

VPS Memo

USDA Releases Details on the 2nd Round of ReConnect

APPLICATION WINDOW OPENS JANUARY 31, 2020

Summary

The United States Department of Agriculture (USDA) has released the highly anticipated details for the second round of funding for the ReConnect Program. The ReConnect Program will provide up to \$512M in loan and grant funding to assist with building broadband infrastructure in rural areas of America.

This program was established on March 23rd, 2018 when Congress passed the Consolidated Appropriations Act, 2018. Included in the Funding Opportunity Announcement (FOA) are funding limits, application deadline, defined area eligibility, financial feasibility requirements and the basis of awarding projects.

Program Details:

Funding Limits and Deadline

The program establishes three funding categories and allocates the \$512M budget amongst the categories.

- **100% Grant:** Up to \$200M will be available for projects seeking grant funds of 100%. The maximum amount of request in this category is \$25,000,000. A 25% matching contribution is required.
- **50/50% Loan/Grant:** Up to \$200M will be available for projects seeking a combination of both loan and grant funds. A 50% combination is the standard with a maximum request in this category of \$25,000,000 in loan funds and \$25,000,000 in grant funds.
- **100% Loan:** Up to \$200M will be available for projects seeking loan funds of 100%. The maximum request amount in this category is \$50,000,000.

Applicants are only allowed to apply in one of the funding categories. The application window for **all** funding categories will be from **January 31, 2020 through March 16, 2020**.

USDA will have budget authority for a reserve to be used for loans or grants under the FOA. In addition, USDA has the discretion to move funds from one category to another in the award process.

Eligible Entities

The ReConnect Program is open for the following entities to apply for funding:

- Non-Profit entities
- For-Profit Corporations
- Limited Liability Companies
- Cooperative or Mutual Organizations
- State and Local Government entities
- Territory or Possession of the U.S.
- Indian Tribe Budget Control Mechanism Calculation and Per-Line Limit on Universal Service

Area Eligibility

The goal of the Re-Connect Program is to expand broadband availability to rural areas currently lacking access to broadband in speeds of 10 Mbps download / 1 Mbps upload. Applicants will be required to define the proposed funded service area (PFSA) as a contiguous area. The PFSA will be eligible under each of the funding categories if 90% of the area does not have access to 10 Mbps / 1Mbps service. Successful applicants under each category will be required to provide broadband service to every location in the PFSA at speeds of at least 25 Mbps / 3 Mbps.

Financial Feasibility

As with other USDA funding opportunities, applicants will be required to provide a five-year financial forecast to support the financial feasibility and sustainability of the project. The key financial elements to support feasibility and sustainability include the following:

- Positive ending cash balances for each year of the forecast
- Positive cash flow from operations, as reflected on the statement of cash flows, in year five of the forecast
- Must also meet at least two of the following:
 - Current Ratio of 1.20, at a minimum, regardless of which category applying under
 - TIER Ratio of 1.20, at a minimum
 - DSCR Ratio of 1.20, at a minimum
 - If the applicant does not have any existing debt, is not proposing to apply for any new debt over the course of the project, and is applying just for grants under this program, only the Current Ratio of 1.20 is required.

Competitive Scoring

Applicants applying for either the 100% grant or the 50% loan / 50% grant category will be subject to a scoring process based on nine separate evaluation criteria with a total of 150 points possible. Each category of funding will be scored separately.

For example: Applicants in the 100% grant category will be scored against other applicants in the 100% grant category and not against applicants in the 50% loan / 50% grant category.

The nine evaluation criteria, with maximum points available for each, are as follows:

| Criteria | Scoring |
|---------------------------------------|--|
| Rurality of PFSA | 25 points |
| Farms Served | 1 point per 10 farms (Max 20) |
| Performance of Offered Speed | 20 points |
| Businesses Served | 1 point per business to presubscribe (Max 15) |
| Healthcare Centers Served | 1 point per healthcare center (Max 15) |
| Educational Facilities Served | 1 point per educational facility served (Max 15) |
| Essential Community Facilities Served | 1 point per essential facility served (Max 15) |
| Opportunity Zones | 5 points |
| State/Tribal Broadband Activity | Up to 20 points |

Applicants applying under the 100% loan category will be awarded on a first come / first serve basis until the funds have been depleted. Applications will be reviewed for completeness.

Next Steps and Additional Information

Vantage Point Solutions (VPS) will be working closely with the USDA on the ReConnect Program. With the deadline already established, **we strongly encourage prospective applicants to begin necessary discussions and planning immediately.**

For additional information or if you would like VPS guidance and assistance, please contact these members of the Vantage Point Solutions team:

Kristy Szabo at (605) 995-1786, Kristy.Szabo@vantagepnt.com

Carmen O'Neill, PE at (605) 995-1754, Carmen.ONeill@vantagepnt.com