

§§ 1737.52–1737.59 [Reserved]

Subpart G—Project Cost Estimation Procedures

§ 1737.60 Telephone loan budget.

(a) RUS shall prepare a “Telephone Loan Budget” (RUS Form 493) showing all costs for the proposed project and the amount of loan and nonloan funds to be used. The budget shall show, as applicable, amounts for central offices, outside plant and station equipment, right-of-way procurement, land, buildings, removal costs, special projects, engineering, vehicles and work equipment, office equipment, operating funds, refinancing with loan funds, debt retirement with nonloan funds, acquisitions, and contingencies. The amounts budgeted, exclusive of prior loan reserves, generally shall be rounded to the nearest \$1,000.

(1) If the loan is to be made by the Rural Telephone Bank (RTB) or concurrently with RTB, the budget shall include the amount required for the purchase of RTB Class B stock. This is 5 percent of the amount to be borrowed from RTB for all purposes other than the purchase of RTB Class B stock. The borrower may elect to use nonloan funds for all or part of this requirement.

(2) The amount of funds included in any loan shall be limited for certain items:

(i) Operating funds for working capital or current operating deficiencies shall be included only in cases of financial hardship as determined by the Administrator.

(ii) Contingencies shall not exceed 3 percent of the total amount of loan funds to be used for construction, engineering, operating equipment and operating funds.

(b) RUS shall prepare the cost estimates based on the data in RUS Form 494, “Loan Design Summary,” and RUS Form 495, “Construction Cost Estimates,” or their equivalents, and other parts of the LD submitted by the borrower, and on other pertinent information. See subpart D of this part. The amounts included in the proposed budget shall be the estimated costs, less the value of materials and supplies on hand or acquired that can be used in

the proposed construction. The cost estimates in the LD may be adjusted by RUS in consultation with the borrower. See §1737.50(c).

(c) Generally, the new loan shall be reduced by any required equity funds and funds available in reserves no longer needed for prior loan purposes to determine the proposed loan requirement.

(d) When amounts are available in reserves no longer needed for prior loan purposes, RUS may, at its option, deny further advances of these funds if they will be used to finance projects in the proposed loan.

(e) The budget shall also show, if applicable, the reserves for each budget item as of the date of the latest RUS Form 481, “Financial Requirement Statement,” submitted by the borrower. To ensure that sufficient funds are included in the budget to finance all proposed construction, RUS includes in the budget any funds deposited by the borrower for approved interim financing.

§ 1737.61 Cost allocation for rural and nonrural areas.

(a) Pursuant to the requirements in 7 CFR part 1735, if loan funds are proposed for facilities to serve subscribers in nonrural areas, RUS shall allocate costs between rural and nonrural areas. This allocation will be used to determine whether the use of loan funds in nonrural areas is necessary and incidental to furnishing and improving telephone service in rural areas. Cost estimates shall be provided by the borrower in the LD. See subpart D of this part. RUS will use the following method to review the cost breakdowns and to determine their appropriateness:

(1) The costs of facilities associated directly with particular subscribers shall be allocated to those subscribers.

(2) The costs of facilities that serve both rural and nonrural subscribers shall be allocated based on the relative number of rural and nonrural subscribers receiving service from those facilities.

(3) When a borrower’s exchange that includes a nonrural community will have an extended area of service (EAS) with other exchanges of the borrower, the breakdown of subscribers and funds