

Addendum # 1 to NOFA #001 and Written Responses to Questions--Broadband Grants Program

Pursuant to Section 1.9 of the NOTICE OF FUNDING AVAILABILITY #001 (“NOFA”): “The Office reserves the right to amend this NOFA at any time. In the event the Office decides to amend, add to, or delete any part of this NOFA, a written amendment will be attached to the NOFA as an addendum, and posted at Iowa Grants and <https://ocio.iowa.gov/broadband>.”

Pursuant Section 1.7 of the NOFA: “Written questions related to this NOFA must be submitted to the Office by email, to OCIOgrants@iowa.gov, no later than [January 11, 2019]” The deadline for the submission of written submissions is closed as of that deadline, and “the Office will prepare written responses to all pertinent, timely, and properly submitted questions and post such responses as an addendum to the NOFA online at Iowa Grants [and and <https://ocio.iowa.gov/broadband>]. The Office’s written responses will be considered part of the NOFA.”

The following amends NOFA #001 and constitutes the Office’s written responses to all pertinent, timely, and properly submitted questions:

1. Amendment #1:

The Office received a number of questions throughout the question and answer process noted above. In addition to answers to those questions, provided in Section 2, below, the Office made several additional, minor changes to the Broadband Grants Core Application Workbook, Broadband Grants Program Grant Agreement (Exhibit E), and the Broadband Block Selection and Export/Import Instructions (Exhibit L) to be utilized by Applicants in completing and submitting Applications. As a result, the Office directs all prospective applicants to download and utilize these updated versions in completing their Applications. The Office will **ONLY** accept Applications utilizing the updated Core Application Spreadsheet and Broadband Grants Program Grant Agreement (Exhibit E), and following the Broadband Block Selection and Export/Import Instructions (Exhibit L), available here: <https://ocio.iowa.gov/broadband-grants>, which were posted and available as of the date of the issuance of this Addendum, and will **NOT** accept Applications utilizing prior versions. We apologize for any inconvenience, and appreciate your willingness to work with us as we continue to refine the process.

Changes include, but are not limited to:

- a. Fixing a data-field error that prevented Applicants from entering their estimated total Project Cost in response to question 1.1 in the WorkSheet entitled Exhibit C.
- b. Adding “Aerial Deployment/Make-Ready,” “Outside Plant,” and “Other” categories to the categories of Allowable Expenditures in the Worksheets entitled Exhibits D and D.1. Notwithstanding the addition of an “Other” category, Allowable Expenditures may only include expenditures:
 - i. Directly related to the installation of Broadband Infrastructure that facilitates 25/3

Broadband;

- ii. Utilized for the installation of Broadband Infrastructure in Targeted Service Areas identified in the Application/forming the basis of the Project (except and solely to the extent as otherwise permitted by an exception granted to a Grantee by the Office as part of the Application process, as permitted by and in accordance with Iowa Administrative Code chapter 129—22 and the NOFA);
- iii. Not incurred prior to the date of the issuance of this NOFA.

Allowable Expenditures (in other words, disallowed expenditures) do not include expenditures that are:

- i. Related to land buildings, structures, improvements, or equipment not directly used in the transmission of data via Broadband;
 - ii. Related to the process of removing existing Broadband Infrastructure, fixtures, or other real property in preparation of the installation of the Broadband Infrastructure;
 - iii. Indirect labor costs and/or administrative overhead;
 - iv. Passthrough expenditures with respect to subcontractors or other third parties operating on an Applicant's behalf to the extent they are not the result of arm's length transactions or are not reflective of fair-market rates.
- c. Adding additional language to question 3 in the Worksheet entitled Exhibit D.1 clarifying that Applicant's applying for the Limited Exception for Broadband Installed Outside of Targeted Service Areas (TSAs) may be required to supply the Office with additional information to aid it in assessing the reasonableness of an Applicant's proposed cost allocation method/formula.
 - d. Adding instructions related to omitting non-TSAs from map exports for purposes of identifying and defining a Project in the Broadband Grants Core Application "TSA Input" tab.
 - e. By removing conflicting language in Exhibit D.1, the Office clarified how Applicants apply for, and will receive approval as it relates to, the limited exception for installing Broadband Infrastructure outside of Targeted Service Areas, which Broadband Infrastructure is necessary for facilitating 25/3 Broadband within Targeted Service Areas ("**Exception**"). To apply for this Exception, Applicants need only fill out Exhibit D.1 in the Broadband Grants Core Application Workbook and submit it as part of their Application. The Office will **only** notify Applicants if their request for the Application of the limited exception is denied. If the Applicant does not hear from the Office, it should be assumed the request was approved. In the event a request for the Exception is denied, the Office will notify the Applicant and reserves the right to, in its sole discretion, permit the Applicant to withdraw or amend the Application. Any such amendment shall be limited to amending the Application to reflect changes directly resulting from the disallowed Project costs as it relates to the Exception.

2. Written Responses to Questions:

a.

Q - Our parent company has several wholly owned subsidiaries. May we apply for grant funding for all of our affiliated companies under a WebGrants username we have already

set up under our parent company? Or do we need to register a separate WebGrants username for each of our individual companies that may potentially apply for funding? Or do we need to add all of our affiliated companies as separate associated organizations under our existing WebGrants username to separately apply for funding under each individual company?

A - Applicants may create multiple accounts for each individual subsidiary submitting an Application. In the alternative, if you would like to use a single, parent-company account, you may do so, but should include the name of the applicable subsidiary in the name of the Project. For example: X Telephone Company would name their Projects “Subsidiary 1, Project 1”; “Subsidiary 1, Project 2”; “Subsidiary 2, Project 1”, etc... Regardless of the chosen approach, you will need to submit a separate application for each distinct Project.

b.

Q - It is our understanding the TSAs identified on the broadband map were based on 2016 Form 477 data which underwent an appeal process in 2016/2017, and they will not be updated even though the 477 has undergone several update filings since then. Is this correct?

A - Pursuant to Iowa Code section 8B.1(12), a Targeted Service Area is defined by whether a provider offered or facilitated 25/3 as of July 1, 2015. Thus, by definition, the map is static, and the Office has no legal ability to change it or update it based on more recent data identifying service availability as of a different or later date. Additionally, the FCC 477 data was not the sole source of input in the creation of the Broadband Map. As a part of the program, an appeal period for challenging TSA status occurred in 2016. Appeal results are posted on the OCIO website. Following this appeal process, challenges to whether a provider offered or facilitated 25/3 (**as of July 1, 2015**) are no longer available, and the TSA data from the Broadband Map cannot be changed and remains static for the duration of the impacted programs (Broadband Grant and Property Tax Exemption). Ultimately, the ability to change the Broadband Map as it applies to broadband programs would require legislative action.

c.

Q - Will there be a challenge process if a party disagrees with the State’s identification of a particular census block or blocks as a TSA, because they are offering 25/3 or higher broadband in that TSA today?

A - No. *See* response to prior question.

d.

Q - Under section 3.1.1 of the NOFA, when calculating the rurality ratio, how do you arrive at the aggregate number of broadband units with a TSA? Which fields within the block data spreadsheet are included as part of the aggregate total for a given TSA or census block ID?

A - Each individual U.S. Census Block including those designated as TSAs on the State of Iowa Broadband Map provided at <https://ocio.iowa.gov/broadband> lists the number of Households, Schools and Business present in that census block. These are the fields that,

in the aggregate, define the Project's broadband units. The aggregate number of broadband units for a Grant Application is comprised of the sum total of all Households, Schools and Business present in all of the TSAs the Applicant certifies comprise their broadband Project. When overlaid to the square mileage of the aggregate TSA's, a density calculation is made (broadband units / square mile). For purposes of defining rurality, this broadband units / square mile is the measurement used. Less units per square mile indicates a higher level of rurality.

e.

Q - Under Exhibit D of the Broadband Grants Core Application, would customer premise equipment as an allowable expenditure also including the cost of inside wiring?

A - Allowable Expenditures may only include expenditures:

- i. Directly related to the installation of Broadband Infrastructure that facilitates 25/3 Broadband;
- ii. Utilized for the installation of Broadband Infrastructure in Targeted Service Areas identified in the Application/forming the basis of the Project (except and solely to the extent as otherwise permitted by an exception granted to a Grantee by the Office as part of the Application process, as permitted by and in accordance with Iowa Administrative Code chapter 129—22 and the NOFA);
- iii. Not incurred prior to the date of the issuance of this NOFA.

Allowable Expenditures (in other words, disallowed expenditures) do not include expenditures that are:

- i. Related to land buildings, structures, improvements, or equipment not directly used in the transmission of data via Broadband;
- ii. Related to the process of removing existing Broadband Infrastructure, fixtures, or other real property in preparation of the installation of the Broadband Infrastructure;
- iii. Indirect labor costs and/or administrative overhead;
- iv. Passthrough expenditures with respect to subcontractors or other third parties operating on an Applicant's behalf to the extent they are not the result of arm's length transactions or are not reflective of fair-market rates.

Under that definition, to the extent it is a cost incurred by the Communications Service Provider as part of the Project, customer premise equipment does qualify as an Allowable Expenditure because it is directly related to the installation of Broadband Infrastructure that facilitates 25/3 Broadband. However, if the costs are incurred in connection with removing existing Broadband Infrastructure, fixtures, or other real property in preparation of the installation of the Broadband Infrastructure, such costs do not constitute Allowable Expenditures.

f.

Q - Would we be awarded and receive 15% of the original estimated cost projection, or 15% of the actual project cost incurred?

A - As indicated in Exhibit D “**An Applicant may only subsequently seek reimbursement for its total estimated Project costs or total actual Project costs, whichever is less.” If actual costs exceeded estimated cost, then the 15% would be based on the estimated costs submitted. If estimated costs exceed actual cost, then the 15% would be based on the actual costs. In all cases, quantitative calculations for scoring purposes will be made based on the estimate submitted.

g.

Q - What if location counts are now higher than what is shown in the block data spreadsheet?

A - It is understood that the TSA information presented in the Broadband Map that serves as the basis for numerous calculations has a small degree of variability to real time. Units of broadband are created (*e.g.*, new homes are built) and removed (*e.g.*, a business closes) over time. As noted above, the State of Iowa Broadband Map is based on 2015 data, as required by statute. As a result, there may be some variability. For purposes of the broadband programs using broadband unit data as a criterion, the real time existence of higher (or lower) broadband units as compared to the Broadband Map, are considered de minimis to scoring calculations.

h.

Q - Will an engineer need to review and sign off on projected costs included in the application?

A - No. Engineer sign off on a project as a function of application or award is not presently anticipated. For projects that are ultimately awarded funds, and following Project completion, OCIO does, however, reserve the right to inspect the integrity of any aspect of all Projects should OCIO deem it appropriate to ensure data integrity and that deployment occurred as per the contract. In the case of a field audit where “a grantee does not have a customer in a targeted service area being served by the installation, certification obtained by the grantee and supplied to the office from an independent third party who is a properly licensed engineer that the installation facilitates broadband service at or above 25 megabits per second of download speed and 3 megabits per second of upload speed in applicable targeted service areas identified in the original application” may be required in the Office’s discretion. *See* Iowa Admin. Code r. 129-22.6(3)(c)(3). Otherwise, the Office would generally confirm upload/download speeds by testing service to a customer in the area.

i.

Q - Can we be awarded funding for a project that will not begin construction until 2020 or later?

A - Yes. The construction start date is not a limitation. That said, all projects must be completed no later than five years from the publication date of the NOFA pursuant to

which the funds are awarded. This NOFA was issued on December 17, 2018. Therefore, any project for which funds are awarded must be completed by December 17, 2023.

j.

Q - Can we apply for funding of a project if construction has not started, but pre-construction work (mapping and staking) has started?

A - Yes. However, you may only apply for reimbursement for eligible expenditures incurred on or after the date you submit your Application. Thus, if the pre-construction work occurred prior to the submission of your Application, you cannot claim those expenditures. If the pre-construction work occurred on or after the submission of your Application, you may claim those expenditures. *See* Exhibit D of the Broadband Grants Core Application Spreadsheet for information regarding eligible expenditures.

k.

Q - If we include a TSA in our project application which we are constructing facilities through to serve customers in a neighboring TSA, but the TSA in question contains no serviceable addresses, are we obligated in any way to serve an address that is built there at some later date, even though we did not get any grant dollars to construct to that address, since it did not exist at the time of the application?

A - No. Per the OCIO Grant Agreement, you are only required to certify, and are otherwise accountable, that “The final installation was installed in and/or otherwise facilitates Broadband service at or above 25/3 Broadband to the same number of Broadband Units (homes, schools, businesses) located within Targeted Service Areas identified in the Application/forming the basis of the Project.” On Exhibit B (Worksheet in the Broadband Grants Core Application Workbook), you are required to identify the total number of Homes, Schools, and Businesses (Broadband Units) new service will be available to as a result of the installation. You will be held to that representation. It is worth noting that one of the quantitative factors by which Applications will be judged—namely, completeness—awards more points to an Applicant when the proposed Project results in offering or facilitating service to a higher proportion of Broadband Units in that area. If awarded grant funds, however, you will only be accountable for the Broadband Units you represented service would be available to in your Application.

l.

Q - If an Applicant is successful and awarded grant dollars in the 2019 application process and there are additional grant dollars available in 2020, will the Applicant still be eligible to submit a new application for a new TSA in 2020? And will its 2020 Application be scored solely on the merits of the 2020 application and other competing 2020 applications or will the fact that the Applicant was successful in 2019 hurt its chances of being successful in 2020?

A - By statute, the program expires on July 1, 2020. *See* Iowa Code section 8B.11(7) (“The office shall not award a grant pursuant to this section on or after July 1, 2020.”) That said, if a second application period is initiated prior to that deadline, yes, a previously successful Applicant would be eligible to submit a new Application. The Application

would be scored solely on the merits, including considering of the factors outlined in the NOFA and related documents.

m.

Q - Section 1.7.7 – If the Office decides to award a project, but at a lower amount than what was requested in the application, will the Applicant have the opportunity to turn down the Award due to the grant dollars being less than requested?

A - Yes. After a Notice of Intent to Award Grant funds is issued, there is a contracting period wherein the parties must execute a final, signed agreement. Prior to the execution of the final agreement, neither party (the Office or the Applicant) is under a legal obligation to perform. It should also be noted that the legislation limits the maximum award amount to 15% of the eligible expenses as described in the NOFA and the total grant funds available for award are \$1,300,000.

n.

Q - Section 3.1 – When will the addendum identifying the specific point values be released?

A - Immediately prior to the application due date. *See* section 3.1 (Quantitative Factors) and 3.2 (Qualitative Factors).

o.

Q - Section 3.2.5 – Is there a specific job creating formula/tool that should be used to determine this estimate?

A - No. *See* questions 5.1 through 5.3 in Exhibit C (Worksheet in the Broadband Grants Core Application Excel Workbook). OCIO expects a narrative response. Applicants may, but are not required, to provide specific job-creation/retention numbers. Should they do so, they should identify the specific methodology utilized to generate those estimates.

p.

Q - I have heard that you will soon be accepting grant applications. I have some questions about who is eligible to apply for the grant. Is it for private individuals or for businesses, public areas, churches, civic centers?

A - Any service provider that provides broadband service (defined to be high-speed Internet service at or above 25 mbps down and 3 mbps up) to homes, schools, and businesses is eligible to apply to the grant program. There is no current restriction in the law concerning the type of organization that may apply, so long as it offers service at those levels to the customers described in areas defined as TSAs on the Broadband Map.

q.

Q - Section 2.2.5 of the NOFA states: “An Applicant may also submit letters of reference from up to three (3) previous customers or clients knowledgeable of Applicant’s performance...” Do the letters of reference have to be from previous customers or can they also come from current customers?

A - The letters may be from either previous or current customers. To the extent necessary, this constitutes an amendment to Section 2.2.5.

r.

Q - We have drafted an executive project summary, and I was wondering if I could email to this office for a quick review? I am not sure if what we have drafted is what you are looking for, so I was wondering if you could offer any input. Please let me know.

A - The Broadband Grants Program is a program where applicants will be competing for available grant funding based on the merits of their project. OCIO has established a Help Desk process (instructions may be accessed through the OCIO web page) to assist applicants with navigating the logistics of submitting an application. Beyond assisting with logistical guidance for the application process itself, OCIO cannot provide guidance, input or comment on specific narrative content submission from applicants.

s.

Q - We are working on our broadband grant application with our local economic development group. They have advised me to send you a letter of intent to apply for this grant. We are a wireless internet service provider. We provide fixed wireless service to in a number of Iowa counties. We look forward to the grant application process. Please let me know if you need any more information at this time.

A - A letter of intent is neither a required step to apply for a Broadband Grant, nor does it convey any status or preference to any Applicant should they choose to submit one. The application process and submission timelines are described in the NOFA. Only a fully complete and timely Application is required to ensure consideration.

t.

Q - On paragraph 1.4.2 in the NOFA, if the NOFA issue date was 12/17/2018, if we have started construction on a project after that date, it would still be eligible for application funding, is that correct?

A - That is correct. *See* response to item “j,” above.

u.

Q - We are looking at a fairly ambitious project to overbuild an entire rural exchange. We are early enough in the process that we really just have very preliminary estimates on the cost, because we have not staked the project or engaged a consultant or contractor to get a more accurate cost estimate. Is it still ok for us to use our estimates as a projected cost in the application?

A - It is acceptable to use estimates. The actual cost of the project is generally not fully known until it is fully completed. Because all project estimates are essentially forward-looking, and to promote integrity of the estimation process, the actual amount of grant funds disbursed will be limited to a maximum of 15% of the estimated amount or the actual amount, whichever is LESS. *See* response to item “f,” above.

v.

Q - There are other items in our projected costs that do not appear to have a cost category listed in the application, an example of this would be the cost of placing pedestals and/or cabinets. Should we just lump these costs in with the overall fiber construction cost projections?

A – As noted in Amendment #1, above, OCIO has added additional cost categories, including “Aerial Deployment/Make-Ready” “Outside Plant,” and “Other” categories to the categories of Allowable Expenditures in the Worksheets entitled Exhibits D and D.1. OCIO has added these additional categories to accommodate additional granularity. Notwithstanding the addition of an “Other” category, Allowable Expenditures may only include expenditures:

- i. Directly related to the installation of Broadband Infrastructure that facilitates 25/3 Broadband;
- ii. Utilized for the installation of Broadband Infrastructure in Targeted Service Areas identified in the Application/forming the basis of the Project (except and solely to the extent as otherwise permitted by an exception granted to a Grantee by the Office as part of the Application process, as permitted by and in accordance with Iowa Administrative Code chapter 129—22 and the NOFA);
- iii. Not incurred prior to the date of the issuance of this NOFA.

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- v. Related to land buildings, structures, improvements, or equipment not directly used in the transmission of data via Broadband;
- vi. Related to the process of removing existing Broadband Infrastructure, fixtures, or other real property in preparation of the installation of the Broadband Infrastructure;
- vii. Indirect labor costs and/or administrative overhead;
- viii. Passthrough expenditures with respect to subcontractors or other third parties operating on an Applicant’s behalf to the extent they are not the result of arm’s length transactions or are not reflective of fair-market rates.