

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1169

(Delegate Mautz, *et al.*)

Economic Matters

Finance

Connecting Rural Maryland Act of 2017

This bill establishes the Task Force on Rural Internet, Broadband, Wireless, and Cellular Service. The Department of Information Technology (DoIT) must provide staff for the task force. By November 30, 2017, the task force must report its findings and recommendations to the Governor and the General Assembly.

The bill takes effect June 1, 2017, and terminates May 31, 2018.

Fiscal Summary

State Effect: DoIT can likely handle the bill's requirements using existing budgeted resources. Revenues are not affected.

Local Effect: The bill does not directly affect local governmental operations or finances.

Small Business Effect: Minimal.

Analysis

Bill Summary: The 22-member task force must study and make recommendations regarding how Western Maryland counties, Southern Maryland counties, Eastern Shore counties, and Frederick, Carroll, and Harford counties can work together to obtain federal assistance to improve Internet, broadband, wireless, and cellular services and accessibility in the affected counties. The study must (1) assess current Internet, broadband, wireless, cellular, and landline service connectivity; (2) assess coverage for the users located at the end of each type of service connectivity; (3) evaluate redundancies and gaps in the current services; and (4) evaluate any federal funds applied for in response to any previous

broadband task force in the State. The study must also be based on publicly available and nonconfidential information.

A member of the task force may not receive compensation but is entitled to reimbursement for expenses under the standard State travel regulations, as provided in the State budget.

Current Law/Background: The Federal Communications Commission (FCC) regulates interstate and international communications by radio, television, wire, satellite, and cable in all 50 states, the District of Columbia, and U.S. territories. FCC is an independent agency overseen by the U.S. Congress, and it is the primary authority for communications law and regulation.

Rural Broadband Assistance Fund

Chapter 269 of 2006 established the Rural Broadband Assistance Fund in the Department of Commerce (Commerce). The purpose of the fund is to assist in the establishment of broadband communication services in rural and underserved areas of the State. Commerce must administer the fund, which consists of (1) money appropriated in the State budget to the fund; (2) money appropriated in the State budget to the Maryland Economic Development Assistance Fund for the purpose of assisting in the establishment of broadband communication services in rural and underserved areas of the State; (3) federal money allocated or granted to the fund; and (4) any other money from any source accepted for the benefit of the fund. The fund may be used only for planning, construction, and maintenance of broadband communication services and equipment in rural and underserved areas and related activities. Under Chapter 269, the fund and related provisions terminate June 30, 2020; however, the fund has not received State or federal funding since 2009.

Rural Broadband Implementation

Chapters 261 and 262 of 2012 established the Communications Tax Reform Commission. Among other things, the commission was required to assess the efficacy of tax and other incentives to encourage investment in broadband networks and emerging technologies. The commission's final report offered no recommendations, but it did examine three proposals for communications tax reform. In addition, the report stated various findings, including the difficulties implicit in building out broadband capacity in rural areas.

The report found that, largely due to the costs associated with building out broadband networks, expansion into rural areas where populations, and potential customers, are less dense has not occurred in certain areas of Maryland. The report indicated that, although many members of the commission expressed belief that further broadband expansion

would positively benefit the State, implicit difficulties exist in government funding to encourage such activity. One such difficulty is that not all communications companies offer services through broadband networks; thus, government funding of broadband expansion may be conceived as industry favoritism.

Additional Information

Prior Introductions: None.

Cross File: SB 717 (Senator Eckardt, *et al.*) - Finance.

Information Source(s): Federal Communications Commission; Department of Information Technology; Department of Legislative Services

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