

# BROADBAND INFRASTRUCTURE DEVELOPMENT

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## Program Description

The executive budget proposal includes an appropriation and the authority to issue \$15.0 million of bonds for broadband infrastructure development. The proposal would create a competitive grants program that could be accessed by telecommunications companies to expand broadband infrastructure across the state. The program would be administered by the Department of Commerce (DOC). The bond authorization and bond proceeds appropriation will be included in HB 14.

## Program Budget Comparison

Because the Broadband Infrastructure Development proposal creates a new program, there is no biennial comparison available.

## Program Discussion

### LFD ISSUE

#### Lack of Information At This Time

The executive proposal for the Broadband Infrastructure Development program does not include information related to the distribution of the program funds or how the program is to be administered. The lack of information makes it difficult to provide an in-depth analysis of the proposal at this time.

## Funding

The Broadband Infrastructure Development proposal is funded with the proceeds of \$15.0 million of state general obligation (GO) bonds. The costs of the bonds would be incurred by the general fund, including issuance costs and debt service. There is limited certainty related to when the bond proceeds will be needed.

For the purpose of the balance sheet, the executive estimates that the bonds will be issued in FY 2016. The general fund balance sheet includes bond issuance costs of approximately 0.05% for the issue and a small amount of debt service costs over the biennium. The following figure provides a preliminary estimate of the debt service on the \$15.0 million of bond issuance, making use of the executives suggested issuance schedule. Further assumptions used in the calculation of debt service related to this proposal are shown at the top of the figure below.

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Broadband Infrastructure Debt Service Estimate					
Assumptions:					
One Issues with Two Payments per Fiscal Year					
Issued 10/2016					
Each Issue Amount:		\$15,000,000			
Annual Fixed Rate of Interest:		4.4%			
Years to Maturity		20			
FY	Beginning Balance	Principal	Interest	Total FY Payment	Ending Balance
2016	\$15,000,000	\$237,751	\$330,000	\$567,751	\$14,762,249
2017	14,762,249	491,308	644,193	1,135,501	14,270,941
2018	14,270,941	513,163	622,338	1,135,501	13,757,778
2019	13,757,778	535,991	599,510	1,135,501	13,221,787
2020	13,221,787	559,834	575,667	1,135,501	12,661,953
2021	12,661,953	584,738	550,764	1,135,501	12,077,215
2022	12,077,215	610,749	524,752	1,135,501	11,466,466
2023	11,466,466	637,918	497,584	1,135,501	10,828,548
2024	10,828,548	666,295	469,207	1,135,501	10,162,253
2025	10,162,253	695,934	439,567	1,135,501	9,466,319
2026	9,466,319	726,892	408,609	1,135,501	8,739,427
2027	8,739,427	759,227	376,274	1,135,501	7,980,199
2028	7,980,199	793,001	342,501	1,135,501	7,187,198
2029	7,187,198	828,277	307,225	1,135,501	6,358,922
2030	6,358,922	865,122	270,380	1,135,501	5,493,800
2031	5,493,800	903,606	231,896	1,135,501	4,590,194
2032	4,590,194	943,802	191,700	1,135,501	3,646,393
2033	3,646,393	985,786	149,716	1,135,501	2,660,607
2034	2,660,607	1,029,638	105,864	1,135,501	1,630,969
2035	1,630,969	1,075,440	60,062	1,135,501	555,529
2036	555,529	555,529	12,222	567,751	0
Total		\$15,000,000	\$7,710,030		

The executive assumptions for this proposed issue considers that the bonds may be taxable, which increases the rate of interest the state will be required to pay. Based on the assumptions, the debt service on this issue would be \$1.7 million in the 2017 biennium. In later biennia, the cost to the general fund would be \$2.3 million.