

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5686-01
Bill No.: HB 1872
Subject: Utilities, Economic Development, Department of Economic Development
Type: Original
Date: January 24, 2018

Bill Summary: This proposal establishes the Missouri Rural Broadband Development Fund.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	\$0	(Up to \$5,811,092)	(Up to \$5,803,845)
Total Estimated Net Effect on General Revenue	\$0	(Up to \$5,811,092)	(Up to \$5,803,845)

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

* Transfers in from General Revenue and issuance of grants net to zero.

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** assume this proposal creates the "Missouri Rural Broadband Development Fund" to receive appropriations, gifts, contributions, grants, or bequests with the primary purpose of developing broadband internet access in rural areas of Missouri. The Department of Economic Development shall establish a committee to disburse broadband infrastructure development grants to rural regional development groups based on applications received from regional planning commissions. The regional planning commission is allowed to charge an application fee for grants developed and to claim reimbursement from the grant recipients for actual costs of administering the grants.

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 this legislation creates §620.2610 - the Missouri Rural Broadband Development Fund. The Fund is funded by appropriation and gifts. The bill requires DED to use the money to develop broadband internet access in rural areas. The bill requires DED to establish a committee of 3-5 people to review grant applications and disperse grants. A single grant shall not exceed \$150,000.

DED assumes an appropriation to the Missouri Rural Broadband Development Fund would not occur until FY 2020 and that DED 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.

Officials at the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Office of the State Treasurer** and the **Joint Committee on Administrative Rules** 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

ASSUMPTION (continued)

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.

Oversight notes this proposal creates the Missouri Rural Broadband Development Fund that shall consist of appropriated money by the General Assembly as well as application fees paid for by grant applicants. The Fund shall be used to issue grants as well as cover the costs for the administration of the grants.

Oversight notes that §620.2610.8 limits a grant to no more than \$150,000. Each of the nineteen regional areas of the state, shall be given no more than 2 grants per year. Therefore, the grants could total up to \$5,700,000 annually (2 grants x \$150,000 x 19 areas). Oversight will show the transfer from General Revenue to the Fund of Up to \$5,700,000.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE			
<u>Transfer Out</u> - money appropriated to the MO Rural Broadband Development Fund	\$0	(Up to \$5,700,000)	(Up to \$5,700,000)
<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>	(Up to <u>\$5,811,092</u>)	(Up to <u>\$5,803,845</u>)

<u>FISCAL IMPACT - State Government</u>	FY 2019	FY 2020	FY 2021
(continued)	(10 Mo.)		

MISSOURI RURAL BROADBAND DEVELOPMENT FUND

<u>Transfer In</u> - from General Revenue money appropriated	\$0	Up to \$5,700,000	Up to \$5,700,000
<u>Revenue</u> - gifts, grants and bequests	\$0	Unknown	Unknown
<u>Revenue</u> - Application fee for a grant	\$0	Unknown	Unknown
<u>Cost</u> - expenses for administration of the program and distribution of the grants	\$0	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON MISSOURI RURAL BROADBAND DEVELOPMENT FUND

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

	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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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 the "Missouri Rural Broadband Development Fund." This fund consists of appropriated moneys, gifts, contributions, grants, or bequests made to the fund. The fund is to be used for the expansion of rural broadband access. For the purposes of the bill "rural areas" are defined as any county except chartered counties of the first classification or St. Louis city. The bill directs the Department of Economic Development to establish rules and regulations as well as a committee to evaluate the proposals for a grant submitted by each regional planning commission, on behalf of rural regional development groups, and to disburse grants in accordance with the

FISCAL DESCRIPTION (continued)

purpose of the fund. However, a rural regional development group shall not qualify for a grant if the group's region includes a county outside of Missouri or a portion of another state, or if the group maintains an operating budget greater than \$250,000. A single grant may not exceed \$150,000.

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
January 24, 2018