

HOUSE COMMITTEE ON COMMERCE

SUBCOMMITTEE ON TELECOMMUNICATIONS AND TRADE

April 9, 1997 Hearing Room 343

8:15 AM Tapes 47 - 49

MEMBERS PRESENT:

Rep. Jim Hill, Chair

Rep. Ron Adams

Rep. Eldon Johnson

Rep. Tom Whelan

Rep. Cynthia Wooten

STAFF PRESENT:

Julie Neburka, Administrator

Coben Tistadt, Administrative Support

MEASURE/ISSUES HEARD:

HB 3228 - Public Hearing and Work Session

HB 3317 - Public Hearing

HB 3464 - 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 47, A		
003	Chair Hill	Opens meeting at 8:15 AM. Opens public hearing on HB 3317.
<u>HB 3317 - PUBLIC HEARING</u>		
015	Julie Neburka	Presents staff measure summary.

020	Rep. Bowman	Supports the bill. Cites an opportunity disparity for minorities and women in opening businesses. Explains that the bill sets a revenue ceiling for eligible businesses and that it changes the limit on how long a business can participate. Reads letter from the African-American Chamber of Congress of Oregon (EXHIBIT A).
070	Rep. Bowman	Continues reading letter.
089	Chair Hill	Asks for an estimate of the pool of those who would qualify.
093	Rep. Bowman	Answers that the pool would become smaller. Notes that smaller businesses can't get bonding without experience.
103	Chair Hill	Asks when the \$500,000 limit was set. Asks if the proposed limit would need to be altered in the near future.
107	Rep. Bowman	Responds that she doesn't know when the \$500,000 limit was set. Cites The Regional Disparity Study.
116	Richard Whelan	Disadvantaged Business Enterprise Field Coordinator for the Oregon Department of Transportation's Office of Civil Rights. Gives history of the emerging Small Business Program. Cites original limits. States that large companies were getting most of the contracts.
137	Rep. Adams	Notes the implication that small companies were used primarily for subcontracts, and that lowering the limit wouldn't affect that.
145	Rep. Bowman	Agrees, but notes that it decreases the size of the pool.
150	Rep. Adams	Asks Mr. Whelan if he can better manage the program with the limits.
155	Whelan	Answers that if the compliance of prime contractor were assured through a supplemental contract provision then there would be no problem.
163	Rep. Bowman	Cites work done by the consortium to verify the compliance of the prime contractor.
175	Rep. Adams	Asks if after five years the businesses are on their own.
180	Rep. Bowman	Answers yes. Notes that the goal is self-sufficiency.
185	Rep. Adams	Asks about amendments.
188	Rep. Bowman	Answers that the amendments allow flexibility in managing the program by targeting public contracts to specific groups.
196	Rep. Adams	Notes that the relating clause is broad.
199	Rep. Bowman	Notes that the amendments are "friendly."
201	Chair Hill	Asks if the five-year participation limit would be retroactive.

206	Rep. Bowman	Doesn't anticipate making it retroactive.
209	Chair Hill	Asks counsel about clarifying the language of the bill.
213	Ruona	Replies that clarifying language never hurts.
218	Chair Hill	Notes that there will be some opposition. Opens public hearing on HB 3228.
<u>HB 3228 - PUBLIC HEARING</u>		
240	Rep. Taylor	Submits written testimony (EXHIBIT B). Supports the bill and amendments.
266	Chair Hill	Asks about the proposed amendments (EXHIBIT C).
270	Neburka	Describes the proposed amendments.
308	Nancy Sideras	Scappoose Community Club. Submits written testimony and written materials (EXHIBIT D). Explains that the bill allows Scappoose residents to call the Portland Extended Area Service (EAS) region without long-distance charges. Explains that the amendment changes the original language based on an "obsolete" bill. Defines EAS and the additional costs to the customer.
358	Sideras	Describes Portland's EAS region. Cites Scappoose's previous attempts to be included in Portland's EAS region.
TAPE 48, A		
003	Sideras	Mentions conditions determining eligibility for the EAS, stating that Scappoose meets every condition but one. Talks of possible alternatives for communities of interest not meeting those conditions. Mentions circuit court decision finding no material difference between Scappoose and Newberg, which was included in Portland's EAS region, and a subsequent appeal reversing that decision based on the fact that the circuit court had exceeded its scope of review.
053	Sideras	Argues that PUC's decision not to include Scappoose lacks fairness. Notes that the Department of Environmental Quality considers Scappoose part of the Portland region concerning vehicle emission standards.
103	Sideras	Cites the costs to the Scappoose residents. Concludes that fairness requires the inclusion of Scappoose in the Portland EAS region.
152	Rep. Adams	Asks what the long-distance charge is from Scappoose to Portland.
154	Sideras	Answers from 15-20 cents per minute.
160	Rep. Adams	Recalls the witness' comment that customers can choose whether to join an EAS; asks if an EAS is a "normal" extended area service.
165	Sideras	Answers yes. Notes that the amendments guarantee that choice.
177		

	Fred Berret	Scappoose Community Club. Discusses relative distances of Scappoose to Portland and other eligible areas to Portland. Remarks that the limits shouldn't be "set in stone." Notes implications for businesses.
226	Rep. Adams	Asks if Scappoose was refused because they didn't have appropriate "percentages."
234	Sideras	Specifies that 33% of the Scappoose customers needed to call 5 different exchanges. Answers that they didn't meet the percentage requirement for the smaller exchanges.
264	Shirley Larson	Resident of Sauvie Island. Notes school ties with the Scappoose community yet long-distance charges. Supports the bill. States that it has cost her "thousands."
293	Joe Mann	Resident of Mollala. Notes similarities between Mollala and Scappoose. States that they met 4 out of the 5 conditions. Describes Mollala.
343	Mann	Discusses the 5-year period required before a region can reapply. Cites personal experience in real estate and the implications thereto of exclusion from Portland's EAS region.
393	Mann	Talks about Mollala's recent growth.
418	Rep. Adams	Notes the witness' seemingly contradictory testimony regarding injuries to real estate prices in contrast to increased development in the region.
TAPE 47, B		
007	Mann	Responds that the development indicates that the connection to the Portland region will become stronger in the future.
013	Rep. Adams	Asks "who pays the bill" for extending the EAS region.
025	Mann	Answers the provider of the service. Notes that inclusion in the region would spur use of the internet.
027	Rep. Adams	Refers to the map; asks where the region should stop.
034	Mann	Notes revenue issue with local exchanges. States that the toll charges aren't "friendly." Mentions other ways of raising revenue.
054	Roger Hamilton	Chair of the Oregon Public Utilities Commission. Submits written testimony and materials (EXHIBIT E). Opposes the bill. States that the savings would be offset by additional charges to other areas.
104	Hamilton	Notes that either the commission or the legislature can make these decisions, stating that the commission is better capable of producing equity.
133	Rep. Adams	Asks if every subscriber would get a surcharge to create revenue neutrality.
143	Hamilton	Answers yes. Mentions financial implications of extending Portland's EAS to just north of Albany.
156		Asks if EAS service is elective.

	Chair Hill	
159	Hamilton	Answers that it is not optional once a region is adopted.
160	Dave Booth	OPUC. Addresses the issue of revenue neutrality.
172	Chair Hill	Asks the witnesses not to divert to an issue not in the bill.
174	Booth	Notes impact to the local exchange provider due to extending EAS service.
196	Rep. Adams	Asks how much charges increased with the inclusion of Yamhill
198	Booth	Notes simultaneous joining of several counties. States that it depended on the company. Maintains that the company would remain revenue neutral.
211	Rep. Adams	Refers to the map. Notes the inequities inherent in the drawing of the regions.
230	Hamilton	Mentions an analogous situation with Bligh and Klamath Falls. Notes the need to establish standards. Adds that growing communities will eventually meet those standards.
260	Rep. Adams	Asks why there is a long time between evaluations.
275	Hamilton	Offers that it might help to hear from the telephone companies.
293	Booth	States that outside the Portland area they don't wait that long. States that evaluating the Portland area is a major project.
316	Chair Hill	Closes public hearing on HB 3228, opens work session on HB 3228.
<u>HB 3228 - WORK SESSION</u>		
340	Rep. Adams	MOTION: Moves to ADOPT HB 3228-1 amendments dated 3/14/97.
	Chair	Hearing no objections, declares the motion CARRIED.
352	Rep. Wooten	MOTION: Moves HB 3228 to the full committee with a DO PASS AS AMENDED recommendation.
357		VOTE: 3-0 AYE: In a roll call vote, all members present vote Aye. EXCUSED: 2 - Johnson, Whelan
	Chair	The motion CARRIES. REP. TAYLOR will lead discussion on the floor.

354	Chair Hill	Reopens the public hearing on HB 3317
<u>HB 3317 - PUBLIC HEARING</u>		
364	Jerry Walker	Contract Administrator for Multnomah County. Submits written testimony (EXHIBIT F). States that the bill moves toward equity. States that the certification process should be more restrictive
417	Chair Hill	Asks for the percentage of businesses currently eligible.
425	Walker	Answers that 75% of the state's construction companies meet the requirements.
434	Chair Hill	Asks if the larger companies are taking a disproportionate share of the contracts.
436	Walker	Answers yes.
450	Chair Hill	Closes public hearing on HB 3317. The committee stands at ease.
TAPE 48, B		
021	Chair Hill	Opens public hearing on HB 3464.
<u>HB 2464 - PUBLIC HEARING</u>		
030	Rep. Simmons	States that the bill will provide more economic opportunities to rural areas.
050	Terry Edvalson	Director of the Regional Services Institute at Eastern Oregon State University. Submits written testimony (EXHIBIT G). States that the bill would bring rural and urban Oregon together. Discusses the importance of access to advanced telecommunications networks for attracting businesses.
100	Edvalson	Discusses the possibility of having services cut off.
119	Rep. Wooten	Asks about the economic impact of the bill.
124	Edvalson	States that GTE could better answer the question. Believes there would be a significant economic impact for the provider and to the community. Mentions a business interested in the region with an annual telephone bill of \$3 million, but that business requires access to a fiber optic network.
141	Rep. Wooten	Asks if a customer that large would encourage investment in and of itself.
147	Edvalson	Answers that the business can go "down the road" to where there is infrastructure.
153	Rep. Adams	

		States that economic disadvantages for rural locations are natural and inherent in their remoteness from an urban center. Asks for the definition of underserved.
166	Chair Hill	Answers that the Oregon Economic Development Department would make that determination.
170	Rep. Adams	Asks what has happened in rural areas due to SB 994. Suggests that they need services and not a specific technology, namely, fiber optics.
185	Chair Hill	Suggests changing the definition of fiber optics to include other advanced digital technology.
191	Edvalson	Agrees but notes that the business feels differently. States that he would have no problem with changing the definition to "advanced digital technology."
213	Rep. Adams	Asks about financial impact.
219	Edvalson	Discusses Worldcom LTD's attempt to come through his region and their refusal to establish a point of presence. Notes the high costs of establishing a point of presence.
239	Rep. Wooten	Asks about the fiscal impact to the state.
243	Neburka	Replies that they haven't had a fiscal impact.
248	Rep. Wooten	Asks for an "assumption" of the fiscal impact.
250	Neburka	Replies that the fiscal impact is suggested in the specifics of the bill.
260	Chair Hill	Suggests inviting testimony from the Legislative Revenue Office to understand the scope of the bill.
265	Rep. Adams	Notes the different charges resulting from establishing a point of presence versus simply extending fiber.
274	Edvalson	States that Union County listed establishing a point of presence as their number two priority.
284	Rep. Adams	Asks how many underserved communities there are.
289	Edvalson	Mentions communities along the I-84 corridor. Reports a need for redundancy in some areas.
310	Rep. Adams	States that there is a need to know what is underserved and whether the Oregon Telecommunications Forum Council identified the state's current infrastructure thus determining what is underserved.
332	Chair Hill	Expresses curiosity regarding the role of the OTFC.
341	Rep. Adams	Notes his desire to create an enhanced depreciation schedule because companies have to be concerned with their investments. States that he wants people to be able to make a living no matter where they live in Oregon.
374	Edvalson	States his interest in the issue being fully debated. Asks that companies be called to testify.

410	James Williams	Oregon Health Science University. States that the bill tries to create incentives for providing advanced technology to rural communities. Notes implications for the quality of education, for employment opportunities, and for the physical health of the community. Reports that OHSU has problems getting cost-effective connections to information sources.
TAPE 49, A		
035	Chair Hill	Asks what data rate they need to transfer images.
037	Williams	Answers a minimum of 384 kilobytes.
040	Chair Hill	Asks if they can do it over a frame-relay network.
041	Williams	Answers yes, if it's a quality network. Notes that they want video capabilities. States that they have waited 10 years.
060	Laurie Itkin	OTFC. Describes a connection between Salt Lake City and Seattle with no point of presence in Union County. States that the Federal Act might prevent the state from requiring a point of presence. Expresses desire to see the fiscal impact. Talks of the council's concern with this issue.
095	Rep. Adams	Asks if there is a requirement concerning universal service fund and video.
106	Itkin	Refers to article stating that the FCC is having problems meeting the deadline. Notes a debate on universal service requirements.
120	Rep. Adams	States that redundancy is more important than fiber.
127	Tom Linhures	Columbia County Assessor. Notes that there are two filing requirements for applying for property tax exemption. Suggests keeping the application process in Section 4. Questions if in page 2, line 3, if the bill should read "a population center of no more than 1,500."
157	Jeff Ritter	OEDD. States neutrality. Asks to be included in discussion of possible amendments to the bill. Agrees with the general premise of the bill.
172	Chair Hill	Asks Rep. Wooten and Rep. Adams to come up with appropriate language to move forward with the bill. Suggest a two-week time frame. Closes public hearing on HB 3464. Adjourns meeting at 10:26 AM.

Submitted By, Reviewed By,

Coben Tistadt, Julie Neburka,

Administrative Support Administrator

EXHIBIT SUMMARY

A - HB 3317, letter, Rep. Bowman, 1 p.

B - HB 3228, written testimony, materials, and letters, Rep. Taylor, 8 pp.

C - HB 3228, LC amendment, staff, 1 p.

D - HB 3228, written testimony and materials, Nancy Sideras, 7 pp.

E - HB 3228, written testimony and materials, Roger Hamilton, 16 pp.

F - HB 3317, written testimony, Jerry Walker, 1 p.

G - HB 2464, written testimony, Terry Edvalson, 3 pp.

H - HB 2464, written testimony, James Williams, 2 pp.