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BROADBAND FUNDING – USDA RECONNECT WORKSHOP

Overview: Funding and Application Process

Chris Collins, General Field Representative

Agenda

- Program and Funding Overview

- Program Regulation Overview

- Understanding FY2022 Funding Opportunity Announcement (FOA)

- Website and Navigation

- Authorized Representative Request (ARR) Process

- Q&A

Program & Funding Overview

USDA RUS ReConnect Program

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ReConnect Program Introduction

- **Broadband program**
  - Federal loans, grants, and loan/grant combinations to facilitate broadband deployment in rural areas

  - Funds can be used for the costs of construction, improvement, or acquisition of facilities and equipment needed to provide broadband service in eligible rural areas

- **Mission**
  - To expand broadband service to rural areas without sufficient access to broadband, defined as **100 Mbps downstream and 20 Mbps upstream**.

ReConnect Program

Provides loans, grants, and loan-grant combinations to extend high-speed broadband service to rural areas lacking sufficient access.

Established as a pilot program in 2018

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Codified in 7 CFR 1740 in 2021

↓

Announced by Funding Opportunity Announcement (FOA) in the Federal Register

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ReConnect Program Regulation Overview

Regulation Overview

- Codifies policies and procedures for the Rural eConnectivity Program (ReConnect)

- Issued as a Final Rule on February 26, 2021

- You can find the ReConnect Regulation here: https://www.federalregister.gov/documents/2021/02/26/2021-03443/rural-econnectivity-program

Funding Parameters

- 90% of households in Proposed Funded Service Area (PFSA) must lack sufficient access to broadband service as defined in current FOA

- Proposed network that can provide broadband service to every premises within the PFSA at the speed defined in current FOA at the same time

- Funding categories (loans, loan/grant, grants) established in current FOA

Definitions

- **Fixed wireless service:** a wireless system between two fixed locations (e.g., fixed transmitting tower to fixed customer premise equipment)

- **Broadband service:** any fixed terrestrial technology, including fixed wireless, having the capacity to transmit data, voice, and video as set forth in the current FOA

- **Non-funded service area (NFSA):** any area in which the applicant offers or intends to offer service but not requesting funding

- **Proposed funded service area (PFSA):** the area where the applicant is requesting funds to provide broadband service

- **Sufficient access to broadband:** a rural area in which households have broadband service at the minimum acceptable level of broadband, as set forth in current FOA

Eligibility Requirements: Eligible & Ineligible Entities

- **Eligible:**
  - ✓ Corporation
  - ✓ Limited Liability Company (LLC) and Limited Liability Partnership (LLP)
  - ✓ Cooperative or mutual organization
  - ✓ States or local governments, including any agency, subdivision, instrumentality, or political subdivision thereof
  - ✓ Territory or possession of the United States
  - ✓ Indian tribe, as defined in section 4 of the Indian Self-Determination and Education Assistance Act
- **Ineligible:**
  - X Individuals
  - X Legal partnerships formed with individuals
  - X Co-applicants

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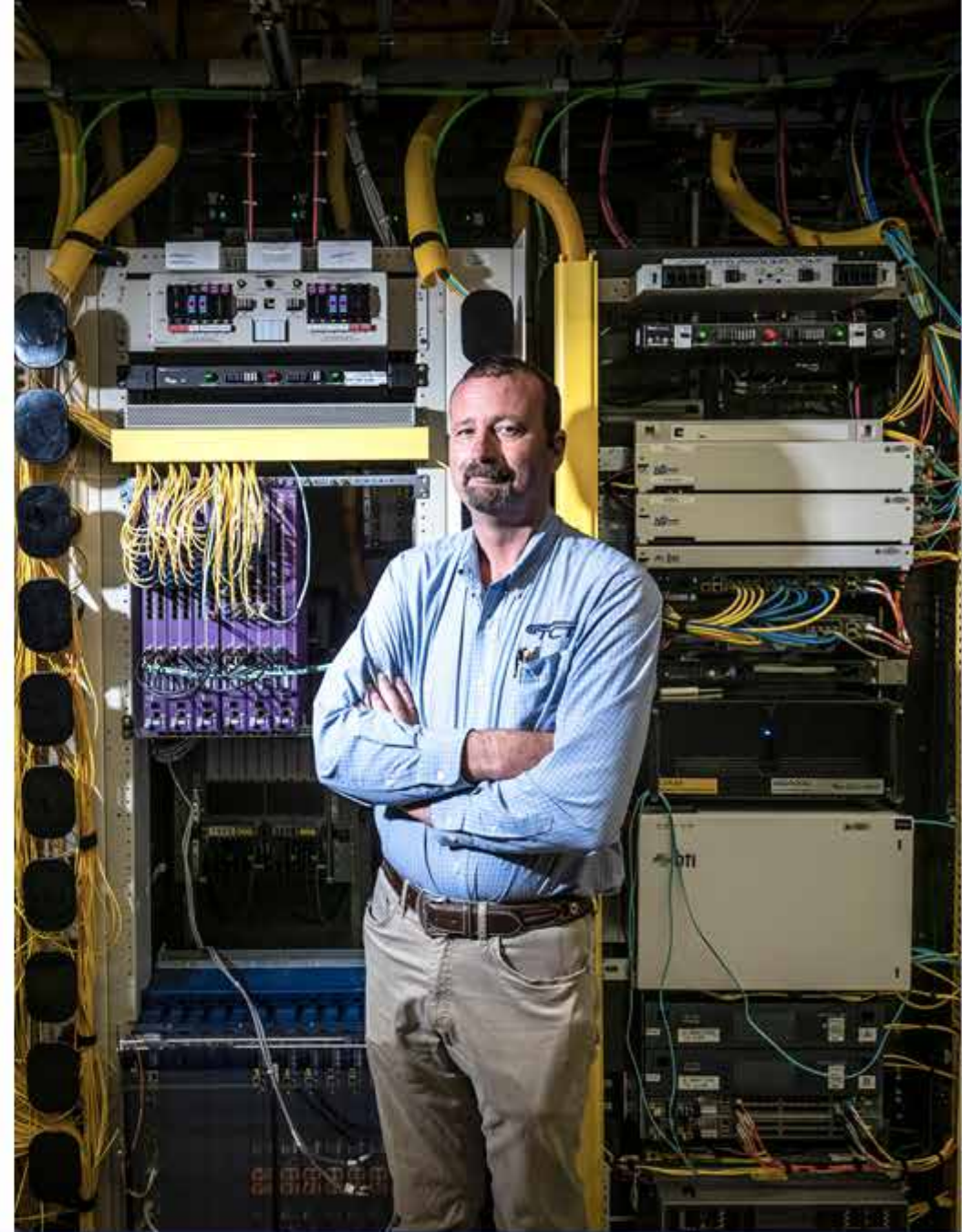
# ReConnect Program Eligible Projects

High-Level Eligibility Requirements: Eligible Projects

- **Eligible projects must:**
  - Submit a complete application, including **unqualified, comparative, audited financial statements** for the previous year from the date the application is submitted

  - **Timely Buildout Completion** within **five years** from the date funds are first made available

  - Demonstrate **Technical Feasibility**

  - All project costs can be **fully funded** or accounted for

  - **Financially Feasible and Sustainable**

  - Facilities with grant funds must **provide broadband service for the composite economic life of the facilities**

  - Facilities with loan funds must **provide broadband service through the amortization period of the loan**

High-Level Eligibility Requirements: Eligible & Ineligible Service Areas
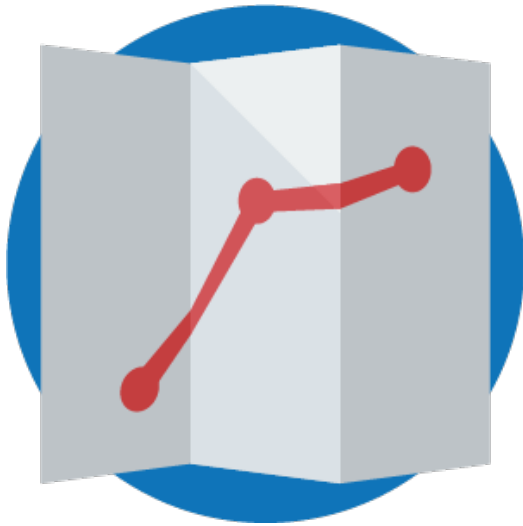
- **Eligible Service Areas:**
  - Provide broadband access directly to all premises in PFSA
  - If any part of PFSA is ineligible, RUS may request modification(s) or reject the application
  - Service areas of existing RUS borrowers without sufficient access to broadband, as defined in the current FOA, are eligible for ReConnect funding

- **Ineligible Service Areas:**
  - Overlapping proposed project service areas
  - Prior-funded service areas providing sufficient access to broadband as defined in the current FOA
    - § RUS Broadband Loans including ReConnect Awards
    - § RUS Community Connect Grants
    - § RUS Broadband Initiatives Program (BIP) Grants

High-Level Eligibility Requirements: Eligible & Ineligible Service Areas (cont.)

- **Additional Considerations**
  - Work with Governors' offices and Tribal governments to submit information detailing where state funding has been provided
  - A certification from the appropriate tribal official is required if service is being proposed over or on tribal lands. Any application that does not provide a certification to provide service on the tribal lands identified in the PFSA will not be considered for funding.
  - Service areas that received federal broadband service grants or funds from the FCC may be restricted from funding. **Please review the FOA for more details.**
  - **Additional service area restrictions may be identified in the current FOA**

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ReConnect Program Eligible/Ineligible Costs

ReConnect Regulation: Eligible Costs

- All costs must be reasonable, allocable, and necessary

- Consistent with 2 CFR 200, Subpart E, Cost Principles

- Award funds may be used for the following purposes:
  - **Construction, acquisition, or improvement of facilities**, including buildings and land, required to provide broadband service

  - **Reasonable pre-application expenses** (not to exceed 5% of the total award). Costs associated with satisfying the environmental review requirements are eligible for reimbursement under this category. Up to 3% of total award can be used to cover costs associated with satisfying the environmental review requirements. The environmental review costs count as part of the overall 5% allowable for pre-application expenses.

  - **For 100% Loans: To fund acquisition of an existing system** that does not currently provide sufficient access to broadband (limited to 40 percent of the total loan amount).

Ineligible Cost Purposes

- **Award funds may not be used to fund:**
  o Operating expenses

  o Costs incurred prior to application submission date with the exception of reasonable pre-application expenses, as determined by RUS

  o Acquisition of an affiliate

  o Purchase or acquisition of an affiliate's facilities or equipment

  o Acquisition of a system previously funded by RUS

  o Purchase or lease of a vehicle other than those used primarily in construction or system improvements

Ineligible Cost Purposes (continued)

- **Award funds may not be used to fund:**
  - Broadband facilities leased under the terms of an operating lease or an IRU agreement

  - Merger or consolidation of entities

  - Costs in acquiring spectrum from an FCC auction or secondary market acquisition

  - Facilities that provide mobile services

  - Facilities that provide satellite service including satellite backbone services

  - Acquisition of a system providing sufficient access to broadband

  - Refinancing of outstanding debt

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ReConnect Program Public Notice Requirements

Public Notice

- **Pre-Award Public Notice:**
  - o RUS will post the following information to the mapping tool for each submitted application:
    - § applicant identity
    - § service areas
    - § type of funding requested
    - § application status
    - § number of households without sufficient access to broadband

- **Post-Award Public Notice:**
  - o For approved projects the information in the pre-award public notice as well as each required annual report (7 CFR 1740.80 (g)) will be made available to the public.

Public Notice Filings (PNFs)

- USDA will publish a PNF for each application, which will include the following information:
  - Applicant name
  - The areas to be served, including identification of the associated census blocks
  - Amount and type of funding requested
  - Status of the application
  - Number of households without sufficient access to broadband
  - Description of the proposed broadband project
  - Map of each proposed funded service area
  - The estimated number and proportion of service points in the proposed service territory without fixed broadband service, whether terrestrial or wireless, and
  - Any other information required of the applicant in a funding notice

Public Notice Response (PNR)

- PFSAs of submitted applications are posted through the RUS mapping tool

- **Existing service providers have 45 days to respond** by submitting:
  o Number of customers purchasing sufficient broadband access, transmission rates, and service costs

  o Number of customers receiving voice and video services and the rates

  o Map showing where the existing service providers' services coincide with the applicant's service area

  o Test results demonstrating that sufficient broadband access is being provided

Public Notice Response (continued)

- RUS will contact the PNR respondents to validate their submission by:
  - o Providing additional information

  - o Having a technician on site during field validation by RUS staff

  - o Run on-site tests with RUS staff present

  - o Providing copies of test results and validating the information submitted in the PNR

- **RUS will notify respondents if their challenge was successful or not and allow for response**

- Conclusive evidence as to the existence of sufficient access to broadband will be taken only through the public notice process.

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ReConnect Regulation: Financial Requirements

ReConnect Regulation: Financial Requirements

Applicants will need to submit the following:

- Unqualified, comparative, audited financial statements for the previous year from the date the application has been submitted

- Detailed information for all outstanding and contingent obligations

- Evidence of all other funding necessary to support the project

- A financial pro forma to include four years of historical data, the current (bridge) year, and five years of projections.
    - Publicly traded companies with an investment grade bond rating from Moody's, Standard and Poor's, or Fitch do not need to submit NFSAs or complete the pro forma financial projections.

    - 100% grant applicants who provide an Irrevocable Letter of Credit (ILOC) do not need to submit NFSAs or complete the pro forma financial projections.

ReConnect Regulation: Financial Requirements (continued)

- A subsidiary applying for ReConnect funding must submit financials on a stand-alone basis. Consolidated financial information for the pro forma is not acceptable.

- An applicant can use the consolidated and audited financials of the parent if the parent is fully guaranteeing the loan, or in the case of a grant, guarantees that construction will be completed as approved in the application.

- The financial pro forma should validate the sustainability of the project by including:
  - Subscriber estimates related to all proposed service offerings
  - Annual financial projections with balance sheets, income statements, and cash flow statements
  - Supporting assumptions for the five-year forecast period and a depreciation schedule for existing facilities, those facilities funded with federal assistance, matching funds, and other funds

ReConnect Program
Other
Considerations

Interest Rates

- **Interest Rates**
  - Interest rates will be included in the current FOA

  - Direct cost-of-money loans: interest rate equal to cost of borrowing to the Department of Treasury

  - 100% loans may provide a reduced interest rate

Terms & Conditions

- **Terms and Conditions**
  - Principal and interest payments: three-year deferral

  - Loan repayment period: expected Composite Economic Life of the project assets plus three years

  - Interest begins accruing on date of each loan advance

  - All construction and advance of funds must be complete no later than five years from the time funds are made available

  - No funds will be disbursed until all other sources of funding have been obtained and any other pre-award conditions have been met

Security

- **Loans and Loan/Grant Combinations Security**
  - Corporations and limited liability entities: the loan and loan/grant combinations must be secured by all assets

  - Tribal entities and municipalities: RUS will develop appropriate security arrangements

  - All property and facilities purchased with award funds must be owned by the Awardee

- **Grant Security**
  - Government must be given an exclusive first lien on all grant funded assets

  - Awardees must repay the grant if the project is sold or transferred without approval

Security (continued)

- **Substitution of Collateral**
  - Loans and loan/grant combinations: Applicants are required to pledge all assets and revenues as collateral; applicants may propose other forms of collateral if the amount is equal to the full amount of the loan

- **Irrevocable Letter of Credit**
  - Grants: Applicants may request that standard grant security arrangements be replaced with an Irrevocable Letter of Credit (ILOC)
    - § Must be for the full amount of award
    - § Must remain in place until project is completed
    - § Financial projections, financial ratios, and NFSA maps not required

SEE FORMS AND RESOURCES FOR ILOC TEMPLATE AND DRAFT LEGAL AGREEMENT

Advance of Funds and Buy American

- **Advance of Funds**
  - Advances are made at the request of the Awardee according to the procedures in the Award Documents
  - All non-RUS funds, including matching funds and cash provided in lieu of RUS loan funds, must be expended first, followed by loan funds and then grant funds (except RUS approved pre-application expenses)
  - Grant funds may be used for eligible pre-application expenses only on the first advance request

- **Buy American Requirement**
  - Awardees must adhere to the Buy American regulations (7 CFR 1740.46)
    - § This section also provides a link to 7 CFR part 1787, which contains the Buy American requirements implemented by RUS.

Civil Rights Procedures & Requirements

- **Equal Opportunity and Nondiscrimination**
  - Equal Credit Opportunity Act and 7 CFR part 15

- **Civil Rights Compliance**
  - Americans with Disabilities Act of 1990
  - Title VI of the Civil Rights Act of 1964
  - Section 504 of the Rehabilitation Act of 1973

- **Discrimination Complaints**
  - Discrimination complaints may be filed with the USDA, Director, Office of Adjudication
  - Must be filed no later than 180 days from the date of the alleged discrimination

Funding Types

	100% Loan	50% Loan-50% Grant Combination	100% Grant	100% Grant for Tribal Governments and Socially Vulnerable Communities
Terms	Max Award: $50 million Minimum Award: $100,000 2% Interest Rate	Max Award: $50 million Minimum Award: $100,000 UST Interest Rate	Max Award: $25 million* Minimum Award: $100,000 25% matching funds	Max Award: $25 million* Minimum Award: $100,000 No matching fund requirement**
Application Review	First come, First served	Competitive	Competitive	Competitive
Round 3 Federal Funds	$200 million	$250 million	$350 million	$350 million
Buildout Speed	100 Mbps **symmetrical service** to every premise in the PFSA.			

*Applicants may request up to $35 million by providing supporting information that demonstrates that the PFSA(s) is comprised 100 percent of locations within areas classified by the USDA Economic Research Service as FAR Level 4.

**If the applicant is a Tribal Government or a corporation wholly owned by a Tribal Government proposing to provide services on its own lands, there is no requirement for matching funds. Additionally, if at least 75% of the geographic area of an applicant's PFSA consists of Socially Vulnerable Communities, there is no matching fund

FY2022 FOA Application Eligibility Factors

- Previous fiscal year's unqualified, comparative, audited financial statements

- Fully complete application

- Timely buildout completion (within 5 years)

- Financial feasibility and sustainability

- Technical feasibility

- Fully funded

ReConnect FY2022 FOA Eligible PFSAs

FY2022 FOA Eligible Proposed Funded Service Area (PFSA)

- Area where the applicant is requesting funds to provide broadband service

- Applicants will draw or upload shapefiles of PFSAs on the USDA mapping tool within the Online Application System
  - If the PFSAs are non-contiguous, each PFSA needs to be drawn or uploaded separately.

- Applicants will draw or upload shapefiles of all Non-Funded Service Areas (or NFSAs) to complete their application
  - NFSAs do not need to be submitted by publicly traded companies with investment grade bond ratings and grant-only applicants offering an Irrevocable Letter of Credit (ILOC) as security.

- PFSAs do not need to be contiguous but each PFSA must meet 100/20 eligibility requirements on a standalone basis

- Service areas of existing RUS borrowers without sufficient access to broadband, as defined in this FOA, are eligible for ReConnect funding.

FY2022 FOA Eligible PFSA: Key Considerations (continued)

- The mapping tool can be found on the ReConnect website (https://www.usda.gov/reconnect) by selecting the "Service Area Map" tile.

    o The mapping tool includes the following **eligibility** layers:
    - § Non-Rural Areas
    - § Pending Applications
    - § Protected Broadband Borrower Service Areas
    - § Tribal Lands

FY2022 FOA Eligible PFSA: Key Considerations (continued)

o The mapping tool includes the following **evaluation** layers:

  § Economic Need of the Community (SAIPE)

  § Rurality (100 miles from urbanized areas or determined by density calculation)

  § Socially Vulnerable Communities

  § Tribal Lands

  § FAR Level 4

o **Note:** Tribal Lands are listed for both evaluation **and** eligibility purposes. If an applicant proposes to serve tribal lands, a **tribal certification is required for eligibility.**

FY2022 Eligible PFSA: Key Considerations (continued)

- **Broadband Borrower Service Areas** are generally ineligible for other entities. They include prior-funded service areas such as:
    - RUS Broadband Loans as defined in the ReConnect Regulation (7 CFR 1740)
    - RUS Community Connect Grants still under construction
    - RUS Broadband Initiatives Program (BIP) Loans
        - § Service areas that received 100 percent grants under the RUS BIP are eligible if they lack sufficient access to broadband.

- The mapping tool does not identify areas that lack sufficient access to broadband

- **Note:** USDA does not require that PFSAs be based on Census Tracts.

FY2022 FOA Eligible PFSA: Key Considerations (continued)

- **Across all four products** at least 90% of **households** within a PFSA must lack sufficient access to broadband.

- Applicants will use the marking tool on the Service Area Map to identify areas without sufficient access to broadband

- Multiple service areas will be treated as separate standalone service areas

- If any service area in a competitive application does not meet the eligibility requirements, the entire application will be disqualified

FY2022 FOA Eligible PFSA: Key Considerations (continued)

- Applicants must submit evidence that sufficient access to broadband **does not exist** for at least **90 percent** of the households in the PFSA, **identify all existing providers** in the PFSA, and **indicate what level of service is being provided**.
    - o If any PFSA is found to have sufficient service, the application will be disqualified.
    - o If the applicant is applying for **100% loan**, the applicant will be given the opportunity to remove the affected areas.

- Facilities proposed to be constructed with award funds must be capable of delivering **100 Mbps symmetrical service to every premises** in the PFSA.
    - o This means that all premises in the PFSA must be able to receive this service at the same time.

FY2022 FOA Eligible PFSA: Key Considerations (continued)

- **RUS will offer funding in areas receiving or under consideration for a Rural Digital Opportunity Fund (RDOF)** award. However, the application should explain why RUS should provide additional funding.

- RUS will require all ReConnect awardees who are receiving or under consideration for RDOF funding to **submit a statement certifying that the funds requested from ReConnect are not duplicative of RDOF funding and have not been and will not be reimbursed by RDOF funding.**
  - Recipients of RDOF and ReConnect funding must keep a separate account for ReConnect funds.

FY2022 FOA Eligible PFSA: Key Considerations (continued)

- If two or more applications are submitted for the same non-Tribal Land area receiving or under RDOF consideration, and one of those applications is submitted by the RDOF winning bidder, or the winning bidder's assignee:

  o RUS will give preference to the applicant receiving or under consideration for the RDOF award

- On Tribal Lands, RUS will give preference to the applicant that has a Tribal Government Resolution of Consent.

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Website Navigation

ReConnect Website

Website: www.usda.gov/reconnect

ReConnect Website (Continued)

Program Links

What is the Rural Development Broadband ReConnect Program?

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. The application window for the third round of funding is now open. Follow one of the links below to learn more about the program.

Program Overview | Latest Updates | Public Notice Filings | Reporting and Compliance | Contact Us

Apply Now | Funding Opportunity Announcement | Fact Sheet

ReConnect Website (Continued)

Resource Links/Tiles

Frequently Asked Questions

Eligible Service Area

NEW Mapping Tool

Funding Categories

Evaluation Criteria

Forms and Resources

ReConnect Website (Continued)

Resources: Understanding Program & Application Requirements

FOA REG GUIDE → APPLICATION REQUIREMENT
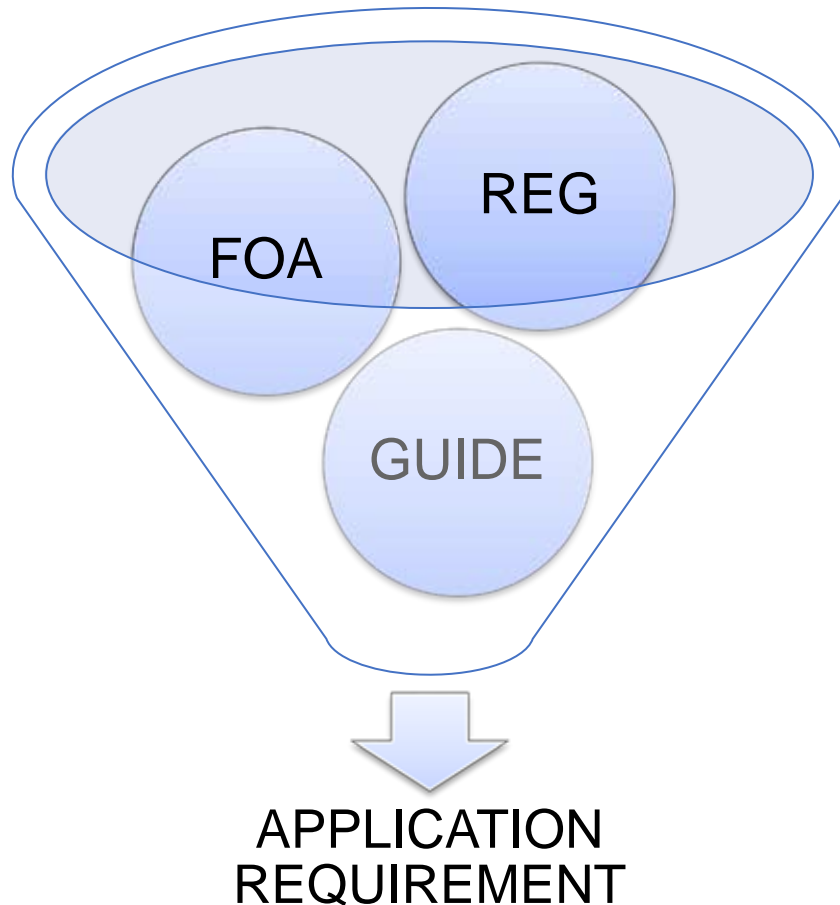
FY2022 Funding Opportunity Announcement (FOA)

FY2022 ReConnect Application Guide

ReConnect Regulation – 7 CFR 1740

Map Resources

ReConnect Mapping Tool

Telecom Maps

ReConnect Proposed &
Approved Map

Email Subscriptions

USDA Gov Delivery

ReConnect Subscription

Authorized Representative Request (ARR)

Authorized Representative Request (ARR) Process

- The individual identified as the **Rep-Sign-Cert** will have the authority to provide signatures, authorize certifications, submit applications for consideration, and assign access to new users. If awarded, the Rep-Sign-Cert will also have the authority to submit compliance reports.

- Designates the Representative-Signature-Certifier (Rep-Sign-Cert) and Administrator roles

- Submitted by either the Rep-Sign-Cert or Administrator, but must assign the Rep-Sign-Cert role
  - Administrators and Rep-Sign-Cert must be employed by the applying entity
  - Multiple people can be assigned as Administrators, **only one person** may be designated as Rep-Sign-Cert
  - Both roles can connect other users to the account, once created

Authorized Representative Request (ARR) Process (continued)

- **Steps:**

1) Prepare the ARR Resolution and verify the correct people are assigned to the correct roles
   - Review instructions on the ReConnect website under Forms and Resources
   - Two samples (can be modified to reflect the applicant's legal structure)

2) Submit the ARR and upload the Resolution through the Online Application System
   - Applicants can reuse an approved ARR from the last round of ReConnect funding

ARR Process: Step 1

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PETER PAR...

HOME | ACCOUNTS | AUTHORIZATIONS | PUBLIC NOTICE FILINGS | INSTRUCTION GUIDES | CONTACT US | NEW/UPDATE ARR

All Authorizations

Certification Number	Account Name	Case	Created Date
C-000492	Parker Telecommunications	00006271	06-18-2021 10:50 AM

57

ARR Process: Step 2

ARR Process: Step 3

Note: the "Legal Name of Entity" **must** match the entity name on the ARR Resolution.

ARR Process: Step 4

ARR Process: Step 5

ARR Process: Step 6

File size cannot exceed more than 1.7 MB

Submit

ø Applicants must wait for the ARR and resolution to be approved by the Agency before being able to start working on the application. If the ARR is approved, an email will be sent to the authorized representatives marked as Key Contact(s) and to the ARR submitter.

ø If the ARR is rejected, only the ARR submitter will receive an email stating the reason for the rejection. That individual may submit a new ARR request with the correct information and attachment.

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Resources

Available Resources for Application Help

- **Technical Assistance**
  - Register for upcoming workshops/webinars https://www.usda.gov/reconnect/events
  - Subscribe to receive updates about upcoming events on the ReConnect website

- **Resources**
  - ReConnect website https://www.usda.gov/reconnect
  - FOA: https://www.federalregister.gov/documents/2021/10/25/2021-23128/rural-econnectivity-program
  - Regulation: https://www.govinfo.gov/content/pkg/FR-2021-02-26/pdf/2021-03443.pdf
  - Fact Sheets & FAQs

- **Contact Us**
  - https://www.usda.gov/reconnect/contact-us

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