

Department of Legislative Services

Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE

Third Reader - Revised

Senate Bill 547

(The President, *et al.*) (By Request - Administration)

Budget and Taxation

Rules and Executive Nominations

Office of Statewide Broadband - Study of Broadband Expansion Incentives

This Administration bill requires the Office of Statewide Broadband (OSB) within the Department of Housing and Community Development (DHCD) to study and make recommendations regarding (1) how the State can incentivize broadband service providers to expand broadband infrastructure to communities that are unserved or underserved, including through either regulatory or financial incentives; (2) how the State can ensure that federal broadband infrastructure grants are deployed to best serve the needs of Marylanders; and (3) how other states have encouraged private investment in broadband networks and how the State might implement similar measures. OSB must submit its findings to the Governor and the General Assembly by January 1, 2024. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: The bill's requirements can likely be handled with existing budgeted resources; however, general fund expenditures for DHCD may increase by a limited amount in FY 2024 only, as discussed below. Revenues are not affected.

Local Effect: None.

Small Business Effect: The Administration has determined that this bill has a meaningful impact on small business (attached). The attached assessment does not reflect amendments to the bill. The Department of Legislative Services (DLS) advises that the bill, as amended, has minimal or no impact on small business.

Analysis

Current Law: Chapter 74 of 2021 established OSB within DHCD as the successor to the Office of Rural Broadband and charged OSB with expanded responsibilities relating to planning, data collection, outreach, and intergovernmental coordination. Notably, the Act required OSB to prepare a statewide plan ensuring universal, affordable, reliable broadband Internet connectivity exceeding specified federal standards by December 31, 2026. OSB must annually report to the Governor and the General Assembly on the progress of the State's efforts to develop and implement the statewide plan, among other things.

Chapter 74 also established (1) the Digital Inclusion Fund, to provide a competitive grant program to support capacity building for local governments and nonprofit organizations seeking to further access to high-speed Internet and implement programs to expand digital literacy and (2) the Digital Connectivity Fund, to assist in the establishment and expansion of affordable broadband communication services in disconnected areas and communities in the State. In addition, the Act transferred the existing Rural Broadband Coordination Board and Rural Broadband Assistance Fund from the Department of Commerce to OSB. The purpose of the Rural Broadband Assistance Fund is to assist in the establishment of broadband communication services in rural and underserved areas of the State.

Background: The federal American Rescue Plan Act (ARPA) and Infrastructure Investment and Jobs Act (IIJA) included significant funding for broadband programs. The State has designated approximately \$400 million in federal ARPA funds for the purpose of broadband expansion and anticipates more than \$100 million in federal broadband funding from the IIJA.

State Expenditures: OSB advises that it does not have the expertise to fully conduct the required study and requires the assistance of consultants at an estimated cost of \$100,000 to \$150,000. OSB further advises that such costs can be absorbed without incurring additional expenditures by shifting budgeted funds from other planned projects.

DLS is unable to independently verify the need for contractual assistance to complete the required study and advises that the work required by the bill is within OSB's existing scope of responsibilities, which includes, among other things, developing policy recommendations to improve the availability of and access to broadband Internet services in the State. Thus, it is assumed that OSB can likely meet the bill's requirements with existing budgeted resources. However, to the extent specialized assistance is needed, and existing budgeted funds cannot be reallocated, general fund expenditures for DHCD potentially increase by a limited amount in fiscal 2024 only.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 551 (The Speaker, *et al.*) (By Request - Administration) - Ways and Means.

Information Source(s): Comptroller's Office; Department of Housing and Community Development; U.S. Bureau of Economic Analysis; IHS Markit; Department of Legislative Services

Fiscal Note History: First Reader - February 16, 2023

km/jrb Third Reader - April 6, 2023

Revised - Amendment(s) - April 6, 2023

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Office of Statewide Broadband - Study of Broadband Expansion Incentives

BILL NUMBER: HB0551/SB0547

PREPARED BY: Brad Fallon

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

Through the 5-year moratorium on the collection of sales and use tax for certain purchases related to broadband network construction and the decoupling provision set forth in the bill, additional individuals and businesses located in Maryland will have access to Internet services. This will bolster the ability of these individuals and businesses to participate in commerce and the workforce market. This will further incentivize investment by telecommunications companies to build networks in Maryland, contributing to overall economic growth.

In the short term, this legislation will incentivize spending on Maryland-based broadband equipment and workforce. In the long term, increased access to broadband networks will have a substantial impact on Maryland's economy.