

Finding the Funding!



Illinois
Telecommunications
Association

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Kristy Szabo
2211 N. Minnesota St.
Mitchell, SD 57301

Director of Consulting
(605) 995-1786
Kristy.Szabo@Vantagepnt.com



What Funding Programs Exist Today?



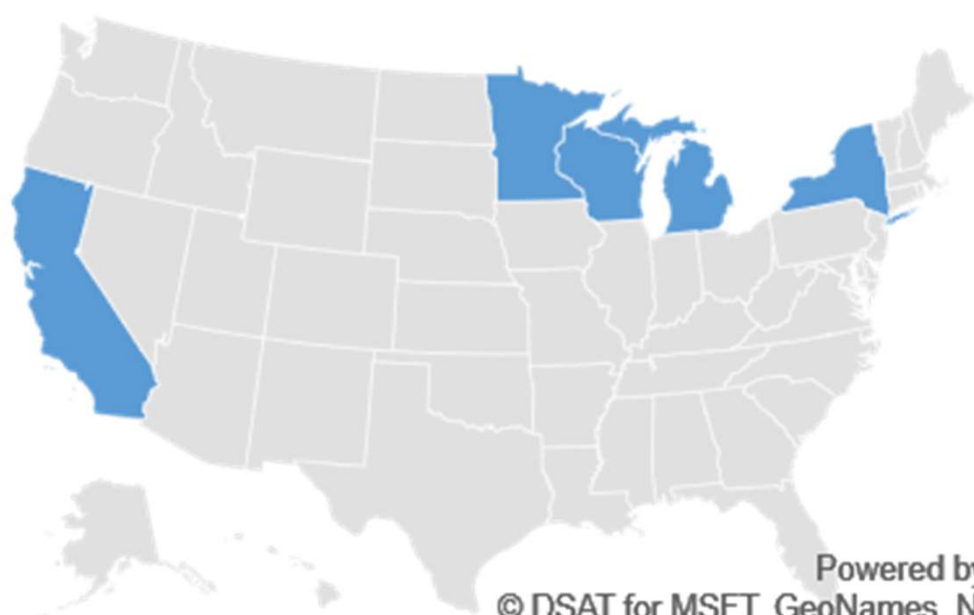
Funding Options & Opportunities

- State Grants
 - Illinois Program
- Federal Loans & Grants
 - Community Connect, ReConnect, etc.
- CAF III – Rural Digital Opportunity Fund
 - Future funding offered for areas not served in the recent CAF II auction
- Financing
 - CFC, CoBank, RUS, local financial institution
- Local Government Assistance
 - Tax abatements, assistance with rights-of-way or permitting

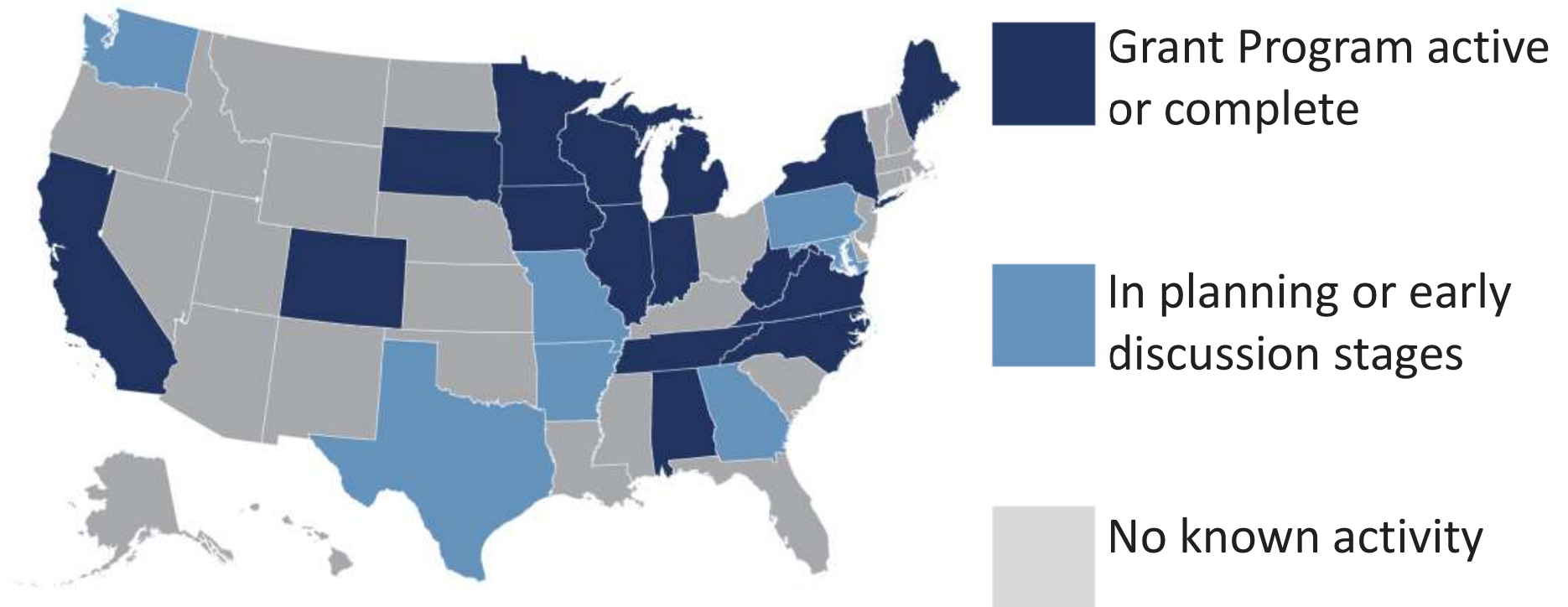


Early 2017 View

State Broadband Grant Programs



State Grant & Broadband Programs



Grant Program Funding

- State Grant Programs
 - New York - \$500M
 - Illinois - \$400M (Year 2020)
 - Maryland - \$100M
 - Indiana - \$100M
 - Wisconsin - \$24M
 - Minnesota - \$20M
 - Michigan - \$20M
 - Tennessee - \$15M
 - North Carolina - \$10M
 - South Dakota - \$5M
 - Iowa - \$5M



State Grant Requirements

- Matching Contribution
 - Varies by State
 - Points based on % of match
- Grant Request - Varies
- Targeting Unserved Areas / Underserved Areas
 - <10M / 1M - < 25M / 3M - < 100M / 10M
- Scoring Process
- Application window typically 45-60 days
- Challenge Process



Illinois Grant Program Known Details

- Funding: \$400M
 - \$100M available midyear 2020
 - \$300M available in subsequent phases
- Grant applications and proposed service areas due March 2020
 - Challenge period April-May 2020
 - Awarded June 2020
- 25/3 Mbps will be minimum speed goal





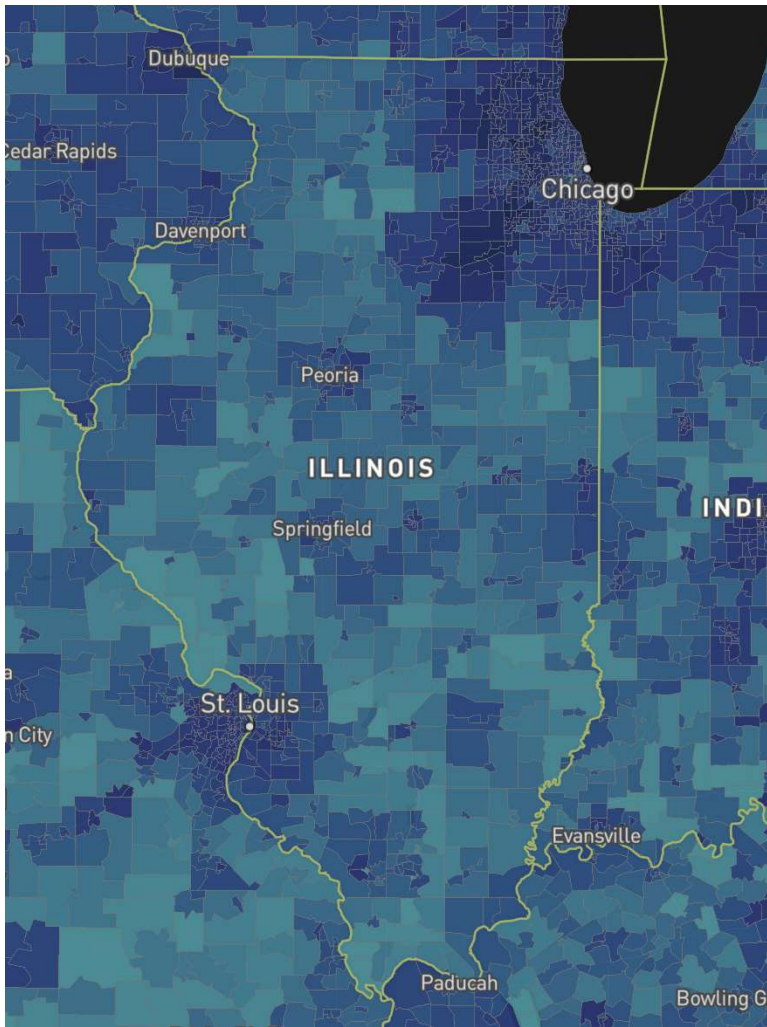
Current Landscape in Illinois



Why is broadband funding needed?

- FCC 2019 Broadband Deployment Report (based on Form 477 data)
 - 94.7% of the state of Illinois has access to 25/3 Mbps
 - Rural Areas – 61.1%
 - Urban Areas – 99.0%
 - 37 counties (*rural areas*) have less than 50% access to 25/3Mbps
- Need to reduce the digital divide gap

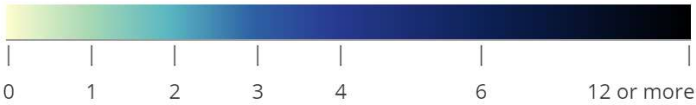




All Providers Reporting Service

Census block ID: 171150030002065

Number of Fixed Residential Broadband Providers

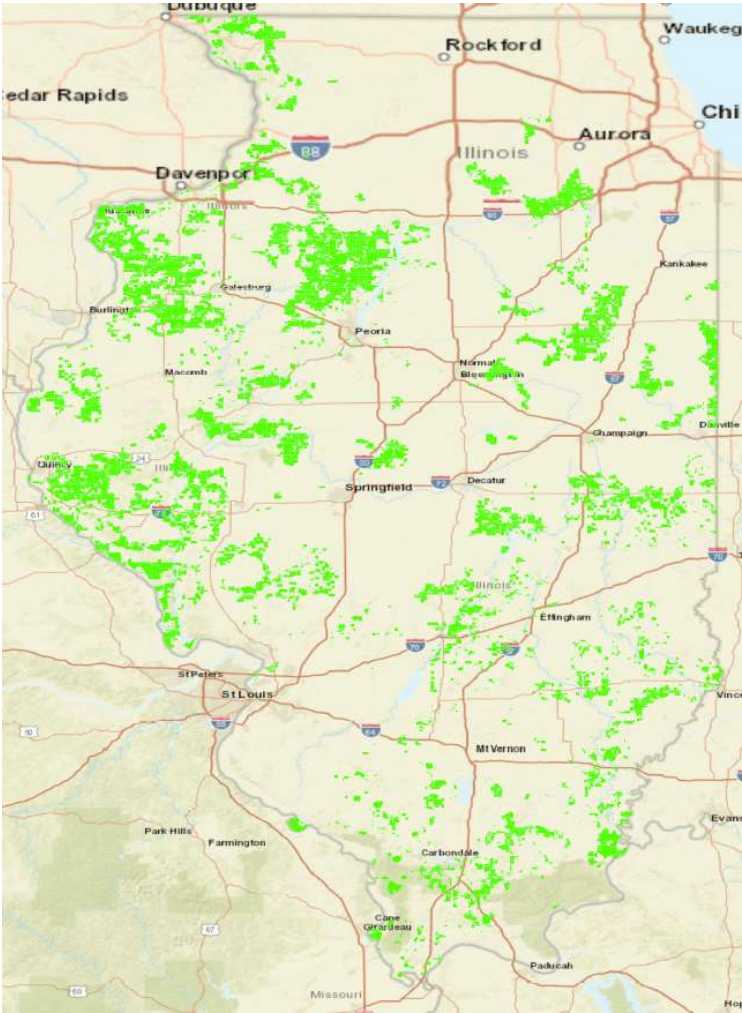


Broadband

Technology ADSL, Cable, Fiber, Fixed Wireless, Satellite, Other
Speed ≥ 25/3 Mbps
Date Dec. 2017 (latest public release)



CAF II Results in Illinois



New Growth in Illinois Landscape – CAF II

Company	Locations	Total Support	Speed Commitment
AMG Technology Investment Group, LLC	15,022	\$ 35,329,965.90	Baseline/Above Baseline – low latency
Aristotle Unified Communications	72	\$ 147,196.40	Baseline – Low Latency
ClearSKY Systems, Inc.	207	\$ 127,414.20	Baseline – Low Latency
Illinois Electric Cooperative	804	\$ 2,276,419.20	Above Baseline – Low Latency
Illinois Fiber Connect, LLC	89	\$ 310,031.40	Gigabit – Low Latency
LTD Broadband LLC	145	\$ 19,462.20	Baseline – Low Latency
Shawnee LEC, Inc.	567	\$ 1,714,708.00	Gigabit/Above Baseline – Low Latency
W.A.T.C.H. TV Company	6,041	\$ 24,366,144.10	Baseline/Above Baseline – low latency
Wabash Independent Networks, Inc.	270	\$ 359,430.20	Gigabit – Low Latency
Wisper ISP, Inc	8,907	\$ 35,079,137.70	Above Baseline – Low Latency
Total	32,124	\$ 99,972,990.93	



Federal Programs – Loans and Grants



RUS Community Connect Grant

- In place since 2002
- 2019 Appropriations - \$30M
- Grant Request - \$3M
- Matching Contribution – 15%
- Targeting Unserved Areas - <10M / 1M
 - Terrestrial Provider – Includes Mobile Broadband
- Applications for 2019 were due April 15th



CCG - Scoring

- Maximum Points - 100
- PSFA Needs – 50 Points
 - Economic Characteristics – 15
 - Educational Challenges – 15
 - Health Care Needs – 10
 - Public Safety Needs – 10
- Stakeholder Involvement – 40 Points
 - Support by local residents and ECF
- Management Experience – 10 Points



Community Center Requirements

- Must be Located Within the Boundaries of the PFSA
- At Least 2 Computer Access Points (need to use grant funds)
- Wireless Access
- Free Access to Users at Least 2 Years
- Open and Accessible
 - During and after normal working hours
 - Include Saturdays or Sundays
- Grant Funds for Community Center may not exceed the lesser of 10% of total grant request or \$150,000



USDA ReConnect Program - 2019

- \$600M Total Budget – 3 Funding Categories
 - \$200M - Grant – 100% - *Were Due 5/31*
 - \$200M - 50% Grant / 50% Loan – *Were Due 6/21*
 - \$200M – Loan – 100% - *Were Due 7/12*
 - Targeting Unserved Areas - <10M / 1M
 - Terrestrial Provider – Does Not Include Mobile
- Appropriations for 2020 set for a second round of funding of \$500M
 - FOA Anticipated to be released in December



ReConnect Program – 100% Grant

- Funding Category – 100% Grant
 - Maximum award amount per applicant - \$25 million or 75% of total eligible costs, whichever is less
 - Matching funds of at least 25% of total eligible costs
 - 100% of households must be unserved

78 applications received for \$522 million in 2019



ReConnect Program – 50/50

- Funding Category – 50% Grant/50% Loan Combination
 - Maximum award amount per applicant - \$50 million
 - \$25 million grant or 50% of total eligible costs, whichever is less
 - \$25 million loan, cash substitution, or combination
 - If cash substitution must be available at time of closing
 - Interest rate will be fixed rate set equal to Treasury rate at time of each advance
 - 90% of households must be unserved

53 applications received for \$635 million in 2019



ReConnect Program – 100% Loan

- Funding Category – 100% Loan
 - Maximum award amount per applicant - \$50M or total eligible costs
 - No matching funds requirement
 - In proforma, demonstrate tangible equity to total assets at least 20% in the 3rd yr of forecast period
 - Interest rate fixed at 2%
 - 90% of households must be unserved

15 applications received for \$258 million in 2019



ReConnect Program - Terms

- Terms & Conditions
 - Construction Timeline
 - Build out start 180 days after funds made available
 - Must be completed no later than 5 years after funds are made available
 - Fidelity Bonding – 15% of award amount
 - Negative Covenants



ReConnect Program

Applicants are only allowed to apply in one of the funding categories

- 100% grant & 50% loan/50% grant applicants subject to the following scoring process
- 100% loan applicants will be awarded on a first come/first serve basis
 - Applications reviewed for completeness

Criteria	Scoring
Rurality of PFSA	25 Points
Farms Served	1 point per farm to pre-subscribe (Max 20)
Performance of Offered Speed	20 points
Businesses Served	1 point per business to pre-subscribe (Max 15)
Healthcare Centers Served	1 point per healthcare center (Max 15)
Educational Facilities Served	1 point per educational facility served (Max 15)
Critical Community Facility Served	1 point per CCF served (Max 15)
Tribal Lands	5 points (minimum 50% of PFSA required)
State Broadband Activity	20 Points



Eligible vs Ineligible Grant Purposes – Both Programs

- Eligible Purposes
 - Construction / acquisition / leasing of facilities used to deploy Broadband at the defined grant speeds (Minimum 25/3)
 - To all residential, business and participating ECFs within the PFSA
 - Improvement, expansion, construction, acquisition of Community Center (CCG Program)
 - May not exceed the lesser of 10% of total grant request or \$150,000
 - Cost of providing bandwidth at defined grant speeds free of charge to ECFs for at least 2 years (CCG Program)
- Ineligible Purposes
 - To finance the duplication of any existing Broadband service provided by others
 - Operating expenses



Financial Requirements – Both Programs

- Complete Copies of Audited Financial Statements – 2 Years
 - If start-up, at minimum provide opening balance sheet dated within 30 days of application submission.
- Provide 5 Year Financial Forecast
 - Prove sustainability of the project
 - Include existing operations and proposed grant project
 - Income Statement / Balance Sheet / Cash Flow



Financial Requirements – Both Programs

- Written Assumptions
 - Detailed written narrative to support assumptions used
 - Every category/line item must be explained
 - Income Statement
 - Balance Sheet
 - Cash Flow Statement
 - Provide RUS analyst the ability to re-create the proforma
 - Failure to provide, may affect final decision on application
- Historical Reconciliation
 - Gaps or Discrepancies require explanation



Financial Requirements - ReConnect

- Positive ending cash each year of forecast
- Positive cash flow from operations by Year 5
- Must meet 2 of the following
 - Current Ratio of 1.20
 - Tier Ratio of 1.20 minimum (100% loan or 50% loan / 50% grant)
 - DSCR Ratio of 1.20 minimum (100% loan or 50% loan / 50% grant)
 - ***If no existing debt, not proposing new debt, and only applying for grant only the Current Ratio of 1.20 is required***



CAF III – Rural Digital Opportunity Fund



RDOF – Rural Digital Opportunity Fund

- **\$20.4 Billion**
 - Phase 1: \$16 B
 - Phase 2: \$4.4 B
- Areas lacking access to 25/3 Mbps
- **15x larger than CAF II auction**
- Opportunity to:
 - Edge out service areas
 - Diversify operations
 - Funds to make expansions feasible

NPRM – Comments due September 20th – Reply comments due October 21st



Financing and Local Government Assistance

- Financing
 - CFC, CoBank, RUS, local financial institution
 - Terms / Interest Rates
 - Application Process
- Local Government Assistance
 - Tax abatements, assistance with rights-of-way or permitting



Funding Options & Opportunities

- Program Covenants and Restrictions
 - Each Program Different
 - Financial covenants
 - 1st Lien on assets – blanket mortgage
 - Reporting and build out obligations
 - Potential Davis Bacon Impacts – *prevailing wage*
- Funding assistance is beneficial to the build of the project – due diligence on requirements associated with the funding



Preparing for a Broadband Grant Program



Key Questions to Ask

- Proposed Funded Service Area (PFSA)
 - Existing Footprint
 - Neighboring Areas
- Type of Network
 - Fiber Overbuild
 - Wireless Deployment
 - Hybrid
- Financial Feasibility
- Entity to Apply Under



PFSA

- Review the maps available
 - [FCC.gov/reports-research/maps/](https://www.fcc.gov/reports-research/maps/)
 - [Broadbandmap.fcc.gov](https://broadbandmap.fcc.gov)
 - [Broadbandnow.com/Illinois](https://broadbandnow.com/Illinois)
- Determine Eligible Areas



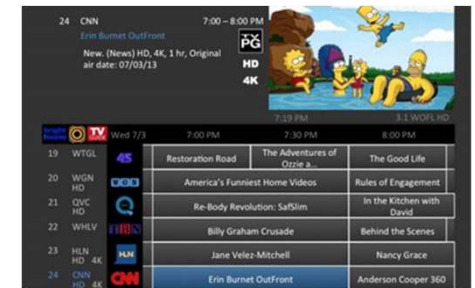
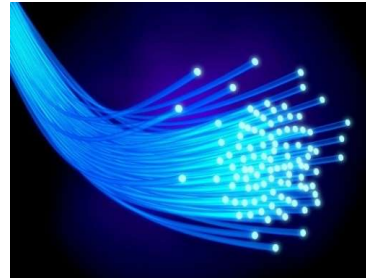
Eligible Areas

- Unserved
 - Lacking Broadband Services
 - Current Speeds less than 25M / 3M
- Underserved
 - Broadband Services at 25M / 3M
 - Applicant Responsible to Verify Eligibility
 - May use FCC maps and Broadband maps – *Reliable?*
- Size of PFSA
 - Census Tract / Census Block / Census Block Group



Type of Network

- Fiber Overbuild
 - Aerial
 - Buried
- Wireless Deployment
 - Licensed or Unlicensed
 - Density of Area
 - Line of Site Issues
- Hybrid
 - Fiber and Wireless Mix
- Type of Services to be Offered



Type of Network

- Engineering Layout
 - Description of Existing Network
 - Description of Proposed Network
 - Design Parameters used in Engineering the System
- Description of any Licenses / Agreements Required to Construct / Operate the Network
- Network Diagram
 - Strongly recommend the system design be prepared by a registered engineer licensed in Illinois
- Environmental Compliance



Financial Feasibility

- Provide 5 Year Financial Forecast
 - Prove sustainability of the project
 - Consolidated to include existing operations with proposed grant project
 - Stand-Alone to include proposed grant project only
 - Income Statement / Balance Sheet / Cash Flow
- Key Items
 - Grant funds – Impact
 - New services
 - Revenues
 - Costs
 - Staffing



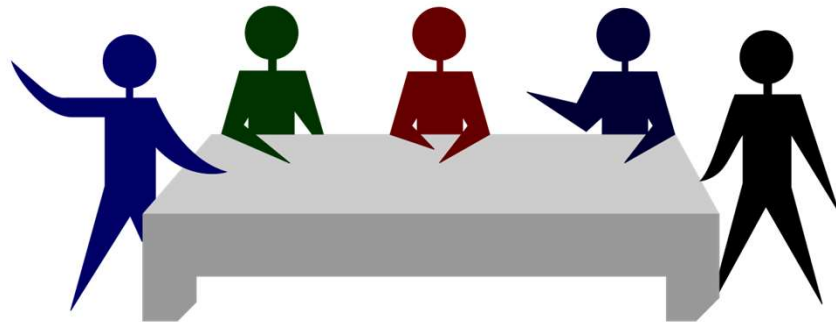
Financial Feasibility

- Financial Need
 - Detailed narrative to support grant request
 - Support for inputs used to drive business plan
- Audited Financial Statements – 2 Years
 - Demonstrate financial wherewithal to support project
- Matching Contribution



Entity to be Applicant

- ILEC
- CLEC
- Partnership
 - New or existing
 - Legal Structure



Application Development Preparation

- Several Phases in Application Development
 - Application preparation
 - Dependent on Program Rules
 - Network build and system design
 - Professional Engineer licensed in the State of Illinois
 - Budget development
 - Capital Expenditure Costs
 - Pro forma financial projections
 - Feasibility
 - Regulatory assistance
 - Ongoing reporting assistance





Potential Program Opportunity



Program Opportunity

- Expand Broadband to Unserved / Underserved Areas
- Grant Funding
 - High cost areas become more feasible to build
- Economic Development
- Improved Way of Life



Competitive Process - Scoring Criteria

- PSFA Needs
 - Economic Characteristics
 - Educational Challenges
 - Health Care Needs
 - Public Safety Needs
- Stakeholder Involvement
 - Support by local residents and Community Anchor Institutions
- Management Experience

Yahtzee		Name _____					
UPPER SECTION	HOW TO SCORE	GAME #1	GAME #2	GAME #3	GAME #4	GAME #5	GAME #6
Aces	1 = 1 Count and add Only Aces						
Twos	2 = 2 Count and add Only Twos						
Threes	3 = 3 Count and add Only Threes						
Fours	4 = 4 Count and add Only Fours						
Fives	5 = 5 Count and add Only Fives						
Sixes	6 = 6 Count and add Only Sixes						
TOTAL SCORE	→						
BONUS	If total score is 45 or more	SCORE 25					
TOTAL	Of Upper Section	→					
LOWER SECTION							
3 of a kind	ADD 7500 OF ALL DICE						
4 of a kind	ADD 7500 OF ALL DICE						
Full House	SCORE 25						
8 in Straight	Sequence of 8	SCORE 30					
10 Straight	Sequence of 10	SCORE 40					
YAHTZEE	5 of a kind	SCORE 50					
Chance	Score 1000 ON ALL 5 DICE						
YAHTZEE BONUS	FOR EXCELLENCE SCORE 100 PER 1						
TOTAL	Of Lower Section	→					
TOTAL	Of Upper Section	→					
GRAND TOTAL	→						





PFSA Needs



PFSA Needs

- Economic Characteristics
 - Poverty Levels / Out Migration
- Educational Challenges
 - Ability to distance learn
 - Access at the home
- Health Care Needs
 - Telehealth
 - In home health care
- Public Safety Needs
 - Connected facilities





Community Support



Community Support

- Residential and Businesses
- Community Anchor Institutions (CAIs)
 - Public Safety – police, fire departments, county sheriff, first responders
 - Health Care – hospitals, clinics, urgent care
 - Schools – Colleges
 - Libraries
- Economic Development Offices
- State Legislatures





Management & Operational Experience



Management & Operational Experience

- Building and deploying broadband
 - Fiber / Wireless
- Other grant program experience
- Team Bios to reflect depth of experience
- Experience in services being offered





Typical Eligible vs. Ineligible Grant Purposes

“Typical” Eligible vs Ineligible Grant Purposes

- Eligible Purposes
 - Construction / acquisition / leasing of facilities used to deploy Broadband at the defined grant speeds
 - To all residential, business and participating CAIs within the PFSA
- Ineligible Purposes
 - To finance the duplication of any existing Broadband services provided by others
 - Operating expenses





Program Considerations



Program Considerations

- Eligible Entities to Apply
 - Telecommunication Providers
 - Electric Cooperative Providers
 - WISP Providers
 - Partnerships
 - Municipals with current provider
 - Electric Cooperative with current broadband provider
- Matching Contributions
 - Cash on hand
 - Unsecured credit funding



Program Considerations

- Timeline
 - Announcement of program to application submission
 - Build-out timeline
- Davis Bacon Labor Wages
 - Impact to total construction costs
 - Differences per County



Program Considerations

- Program Oversight
 - Funding disbursement process
 - Reporting obligations





What Can We Do??



Next Steps

- PFSA
- Start Engineering Discussions / Layout
- Determine Services to be Offered
- Financial Feasibility / Analysis
 - Includes Budget
- Update Experience Bios
- Timelines
- Community Benefits



Next Steps

- Be Ready
- If multiple rounds of funding, submit first!
- Programs may overlap
 - ReConnect Next Round
 - Illinois State Broadband Program



Questions ?



Thank You!



Kristy Szabo, Director of Consulting
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