

AZBSN Task Force Study Session on Volume II Initial Proposal for BEAD

Summary of Nov. 27, 2023 Discussion: by Henry Goldberg

Nicole Umayam, NTIA Federal Program Officer for Arizona on the BEAD and Digital Equity programs, overviewed the BEAD Plan requirements. The State Broadband Office has formally submitted Volume I of the Initial Proposal for BEAD to NTIA. Volume II of the Initial Proposal was published by the State Broadband Office on November 6th and is open for public comment until December 6th. Volume II must be submitted to NTIA for review by December 27, 2023. The Initial Proposal has 20 requirements specified by the NTIA BEAD NOFO (Section 4), and 16 of those requirements must be addressed in Volume II. The Final Proposal will be due one year after NTIA approves the Initial Proposal, which is the rubric for evaluating the Final Proposal. Nicole provided relevant BEAD NOFO footnotes for this summary.

Sandip Bhowmick, State Broadband Director at Arizona Commerce Authority (ACA), stated that all comments that people wish to submit on Volume II must be submitted on the ACA Broadband web portal or directly e-mailed to the State Broadband Office, and comments made at today's session are not considered official comments.

This study session focused on the Subgrantee Selection process requirements in Volume II. Nicole noted some of the relevant NTIA principles in this area such as: states can flexibly set the geographic size of project areas (which may be a group of census blocks, a county or multiple counties, or as small as a single location); BEAD may not fund projects already funded by other federal or state broadband grants; and BEAD funding may be used for middle-mile infrastructure to reach interconnection points or serve unserved/underserved locations or community anchor institutions (in addition to last-mile infrastructure).

Vaughn Croft (Sr. Program Director, Office of the Pima County School Superintendent) asked about technologies that can be used to deliver broadband to rural locations. Sandip responded that BEAD will provide funding for broadband infrastructure to unserved locations (that currently have less than 25/3 Mbps service) and underserved locations (that currently have less than 100/20 Mbps service). Arizona has approximately 320,000 unserved and underserved households. Arizona is allocated \$993 million in BEAD funding to provide broadband infrastructure to these locations, and if there is funding remaining it will be used to fund broadband infrastructure to Community Anchor Institutions (CAIs listed in Volume I) of at least 1 Gbps symmetrical speed. Fiber is the preferred broadband technology by NTIA¹ and the State

¹ Section IV.B.7 of the BEAD NOFO requires Eligible Entities (States and Territories) to prioritize deploying broadband service to unserved service projects. With respect to those deployments, the Eligible Entity should prioritize projects designed to provide fiber connectivity directly to the end user. The Eligible Entity should also prioritize proposals that provide affordable service to end users, minimize the program subsidy required, and

Broadband Office, but the funding is not sufficient to serve all the unserved/underserved locations with fiber so there will be a mix of technologies funded including fixed wireless and LEO satellite when fiber (FTTH) is too costly (i.e. where the cost exceeds the Extremely High Cost Per Location Threshold to be specified later by the State Broadband Office).

Sandip stated that eligible subgrantees for BEAD funding could be ISPs, ISPs in partnership with municipalities, cities, counties, or non-profit organizations. The State Broadband Office will define the project areas considering such factors as census blocks groups, geographic boundaries, terrain, and availability of middle-mile networks. The State Broadband Office hopes that ISPs will provide or build middle-mile networking to the nearest fiber POP, but BEAD funding may be used to build middle-mile network infrastructure in some cases. Arizona has 22 federally-recognized tribes, and the tribal lands will be proposed as distinct project areas within state boundaries. Entities can submit applications to cover multiple project areas, but they must breakout the technological approaches and costs to serve each project area. Around June-July 2024, the State Broadband Office will publish a tentative map of project areas – they will see what type of interest they get from ISPs and municipalities in serving these project areas, and likely adjust the definition of the project areas after that.

Applicants will have to register with the ACA to be eligible to apply for BEAD funding. Nicole noted that the main entities in an application must meet NTIA eligibility/gating standards including demonstrated capacity (e.g. financial, managerial, technical, operational) requirements to fulfill the BEAD deployments successfully. Sandip commented there have been historically been a lot of defaults on deployments after receiving broadband grants (e.g. RDOF defaults), so these eligibility requirements are meant to protect against such defaults. Applicants must also submit other information to be eligible for BEAD funding such as meeting federal Build America/BuyAmerica Act requirements, fair labor practices, and cybersecurity and supply chain risk management compliance plans.

Sandip stated that they hope all project areas will receive applications in Round 1, but those that don't get interest (because of business case inadequacy) will be rolled into Round 2 to ensure all unserved/underserved locations are addressed.

Sandip reviewed the scoring process for applications for priority projects (FTTH) and non-priority projects (non-fiber technologies such as fixed wireless, satellite, DSL) that are detailed in Volume II. The primary scoring categories (75% of the points) come from NTIA, and the State Broadband Office added secondary criteria (25% of the points).² For example, the number of CAIs served by an applicant in a project area is one of the secondary criteria, and there are

demonstrate record of and plans to follow federal labor and employment laws, speed of deployment, and speed of the proposed network.

² Regardless of whether the Eligible Entity is selecting among Priority Broadband Projects, the Eligible Entity must describe how primary criteria will account for at least 75% of the total scoring or bidding credits. Secondary criteria can account for no more than 25% of total scoring or bidding credits. (BEAD NOFO pg 43-44)

extra points given for applicants that use open-access wholesale networks. Fernando Roman (Executive Vice President, Communications Workers of America) asked about whether points are different if service providers include data caps in their service, and Sandip replied that BEAD does not allow data caps.³ Lawrie Prickett (Government Funding Coordinator, Smith Bagley dba Cellular One) asked whether priority and non-priority scoring are done together in a project area, and Cindy Hogan asked for clarification of what priority projects vs. non-priority projects are. Sandip responded that ISPs can propose both fiber and non-fiber solutions in a project area but they will give preference to applications that have the maximum amount of fiber, and fiber projects are considered priority projects that use different scoring criteria to evaluate them vs. the non-priority projects.

After Nicole and Sandip's overviews, there were questions from various participants.

Mark Goldstein (Chair, Arizona Telecommunications & Information Council) asked two questions. The first question was whether prices for affordability scoring are required to be maintained over a specific time period or an indefinite future. Sandip replied that he thinks the pricing is for the lifetime of the project (e.g. 8 years), and Nicole replied that NTIA has not yet defined officially the useful life of a project.⁴ The second question had to do with whether NTIA has clarified whether a mix of unlicensed and licensed fixed wireless service would be allowed (pure unlicensed is not allowed under BEAD) for CBRS solutions with general authorized access (GAA). Nicole replied that CBRS with GAA comes under the FCC terrestrial fixed wireless technology codes, and so is considered licensed by rule. Sandip replied that what ACA is currently thinking is that in rural areas where there is no CBRS license the DA must be registered for a certain length of time and if no-one claimed it this will be considered licensed frequency, and the rural areas will be the primary application of CBRS since fiber solutions will be most likely in metro areas.

Lawrie Prickett asked how applicant scoring will work for priority (fiber) vs. non-priority (non-fiber) locations in a project area when there is a mix of technologies used in a project area. Sandip replied that an applicant must serve every unserved/underserved household in a project area, as well as many CAIs as they would like to serve in the project area. For example, if an applicant proposes 70% fiber and 30% wireless in a project area, they will score each technology separately and add the scores to come up with a total score. If an applicant proposes 80% fiber and 20% wireless, they will score higher.

³ Each Eligible Entity shall ensure that each prospective subgrantee does not impose data usage caps on any plans offered over a Funded Network or impose unjust or unreasonable network management practices. (BEAD NOFO pg.68)

⁴ Eligible Entities must propose low-cost broadband service option parameters that best serve the needs of residents within their jurisdictions. Low-cost broadband service options must remain available for the useful life of the network assets. (See service obligations: BEAD NOFO Section IV.C.2.ii.c.i)

David Krassa (IT Project Manager, City of Mesa) asked about the definition of rural areas within cities. Sandip replied pockets of rural areas in cities will be treated as separate project areas.

Henry Goldberg (Vice Chair, Arizona Telecommunications & Information Council) asked three questions. The first question was that open-access wholesale last-mile networks deployed by municipalities should be able to offer lower long-term prices and better service by enabling competition among ISPs, but it takes time for municipalities to negotiate contracts with ISPs to use these networks so the affordability scoring criteria will likely not be able to reflect this. Sandip replied that Volume II only asks them to pledge the network will be open⁵, but the State Broadband Office has not thought in depth about the pricing structure here. Sandip also mentioned that smart-city projects are another potential benefit for municipalities that is not explicitly addressed in Volume II. The second question was that there does not appear to be sufficient description in Volume II of how middle-mile networks will be funded and scored in Volume II since new middle-mile infrastructure may be required in a number of project areas (particularly to serve last-mile FTTH) and this middle-mile network will serve all locations in a community not just the BEAD-fundable locations. Sandip replied that the State has invested funding previously in some middle-mile infrastructure, BEAD allows for some middle-mile grants, and some ISPs have their own middle-mile networks that may be sufficient. Sandip stated that they will definitely spend BEAD funds on middle-mile infrastructure if it is required. The third question was that the Extremely High Cost Per Location Threshold (EHCPLT) is set after Round 1 by considering the costs of serving the unserved/underseved households with FTTH and required middle-mile infrastructure and then comparing that to the available BEAD funding, but it may be that only a relatively small percentage of the locations can be provided fiber (at less than the EHCPLT) so there would likely need to be an extensive Round 2 of applications to serve all the non-fiber locations at 100/20 Mbps + speeds. Sandip replied that the State Broadband Office has been doing their own financial study yielding rough cost numbers as well as receiving inputs from ISPs over the past several years, so the BEAD subgrantee selection process is getting official responses from applicants. Sandip added that there may be multiple rounds of applications. Henry replied that this should be clarified in Volume II, and Sandip replied that they will add such clarification as needed. Fernando Roman commented that RDOF grants provided funding for middle-mile infrastructure in states as well.

Jeff Sobotka (Vice President, Vivacity Infrastructure Group) asked about how border communities on borders of neighboring states (e.g. Bullhead City, Colorado City, Laughlin NV, Hilldale UT) will be treated, and whether the project areas there will end at the state line since comprehensive solutions (including middle-mile) crossing state lines may be provided. Nicole replied that state-defined projects end at state lines, and the State Broadband Offices would have to propose such multi-state projects and request approval from the Assistant Secretary. Sandip

⁵ NTIA encourages Eligible Entities to adopt selection criteria promoting subgrantees' provision of open access wholesale last-mile broadband service for the life of the subsidized networks, on fair, equal, and neutral terms to all potential retail providers. (NOFO pg. 44)

added Arizona will keep such border project areas separate so not building redundant middle-mile networks.

Rickey White (Sr. Managing Partner with Y2Y Consultancy and Chief Lead RJW Telecom Group) asked about BEAD funding beyond broadband infrastructure purposes such as digital equity. Sandip responded that the BEAD program can spend money on broadband workforce development, but may not have the funding available after broadband infrastructure requirements are met to address workforce development and digital equity needs. The federal government Infrastructure Investment and Jobs Act (IIJA) has provided funding separately for digital equity. The State Digital Equity Plan draft will be ready in December and posted for public comment in January, and there will be a subgrantee selection process for the digital equity capacity grants specified in that. Nicole added that there are no digital equity scoring criteria in the BEAD program, but the BEAD Final Proposal must demonstrate local coordination, including discussion on how digital equity is interwoven.