

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4494-07
Bill No.: SS for SCS for HB 1768 with SA1, SA2 and SA3
Subject: Cities, Towns and Villages; Counties; County Officials; Department of Economic Development; Internet and E-mail; Political Subdivisions; Telecommunications
Type: Original
Date: April 29, 2020

Bill Summary: This proposal modifies provisions relating to communications services.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
General Revenue*	\$0	Could exceed (\$5,000,000)	Could exceed (\$5,000,000)	Could exceed (\$5,000,000)
Total Estimated Net Effect on General Revenue	\$0	Could exceed (\$5,000,000)	Could exceed (\$5,000,000)	Could exceed (\$5,000,000)

*Oversight notes this proposal extends the sunset date of an existing program (from August 28, 2021 to June 30, 2027). Accordingly, the fiscal note reflects the continuation of appropriations/ expenditures under the Broadband Internet Grant Program at the Fiscal Year 2020 level.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Total Estimated Net Effect on FTE	0	0	0	0

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 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	(\$0 or (Unknown))

FISCAL ANALYSIS

ASSUMPTION

Section 67.453 - Neighborhood Improvement Districts

Oversight notes this section of this proposed legislation expands the definition of “Improvement” to include a partnership with a telecommunications company or broadband service provider in order to construct or improve telecommunications facilities which shall be wholly owned and operated by the telecommunications company or broadband service provider. However, before any facilities are improved or constructed as a result of this section, the area shall be certified as unserved or under served by the Department of Economic Development.

Per Section(s) 620.2450 - 620.2459, the Missouri Department of Economic Development is to publish on its website the proposed unserved and under served areas. In addition, when the Missouri Department of Economic Development is prioritizing applications, they are to give first priority to grant applicants of unserved areas and third priority to grant applicants of under served areas.

Therefore, Oversight assumes the Missouri Department of Economic Development is aware of potential unserved and under served areas. Thus, Oversight assumes the Missouri Department of Economic Development can absorb the additional responsibility of certifying the areas for improved and constructed telecommunication facilities with existing resources.

In response to the previous version of this proposed legislation, officials from the **Office of Administration - Budget & Planning Division (B&P)** stated this section will have no direct impact on General Revenue (GR) and Total State Revenues (TSR) or the calculation pursuant to Article X, Section 18(e).

Oversight notes the **Missouri Department of Revenue (DOR)** has stated this section would not have a direct fiscal impact on their respective organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact in the fiscal note for this organization as it relates to this section

Section 67.1461 - Community Improvement Districts

Oversight notes this section of this proposed legislation expands the powers of each Community Improvement District to allow Community Improvement Districts to partner with a telecommunications company or broadband service provider in order to construct or improve telecommunications facilities which shall be wholly owned and operated by the telecommunications company or broadband service provider. However, before any facilities are improved or constructed as a result of this section, the area shall be certified as unserved or under-served by the Department of Economic Development.

ASSUMPTION (continued)

Per Section(s) 620.2450 - 620.2459, the Missouri Department of Economic Development is to publish on its website the proposed unserved and under served areas. In addition, when the Missouri Department of Economic Development is prioritizing applications, they are to give first priority to grant applicants of unserved areas and third priority to grant applicants of under served areas.

Therefore, Oversight assumes the Missouri Department of Economic Development is aware of potential unserved and under served areas. Thus, Oversight assumes the Missouri Department of Economic Development can absorb the additional responsibility of certifying the areas for improved and constructed telecommunication facilities with existing resources.

In response to the previous version of this proposed legislation, officials from **B&P** stated this section will have no direct impact on General Revenue (GR) and Total State Revenues (TSR) or the calculation pursuant to Article X, Section 18(e).

Oversight notes **DOR** has stated this section would not have a direct fiscal impact on their respective organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact in the fiscal note for this organization as it relates to this section

Section 67.1846 - Public Right-of-Way

Oversight notes this section, as amended (See "Senate Amendment No. 1" below) prohibits grandfathered political subdivisions from charging an additional linear foot fee for use of its right-of-way to a qualified small local exchange telecommunications company as of December 31, 2019 provided the small local exchange telecommunications company is providing internet access to customers only within the rural areas of the State of Missouri.

In response to the previous version of this proposed legislation, officials from **B&P** stated Section 67.1846 will have no impact on state revenues. To the extent this impacts local revenues, this proposal could impact the calculation pursuant to Article X, Section 18(e). B&P does not have data to calculate the impact at the local level.

Oversight notes **DOR** has stated this section would not have a direct fiscal impact on their respective organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact in the fiscal note for this organization as it relates to this section

ASSUMPTION (continued)

Officials from the **City of Kansas City (KC)** stated this proposed section will have a negative fiscal impact on KC in an indeterminate amount. Additionally, KC is under the impression that this section could hinder the ability for KC to impose linear foot fees on companies that provide internet access to customers within rural areas of the state, even if those customers are not located within KC.

Oversight is unable to determine whether there are currently linear foot fee(s) imposed on small local exchange telecommunications companies. For purposes of this fiscal note, Oversight will report a negative fiscal impact to local political subdivisions ranging from \$0 or (Unknown).

Section 67.5122 - Uniform Small Wireless Facility Deployment Act - Expiration Date

Oversight notes this section extends the expiration date of the Uniform Small Wireless Facility Deployment Act from January 1, 2021 to January 1, 2025.

Oversight notes, in response to similar legislation (HB 2182 - 2020), which eliminated the expiration date of the Uniform Small Wireless Facility Development Act, officials from the **Missouri Department of Commerce and Insurance, the Missouri Department of Transportation, the Missouri Department of Economic Development, the Missouri Department of Natural Resources, the Office of State Court Administrator, the Office of Administration, the City of Springfield, and the City of Kansas City** have stated this proposed section would not have a direct fiscal impact on their respective organizations.

Oversight notes the agencies mentioned above have stated the proposed legislation would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact in the fiscal note for these organizations as it relates to this section.

Oversight notes the **DOR** has stated this section would not have a direct fiscal impact on their respective organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact in the fiscal note for this organization as it relates to this section

Section 392.020 - Articles of Association - Telephone and Telegraph Corporations, Street Railroad Corporations and Booming and Rafting Corporations

Oversight notes this section of this proposed legislation would allow the articles of association of a telephone or telegraph corporation, street railroad corporation or booming and rafting corporations to be amended to include a statement referencing the corporation's operating designation under 26 U.S.C. Section 501(c)(12) [exemption from tax on corporations].

ASSUMPTION (continued)

In response to the previous version of this proposed legislation, officials from **B&P** stated this section has no direct impact on B&P, has no direct impact on Total State Revenue or General Revenue and will not impact the calculation pursuant to Article X, Section 18(e).

Oversight notes the **DOR** has stated this section would not have a direct fiscal impact on their respective organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact in the fiscal note for this organization as it relates to this section

Section 620.2451 - Department of Economic Development - Records

Oversight notes this section of this proposed legislation would require the Missouri Department of Economic Development to maintain a record of all federal grants awarded to entities for the purpose of providing, maintaining and expanding rural broadband in the State of Missouri. If funds are awarded to an entity and later retained, withheld or not distributed, DED shall seek to have the funds awarded to another qualified Missouri broadband provider.

In response to the previous version of this proposed legislation, officials from **B&P** stated this section has no direct impact on B&P, has no direct impact on Total State Revenue or General Revenue and will not impact the calculation pursuant to Article X, Section 18(e).

Oversight further notes, in response to a previous version of this proposed legislation, the **Missouri Department of Economic Development (DED)** stated their agency would not be impacted as a result of the language put forth in this section. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact in the fiscal note for this organization as it relates to this section

Oversight notes the **DOR** has stated this section would not have a direct fiscal impact on their respective organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact in the fiscal note for this organization as it relates to this section

Section 620.2459 - Broadband Internet Grant Program, Unserved and Underserved Areas

Oversight notes this proposed legislation extends the sunset date of the Broadband Internet Grant Program from August 28, 2021 to June 30, 2027.

Oversight notes HB 7 of the 2019 Regular Session appropriated \$5 million for the Broadband Internet Grant Program. Oversight also notes the current (Perfected) version of HB 2007 (2020) **does not** appropriate revenue to the Broadband Internet Grant Program.

ASSUMPTION (continued)

In response to the previous version of this proposed legislation, officials from **B&P** stated this section will have no direct impact on General Revenue (GR) and Total State Revenues (TSR) or the calculation pursuant to Article X, Section 18e.

For Fiscal Year 2020, \$5 million is appropriated for the Broadband program. This proposal extends the program to June 30, 2027. To the extent new appropriations are made from GR, resources otherwise available for other budget priorities might be reduced.

This section may result in additional induced revenues, which B&P cannot estimate.

Oversight notes **DOR** has stated this section would not have a direct fiscal impact on their respective organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact in the fiscal note for this organization as it relates to this section

In response to the previous version of this proposed legislation, officials from **DED** stated, because the grant program is subject to appropriation, the impact to GR is not yet known. Based on the current appropriation, the cost could be equal to or exceed \$5 million. DED anticipated the need for an additional 0.5 FTE (Economic Development Specialist III - 26,163 annually) to assist with program administration, logistics, and compliance.

Oversight notes DED has stated an additional .5 FTE is required to assist with program administration, logistics, and compliance. Oversight assumes, as this is an existing program under DED, that DED could absorb the costs associated with the extension of the sunset date. Oversight further assumes if the program is appropriated revenues that generate a significant increase in applicants who wish to receive a grant under this program, DED may seek additional FTE through the appropriation process.

Oversight notes \$5,000,000 was appropriated to the program for Fiscal Year 2020. This program is subject to appropriation each year and, therefore, the **fiscal impact cannot be quantified until future appropriations are made by the General Assembly.**

For purposes of this fiscal note, Oversight will report a negative fiscal impact that could exceed the amount equal to Fiscal Year 2020's appropriation for the program of \$5,000,000.

In response to similar legislation (HB 1859 - 2020), the **Missouri Department of Agriculture** and the **Missouri State Treasurer's Office** stated this section would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact in the fiscal note for these organizations as it relates to this section.

ASSUMPTION (continued)

Senate Amendment No. 1 - Section 67.1846 - Public Right-of-Way

Oversight notes this amendment replaced the language of the underlying legislation so that no political subdivision shall charge an additional linear foot fee for use of its right-of-way to a qualified small local exchange telecommunications company as of December 31, 2019 provided the small local exchange telecommunications company is providing internet access to customers only within the rural areas of the State of Missouri.

Oversight notes the **DOR** has stated this amendment to SS for SCS for HB 1768 would not have a direct fiscal impact on their respective organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact in the fiscal note for this organization, as it relates to this amendment.

Oversight is unable to determine whether there are currently linear foot fee(s) imposed on small local exchange telecommunications companies. However, Oversight assumes this amendment would reduce the potential cost associated as recognized in the underlying legislation. For purposes of this fiscal note, Oversight will report a negative fiscal impact to local political subdivisions equal to \$0 or (Unknown) as it relates to this section.

Senate Amendment No. 2 - Section 620.2456 - Broadband Internet Grant Program, Unserved and Underserved Areas

Oversight notes this amendment states if a grant recipient fails to establish the speed requirements set forth in Section 620.2451 (at least twenty-five megabits per-second download and three megabits per-second upload), the grant recipient shall return all grant moneys to the Missouri Department of Economic Development.

In response to similar legislation (SB 865 - 2020) the **DED** stated no fiscal impact was anticipated as a result of this language. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact in the fiscal note for this organization as it relates to this amendment.

Oversight notes the **DOR** has stated this amendment to SS for SCS for HB 1768 would not have a direct fiscal impact on their respective organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact in the fiscal note for this organization, as it relates to this amendment.

ASSUMPTION (continued)

Senate Amendment No. 3 - Section 71.1000 - Broadband Infrastructure Improvement District

Oversight notes this amendment permits two or more municipalities to form a broadband infrastructure improvement district for the delivery of broadband internet service to the residents of such municipality. In order for two or more municipalities to form a broadband infrastructure improvement district, the municipalities must put forth a proposal for such to their eligible voters at an annual or special election of such municipality.

Oversight notes the **DOR** has stated this amendment to SS for SCS for HB 1768 would not have a direct fiscal impact on their respective organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact in the fiscal note for this organization, as it relates to this amendment.

In response to similar legislation (SB 874 - 2020), the **City of Columbia (Columbia)** assumed there would be no fiscal impact for Columbia unless the City Council authorizes a ballot issue and voters approved the proposal. Columbia stated it was impossible for Columbia to estimate the cost.

In response to similar legislation (SB 874 - 2020), officials from the **Missouri Department of Commerce and Insurance** stated the proposed legislation would not have a direct fiscal impact on their respective organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact in the fiscal note for this organization as it relates to this amendment.

In response to the previous version of this proposed legislation, officials from the **Office of the Secretary of State (SOS)** stated 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 \$5,000. 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.

ASSUMPTION (continued)

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 the **Missouri State Tax Commission** and the **Missouri Department of Transportation** stated the proposed legislation would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact in the fiscal note for these organizations.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other local law enforcement agencies were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT -</u> <u>State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2024)
 GENERAL				
REVENUE FUND				
 <u>Revenue Reduction -</u> Section 620.2459 - extended expiration date of the Broadband Internet Grant Program (subject to appropriation)				
	\$0	Could exceed <u>(\$5,000,000)</u>	Could exceed <u>(\$5,000,000)</u>	Could exceed <u>(\$5,000,000)</u>
 ESTIMATED NET				
EFFECT ON				
GENERAL				
REVENUE FUND				
	<u>\$0</u>	<u>Could exceed</u> <u>(\$5,000,000)</u>	<u>Could exceed</u> <u>(\$5,000,000)</u>	<u>Could exceed</u> <u>(\$5,000,000)</u>

*Oversight notes this proposal extends the sunset date of an existing program (from August 28, 2021 to June 30, 2027). Accordingly, the fiscal note reflects the continuation of appropriations/expenditures under the Broadband Internet Grant Program at the Fiscal Year 2020 level.

FISCAL DESCRIPTION (continued)

telecommunications company as of December 31, 2019. (Section 67.1846)

This proposed legislation extends the expiration date of the Uniform Small Wireless Facility Deployment Act from January 1, 2021 to January 1, 2025. (Section 67.5122)

This proposed legislation permits the articles of association of a telephone or telegraph corporation, street railroad corporation or boating and rafting corporation to be amended to include a statement referencing the corporation's operating designation under 26 U.S.C. Section 501(c)(12). (Section 392.020)

This proposed legislation requires the Department of Economic Development to maintain a record of all federal grants awarded to entities for the purpose of providing, maintaining and expanding rural broadband in the State of Missouri. (Section 620.2451)

This proposed legislation extends the sunset date of the Broadband Internet Grant Program from August 28, 2021 to June 30, 2027. (Section 620.2459)

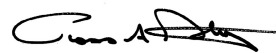
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget & Planning Division
Missouri Department of Commerce and Insurance
Missouri Department of Economic Development
Missouri Department of Revenue
Missouri Department of Agriculture
Missouri Department of Transportation
Missouri Secretary of State's Office
Missouri State Treasurer's Office
Missouri State Tax Commission
City of Columbia
City of Kansas City



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