

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 755

(Senator Hester, *et al.*)

Budget and Taxation

Rules and Executive Nominations

**Infrastructure Grants - Federal Infrastructure Investment and Coordination
 Unit - Established**

This bill establishes the Federal Infrastructure Investment and Coordination Unit within the Governor’s Grants Office (GGO), to be headed by a Chief Infrastructure Officer. Among other duties, the unit must track the allocation of funds to the State under the federal Infrastructure Investment and Jobs Act (IIJA). The Chief Infrastructure Officer must establish an online dashboard functioning as a “one-stop shop” overview of infrastructure grants and subsequent projects funded under IIJA, submit a specified annual report to the State Treasurer and the General Assembly, and coordinate the unit’s activities with the Governor’s Subcabinet on Infrastructure. The Chief Infrastructure Officer must notify the Department of Legislative Services within five days after determining the schedule on which funds under IIJA will be allocated to the State. **The bill takes effect July 1, 2022, and terminates two years after the date on which funds under IIJA are scheduled to be allocated to the State.**

Fiscal Summary

State Effect: General fund expenditures increase by at least \$766,300 in FY 2023, as discussed below. Future years reflect inflation and elimination of one-time costs. Revenues are not affected.

(in dollars)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	766,300	729,800	743,300	756,400	769,700
Net Effect	(\$766,300)	(\$729,800)	(\$743,300)	(\$756,400)	(\$769,700)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The Chief Infrastructure Officer must receive the salary provided in the State budget, which must also provide sufficient money for the unit to employ a staff of at least two individuals and to retain and hire experts in the appropriate fields for additional support.

Duties of the Unit

The unit must:

- track the allocation to the State of federal funds under IJA and assist State agencies in bidding for competitive grant funds under IJA;
- track noncompetitive additional funds made available under IJA while ensuring alignment with State priorities;
- project State and local matching requirements for funding under IJA;
- coordinate, with respect to the allocation of federal funds under IJA, with federal agencies, the federal Senior Advisor to the President for Infrastructure Coordination, Maryland's congressional delegation, and the General Assembly; and
- develop an initial strategy and guiding criterion for the use of federal funds under IJA, subject to the approval of the Senate Budget and Taxation Committee and the House Appropriations Committee.

The initial strategy and guiding criterion developed by the unit must include information on (1) how the funds under IJA will be allocated across the State; (2) how the funds can best be used to advance existing State priorities identified in recent legislation passed by the General Assembly related to the environment, economic development, historic preservation, and socioeconomic and racial justice goals; and (3) specific projects that are earmarked to the State under IJA.

Required Annual Report

By October 1 annually, the Chief Infrastructure Officer must report to the State Treasurer and the General Assembly on the unit's activity in the immediately preceding calendar year, metrics to track and evaluate the overall effectiveness of the unit, the number and amount of infrastructure grants applied for and the success rate of grant awards under the act, and the total amount of infrastructure grants awarded.

Current Law:

Federal Infrastructure Investment and Jobs Act

IIJA, which was signed into law on November 15, 2021, provides \$1.2 trillion in infrastructure spending. Approximately \$550 billion of the funds provided through IIJA represent new or increased funding, with the remainder representing continuation of funding. The Act is expected to provide the State with \$8.2 billion in overall infrastructure funding over five years, of which \$2.8 billion, or 35%, represents new or enhanced funding. Because of the timing of the enactment of IIJA, the fiscal 2023 budget bill, as submitted, does not include any funds from IIJA.

Governor's Subcabinet on Infrastructure

In January 2022, the Governor issued Executive Order [01.01.2022.01](#) establishing the Governor's Subcabinet on Infrastructure. The subcabinet is charged with making recommendations to the Governor on administering funds made available through IIJA. The subcabinet consists of the Secretary of Budget and Management, the Secretary of Transportation, the Secretary of Commerce, the Secretary of Housing and Community Development, the Secretary of the Environment, and the Secretary of Information Technology and is chaired by a senior administrator in the Executive Branch designated by the Governor. The Director of the Maryland Energy Administration and the Executive Director of the Maryland Environmental Service must provide assistance to the subcabinet, as specified. The subcabinet members must provide staff to assist in the subcabinet's work as supervised by the chair.

State Expenditures: As discussed above, the bill establishes the unit within GGO, to be headed by a Chief Infrastructure Officer, and requires sufficient funding to be provided in the State budget for the unit to employ at least two staff members and retain and hire experts for additional support. GGO anticipates that, in addition to the Chief Infrastructure Officer, a program manager and grant writer are needed to support the work of the unit, as well as an administrative assistant, as there are currently no administrative support personnel assigned to GGO. In addition, GGO estimates annual costs of \$300,000 to \$500,000 for the unit to retain necessary contractual assistance.

Thus, general fund expenditures for GGO increase by at least \$766,269 in fiscal 2023; as IIJA funds are expected to be disbursed by the federal government beginning toward the end of fiscal 2022, this analysis does not include a start-up delay from the bill's July 1, 2022 effective date. This estimate reflects the cost of (1) hiring a Chief Infrastructure Officer, program manager, grant writer, and administrative assistant to staff the unit and (2) contractual services. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. This estimate assumes a minimum of \$300,000 in

annual contractual services costs; however, to the extent that costs exceed this amount, general fund expenditures increase further.

Positions	4.0
Salaries and Fringe Benefits	\$435,837
Contractual Services	300,000
Other Operating Expenses	<u>30,432</u>
Total FY 2023 State Expenditures	\$766,269

Future year expenditures reflect annual increases and employee turnover, ongoing annual contractual expenses, as well as annual increases in ongoing operating expenses.

As noted above, the bill terminates two years after the date on which funds under IJA are scheduled to be allocated to the State. IJA includes multi-year funding authorizations and is expected to provide funding to the State over the course of fiscal 2022 through 2026. The timing of these allocations is largely unknown and likely to vary significantly by individual program. Thus, it is unclear when the bill terminates. This analysis assumes that the unit remains in effect through at least fiscal 2027; consequently, contractual staff is not appropriate. When the unit terminates – in fiscal 2028 or later – these staff are assumed to be absorbed within the Governor’s Office for other duties.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 1425 (Delegate R. Lewis) - Appropriations.

Information Source(s): Governor’s Office; Department of Budget and Management; Department of Legislative Services

Fiscal Note History: First Reader - March 7, 2022
fnu2/mcr Third Reader - April 1, 2022
Revised - Amendment(s) - April 1, 2022

Analysis by: Elizabeth J. Allison

Direct Inquiries to:
(410) 946-5510
(301) 970-5510