



**Testimony of
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CTIA
In Opposition to Part AA of Maine LD 221**

**Before the
Committee on Appropriations and Financial Affairs**

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Chairs and members of the committee, on behalf of CTIA, the trade association for the wireless communications industry, I submit this testimony in opposition to Part AA of LD 221 that would require wireless consumers to pay into the ConnectMaine Fund. CTIA members include all of the major wireless carriers that do business in Maine, are responsible for thousands of wireless related Maine jobs, and contribute tens of millions of dollars every year in taxes and fees to support Maine government.

Executive Summary. We oppose this provision for several reasons. First, this provision would result in wireless consumers paying an additional tax on their wireless bill at a time when many consumers are already struggling to pay their bills. Second, the wireless industry spends \$80-\$90 million per year to expand and upgrade its networks in Maine, and this new fee is more likely to impede rather than assist such investment. This is particularly true because any amounts contributed by wireless consumers to the ConnectMaine Fund under this bill would be ineligible for supporting the wireless industry. Finally, before Maine decides to tax wireless customers to support broadband building, it is important to note that Congress has recently allocated billions of dollars of federal funding for rural broadband, including in Maine and the distribution of this funding will begin as early as this spring. These allocations are likely to grow further under the new Administration in Washington. For these reasons, CTIA opposes Part AA of LD 221.



Burden on Maine families. The new tax on wireless service in Part AA of the bill would impose a new 10 cent per line excise tax, every month. This proposed tax would be regressive, imposing a significantly higher burden on the poorest residents of the state. Recent US government studies show that over 68 percent of adults living in poverty have “cut the cord” and rely solely on wireless for telephone service.¹ In light of the economic impact the pandemic has had on families and small businesses – now is not the time to impose a new tax on wireless consumers who rely on their devices to stay connected.

Wireless industry investments in Maine are approaching \$90 million per year for expanded coverage and faster speeds. CTIA and its member companies strongly support ubiquitous mobile broadband coverage and are working to expand access to broadband services to underserved and unserved Maine residents. In 2019, the wireless industry built more than 46,000 new cell sites across the U.S.—more than in the preceding three years combined. Last year’s wireless industry investment, totaling \$29.1 billion, marked a four-year high.²

Wireless carriers are also in the process of upgrading wireless networks to fourth and fifth-generation wireless technologies, which promise to bring consumers Broadband networks with more capacity, lower latency, and increased speeds. These upgrades will support the growing business and consumer demand for wireless Broadband applications. The developing 5G economy will also create a platform for economic growth and innovation that will create jobs and industries to help build the U.S. economy. 5G deployment will

¹Stephen J. Blumberg and Julian V. Luke, “Wireless Substitution: Early Release Estimates from the National Health Interview Survey, July-December 2017,” National Center for Health Statistics, June 2018, pp. 1-3. <https://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201806.pdf>

² See CTIA, “2020 Annual Survey Highlights” (Aug. 25, 2020), available at <https://api.ctia.org/wp-content/uploads/2020/08/2020-Annual-Survey-final.pdf>; accessed 2/20/2021.



contribute \$1.5 trillion to U.S. GDP and create 4.5 million jobs in the next decade, including approximately \$2.8 billion in GDP growth and 8,600 new jobs in Maine.³

Wireless carriers are substantial contributors to Maine's General Fund and telecommunications programs. Wireless carriers and their customers currently contribute tens of millions in revenues to state government in Maine. These revenues support Maine's General Fund as well as several programs that support telecommunications, including:

- Taxes on wireless service (6%) and sales taxes on wireless equipment (5.5%) – \$37 million
- 911 fees – \$4.6 million
- State Universal Service Fund and Maine Schools and Libraries surcharges -- \$8.5 million

Importantly, these figures do not include the income and other taxes paid by Maine residents employed by the wireless industry, any telecommunications equipment excise taxes that are paid to the State's General Fund, nor do they include the millions of dollars of economic benefits that wireless networks provide for businesses that use wireless networks in their business operations

This bill requires wireless customers to pay into a telecommunications infrastructure fund from which they are not allowed to withdraw. If the current proposal is enacted, wireless consumers would be paying new taxes into the ConnectMaine fund. However, the bill does not allow wireless providers (and by extension their customers) to access ConnectMaine Funds. Not only is this unfair, but it essentially means that the wireless industry is being forced to contribute to a fund that only subsidizes its competition.

⁴ Duarte Melo, Enrique, et al. Boston Consulting Group in Collaboration with CTIA, 2021, 5G Promises Massive Job and GDP Growth in the US, <https://www.bcg.com/en-us/press/2february2021-5g-economy-will-spur-massive-gdp-and-job-growth-across-the-us>; accessed 2/20/2021.



Even if wireless providers were allowed to access ConnectMaine funds, the proposal to require wireless companies to collect and remit 10 cents per month from each wireless line will only generate about \$1 million per year for the fund. This is a tiny fraction of what wireless providers are investing in their networks today.

Federal funding is coming to Maine. As Maine considers whether to adopt a fee that will generate \$1 million per year for broadband, it is important to note that Congress recently enacted legislation -- the Consolidated Appropriations Act (CAA) of 2021 -- that appropriates approximately \$5 billion for broadband deployment and adoption programs. Specifically, the CAA appropriated \$3.2 billion to the Federal Communications Commission (FCC) for an Emergency Broadband Connectivity Fund, which the FCC will administer through the “Emergency Broadband Benefit Program.” Under this program, the FCC will make available to eligible households a monthly discount off the standard rate for internet service and equipment up to \$50 per month. On Tribal lands, the monthly discount may be up to \$75 per month.

Moreover, the CARES Act, passed by Congress last year, allocates funds specifically to help rural communities connect to broadband internet, including \$100 million to the U.S. Department of Agriculture’s Rural Utility Service (RUS) for its Reconnect Pilot Program, which provides grants for the costs of construction, improvement, or acquisition of facilities and equipment needed to provide broadband service in eligible rural areas. In addition to providing increased funding to connect underserved populations to the Internet, the CARES Act also appropriates specific funding for remote education, healthcare, and work.

If not this bill, what alternatives should the State consider? There are concrete actions that the Maine legislature could take that would meaningfully assist wireless providers in expanding and upgrading wireless Broadband service, including:



- Exempt network equipment purchases from sales and use taxes, which would immediately make 5.5% more private investment dollars available to expand broadband networks in Maine.
- Provide a property state excise tax exemption for new broadband network equipment deployed in Maine, which would reduce the recurring cost of network upgrades.

Conclusion. For the reasons cited above, CTIA respectfully requests that the committee not approve the expansion of the ConnectMaine fee to wireless consumers. CTIA and its member companies would welcome the opportunity to work with the Legislature and the Administration on concrete proposals that would expand wireless Broadband access in Maine.