

FISCAL NOTE

STATE OF ALASKA
2019 LEGISLATIVE SESSION

Bill Version HB 75
Fiscal Note Number _____
() Publish Date _____

Identifier (file name) HB075CS(EDC)-EED-LO-4-30-19 Dept. Affected Education & Early Development
Title Internet for Schools Appropriation AK State Libraries, Archives and Museums
Allocation Library Operations
Sponsor Representative Rasmussen
Requester House Education Committee OMB Component Number 208

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY2020 Appropriation Requested	Included in Governor's FY2020 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY2020	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Personal Services							
Travel							
Services	34.0		30.0	30.0	30.0	30.0	30.0
Commodities							
Capital Outlay							
Grants, Benefits	7,135.4		7,135.4	6,921.3	6,713.7	6,512.3	6,316.9
Miscellaneous							
TOTAL OPERATING	7,169.4	0.0	7,165.4	6,951.3	6,743.7	6,542.3	6,346.9

FUND SOURCE		(Thousands of Dollars)					
1002	Federal Receipts						
1003	GF Match						
1004	GF	7,169.4	7,165.4	6,951.3	6,743.7	6,542.3	6,346.9
1226	High Ed (DGF)						
1007	I/A Rcpts (Other)						
1037	GF/MH (UGF)						
		7,169.4	0.0	7,165.4	6,951.3	6,743.7	6,542.3

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	FY2020	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
1004 Gen Fund (UGF)							
1002 Fed Rcpts (Fed)							
TOTAL CHANGE IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2019) operating costs 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2020) costs 0.0 (separate capital appropriation required)

Does the bill create or modify a fund or account? No
(Supplemental/Capital/New Fund- discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended, or repealed? 3/31/2020 Discuss details in analysis section.

Why this fiscal note differs from previous version/comments (if initial version, please note as such)

This version only addresses the cost of internet to schools from 10mbps to 25mbps. In addition, DEED more closely reviewed the FCC list of 2019 schools that were under 25 mbps and realized that some districts had double applications in place for E-Rate funding for direct broadband lines and circuit lines of broadband into the same schools. We backed out these duplicate E-Rate applications, which lowered the total number of schools under 25 mbps from 245 on the initial fiscal note to 172 on this revised fiscal note.

Prepared by Patience Frederiksen, Director
Division Libraries, Archives and Museums
Approved by Heidi Teshner, Administrative Services Director
Agency Office of Management and Budget

Phone 465-2911
Date/Time 4/30/19 10:15 AM
Date 4/30/2019

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2019 LEGISLATIVE SESSION

BILL NO. HB 75

Analysis

This bill amends AS 14.03.127, Funding for Internet services, (a) by increasing the megabit threshold for the School Broadband Assistance Grant (BAG) from 10 megabits to 25 megabits per second (mbps). A district, in which one or more schools qualify for a discounted rate for Internet services, is eligible to receive a School BAG for each school for the amount that is necessary to bring all schools in that district up to 25 megabits of download per second (mbps).

DEED used a Federal Communications Commission-generated (FCC) list from 2019 which shows that 245 sites that had applied for E-Rate were also under 25 mbps. We then revised that list to delete duplicate services going to the same sites for which the districts had applied for E-Rate funding. Some schools receive a direct line of broadband while also receiving broadband through a circuit, so the schools would have two ways to access the internet and both of those ways are eligible for E-Rate funding, thus the duplicate applications for the same schools. This reduced the number of schools under 25 mbps to 172 total.

The estimated total cost to bring the 172 schools up from 10 mbps to 25 mbps will be \$7,135.4. Currently, under AS 14.03.127, \$1,487.5 is included in the Governor's FY2020 Amended Budget request to fund the current requirement of up to 10 mbps. This \$1,487.5 will need to be funded in all of the out years, in order to pay for 0-10 mbps internet coverage in tandem with the current fiscal note that covers 10-25 mbps. The entire program will continue as one application for up to 25 mbps. This fiscal note assumes that internet costs will rise proportionately from 10 mbps to 25 mbps. It also accepts that the FY2019 School BAG program numbers are an accurate predictor of what the FY2020 School BAG program will need at 25 mbps.

FY2020 School BAG at 25 mbps

Schools at less than 25 mbps in 2019	172
FY2019 average School BAG cost per school to 10 mbps	\$16,594
School BAG cost for 172 schools to 10 mbps	\$2,854,168
Proportional School BAG increase from 10 to 25 mbps	\$7,135,420

The out-year costs are estimated on a 3% reduction based on funding patterns of the current School BAG program. The estimated amounts may be larger or smaller based on FY2020 information submitted to the FCC.

Additional contract hours and a technical review of grant applications will be necessary to administer the expanded grant program at \$30.0. In addition, regulations will need to be updated to reflect the increase from 10 mbps to 25 mbps, requiring an additional one-time increment in FY2020 of \$4.0 for legal services costs associated with the regulation changes.