

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1037 (Delegate Foley, *et al.*)
 Environment and Transportation

Public Service Commission - Broadband and Voice Over Internet Protocol
 Service - Oversight (Broadband Accountability and Affordability Act)

This bill *authorizes* the Public Service Commission (PSC) to exercise oversight of broadband service and Voice over Internet Protocol (VoIP) service (and repeals provisions of law that expressly prohibit PSC from regulating VoIP service). It further *requires* PSC to adopt regulations to implement effective oversight of the quality, reliability, and resilience of broadband service and VoIP service, as specified. The bill establishes related responsibilities for PSC. By January 1, 2028, and each January 1 thereafter, PSC must report to the General Assembly on progress made toward improving service quality, public safety, and network resilience.

Fiscal Summary

State Effect: Special fund expenditures for PSC and the Office of People’s Counsel (OPC) increase by at least \$940,200 in FY 2027; future years reflect annualization, inflation, and ongoing costs. Special fund revenues increase correspondingly from assessments imposed on public service companies. The Office of Statewide Broadband (OSB) can coordinate with PSC using existing budgeted resources.

(\$ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
SF Revenue	\$0.94	\$1.07	\$1.01	\$1.06	\$1.10
SF Expenditure	\$0.94	\$1.07	\$1.01	\$1.06	\$1.10
Net Effect	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The operations and finances of locally owned broadband networks may be affected depending on the regulations adopted by PSC, as discussed below.

Small Business Effect: Minimal.

Analysis

Bill Summary: “Broadband service” means a mass-market retail service that provides the capability to transmit data to and receive data from all or substantially all Internet endpoints, including capabilities that are incidental to and enable the operation of communications services provided by a wireline, fixed wireless, mobile wireless broadband, or satellite service provider; it does not include dial-up Internet service.

The regulations PSC must adopt to implement effective oversight of the quality, reliability, and resilience of broadband service and VoIP service must:

- establish standards to ensure the resilience and reliability of broadband infrastructure;
- require each Internet service provider (ISP) to (1) submit information relating to network reliability, including reporting outages; (2) maintain networks sufficiently in order to ensure reliable, safe, and adequate services; (3) report data on the availability, deployment, pricing, and adoption of broadband services and VoIP services; and (4) submit to PSC the provider’s plans for emergency preparedness and postemergency network restoration;
- establish a system for assessing the adequacy of ISPs’ plans for emergency preparedness and postemergency network restoration; and
- establish minimum requirements for backup power generation.

PSC must assess the adequacy of each ISP’s plan for emergency preparedness and post-emergency network restoration.

On receipt of a complaint from a customer or based on data collected from providers, PSC may conduct an evaluation or audit of an ISP’s facilities and infrastructure to assess service quality, public safety concerns, or network resilience; PSC may hold a hearing as part of this process. If PSC determines that the practices, facilities, or services of an ISP are unjust, unreasonable, unsafe, improper, or inadequate to ensure network reliability, resilience, and public safety in accordance with the standards established in regulation, PSC may require the provider to take remedial actions.

PSC may coordinate with OSB when collecting data to implement the bill, but the bill may not be construed to limit any right or authority granted to OSB.

Current Law:

Public Service Commission

PSC regulates public service companies and exercises jurisdiction over electric distribution companies and electricity suppliers, gas distribution companies and gas suppliers,

combination gas and electric distribution companies, telecommunications companies, water companies, sewage disposal companies, combined water and sewage disposal companies, common carriers (passenger-for-hire motor vehicle companies, vehicles, and drivers, including transportation network companies and operators; railroad companies; and certain taxicab companies and driver permits), and intrastate pipelines. PSC's jurisdiction over railroad companies is secondary to federal jurisdiction.

PSC's jurisdiction is limited to services that are provided within Maryland. Services between Maryland and one or more other states fall under the jurisdiction of federal entities, including the Federal Energy Regulatory Commission, which regulates the interstate and wholesale activities of gas and electric utilities; the Federal Communications Commission (FCC), which regulates interstate telephone service; and the U.S. Department of Transportation, which retains limited jurisdiction over interstate commercial carriers and related services.

Voice Over Internet Protocol Service

"VoIP service" is defined in the Public Utilities Article to mean any service that enables real-time 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. It includes any such service that permits users generally to receive calls that originate on the public switched telephone network and to terminate calls to the public switched telephone network.

Section 8-602 of the Public Utilities Article expressly states that PSC does *not* have jurisdiction over the regulation of VoIP services, including the imposition of regulatory fees, certification requirements, and the filing or approval of tariffs. As noted above, interstate telephone service is regulated by FCC.

Broadband Service Regulation and the Office of Statewide Broadband

There are no State laws that directly prohibit or authorize the regulation of broadband service in the State; similar to VoIP, broadband service is regulated by FCC. Most references to broadband service in State law are related to the fair and equitable deployment of broadband service throughout the State and, most notably, OSB.

Specifically, Chapter 74 of 2021 established OSB within the Department of Housing and Community Development as the successor to the Office of Rural Broadband and charged OSB with expanded responsibilities relating to planning, data collection, outreach, and intergovernmental coordination. Notably, the Act required OSB to prepare a statewide plan ensuring universal, affordable, reliable broadband Internet connectivity exceeding specified federal standards by December 31, 2026. OSB must report annually to the Governor and the General Assembly on the progress of the State's efforts to develop and implement the statewide plan, among other things.

Chapter 74 also established (1) the Digital Inclusion Fund, to provide a competitive grant program to support capacity building for local governments and nonprofit organizations seeking to further access to high-speed Internet and implement programs to expand digital literacy and (2) the Digital Connectivity Fund, to assist in the establishment and expansion of affordable broadband communication services in disconnected areas and communities in the State. In addition, the Act transferred the existing Rural Broadband Assistance Fund from the Department of Commerce to OSB. The purpose of the Rural Broadband Assistance Fund is to assist in the establishment of broadband communication services in rural and underserved areas of the State.

State Fiscal Effect:

Public Service Commission

Because PSC does not currently regulate broadband or VoIP services, PSC requires additional staff and ongoing technical assistance from consultants to oversee the quality, reliability, and resilience of these services in the State. Accordingly, special fund expenditures for PSC increase by \$835,123 in fiscal 2027, which accounts for the bill’s October 1, 2026 effective date. This estimate reflects the cost to establish a new unit within PSC to regulate VoIP and broadband services, investigate consumer complaints, and complete the annual reports required by the bill, including two public service engineers, two staff attorneys, one administrative specialist, one regulatory economist, and one public utility law judge. It includes salaries, fringe benefits, one-time start-up costs, ongoing operating expenses, and consultant costs.

Positions	7.0
Salaries and Fringe Benefits	\$571,138
Consultant Costs	200,000
Operating Expenses	<u>63,985</u>
Total FY 2027 PSC Expenditures	\$835,123

Future year expenditures reflect full salaries with annual increases and employee turnover, annual increases in ongoing operating expenses, and ongoing consultant costs.

Generally, PSC is funded through an assessment on the public service companies that it regulates. Accordingly, special fund revenues for PSC increase correspondingly from assessments imposed on public service companies. However, PSC advises that, because the bill does not alter the definition of “public service company” in State law to include broadband and VoIP providers, it is not able to impose the assessment on those providers (meaning other public service companies must cover PSC’s costs under the bill).

Office of People’s Counsel

OPC advises that the expanded responsibilities the bill places on PSC are likely to result in a commensurate increase in OPC’s workload, given that it is required to review all matters in front of PSC for potential ratepayer impacts. OPC anticipates that at least one additional attorney is needed to handle the potential increase in workload, although more may be necessary depending on how PSC implements the bill and the number of consumer complaints over time.

Accordingly, special fund expenditures for OPC increase by *at least* \$105,121 in fiscal 2027, which accounts for the bill’s October 1, 2026 effective date. This estimate reflects the cost of hiring one assistant People’s Counsel. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1.0
Salary and Fringe Benefits	\$95,980
Operating Expenses	<u>9,141</u>
Minimum FY 2027 OPC Expenditures	\$105,121

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses. To the extent that one additional attorney is not sufficient for OPC to handle the increased workload resulting from the bill, special fund expenditures increase further to hire additional staff.

Similar to PSC, OPC is funded through assessments on public service companies; thus, any additional special fund expenditures are funded through a corresponding increase in special fund revenues from assessments imposed on public service companies.

Local Expenditures: Under the bill, locally owned and operated broadband networks, such as the [Easton Utilities network](#) and [Westminster Fiber Network](#), are also subject to oversight by PSC. Depending on the regulations that are ultimately adopted by PSC, the operations and finances of these networks may be affected; however, any such impact cannot be reliably estimated at this time.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 605 (Senator M. Washington) - Finance.

Information Source(s): Public Service Commission; Department of Information Technology; Office of the Attorney General (Consumer Protection Division); Department of Housing and Community Development; Office of People's Counsel; Maryland Municipal League; City of Westminster; Town of Easton; Department of Legislative Services

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me/mcr

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