



October 26, 2023

Initial Proposal Volume II Initial Draft Update

The Montana Broadband Office (MBO) posted the first draft of its Initial Proposal Volume II on September 28, 2023 for public comment and discussed the draft in detail at the most recent convening of the Communications Advisory Commission on October 11, 2023.

Based on feedback received over the last few weeks, the MBO has incorporated revisions into two sections.

Those sections--the low-cost plan and the subgrantee application scoring approach--have been posted here to provide visibility into the recent changes and to solicit any additional feedback regarding these updates as the MBO continues to refine Volume II of its Initial Proposal.

DRAFT



Low-Cost Plan

Text Box: Describe the low-cost broadband service option(s) that must be offered by subgrantees as selected by the Eligible Entity, including why the outlined option(s) best services the needs of residents within the Eligible Entity's jurisdiction. At a minimum, this response must include a definition of low-cost broadband service option that clearly addresses the following, as outlined on page 67 of the BEAD NOFO:

- a. All recurring charges to the subscriber, as well as any non-recurring costs or fees to the subscriber (e.g., service initiation costs);
- b. The plan's basic service characteristics (download and upload speeds, latency, any limits on usage or availability, and any material network management practices);
- c. Whether a subscriber may use any Affordable Connectivity Benefit subsidy toward the plan's rate; and
- d. Any provisions regarding the subscriber's ability to upgrade to any new low-cost service plans offering more advantageous technical specifications.

The State of Montana understands the critical role of affordability in its broadband strategy and is committed to making high-speed internet accessible to all Montanans. The Initial Proposal's low-cost plan is an important tool in achieving that task. The MBO appreciates the guidance provided by the NTIA, as it has been helpful in designing a low-cost plan that will meet the requirements of the BEAD NOFO while ensuring an approach that works for Montana.

In addition to the value the MBO places on affordability for Montanans, the Office understands the challenges inherent in deploying broadband infrastructure in the state, given its vastness, low population density, rugged geography, and extreme weather. These characteristics, which make Montana unique, can also make construction and maintenance expensive. Analysis conducted by the Montana Broadband Office indicates that the costliest BSLs may require upwards of \$300,000 each to serve.¹

These financial obstacles were reinforced repeatedly over the last year, as the MBO engaged a broad swath of stakeholders, including a number of internet service providers. Broadly, providers acknowledged and expressed concern about the potential financial challenges in deploying infrastructure in the state.

The State took the feedback gathered through its stakeholder engagement process to heart, and throughout the development of its Initial Proposal, the MBO has intentionally made design choices (e.g., provider-defined project areas, detailed in 2.4.6) that it believes will increase participation, competition, and the sustainability of the BEAD infrastructure investment. Montana, which is already projected to have a BEAD funding shortfall, will not achieve program goals without broad provider participation.

It was in this spirit that, as the State of Montana created its low-cost plan, it balanced dual priorities of ensuring that high-quality internet is affordable and that internet service providers participate in the BEAD program to build out broadband infrastructure to the far reaches of the vast state. The approach that Montana has taken to achieve these priorities has been developed and revised following significant stakeholder input and is further detailed

¹ Analysis conducted by the MBO; Estimates for fiber subsidy required assumes that locations connected by RDOF, RUS, CAF II, NTIABIP, and Reconnect (up to May 2023) are considered served. Subsidy required by location represents the NPV investment required for the location, estimated future cash flows and estimated ISP investment for each location



below.

Affordability scoring criteria

Initially, the MBO designed its scoring rubric to incentivize providers to offer low-cost plans at the lowest possible prices.

In that scenario, rather than setting a single price to which all providers would be required to adhere, the State structured affordability scoring criteria to award more points to providers that offered low-cost plans at lower prices.

For priority projects, the State sought to achieve this by broadening the NTIA-mandated affordability criterion (i.e., “The prospective subgrantee’s commitment to provide the most affordable total price to the customer for 1 Gbps/1 Gbps service in the project area”) to also assess the cost of 100/20 Mbps service. This two-pronged evaluation, worth 20 total points, allotted 10 points (50% of the affordability criteria) based on the 1/1 Gbps plan cost, and another 10 points (50% of the affordability criteria) based on the price of 100/20 Mbps plans, which would constitute the applicants’ low-cost plans.

For non-priority projects, the affordability criterion for 100/20 Mbps plans was assigned the full 20 points. For both priority and non-priority projects, the affordability criteria carried the second-highest weights in the scoring rubrics.

This approach was shared widely when it was included in the MBO’s first draft of its Initial Proposal Volume II, which was posted for public comment on September 28, 2023. In addition, the approach was discussed during the October 11, 2023 Communications Advisory Commission (CAC) meeting. Through both of these avenues, key stakeholders, including CAC members, internet service providers, the NTIA, and others, shared their input with the MBO.

In response to the feedback received from these critical stakeholders, the MBO decided to develop an alternative approach that does not evaluate the low-cost plan through scoring criteria. However, the remaining affordability criteria still carry the second-highest weights in both priority and non-priority project scoring rubrics, highlighting the value that the MBO places on affordable and accessible internet service. For further details about the State’s scoring approach and rubric, see 2.4.2 and 2.4.2.1.

Low-cost plan design

Following stakeholder input, the MBO has revised its draft low-cost plan to reflect the needs of Montana’s diverse stakeholders and ensure that high-quality internet is both affordable and that internet service providers participate in the BEAD program. Each component of the low-cost plan design is further detailed below.

A. Offering

The MBO has aligned its low-cost plan offering with the model low-cost plan provided by NTIA in the BEAD NOFO. As such, all applicants will be required to offer plans that provide typical download speeds of at least 100 Mbps, typical upload speeds of at least 20 Mbps, and latency measurements of no more than 100 milliseconds. Further, providers will be required to allow subscribers to apply the Affordable Connectivity Benefit, or any successor plan, toward the low-cost plan. The proposed low-cost plans may not be subject to data caps, surcharges, or usage-based throttling. Also, if, subsequent to the establishment of its low-cost plan, the provider offers another low-cost plan with higher speeds, the provider will be required to permit its existing low-cost subscribers to upgrade to the new low-cost plan at no additional cost.



B. Eligibility

The MBO will also follow the NTIA’s guidance regarding subscriber eligibility for the low-cost plan. As stated in the BEAD NOFO, eligibility for the low-cost plan will include households that qualify for the Affordable Connectivity Program (ACP) or any successor program.² This will help ensure that eligible Montanans can both access low-cost plans and apply the Affordable Connectivity Program benefit to further reduce costs to the consumer, while helping offset the high cost of internet for providers.

C. Pricing

As the MBO considered an alternative low-cost plan design, it sought out an objective benchmark to inform appropriate pricing.

Because the State was committed to adopting a data-driven approach, it turned to the annual FCC broadband rate survey.³ According to the FCC, every year, the agency “conducts a survey of the fixed voice and broadband service rates offered to consumers in urban areas. The FCC uses the survey data to determine the reasonable comparability benchmarks for fixed voice and broadband rates for universal service purposes.”

The State conducted an analysis based on the survey data reported over the last three years (2021-2023) in the Western United States (i.e., Arizona, New Mexico, Utah, Wyoming, Colorado, Idaho, Montana, Nevada, California, Oregon, and Washington) to calculate the average and median costs of plans offering ~100/20 Mbps speeds.⁴ The data showed that both average and median plan costs were approximately \$70 per month (Exhibit 47).

Exhibit 1: Monthly cost of ~100/20 Mbps internet plans reported in the FCC broadband rate survey, 2021-2023⁵

Geographic area	Average plan cost (\$/month)	Median plan cost (\$/month)	Number of plans reported
Western United States ⁶	\$69.40	\$69.95	182

Rather than assigning an arbitrary or unrealistic dollar amount to its low-cost plan, the MBO chose to analyze this FCC data set, achieving several goals, including reviewing an adequate sample size, identifying a representative geographic region,

² BEAD NOFO, p. 12

³ FCC broadband rate survey: <https://www.fcc.gov/economics-analytics/industry-analysis-division/urban-rate-survey-data-resources>

⁴ The MBO reviewed plans with download speeds of 100 Mbps and upload speeds of 10-20 Mbps.

⁵ FCC broadband rate survey: <https://www.fcc.gov/economics-analytics/industry-analysis-division/urban-rate-survey-data-resources>

⁶ “Western United States” includes the following states: Arizona, New Mexico, Utah, Wyoming, Colorado, Idaho, Montana, Nevada, California, Oregon, and Washington.



and maintaining objectivity.

On an annual basis, the MBO will use the approach outlined above—reviewing the previous three year’s of FCC broadband rate survey data on the monthly cost to consumers of ~100/20 Mbps plans in the Western United States—to inform the appropriate low-cost plan price. To prevent outliers from skewing the data, the MBO will refer to the median, rather than the average, and round up to the nearest whole dollar. As an example, using this approach would yield a low-cost plan price of \$70 for 2024. Re-calculating this benchmark annually will help ensure that the price remains current and accounts for inflation. The low-cost plan price to consumers should be inclusive of all taxes and fees, except for those that may be imposed by the government. It is also important to note that Eligible Subscribers will be able to apply the ACP benefit to the plan price. Thus, a plan price of \$70 would represent a cost of \$40 to the end user (and \$0 if on Tribal lands).

The MBO hopes that this approach will achieve both goals of providing affordable broadband options for Montanans while also ensuring financial feasibility for providers to promote broad participation in the BEAD program that will further expand broadband access across the state.



Prioritization and Scoring Process

Text Box: Describe how the prioritization and scoring process will be conducted and is consistent with the BEAD NOFO requirements on pages 42 – 46.

Primary criteria (priority projects):

Minimal BEAD program outlay—per project BEAD grant request: Maximum of 40 points possible

- Subgrantee applicants will provide the list of CBGs and the grant request amount for each project area they are applying for. If a subgrantee chooses to submit multiple applications, each for a different project area composed of one or more CBGs, then for each application, the provider should note the CBGs that comprise the project area and the grant request for each project area. Each application will be scored and evaluated separately.
- The MBO will calculate the reference funding benchmark for each project area by summing up the benchmarks for each CBG included in an individual project area. The benchmark for each CBG will be based on the CostQuest Associates cost model provided by NTIA as a starting point. As noted above, the reference benchmark for each CBG will be shared with applicants as part of the application materials.
- Points will be awarded to applicants based on the percentage their requested grant funding amount is below or above the benchmark for a given project area. Specifically, points will be calculated as follows: $40 - (20 * (\text{grant request amount} / \text{benchmark}))$, with a minimum of zero points possible and a maximum of 40 points possible.
- For example, assume the benchmark for a particular project area is \$100. If the grant request amount is \$150, then the applicant would receive 10 points: $40 - (20 * (150/100)) = 10$. If the grant request amount is \$50, then the applicant would receive 30 points: $40 - (20 * (50/100)) = 30$.

Affordability—Lowest price for 1/1 Gbps service commitment: Maximum of 20 points possible

- Subgrantee applicants who commit to offering 1/1 Gbps service to the customers in BEAD project areas at the lowest rate they offer in their existing markets will earn 20 points.
- If applicants do not currently offer 1/1 Gbps service, they may make forward-looking commitments to offer the same rates for 1/1 Gbps plans across all locations to earn 20 points.
- Subgrantee applicants who do not make one of these commitments will earn 0 points.
- Applicants who fail to deliver on their pricing commitments will be subject to clawback provisions as outlined in Section 2.16.2: Subgrantee Accountability Procedures.

Fair labor practices: Maximum of 15 points possible

- Subgrantee applicants will provide details of their past compliance with federal fair labor laws, according to the requirements outlined in 2.7.1. Subgrantee applicants will have the opportunity to earn points for making forward-looking commitments to offering Montana prevailing wages to their BEAD project workforce.



- Points will be awarded to applicants based on both their past record of compliance and commitment to offer Montana prevailing wages. Applicants who meet all requirements for past compliance with federal fair labor laws will receive 10 points, while applicants with 1 past violation will receive 5 points, and applicants with more than 1 past violation will receive 0 points. Applicants who commit to offering Montana prevailing wages to their BEAD project workforce will receive an additional 5 points.
- Applicants who fail to deliver on their forward-looking federal fair labor law commitments will be subject to clawback provisions as outlined in Section 2.16.2: Subgrantee Accountability Procedures.

Primary criteria (non-priority projects):

Minimal BEAD program outlay—per project BEAD grant request: Maximum of 40 points possible

- Subgrantee applicants will provide the list of CBGs and the grant request amount for each project area they are applying for. If a subgrantee chooses to submit multiple applications, each for a different project area composed of one or more CBGs, then for each application, the provider should note the CBGs that comprise the project area and the grant request for each project area. Each application will be scored and evaluated separately.
- The MBO will calculate the reference funding benchmark for each project area by summing up the benchmarks for each CBG included in an individual project area. The benchmark for each CBG will be based on the CostQuest Associates cost model provided by NTIA as a starting point. As noted above, the reference benchmark for each CBG will be shared with applicants as part of the application materials.
- Points will be awarded to applicants based on the percentage their requested grant funding amount is below or above the benchmark for a given project area. Specifically, points will be calculated as follows: $40 - (20 * (\text{grant request amount} / \text{benchmark}))$, with a minimum of zero points possible and a maximum of 40 points possible.
- For example, assume the benchmark for a particular project area is \$100. If the grant request amount is \$150, then the applicant would receive 10 points: $40 - (20 * (150/100)) = 10$. If the grant request amount is \$50, then the applicant would receive 30 points: $40 - (20 * (50/100)) = 30$.

Affordability—Lowest price for 100/20 Mbps service commitment: Maximum of 20 points possible

- Subgrantee applicants who commit to offering 100/20 Mbps service to the customers in BEAD project areas at the lowest rate they offer in their existing markets will earn 20 points.
- If applicants do not currently offer 100/20 Mbps service, they may make forward-looking commitments to offer the same rates for 100/20 Mbps plans across all locations to earn 20 points.
- Subgrantee applicants who do not make one of these commitments will earn 0 points.
- Applicants who fail to deliver on their pricing commitments will be subject to clawback provisions as outlined in Section 2.16.2: Subgrantee Accountability Procedures.



Fair labor practices: Maximum of 15 points possible

- Subgrantee applicants will provide details of their past compliance with federal fair labor laws, according to the requirements outlined in 2.7.1. Subgrantee applicants will have the opportunity to earn points for making forward-looking commitments to offering Montana prevailing wages to their BEAD project workforce.
- Points will be awarded to applicants based on both their past record of compliance and commitment to offer Montana prevailing wages. Applicants who meet all requirements for past compliance with federal fair labor laws will receive 10 points, while applicants with 1 past violation will receive 5 points, and applicants with more than 1 past violation will receive 0 points. Applicants who commit to offering Montana prevailing wages to their BEAD project workforce will receive an additional 5 points.
- Applicants who fail to deliver on their forward-looking federal fair labor law commitments will be subject to clawback provisions as outlined in Section 2.16.2: Subgrantee Accountability Procedures.

Secondary criteria (priority projects):

Speed to deployment: Maximum of 1 point possible

- Subgrantee applicants will provide the timeframe in which they are making a binding commitment to complete deployment of their BEAD-funded broadband project. Completion of a BEAD-funded broadband project means that for all locations within a given project area, construction is completed, and a customer could receive service within 10 days upon request.
- If an applicant commits to completing all of their BEAD-funded deployment in less than 4 years, that applicant would receive 1 point. If an applicant does not commit to completing all of their BEAD-funded deployment in less than 4 years, that applicant would receive 0 points.
- Applicants who fail to deliver on their deployment commitments will be subject to clawback provisions as outlined in Section 2.16.2: Subgrantee Accountability Procedures.

Unserved areas: Maximum of 15 points possible

- When the MBO releases application materials for the subgrantee process, the list of un- and underserved locations within each CBG will also be published. Subgrantee applicants will create project areas comprised of one or more CBGs. Since subgrantees must bid on all un- and underserved locations in a CBG, the MBO will have the list of un- and underserved locations that each subgrantee applicant is committing to provide with broadband service.
- Points will be awarded to applicants based on the percentage of unserved locations in their proposed project area out of the total broadband serviceable locations in their proposed project area. Specifically, points will be calculated as follows: 1 point will be awarded for every 6.7% of unserved locations in the project area.
- For example, if a project area contains 20% unserved locations, then the applicant would receive 3 points. If the project area contains 80% unserved locations, then the applicant would receive 12 points.



Existing infrastructure: Maximum of 4 points possible

- To receive points for existing infrastructure, subgrantee applicants will provide a shapefile that shows their existing infrastructure in relation to their proposed network design for BEAD funded infrastructure.
- Points will be awarded based on the proposed network design’s proximity to the existing service area. Specifically, points will be calculated based on the existing infrastructure’s distance to the proposed network design as indicated in Exhibit 1.

Exhibit 2: Priority project existing infrastructure scoring rubric

Proximity to proposed network design	Points
< 1 miles	4
1 – 5 miles	3
5 – 10 miles	2
10 – 15 miles	1
> 15 miles	0

Length of service in Montana: Maximum of 3 points possible

- Subgrantee applicants will provide the length of time they have been providing broadband service in the state, not including legacy companies.
- Points will be awarded to applicants based on the length of time they have been providing broadband service in Montana. Specifically, points will be calculated as follows: 1 point will be awarded for every 10 years that a subgrantee applicant has been providing broadband service in Montana, up to the maximum of 3 points total.
- For example, if a subgrantee applicant has been providing service in Montana for 20 years, that applicant would receive 2 points. If a subgrantee applicant has been providing service in Montana for 50 years, that applicant would receive 3 points.

High-cost areas: Maximum of 1 point possible

- When the MBO releases application materials for the subgrantee process, it will include the CBGs eligible for funding with the corresponding set of un- and underserved locations. Furthermore, the MBO will also designate which CBGs are classified as high-cost CBGs based on the definition of high-cost areas as determined by NTIA as part of the BEAD allocation process.⁷
- 1 point will be awarded to an applicant if their project area proposal includes at least 1 high-cost CBG.

Number of locations served: Maximum of 1 point possible

⁷ BEAD Allocation Methodology. Internet for All. <https://www.internet4all.gov/program/broadband-equity-access-and-deployment-bead-program/bead-allocation-methodology>



- As mentioned above, subgrantee applicants will bid on project areas that represent one or more CBGs consisting of a defined set of un- and underserved Broadband Serviceable Locations (BSLs). In addition to the BSLs, the MBO will also publish the list of Community Anchor Institutions (CAIs) within each CBG. Subgrantee applicants will specify in their applications which CAIs they propose to deploy broadband service to.
- Points will be awarded to applicants based on the total number of locations (BSLs and CAIs) in their proposed project area. Once all applications are received, the MBO will calculate the average number of locations (BSLs and CAIs) proposed to be served across all project areas. Specifically, points will be calculated as follows: 1 point will be awarded if an applicant's proposed number of locations (BSLs and CAIs) for a particular project area exceeds the average number of locations (BSLs and CAIs) across all project areas. No points will be awarded if the proposed number of locations (BSLs and CAIs) for a particular project area is less than the average number of locations (BSLs and CAIs) across all project areas.
- For example, if the average number of locations (BSLs and CAIs) across all project areas is 5,000 and the number of locations (BSLs and CAIs) proposed for a particular project area is 6,000, the project area would receive 1 point. If the number of locations (BSLs and CAIs) proposed for a particular project area is 4,000, the project area would receive 0 points.

Secondary criteria (non-priority projects):

Speed to deployment: Maximum of 1 point possible

- Subgrantee applicants will provide the timeframe in which they are making a binding commitment to complete deployment of their BEAD-funded broadband project. Completion of a BEAD-funded broadband project means that for all locations within a given project area, construction is completed, and a customer could receive service within 10 days upon request.
- If an applicant commits to completing all of their BEAD-funded deployment in less than 4 years, that applicant would receive 1 point. If an applicant does not commit to completing all of their BEAD-funded deployment in less than 4 years, that applicant would receive 0 points.
- Applicants who fail to deliver on their deployment commitments will be subject to clawback provisions as outlined in Section 2.16.2: Subgrantee Accountability Procedures.

Speed of network and other technical capabilities: Maximum of 1 point possible

- Subgrantee applicants will provide both the maximum advertised speed they are committing to offer for a proposed project area, as well as the network design and proposed technologies to be used. A qualified engineer will review the speed and network design to ensure the proposed technology can achieve the specified speeds.
- Points will be awarded for projects that exceed the minimum standard required to reach served status (100 Mbps download / 20 Mbps upload). Specifically, points will be calculated as follows: If a subgrantee applicant commits to and can reasonably deliver (based on the network design) speeds of at least 250 Mbps download / 50 Mbps upload, the applicant will receive 1 point for that particular project area.

Unserved areas: Maximum of 15 points possible



- When the MBO releases application materials for the subgrantee process, the list of un- and underserved locations within each CBG will also be published. Subgrantee applicants will create project areas comprised of one or more CBGs. Since subgrantees must bid on all un- and underserved locations in a CBG, the MBO will have the list of un- and underserved locations that each subgrantee applicant is committing to provide with broadband service.
- Points will be awarded to applicants based on the percentage of unserved locations in their proposed project area out of the total broadband serviceable locations in their proposed project area. Specifically, points will be calculated as follows: 1 point will be awarded for every 6.7% of unserved locations in the project area.
- For example, if a project area contains 20% unserved locations, then the applicant would receive 3 points. If the project area contains 80% unserved locations, then the applicant would receive 12 points.

Existing infrastructure: Maximum of 3 points possible

- To receive points for existing infrastructure, subgrantee applicants will provide a shapefile that shows their existing infrastructure in relation to their proposed network design for BEAD funded infrastructure.

Points will be awarded based on the proposed network design’s proximity to the existing service area. Specifically, points will be calculated based on the existing infrastructure’s distance to the proposed network design as indicated in Exhibit 2.

Exhibit 3: Non-priority project existing infrastructure scoring rubric

Proximity to proposed network design	Points
< 1 mile	3
1 – 10 miles	2
10 – 15 miles	1
> 15 miles	0

Length of service in Montana: Maximum of 3 points possible

- Subgrantee applicants will provide the length of time they have been providing broadband service in the state, not including broadband service provided by any legacy companies.
- Points will be awarded to applicants based on the length of time they have been providing broadband service in Montana. Specifically, points will be calculated as follows: 1 point will be awarded for every 10 years that a subgrantee applicant has been providing broadband service in Montana, up to the maximum of 3 points total.
- For example, if a subgrantee applicant has been providing service in Montana for 20 years, that applicant would receive 2 points. If a subgrantee applicant has been providing service in Montana for 50 years, that applicant would receive 3 points.



High-cost areas: Maximum of 1 point possible

- When the MBO releases application materials for the subgrantee process, it will include the CBGs eligible for funding with the corresponding set of un- and underserved locations. Furthermore, the MBO will also designate which CBGs are classified as high-cost CBGs based on the definition of high-cost areas as determined by NTIA as part of the BEAD allocation process.⁸
- 1 point will be awarded to an applicant if their project area proposal includes at least 1 high-cost CBG.

Number of locations served: Maximum of 1 point possible

- As mentioned above, subgrantee applicants will bid on project areas that represent one or more CBGs consisting of a defined set of un- and underserved Broadband Serviceable Locations (BSLs). In addition to the BSLs, the MBO will also publish the list of Community Anchor Institutions (CAIs) within each CBG. Subgrantee applicants will specify in their applications which CAIs they propose to deploy broadband service to.
- Points will be awarded to applicants based on the total number of locations (BSLs and CAIs) in their proposed project area. Once all applications are received, the MBO will calculate the average number of locations (BSLs and CAIs) proposed to be served across all project areas. Specifically, points will be calculated as follows: 1 point will be awarded if an applicant's proposed number of locations (BSLs and CAIs) for a particular project area exceeds the average number of locations (BSLs and CAIs) across all project areas. No points will be awarded if the proposed number of locations (BSLs and CAIs) for a particular project area is less than the average number of locations (BSLs and CAIs) across all project areas.
- For example, if the average number of locations (BSLs and CAIs) across all project areas is 5,000 and the number of locations (BSLs and CAIs) proposed for a particular project area is 6,000, the project area would receive 1 point. If the number of locations (BSLs and CAIs) proposed for a particular project area is 4,000, the project area would receive 0 points.

⁸ BEAD Allocation Methodology. Internet for All. <https://www.internet4all.gov/program/broadband-equity-access-and-deployment-bead-program/bead-allocation-methodology>