



Supplemental Guidance

Arkansas BEAD Program:
Fixed Amount Subawards (FAS)
& Irrevocable Standby Letters of Credit
+ Performance Bonds

Version 1.0 | December 9, 2024



Fixed Amount Subawards (FAS)

Select design principles for reimbursement



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Arkansas BEAD awards will be **Fixed Amount Subawards**

This approach enables:

- 1 Milestone-based payments, including front-loaded funding
- 2 Streamlined “cost reasonableness” review and disbursement policies in lieu of traditional invoice-based reimbursement
- 3 Relief from federal cost principles, procurement standards, and property standards for BEAD subgrants
- 4 Reduced program costs and increased efficiency for all parties

Authorized under NTIA’s Uniform Guidance Policy Notice released December 26, 2023

Key questions to answer about fixed amount subawards and reimbursement

- 1 What are recoverable costs?
- 2 What will be the reimbursement milestones?
- 3 How will disbursements be facilitated?

Recoverable costs | Key guidance on recoverable costs



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Recoverable costs

“ Grant recipients may only use federal award funds and any non-federal cost share committed to an award to pay for allowable costs under the BEAD Program. ”

In addition, costs must be **reasonable, necessary, allocable, and allowable** for the proposed project or other eligible activity and conform to generally accepted accounting principles. ”

Necessary and Allocable

Provides a necessary benefit to the project

Reasonable

Reasonable costs, evaluated by a prudent person under the circumstances

Allowable

Allowable under the terms of the program



Indicative examples of recoverable costs

- Unserved/Underserved service projects (80% eligible locations)
- Backhaul and middle-mile necessary to reach eligible locations
- Financing costs (any commercially reasonable structure)
- Interest and fees specific to performance bonds and letters of credit
- Indirect costs/overhead
- Pre-award costs (deemed to be reasonable)
- Close-out costs
- Operational expenses directly associated with the provisions of qualifying broadband service over BEAD-funded networks during the subgrant's period of performance



Milestones | Key guidance for reimbursement milestones from IPv2

"Additionally, ARConnect will disburse funding on a fixed award basis upon verified and validated completion of associated tasks and milestones, subject to on-site verification and documentation audit"

Milestones | Updated reimbursement milestones for fixed amount subawards (FAS)



Backend/compliance milestone

Project deployment milestone



Arkansas BEAD milestones for fixed amount subaward reimbursement

Milestone	Disbursement (percent of award)	Maximum Cumulative Disbursement (percent of award) ¹
Office approval of detailed project budget and schedule	10%	10%
Proof of binding agreement to acquire BABA-compliant equipment and proof that permits have been requested	10%	20%
Provider certification and Office completion of technical and compliance audit that the provider has reached:		
10% of project BSLs	15%	35%
40% of project BSLs	25%	60%
70% of project BSLs	25%	85%
100% of project BSLs and ARConnect approval of completion	15%	100%

A subgrantee may certify that it has "reached" a location when it is capable of performing a standard installation of qualifying broadband service, at a standard installation charge, within 10 business days after the date on which a service request is submitted²

1. IPV2 2. 47 U.S.C. §§ 642(b)(2)(A)(i)(I)-(II); 47 CFR § 1.7001(a)(19) Note: Updated as of Nov. 18

Disbursement | ARConnect is committed to providing disbursement requirements that are practical and streamlined



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Arkansas' "authority to issue fixed amount subawards is conditioned upon a requirement that [Arkansas] monitors the reasonableness of the subrecipient costs."

Subgrantees will be required to submit in conjunction with any request for reimbursement:

- 1 Certification that qualifying broadband is available at the relevant percentage of locations; and
- 2 One of the following:
 - a A report showing project expenses using Generally Accepted Accounting Principles or other standard accounting practices; or
 - b A report showing the relative proportion of costs across the following key spending areas:
 - professional services;
 - construction services;
 - outside plant, towers, and poles;
 - network and access equipment;
 - customer premise equipment;
 - contingency funds; and
 - all other expenses; or
 - c A report demonstrating that the project's projected cost per location reached is consistent with the project budget.



Irrevocable Standby Letters of Credit and Performance Bonds



ARConnect will utilize section 2.4 under NTIA's BEAD LOC Waiver

2.4 Subgrantee Option for Alternative Initial LOC or Performance Bond Percentage

"The requirement that the initial letter of credit be for 25% of the subaward amount, or in the case where a subgrantee chooses to utilize a performance bond consistent with section 2.2 above, allow the initial amount of the performance bond to be lower than 100% of the subaward amount, where:

- a) *The Eligible Entity issues **funding on a reimbursable basis** consistent with Section IV.C.1.b of the NOFO;*
- b) ***Reimbursement is for periods of no more than six months;** and*
- c) *The subgrantee commits to maintain **a letter of credit or performance bond in the amount of 10% of the subaward** until it has demonstrated to satisfaction of the Eligible Entity that it has completed the buildout of 100 percent of locations to be served by the project or until the period of performance of the subaward has ended, whichever occurs first."*

Letter of credit and performance bond requirements under NTIA's BEAD Letter of Credit Waiver



ARConnect will utilize option "2.4 Subgrantee Option for Alternative Initial LOC or Performance Bond Percentage" under NTIA's BEAD Letter of Credit Waiver.

Requirement	Letter of Credit	Performance Bond
Value	No less than 10% the subaward amount until 100% buildout is complete or until the period of performance of the subaward has ended (whichever occurs first)	
Reimbursement period	No more than 6 months (ARConnect will carry out in subgrant agreement terms)	
Commitment letter (due at provisional selectee stage)	Submit a letter from eligible bank or credit union committing to issue irrevocable standby LoC. ¹ Letter must include dollar amount of LoC and an agreement to adhere to ARConnect's model letter of credit.	Submit a letter from a company that holds a certificate of authority as an acceptable surety on federal bonds as identified in the Department of Treasury Circular 570 committing to issue a performance bond to subgrantee. Letter should provide the dollar amount of performance bond, which should be no less than 10% the subaward amount.
Executed Letter of Credit or Performance Bond	To be submitted prior to execution of subgrant agreement	To be submitted prior to execution of subgrant agreement
Bankruptcy opinion letter	To be submitted with LOC, prior to execution of subgrant agreement. ²	Not required

Note: If an applicant does not wish to utilize section 2.4 under the Letter of Credit waiver, the state will follow NTIA guidance to require a letter of credit in the value of no less than 25% the subaward amount or a performance bond in the value of no less than 100% the subaward amount.

Source: [BEAD Letter of Credit Waiver](#).

1. See 47 C.F.R. § 54.804(c)(2) for bank requirements, BEAD Letter of Credit Waiver section 2.1 for credit union requirements.
2. See BEAD NOFO at 73 regarding the required content of the bankruptcy opinion letter.

ARConnect will require subgrantees utilizing option 2.4 to seek reimbursement every six months in the subgrant agreement



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Integration of six-month reimbursement with milestones

For example:

A subgrantee that has achieved 10% of fixed locations milestone on June 1, 2025, and then deploys qualifying broadband to an additional 5% of locations by December 1, 2025 (six months later), must seek reimbursement for those 5% of locations while it continues to pursue the 40% milestone

Reimbursement:

Incremental reimbursement payments will be made on a per-location basis

Adjustments:

A subgrantee's payment for achieving the next deployment milestone will be adjusted to ensure that the **maximum cumulative disbursement does not exceed the percentage identified** upon the subgrantee's achievement of a milestone.



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