

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 1121
Economic Matters

(Delegates Hucker and Feldman)

Information Technology - Public-Private Deployment Initiative

This bill requires the Department of Information Technology (DoIT) to establish a public-private partnership to deploy high-speed Internet services throughout the State. DoIT must contract with a nonprofit organization to undertake a statewide inventory, which must be updated every six months.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: General fund expenditures for DoIT increase by \$570,400 in FY 2010, which accounts for a 90-day start-up delay. This estimate reflects the cost of hiring five full-time positions to coordinate the efforts of the initiative and regional councils. It includes salaries, fringe benefits, contractual data collection costs for the inventory, one-time start-up costs, and ongoing operating expenses. Out-year expenditures reflect annualization and inflation. No effect on revenues.

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	570,400	509,600	528,500	548,400	569,200
Net Effect	(\$570,400)	(\$509,600)	(\$528,500)	(\$548,400)	(\$569,200)

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 may 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 also include local technology planning teams consisting of volunteer members representing a cross section of the community 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.

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 throughout the State. 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 bill does not give DoIT or any other State unit any regulatory or other authority over high-speed Internet providers or telecommunications companies.

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 (DBED). 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 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. Phase III originally intended to link the Bay Bridge to Baltimore and communities in Western Maryland.

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.

Background: In January 2004, the Maryland Technology Development Corporation (TEDCO) 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.

A December 2008 report by DBED and the Maryland Broadband Cooperative, mandated by the fiscal 2009 budget, projects the total cost of Phase III of the State's broadband initiative to be \$7.1 million. State funds are budgeted at \$3.9 million for the final phase, with the remainder consisting of federal and private funds. However, Phase III completes the extension of broadband services to the Eastern Shore, but does not include specific plans for network expansion to Western or Southern Maryland.

The federal American Recovery and Reinvestment Act of 2009 includes \$4.7 billion to accelerate broadband deployment in unserved and underserved areas of the country. The funds are to be awarded through competitive grants by the National Telecommunications and Information Administration.

State Fiscal Effect: DoIT advises that the bill requires it to establish a new unit within the department to coordinate the activities of the partnership and the regional councils. DoIT estimates the total cost to be \$2.19 million in fiscal 2010, based on hiring one full-time State program manager and four full-time contractual positions and considerable contractual services. Legislative Services believes the work can be done primarily with

regular staff positions, resulting in significantly lower costs. However, the bill requires use of a nonprofit organization to complete the inventory.

General fund expenditures by DoIT increase by \$570,417 in fiscal 2010 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. It also reflects the anticipated cost for the required contract with a nonprofit organization at \$200,000 for the initial inventory and approximately \$50,000 for every six-month update.

Positions	5
Salaries and Fringe Benefits	\$263,219
Nonprofit Contract	250,000
Operating Expenses	57,198
Total FY 2010 State Expenditures	\$570,417

Future year expenditures reflect full salaries with 4.4% annual increases, 3% employee turnover, and 1% annual increases in ongoing operating and contract 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 is absorbed within existing efforts under the Maryland Broadband Cooperative and regional councils. To the extent that it exceeds those efforts, local governments may experience increased administrative burdens or personnel costs.

Small Business Effect: The bill may 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): Anne Arundel, Baltimore, Howard, and Montgomery counties; Maryland Department of Agriculture; Department of Business and Economic Development; Department of Budget and Management; Department of Information Technology; Department of Natural Resources; Maryland State Department of Education; Maryland Higher Education Commission; Department of Health and Mental Hygiene; Public Service Commission; Department of Legislative Services

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