Overcoming the challenges of BEAD program implementation

The goal to reach 100 percent internet coverage across the country may seem like a far-fetched objective, but thanks to nearly $85 billion of federal funding currently accessible through Broadband Equity, Access, and Deployment (BEAD) program, the Digital Equity Act program, and other programs, states can now address most of their broadband needs by strategizing and implementing these programs to achieve the goal of universal coverage.

State broadband offices (SBO), which for the most part are newly formed entities, have substantial ground to cover. They are tasked with setting the vision, strategy, and plan for new programs in their respective states while successfully delivering and meeting the goals and objectives of existing programs to close the digital divide.

In terms of the BEAD program, planning funds have already been allocated and disbursed by the National Telecommunications and Information Administration (NTIA) to all states and territories to conduct data collection and public outreach, so most states are now well positioned to create their individual plans. Additionally, SBOs have requested advisory support to draft their BEAD five-year action plans and initial proposals and are hosting numerous conferences and events to exchange ideas and listen to their constituents' concerns. This is encouraging, as it demonstrates that the SBOs are meeting the planning requirements of BEAD. Now that funding has been accessed, however, SBOs are tasked with the development and implementation of subprograms to use those funds.

The BEAD program requires states to provide a comprehensive broadband plan that covers a host of requirements (such as needs, gaps, and barriers) to connect the unconnected. It also requires that states develop an approach to ensure that their subprograms achieve their connectivity goals. This is where states need to be creative in crafting their overall subprogram plans—possibly following a multipronged approach—to address the diverse nature of funding eligibility for infrastructure deployment and other non-deployment areas such as access, digital equity, literacy, adoption, and affordability.

To help initiate the thinking process, we have created a high-level review of some of the main factors that are critical to the success of the BEAD program and the development of a comprehensive approach for the planning and development of subprograms. These factors are by no means exhaustive, but in our view should be prioritized as part of the planning phase.

Critical factors for a successful BEAD program

Factors	Key actions
01 **Manage an exponential increase in program scale**	Most SBOs or institutions responsible for broadband development have previously dealt with broadband programs with funding under $50 million. With the influx of unprecedented federal funds from the Capital Projects Fund (CPF), BEAD, and other programs, there has been a significant shift in the size of funding allocated to subprograms, and SBOs need to be well prepared to administer them: • Develop a robust organizational structure for broadband offices, and effectively and efficiently use external support to cover key areas such as grant administration, geographic information system and mapping capabilities (GIS), digital equity, monitoring, and compliance. • Develop appropriate technological software platforms capable of absorbing large numbers of applications, leveraging data coming out from those applications, and communicating with applicants directly to create a transparent evaluation process. • Train SBO employees and equip them with the necessary tools to handle the financial and technical intricacies of applications that SBOs will receive, and monitor the performance of a large number of applicants during the implementation phase.
02 **Work toward a comprehensive data strategy**	The Federal Communication Commission (FCC) is collaborating with SBOs and internet service providers (ISPs) to develop a more detailed map based on Broadband Serviceable Location (BSL) Fabric, instead of census blocks to accurately identify households lacking connectivity. The latest update of the Fabric will dictate each state's allocated funding from the $42.5 billion, and the accuracy of the data provided by ISPs will determine how well the update reflects actual service coverage. It is crucial for broadband offices to remain deeply involved in the process to ensure no households in their states are left behind: • The development and refinement of a state-driven, comprehensive BSL map that accurately reflects served, underserved, and unserved areas is critical to identify inaccuracies in the latest Fabric. Even though there is no clear approach to challenge the output of the new Fabric, states can still raise those inaccuracies with their respective NTIA representatives prior to the allocation of BEAD funds. • Due to competing priorities and concerns regarding confidentiality, some ISPs and state agencies may be hesitant to share information about some of their assets and future plans—this may lead to an increased number of challenges during the challenge process of the initial proposal, which is why SBOs need to know where the location of fiber cables and the areas currently served. SBOs should assure ISPs that the information shared will remain confidential but will be included in each state's broadband strategy. • If there is insufficient time to challenge the connectivity of certain locations in the new Fabric prior to allocating BEAD funding, then SBOs should structure a well-organized challenge process for the initial proposal Volume 1 requirements and ensure it is well advertised to encourage widespread participation. This process should clearly lay out the definitions and steps to submit a successful challenge, and provide sufficient time for those challenges to be submitted and rebutted.

Factors	Key actions

03

All-encompassing stakeholder engagement plan

The success of the BEAD program will highly depend on how well the stakeholder engagement approach is structured. Ensuring equitable and broad participation from all communities involved will lead to well informed, educated, and supportive applicants, recipients, and local communities:

- On the community level, it is crucial for SBOs to engage in all-encompassing listening tours and outreach initiatives that target not only rural areas but many other locations. Additionally, it is equally essential to take the time to physically visit these areas to gain a more accurate view of the current state rather than to solely rely on online webinars and surveys. Listening before strategizing is key.

- On the individual level, encourage a broader group of participants in roundtable discussions and surveys, and proactively engage them through different communications approaches and settings. For example, consider holding in-person listening sessions with unions located in rural areas to get a good representation of the targeted areas.

- Create surveys to generate data that paints an accurate picture of the current state of connectivity. Data collection should be performed using communication tools that allow for online and paper-based surveys, roundtable discussions, and webinars.

- Identify and classify stakeholders into core and enabling groups, and include intergovernmental committees for decision making, technical expertise, and compliance. These stakeholders will have an array of roles and responsibilities including but not limited to assistance with permitting and Right-of-Way (ROW) coordination, engagement with covered populations, and coordination and advocacy for the development of broadband infrastructure in rural areas.

04

Early work on compliance requirements

Similar to all federally funded programs, a major requirement of the BEAD program is for states to follow the federal Uniform Guidance requirements of the CFR 200 in addition to each state's applicable laws. Although NTIA may be looking into issuing supplementary guidance on compliance requirements, similar to that issued by Treasury for the Capital Projects Fund (CPF) program, states should ensure that their prospective subgrantees are capable of carrying out their projects while complying with applicable state and federal laws:

- Select a classification of subgrantees (subrecipient versus contractor) that is in the best interest of the state. CFR 200 is one of many federal regulations that come with a subrecipient status, and since compliance with federal laws will vary depending on whether prospective subgrantees are considered subrecipients or contractors, states should define subgrantees' classification beforehand—this is not an easy task and should not be an afterthought. Some factors to consider in the classification process include: precedents in previous programs (mainly CPF), the knowledge and experience of ISPs in dealing with federal requirements, and types of subprograms being established (deployment versus non-deployment).

- Engage the industry early, and establish communication protocols with potential applicants in the beginning of the process to raise awareness of the requirements. Consider issuing some of those compliance requirements as part of the grant application or award packages.

- Identify critical requirements that may be of higher significance to program applicants early on in the process, such as program income, single audit, labor agreements and standards, procurement practices, cost principles, and asset ownership. Be prepared to provide the necessary compliance support to service providers, particularly to those stakeholders with limited experience utilizing federal funding.

Factors	Key actions

05
Delineate and prioritize funding programs

There are several federal and non-federal funds for broadband at different stages of implementation such as the CPF, Rural Digital Opportunity Fund (RDOF), the Affordable Connectivity Program (ACP), and Digital Equity Act Program (DEA). States need to be mindful that areas and locations served by BEAD funding are unique and are not covered by existing programs and funding:

- Develop clear sources and uses for funds to minimize overbuilds and maximize the reach of the public funds.
- Leverage the latest FCC fabric, internal GIS tools, and funding mapping to strategize internally about the eligibility of locations for BEAD funding.
- Use public-facing maps and other tools to communicate clearly with key stakeholders and potential program applicants about the areas and locations that are likely to be covered by other programs, and are therefore ineligible to receive BEAD funding.
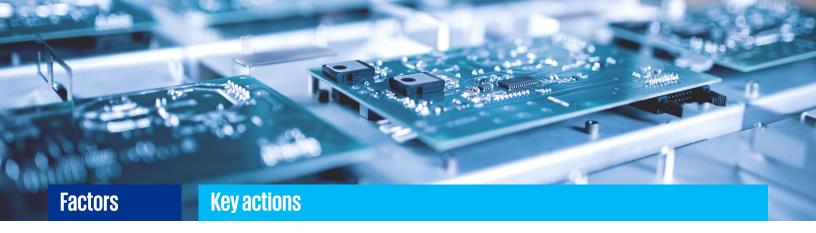
06
Clearly defined terms

The NTIA has left certain terms in the BEAD notice of funding opportunity (NOFO) to be defined by the states according to their specific needs, such as "Extremely High Cost Per Location threshold," "Open Access," "Priority Projects," "Community Anchor Institutions," etc., and may provide further guidance on those terms. SBOs should consider defining these terms in a manner that best serves the objective of the program, aligns with the federal requirements and state objectives, and is sufficiently prescriptive to avoid any potential misinterpretations:

- NTIA guidance encourages states to set their Extremely High Cost Per Location threshold as high as possible to allow for the installation of fiber where financially viable. This is where states need to balance between maximizing the use of funds and the deployment fiber. In addition, states can look into leveraging local funds to support the sustainability of projects in extremely high-cost locations should they decide to prioritize the deployment of fiber.
- The NTIA includes "Community Support Organizations" as part of their definition of Community Anchor Institutions which can be considered as a broad category that may lead to confusion for SBOs. This is why SBOs should have clearly defined and described categories in their definition of CAIs to prevent potential misinterpretations by the public that might otherwise lead to a prolonged challenge process of the initial proposal.

07
Incorporate "Build America, Buy America" into the program

NTIA confirmed its support of the Infrastructure, Investment and Jobs Act's "Build America, Buy America" provision for the manufacturing of fiber-optic glass and/or cable products using federal funds. "Build America, Buy America" requires that at least 55 percent of product costs funded by the federal government for projects should be domestically manufactured. If timed incorrectly, the simultaneous delivery of projects may place undue pressure on suppliers, which in turn will lead to cost increases, especially for small broadband companies and ISPs looking to serve rural areas:

- Maintain discussions with the NTIA to address this issue and communicate guidance with key stakeholders and program applicants on a regular basis.
- Set up a taskforce that consists of key departments within each state to support broadband equipment manufacturers that are expanding their production capacities to meet the increase in demand that is expected to pick up in the second half of 2024.

Factors	Key actions

08

Supply chain disruption

Based on the current market structure, fiber-optic-related equipment and products may not be the bottleneck, but semiconductor components might be, and states should be ready to address such uses or project execution will face increased delays:

- Identify critical equipment and devices necessary for the BEAD program implementation, and communicate with suppliers to ensure there is adequate supply by the time projects are selected and funds allocated.

- Proactively explore alternative supply sources, and develop contingency plans to avoid potential disruptions during the program execution phase. States may also want to consider and share knowledge and resources to help mitigate the effects of any future supply chain disruptions.

09

Drive accountability

As the BEAD timelines advance, internal stakeholders—particularly employees—will have a large number of responsibilities to undertake such as writing the initial and final proposals, developing a transparent application review process, and implementing the subprogram. States should consider adopting the following approaches to ensure successful program implementation:

- Set up clear programmatic systems to monitor the performance and compliance of projects and ensure they are progressing according to plan. This requires well-defined performance metrics, data collection processes, and analysis and reporting procedures. Taking corrective actions before it is too late means identifying and addressing issues in a timely manner before they become major problems. This may involve adjusting project timelines, reallocating resources, or updating project plans in response to changing circumstances.

- Create an integrated technology platform from intake of applications to close out. The platform should be flexible, user-friendly, and customizable to meet the specific needs of the project. It should allow for easy integration with other systems and applications. Furthermore, security concerns should be taken seriously when developing the platform, with measures put in place to protect sensitive information and prevent unauthorized access.

- Combining stakeholder sessions for BEAD and DEA throughout the program lifecycle can bring significant benefits to the project. Holding joint sessions will give representatives from both BEAD and DEA opportunities to collaborate and share information during the program's entire lifecycle, which can help reduce duplicative efforts, streamline communication, and avoid conflicts that could arise from each group working in isolation.

In addition to everything above, state broadband offices need to take a number of other factors into account, such as resiliency, procurement processes, and cybersecurity. We find that one way to address these issues is by engaging in an open dialogue with the NTIA, local communities, ISPs, and other broadband offices to exchange views and learn from one another.

With the submission of the five-year action plan and the initial proposal due shortly, state broadband offices must act quickly to ensure they have the necessary resources and support in place to develop a comprehensive subprogram plan that meets the BEAD program requirements.

How KPMG can help

KPMG understands the entire broadband program lifecycle, beginning with initial planning through to implementation, compliance, and close out. In the strategy phase we help clients navigate the planning requirements of the program by preserving a whole-life view and service-oriented perspective so that the overall program plan remains in line with the states' broadband vision and objectives. We work with clients to determine and solve how the BEAD program will best address their state's broadband needs. During the implementation phase, we help clients craft specific objectives, eligibility requirements, and criteria to address the BEAD program compliance requirements and limit future projects from simultaneously tapping into several other subprograms.

Strategy

Goal - Develop a strategy with specific goals and objectives:

- Program strategy that covers key areas such as:
    - Governance that aligns the states' vision and decision-making to program objectives
    - An operating model that focuses on process, people, and organization, as well as the technological tools necessary to deliver the program
    - A funding strategy that identifies and prioritizes funding sources to reach unserved and underserved areas
- Stakeholder engagement and working group meetings to help ensure broad community participation
- An implementation plan to address subprogram priorities

Program implementation, monitoring, and compliance

Goal - Execute the program through application evaluation, and award in compliance with federal and state requirements and drive accountability long term:

- Program guidance and application template
- Evaluation criteria and scoring rubrics
- Program application portal design
- Standard operating procedures for the program
- Application evaluation and challenge process management
- Application award and grant agreements execution
- Compliance guidance and documentation requirements
- Grant management strategy and subgrantee monitoring
- Grant management implementation including system design

Our experience

KPMG helps state broadband offices develop and administer federally funded programs, including the BEAD program, to meet their states' connectivity objectives and goals.

The KPMG global organization operates in 143 countries and territories that has more than 265,000 people working in member firms around the world. In broadband, KPMG LLP (KPMG) advises many government clients to help develop and execute their broadband programs—KPMG currently supports the states of Florida, Massachusetts, Colorado, Arizona, and Michigan to develop strategies and implement planning actives related to the BEAD and other federal programs, and we understand what is entailed to help state broadband offices deliver successful federal grant programs.

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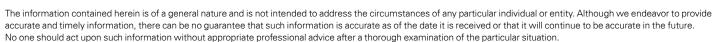
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