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Final Fiscal Note

Drafting Number: LLS 24-0562 Date: June 24, 2024
Prime Sponsors: Rep. Parenti; Weinberg Bill Status: Signed into Law
Sen. Rodriguez; Priola Fiscal Analyst: Clayton Mayfield | 303-866-5851
clayton.mayfield@coleg.gov

Bill Topic: SUNSET BROADBAND DEPLOYMENT

Summary of Fiscal Impact: [X] State Revenue [] State Transfer [] Local Government
[X] State Expenditure [X] TABOR Refund [] Statutory Public Entity

Sunset bill. This bill repeals the Broadband Deployment Board, and transfers the function of awarding High Cost Support Mechanism broadband funding to the Colorado Broadband Office through September 1, 2030. State fiscal impacts include both increased revenue and expenditures from changes to the program under the bill, as well as the discontinuation of the board's current expenditures.

Appropriation Summary: For FY 2024-25, the bill includes a decrease in appropriations of \$280,102 to the Office of Information Technology. The remainder of the costs under the bill will be paid from a continuously appropriated cash fund. See State Appropriations section.

Fiscal Note Status: The final fiscal note reflects the enacted bill.

Table 1
State Fiscal Impacts Under HB 24-1336^1

Table with 4 columns: Category, Sub-category, Budget Year FY 2024-25, and Out Year FY 2025-26. Rows include New Impacts (Revenue, Expenditures, Other Budget Impacts) and Continuing Impacts (Revenue, Expenditures, Other Budget Impacts).

1 Table 1 shows the new impacts resulting from changes to the functions of the Colorado Broadband Office under the bill and the impact of repealing the Broadband Deployment Board. The continuing impacts will be the same beginning in FY 2025-26 regardless of whether the bill passes, as the board is repealed with or without this bill.

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

Summary of Legislation

The bill repeals the Broadband Deployment Board in the Office of Information Technology (OIT), which is scheduled to repeal on September 1, 2024, and moves the task of awarding grants from the High Cost Support Mechanism (HCSM) from the board to the Colorado Broadband Office (CBO) through September 1, 2030. Additionally, the bill modifies the types of projects that are eligible for HCSM grant awards, including middle mile infrastructure projects and projects in underserved areas, among other eligibility factors.

Finally, the bill creates the continuously appropriated Broadband Office Administrative Fund, which receives up to five percent of funding allocated for broadband deployment from the HCSM to cover the CBO's direct and indirect costs to administer the HCSM grant program.

Background

The HCSM is a TABOR-exempt fund held outside state government and administered by the Public Utilities Commission in the Department of Regulatory Agencies (DORA). The fund receives revenue from a provider surcharge on voice service. The HCSM was initially used to provide financial assistance to telecommunications companies providing basic landline service in rural areas of the state; however, as a result of multiple pieces of legislation passed since 2014, the HCSM now also funds broadband deployment grants, which are currently administered by the Broadband Deployment Board, which is supported by the OIT with 2.0 FTE paid from the Broadband Administration Fund. In calendar year 2023, \$13.7 million was allocated from the HCSM for broadband deployment grants. The most recent HCSM report is available [here](#). A separate sunset bill, [House Bill 24-1234](#), is currently pending that continues the HCSM.

Continuing Program Impacts

Based on recent appropriations, the Office of Information Technology is expected to have an expenditure reduction of \$280,102 per year related to its work administering the Broadband Deployment Board, paid from the Broadband Administrative Fund, if this bill is enacted. However, this staff will continue on with the CBO, with costs paid instead from the Broadband Office Administrative Fund, as discussed below.

State Revenue

The bill allows up to five percent of HCSM allocations for broadband deployment grants, which are TABOR-exempt, to be deposited into the Broadband Office Administrative Fund, which is subject to TABOR, for administration of broadband deployment grants. The bill increases state revenue by an estimated \$525,393 in FY 2024-25, and by \$533,042 in FY 2025-26 based on estimated costs for the CBO to administer HCSM funding for broadband deployment as discussed below. However, the CBO may use up to 5 percent of funding for its administration; assuming the broadband share of the HCSM stays around \$13.7 million, revenue and expenditures could increase up to \$684,000 per year.

State Expenditures

The bill increases state expenditures in the OIT by an estimated \$525,393 in FY 2024-25 and \$533,042 in FY 2025-26, paid from HCSM funding deposited into the Broadband Office Administrative Fund, which is continuously appropriated. This cost is for 4.0 FTE to operate the HCSM grant program, evaluate and issue grants for additional types of projects, and provide ongoing support and policy guidance to broadband issues in the state.

Other Budget Impacts

TABOR refunds. 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 December 2023 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26. 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.

Effective Date

The bill was signed into law by the Governor on May 22, 2024, and takes effect on August 7, 2024, assuming no referendum petition is filed.

State Appropriations

For FY 2024-25, the bill includes an appropriation reduction of \$280,102 from various sources of cash funds in OIT, and a reduction of 2.0 FTE. The Broadband Office Administrative Fund is continuously appropriated to the OIT.

State and Local Government Contacts

Information Technology

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](#).