



PLANNING ALERT!



California

Professional Assistance for Today's Unprecedented Funding Opportunities

Program Name

California Broadband Investment Program

Legislation

- Legislation bill number: SB 156
- Passage date: July 20, 2021

Funding Amount

Total: **\$6 billion**
Middle Mile: **\$3.25 billion**
Last Mile: **\$2 billion**
Loan Loss Reserve Program: **\$750 million**

\$6 billion

Budget Sources

American Rescue Plan's State Recovery Fund: **\$3.772 billion**
American Rescue Plan's Coronavirus Capital Projects Fund: **\$550 million**
State General Fund: **\$50 million**
Future commitment requiring legislative approval: **\$1.628 billion**

Last Mile Program

Program Administration

- The California Public Utility Commission (CPUC) will serve as program administrator
- This last-mile program is referred to as the "Broadband Infrastructure Grant Account"

Funding Allocation

- A total of \$2 billion is allocated for last-mile broadband. Rural and urban areas will be allocated \$1 billion each for last-mile projects
- CPUC will first allocate \$5 million for last-mile projects to each rural and urban county. Remaining funds to be allocated based on each rural and urban county's proportionate share of the California households lacking 100 Mbps download

Rules and Application Process

- The application window date and program rules remain undefined

Policy on Combining State and Federal Funds

- State funds can be used to match federal funding for infrastructure, digital equity, and adoption, including funds from: U.S. Department of Commerce, Economic Development Administration, the U.S. Department of Agriculture ReConnect Loan and Grant Program, and Federal Communications Commission. However, as noted below, State funds must be used for broadband deployment

Technology Neutrality

- Awards will be made on a technology-neutral basis, taking into account the useful economic life of capital investments



PLANNING ALERT!

Professional Assistance for Today's Unprecedented Funding Opportunities

Last Mile Program (continued)

Eligible Service Areas

- The commission shall identify unserved rural and urban areas; those lacking speeds of 10/1 Mbps will be prioritized
- A challenge process will be created

Performance Requirements

- Provide a minimum of 100/20 Mbps or future broadband standards set by the FCC (if greater)

Eligible Costs

- Infrastructure deployment; leasing access to property or for Internet backhaul for a period not to exceed five years; upgrade of existing assets

Middle Mile

Funding Amount and Scope

- Total: \$3.25 billion to build, operate and maintain an open access, state-wide middle mile network

Program Administration

- Corporation for Education Network Initiatives in California (CENIC) will serve as administrator
- The initiative will be overseen by the Office of Broadband and Digital Literacy, a new office within the Department of Technology

Geographic Span

- The CPUC and CENIC will determine the network's geographic span based on assessing several factors, including:
 - a) locations that can enable last-mile access to unserved communities lacking 25/3 Mbps
 - b) communities lacking open-access, middle-mile infrastructure offering sufficient capacity at affordable rates
 - c) community institutions lacking high-bandwidth connectivity
 - d) prioritizing state highway rights-of-way which enable a geographically diverse group of projects to enable the greatest reduction in unserved households across rural and urban areas

Loan Loss Reserve Program

Total Amount and Purpose

- Allocates \$750 million for a loan loss reserve fund for local governments and non-profits to secure financing for broadband infrastructure. Funds can be used for:
 - a) payment of costs of debt issuance
 - b) obtaining credit enhancement
 - c) establishment and funding of reserves for the payment of principal and interest on the debt
- The CPUC will manage this program; it has not yet established eligibility requirements or financing criteria for the loan-loss fund



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Links

Press Release:

<https://www.gov.ca.gov/2021/07/20/governor-newsom-signs-historic-broadband-legislation-to-help-bridge-digital-divide/>

Legislation Summary:

<https://lao.ca.gov/Publications/Report/4467>

Actual Legislation:

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202120220SB156

Middle-Mile Advisory Committee:

<https://cdt.ca.gov/middle-mile-advisory-committee/>

Planning Now!

NRTC's Funding can help you prepare for these programs. Let us support you today so you can be ready tomorrow! Planning considerations to keep in mind include:

Policy Planning: Our Funding Team can help prepare you for meetings with local and state officials who are developing the guidelines today. We can help you highlight approaches that best suit your community.

Market, Network, and Financial Assessment: Grant administrators typically require a well thought out business case, consisting of a market analysis, network design, operating and capital budget. If you have an existing feasibility analysis with NRTC, our team can help "dust off" the prior analysis and put you in a position to file a grant application in a matter of weeks rather than months.

Mapping Assessment: NRTC's CrowdFiber tool can help identify unserved and underserved premises through speed tests of your customer's Internet connections. CrowdFiber overlays speed test data on top of available federal and state broadband mapping data sets. Having access to a robust mapping assessment tool will allow you to support your grant application throughout the grant application process, including an ISP challenge to your proposed serving area.

Partnerships: We can also help your team develop partnerships with local government and private partners. State and federal program administrators provide additional consideration to projects that integrate multiple stakeholders that come together to cash match, shared ownership of network assets (e.g., Indefeasible Rights of Use, IRUs, for fiber), digital inclusion and adoption programs, or even a strategic vision of the project that benefits the comprehensive community.

Leveraging the Middle-Mile Network: The proposed middle-mile network may help address your current or future needs for high-speed, affordable backhaul. Moreover, your last-mile business case may require a middle-mile span to connect into the Internet backbone. The CENIC network may lower your capital expenditure budget. The legislation notes that ISP's may be able to purchase dark fiber IRUs). CPUC had been accepting comments until early September. Nevertheless, you may consider contacting CENIC and CPUC staff, and members of the Middle-Mile Advisory Committee, to communicate your communities backhaul needs and existing gaps.

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Preliminary Thoughts from NRTC's Funding Team

The rules for the last-mile program are under development. The California program applies funding from the American Rescue Plan Act's State Recovery Fund and Capital Projects Fund. NRTC has published details on these programs. Preliminary views on the potential State guidelines include the following:

Unserved Threshold: The State defines unserved as lacking 25/3 Mbps, but may also direct funding to "underserved" areas with speeds above 25/3 Mbps but below 100/20 Mbps. Applications generally receive additional consideration for connecting a higher proportion of unserved homes.

Financial Match: Programs generally require a match which may range from 20-50% of the project budget.

Preferred Technology: Governments seek to fund fiber networks which are considered "future-proof," scalable networks that can offer 100/100 Mbps symmetrical speeds today, per Department of Treasury guidance. However, if fiber is not feasible due to implementation barriers (e.g., terrain) or economic challenges (e.g., exorbitant cost per premise passed), then high-speed fixed wireless systems are allowed. Please note that the State of California specifically noted it will remain technology neutral.

Favorable View of Cooperatives: The federal government encourages state and local governments to prioritize support for networks owned and operated by cooperatives and other non-profits. This is because cooperatives are more committed to serving the entire community for the long-term with high performance broadband solutions at affordable rates. These goals are more achievable, especially affordability, due to financial expectations that allow for longer payback periods and the absence of shareholders seeking profit maximization.

Duplication: The State will likely make ineligible areas that are currently unserved but have received RDOF and other federal and state awards to deploy a wireline service with the minimum speeds of 100 Mbps download and 20 Mbps.

Do You Need Help?

Contact NRTC for Funding Assistance:

NRTC's Funding Practice offers key benefits including:

- Opportunity Evaluation
- Effective Grant Writing
- Track Record of Success

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