

# Vermont Legislative Joint Fiscal Office

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## *FISCAL NOTE*

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### **H.360 An act relating to accelerated community broadband deployment – As Introduced and as voted out of House Ways and Means**

<https://legislature.vermont.gov/Documents/2022/Docs/BILLS/H-0360/H-0360%20As%20Introduced.pdf>

#### **Bill Summary**

The bill contains numerous provisions aimed at facilitating the expansion of quality broadband access throughout Vermont. These provisions include, but are not limited to, language creating a new Vermont Community Broadband Authority, the establishment of a property tax exemption for broadband infrastructure constructed on or after July 1, 2021, the study and creation of new education and training opportunities within the communications sector, and appropriations to support the policy goals of the bill.

#### **Fiscal Summary**

<b>Provision</b>	<b>One-time appropriations</b>	<b>Ongoing costs</b>
VT Community Broadband Authority – staffing and operating costs	\$500,000 (general fund – will be repaid from 0.4% universal service charge revenues)	\$500,000 - \$800,000 (dependent on staffing – to be paid from 0.4% universal service charge revenues)
VT Community Broadband Authority – grant and loan programs	\$30,300,000 (general fund)	Dependent on future appropriations
Broadband Property Tax exemptions – Education Fund	n/a	Up to \$3,600,000 annually (after full build-out)
VT Dept. of Labor – H.360 initiatives	\$100,000 (general fund)	n/a

#### **Fiscal Provisions**

1. Vermont Community Broadband Authority (sec. 1-9)

The bill would establish a new VT Community Broadband Authority (Authority) upon passage to “coordinate, facilitate, support and accelerate the development and implementation of universal community broadband” in VT. The bill would authorize the creation of a Board to oversee the Authority and would authorize the hiring of an executive director to serve as chief administrative officer for the Authority. The ED would be authorized to hire additional staff as needed, which would be likely given the scope of the Authority’s responsibilities.

**Estimated FY22 Costs:**

<i>Authority staff</i>	<i>\$250,000</i>	<i>(executive director and rural broadband specialist)</i>
<i>Authority operating</i>	<i>\$50,000</i>	<i>(space/equip./training/Board expenses – 15 mtgs.)</i>
<i>Authority other</i>	<i>\$200,000</i>	<i>(potential add'l staff/consultants)</i>
<b>Total</b>	<b>\$500,000</b>	

A VT Community Broadband Fund would be established to support the operations of the Authority and to support communications union districts (CUDs). The fund would receive the proceeds from the existing 0.4% charge on retail telecommunications service that currently is allocated to the Connectivity Fund for use in supporting the Connectivity Initiative and the High Cost program. The 0.4% charge raised approx. \$1,000,000 in revenue in FY20, but revenues from the charge have been in a steady decline over the past few years. Revenues in FY22 will likely be closer to \$800,000 to \$900,000. Funding for the Authority in FY22 would initially come from the \$500,000 General Fund appropriation that would later need to be paid back from the VT Community Broadband Fund once there are enough revenues.

The Authority would take over management of the Connectivity Initiative from the Public Service Dept. (PSD) starting on January 1, 2022. While the Authority would take over management of the Connectivity Initiative, it is unclear whether or how the High Cost Program would continue to be supported. This bill would create two new funding programs under the Authority: the Community Broadband Preconstruction Grant Program and the Subordinated Loan Program. The Authority would receive one-time FY21 General Fund appropriations in the bill to fund the programs (sec. 23).

2. Broadband Infrastructure Property Tax Exemption (sec. 16-19)

These sections provide an education and municipal property tax exemption for certain broadband infrastructure that is constructed by electric distribution utilities and internet service providers (ISPs). The purpose of the property tax exemption would be to lower the cost of broadband deployment in unserved and underserved areas of Vermont. Broadband infrastructure owned by electric utilities and ISPs would need to meet certain qualifying standards, including the provision that *it would need to have been built on or after July 1, 2021*, in order to be eligible for the exemption.

The property tax exemption for electric utilities and ISPs would be prospective, so property tax revenue on existing broadband infrastructure would not be affected; however, property taxes rely on assumed growth. This bill would freeze the taxable value of certain broadband infrastructure as of FY2022 and potentially constrain future growth in revenue.

In 2019, the Department of Public Service released a feasibility study<sup>1</sup> that estimated the cost of constructing fiber-optic network distribution facilities to reach all underserved areas of the state. Total fixed capital costs were estimated to be \$284 million and variable capital costs were estimated to range from \$39 to \$78 million depending on the number of subscribers. These cost estimates include labor costs as well as the cost of new broadband infrastructure that would be exempt from the property tax – structures, machinery, lines, poles, and fixtures. The underlying

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<sup>1</sup><https://publicservice.vermont.gov/sites/dps/files/documents/Feasibility%20Study%20of%20Electric%20Companies%20Offering%20Broadband%20in%20Vermont.pdf>

data used in the study, which would provide more specificity as to the assumed relationship between labor and capital costs, is not available.

Washington Electric Cooperative estimated that its total property tax on new broadband infrastructure would be about \$500,000 annually. Extrapolating this into an estimate of the total property taxes forgone based on the cost estimates in the feasibility study provides a ***very rough estimate of the potential property tax revenue foregone statewide of \$3.6 million annually.***

*\*\* Note that although the buildout of broadband infrastructure will take time, this estimate reflects the total annual property tax revenue foregone only after all areas of the state are served. In addition, this estimate does not account for potential growth in the property tax base if the availability of broadband spurs economic development in underserved areas of the state or appreciation of the broadband infrastructure.*

3. Communications Workforce Development (sec. 20-22)

The Dept. of Labor (DOL) would be required to conduct an occupational needs survey to determine communications sector workforce needs. The VT Technical College (VTC), in consultation with DOL, would be required to establish an incumbent training program for communications installers and technicians. DOL would also be required to establish a federally recognized apprenticeship program for broadband installers. The bill would appropriate \$100,000 to DOL for the survey and for the apprenticeship program. *The source of this appropriation is not explicitly stated in the bill.* VTC would be appropriated \$40,000 from DOL's FY22 training fund to pay for the incumbent training program.

4. Appropriations and Fund Transfers (sec. 23)

The bill would create appropriations to cover the costs of the initiatives and programs described in prior sections. However, the source of funds for the appropriations is not explicitly stated. The bill does describe options for funding sources, from unspent Coronavirus Relief Funds and capital bill funds that went to the PSD, to one-time FY21 General Fund dollars, but amounts are not assigned to these sources. Due to the federal funds coming into Vermont from COVID-19 relief legislation, there may be an opportunity to utilize federal funds for the spending in this bill in lieu of state funds. The bill also directs any remaining funds in the Broadband Innovation Grant Program on January 1, 2022 to be transferred to the VT Community Broadband Fund. The Authority would also take over responsibility for managing a \$1,000,000 grant from the Northern Border Regional Commission upon bill passage.

***Appropriations totals:***

<i>Community Broadband Preconstruction Grant Program</i>	<i>\$6,300,000</i>
<i>VT Community Broadband Fund – for Authority costs</i>	<i>\$500,000</i>
<i>Dept. of Labor – apprenticeship and occupational survey</i>	<i>\$100,00</i>
<i>Authority – Subordinated Loan Program</i>	<i><u>\$24,000,000</u></i>
<b><i>Total</i></b>	<b><i><u>\$30,900,000</u></i></b>