

Sec 1. 10 V.S.A. § 280 is amended by adding

Subchapter 014: Broadband Expansion Loan Program

§ 280 ee. Findings and creation

(a) Findings

(1) According to the 2018 State of Vermont Telecommunications Plan, 7 percent of Vermont addresses do not have access to the most basic high-speed internet access – 4 megabits per second down and 1 megabit per second up. Nearly 20 percent of Vermont addresses lack access to modern broadband speeds of 10 mbps down and 1 mbps up. The Telecom Plan goes on to state, “...reaching the last mile will require a grassroots approach that is founded on input and support of local communities, whose residents are best situated to decide what broadband solution fits their needs.”

(2) Existing broadband providers are not providing adequate service to many rural areas where fewer potential customers reduce the profitability necessary to justify expanding a system.

(3) Multiple communities have attempted to implement their own unique solutions outside of traditional delivery methods but have been hampered by a lack of access to capital. Existing broadband grant programs do not offer the scale to solve this problem, and banks and investors typically shy away from start-up businesses with limited revenue history and little equity or collateral. These community solutions typically mean partnering with a new business that must design and build a network, which is followed by 12-24 month process of customer acquisition.

(b) Creation

- (1) There is established within the Authority the Vermont Broadband Expansion Loan Program, referred to in this subchapter as “the Program,” the purpose of which shall be to enable the Authority to make loans that expand broadband to unserved and underserved Vermonters.
- (2) Given the foregoing, it is understood these are high risk loans to likely start-up businesses and losses in the program will be much higher than the Authority’s historical loss rate. Loans will be underwritten by the Authority utilizing more lenient underwriting parameters, however the Authority will not make a loan to a provider unless the Authority has a reasonable expectation of the long-term viability of the buiness.

§ 280 ff. Broadband Expansion Loan Program

(a) The Program shall make loans for start-up and expansion that enables the providers to expand broadband availability in accordance with the State's Telecommunications Plan.

(b) The Authority shall adopt regulations, policies, and procedures for the Program as are necessary to ensure the expansion of broadband availability to the largest number of Vermont addresses as possible, including:

- (1) Loans may be made in an amount of up to \$1.8 million.
- (2) Eligible borrowers include units of government, non-profit organizations, cooperatives, and for-profit businesses.
- (3) Borrowers may borrow up to 90 percent of project costs.
- (4) Interest and principal may be deferred up to two years.
- (5) A maximum of \$10,800,000 in VEDA loans may be made under the Program commencing on the effective date of the legislation.

(c) To ensure the limited funding available through the Program makes the highest quality broadband available to the most Vermonters and prioritizes delivering service to the unserved and underserved, the Authority shall consult with the Department of Public Service to:

- (1) ensure that the provider makes service of at least 25 megabits per second down and 3 megabits per second up available to all customers;
- (2) certify that 33 percent of the provider's potential customers have less than 10 megabits per second down and 1 megabit per second up;
- (3) certify that at least 10 percent of the potential customers have less than 4 megabits per second down and 1 megabit per second up;
- (4) ensure that providers have the capability of offering 100 megabit per second down and 100 megabit per second up by 2024.

Sec. 2. Funding

(a) The State Treasurer in consultation with the Secretary of Administration shall negotiate an agreement with the Authority.

(b) Repayment from or appropriation to the Authority in years 2021 and until the

program terminates is based on the Authority's contributions to Loan Loss Reserves for the Program in accordance with generally accepted accounting principles.

- (1) In fiscal year 2020, an appropriation in the amount of \$540,000 shall be made to the Agency of Commerce and Community Development to provide the Authority with estimated loan losses incurred by the Authority in 2020. Any difference between the actual loan losses incurred by the Authority in fiscal year 2020 through Program termination shall be adjusted in the following year's appropriation.
- (2) The program will terminate when all VEDA borrowers enrolled in the Program have re-paid in full or loans have been charged-off against the reserves of the Authority.
- (3) Upon termination of the program any remaining funds held by the Authority and not used for the Program shall be repaid to the state.
- (4) The accumulated total of the appropriations shall not exceed \$8.5 million over the life of the Program
- (5) The Authority will absorb its historical Loan Loss Rate before any state funds are expended.
- (6) Additionally, the Authority will absorb up to \$3.0 million in Program losses shared with the State on a pro-rata basis.