



# OHIO LEGISLATIVE SERVICE COMMISSION

Tom Middleton

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## Fiscal Note & Local Impact Statement

**Bill:** H.B. 378 of the 132nd G.A.  
(L\_132\_1864-3)

**Status:** In House Finance

**Sponsor:** Reps. R. Smith and Cera

**Local Impact Statement Procedure Required:** No

**Subject:** Creates the Ohio Broadband Development Grant Program and makes an appropriation

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### State & Local Fiscal Highlights

- The bill creates the Ohio Broadband Development Grant Program to be overseen by the Development Services Agency (DSA). The purpose of the program is to award grants for infrastructure projects that extend broadband service to unserved areas of the state.
- To fund the program, the bill establishes appropriations of \$50 million in each fiscal year of the FY 2018-FY 2019 biennium under new line item 195605, Broadband Development Grants. The source of the funding is money in the Third Frontier Research and Development Fund (Fund 7011).
- Of the total funding appropriated in each year, \$49 million will be used for grants and the remaining \$1 million will be used by DSA to contract with an organization or organizations to do broadband research, testing, analysis, and community engagement and planning.
- Political subdivisions, private businesses, nonprofits, and cooperatives are all eligible for grants under the program. Any costs that political subdivisions incur for participation in the grant program would be permissive, since any cost they would incur depends on whether they choose to undertake a project in conjunction with grant funding under the bill.

### Detailed Fiscal Analysis

The bill creates the Ohio Broadband Development Grant Program with the goal of extending broadband service to unserved areas of the state. The Development Services Agency (DSA) is tasked with administering the program, under which grants are to be awarded for the construction and installation of broadband infrastructure. The grant awards are limited to the lesser of \$5 million or 50% of the project cost. Private businesses, political subdivisions, nonprofits, and cooperatives are all eligible for grants under the program.

The bill specifies that grant money may pay for the acquisition and installation of new middle-mile or last-mile infrastructure. The funding may also be used to obtain construction permits, construct facilities, purchase equipment, and install and test the broadband service. Additionally, the bill requires DSA, in evaluating applications for grants under the program, to prioritize awards to serve areas of the state that have the slowest current Internet service. In outlining these priorities, there are three categories of Internet service: (1) speeds of up to 3 megabits per second (mbps) for downloads and 768 kilobits per second (kbps) for uploads, (2) speeds of between 3 mbps and 10 mbps for downloads and between 768 kbps to 1 mbps for uploads, and (3) speeds of greater than 10 mbps for downloads and 1 mbps for uploads. Several other program requirements are specified in the bill. These details are discussed in the LSC Bill Analysis and the accompanying Comparative Synopsis for the substitute bill.

To fund the program, the bill establishes appropriations of \$50 million in each fiscal year of the FY 2018-FY 2019 biennium from the Third Frontier Research and Development Fund (Fund 7011) under a new line item, 195605, Broadband Development Grants. Of these amounts, \$49 million in each year is to be used to award grants under the program. The remaining \$1 million in each fiscal year is to be used to contract with an organization or organizations to do various other activities, including (1) collecting broadband deployment data from Ohio broadband providers, (2) verifying the data's accuracy through on-the-ground testing, (3) creating annual state and county broadband maps that show the availability of broadband service at various upload speeds throughout the state, (4) analyzing the data to help inform future investments in broadband infrastructure, (5) conducting business and residential surveys that measure broadband adoption and use in the state, and (6) engaging communities and facilitating local technology planning to provide evidence of local support for grant projects and potential economic impacts of grant projects.

### **Third Frontier bond funding**

The Third Frontier Program is a multi-pronged initiative overseen by the Third Frontier Commission within DSA to support the technology and R&D industry in Ohio. Typically, the Commission sets up several subprograms each year to award different types of grants and loans for this purpose. The initiative is funded by the proceeds of General Obligation (GO) bonds. As a result of ballot issues in 2005 and 2010, voters have authorized a combined total of \$1.2 billion in GO bonds to fund the Third Frontier Program. Between the first bond issuance in August 2006 and the latest in October 2017, \$851.0 million in bonds have been issued. Of that amount, \$423.2 million in principal is outstanding. Although the remaining \$349.0 million has been authorized for issuance, the Constitution limits the amount that can be issued to \$175.0 million in any fiscal year, plus the principal amount of those obligations that in any prior fiscal year could have been, but were not issued. The latest issuance of Third Frontier bonds was for \$89.6 million and occurred in October 2017. The Office of Small Business and

Entrepreneurship within DSA provides administrative support for the Third Frontier Commission and monitors the Third Frontier awards.

## **Synopsis of Fiscal Effect Changes**

The substitute bill (L\_132\_1864-3) makes a number of modifications to the terms of the Ohio Broadband Development Grant Program set out in the prior version of the bill. The primary change is a new requirement for DSA to prioritize awards under the program for projects that serve areas of the state that have the slowest current Internet service. This may result in a different profile of grant applications to DSA, but nevertheless does not alter program funding under the bill.

The substitute bill also removes "companies providing satellite services" as an eligible applicant. Private companies are still eligible applicants, however. Additionally, the bill specifies that the grant applicant shall own the infrastructure installed as a result of the project. Finally, the bill encourages the Ohio Department of Transportation to work with telecommunications providers to lay fiber optic cable on or near existing state highways when creating new or fixing existing state highways. None of these changes appear to change the fiscal impact of the bill.