

Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

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H.513 An act relating to broadband deployment throughout Vermont – Senate Finance proposal of amendment

<https://legislature.vermont.gov/Documents/2020/WorkGroups/Senate%20Appropriations/Bills/H.513/H.513~Senate%20Committee%20on%20Finance~Broadband%20Deployment%20Through%20VT~5-14-2019.pdf>

Bill Summary

The bill contains numerous provisions with the intent primarily of supporting the expansion of broadband access in rural areas of Vermont.

Fiscal Summary

This pertains to sections of the bill with estimated fiscal impacts to the State.

Sec. 2-3 - Universal Service Charge

The bill proposes to increase the Universal Service Charge, which applies to retail telecommunications service, from 2.0% to 2.3%. Over the past five years the charge has brought in approximately \$6.2 million per year on average, although revenues have trended downwards over the past three years.¹ New revenues would be allocated to the Connectivity Fund, of which, up to \$120,000 would be appropriated to the Department of Public Service (DPS) to fund a new position (authorized in Sec. 21). Actual costs for the position may be lower than \$120,000 in early years but then potentially greater than \$120,000 in future years. ***New revenues from the 0.3% Universal Service Charge increase would be approximately \$900,000 in FY2020.*** New revenues, as well as existing revenues, may be impacted slightly from the roll-out of the new collection mechanism for prepaid wireless as proposed in sections 6-7 of this bill.

Sec. 6-7 - Prepaid Wireless Telecommunication Service

The bill would change the way that the Universal Service Charge is applied to prepaid telecommunications service. The statute would be updated to require that the charge would be applied to all retail sales of telecommunications service that are subject to the sales and use tax, with sellers remitting proceeds to the Department of Taxes, which would then pass the proceeds to the fiscal agent. ***The Tax Department estimates that it would incur \$250,000 in one-time costs to enact procedures for the collection of the charge and would incur ongoing costs of \$90,000 annually to collect the proceeds of the charge.*** The bill does not currently contain a provision to reimburse, or otherwise allocate funding to, the Tax Department to cover start-up

¹ Universal Service Charge revenues taken from Universal Service Fund annual audit reports.

<https://publicservice.vermont.gov/telecom/vusf>

and ongoing costs for collecting the charge. These provisions would not take effect until January 1, 2020.

Sec. 8 - FY19 General Fund transfer

The bill would require a one-time *General Fund transfer of \$955,000 in FY2019* to the Connectivity Fund, and allocated as follows:

- \$700,000 for Broadband Innovation Grant Program
- \$205,000 for Connectivity Initiative grants
- \$50,000 to the Department of Public Service (DPS) for a feasibility study of providing broadband service using electricity infrastructure

Sec. 9 - FY19 General Fund Appropriation

The bill would require a one-time *General Fund appropriation of \$45,000 in FY2019* to the ThinkVermont Innovation Initiative for grants to municipalities planning broadband projects.

Sec. 10 - Broadband Innovation Grant program

The Broadband Innovation program would exist within DPS and would fund feasibility studies for broadband deployment in rural areas. Funding for the grant program is provided in Sec. 8 of this bill.

Sec. 15-18 - Broadband Expansion Loan Program

The bill would authorize the Vermont Economic Development Agency (VEDA) to provide loans to expand broadband service to unserved and underserved areas of Vermont. These would be higher-risk loans than those typically offered by VEDA, and would be partially underwritten by State funding. The language would require that “The Authority shall not make a loan unless the Authority has reasonable expectation of the long-term viability of the business.” VEDA would be authorized to provide funding of up to \$4.0 million per loan, and up to a \$10.8 million maximum. The State would provide loan-loss reserves in the bill as follows:

- ***FY2019 - \$540,000 General Fund appropriation (Sec. 16)***

The maximum cumulative allocation from the State over the life of this program would be \$8.5 million. VEDA would need to reach its historic loan loss reserve rate, currently 0.88%, before State funds would be expended. After reaching the historic loan loss rate, VEDA would be required to absorb up to \$3 million in losses, to be shared with the State on a pro rata basis. VEDA’s bonding authority would be increased by \$6 million while Vermont Telecom Authority’s bonding authority would decrease by \$6 million.

This loan program could result in State-incurred losses over the life of the program, up to 100% of the total State loan loss reserve allocation.

Sec. 21 – New Classified Position

A new position titled Rural Broadband Technical Assistance Specialist would be authorized by this bill and funded with a part of the proceeds from the Universal Service Charge increase in Sec. 2-3 of the bill language, totaling ***up to \$120,000 per year to pay for salary and benefits.*** The position would be housed within the Department of Public Service.