



OHIO LEGISLATIVE SERVICE COMMISSION

Tom Middleton

Fiscal Note & Local Impact Statement

Bill: H.B. 378 of the 132nd G.A.

Status: As Passed by the House

Sponsor: Reps. R. Smith and Cera

Local Impact Statement Procedure Required: No

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

State & Local Fiscal Highlights

- The bill appropriates \$50 million in each fiscal year of the FY 2018-FY 2019 biennium to fund the newly created Ohio Broadband Development Grant Program under the Development Services Agency (DSA). The money is to be used to award grants for infrastructure projects that extend broadband service to unserved areas of the state.
- 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. The source of the funding is money in the Third Frontier Research and Development Fund (Fund 7011).
- 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 under the Development Services Agency (DSA) with the goal of extending broadband service to unserved areas of the state. The bill funds the program with \$50 million in each fiscal year of the FY 2018-FY 2019 biennium from the Third Frontier Research and Development Fund (Fund 7011) under new appropriation item 195605, Broadband Development Grants. 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. In evaluating applications for grants under the program, the bill

requires DSA to prioritize awards to serve areas of the state that have the slowest current Internet service according to 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.

Of the amounts appropriated, \$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.