

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2024-25		FY 2025-26	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See Below		See Below	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below		See Below	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB1336 makes the following changes to statute:

- 1) Transfers the administration of the Nebraska Broadband Bridge Act to the Nebraska Broadband Office (NBO) (which operates administratively under Nebraska Department of Transportation (NDOT)) from the Nebraska Public Service Commission (PSC).
- 2) Amends §86-1304 to:
 - If the development project is located outside of a high-cost area, then the applicant shall provide matching funds of at least 20% of total project development costs;
 - If the development project is located inside a high-cost area, then the matching fund level is unclear due to the language of the bill; and
 - The high-cost areas will be determined by the Nebraska Broadband Office.
- 3) Establishes under §86-1306 that the amount and percentage of matching funds committed by an applicant from sources other than grants must be considered in the weighted-scoring system, with higher amounts receiving higher scores.
- 4) States in §86-1307 that a grant applicant is denied based on a challenge and the provider which submitted the challenge does not provide service to the proposed project area within 18 months, then this applicant will not be allowed to challenge or make applications for grants for the next 2 fiscal years. The exception would be if the failure to provide service was beyond the applicant's control.
- 5) Modifies § 86-1309 to:
 - Remove the federal fund language from the Nebraska Broadband Bridge Fund; and
 - Create the Nebraska Broadband Federal Fund, which will consist of federal funds designated by the Governor for:
 - Broadband enhancement;
 - Financing grant projects; and
 - Administrative expenses of the Nebraska Broadband Office.
- 6) Allows the Nebraska Broadband Office under §86-1310 to establish procedures, rules, and regulations for carrying out the Nebraska Broadband Bridge Act.
- 7) Indicates in §86-1311 that nothing in the Nebraska Broadband Bridge Act shall be construed to authorize the office to regulate Internet protocol-enabled service or voice over Internet protocol service (not rates, contract terms, nor entry requirements relating to such service).

Expenditures:

The NBO has estimated general fund expenditures of \$20,000,000 in both FY2024-25 and FY2025-26, in aid and administration expenses of the Nebraska Broadband Bead Program (to be appropriated to NDOT for NBO). Included in this estimate are 6 FTEs with total salary and benefits of \$89,759 in FY2024-25 and \$93,894 in FY2025-26. The remaining balance would be available for aid in the amount of \$19,910,241 in FY2024-25 and \$19,906,106 in FY2025-26. The NBO is anticipating no operating, travel, nor capital outlay expenditures as they can share the existing resources of the BEAD program, which they currently administer.

If the program were to switch between agencies, we usually anticipate a reduction to the PSC appropriation in the same amount as the increased appropriation to the NBO. However, the PSC has estimated expenditures of \$19,660,690 in FY2024-25 and \$10,076,347 in FY2025-26. Included in this estimate is 1 FTE Program Analyst and .75 FTE Attorney both with total salary and benefits of \$197,423 in FY2024-25 and \$206,017 in FY2025-26. Operating expenditures would be approximately \$13,400 in FY2024-25 and \$13,640 FY2025-26. The projected remaining aid expenses would be \$19,449,867 in FY2024-25 and \$9,856,690 and FY2025-26

The PSC is assuming with their fiscal impact that they will be allowed to continue administration of the past three grant cycles, plus the newly awarded grants from January 2024, for familiarity with past processes and administrative efficiency. Additionally, the PSC has already started the 2024 grant cycle to continue meeting the established program timelines. With the expectation of maintaining their current grant responsibilities and finish out the administration of the already awarded grants, the PSC fiscal note includes these administration expenditures (including aid for full reimbursement of grants) through June of 2026. Pending commitments total \$29,306,557 from the already awarded grants (which totaled \$59,282,814). The newly starting grant cycle has planned awards of up-to \$19,795,788 for the aid to be appropriated on July 1, 2024, this amount is not included in the estimated expenditures of the PSC in the prior paragraph above, and would be an additional aid expense.

*Technical Note: The bill as currently written, does not have an operative date specified, nor an emergency clause. This would mean the effective date would be July 18, 2024. A transfer of programs between agencies is administratively more feasible at the beginning of a fiscal year.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1336	AM:	AGENCY/POLT. SUB: Nebraska Public Service Commission
REVIEWED BY: Joe Massey	DATE: 2/8/2024	PHONE: (402) 471-4181
COMMENTS: Disagree with the Nebraska Public Service Commission assessment of fiscal impact from LB 1336. An increase in expenditures should not be associated with the transfer of a program and it's management. There should be a decrease in cash fund expenditure and federal fund expenditure and revenue.		
Technical Note: Bill does not address encumbrances.		

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2024

LB⁽¹⁾ 1336

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Department of Transportation (NDOT) on behalf of the
Nebraska Broadband Office (NBO)

Prepared by: ⁽³⁾ Jenessa Boynton Date Prepared: ⁽⁴⁾ 2/5/2024 Phone: ⁽⁵⁾ 402-479-4691

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$20,000,000		\$20,000,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u>\$20,000,000</u>		<u>\$20,000,000</u>	

Explanation of Estimate:

LB1336 modifies the responsibilities and duties of the Nebraska Broadband Office (NBO) to administer the Nebraska Broadband Bridge Program (NBBP) in addition to the existing duties of the office. This is an existing program administered by the State that is aimed at offsetting the capital costs of deploying broadband in unserved and underserved areas. The minimum speeds for such projects is set at 100 megabits per second download and 100 megabits per second upload. The bill also adjusts the required match from grant applicants from upwards of 50%, to potentially zero.

The proposed bill would result in NBO running an additional program parallel to the existing Broadband, Equity, Access, and Deployment (BEAD) Program currently administered by NBO. Current structures implemented over the course of the BEAD program can be utilized for the administration of the NBBP. Such structures include existing grant software, consolidation of map maintenance, utilization of existing staff, single point of contact for constituents and grant applicants, and streamlined outreach for broadband concerns. As such, there are no anticipated increases for operating expenses, travel, and capital outlay.

If enacted, LB1336 would provide \$20 million of general funds annually in aid and administration for the NBBP to be administered by the NBO which would require such amount to be appropriated to NDOT on behalf of NBO. While systems and structures can be used for both BEAD and NBBP, an increase of ten percent over the base wage plus benefits is estimated for six full-time employees (FTEs) in FY2024 – 25 to assume the responsibilities of the NBBP. Examples of new responsibilities would include but are not limited to standing up the grant program for the NBBP, administering NBBP challenge process, conducting outreach, responding to technical inquiries, awarding NBBP grants, updating the Nebraska Broadband Map with project areas, and monitoring NBBP grants to ensure compliance. Furthermore, an additional increase of five percent over the FY2024 – 25 base wage is assumed in FY2025 - 26 for cost of living and satisfactory performance.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Broadband Director	0	0	\$27,750.00	\$29,137.50
Deputy Broadband Director	0	0	\$14,298.65	\$15,013.58
External Affairs Manager	0	0	\$12,005.45	\$12,605.72
Financial Aid Administrator	0	0	\$10,536.24	\$11,063.05
Budget Manager	0	0	\$6,475.62	\$6,799.40
Technical Programs Analyst	0	0	\$6,884.97	\$7,229.21
Benefits.....			\$11,808.00	\$12,046.00
Operating.....			0	0
Travel.....			0	0
Capital outlay.....			0	0
Aid.....			\$19,910,241.07	\$19,906,105.54
Capital improvements.....			0	0
TOTAL.....			<u>\$20,000,000.00</u>	<u>\$20,000,000.00</u>

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2024

LB⁽¹⁾ 1336

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Public Service Commission

Prepared by: ⁽³⁾ Laurie Casados Date Prepared: ⁽⁴⁾ 2/1/2024 Phone: ⁽⁵⁾ 402-471-0252

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>19,660,690</u>	<u> </u>	<u>10,076,347</u>	<u> </u>
CASH FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FEDERAL FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
OTHER FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUNDS	<u>19,660,690</u>	<u> </u>	<u>10,076,347</u>	<u> </u>

Explanation of Estimate:

LB 1336 would transfer the responsibility for administering future cycles of the Nebraska Broadband Bridge Grant Program from the Nebraska Public Service Commission (Commission) to the Broadband Office. The Commission administers the program with the use of a \$20 million per year General Fund appropriation for the program. The program awards grants to applicants for buildout of broadband networks to unserved and underserved locations. The Commission was initially granted the responsibility to administer this program during the 2021 Legislative Session through LB 388. Since LB 388 was signed into law in May of 2021, the Commission has completed 3 grant cycles (2021, 2022, and 2023). Awards were just announced for the 2023 grant cycle in January 2024. The Commission has issued an order seeking to start the process for the 2024 grant cycle in order to meet normal program timelines.

For the administration of the Broadband Bridge Program the Commission pays personnel costs for 1 FTE for a Program Analyst and a portion of 1 FTE for an Attorney, and a minimal amount for other operating costs. LB 1336 is silent as to whether the Commission will retain responsibility to finish out the administration of the grants that we have awarded in the previous grant cycles. This fiscal note assumes the Commission will continue to administer prior cycles due to familiarity with past processes and for administrative efficiency. In order to finish out the administration of awards previously made under the Commission's Broadband Bridge program structure, we are including costs in this fiscal note to retain appropriation for PSL and benefits, operating costs and the amount of aid that remains to be paid out for projects that have previously been awarded and are pending project completion and full reimbursement to the telecommunication carriers. To finish out the administration of these grants, the Commission would need to retain the PSL/benefits and operating costs appropriation through June 2026.

The total aid pending reimbursement for each prior grant cycle is shown in the table below. Should the Commission retain the responsibility to

administer these awards for previous years, we would need to retain the associated aid appropriation for the remaining commitments to be paid.

Cycle/Year	Total Grants Awarded	Paid to Date	Remaining Commitment
2021	\$19,217,657.09	\$13,960,284.56	\$4,496,483.50
2022*	\$20,351,778.14	\$10,326,739.07	\$10,025,039.07
2023	\$19,713,379.26	\$4,928,344.80	\$14,785,034.46
Total	\$59,282,814.49	\$29,215,368.43	\$29,306,557.03

* 2022 Total Award included prior year carryover support available

The 2024 cycle is set to open in February 2024 and will award up to \$19,795,788 for the aid to be appropriated on July 1, 2024. If the Commission should finish out grant awards for the current cycle and the administration of those grants to completion, that appropriation would also need to be retained for aid, in addition to the amounts shown above.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2024-25	2025-26
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Program Analyst	1	1	60,000	63,000
Attorney	.75	.75	70,000	72,800
Benefits.....			67,423	70,217
Operating.....			13,400	13,640
Travel.....			0	0
Capital outlay.....			0	0
Aid.....			19,449,867	9,856,690
Capital improvements.....			0	0
TOTAL.....			19,660,690	10,076,347