

Revised due to revised agency response.

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) (operating administratively under Nebraska Department of Transportation) from the Nebraska Public Service Commission (PSC).
- 2) Amends §86-1304 to state:
 - 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 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 NBO.
- 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) Affirms in §86-1307 that if 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 consists of federal funds designated by the Governor for:
 - Broadband enhancement;
 - Financing grant projects; and
 - Administrative expenses of the NBO.
- 6) Allows the NBO under §86-1310 to establish procedures, rules, and regulations for carrying out the Nebraska Broadband Bridge Program.
- 7) Indicates in §86-1311 that the Nebraska Broadband Bridge Act shall not be construed to authorize the NBO the ability to regulate Internet protocol-enabled service, voice over Internet protocol service, rates, contract terms, nor entry requirements related to such services.

The fiscal note for LB1336 has been revised based on additional information received from the NBO.

Expenditures:

The NBO has estimated general fund expenditures of \$20,000,000 in both FY2024-25 and \$20,000,000 FY2025-26, in aid and administration expenses for the Nebraska Broadband Bead Program. The NBO is anticipating utilizing their existing resources from the BEAD program (which they currently administer) for operating, travel, and capital outlay expenditures. The NBO removed additional in-grade pay raises for six existing employees from their newly revised fiscal note. We agree with this removal, as such pay increases need to go through the DAS personnel process for prior approval, then be included in a request during the budget process.

If the program were to switch between agencies, we would 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. This includes 1 FTE Program Analyst and a .75 FTE Attorney, with combined 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, including the newly awarded grants from January 2024, as they are familiar with past processes and administrative efficiency. 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 has included these administrative expenditures, including aid for full reimbursement of these grants through June of 2026. Pending commitments total \$29,306,557 from previously awarded grants. There are planned awards of up-to \$19,795,788 in aid to be appropriated on July 1, 2024, which has not been included in the estimated expenditures of the PSC (prior paragraph above). These 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. Additionally, 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 Revised

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⁾ 2/13/2024 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	<u>\$20,000,000</u>		<u>\$20,000,000</u>	
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.

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.

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>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....			<u>\$20,000,000.00</u>	<u>\$20,000,000.00</u>
Capital improvements.....				
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