

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2258-02
Bill No.: HCS for HB 1162
Subject: Department of Economic Development; Internet and E-Mail
Type: Original
Date: April 1, 2019

Bill Summary: This proposal specifies that the Department of Economic Development shall maintain a record of all funds obtained under the Broadband Internet Grant Program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on FTE	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 2020	FY 2021	FY 2022
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Economic Development** assume there is no fiscal impact from this proposal.

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this has no direct fiscal impact on B&P, no direct impact on General and Total State Revenue and no impact on the calculation pursuant to Article X, Section 18(e).

Oversight notes that HB 1456 (2018) created the Rural Broadband Grant Program, which allows the General Assembly to appropriate money to the Department of Economic Development to distribute as grants to unserved and underserved areas in the state in regards to internet service. The program limited any one grant to no more than \$5 million but did not place a cap on the number of grants or amount that could be issued through this program.

Oversight in the HB 1456 fiscal note stated the following:

“**Oversight** notes that §620.2456.3 limits the amount of grants to a single program 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 program in Minnesota.”

ASSUMPTION (continued)

Officials at the **Department of Economic Development** provided the following additional information about federal broadband grant money to Oversight.

“The State of Missouri does not receive any federal broadband grant money currently. Three federal agencies do provide grants and subsidies to applicants, primarily to carriers who provide broadband services:

Federal Communications Commission - Subsidies from the FCC are awarded to carriers to deploy broadband services to high cost areas over a ten year period of time. Most recently, the Connect America Fund through a reverse auction format awarded \$255 million in subsidies over ten years to 11 Missouri broadband providers. Funding for the subsidies derives from the Universal Service Fund. The State of Missouri does not receive any of these subsidies.

USDA Rural Utilities Service - provides grants, grant and loan combinations, and loans to broadband providers and organizations to deploy broadband services. The State of Missouri does not receive any broadband grant money through these programs currently.

Delta Regional Authority - recently provided broadband grants to two Missouri rural electric cooperatives and plans to provide more opportunities in the future. The State of Missouri does not receive any broadband grant money through this program.

Maintaining a record of the awards will not be difficult to start and maintain. The Department will certainly make the outreach and request to have the grant resources or subsidies reallocated to other Missouri applicants. The programs are few and the awards are limited, the time spent tracking the allocations and the follow-up needed is not a concern.”

Oversight notes this proposal requires DED to maintain a record of all federal grants awarded to entities. Additionally, if any money is retained, withheld or otherwise not distributed to the original grant recipient, then DED is to award the money to another provider. Oversight assumes that maintaining the required records or distributing the money as required would not create any additional fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Local Government

FY 2020
(10 Mo.)

FY 2021

FY 2022

\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill requires the Department of Economic Development to maintain a record of all federal grants awarded to entities for the purposes of providing, maintaining, and expanding rural broadband in the state of Missouri.

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 Economic Development
Office of Administration Division of Budget and Planning



Kyle Rieman
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April 1, 2019

Ross Strobe
Assistant Director
April 1, 2019