



Legislative
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FISCAL NOTE

Drafting Number:	LLS 18-0060	Date:	January 19, 2018
Prime Sponsors:	Sen. Coram; Sonnenberg Rep. Becker K.; Duran	Bill Status:	Senate Business
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Bill Topic: FINANCING RURAL BROADBAND DEPLOYMENT

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure (<i>potential, minimal</i>)	<input checked="" type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill phases in additional funding from the High Cost Support Mechanism to support broadband deployment grants. It creates a minimal state workload increase, and increases revenue to local governments on an ongoing basis.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note reflects the introduced bill.

Summary of Legislation

Background. Under current law, the Public Utilities Commission (PUC) in the Department of Regulatory Agencies (DORA) provides financial assistance to telecommunications companies providing basic landline service in rural areas. This assistance is funded through a provider surcharge assessed on landline customers and allocated to the High Cost Support Mechanism (HCSM), a TABOR-exempt fund administered by the PUC and held outside state government. Per House Bill 14-1328, as of 2014, if a portion of HCSM funds were determined to be unnecessary to support basic landline service, the PUC could reallocate those funds toward broadband deployment. As of 2016, that bill required a percentage of the HCSM be dedicated to broadband funding — from 5 percent in 2016 to 20 percent by 2022. Per Senate Bill 17-306, as of 2017, the PUC is required to make a determination on HCSM funding available for both broadband development and the administration of the Broadband Deployment Board (board). Any available funds must be transferred to a separate account within the HCSM or the Broadband Administrative Fund. The PUC may not disburse money for broadband deployment grants unless directed by the board.

Reallocation of HCSM funds. This bill phases in a reallocation of HSCM funds, away from supporting high cost landline infrastructure to supporting high cost broadband infrastructure. It requires the PUC to distribute an additional 20 percent of the HCSM to broadband grants each year — from January 1, 2019, to January 1, 2023 — as outlined in Table 1.

Table 1
Estimated HCSM Funding Available for Broadband Deployment Under SB 18-002

Calendar Year	Available HCSM Funds*	Percent Required for Broadband Grants Under HB 14-1328	Percent Required for Broadband Grants Under SB 18-002	Difference	New HCSM Funds Available for Broadband Grants
2019	\$33,037,927	10%	20%	10%	\$3,303,793
2020	\$32,603,310	15%	40%	25%	\$8,150,828
2021	\$32,174,411	15%	60%	45%	\$14,478,485
2022	\$31,751,154	20%	80%	60%	\$19,050,693
2023	\$31,333,466	20%	100%	80%	\$25,066,772

* Annual available High Cost Support Mechanism funds estimated using an annual -1% change, based on a ten-year trend.

During this period, the bill maintains the amount received by rural telecommunications providers for basic service at the level of support they received on January 1, 2016 (which was about \$3.2 million divided between 13 providers). In addition, the HCSM surcharge amount that existed on January 1, 2016 (2.6 percent), is maintained until July 1, 2023. After this date, the PUC may reduce the surcharge to ensure that collections do not exceed \$25 million.

HCSM broadband deployment grants. The bill requires HCSM broadband deployment grant applications approved by the board to have funds transferred directly from the HCSM to grant recipients. Applicants may apply for grants for multiple projects in a single year; however, the board may only award a recipient multiple grants if money is available after the first round of grants has been awarded and disbursed. The bill prohibits the Department of Local Affairs (DOLA) from implementing a broadband deployment program or approving any grant application concerning broadband deployment unless the board has determined that the program or application does not involve the same or a duplicate of any projects already approved and funded.

Definitions. The bill modifies broadband-related definitions, so that broadband network means downstream broadband internet service operating at a minimum of 10 megabits per second and unserved area means areas that are unincorporated or within a city with a population of fewer than 7,500 inhabitants, and that are not receiving federal broadband support.

Repeal. Finally, the bill repeals the PUC's administration of the HCSM on September 1, 2024, after a sunset review.

State Expenditures

The bill may have minimal workload impacts for the Department of Local Affairs and the Department of Regulatory Agencies in FY 2018-19.

Department of Local Affairs. Under current law, the executive director of DOLA has the discretion to award broadband grants. Under the bill, the board must review any broadband grant made by DOLA. Because DOLA already consults the board, no additional workload is expected. However, extended review timelines may create workload increases initially.

Department of Regulatory Agencies. The PUC in DORA may have a minimal, one-time workload increase if it performs rulemaking to codify the fund distribution outlined in the bill.

Local Government and School District Impact

Certain local governments may receive new revenue from grants or property taxes, as discussed below.

Local government internet providers. Local governments that provide internet service may see an increase in revenue and workload if they receive new grant funding.

Property tax collections. If grants available under this bill increase the construction of broadband facilities, property tax collections will increase in that jurisdiction. A portion of property taxes go toward the local share of school finance. Increases in property tax collections decrease the state share under the School Finance Act. Property tax impacts have not been estimated.

Effective Date

The bill takes effect August 8, 2018, if the General Assembly adjourns on May 9, 2018, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Counties	Economic Development	Law
Local Affairs	Municipalities	Regulatory Agencies