

VERMONT ACCESS NETWORK (VAN)

18 June 2020

MEMO TO: Senator Ann Cummings and Members of Senate Finance Committee

FROM: Lauren-Glenn Davitian, CCTV Center for Media & Democracy,
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RE: Comments on Broadband Funding and Connectivity Provisions for COVID-19 Period

Following a review of broadband policy related materials considered by Vermont Legislature, including the proposed [Emergency Broadband Action Plan](#), the recommended [CoronaVirus Relief Fund Bill \(H.966\)](#) and the [VT CARES Act Relief report submitted by the CCG Group](#), VAN offers these observations and recommendations.

Summary: VAN appreciates the recognition by the House ([H.966](#)) of Public, Educational and Government access as an essential service during the COVID-19 Health Emergency which contributes \$466,500 toward operating and staffing costs.

- Based on analysis eligibility by the CCG Group, VAN proposes that the Senate version include the cost of devices/ infrastructure that supports these essential services. (Estimate \$156,250).

- VAN proposes that PEG community media centers have a role to play as regional intermediaries to support community access to broadband services, noted in the VT Cares Act Relief report. VAN also:

- Reaffirms the importance of S.318, the expert study to examine right of way assessments for public purposes during this period of broadband expansion. (Currently in House Appropriations).

- Recommends that planning for VIT 2.0 begin during this period of time with

proposed estimate of \$40,000 for proof of concept and business plan.

- Updates the estimates of revenue loss (cable and earned income), for FY20.

- And finally, requests that the Legislature not exclude fixed wireless as a viable alternative to simple line extensions proposed in H.966.

1. Value of PEG is Established: The State of Vermont recognizes the value of public, educational, and government (PEG) access channels and services through thirty-five years of cable utility case law. More recently the Legislature authorized a Study Committee to look at the future of funding for community media and recommended further analysis of funding and policy alternatives to declining cable franchise fee dollars. [\(S.318\)](#)¹

Vermont's 25 community media centers are providing essential public, educational and government (PEG) access services during the COVID-19 period. In response to the health emergency, Vermont's community media centers pivoted immediately to deliver remote emergency communications, streaming education, democracy and community connection.

The health emergency called for an immediate increase in costs, including capital improvements (for staff and community members to work remotely and networks to operate to capacity), new demand from community partners and producers for live streaming training and technical assistance (how do we go live and interactive?), additional operating costs (streaming subscriptions, storage, broadband subscriptions for staff/ organization).

These points are detailed by VAN in this memo to the House Energy and Technology Committee on June 4, 2020.

<https://legislature.vermont.gov/Documents/2020/WorkGroups/House%20Energy%20and%20Technology/COVID-19/CRF/W~Lauren-Glenn%20Davitian~VAN%20Testimony%20on%20COVID%20Fund~6-4-2020.pdf>

2. COVID Emergency Funding:

¹ Note: S.318 seeks expert analysis of how Vermont can extract public benefit from commercial uses of its rights to support, for example, PEG. In light of the expansion of broadband use and the ongoing need for funding community applications, S.318 remains an important "to do" that will help to identify the revenue and policy basis for assessing a right of way fee for public purposes.

a. Recognizing the value of PEG, the House Energy and Technology Committee recommended that [CoronaVirus Relief include funds for staffing/ operating costs](#) incurred by PEG community media centers responding to the COVID-19 health emergency.

Sec. 2. FISCAL YEAR 2021 ONE-TIME CORONAVIRUS RELIEF FUND 15 APPROPRIATIONS a. (1) (F) [\$466,500] to be disbursed, in consultation with the Vermont Access Network, among the State's access media organizations for staffing and operational costs incurred due to unbudgeted and unplanned coverage of public meetings and events in response to the COVID-19 pandemic, as well as for unplanned and unbudgeted expenditures related to increased production and technical support for live-streaming government and community-based organizations.

b. The recommendations of the [VT CARES Act Relief report submitted by the CCG Group](#), speak to the eligibility of **both operating and capital costs that PEG access operations and other intermediaries (such as libraries or community health centers) are now spending during this health emergency. The CCG report recommends:**

- **Device Lending and Digital Literacy Clinics:** Fund public institutions (including libraries, PEG, other institutions) to help people learn how to use the technology through digital literacy clinics, done in complement with public lending programs. (p. 8)
- **Hot-Spots:** Fund public libraries and other public institutions (including PEG) not already served through recent efforts by the Department of Public Service to implement gigabit-capable wi-fi distribution points and the necessary network components to serve greater areas outside their buildings. (p. 9)
- **Institution Network Upgrades Required due to COVID-19 Response:** Provide funding for anchor institutions to make network and security modifications necessary to adapt to the increased demand brought on by the current public health emergency. (p. 12)
- **COVID-19 Response Planning and Response for PEG AMOs:** Fund the state's Access Management Organizations (AMO) unbudgeted planning and programming costs associated with COVID-19 response efforts, including the creation and delivery of K12 content to support remote learning during

periods of social distancing. (p. 14)

We think that PEG capital requests fall within some of these initiatives and are qualified for Coronavirus Emergency Funding. In addition to VAN's request by modest capital support and additional funds for technical assistance, **we propose that the Senate will consider timely funding for proof of concept for the re-development of a high definition, low latency, interactive video network (VIT 2.0)** to serve the state's political, educational and telemedicine objectives.

3. Other Financial Implications of COVID-19 Period:

a. In addition to the increased cost of health emergency response, there is a concurrent **reduction in earned income (e.g. productions services, memberships, underwriting) and philanthropic revenue**, which was estimated to be \$355K in 2020. Community media centers have suspended memberships, reduced scope of paid production, cancelled programs such as summer camps, lost underwriters and contributors.

As BCTV Reports, "In short, this moves BCTV backwards by 5 years financially - I had us in a place where every service we provided either was all-volunteer or at least part of the cost was covered by membership or production fees."

We anticipate a 75% decrease in this diversified revenue, or a loss of **\$267K this year**. This does not include anticipated reduction in municipal contributions, which account for an additional 3% or \$256K of VAN member revenue.

b. Cable "cord cutting" is also leading to a decline in PEG revenue that will reduce our ability to provide these essential community communications. Based on trade reports and Comcast's public statements², we estimate this to have an **added loss of \$700,000**, or approximately 10% of the \$7 million annual PEG fees paid by Vermont subscribers.

Please see the estimated budget, attached.

²<https://www.cmcsa.com/news-releases/news-release-details/comcast-reports-1st-quarter-2020-results> "As a result, we expect the impacts of COVID-19 to increase in significance in the second quarter 2020 and to have a material adverse impact on our consolidated results of operations over the near-to-medium term."

4. Value of Right of Way Analysis: These revenue impacts emphasize the need for the passage of the study detailed in S. 318 at this time. Expert analysis of how Vermont can realize public benefit from commercial uses of its rights of way is even more necessary for the State to understand in light of the expansion of broadband networks and the ongoing need for funding community applications. The consultant study in S.318 remains an important “to do” that will help to identify the revenue and policy basis for assessing a right of way fee for public purposes. It is vital to pursue whether or not Coronavirus Emergency funds are available for this plan to be completed (\$100k needed).

Longer term funding for the public purposes contemplated here contribute to the state’s resiliency. To aid sound decision making, we will need to have **accurate, up to date maps of broadband, wireless coverage and fiber infrastructure.**

5. Final Note on “Get Vermonters Connected Now” provision of Coronavirus Emergency Funding. House Energy and Technology did consider a version of the memo that included the option “to support installation of temporary Wi-Fi hotspots to expand broadband capacity in critical need areas throughout the State to expand fixed wireless coverage to unserved or underserved areas of the State.”

There are differences of opinion on the best way to reach all homes with Vermont students that lack broadband access. This challenge is identified in CCG Report and the subject of much testimony is “The ability to find agreement on the standards that need to be met with these emergency response projects.” ([page 5, CCG Report](#))

CCG agreed that the **Burke/Lyndon/ Kingdom East project could be eligible for CARES funding** but was less clear on whether this fixed wireless solution could be eligible if funded statewide.

It is worthwhile for the Legislature to confirm the eligibility of using fixed wireless technology, connected to existing broadband infrastructure, as a way forward. Discussions presented to the House indicate that this fixed wireless solution will make a substantial dent in the number of homes/businesses currently without broadband access.³ (There are two consultants who you may want to talk to on this topic including Peter Bluhm, former PUC Staffer and Fred Goldstein of interisle Group).

³ <https://broadbandnow.com/Fixed-Wireless>

Finally, we have concerns about the lack of **coordination of this broadband deployment strategy**. Currently the State lacks any central coordination, such as the Vermont Telecommunications Authority or any entity to take charge of this monumental undertaking. The Department of Public Service is already working at capacity. We would like to suggest that it will be necessary for the State to **designate an oversight body or a third party to coordinate this work**.

Budget estimates follow, below.

Estimated Cost - VAN COVID-19 Recommendations					
1. INCREASED EXPENSES					
Capital Costs					
New Remote Workforce Capital Needs:	<u>Unit</u>	<u>Media Centers</u>	<u>Unit Cost</u>	<u>Total</u>	<u>H. 966 ALLOCATION</u>
Workstation/ Devices	1	25	\$5,000	\$125,000	
Operating Costs					
Bandwidth/ Monthly	9	25	\$250	\$56,250	
Zoom Subscriptions (\$160)/ Telework Software (\$500/year)	1	25	\$660	\$16,500	
Live Streaming Computing & Storage	1	25	\$7,000	\$175,000	
				\$372,750	
	<u>hours</u>	<u>Media Centers</u>	<u>per hour rate</u>		
Increased Services Technical & Production Support	100	25	\$100	\$250,000	
TOTAL Capital and Operating Expenses to Meeting Health Emergency				\$622,750	\$466,500
BALANCE RECOMMENDED				\$156,250	
2. REDUCED REVENUE					
Loss of Diversified Revenue - 75% Decline				\$267,000	
Loss of Cable Revenue - 10% Decline				\$743,513	
TOTAL Reduced Revenue				\$1,010,513	

TOTAL Cost Increase + Revenue Reduced				\$1,633,263	
3. TIMELY INVESTMENTS					
S. 318 Study				\$100,000	
VIT Business Proof of Concept (\$25K) and Business Plan (\$15K)				\$40,000	

2030 AMO Budget Projections & 2020 Revenue Loss					
PEG Access Study Committee 10/21/2019					
Funding Sources	2019 Budget	2020	2023	2026	2030
PEG Fees	\$7,800,000	\$7,435,126	\$6,765,579	\$5,907,931	\$4,668,983
Municipal Contributions	\$210,811	\$256,219	\$419,492	\$617,064	\$875,434
Underwriting Support	\$42,162	\$59,842	\$117,496	\$184,393	\$291,811
Fundraising	\$84,324	\$118,382	\$232,714	\$367,231	\$583,623
Fees For Services	\$168,649	\$177,651	\$207,089	\$240,479	\$291,811
Other	\$126,486	\$138,185	\$176,908	\$221,625	\$291,811
Loss Offset Funding	\$0	\$500,000	\$1,582,756	\$2,862,015	\$4,668,983
Total Projected Revenue	\$8,432,432	\$8,685,406	\$9,502,034	\$10,400,739	\$11,672,459
Underwriting, Fundraising, Fees for Service Total		\$355,876			
Estimate Reduction	75%	\$266,907			
Cable Revenue					
Estimate Reduction	10%	\$743,513			
FY20 Estimated Revenue Loss		\$1,010,419			

