

Fiscal Note

State of Alaska
2020 Legislative Session

Bill Version:	HCS CSSB 74(FIN)
Fiscal Note Number:	3
(H) Publish Date:	2/14/2020

Identifier: SB074CS(FIN)-EED-LO-1-31-20
Title: INTERNET FOR SCHOOLS
Sponsor: HOFFMAN
Requester: House Finance

Department: Department of Education and Early Development
Appropriation: Alaska State Libraries, Archives and Museums
Allocation: Library Operations
OMB Component Number: 208

Expenditures/Revenues

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

(Thousands of Dollars)

	FY2021 Appropriation Requested	Included in Governor's FY2021 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2021	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Personal Services							
Travel							
Services	36.0	150.0	180.0	180.0	180.0	180.0	180.0
Commodities							
Capital Outlay							
Grants & Benefits	6,516.0	1,337.5	7,617.9	7,389.4	7,167.7	6,952.7	6,744.1
Miscellaneous							
Total Operating	6,552.0	1,487.5	7,797.9	7,569.4	7,347.7	7,132.7	6,924.1

Fund Source (Operating Only)

1004 Gen Fund (UGF)	8,039.5		7,797.9	7,569.4	7,347.7	7,132.7	6,924.1
1226 High Ed (DGF)	(1,487.5)	1,487.5					
Total	6,552.0	1,487.5	7,797.9	7,569.4	7,347.7	7,132.7	6,924.1

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2020) cost: 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2021) cost: 0.0 (separate capital appropriation required)

Does the bill create or modify a new 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If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/20

Why this fiscal note differs from previous version/comments:

This fiscal note updates the 2019 version provided for the first session in which this bill was considered. In addition, this note includes the current cost of getting 72 schools up to 10 mbps, and adds the cost of getting 173 schools up to 25 mbps. This fiscal note reflects the entire cost of the School BAG program.

This fiscal note also changes the funding source for School BAG from the Higher Education Investment Fund (HEIF) to Unrestricted General Funds. The HEIF is a designated funding source that by statute is to be used for the Alaska Performance Scholarship and the Alaska Education Grant. School BAG is considered a non-designated use of the HEIF and thus should be changed to UGF.

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Agency: Department of Education and Early Development

Phone: (907)465-2911
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Date: 01/31/20

**REPORTED OUT OF
HFC 02/13/2020**

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2020 LEGISLATIVE SESSION

Analysis

This bill amends AS 14.03.127, Funding for Internet Services, by increasing the megabit threshold for the School Broadband Assistance Grant (School 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 mbps of download speed.

The Department of Education and Early Development (DEED) used a Federal Communications Commission-generated (FCC) list from 2019, which showed that 245 sites that had applied for E-Rate funding were also under 25 mbps. The list was then revised to delete duplicate services going to the same sites for which the district 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 173 total, which includes the 72 schools currently receiving the subsidy for 10 mbps of service.

Currently, under AS 14.03.127, \$1,487.5 is included in the Governor's FY2021 budget request to fund 72 schools at 10 mbps and fund administrative costs. An additional \$6,516.0 is required to bring all 173 schools to the 25 mbps service level. 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. This fiscal note also assumes that the FY2020 School BAG program numbers are an accurate predictor of what the FY2021 School BAG program will need at 25 mbps.

FY2021 School BAG at 25 mbps**Cost to Get 72 Schools Up to 10 mbps**

FY2020 School BAG Award	\$1,337,500
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Cost To Increase 173 Schools from 10 to 25 mbps

Schools at less than 25 mbps in 2019	173
FY2020 average School BAG cost per school to 10 mbps	\$15,066
School BAG cost for 173 schools to 10 mbps	\$2,606,418
Proportional School BAG increase from 10 to 25 mbps	\$6,516,045

Formula

$$\frac{2,606,418}{6,516,045} = \frac{10}{25}$$

Total Cost (72 sites to 10 mbps + 173 sites from 10 to 25 mbps) \$7,853,545

The out-year costs are estimated on a 3% reduction in grants based on funding patterns of the current School BAG program. The estimated amounts may be larger or smaller based on FY2021 information submitted to the FCC. Additional contract hours and a technical review of grant applications will be necessary to administer the expanded grant program for an additional \$30.0 per year; bringing the annual cost of administering the program to \$180.0. In addition, regulations will need to be updated to reflect the increase from 10 mbps to 25 mbps, requiring an additional one-time increment of \$6.0 in FY2021 for legal services costs associated with the regulation changes.