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This section of the FEDERAL REGISTER contains regulatory documents having general applicability and legal effect, most of which are keyed to and codified in the Code of Federal Regulations, which is published under 50 titles pursuant to 44 U.S.C. 1510.

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## DEPARTMENT OF AGRICULTURE

### Rural Utilities Service

#### 7 CFR 1740

[RUS–20–Telecom–0023]

RIN 0572–AC51

#### Rural eConnectivity Program

**AGENCY:** Rural Utilities Service, USDA.

**ACTION:** Final rule; request for comments.

**SUMMARY:** The Rural Utilities Service (RUS), a Rural Development agency of the United States Department of Agriculture (USDA), hereinafter referred to as “RUS” or “the Agency”, is issuing a final rule to establish the Rural eConnectivity Program. The Rural eConnectivity Program provides loans, grants, and loan/grant combinations to facilitate broadband deployment in rural areas. This rule describes the eligibility requirements, the application process, the criteria that will be used by RUS to assess applicants’ creditworthiness and outlines the application process. In addition, the Agency is seeking comments on the final rule.

**DATES:**

*Effective date:* This final rule is effective April 27, 2021.

*Comment date:* Comments due on or before April 27, 2021.

**ADDRESSES:** You may submit comments, identified by docket number RUS–20–Telecom–0023 and Regulatory Information Number (RIN) number 0572–AC51 through <https://www.regulations.gov>.

*Instructions:* All submissions received must include the Agency name and docket number or RIN for this rulemaking. All comments received will be posted without change to <https://www.regulations.gov>, including any personal information provided.

*Docket:* For access to the docket to read background documents or

comments received, go to <https://www.regulations.gov>.

**FOR FURTHER INFORMATION CONTACT:** For general inquiries, contact Laurel Leverrier, Acting Assistant Administrator Telecommunications Program, Rural Utilities Service, U.S. Department of Agriculture (USDA), email: [laurel.leverrier@usda.gov](mailto:laurel.leverrier@usda.gov), telephone: (202) 720–9556.

**SUPPLEMENTARY INFORMATION:**

**Background**

The Agency improves the quality of life in rural America by providing investment capital for deployment of rural telecommunications infrastructure. To achieve the goal of increasing economic opportunity in rural America, the Agency finances infrastructure that enables access to a seamless, nationwide telecommunications network. With access to the same advanced telecommunications networks as its urban counterparts—especially those designed to accommodate distance learning, telework, and telemedicine—rural America will eventually see improving educational opportunities, health care, economies, safety and security, and ultimately higher employment.

On March 23, 2018, Congress passed the Consolidated Appropriations Act, 2018 (Pub. L. 115,141) (the 2018 Appropriations Act), which established a new broadband loan and grant pilot program, that was named the Rural eConnectivity Pilot Program. The 2018 Appropriations Act originally appropriated budget authority of \$600 million to be used on an expedited basis. For fiscal year (FY) 2019, Congress funded an additional \$550 million for the pilot through the Consolidated Appropriations Act, 2019 (Pub. L. 116–6). Once again, on December 20, 2019, Congress appropriated (Consolidated Appropriations Act, 2020 (Pub. L. 116–94)) \$555 million to continue the program. In addition, the Coronavirus Aid, Relief, and Economic Security Act provided another \$100 million in grant funding for the program.

The Rural eConnectivity Program provides loans, grants, and loan/grant combinations to facilitate broadband deployment in rural areas. In facilitating the expansion of broadband services and infrastructure, the program will fuel long-term rural economic development

and opportunities in rural America. One of those opportunities is precision agriculture. The use of this technology requires a robust broadband connection. The awards made under this program will bring high-speed broadband to the farms, which will allow them to increase productivity.

Since its establishment under the 2018 Act, RUS has implemented the Rural eConnectivity Program by issuing Funding Opportunity Announcements (FOAs). The round one FOA was published December 14, 2018 (83 FR 64315). The round two FOA was published December 12, 2019 (84 FR 67913), and included a request for comments under USDA’s Regulatory Reform Notice published on July 17, 2017 (82 FR 32649).

The Agency received comments from six respondents on the round two FOA through USDA’s Regulatory Reform Federal Register Docket ID: *USDA–2017–0002–0001*. The respondents included one company, three internet/television associations, one state board and one individual. RUS has reviewed and analyzed each response. Multiple respondents included several comments. The following is a summary of the key comments from each respondent and the Agency’s responses:

*Respondent One*

For Round 3, Respondent recommends that RUS consider redefining “sufficient access to broadband” to mean any rural area in which households have fixed terrestrial broadband service delivering at least 25 mpbs/3 mbps with a limited exception as detailed in comment 3. Presumably, round 3 would not take place until at least 2021, and those networks funded by a 3rd round would not be built out until several years after. This would mean areas that fall between 10/1 mbps and 25/3 mbps would have to wait several years for meaningful upgrades.

*Agency response:* To accommodate this request the regulation implements procedures that allow the definition of sufficient access to be updated any time an application window is opened through a notice in the **Federal Register**.

The Rural eConnectivity Program funded networks should not overbuild existing networks or federally supported planned networks. General Field Representatives (GFR) did a good job of surveying existing networks. Contractors hired by USDA did not

fulfill their responsibilities which resulted in RUS not adhering to the requirements to not fund networks where at least 10/1 mbps service exists. The comment lists two specific scenarios. Respondent recommends that RUS avoid using contractors, but if they must be used, better training is needed. Agency GFRs should work more closely with contractors to ensure that they fulfill their duties to accurately verify whether service exists.

*Agency response:* Starting with Round 2, GFRs now have the lead role in completing field reviews to determine if sufficient access to broadband exists in an area.

RUS should make any area where the Federal Communication Commission (FCC) is, at the time of application consideration, committing funding to build a terrestrial network ineligible for Rural eConnectivity Program Awards. This should include funding from ACAM, CAF-BLS, Alaska Plan, CAF II Auction, and RDOF USF High Cost Program funding streams. The one exception is areas funded by the Universal Service Fund (USF) high cost program where most of the area has 25/3 mpbs which some have less. The Agency should allow USF recipients to apply for funding to bring higher speeds that the FCC has mandated to the areas they already serve.

*Agency response:* The proposed regulation allows the Agency to establish what areas are to be protected when new application windows are opened through a notice in the **Federal Register**. The Agency continues to work with the FCC to identify areas where they are providing funds and where RUS is providing funds.

Respondent recommends that RUS allow applicants, working with Tribal entities, to certify fisheries in the same way the Rural eConnectivity Program allows farms to be certified. In some parts of the country, fisheries are key to economic development and broadband is just as important at sea for both safety and efficiency of production as it is on land. Placing fishing on equal footing with farming will provide additional geographical diversity to the applicant pool and ensure economically important coastal areas get the broadband they need.

*Agency response:* The proposed regulation allows for scoring criteria to be established each time an application window is opened. If farms are used for scoring criteria in future application windows, we will consider counting fisheries as farms.

#### *Respondent Two*

The following comments apply to the application process:

Limit required data submissions to the corporate entity applying and the geographic area and/or project affected.

*Agency response:* The information requested in the application is the minimal amount that is needed to determine if the company can adequately address the needs of the proposed project and remain a viable operation.

Limit information requests to reduce the amount of data sought from the applicant's parents and affiliates that is not critical to determining whether an award should be made and to information about the affected geographical area.

*Agency response:* Each application is unique. RUS only requests information about parents and affiliates that is needed in order to make a sound financial decision about the project.

Clarify that an applicant need only submit information about non-funded service areas (NFSAs) that are related to the proposed funded service area (PFSAs), rather than all of the applications NFSAs.

*Agency response:* The purpose of the NFSAs is to provide sufficient information to evaluate the viability of an operation. Publicly traded companies with a sufficient bond rating have publicly demonstrated this and there is no need for the NFSAs. The proposed regulation does allow publicly traded companies an option where they do not have to submit their NFSAs. However, all other applicants will need to submit all of the service areas in the NFSAs and PFSAs.

Permit subleasing rights so that an applicant is not required to own the facilities used to provide broadband, so long as the entity owning the facilities is an affiliated entity that gives RUS sufficient financial security.

*Agency response:* To ensure that the project is completed, the entity applying for the award must own the facilities. Additionally, so that the agency retains its security in the collateral, legal documents must be entered into with entity that controls such assets. However, the agency has been amenable to entering into co-awardee agreements where assets must be held by an affiliate.

Publicly traded companies cannot share the forward-looking data RUS requires.

*Agency response:* The proposed regulation has options that publicly traded companies can elect, where they would not have to submit forward-looking projections.

Allow providers alternate ways to establish their project capabilities, such as demonstrating financial viability through publicly available Securities and Exchange Commission filings, replacing the first lien on assets requirement with alternatives for security options, and implementing a budgeting methodology that is more flexible than the Capital Investment Workbook.

*Agency response:* The Agency will consider substitute collateral options; however, any solution must take into consideration that deviating from the agency's standard security arrangements will require significant time and legal resources, which may not be available. The capital investment workbook is set up to ensure that adequate funds are considered to ensure the project is properly funded.

Defer network design and environmental showings until later in the RUS funding process and allow in-house engineers to certify projects.

*Agency response:* Network designs must be completed in order to identify all resources that are needed for the project.

Enable the widest possible participation by eliminating the ban on applications from broadband providers organized as partnerships or joint ventures.

*Agency response:* The proposed regulation now includes language to clarify specifically what types of partnerships are eligible and which types are still considered ineligible. Partnerships that do not involve individuals are now eligible entities.

The following comments apply to the award process:

Take stronger steps to ensure that funded areas are truly unserved, including: (i) Undertaking better coordination of maps and data with the FCC to avoid granting duplicative funding to the same area; (ii) considering an area to be "served" once a provider has built a broadband network there, regardless of whether it has yet secured customers in that area; and (iii) considering an area to be "served" if federal or state broadband funding has been committed to that area, or a provider has a binding commitment to build a broadband network there, regardless of whether those networks are yet built out (as long as the provider is meeting applicable build-out deadlines).

*Agency response:* We continue to work with the FCC to ensure that their program and RUS' programs are complementary of each other. The proposed regulation allows the Agency to establish what areas are eligible for

funding at the time an application window is opened.

Adopt provisions to ensure a more technology-neutral scoring process, including eliminating any bonus points for networks that offer symmetrical speeds or providers in states who have authorized electric cooperatives to offer broadband service.

*Agency response:* The agency will consider eliminating preferential scoring for high-speed symmetrical systems in the next funding window.

Allow automated certification for businesses served.

*Agency response:* The agency continues to explore options for publicly available data that could be used to count businesses. However, note that RUS may or may not use businesses as a scoring criteria in future rounds of funding.

Do not deny entire applications when one area proposed to be served is ineligible, instead modifying the application to exclude the ineligible area.

*Agency response:* Under this regulation, the Agency has the ability to revise applications by excluding ineligible areas. Notwithstanding that ability, for grant applications subject to scoring and competition, the Agency can only do this when eliminating the ineligible area would not modify the application or require that the applicant revise the application.

Require that awardees comply with the FCC's pole attachment rules and fee restrictions.

*Agency response:* Awardees that are subject to the FCC are already required to follow these requirements. For other entities not subject to the FCC, the Agency cannot impose these requirements without authority.

The following comments apply to the challenge process:

Increase transparency in the challenge process by making maps available of eligible areas and keeping them updated.

*Agency response:* The Agency continually updates its mapping with any new information it receives. However, it is impossible to update mapping with information that the Agency is not aware of. That is why the Agency can only make a final determination by sending staff to the area to complete a field analysis.

Publicly post written decisions on challenges explaining RUS's reasons for granting or denying the challenge prior to an award being issued for the challenged area.

*Agency response:* For Round 2, public notice response respondents are already being notified if their challenge was

successful or not. Unfortunately, RUS cannot make public its responses to challenges because the information submitted by respondents is protected from release by law.

Allow for appeals of decisions on challenges prior to announcing an award—Update the map of eligible areas following the final resolution of each challenge and award and before applications are submitted for the next round of funding.

*Agency response:* The Agency will take this recommendation under consideration for future rounds. With respect to the latter request, that is already being done.

#### *Respondent Three*

RUS should consider allowing subsidiaries to use facilities and assets of affiliates to satisfy application and program requirements.

*Agency response:* There are procedures currently in place that allow for this scenario. In the future, the Agency will continue to consider the possibility of allowing co-applicants.

The following comments apply to the application process:

Refine option for a company to apply for Rural eConnectivity Program funds using a dedicated subsidiary:

*Agency response:* If the subsidiary can meet the requirements of the program, they are eligible to apply. Additionally, in order that the security arrangements are maintained, the agency has been amendable to entering into co-awardee agreements where assets must be held by a subsidiary.

Consider reforms that would make it easier for companies to apply directly at the parent or operating company level.

*Agency response:* The proposed regulation has made allowances for publicly traded companies that provide them with more options on applying.

Simplify the means by which an applicant's technical capabilities and financial viability can be confirmed such as using public information filed with the Securities and Exchange Commissions for financial viability or narrative or aggregated information about existing experience in the marketplace for technical viability.

*Agency response:* The proposed regulation now contains options for publicly traded companies not to have to submit forward looking financial projections.

Consider eliminating or substantially reducing application requirements relating to NFSAs. Submission of detailed information regarding NFSAs is more administratively burdensome for larger applicants.

*Agency response:* The proposed regulation permits publicly traded companies not to submit NFSAs if they meet certain requirements.

Submitting detailed information and projections regarding services, investments and customers within NFSAs raises significant competitive concerns that outweigh any limited benefit.

*Agency response:* With respect to the submission of information that may be competitive, the Agency protects the release of business proprietary information to the full extent under the law. In order to understand the entire financial picture of an applicant, the Agency must review the operations of NFSAs. However, the proposed regulation now reduces that burden for publicly traded companies, by permitting them not to submit NFSAs if they meet certain requirements.

Requiring applicants to submit forward-looking projections for NFSAs creates risks for publicly traded companies. Limit projections just to PFSA—Simplify submissions for NFSAs.

*Agency response:* Per the proposed regulation, publicly traded companies do not have to submit NFSAs if they meet certain requirements.

Instead of submission of geospatial data through the mapping tool, should consider allowing applicants to submit a more general description of their existing footprints.

*Agency response:* In order to stop overlapping funding, a copy of the PFSA is necessary. This shapefile will also be required to be submitted as part of the statutory reporting requirements and will have to be updated annually.

Consider de-coupling the requirement to submit mapping information for an applicant's NFSAs from the submission of other information such as customer count, service offerings and further business projections.

*Agency response:* The agency is committed to assisting the federal government in mapping out broadband availability in rural areas as much as it can. The agency understands that this may be an onerous undertaking for publicly traded companies, and so the agency has created a carve-out for these entities if they meet certain requirements.

Rather than require applicants to identify competitive offerings from other providers within each NFSAs, consider allowing applicants to provide narrative information describing the competition they face from other providers.

*Agency response:* Competitive information is extremely important to

the financial feasibility of the award, and detailed information about the competitive pressures on an applicant within its entire service area is extremely important in making a financial decision on an award.

The following two comments apply to clarifying and narrowing the requirement to submit network diagrams to facilities involved in the proposed project:

Narrow the requirement to submit a network diagram only to the project(s) set forth in the application and any existing network elements that would be leveraged to support such new network facilities.

*Agency response:* Complete network diagrams are required to ensure the capabilities of the entire system.

Clarify that applicants may provide a general narrative description in lieu of a diagram with respect to the remainder of their network.

*Agency response:* Complete network diagrams are required to ensure the capabilities of the entire system.

Consider allowing providers to propose budgets rather than using RUS's online capital investment workbook.

*Agency response:* The capital investment workbook was developed to ensure consistency in comparing all applications and that all necessary information is submitted to demonstrate that all requirements can be satisfied.

Consider securities filings and other publicly available information to confirm applicant's financial viability.

*Agency response:* The proposed regulation now has options for publicly traded companies.

The following two comments apply to simplifying changes to the application and evaluation criteria.

Remove discrepancy between fiber to the home (FTTH) and hybrid coaxial fiber (HFC) network designs—awarding points for symmetrical speeds affords significant advantages to FTTH versus HFC and it is inconsistent with “technology neutral.”

*Agency response:* There are no discrepancies between using these types of technologies. Under the proposed regulation, scoring criteria will now be established prior to opening an application window. Points for bandwidth capability may or may not be used.

Allow applications to be supported by in-house engineers on the same terms as it permits program awardees to support particular construction projects with in-house engineering staff. Requiring use of an external, certified engineer adds unnecessary cost and complexity.

*Agency response:* There are currently procedures in place that allow awardees to use in-house engineering services.

The following comments apply to terms and conditions:

Consider modifying the financial restrictions on grant recipients. The financial restrictions that the grant and security agreement impose impede the ability of financially stable providers to engage in commonplace transactions necessary for their business if they participate in the program at the parent level.

*Agency response:* The Agency has been using the current award documents for a number of years, and these agreements ensure that program requirements will be satisfied. However, that said, the Agency is unaware of any provisions in the grant agreement that would impede participants from conducting normal business transactions. This concern has not been raised to the Agency before.

Consider narrowing the “Right of Inspection” to documents relating to the RUS-Funded project.

*Agency Response:* The Agency's right to inspect documents is already limited to the RUS project and any agreements or documents that are directly related to the project.

The following comments apply to allowing greater flexibility in contracting and vendor selection:

Offer awardees the option to proceed with their regular contracting and construction processes without requiring RUS approval for each process.

*Agency response:* In order to ensure that federal law is being followed with respect to environmental law and the uniform federal grant requirements at 2 CFR 200, especially with respect to bidding, the Agency must impose certain contracting and construction procedures.

Consider capping contributions to a given project, which would cause the grantee to bear the risk of running over budget.

*Agency response:* Given the large amount of federal investment in these projects, and the need for broadband facilities in rural America, awardees must covenant that the project will be finished with their own funds if necessary, otherwise the federal investment will have been wasted.

Narrow the current construction procedures requirement that applicants obtain RUS approval before contracting with an affiliate.

*Agency response:* The Agency's approval to contract with affiliates ensures that an awardee is not paying more than necessary.

#### *Respondent Four*

For the current and future rounds, we strongly recommend that state and county fairgrounds be included within the definition of essential community facilities. In California, fairgrounds continue to be essential in supporting the safety, health and well-being of residents—serving as evacuation centers and shelters during fires and floods. Of California's 77 fairgrounds, 36 (47 percent of all fairs in the state) have been activated as evacuation centers, fire camps, and animal shelters providing direct emergency response and public safety activities. Sufficient access to broadband connectivity at these locations is critical to provide individuals and families impacted by emergencies essential access to communication, banking and other services. Allowing state and county fairground eligibility as essential community facilities is a priority for our state to extend overall broadband connectivity and better prepares for future emergencies. A list of their fairgrounds with the addresses and coordinates was provided.

*Agency response:* The Agency will take this under consideration. The proposed regulation allows scoring criteria to be established at the time an application window is opened. Essential community facilities may or may not be used in future funding rounds.

#### *Respondent Five*

Over many years, RUS, which administers programs that provide infrastructure or infrastructure improvements to rural communities, has served with distinction through oversight from the USDA. Providing economic incentives to allow for broadband deployment in rural areas through the Rural eConnectivity program seems to be an appropriate use of federal funds.

Agriculture plays an important part in the American economy. Today, production and consumption occur practically simultaneously so a lack of good broadband service quickly turns to no service whatsoever. This program, which relies on an interplay of effort, may help to bring stable, permanent and dependable service and give an opportunity to aid in molding and directing a public enticement that recognizes the importance of farming; including small business enterprises to every branch of industry and commerce in the country.

This grant program, if implemented with checks and balances for compliance, has an advantage in that it affords an added means of raising funds

that meet the great and increasing demand for capital expenditures for the extension and improvement of modern broadband systems. The taxpayer return on investment here is fair and justified so that small customers will get the benefit of it.

The RUS program should be reviewed periodically and continued as it serves the interest of Americans as a whole.

*Agency response:* Respondent five's response was more feedback versus requests for change. The Agency appreciates the positive feedback.

#### *Respondent Six*

Respondent wholeheartedly agrees that the FCC and RUS will need to work together to avoid any result that would squander available funds, and that the agencies should establish, prior to initiating these new rounds of funding, which areas should be prioritized and ensure that duplicative support is not assigned to different providers for delivery of overlapping services. Such a negative result would upset the legitimate expectations of those submitting bids for funding that they would be the only recipients of federal support directed to deploying new service. Only through coordination of efforts can the two agencies maximize the benefit of the federal funds allocated and optimize the delivery of new or improved broadband capability to rural areas to close the digital divide.

*Agency response:* The Agency continues to work with the FCC to identify areas where they are providing funds and where RUS is providing funds.

In addition to the comments received under the round two FOA, the Agency collected stakeholder feedback utilizing various methods including, conducting phone and in-person interviews, hosting webinars, and hosting workshops across the country. Through these venues, the Agency regularly heard the following:

- Financial requirements were burdensome and could be streamlined to better serve rural communities.
- Specific required documents should be made optional due to their minimal impact on the viability of the applying entity and the proposed project.
- The Agency should consider higher minimum speed requirements in order to ensure systems do not become obsolete before the end of its composite economic life.
- The scoring criteria should remain flexible and continually be updated to include the most up-to-date, accurate, and available data.
- The public notice response period should be extended to longer than 30 days.

The Agency utilized the submitted comments, stakeholder feedback and experience gained from rounds one and two to develop this final rule, which will codify policies and procedures for administering the program. Changes that will be codified in the regulation include, but are not limited to, the following:

- The requirement for two years of unqualified, comparative, audited financial statements has been changed to unqualified, comparative, audited financial statements for the previous fiscal year of the applicant from the date the application has been submitted.
  - The requirement that applicants must submit certifications from the appropriate state or tribal broadband office has been changed to a voluntary request.
  - Under certain conditions, a subsidiary can use the unqualified, comparative, audited statements of their parent to meet certain eligibility requirements.
  - The first two rounds of funding had restrictions associated with the Federal Communication Commission's (FCC) funding of the CAF II-903 areas. The Agency has elected to remove these restrictions as the FCC buildout requirements are implemented and these areas become ineligible. The Agency will continue to work with the FCC to maximize the funding that both the FCC and RUS make available to rural America.
  - Additional sections, including the scoring criteria, eligible service area threshold, eligible award costs, and public notice response period were also adjusted since round one. These requirements will be determined on an annual basis and published in the **Federal Register** in order for the Agency to remain responsive to stakeholder needs. Based on the prior feedback received, the Agency is issuing this rulemaking as a Final Rule with comment. The Agency specifically requests public comment on the speed used to determine eligibility.
- Based on the prior feedback received, the Agency is issuing this rulemaking as a Final Rule with comment. The Agency specifically requests public comment on the speed used to determine eligibility. Based on the speed requirements implementing the statutory requirements of the program of the Round 1 and Round 2 FOAs, the Agency required a minimum of 10/1 Mbps service in order to qualify for eligibility. For future rounds, the Agency would take into account comments received under this rulemaking to establish future speed requirements, which will be announced in the **Federal Register** in

the funding opportunity announcements.

#### *Executive Order 12866, Regulatory Impact Analysis*

This rule has been determined to be significant and was reviewed by the Office of Management and Budget under Executive Order 12866. In accordance with Executive Order 12866, a Regulatory Impact Analysis was completed, outlining the costs and benefits of implementing this program in rural America. The complete analysis is available in Docket RUS-20-Telecom-0023 on *Regulations.gov*. The following is a summary discussion of the Analysis:

The final rule will codify statutory language from the 2018 Consolidated Appropriations Act that established the Rural eConnectivity Program and the 2018 Farm Bill with respect to public notice and reporting requirements, as well as general policies and procedures for the program. The result will be consistent, predictable program delivery that allows the Agency to deploy reliable, high-speed broadband into unserved areas and fuel long-term economic development and opportunities in rural America.

The Agency estimates up to 500 organizations may be interested in applying for the Rural eConnectivity Program and approximately 200 awards will be made each funding round. The Agency estimates the total cost to applicants to be \$19,426 per applicant respondent and \$6,837 per award recipient respondent. The administrative cost to the Federal Government to administer the program is estimated to be \$5,495,802.

On October 21, 2017, United States Department of Agriculture (USDA) Secretary Sonny Perdue released the "Report to the President of the United States from the Task Force on Agriculture and Rural Prosperity." The report was a product of the Interagency Task Force on Agriculture and Rural Prosperity, which was formed to identify legislative, regulatory, and policy changes to promote agriculture, economic development, job growth, infrastructure improvements, technological innovation, energy security, and quality of life in rural America per Executive Order 13790 (82 FR 20237). In partnership with local, state, and tribal leaders, and dozens of federal agencies, the report identified eConnectivity as one of five key catalysts to achieving prosperity in rural America.

In conclusion, the Agency notes that reliable, affordable high-speed internet is essential in today's global economy.

A robust broadband connection allows students greater access to educational opportunities, patients greater access to health care professionals, businesses access to customers around the world, and farmers the ability to increase productivity and profitability. The awards made under the Rural eConnectivity Program will provide increased opportunity and bring much-needed critical infrastructure to rural America.

#### *Congressional Review Act*

Pursuant to the Congressional Review Act (5 U.S.C. 801 *et seq.*), the Office of Information and Regulatory Affairs designated this rule as a major rule, as defined by 5 U.S.C. 804(2).

#### *Executive Order 12988, Civil Justice Reform*

This rule has been reviewed under Executive Order 12988, Civil Justice Reform. The Agency has determined that this rule meets the applicable standards provided in section 3 of the Executive Order. In addition, all state and local laws and regulations that conflict with this rule will be preempted. No retroactive effect will be given to this rule.

#### *Executive Order 12372, Intergovernmental Consultation*

This rule is excluded from the scope of Executive Order 12372, Intergovernmental Consultation, which may require a consultation with State and local officials. See the final rule related notice entitled, "Department Programs and Activities Excluded from Executive Order 12372" (50 FR 47034) advising that RUS loans and loan guarantees were not covered by Executive Order 12372.

#### *Regulatory Flexibility Act Certification*

RUS certifies that this rule will not have a significant economic impact on a substantial number of small entities, as defined in the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*). The RUS telecommunications program provides loans to borrowers at interest rates and on terms that are more favorable than those generally available from the private sector. RUS borrowers, as a result of obtaining federal financing, receive economic benefits that exceed any direct economic costs associated with complying with RUS regulations and requirements.

#### *Environmental Impact Statement*

This final rule has been reviewed in accordance with 7 CFR part 1970 ("Environmental Policies and Procedures"). The Agency has

determined that (i) this action meets the criteria established in 7 CFR 1970.53(f); (ii) no extraordinary circumstances exist; and (iii) the action is not "connected" to other actions with potentially significant impacts, is not considered a "cumulative action" and is not precluded by 40 CFR 1506.1. Therefore, the Agency has determined that the action does not have a significant effect on the human environment, and therefore neither an Environmental Assessment nor an Environmental Impact Statement is required.

#### *Catalog of Federal Domestic Assistance*

The Catalog of Federal Domestic Assistance (CFDA) number assigned to the Rural e-Connectivity Pilot Program is 10.752. The Catalog is available on the internet at <https://beta.sam.gov/>. The Government Publishing Office (GPO) prints and sells the CFDA to interested buyers. For information about purchasing the Catalog of Federal Domestic Assistance from GPO, call the Superintendent of Documents at (202) 512-1800 or toll free at (866) 512-1800, or access GPO's online bookstore at <https://bookstore.gpo.gov>.

#### *Unfunded Mandates*

This rule contains no federal mandates (under the regulatory provisions of Title II of the Unfunded Mandates Reform Act of 1995) for state, local, and tribal governments or the private sector. Therefore, this rule is not subject to the requirements of § 202 and 205 of the Unfunded Mandates Reform Act of 1995.

#### *E-Government Act Compliance*

RUS is committed to the E-Government Act, which requires Government agencies in general to provide the public the option of submitting information or transacting business electronically to the maximum extent possible.

#### *Executive Order 13132, Federalism*

The policies contained in this rule do not have any substantial direct effect on states, on the relationship between the national government and the states, or on the distribution of power and responsibilities among the various levels of government. Nor does this rule impose substantial direct compliance costs on state and local governments. Therefore, consultation with the states is not required.

#### *Executive Order 13175, Consultation and Coordination With Indian Tribal Governments*

This rule has been reviewed in accordance with the requirements of Executive Order 13175, "Consultation and Coordination with Indian Tribal Governments." Executive Order 13175 requires federal agencies to consult and coordinate with tribes on a government-to-government basis on policies that have tribal implications, including regulations, legislative comments or proposed legislation, and other policy statements or actions that have substantial direct effects on one or more Indian tribes, on the relationship between the Federal Government and Indian tribes or on the distribution of power and responsibilities between the Federal Government and Indian tribes.

Rural Development has assessed the impact of this rule on Indian tribes and determined that this rule does not, to our knowledge, have tribal implications that require tribal consultation under Executive Order 13175. If a Tribe requests government-to-government consultation, Rural Development will work with the Office of Tribal Relations to ensure meaningful consultation is provided where changes, additions, and modifications identified herein are not expressly mandated by Congress. If a tribe would like to engage in government-to-government consultation with Rural Development on this rule, please contact Rural Development's Native American Coordinator at (720) 544-2911 or [AIAN@usda.gov](mailto:AIAN@usda.gov).

Additionally, Rural Development recognizes the challenges of deploying broadband in tribal communities. The Agency further notes that this regulation sets the framework for the administration of the Rural eConnectivity Program but does not set the priority point scale or content that will be used for scoring in upcoming application windows. The specific scoring scale for each round will be set and published in future funding announcements. In past instances, Rural Development has sought comment on the contents of the funding announcement. To ensure that Native American Tribes have a meaningful opportunity to provide input to the next upcoming funding notice, Rural Development will coordinate with USDA's Office of Tribal Relations to conduct at least one listening session to collect recommendations from tribes on how Rural Development's broadband programs can be improved to better meet the broadband challenges that tribes face, identify opportunities to leverage and coordinate assistance from

other federal agencies and gain additional insight into the unique economic, geographical and political realities that continue to impair access to affordable broadband in many tribal communities. The listening session will be held prior to the release of the next Rural eConnectivity Program funding announcement, and tribal communities will be notified once this session has been scheduled.

USDA Rural Development has participated in listening sessions and Farm Bill tribal consultations that have either specifically been focused on the Rural eConnectivity Program or have touched on the challenges with utilizing Rural Development's programs to finance broadband infrastructure throughout Indian Country and Alaska. For instance, on June 4, 2018, USDA's Senior Advisor for Rural Infrastructure, the Assistant Administrator for the Telecommunications Programs and Rural Development's Native American Coordinator hosted a listening session on the legislation authorizing the Rural eConnectivity Pilot program during the National Congress of American Indians Midyear Conference in Kansas City, MO, prior to the release of the first funding announcement for the program. Additionally, in May and June of 2019, the Administrator of the Rural Utilities Service and Rural Development's Native American Coordinator participated in USDA Farm Bill consultations hosted by USDA's Office of Tribal Relations in Washington, DC and Reno, NV. Although the Rural eConnectivity Program was not the focus of these sessions, concerns from tribal leaders regarding broadband infrastructure and Rural Development's programs were shared at both events.

Over the last two years, Rural Development has targeted outreach to tribes during Round 1 and Round 2 of the Rural eConnectivity Program funding opportunities. For instance, in April of 2019, a tribal focused Rural eConnectivity Program technical assistance workshop was held on the Pascua Yaqui reservation just outside of Tucson, AZ. Subsequently, in January and February of 2020, Rural Development's Native American Coordinator attended the Round 2 Rural eConnectivity Program technical assistance workshops in Seattle and Denver. He hosted a breakout session at both workshops on collaborating with tribes and was available to answer questions of potential tribal applicants.

Rural Development's State Directors, Telecom General Field Representatives, and additional Rural Development staff have met with tribes on a regular basis to discuss tribal broadband projects,

tribal broadband challenges and Rural Development programs throughout this period as well. For instance, in August of 2019, USDA Rural Development—Colorado hosted a broadband workshop in Durango, CO. Tribes in the region were encouraged to participate and Rural Development leadership used the opportunity to visit two nearby tribes to discuss their current development priorities and challenges—including access to broadband infrastructure.

Finally, Rural Development has looked to leverage interagency opportunities to provide outreach to tribes. For instance, Rural Development staff hosted 3 workshops at the inaugural National Tribal Broadband Summit hosted by the Department of Interior in September of 2019. The Administrator for the Rural Utilities Service also provided closing comments at the conclusion of the first day of the summit. More recently, on July 20, 2020, Rural Development staff participated in a Community Broadband Funders Webinar hosted by FEMA Regions 9 and 10 and provided information on Rural Development's telecommunications and broadband programs, including the Rural eConnectivity Program. Additional federal agencies that presented information during the webinar included Department of Commerce's National Telecommunications Information Administration and the Economic Development Administration, the Federal Communications Commission, HUD's Office of Native American Programs, Health and Human Services and FEMA. The webinar was not a tribal specific event, but tribes were encouraged to participate and some of the content was geared specifically to tribal participants.

Ongoing outreach, interagency collaboration, and project meetings with tribes helps inform RD leadership of ongoing tribal challenges and opportunities regarding broadband financing and infrastructure deployment. These types of interactions led to tribal application priority points in the first Rural eConnectivity Program funding announcement and special consideration for tribal broadband plans and tribal critical facilities in the application scoring criteria during the first and second Rural eConnectivity Program funding opportunities. Moving forward, this type of tribal collaboration, along with the tribal listening session planned for this rule, will help inform Rural Development staff in the development of future Rural eConnectivity Program funding opportunity announcements.

### *Civil Rights Impact Analysis*

Rural Development, a mission area for which RUS is an agency, has reviewed this rule in accordance with USDA Regulation 4300–4, Civil Rights Impact Analysis," to identify any major civil rights impacts the rule might have on program participants on the basis of age, race, color, national origin, sex, or disability. After review and analysis of the rule and available data, it has been determined that based on the analysis of the program purpose, application submission and eligibility criteria, issuance of this Final Rule is not likely to adversely or disproportionately impact very low, low and moderate-income populations, minority populations, women, Indian tribes or persons with disability, by virtue of their race, color, national origin, sex, age, disability, or marital or familial status. No major civil rights impact is likely to result from this rule.

### *Information Collection and Recordkeeping Requirements*

The Information Collection and Recordkeeping requirements contained in this rule have been submitted for approval under OMB Control Number 0572–0152.

### **List of Subjects in 7 CFR Part 1740**

Broadband, Community development, Grant programs—communications, Loan programs—communications, Rural areas, Telecommunications.

■ Accordingly, for reasons set forth in the preamble, chapter XVII, title 7, the Code of Federal Regulations is amended by adding new part 1740 to read as follows:

### **CHAPTER XVII—RURAL UTILITIES SERVICE, DEPARTMENT OF AGRICULTURE**

### **PART 1740—RURAL ECONNECTIVITY PROGRAM**

Sec.

#### **Subpart A—General**

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- 1740.59 Application submission.  
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#### Subpart F—Closing, Servicing, and Reporting

- 1740.77 Offer and closing.  
 1740.78 Construction.  
 1740.79 Servicing of grants, loan and loan/grant combinations.  
 1740.80 Accounting, reporting, and monitoring requirements.  
 1740.81 Default and de-obligation.  
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#### Subpart G—Other Information and Federal Requirements

- 1740.94 Confidentiality of Applicant information  
 1740.95 Compliance with applicable laws.  
 1740.96–1740.99 [Reserved]  
 1740.100 OMB control number.

**Authority:** 7 U.S.C. 1981(b)(4), 7 U.S.C. 901 *et seq.*, 7 U.S.C. 950aaa *et seq.*, and 7 U.S.C. 950cc.

#### Subpart A—General

##### § 1740.1 Overview.

(a) The Rural eConnectivity Program, hereinafter referred to as Program, provides funding in the form of loans, grants, and loan/grant combinations for the costs of construction, improvement, or acquisition of facilities and equipment needed to facilitate broadband deployment in rural areas. One of the essential goals of the Program is to expand broadband service to rural areas that do not have sufficient access to broadband. This part sets forth the general policies, eligibility requirements, types and terms of loans, grants, and loan/grant combinations and program requirements.

(b) Additional information and application materials regarding the Program can be found on the Rural Development website.

##### § 1740.2 Definitions.

(a) The following definitions apply to this part:

*Administrator* means the Administrator of the Rural Utilities Service, or the Administrator's designee.

*Agency* means the Rural Utilities Service (RUS).

*Applicant* means an entity requesting funding under this part.

*Application* means the Applicant's request for federal funding, which may be approved in whole or in part by RUS.

*Award documents* mean, as applicable, all associated grant agreements, loan agreements, or loan/grant agreements.

*Award* means a grant, loan, or loan/grant combination made under this part.

*Awardee* means a grantee, borrower, or borrower/grantee that has applied and been awarded federal assistance under this part.

*Broadband loan* means, for purposes of this regulation, a loan that has been approved or is currently under review by RUS after the beginning of Fiscal Year 2000 in the Telecommunications Infrastructure Program, Farm Bill Broadband Program, Broadband Initiatives Program or this Program.

*Broadband loans* that were rescinded or defaulted on, or the terms and conditions of which were not met, are not included in this definition, so long as the entity under consideration for an award under this part has not previously defaulted on, or failed to meet the terms and conditions of, an RUS loan or had an RUS loan rescinded.

*Broadband service* means any fixed terrestrial technology, including fixed wireless, having the capacity to transmit data to enable a subscriber to the service to originate and receive high quality voice, data, graphics and video.

*CALEA* means the Communications Assistance for Law Enforcement Act, 47 U.S.C. 1001 *et seq.*

*Composite economic life* means the weighted (by dollar amount of each class of facility) average economic life of all classes of facilities necessary to complete construction of the broadband facilities in the proposed funded service area.

*Current ratio* means the current assets divided by the current liabilities.

*Debt Service Coverage Ratio (DSCR)* means the ratio of the sum of the Awardee's total net income or margins, depreciation and amortization expense, and interest expense, minus an allowance for funds used during construction and amortized grant revenue, all divided by the sum of interest on funded debt, other interest and principal payment on debt and capital leases.

*Economic life* means the estimated useful service life of an asset as determined by RUS.

*Eligible service area* means any contiguous proposed funded service area where 90 percent of the households to be served do not have sufficient access to broadband service. For eligibility purposes, if an applicant is applying for multiple proposed funded service areas, each service area will be evaluated on a stand-alone basis.

*Equity* means total assets minus total liabilities as reflected on the Applicant's balance sheet.

*Fixed wireless service* means a wireless system between two fixed locations (e.g., fixed transmitting tower to fixed customer premise equipment).

*Forecast period* means the five-year period of projections in an application, which shall be used by RUS to determine financial and technical feasibility of the application.

*GAAP* means accounting principles generally accepted in the United States of America.

*Grant* means any federal assistance in the form of a grant made under this part.

*Grant agreement* means the grant contract and security agreement between RUS and the Awardee securing the Grant awarded under this part, including any amendments thereto, available for review on the Agency's web page.

*Indefeasible Right to Use (IRU)* means the long-term agreement of the rights to capacity, or a portion thereof specified in the terms of a certain amount of bandwidth or number of fibers.

*Loan* means any federal assistance in the form of a loan made under this part.

*Loan agreement* means the loan contract and security agreement between RUS and the Awardee securing the Loan, including all amendments thereto, available for review on the Agency's web page.

*Loan/grant* means any federal assistance in the form of a loan/grant combination made under this part.

*Loan/grant agreement* means the loan/grant contract and security agreement between RUS and the Awardee securing the loan/grant, including all amendments thereto, available for review on the Agency's web page.

*Non-funded service area (NFSA)* means any area in which the applicant offers broadband service or intends to offer broadband service during the forecast period but is not a part of its proposed funded service area.

*Pre-application expenses* means any reasonable expenses, as determined by RUS, incurred after the release of a **Federal Register** notice opening an



application window to prepare an Application or to respond to RUS inquiries about the Application.

*Premises* means households, farms, and businesses.

*Project* means all of the work to be performed to bring broadband service to all premises in the proposed funded service area under the Application, including construction, the purchase and installation of equipment, and professional services including engineering and accountant/consultant fees, whether funded by federal assistance, matching, or other funds.

*Proposed funded service area (PFSA)* means the area (whether all or part of an existing or new service area) where the applicant is requesting funds to provide broadband service. Multiple service areas will be treated as separate standalone service areas for the purpose of determining how much of the PFSA does not have sufficient access to broadband. Each service area must meet the minimum requirements for the appropriate funding category to be an eligible area.

*RE Act* means the “Rural Electrification Act of 1936,” as amended (7 U.S.C. 901 *et seq.*).

*Rural area* means any area that is not located within: (1) A city, town, or incorporated area that has a population of greater than 20,000 inhabitants; or (2) an urbanized area contiguous and adjacent to a city or town that has a population of greater than 50,000 inhabitants as defined in the Agency mapping tool.

*RUS Accounting Requirements* shall mean compliance with GAAP, acceptable to RUS, the system of accounting prescribed by RUS Bulletin 1770B–1 and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, found at 2 CFR part 200. For all Awardees the term “grant recipient” in 2 CFR 200 shall also be read to encompass “loan recipient” and “loan/grant recipient”, such that 2 CFR 200 shall be applicable to all Awardees under this part.

*Sufficient access to broadband* means a rural area in which households have *broadband service* at the minimum acceptable level of broadband, as set forth in the latest **Federal Register** notice announcing funding for the program. This definition will be used to determine the eligibility of a proposed service area and cannot be lower than 10 megabit per second (Mbps) downstream and 1 Mbps upstream. Mobile/Cellular and satellite services, which include systems that use satellite backbone facilities to connect to the internet, will not be considered in

making the determination of sufficient access to broadband.

*TIER* means times interest earned ratio. TIER is the ratio of an Applicant’s net income (after taxes) plus interest expense, all divided by interest expense and with all financial terms defined by GAAP.

(b) Unless otherwise provided in the award documents, all financial terms not defined herein shall have the meaning as defined by GAAP.

#### § 1740.3 Funding parameters.

(a) For the purposes of this part:

(1) Ninety (90) percent of the PFSA must not have sufficient access to broadband service;

(2) Applicants must propose to build a network that is capable of providing broadband service to every premises located in the PFSA at the time the application is submitted at a speed defined in the latest **Federal Register** notice announcing funding for the Program; and

(3) The Agency reserves the right to make funding offers or seek consultations to resolve partially overlapping applications. RUS may contact the applicant for additional information during the review process. If additional information is requested, the applicant will have up to 30 calendar days to submit the information. If such information is not timely submitted, RUS may reject the application.

(b) The amount and types of funds available for assistance, as well as the maximum and minimum award amounts will be published in the **Federal Register**. Applicants may apply for grants, loans and loan/grant combinations.

#### § 1740.4 Certifications.

The Applicant must certify to the following within the online application system:

(a) That it is authorized to submit the application on behalf of the eligible entity(ies) listed in the Application;

(b) That the Applicant has examined the Application;

(c) That all information in the Application, including certifications and forms submitted are, at the time furnished, true and correct in all material respects;

(d) That the entity requesting funding will comply with the terms, conditions, purposes, and federal requirements of the program;

(e) That a false, fictitious, or fraudulent statement or claim on the Application is grounds for denial or termination of an award, and/or possible punishment by a fine or

imprisonment as provided in 18 U.S.C. 1001 and civil violations of the False Claims Act (31 U.S.C. 3729 *et seq.*);

(f) That the Applicant will comply with all applicable federal, tribal, state, and local laws, rules, regulations, ordinances, codes, orders, and programmatic rules and requirements relating to the project, and acknowledges that failure to do so may result in rejection or de-obligation of the award, as well as civil liability or criminal prosecution, if applicable, by the appropriate law enforcement authorities.

#### §§ 1740.5–1740.8 [Reserved]

### Subpart B—Eligibility Requirements

#### § 1740.9 Eligible and ineligible entities.

(a) To be eligible for funding, an Applicant may be either a nonprofit or for-profit organization, and must take one of the following forms:

- (1) Corporation;
- (2) Limited Liability Company and Limited Liability Partnership;
- (3) Cooperative or mutual organization;
- (4) States or local governments, including any agency, subdivision, instrumentality, or political subdivision thereof;
- (5) A territory or possession of the United States; or
- (6) An Indian tribe, as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b).

(b) Individuals and legal general partnerships that are formed with individuals are not eligible entities.

(c) Co-Applicants are not eligible entities. If two entities would like to partner with each other in delivering broadband to areas without sufficient access, then one entity must take the lead on submitting an application. Inter-company agreements can be used to account for revenues and expenses on the applicant’s financial projections. However, based on the existing financial and security arrangements, the Agency may require that both, or other entities, be parties to the award documents, or guarantee the award.

#### § 1740.10 Eligible projects.

To be eligible for funding assistance under the part, the Applicant must:

(a) Submit a complete application and provide all supporting documentation including unqualified, comparative, audited financial statements for the previous year from the date the application is submitted as detailed in § 1740.63.

(b) Demonstrate that the project can be completely built out within five years

from the date funds are first made available.

(c) Demonstrate that the project is technically feasible as detailed in § 1740.64.

(d) Demonstrate that all project costs can be fully funded or accounted for as detailed in § 1740.63.

(e) Submit documentation which enables RUS to determine that the project is financially feasible and sustainable as detailed in § 1740.61.

(f) Demonstrate that the following service requirements will be met:

(1) Facilities funded with grant funds will provide broadband service proposed in the application for the composite economic life of the facilities, as approved by RUS, or as provided in the Award Documents.

(2) Facilities funded with loan funds must provide broadband service through the amortization period of the loan.

#### **§ 1740.11 Eligible and ineligible service areas.**

(a) *Eligible service areas.* (1) Applicants must propose to provide broadband service directly to all premises in the PFSA.

(2) If any part of the applicant's PFSA is ineligible, RUS, in its sole discretion, may request that an applicant modify its application, if RUS believes the modification is feasible. Otherwise, RUS will reject the application.

(b) *Ineligible service areas.* (1)

*Overlapping service areas.* RUS will not fund more than one project that serves any one given geographic area.

Invariably, however, applicants will propose service areas that overlap, varying from small *de minimis* areas of the territory, but which may be significant with respect to households involved, to larger areas of the service territory, but which may contain few households or businesses, if any. As a result, devising a procedure that will cover every overlap circumstance is not practicable. Nevertheless, it is the agency's intent to make as many eligible applications viable for consideration as possible. That may mean the agency may:

(i) Determine the overlap to be so insignificant that no agency action is necessary;

(ii) Request one or more applications to be revised to eliminate the overlapping territory;

(iii) Choose one application over another given the amount of assistance requested, the number of awards already chosen in the area or State, or the need for the project in the specific area due to other factors; or

(iv) Simply choose the project that scores higher or in the judgement of the agency is more financially feasible.

(2) *Prior funded service areas to include:* (i) RUS Broadband loans.

Service areas of borrowers that have RUS Broadband loans, as defined in this part, are ineligible for all other applicants, and can be found on the Agency web page for the program. However, RUS Broadband Borrowers that have built out their service areas consistent with their application and award documents, but were not required to provide, and are currently not providing, sufficient access to broadband pursuant to this regulation are eligible to apply for funding for these service areas; provided that they have not defaulted on, and have materially complied with, in the sole discretion of RUS, their prior Broadband loan award requirements. Current RUS Broadband Borrowers that have received funding to provide sufficient access to broadband but have not yet built out their system are ineligible to apply for funding for these service areas.

(ii) RUS Community Connect Grants. Service areas that received grants under the RUS Community Connect Grant Program are eligible if they do not have sufficient access to broadband, except for those grants still under construction. Service areas still under construction can be found on the Agency's web page.

(iii) RUS BIP Grants. Service areas that received a 100 percent grant under the RUS Broadband Initiatives Program are eligible if they do not have sufficient access to broadband.

(c) *Service areas with other funding.*

(1) Applicants are encouraged to work with the Governor's office for the states, and tribal governments for the tribal areas where they are proposing to provide broadband service and submit information detailing where state funding has been provided.

(2) Service areas that have received federal grant funds, or funds from the Federal Communications Commission, to provide broadband service will be restricted from funding, if such funding is principally to construct facilities throughout the service area that provide broadband service at the threshold level of service. If additional service areas are restricted from funding, these areas will be identified in the funding opportunity announcement that opens an application window.

#### **§ 1740.12 Eligible and ineligible cost purposes.**

Award and any matching funds must be used to pay only eligible costs incurred post award, except for approved pre-application expenses. Eligible costs must be consistent with the cost principles identified in 2 CFR 200, Subpart E, Cost Principles. In

addition, costs must be reasonable, allocable, and necessary to the project. Any application that proposes to use any portion of the award or matching funds for any ineligible costs may be rejected.

(a) *Eligible award costs.* Award funds under this part may be used to pay for the following costs:

(1) To fund the construction or improvement of facilities, including buildings and land, required to provide fixed terrestrial broadband service, including fixed wireless service, and any other facilities required for providing other services over the same facilities, such as equipment required to comply with CALEA;

(2) To fund reasonable preapplication expenses in an amount not to exceed five percent of the award.

Preapplication expenses must be included in the first request for advance of award funds and will be funded with either grant or loan funds. If the funding category applied for has a grant component, then grant funds will be used for this purpose. If preapplication expenses are not included in the first request for advance of award funds, they will become an ineligible purpose; and

(3) To fund the acquisition of an existing system that does not currently provide sufficient access to broadband for upgrading that system to meet the requirements of this regulation. The cost of the acquisition is limited to 40 percent of the award amount requested. Acquisitions can be considered for 100 percent loans.

(b) *Ineligible award costs.* Award funds under this part may not be used for any of the following purposes:

(1) To fund operating expenses of the Awardee;

(2) To fund costs incurred prior to the date on which the application was submitted other than eligible preapplication expenses;

(3) To fund an acquisition of an affiliate, or the purchase or acquisition of any facilities or equipment of an affiliate. Note that if affiliated transactions are contemplated in the application, approval of the application does not constitute approval to enter into affiliated transactions, nor acceptance of the affiliated arrangements that conflict with the obligations under the award documents;

(4) To fund the acquisition of a system previously funded by RUS without prior written approval of RUS before an application is submitted;

(5) To fund the purchase or lease of any vehicle other than those used primarily in construction or system improvements;

(6) To fund broadband facilities leased under the terms of an operating lease or an indefeasible right of use (IRU) agreement;

(7) To fund the merger or consolidation of entities;

(8) To fund costs incurred in acquiring spectrum as part of a Federal Communication Commission (FCC) auction or in a secondary market acquisition. Spectrum that is part of a system acquisition may be considered;

(9) To fund facilities that provide mobile services;

(10) To fund facilities that provide satellite service including satellite backbone services;

(11) To fund the acquisition of a system that is providing sufficient access to broadband; or

(12) To refinance outstanding debt.

#### §§ 1740.13–1740.24 [Reserved]

### Subpart C—Award Requirements

#### § 1740.25 Substantially Underserved Trust Areas (SUTA).

Applicants seeking assistance may request consideration under the SUTA provisions in 7 U.S.C. 936f.

(a) If the Administrator determines that a community within “trust land” (as defined in 38 U.S.C. 3765) has a high need for the benefits of the Program, the Administrator may designate the community as a “substantially underserved trust area” (as defined in section 306F of the RE Act).

(b) To receive consideration under SUTA, the applicant must submit to the Agency a completed application that includes all information requested in 7 CFR part 1700, subpart D. In addition, the application must identify the discretionary authorities within subpart D that it seeks to have applied to its application. Note, however, the following:

(1) Given the prohibition on funding operating expenses in the Program, requests for waiver of the equity requirements cannot be considered; and

(2) Due to the statutory requirements that established the Program, waiver of the nonduplication requirements cannot be considered.

#### § 1740.26 Public notice.

(a) To ensure transparency for the Program, the Agency’s mapping tool will include the following information from each application, and be displayed for the public:

- (1) The identity of the applicant;
- (2) The areas to be served, including identification of the associated census blocks;
- (3) The type of funding requested;
- (4) The status of the application; and

(5) The number of households without sufficient access to broadband.

(b) The Agency will publish a public notice of each application requesting assistance under this part in accordance with the requirements of 7 U.S.C. 950cc. All applicants must provide the following information, which will be posted publicly on RUS’ fully searchable website, in addition to the status of the application:

(1) A description of the proposed broadband project;

(2) A map of the PFSA;

(3) The amount and type of support requested by the applicant;

(4) The estimated number and proportion of service points in the proposed service territory without fixed broadband service, whether terrestrial or wireless; and

(5) Any other information required of the applicant in a funding notice.

(c) The public notice referenced under paragraph (b) of this section will be published after application submission and will remain available for 45 calendar days on the Agency’s web page. During this period, existing service providers are requested to submit the following information through the Agency’s mapping tool:

(1) The number of residential and business customers within the applicant’s service area currently purchasing sufficient access to broadband, the rates of data transmission being offered, and the cost of each level of broadband service charged by the existing service provider;

(2) The number of residential and business customers within the applicant’s service area receiving voice and video services and the associated rates for these other services;

(3) A map showing where the existing service provider’s services coincide with the applicant’s service area using the Agency’s Mapping Tool; and

(4) Test results for the service area in question for a minimum of at least the prior three months demonstrating that sufficient access to broadband is being provided. The test results shall be for different times of the day.

(d) The Agency may contact service providers that respond under paragraph (b) of this section to validate their submission, and so responding service providers should be prepared to:

(1) Provide additional information supporting that the area in question has sufficient access to broadband service;

(2) Have a technician on site during the field validation by RUS staff;

(3) Run on site tests with RUS personnel being present, if requested; and

(4) Provide copies of any test results that have been conducted in the last six

months and validate the information submitted in the public notice response months.

(e) If no broadband service provider submits information pursuant to a pending application or if the existing provider does not provide the information requested under paragraphs (b) and (c) of this section, RUS will consider the number of providers and extent of broadband service using any other data available through reasonable efforts, including utilizing the National Telecommunications and Information Administration National Broadband Availability Map and FCC broadband availability map. That may include the agency conducting field validations so as to locate facilities in the PFSA and determine, to the extent possible, if those facilities can provide sufficient access to broadband. Notwithstanding, conclusive evidence as to the existence of sufficient access to broadband will be taken only through the public notice process. As a result, the Agency highly recommends that existing service providers in a proposed funded service territory submit responses to the public notice to ensure that their service is considered in the determination of eligibility on an application.

(f) The Agency will notify respondents who are existing service providers whether their challenge was successful or not and allow for an opportunity to respond.

(g) The information submitted by an existing service provider under paragraph (c) of this section will be treated as proprietary and confidential and not subject to disclosure, pursuant to 7 U.S.C. 950cc(b)(3).

(h) For all applications that are approved, the following information will be made available to the public:

(1) The information provided in paragraph (a) of this section;

(2) Each annual report required under § 1740.80(g) will be redacted to protect any proprietary information; and

(3) Such other information as the Administrator of the RUS deems sufficient to allow the public to understand the assistance provided.

#### § 1740.27 Environmental and related reviews.

(a) Federal Agencies are required to analyze the potential environmental impacts, as required by the National Environmental Policy Act (NEPA), for Applicant projects or proposals seeking funding. Please refer to 7 CFR part 1970 for all of Rural Development’s environmental policies. All Applicants must follow the requirements in 7 CFR part 1970 and are required to complete an Environmental Questionnaire, to

provide a description of program activities, and to submit all other required environmental documentation as requested in the application system or by the Agency after the application is submitted. It is the Applicant's responsibility to obtain all necessary federal, tribal, state, and local governmental permits and approvals necessary for the proposed work to be conducted.

(b) Applications will be reviewed to ensure that they contain sufficient information to allow Agency staff to conduct a NEPA analysis so that appropriate NEPA documentation can be submitted to the appropriate federal and state agencies, along with the recommendation that the proposal is in compliance with applicable environmental and historic preservation laws.

(c) Applicants proposing activities that cannot be covered by existing environmental compliance procedures will be informed whether NEPA requirements and other environmental requirements can otherwise be expeditiously met so that a project can proceed within the timeframes anticipated under the Program.

(d) If additional information is required after an application is accepted for funding, funds can be withheld by the agency under a special award condition requiring the Awardee to submit additional environmental compliance information sufficient for the Agency to assess any impacts that a project may have on the environment.

#### § 1740.28 Civil rights procedures and requirements.

(a) *Equal opportunity and nondiscrimination.* The agency will ensure that equal opportunity and nondiscriminatory requirements are met in accordance with the Equal Credit Opportunity Act and 7 CFR part 15. In accordance with federal civil rights law and USDA civil rights regulations and policies, the USDA, its agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs).

(b) *Civil rights compliance.* Recipients of federal assistance under this part must comply with the Americans with

Disabilities Act of 1990, Title VI of the Civil Rights Act of 1964, and Section 504 of the Rehabilitation Act of 1973. In general, recipients should have available for the Agency, racial and ethnic data showing the extent to which members of minority groups are beneficiaries of federally assisted programs. The Agency will conduct compliance reviews in accordance with 7 CFR part 15. Awardees will be required to complete RD 400–4, "Assurance Agreement," for each Federal Award received.

(c) *Discrimination complaints.* Persons believing they have been subjected to discrimination prohibited by this section may file a complaint personally or by an authorized representative with USDA, Director, Office of Adjudication, 1400 Independence Avenue SW, Washington, DC 20250. A complaint must be filed no later than 180 days from the date of the alleged discrimination, unless the time for filing is extended by the designated officials of USDA or the Agency.

#### §§ 1740.29–1740.41 [Reserved]

#### Subpart D—Award Terms

##### § 1740.42 Interest rates.

Interest rates for the different funding options that will become available will be included in the **Federal Register** as part of the funding announcement opening a funding window.

(a) Direct cost-of-money loans shall bear interest at a rate equal to the cost of borrowing to the Department of Treasury for obligations of comparable maturity.

(b) The agency may offer 100 percent loans at a reduced interest rate, and in such cases, the applicable interest rate will be stated in the **Federal Register** or applicable funding opportunity notice.

##### § 1740.43 Terms and conditions.

Terms and conditions of loans, grants, or loan/grant combinations are set forth in the non-negotiable standard loan, grant, or loan/grant agreements and the corresponding note, and/or mortgage, if applicable, which may be found on the Agency's web page.

(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, as determined by RUS based upon acceptable depreciation rates, plus three years. Acceptable depreciation rates can be found in the Program Construction Procedures found on the Agency's web page.

(b) Interest begins accruing on the date of each loan advance. Any deferral period for loans will be set in the **Federal Register** notice opening a funding window.

(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 under this program until all other sources of funding have been obtained and any other pre-award conditions have been met. Failure to obtain one or more sources of funding committed to in the Application or to fulfill any other pre-award condition within 90 days of award announcement may result in withdrawal of the award. The RUS may modify this requirement in the **Federal Register** or applicable funding opportunity notice.

#### § 1740.44 Security.

(a) *Loans and loan/grant combinations.* The loan portion of the award must be adequately secured, as determined by RUS.

(1) For Corporations and limited liability entities, the loan and loan/grant combinations must be secured by all assets of the Awardee.

(i) RUS must be given an exclusive first lien, in form and substance satisfactory to RUS, on all assets of the Awardee, including all revenues.

(ii) RUS may share its first lien position with one or more lenders on a *pari passu* basis, except with respect to grant funds, if security arrangements are acceptable to RUS.

(iii) Applicants must submit a certification that their prior lender or lienholder on any Awardee assets has already agreed to sign the RUS' standard intercreditor agreement or co-mortgage found on the Agency's web page.

(iv) RUS will not share a lien position on assets with any related party or affiliate of the Awardee.

(2) For Tribal entities and municipalities, RUS will develop appropriate security arrangements.

(3) Unless otherwise approved by RUS in writing, all property and facilities purchased with award funds must be owned by the Awardee.

(b) *Grant security.* The grant portion of the award must also be adequately secured, as determined by RUS.

(1) The government must be provided an exclusive first lien on all grant funded assets during the service obligation of the grant, and thereafter any sale or disposition of grant assets must comply with the Uniform Administrative Requirements, Cost

Principles, and Audit Requirements for Federal Awards, codified in 2 CFR part 200. Note that this part will apply to ALL grant funds of an Awardee, regardless of the entity status or type of organization.

(2) All Awardees must repay the grant if the project is sold or transferred without receiving written approval from RUS during the service obligation of the grant.

(c) *Substitution of Collateral and Irrevocable Letter of Credit*—(1) *Loans and combination loan and grant*. The Agency's 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. The collateral must be pledged to the Agency. Acceptable forms of substitute collateral are limited to following: Certificates of Deposit, with the Agency named as the beneficiary on the certificate, or Bonds with a AAA rating from an accredited rating agency. All other conditions of the standard loan documents will apply. A copy of the Substitution Documents can be found on the Agency's web page.

(2) *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. The ILOC must be for the full amount of funding requested and must remain in place until project completion. If an ILOC is offered as security, applicants will not be required to provide financial projections, meet any financial ratios requirements as part of the application process, or submit the maps for their NFSAs. Although the ILOC will replace security for the grant security arrangements, all other requirements of the standard grant agreement will remain the same. A copy of the ILOC award documents can be found on the Agency's web page.

#### § 1740.45 Advance of funds.

RUS loan and grant advances are made at the request of the Awardee according to the procedures stipulated in the Award Documents. All non-RUS funds, to include matching funds and cash provided in lieu of RUS loan funds, must be expended first, followed by loan funds and then grant funds, except for RUS-approved pre-application expenses. RUS may modify this requirement in the **Federal Register** or applicable funding opportunity notice. Grant funds, if any, will be used for eligible preapplication expenses

only on the first advance request. Applications that do not account for such advance procedures in the pro forma five-year forecast may be rejected.

#### § 1740.46 Buy American requirement.

Awardees shall use in connection with the expenditure of loan and grant funds only such unmanufactured articles, materials, and supplies, as have been mined or produced in the United States or in any eligible country, and only such manufactured articles, materials, and supplies as have been manufactured in the United States or in any eligible country, substantially all from articles, materials, or supplies mined, produced, or manufactured, as the case may be, in the United States or in any eligible country. For purposes of this section, an "eligible country" is any country that applies with respect to the United States an agreement ensuring reciprocal access for United States products and services and United States suppliers to the markets of that country, as determined by the United States Trade Representative. The Buy American regulations may be found at, and any requests for waiver must be submitted pursuant to, 7 CFR part 1787.

#### § 1740.47–1740.58 [Reserved]

### Subpart E—Application Submission and Evaluation

#### § 1740.59 Application submission.

(a) Applications must be submitted through the Agency's online application system.

(b) The Agency may publish additional application submission requirements in a notice in the **Federal Register**.

(c) Unless otherwise identified in the notice, applicants can only submit one application under any funding window.

#### § 1740.60 Elements of a complete application.

(a) *Online application system*. All applications under this regulation must be submitted through the RUS Online Application System located on the Agency's web page. Additional information can be found in the Application Guide found on the Agency's web page.

(b) *Dun and Bradstreet Universal Numbering System (DUNS) Number*. All applicants must register for a DUNS number, or other Government non-proprietary identifier as part of the application process. The applicant can obtain the DUNS number free of charge by calling Dun and Bradstreet. Go to <https://fedgov.dnb.com/webform> for more information on assignment of a DUNS number or confirmation. DUNS

numbers of parent or affiliated operations cannot be substituted for the applicant. If a DUNS number is not provided, the application cannot be considered for an award.

(c) *System for Award Management (SAM)*. Prior to submitting an application, the applicant must also register in SAM at <https://www.sam.gov>/ SAM/ and supply a Commercial and Government Entity (CAGE) Code number as part of the application. SAM registration must be active with current data at all times, from the application review throughout the active Federal award funding period. To maintain active SAM registration, the applicant must review and update the information in the SAM database annually from the date of initial registration or from the date of the last update. The applicant must ensure that the information in the database is current, accurate, and complete. If the CAGE Code of the applicant is not included in the application, the application will not be considered for an award.

(d) *Contents of the application*. A complete application will include the following information as requested in the RUS Online Application System and application guide:

(1) General information on the applicant and the project including:

- (i) A description of the project, that will be made public, consistent with the requirements herein; and
- (ii) The estimated dollar amount of the funding request.

(2) An executive summary that includes, but is not be limited to, a detailed description of existing operations, discussion about key management, description of the workforce, description of interactions between any parent, affiliated or subsidiary operation, a detailed description of the proposed project, and the source of the matching and other funds;

(3) A description of the PFSA including the number of premises passed;

(4) Subscriber projections including the number of subscribers for broadband, video and voice services and any other service that may be offered. A description of the proposed service offerings and the associated pricing plan that the applicant proposes to offer;

(5) A map, utilizing the RUS mapping tool located on the Agency's web page, of the NFSAs identifying the areas without sufficient access to broadband and any NFSAs of the applicant. If an applicant has multiple NFSAs, they can elect to submit each NFSAs individually or they can submit them as a single file through the mapping tool;

(6) A description of the advertised prices of service offerings by competitors in the same area;

(7) A network design and all supporting information as detailed in § 1740.64.

(8) Resumes of key management personnel, a description of the organization's readiness to manage a broadband services network, and an organizational chart showing all parent organizations and/or holding companies (including parents of parents, etc.), and all subsidiaries and affiliates;

(9) A legal opinion that:

(i) Addresses the applicant's ability to enter into the award documents;

(ii) Describes all material pending litigation matters;

(iii) Addresses the applicant's ability to pledge security as required by the award documents; and

(iv) Addresses the applicant's ability to provide broadband service under state or tribal law.

(10) Summary and itemized budgets of the infrastructure costs of the proposed project, including if applicable, the ratio of loans to grants, and any other sources of outside funding. The summary must also detail the amount of matching and other funds and the source of these funds. If the matching and other funds are coming from a third party, a commitment letter and support that the funds are available must also be submitted. Matching and other funds must be deposited into the RUS Pledged Deposit Account at the closing of the award;

(11) A detailed description of working capital requirements and the sources of those funds;

(12) Unqualified, comparative audited financial statements for the previous calendar year from the date the application is submitted as detailed in § 1740.63;

(13) The historical and projected financial information required in § 1740.63;

(14) All information and attachments required in the RUS Online application system;

(15) A scoring sheet, analyzing any scoring criteria set forth in the funding announcement opening the application window;

(16) A list of all the applicant's outstanding and contingent obligations as required in § 1740.63;

(17) All environmental information as required by § 1740.27;

(18) Certification from the applicant that agreements with, or obligations to, investors do not breach the obligations to the government under the standard Award Documents located on the Agency's web page, especially

distribution requirements, and that any such agreements will be amended so that such obligations are made contingent to compliance with the Award Documents. Such certification should also specifically identify which, if any, provisions would need to be amended;

(19) If service is being proposed on tribal land, a certification from the proper tribal official that they are in support of the project and will allow construction to take place on tribal land. The certification must:

(i) Include a description of the land proposed for use as part of the proposed project;

(ii) Identify whether the land is owned, held in Trust, land held in fee simple by the Tribe, or land under a long-term lease by the Tribe;

(iii) If owned, identify the landowner; and

(iv) Provide a commitment in writing from the landowner authorizing the applicant's use of that land for the proposed project; and

(20) Additional items that may be required by the Administrator through a notice in the **Federal Register**.

(e) *Material representations*. The application, including certifications, and all forms submitted as part of the application will be treated as material representations upon which RUS will rely in awarding grants and loans.

**§ 1740.61 Evaluation for technical and financial feasibility.**

(a) A project is financially feasible when the applicant demonstrates to the satisfaction of RUS that it will be able to generate sufficient revenues to cover expenses; will have sufficient cash flow to service all debts and obligations as they come due; will have a positive ending cash balance as reflected on the cash flow statement for each year of the forecast period; and, by the end of the forecast period, will meet at least two of the following requirements: A minimum TIER requirement of 1.2, a minimum DSCR requirement of 1.2, and a minimum current ratio of 1.2. In addition, applicants must demonstrate positive cash flow from operations at the end of the forecast period.

(b) For any funding option that includes grant funds, evaluation criteria for scoring the application will be included in the **Federal Register** notice that opens an application window. Grant applications submitted for a certain category will be ranked and awarded based only on those applications included in that category.

(c) The Agency will determine technical feasibility by evaluating the

Applicant's network design and other relevant information in the application.

**§ 1740.62 Evaluation of Awardee operations.**

(a) RUS may send a team to the awardee's facilities to complete a Management Analysis Profile (MAP) of the entire operation. MAPs are used by RUS as a means of evaluating an Awardee's strengths and weaknesses and ensuring that awardees are prepared to fulfil the terms of the award. Once an applicant accepts an award offer, RUS may schedule a site visit as soon as possible.

(b) RUS reserves the right not to advance funds until the MAP has been completed. If the MAP identifies issues that can affect the operation and completion of the project, those issues must be addressed to the satisfaction of RUS before funds can be advanced. Funding may be rescinded if following a MAP, the agency determines that the awardee will be unable to meet the requirements of the award.

**§ 1740.63 Financial information.**

(a) The Applicant must submit financial information acceptable to the Agency that demonstrates that the Applicant has the financial capacity to fulfill the grant, loan, and loan/grant combination requirements in this part and to successfully complete the proposed project.

(1) Applicants must submit unqualified, comparative, audited financial statements for the previous year from the date the application is submitted. If an application is submitted and the most recent year-end audit has not been completed, the applicant can submit the previous unqualified audit that has been completed. If qualified audits containing a disclaimer or adverse opinion are submitted, the application will not be considered.

(i) An applicant can use the consolidated audit of a parent as long as the parent fully guarantees the loan, or in the case of a grant, guarantees that construction will be completed as approved in the application or will repay the grant to RUS.

(ii) If the applicant has more than one parent, then each parent's audits must be submitted, and each parent must fully guarantee the award.

(iii) For governmental entities, financial statements must be accompanied with certifications as to unrestricted cash that may be available on a yearly basis to the applicant.

(2) Applicants must provide detailed information for all outstanding and contingent obligations. Copies of existing notes, loan and security

agreements, guarantees, any existing management or service agreements, and any other agreements with parents, subsidiaries and affiliates, including but not limited to debt instruments that use the applicant's assets, revenues or stock as collateral must be included in the application.

(3) Applicants must provide evidence of all funding, other than the RUS award, necessary to support the project, such as bank account statements, firm letters of commitment from equity participants, or outside loans, which must evidence the timely availability of funds. If outside loans are used to cover any matching requirement, they may only be secured by assets other than those used for collateral under this regulation. Equity partners that are not specifically identified by name will not be considered in the financial analysis of the application. If the application states that other funds are required for the broadband project in addition to the Program funding requested, evidence must be included in the application identifying the source of funds and when the funds will be available. If the additional funding is not clearly identified, the application may not be considered for an award. If the applicant is providing non-telecommunication services and is proposing expansion to those services and states that additional funds are required to support sustainability of the overall operation of the applicant, then evidence must be submitted supporting the availability of these funds or the application may not be considered for funding.

(4) Historical financial statements for the last four years consisting of a balance sheet, income statement, and cash flow statement must be provided. If an entity has not been operating for four years, historical statements for the period of time the entity has been operating are acceptable.

(5) Pro Forma financial analysis prepared in conformity with GAAP and the Agency's guidance on grant accounting can be found at <https://www.rd.usda.gov/files/AccountingGuidance10.pdf>. The Pro Forma should validate the sustainability of the project by including subscriber estimates related to all proposed service offerings; annual financial projections with balance sheets, income statements, and cash flow statements; supporting assumptions for a five-year forecast period and a depreciation schedule for existing facilities, those facilities funded with federal assistance, matching funds, and other funds. This pro forma should indicate the committed sources of capital funding and include a bridge year prior to the start of the forecast

period. This bridge year shall be used as a buffer between the historical financial information and the forecast period and is the year in which the application is submitted.

(i) The financial projections must demonstrate that by the end of the forecast period, the project will meet at least two of the requirements described in § 1740.61(a).

(ii) The financial projections must also demonstrate positive cash flow from operations at the end of the forecast period.

(iii) Based on the financial evaluation, additional conditions may be added to the Award documents to ensure financial feasibility and security on the award.

(b) Publicly traded companies that have a bond rating from Moody's, Standard and Poor's, or Fitch of Investment Grade at the time an application is submitted do not have to complete the pro forma financial projections. In addition, applicants with this classification that elect not to submit financial projections do not need to submit NFSAs.

#### § 1740.64 Network design.

(a) Only projects that RUS determines to be technically feasible will be eligible for an award.

(b) The network design must include a description of the proposed technology used to deliver the broadband service, demonstrating that all premises in the PFSA can be offered broadband service; a network diagram, identifying cable routes, wireless access points, and any other equipment required to operate the network; a buildout timeline and milestones for implementation of the project; and a capital investment schedule showing that the system can be built within five years. All of these items must be certified by a professional engineer who is certified in at least one of the states where there is or will be project construction. The certification from the professional engineer must clearly state that the proposed network can deliver the broadband service to all premises in the PFSA at the minimum required service level. In addition, a list of all required licenses and regulatory approvals needed for the proposed project and how much the applicant will rely on contractors or vendors to deploy the network facilities must be submitted. Note that in preparing budget costs for equipment and materials, RUS' Buy American requirements apply, as referenced in § 1740.46.

#### §§ 1740.65–1740.76 [Reserved]

### Subpart F—Closing, Servicing and Reporting

#### § 1740.77 Offer and closing.

Successful applicants will receive an offer letter and award documents from RUS following award notification. Applicants may view sample award documents on the Agency's web page.

#### § 1740.78 Construction.

(a) All project assets must comply with 7 CFR part 1788 and 7 CFR part 1970, the Program Construction Procedures located on the Agency's web page, any successor regulations found on the agency's website, and any other guidance from the Agency.

(b) The build-out of the project must be completed within five years from the date funds are made available. Build-out is considered complete when the network design has been fully implemented, the service operations and management systems infrastructure is operational, and the awardee is ready to support the activation and commissioning of individual customers to the new system.

#### § 1740.79 Servicing of grants, loans and loan/grant combinations.

(a) Awardees must make payments on the loan as required in the note and Award Documents.

(b) Awardees 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.

#### § 1740.80 Accounting, monitoring, and reporting requirements.

(a) Awardees must adopt a system of accounts for maintaining financial records acceptable to the Agency, as described in 7 CFR part 1770, subpart B.

(b) Awardees must submit annual comparable audited financial statements along with a report on compliance and on internal control over financial reporting, and management letter in accordance with the requirements of 7 CFR part 1773 using the RUS' on-line reporting system. The Certified Public Accountant (CPA) conducting the annual audit is selected by the borrower and must be satisfactory to RUS as set forth in 7 CFR 1773, subpart B, "RUS Audit Requirements."

(c) Thirty (30) 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. These reports must be submitted throughout the loan amortization period or for the economic life of the facilities funded with a grant.

(d) Awardees will be required to submit annually updated service area maps through the RUS mapping tool showing the areas where construction has been completed and premises are receiving service until the entire PFSA can receive the broadband service. At the end of the project, Awardees must submit a service area map indicating that all construction has been completed as proposed in the application. If parts of the PFSA have not been constructed, RUS may require a portion of the award to be rescinded or paid back.

(e) Awardees must comply with all reasonable Agency requests to support ongoing monitoring efforts. The Awardee shall afford RUS, through its representatives, reasonable opportunity, at all times during business hours and upon prior notice, to have access to and the right to inspect: The Broadband System, any other property encumbered by the Award Documents, any and all books, records, accounts, invoices, contracts, leases, payrolls, timesheets, cancelled checks, statements, and other documents (electronic or paper, of every kind) belonging to or in the possession of the Awardee or in any way pertaining to its property or business, including its subsidiaries, if any, and to make copies or extracts thereof.

(f) Awardee records shall be retained and preserved in accordance with the provisions of 7 CFR part 1770, subpart A.

(g) Awardees receiving assistance under this part will be required to submit annual reports for three (3) years after the completion of construction. The reports must include the following information:

(1) Existing network service improvements and facility upgrades, as well as new equipment and capacity enhancements that support high-speed broadband access for educational institutions, health care providers, and public safety service providers;

(2) The estimated number of end users who are currently using or forecasted to use the new or upgraded infrastructure;

(3) The progress towards fulfilling the objectives for which the assistance was granted;

(4) The number and geospatial location of residences and businesses that will receive new broadband service;

(5) The speed and price of the Awardee's broadband service offerings; and

(6) The average price of broadband service in the Project's service area.

#### § 1740.81 Default and de-obligation.

RUS reserves the right to deobligate awards to Awardees under this part that demonstrate an insufficient level of performance, wasteful or fraudulent spending, or noncompliance with environmental and historic preservation requirements.

#### §§ 1740.82–1740.93 [Reserved]

### Subpart G—Other Information and Federal Requirements

#### § 1740.94 Confidentiality of Applicant information.

Applicants are encouraged to identify and label any confidential and proprietary information contained in their applications. The Agency will protect confidential and proprietary information from public disclosure to the fullest extent authorized by applicable law, including the Freedom of Information Act, as amended (5 U.S.C. 552), the Trade Secrets Act, as amended (18 U.S.C. 1905), the Economic Espionage Act of 1996 (18 U.S.C. 1831 *et seq.*), and CALEA (47 U.S.C. 1001 *et seq.*). Applicants should be aware, however, that this program requires substantial transparency. For example, RUS is required to make publicly available on the internet a list of each entity that has applied for a loan or grant, a description of each application, the status of each application, the name of each entity receiving funds, and the purpose for which the entity is receiving the funds.

#### § 1740.95 Compliance with applicable laws.

Any recipient of funds under this regulation shall be required to comply with all applicable federal, tribal and state laws, including but not limited to:

(a) The Architectural Barriers Act of 1968, as amended (42 U.S.C. 4151 *et seq.*);

(b) The Uniform Federal Accessibility Standards (UFAS) (Appendix A to 41 CFR subpart 101–19.6); and

(c) All applicable federal, tribal and state communications laws and regulations, including, for example, the Communications Act of 1934, as amended, (47 U.S.C. 151 *et seq.*) the Telecommunications Act of 1996, as amended (Pub. L. 104–104, 110 Stat. 56 (1996), and CALEA. For further information, *see* <http://www.fcc.gov>.

#### §§ 1740.96–1740.99 [Reserved]

#### § 1740.100 OMB control number.

The information collection requirements in this part are approved

by the Office of Management and Budget (OMB) and assigned OMB control number 0572–0152.

**Christopher A. McLean,**  
*Acting Administrator, Rural Utilities Service.*

[FR Doc. 2021–03443 Filed 2–25–21; 8:45 am]

**BILLING CODE 3410–15–P**

## FEDERAL RESERVE SYSTEM

### 12 CFR Part 231

[Regulation EE; Docket No. R–1661]

RIN 7100–AF 48

### Netting Eligibility for Financial Institutions

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Final rule.

**SUMMARY:** The Board of Governors (Board) is publishing a final rule that amends Regulation EE to include additional entities in the definition of “financial institution” contained in section 402 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) so that they are covered by FDICIA's netting protections. The final rule also clarifies certain aspects of the existing activities-based test in Regulation EE.

**DATES:** The final rule is effective March 29, 2021.

**FOR FURTHER INFORMATION CONTACT:** Evan Winerman, Senior Counsel (202–872–7578), Legal Division. Users of Telecommunication Device for Deaf (TDD) only, call (202) 263–4869.

#### SUPPLEMENTARY INFORMATION:

#### I. Background

Sections 401–407 of FDICIA<sup>1</sup> provide certainty that netting contracts will be enforced, even in the event of the insolvency of one of the parties. These netting provisions apply to bilateral netting contracts between two financial institutions and multilateral netting contracts among members of a clearing organization.<sup>2</sup> FDICIA defines “financial

<sup>1</sup> Public Law 102–242; 105 Stat. 2236, 2372–3; 12 U.S.C. 4401–4407.

<sup>2</sup> FDICIA section 402(2) generally defines “clearing organization” to include entities that provide clearing, netting, and settlement services to their members and in which all members of the entity are themselves financial institutions or clearing organizations. However, certain entities qualify as clearing organizations under FDICIA section 402(2)—and are therefore eligible for the multilateral netting protections under FDICIA section 404—without regard to whether all of their members qualify as financial institutions or clearing organizations. Specifically, an entity automatically qualifies as a clearing organization if it is (1) registered with the Securities and Exchange