



Illinois
Department of Commerce
& Economic Opportunity
OFFICE OF BROADBAND
JB Pritzker, Governor



UNIVERSITY OF ILLINOIS SYSTEM

Closing the Digital Divide in Illinois

BEAD Deep-Dive Webinar: Fixed Amount Subawards and Letter of Credit

August 13, 2024

BEAD Deep Dive Webinar Series:

Context and Goals



Context:

To align with NTIA requirements, BEAD-funded Connect Illinois Round 4 **differs from Connect Illinois Rounds 1-3**

The Illinois Office of Broadband aims to **help all interested applicants get familiar** with these requirements ahead of the subgrantee process



Goals:

Breaking down the BEAD process

- Walk through key elements and requirements of the Connect Illinois Round 4 subgrantee process
- Clarify specific components of the BEAD program requirements ahead of the subgrantee process
- Provide regular updates on Connect Illinois Round 4

Topics for Discussion Today

1

Recap of BEAD and progress to date

2

Fixed amount subawards

3

Letter of Credit Requirements and Waiver

1

Recap of BEAD and progress to date

BEAD is a \$42B federal grant program that aims to bring high-speed internet to all Americans

\$42.45 billion

Funds provided for BEAD

The Broadband Equity, Access, and Deployment (BEAD) Program is a federal grant program that aims to get all Americans online by funding partnerships between states or territories, communities, and stakeholders to build infrastructure where high-speed internet is currently unavailable

Program highlights

Eligible entities

- All 50 States, District of Columbia, and Puerto Rico
- Other Territories: U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands

Example eligible uses of funds

- Planning for the deployment of high-speed Internet, including conducting research, collecting data, outreach, and training
- Deploying or upgrading Internet in unserved or underserved areas
- Improving service to community anchor organizations
- Installing Internet and Wi-Fi in multi-unit residential buildings
- Workforce development, including Registered Apprenticeships and pre-apprenticeships, and community college and/or vocational training for broadband-related occupations to support deployment, maintenance, and upgrades

What are the goals of BEAD?



The BEAD Program awarded Illinois \$1.04 billion to connect all unserved and underserved locations to broadband over the next 5 years



Ensure universal coverage across all un/underserved locations in the state, maximizing deployment of end-to-end fiber, and only using non-fiber where fiber costs are extremely high¹



Prioritize projects providing broadband access to unserved and underserved locations and community anchor institutions, Wi-Fi equipment for Multi-Dwelling Units (MDUs) then other digital equity and inclusion priorities²



Run subgrantee selection process within one year of approval of the Initial Proposal, and complete implementation within four years of receipt of funds³



Focus on improving broadband affordability through a low-cost broadband service option, and a middle-class affordability plan⁴

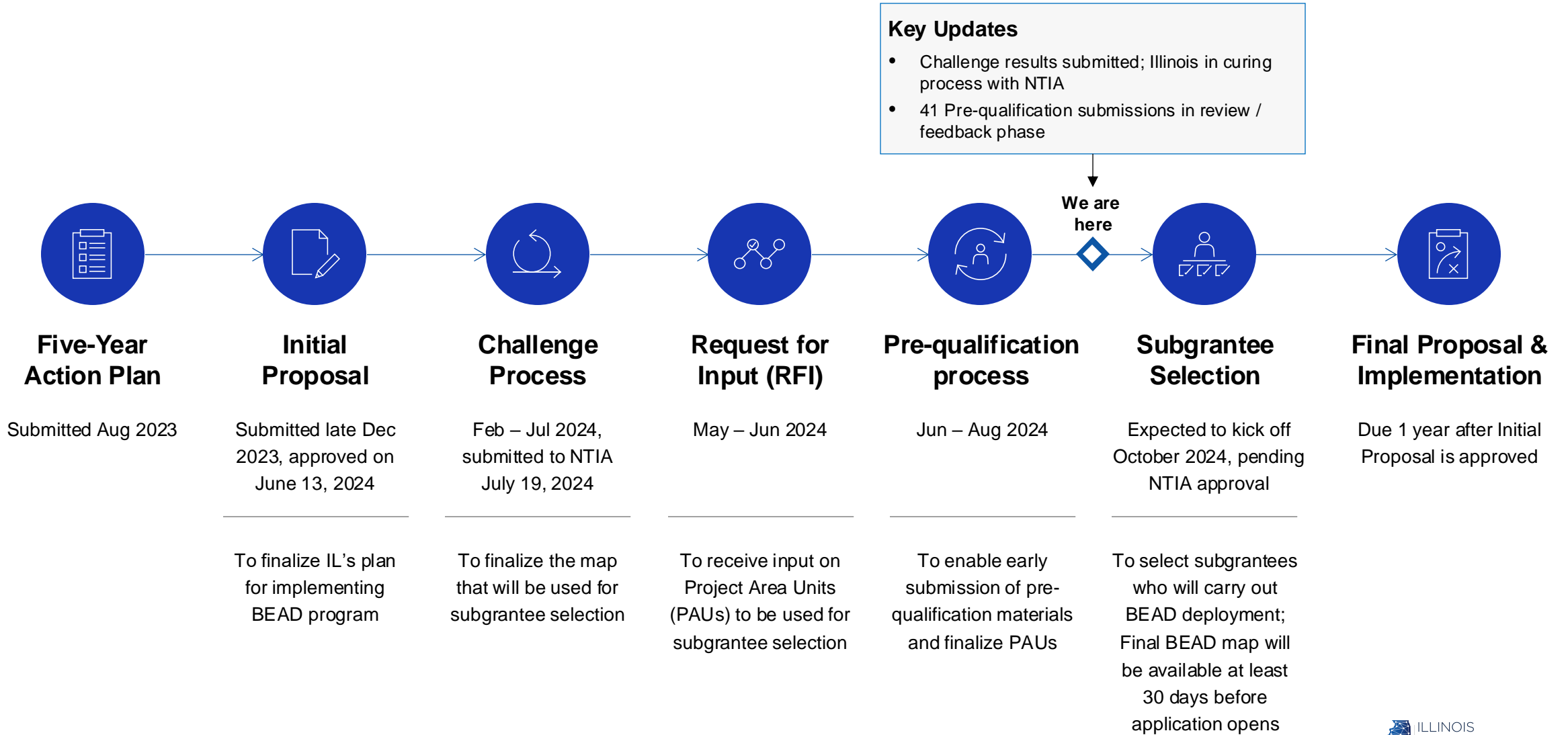
1. Page 14 of BEAD NOFO, on the definition of Priority Broadband Project
2. Page 33 of BEAD NOFO, on the allocation of grant funds
3. Page 65 of BEAD NOFO, on deployment deadlines and benchmarks
4. Page 42-46 of BEAD NOFO, on inclusion of affordability in the BEAD scoring criteria

Source: [BEAD.NOFO](#)

Overview of the BEAD-funded Connect Illinois Round 4 timeline

PRELIMINARY TIMELINE - SUBJECT TO CHANGE

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2

Fixed amount subawards

State of Illinois plans to use Fixed Amount Subawards for Connect Illinois Round 4

AS OF AUGUST 13, 2024

Context

NTIA has provided modified rules for BEAD subgrants to be structured as fixed subawards, allowing the streamlining of payments via the use of milestones

Connect Illinois Round 4 intends to use fixed amount subawards to streamline dollar disbursement and move funds more flexibly to subgrantees

Discussion topics

- A** Overview of fixed amount subawards
- B** Discussion on milestones to be used for Connect Illinois Round 4

A Overview of fixed amount subawards

AS OF AUGUST 13, 2024

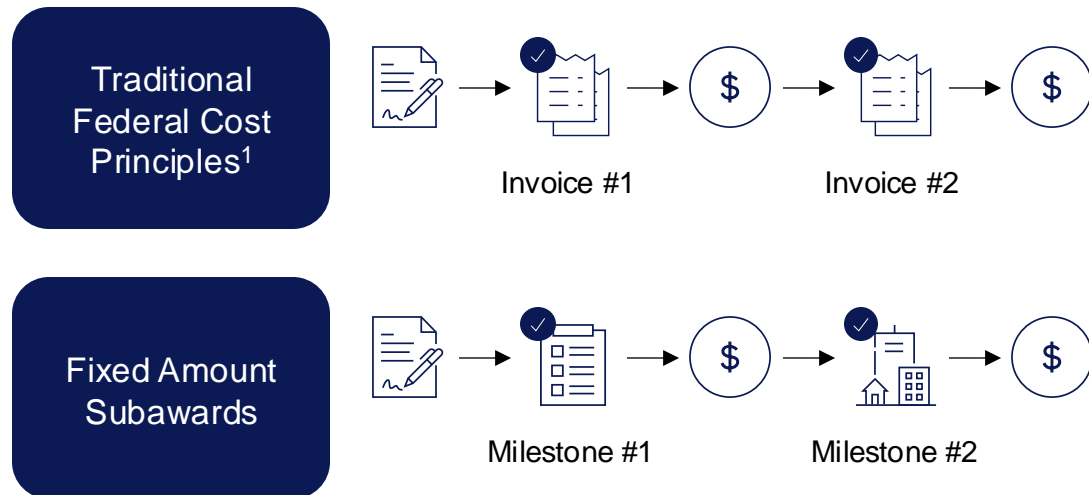
NON-EXHAUSTIVE

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Discussion to follow

What are fixed amount subawards?

Fixed amount subaward payments are based on completing milestones rather than as-incurred reimbursement of costs



What are benefits of this approach?

- Streamlined disbursements** as payments are tied to milestones / outcomes

Note: While individual milestone payments need not be strictly tied to costs incurred, subgrantees will still be monitored to ensure overall reasonableness of costs

- Reduced administrative burden** both on the state and on subgrantees, e.g.:
 - “Cost reasonableness” standard for disbursement requests
 - Predictability of payments and funds available at the project start

1. NTIA also has exempted BEAD subgrants from federal procurement standards, property standards, and program income rules

Source: NTIA “[Fixed Amount Subaward Overview](#)”

NTIA “[Policy Notice: Tailoring the Application of the Uniform Guidance to the BEAD Program](#).”

B For discussion:

Potential milestones for fixed amount subaward payments

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For discussion: Do these milestones align with the flow of implementation? What payment allocation against these milestones would best support subgrantees in meeting BEAD deployment requirements?

Type	Milestone	Payment	Potential evidence
Pre-Deployment 30% of project total	1 Grant agreement signed	6% of project total	<ul style="list-style-type: none"> Signed grant agreement
	2 Project plan completed	3% of project total	<ul style="list-style-type: none"> Detailed project plan with timing & milestones
	3 Network design completed	6% of project total	<ul style="list-style-type: none"> Finalized network design certified by Professional Engineer
	4 Contractor contract signed	12% of project total	<ul style="list-style-type: none"> Signed contractor contract
	5 Project-specific permits & rights-of-way access requested or filed	3% of project total	<ul style="list-style-type: none"> Documentation of permit and right-of-way requests <p><i>Note: Provider to indicate their specific "universe" of permits based on approved plans</i></p>
Deployment 70% of project total <i>Note: Deployment milestones can be bundled and submitted in bulk</i>	6 Passed 10% of project locations	7% of project total	<ul style="list-style-type: none"> Certification of deployment and list of passed locations State to facilitate site visits to validate certified passes against grant agreement scope
	7 Passed 20% of project locations	7% of project total	
	8 Passed 30% of project locations	7% of project total	
	9 Passed 40% of project locations	7% of project total	
	10 Passed 50% of project locations	7% of project total	
	11 Passed 60% of project locations	7% of project total	
	12 Passed 70% of project locations	7% of project total	
	13 Passed 80% of project locations	7% of project total	
	14 Passed 90% of project locations	7% of project total	
	15 Passed all project locations	7% of project total	

3

Letter of Credit Requirement and Waiver

Introduction to Letter of Credit Waiver and reimbursement requirements

AS OF AUGUST 13, 2024

Context

The BEAD program requires all subgrantees to, among other requirements, obtain a **letter of credit of no less than 25% of the BEAD subgrant award**

Connect Illinois Round 4 intends to adopt the NTIA Letter of Credit Waiver, which introduces flexibility to the original requirement, including a **lower initial Letter of Credit amount**

Discussion topics

- A Overview of the original Letter of Credit requirement and additional options under the Waiver**
- B Deep dive: Reimbursement requirements for using the waiver for a lower initial Letter of Credit amount**

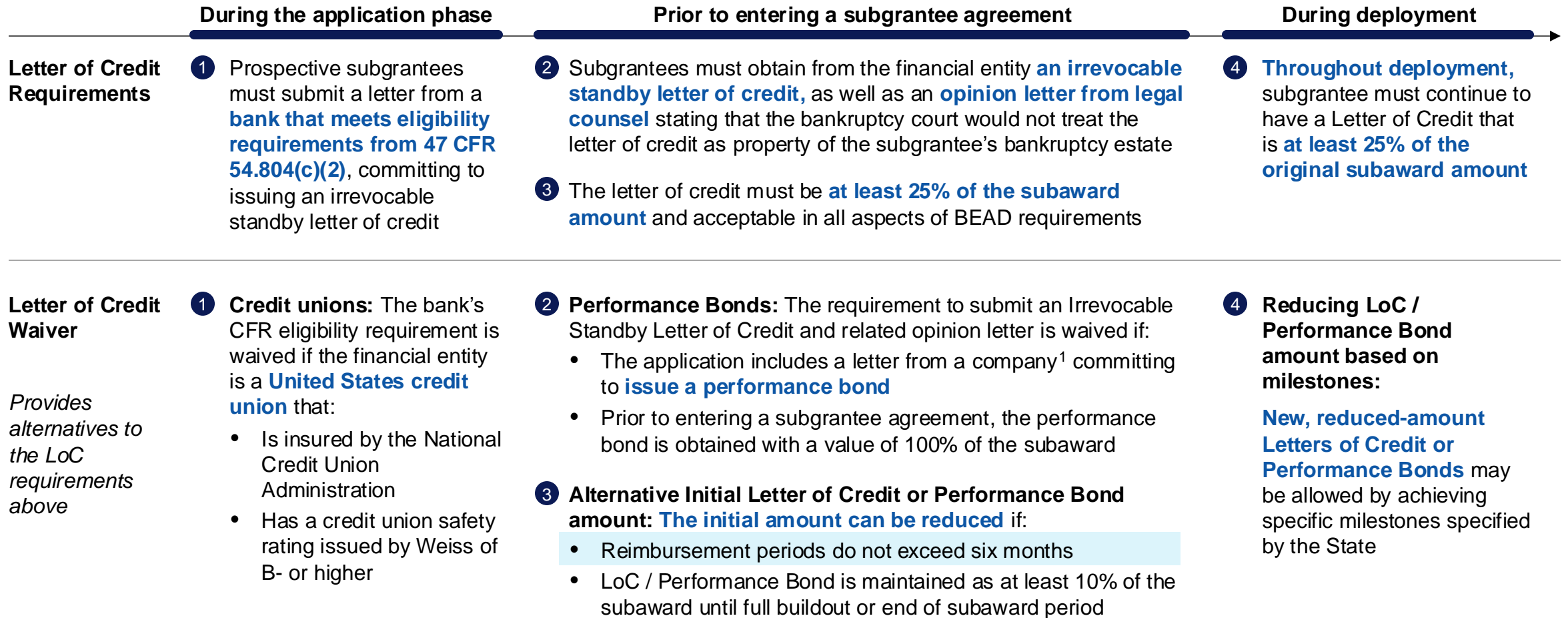
The State of Illinois will adopt the NTIA Letter of Credit Waiver, which introduces additional options to the original Letter of Credit requirement

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Deep dive to follow



1. The company must hold a certificate of authority as an acceptable surety on federal bonds as identified in the Department of Treasury Circular 570. The letter must specify the dollar amount of the performance bond.

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To summarize, the NTIA Letter of Credit Waiver allows for alternatives to the LoC requirement

- 1 During the application phase, prospective subgrantees can get a commitment letter from a **qualifying United States credit union**, instead of from a qualifying bank per 47 CFR 54.804(c)(2)
- 2 Prior to entering a subgrantee agreement, prospective subgrantees can get a **performance bond with a value of 100% of the subaward**, instead of an Irrevocable Standby Letter of Credit and related Opinion Letter from Legal Counsel
- 3 Prior to entering a subgrantee agreement, the subgrantee can obtain a Letter of Credit or Performance Bond with a **lower initial amount than the originally required 25% and 100%, respectively**
- 4 During deployment, the subgrantee may **obtain new, reduced-amount Letters of Credit or Performance Bonds** by achieving specific deployment milestones specified by the State

For subgrantees adopting the waiver for a lower initial Letter of Credit amount, reimbursement periods cannot exceed six months

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Months ● Milestone ● Interim Reimbursement

Recall: Fixed Amount Subawards allow reimbursements to be made at each milestone completion

Subgrantees not using the waiver for a lower initial Letter of Credit / Performance Bond amount

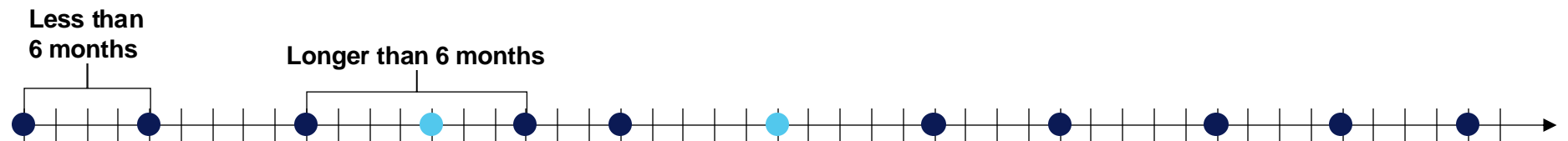
Illustrative timeline of milestone completion (timeline in months)



For subgrantees not using the waiver for a lower initial Letter of Credit / Performance Bond amount, there are no limitations regarding the duration between the standard milestones and corresponding reimbursement

Subgrantees using the waiver for a lower initial Letter of Credit / Performance Bond amount

Illustrative timeline of milestone completion (timeline in months)



For subgrantees using the Letter of Credit waiver for a lower initial Letter of Credit / Performance Bond amount, reimbursements must be in intervals of 6 months or shorter

If the period between two standard milestones exceeds six months, **the State will allow requests for interim pro-rata reimbursement in order support this time requirement**



Stay informed!

Next Webinar:

August 28, 12-1 pm (weekly every Wednesday)

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