

July 3, 2019

## The ReConnect Broadband Pilot Program

Congress established the Rural e-Connectivity Pilot Program (also known as ReConnect) in the FY2018 appropriations act. ReConnect is a rural broadband pilot program that provides loan and grant funding to eligible entities to deploy broadband internet service in eligible rural areas. The U.S. Department of Agriculture's (USDA) Rural Utilities Service (RUS) administers ReConnect. On April 23, 2019, RUS began accepting applications for ReConnect funding.

### Program Authority

In the Consolidated Appropriations Act, 2018 (P.L. 115-141, Division B, §779), Congress provided \$600 million “for the Secretary of Agriculture to conduct a new broadband loan and grant pilot program.” In the Consolidated Appropriations Act, 2019 (P.L. 116-6, Division B, §762), Congress provided an additional \$550 million for ReConnect. FY2018 and FY2019 appropriated amounts are to remain available until expended. ReConnect does not exist in statute. Congress has authorized the program only in annual agriculture appropriations bills.

### Program Eligibility and Requirements

In December 2018, RUS published a Funding Opportunity Announcement (FOA) for the first round of ReConnect funding. Three funding categories are available under this FOA: 100% loans, 50% loan/50% grant combinations, and 100% grants. According to the FOA, up to \$200 million is available for each of the three funding categories. The maximum amounts that applicants can request are \$50 million for a loan, \$50 million for a loan/grant combination (loan and grant amounts must be equal), or \$25 million for a grant.

ReConnect funding may be used for:

- construction or improvement of facilities required to provide broadband service;
- terrestrial-based facilities for satellite broadband service;
- reasonable pre-application expenses in an amount not to exceed 5% of the award; and
- acquisition and upgrade of an existing system that does not currently provide sufficient access to broadband. (Acquisitions are eligible only for 100% loans, and acquisition costs can comprise only 40% of the award amount.)

Entities eligible to apply for funding include state or local governments, territories or possessions of the United States, Indian tribes, nonprofit entities, for-profit corporations, limited liability companies, and cooperative or mutual organizations.

### Eligible Service Areas

Applicants for ReConnect funding must define a Proposed Funded Service Area (PFSA)—an area where the applicant proposes to provide broadband service. Applicants must propose to build a network capable of providing broadband service to all premises in the PFSA at minimum speeds of 25 megabits per second (Mbps) download and 3 Mbps upload (known as 25/3 Mbps).

The PFSA must be a rural area—defined as a city, town, or incorporated area with a population of 20,000 or fewer and not adjacent to a city or town with a population of greater than 50,000. The PFSA does not need to be contiguous and may include gaps to remove areas that already have sufficient broadband access. With some exceptions, an entity may not use ReConnect funding to overbuild or duplicate broadband expansion efforts made under previous RUS broadband loans and grants.

To be eligible for a loan or a loan/grant combination, at least 90% of households in the PFSA must lack access to broadband service of at least 10/1 Mbps. To be eligible for a grant, 100% of households in the PFSA must lack access to broadband service of at least 10/1 Mbps.

RUS expects to use multiple approaches to determine what areas have existing broadband service at speeds of at least 10/1 Mbps. RUS has stated that their staff will use data from the Federal Communications Commission's Fixed Broadband Deployment Map and that staff will conduct site visits to PFSAs to validate broadband speeds. In addition, RUS plans to publish a public notice for each ReConnect funding application received. Existing service providers may respond to the public notice and provide RUS with information on the number of customers in the PFSA who currently purchase broadband service at speeds of at least 10/1 Mbps.

### Evaluation Criteria

According to the FOA, RUS will evaluate applications based on criteria that include the rurality of the PFSA, the proposed broadband speeds the applicant will provide, and the inclusion of tribal lands in the PFSA. RUS will also favor applications if the state where the PFSA is located has a broadband plan that has been updated in the past five years, does not restrict utilities from delivering broadband service, and commits to expediting right-of-way and environmental permitting. Other criteria include the number of farms, businesses, health care centers, educational facilities, and critical community facilities to which the applicant proposes to provide broadband service.

## ReConnect in Comparison to Other RUS Broadband Connectivity Programs

In addition to ReConnect, RUS administers three other rural broadband connectivity programs: the Telecommunications Infrastructure Loan Program, the Community Connect Grant Program, and the Rural Broadband Access Loan and Grant Program. ReConnect differs from these programs in its breadth of available funding categories and in its narrower eligibility criteria.

ReConnect offers loans, grants, and loan/grant combinations, whereas some RUS programs offer only one funding category. For example, Telecommunications Infrastructure offers only loans, and Community Connect offers only grants.

The criteria to determine eligible service areas for ReConnect is narrower than for Rural Broadband Access. Two criteria Congress and RUS use to determine eligible service areas are (1) what broadband speeds constitute sufficient access to service and (2) the percentage of households in an area that lack sufficient access to broadband service. In the FY2018 appropriations act, Congress directed that at least 90% of households served by a ReConnect loan or grant lack *sufficient access* to broadband service, defined as speeds of at least 10/1 Mbps. Congress also authorized the Secretary of Agriculture to redetermine the definition of *sufficient access* for ReConnect, as necessary, on an annual basis. RUS raised the threshold for ReConnect grants to require that 100% of households lack sufficient access to broadband but kept it at 90% of households for loans and loan/grant combinations.

Congress sets eligibility criteria for Rural Broadband Access in periodic farm bills, most recently the 2018 farm bill (P.L. 115-334, Agriculture Improvement Act of 2018). Congress defines *sufficient access*, for the purposes of Rural Broadband Access, as speeds of at least 25/3 Mbps.

In addition, to be eligible for Rural Broadband Access, 90% of households (for grants) and 50% of households (for loans) must lack sufficient access to broadband service (7 U.S.C. §950bb). The narrower eligibility criteria for ReConnect reserves funding for the most underserved areas, whereas the broader criteria under Rural Broadband Access allows more underserved areas to be eligible for assistance.

### Timeline

On December 14, 2018, RUS published an FOA for ReConnect. On February 25, 2019, RUS published a notice in the *Federal Register* revising application deadlines and clarifying certain application and program requirements in the December FOA. According to the February notice, the application deadlines for the current ReConnect FOA are May 31, 2019, for a 100% grant; June 21, 2019, for a 50% loan/50% grant; and July 12, 2019, for a 100% loan.

On April 12, 2019, RUS published another notice in the *Federal Register* amending the December FOA. The April notice clarified program requirements in response to the FY2019 appropriations act. The act directed RUS, “in determining whether an entity may overbuild or duplicate broadband expansion efforts,” not to consider RUS loans that were rescinded or defaulted on or whose loan terms and conditions were not met. The April notice revised the definition of *broadband loan* from the December FOA and announced criteria by which applicants may challenge RUS’s determination of whether a PFSA is eligible for ReConnect funding.

### More Information

For more information on RUS broadband programs, see CRS Report RL33816, *Broadband Loan and Grant Programs in the USDA’s Rural Utilities Service*, by Lennard G. Kruger and Alyssa R. Casey. For more information on ReConnect, see USDA’s ReConnect website at <https://www.usda.gov/reconnect>.

**Table 1. The ReConnect Broadband Pilot Program: Selected Eligibility Criteria**

Funding Category	Eligible Service Area	Cost-Sharing Requirement	Eligible Entities
100% Loan	A rural area <sup>a</sup> where 90% of households lack broadband service at speeds of at least 10/1 Mbps.	None.	For all funding categories, eligible entities include: <ul style="list-style-type: none"> <li>state or local governments,</li> </ul>
50% Loan/50% Grant	A rural area <sup>a</sup> where 90% of households lack broadband service at speeds of at least 10/1 Mbps.	None.	<ul style="list-style-type: none"> <li>territories or possessions of the United States,</li> <li>Indian tribes,</li> </ul>
100% Grant	A rural area <sup>a</sup> where 100% of households lack broadband service at speeds of at least 10/1 Mbps.	Applicants must provide a matching contribution equal to 25% of the overall project cost.	<ul style="list-style-type: none"> <li>nonprofit entities,</li> <li>for-profit corporations,</li> <li>limited liability companies, and</li> <li>cooperative or mutual organizations.</li> </ul>

**Source:** Compiled by CRS using RUS’s 2018 *Funding Opportunity Announcement* and subsequent notices in the *Federal Register*.

#### Notes:

- a. For ReConnect, Congress defines *rural area* as any area not located within (i) a city, town, or incorporated area that has a population of greater than 20,000 inhabitants or (ii) an urbanized area contiguous and adjacent to a city or town that has a population of greater than 50,000 inhabitants. For the purposes of this definition, *urbanized area* means a densely populated territory as defined in the latest decennial census of the U.S. Census Bureau.

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