

**Department of Legislative Services**  
Maryland General Assembly  
2007 Session

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 864

(Senator Middleton)

Finance

Economic Matters

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**Voice Over Internet Protocol Service**

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This bill precludes potential Public Service Commission (PSC) authority, in the absence of a Federal Communications Commission (FCC) directive, to impose regulatory fees and certification requirements or require the filing or approval of tariffs for Voice over Internet Protocol (VoIP) Service. VoIP service providers are under the authority of the Division of Consumer Protection in the Office of the Attorney General and are subject to generally applicable State and federal laws relating to public safety, consumer protection, and unfair and deceptive trade practices. The bill also prohibits switching customers from tariffed service to VoIP without consent.

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**Fiscal Summary**

**State Effect:** None. The requirements of the bill could be met with existing budgeted resources.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Bill Summary:** The bill provides that PSC does not have authority to impose regulatory fees, certification requirements, or require the filing or approval of tariffs for VoIP service. VoIP service providers are under the authority of the Division of Consumer Protection in the Office of the Attorney General and are subject to generally applicable

State and federal laws relating to public safety, consumer protection, and unfair and deceptive trade practices.

When moving a customer from traditional PSC-approved tariffed service to VoIP, the telephone company must notify the customer that the new service is not under PSC jurisdiction, but the customer may file a complaint about service with the Consumer Protection Division of the Office of the Attorney General. A customer may not be switched from tariffed service to VoIP without consent unless the tariffed service is discontinued with PSC approval.

VoIP is defined as any two-way voice communications that originate from or terminate to the subscriber end user's location requiring Internet protocol or any successor protocol to Internet protocol and requires a broadband connection from the user's location.

PSC and the Department of Business and Economic Development must report to the General Assembly by December 1, 2010 on the status of the deployment of Internet Protocol – enabled services, including VoIP services, in Maryland and the status of any federal legislation or regulatory proceedings before the Federal Communications Commission relating to Internet Protocol – enabled services.

In addition, PSC, with input from the Office of the Attorney General and the Office of the People's Counsel, must monitor the number of consumer complaints received by State agencies regarding the provision of VoIP services in Maryland. If PSC determines that additional consumer safeguards are warranted, the commission may report its findings and recommendations to the General Assembly.

**Current Law:** Utility companies, including telephone companies in the State are required to establish rates for their services that are just and reasonable. PSC is charged with reviewing and approving utility rates to ensure that they are just and reasonable. Providers of intrastate long distance services are also regulated by PSC, but PSC does not have any authority over interstate long distance. The rate setting authority for interstate long distance services rests with FCC. PSC does not currently provide regulatory oversight for VoIP services.

FCC has made some rulings on VoIP services, but has yet to adopt comprehensive regulation. In 2004, FCC ruled (Docket No. 03-211) that certain VoIP services, such as those offered by cable companies, are not subject to traditional state public utility regulation. In some cases, FCC has exercised the power to preempt state regulations that thwart or impede federal authority over interstate communications. In June 2005, FCC imposed 911 access obligations on providers of "interconnected" VoIP services. "Interconnected" VoIP services are services that generally allow users to make calls to

and receive calls from the regular telephone network. In addition, FCC requires interconnected VoIP providers to comply with the Communications Assistance for Law Enforcement Act of 1994 and to contribute to the Universal Service Fund, which supports communications services in high-cost areas and for income-eligible telephone subscribers.

**Background:** VoIP converts the voice signal from a telephone into a digital signal that travels over the Internet. If a call is placed to a regular telephone number, the signal is then converted back at the other end. A VoIP call can be placed from a computer, a special VoIP phone, or a traditional phone using an adapter. In addition, new wireless “hot spots” in public locations such as airports, parks, and cafes allow a user to connect to the Internet, and may enable a person to use VoIP service wirelessly.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1379 (Delegate Davis) – Economic Matters.

**Information Source(s):** Comptroller’s Office, Public Service Commission, Office of People’s Counsel, Federal Communications Commission, Department of Legislative Services

**Fiscal Note History:** First Reader - March 18, 2007  
mll/jr Revised - Senate Third Reader - April 3, 2007  
Revised - Enrolled Bill - May 7, 2007

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