

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5686-10
Bill No.: Truly Agreed To and Finally Passed SS for HCS for HB 1872
Subject: Utilities, Economic Development, Department of Economic Development,
 Internet and E-Mail, Business and Commerce
Type: Original
Date: June 11, 2018

Bill Summary: This proposal relates to broadband internet service.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	\$0	(Could exceed \$5,111,092) to (\$21,111,092)	(Could exceed \$5,103,845) to (\$21,103,845)
Total Estimated Net Effect on General Revenue	\$0	(Could exceed \$5,111,092) to (\$21,111,092)	(Could exceed \$5,103,845) to (\$21,103,845)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	0 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	0 FTE	1 FTE	1 FTE

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assumed this proposal creates a grant program to award grants for the expansion of broadband internet services. Such program shall be administered by the Department of Economic Development. No single project shall be awarded grants whose cumulative total exceeds five million dollars, however there is no overall cap on the program. In addition, this grant funding when combined with any federal, state, or local funds cannot exceed 50% of the total cost of the project.

B&P notes no specific dedicated fund is named in this proposal; therefore, any such grants would likely be from General Revenue and would be subject to an appropriation.

This proposal will not impact General and Total State Revenues and will not impact the calculations under Article X, Section 18(e).

Officials at the **Department of Economic Development (DED)** assume they would need 1 FTE Band I Manager (\$66,672) to implement the provisions of the proposal. In FY 2019, DED assumes existing staff would establish a framework for administration of broadband infrastructure development grants, including possible rule-making, as set out in the proposal. The fiscal impact is one FTE beginning FY 2020 and any other impact is subject to appropriation.

Oversight notes that §620.2456.3 limits a project's grant(s) to no more than \$5,000,000. There is no cap on this program; however, according to the summary, the bill is based on a successful rural broadband expansion program in Minnesota. Oversight does not know how Missouri's broadband status compares to that of Minnesota. However, according to the Minnesota Employment and Economic Development website, the Minnesota Border-to-Border Broadband Development Grant Program had the following project awards over the past four years:

FY 2014	\$18,775,972;
FY 2015	\$11,008,366;
FY 2016	\$29,040,894; and
FY 2017	\$26,475,556

The four year average of grants in Minnesota is \$21,325,197.

Without an annual program limit, Oversight will range the fiscal impact from the cumulative limit to a single project (\$5,000,000) to the experience of a similar project in Minnesota.

ASSUMPTION (continued)

Officials at the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Joint Committee on Administrative Rules** and the **Office of the State Treasurer** each assume there is no fiscal impact from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year’s legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE			
<u>Cost</u> - grants given to expand broadband internet service in underserved areas	\$0	(Could exceed \$5,000,000) to (\$21,000,000)	(Could Exceed \$5,000,000) to (\$21,000,000)
<u>Cost - DED</u>			
Personal Service	\$0	(\$67,339)	(\$68,012)
Fringe Benefit	\$0	(\$30,788)	(\$30,988)
Equipment & Expenses	<u>\$0</u>	<u>(\$12,965)</u>	<u>(\$4,845)</u>
<u>Total Cost - DED</u>	<u>\$0</u>	<u>(\$111,092)</u>	<u>(\$103,845)</u>
FTE Change - DED	0 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	(Could exceed <u>\$5,111,092</u>) to <u>(\$21,111,092)</u>	(Could exceed <u>\$5,103,845</u>) to <u>(\$21,103,845)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill establishes a grant program within the Department of Economic Development to expand broadband Internet access to unserved and under-served parts of Missouri. Grants may be awarded to fund the acquisition and installation of middle-mile and last mile infrastructure that support Internet speeds of at least 25 megabits per second download and 3 megabit per second upload. Grants may be provided to corporations registered in Missouri along with their affiliates, incorporated businesses or partnerships, nonprofit organizations, cooperative associations, and political subdivisions.

The department is directed to develop certain application procedures for the grant program, while other procedural time lines are already provided, and the grant application's requirements are specified in the bill. The department shall give priority to applications for broadband service projects in unserved areas, unserved areas where there is a demonstration of the ability to receive matching funds, and under-served areas, in that respective order.

However, no grant shall be awarded where a broadband service provider applicant has already secured funding through the Connect America Fund, where high cost support has been secured from the federal Universal Service Fund, or where other federal moneys not requiring matching funds were acquired. Funding shall also not be provided for retail end users that already have broadband service of at least 25 megabits per second download with 3 megabits per second upload.

Any grant awarded under the bill may not fund more than 50% of the total cost of a broadband service project when combined with other governmental funds, and no single project shall be awarded grants that cumulatively exceed \$5 million. The department is also directed to report annually on the participation in the grant program, and any results thereof. The bill is subject to a three year sunset clause.


FISCAL DESCRIPTION (continued)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Agriculture
Department of Economic Development
Department of Elementary and Secondary Education
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Office of the Secretary of State
Office of the State Treasurer

Ross Strope



Acting Director
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