

U.S. Department of Agriculture, Rural Utilities Service

Overview of the ReConnect Program and Funding Application Process



March 15, 2019

The ReConnect Program

- Pilot broadband program administered by Rural Utilities Service (RUS)
- Three programs: loans, grants, and loan/grant combinations for broadband deployment
- For provision of fixed broadband service in rural areas currently lacking sufficient access – mobile broadband is ineligible.

The ReConnect Program

- \$600 million available for three loan and grant programs
- Additional \$550 million, appropriated in February, will be disbursed in a later round
- The RUS Online Application System will likely be launched in March

RUS Program Overview

The screenshot shows a Microsoft Edge browser window with the address bar displaying https://www.usda.gov/files/ReConnect_Program_Better-FOA_Briefing-High_Level_Overview_12.20.18.pdf. The main content is a slide titled "Grant and Loan Products" with the following data:

	Loan	Grant	Combo Loan/Grant
Buildout speed	25/3 mbps minimum	25/3 mbps minimum, incentive for higher speeds	25/3 mbps minimum, incentive for higher speeds
Terms	2% Interest Rate Max award: \$50 million	25% match Max award: \$25 million	50/50 Loan/Grant Interest Rate of Fed Funds (~3%) Max award: \$50 million
Application Review	Open (non-competitive): rolling approvals over 120 days	Competitive Scoring, 60-day application window	Competitive Scoring, 90-day application window
Federal Funds Available in Round 1	\$200 million	\$200 million	\$100 million grant + \$100 million loan

The slide number "10" is visible in the bottom right corner of the PDF content.

Available Funding and Application Deadlines

- 100% Rural Broadband Grants
 - Application deadline: **May 31, 2019**
 - Applicant must provide cash match of 25% of program cost
 - \$200 million in available funding
 - \$25 million maximum award per project
 - Funds awarded based on competitive scoring

Available Funding and Application Deadlines

- 50% Grant/50% Loan Combination
 - Application deadline: **June 21, 2019**
 - 50% of award as a grant and 50% of award as a loan
 - Loans at Treasury rate of approximately 3.875%
 - \$200 million in available funding
 - \$50 million maximum award per project
 - Funds awarded based on competitive scoring

Available Funding and Application Deadlines

- 100% Rural Broadband Loans
 - Application deadline: **July 12, 2019**
 - Applications accepted on a rolling basis
 - Interest rate fixed at 2%
 - \$200 million in available funding
 - \$50 million maximum award per project
 - Funds awarded on a “first come, first served” basis

Eligibility to Receive ReConnect Support

- Following entities are eligible to receive support:
 - Rural telephone and broadband service providers
 - Rural electric cooperatives
 - National and regional private companies
 - Tribal entities
 - State and local government instrumentalities
 - Entities receiving CAF-II funding
 - Only eligible to receive loans at fixed interest rate of 2%
 - Not eligible for a grant or grant/loan award

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Eligibility to Receive ReConnect Support

- Applicants must be able to supply retail broadband to end-user customers
- Sole proprietors and limited partnerships are ineligible for support
- All project costs must be fully funded by the RUS ReConnect award and any necessary additional funding from other sources
- Projects must be completed within 5 years from date funds are first made available

Eligible Service Areas

- For loan and loan/grant programs, 90% of households in proposed area must currently lack sufficient access to broadband
- For grant program, 100% of households in proposed area must currently lack sufficient access to broadband
- Proposed area must be rural, defined as area not located in:
 - City, town, or incorporated area with population greater than 20,000
 - Urbanized area contiguous and adjacent to city or town with population greater than 50,000

Eligible Service Areas

- Sufficient broadband access means: Rural area that has fixed, terrestrial broadband service delivering at least 10/1 Mbps
- RUS will not fund more than one project serving any one given geographic area
- Areas are not eligible if they have already received federal or state assistance for broadband service
- Applicants define where they propose to serve, using the RUS mapping tool

Eligible Funding Purposes

- Construction, improvement, and acquisition of facilities required to provide service at minimum of 25/3 Mbps
- Loan funds may be used to acquire existing systems not providing sufficient broadband access
 - For 100% loan program only
 - Acquisition funds limited to 40% of loan amount

Eligible Costs

- Costs must be reasonable, allocable, and necessary
- Operating expenses are not eligible
- Application may be rejected if it proposes to use any portion of award or matching funds for ineligible costs
- Pre-application expenses may be eligible for reimbursement (limited to 5% of total award)

Application Evaluation Criteria

The screenshot shows a PDF document titled "Application Evaluation Criteria" displayed in a Microsoft Edge browser window. The document content includes a title, a text block, and nine criteria, each with a representative icon:

- Healthcare Centers (Icon: Caduceus)
- Rurality of Proposed Funded Service Area (Icon: Rural landscape)
- Educational Facilities (Icon: School building)
- Farms served (Icon: Farm with barn)
- Critical Community Facilities (Icon: Community center)
- Performance of the Offered Service (Icon: Pie chart)
- Tribal Lands (Icon: Tribal land with teepee)
- Business (Icon: Modern office building)
- State Broadband Activity (Icon: Map of the United States)

Applications for 100% grants and 50/50 loan/grant combination awards will be scored and ranked against the nine criteria areas.

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Application Evaluation Criteria

- Applies to grants and loan/grant programs
- Applicants must submit scoring sheet that RUS will use to evaluate nine evaluation criteria - 150 possible points
- Applications in same funding category are scored and ranked based on these criteria:
 1. Rurality of Proposed Funded Service Area (25 points)
 - Population densities of 6 or less (per square mile): 25 points awarded

Application Evaluation Criteria

- Population densities greater than 6 (psm): zero points awarded
- For multiple service areas, density calculation is made on combined areas as if they are single area
- Calculation: Total population of proposed service area ÷ total square miles of proposed service area

2. Farms Served (20 points)

- 1 point for each farm that pre-subscribes for broadband service, up to 20 points
- Applicants must submit [pre-subscription forms](#) filled out by farm owners

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Application Evaluation Criteria

3. Performance of Offered Service (20 points)

- 20 points awarded for projects proposing 100/100 Mbps service to all premises
- Licensed professional engineer must submit [certification](#) that this capability can be delivered

4. Businesses (15 points)

- 1 point for each business that presubscribes, up to 15 points
- Applicants must submit [pre-subscription forms](#) filled out by business owners

Application Evaluation Criteria

5. Healthcare Centers (15 points)

- 1 point for every healthcare center served, up to 15 points
- Counted using [RUS Mapping Tool](#)

6. Educational Facilities (15 points)

- 1 point for every educational facility served, up to 15 points
- Counted using [RUS Mapping Tool](#)

7. Critical Community Facilities (15 points)

- 1 point for every critical community facility served, up to 15 points
- Counted using [RUS Mapping Tool](#)

Application Evaluation Criteria

8. Tribal Lands (5 points)

- If at least 50% of proposed service area consists of Tribal lands, 5 points awarded
- Tribal lands evaluated using geographic information systems (GIS) layer maintained by [U.S. Census](#)
- Tribal land areas will be tabulated using [RUS Mapping Tool](#)

Application Evaluation Criteria

9. State Broadband Activity (20 points)

- If proposed project is in a state—
 - ◆ With a broadband plan updated within past 5 years — 10 points
 - ◆ That allows utilities service providers to deliver broadband services — 5 points
 - ◆ That commits to expediting right-of-way environmental permitting — 5 points

- Applicants must submit certification of above factors from the Governor of the state

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Financial Feasibility and Sustainability

- A project is financially feasible if it will:
 - Generate sufficient revenues to meet expenses
 - Have sufficient cash flow to service debts and obligations
 - Have positive ending cash balance for each year of five-year forecast period

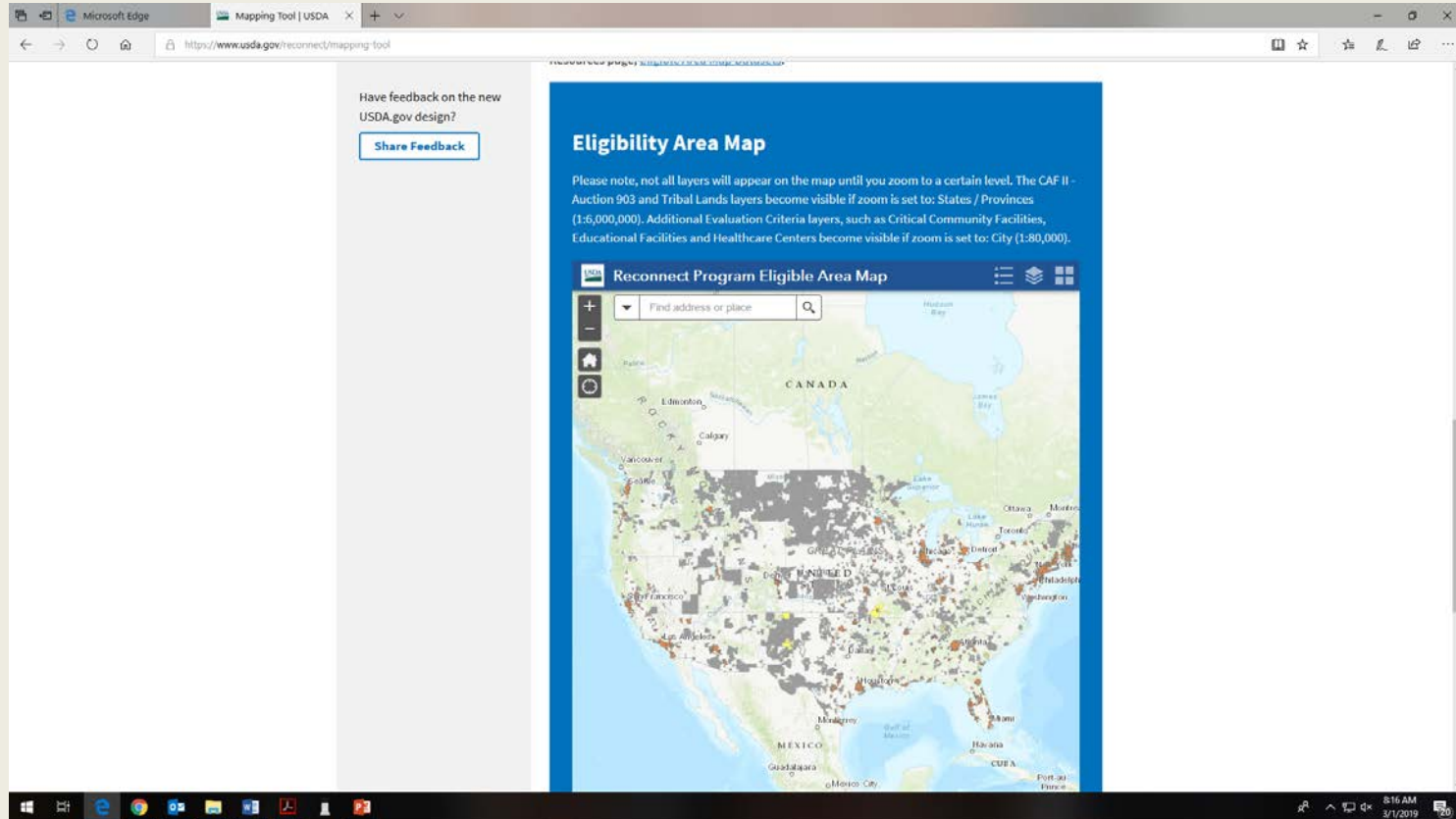
Financial Feasibility and Sustainability

- By end of forecast period, meet at least two of these requirements:
 - Minimum Times Interest Earned Ratio (TIER) requirement of 1.20
 - Minimum Debt Service Coverage Ratio (DSCR) requirement of 1.20
 - Minimum Current Ratio of 1.20
- At the end of third calendar year forecast period to end of forecast period, tangible equity to total assets must be at least 20%

Mapping Tool

- Applicants use the [Mapping Tool](#) to determine a proposed service area
- The tool includes data that indicate potential eligibility and evaluation criteria used to auto-generate project scores
- Datasets that make up the [Eligibility Area Map](#) may be [downloaded](#)

Eligibility Area Map Screenshot



Application Mechanics and Requirements

- Applications must be submitted electronically through RUS Online Application System (OAS)
 - OAS requires user ID and password
 - OAS is not yet accessible on [RUS ReConnect website](#)
 - When OAS goes live, Application Guide will be available
- Applicants must register for [DUNS number](#) and also must register in [System for Award Management](#) (SAM)

Application Mechanics and Requirements

- RUS [Funding Opportunity Announcement](#) (FOA) requires applications to include:
 - Description of proposed project
 - Estimated amount of funding request
 - Executive summary of proposed project
 - Description of proposed service area, including number of premises passed
 - Subscriber projections

Application Mechanics and Requirements

- Map of proposed funded area (using [RUS Mapping Tool](#))
- Description of advertised service prices of competitors in same area
- Network design and diagram (certified by engineer) showing technical feasibility
- Resumes of key management personnel
- Description of applicant's readiness to manage broadband service network
- Organization chart

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Application Mechanics and Requirements

- List of all required licenses and regulatory approvals

- [Legal opinion](#) that:
 - Addresses applicant’s ability to enter into award documents
 - Describes any material pending litigation
 - Addresses applicant’s ability to pledge security
 - Addresses applicant’s ability to provide broadband service under state law

Application Mechanics and Requirements

- Summary and itemized budgets of infrastructure costs
- If applicable, ratio of loans to grants, and any other sources of outside funding
- Description of working capital requirements, and source of these funds
- Historical financial statements for last four years
- Audited financial statements for last two calendar years
- Pro forma financial analysis for a five-year forecast period in accordance with RUS guidance on grant accounting

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Application Mechanics and Requirements

- All attachments required in RUS Online Application System
- Scoring sheet analyzing scoring criteria
- List of applicant's outstanding and contingent obligations
- Environmental information needed to certify compliance with applicable federal laws
- Certification that agreements with investors do not breach obligations to government under draft Award Documents
- If service will be on Tribal lands, certification from Tribal official supporting project

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Application Mechanics and Requirements

- Applicants are required to comply with all federal, tribal, and state communications laws and regulations
- Applicants should identify any confidential or proprietary information in their applications

Application Mechanics and Requirements

- RUS will publish a public notice of each application
 - Applicant must summarize information for public notice:
 - Identity of applicant
 - Map of proposed service area
 - Amount and type of support requested
 - Status of review of application
 - Estimate of number of households in service area without sufficient broadband access
 - Description of all services applicant proposes to offer

Technical Assistance Workshops

- RUS has announced the first of six ReConnect Technical Assistance Workshops around the country
 - Tuesday and Wednesday, April 2-3, 2019
 - Doubletree by Hilton Hotel Pittsburgh
 - 340 Racetrack Road, Washington PA
 - Workshop will address application process, program requirements, information about the December 2018 Funding Opportunity Announcement
 - Use this [ReConnect Link](#) to register.

ReConnect Program FAQs Prepared by RUS

Questions	Answers
Is the max \$25 million per applicant or per application?	<p>\$25 million is the upper limit of a 100% grant product. For a 100% grant, the match must be 25% of the total project cost.</p> <p>\$50 million is the upper limit for 100% loan and 50/50 loan-grant combination products. For the combination product, the amounts awarded for loan and grant will always be equal.</p>
What type of license must the licensed engineer have to certify the project?	The engineer must have a professional engineering license issued by at least one of the States where the project is proposed.

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What type of license must the licensed engineer have to certify the project?	The engineer must have a professional engineering license issued by at least one of the States where the project is proposed.
Are applications limited to individual States?	No, the applicant has the opportunity to draw its proposed service area across State lines.
Will ReConnect fund middle-mile only projects?	Stand-alone middle-mile projects are not eligible under the program. Middle-mile facilities are eligible if they are needed to bring sufficient broadband service to all premises in the proposed funded service area (PFSA)

Questions	Answers
Is there a minimum number of customers served by a PFSA?	There is no specific minimum number of customers in an area. The number of customers will have an impact on potential revenue. A project will need sufficient subscribers to ensure financial feasibility.
Must the proposed PFSA be contiguous?	No, a proposed funded service area does not need to be contiguous. However, if multiple service areas are proposed, each service area must meet the eligibility requirements.
Is a ReConnect project that proposes routing “common network” facilities (no distribution) through an ineligible service area (e.g., CAF-II, RUS borrower) to reach an eligible area acceptable?	Yes, this type of network facility is eligible as long as it is required to bring broadband service to an eligible PFSA. This facility cannot be used to deliver service in the ineligible service area.

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Questions	Answers
<p>Would a PFSA defined by a map polygon with “donut holes” removing areas with sufficient broadband access be eligible?</p>	<p>Yes, a proposed funded service area can have “donut holes” as long as all areas included in the PFSA meet eligibility requirements.</p>
<p>Can applicants apply for more than one service area?</p>	<p>A single application may propose multiple services areas. Each PFSA will be evaluated separately for eligibility. During this round of funding applicants can only submit a single application for one of the products. They cannot submit multiple applications for any one product or applications for different products.</p>
<p>Is there a required Mbps for end users, residential or commercial?</p>	<p>The proposed system must have the capability to provide 25/3 Mbps service to all premises in the PFSA. In reviewing the application, RUS will evaluate the proposed solution to make sure that the level of service can be provided to all premises at the same time.</p>

Questions	Answers
<p>Does the RUS map show areas with sufficient access, or does it show areas in which 90-100% of households lack sufficient access?</p>	<p>The Agency does not have a Mapping Tool that will definitively indicate whether or not a proposed funded service area has sufficient access to broadband. However, a Mapping Tool is available at https://reconnect.usda.gov that very clearly displays those areas that are ineligible for funding. A potential applicant must do its own due diligence in making the determination that households in the proposed funded service area do not have sufficient access to broadband.</p>
<p>Who determines what areas meet the 90% underserved eligibility criteria?</p>	<p>It is the applicant's responsibility to use all available sources to determine if an eligible area does not have 10/1 Mbps service. The applicant then draws a map polygon on the RUS mapping tool for the PFSA. Once a map polygon is submitted, RUS will publish the map to solicit public comment regarding the area. RUS will also validate broadband speeds on project sites.</p>

Questions	Answers
Does the service need to be fiber?	The program is technology neutral. As long as the minimum of 25/3 Mbps service is met the applicant can provide any mix of technology solutions or a single technology solution.
Does cellular service count as terrestrial internet service?	Mobile broadband service (cellular service) will not be considered for eligibility purposes and it is also not an eligible purpose for funding.
Can USDA money fund backbone? Can State money fund drops?	If an applicant wants to use a combination of State and Federal money, it is allowed as long as the State funds have been committed to the eligible costs and this commitment has been established in detail in the application. If an applicant wants to use State funds for the matching component that is allowable, but note that matching funds will be used before grant funds can be advanced.

Questions	Answers
Can applicants form a consortium to submit an application that includes numerous counties and projects?	As long as the consortium is a legal consortium designating a fiscal agent, it is possible for that consortium to submit an application and be eligible. However, all requirements and guidelines in the FOA must be followed. The application must include a management plan fully explaining how the consortium will operate. RUS recommends that a core team be established outside the consortium membership to manage the operation.
Is there an allocation by region or State in terms of funding?	Funds are not allocated by State or region.
Are legal partnerships eligible?	No, legal partnerships and individuals are not eligible. Legal partnerships can be too easily dissolved, creating too high of a risk.

Questions	Answers
Are data caps allowed?	RUS will not say that data caps are not allowed, but there has to be unrestricted access to data to all premises in the PFSA at a minimum of 25/3 Mbps.
Is administration an eligible expense?	No, administration is not an eligible expense. Only the facilities for the proposed service are eligible. Operating expenses are not eligible under the program.
Explain the 10/1 Mbps versus 25/3 Mbps.	10/1 Mbps service is the minimum requirement to determine an area that does not have sufficient access to broadband. 25/3 Mbps is a construction requirement that must be provided to every premise in the PFSA.
When will awards be announced?	The timeline will depend on the number of applications that are received. The 100% grant and 50%/50% loan-grant combination will be reviewed as a competition. 100% loan applications will be processed on a first come, first served basis.

Questions	Answers
Can an applicant partner with a larger broadband provider?	RUS encourages applicants to partner. In general, an applicant could partner with a larger service provider, but RUS would have to evaluate how the partnership was established to determine if the particular partnership with the larger service provider is eligible. RUS strongly encourages an applicant to put more detail in the application versus less.
For letters of support, who should they be addressed to?	Letters of support can be addressed to a number of different people. They can be addressed to the Secretary of Agriculture, the Assistant to the Secretary for Rural Development, the RUS Administrator, or the Assistant Administrator for the Telecom Program.
Is broadband speed testing required for recipients?	This is not a specific requirement. If USDA does that kind of speed testing, it will most likely be similar to what the FCC does for CAF.

Questions	Answers
Is there a minimum latency requirement?	There is no specific latency requirement; however, information needs to be provided via the application that demonstrates the applicant's ability to provide 25/3 Mbps service to every premise in the service area.
Can service be subcontracted out?	Yes, however, agreements will need to be in place, provided in the application, and properly addressed in the financial statements.
What is a loan term?	A loan term will be based on the composite economic life of facilities funded. A proposal leaning more toward electronic elements may have a shorter term of 12 to 13 years. An application that proposes more cable facilities will probably have a term closer to 18, 20, or 21 years. It depends on the facilities proposed for funding. Applicants will propose a loan term for feasibility purposes and RUS will analyze the proposal to determine composite economic life.

Questions	Answers
Is a public-private partnership required?	RUS strongly encourages public-private partnerships, but this is not an eligibility requirement.
Can an applicant apply for Community Connect support and ReConnect for the same area?	RUS recently opened up the Community Connect program again. RUS cannot stop an applicant from submitting applications to both; however, the applicant is taking a risk as they are only allowed funds for one or the other.
If there is a parent company with multiple subsidiaries, can each subsidiary apply?	Each subsidiary may apply on its own, but will have to provide two years of audited financial statements.