

# US Department of Agriculture Announces Details of US\$600 Million Rural eConnectivity Pilot Program

On December 14, 2018, the US Department of Agriculture's Rural Utilities Service (RUS) announced the general policy and application procedures for its new Broadband Pilot Program, the [Rural eConnectivity Pilot Program](#) (ReConnect Program or Program). In an effort to help close the digital divide, RUS will oversee the distribution of US\$600 million appropriated by Congress in March of 2018 to help deploy broadband to rural areas where at least 90% of the households lack sufficient access to broadband, which is defined as access speeds of at least 10 megabits per second (Mbps) downstream and 1 Mbps upstream.

**Three Components** – The US\$600 million will be split into equal US\$200 million buckets of loans, grants, and a combination of loans and grants. According to Agriculture Secretary Sonny Perdue, RUS expects to begin accepting applications by the middle of February 2019. The application windows for each of the three buckets will be finalized by notice in the Federal Register on February 22, 2019.

**Application Options/General Requirements** – Applicants will be able to apply for funding as either a grant, a loan or a combination of the two. Applicants must meet specific qualifying requirements for each type of funding. There is no cap on the number of awards; RUS will make awards for funding until all funds have been expended. Applicants must complete their projects within five years from the date that funds are first made available. RUS must find that a project is technically feasible to be eligible for an award. Additionally, as part of the application process, applicants must show that broadband deployment in the proposed project area does not meet the minimum program requirements of 10 Mbps downstream and 1 Mbps upstream. Applications will be scored to determine funding eligibility based on criteria such as population density, number of farms, businesses, education facilities or health centers served.

**Specific Terms for Each Component** – Highlights for each type of funding vehicle include the following:

## 100% Loan

- Interest rates are fixed at 2%
- Applicants must propose to build a network that will provide service to every premise in the proposed service area at a speed of 25 Mbps downstream and 3 Mbps upstream
- 90% of the households in the proposed service area must not have sufficient access to broadband
- The maximum loan amount per applicant is US\$50,000,000
- It is expected that applications will be accepted on a rolling basis until June 28, 2019

## 50% Loan/50% Grant

- Interest rates are set by the US Treasury
- Applicants must propose to build a network that will provide service to every premise in the proposed service area at a speed of 25 Mbps downstream and 3 Mbps upstream
- 90% of the households in the proposed service area must not have sufficient access to broadband
- The maximum award amount per applicant is US\$25,000,000 for a loan and US\$25,000,000 for a grant
- The applicant must request equal loan and grant amounts
- It is expected that applications will be accepted until May 29, 2019

## 100% Grant

- Applicants must propose to build a network that will provide service to every premise in the proposed service area at a speed of 25 Mbps downstream and 3 Mbps upstream
- 100% of the households in the proposed service area must not have sufficient access to broadband
- Applicants must provide a matching contribution equal to 25% of the overall cost of the project
- The maximum grant amount per applicant is US\$25,000,000
- It is expected that applications will be accepted until April 29, 2019

**Service Areas** – RUS will only fund one project within a specific geographic area. Recognizing that applications with overlapping service areas are likely, and in order to consider as many applicants as possible, RUS will review each case of overlapping geographic service area and determine if the overlap is significant enough to deny an application. RUS may determine that the overlap is insignificant, request a change to one or more applications or choose one application over another based on the substance of the application. While RUS will not approve applications under the ReConnect Program for overlapping service areas, it will allow applicants that receive funding through other RUS programs to be awarded funding through ReConnect. Beneficiaries of certain Federal Communications Commission (FCC) programs are also eligible to receive an award.

**Other Sources of Funding** – Applicants for funding under ReConnect that receive funding through other government programs will still be eligible for the ReConnect Program, so long as they meet specific requirements for each RUS program. For example, RUS Broadband Loan beneficiaries are eligible for ReConnect if their service is not at least 10 Mbps downstream and 1 Mbps upstream and they are not in default. Beneficiaries of other RUS programs such as Community Connect Grants and the Broadband Initiative Program are eligible for ReConnect if they are not providing service at such speeds. Beneficiaries of the FCC’s Connect America Fund Phase II (CAF II) program are limited to loans under ReConnect. Service areas that are receiving funding from a state are ineligible for ReConnect only if they provide service speeds of 10 Mbps downstream and 1 Mbps upstream or greater.

**Eligible Expenditures** – Applicants that receive ReConnect funding may use the funds to build or upgrade facilities and pay for reasonable expenses incurred prior to the submission of the application. Additionally, the funds may be used for terrestrial-based facilities for satellite broadband, so long as the service speed of the satellite broadband is 25 Mbps downstream and 3 Mbps upstream to every premise in the proposed service area. The funds may not be used to pay for operating expenses, pay for the acquisition of an affiliate, provide mobile service, refinance debt and other issues unrelated to the deployment of broadband.

Potential applicants interested in greater details or potential assistance in applying for funds should contact one of the firm lawyers listed herein at their earliest convenience.

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