

## **The Maine Heritage Policy Center Testimony to Support LD 1742**

### **“An Act To Encourage Broadband Deployment in Unserved Areas”**

Senator Lawrence, Representative Berry and distinguished members of the Committee on Energy, Utilities and Technology, my name is Adam Crepeau and I am a policy analyst at The Maine Heritage Policy Center. Thank you for the opportunity to testify in support of LD 1742.

The Maine Heritage Policy Center overwhelmingly supports LD 1742 because it would establish the Broadband Infrastructure Grant Program, which would provide grants to applicants that would extend broadband infrastructure to unserved and underserved areas in the state of Maine.

While the ConnectME Authority can already provide similar grants, this bill narrows the definitions of unserved and underserved areas to focus the Authority’s efforts on the geographic locations that need infrastructure the most. The ConnectME Authority can currently establish criteria to define unserved and underserved areas, which allows for entity to expand or constrict the definition. This bill simply codifies the specific definitions in state statute rather than allowing the Authority to extend the scope of the definitions.

LD 1742 also repeals the Municipal Gigabit Broadband Network Access Fund, which was created in 2015 to provide grants to communities, regional partnerships and municipalities for the purpose of extending broadband. As of January of 2019, this account had not been funded to serve its purpose.<sup>1</sup> The Maine Heritage Policy Center supports the repeal of this fund because it has not served a purpose since it was created and if it does receive funds, it would likely bolster government-owned networks (GONs). We would rather see private entities building broadband infrastructure in Maine.

In fact, LD 1742 favors nongovernmental broadband service providers, alleviating concerns that are present with GONs. When GONs are established, they discourage private entities that offer communications services from entering an area. Private companies typically offer their services to make a profit whereas GONs are subsidized by taxpayers or other government entities and are not always concerned about profits. This results in the government establishing and maintaining a monopoly over broadband networks in the municipalities that deploy them.<sup>2</sup>

After 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

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<sup>1</sup><https://www.maine.gov/connectme/sites/maine.gov.connectme/files/inline-files/ConnectME%20Authority%20Annual%20Report%202018%20.docx.pdf>

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

projects that reported the results of their broadband operations, 11 showed that they had a negative cash flow.<sup>3</sup> Only seven of those municipalities were projected to recover the cost within 60 years or more.

Lastly, this bill nixes the 0.25 percent assessment on the revenue collected or received for all communications services in the state. This assessment generates approximately \$1.1 million annually for the ConnectME Authority.<sup>4</sup> In its place, the Authority would be able to issue bonds through resolutions for the construction of advanced communications technology infrastructure outlined in the Broadband Infrastructure Grant Program. This would be more consumer-friendly because the small assessment would not be paid by rate-payers as a passthrough charge and the funds would be more targeted to truly unserved and underserved areas.

For those reasons, The Maine Heritage Policy Center urges the committee to vote, “Ought to Pass” on LD 1742. Thank you.

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

<sup>4</sup> <https://www.maine.gov/connectme/sites/maine.gov.connectme/files/inline-files/ConnectME%20Authority%20Annual%20Report%202018%20.docx.pdf>