

# Connectivity Fund

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# VT Universal Service Fund – Background

- Created in 1994 to increase telecommunications access for VT households. Managed by a fiscal agent (Solix).
- Primary revenue source is universal service charge
- Current Charge = 2.4%
  - 2.0% to the Universal Service Fund (USF)
  - 0.4% to the Connectivity Fund (As of FY 2020)
- Most USF revenues fund enhanced 911 services
- Revenues also fund: USF administration, telecommunications relay service, and Lifeline. Also to connectivity if available

# VT Universal Service Fund – Financial Overview

- 3 years of revenues
  - FY18 - \$5.8m
  - FY19 - \$5.3m
  - FY20 - \$5.9m (new - 0.4% for connectivity fund and pre-paid wireless)
    - \$4.5m from 2.0% charge excl. prepaid wireless – 3 yr. decrease in charge base
- 3 years of expenses
  - FY18 - \$7.3m (\$1.7m of this is disbursement of accrued connectivity \$)
  - FY19 - \$5.6m
  - FY20 - \$5.5m

Numbers from 2020 VUSF audit report:

<https://publicservice.vermont.gov/sites/dps/files/documents/Telecom/USF/Monthly/VermontPublicServiceDepartment%20FS%20FINAL%20YE2020.pdf>

# VT Universal Service Fund – Financial Overview

- Looking more closely at FY20
- FY20 revenues – of the \$5.9m...
  - \$4.9m from 2% charge (incl. prepaid wireless)
  - \$1.0m from 0.4% charge – to connectivity fund
- FY20 expenses – excluding connectivity spending
  - \$5.45m – for admin. costs, E911, Lifeline and TRS
- FY20 operating deficit of (\$0.55m)

Numbers from 2020 VUSF audit report:

<https://publicservice.vermont.gov/sites/dps/files/documents/Telecom/USF/Monthly/VermontPublicServiceDepartment%20FS%20FINAL%20YE2020.pdf>

# Connectivity Fund – Background

- Created in 2014 as a separate funding mechanism for the High Cost Program and the Connectivity Initiative.
- 45% goes to high cost and 55% goes to connectivity
- Prior to FY 2020, no dedicated funding. Only funded if fiscal agent identified available monies in USF, or legislative appropriations
- As of FY 2020, a separate 0.4% universal service charge goes directly to connectivity fund.
  - Up to \$120,000 of this is dedicated to a Rural Broadband Specialist

# Connectivity Fund – Financial Overview (FY15-FY20)

<b>Connectivity Fund</b>							
<b>Funds In</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>6-year total</b>
From USF - Connectivity	963,349.79	627,365.75	253,300.85	220,000.00	-	-	2,064,016.39
From USF - High Cost	963,349.79	513,299.25	207,246.15	180,000.00	-	-	1,863,895.19
Capital Bond	-	-	300,000.00	-	-	-	300,000.00
0.4% revenues	-	-	-	-	-	880,638.30	880,638.30
Other revenues	-	-	-	-	-	179,436.01	179,436.01
<b>Total Inflows</b>	<b>1,926,699.58</b>	<b>1,140,665.00</b>	<b>760,547.00</b>	<b>400,000.00</b>	<b>-</b>	<b>1,060,074.31</b>	<b>5,287,985.89</b>
<b>Funds Out</b>							
Connectivity	-	(148,500.00)	(423,254.37)	(666,486.46)	-	-	(1,238,240.83)
High Cost	-	(121,500.00)	(474,866.31)	(1,062,146.06)	(172,373.01)	-	(1,830,885.38)
Capital Bond	-	-	-	-	(163,138.00)	-	(163,138.00)
Rural broadband spec. (1.0 FTE)	-	-	-	-	-	(36,688.17)	(36,688.17)
<b>Total Outflows</b>	<b>-</b>	<b>(270,000.00)</b>	<b>(898,120.68)</b>	<b>(1,728,632.52)</b>	<b>(335,511.01)</b>	<b>(36,688.17)</b>	<b>(3,268,952.38)</b>
Annual Balance	1,926,699.58	870,665.00	(137,573.68)	(1,328,632.52)	(335,511.01)	1,023,386.14	
<b>1) Total Ongoing Balance</b>	<b>1,926,699.58</b>	<b>2,797,364.58</b>	<b>2,659,790.90</b>	<b>1,331,158.38</b>	<b>995,647.37</b>	<b>2,019,033.51</b>	<b>2,019,033.51</b>
<b>Obligated Funds</b>							
Connectivity	-	(885,943.00)	(558,633.00)	(547,500.00)	-	-	
High Cost	-	-	(1,562,395.19)	-	(180,000.00)	-	
Rural broadband spec. (1.0 FTE)	-	-	-	-	-	(49,561.35)	
<b>Total</b>	<b>-</b>	<b>(885,943.00)</b>	<b>(2,121,028.19)</b>	<b>(547,500.00)</b>	<b>(180,000.00)</b>	<b>(49,561.35)</b>	<b>(3,784,032.54)</b>
6-year total funds out (less \$270k paid in FY16)							(2,962,264.21)
<b>2) Remaining Obligated</b>							<b>821,768.33</b>
<b>3) Remaining Unobligated</b>							<b>1,197,265.18</b>

# Connectivity Fund – Funds Coming In

- Prior to FY20
  - Funds allocated when identified by fiscal agent (as available)
  - General downward trend from FY15 to FY19
  - FY15 - \$1.92m; FY19 - \$0.40m
- As of FY20
  - Dedicated funding source – 0.4% universal service charge
  - FY20 - \$1.0m (~\$0.1m receivable at end of FY20)
- Other funds in – capital bond in FY17 and Act 179 funds in FY20



# Connectivity Fund – Funds Going Out

- Obligations
  - Funding awards made to high cost and connectivity projects
  - To-date approx. \$3.78m obligated for various projects plus position created in FY20
- Payments
  - Disbursements are made against funding awards when project activities take place
  - To-date approx. ~\$3.0m in payments made against obligations (~\$3.3m in total payments – incl. \$270k paid out in FY16)
- As of end of FY20 - \$0.82m remains obligated but not paid

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# Connectivity Fund – FY21 Projection

- The Dept. of Public Service projects \$0.99m in revenues from 0.4% charge in FY21
- Dept. anticipates making approx. \$2.0m in grant awards this winter, plus approx. \$0.10m for position in FY21
- This would leave approx. \$0.09m unobligated going into FY22, if revenue projections hold.
- VUSF (excl. connectivity) projected by Dept. to have \$0.4m operating deficit in FY21.