

**The Maine Heritage Policy Center
Testimony to Oppose LD 1563
“An Act To Encourage the Development of Broadband Coverage in
Rural Maine”**

Senator Lawrence, Representative Berry, and distinguished members of the Committee on Energy, Utilities and Technology, my name is Adam Crepeau and I serve as a policy analyst at The Maine Heritage Policy Center. Thank you for the opportunity to speak in opposition to LD 1563.

While LD 1563 is still a concept draft, it seeks to grow the role of government in expanding broadband in Maine. This bill creates the Maine Broadband Initiative Fund to “provide ongoing funding to high-speed broadband” from unidentified funding sources. While Mainers need access to broadband to compete with the rest of the world in the 21st century, the end result does not always justify the means. The Maine Broadband Initiative appears to be a new subsidy or corporate welfare program program to “encourage, promote, stimulate, invest in and support universal high-speed broadband.”

When this bill was proposed in 2017, the Fund was given the authority to provide funding through loans, grants or investments to public and private organizations to expand high-speed broadband access to unserved areas. The funding to do this would have come from the established assessments on communications service providers and tax assessments on qualified telecommunications equipment of telecommunications businesses.¹

While the goal of expanding broadband across the state is laudable, The Maine Heritage Policy Center does not believe government should be creating public entities to provide funding for broadband infrastructure. The Maine Broadband Initiative would take on the responsibilities of the free market, and would certainly do a worse job at it. The potential for the establishment of government-owned networks (GONs) in Maine under LD 1563 is also troubling. If the Maine Broadband Initiative provides funding to municipalities to construct, maintain, and operate broadband infrastructure, it will bring them one step closer to establishing GONs.

When GONs are established, they discourage private investment in communications infrastructure and dissuade private entities that offer these services from entering a given area. Private companies typically offer their services to make a profit whereas GONs are subsidized by taxpayers or other government entities. This results in the government establishing and maintaining a monopoly over broadband networks in the municipalities that deploy them.²

When municipalities tried to establish GONs in other states, taxpayers were often left to pick up the pieces. A report from the University of Pennsylvania Law School showed that out of 20 municipal fiber

¹ <http://www.mainelegislature.org/legis/bills/getPDF.asp?paper=SP0477&item=1&snum=128>

² <https://www.forbes.com/sites/realspin/2016/04/26/government-owned-internet-failure/#18d601aa55e2>

projects that reported the results of their broadband operations, 11 had a negative cash flow.³ Only seven of those municipalities were projected to recover the cost within 60 years or more. If municipal broadband infrastructure projects in Maine see similar results, taxpayers could be on the hook to cover the cost.

Since this bill would grow the size and scope of government and have unintended consequences, The Maine Heritage Policy Center urges the committee to vote, “Ought Not to Pass” on this bill. Thank you.

³ <https://www.law.upenn.edu/live/files/6611-report-municipal-fiber-in-the-united-states-an>