

NTIA Updates BEAD-Funded Project Finance Requirements

July 8, 2025

Among the significant amendments to the \$42.45 billion Broadband, Equity, Access and Deployment (BEAD) program via the National Telecommunications and Information Administration (NTIA) Restructuring Policy Notice (notice) issued on June 6, one of the biggest shifts was undoubtedly the agency's changes to the required subgrantee selection evaluation rubric. States were previously required to take into account the following three "primary" criteria: BEAD funding outlay, affordability and fair labor standards. The notice scrapped the latter two criteria, and now the proposed BEAD projects' total outlay reigns supreme as the sole primary criterion. Applicants now have to consider two avenues to increase their chances of BEAD success – i.e., finding ways to reduce project costs, increase the applicant match or, ideally, both. Applicants should not forget the other financial elephant in the room – the letter of credit (LOC) requirement – which was relaxed somewhat last year. We examine both the match and LOC requirements below.

Cost efficiency is the name of the BEAD game

As discussed in previous updates, NTIA restructured the BEAD program's evaluation criteria to maximize cost-effectiveness and value. Namely, NTIA mandated that all states open at least one additional application window implementing the notice's amendments to the program, aptly named the "Benefit of the Bargain" round, which will involve just one primary criterion: States must select a combination of BEAD projects that result in the lowest overall cost to the BEAD program. In other words, states must assess the total BEAD funding required to complete the project (i.e., the total project cost minus the applicant's proposed match) and the cost to the BEAD program per location (i.e., the total BEAD funding that will be required to complete the project divided by the number of eligible locations the project will serve).

While the first order of business will, rightly, be on how to trim the total proposed project cost, applicants should seek ways to increase their match as much above the required minimum 25% of project costs as possible. The match does not have to be in the form of cold, hard cash, but can be in the form of in-kind contributions, which do not have to be contributed by the applicant. As long as the in-kind contributions – whether they are noncash donations of property, goods or services – benefit the proposed BEAD-funded deployment and are allowable and allocable project expenses compliant with 2 CFR Part 200, the contributions can come from the applicant or any third party. For example, a municipality's waiver of fees associated with access to rights of way, pole attachments, conduits or easements could be considered a qualifying in-kind contribution that would be counted as part of the applicant's match. We highly recommend that BEAD applicants, if they haven't already, conduct swift outreach to authorities local to their proposed networks to determine whether there is any room for cooperation on the hoped-for deployment.

Letter of credit requirement still stands

While the notice eliminated and streamlined many of the previous BEAD program regulatory burdens, such as the open access and affordability requirements, it did not remove the LOC requirement.

In late 2023, NTIA issued a programmatic "waiver" modifying the LOC requirement. Under this waiver, applicants were given the choice of LOCs or performance bonds as the requisite grant security. If using the LOC, the waiver allows issuers to be any US credit union that is insured by the National Credit Union Administration and has a credit union safety rating issued by Weiss of B- or better, in addition to banks eligible under 47 CFR 54.804(c)(2). If applicants chose the performance bond route, states were directed to mandate that the bond value be at least 100% of the award amount, and be issued by a company holding a certificate of authority as an acceptable surety on federal bonds as identified in the Department of Treasury Circular 570. If intending to submit a performance bond, the applicant also must submit a letter from such eligible company committing to issue the performance bond.

The waiver also gave states discretion to lower the LOC/performance bond amounts below the 25%/100% minimums upon the BEAD recipients' achievement of service milestones. Additionally, states were allowed to lower the initial LOC/performance bond amounts below the 25%/100% minimums as long as certain conditions were met:

1. The states issued funding on a reimbursable basis.
2. Reimbursement periods were shorter than six months.
3. The BEAD recipient maintains an LOC/performance bond in the amount of at least 10% of the award until build-out is complete.

While these changes benefit applicants, the LOC/performance bond is still a significant financial undertaking that should be evaluated as part of any BEAD application.

We will continue to monitor federal and state broadband grant programs and initiatives and, most especially, developments in the BEAD program. In the meantime, please do not hesitate to reach out for further information.

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