



Colorado  
Legislative  
Council  
Staff

SB17-306

## FISCAL NOTE

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**FISCAL IMPACT:**  State  Local  Statutory Public Entity  Conditional  No Fiscal Impact

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**Drafting Number:** LLS 17-1226  
**Prime Sponsor(s):** Sen. Lambert  
Rep. Hamner

**Date:** May 4, 2017  
**Bill Status:** Senate Appropriations  
**Fiscal Analyst:** Erin Reynolds (303-866-4146)

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**BILL TOPIC:** DIRECT TRANSFER HCSM TO BROADBAND GRANT RECIPIENTS

### Summary of Legislation

Under current law, the Public Utilities Commission (PUC) provides financial assistance to telecommunications companies that provide basic landline service in areas that lack effective competition. This assistance is funded through a provider surcharge allocated to the High Cost Support Mechanism (HCSM) in the Department of Regulatory Agencies. The PUC may transfer additional HCSM funds, which have been determined unnecessary to support basic landline service, in order to support broadband development.

The bill requires the PUC to make a determination on HCSM funding available for both broadband development and Broadband Development Board administration. Funds for broadband development must be transferred to a separate account within the HCSM, which is maintained by the HCSM third-party contractor, while funds for board administration must be transferred to the newly renamed Broadband Administrative Fund (formerly the Broadband Fund). The PUC may not disburse money for broadband development grants from the HCSM unless directed to by the Broadband Development Board.

### Background

**High Cost Support Mechanism.** The HCSM is a surcharge that applies to all providers of intrastate telecommunications services. The PUC determines contributions to the HCSM based on providers' reported retail revenues, and providers may choose to integrate HCSM charges into customer access rates or as a separate line item on customer bills. Funds collected by the HCSM are distributed to eligible telecommunications service providers in both rural and nonrural areas that are determined to be high cost geographic areas. An eligible provider must provide basic local exchange service. In practice, an eligible provider is typically the owner of local telephone lines. In 2016, total HCSM distributions are currently estimated at \$33.9 million. HCSM revenue is TABOR-exempt.

**Broadband Development Board.** The Connect Colorado Broadband Act (HB14-1328) created the 16-member Broadband Development Board in the Department of Regulatory Agencies. Under current law, the board administers the Broadband Fund, which is set up to receive surcharges in the HCSM, to be awarded for broadband development in underserved areas of the state. Members of the board are appointed by the Governor and legislative leadership, and include representatives from the PUC, the Office of Economic Development and International Trade, the Department of Local Affairs, the Office of Information Technology, local governments, the broadband industry, and the public from different geographic areas, including two unserved areas.

**Broadband service grant awards.** The board considers applications for new broadband projects in unserved areas. Completed applications for broadband service grant awards must be copied to the relevant local government for a 60-day notice and comment period. Thereafter, the board reviews projects in accordance with criteria developed by the board to advance the objectives of the bill, such as having multiple funding sources, providing "last-mile" broadband service, and achieving minimum broadband network speeds. Both applicants denied an award and competitors or any other party aggrieved by an award may appeal grant decisions of the board.

**Senate Bill 17-254.** The FY 2017-18 Long Bill includes \$9.45 million from the HCSM with a footnote describing that it is the General Assembly's intent that the funds are spent in rural Colorado.

**Assessment**

The bill authorizes HCSM funds to be allocated by the PUC to broadband development at the direction of the Broadband Development Board. These are primarily entities outside of state government. Since this bill makes no changes to state funding, the bill is assessed as having no fiscal impact.

**Effective Date**

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

**State and Local Government Contacts**

Counties  
Regulatory Agencies

Law  
Treasury

Municipalities