

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 1429 (Delegates Campbell and D. Davis)

Ways and Means and Environmental Matters

Maryland School Telecommunications Fund

This bill establishes the Maryland School Telecommunications Fund to support rates for universal intrastate telecommunication services provided to public schools. The Maryland Public Service Commission must consider reductions in intrastate access charges by December 1, 2000, of which a portion shall be used to support the fund. The Maryland Public Service Commission may designate other funding sources to support the fund, including a percentage rate to be applied to the revenues of the providers of telecommunications service.

This bill takes effect July 1, 2000.

Fiscal Summary

State Effect: State special fund revenues and expenditures could increase by a maximum of \$20 million annually. General fund expenditures within the Maryland State Department of Education would increase by \$52,700 in FY 2001 and by \$71,000 in FY 2005.

Local Effect: Local school systems could receive up to \$20 million annually from the Maryland School Telecommunications Fund to support Internet access and telecommunication services in public schools.

Small Business Effect: None.

Analysis

Bill Summary: The Maryland School Telecommunications Fund is established to support rates for universal intrastate telecommunication services provided to public schools. The fund consists of: (1) reductions in intrastate access charges; (2) other funding sources designated by the commission; and (3) earnings from the investment of moneys in the fund.

The fund may not exceed \$20 million in a fiscal year. The fund can be used for the cost of high-speed Internet access in public schools, the cost of voice telephone service in public school classrooms, and the cost of administering the fund. The fund cannot be used to reimburse a school for equipment costs, nonrecurring costs, or charges incurred as a result of services accessed via the Internet.

The Public Service Commission may contract with a third party to administer the fund. The commission may (1) review and approve applications for support from the fund; (2) reimburse a telecommunications carrier providing services approved by the commission; and (3) reimburse a school for expenses paid for services approved by the commission. Prior to receiving support from the fund, a public school must apply for discounted rates for telecommunication services to the entity designated by the Federal Communications Commission. The Public Service Commission may establish rate discounts for telecommunication services for eligible schools.

Current Law: The Public Service Commission regulates the rates that are charged by telephone companies that: (1) own telephone lines to receive, transmit, or communicate telephone or teletype communications; or (2) lease, license, or sell telephone or teletype communications.

Additionally, the Public Service Commission has jurisdiction over the rates charged by a telephone company to another telephone company for access to the telephone company's network for providing intrastate long distance telecommunications services to end-use customers, which are generally referred to as "intrastate access charges." Charges by a telephone company to another telephone company for use of the telephone company's network for providing interstate long distance are under the jurisdiction of the Federal Communications Commission.

Background: In 1997, the Public Service Commission reduced the intrastate access charges paid by telephone companies by \$32 million and required that the reduction in rates flow through to the customers of the telephone companies in the form of reductions in the rates charged to the customers. At the same time, the Public Service Commission stated that while further reductions in intrastate access charges were likely warranted, a further reduction in

intrastate access charges should be reviewed in the context of universal service.

Universal service is a factor considered by the Public Service Commission in setting telephone company rates that takes into account that the costs of providing telephone service to all areas of the State can vary based on geographic location and other factors. In setting intrastate access charges, among other things, the commission considers whether the rate allows a telephone company to recover its cost in supplying telephone service across the State (universal service).

The Public Service Commission is currently considering an open case that addresses whether a further reduction in intrastate access charges is warranted. This bill requires the commission to consider reductions in intrastate access charges by December 1, 2000 and that a portion of any reductions made is to be designated for placement in the Maryland School Telecommunications Fund.

State Fiscal Effect: The Public Service Commission advises that the implementation and administration of the Maryland School Telecommunications Fund could be performed with existing staff and would not have any effect on State expenditures. The commission further advises that revenues for the fund would be provided by Bell Atlantic and competitive local exchange carriers. There are about 35 to 40 approved competitive local exchange carriers in Maryland, of which about 20 actually provide telecommunication services in the State.

The commission advises that the potential of future reductions in intrastate access charges could reach a maximum of \$68 million. Accordingly, the commission could provide the maximum \$20 million for the Maryland School Telecommunications Fund through reductions in the intrastate access charges.

The Maryland State Department of Education (MSDE) advises that one additional staff specialist at a cost of \$52,700 in fiscal 2001 would be needed to administer the program and to provide technical assistance to local school systems. Future year expenditures reflect annualization and inflation.

MSDE Administrative Expenditures

FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
\$52,700	\$62,400	\$65,100	\$68,000	\$71,000

Local Fiscal Effect: The federal government provides a similar program entitled the Universal Services Discount Program for Schools and Libraries, commonly known as the E-Rate Program. This program provides discounts on telecommunication services for all eligible schools and libraries in the United States. Federal funding for the program totals \$2.25 billion annually, with Maryland receiving \$32 million over a two-year period.

The Maryland School Telecommunications Fund would provide up to \$20 million annually to local school systems to support Internet access and telecommunication services in public schools. This funding is to supplement existing federal support for Internet access and telecommunication services.

Additional Comments: Based on a fall 1999 technology inventory of public schools in the State: 89% of public schools have direct, full-time connection to the Internet; 57% of classrooms are connected to the Internet; 100% of schools have multiple telephones; and 20% of classrooms have telephones.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Public Service Commission, Maryland State Department of Education, Department of Legislative Services

Fiscal Note History: First Reader - March 20, 2000
nncsjr

Analysis by: Hiram L. Burch, Jr.

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510