

THE FEDERAL WIRE



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Broadband Infrastructure Application

On July 10, grant guidelines were released to assist prospective applicants with specific information about the BTOP and BIP applications. They help clarify how to answer the questions and provide a more in-depth analysis of what should be included with the application.

The guidelines, applications, and attachments that are needed for many of the questions/items can all be viewed and downloaded from the official BroadbandUSA website.

The Federal Wire is focusing on the RUS and BTOP Broadband Infrastructure guidelines that mainly deal with last mile and middle mile projects; and it is the program where roughly \$3.6 billion, a vast majority of the grant money, is being directed. The other sections are BTOP Public Computer Centers (\$150 million) and Sustainable Adoption (\$50 million).

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The application deadline for the first NOFA is August 14, 2009

BTOP Eligible Expenses vs. Non-Eligible Expenses

BTOP eligible expenses falling within this category may include, but are not limited to:

- network and access equipment (switching, routing, or transport);
- outside plant (cables, conduits, ducts, poles, tower, or repeaters);
- buildings and land (new construction, improvements, renovations, or lease);
- customer premise equipment (modems, routers, etc.);
- billing and operational support systems (IT systems or software);
- operating equipment (vehicles, office equipment, etc.);
- professional services (engineering design, project management, or consulting);
- testing (network elements, IT system elements, user devices, test generators, lab furnishings, servers/computers); and site preparation.

Eligible costs also include reasonable pre-application expenses not exceeding five percent of the award. Pre-application expenses include any reasonable expense incurred after the release of the NOFA to prepare an application, including engineering costs and accountant or consultant fees.

Ineligible expenses include:

- operating expenses of the project, including fixed and recurring costs of a project [broadband infrastructure projects];
- costs incurred prior to the date on which the application is submitted, with the exception of eligible pre-application expenses;
- costs of an acquisition, including the acquisition of the stock of an affiliate, or the purchase or acquisition of any facilities or equipment of an affiliate;
- the purchase or lease of any vehicle other than those used primarily in construction or system improvements;
- broadband facilities leased under the terms of an operating lease;
- merger or consolidation of entities; and
- costs incurred in acquiring spectrum as part of an FCC auction or in a secondary market acquisition.

BIP Eligible Expenses vs. Non-Eligible Expenses

BIP funding CAN be used to:

-Finance the construction or improvement of all facilities required to provide broadband, including facilities required to provide other services over the same facilities;

-Finance the cost of leasing facilities that are required to provide broadband service if such lease qualifies as a capital lease under Generally Accepted Accounting Principles and the financing of such a lease will be limited to the first five (5) years after the date of the first advance of award funds; and,

-Fund reasonable pre-application expenses in an amount not to exceed five percent of the award. Pre-application expenses may be reimbursed if they are incurred after the publication date of the latest NOFA and prior to the date on which the application is submitted to RUS.

BIP funding CAN NOT be used to:

-Fund operating expenses of the project;
-Fund costs incurred prior to the date on which the application is submitted, with the exception of eligible pre-application expenses;

-Finance an acquisition, including the acquisition of the stock of an affiliate or the purchase or acquisition of any facilities or equipment of an affiliate;

-Fund the purchase or lease of any vehicle other than those used primarily in construction or system improvements;

-Fund broadband facilities leased under the terms of an operating lease;

-Fund the merger or consolidation of entities; and

-Fund costs for in acquiring spectrum as part of an FCC auction or secondary market acquisition.

For Your Consideration

If there are any projects that your company has been thinking about doing in the near future, now is the time to take advantage of the opportunity to receive Federal funding to expand your business.

WiMax: There have been many news articles about companies that plan on going after broadband stimulus funding for WiMax infrastructure. The money can be used to build new towers, install cable, and upgrade technology. This can be done in any areas that are currently not covered by WiMax service. Broadband stimulus funds are a great opportunity to upgrade networks without having to worry about the cost and risk of implementing the new network. If adding WiMax technology is a project that you would not have implemented without stimulus funds, then it is exactly the type of project that is intended for the stimulus money.

Fiber-to-the-Home (FTTH): Increasing broadband speeds in rural communities is one of the main goals of the broadband stimulus legislation, and installing fiber optic cables (must be American made) would be a great way to achieve this goal.

Long Term Evolution (LTE): Along the theme of increasing broadband speeds, installing LTE networks would be a smart alternative to WiMax. This option might be something to think about for the next NOFA in 2010.

Eligibility Criteria & Update

One of the following criteria must be met for BIP underserved funding:

-no more than 50% of the households in the applicant service area can have access to broadband service;
-no broadband service provider offers downstream speeds of 3 Mbps or more; OR
-40% or less of the households subscribe to broadband service.

The NOFA definition for 'remote' will be changed within the next 7-10 days. There is no mention as to what part of the definition will be changed at this time. There is also no indication that any other definitions or sections for the NOFA will be changed at this time.

Competition: BIP mandates a priority be given to grant applications that give end users a choice of more than one provider in the proposed funded area. This can benefit or harm your company. You have the opportunity to collect millions of dollars to expand broadband into a community and tap into a market that currently has only one service provider.

It should be taken into consideration that a competitor could potentially be granted millions of free dollars to build a broadband network to compete in your area. They could use the funds to capitalize on the latest technology with fiber optic cables or WiMax towers in order to offer better services at higher speeds than your company. There can only be one grant recipient per proposed service area, so apply soon before another company invades your territory.