



Before the  
Federal Communications Commission  
Washington, D.C. 20554

In the Matter of )  
 )  
Modernizing the E-rate ) WC Docket No. 13-184  
Program for Schools and Libraries )

**Initial Comments of the State E-rate Coordinators' Alliance  
Regarding  
FCC Public Notice DA 17-921 Seeking Comment on Category 2 Budgets**

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The State E-rate Coordinators' Alliance (SECA)<sup>1</sup> appreciates the opportunity to submit these comments from our collective membership and experience. SECA applauds the Commission's action through the 2014 Modernization Order to establish a relatively predictable and equitable funding model for Category 2 as a welcome change to what was often an unpredictable and inequitable distribution of scarce E-rate dollars in the 'old'

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<sup>1</sup> SECA accomplishes its work through the resources of its 98 individual members who provide statewide E-rate coordination activities in 46 states and 2 U.S. territories. The four states not represented in SECA are Maryland, Minnesota, Montana and Nevada. The territories not included in SECA are Guam and Northern Mariana Islands. Invitations are routinely extended to these entities to join SECA. Representatives of SECA typically have daily interactions with E-rate applicants to provide assistance concerning all aspects of the program. SECA provides face-to face E-rate training for applicants and service providers. As state E-rate coordinators, members serve as intermediaries between the applicant and service provider communities, the Administrator, and the Federal Communications Commission (FCC or Commission). SECA members typically provide more than 1300 hours of E-rate training workshops annually to E-rate applicants and service providers. In addition to the formal training hours, SECA members spend thousands of hours offering daily E-rate assistance to individual applicants through calls and e-mails. We do not have any administrative staff and rely full time on our members' volunteer activities.

Further, several members of SECA work for and apply for E-rate on behalf of large, statewide networks and consortia that further Congress' and the FCC's goals of providing universal access to modern telecommunications services to schools and libraries across the nation.

priority system.

SECA would like to take this opportunity to express our concern that the data available after three application funding years under the Modernization Order's 5-year Category 2 budget cycle does not tell the whole story. As with many things "E-rate", there are a myriad of variables that affect why applicants have utilized or not yet utilized their Category 2 pre-discount budget and it is important to turn the page to see what the rest of the story unveils. In other words, we would not want the Commission to interpret the statistical data, that at first glance may appear to show underutilization of the increase to the annual funding cap, to mean that any of those dedicated Category 2 funds should be used for any other purpose than for the E-rate program and its school and library beneficiaries.

For example, immediately prior to the adoption and implementation of the Modernization Order, some state-wide initiatives were undertaken to support infrastructure build-out in schools where infrastructure was not sufficient to support the advent of mandated online testing. States such as Ohio, New Mexico, and Idaho provided funding to school districts in 2014/2015 to fund internal connections to meet the minimum requirements for online (PARCC) testing or other state initiatives. Additionally, other individual applicants upgraded their aging infrastructure in order to accommodate these new mandates, even without a state-wide initiative. For hundreds (maybe even thousands) of applicants, the five-year, industry recommended refresh cycle for most Category 2 eligible products and services will not begin until Funding Years 2019 and 2020. A truer representation of the demand for Category 2 funding will likely be seen across the upcoming funding years.

Additionally, we believe the phase-out of E-Rate support for voice related products and services may have impacted the application rate for Category 2 funding. This is because applicants who have traditionally relied upon voice discounts have been forced to supplement their voice budgets by redirecting funds that could have otherwise been used for the non-discounted share of Category 2 E-rate expenditures.

Further, many states are experiencing budget impasses which have led to reduced and/or significantly delayed state payments to school districts. When this occurs, schools are forced to prioritize whether to make payroll or purchase additional wireless access points to ensure continuity of education in the classroom – an unfortunate decision faced by many state officials. Case in point: in Oklahoma, the worsening state budget situation has resulted in significantly decreasing funding for schools and libraries. Many schools are currently unable to afford their non-discount portion. This is reflected in the rapid decrease of Oklahoma Category 2 applications that mirrors the downturn: from 2015 (399 applicants and 1063 requests for \$34.1 million) requests to 2017 (257 applicants and 397 requests for \$8.9 Million). Such budget issues are cyclic, which speaks to the need to keep funding available for the longer term. Similarly, the Commonwealth of Pennsylvania has had to delay state payments to schools due to budget impasses since 2015 thus forcing many districts to pay for essential services with district reserve funds and making it difficult to dedicate funding to cover the non-discounted cost of Category 2 equipment purchases.

SECA proposes these recommendations in response to the Commission's Public Notice as related to the following requests:

1. *We [the Commission] seek comment on the measures used for the budget calculation and:*
  - a. *whether there are better proxies for usage density than student counts or square footage*
  - b. *whether simpler methods for calculating category two budgets may exist specific data on why those proposed methods would be an improvement over the current system*
  - c. *ways to improve administration of the category two budgets to ease the burden on applicants during the application process*
    - i. *detailed feedback about ways to change or improve the process from start to finish, from filing the application in EPC through review, invoicing, and the FCC Form 500.*

#### **I. Retain Enrollment-Based Method of Calculating Category 2 Budgets**

SECA generally supports the current per-student budget calculation for school applicants. Although we debated whether a fairer approach would be to have a per square foot calculation for schools, similar to the library budget calculations, in the end we decided that for simplicity sake, the existing budget calculation is straightforward and does not unfairly or inappropriately over or understate their applicants' needs. Further, we are not convinced that there is nationwide square footage data available for public and nonpublic schools, nor is this data easily collected and/or validated. Although not perfect, it is far simpler to use the enrollment data already existing in EPC profiles for which there is

already a validation mechanism in place.

However, SECA is not making any conclusions in these comments whether the current \$150 per student pre-discount budget is sufficient to meet the needs of schools. We expect to address this issue in Reply Comments after more data is submitted in to the record of this proceeding.

## **II. Restart All Category 2 Budgets in FY 2020**

SECA additionally recommends the Commission restart all school and library five-budgets beginning in Funding Year 2020 and not revert to the 2/5 method of distributing Category 2 funding to applicants. This will eliminate a source of confusion for applicants, and will allow the Commission to establish new Category 2 rules nationwide instead of only for a specific subset of applicants.

## **III. Consider Changing School Specific Category 2 Budget Calculation to a District-wide Category 2 Budget**

SECA requests the Commission to immediately reconsider its decision to limit applicant budgets to a school-specific allocation, and instead allocate the Category 2 budget on a District-wide basis. This change would truly give E-rate applicants the flexibility they need to make decisions about how best to deploy infrastructure where it will be most effective for the *entire organization*, rather than limiting their decision-making processes to the school building level.

We regularly hear our constituent's frustration when they discover that E-rate rules prevent them from utilizing excess Category 2 funds from school A, for infrastructure

improvements at school B, which has exhausted its Category 2 funds. In this example, the inflexibility of school-specific, student-based budgets forces the applicant to abandon or forfeit Category 2 funds at school A, leaving school B unable to meet district-wide connectivity goals, which must ultimately be supplemented by the district's ever-decreasing general fund.

A simple example of the effect of this inflexibility is demonstrated below:

**School A's C2 budget is \$20,000.00**

**School B's C2 budget is \$10,000.00**

**School A needs 5 switches that cost \$5,000.00 each = \$25,000.00**

**School B needs only 1 switch = \$5,000.00**

School A is 'short' \$5,000.00 and School B has \$5,000.00 'left over' however, because the C2 budgets are limited to a school level basis and an applicant cannot 'share' the funding across entities, there is no resolution to this conundrum and the applicant must abandon the funding at School B.

In fact, the Modernization Order indicated how difficult it is to determine the need(s) of an applicant on a school by school basis.

*"It would be impossible to identify, building-by-building, the precise amount of funding each eligible school and library will require in a given year to deploy or upgrade LANs and WLANs necessary to support broadband services within their buildings."*<sup>2</sup>

A real-world example of this challenge was offered from a school district in Mississippi. The school district has two small schools, each with 200 students. The first school was recently built and houses all 200 students in a single building. The second school is very old and has classrooms in multiple buildings scattered across its campus. The internal connectivity needs are totally different for each of the schools but their budget

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<sup>2</sup> FCC 14-99A1 at paragraph 86.

allocation is the same.

Providing the applicant with the ability to share Category 2 funding among schools in a District-wide budget format will result in higher Category 2 utilization and reduce the threat of miscalculating future internal connectivity needs for a school. Transitioning to a District-wide budget will provide local control that allows flexibility and more effective use of the E-rate support being provided. District-wide budgets will also allow a more accurate reflection of the need for support across the individual applicant and the entire applicant community.

Furthermore, our proposal of a District-wide budget calculation would align other established processes throughout the E-Rate program whereas,

- the applicant files its E-Rate forms at the District level,
- the District is the Billed Entity, not the school(s) as they are child entities,
- and the Commission has already simplified the discount calculation to be performed at the District level so a District-wide budget allocation/calculation follows this logic.

Finally, the District-wide budget allocation method we propose greatly simplifies the E-rate program -- one of the main goals of the 2014 Modernization Order.

SECA notes, however, that by moving to a district-wide Category 2 budget, there will need to be special consideration given to address the shortfall of students who are currently counted twice in a district. For example, if a student attends a district-provided vocational technical school in the morning and the high school in the afternoon, the current Category 2 budget calculations allow for the student to be counted as “enrolled” in both to school to ensure that both buildings had adequate Wi-Fi and network coverage. By moving

to a district-wide budget, we are worried that these students would only be counted once, and therefore all districts with these part-time schools/students will see their Category 2 budgets suffer.

One possible way to cure this shortfall may be to allow these part-time school to use the traditional “snapshot” in time method that would be added to the District’s current enrollment for the purposes of Category 2 budget calculation. This is one option and we are sure that there are other ways to account for this potential shortfall.

#### **IV. Efficiencies Gained Through District-wide Budget Calculation**

While SECA agrees with the five-year budget model, the complexity of tracking individual school budgets by considering changing year-to-year enrollment, pending applications, previous commitments, inflation adjustments and actual disbursements is overly-onerous to the applicant. Unfortunately, USAC’s Category Two budget tools alone are insufficient to fulfill this task. Funding Year 2015 applications were filed on a separate platform than EPC, resulting in the necessity to consult multiple USAC tools to ascertain budget information<sup>3</sup>. Additionally, despite these tools, a school’s budget for the forthcoming funding year must be calculated outside of any of USAC’s tools.

Because the applicant is discouraged from updating its profiles in EPC until just a few weeks before the filing window, forecasting of a school’s budget for the upcoming funding year must be via manual calculation. In addition, because USAC’s tools only consider commitments, the actual disbursements on previous year’s funding requests are

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<sup>3</sup> Category Two Budget in EPC Entity Profile, Category Two Budget lookup in FCC Form 471, Category Two Budget Tool on USAC’s website



not reflected in USAC's tools and must be manually tracked at both the school and funding request level in order to accurately reflect their available budget at the school level. This lack of transparency and real-time data causes real confusion for a small district or an individual school; the complexity associated with a larger district is exponentially higher. This increased complexity also brings a higher likelihood of making an error (or errors) that could potentially cost them precious E-rate funding.

Finally, current Category 2 funding requests or commitments for Funding Year 2017 are not reflected in any of USAC's Category Two budget tools. These factors culminate in schools either developing very extensive tracking worksheets of their own, or making financial decisions on imprecise or incomplete information from USAC's website and EPC. While moving to a District-wide budget model will not eliminate these issues, it will dramatically reduce the amount of effort applicants must expend in determining and tracking their available budgets at any given moment in time. Rather than tracking changing year-to-year enrollments, cumulative multi-year funding requests, commitments, and disbursements by multiple schools, applicants would only need to track the aggregates of these amounts for the District. USAC's tools, accordingly, could be simplified and modified to provide more current data than they are currently able to convey.

Another consequence of the per-school Category Two budget is the requirement that the applicant perform sophisticated allocations of a school's budget across multiple funding requests and funding request line items in the FCC Form 471. While SECA appreciates the significant data-gathering efforts by USAC in the collection of FRN line item information by product, service, unit cost, and recipients of service, SECA wonders if it was the FCC's intention to require the applicant to spend so many, many more hours in

performing these allocations in order to successfully utilize their budgets and submit requests for funding versus the more simplified historic Priority Two model. Furthermore, we believe that some of these allocations result in inaccurate per-unit costs being reported on the FCC Form 471. SECA illustrates an example of this below.

When filing Category Two applications, schools are required to include all line items in their project as part of their funding request. In order to then cost-allocate the request down to the budget, applicants must then:

1. Determine which line items to reduce funding completely out of their request (\$0 funding) will get them closest to their budget amount.
2. Determine which single line item will be partially reduced to bring the overall funding request to equal the budget.
3. Since cost allocations can only be done at the unit quantity level, finding the single line item that will divide the required cost allocation equally, if possible.

Type of Internal Connection	Type of Product	Model	One-time		Estimated total Eligible one-time costs	Estimated One-time COST ALLOCATED costs	UNIT COST-ALLOCATION	Estimated total one-time costs
			Qty	One-time Unit Costs				
Cabling/Connectors	Connectors	24 Port CAT6A UTP Patch Panel. Includes Freight and Installation.	2	\$ 202.46	\$ 404.92			\$ 404.92
Cabling/Connectors	Connectors	48 Port CAT6A UTP Patch Panel. Includes Freight and Installation.	6	\$ 362.52	\$ 1,931.71	\$ 243.41	\$ 40.5683333333333	\$ 2,175.12
Wireless Data Distribution	Access Point	Clear Plastic - Impact Resistant Access Point Cover	2	\$ 65.00	\$ 130.00			\$ 130.00
Data Protection	UPS/ Battery Backup	1950VA/1920W 120V R/T 2U	6	\$ 868.00	\$ 5,208.00			\$ 5,208.00
Wireless Data Distribution	Access Point	AP, indoor plenum rated, 2 radio 3x3:3 802.11a/b/g/n/ac, 2 10/100/1000, USB, FCC regula	18	\$ 515.00	\$ 9,270.00			\$ 9,270.00
Data Distribution	Switch	48 Port Gigabit Ethernet Switch with POE+, 4 x 10GE SFP+ uplinks, 740W POE budget, Layer 2, Stacking, Static routing	7	\$ 2,445.00	\$ 17,115.00			\$ 17,115.00
Wireless Data Distribution	Access Point	1 AP license for AP	18	\$ 71.00	\$ -	\$ 1,278.00	\$ 71.0000000000000	\$ 1,278.00
Wireless Data Distribution	Wireless Controller	Virtual Appliance with included 3 licenses, 0 AP licenses	1	\$ 1,287.00	\$ -	\$ 1,287.00	\$ 1,287.0000000000000	\$ 1,287.00
Wireless Data Distribution	Switch	10-Gigabit Ethernet SFP+ module - LR	10	\$ 1,287.00	\$ -	\$ 12,870.00	\$ 1,287.0000000000000	\$ 12,870.00
<b>TOTALS</b>					\$ 34,059.63	\$ 15,678.41		\$ 49,738.04

In the pictured example, three individual line items were completely removed from eligibility due to insufficient budget funds, but the budget is still over by \$243.41 therefore, line item ending .002 is arbitrarily used to adjust (cost-allocate/reduce) the request by that

amount since none of the remaining line items comprise a unit quantity level 1. This arbitrary decision by the applicant creates an unintended consequence of the restrictive nature of the school level budgets by inaccurately reporting the unit cost of the patch panels.

**Line #.002 reports a unit cost of \$321.95 versus the actual unit cost of \$362.52 to accommodate a necessary reduction of \$40.57 per unit (\$243.41/6).<sup>4</sup>**

In completing the FCC Form 471 FRN line item, the unit cost allocation may be reported as the unit cost itself or may be calculated by EPC only IF the applicant inputs the true unit cost and then the amount not covered by the budget as the ineligible amount. However, in order to allow for the funding request to fit within the available budget, it is very likely that the applicant is reporting the allocated unit cost as the unit cost in the funding request. This practice would clearly inaccurately represent pricing information for purposes of data collection.

This example above, for what is a relatively simple **single** funding request with nine FRN line items for a **single** school, illustrates the elaborate mechanical calculations applicants must make to formulate their funding requests **for each school** on FCC Form 471. Moreover, applicants may have multiple contracts with multiple vendors leading to more funding requests for which these sophisticated allocations must be performed. For any school district with multiple schools, the task of prioritizing the budget and then allocating it among multiple funding requests and within the funding requests themselves is incredibly complex and time-consuming. It is also important to note that these

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<sup>4</sup> There are rounding errors present in this calculation that are present across most calculations of this sort that create additional complexity for accurate budget tracking and invoicing.

calculations must also be carried through to post-commitment processes including service substitution requests, invoicing, and FCC Form 500.

In response to these constraints, many applicants have chosen to file funding requests or even FCC Forms 471 by individual school in order to enable themselves more visibility in tracking these variances among the different schools in their districts. However, the necessity to file multiple FRNs and FCC Forms 471 further affects the number of subsequent forms to file, such as FCC Forms 486 and 472, rounds of PIA review to answer, and deadlines to track.

Moreover, in implementing a District-wide C2 budget calculation and allocation, the necessity for applicants to file a voluminous, single Form 471 with multiple funding requests by school, each with multiple line items will be greatly reduced. For example, an applicant in California with 101 individual schools filed their 2016 Form 471 application with a funding request (with multiple line items) BY SCHOOL. In total, the Form 471 application comprised 798 pages when the PDF generated and was reviewed and saved<sup>5</sup>. A District-wide budget model would allow the applicant the flexibility to file a single funding request by service provider and include the line items detail just once, inclusive of the total District-wide quantities of each line item and a simple 'manage recipients' function. That 798-page application would arguably be reduced to less than 30 pages which will reduce the burden on EPC and simplify PIA review to an 'ask once' process instead of asking and answering the same question across multiple funding requests.

Under SECA's proposed District-wide budget model, the allocations would be made at the district level, and not at the school level. The District would then report under each

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<sup>5</sup> Specific application data is available upon request

funding request the sites to receive service, but not perform specific allocations for budget or line item quantities per school. Much like the historic FCC Form 471 “Block 4” recipients of service, the applicant would indicate where the services would be delivered, but would not assign a specific value or quantity to each school. SECA suggests that this detail be submitted during PIA review or, preferably, during invoicing after the services have been delivered because it is only at this point in the process that ACTUAL detail is available. The FCC Form 471 would simply indicate the eligible services, unit costs, quantities, and eligible entities to receive service. This will allow applicants maximum flexibility in implementation of eligible services among their eligible schools.

It should be emphasized that the unit cost reporting would continue under this model; it is only the level of detail required under the recipients of service that would change. This should be a fairly straightforward implementation process in EPC as EPC currently allows for this type of allocation under Category One funding requests. The reporting of true<sup>6</sup> unit costs should be encouraged for accurate data collection and, as outlined in the July 21, 2017 Schools and Libraries News Brief, allocations would only happen with USAC’s assistance after the FCC Form 471 is submitted, presumably during PIA review.

***What if my project will cost more than my available C2 budget?***

*On your FCC Form(s) 471, we suggest that you apply for the full amount of your project that is eligible for E-rate discounts. This will give us good understanding of how much your project will actually cost. Also, you may not be aware of how changes in commitments from other funding years may have reduced or increased your C2 budget. For example, USAC may have recently processed an FCC Form 500 that requested a reduction in funding for a C2 commitment, or an appeal decision may have restored or*

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<sup>6</sup> TRUE = not cost-allocated because of ‘over budget’ scenarios as described earlier in the document.

*decreased funding for a C2 commitment. Your reviewer will have access to that information, and can help identify any changes in your C2 budget.*

*During the review of your application, PIA will then work with you to reduce the pre-discount amount of your funding request(s) to the pre-discount amount remaining in your C2 budget. You can help the review process by being prepared to identify the pre-discount costs of services contained in your request that could be removed so that you stay within your C2 budget.<sup>7</sup>*

To summarize, while the District-wide Category Two Budget would not necessarily eliminate all of the mechanical allocation processes currently required of school applicants, SECA would argue that the level of complexity would be significantly reduced. As one can imagine, applicants with many schools would significantly benefit. However, it is true that even smaller applicants with few schools would also benefit from this change. We believe that moving to this model will have many benefits for both the program administrator as well as the applicants, including:

- **Immediate simplification for applicants and the program Administrator.**
- Fewer FCC Forms 471, 486, 472 and fewer funding requests submitted by applicants as the necessity of tracking school budgets and individual funding requests diminishes.
- Faster review as PIA will be more about simply determining eligible versus ineligible services and the eligibility of service delivery locations rather than the additional complexity of dealing with over budget situations on a school by school basis.
- Fewer denials for over-budget scenarios where applicants simply don't understand how school-based budgets work.

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<sup>7</sup> <http://www.usac.org/sl/tools/news-briefs/preview.aspx?id=782>

- Faster commitments which will help USAC to meet its performance metric of issuing funding commitments by September 1, as well as;
  - Earlier decisions will lead to fewer requests for service delivery deadline extension requests because applicants will be able to start their projects earlier.
  - Fewer service substitutions being needed.
  - Earlier decisions will lead to more implementations during the summer which is when most applicants would prefer to perform these network upgrades.
- More flexibility for applicants to install equipment where it is needed, rather than dictated by school budget.
- More ease in equipment transfer as services will be shared among eligible schools under the District budget on the same funding request rather than across multiple funding requests by school.

## **V. Conclusion**

The State E-rate Coordinators' Alliance appreciates the opportunity to submit our initial comments in this important proceeding and looks forward to further participation via reply comments and discussion with the Commission.

Respectfully Submitted by:

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