

Get Ready for USDA ReConnect Round Three

As the USDA prepares for a third round of about \$600 million in ReConnect rural broadband grants, here's a detailed look at the results of the first two rounds.

By Steven S. Ross / *Broadband Communities*

This year will see a third round of rural broadband grants through the USDA ReConnect Loan and Grant Program.

At the time this article was written, a new permanent director for the USDA's Rural Utilities Service (RUS) was yet to be appointed, and the program's rules were yet to be finalized. However, we know that roughly \$600 million will be on the table this year, fiber deployments account for almost all the previous 165 awards, and the basic eligibility rules did not change:

- Areas where at least 90 percent of premises cannot get at least 10/1 Mbps (10 Mbps download speed, 1 Mbps upload speed) are eligible.
- An applicant must agree to build a network capable of at least 25/3 Mbps, and the scoring system favors faster speeds.
- Grants require that deployers put up 25 percent of the funds needed to deploy, but that money can come from state or local grants if local officials allow it. ReConnect

grants are competitive, loan/grant combinations are a bit less so, and requests for loans are evaluated as they come in.

- ReConnect does not allow double-dipping with USDA money. Applicants already receiving FCC grants from the Universal Services Fund – CAF or the Rural Digital Opportunity Fund (RDOF) – cannot get help through ReConnect.
- Almost any kind of deployer is eligible. Local exchange carriers (LECs) dominate. Telephone cooperatives were 16 of the 77 project winners in 2019 and 20 of the 88 last year. Electric co-ops won five awards in 2019 and nine in 2020. Public carriers – mainly municipal broadband companies – dropped from seven in 2019 to just three in 2020, perhaps due to COVID-19 pressures. Three tribal carriers won ReConnect awards – one in 2019 and two in 2020.

For the USDA, strong local support helps, so now is the time to start generating it. This year, there is an extra reason: A staggering third of \$1 trillion for state and local infrastructure of all kinds (including broadband) was authorized and appropriated in the latest COVID-19 relief package. But broadband advocates and deployers will be competing against other infrastructure and subsidy needs: roads, transit, schools, health and more.

Some new funding is meant for specialized purposes, such as telehealth. Broadband

Generate local support for broadband now. A third of \$1 trillion was appropriated in the latest COVID-19 stimulus. But broadband is competing against other needs.

deployers will work mainly through local officials, not federal agencies. There will be more on that in upcoming issues of **BROADBAND COMMUNITIES**.

ReConnect itself is not a small program. In 2020, it awarded \$675 million in grants and loans, up from the first round's \$663 million in 2019. There were 113,000 premises passed with that money in 2020, compared with 161,000 in 2019. Thus, what the USDA spent to pass a home, business or community asset, such as a school or police station, rose from about \$4,100 to almost \$6,000.

That would be expected as the easier, more justifiable projects tend to be approved in earlier rounds whenever federal or state money is on the table. Indeed, the average project density fell to nine premises per square mile in 2020, from 10.4 in 2019. The largest single project included more than 9,800 premises in 2020, less than half the largest project in 2019 (22,600). I am unclear about premises per route mile, as COVID-19 has kept me from deep dives in U.S. Geological Survey mapping data.

NOTABLE ODDITIES

I did notice some oddities. A half-dozen projects originally approved in 2019 and listed in **BROADBAND COMMUNITIES** tables for the first 54 projects (in the March–April 2020 issue: www.bbcmag.com/community-broadband/fiber-dominates-first-batch-of-reconnect-awards) are no longer listed for 2019 by the USDA. Three did carry over into the second round. Project areas originally listed in the first 54 often narrowed as deployments progressed.

All this suggests that the RUS director at the time, Chad Rupe, and his staff did a good job monitoring deployment progress and holding grantees' feet to the fire. The RUS did not stray from its vision either. Almost all projects started out promising fiber networks and, so far, have ended up that way. Of 165, fewer than a half-dozen are fixed wireless or hybrid fiber coax or fiber with a mix of other technologies.

As money has become more available through normal banking and investment channels at low interest rates, prospective deployers knocking on the doors of the RUS have become far more interested in outright grants. Sixty-three competitive grants were awarded through ReConnect in 2020, up from 44 in the first round. Grant/loan combos fell from 31 in 2019 to

21 last year. There were ultimately five outright loans in 2019, and just four in 2020. The interest rate is 2 percent. Indeed, four of the 31 combo winners in 2019 turned down the loan part and borrowed elsewhere. Even more did so in 2020. ❖

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LEARN MORE



Need more detail? Download our complete tables – one for ReConnect 2019 and one for 2020, including 11 winners with extra ReConnect funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Each awardee is listed by type of award, amount, location, premises served – and more.

Find them here:

www.bbcmag.com/pub/doc/Mar21_Hawk-Table1.xlsx and
www.bbcmag.com/pub/doc/Mar21_Hawk-Table2.xlsx



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