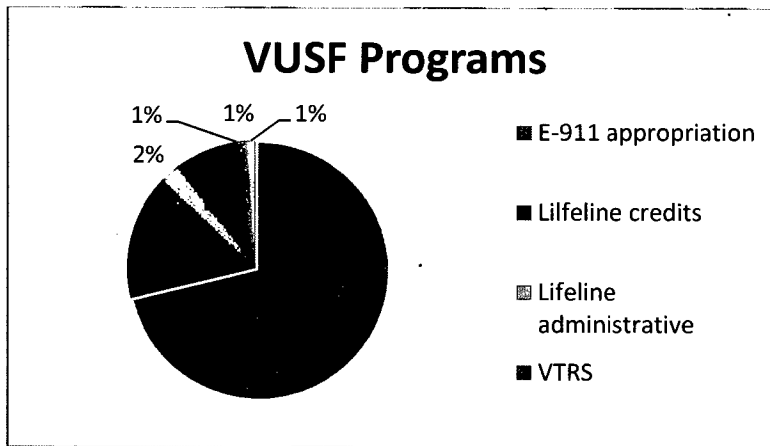


OVERVIEW OF THE VERMONT UNIVERSAL SERVICE FUND AND KEY CHANGES
PROPOSED IN H.297

Overview

The purpose of the Vermont Universal Service Fund (VUSF) is to allow every Vermont household to obtain basic telecommunications service at an affordable price. The VUSF is funded by a charge applied to all retail telecommunications services provided in the state. The VUSF surcharge that appears on retail customers' monthly invoices is calculated as a prescribed percentage of the total charges for retail telecommunications services purchased by the customer. Vermont law caps that rate at 2% and directs the Public Service Board to set a rate within that cap. The current rate is 1.8%. The proforma financial projections for the fiscal year ending August 2014 developed by the Vermont Public Service Board indicate that based on a revenue base of \$354,380,638 and a VT USF charge of 1.8%, the fund was projected to generate \$6,348,758.

The revenue generated from the surcharge pays for three programs: Telecommunications Relay Service, Lifeline, and Enhanced-911. VUSF Revenue also pays for the fund administrator. The chart below outlines the distributions to each program for the 2011/2012 fiscal year.



H.297 Proposal

Language in H.297 would increase the VUSF surcharge rate to 2%. Assuming the same \$354M revenue base, the revenue generated with a 2% fee would be \$7,087,612, indicating an increase of \$738,854. The additional revenue would be used to fund a fourth program under the VUSF – the Connectivity Fund. The Connectivity Fund would help expand broadband service in Vermont by funding expansion projects with speeds of 4 mbps downstream and 1 mbps upstream to every e-911 location in Vermont, beginning with locations not served as of December 31, 2013.

Under the legislation, the Department of Public Service would designate census blocks eligible for funding and solicit bids from eligible service providers, including the Division for Connectivity¹, for broadband projects that would be paid for in whole or in part by the fund. The The Legislation would require the Department to give priority to proposals that reflect the lowest cost of providing services to unserved locations.

¹ The Division for Connectivity would be a successor in interest to, and the continuation of, the Vermont Telecommunications Authority (VTA).