

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 626 (Delegate Taylor, *et al.*)
 Environment and Transportation

**Real Estate Development and Highway Rights-of-Way - Installation of
 Broadband Micro Conduits and Microducts**

This bill requires, during the new construction or major improvement of a multiple tenant environment, including any improvement of electrical infrastructure, micro conduits to be installed in any utility easements and building power or telecommunications rooms to allow multiple broadband providers to provide service to the multiple tenant environment. The bill also requires a buried fiber optic cable installed in a highway right-of-way on or after October 1, 2025, to include conduit containing at least seven microducts. The Maryland Department of Transportation (MDOT) or a unit of local government (1) must ensure that a broadband service provider, on request of the provider, has access to the conduit required to be installed on a neutral and nondiscriminatory basis and (2) may charge a provider a reasonable fee for the use of the conduit required to be installed.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) expenditures and revenues both increase by \$307,900 in FY 2026; future years reflect annualization, the elimination of one-time costs, and ongoing fee revenues, as discussed below. The bill may result in fewer projects receiving funding from the Office of State Broadband (OSB), as discussed below.

(in dollars)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SF Revenue	\$307,900	\$363,200	\$379,400	\$396,400	\$413,200
SF Expenditure	\$307,900	\$363,200	\$379,400	\$396,400	\$413,200
Net Effect	\$0	\$0	\$0	\$0	\$0

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

Local Effect: Local government expenditures and revenues increase correspondingly beginning in FY 2026, as discussed below.

Small Business Effect: Minimal.

Analysis

Bill Summary: “Multiple tenant environment” means commercial or residential premises that are occupied by multiple entities and includes a centrally managed residential real estate development.

Current Law:

Building Codes

Generally, local governments enforce various building codes and standards to ensure minimum safety and habitability standards for their inhabitants. Among other building codes, the Maryland Department of Labor currently incorporates by reference various editions of the International Building Code, the International Plumbing Code, the National Electric Code, the International Residential Code for One- and Two-Family Dwellings, the International Mechanical Code, the International Energy Conservation Code, and the International Green Construction Code, with modifications, as the Model Performance Code (MPC). Generally, MPC covers elements appropriate to ensure safe and sound construction, including plumbing, structure, and electrical systems. MPC is not binding in a subdivision of the State unless the subdivision specifically adopts it. In addition, if a builder desires to or has been requested to construct a building to the International Green Construction Code standards, they may use that code in addition to other codes as specified under regulations.

Generally, the incorporated National Electric Code establishes, among other things, minimum standards for the installation of broadband communications cables and other communications systems.

State Highway Administration and Joint Trenching

As a modal unit with MDOT, the State Highway Administration (SHA) is responsible for more than 5,200 miles or approximately 16,800 lane miles of road, 2,500 bridges, 3,500 small stream crossing structures, and 80 miles of sound/noise barriers in the State, including Maryland Route 210. It also has responsibility for planning, designing, constructing, and maintaining these roads and bridges to safety and performance standards while considering sociological, ecological, and economic concerns. SHA must construct, reconstruct, and repair State highways as necessary and maintain them in good condition.

Chapter 632 and 633 of 2021 require MDOT and units of local government to allow joint trenching by broadband providers on a nonexclusive and nondiscriminatory basis. “Trenching” means a construction project in which a highway right-of-way surface is opened or removed for the purpose of laying or installing conduit, fiber, or similar

infrastructure in excess of one mile in length. MDOT regulations that govern the State's joint trenching program define "joint trenching" to mean MDOT or a local government laying or installing conduit, fiber, or similar infrastructure concurrently with one or more broadband providers.

Under Chapters 632 and 633, MDOT and local governments are generally authorized to assess fees to broadband providers that participate in joint trenching but may not do so for a nonprofit broadband provider. Revenues generated from fees charged by MDOT must be evenly distributed across funds designed for investment in broadband infrastructure, and revenues generated from fees charged by a unit of local government must be used to improve broadband access and adoption within that jurisdiction.

Relevant Federal Law

At the federal level, 47 U.S. Code § 224(c) governs the attachment by a cable television system or provider of telecommunications service to a pole, duct, conduit, or right-of-way owned or controlled by a utility. These attachments are referred to by federal law and regulation as "pole attachments." Each state that regulates the rates, terms, and conditions for these attachments must certify to the Federal Communications Commission that (1) it regulates such rates, terms, and conditions and (2) in doing so, the state has authority to consider and does consider the interests of the subscribers of the services offered using the attachments, as well as the interests of the consumers of the utility services.

Office of Statewide Broadband

Chapter 74 of 2021 established OSB within the Department of Housing and Community Development (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 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.

State Fiscal Effect:

State Highway Administration

SHA is responsible for maintaining thousands of miles of State highway rights-of-way that may contain conduits that need to be accessed by broadband service providers to meet the bill’s requirements. Accordingly, TTF expenditures increase by \$307,858 in fiscal 2026, which accounts for the bill’s October 1, 2025 effective date. This estimate reflects the cost of hiring one fiber inspection manager and three inspectors to establish and manage a process for broadband service providers to request access to conduits, inspect work done by the providers, and geospatially locate and track the upgrades. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	4.0
Salaries and Fringe Benefits	\$278,383
Operating Expenses	<u>29,475</u>
Total FY 2026 State Expenditures	\$307,858

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses. Because the bill authorizes a reasonable fee to be charged in order to access and use the conduit, TTF revenues increase correspondingly as costs incurred by SHA are fully offset by fee revenues.

The Department of Legislative Services notes that this estimate should be viewed as preliminary, as SHA provided information regarding the fiscal effect of the bill only after initial deadlines for the writing of this fiscal and policy note had passed.

Office of State Broadband

Through OSB, DHCD provides financial support for various broadband projects throughout the State; however, the installation of micro conduits is not currently included in any current or planned OSB project agreement. While the bill is not anticipated to affect total OSB expenditures to support broadband projects, the inclusion of micro conduits in the manner required by the bill likely increases costs for at least some of OSB’s projects. Accordingly, fewer projects may receive funding from OSB; however, any such impact cannot be reliably estimated without actual experience under the bill.

Local Fiscal Effect:

Building Code Enforcement

As local governments already enforce building codes under current law, enforcement of the bill's requirements for micro conduits in multiple tenant environments is anticipated to be handled at the local level. The Maryland Association of Counties advises that similar requirements and reviews already take place for buildings that have electric vehicle chargers installed and, therefore, it is anticipated that the bill's requirements can be incorporated into local government building permit review processes using existing budgeted resources.

Highway Conduits

Similar to the effect discussed above for SHA, local governments may incur costs to allow broadband service providers to access conduits installed in a local highway right-of-way; however, any such costs are anticipated to be offset by the authorized fees.

Additional Information

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

Designated Cross File: None.

Information Source(s): Department of Housing and Community Development; Maryland Department of Labor; Maryland Department of Transportation; Office of People's Counsel; Public Service Commission; Maryland Association of Counties; Montgomery and Washington counties; Maryland Municipal League; City of Salisbury; Town of Bel Air; Federal Communications Commission; National Fire Protection Association; Department of Legislative Services

Fiscal Note History: First Reader - February 12, 2025
km/smr

Analysis by: Richard L. Duncan

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