

This letter is open for sign on [using this form](#) until August 31st, 2023

The text is no longer open for comments

Questions? Email calum@connecthumanity.fund

The Honorable Gina M. Raimondo
Secretary of Commerce

The Honorable Alan Davidson
Assistant Secretary of Commerce for Communications

U.S. Department of Commerce
1401 Constitution Avenue NW Washington, DC 20230

Re: BEAD — alternatives to the irrevocable standby letter of credit requirement

Dear Secretary Raimondo and Assistant Secretary Davidson,

We, the undersigned, are deeply committed to the success of the NTIA's Broadband Equity Access and Deployment ("BEAD") program. We are, however, equally concerned that the program will not achieve its objective of delivering internet for all because, as currently written, the rules risk excluding thousands of providers whose participation is vital to closing America's digital divide.

To ensure BEAD lives up to its promise to deliver a more equitable digital future, we respectfully ask you to urgently consider alternatives to the program's irrevocable standby Letter of Credit ("LOC") requirement.

Under the current requirements, participants must obtain a LOC issued by an FDIC bank with Weiss rating of B- or better for 25% of the award amount. Banks providing LOCs require that they be collateralized by cash or cash-equivalent. As a result, awardees will have to lock away vast sums of capital for the full duration of the build, likely several years. With the additional 25% match requirement, recipients will have a capital hurdle of more than 60% of their grant. We [estimate](#) a provider seeking a \$7.5 million grant for a \$10 million project will need at least \$4.6 million of their own capital up-front.

While we support the NTIA's intention of ensuring providers are accountable for delivering on grants, far from safeguarding taxpayer dollars, the LOC requirement will prevent the internet service providers ("ISPs") best positioned to connect unserved and underserved Americans from participating. For the reasons below, alternatives to the LOC should be allowed.

First, by establishing capital barriers too steep for all but the best-funded ISPs, the LOC shuts out the vast majority of entities the program claims to prioritize: small and community-centered ISPs, minority and women-owned ISPs, nonprofits, and municipalities.

Rather than demonstrating a provider's ability to construct a broadband network and provide high-speed broadband services to unserved and underserved Americans, the LOC is a measure of whether they can lock up valuable working capital over multiple years. While large incumbents may be able to bear this financial burden, most others can not. And, due to various state and local rules, municipalities are often not allowed to obtain LOCs. Therefore, alternatives to the LOC are critical to ensure these providers can participate in the BEAD program.

Second, the banking sector has made clear that it does not have the appetite to issue LOCs at the scale required to satisfy this \$42.5B program. BEAD rules say LOCs can only be issued by banks with Weiss ratings of B- or better, with lower-rated banks, investors, Community Development Finance Institutions (CDFIs), and philanthropy not eligible to fill the gap. Even if these banks can be persuaded to issue \$10.6B in LOCs, the capital needed to collateralize them means billions of dollars are sitting idle and not being used to buy equipment, lay fiber, and train the next generation of broadband engineers. We do not believe this is what the NTIA had in mind when it adopted the LOC requirement.

While the LOC is meant to safeguard funds in the event of default, it fails to find the balance that does this while honoring BEAD's aim to ensure every American can access high-speed broadband services through a broad sector of ISPs.

Notably, past federal broadband investments had either a match requirement OR a letter of credit — not both. The USDA Rural Utilities Service ReConnect program, for example, requires a 25% match but not a LOC and releases grant funds on reimbursement. The Treasury Department's Capital Projects Fund has no requirement either for a match or an LOC. On this basis, we recommend waiving the LOC requirement entirely. However, if the NTIA is determined to take a belt-and-suspenders approach, the following should be made available to applicants as additional alternatives to the LOC:

Performance bonds, commonly used in construction projects, are a suitable alternative to a LOC, providing a financial guarantee for the delivery of the project without requiring providers to front such a large amount of capital to secure BEAD funding. Performance bonds have the additional benefit that the bond issuer performs significant due diligence on the applicant, providing an additional layer of qualification. And, as bond issuers are incentivized to ensure performance, this mechanism adds further assurance of project completion. Grant recipients should be able to leverage the performance bonds of their contractors and operators.

Delayed reimbursement, allowing providers and State Broadband Offices to agree on a set of milestones that must be achieved to release grant tranches. This formalizes the current reimbursement plan in which grants will be issued to providers incrementally over the course of the build. This commonly used approach will empower Broadband Offices to work effectively with the applicants they deem best positioned to connect unserved and underserved communities in their state.

These alternatives do not supersede the due diligence that State Broadband Offices must perform on applicants to ensure proposals are viable and that applicants have the capacity to perform. But providing alternatives to LOCs ensures such objectives are achieved without unnecessarily excluding ISPs otherwise ready and able to connect communities across the US.

BEAD has the potential to be one of the most transformative investments in our history. Like the Rural Electrification Act of the 1930s, it can unleash the power of marginalized communities nationwide, but only if we create a level playing field where all providers have an equal opportunity to participate. A course-correction is therefore needed.

We were encouraged when your advisor Kevin Gallagher said, "If you take the equity out of BEAD, it's just BAD." So we ask you to act now to keep equity in BEAD and ensure the program lives up to its promise.

Sincerely,

Jochai Ben-Avie, CEO, **Connect Humanity**

Gigi Sohn, Executive Director, **American Association for Public Broadband**

Sharayah Lane, Senior Advisor for Indigenous Community Connectivity, **Internet Society**

Jade Piros de Carvalho, Director of Broadband Development, **Kansas Department of Commerce**

Christopher Mitchell, Program Director, **Institute for Local Self-Reliance**

John Windhausen, Executive Director, **Schools, Health & Libraries Broadband (SHLB) Coalition**

Quinn Jordan, Executive Director, **Mississippi Broadband Association**

Megan Janicki, Deputy Director, **American Library Association**

Robert P Vietzke, Director, **Vermont Communications Union Districts Association**

L. Elizabeth Bowles, CEO, **Aristotle Unified Communications L.L.C.**

Donna Gambrell, President and CEO, **Appalachian Community Capital**

Cindy S. Church, Continuing Education Consultant, **Library of Virginia**

Adrienne Furniss, Executive Director, **Benton Institute for Broadband & Society**

Doug Dawson, President, **CCG Consulting**

Amy Sample Ward, CEO, **NTEN**

Kelty Garbee, Executive Director, **Texas Rural Funders**

Francella Ochillo, Executive Director, **Next Century Cities**

Jamie Rasberry, Director of Policy and Strategic Partnerships, **Mississippi Alliance for Nonprofits and Philanthropy**

Christine D Hallquist, Executive Director, **Vermont Community Broadband Board**

Pierce Verchick, Head of Broadband Lending, **Live Oak Bank**

Dianne Connery, Director, **Pottsboro Area Public Library**

F. X. Flinn, Chair, Governing Board, **East Central VT Telecommunications District (dba ECFiber)**

Thomas W. Ferree, Chairman & CEO, **Connected Nation**

Garren Shannon, Director of Information Technology Services, **Pullman Public Schools**

Tracy S. Doaks, President & CEO, **MCNC**

Charles E. Thomas, President, **TrailRunner Communications**

Ann Janda, CCCUD Clerk, **Chittenden County Communications Union District (CCCUD)**

Jennille Smith, Executive Director, **CVFiber**

Myles Smith, Executive Director, **Maine Broadband Coalition**

Michael Stephen Donovan Jr., Owner, **Belzoni Cable, LLC**

Andrea F Bennett, Executive Director, **California IT in Education (CITE)**

Nathanael Wills, Organizer, **Delta Interfaith**

Andre DeMattia, Co-CEO, **Talkie Communications, Inc.**

Eric Hatch, Board Chair, **Southern Vermont Communications Union District**

Jonathan Cooper, Community & Economic Development Program Manager, **Bennington County Regional Commission**

Ellie de Villiers, Executive Director, **Addison County Communications Union District (dba Maple Broadband)**

Jordana Barton-Garcia, Co-Chair, **Rio Grande Valley Broadband Coalition**

Michelle Salas, Owner, **UpNet Wisconsin, LLC**

Mike Buschman, Library Development Manager, **Washington State Library**

Christa Shute, Executive Director, **NEK Broadband**

Sean R. Kio - NWCUD Executive Director, **Northwest Vermont Communications Union District**

Beverly LaShawn Williamson, CEO, **Wave7 Communications, LLC**

Gayle Nelson, Vice President, Education Sales, **ENA by Zayo**

Laurence Brett ("Brett") Glass, Owner and Founder, **LARIAT (The World's first WISP)**

Steven Corbató, Executive Director, **Link Oregon**

Paul Fixx, Governing Board Chair, **NEK Broadband Communications Union District**

JJ McGrath, Owner/Operator, **Texoma Communications, LLC dba TekWav**

Richard D Soutar, President, **Triple Crown Internet, Inc**

Larry Didway, Superintendent, **Clackamas Education Service District**

Joe Turnham, Director, **Macon County Economic Development Authority**

Greg Gamboa, Regional Sales Director

Gene Logan, Jr., Co-Founder & CEO, **Final Span, LLC**

Brian Smith, CEO, **Uplink LLC**

Rod Wagner, Director, **Nebraska Library Commission**

Arielle Jones, Digital Navigator, **Goodwill Industries of the Inland Northwest**

Lee Davenport, Director, **US Ignite**

Roy Hoover, President & CEO, **Hoover Technology Consulting, LLC**

