Don’t Lose Sight of USDA’s Current USDA ReConnect Funding Opportunity

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This entry highlights the current rural broadband funding opportunity presented by the $1.15 billion “ReConnect” program administered by the US Department of Agriculture’s (USDA) Rural Utilities Service (RUS). Under the Funding Opportunity Announcement (FOA) for its third round of Reconnect funding (ReConnect III), the RUS will be awarding loans and grants to construct, improve, or acquire facilities needed to provide broadband service to rural areas. The application filing window opened on November 24, 2021 and closes on February 22, 2022.

Broad Eligibility To Participate

ReConnect III enables funding for a wide variety of recipients, including current broadband services providers, utilities, cooperatives, state and local government entities, and tribal authorities. Public-private partnerships consisting of these entities are also eligible. Notwithstanding this ostensibly broad class of eligible
entities, the ReConnect III FOA reflects an explicit preference for cooperatives, state and local government entities, and public-private partnerships as additional points are granted to applications submitted by such entities. (For a public-private partnership to qualify for these additional points, the “applicant” must be a local government, non-profit, or cooperative).

**Increased Speed Requirements for Unserved Areas**

ReConnect funding is for new broadband facilities to serve unserved rural communities. Significantly, ReConnect III dramatically increases the broadband service speed eligibility threshold in determining whether an area is unserved. Under Reconnect III, an end-user location is not “served” unless fixed residential broadband service is available at a speed of 100 Mbps downstream and 20 Mbps upstream. The higher “served area” threshold should make it easier to identify and create grant application areas that are not riddled with a “swiss cheese” of prior funding initiatives that have far less robust broadband service obligations, such as 25/3 Mbps or even 10/1 Mbps service requirements.

More specifically, a proposed ReConnect III project must meet the following criteria:

- **Lack Sufficient Access to Broadband**: At least 90% of households in the proposed funded service area (PFSA) must lack sufficient access to fixed broadband service (100/20 Mbps);

- **Serve All Premises in the PFSA**: The proposed network must be capable of providing 100 Mbps symmetrical broadband service to every premises located in the PFSA. According to the FOA, the phrase “capable of delivering 100 Mbps symmetrical service to every premises” means that all premises in the PFSA must be able to receive this service at the same time;

- **Be in a Rural Area**: A rural area is any area not located in a city, town, or incorporated area that has a population of greater than 20,000 inhabitants or an urbanized area contiguous and adjacent to a city or town that has a population of greater than 50,000 inhabitants; and

- **Provide Symmetrical 100 Mbps Service**: A ReConnect III award recipient must commit to providing symmetrical 100/100 Mbps service to all locations within a funded area.

**Funding Amounts**

ReConnect III makes funding available in the form of loans, grants, and loan/grant combinations, as follows:

- **100 Percent Loan ($200 million available)**
  - Maximum amount of a loan request is $50 million.
  - Interest rate on the loan is 2%, with payments on principal and interest deferred for the first three years.
• 50 Percent Loan/50 Percent Grant Combination ($250 million available)
  - Maximum amount a grant/loan request is $25 million for the loan and $25 million for the grant.
  - Interest rate is the US Treasury rate on debt securities.

• 100 Percent Grant ($350 million available)
  - Maximum amount of grant request is $25 million.
  - Applicant must provide a 25% matching cash contribution. (Unlike the matching requirement in the IIJA BEAD Program, in-kind matching contributions are not allowed in ReConnect.)
  - Applicant may provide match funding itself, from a third party, or use a loan.

• 100 Percent Grant For Tribal Governments or Vulnerable Communities ($350 million available)
  - Maximum amount is $25 million, or $35 million for projects in Tribal lands with very low population density or high geographic remoteness.
  - No matching requirement.
  - “Socially Vulnerable Community” is a community or area identified in the Center for Disease Control’s Social Vulnerability Index with a score of .75 or higher.\(^4\)

Use of ReConnect Funds

The ReConnect program is for capital construction of broadband networks, and not ongoing service costs. The following additional requirements apply to the use of the funds:

• Only ReConnect loan funds (not grant funds) may be utilized to acquire existing network facilities, and only up to 40% of the total requested loan amount may be utilized for acquiring existing facilities.

• The applicant must own the facilities to be funded by the ReConnect award and cannot use funds to lease dark fiber for the operation of the network.

• Up to 5% of requested funds may be used for application costs.

• Funding is subject to a 5-year network build out requirement.

• Funded facilities must be used to provide the broadband service proposed in the application for the composite economic life of the facilities.

Proposed Project Must be Financially Viable and Sustainable
Only projects that the RUS considers to be financially feasible and sustainable will be eligible for an award under ReConnect III.

- All project costs must be able to be fully funded or accounted for in the application.
- An eligible project application must demonstrate a positive ending cash balance as reflected in the cash flow statement for each year of the forecast period, and demonstrate positive cash flow from operations by the end of the forecast period.

**Application Scoring**

ReConnect applications that meet the minimum application requirements are scored on a variety of factors:

- **Population density (Rurality) - 25 points:** For applications proposing to serve the least dense rural areas as measured by the population of the area per square mile or if the area is located at least 100 miles from a city with a connectivity population of greater than 50,000.

- **Level of existing service - 25 points:** For applications proposing to build in areas that are not receiving service of at least 25/3 Mbps (Note that Federal Communications Commission data is not the sole or dispositive criteria for determining whether an area is being served).

- **Economic need of the community - 20 points:** For applications proposing areas with the greatest economic need measured by the poverty percentage utilizing the US Census Small Area Income and Poverty Estimates.

- **Affordability - 20 points:** For applications demonstrating that the broadband prices they will offer are affordable, and that commit to offer at least one low-cost option; applicants “should” also commit to participate in the FCC’s Lifeline Program and the Emergency Broadband Benefit Program.

- **Labor Standards - 20 points:** For applications demonstrating that the project will incorporate strong labor standards, including whether workers will be paid wages at or above the prevailing rate.

- **Local governments, non-profits and cooperatives - 15 points:** For applications submitted by local governments, non-profits or cooperatives, including projects involving public-private partnerships where the local government, non-profit, or cooperative is the applicant.

- **Socially Vulnerable Communities - 15 points:** For applications where at least 75% of the area is comprised of Socially Vulnerable Communities.

- **Net neutrality - 10 points:** For applicants that commit to meet “net neutrality” requirements.

- **Wholesale broadband services - 10 points:** For applications that commit to
offering wholesale broadband services at rates and terms that are reasonable and nondiscriminatory.

While the RUS ReConnect program has rigorous accounting, grant application and security requirements, it represents a significant, near-term rural funding opportunity, and may be well-suited to certain state and local governmental entities, cooperatives, tribal authorities, and broadband providers, as well as public private partnerships.

[1] There has been a great deal of focus on the historic opportunity created by the $65 billion in broadband funding in the Infrastructure Investment and Jobs Act (“IIJA”), but the vast majority of that funding will likely not be available until late 2022 at the earliest.

[2] Unlike some other federal funding programs that utilize census block to determine funding areas, PFSAs for ReConnect are self-defined by the applicant.

[3] Information on non-rural areas and additional service area eligibility requirements are available on the ReConnect Program Service Area Map.


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