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STATE OF VERMONT
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Mr. Terry LaValley, Chair
Public Safety Broadband Network Commission
Department of Public Safety
45 State Drive Waterbury, VT 05671

November 9, 2017

Mr. LaValley:

I am writing to you regarding the Commission's upcoming recommendation to Governor Scott about whether to opt in or opt out of the federal FirstNet program. I am concerned about the financial risks the State may face should Vermont decide to opt out of the federal program. In this letter, I will briefly summarize my concerns, and I welcome the opportunity to discuss them with you further.

FirstNet was created by an act of Congress in 2012 and charged with building, operating, and maintaining a nationwide wireless broadband network dedicated to first responders. Through a partnership with AT&T, FirstNet will construct the network in each State unless a State decides to "opt out" and construct the State's network itself.

On September 29, FirstNet delivered its final plan for the Vermont portion of the network to Governor Scott. The State now has 90 days to decide whether to opt in to FirstNet's plan or to opt out of the plan. As I understand it, a decision to opt in will allow FirstNet to begin work on Vermont's network immediately, and will require FirstNet to assume full responsibility for building, maintaining, and operating the network over a 25-year period. A decision to opt out will result in a process by which the State will seek approvals from the FCC, NTIA, and FirstNet to construct its own network, and the State will assume the responsibility for building, maintaining, and operating the network over a 25-year period.

Our first responders provide an essential service to the State, and they do so admirably. For their safety and the safety of all Vermonters, they deserve to have the best tools we can provide them in order to succeed, including a robust and effective wireless network to ensure that they can communicate during emergency situations. I recognize the many years that you and your fellow Commission members have dedicated to this issue, and I want to thank you for your work.

I have recently begun to research this issue after learning that a decision to opt out could carry significant financial consequences. I would like to emphasize that I have looked at the issue only through this narrow lens. I am in no position to address the merits of the plan submitted by FirstNet as compared to an alternative plan that could be developed by the State or other aspects of the opt in/opt out decision. However, because the decision to opt in or opt out carries with it

significant and long-lasting financial obligations to the State, I am compelled as a fiduciary to make sure that you consider the following key points.

First, and most importantly, a decision to opt out could have significant financial consequences to the State and its future borrowing capacity. Opting out would require the State to lease wireless spectrum from FirstNet. While the terms of the lease would have to be negotiated between Vermont and FirstNet, a draft summary of the lease agreement provided to the State by FirstNet would require the State to pledge its full faith and credit behind the State's performance and would subject the State to termination payments as high as \$173 million. These are significant obligations for a State the size of Vermont. As the recent CDAAC report makes clear, Vermont's debt ratio as compared to other Triple-A rated states has weakened, potentially affecting our debt authorization capacity for capital projects going forward. Adding significant and uncertain obligations would further exacerbate the issue. Furthermore, there may be additional adverse consequences related to a contingent liability disclosure on State's financial statements, though I would defer to the Department of Finance and Management for its review of this issue.

Second, the financial consequences of opting out appear to extend for decades. Should the State decide to opt out, the State would be required to maintain ongoing interoperability with the national network. Thus, as the national network evolves and improves over time, the State will be required to fund improvements to the State network to maintain interoperability. Again, the assumption of this responsibility, and the costs associated with it, will further tax Vermont's ability to raise new debt and fund other important government objectives.

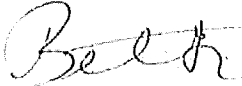
Third, while I do not discount the possibility that the State may gain additional revenues from developing its own network, I am unaware of what such revenue-generating scenarios would look like. It is my understanding that any additional revenues generated from Vermont's network would either have to be reinvested into maintaining the State's network or could be siphoned off to pay for the national network in other states. Accordingly, from what I have seen to date, I believe the additional costs associated with a State network are likely to outweigh the potential for additional revenues.

Finally, I am concerned by the fact that the State is required to make this important decision to opt in or opt out of FirstNet's national network at a time when the requirements expected of the State are not yet clear. While a decision to opt in or opt out is required by late December, we still do not know precisely what is required of a State that chooses to opt out. And while the NTIA has indicated that Vermont can expect between \$20 to \$25 million in federal grants, the NTIA considers these grants discretionary in nature, and it is authorized to accept or reject them, as well as to determine final award amounts. It is largely due to this uncertainty that I raise the financial concerns set forth above. I also suspect that this uncertainty may, to some extent, be driving the decisions of the 31 states and territories that have opted in to date, while none have opted out.

Ultimately, I recognize that the financial concerns set forth above are just one portion of your review. I believe, however, that they are substantial. Of course, the most important consideration is providing the best communications network possible to our first responders. I trust that the Commission and the Governor will weigh the many aspects of this decision

carefully and do what is right for Vermont. I would be happy to further discuss this important issue with the Commission or the Administration.

Sincerely,

A handwritten signature in cursive script, appearing to read "Beth Pearce".

Beth Pearce

Vermont State Treasurer