



To the Senate Committee on Finance:

Thank you for your hard work and thorough attention to H.360, the broadband expansion bill.

VPIRG has been and continues to be an advocate for universal, affordable, world-class broadband to every Vermonter – which means fiber to the premises to every address on the Vermont grid.

As the state's largest consumer protection organization, we also believe that *how* we achieve that goal and the quality of service that we ultimately provide Vermonters are incredibly important. To that end, VPIRG has been a strong supporter of community-owned broadband solutions, which in Vermont largely means our Communications Union Districts.

Because these networks don't need to satisfy shareholders, they are better able to provide universal service (in fact, that is their mission) -- reaching the houses that *aren't profitable*. As a consumer protection organization, VPIRG is also aware of the consumer benefits associated with community broadband solutions. Studies have shown that these networks are much more consumer-friendly than the giant telecoms. On average, they're more-affordable and provide better speeds than large telecoms¹ while prioritizing bedrock consumer protection principles like net neutrality and user privacy.

With that in mind, we'd like to submit to you the following thoughts to consider as you make final decisions on the various aspects of H.360—specifically those concerning governance structure and requirements/priorities for funding.

On the issue of governance structure, we do believe in the necessity of establishing an independent body with the ability to serve two key functions:

1. Provide support (technical, financial or otherwise) to and act as a clearinghouse of information for the Communications Union Districts, so that these entities can be successful and avoid the unnecessary duplication of expertise and resources.
2. Evaluate grant (and possibly loan) applications and responsibly steward the once-in-a-lifetime federal broadband funding to projects that will achieve the state's connectivity goals.

VPIRG does not have a strong opinion on the specific structure or location of this entity. What matters most, in our estimation, is that

1. The staff of this entity is adequately resourced to fulfill the first function (i.e. support for the CUDs) and
2. The board of this entity (or whomever is given grant/loan-making authority) is given clear guidance on the requirements/priorities for funding and that those requirements/priorities ensure these public resources are used consistent with achieving state goals and will ultimately provide Vermonters with consumer-friendly internet service.

¹ Talbot, David, Kira Hessekiel, and Danielle Kehl. 2017. Community-Owned Fiber Networks: Value Leaders in America. Berkman Klein Center for Internet & Society Research Publication. <http://nrs.harvard.edu/urn-3:HUL.InstRepos:34623859>

That is why we agree that universal service and service capable of achieving *at least* 100/100 mbps service must be funding requirements.

We also support conditioning funding on adherence to net neutrality principles. At a minimum, net neutrality should be a *priority* for funding, as this will at least require those applying for funding to clearly indicate as part of their application whether or not they intend to adhere to net neutrality principles.

We'd support prioritizing open-access projects as they are described in H.360 as it passed the House.

Also, we do believe that priority should be given to projects that have made considerations for affordability. Ultimately, we believe that the affordability issue is one that will not be resolved by one-time funding, and urge the state to begin a process for identifying an ongoing funding source to provide assistance to Vermonters that cannot afford high-speed internet service.

Nevertheless, affordability can and should be a consideration in the awarding of these public funds. We will note that, by their nature, community-owned networks will provide, on average the most affordable offerings because their rates will be set to cover their operating expenses, debt service and nothing else.

Finally, VPIRG would like to offer a thought on what entities should be eligible to receive funding. H.360, as it passed the House requires these funds to flow through the Communications Union Districts.

We support this approach—not because we believe CUDs are going to be the sole entities providing service to every address in Vermont that currently doesn't have 100/100 mbps service. In fact, we're not aware of any CUD that is planning to effectively "go it alone." That is to say, no CUD will be spinning up an entire Internet Service Provider from scratch and delivering that retail service to every Vermonter in their territory. Even the model for a successful CUD, ECFiber, works with an operator (ValleyNet) to provide service.

We believe that directing funding to the CUDs will actually accelerate the establishment of relationships between CUDs and private providers that will be necessary to achieve our goals.

It's VPIRG's position that this is a critical strategy to actually achieving universal service. The CUDs, if nothing else, have the ability (and responsibility) to see the forest for the trees in their territories. They are capable (with the appropriate support) of understanding what impact a project in one part of their region might have on their feasibility to serve the entire region.

Consider a situation where a CUD consists of Towns A, B and C. Consider that Town A also represents the territory of Private Internet Provider X, however Private Provider X does not serve Towns B and C. Imagine that Private Provider X has the ability to and does submit a grant proposal to bring fiber to every address in Town A. On its face, this seems great! However, compared to Towns B and C, Town A is relatively denser. Now that Town A has been served, the CUD can't make the math work to serve Towns B and C. And Private Provider X isn't going to serve them; Towns B and C aren't in their territory. We've now made it much more difficult to ever provide service to Towns B and C.

Now imagine a scenario where the funding flows through the CUD. Private Provider X still may want to build out Town A. In this scenario, they come to the CUD and figure out how to do it in a way that ensures Town B and C also get built. Perhaps the CUD builds and owns the fiber in Town A and leases it

to the provider, and that arrangement makes it financially viable to serve Town B and C. Or perhaps they work out another arrangement.

These conversations do not happen if funding goes to sporadic, uncoordinated projects. These conversations can only happen if we put the funding in the hands of accountable, public entities whose mission is to figure out how everyone in their region receives world-class internet service.

Thank you for taking these thoughts under consideration and for your time and attention to this admittedly complicated, but critically important issue.

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