education. Comments that SB 11 is a technical adjustment to SB 622. Defines the conflict between the fiscal year, school year and calendar year. Asks for a limitation on spending funds in the next biennium.

438 Tom Cook Executive Director, Oregon Public Education Network. Testifies in support of SB 11 and the adjustments that have been requested. Submits **(EXHIBIT G)** and **(EXHIBIT H)**.

441 Chair Duncan Closes SB 11 and opens work session on SB 11.

SB 11 WORK SESSION

443 Sen. Metsger **MOTION: Moves SB 11 to the floor with a DO PASS recommendation and a SUBSEQUENT REFERRAL to the committee on Ways and Means.**

VOTE: 5-0

(A motion is made late in the meeting to allow Senator Courtney to cast an aye vote).

Hearing no objection, declares the motion CARRIED.

TAPE 13, B

004 Chair Duncan Closes work session on SB 11 and opens public hearing on SB 479.

SB 479 PUBLIC HEARING

023 Terry Edvalson Retired Faculty Eastern Oregon University. Testifies in support of SB 479. Comments SB 479 extends the work begun in SB 622 and deals with middle mile and last mile connections. States smaller companies like CenturyTel are being targeted through tax incentives to help encourage investment. Discusses amendments.

082 Cathy Brittain Director, RodeoNet. Testifies in support of SB 479. States there is too much investment risks for small companies without giving some type of incentive. Comments that rural communities stand on 3 legs, healthcare, education and economic development. Points out that telecommunications is rapidly being infused into all of the above. Relates guidelines for healthcare – “Congress has passed security and privacy guidelines that will govern all information regarding customers. Explains that if there are not the appropriate connections and bandwidth to do that many of many small rural clinics and hospitals are going to fold and if you lose one of those legs you lose the community”.

131 Bill Weinman Representing CenturyTel. Presents and refers to written testimony **(EXHIBIT I)**. States they are the first system company to provide all digital central office switching in the state of Oregon. States CenturyTel is into significant rebuilds in regards to fiber communications, digital microwave and others by digital copper. States they have some smaller exchanges slated for DSL by June 2001 and others are currently being constructed. The tax incentives would help the process to deploy capital faster would help give better customer service to customer base.

192	Bill Penhollow	Association of Oregon Counties. Introduces Commissioner Cindy Weeldreyer Submits and refers to written testimony (EXHIBIT J).
195	Cindy Weeldreyer	Lane County Commissioner. States Oregon is poised to build on these accomplishments, but it should do so such that all Oregonians will benefit. To ensure that all benefit from the states' investment, additional innovative funding strategies need to be in place to see that the "middle-mile" and "last-mile" of telecommunications infrastructure build-out can be accomplished. SB 479 and SB 833 provide just such tools for state and local governments to use in seeing that high-speed, broadband telecommunications facilities reach every part of this state.
216	Sen. Nelson	Asks what is the basic difference between SB 622 and SB 833.
220	Weeldreyer	Comments they are tools in the toolbox. that communities have not had in the past.
222	Chair Duncan	Asks if they are familiar with the amendments
230	Weeldreyer	Responds they are in favor of the amendments.
237	Chair Duncan	Closes public hearing on SB 479 and opens work session.
<u>SB 479 WORK SESSION</u>		
240	Sen. Nelson	MOTION: Moves to ADOPT SB 479-1 amendments dated 2/27/01 (EXHIBIT K).
		VOTE: 4-0
		EXCUSED: 1 - Courtney
		Hearing no objection, declares the motion CARRIED.
247	Chair Duncan Sen. Nelson	MOTION: Moves SB 479 to the floor with a DO PASS recommendation and BE REFERRED to the committee on School Funding and Tax Fairness/Revenue.
249	Sen. Metsger	Comments he supports the idea but will not support tax credits at this time. States that if additional revenue sources become available then he would reconsider his vote.
		VOTE: 4-1
		AYE: 4 - Atkinson, Courtney, Nelson, Duncan
		NAY: 1 - Metsger
260	Chair Duncan	The motion CARRIES.
276	Sen. Nelson	MOTION: Requests unanimous consent that the rules be SUSPENDED to allow SEN. COURTNEY to BE RECORDED as voting AYE on SB 11.
		VOTE: 5-0
278	Chair Duncan	Hearing no objection, declares the motion CARRIED.
279	Chair Duncan	Closes work session on SB 11 and opens public hearing on SB 833.
<u>SB 833 PUBLIC HEARING</u>		
280	Terry Edvalson	Representing Eastern Oregon Telecommunications Consortium (EOTC). States SB 833 is to bring small companies together to expand telecommunications services in the rural areas. Gives personal anecdote. Suggests that Section 5 line 16 be struck from SB 833.
340	Brant Wolf	Oregon Telecommunications Association. Testifies against SB 833.
350	Chair Duncan	Presents and refers to written testimony (EXHIBIT L).
353	Wolf	Asks if EOTC and OTA can work together to come up with some recommendations and return to the committee.
359	Bill Penhollow	Responds that he would be willing to work with EOTC.
361	Chair Duncan	Testifies in support of SB 833. States they also support the amendment offered by the EOTC.
374	Sen. Nelson	Asks that AOC work with EOTC and OTA to come up with recommendations.
382	Bill Penhollow	Asks how do you resolve the public versus the private issue in this bill. Responds that counties may be providers of last resort in order to get the services out to some rural communities. States in these cases the law must reflect that possibility.
393	Sen. Nelson	Discusses a recent field trip to Ashland.
409	Bill Penhollow	States he is not well enough informed to comment on the situation in Ashland.
412	Chair Duncan	Closes public hearing on SB 833 and adjourns meeting.

Submitted By,

Reviewed By,

Pamela Johansen,
Committee Assistant

Marjorie Taylor,
Administrator

EXHIBIT SUMMARY

- A – SB 622 written testimony, Sherry Sheng, 11 pp.
- B – SB 622 written testimony, Ginny Lang, 1 p.
- C – SB 622 written testimony, David Rike, 3 pp.
- D – SB 622 written testimony, Tom Cook, 2 pp.
- E – SB 622 written testimony Joan H. Smith submitted by Phil Nyegaard, 2 pp.
- F – SB 622 written testimony, Dan Stark, 3 pp.
- G – SB 622 Promising Practices K-12 Videoconferencing, Tom Cook, 1 Video - oversized see archive copy.
- H – SB 622 Issues for K-12 Decisionmakers, Tom Cook, 1 Video – oversized see archive copy
- I – SB 479 CenturyTel maps, Bill Weinman, 3 pp.
- J – SB 479 and SB 833 written testimony, Cindy Weeldreyer, Bill Penhollow, 2 pp.
- K – SB 479-1 amendments, staff, 1 pp.
- L – SB 833 written testimony, Brant Wolf, 1 pp.