



Testimony of VPIRG Communications & Technology Director Zachary Tomanelli on H.513 Broadband Expansion Bill

Testimony before the Senate Committee on Finance
April 24, 2019

Introduction

Good afternoon. My name is Zachary Tomanelli and I am the Communications & Technology Director of VPIRG, the Vermont Public Interest Research Group. For over 45 years, VPIRG has advocated for the public interest in policy debates concerning the environment, health care, consumer protection, and democracy, and so I thank you for this opportunity to share our thoughts on H.513 -- the broadband bill.

I'll start by noting that VPIRG is broadly supportive of this bill and urges this committee and the full Senate to pass this legislation this year.

That doesn't mean that H.513 is a perfect bill – and some of the concerns and improvements that this committee has already heard should be considered. I'll highlight where VPIRG sees room for improvement in H.513, while also noting why we think this bill represents one of the most significant steps the legislature has considered in years to address the issue of broadband connectivity in Vermont.

Before touching on some of the specifics of the bill, I'd like to briefly explain VPIRG's interest in the topic of broadband connectivity.

As is perfectly clear to this committee by now, too many Vermonters do not have access to reliable, affordable, high-speed internet access. VPIRG joins those who have already noted that broadband connectivity is not a luxury – in 2019, it's a necessity.

It's how we conduct job searches, make important health decisions, maintain connections with friends and families, and become active participants in our democracy. And as technology advances (e.g. telehealth, e-commerce, etc) robust, high-speed connections will be critical to our health, safety and economic well-being.

VPIRG actually has a long history of fighting for connectivity for Vermonters. In the 70s and 80s that meant universal phone service. And in 2019, that means fighting for high-speed internet.

However, the fight for universal broadband is considerably more difficult than efforts for rural electrification or universal phone service. The Trump FCC's reclassification of broadband as a mere "information service" means governments (especially state governments) have next to no authority to push the large internet service providers to buildout infrastructure to underserved areas. And the fact is, the large telecoms haven't and won't build to those underserved areas because they don't add anything to their bottomlines. The result is that many parts of Vermont don't have access to internet service with the speed and reliability they need.

VPIRG sees a solution in community-owned fiber networks. Because these networks don't need to satisfy shareholders, they are better able to provide universal service -- reaching the houses that "aren't profitable." These networks are much more consumer-friendly than the giant telecoms. On average, they're more-affordable and provide better speeds than large telecoms while prioritizing bedrock consumer protection principles like net neutrality and user privacy.

Vermont law already provides a framework for establishing community-owned fiber networks: They're called Communications Union Districts and we already have two in the state (ECFiber which is serving east central Vermont with high-speed internet and CVFiber which just formed last year), with other communities exploring the idea.

So with that overview – I'd like to just touch on the various sections of this bill, looking at them through the lens of community-owned broadband – and how the components of this bill may or may not support the establishment and expansion of these kinds of solutions.

- **Sections 2, 3, 4, 5, 8, 10, 11, 12, 21: Increasing funding for the Connectivity Fund via an increase in the Universal Service Fund:**
 - **We support efforts by the state to provide more funding for connectivity efforts** – so we're happy to see this inclusion. While it's obvious that the state of Vermont cannot raise anywhere close to all the funds it would require to bring fiber to every address in the state; (nor do we think that would be a prudent approach) state grants can play an important role in allowing community owned startups to take the initial steps necessary (i.e. feasibility studies) to begin a project. Grants can also play an important role in subsidizing the buildout of infrastructure to the most cost-prohibitive locations.
 - On the latter point (infrastructure buildout) – we do agree with testimony previously provided that highlights the shortcomings of the state providing grant funding to infrastructure for outmoded technology. This bill raises the bar in terms of speed requirements for any state funding to 25/3mbps, indexed to the federal definition of broadband. This is certainly an improvement over the previous standards and will ensure state dollars won't go to the *most* outdated technology. Even still, **we'd support raising the requirements to 100/100mbps – consistent with our state broadband goals.**
 - Some of the funds raised in this section would go to feasibility studies. Based on previous testimony and conversations with community leaders currently considering internet startups, **it seems that this would actually be a prudent use of connectivity dollars.** While the instinct to only provide funding for infrastructure might seem sound on its face – if the decision is between using these very limited funds to allow existing providers to reach a handful more customers with outmoded technology or providing the next regional fiber network with the footing they need to bring fiber to everyone in their area, than option two seems like the smarter investment.
 - **We also support the use of funds to allow electric distribution utilities to conduct pilot programs as well as the broader state study** to assess the feasibility of providing

broadband service via electric distribution infrastructure.

- Finally on the question of **whether the state should establish a position within the Public Service Department to act as a resource for local ISP startups – we don't have a strong position on that.** There has been previous testimony offered by those looking to start community-owned networks that having a centralized state resource to act as a guide in the initial planning stages would be helpful. We're therefore supportive of the concept. As to what form that resource takes and who in state government is best equipped to deliver it is something probably best left up to others.
- **Section 13: Allowing 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:**
 - It appears this would already be allowed under existing law, but this section is included to make the possibility of such an arrangement explicit. Since this is already allowed via statute, we don't necessarily object to this section – but would echo the cautions of those who have provided previous testimony regarding municipalities entering into agreements that eventually leave ownership of their broadband infrastructure in the hands of private entities.
- **Sections 15, 16, 17 and 18: Establishment of a State Revolving Loan Fund to support internet startups in their initial phase:**
 - We are very supportive of the establishment of this program. In fact, I would go as far to say that this might be the most important section of the bill for jumpstarting new community-owned networks and getting Vermonters served in the near-future.

As we've seen with the examples of ECFiber and now with Central Vermont Fiber – perhaps the greatest initial challenge these types of entities face is getting from the initial approval stage to the revenue bond market. These entities need funding to get setup, get some customers and demonstrate what they can do. The state is in a unique position to provide that bridge to these entities – and unlike grant dollars that essentially go out and disappear, the successful startups will pay this back and help fund the next wave of networks.
 - Our only recommendation here would be to raise the maximum amount of a loan (by as much as double the current amount proposed) even if that means decreasing the total number of loans provided. The rationale being that, even though this would decrease the total number of projects financed, it would increase the likelihood of success of those projects. Our concern is that the amount of the loans proposed are too low to ensure these projects successfully make it to the revenue bond market. Under that scenario, it would be better to only fund 5 projects and have them all succeed, than

fund ten and see multiple failures.

- **Sections 19 & 20: Pole attachment reforms**

- We are also supportive of these sections of the bill – for similar reasons – this will remove a barrier that community-owned networks now face as they attempt to provide service to more Vermonters. What we’ve heard from community startups is that behind the struggles of getting initial funding, delays and struggles with pole attachments represent perhaps the second biggest challenge they face for providing service to Vermonters.

Furthermore – failure to make these reforms threatens to undermine the other components of this bill. If these startups are unable to attach fiber to the poles in a timely and predictable manner; that hampers their ability to reach more Vermonters, pay back their loans and make good on their grants. If the state is going to invest in providing high-speed internet to Vermonters, it only makes sense that it takes steps to ensure that investment pans out.

Additional points:

- First – on a subject not addressed in the current version of the bill: backup power to homes using Voice-Over-IP (VOIP) for telephone. This is a subject this committee has heard testimony on with regards to this bill and it’s a concern shared by VPIRG. As the state moves to get every Vermonter connected to high-speed internet (as it should), it should also be cognizant of any potential vulnerabilities that brings. Ensuring that internet service providers – whether they be community-owned or private entities – are not just meeting the minimum standards here, but actually providing consumers with clear information and access to necessary backup solutions is paramount. We’d advise the committee to look at some of the specific recommendations provided by the Vermonters who have testified on this subject and consider them as part of this bill.
- Second – I would implore the committee to view the proposals contained in this bill as a first step. In order for this effort to succeed, state government will need to evaluate the progress of these efforts and continue to find new ways to provide the support necessary. Those considering projects are going to conduct feasibility studies – some of those studies will determine that a project may not be feasible. It will be important to understand why and determine how else the state can provide support. For example, in some locations a lack of middle-mile fiber may be an impediment. This is something the state might be able to help address.

Conclusion

In summary, VPIRG appreciates the Committee’s time and attention to this matter, and we broadly support the proposed legislation, noting those areas for improvement and further consideration. We urge you pass this legislation this year. Thank you for the opportunity to present this testimony.