



# OHIO LEGISLATIVE SERVICE COMMISSION

Tom Middleton

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## Fiscal Note & Local Impact Statement

**Bill:** H.B. 281 of the 132nd G.A.  
(L\_132\_0957-2)

**Status:** In House Finance

**Sponsor:** Rep. Carfagna

**Local Impact Statement Procedure Required:** No

**Subject:** Establishes the Residential Broadband Expansion Program and makes an appropriation

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### State & Local Fiscal Highlights

- The bill creates the Residential Broadband Expansion (RBE) Program under the Development Services Agency (DSA) to support the financing of broadband expansion projects in communities across the state. Grants under the program would pay for "last mile" broadband service extensions, and would be for one-third of the total project cost.
- The bill designates cities, villages, and townships as the eligible recipients of grants under the program. Any costs to these local governments would be permissive, since they would elect to apply for grants to fund projects under the program.
- To fund the RBE Program, the bill creates the Ohio Broadband Development Grant Fund (Fund 5GT0) and capitalizes it via a transfer of \$2.0 million from unexpended, unencumbered cash from various sources to be identified within the DSA budget and appropriates that amount for FY 2019.
- DSA will incur operating costs to roll out and oversee the program. According to DSA, a new program manager would likely be needed to help establish program guidelines, monitor awards, and enforce compliance. Presumably, these operating costs will be paid from new Fund 5GT0 appropriation item 195550, Broadband Development Grants.

### Detailed Fiscal Analysis

#### Overview

The bill creates the Residential Broadband Expansion (RBE) Program to support the financing of broadband services across the state. The Development Services Agency (DSA) is tasked with administering the program, under which grants are to be awarded to cities, villages, and townships (referred to as project sponsors under the bill) to cover the "broadband funding gap" for "last mile" broadband service to communities lacking broadband access. Overall, the bill provides funding of \$2.0 million in FY 2019 for grants under the new program. Since there is no cap on grants under the program,

and the bill specifies that grants will be approved on a first-come, first-served basis, the entire \$2.0 million could potentially be awarded under one grant. However, the bill also allows DSA to adopt rules changing grant approval terms so that awards are not made on a first-come, first-served basis.

### **RBE Program participation terms**

Under the bill, responsibility for funding a project to provide last mile service is to be shared between the project sponsor and the RBE grant. The RBE grant share is to total one-third of the total project cost. To fund the remaining two-thirds of the project, the project sponsor can use revenues from a variety of sources, including (1) county matching funds, (2) video service provider (VSP) fees, (3) discretionary funds held by the project sponsor, (4) property tax assessments which the bill allows project sponsors to assess to fund the project, and (5) contributions from individuals, organizations, or other entities, but not from the Connect America Fund or any other state or federal broadband expansion funds.

The bill lays out a process for project sponsors to select a broadband provider through a competitively sealed RFP method and follow various requirements to expand the infrastructure to the unserved area. A broadband provider may be either (1) a VSP authorized to provide video programming over wires or cables located at least in part in public rights-of-way, or (2) a telecommunications service provider that is capable of providing broadband service. A governmental or quasi-governmental broadband network service provider does not qualify as a broadband provider under the bill. Various other program requirements are set forth in the bill and described in more detail in the LSC Bill Analysis and the Comparative Synopsis for the substitute bill.

The bill specifies that DSA is to fund applications for RBE projects on a first-come, first-served basis until program funds for the fiscal year are no longer available. However, the bill also allows DSA to adopt rules identifying situations where projects may be funded on a partial basis, or where grant awards could be made on something other than a first-come, first-served basis. Given this flexibility, DSA could adopt rules to allow the awarding of RBE grant funding differently. This means that DSA could adopt rules that specify applications may be awarded competitively instead of on a first-come, first-served basis, or to award partial funding of grants in an effort to maximize program funding usage.

### **Appropriations and DSA operating costs**

To fund the RBE Program, the bill creates the Ohio Broadband Grant Fund (Fund 5GT0) and requires DSA to identify \$2.0 million in unexpended, unencumbered cash within the DSA budget to pay for the program. The bill appropriates the full \$2.0 million in FY 2019 through Fund 5GT0 appropriation item 195550, Broadband Development Grants.

DSA will incur operating costs to roll out and oversee the program, as well as provide program statistics in its annual report, as required by the bill. According to DSA, a new program manager would likely be needed. That person's responsibility would be to help develop program guidelines, monitor awards, and assure recipients' compliance with the terms of the grants. Furthermore, if DSA elects to adopt rules permitting exceptions to the first-come, first-served grant approval process, there would be some additional administrative burden for establishing those terms and enacting further application and monitoring procedures. Presumably, any RBE Program operating costs will be paid from Fund 5GT0 appropriation item 195550, Broadband Development Grants.

## **Synopsis of Fiscal Effect Changes**

The substitute bill (L\_132\_0957-2) makes several changes to the As Introduced version of H.B. 281. Three of the changes have some potential fiscal effects. First, under the As Introduced version, a proposed residential broadband expansion project's budget was to be funded in equal proportions from three sources: (1) project sponsor VSP fees, (2) matching funds from the county government in which the project is located, and (3) the state RBE Program grant. In contrast, the substitute bill requires that one-third of the project cost is to come from the RBE grant, giving local governments more flexibility in providing their matching funding. Secondly, the substitute bill permits the project sponsors to assess property taxes to fund their portion of project costs. Provided with the chance to use this additional potential funding source, more local governments may choose to pursue RBE grant funding.

The substitute bill also alters the way a project sponsor selects a broadband provider, structures its project, and applies to DSA for RBE grant funding. These procedural changes are described in detail in LSC's Comparative Synopsis for the substitute bill. Altogether, these changes may increase administrative costs for cities, villages, or townships that choose to pursue RBE grant funding.