



**Colorado  
Legislative  
Council  
Staff**

**SB17-081**

**FISCAL NOTE**

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

**Drafting Number:** LLS 17-0013 **Date:** February 22, 2017  
**Prime Sponsor(s):** Sen. Donovan **Bill Status:** Senate Business  
 Rep. Arndt; Becker K. **Fiscal Analyst:** Jessika Shipley (303-866-3528)

**BILL TOPIC:** RURAL BROADBAND DEPLOYMENT

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
<b>State Revenue</b>		
<b>State Expenditures</b>	<b><u>\$461,571</u></b>	
General Fund	418,796	
Centrally Appropriated Costs	42,775	
<b>FTE Position Change</b>	3.1 FTE	
<b>Appropriation Required:</b> \$418,796 - Department of Regulatory Agencies (FY 2017-18).		
<b>Future Year Impacts:</b> None.		

**Summary of Legislation**

This bill changes the definition of a broadband network and the way the Public Utilities Commission (PUC) makes an effective competition determination for High Cost Support Mechanism (HCSM) funding. The PUC is required to make the effective competition determinations by January 1, 2018. The bill also establishes that the HCSM funding can only be used to support one wired line and one wireless line per individual household or individual business.

**Background**

The PUC, which is housed in the Department of Regulatory Agencies (DORA), provides financial assistance to telecommunications companies that provide basic telephone or broadband service in areas that lack effective competition by assessing a surcharge on all telecommunications companies in the state, and allocating those contributions to the HCSM. A portion of the HCSM is transferred to the Broadband Fund, which is administered by the Broadband Deployment Board (board). The board awards grants for projects aimed at deploying broadband service in underserved areas of the state.

**State Expenditures**

**The bill requires a one-time General Fund expenditure of \$418,796 and 3.1 FTE in FY 2017-18.** These costs for DORA are described below and summarized in Table 1.

<b>Table 1. Expenditures Under SB 17-081</b>		
<b>Cost Components</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>
Personal Services	\$232,412	
FTE	3.1 FTE	
Operating Expenses and Capital Outlay Costs	21,662	
Legal Services	164,722	
Centrally Appropriated Costs*	42,775	
<b>TOTAL</b>	<b>\$461,571</b>	

\* Centrally appropriated costs are not included in the bill's appropriation.

**Assumptions.** This fiscal note assumes that, based upon the effective date of the bill, the PUC will not be able to hire new staff to carry out the requirements before September 1, 2017, and the costs and FTE have been prorated to reflect that date and the General Fund pay date shift. Proceedings to determine effective competition areas to date have been performed by staff funded under the PUC Telecom Fund, which was created in 2015. The Telecom Fund is subject to a 0.002 percent cap on telecom provider intrastate revenues and it is currently at its statutory limit to cover existing budget obligations. Therefore, there is no available funding from the Telecom Fund for this bill and expenditures will come from the General Fund.

**PUC (DORA).** The bill requires an expedited analysis of competition statewide at a level of detail not performed for previous determinations and for which complete data sets are not readily available. According to the department, this requires the PUC to waive current rules or implement emergency rules in order to immediately initiate, and complete in four months (see Technical Note section), a comprehensive adjudicated proceeding. Further, the new limits on HCSM funding require the PUC to modify rules and conduct proceedings to determine telecom provider per line distribution amounts. The workload increase for the commission requires full- or part-time work from a rate/financial analyst, a GIS analyst, a professional engineer, and an administrative law judge, as well as approximately 1,733 hours at a rate of \$95.05 per hour of legal counsel to support the rulemaking process.

**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. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

<b>Table 2. Centrally Appropriated Costs Under SB 17-081</b>		
<b>Cost Components</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$21,950	
Supplemental Employee Retirement Payments	20,825	
<b>TOTAL</b>	<b>\$42,775</b>	<b>\$0</b>

**Technical Note**

This bill requires the PUC to make effective competition determinations for each household or business in the relevant market by January 1, 2018, which is only five months after the bill goes into effect. This appears to be a very difficult timeline to meet, even with the new resources allocated.

**Effective Date**

The bill takes effect August 9, 2017, if the General Assembly adjourns on May 10, 2017, as scheduled, and no referendum petition is filed. The bill applies to reviews of effective competition by the PUC commenced on or after the effective date.

**State Appropriations**

For FY 2017-18, the bill requires a General Fund appropriation of \$418,796 to the Department of Regulatory Agencies, of which \$164,722 is reappropriated to the Department of Law.

**Departmental Difference**

In its calculations, DORA indicated that new staff would be hired and begin working on July 1, 2017, which is impossible, given the effective date of the bill. As such, the fiscal note prorates the costs based on the ten months between September 1, 2017, and June 30, 2018.

**State and Local Government Contacts**

Counties  
Regulatory Agencies

Information Technology  
Treasury

Municipalities