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FISCAL IMPACT REPORT

SPONSOR: Altamirano DATE TYPED: 02/16/01 HB _____
 SHORT TITLE: Telecommunications Infrastructure Fund Act SB 532
 ANALYST: Valenzuela

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
	\$ 5,000.0		\$ 75.0	Non-Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files
 Public Regulation Commission
 Economic Development Department
 State Department of Education

SUMMARY

Synopsis of Bill

Senate Bill 532 creates the “Telecommunications Infrastructure Fund Act” and appropriates \$5.0 million from the general fund to provide assistance to local governments. The bill also recommends the establishment of a Telecommunications Infrastructure Fund Council (“the Council”) to manage the requests made of the fund. A section-by-section summary is provided below.

Section 1. Cites the title of the act.

Section 2. Declares legislative findings surrounding the issue.

- In subsection (A), the Act proclaims that a state-of-the-art telecommunications infrastructure offering broadband services is paramount to economic development, distance learning and telemedicine advancement statewide. It states that local communities are unable to finance the development of the needed improvements and that private telecommunications providers have been unwilling to make the investment on a statewide basis.
- In subsection (B), the bill states that a mechanism, the Council, is needed to aid and provide guidance to local governments, and other stakeholders, to begin address this issue.

Section 3. Provides definitions for key terms in the bill.

Section 4. Creates the Council comprised of 16 voting members and that is administratively attached to the Economic Development Department (EDD). The Division Director of EDD's Office of Science and Technology will serve as the Chairperson and shall nominate the remainder of the members, for appointment by the Governor, who also may remove any member for good cause. The schedule of staggered terms is provided as well as other restrictions on the makeup of the membership. The Per Diem and Mileage Act will apply to the Council.

Section 5. Establishes the fund in the state treasury and authorizes the Council to develop procedures and rules to administer the fund. Identifies the following revenue sources: federal grants, legislative appropriations (\$5.0 million), revenue from the net proceeds of facilities or equipment decommissioned, net proceeds from private use equipment or facilities owned by the state, and public or private grants. Allows each of the local governments to assess the grantees a small percentage of the grant for administrative overhead. Allows the Council to invest the corpus of the fund, pursuant to statutory restrictions, and requires an annual report presented to Governor and Legislature.

Section 6. Outlines the rules and procedures for administering the fund.

Section 7. Outlines the powers of the Council.

Section 8. Outlines the general requirements for demonstration projects and community assistance projects. States that the council shall fund up to 5 demonstration projects in the first year and that each project may not exceed \$1.0 million.

Section 9. Declares that ownership of the infrastructure resides with the political subdivision that was awarded the grant.

Section 10. States that one-half of the proceeds from the disposition of any assets obtained with grant funds shall be paid to the Council and deposited into the fund.

Section 11. Allows state agencies the authority to detail its staff on temporary assignments to assist the Council.

Section 12. Makes a \$5.0 million appropriation to the fund.

Significant Issues

Within the past two years, the Legislature has passed legislation to open up the telecommunications industry to competition. Though competition in the industry has been touted as good for consumers in metropolitan regions, substantial negotiation is required to ensure benefits are

transferred to less populated communities. Telecommunications infrastructure development has been the basis of negotiations between telecommunications carriers, regulators and the Legislature because many rural areas of New Mexico do not have an adequate telecommunications infrastructure.

Adding to the problems in this area, key stakeholders have not shared a common plan for developing the infrastructure in a strategic direction. Rather, development has occurred more in response to the special needs of a private company waiting to relocate or those of state governments operating in rural communities. Little thought was given to connectivity of these pieces throughout the state. The intent of the bill is to assist local governments in further developing its infrastructure, but the purpose of the bill is to create a Council that will be more strategic in developing the state's infrastructure.

FISCAL IMPLICATIONS

The appropriation of \$5,000.0 contained in this bill is a non-recurring expense to the general fund. The fund is created as a non-reverting fund.

The Economic Development Department states that it will need an additional \$125.0 appropriation to carry out the provisions of the bill. Funding will be used to hire 1.00 FTE to manage the program, 15.0 will be used to pay for the mileage and per diem costs of the Council, and the remainder will be used for operating costs. However, the estimate is conservative. If the agency is unable to manage the program with its existing staff, the LFC estimates an additional fiscal impact of \$75.0.

ADMINISTRATIVE IMPLICATIONS

Enactment of Senate Bill 532 would have an administrative impact, but if an additional appropriation is made pursuant to the LFC estimate, the department would be able to manage the additional administrative burden.

MFV/njw:ar