



Deploying Matching Funds to Reduce the Overall Cost to Universal Broadband

Presented by Rob Fish, Deputy Director of the Vermont Community Broadband Board
(VCBB) Board on June 10, 2024



Legislative Authority

(28) \$30,000,000 to the Public Service Department for the Vermont Community Broadband Board to be used to leverage federal dollars and programs, including the National Telecommunications and Information Administration (NTIA) broadband grant (Middle Mile), to reduce the overall cost of universal broadband access as described in 2021 Acts and Resolves No. 71.

Eligible Recipients: Act 71 advances community efforts to meet the State’s goal of universal broadband access by providing funding to eligible providers as defined by the Act. See 30 V.S.A. §. 8081. Under the Act, such funding is available to Eligible Providers, defined as Communications Union Districts (CUDs), small communications carriers, and internet service providers working in conjunction with CUDs. See 30 V.S.A. §. 8082(4).

Eligible Programs to Match: The purpose of the funding is maximize the amount of federal funding available to the State to achieve universal broadband access in Vermont.

Definitions

- **“Eligible Provider”** is defined in Act 71 as follows:(A) a Communications Union District (CUD); (B) a small communications carrier; or (C) an Internet Service Provider (ISP) working in conjunction with a CUD to expand broadband service to unserved and underserved locations as part of a plan to achieve universal broadband coverage in the District or Town.
- **“Small Communications Carrier”** means: (A) a carrier that has elected to be regulated under 30 V.S.A. § 227d (a) or (B) an Internet service provider that operates in not more than five counties.
- **“Act 71 Compliant Business Plan”** means a business plan for the proposed Universal Service Plan. For the purposes of this program, an actionable business plan is a document that a financial institution would find sufficient basis on which to provide financial support. The business plan shall include but is not limited to: high-level engineering and design plans, market analysis, take-rate assumptions, and as relevant, cash flow positive date, loan payoff date, financing models, pro forma financial projections, estimated construction costs, ideal operational models. The plan must also include risk evaluation including labor needs and availability, supply chain contingencies for equipment and materials, make-ready work, and any other relevant capital and operational expenses.
- **“Supplementary Funds”** - Funds from programs other than the \$30M 2024 Match Appropriation that could be used for match. These funds are ARPA CPF funds, General Funds from Act 9 (2020), and other ARPA funds not covered by a grant agreement.

Program Basics

- Program will be formula based; non-competitive
- Funds will be contingently obligated in the form of amendments to the existing VCBB construction grant agreements and only invoiceable upon written notice to the VCBB of a federal broadband construction grant award
- The VCBB will use an independent financial model developed by the Vernonburg Group to determine the estimated cost to provide 25% of the estimated funds to serve all eligible broadband serviceable locations within the universal service plan.
- Grant amendments will be executed before the BEAD Subrecipient Process begins.

Scenario:
\$30M not
sufficient to
cover 25%
of the
modeled
costs

- Amounts known by July – modeling will be based on NTIA post-challenge data.
- Supplement as necessary with \$4.8275M:
 - \$1.5M - Broadband Financing Program funds (up to \$400k/CUD) (\$1.5M) - (*Sec. B.11100 FY 2021 One-Time General Fund*)
 - Approximately \$2.7M in unallocated ARPA CPF Fund.
 - “Released” ARPA funds to maximize percentage and amend accordingly.
- If that is not enough, issue grant amendments by July 31 for the maximum percentage available (e.g., 24% or 22% instead of 25%).
- Providers will be responsible for covering remainder via in-kind or loans.

Scenario: An Awardee of Match Funds is Not Selected

- Funds are not distributed if the grantee is notified its federal grant application is not selected.
- Upon such notice, Staff will reallocate the funds to use any ungranted funds to ensure at least 25% match to all eligible applicants.
- This may include replacing supplementary funds and/or loans secured by a successful applicant to achieve the match with state funds and other actions to maximize the leveraging of federal funds.
- At no time prior to subrecipient selection will the amount of funding provided exceed the 25 percent gating criteria to avoid skewing overall BEAD application scoring.

Next Steps

- Board approves program creation and funds issuance.
- Staff emails all Act 71 eligible providers with universal plans to assess interest. Interested parties must file written letters of intent by email no later than July 1, 2024.
- Staff submits BEAD-eligible addresses to the NTIA – June 16, 2024.
- Staff runs the Vernonburg model to determine the 25% amount for each entity and reports back to the board at the July board meeting
- Funding is obligated via an amendment to construction grants no later than July 31. Funds may only be invoiced upon notification of receive a federal award.

Board Motion to Approve

Instruct the staff to create and implement a program to provide 25% of the modeled cost of a project to fulfill gating requirements for participation in federal broadband infrastructure programs. Total costs may not exceed the \$30M appropriated by the General Assembly. As necessary, supplementary funds from the Broadband Financing Program - \$1.5M and unallocated ARPA Capital Projects Funds – approximately \$2.7M and any other ARPA fund unallocated for the purpose of providing up to 25% of the modeled match for a federal program.

Furthermore, Staff is instructed to model the cost and issue associated contingent grant amendments to eligible applicants on or before July 31, 2024. Staff will report status and amounts at the July VCBB Board Meeting and detail all program expenditures in the VCBB Annual Report issued on January 15, 2025.