

REVENUE ESTIMATING CONFERENCE

Tax: Other Taxes and Fees

Issue: Broadband Internet Infrastructure Pole Attachments

Bill Number(s): CS/CS/HB 1239

Entire Bill

Partial Bill: Section 6

Sponsor(s): Representative Tomkow

Month/Year Impact Begins: July 1, 2021

Date of Analysis: June 21, 2021

Section 1: Narrative

- a. Current Law:** Due to the high cost of construction to build broadband infrastructure in rural areas, consumers living in these areas often lack access or have limited access to fixed broadband services. Per Section 364.0135, F.S., the Department of Economic Opportunity (DEO) is the state agency designated to facilitate the expansion of broadband Internet service in the state and the Florida Office of Broadband, within DEO, is responsible for developing, marketing, and promoting broadband Internet service.
- b. Proposed Change:** The bill creates two new programs to support the expansion of broadband Internet service to customers without access. First, the bill creates a program within the Florida Office of Broadband to award grants to broadband providers who seek to install or deploy infrastructure that expands broadband service to unserved areas.

Second, the bill creates s. 288.9963, F.S., which requires municipal electric utilities, through July 1, 2024, to offer broadband service providers a discounted rate of \$1 per attachment per year for any new pole attachment necessary to make broadband service available to unserved or underserved consumers within the utility's service territory. The bill also prohibits municipal electric utilities from raising their current pole attachment rates for broadband providers between July 1, 2021 and July 31, 2022.

Section 2: Description of Data and Sources

Contact with staff at Florida Municipal Electric Association

Contact with staff at League of Cities

Contact with Attorney representing Florida Municipal Electric Utilities

Center for Technology, Innovation and Competition, Survey of Rates for Pole Attachments and Access to Rights of Way (April 2018)

House Staff Analysis and Senate Staff Analysis (SB 1592)

Section 3: Methodology (Include Assumptions and Attach Details)

Data needed to estimate the fiscal impact on municipal electric utilities as a result of the discounted pole attachment rates for broadband service providers and the one year freeze on rate increases for pole attachments is not readily available. Pole attachment rates, the number of broadband providers who will take advantage of the promotion, and the number of underserved or unserved areas within each municipality is either unavailable or unknown.

Pole Attachment Fees

Local governments establish their pole attachment fees by local ordinance or agreement. As a result, the pole attachment rates vary for each municipal electric utility. These rates may also vary per agreement/contract between the municipal electric utility and the broadband service provider, as the terms and rates in the contract are typically negotiated between the parties.

In 2018, the Center for Technology, Innovation and Competition, conducted a survey of rates for pole attachments and access to rights of way. According to the survey results, the mean rate for wired pole attachments was \$17.58 and the median rate was \$15.56. When looking at rates for different types of utility facility owners (municipal vs private) it was determined that wired pole attachment rates were highest for municipalities (mean \$23.32, median of \$20.40) and lowest for private utilities (mean \$7.69, median \$5.30). Based on recent conversations with representatives of municipal electric utilities in Florida, it is estimated that the current average cost of wired pole attachments is around \$18.00.

Unserved and Underserved Areas

The availability of broadband Internet service access in rural unserved or underserved areas is different for each municipality. Some municipalities may have only a few small unserved or underserved areas within the municipality or they may not have any areas. Whereas in other municipalities the entire county may be unserved or underserved. Currently, information regarding which areas

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are unserved or underserved within each municipality is unknown. As the programs created in HB 1239 are implemented this information may become available.

Broadband Service Providers

While Broadband Internet providers will significantly benefit from the discounted pole attachment rates and the temporary ban on pole attachment rate increases, the number of broadband providers who will take advantage of the promotional rate is indeterminate.

Based on the available data, the revenue impact on local government resulting from the discounted pole attachment fees is indeterminate negative. The revenue impact regarding the rate increase freeze is also indeterminate negative. However, it should be noted that some utility contracts include annual rate increases for pole attachments. These increases would be prohibited for a year, but the utilities may recoup some or all of their losses by increasing the fees in the following year(s).

Section 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2021-22			(**)	0		
2022-23			(**)	0		
2023-24			(**)	0		
2024-25			0	0		
2025-26			0	0		

List of affected Trust Funds: Local funds only

Section 5: Consensus Estimate (Adopted: 06/21/2021): The Conference adopted the proposed estimate.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2021-22	0.0	0.0	0.0	0.0	(**)	0.0	(**)	0.0
2022-23	0.0	0.0	0.0	0.0	(**)	0.0	(**)	0.0
2023-24	0.0	0.0	0.0	0.0	(**)	0.0	(**)	0.0
2024-25	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2025-26	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0