



# Financial Award Compliance Requirements

USDA RUS ReConnect Program



Rural Development

# Agenda

- Award Terms
- Application Submission and Evaluation
- Closing, Servicing, and Reporting
- Other Information and Federal Requirements
- Available Resources
- Q&A

# Subpart D – Award Terms



# Interest Rates

- 7 CFR 1740.42 Interest Rates
  - Interest rates for each funding category are defined in the FY 2022 Funding Opportunity Announcement
    - 100 % loans are subject to a 2% interest rate
    - Loan/grant combination: UST interest rate

# Terms and Conditions

- 7 CFR 1740.43 Terms and Conditions
  - (a) Unless the Applicant requests a shorter repayment period, loans must be repaid with interest within a period that, rounded to the nearest whole year, is equal to the expected Composite Economic Life of the project assets
  - (b) Interest begins accruing on the date of each loan advance
  - (c) All proposed construction (including construction with matching and other funds) and all advance of funds must be completed no later than five years from the time funds are made available.
  - (d) No funds will be disbursed until all other sources of funding have been obtained and any other pre-award conditions have been met.

# Security

- 7 CFR 1740.44 Security
  - (a) Loans and loan/grant combinations.
    - Secured by all assets of the Awardee
      - RUS given first lien on all assets including all revenues
      - RUS may share first lien position on *pari passu* basis
      - Will not share with any related party or affiliate
      - Certificate that prior lien holders have already agreed to sign the RUS' standard intercreditor agreement or co-mortgage
    - Tribal entities and Municipalities will receive separate loan security terms
    - All property and facilities purchased with award funds must be owned by the Awardee

# Security (continued)

- 7 CFR 1740.44 Security
  - (b) Grant security.
    - Exclusive first lien on all assets constructed with grant funds
      - Duration of the service obligation of the grant
    - Any sale or disposition of grant funded assets must comply with 2 CFR part 200
      - Regardless of entity status or type of organization
    - Must repay the grant if project is sold or transferred without receiving written approval from RUS during the service obligation of the grant

# Security (continued)

- 7 CFR 1740.44 Security
  - (c) Substitution of Collateral and Irrevocable Letter of Credit
    - Loans and combination loan and grant
      - ❑ Standard loan/grant documents require that applicants pledge all assets and revenues of their operations as collateral
      - ❑ Applicants may propose other forms of collateral as long as the amount of the collateral is equal to the full amount of the loan.
    - Grants
      - ❑ For grant-only applications, applicants may request that standard grant security arrangements be replaced with an Irrevocable Letter of Credit (ILOC), to ensure that the project is completed.
      - ❑ ILOC must be for the full amount of funding requested and must remain in place until project completion.



# Advance Procedures

- 7 CFR 1740.45 Advance Procedures
  - Matching funds and cash in lieu of matching funds expended first
  - Followed by loan funds
  - Then by grant funds
    - Except RUS approved pre-application expenses

# Subpart E – Application Submission and Evaluation



# Evaluation of Awardee Operations

- 7 CFR 1740.62 Evaluation of Awardee Operations
  - (a) Review of Awardee Operations
    - Management Analysis Profile (MAP) visits
  - (b) Agency Right Not To Advance Funds
    - If issues are discovered during MAP
      - Must be addressed before funds will be advanced
      - Funding may be rescinded

# Subpart F – Closing, Servicing, and Reporting



# Construction

- 7 CFR 1740.78 Construction
  - (a) Must comply with:
    - 7 CFR part 1788 – Fidelity and Insurance Requirements
    - 7 CFR part 1970 – Environmental Policies and Procedures
    - ReConnect Program Construction Procedures
    - Successor regulations on Agency's website
    - Other guidance from the Agency
  - (b) Project build-out must be completed within five years from date funds are made available

# Servicing

- 7 CFR 1740.79 Servicing of grants, loans and loan/grant combinations.
  - (a) Must make payments on loan in accordance with award documents
  - (b) Must comply with all terms, conditions, affirmative covenants, and negative covenants contained in the Award Documents
  - (c) The sale or lease of any portion of the Awardee's facilities must be approved in writing by RUS prior to initiating the sale or lease.

# Accounting, Monitoring, and Reporting Requirements

- 7 CFR 1740.80 Accounting, Monitoring, and Reporting Requirements
  - (a) Acceptable system of accounts (7 CFR 1770, Subpart B)
  - (b) Annual comparable audited financial statements
  - (c) Thirty calendar days after the end of each calendar year quarter, Awardees must submit to RUS, balance sheets, income statements, statements of cash flow, rate package summaries, and the number of customers taking broadband service on a per community basis utilizing RUS' on-line reporting system.

# Accounting, Monitoring, and Reporting Requirements (continued)

- 7 CFR 1740.80(d)
  - Annual updated service area maps
    - Showing where construction has been completed and premises are receiving service
    - Using the RUS mapping tool
    - Until entire proposed funded service area can receive the broadband service
  - Final service area map
    - Indicating all construction has been completed as proposed in application
    - If parts of PFSA have not been constructed, RUS may require a portion of the award to be rescinded or paid back



# Accounting, Monitoring, and Reporting Requirements (continued)

- (e) Access to and the right to inspect the Broadband System along with any and all books, records, accounts, invoices, contracts, leases, payrolls, timesheets, cancelled checks, statements, and other documents (electronic or paper)
  - Extends to Affiliated Parties
    - Must have prior written approval to use affiliated parties
- (f) Records retention in accordance with 7 CFR part 1770

# Accounting, Monitoring, and Reporting Requirements (continued)

- (g) Annual reports for 3 years after completion of the project including:
  - Existing network service improvements and facility upgrades,
  - The estimated number of end users who are currently using or forecasted to use the new or upgraded infrastructure;
  - The progress towards fulfilling the objectives for which the assistance was granted;
  - The number and geospatial location of residences and businesses that will receive new broadband service;
  - The speed and price of the Awardee's broadband service offerings; and
  - The average price of broadband service in the Project's service area.

# Subpart G – Other Information and Federal Requirements



# Other Information and Federal Requirements

- 7 CFR 1740.95 Compliance with applicable laws.
  - Any recipient of ReConnect funds must comply with all applicable federal, tribal, state, and local laws, rules, regulations, ordinances, codes, orders, and programmatic rules.

# Available Resources

- **Register for upcoming events** <https://www.usda.gov/reconnect/events>
- **Application Guide** [https://www.rd.usda.gov/files/ReConnect\\_Program\\_Application\\_Guide.pdf](https://www.rd.usda.gov/files/ReConnect_Program_Application_Guide.pdf)
- **ReConnect website** <https://www.usda.gov/reconnect>
  - Fact Sheets & Frequently Asked Questions
- **Contact Us** <https://www.usda.gov/reconnect/contact-us>
- **FY 2022 Funding Opportunity Announcement**
  - <https://www.federalregister.gov/documents/2021/10/25/2021-23128/rural-econnectivity-program>
- **Regulation** <https://www.govinfo.gov/content/pkg/FR-2021-02-26/pdf/2021-03443.pdf>
- **General Field Representative (GFR) & State Office**
  - <https://www.rd.usda.gov/contact-us/telecom-gfr/all>
  - <https://www.rd.usda.gov/contact-us/state-offices>





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