

H.513 – An Act Relating to Broadband Deployment Throughout Vermont

House Energy and Technology Committee Bill

Section by Section Summary

Legislative Council – March 22, 2019

Section	Summary
Sec. 1	Legislative Findings
Secs. 2-3	<p>Vermont Universal Service Fund – Rate of Charge Increase</p> <ul style="list-style-type: none"> • Increases the rate by .5% (current rate is 2%) • Raises approximately \$1.5M annually • Money transferred to the Connectivity Fund <ul style="list-style-type: none"> ○ Up to \$120K set aside annually for a Rural Broadband Technical Assistance Specialist within DPS (see also Sec. 21) ○ Remaining amount allocated as follows: <ul style="list-style-type: none"> ▪ 45% High-Cost Program ▪ 55% Connectivity Initiative
Sec. 4	<p>High-Cost Program</p> <ul style="list-style-type: none"> • This is an existing program that uses State universal service funds to subsidize voice and broadband build out in high-cost areas • The proposed amendment would increase the eligibility broadband speed requirement from at least 4/1 Mbps to at least 25/3 Mbps
Sec. 5	<p>Connectivity Initiative</p> <ul style="list-style-type: none"> • This is an existing program that uses State universal service funds to award grants to ISPs for broadband buildout in unserved and underserved areas • The proposed amendment would increase the eligibility broadband speed requirement from 10/1 Mbps to 25/3 Mbps. Speed remains statutorily indexed to the FCC CAF Phase II speed requirements (currently 10/1 Mbps), whichever is higher.
Secs. 6-7	<p>Vermont Universal Service Fund – Prepaid Wireless Telecommunications Service</p> <ul style="list-style-type: none"> • Current law requires prepaid wireless providers to remit to the VUSF fiscal agent 2% of retail prepaid wireless telecommunications service in VT, based on a PUC formula • The proposed amendment would impose the Charge on prepaid wireless service at the point of sale • Commissioner of Taxes establishes registration and payment procedures consistent with sales tax procedures • New payment structure begins January 1, 2020 • The federal “Wireless Telecommunications Tax and Fee Collection Fairness Act,” enacted last year, likely preempts Vt’s existing contribution method
Sec. 8	<p>FY 2019 one-time General Fund transfer of \$955K from General Fund to Connectivity Fund to be allocated as follows:</p>

	<ul style="list-style-type: none"> • \$700K to fund grants through a new Broadband Innovation Grant Program (see Sec. 10) • \$205K to fund grants through the existing Connectivity Initiative • \$50K to DPS to assess the feasibility of providing broadband service using electric utility infrastructure (see Sec. 11)
Sec. 9	FY 2019 one-time 45K General Fund appropriation to the ThinkVermont Innovation Initiative established in 2018 within ACCD to support small business growth. Purpose is to fund technical assistance grants to municipalities planning broadband projects.
Sec. 10	<p>Establishes the Broadband Innovation Grant Program within DPS</p> <ul style="list-style-type: none"> • Purpose is to fund feasibility studies related to broadband deployment in rural unserved and underserved areas • Eligible applicants include munis, nonprofits, coops, and for-profits • Conditions include: <ul style="list-style-type: none"> ○ Speeds of at least 25/3 Mbps ○ Must produce an actionable business plan ○ A grant may not exceed \$60K ○ Up to 2 electric distribution utilities may receive a grant • DPS must report annually to legislative committees on study findings and recommendations
Secs. 11	Requires DPS to study the feasibility of electric companies providing broadband using electric infrastructure. Report to legislative committees due on or before January 1, 2020.
Sec. 12	Removes prohibition on electric coops receiving financing from the Rural Utilities Service for nonelectric activities.
Sec. 13	Allows municipalities to enter into a public-private partnership with an ISP that would be authorized to own, operate, or manage a communications plant financed in whole or in part with municipal revenue bonds. The private ISP must guarantee the bond and shall be responsible for debt service.
Sec. 14	Requires the Secretary of Administration, in collaboration with the State Treasurer and the <i>Executive</i> Director of the <i>Vermont</i> Municipal Bond Bank, to make a recommendation regarding the use of general obligation bonds by a municipality to finance capital improvements related to the operation of a communications plant. Report to legislative committees due on or before December 1, 2019.
Sec. 15 (See also Secs. 16, 17, and 18)	<p>Establishes the Broadband Expansion Loan Program within VEDA</p> <ul style="list-style-type: none"> • Loans for start-up and expansion enabling ISPs to offer broadband to unserved and underserved locations • VEDA policies shall specify: <ul style="list-style-type: none"> ○ Maximum loan is \$1.8M <ul style="list-style-type: none"> ▪ \$1.8M plus borrower’s 10% of project costs (\$1.2M) means up to \$2M total for each project [\$12M for 6 projects]

	<ul style="list-style-type: none"> ○ Eligible borrowers include munis, nonprofits, coops, and for-profits ○ May borrow up to 90% of project costs ○ Interest and principal may be deferred for up to 2 years ● Maximum total loan amount for the Program is \$10.8M <ul style="list-style-type: none"> ○ State share is <i>about</i> 75% of that amount - \$8.5M ○ VEDA share is <i>about</i> 25% of that amount - \$3M ○ (The actual State share will depend on the amount, if any, of annual appropriations.) ● Speeds of at least 25/3 Mbps available to all customers ● At least 33% of potential customers have access to less than 10/1 Mbps ● At least 10% of potential customers have access to less than 4/1 Mbps ● In FY 2020, \$540K appropriated to VEDA to serve as loan loss reserves in calendar year 2020 [Floor Amendment deletes this. Just the \$540K in Sec. 16 remains.] ● Total appropriation over life of Program shall not exceed \$8.5M
Sec. 16	<p>FY 2019 one-time \$540K General Fund appropriation to VEDA to serve as loan loss reserves for the Broadband Expansion Loan Program.</p> <ul style="list-style-type: none"> ○ This presumes the Authority will lend half of its total loan amount - \$5.4M (i.e., half of \$10.8M) ○ 10% of \$5.4M is \$540K ○ 10% is a much higher loan loss rate than VEDA's historic loan loss rate, which is .88%. This reflects the higher-risk nature of these loans.
Secs. 17-18	<p>State Bonding Authority</p> <ul style="list-style-type: none"> ● Increases VEDA's moral obligation bonding authority from \$175M to \$181M ● Decreases the VTA's moral obligation bonding authority from \$40M to \$34M
Secs. 19-20	<p>Pertains to Pole Attachments</p> <ul style="list-style-type: none"> ● Requires PUC to revise its pole-attachment rule to include the following: <ul style="list-style-type: none"> ○ one-touch make-ready policies; ○ measures designed to minimize delays and costs and promote fair and reasonable rates and the rapid resolution of disputes; and ○ specifications regarding when a make-ready completion period commences and ends. ● The final proposed rule must be filed with LCAR on or before December 1, 2019. ● By statute (no rulemaking), requires the existing PUC pole-attachment rule to specify that: <ul style="list-style-type: none"> ○ A make-ready completion period may not be extended solely because a pole is jointly owned ○ If a pole is jointly owned, joint owners must notify applicant which owner is responsible for timely completion of the make-ready process ○ Allows attaching entity to hire a qualified contractor to complete make-ready work not finished within the completion period ○ Requires pole owners and attaching entities to submit a list of qualified contractors to the PUC

Sec. 21	Authorizes one, new classified position, Rural Broadband Technical Assistance Specialist, to be established within DPS in FY 2020. Funded through the Connectivity Fund.
Sec. 22	Effective on passage, except that Sec. 6 (repeal of prepaid wireless provider charge) shall take effect on January 1, 2020.

List of Witnesses

- Jeff Austin, Director of Government Relations, Consolidated Communications
- Fletcher Kittredge, CEO, GWI
- Carole Monroe, CEO, ValleyNet and ECFiber
- Leslie Nulty, CFO, Mansfield Community Fiber, Inc.
- Brian Otley, Senior Vice President of Operations, Green Mountain Power
- Clay Purvis, Director of Telecommunications and Connectivity, Department of Public Service
- Maria Royle, Legislative Counsel, Office of Legislative Council
- Irv Thomaes, Chair, ECFiber
- Dylan Zwicky, Lobbyist Representing New England Cable & Telecommunications Association (NECTA)
- Scott Baker, Director of Financial Reporting, Office of the State Treasurer
- Jo Bradley, CEO, Vermont Economic Development Authority
- Ted Brady, Deputy Commissioner, Agency of Commerce and Community Development
- Michael Gaughan, Executive Director, Vermont Municipal Bond Bank
- Paul Giuliani, Bond Counsel, Primmer Piper and Eggleston Cramer PC
- Karen Horn, Director of Public Policy & Advocacy, Vermont League of Cities and Towns
- Beth Pearce, State Treasurer, Office of the State Treasurer
- Cassie Polhemus, Chief Operating Officer and Incoming CEO, Vermont Economic Development Authority
- Barry Bernstein, President of the Board of Directors, Washington Electric Coop
- Andrea Cohen, Manager of Government Affairs and Member Relations, Vermont Electric Cooperative, Inc.
- John Flynn, Vice President of Strategic Business Development, VELCO
- Patricia Richards, General Manager, Washington Electric Coop
- Jeanne Kennedy, Lobbyist, T-Mobile
- Roger Nishi, Vice President of Industry Relations, Waitsfield Champlain Valley Telecom
- Chris Rice, Lobbyist, Verizon
- Erin Sigrist, President, Vermont Retail & Grocers Association
- Charles Storrow, Lobbyist, AT&T