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Fiscal Note

Drafting Number:	LLS 21-0591	Date:	March 24, 2021
Prime Sponsors:	Sen. Donovan Rep. Roberts	Bill Status:	Senate Business
		Fiscal Analyst:	Matt Bishop 303-866-4796 Matt.Bishop@state.co.us

Bill Topic: **EXPAND BROADBAND SERVICE**

Summary of Fiscal Impact:	<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
	<input checked="" type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill creates a reimbursement program for broadband expenses and modifies the Broadband Development Board. It increases state expenditures on an ongoing basis, and conditionally increases local government revenue.

Appropriation Summary: For FY 2021-22, the bill requires an appropriation of \$776,500 to the Department of Regulatory Agencies.

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

Table 1
State Fiscal Impacts Under SB 21-060

		Budget Year FY 2021-22	Out Year FY 2022-23
Revenue		-	-
Expenditures	Broadband Administrative Fund	\$776,500	\$530,327
	Centrally Appropriated	\$125,848	\$175,778
	Total Expenditures	\$902,348	\$706,105
	Total FTE	5.8 FTE	8.6 FTE
Transfers	High Cost Support Mechanism	(\$902,348)	(\$706,105)
	Broadband Administrative Fund	\$902,348	\$706,105
	Net Transfer	\$0	\$0
TABOR Refund		-	-

Summary of Legislation

The bill amends the makeup and responsibilities of the Broadband Deployment Board (the board) in the Department of Regulatory Agencies (DORA), and adds responsibilities to the Public Utilities Commission (PUC), also in DORA.

Board makeup. The bill reduces the size of the board beginning September 1, 2021, and implements new rules regarding the board's demographic makeup. In addition, the bill increases the minimum upstream and downstream speeds as defined in statute, and defines a "critically unserved" area based on lack of access to broadband service fitting certain requirements. The PUC gains the authority to adjust these definitions by rule, in consultation with the board.

Reimbursement program. The bill directs the board to create a reimbursement program to subsidize certain households for broadband service. The Office of Information Technology (OIT) must develop maps to identify critically underserved areas and, to the extent possible, areas served or proposed to be served by federal funds. The Department of Transportation must submit maps of broadband infrastructure or excess capacity that could be leased for broadband deployment. The board will select critically unserved areas based on these maps and try to ensure geographic diversity. Every two years, the PUC can adjust the parameters of the program by rule with respect to eligibility, available funds, and maximum reimbursement.

Request for proposals process. The bill requires the board to develop a Request for Proposals (RFP) process where the board reserves at least 50 percent of the High Cost Support Mechanism funding to award grants to critically unserved areas, as identified by the OIT.

Other provisions. The bill shortens the notice and comment period for broadband deployment applications from 60 days to 30 days, and directs the Department of Local Affairs (DOLA) to submit any grant applications it receives which include broadband planning or infrastructure to the board for review and recommendations. The bill also repeals obsolete provisions.

Background

Broadband Deployment Board. House Bill 14-1328 created the Broadband Deployment Board to award and administer grants from the Broadband Administrative Fund, which receives funding from the High Cost Support Mechanism (most recently pursuant to Senate Bill 18-002). Members of the board are appointed by the Governor and legislative leadership. The board received \$12.8 million from the HCSM in CY 2020. Additionally, up to nearly \$50 million may be awarded to broadband projects as part of the Governor's stimulus proposal, if approved, and additional federal stimulus funding for broadband deployment may become available.

Colorado Broadband Map. The OIT updates the Colorado Broadband Map twice annually. See: <https://broadband.co.gov/understanding-the-broadband-map> for more information.

State Transfers

The bill requires transfers from the High Cost Support Mechanism to the Broadband Administrative Fund of \$902,348 in FY 2021-22 and \$706,105 in FY 2022-23. The transfer of these funds subjects them to the state TABOR limit.

State Expenditures

The bill increases expenditures by \$902,348 and 5.8 FTE in FY 2021-22 and \$706,105 and 8.6 FTE in FY 2022-23, primarily in DORA. These costs are summarized in Table 2 and discussed below.

**Table 2
 Expenditures Under SB 21-060**

Cost Components	FY 2021-22	FY 2022-23
Department of Regulatory Agencies		
Personal Services	\$298,765	\$440,470
Operating Expenses	\$6,750	\$10,530
Capital Outlay Costs	\$49,600	-
Centrally Appropriated Costs ¹	\$110,768	\$160,698
FTE – Personal Services	5.0 FTE	7.8 FTE
DORA Subtotal	\$465,883	\$611,698
Office of Information Technology		
Personal Services	\$78,247	\$78,247
Operating Expenses	\$1,080	\$1,080
Capital Outlay Costs	\$6,200	-
Computer Programming	\$335,858	-
Centrally Appropriated Costs ¹	\$15,080	\$15,080
FTE – Personal Services	0.8 FTE	0.8 FTE
OIT Subtotal	\$436,465	\$94,407
Total	\$902,348	\$706,105
Total FTE	5.8 FTE	8.6 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Assumptions. Based on the qualifications for the reimbursement program created by the bill, the fiscal note estimates that 260,000 households may be eligible. The staffing requirements below are based on a 65 percent take-up rate and five minutes per application review.

Department of Regulatory Agencies. The Broadband Deployment Board will develop and implement the reimbursement program. Evaluating applications and preparing materials for the board requires 6.8 FTE. The fiscal note assumes a start date of December 1, 2021.

In addition, the PUC requires 1.0 FTE engineer to support the commission's new rulemaking requirements.

Office of Information Technology. The office will have computer programming costs to develop the application system, consisting of 3,682 hours of contractor labor. The OIT additional requires 0.8 FTE for various staff, including a database analyst, a cloud engineer, a developer, and service desk support staffer, to maintain the database, process system updates, and respond to support calls.

Department of Transportation. Workload will increase to submit maps to the Broadband Development Board. This workload can be accomplished with existing appropriations.

Department of Local Affairs. DOLA will no longer sit on the board, reducing administrative costs. This reduction is expected to be minimal. Submitting grant applications to the board for review minimally increases costs associated with these grants, which are paid from the Energy and Mineral Impact Assistance Fund.

Office of Economic Development and International Trade. The office will no longer sit on the board, which will minimally reduce administrative costs.

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 include employee insurance and supplemental employee retirement payments, are estimated to be \$125,848 in FY 2021-22 and \$175,778 in FY 2022-23.

TABOR refunds. The bill increases state revenue subject to TABOR. For FY 2022-23, the March 2021 LCS forecast projects revenue to fall short of the TABOR limit by \$28.6 million, or 0.2 percent of the limit. If actual revenue exceeds the limit, the bill will increase the amount required to be refunded to taxpayers from the General Fund in FY 2023-24.

Local Government

Changing the criteria for Broadband Deployment Board grants may result in additional revenue to local government internet providers in unserved areas that apply for and receive grants.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature, except that the changes to the makeup of the Broadband Deployment Board take effect August 31, 2021.

State Appropriations

For FY 2021-22, the bill requires an appropriation of \$776,500 from the Broadband Administrative Fund to the Department of Regulatory Agencies and 5.0 FTE. Of this, \$421,385 is reappropriated to the Office of Information Technology, which also requires 0.8 FTE.

State and Local Government Contacts

Counties

Local Affairs

Transportation

Information Technology

Municipalities

Law

Regulatory Agencies