

Vermont Legislative Joint Fiscal Office

One Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • Fax: (802) 828-2483

FISCAL NOTE

Date: February 7, 2018
Prepared by: Daniel Dickerson

H.582 An act relating to increased funding for the Connectivity Initiative – House Energy and Technology recommendation of amendment – draft 1.1

<https://legislature.vermont.gov/assets/Documents/2018/WorkGroups/House%20Ways%20and%20Means/Bills/H.582/H.582~Charles%20Storrow~Draft%20No.%201.1,%201-18-2018~2-7-2018.pdf>

Bill Summary

This bill would increase the amount of the universal service charge from 2.0% on retail telecommunications service to 2.5%. This increase would go into effect on July 1, 2018 for a four year period ending on June 30, 2022, at which time the rate would revert back to 2.0%. Proceeds from the 0.5% increase would go to the Connectivity Fund established in 30 VSA §7516.

Fiscal Impacts

4-year Universal Service Fund (USF) Revenue and Transfer Summary (in thousands)¹

State Fiscal Year	Universal Service Charge revenues	Transfer to Connectivity Fund from USF
FY2014	\$6,089	\$ -
FY2015	\$6,294	\$1,926
FY2016	\$6,543	\$1,140
FY2017	\$6,237	\$461
4-year average	\$6,291	

Currently, revenues from the 2.0% universal service charges go to the universal service fund totaling about \$6.3 million per year on average (see chart above). Some monies from the USF are transferred to the Connectivity Fund on an annual basis at the discretion of a fiscal agent that manages both funds. Statute requires that Connectivity Fund dollars, transferred from the USF, be split between connectivity initiative grants (55%) and a high-cost program (45%). Connectivity initiative grants are used to provide last-mile broadband coverage and the high-cost program supports Vermont-eligible telecom carriers (VETCs) who make capital improvements in rural areas of the state. A detailed chart of Connectivity Fund activity is on the following page.

¹ Numbers were taken from Universal Service Fund audit reports. Links provided below.

<http://publicservice.vermont.gov/sites/dps/files/documents/Telecom/USF/FY17%20USF%20Audit%20Report%20-%20Final.pdf>

<http://publicservice.vermont.gov/sites/dps/files/documents/Telecom/USF/Vermont%20Universal.pdf>

Based on the average annual revenues above, an increase of 0.5% to the universal service charge would raise approximately \$1.55 million to \$1.60 million per year for the Connectivity Fund and \$6.2 million to \$6.4 million total over the 4-year period of the increased charge. These revenue estimates do not include any additional USF monies that may be transferred to the Connectivity Fund at the discretion of the fiscal agent. Total annual expenses for FY19-FY22 from the Connectivity Fund, assuming the new revenue source, are unknown at this time.

Connectivity Fund Detailed Summary (in thousands)²

State Fiscal Year	Transfers to Connectivity Fund	Connectivity Fund Revenues (0.5%)	Connectivity Fund Expenses	Connectivity Fund Balance
FY2015	\$1,926	\$0	(\$0)	\$1,926
FY2016	\$1,140	\$0	(\$270)	\$2,796
FY2017	\$761 ³	\$0	(\$898)	\$2,359
<i>FY2018</i>	<i>\$400 est.</i>	<i>\$0</i>	<i>unknown</i>	<i>unknown</i>
<i>FY19-22 est.</i>	<i>unknown</i>	<i>\$1,550-\$1,600/yr.</i>	<i>unknown</i>	<i>unknown</i>

² Numbers taken from Universal Service Fund audit reports (links on first page) and from a presentation provided to the House Committee on Energy and Technology.

[https://legislature.vermont.gov/assets/Documents/2018/WorkGroups/House%20Energy%20and%20Technology/Bills/H.582/Testimony/H.582~Clay%20Purvis~Vermont%20Universal%20Service%20Fund%20Over
view~1-24-2018.pdf](https://legislature.vermont.gov/assets/Documents/2018/WorkGroups/House%20Energy%20and%20Technology/Bills/H.582/Testimony/H.582~Clay%20Purvis~Vermont%20Universal%20Service%20Fund%20Overview~1-24-2018.pdf)

³ In FY2017, of the \$761k total transfer to the Connectivity Fund, \$461k was from the USF and \$300k was from the Capital Bill.