

Project Financing

Thomas Grigg, P.E.

Engineering Associates, LLC



Public Funding Options

- RUS Telecommunications Infrastructure Loans & Loan Guarantees
- RUS Farm Bill Broadband Loans & Loan Guarantees
- RUS Community Connect
- RUS Distance Learning & Telemedicine Grants
- FCC Rate-of-Return Reforms

Telecommunications Infrastructure Loans & Loan Guarantees

Traditional RUS Loan Program, provides financing for the Construction, Maintenance, Improvement and Expansion of Telephone Service and Broadband in Rural Areas

- Open to most entities that provide Telecommunications Service in Qualified Rural Areas
- Eligible Rural Areas have a population of 5,000 or less
- Applicants must be the Recognized Telecommunications Provider unless the area has no Telecommunications Facilities
- Direct Loans, Loan Guarantees, or Potentially Hardship Loans



Farm Bill Broadband Loans & Loan Guarantees

Provides Loans and Loan Guarantees for the Costs of Construction, Improvement, or Acquisition of Facilities and Equipment to Expand Broadband Services into Eligible Rural Areas

- Open to both Non-Profit and For-Profit Organizations, but not Individuals or Partnerships
- At least 15% of the Households in the Proposed Funded Service Area must be Unserved
- Cannot be three or more Incumbent Service Providers
- Cannot Overlap with the Service Area of Current RUS Borrowers or Service Areas Previously Funded by RUS
- Direct Loans



Community Connect Grants

Funds Broadband Deployment into Rural Communities that are not Economically Viable for the Service Provider to Deliver

- Open to Non-Profits, For-Profit Corporations, State & Local Governments, and Federally Recognized Tribes
- Rural Areas with no Existing Broadband Speed of at least 4 Mbps Downstream and 1 Mbps Upstream are eligible
- Competitive Application Process
- 100% Grant Money, but 15% Match Required
- Must serve 100% of Residential and Business Customers in Serving Area
- Must provide two years of Free Broadband Service to Participating Critical Community Facilities
- Up to 10% of the money can be used for a Community Center to offer free Online Access to the Public



Distance Learning & Telemedicine Grants

Helps Rural Communities to use Telecommunications to Improve Education or Health Care

- Open to most entities that provide Education or Health Care through Telecommunications
- 100% Grant Money from \$50,000 to \$500,000 but requires a 15% Match
- Competitive Application Process
- Grant Money can be used to purchase Eligible Capital Assets and acquire Technical Assistance for using the equipment



FCC Rate-of-Return Reform – Choice for Each Provider

- ***Voluntary Election of Model Support***
 - Support determined by Cost Model
 - Ten year term (2017-2026)
 - Amount of monthly support does not change over the term
 - Requires specific deployment obligations
- ***Maintain Legacy Rate-of-Return Support***
 - Support calculated using existing mechanisms but with modifications
 - Allows Standalone Broadband Support
 - Operating Expense Limitations
 - Changes in Capital Investment Allowances
 - Five year term
 - Different set of Deployment Obligations



Model Support

Funding with Model Support

- Model calculates support for all Census Blocks based on the Average Cost
 - Average Cost is less than \$52.50 → NOT FUNDED
 - Average Cost is between $\$52.50 < \252.50 → FULLY FUNDED
 - Average Cost is over \$252.50 → ONLY FUNDED UP TO \$252.50
- All locations Capped at \$200 in Monthly Support; Could be less if Program Budget is exceeded

Service Obligations with Model Support

- 10/1 Mbps to all locations in “Fully Funded” Areas
- 25/3 Mbps to a Calculated Percentage of those locations by the end of the ten year term
- Initial Minimum Usage Allowance of 150 GB per month with increase over time
- 95% or more of all Peak Period Measurements of Round Trip Latency at or below 100 milliseconds



Annual Milestones Over Ten Year Term

Year	Milestone Requirement
2017	N/A
2018	N/A
2019	N/A
2020	40%
2021	50%
2022	60%
2023	70%
2024	80%
2025	90%
2026	100%

- Milestone Requirements include any locations that already Meet 10/1 Service Level
- Service Providers are encouraged to improve upon the Milestone Deadlines to increase Revenue Flow
- Failure to meet Milestones can result in reduced Levels of Support
- Failure to meet 95% by End of Term can result in penalties

Impact of Competitive Coverage

- No Support for Census Blocks where Non-Subsidized Competitor is providing 10/1 Mbps service
- Model incorporates June 2015 FCC Data with any corrections made prior to February 19, 2016
- 21 Day Period will be established for Challenges to Competitive Coverage
- Each Service Provider will have 90 days to make decision
- Model Support Decisions Expected to be June or later with Support Changes Projected for the end of 2016

Limitations

- Additional \$150 Million Annually has been budgeted over the 2015 Legacy Support; \$1.5 Billion over ten years
- If Demand for Model Exceeds Budget, either Additional Funds will be allocated or \$200 Funding Cap will be Reduced
- Participants must make a State-Level Decision
- Carriers that have deployed 10/1 Mbps to 90% or more of Eligible Locations in a State will not be Eligible for Funding
- No Support for Census Blocks where Incumbent is already providing 10/1 Mbps or better

Transition Payments

- If Model Support is less than Legacy Support, Service Provider becomes eligible for Tiered Transition Payments
- Transition Payments based upon the following table except that Annual Reduction will be at least 5% of the Total Legacy Support

	Difference	Transition Length	Transition Amount
Tier 1	10% or Less	One Year	50% of Difference
Tier 2	11% - 25%	Up to 4 Years	Phased Down 20% per Year
Tier 3	More than 25%	Up to 9 Years	Phased Down 10% per Year

Legacy Rate-of-Return Support

Modifications to Legacy Support

- Support will be added for Broadband Only Lines
- Eligible Operating Expenses will be limited based on Operating Costs for Carriers serving a similar Number of Locations and Density
- Capital Expenditure Allowance based on the Service Provider's Broadband Deployment; Adjusted up or down by 1% for each Percentage Point above or below Average
- Support Phased Out in Areas that are served by a Qualifying Unsubsidized Competitor
- Total Support for Rate-of-Return Carriers must stay within a \$2 Billion per year budget

Deployment Obligations

Carriers without 80% Broadband Deployment at 10/1 Mbps are required to utilize a Specified Percentage of their five year support to deploy 10/1 or better Broadband Service

Carrier Specific 10/1 Deployment	Percentage of Support
Less than 20%	35%
20% to <40%	25%
40% to <80%	20%