

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 3086

STATE OF NEW JERSEY
219th LEGISLATURE

DATED: JUNE 10, 2021

SUMMARY

- Synopsis:** Establishes office in EDA to assist in provision and expansion of broadband Internet service in State to address inequities in accessing broadband service.
- Type of Impact:** Possible Increased State costs.
- Agencies Affected:** New Jersey Economic Development Authority; Board of Public Utilities.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
State Cost Increase	Indeterminate

- The Office of Legislative Services (OLS) finds that the bill may result in an increase in State costs, especially if federal grants and private sources of funding are not available or of an amount sufficient to support the costs of meeting the requirements of the bill. The costs to the Economic Development Authority (EDA) to establish a “Broadband Assistance Office,” develop broadband projects, and support broadband services, as provided in the bill, will need to be funded in the same manner as other EDA assistance programs and services if no State or federal funds or private sources of funds are available.
- After utilizing any federal grants or private funds that become available to establish a broadband office, develop broadband projects, or support broadband services, any remaining costs of the bill may require the EDA to impose fees or charges on applicants for broadband project development and service support. Given that no specific State appropriation amount or source of funding is provided, the EDA may need to impose various program financing and administration fees as a source of funding for the bill. Federal and private sources of funding for broadband project development and service support may provide for conditions for the use of those funds. If the conditions for broadband project development and service support provided in the bill do not comply with conditions established by federal law for the use of federal funds, federal funds may not be available for the uses contemplated in the bill. The same situation may also exist for the use of private funds for this purpose.



- The primary cost components of the bill involve the establishment of the new broadband office, and then subsequently, public-private partnership (P3) agreements entered into with the assistance of the EDA to deploy broadband service projects and provide broadband service in critical areas identified in the bill. The cost of operating the broadband office and the EDA's share of costs under these P3 agreements to increase broadband deployment and service support cannot be known at this time.
- The scope of costs that the EDA will realize in establishing a broadband office and supporting broadband projects and services, as provided under the bill, cannot be known at this time because it is based on funding and need determinations to be made by the EDA after the enactment of the bill. Once those costs are identified, federal and private sources of funds will first be sought to cover those costs. Once those outside funding sources have been exhausted, the EDA will likely have to support remaining costs through the imposition of fees on users of the broadband office and broadband projects and support services, which is how the EDA generally covers its operating costs, but it is not clear what source or revenue the EDA would ultimately choose to establish in order to cover these additional costs.

BILL DESCRIPTION

This bill establishes in the EDA a "Broadband Assistance Office." The broadband office is to be responsible for formulating and executing a comprehensive Statewide policy that fosters the provision of wired broadband service by government or private entities developing a broadband project, or both, if these entities develop a broadband project under a public-private partnership (P3) agreement, and for the development, promotion, coordination, oversight, and approval of a broadband project developed pursuant to the bill. The broadband office, in cooperation with the EDA, is to establish guidelines for the broadband office's approval, designation, operation, and reporting of a proposed broadband project, including any proposed broadband project developed under a P3 agreement, in a manner determined by the broadband office. The broadband office, in cooperation with the EDA, is to oversee, coordinate, and provide assistance to a broadband project approved by the broadband office. The broadband office is to consult and coordinate with representatives of other State departments, agencies, boards, and authorities, including the Office of Information Technology (OIT), as these entities deem necessary and appropriate to accomplish the goals of the bill.

To accomplish the broadband office's duties and responsibilities, it is to be responsible for certain obligations enumerated in the bill concerning the facilitation of the establishment of broadband projects. In evaluating a proposed broadband project, the broadband office is to consider certain criteria provided in the bill.

The bill establishes in the EDA a separate non-lapsing fund to be known as the "State Broadband Fund" for use by the broadband office to adequately and properly perform the duties and responsibilities in carrying out the requirements of the bill. The EDA, in consultation with the Board of Public Utilities (BPU), is to determine the level of funding and the appropriate administration of the broadband fund. The broadband fund may seek and accept any available funding from federal, State and private entity sources. The EDA is to provide sufficient funding to the broadband office to enable the broadband office to provide funding for critical areas to pay for broadband service and for the installation or expanded use of broadband infrastructure for communities that lack broadband access, specifically the portion of a communications infrastructure network that physically reaches the residents' or small business's premises within those areas. The bill allows the EDA, in consultation with the BPU, to seek and accept gifts,

donations, grants, or loans from public or private sources, including, but not limited to, any funding provided by the Federal Communications Commission or any funding from a non-profit foundation, specifically for the provision of broadband infrastructure or broadband service, except that the EDA and BPU are not to accept a gift, donation, grant, or loan that is subject to conditions that are inconsistent with any other law of this State.

The bill requires the EDA, in consultation with the BPU, to annually prepare a report to the Governor and the Legislature concerning the number, nature, structure, and scope of each broadband project developed, and whether the broadband project is developed under a P3 agreement. The report is to include certain information provided in the bill. The report is to address any issues related to the implementation the bill, including staffing and resource requirements of the broadband office. The report is to set forth recommendations regarding how the processes and methods adopted to foster the development of broadband projects and any related P3 agreements under the bill may be improved, expanded, or made more efficient.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that the bill may result in an increase in State costs, especially if federal and private sources of funding are not available or of an amount sufficient to support the costs of meeting the requirements of the bill. The costs to the EDA to establish a Broadband Assistance Office, develop broadband projects, and support broadband services, as provided in the bill, will need to be funded in the same manner as other EDA assistance programs and services if no State or federal funds or private sources of funds are available.

After utilizing any federal grants or private funds that become available to establish a broadband office, develop broadband projects, or support broadband services, any remaining costs of the bill may require the EDA to impose fees or charges on applicants for broadband project development and service support. Given that no specific State appropriation amount or source of funding is provided, the EDA may need to impose various program financing and administration fees as a source of funding for the bill. Federal and private sources of funding for broadband project development and service support may provide for conditions for the use of those funds. If the conditions for broadband project development and service support provided in the bill do not comply with conditions established by federal law for the use of federal funds, federal funds may not be available for the uses contemplated in the bill. The same situation may also exist for the use of private funds for this purpose.

The primary cost components of the bill involve the establishment of the new broadband office, and then subsequently, public-private partnership (P3) agreements entered into with the assistance of the EDA to deploy broadband service projects and provide broadband service in critical areas identified in the bill. The cost of operating the broadband office and the EDA's share of costs under these P3 agreements to increase broadband deployment and service support cannot be known at this time. Although the costs are unknown, they could be considerable, given the extent of the duties and responsibilities required of the broadband office and the EDA in carrying out the duties and responsibilities under the bill, especially in the development, promotion, coordination, oversight, and approval of broadband projects and the provision of broadband services to those

areas provided in the bill. Although, under the bill, the EDA is able to seek assistance from other State agencies, such as the OIT and the BPU, the development of broadband projects and the provision of broadband services are not currently within the realm of expertise of the EDA. The costs of hiring staff and the amount of resources provided to the broadband office to adequately and properly perform the duties and responsibilities of the bill could be significant.

The scope of costs that the EDA will realize in establishing a broadband office and supporting broadband projects and services, as provided under the bill, cannot be known at this time because it is based on funding and need determinations to be made by the EDA after the enactment of the bill. Once those costs are identified, federal and private sources of funds will first be sought to cover those costs. Once those outside funding sources have been exhausted, the EDA will likely have to support remaining costs through the imposition of fees on users of the broadband office and broadband projects and support services, which is how the EDA generally covers its operating costs, but it is not clear what source or revenue the EDA would ultimately choose to establish in order to cover these additional costs.

Section: Authorities, Utilities, Transportation and Communications

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).