Montana Broadband Subgrantee Process Design Considerations

August 8, 2023

The Initial Proposal includes 20 requirements

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Initial Proposal Volume 1 (Challenge Process)	BEAD NOFO Requirement
1.1 Federal funding	3
1.2 Eligible broadband serviceable locations	5
1.3 Community anchor institutions	6
1.4 Challenge process	7
1.5 Volume I public comment	N/A

IP guidance element   Details follow

Initial Proposal Volume 2 (Grant Program)	BEAD NOFO Requirement
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2.17 VII public comment	N/A

Source: BEAD Initial Proposal Guidelines

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Subgrantee process design complications

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Issue	Considerations
All unserved locations must be served	- Funding must be awarded "in a manner that ensures the deployment of service to all unserved locations."[1] - At least 80% of BSLs served by a project must be un- or underserved.
Priority projects must use fiber	- Priority Broadband Projects are defined as projects that utilize fiber and should be funded first. - BEAD guidance distinguishes between priority (fiber) and non-priority (alternative technology) projects (e.g., different scoring and prioritization rules), and it is unclear if or how hybrid-technology projects could be used.
Montana may have a BEAD funding shortfall	- Current estimates indicate that it would take $1B+ to deploy fiber to all unserved locations, and $1.2B+ to deploy fiber to all un- and underserved locations. Given the state's allocation of ~$629M, there may be a significant funding shortfall. - The subgrantee process will require careful budgeting, driven by CQA benchmarking, to stretch the funding as far as possible.
BEAD outlay must be minimized	- Minimal BEAD program outlay is a priority criteria in the subgrantee selection process. However, many locations may fall in high-cost areas, which will require significant investment to serve
Satellite is costly and not preferred under BEAD guidelines	- Satellite is only permitted when reliable technologies are not financially feasible - The monthly fees for satellite service are costly to the customer, so may be unaffordable for some households without a subsidy

1. Source: BEAD NOFO, page 41

Preliminary potential subgrantee selection process design considerations

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One or more of the following considerations may be incorporated into the subgrantee process

	1. Cost-driven approach Divide areas based on cost	**2. Variable coverage levels** Allow flexibility in coverage levels	**3. Multiple grant rounds** Sequence by technology
Process[1]	Use CQA cost benchmark to divide state into high-cost and low-cost areas Determine funding allocation for each tranche **Low-cost areas:** Run a competitive grant process **High-cost areas:** - Conduct targeted solicitation to existing providers - Hold reverse auction to cover as many locations as possible until funding is exhausted	Split the state into defined project areas Allow potential subgrantees to bid on a subset of predefined locations within each project area, for example: 1. All locations below 95% cost percentile 2. All locations below 90% cost percentile 3. All locations below 75% cost percentile Grant more points to those who bid on more locations Evaluate bids based on % coverage, technology, and cost	Estimate costs for each project area for budgeting **Grant round 1:** Launch priority round, grant fiber awards within a certain margin of error from the benchmark **Grant round 2:** - Allow providers to define and bid on the project areas and technology of their choice Remaining locations receive satellite after the second grant round closes
Project Areas	**Low-cost areas:** Project areas predefined as Census Block Groups **High-cost areas:** Project areas are not predefined	Project areas predefined, considering per-location cost to determine which percentiles are trimmed at each bidding coverage level	**Grant round 1:** Project areas predefined as Census Block Groups **Grant round 2:** Project areas are not predefined
Open Questions	How does MBO ensure bids will be received for all locations, including in high-cost areas? How does MBO ensure there are sufficient funds to subsidize the high cost areas?	How does MBO ensure the locations in the highest cost percentiles are not left out of all applications? How can MBO prevent additional locations from being relegated to satellite?	Will there be time to run multiple grant rounds? Will NTIA accept the use of satellite for locations that do not receive bids?

1. CQA data to be used to estimate cost of service, NPV, and benchmarking

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Potential use of satellite to ensure coverage of all unserved locations

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Issue	Considerations
Role of satellite	Given the funding shortfall in the state, it may be economically infeasible to deploy fiber to all unserved locations
	Even with the use of alternative technologies (e.g., fixed wireless), satellite will likely be necessary to reach the highest-cost locations and ensure that funds can be used to extend service to as many locations as possible
Extremely High Cost Per Location Threshold	The BEAD NOFO prohibits the use of satellite, as it is not defined as a Reliable Broadband Service, except for locations at which "no Reliable Broadband Service[1] technology meeting the BEAD Program's technical requirements would be deployable for a subsidy of less than the Extremely High Cost Per Location Threshold," if that technology "satisfies the Program's technical requirements," (i.e., provides speeds of 100/20 Mbps).
Affordability	The monthly fees to use satellite may be cost prohibitive
	It is unclear whether the BEAD NOFO will allow the subsidization of the subscription fees to the user

1. The BEAD NOFO defines Reliable Broadband Service as:
(i) fiber-optic technology;
(ii) Cable Modem/ Hybrid fiber-coaxial technology;
(iii) digital subscriber line (DSL) technology; or
(iv) terrestrial fixed wireless technology utilizing entirely licensed spectrum or using a hybrid of licensed and unlicensed spectrum.

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Appendix: Subgrantee process requirements

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BEAD subgrantee process requirements (1 of 3)

As of 8 August 2023

■ Key differences from ARPA

⬤ None ⬤ Very limited ⬤ Limited

Element of process	Description of requirement	Flexibility
Allocation requirements and process design	Prioritize based on Unserved, Underserved, and CAIs in accordance with eligible uses of BEAD funding while ensuring that 100% of unserved locations will be reached	⬤ None
	Deploy to CAIs rather than choosing non-deployment uses of funds	⬤ Very limited
	Prioritize projects in high poverty areas if funding is limited	⬤ Very limited
	Design safeguards that ensure a fair process	⬤ Very limited
	Prioritize high-poverty areas in case of a funding shortfall	⬤ Very limited
	Ensure no classes of applicants (e.g., local governments, public-private partnerships) are excluded	⬤ Very limited
	Make funding available for projects that meet the definitions of "unserved service projects" and "underserved service projects" under federal law, and prioritize Unserved Service Projects to ensure coverage of all unserved locations	⬤ Limited
	Either prescribe project areas or incorporate deconflicting step	⬤ Limited
	Include middle-mile if preferred	⬤ Limited
	Deploy to multi-family buildings, prioritizing unserved and low-income households where applicable	⬤ Limited
	Choose any competitive process	⬤ Limited
	Invite broad participation in the development of the subgrantee process from women- and minority-owned firms	⬤ Limited
	Conduct outreach to potential applicants regarding locations for which no applications were received, only after the application deadline has passed	⬤ Limited

Source: BEAD NOFO

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BEAD subgrantee process requirements (2 of 3)

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Key differences from ARPA

● None ● Very limited ● Limited

Element of process	Description of requirement	Flexibility
Application requirements	Require information about any other public funding requested	●
	Require ownership information	●
	Require managerial and financial competence as well as technical and operational capacity in subgrantees	●
	Require financial qualifications such as audited financial statements	●
	Require managerial competence including exhibits such as resumes and org charts	●
	Require technical capability such as project timeline and network design	●
	Require certification of operational capability such as operating or financial reports	●
Scoring requirements	Ensure that where only one project has been proposed and meets requirements, that is the default winner	●
	Ensure that fiber projects exceeding the Extremely High Cost Per Location Threshold may but do not have to be preferred where projects using other technologies have been proposed	●
	Ensure that where two or more projects have been proposed, once priority has been given to fiber projects, the state gives >75% of total benefits (e.g., weight, points) to: - minimal BEAD funding, by incentivizing a match of >25% from subgrantees - broadband affordability - fair labor practices	●
	Consider speed to deployment as a secondary criterion for fiber projects and additionally consider network speed for non-fiber projects	●
	Consider other secondary criteria for fiber and non-fiber projects, e.g., equitable workforce, open access, tribal coordination considerations, including additional secondary criteria developed by the state	●
	Consider workforce development goals	●

Source: BEAD NOFO

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BEAD subgrantee process requirements (3 of 3)

As of 8 August 2023

● None ● Very limited ● Limited

Element of process	Description of requirement	Flexibility
Compliance requirements	Require Buy America compliance	●
	Require network capabilities, speed and latency to meet set standards	●
	Require interspersed conduit access points for interconnection by other entities	●
	Require consumer protections e.g., no caps on data usage, reasonable and non-discriminatory terms	●
	Require Middle-Mile subgrantees to allow just, reasonable and nondiscriminatory interconnection for other providers	●
	Require the subgrantee, if no longer able to provide service, to sell to another provider that will meet BEAD commitments	●
	Require compliance with non-discrimination laws	●
	Require public awareness campaigns meeting specific requirements	●
	Require a cyber risk management plan	●
	Require a supply chain risk management plan	●
	Require compliance with provisions such as non-discrimination in construction contracts, including non-discrimination on religious grounds	●
	Require compliance with labor laws	●
	Ensure small, women- and minority-owned businesses are used where possible	●
	Require biannual submission of reports to be provided to NTIA on request	●
	Require subgrantee agreements to make deployment feasible	●
	Require network outage levels to meet set standards	●

Source: BEAD NOFO

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