

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE

House Bill 1144 (Delegates Hucker and Feldman)
 Economic Matters

Information Technology - Public-Private Deployment Initiative

This bill requires the Department of Budget and Management or, subject to its creation, the Department of Information Technology to establish a public-private partnership to deploy high-speed Internet services throughout the State.

The bill takes effect July 1, 2008.

Fiscal Summary

State Effect: General fund expenditures by the Department of Budget and Management increase by \$314,200 in FY 2009 to add five regular positions to coordinate the efforts of the initiative and regional councils. Out-year expenditures reflect annualization and inflation.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	314,200	400,900	419,200	438,500	458,700
Net Effect	(\$314,200)	(\$400,900)	(\$419,200)	(\$438,500)	(\$458,700)

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

Local Effect: To the extent that local government participation in the initiative exceeds current participation in regional economic development councils or the Maryland Broadband Cooperative, local governments could experience increased administrative burdens or personnel costs.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The purpose of the public-private initiative is to • ensure that Maryland residents and businesses have access to high-speed Internet service; • increase Internet use among State residents; • establish local teams to plan for improved technology use; and • create an environment that supports investment in technology.

The initiative must receive input from State and local governments and entities representing economic development, local community development, technology planning, education, and health care. Government entities must collaborate with telecommunications providers and unions, technology companies, community-based organizations, and relevant private-sector entities.

The initiative must use geographic information systems (GIS) to develop and update every six months an inventory of available high-speed Internet and related services. The inventory should provide a baseline assessment of the percentage of households that have access to high-speed Internet services. It must then identify barriers to further proliferation of those services and monitor any changes over time.

The initiative must also include local technology planning teams in each county or other appropriate region. Each team is charged with • assessing technology use across relevant community sectors; • setting goals for improved technology use; and • developing plans to reach those goals. The initiative must also establish programs to increase computer ownership and Internet access for disenfranchised and underserved populations.

DBM or DoIT is authorized to contract with a nonprofit organization to accomplish the bill's purposes.

Current Law: Chapter 269 of 2006 established the Rural Broadband Assistance Fund (RBAF) as a special nonlapsing fund within the Department of Business and Economic Development. Chapter 269 also established the Maryland Rural Broadband Coordination Board, which is responsible for the review and approval of RBAF disbursements to assist in the establishment of broadband services in rural and underserved areas of the State. The Maryland Broadband Cooperative is a public-private partnership among DBED, five regional councils, and telecommunications companies serving Maryland. It is authorized to spend money from the RBAF to plan, construct, and maintain broadband network access to rural communities on the Eastern Shore and in Western and Southern Maryland. With State, federal, and private funds, the cooperative has completed the first two phases of a planned three-phase project to extend broadband services to those three rural areas of the State. The Governor's proposed fiscal 2009 budget includes \$2.0 million in general funds toward project completion.

The 34-member State Information Technology Board is charged with, among other duties, studying existing and emerging Internet and information technology and developing standards and recommendations for the Governor concerning Internet-based commerce.

The Office of Information Technology within DBM coordinates and oversees information technology projects for most State agencies. SB 212/HB 362 of 2008 (Administration bills) would create an independent Department of Information Technology.

Background: In January 2004, the Maryland Technology Development Corporation released two reports presenting findings and recommendations from separate broadband deployment studies in Western Maryland and Eastern Maryland, respectively. The studies, conducted in concert with the Tri-County Council for Western Maryland, the Tri-County Council for the Eastern Shore, and the Mid-Shore Regional Council, included surveys of business and institutional demand for broadband and best practices for rural broadband development. The Tri-County Council of Southern Maryland began a similar study in 2005. The two TEDCO studies found that broadband services were scarcer and more expensive in rural areas than in urban and suburban areas of the State. More than half of businesses in these rural areas were still using dial-up Internet services. More individuals indicated that they would telecommute if broadband services were available in their homes. The reports concluded with 18 recommendations for fostering the development of rural broadband services.

Several counties, including Harford, Carroll, and Montgomery counties, either have completed or are engaged in similar needs assessments of broadband services throughout their jurisdictions.

State Fiscal Effect: DBM advises that the bill would require it to establish a new unit within the department to coordinate the activities of the partnership and the regional councils. It estimates the total cost to be \$3.4 million in fiscal 2009, based on hiring 12 full-time contractual positions, including 8 regional team managers. Legislative Services believes the work can be done with fewer, regular staff positions, resulting in significantly lower costs. Based on the work that has already been done by the rural regional councils, it is unlikely that the initiative would result in 24 local councils. Rather, it is more likely that between 3 and 6 regional councils would emerge, requiring much less coordination by DBM.

General fund expenditures by DBM or, if created, DoIT would increase by \$314,161 in fiscal 2009 which accounts for a 90-day start-up delay. This estimate reflects the cost of hiring one program manager, two regional managers, one GIS technician, and one administrative assistant to coordinate the work of the cooperative and its regional

councils. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses

Positions	5
Salaries and Fringe Benefits	\$256,963
Operating Expenses	<u>57,198</u>
Total FY 2009 State Expenditures	\$314,161

Future year expenditures reflect • full salaries with 4.4% annual increases and 3% employee turnover; and • 2% annual increases in ongoing operating expenses.

DLS assumes that the cost of programs to increase computer ownership and Internet access among disenfranchised populations will be borne primarily by private partners in the initiative who would benefit financially from expanded access to these services.

Local Fiscal Effect: DLS assumes that local participation in the cooperative would be absorbed within existing efforts under the Maryland Broadband Cooperative and regional councils. To the extent that it exceeds those efforts, local governments could experience increased administrative burdens or personnel costs.

Small Business Effect: The bill could lead to expanded and more affordable access to broadband services for small businesses in rural areas, where service is limited and expensive.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Carroll County, Montgomery County, Harford County, Maryland Department of Planning, Public Service Commission, Department of Budget and Management, Department of Legislative Services

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ncs/ljm

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