

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

House Energy and Technology Committee Bill – As Passed the House

Section by Section Summary

*Legislative Council – March 28, 2019*

Section	Summary
Sec. 1	<p>Legislative Findings (There are 10 findings. Only the first finding is summarized here.)</p> <ul style="list-style-type: none"> <li>• 7 percent of VT addresses do not have access to 4/1 Mbps</li> <li>• 20 percent of VT addresses do not have access to 10/1 Mbps</li> <li>• 27 percent of VT addresses do not have access to 25/3 Mbps</li> </ul>
Secs. 2–3	<p>Vermont Universal Service Fund – Rate of Charge Increase</p> <ul style="list-style-type: none"> <li>• Increases the rate by 0.5% (current rate is 2%)</li> <li>• Raises approximately <b>\$1.5M</b> annually</li> <li>• Money transferred to the Connectivity Fund <ul style="list-style-type: none"> <li>○ <b>Up to \$120K</b> set aside annually for a Rural Broadband Technical Assistance Specialist within DPS (see also Sec. 21)</li> <li>○ Remaining amount allocated as follows (per statute): <ul style="list-style-type: none"> <li>▪ 45% High-Cost Program</li> <li>▪ 55% Connectivity Initiative</li> </ul> </li> </ul> </li> </ul>
Sec. 4	<p>High-Cost Program</p> <ul style="list-style-type: none"> <li>• This is an existing program that uses State universal service funds to subsidize voice and broadband buildout in high-cost areas</li> <li>• The proposed amendment would increase the eligibility broadband speed requirement from at least 4/1 Mbps to at least 25/3 Mbps</li> </ul>
Sec. 5	<p>Connectivity Initiative</p> <ul style="list-style-type: none"> <li>• This is an existing program that uses State universal service funds to award grants to ISPs for broadband buildout in unserved and underserved areas</li> <li>• 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.</li> </ul>
Secs. 6–7	<p>Vermont Universal Service Fund – Prepaid Wireless Telecommunications Service</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• The proposed amendment would impose the Charge on prepaid wireless service at the point of sale</li> <li>• Commissioner of Taxes establishes registration and payment procedures consistent with sales tax procedures</li> <li>• New payment structure begins January 1, 2020</li> <li>• The federal “Wireless Telecommunications Tax and Fee Collection Fairness Act,” enacted last year, likely preempts VT’s existing contribution method</li> </ul>

Sec. 8	<p>FY 2019 one-time General Fund transfer of <b>\$955K</b> to the Connectivity Fund to be allocated as follows:</p> <ul style="list-style-type: none"> <li>• <b>\$700K</b> to fund grants through a new Broadband Innovation Grant Program (see Sec. 10)</li> <li>• <b>\$205K</b> to fund grants through the existing Connectivity Initiative</li> <li>• <b>\$50K</b> to DPS to assess the feasibility of providing broadband service using electric utility infrastructure (see Sec. 11)</li> </ul>
Sec. 9	<p>FY 2019 one-time <b>45K</b> 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.</p>
Sec. 10	<p>Establishes the Broadband Innovation Grant Program within DPS</p> <ul style="list-style-type: none"> <li>• Purpose is to fund feasibility studies related to broadband deployment in rural unserved and underserved areas</li> <li>• Eligible applicants include munis, nonprofits, co-ops, and for-profits</li> <li>• Conditions include: <ul style="list-style-type: none"> <li>○ Speeds of at least 25/3 Mbps</li> <li>○ Must produce an actionable business plan</li> <li>○ A grant may not exceed \$60K</li> <li>○ Up to 2 electric distribution utilities may receive a grant</li> </ul> </li> <li>• DPS must report annually to legislative committees on study findings and recommendations</li> </ul>
Sec. 11	<p>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.</p>
Sec. 12	<p>Removes prohibition on electric co-ops receiving financing from the Rural Utilities Service for nonelectric activities.</p>
Sec. 13	<p>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.</p>
Sec. 14	<p>Requires the Secretary of Administration, in collaboration with the State Treasurer and the Executive Director of the Vermont 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.</p>
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"> <li>• Loans for start-up and expansion enabling ISPs to offer broadband to unserved and underserved locations</li> <li>• VEDA policies shall specify:</li> </ul>

	<ul style="list-style-type: none"> <li>○ A loan shall not exceed 90% of project costs</li> <li>○ Maximum loan is \$1.8M <ul style="list-style-type: none"> <li>▪ \$1.8M plus borrower’s 10% of project costs (\$200K) means up to \$2M total for each project [\$12M for 6 projects]</li> </ul> </li> <li>○ Eligible borrowers include munis, nonprofits, co-ops, and for-profits</li> <li>○ Interest and principal may be deferred for up to 2 years</li> <li>● Maximum total loan amount for the Program is \$10.8M <ul style="list-style-type: none"> <li>○ State share is <i>about</i> 75% of that amount - \$8.5M</li> <li>○ VEDA share is <i>about</i> 25% of that amount - \$3M</li> <li>○ (The actual State share will depend on the amount, if any, of annual appropriations.)</li> </ul> </li> <li>● Projects must provide speeds of at least 25/3 Mbps to all customers</li> <li>● For an area to be eligible for financing under the Program: <ul style="list-style-type: none"> <li>○ At least 33% of potential customers have access to less than 10/1 Mbps</li> <li>○ At least 10% of potential customers have access to less than 4/1 Mbps</li> </ul> </li> </ul>
Sec. 16	<p>FY 2019 one-time <b>\$540K</b> General Fund appropriation to VEDA to serve as loan loss reserves for the Broadband Expansion Loan Program.</p> <ul style="list-style-type: none"> <li>○ This presumes the Authority will lend half of its total loan amount – \$5.4M (i.e., half of \$10.8M)</li> <li>○ 10% of \$5.4M is \$540K</li> <li>○ 10% is a much higher loan loss rate than VEDA’s historic loan loss rate, which is 0.88%. This reflects the potentially higher-risk nature of these loans.</li> </ul>
Secs. 17–18	<p>State Bonding Authority</p> <ul style="list-style-type: none"> <li>● Increases VEDA’s moral obligation bonding authority from \$175M to \$181M</li> <li>● Decreases the VTA’s moral obligation bonding authority from \$40M to \$34M</li> </ul>
Secs. 19–20	<p>Pertains to Pole Attachments</p> <ul style="list-style-type: none"> <li>● Requires PUC to revise its pole-attachment rule to include the following: <ul style="list-style-type: none"> <li>○ one-touch make-ready policies;</li> <li>○ measures designed to minimize delays and costs and promote fair and reasonable rates and the rapid resolution of disputes; and</li> <li>○ specifications regarding when a make-ready completion period commences and ends.</li> </ul> </li> <li>● The final proposed rule must be filed with LCAR on or before December 1, 2019.</li> <li>● By statute (no rulemaking), requires the existing PUC pole-attachment rule to specify the following: <ul style="list-style-type: none"> <li>○ A make-ready completion period may not be extended solely because a pole is jointly owned</li> <li>○ If a pole is jointly owned, joint owners must notify applicant which owner is responsible for timely completion of the make-ready process</li> <li>○ Allows attaching entity to hire a qualified contractor to complete make-ready work not finished within the completion period</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ Requires pole owners and attaching entities to submit a list of qualified contractors to the PUC</li> </ul>
Sec. 21	Authorizes one, new classified position, a 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.

**Total State Appropriation** – \$1,540,000.00 in FY 2019 General Fund dollars.