



# Fiscal Note

## Legislative Council Staff

Nonpartisan Services for Colorado’s Legislature

### **BILL 2: WIRELESS TELEPHONE INFRASTRUCTURE INCENTIVES**

**Prime Sponsors:**

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**Fiscal note status:** The fiscal note reflects the bill draft requested by the Cell Phone Connectivity Interim Study Committee.

### **Summary Information**

**Overview.** The bill establishes the Wireless Telephone Infrastructure Grant Program to support wireless telephone service deployment in certain areas of the state.

**Types of impacts.** The bill is projected to affect the following areas on an ongoing basis:

- State Revenue
- State Expenditures
- TABOR Refunds

**Appropriations.** No appropriation is required. The Broadband Office Administrative Fund is continuously appropriated to the Office of Information Technology. See Technical Note for more details.

**Table 1  
State Fiscal Impacts**

<b>Type of Impact<sup>1</sup></b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>
State Revenue	\$327,230	\$375,687
State Expenditures	\$327,230	\$375,687
Transferred Funds	\$0	\$0
Change in TABOR Refunds <sup>2</sup>	\$327,230	\$375,687
Change in State FTE	3.2 FTE	4.0 FTE

<sup>1</sup> Fund sources for these impacts are shown in the tables below.

<sup>2</sup> This TABOR impact occurs because the bill allocates revenue from the TABOR-exempt High Cost Support Mechanism to a cash fund subject to TABOR.

**Table 1A  
State Revenue**

<b>Fund Source</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>
General Fund	\$0	\$0
Cash Funds <sup>1</sup>	\$327,230	\$375,687
<b>Total Revenue</b>	<b>\$327,230</b>	<b>\$375,687</b>

<sup>1</sup> Cash fund revenue from HCSM deposits to the Broadband Office Administrative Fund exceed the statutory five percent cap. The fiscal note assumes that this limit will be amended to cover administrative costs. See Technical Note for additional information.

**Table 1B  
State Expenditures**

<b>Fund Source</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>
General Fund	\$0	\$0
Cash Funds <sup>1</sup>	\$265,462	\$298,477
Federal Funds	\$0	\$0
Centrally Appropriated	\$61,768	\$77,210
<b>Total Expenditures</b>	<b>\$327,230</b>	<b>\$375,687</b>
<b>Total FTE</b>	<b>3.2 FTE</b>	<b>4.0 FTE</b>

<sup>1</sup> Cash fund expenditures exceed statutory funding caps deposited from the HCSM to the Broadband Office Administrative Fund. The fiscal note assumes that this limit will be amended to cover administrative costs; otherwise, OIT will require a supplemental General Fund appropriation. See Technical Note for additional information.

## Summary of Legislation

The bill creates the Wireless Telephone Infrastructure Grant Program in the Office of the Governor to support wireless telephone infrastructure projects in unserved and underserved areas of the state.

### Grant program

The Colorado Broadband Office (CBO) in the Office of Information Technology (OIT) must administer the grant program, determine areas of the state that qualify as unserved or underserved, and establish criteria for awarding grants. The CBO may contract with a third-party entity to perform administrative functions related to the program. Beginning on January 1, 2026, and each January thereafter, the office must submit a report to the General Assembly outlining the program's activities and expenditures.

## High Cost Support Mechanism

The High Cost Support Mechanism (HCSM), operated by the Public Utilities Commission (PUC) in the Department of Regulatory Agencies (DORA), provides financial assistance by making basic local exchange services affordable, allowing for reimbursement to providers, and providing access to broadband services in unserved and underserved areas of the state through the Broadband Deployment Grant Program. The bill expands the scope of the HCSM to include providing access to wireless telephone services.

Specifically, the bill directs the PUC to disburse money from the HCSM to the Broadband Office Administrative Fund for wireless telephone infrastructure grants. Beginning in the last quarter of 2025 and each quarter thereafter, the PUC must allocate 50 percent of the HCSM money collected to wireless telephone service deployment and the other 50 percent to broadband deployment, less administrative costs and distributions. Up to five percent of the HCSM money allocated to the fund for wireless telephone service deployment may be used to cover the Broadband Office's administrative costs.

## Background

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The HCSM is a TABOR-exempt fund held outside state government and administered by the Public Utilities Commission (PUC) in DORA. The PUC collects fee revenue from surcharges paid by telecommunication providers in the state. In calendar year 2023, \$13.7 million was allocated from the HCSM for broadband deployment grants and in the first half of 2024, approximately \$7 million was allocated for the same purposes.

The HCSM initially provided financial assistance to telecommunications companies that offered basic landline service in rural areas of the state. However, the scope of the HCSM changed as a result of legislation passed since 2014, including awarding grants for broadband deployment initiatives. [House Bill 24-1336](#) continued the Broadband Deployment Grant Program after a sunset review and appropriated 4.0 FTE to OIT to continuously support the program.

## Assumptions

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The fiscal note assumes that workload in the CBO related to the Broadband Deployment Grant Program will not decrease under the bill, despite 50 percent of previous funding now being reallocated to the Wireless Telephone Infrastructure Grant Program. The CBO anticipates awarding an equivalent number of smaller grants to sustain broadband efforts across the state.

Additionally, the bill allows the PUC to deposit funds from the HCSM to the Broadband Office Administrative Fund for wireless telephone initiatives by the end of the month following the previous quarter. The fiscal note assumes that this transaction will occur at the beginning of each quarter. If the deposit occurs later, OIT may require additional General Fund to cover administrative costs.

## State Revenue

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The CBO may expend up to five percent of total HCSM allocations to administer the Wireless Telephone Infrastructure Grant Program. The PUC must deposit these funds into the Broadband Office Administrative Fund, which is continuously appropriated to OIT and subject to TABOR.

Based on projections for 2024, the fiscal note assumes that the PUC will allocate approximately \$7 million from the HCSM to the wireless infrastructure account in calendar year 2025.

Therefore, \$262,500 – or five percent – will be deposited into the fund in FY 2025-26 to cover administrative costs, prorated to the last quarter of 2025. Starting in FY 2026-27, a total of \$350,000 will be deposited into the fund spread over four quarters. As discussed in the State Expenditures and Technical Note sections below, expenditures in the CBO from administrative costs are expected to exceed the annual revenue limit; therefore, the statutory cap must either be raised or remaining expenditures must be appropriated from the General Fund.

The exact amount of revenue deposited into the fund depends on the amount of fee revenue collected by the HCSM, the allocation for wireless telephone initiatives, and actual administrative costs in the CBO.

## State Expenditures

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The bill increases state expenditures in the Office of Information Technology by about \$327,000 in FY 2025-26 and \$376,000 in FY 2026-27 on an ongoing basis. These costs are primarily paid from the Broadband Office Administrative Fund, but may require General Fund for expenditures that exceed the statutory cash fund spending cap. The bill also minimally increases workload in the Department of Regulatory Agencies. Costs are summarized in Table 2 and discussed below.

**Table 2**  
**State Expenditures**  
**Office of Information Technology**

<b>Cost Component</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>
Personal Services	\$234,686	\$293,357
Operating Expenses	\$4,096	\$5,120
Capital Outlay Costs	\$26,680	\$0
Centrally Appropriated Costs	\$61,768	\$77,210
<b>Total Costs</b>	<b>\$327,230</b>	<b>\$375,687</b>
<b>Total FTE</b>	<b>3.2 FTE</b>	<b>4.0 FTE</b>

## **Staff**

Starting in FY 2025-26, OIT requires 1.0 FTE of each Telecommunications Specialist II, GIS Analyst II, and Grant Specialist IV, and 0.5 FTE of each Program Coordinator and Project Manager II to identify areas of the state that qualify for funding, establish subject matter expertise in the CBO, create program criteria, solicit input from stakeholders, determine a formal appeals process for grant applicants, and award grants. Standard operating and capital outlay costs are included, and staff costs and FTE are prorated in the first year based on the bill's effective date.

## **Grants**

While the bill has no net impact on grant funding, it changes how existing expenditures will be used. Beginning in FY 2025-26, money available for broadband deployment grants decreases by half, with those funds instead being used for wireless telephone infrastructure grants.

## **Other Agency Impacts**

Workload in the Department of Regulatory Agencies will minimally increase starting in FY 2025-26 for the PUC to reallocate HCSM funds to the new wireless telephone infrastructure account and distribute award money to new grant recipients. This workload is expected to be minimal and no change in appropriations is required.

## **Centrally Appropriated Costs**

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which may include employee insurance, supplemental employee retirement payments, leased space, and indirect cost assessments, are shown in the expenditure table(s) above.

## **TABOR Refunds**

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The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the September 2024 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2026-27. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save.

## **Technical Note**

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The bill allows the CBO to utilize up to five percent of HCSM funding for administration of the Broadband Deployment Grant Program and Wireless Telephone Infrastructure Grant Program. When broadband deployment received 100 percent of HCSM funding, expenditures were below this statutory cap. However, with funding split between the two initiatives under this bill, expenditures in the CBO for both grant programs exceed the five percent limit. If the statutory

cap is not amended to cover all administrative costs, OIT will require a supplementary General Fund appropriation of about \$183,000 for the Broadband Deployment Grant Program and about \$65,000 for the Wireless Telephone Infrastructure Grant Program in FY 2025-26.

Additionally, Cell Phone Connectivity Interim Study Committee Bill 1 (LLS 25-0247) expands the CBO's scope to include promoting access to wireless services and increases expenditures in OIT from 2.0 FTE Telecommunications Specialist II and GIS Analyst II. These FTE are the same staff identified in this fiscal note. Therefore, if LLS 25-0247 is signed into law, 2.0 FTE will be reduced from this fiscal note, which subsequently lowers administrative costs for the wireless telephone infrastructure program below the five percent statutory cap.

Lastly, the bill requires the Colorado Broadband Office to begin submitting annual reports to the General Assembly on January 1, 2025. However, the bill will not be enacted by this date and should therefore reflect a January 1, 2026 deadline.

## Effective Date

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The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

## State Appropriations

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The Broadband Office Administrative Fund is continuously appropriated to the Office of Information Technology. No change in appropriations is required.

If the statutory spending cap is not amended to cover all administrative costs, the bill requires an appropriation of \$247,772 from the General Fund to the Office of Information Technology for FY 2025-26.

## State and Local Government Contacts

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Counties	Information Technology	Transportation
Governor	Regulatory Agencies	

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The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the General Assembly website.