

February 14, 2011

The Honorable Carl Holmes, Chairperson
House Committee on Energy and Utilities
Statehouse, Room 174-W
Topeka, Kansas 66612

Dear Representative Carl Holmes:

SUBJECT: Fiscal Note for HB 2050 by House Committee on Energy and Utilities

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2050 is respectfully submitted to your committee.

HB 2050 would establish the Broadband Deployment Assistance Program in the Kansas Department of Commerce to specifically provide broadband service to underserved areas of the state. Furthermore, the Department would be required to verify the accuracy of broadband mapping done by the contractor Connected Nation, or other contractors, which must be based on census tract areas. The bill would require annual reports from providers that cannot demonstrate that at least 90.0 percent of potential customers receive broadband service or have elected not to subscribe to broadband service. The Department would be required to adopt rules and regulations, and maintain provider information. The Department would also be required, beginning in January of 2012, to prepare an annual report for the Legislature that shows only aggregate numbers and statistics so that confidential information obtained by the Department remains confidential. The Kansas Corporation Commission (KCC) would work with the Department of Commerce to collect data consistent with federal implementation of broadband services. The bill would not authorize the Department or the KCC to regulate broadband service unless authorized by federal or state law. The Division of Information Systems (DISC) in the Department of Administration would assist the Department of Commerce by reviewing vendor grant applications and subsequently qualifying vendors for the service.

The bill would also require that all certificated telecommunications providers make broadband services available to at least 98.0 percent of the residences within their service territory by January 1, 2014. The technology used to provide broadband service would be determined by the certificated carrier or through negotiations with an alternative provider.

HB 2050 would establish the broadband deployment assistance program to be administered by the KCC to award grants to providers of broadband service. The grants must be based on a demonstrated ability to provide reliable broadband service of at least 756 kbs in both directions and be technologically neutral. The KCC, in consultation with DISC would adopt rules and regulation for awarding the grants. The KCC would review applications, select projects for grant awards, pre-qualify providers who "substantially comply" with certification requirements; and ensure that grants are only awarded for service to underserved rural areas on a

one-time basis for the purpose of assisting in the build out of the provider's broadband system. Grant funds could not be used for recurring, operating, or maintenance costs of the provider.

In addition to the annual report, the Department of Commerce would be required to report to both the House and Senate Utilities Committees on whether the program significantly reduced the number of Kansans without access to broadband service. Revenue from the KUSF of the Kansas Corporation Commission would provide funding for the vendor grant applications to assist with broadband deployment. For FY 2011, \$1.0 million would be added to the requirements of the KUSF to award grants. This amount would also be paid in fiscal years 2012 through 2014. The program would sunset on December 13, 2013.

Estimated State Fiscal Effect				
	FY 2011 SGF	FY 2011 All Funds	FY 2012 SGF	FY 2012 All Funds
Revenue	--	--	--	--
Expenditure	--	\$1,033,552	--	\$1,134,202
FTE Pos.	--	2.00	--	--

The Kansas Corporation Commission indicates that passage of the bill would increase expenditures by \$71,202 from the Public Service Regulation Fund for 1.00 FTE position to manage the grant and marketing functions of the broadband deployment assistance program. The Department of Commerce indicates that 1.00 Economic Development Representative III FTE position would need to be hired to administer the program and handle reporting requirements at a cost of \$63,000 per year. It is expected that the Economic Development Initiatives Fund would be used as the funding source for the FTE position. Total salary costs for FY 2012 would be \$134,202. Because the bill is to go into effect in FY 2011, the table above shows the salary amount for FY 2011 at one-quarter of the amount estimated for FY 2012. The bill would require that \$1.0 million from the Kansas Universal Service Fund (KUSF) at the KCC be used to award grants in FY 2011 through FY 2014. Passage of the bill would have no fiscal effect on the Kansas Board of Regents or the Department of Administration. Any fiscal effect resulting from the passage of HB 2050 is not included in *The FY 2012 Governor's Budget Report*.

Sincerely,



Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Tom Day, KCC
Pat Higgins, Administration

Diane Duffy, Board of Regents
Traci Herrick, Commerce