

Broadband experts, ISPs, and local leaders urge Biden Administration to fix signature broadband investment program

Letter of Credit requirement risks blocking smaller operators and municipal networks from \$42 billion Broadband Equity Access and Deployment (BEAD) program

WASHINGTON, DC, UNITED STATES, September 6, 2023 /EINPresswire.com/ -- A coalition of almost 300 broadband experts, internet service providers (ISPs), community leaders, nonprofits, consumer advocates, and business groups have joined forces to highlight concerns about the National Telecommunications and Information Administration's (NTIA) Broadband Equity Access and Deployment (BEAD) program.

“

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[In a letter](#) to NTIA head Alan Davidson and Secretary of Commerce Gina Raimondo, the group warns that the program's letter of credit requirement will block the vast majority of smaller operators, community-centered ISPs, and city-owned networks from securing grants. The result is that these ISPs — which are overwhelmingly the most able and willing to serve currently unserved, primarily

small and rural communities the BEAD program is designed to support — will be largely unable to secure funds.

By requiring that awardees post an irrevocable letter of credit equal to 25% of their grant award — which banks typically insist be collateralized with cash — recipients will “have to lock away vast sums of capital for the full duration of the build, likely several years,” reads the letter.

In addition to a separate minimum 25% match requirement, the letter of credit “establishes capital barriers too steep for all but the best-funded ISPs”. To illustrate, the group [points to analysis](#) estimating that a provider seeking a \$7.5 million grant to fund a \$10 million network would have to front at least \$4.6 million of its own capital — or over 60% of the grant.

Gigi Sohn, Executive Director for the American Association for Public Broadband and signatory to the letter said:

“As things stand, BEAD is engineered to shut out the providers most willing and able to build for America’s least connected communities. These are local ISPs, minority and women-owned operators, nonprofits, and municipalities that know these communities and can connect them — but for a lack of capital. So we’re calling for Secretary Raimondo and Assistant Secretary Davidson to make a fix that will make the program more competitive and live up to its promise to connect the millions of American families still living without the broadband they need.”

The Communications Workers of America, the Internet Society, the American Library Association, Consumer Reports, Public Knowledge, the SHLB Coalition, and Connect Humanity have signed the letter, alongside a broad coalition of ISPs, local government officials, state broadband offices, rural associations, funders, and digital equity advocates.

Together, they argue that “rather than demonstrating a provider’s ability to construct a broadband network and provide high-speed broadband services”, the letter of credit is a “measure of whether they can lock up valuable working capital”.

Moreover, they explain that the banking sector does not have the appetite to issue the \$10+ billion in letters of credit that the scale of the program demands. Even if it did, “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.” The letter is signed by Live Oak Bank, which has previously [outlined its concerns](#) with the program’s insistence on letters of credit.

Calling for a “course correction”, the group urges the NTIA to drop the letter of credit entirely. Short of that, the letter suggests alternatives that provide additional protection for taxpayer dollars while ensuring BEAD funding can go to the providers best able to deliver for American families. Alternatives include performance bonds — a tool regularly used in infrastructure construction projects — and delayed reimbursements to “ensure proposals are viable and that applicants have the capacity to perform.”

Unlike letters of credit, issuers of performance bonds perform additional due diligence on applicants, providing another layer of qualification. And, because bond issuers have a financial incentive to ensure performance, bonds add further assurance of project completion.

“Past government broadband investments have called for a match or a letter of credit — never both,” said Jochai Ben-Avie, Connect Humanity CEO. “By taking this extreme risk-averse approach, the NTIA actually risks undermining the Biden Administration’s ambition to connect everyone in America to affordable, reliable high-speed Internet. This program has been called a once-in-a-generation shot at closing the digital divide. We must not throw it away.”

John Windhausen, Executive Director of the Schools, Health & Libraries Broadband (SHLB) Coalition added: “by effectively excluding thousands of small, non-profit and minority-owned

broadband providers, the policy contradicts the statutory language in the Bipartisan Infrastructure Law that specifically calls for municipalities and other non-profit entities to be eligible. Insisting on the letter of credit will reduce competition and jeopardizes the ability of anchor institutions to receive high-quality broadband.”

With 42 million Americans still without broadband access, BEAD’s success is critical to ensure the entire nation can participate in an increasingly digital society. The group argues, however, that without change: “the program will not achieve its objective of delivering internet for all.”

Editors Notes

The letter is available at: <https://connect-humanity.shorthandstories.com/bead-letter-of-credit-alternatives>

View all signatories at: <https://connect-humanity.shorthandstories.com/bead-letter-of-credit-alternatives/#group-section-Signatories-hG0RtO3ni5>

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