

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT  
LEGISLATIVE RESEARCH COMMISSION  
2019 REGULAR SESSION**

**MEASURE**

2019 BR NUMBER 1348

HOUSE BILL NUMBER 509

**TITLE** AN ACT relating to the Kentucky Communications Network Authority.

**SPONSOR** Representative David Osborne

**FISCAL SUMMARY**

STATE FISCAL IMPACT:  YES  NO  UNCERTAIN

OTHER FISCAL STATEMENT(S) THAT MAY APPLY:  ACTUARIAL ANALYSIS  LOCAL MANDATE  CORRECTIONS IMPACT  HEALTH BENEFIT MANDATE

APPROPRIATION UNIT(S) IMPACTED: Kentucky Communications Network Authority

FUND(S) IMPACTED:  GENERAL  ROAD  FEDERAL  RESTRICTED \_\_\_\_\_

<b>FISCAL ESTIMATES</b>	<b>2018-2019</b>	<b>2019-2020</b>	<b>ANNUAL IMPACT AT FULL IMPLEMENTATION</b>
<b>REVENUES</b>			
<b>EXPENDITURES</b>			Indeterminable
<b>NET EFFECT</b>			(Indeterminable)

( ) indicates a decrease/negative

**PURPOSE OF MEASURE:** This measure permits the Kentucky Communications Network Authority (KCNA) to access a net amount of \$110,000,000 in debt, while also providing technical clarification regarding securitization of the debt, the type of debt, and increases the total amount of debt accessible to be inclusive of transaction costs.

**FISCAL EXPLANATION:** This measure permits KCNA to issue a total amount of debt not to exceed \$130,000,000, whereas current statute only permits the agency to enter into a financing agreement of up to \$110,000,000, as an amount inclusive of transaction costs. The current authorization cap results in less money being deposited in the project fund than required to satisfy the needs for both a Settlement and Release Agreement dated December 14, 2018, and contingency project funds.

Current statute provides that KCNA may leverage future revenues “from provision of government-to-government services and sale or lease of excess capacity” to incur debt in the name of the Authority. This measure further provides that future revenues received from the “lease of the network, or portions of the network, to the Finance and Administration Cabinet (the Cabinet)” may be leveraged as well.

The revenue model for Kentucky Wired, which is the project created through the project agreement, is predicated partly on migrating state government and higher education sites to the network. This language allows KCNA a mechanism to lease the network either directly to the Cabinet or possibly through the Cabinet to other state agencies. This change would make debt service on these bonds subject, in part, to

General Assembly appropriations. Ultimately, this flexibility could result in lower borrowing costs for the borrower, KCNA, and thus the commonwealth, than current law.

To summarize, there is no fiscal impact in the current biennium of this measure, as costs of issuance and potential capitalized interest would come from bond proceeds; however, annual debt service and repayment of capitalized interest will ultimately be secured and payable from future revenues at least partly subject to General Assembly appropriations. Annual debt service costs are indeterminable, as market conditions, credit ratings, and various other factors are at play, but potentially in the millions. This liability exists with or without the changes this measure provides. However, adding the flexibility may potentially offset this liability by a reduction in borrowing costs.

**DATA SOURCE(S): KCNA, Finance and Administration Cabinet, and LRC staff**

**PREPARER: Liz Columbia NOTE NUMBER: 111 REVIEW: JAB DATE: 3/8/2019**