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DEPARTMENT OF AGRICULTURE

Rural Utilities Service

Rural Broadband Access Loans and Loan Guarantees Program

AGENCY: Rural Utilities Service, USDA.

ACTION: Notice of Solicitation of Applications (NOSA).

SUMMARY: The Rural Utilities Service (RUS), an agency of the United States Department of Agriculture (USDA), announces that it is accepting applications for fiscal year (FY) 2017 for the Rural Broadband Access Loan and Loan Guarantee program (the Broadband Program). There will be two application windows for FY 2017.

In addition to announcing the application windows, RUS announces the minimum and maximum amounts for broadband loans for FY 2017.

DATES: Unless otherwise extended by a notice of funds availability, applications for the first application window under this NOSA must be submitted from March 1, 2017, through March 31, 2017, and for the second application window from September 1, 2017, through September 30, 2017. Applications can only be submitted through the Agency's

online application system during the periods specified above; however, applicants may begin working on their applications in the online system as outlined below.

FOR FURTHER INFORMATION: For further information contact Shawn Arner, Deputy Assistant Administrator, Loan Originations and Approval Division, Rural Utilities Service, Room 2844, STOP 1597, 1400 Independence Avenue, SW., Washington, DC 20250-1597, Telephone: (202) 720-0800, or email: Shawn.Arner@wdc.usda.gov.

SUPPLEMENTARY INFORMATION:

General Information

The Rural Broadband Access Loan and Loan Guarantee Program (the “Broadband Program”) is authorized by the Rural Electrification Act (7 U.S.C. 901 et seq.), as amended by the Agricultural Act of 2014 (P. L. 113-79) also referred to as the 2014 Farm Bill.

During FY 2017, loans will be made available for the construction, improvement, and acquisition of facilities and equipment to provide service at the broadband lending speed for eligible rural areas. Applications are subject to the requirements of 7 CFR 1738.

Application Assistance

Since the implementation of the requirements of the 2014 Farm Bill, RUS has held two application windows. After reviewing the applications for eligibility, RUS has determined that there is considerable misunderstanding of the revised requirements for the Broadband Program. Under the two previous windows, once an application was submitted, RUS could not contact an applicant for additional information and the application had to be evaluated on the information that was submitted. If incorrect or inadequate information was submitted or a regulatory requirement was not met, an applicant did not have the ability to adjust its application and RUS was forced to reject it as incomplete or inadequate. In order to break with the pattern of wide scale applications that do not meet the regulation's requirements, RUS will place additional emphasis on providing assistance to applicants with submitting complete applications. As a result, RUS will open pre-application periods, in which National Office staff as well as the General Field Representative assigned to the project will be able to review the draft application, provide detailed comments, and identify when an application is not meeting eligibility requirements for funding. The online application system will allow RUS staff to assist an applicant with completing every part of an application as it is being developed.

The first pre-application window will open on January 9, 2017, and application assistance will be available until the application is formally submitted for consideration by the applicant, but no later than midnight, Eastern Time, on March 24, 2017. Once the application is formally submitted, RUS will be unable to provide additional assistance with completing the application and will begin reviewing the application for conformance

with the broadband regulation with respect to eligibility and technical and financial feasibility. In addition, once an application is formally submitted through the online system, the applicant can no longer submit supporting information. For assistance with an application, please contact Shawn Arner, Deputy Assistant Administrator, Loan Originations and Approval Division, Rural Utilities Service, Room 2844, STOP 1597, 1400 Independence Avenue, SW., Washington, DC 20250-1597, Telephone: (202) 720-0800, or email: Shawn.Arner@wdc.usda.gov. If an application is ultimately found to be incomplete or inadequate for funding after it is formally submitted, a detailed explanation will be provided to the applicant at least thirty days prior to the opening of the second window of FY 2017 for formally submitting applications.

The second pre-application window will open on July 1, 2017, and application assistance will be available until the application is formally submitted for consideration by the applicant, but not later than midnight, Eastern Time, on September 22, 2017. As with the first pre-application window, once an application is formally submitted, RUS will be unable to provide additional assistance with completing the application and will begin reviewing the application for conformance with the broadband regulation with respect to eligibility and technical and financial feasibility. In addition, once an application is formally submitted through the online system, the applicant can no longer submit supporting information. Please contact Shawn Arner at the above contact information if you would like assistance with your application. If an application is ultimately found to be incomplete or inadequate, a detailed explanation will be provided to the applicant.

To further assist in the preparation of applications, an application guide is available online at: <http://www.rd.usda.gov/programs-services/farm-bill-broadband-loans-loan-guarantees>. Application guides may also be requested from the RUS contact listed in the FOR FURTHER INFORMATION section of this notice.

Application requirements: All requirements for submission of an application under the Broadband Program are subject to 7 CFR 1738.

Application Materials/Submission: Applications must be submitted through the Agency's online application system located at <http://www.rd.usda.gov/programs-services/rd-apply>. All materials required for completing an application are included in the online system.

Items of Special Emphasis: The following items have been overlooked or inadequately addressed in a number of applications received in the last two application cycles. They are highlighted below to help ensure that future applications do not have the same deficiencies.

- **Calculation of Additional Cash Requirement 7 CFR 1738.208:** Certain applications may need to satisfy an additional cash requirement even though they have addressed the equity requirement covered in 7 CFR 1738.207 (an element of

a complete application in accordance with 7 CFR 1738.202(c)). If an applicant is either a start-up operation or has not demonstrated positive cash flow from operations for the two years prior to the submission date of the application, then the applicant must submit **adjusted financial projections** in which projected revenues are decreased by 50 percent for each year of the five-year forecast period, unless revenues are based on documented binding commitments which would preclude such a drop. If the adjusted financial projections show an inadequate cash balance at the end of any year during the five-year forecast period, the amount of cash necessary to eliminate that cash insufficiency is the **Additional Cash Requirement** for the application.

- **Equity requirement 7 CFR 1738.207:** If an applicant has equity at the time of application equal to less than 10 percent of the requested loan amount, then the applicant must submit either an investor commitment or a commitment to issue a general obligation bond, along with a legal opinion demonstrating that the applicant has the authority to issue such a bond in an amount sufficient to meet the equity requirement (this second option is available to State, Tribal and local government applicants only). If an applicant submits more than one application, then the equity requirement will be calculated based on the sum of the requested loan amounts, as if all applications will be successful.
- **Market survey (7 CFR 1738.209):** If a market survey is required, the survey must have been completed within 6 months of the application submission date.

- **Methodology and Assumptions included with Financial Information (7 CFR 1738.211):** The narrative explaining the methodology and assumptions used to develop the financial projections for the five-year forecast period (7 CFR 1738.211(b)(2)) and the adjusted financial projections, if applicable (7 CFR 1738.208(a)(2)), must adequately address every category in the pro-forma financial statements. This narrative should include a discussion of any historical trends or anomalies and their impact on the forecast(s). The applicant should not only include any calculations or percentage changes in the assumptions but also discuss the reasons for choosing any multipliers or percentage increases/decreases for the forecast.
- **Audited Financial Statements vs. Unaudited Financial Statements plus Tax Returns (7 CFR 1738.211(a)(1)-(3)):** Audited financial statements submitted in compliance with 7 CFR 1738.211(a)(1)-(3) must be audited and certified by an independent certified public accountant (CPA) and include an opinion, balance sheet, income statement, statement of changes in financial position, and notes to the financial statements. Compilations or reviews are considered unaudited financial statements, even if a CPA was involved in their preparation or presentation. If an applicant submits unaudited statements, **tax returns for the relevant years are also required.** Start-up entities must provide, at a minimum, an opening balance sheet dated within 30 days of the final submission of all application material.

Minimum and Maximum Loan Amounts

Loans under this authority will not be made for less than \$100,000. The maximum loan amount that will be considered for FY 2017 is \$10,000,000.

Required Definitions for Broadband Program Regulation

The regulation for the Broadband Program requires that certain definitions affecting eligibility be revised and published from time to time by the agency in the *Federal Register*. For the purposes of this NOSA, the agency is revising the definition of Broadband Service, such that for applications submitted under these two windows, existing Broadband Service shall mean the minimum rate-of-data transmission of ten megabits downstream and one megabit upstream for both mobile and fixed service. With respect to the Broadband Lending Speed, the rate at which applicants must propose to offer new broadband service is a minimum bandwidth of ten megabits downstream and one megabit upstream for mobile service and twenty-five megabits downstream and three megabits upstream for fixed service to the customer.

Priority for approving loan applications

Applications for FY 2017 will be accepted from March 1, 2017, through March 30, 2017, for the first application window and from September 1, 2017, through September 30, 2017, for the second application window. Although review of applications will start when they are submitted for each window, all applications submitted for the first application period will be evaluated and ranked together based on the percentage of

unserved households in the proposed funded service area. Likewise, all applications submitted for the second window will be evaluated and ranked together based on the percentage of unserved households in the proposed funded service area. Subject to available funding, eligible applications that propose to serve the highest percentage of unserved households will receive funding offers before other eligible applications that have been submitted. The amount available for each window will be published on the Agency webpage once the annual appropriation process has been completed.

Applications will not be accepted after September 30, 2017, until a new funding window has been opened with the publication of an additional NOSA in the *Federal Register*.

Paperwork Reduction Act

In accordance with the Paperwork Reduction Act of 1995, the information collection requirements associated with Broadband loans, as covered in this NOSA, have been approved by the Office of Management and Budget (OMB) under OMB Control Number 0572-0130.

USDA Non-Discrimination Statement

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are

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Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotope, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at http://www.ascr.usda.gov/complaint_filing_cust.html and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by:

(1) Mail: U.S. Department of Agriculture
 Office of the Assistant Secretary for Civil Rights

1400 Independence Avenue, SW
Washington, D.C. 20250-9410;

(2) Fax: (202) 690-7442; or

(3) Email: program.intake@usda.gov.

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Dated: November 21, 2016.

Brandon McBride

Administrator

Rural Utilities Service

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