

Maryland Department of Housing and
Community Development
Office of Statewide Broadband
Performance Report

Capital Projects Fund
2023 Report

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Financial Summary

CPF ID	Subproject Name	Budget	Expenditures	Status
CPF GP-000142	Maryland Network Infrastructure Program (MD-NI)	\$95,000,000	\$0	Less than 50% complete

Executive Summary

During the reporting period, Maryland had just one Capital Projects Fund (CPF) program approved, the Maryland Network Infrastructure (MD-NI) Grant Program (CPF GP-000142) with \$95 million in available CPF funding.

The Maryland Department of Housing and Community Development's (DHCD) Office of Statewide Broadband (OSB) prepared a grant program¹ to utilize the \$95 million provided for the program. The MD-NI program is intended for Internet Service Providers (ISP's) and local jurisdictions interested in providing broadband service to unserved homes and businesses. OSB received 73 applications for over \$200 million in funding in December 2022. In March 2023, DHCD awarded 35 projects to nine ISP's for \$91,632,351². With the provided match, the grant funds were leveraged to \$143,030,882 in total construction value to serve 14,488 unserved locations. OSB is still in the process of obtaining and executing grant agreements with our awardees, limited work by the subrecipient ISP's has begun and no funds have been drawn for the projects.

The projects awarded serve a proposed funded service area (PFSA) where broadband service at 100 Megabits per second (Mbps) download and 20 Mbps upload is not available. All funded projects will provide a minimum internet connectivity of 100 Mbps down and 100 Mbps up with a maximum latency of 50 milliseconds or 100 Mbps down and 20 Mbps up should geography, topography or technological limitations prevent the preferred speeds. The network must be capable of providing the minimum connectivity to all subscribers within the PFSA. The required grant speed ensures usability and reliability of connection to households who have been suffering from low or unreliable speeds.

¹ <https://dhcd.maryland.gov/Broadband/Documents/FY23NIGP/ApplicationPackage.pdf>

² <https://dhcd.maryland.gov/Documents/PressReleases/MD-Broadband-Infrastructure-Awards-2023.pdf>

Uses of Funds

Reporting Period Activities:

The MD-NI grant program was prepared in accordance with the approved CPF program narrative. Scoring criteria was established to promote deployment of fiber optic networks, ensure that the funded areas were equitably selected based on lack of broadband service, that jurisdictions were part of the planning process and that service would be affordable based on the ACP funding criteria.

In keeping with our project schedule for the MD-NI program, a grant round was opened in October 2022 with applications due by December 7, 2022. Grants were awarded to subrecipients on March 30, 2023 after internal scoring and a challenge period where ISP's could challenge the validity of an area being unserved at 100 Mbps download and 20 Mbps upload speeds. This timeline matched the timeline provided in the CPF grant narrative.

\$95 million of CPF funds for the MD-NI program are to be used for the direct deployment of broadband network infrastructure capable of delivering at least 100 Mbps download and 100 Mbps upload speeds unless, for reasons of geography, topography or excessive cost, speeds of only 100Mbps download and 20 Mbps upload will be delivered. Grants of up to \$4.5 million were offered with a required match of between 10% and 30% depending on the density of the area to be served. Actual match varied from 163% to 11% of the grant amount. 73 grant applications totaling \$212,815,230 in funding requests were received and 35 awards totaling \$91,631,992 were made.

Activities Planned for Next Reporting Period:

In the next year, applicants will have executed their grant agreements and started their project design and permitting phase. Most awardees will begin construction within the next reporting period. OSB will conduct a project startup meeting with each awardee where the State's procedures and requirements will be discussed as well as responding to any questions regarding payment requests, reporting and compliance.

CPF Fund Household Beneficiaries:

The FCC's most recent broadband deployment report finds that 2.6% of Maryland households (approximately 58,000) lack network availability at the 25 megabits per second (Mbps) download and 3 Mbps upload threshold that defines broadband. The MD-NI program increased the unserved threshold of unserved to 100Mbps download and 20 Mbps upload. OSB believes that 25x3 internet speeds are not sufficient to allow a normal Maryland household to effectively utilize broadband and the economic and quality of life enhancements it offers. To encourage future proofing of funded networks, points were awarded to those applications that would deploy fiber optic networks offering gigabit service or higher.

Maryland’s unserved areas are in predominantly rural areas of the state. Reaching households in these areas can be costly compared to more dense urban and suburban households. For this reason, OSB requires a match to grant funds based on a sliding scale of housing density in grant-funded areas. Match for a proposed funded service areas (PFSA) with a density of fewer than 8 homes per mile – 10%, 8-14 homes per mile – 20% and 15 or more homes per mile – 30%. We do this in recognition of the cost of construction, ongoing operation and maintenance costs and an ISP’s return on investment for a project. By establishing the match requirement based on density, we are able to encourage an ISP’s investment and operation in a sparsely populated area. These are areas where, without a grant opportunity, an ISP would have little interest in serving.

The demographics of these areas, based on zip code analysis of census data indicates that the median household income across all funded areas is \$92,800; the average number of households below the poverty limit is 7.6% and the average number of households below the ACP threshold of 200% of the poverty limit is 19.3%. A complete demographic breakdown is included as Exhibit A at the end of the report.

Notable Challenges and Status:

As part of the application process, the applicant must identify challenges and their planned response. Challenges reported varied from cyber security issues to material and labor shortages and costs. Each ISP satisfactorily explained their response to the challenges they anticipated including describing their cyber security protections, developing relationships with a network of suppliers and establishing relationships with reliable contractors.

OSB’s challenges are related to the administration of the funds and projects. OSB currently has approximately 150 projects totaling approximately \$300 million in funding. The funding sources for these projects include Maryland General Funds, Maryland General Obligation Bond Funds, CARES Act, ARPA SLFRF, ARPA CPF and soon BEAD and Digital Equity Act funds. Each of these programs has differing rules and compliance requirements. For funds management, we have implemented various workflows and checks to ensure that funds are drawn from the proper source for eligible costs. For compliance, we are in the process of engaging a compliance consultant that will assist us with our reporting and other compliance issues. We hope to have the consultant in place in fall 2023.

Other Funding Sources:

OSB is utilizing several federal funding sources for its work:

ARPA State Local Fiscal Recovery Funds - \$223 million

Broadband Deployment: \$142,780,000

Equity and Inclusion Programs: \$80,278,865

ARPA Capital Projects Fund - \$171 million

Broadband Deployment: \$163,000,000

Equity and Inclusion Programs: \$3,000,000

Program Administration: \$5,000,000

BIL BEAD – \$273 million

Broadband Deployment: \$267,000,000

Program Administration: \$5,000,000

Ancillary Costs Incurred for Broadband Expansion Support:

Since the projects are just getting underway, there have been no ancillary costs incurred related to broadband expansion support. As part of the grant application's discussion on sustainability, the ISP was required to discuss their planned efforts in obtaining subscribers to the newly constructed network. All the applying ISP's are established providers in other parts of the state and have a well-developed subscriber acquisition model. In general, we do not expect any direct costs related to subscriber growth. OSB and DHCD routinely participate in ribbon cuttings, local press interviews and other events that advertise the newly available network. OSB also has several equity and inclusion programs that assist with education and funding of broadband services. These programs are funded by other sources and not CPF funds.

Promoting Equitable Outcomes

All Department of Housing and Community Development programs provide equitable and inclusive awareness to communities and eligible households. The versatility of our awareness and access ensure that all possible measures of distribution are accounted for.

DHCD has worked with ISPs on providing advertisements online and on TV, partnered with local community organizations to post flyers in their facilities and multi-dwelling units.

There are no administrative requirements that would result in the inability to complete applications. However, we ensure that the projects we are funding will be carried out by good stewards. Some of these requirements are: Recognized federal 501(c), Federal EIN, Registered Duns & SAM.gov number, and Good Standing certificates within Maryland.

Intended Outcomes

Maryland ranks highly compared to other states in broadband availability and adoption. The state's broadband infrastructure, however, remains a work in progress and there is no one solution that best meets the needs of every community. Effective solutions will vary with the geographic, demographic, political, economic, and technological topology of areas and communities. In Maryland, broadband service needs are being met through a mix of private sector, public sector and cooperative owned networks with varying levels of coverage. As such

the outcomes of our projects vary but are weighted within the same goal, ensuring every Maryland resident has access to reliable internet service.

Equity Related Outcomes

Our outcomes and goals vary greatly as the office would like to see the greatest impact for our projects to close the digital divide. The divide is between those geographic areas that have access equal to or greater than the latest FCC broadband standard and those areas that have access to speeds under the standards. It is important to note that the divide also exists between households who have the digital skills, literacy and perceived need to adopt and utilize broadband technologies and those who do not. Rural areas are particularly affected by both aspects of the digital divide. The office expects to utilize the demographic data provided within the applications to better understand and address the digital equity concerns in unserved areas of Maryland.

Labor

Project awardees may not discriminate against and certifies that it prohibits discrimination against and will not discriminate against any person on the basis of race, color, religion, ancestry, creed or national origin, sex, marital status, physical or mental handicap, sexual orientation, or age in any aspect of its operations. Awardees shall comply with applicable federal, state, and local laws regarding discrimination and equal opportunity in employment. In addition, all awardees, contractors, and subcontractors working on the infrastructure must abide by both the Maryland Wage Payment and Collection Law as well as the Maryland Wage and Hour Law. The Maryland Wage and Hour Law is similar to the federal Fair Labor Standards Act (FLSA) but contains some important differences.

Community Engagement

OSB meets quarterly with our jurisdictional partners in public meetings. Our programs are discussed and the jurisdictions are encouraged to provide any comments or suggestions they might have. We incorporate their thoughts into our programs where possible. OSB also presents at public forums such as the Maryland Association of County Officials (MACO) and the Maryland Economic Development Association (MEDA) as well as various jurisdictional public meetings (based on invitations) where program information is provided and questions answered. Our program materials are also posted on our website for public consumption.

One of the scoring elements for the MD-NI program is local jurisdiction and public participation for both non-financial and financial support. Applicants are encouraged to present their proposed projects to the jurisdictions and the public and obtain letters of support from them. Applicants that obtained financial support from the community (jurisdictional or other) for the project were awarded additional scoring points.

Applicants also provided a description of their new subscriber outreach and their ACP outreach plans. Affordability and adoption assistance were scored criteria using the low cost offering

speed and described adoption planning as the metrics. A final scoring metric concerned Economic Development and Community Impact that required a written narrative describing short, medium and long-term impacts expected from the project. Most of these programs will take place as the network is being put into service.

OSB has other programs to support digital equity and inclusion with each program requiring outreach and training. Non-governmental partners from these programs include:

Digital Equity and Inclusion Partners
Aarons Place Inc.
Al Huda Inc.
Anne Arundel County Public Schools
Baltimore City Public Schools
Baltimore Schools for the Arts
Board of Education of Allegany County
Board of Education of Baltimore County
Board of Education of Charles County
Board of Education of Harford County
Board of Education of Montgomery County
Board of Education of Prince George's County
Board of Education of Queen Anne's County
Board of Education of St Mary's County
Board of Education of Worcester County
Bowie State University
Byte Back
Calvert County Public Library
Calvert County Public Schools
Cambridge Waterfront Development Inc.
Caroline County Department of Social Services
Caroline County Public Schools
Carroll County Public Library
Carroll County Public Schools
Carroll Technology Council Inc.
Casa Inc.
Cecil County Public Schools
Cedar Ridge Children's Home & School Inc.
Center for Educational Leadership
Central Baltimore Partnership, Inc.
Centro Apoyo Familiar
Charles County Public Library
Chelsea School
Chimes Foundation, Inc.
Church of the Immaculate Conception
Community Services Foundation
Cross Community, Inc.
Cumberland YMCA
Digital Harbor Foundation

Digital Equity and Inclusion Partners
Dorchester County Board of Education
Faith and Works Enterprises Inc.
Frederick County Public Schools
Friends Meeting Schools
Garrett County Board of Education
Greater Baltimore AHC, Inc
Harford County Public Library
Health Empowerment Network of Maryland Inc.
Howard County Public School System
Islamic Society of Baltimore
Kent County Public Schools
KindWorks, Inc
LASOS Inc.
Mayor & City Council of Cumberland
MOCO KIDSCO Inc.
Montessori Society of Ashton
Montgomery County, Montgomery Connects
Montgomery Housing Partnership
Mount Saint Joseph College Inc.
Neighborhood Service Center, Inc.
NHT Communities
Notre Dame of Maryland
Open Works, Inc
Pratt Free Library
Prince George's County Memorial Library
Queen Anne's County Public Library
Rebuild Johnston Square Neighborhood Organization, Inc.
Sandy Spring Slave Museum & African Art Gallery, Inc.
Society for the Preservation of Maryland Antiquities
Digital Equity and Inclusion Partners
Southern MD Regional Library Association
St. Elizabeth School
Talbot County Free Library Association, Inc.
Talbot County Public Schools
The Children's Guild, Inc.

Digital Equity and Inclusion Partners
The Foundation Schools, Inc.
The H.O.P.E. Academy Baltimore, Inc.
The Interfaith Service Coalition of Hancock, MD, Inc.
The SEED School of Maryland, LLC
United Way of Central MD
United Way of Frederick County, Inc.
University of Maryland
Village Learning Place, Inc.
Washington County Board of Education
Wells of Water, Inc.
Wide Angle Youth Media, Inc.
William S. Baer School Partnership Board