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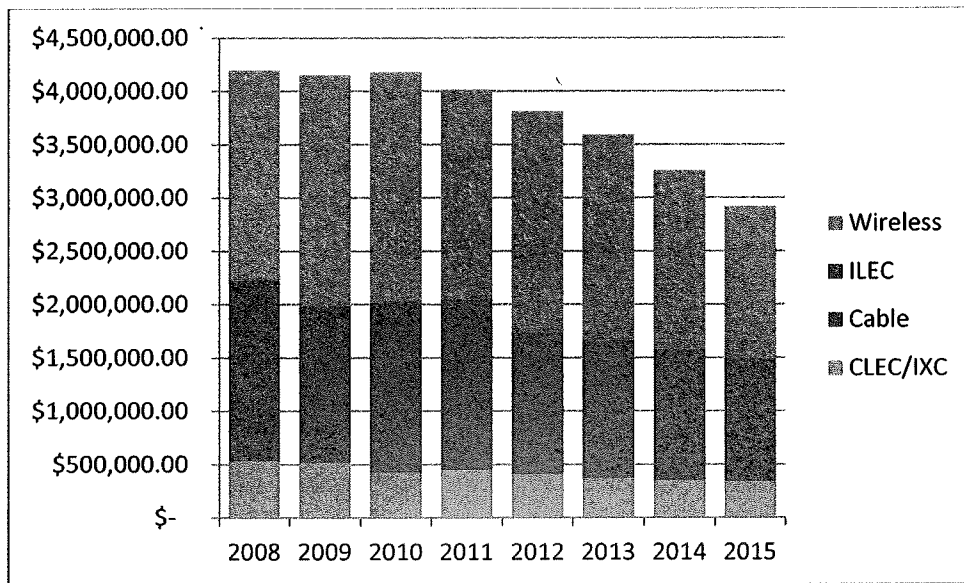
Chairman Woodsome, Chairman Berry and Members of the Energy, Utilities and Technology Committee,

The Office of the Public Advocate testifies in **support** of LD 256, An Act to Ensure Continued Availability of High-speed Broadband Internet at Maine's Schools and Libraries. This bill offers a simple, straightforward fix to the problem of declining revenues supporting the Maine Telecommunications Education Access Fund (MTEAF), while providing a path to make the funding mechanism more fair and sustainable over the long run.

The Maine School and Library Network is nearly universally recognized as a Thing Maine Does Right. We use a modest state surcharge to leverage a much larger federal contribution, and then use these funds to buy connections for schools and libraries in bulk from private telecommunications providers through a competitive procurement. This partnership between the public and the private sector has allowed Maine to set and achieve ambitious connectivity goals for its schools and libraries, and push fiber deeper into rural communities. Maine is not unique in its struggle to provide high speed, affordable broadband service to rural communities, but it is unique in that residents and students in each of those communities can access high speed connections at their schools and libraries.

When the OPA first learned of the declining revenue supporting MTEAF, we assumed that the primary driver was a decline in use of landlines. But a closer look at the data tells a different story.

Revenue Available to Support MTEAF, 2008-2015



The chart shows how much would be collected by multiplying .7% (the current statutory cap) times the reported intrastate revenue from “retail charges for 2-way voice communication services.” While ILEC (landline) revenues have declined, the largest decrease has come from wireless providers.

A more granular look at the data shows the same thing: while the largest decline in contributions has come from FairPoint, the rest has come from cable and wireless providers who have not seen the same customer attrition. Over the same period of time, the total number of phone lines in

Company	Change in MTEAF Contribution (2010-2015)
FairPoint NNE	(\$423,646)
US Cellular	(\$405,184)
AT&T Wireless	(\$323,304)
Comcast	(\$224,088)
T-Mobile	(\$76,367)
Total	(\$1,452,590)

Maine has increased by approximately 500,000 lines. Based on our discussions with the FCC and our counterparts in other states, the most likely cause of this change is the reclassification of revenues from intrastate calling, to interstate revenues not subject to the MTEAF surcharge. This is part of a larger customer transition from voice to data services.

In short, the decline in MTEAF revenues is not a result of these companies collecting less in revenue overall, or a policy choice by the Legislature to reduce support for connections to schools and libraries. Rather, it appears to be due to changes in where companies get their revenue and how they report it.

LD 256 addresses this issue by changing the percentage cap in statute to a monetary cap equal to the total funding available in 2010. Our preliminary estimate is that restoring this funding would result in an increase of about \$1 per year on the typical phone line. This mechanism is similar to how the PUC collects funds to support the Maine Universal Service Fund: the collection percentage adjusts quarterly to ensure that the fund collects the target amount by the end of each year. As under the current process, MSLN's budget would be subject to oversight and approval each year by the PUC.

Finally, the bill appropriately recognizes that while setting a monetary cap instead of percentage will stabilize the fund in the near term, we also need to re-think how we collect this funding. Our ability to pay for connections to schools and libraries should not depend on the accounting practices of large telecommunications companies. Sorting that out will take time and analysis, and we believe the appropriate place for that is the Public Utilities Commission. Even if the parties are unable to reach agreement on an equitable funding mechanism, the Committee would benefit from the Commission's insights on possible approaches and the tradeoffs involved with each.

The Office of the Public Advocate looks forward to working with the Committee on LD 256, and will be present at the work session to assist the Committee in its consideration of this bill.

Respectfully submitted,



Timothy R. Schneider
Public Advocate