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February 14, 2017

Honorable David C. Woodsome, Senate Chair  
Honorable Seth Berry, House Chair  
Energy, Utilities and Technology Committee  
100 State House Station  
Augusta, Maine 04333

**Re: LD 256, An Act to Ensure Continued Availability of High-speed Broadband Internet at Maine's Schools and Libraries**

Dear Senator Woodsome and Representative Berry:

The Public Utilities Commission (Commission) testifies neither for nor against LD 256, An Act To Ensure Continued Availability of High-speed Broadband Internet at Maine's Schools and Libraries.

**Background**

The Commission administers the Maine Telecommunications Education Access Fund (MTEAF), which provides funding to Networkmaine, an entity within the University of Maine System, to operate the Maine School and Library Network (MSLN). The MSLN provides qualified schools and libraries within the State with high-speed Internet access, content databases and search capabilities, content filtering and training, as needed. The MTEAF receives funds from all voice network service providers (wireline telephone service, wireless telephone service, cable telephone service and over the top Voice Over Internet Protocol (VOIP) telephone service providers) providing service in Maine.<sup>1</sup> An independent administrator collects the required contributions and reimburses Networkmaine for MSLN's expenses. The Commission approves an annual budget request from Networkmaine and establishes the contribution rate of reported intrastate revenues. Networkmaine receives other funding beyond this piece approved by the Commission. In 2016, the Commission approved \$3.5 million for MSLN for fiscal year 2016/17 and a contribution rate of 0.7%. The 2016/17 budget amount is \$630,000 less than the 2015/16 MSLN budget, with the decrease mainly due to a projection of lower voice traffic revenues by carriers who must contribute to the MTEAF. Below is a table showing the budget for the past five years.

<sup>1</sup> "Voice network service provider" means a voice service provider that offers its subscribers the means to initiate or receive voice communications using the public switched telephone network. 35-A M.R.S. § 7104-B(1)(D).

Services	2012-2013 Actual	2013-2014 Actual	2014-2015 Actual	2015-2016 Budget	2016-2017 Requested
Transport Service	\$2,013,394	\$2,094,252	\$2,167,813	\$2,275,000	\$2,134,000
Internet Service	\$78,675	\$37,431	\$44,020	\$0	\$0
CIPA Compliant Content Filter	\$87,552	\$87,552	\$87,552	\$87,600	\$87,600
Content Databases & E-Discovery	\$702,599	\$657,116	\$682,600	\$682,600	\$682,600
Technical Services	\$515,508	\$349,994	\$404,470	\$600,000	\$364,000
MTEAF Fund Administrator	\$26,400	\$25,080	\$25,100	\$25,100	\$25,100
Operational Services	\$539,197	\$557,495	\$415,342	\$459,700	\$206,700
Totals:	\$3,963,325	\$3,808,920	\$3,826,897	\$4,130,000	\$3,500,000

### LD 256

LD 256 would amend 35-A M.R.S. § 7104-B (3)(A) to change the limit on the amount collected from a percentage, not more than 0.7%, to a fixed amount of \$4.2 million. As noted above, the budget approved by the Commission for MSLN for FY 2016/17 was \$3.5 million. LD 256 would increase the amount voice network service providers contribute to the MTEAF which is a policy question for the Legislature. The Commission does want to note that it is difficult to collect a precise amount and may result in the need to do a true up in the fourth quarter so as not to exceed the \$4.2 million cap. This may change the contribution rate in that quarter and could have implications for providers identifying the charge on customer bills. As a result, the Committee may want to consider amending the language to read “[I]mit the amount collected to *no more than* \$4,200,000 annually, assessed as a percentage of retail charges for 2-way voice communications services...” which would be easier for administrative purposes.

The bill also directs the Commission to convene a stakeholder group to evaluate whether the current method of collection of funds to support the MTEAF is competitively neutral, equitable and sustainable and submit a report to the Committee by January 30, 2018. The Commission respectfully suggests that a stakeholder group may not be the best way to address this issue. The issues regarding decreased funding for MSLN are known and it is not clear to the Commission that a stakeholder group would yield more information on these issues. Moreover, it is also unlikely that a stakeholder group would reach consensus on the fundamental issue of whether additional providers should contribute to the fund. An ever increasing portion of 2-way communications are being conducted via other methods, e.g., text messaging, as opposed to voice calls, and revenue from these types of communications are not subject to MTEAF assessment. The problem is also compounded by a systemic decrease in the demand for wireline telephone service. The Legislature may want to consider whether the pool of entities that contribute to the MTEAF should be expanded beyond network service providers or if there are other ways, such as a General Fund appropriation, to provide additional support to the MSLN.

Finally, the Commission notes that the first sentence of the bill summary states that “the bill changes the limit on the amount collected on prepaid wireless telecommunications service from a percentage to a flat amount.” While not law, the Commission believes this is a drafting error as Section 1 of the bill applies to voice network service providers. The Committee may wish to clarify this issue as it considers the bill.

The Commission looks forward to working with the Committee on LD 256 and I would be happy to respond to any questions the Committee has at this time. The Commission will also be present at the work session should the Committee have any additional questions in its consideration of this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Paulina McCarter Collins". The signature is fluid and cursive, with the first name "Paulina" being the most prominent.

Paulina McCarter Collins, Esq.  
Legislative Liaison

cc: Energy, Utilities and Technology Committee Members  
Deirdre Schneider, Legislative Analyst