

# USDA ReConnect: Expensive Money

For many small communities, the USDA's latest grant program may be too complex to be worth applying for.

By Trevor Jones / OTELCO

**H**ere at OTELCO, we're not shy about applying for grants when they allow us to accelerate the deployment of better broadband to our customers in rural markets. Over the last few years, we've applied for, been awarded and deployed funds from A-CAM, the CAF-II reverse auction, the ConnectME Authority and, if all goes as planned, the town of Alton, Maine. We've also participated in and supported a successful application to the Massachusetts Broadband Institute and made a few failed attempts to secure funds in the other states we serve.

Even with this history, we ultimately decided to walk away from the USDA's ReConnect Program after taking a look at it earlier this year. Finding locations that qualify for ReConnect funds and completing the applications were just too complex.

## DETERMINING ELIGIBILITY

Depending upon whether you are looking for grants or for loans, finding areas on the map that qualify for ReConnect funding can be a bit like playing Where's Waldo. ReConnect will not provide grant funding in any area that receives funding from the Connect America Fund under CAF-II, and it will provide loans only to the CAF recipient for such an area. If a satellite provider, such as Viasat, received funding to subsidize its satellite broadband services in an area, no one can use ReConnect grant money to fund a fiber-to-the-home build. This is infuriating for small ISPs and municipalities that would like to bring something better to their communities but are barred from securing funds because of the way the funding mechanisms were structured.

Other criteria for ReConnect grants include the following:

- The area must be 100 percent unserved by 10 Mbps / 1 Mbps connections.
- A 25 percent match is required, with matching funds expended first.
- The area must not have been funded by the BIP, Community Connect or RUS Broadband Loan programs.
- The area must not be receiving state funding.

## COMPLETING THE APPLICATION

The ReConnect application process is rigorous. Because OTELCO is a small provider, we determined that we would not be able to complete the application without investing in the services of an outside consultant. I can appreciate the importance of having the right information on the application so reviewers can properly judge which projects should receive

funding, but the level of complexity in this application puts funding beyond reach for small companies and rural communities with limited resources.

An application must include a detailed plan accounting for all costs. The plan must show a positive year-end cash balance each year, a positive cash flow from operations at the end of year five, a current ratio of 1.2 in year five and, if there is debt, either a times interest earned ratio of 1.2 or a debt service coverage ratio of 1.2 in year five. Required evidence of the 25 percent match includes bank statements, names of equity partners or loans secured by other assets.

## SCORING THE APPLICATION

In addition to the near-impossibility of achieving and proving eligibility for most areas, achieving a high score on an application can pose serious problems, given that the criteria often conflict with one another. Applicants can score up to 150 points using the following criteria:

- Population of six or fewer per square mile: 25 points
- One point per farm or business: up to 20 points
- One point per presubscribed business (15), health care provider (15), school (15), or critical community facility (15): up to 60 points
- 50 percent of service area on tribal lands: 5 points
- Internet service of at least 100 Mbps /100 Mbps: 20 points
- State broadband plan updated in past five years: 10 points
- Lack of state restrictions on utilities' providing broadband: 5 points
- State procedures for rights-of-way and environmental requirements: 5 points

Identifying an area that has a population of only six per square mile but has a high enough density of community anchor institutions, farms and other businesses to score well on the first three criteria will be challenging indeed. It will also likely require service areas to be large, which will be problematic for community networks and small ISPs. Finding these things in an area that is 90 to 100 percent unserved by at least 10 Mbps /1 Mbps and is not funded by CAF is virtually impossible. ❖

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