

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1698 S HB	<b>Title:</b> Broadband authority
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## Estimated Cash Receipts

Agency Name	2009-11		2011-13		2013-15	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	(1,000,000)	1,000,000	(1,000,000)	1,000,000	(1,000,000)	1,000,000
<b>Total \$</b>	<b>(1,000,000)</b>	<b>1,000,000</b>	<b>(1,000,000)</b>	<b>1,000,000</b>	<b>(1,000,000)</b>	<b>1,000,000</b>

Local Gov. Courts *						
Local Gov. Other **	Non-zero but indeterminate cost. Please see discussion.					
Local Gov. Total						

## Estimated Expenditures

Agency Name	2009-11			2011-13			2013-15		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.2	34,500	34,500	.2	30,800	30,800	.2	30,800	30,800
Department of Information Services	4.5	7,467,155	7,467,155	4.5	6,417,156	6,417,156	4.5	6,417,156	6,417,156
<b>Total</b>	<b>4.7</b>	<b>\$7,501,655</b>	<b>\$7,501,655</b>	<b>4.7</b>	<b>\$6,447,956</b>	<b>\$6,447,956</b>	<b>4.7</b>	<b>\$6,447,956</b>	<b>\$6,447,956</b>

Local Gov. Courts *									
Local Gov. Other **									
Local Gov. Total									

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<b>Prepared by:</b> Regan Hesse, OFM	<b>Phone:</b> 360-902-9820	<b>Date Published:</b> Final
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\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 1698 S HB	<b>Title:</b> Broadband authority	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

FUND	FY 2010	FY 2011	2009-11	2011-13	2013-15
GF-State-State 01 - Taxes 05 - Bus and Occup Tax	(500,000)	(500,000)	(1,000,000)	(1,000,000)	(1,000,000)
WA Comm Tech Oppor Acct-State 00 - 00 -	1,000,000	1,000,000	2,000,000	2,000,000	2,000,000
<b>Total \$</b>	500,000	500,000	1,000,000	1,000,000	1,000,000

### Estimated Expenditures from:

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years	0.2	0.2	0.2	0.2	0.2
<b>Fund</b>					
GF-STATE-State 001-1	19,100	15,400	34,500	30,800	30,800
<b>Total \$</b>	19,100	15,400	34,500	30,800	30,800

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Katie Southwick	Phone: 360-786-7124	Date: 02/16/2009
Agency Preparation: Ray Philen	Phone: 360-570-6078	Date: 02/20/2009
Agency Approval: Kim Davis	Phone: 360-570-6087	Date: 02/20/2009
OFM Review: Ryan Black	Phone: 360-902-0417	Date: 02/21/2009

Request # 1698-4-2

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

Note: This fiscal note reflects a revision to the revenue impact, and supersedes fiscal note number 1698-2, completed for SHB 1698.

The broadband adoption and deployment authority is created.

A telecommunications company as defined in RCW 80.04.010 is allowed a credit against business and occupation taxes due in an amount equal to 50 percent of contributions made in any fiscal year to the community technology opportunity account created in RCW 28B.32.030. Credits are available on a first in-time basis. The Department of Revenue (Department) must disallow any credits, or portion thereof, that would cause the total amount of credits claimed under this section during any calendar year to exceed \$500,000.

Taxes collected under RCW 82.29A.030, leasehold excise tax, from a telecommunications company, as defined in RCW 80.04.010, as a result of the company's leasehold interest in publicly owned property shall be deposited in the community technology opportunity account created in chapter 28B.32 RCW.

RCW 80.04.010, "Telecommunications company," includes every corporation, company, association, joint stock association, partnership and person, their lessees, trustees, or receivers appointed by any court whatsoever, and every city or town owning, operating, or managing any facilities used to provide telecommunications for hire, sale, or resale to the general public within this state.

### II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

#### ASSUMPTIONS/DATA SOURCES

This proposal would be effective 90 days after the end of the session.

#### ASSUMPTIONS/DATA SOURCES

Though the bill provides a credit equal to only 50 percent of the contribution, the combined state and federal tax benefit to telecommunications companies could be over 80 percent of their contributions. This will provide more incentive for contributions to be made. It is assumed that the statewide credit cap of \$500,000 will be reached annually.

#### REVENUE ESTIMATES

Applying the assumption above, this bill will reduce state general fund revenue by \$500,000 in Fiscal Year 2010 and \$500,000 each year thereafter. However, the Washington community technology opportunity account will receive \$1 million a year. As such, the state will net a positive revenue impact under this bill.

Telecommunications companies as defined in RCW 80.04.010 are mostly centrally assessed as directed by RCW 84.12.270 and are therefore exempt from leasehold excise tax. The amount of leasehold excise tax paid by telecommunications companies is not reported directly to the Department of Revenue and cannot be estimated. The amount of state and local revenue shifted to the community technology opportunity account is believed to be small.

## TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2010 - \$ 500  
FY 2011 - \$ 500  
FY 2012 - \$ 500  
FY 2013 - \$ 500  
FY 2014 - \$ 500  
FY 2015 - \$ 500

Local Government, if applicable (cash basis, \$000): None.

## II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing*

To implement this legislation, the Department will incur costs of approximately \$19,100 in Fiscal Year 2010. These costs are for monitoring the reports to see when caps are met, doing necessary adjustments to assess for over deductions, and notifying taxpayers when caps are met. These costs are ongoing. Time and effort equates to approximately 0.2 FTE. A one-time cost of \$2,100 for mailings to municipalities and companies is also involved.

The Department will incur costs of approximately \$15,400 in Fiscal Year 2011. These are ongoing costs noted above.

The Department will incur costs of approximately \$30,800 during each of the 2011-2013 and 2013-2015 Biennia.

Due to the effective date of the bill, the Department will incur costs of approximately \$32,400 in Fiscal Year 2009. These costs are for programming to set up, test, and verify the computer systems for the new credit. Time and effort equates to approximately 0.3 FTE.

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years	0.2	0.2	0.2	0.2	0.2
A-Salaries and Wages	10,100	10,100	20,200	20,200	20,200
B-Employee Benefits	2,500	2,500	5,000	5,000	5,000
E-Goods and Services	5,200	2,600	7,800	5,200	5,200
J-Capital Outlays	1,300	200	1,500	400	400
<b>Total \$</b>	<b>\$19,100</b>	<b>\$15,400</b>	<b>\$34,500</b>	<b>\$30,800</b>	<b>\$30,800</b>

**III. B - Detail:** *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2010	FY 2011	2009-11	2011-13	2013-15
EXCISE TAX EX 3	50,563	0.2	0.2	0.2	0.2	0.2
<b>Total FTE's</b>	<b>50,563</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>

## Part IV: Capital Budget Impact

NONE.

**Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

No rule-making required.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1698 S HB	<b>Title:</b> Broadband authority	<b>Agency:</b> 155-Department of Information Services
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## Part I: Estimates

☐

No Fiscal Impact

### Estimated Cash Receipts to:

<b>FUND</b>					
<b>Total \$</b>					

### Estimated Expenditures from:

	<b>FY 2010</b>	<b>FY 2011</b>	<b>2009-11</b>	<b>2011-13</b>	<b>2013-15</b>
FTE Staff Years	4.5	4.5	4.5	4.5	4.5
<b>Fund</b>					
General Fund-State 001-1	4,175,244	3,291,911	7,467,155	6,417,156	6,417,156
<b>Total \$</b>	4,175,244	3,291,911	7,467,155	6,417,156	6,417,156

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒

If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐

If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐

Capital budget impact, complete Part IV.

☐

Requires new rule making, complete Part V.

<b>Legislative Contact:</b> Katie Southwick	<b>Phone:</b> 360-786-7124	<b>Date:</b> 02/16/2009
<b>Agency Preparation:</b> Tamara Jones	<b>Phone:</b> 360-902-3557	<b>Date:</b> 02/24/2009
<b>Agency Approval:</b> Connie Robins	<b>Phone:</b> 360-902-2987	<b>Date:</b> 02/24/2009
<b>OFM Review:</b> Regan Hesse	<b>Phone:</b> 360-902-9820	<b>Date:</b> 02/25/2009

Request # 1968 SHB-2

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

Section 1 declares legislative findings and intent.

Section 2 provides definitions.

Section 3 creates an authority to oversee broadband adoption and development at DIS. Each subsection identifies programs that may be implemented.

Subsection 1: development of a broadband infrastructure map,

Subsection 2: track technology and broadband adoption rates,

Subsection 3: identify barriers to technology adoption,

Subsection 4: identify broadband demand opportunities,

Subsection 5: create programs to improve technology and broadband adoptions for underserved populations and K-20,

Subsection 6(a): apply for and receive funding via grants or donations,

Subsection 6(b): establish technology literacy and digital inclusion programs,

Subsection 6(c): develop last-mile technology loan programs, and

Subsection 6(d): include community technical organizations in state hardware and software purchasing programs.

Subsection 7: establish the community technology opportunity program (CTOP)

Subsection 8: establish a matching grant program to encourage private and public deployment in underserved areas.

Section 4 adds a chapter to RCW 82.04 that allows telecommunications companies a tax credit for telecommunications companies who contribute to the Community Technology Opportunity Account.

Section 5 adds a chapter to RCW 82.29A that requires taxes collected for telecommunications company's public infrastructure leasehold into the Community Technology Opportunity Account.

#### Section 6

Subsection 1: creates the Council on Digital Inclusion and specifies volunteer representatives that must be included on the Council. Programs are identified that shall be implemented;

Subsection 2(a): review of grant programs available through public and private providers to identify revenue for the Community Technology Opportunity Account;

Subsection 2(b): analyze how public and private support will build sustainable infrastructure providing for a variety of access alternatives for citizens;

Subsection 2(c): plan for long term sustainability of high-speed deployment and adoption;

Subsection 2(d): develop digital inclusion strategies and programs;

Subsection 2(e): recommend strategies that maximize research and development;

Subsection 2(f): identify regulatory barriers;

Subsection 2(g): research, catalog, and develop programs to advance digital literacy and computer access;

Subsection 2(h): present information compiled under this section to the authority for use in applying for funding and distributing information to the public;

Section 7 invalidates any portion of the act in conflict with federal requirements.

Section 8 establishes new chapter in Title 43 RCW for sections 1, 2, 3, 6 and 7 of the act.

## **II. B - Cash receipts Impact**

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

## **II. C - Expenditures**

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

### **Sections 1-2: No Fiscal Impact**

Section 3: Organizational support would be provided by one EMS Program Manager (\$94,000 salary) and one Administrative Assistant 3 (\$40,500 salary).

Subsection 1 and 2: Costs associated with this section include contracting for the initial mapping efforts and regular updates: The HSISWG report dated December 1, 2008, estimated that the creation of a geographic information system (GIS) map of broadband infrastructure would cost \$550,000 in FY 2010, assuming an eighteen month timeline for the creation of the initial map. DIS will contract for both private and public mapping as a single effort.

Annual map updates were estimated to cost \$100,000 per year beginning FY2012.

Subsection 3 and 4: One EMS Local Technology Planning Team Liaison (\$90,000 salary) available to work with and support the Local Technology Planning Teams (LTPT's).

The HSISWG report identified using local technology planning teams (LTPTs) to identify barriers to technology adoption and broadband demand opportunities. Based on the recommendations of the report, DIS anticipates expenditures in the amount of \$700,000 to facilitate the organization of LTPTs to accomplish these goals. These are assumed in object E in FY 2010.

Subsection 6: Support for federal funding, grant, and donation administration .5 EMS at \$44,250 per year.

Subsection 7: The High-Speed Internet Strategy Work Group (HSISWG) Final Report (December 1, 2008), recommended that the CTOP program be funded at \$2,500,000. DIS's ability to administer grants is dependent on the funding for the program. \$1,875,000 or seventy-five percent of total funding would be available for grants. The remaining twenty-five percent is expected to cover grant administration and organizational and capacity building support of community technology programs. DIS assumes the ability to contract for these services.

Subsection 8: Establishment of a matching grant program would be dependent upon available funding. Additional staffing resources would be added as funding becomes available.



Sections 4-5: No Fiscal Impact

Section 6 : Organizational support would be provided by one EMS Program Manager (\$90,000 salary).

Sections 7-8: No Fiscal Impact

Benefits are estimated at 25% of salaries.

Travel is estimated at 12% of salary.

Overhead is 15% of salaries.

### Part III: Expenditure Detail

#### III. A - Expenditures by Object Or Purpose

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years	4.5	4.5	4.5	4.5	4.5
A-Salaries and Wages	358,750	358,750	717,500	717,500	717,500
B-Employee Benefits	89,688	89,688	179,376	179,376	179,376
C-Personal Service Contracts					
E-Goods and Services	1,821,806	938,473	2,760,279	1,710,280	1,710,280
G-Travel	30,000	30,000	60,000	60,000	60,000
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services	1,875,000	1,875,000	3,750,000	3,750,000	3,750,000
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total:</b>	<b>\$4,175,244</b>	<b>\$3,291,911</b>	<b>\$7,467,155</b>	<b>\$6,417,156</b>	<b>\$6,417,156</b>

#### III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2010	FY 2011	2009-11	2011-13	2013-15
Administrative Assistant 3	40,500	1.0	1.0	1.0	1.0	1.0
EMS Grants and Funding	88,500	0.5	0.5	0.5	0.5	0.5
EMS Local Technology Planning	90,000	1.0	1.0	1.0	1.0	1.0
Teams						
EMS Organization Program Manager	90,000	1.0	1.0	1.0	1.0	1.0
EMS Program Manager	94,000	1.0	1.0	1.0	1.0	1.0
<b>Total FTE's</b>	<b>403,000</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>

### Part IV: Capital Budget Impact

### Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Request # 1968 SHB-2

# LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

<b>Bill Number:</b> 1698 S HB	<b>Title:</b> Broadband authority
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## Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

### Legislation Impacts:

☒ Cities: Cities and counties would experience a loss of revenue because leasehold excise taxes paid by telecommunications companies would be deposited in the Community Technology Opportunity Account. Local government entities could be eligible for matching grants to expand broadband in underserved areas.

☒ Counties: As above

☐ Special Districts:

☐ Specific jurisdictions only:

☐ Variance occurs due to:

## Part II: Estimates

☐ No fiscal impacts.

☐ Expenditures represent one-time costs:

☒ Legislation provides local option: As above

☒ Key variables cannot be estimated with certainty at this time: The leasehold excise tax revenue loss to local government; the Department of Revenue assumes it to be small.

### Estimated revenue impacts to:

<b>Indeterminate Impact</b>
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### Estimated expenditure impacts to:

Jurisdiction	FY 2010	FY 2011	2009-11	2011-13	2013-15
City					
County					
Special District					
<b>TOTAL \$</b>					
<b>GRAND TOTAL \$</b>	<b>0</b>				

## Part III: Preparation and Approval

Fiscal Note Analyst: Jaime Kaszynski	Phone: 360-725-2717	Date: 02/23/2009
Leg. Committee Contact: Katie Southwick	Phone: 360-786-7124	Date: 02/16/2009
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 02/23/2009
OFM Review: Regan Hesse	Phone: 360-902-9820	Date: 02/23/2009

## Part IV: Analysis

### A. SUMMARY OF BILL

*Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.*

NOTE: This fiscal note was prepared for the substitute house bill. No local government fiscal note was prepared for the original bill.

Section 1: Declares legislative intent.

Section 2: Provides definitions.

Section 3: The Broadband Adoption and Deployment Authority (Authority) is created within the Department of Information Services (DIS). The Authority may oversee implementation of federally funded broadband programs, which may include:

- Contracting for a completed high-speed internet map;
- Tracking residential and business adoption of high-speed internet, computers, and related information technology;
- Identifying barriers to broadband adoption;
- Creating programs to improve computer ownership, technology literacy, and highspeed internet access for underserved populations; and
- Offering matching grants to expand broadband service.

Section 4: Provides a business and occupation (B&O) tax credit for 50 percent of contributions made by telecommunications companies to the Community Technology Opportunity Account.

Section 5: Directs that certain leasehold excise taxes paid by telecommunications companies must be deposited into the account.

Section 6: The Council on Digital Inclusion (Council) is created with the following duties:

- To review available grant programs and identify appropriate sources of revenue for the account;
- To analyze how support from the public and private sector, the philanthropic community, and other not-for-profit organizations can build a sustainable infrastructure with a variety of access alternatives for citizens;
- To plan for long-term sustainability of digital inclusion initiatives;
- To research and catalog existing programs that can advance digital literacy and computer access; and
- To present any information compiled by the Council to the Authority.

### B. SUMMARY OF EXPENDITURE IMPACTS

*Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.*

The proposed legislation would have no direct impact on local government expenditures.

### C. SUMMARY OF REVENUE IMPACTS

*Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.*

Section 5 directs that certain leasehold excise taxes paid by telecommunications companies must be deposited into the Community Technology Opportunity Account. Cities and counties receive about 47 percent of revenue from leasehold excise taxes, so would lose revenue. According to the Department of Revenue's fiscal note, the amount of leasehold excise tax paid by telecommunications companies is not reported directly to the Department of Revenue and cannot be estimated, but the amount of state and local revenue shifted to the Community Technology Opportunity Account is believed to be small.

Section 3 establishes the Broadband Adoption and Deployment Authority, and provides that the authority offer matching grants to expand broadband in underserved areas. Local government entities could be eligible for such grants, but revenue would depend on the availability of funds and the success of future local government grant applications and cannot be determined.

#### SOURCES

Department of Revenue fiscal note

House Committee on Technology, Energy & Communications, bill report

Department of Revenue, Leasehold Excise Tax FAQ