Funding Opportunities:

Broadband

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This Resource was developed by the Vermont Department of Public Service (PSD). It is available on the PSD website at https://publicservice.vermont.gov/vt-community-broadband-board-vcbb/broadband-resources-towns/broadband-funding.

Expanding broadband is expensive and requires piecing together funding from a variety of sources. State law also limits the funding options (see Approaches to Broadband Expansion(opens in a new tab) and Options for Towns(opens in a new tab)) available to municipally driven efforts to expand broadband. This page provides an overview of various funding methods that have been leveraged in Vermont and elsewhere. These include:

Bonds | State Funding | Federal Funding | Private Funding | Public Private Partnerships

Parts of this page have been adapted with permission from the Lyndon, Vermont Broadband Feasibility Report(opens in a new tab), published by Vantage Point Solutions (2019). The Department of Public Service also suggests visiting the National Telecommunications & Information Administration (NTIA) BroadbandUSA Broadband Funding Search webpage(opens in a new tab) to identify additional funding opportunities.

Bonds

Revenue Bonds (allowed)

Aside from allocating capital project funds as part of the budget process, bond funding is something municipalities can use to assist with funding network

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construction and to support startup and maintenance costs. This is traditionally what many municipalities and Communications Union Districts have used to finance their broadband networks. Bonds can be repaid by revenue generated from the operation of the network or fees assessed on subscribers. If revenue from the network is expected to be relied upon as funds to pay back the bond, the business plan must support that expectation. Consult with an attorney before embarking on this funding model.

General Obligation Bonds (not allowed)

Since 2008, state law has limited the financing of operations and capital improvements for municipally run telecom plants to revenue bonds paid for out of the net proceeds of the communications plant's operations. This restriction bars communities from using general obligation bonds to support a municipally run broadband network or providing any other taxpayer support.

For more information, please see Vermont Statutes 24 V.S.A. § 1911 (2)(opens in a new tab), 24 V.S.A. § 1913 (b)(opens in a new tab), and the 2019 Department of Public Service report to the legislature, Report and Recommendation on General Obligation Bonds for Municipal Communications Plants(opens in a new tab).

State Funding

Broadband Innovation Grants(opens in a new tab) – This program helps communities conduct feasibility studies and create business plans related to the deployment of broadband in rural, unserved and underserved areas of Vermont. The program awards up to $60,000 per grant to eligible grantees including non-profit organizations, for-profit businesses, cooperatives, distribution utilities,

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Communications Union Districts and other government entities. Grantees must deliver a feasibility study that proposes new broadband systems with minimum speeds of 25 Mbps download and 3 Mbps upload in unserved or underserved areas.

Connectivity Initiative Grants – The Connectivity Initiative is the only state program addressing broadband development. Funded by proceeds from the Vermont Universal Service Fund, Connectivity Initiative grants are awarded to internet service providers that agree to extend service to designated areas least likely to be served through the private sector or through federal programs.

VEDA Broadband Expansion Loan Program(opens in a new tab) – The Vermont Economic Development Authority (VEDA) provides loans for startup broadband projects and expansion of existing broadband networks. Eligible project costs include working capital, construction, and infrastructure/installation. Borrowers eligible to participate include Communications Union Districts and other governmental entities, nonprofit organizations, cooperatives, and for-profit businesses. Applicants must be capable of offering broadband service speeds of at least 100 Mbps symmetrical. The maximum loan amount is $4.0 million. Financing can be provided for up to 90% of project costs.

Municipal Planning Grants (opens in a new tab)– The Municipal Planning Grant (MPG) program encourages and supports planning and revitalization for local municipalities in Vermont. Awarded annually and administered by the Agency of Commerce and Community Development(opens in a new tab), the MPG program works to strengthen Vermont by funding local planning initiatives that support statewide planning goals.

Federal Funding

IRS Opportunity Zone(opens in a new tab) – The 2017 Tax Cuts and Jobs Act created a program designed to spur investment in distressed communities throughout the

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country through tax benefits. Map of Vermont Opportunity Zones(opens in a new tab).

EDA Public Works(opens in a new tab) – The Economic Development Administration (EDA) Public Works program empowers distressed communities to revitalize, expand, and upgrade their physical infrastructure to attract new industry, encourage business expansion, diversify local economies, and generate or retain long-term, private-sector jobs, and investment.

EDA Economic Adjustment Assistance Program(opens in a new tab) – The EDA Economic Admustment Assistance Program provides assistance to state and local agencies in designing and implementing strategies to adjust or bring about change to an economy. The program focuses on areas that have experienced or are under threat of serious structural damage to the underlying economic base. Under this program, EDA administers its Revolving Loan Fund Program(opens in a new tab), which supplies small businesses and entrepreneurs with the gap financing needed to start or expand their business.

EDA Build to Scale(opens in a new tab) (formerly known as Regional Innovation Strategies(opens in a new tab))(opens in a new tab) – The Build to Scale (B2S) Program builds regional economies through scalable startups and includes three competitions supporting entrepreneurship, acceleration of company growth, and increased access to risk capital across regional economies.

EDA Planning(opens in a new tab) – The EDA Planning Program supports local organizations with short- and long-term planning efforts.

EDA Disaster Area Declarations(opens in a new tab) – Subject to the availability of funds, this investment assistance will help communities and regions devise and implement long-term economic recovery strategies through a variety of non-construction and construction projects, as appropriate, to address economic challenges in areas where a Presidential declaration of a major disaster has been

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issued. Vermont has been subject to several Disaster Area Declarations in recent years impacting almost every county: Vermont Severe Storms and Flooding, October 31, 2019(opens in a new tab); Vermont Severe Storms and Flooding, April 15, 2019 (opens in a new tab); Vermont Severe Storm and Flooding, May 4, 2018(opens in a new tab); and Vermont Severe Storm and Flooding, October 30, 2017(opens in a new tab). You can search for other Disaster Area Declarations on the FEMA Disasters (opens in a new tab) webpage.

Northern Border Regional Commission (NBRC) Catalyst Program – This program prioritizes efforts in Northern Border region (Maine, New Hampshire, New York, and Vermont) communities that revitalize and modernize essential infrastructure, including increasing access, affordability, and use of high-speed telecommunications by Northern Border residents and businesses. All of Vermont is eligible for this funding opportunity. Infrastructure grants are capped at $1 million.

Universal Service Administrative Company (USAC) Healthcare Connect Fund (HCF) (opens in a new tab) – The purpose of the Healthcare Connect Fund Program is to expand access to broadband services to health care providers, particularly in rural areas, and to encourage the formation of state and regional broadband networks linking health care providers.

USDA Distance Learning & Telemedicine Grants(opens in a new tab) – These U.S. Department of Agriculture (USDA) programs help rural communities use the unique capabilities of telecommunications to connect to each other and to the world. Grants help awardees to acquire the technology and training necessary to connect educational and medical professionals with the teachers and medical providers who serve rural residents at the local level.

USDA Rural Broadband Access Loan and Loan Guarantee Program(opens in a new tab) – This program furnishes loans and loan guarantees to provide funds for the

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costs of construction improvements or acquisition of facilities and equipment needed to provide service at the broadband lending speed in eligible rural areas.

USDA ReConnect Loan and Grant Program(opens in a new tab) – The Broadband ReConnect Program furnishes loans and grants to provide funds for the costs of construction, improvement, or acquisition of facilities and equipment needed to provide broadband service in eligible rural areas. Interactive Map of Eligible Areas (opens in a new tab).

USDA Rural Business Development Grants(opens in a new tab) – Opportunity grants can be used for community economic development, technology-based economic development, feasibility studies, and business plans.

Congressional Appropriation - Congressional appropriations were formerly known as Earmarks and are currently known as Congressionally Directed Spending for the Senate and Community Project Funding for the House of Representatives. Projects are nominated by Members of Congress for funding through the appropriations bill. The Senate and House have different rules for these requests. Projects benefit from advanced discussion with Congressional staff. If selected, funds pass through a federal agency with that agency's associated grant terms and conditions. Funds may not be available for 1-4 years based on agency capacity. Information is available on websites of Senator Sanders, Senator Welch, and Representative Balint. Projects are usually submitted in late February through mid-March annually.

Private Funding

Many efforts start with private funding. Some examples are discussed below.

Promissory Notes

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These notes establish the conditions for repayment of a private loan for an individual or a bank.

Crowd-Sourced Funding(opens in a new tab)

Thanks to the Department of Financial Regulation(opens in a new tab), Vermont now boasts the nation's most progressive local investing regulations, making it easier for small businesses to raise much-needed capital from their friends, families, customers and neighbors who want to invest in their local economy. This was done through substantive revisions to the Vermont Small Business Offering (VSBO) regulation. For more information, visit the Agency of Commerce and Community Development Vermont Crowdfunding Page(opens in a new tab).

Investors – Milk Money(opens in a new tab) is powered by VSECU through its wholly owned, independently operated subsidiary, Vermont Heritage Financial Group, Inc.

Friends and family – Kickstarter(opens in a new tab) and GoFundMe(opens in a new tab) are examples of platforms that could be leveraged to raise funds.

Broadband and the Community Reinvestment Act (CRA) – The federal Community Reinvestment Act (CRA)(opens in a new tab) enacted in 1977, was designed to to encourage financial institutions to help meet the credit needs of the communities in which they do business, including for infrastructure investment. Broadband, along with health services, education, public safety, public services, industrial parks and affordable housing, is considered an essential community service. Infrastructure investment for these services includes that for faclitating their construction, expansion, improvement, maintenance or operation. For more information, please see the Federal Reserve Bank of Dallas report, Closing the Digital Divide(opens in a new tab) (July 2016).

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Community philanthropy – Foundations, local banks and larger merchants (including national chains) often have community funds that provide financial assistance for local initiatives. Contact specific agencies individually for information.

Public-Private Partnerships

The Department of Public Service's Public-Private Partnerships webpage has been developed as a convenience and encourages seeking legal advance as needed. The webpage is set up in a Question-and-Answer format. It addresses Public-Private Partnerships (P3) and Contracting-for-Service relationships.

Disclaimer: This resource was created by Municipal Operations Support (MOS) staff of non-legal professionals with expertise of the subject matter. It is only intended to provide information and does **NOT** constitute legal advice. Readers with legal questions are encouraged to contact an attorney. The use or downloading of this resource does **NOT** create an attorney-client relationship and will not be treated in a confidential manner. Non-legal questions about this resource can be directed to MOS staff at mos@vlct.org.

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