

GROWING THE ECONOMY

Connectivity: Vermont Economic Development Authority Broadband Expansion Program



- **WHAT:** Broadband Expansion Loan Program
- **WHY:** According to the 2018 State of Vermont Telecommunications Plan, seven percent of Vermont addresses do not have access to the most basic high-speed internet access – four megabits per second down and one megabit per second up. More than 20 percent of Vermont addresses lack access to more modern high speed broadband. The telecom goes on to state, “Serving the last mile will require multiple strategies. Unlike the top-down approach of the federal and state investments, 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.”

Multiple communities have attempted to implement their own unique solutions outside of traditional delivery methods (EC Fiber, Kingdom Fiber, Central Vermont Fiber, Burlington Telecom, Newbury REDInet) but have been hampered by a lack of access to investment capital. Existing broadband grant programs offer pennies on the dollar of the required investment, and banks and investors typically shy away from start-up businesses with limited revenue history and little equity or collateral. These community solutions typically involve partnering with a new business that must design and build a network followed by 12-24-month process of customer acquisition.

The federal government has repeatedly decided not to regulate existing providers and require substantial build outs to rural areas. Meanwhile, new providers are boxed out of the market due to cost and state and federal requirements that subsidies go only to unserved addresses. It would take decades to provide service to the 20,000 unserved addresses using the existing Connectivity Fund grant program (approximately \$200,000 this year), anticipated private provider expansion plans, and federal grant and loan programs in existence today. This proposal aims to exponentially accelerate the pace of deployment by leveraging \$514,000 of state funding into a \$12 million investment in broadband within two years. It also recognizes that any good business plan will provide service to unserved addresses, improve service to underserved addresses, and provide service options to served customers.

- **HOW:** The Broadband Expansion Loan Program will be housed at the Vermont Economic Development Authority (VEDA). VEDA will provide alternative broadband providers with a source of implementation capital that recognizes the unique challenges facing start-up broadband providers. Loans would be made for a term of no less than five years, with a longer amortization as appropriate. VEDA would lend up to 90 percent of the project cost (maximum of \$2 million project cost), would not require personal guarantees or typical

collateralization, and would work in collaboration with the Department of Public Service and outside broadband experts to evaluate business plans, take rates, and technology. Eligible borrowers would include any unbankable broadband provider (existing or new) that proposes to build or expand a broadband network (wireless is eligible) that will provide at least 10 mbps down and one mbps up service to underserved customers. Underserved shall mean that at least 33 percent of the potential customers for which the service will be available have less than 10 mbps down and one mbps up, and at least 10 percent of the potential customers have less than four mbps down and one mbps up.

- **FUNDING:** \$514,000 appropriated in FY 2019 budget adjustment, leveraging \$12 million in broadband investments.

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