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FISCAL IMPACT STATEMENT

LS 7765

BILL NUMBER: SB 381

NOTE PREPARED: Feb 28, 2005

BILL AMENDED: Feb 22, 2005

SUBJECT: Statewide Broadband System.

FIRST AUTHOR: Sen. Ford

FIRST SPONSOR: Rep. Cherry

BILL STATUS: As Passed Senate

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill establishes a coordinating body to determine the feasibility of implementing a statewide broadband network, scheduled to dissolve July 15, 2007. It establishes the Indiana Broadband Development Program, a separate body corporate and politic, to be administered by the Indiana Development Finance Authority.

The Broadband Development Program is established by this bill to encourage the development of affordable broadband services and networks in underserved areas in Indiana. The Broadband Development Program coordinates the financing of broadband infrastructure development and otherwise facilitates the establishment of broadband service in underserved areas in Indiana.

Effective Date: Upon passage.

Explanation of State Expenditures: (Revised) The coordinating body is to consist of the following seven members: the State Chief Information Officer of the new Office of Technology, an appointee of the Governor to represent the telecommunications industry, and one representative each from the Indiana Higher Education Telecommunications System (IHETS), State Budget Agency, and Purdue, Indiana and Ball State Universities. The body is created to determine the feasibility of implementing a statewide broadband network.

Expenses of the coordinating body are to be paid from the fees deposited in the dedicated Statewide Broadband Account established in this bill (see *Explanation of State Revenues*). Included expenses are those associated with establishing, operating, maintaining and upgrading the broadband system. The bill requires the coordinating body to be dissolved on July 17, 2007.

Background: An effort to accomplish the establishment of such a system is currently being led by the Indiana Higher Education Telecommunications System (IHETS). Through the development of the I-Light 2 network and coordination with the Indiana Telecommunication Network (ITN), the agency currently has plans to expand wireless access throughout the state.

According to P.L. 224-2003 (the Budget Bill) section 33, IHETS currently receives funding from a \$5 M annual appropriation to the State Budget Agency for each of FY 2004 and FY 2005 from the General Fund for developing the I-Light network. According to IHETS, it intends to continue developing statewide access to the I-Light 2 network, including wireless coverage statewide. IHETS also plans to use the I-Light network appropriation to acquire additional funding through the federal Rural Development Loan Program which could provide up to \$25 M a year.

IHETS receives its operating money from this fund, which is administered by Indiana University. According to P.L. 224-2003 section 9, IHETS receives through Indiana University an annual appropriation of \$6.7 M from the General Fund for each of FY 2004 and FY 2005.

Indiana Broadband Development Program: The bill establishes the Indiana Broadband Development Program and requires the Indiana Development Finance Authority (IDFA) to administer the Program. The bill authorizes the Authority to issue bonds or notes for the purpose of financing the development and expansion of broadband services in under-served areas of the state. The Authority may issue bonds or notes for making loans to broadband developers and operators serving or proposing to serve under-served areas.

IDFA may use any of its powers to assist in accomplishing the purpose of the Program. The bill authorizes the imposition and collection of rents, charges, and fees for the broadband services provided in conjunction with financing entered into by the Authority to acquire the broadband infrastructure. All the property of the Program is to be considered public property and is to be exempt from all taxes and special assessments of the state. All bonds and notes issued under the Program as well as the interest and proceeds are also exempt from state taxes and special assessments.

The bill defines under-served areas as those that do not have a provider of broadband service at the time of an inquiry and do not have anyone intending to provide broadband service within three months of an inquiry.

Explanation of State Revenues: (Revised) This bill establishes the Statewide Broadband Account within the Higher Education Statewide Telecommunication Fund to be used by the coordinating body to establish, operate, maintain, administer, and update the broadband system. The Account is to consist of the fees assessed to other users of the broadband system. Money in the account is continuously appropriated and does not revert to the General Fund and the end of the fiscal year.

Authorized users, as defined by this bill, are public entities and nonprofit organizations that are authorized users of the Indiana Telecommunication Network (ITN). The main focus of the ITN was to provide highspeed telecommunication access to K12 schools, libraries, state agencies, and the higher education system. If the coordinating body deploys a functioning network, the bill requires the body to allow access to other users if: there is sufficient capacity on the broadband network, the service can be offered at a competitive rate and within a reasonable period of time, the capacity is used for an under-served area, and the service will contribute to providing broadband choices available to residents and businesses. The coordinating body may charge other users for the service an amount that will cover the cost to establish, operate, maintain, administer, and update the system.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Higher Education Telecommunications System, State Budget Agency, Purdue University, Indiana University, Ball State University, Office of Technology.

Local Agencies Affected:

Information Sources: Dave King, Indiana Higher Education Telecommunications System, www.ihets.org.

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