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FISCAL IMPACT REPORT

ORIGINAL DATE 01/19/15
 LAST UPDATED 03/03/15 **HB** _____

SPONSOR Padilla

SHORT TITLE Broadband Infrastructure Fund **SB** 34/aSCTC

ANALYST Boerner

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY15	FY16		
	\$10,000.0	Non-recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY15	FY16	FY17		
See Fiscal Implications	See Fiscal Implications	See Fiscal Implications		Broadband Infrastructure Fund

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY14	FY15	FY16	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		NFI	NFI	NFI		DoIT Operating Funds

(Parenthesis () Indicate Expenditure Decreases)

Relates to SB165 statewide broadband support through technical assistance, outreach, education and training. SB 165 is an economic development initiative endorsed by the Interim Jobs Council.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Information Technology (DoIT)

SUMMARY

Synopsis of Senate Corporations and Transportation Committee Amendment:

The SCTC amendments strikes language specifying the exact federal match rate required (50 percent) for the bill's \$10 million dollar appropriation. The amendment allows for more flexibility in federal match opportunities.

The amendment also specifies the proposed additional broadband infrastructure is for rural *or underserved* areas of New Mexico.

Synopsis of Original Bill

This bill creates the broadband infrastructure fund (BIF) and appropriates \$10 million dollars from the general fund to the BIF for matching federal dollars for expanding broadband infrastructure to underserved areas in rural New Mexico. The bill requires DoIT “to provide 50 percent matching money for federal grants.” The bill contains an emergency clause.

FISCAL IMPLICATIONS

The appropriation of \$10 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended balance remaining at the end of fiscal year 2016 shall not revert to the general fund.

Due to the bill's requirement for 50 percent matching federal funds there is the expectation for substantial federal contributions to broadband infrastructure in New Mexico, although the exact amount is not known.

SIGNIFICANT ISSUES

The U.S. Commerce Department's National Telecommunications and Information Administration (NTIA) administered the NTIA administered the Broadband Technology Opportunities Program (BTOP) as part of the \$4.7 billion Broadband Technology Opportunities Program (BTOP) funded through the Recovery Act. NTIA administered broadband expansion projects within three project categories:

• **Comprehensive Community Infrastructure:**

Projects to deploy new or improved broadband Internet facilities (e.g., laying new fiber-optic cables or upgrading wireless towers) and to connect “community anchor institutions” such as schools, libraries, hospitals, and public safety facilities. These networks help ensure sustainable community growth and provide the foundation for enhanced household and business broadband Internet services.

• **Public Computer Centers:**

Projects to establish new public computer facilities or upgrade existing ones that provide broadband access to the general public or to specific vulnerable populations, such as low-income individuals, the unemployed, seniors, children, minorities, and people with disabilities.

• **Sustainable Broadband Adoption:**

Projects that focus on increasing broadband Internet usage and adoption, including among vulnerable populations where broadband technology traditionally has been underutilized. Many projects include digital literacy training and outreach campaigns to increase the relevance of broadband in people's everyday lives.

In the long term, NTIA expects these investments together to help bridge the digital divide, improve access to education and healthcare services, and boost economic development for communities held back by limited or no access to broadband – communities that would otherwise be left behind.

As an example, NTIA noted investments made in broadband infrastructure, public computer centers, and sustainable adoption would:

- provide job training to the unemployed or under-employed,
- help school children access the materials they need to learn,
- allow rural doctors to connect to more specialized medical centers, and
- allow small businesses to offer their services to national and international markets.

ADMINISTRATIVE IMPLICATIONS

DoIT administers the New Mexico Broadband Program, funded by a federal grant that expires on Jan. 31, 2015. The program’s two major objectives are to define broadband availability and enhance its adoption. DoIT is accomplishing these goals through several statewide projects including mapping, planning, capacity building, and technical assistance.

Through this grant, the department developed policy and procedure, grown a network of people, and supported the adoption of broadband across the state. An expansion for support of broadband was included in DoIT’s budget request; both the executive and LFC budget recommendations contained at least partial support of the program.

TECHNICAL ISSUES

The phrase requiring DoIT “to provide 50 percent matching money for federal grants” is not clear as to whether federal matching funds should be one-to-one (\$10 million total federal match at minimum) or 50 percent of the general fund appropriation (\$5 million total federal match at minimum).

Given the broad nature of the phrase, “broadband infrastructure,” bill drafters might consider additional language more clearly identifying legislative intent for the type of broadband infrastructure the bill supports.

DoIT also suggested the following technical adjustments:

On Page 1 line 25:

information technology to provide fifty percent matching money

Should be amended to read:

information technology to provide matching money

This adjustment will enable a broader range of matching opportunities as grants can vary. For example, the match may range from as high as \$5 million or as generous as nine to one match. This change will allow a greater range of opportunities for the state to consider.

On Page 1, Line 19-20:

federal money granted to the state for the purposes of the fund

Should be amended to read:

“federal money granted to the state” or “federal money granted to the state for the purpose of expanding broadband in New Mexico”

This adjustment could allow the state to pursue and accept additional funds from the federal government that may be appropriate to be used in the fund but may not fit an exact interpretation of “for the purposes of the fund.” This adjustment also allows for greater flexibility in grant programs with both matching and/or in-kind requirements. Any federal money granted to the state would of course still have to follow any federal requirements.

Throughout:

The use of “Rural”

Should be amended to read:

Rural or underserved populations of the state

This adjustment allows for greater flexibility for the agency to use the funds and avoid potential conflict in the way federal requirements may be written.

CEB/je/bb