

**Legislative Council Staff***Nonpartisan Services for Colorado's Legislature***Fiscal Note**

Drafting Number:	LLS 24-0957	Date:	February 15, 2024
Prime Sponsors:	Sen. Lundein; Roberts	Bill Status:	Senate Business, Labor, & Tech.
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Bill Topic: TELECOMMUNICATIONS SECURITY

Summary of Fiscal Impact:	<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> State Transfer	<input checked="" type="checkbox"/> Local Government
	<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> TABOR Refund	<input type="checkbox"/> Statutory Public Entity

The bill prohibits telecommunications providers from using certain equipment in critical infrastructure. It increases state revenue and expenditures on an ongoing basis beginning in FY 2024-25.

Appropriation Summary:	For FY 2024-25, the bill requires an appropriation of \$97,087 to the Department of Regulatory Agencies.
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Fiscal Note Status:	The fiscal note reflects the introduced bill.
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Table 1
State Fiscal Impacts Under SB 24-151

		Budget Year FY 2024-25	Out Year FY 2025-26
Revenue	General Fund	\$14,000	\$14,000
	Total Revenue	\$14,000	\$14,000
Expenditures	General Fund	\$97,087	\$172,464
	Centrally Appropriated	\$20,343	\$30,943
	Total Expenditures	\$117,430	\$203,407
	Total FTE	1.0 FTE	1.6 FTE
Transfers		-	-
Other Budget Impacts	TABOR Refund	\$14,000	\$14,000
	General Fund Reserve	\$14,563	\$25,870

Summary of Legislation

The bill prohibits critical telecommunications infrastructure from including equipment or components:

- manufactured by an entity subject to federal sanctions;
- otherwise banned by the federal government; or
- manufactured in, or manufactured by an entity located in, certain foreign countries.

Telecommunications providers must replace any prohibited equipment, and are not required to seek additional permits for complying if the provider notifies the Public Utilities Commission (PUC) and if the replacement equipment is substantially similar to the equipment it replaces.

Each year beginning in 2025, telecommunications providers must register with the PUC, which includes paying a registration fee, informing the PUC with contact information for the provider's operations staff, and certifying that the provider's equipment meets the bill's requirements or certain exemptions. Failure to comply subjects providers to a fine. The PUC may adopt rules to implement the registration program.

Assumptions

Expenditures in the PUC, and activities funded from regulatory revenue such as registration fees, are typically paid for from cash funds. Since the bill does not specify a fund to receive fee revenue, the fiscal note assumes that the revenue and expenditure impacts identified here are to the General Fund.

State Revenue

The bill increases General Fund revenue from registration fees paid by telecommunications providers.

Fee impact on telecommunications providers. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. These fee amounts are estimates only, actual fees will be set administratively by the PUC based on cash fund balance, program costs, and the number of registrations subject to the fee. The table below identifies the fee impact of this bill, based on an estimated 280 providers. The fiscal note assumes that the PUC will set the fee at the maximum amount, \$50 per registrant.

Table 2
Fee Impact on Telecommunications Providers

Fiscal Year	Type of Fee	Proposed Fee	Number Affected	Total Fee Impact
FY 2024-25	Annual Registration Fee	\$50.00	280	\$14,000
FY 2025-26	Annual Registration Fee	\$50.00	280	\$14,000

Civil penalties. Revenue may also increase from fines paid by telecommunications providers that violate the registration provisions of the bill. Fines range from \$100 to \$1,000 per day, at the discretion of the PUC. Fine revenue, which is subject to TABOR, will depend on the number of providers who are out of compliance, the length of their noncompliance, and enforcement actions taken by the PUC.

State Expenditures

The bill increases expenditures in the PUC in the Department of Regulatory Agencies by about \$120,000 in FY 2024-25 and \$150,000 in FY 2025-26, paid from the General Fund. Expenditures are shown in Table 3 and detailed below.

Table 3
Expenditures Under SB 24-151

	FY 2024-25	FY 2025-26
Department of Regulatory Agencies		
Personal Services	\$89,137	\$138,270
Operating Expenses	\$1,280	\$1,920
Capital Outlay Costs	\$6,670	\$6,670
Legal Services	-	\$25,604
Centrally Appropriated Costs ¹	\$20,343	\$30,943
FTE – Personal Services	1.0 FTE	1.5 FTE
FTE – Legal Services	-	0.1 FTE
Total Cost	\$117,430	\$146,860
Total FTE	1.0 FTE	1.6 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Program development. The bill increases workload, primarily in FY 2024-25, to conduct rulemaking, process registration applications, and to provide technical assistance to telecommunications providers on the bill's requirements. This requires 1.0 FTE in FY 2024-25, decreasing to 0.1 FTE in FY 2025-26 and subsequent years. Standard operating and capital outlay costs are included.

Enforcement. Beginning in FY 2025-26, the bill is expected to increase expenditures for enforcement actions and for legal services, as described below. The enforcement costs identified in this fiscal note assume that approximately ten percent of telecommunications providers will be out of compliance for an average of six days in FY 2025-26. Over time, compliance is expected to increase and enforcement expenditures to correspondingly decrease. Any changes to enforcement costs in subsequent years will be addressed through the annual budget process.

- **Investigations and proceedings.** PUC requires staff to investigate telecommunications providers that are out of compliance and to enforce the requirements via fines. Although most providers are expected to comply with the bill's requirements, some violations may be expected and PUC's enforcement actions may be challenged. Conducting investigations, assessing penalties, and adjudication require an estimated 1.4 FTE beginning in FY 2025-26.
- **Legal services.** The PUC requires legal services to represent it in challenges to regulatory actions it takes against telecommunications providers. This is estimated at 200 hours of legal services per year (0.1 FTE), starting once the registration program takes effect on January 15, 2025. Legal services are provided by the Department of Law at a rate of \$128.02 per hour.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 3.

Other Budget Impacts

TABOR refunds. The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the December 2023 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26. Because TABOR refunds are paid from the General Fund, increased General Fund revenue will increase the TABOR refund obligation, but result in no net change to the amount of General Fund available to spend or save.

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Local Government

Local governments that provide telecommunications services will have cost increases to register with the PUC and to replace any prohibited equipment.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2024-25, the bill requires a General Fund appropriation of \$97,087 to the Department of Regulatory Agencies, and 1.0 FTE.

State and Local Government Contacts

Counties	Information Technology	Law
Regulatory Agencies		

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).