

February 6, 2018

The Honorable Joe Seiwert, Chairperson
House Committee on Energy, Utilities and Telecommunications
Statehouse, Room 481-W
Topeka, Kansas 66612

Dear Representative Seiwert:

SUBJECT: Fiscal Note for HB 2462 by Representative Sloan

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2462 is respectfully submitted to your committee.

HB 2462 would require dark fiber that is owned or operated by the state or a local government to be leased to any private sector broadband provider on a cost-plus basis upon request from that provider. The terms of the lease could be determined by auction or by negotiation. The bill would allow the state or local government to retain enough dark fiber for reasonably anticipated 50-year fiber needs. "Dark fiber" is defined by the bill as fiber within an existing fiber optic cable that has not yet been activated through optronics to render it capable of carrying communication services.

According to the Kansas Association of Counties, enactment of HB 2462 would have no fiscal effect on Kansas counties assuming they can realistically anticipate their own fiber needs. The League of Kansas Municipalities reports that some cities have received funding for their dark fiber from the federal government and some restrictions may apply to those grants. The bill would require cities to employ additional personnel for accounting purposes in overseeing finances for installation and use of their dark fiber.

The Kansas Corporation Commission does not anticipate enactment of HB 2462 to have any fiscal effect on the agency. The Office of Information Technology Services (OITS) reports that the bill has the potential to increase revenues for the State of Kansas as well as for cities, counties and school districts that have invested in building and maintaining their own fiber optic network infrastructure. Because the bill allows for leasing of fiber optic cables already owned and operated by government entities, no additional expenditures are expected. Industry rates for leasing dark fiber vary across the county, ranging from a low of \$13.75 per mile per month for Illinois urban rates to a high of \$300 per mile per month for California urban rates. Although the

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Office indicates that there is a potential for additional workload to track the dark fiber leases, it assumes that the work would not be extensive enough to require additional personnel. Any fiscal effect associated with HB 2462 is not reflected in *The FY 2019 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Jake Fisher, KCC
Colleen Becker, Department of Administration
Melissa Wangemann, Association of Counties
Chardae Caine, League of Municipalities