October 23, 2017

To: FCC Wireline Competition Bureau

From: Claire O’Flaherty, E-rate Expertise

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Re: **Comments on September 22, 2017 Public Notice Regarding E-rate Category Two Budgets**

**WC Docket No. 13.184**

I represent several libraries primarily in Washington State and would like to provide comments on the effects of the new Category 2 budgets for these libraries. I would like to begin by stating that this program provides much needed benefits to all libraries and their patrons. I have worked on this program since 2000 and am still surprised by the unprecedented growth in demand for broadband service at libraries. Each time my clients have added additional capacity that we expect to meet demand for a five year period, the added capacity is maxed out within a few years. It appears that demand for internet services at libraries will immediately grow to whatever capacity is available.

Since the change in program rules a few years ago, all of my library clients have experienced a loss of $30-80,000 per year.  Although some of these libraries have been able to offset that loss with newly available C2 funding, others have been unable to to fill that gap because they either do not need the equipment on the C2 Eligible Services list, or their smaller branches have run out of available budget which causes larger replacement projects to be too costly or inefficient to implement with E-rate funds. There are also several challenges inherent to the way the C2 budgets are administered that create numerous barriers to accessing these funds.

My biggest concern about the calculation for C2 funding is that the funding is allocated to individual branches, and not to a library system.  All of my libraries have run out of funding for their smallest branches, but have tens of thousands dollars (some have hundreds of thousands of dollars!) allocated to larger branches that they cannot spend because they have already purchased the eligible equipment at those locations.  The $9,412 budget floor over a 5 year period for small branches is simply not enough to replace wireless access points, routers and switches during a normal replacement period, let alone cover the ongoing BMIC costs.   If a library system has a higher percentage of small branches with budgets set at the funding floor, they are effectively decreasing their overall system discount rate because they have to pay full costs for much of the equipment needed at these branches. Most of the new branches that my libraries have opened over the past several years are very small branches serving growing areas on the edges of their library districts. With a greater reliance on electronic library services and sharing books between branches, the trend toward smaller buildings is going to negatively affect the budgets available, despite the greater demand for internet services.

Additionally, many libraries have relatively large administrative service centers that are Non-Instructional Facilities that are not eligible for any C2 budget. Although system wide services located at these NIFs can be partially allocated to the branches, a large portion of the costs still need to be cost allocated to the NIF and is therefore not eligible. In addition, all equipment that provides service solely to NIF buildings is ineligible. The unfunded cost of new equipment at a NIF may prevent or delay a library system from upgrading equipment because even if the branch equipment is funded, the library may not be able to afford purchasing the same equipment at their central offices, which is usually where IT professionals work. Ironically, a large system service center is eligible for $0 budget, but a tiny kiosk or bookmobile gets a budget of nearly $10,000 despite not being able to use most if not all of the items on the C2 Eligible Services list.

I spend countless hours figuring out the C2 budgets and expenses for each branch of my library systems, and the additional work required to remove and track projected and actual expenses for ineligible service centers and small branches that exceed their inadequate budgets in the 471s and BEARs is extremely burdensome.  In fact, it takes me more time to determine C2 budget availability and equipment cost allocation for a single funding request than it does to complete an entire C1 application with multiple funding requests. In addition to these calculation burdens, I have also had some funding requests denied and then fully or partially approved later through the appeal process. The denials and reinstated funding further complicates an applicant’s ability to determine how much of a library’s budgets have been committed and spent, and how much is available for future purchases. These uncertainties relating to budget availability make it very difficult for a library to plan their future expenses and projects.

I recognize that it is very challenging to come up with a meaningful method to fairly allocate the C2 funds to libraries.  One of the main complications is the range of different types of libraries and needs – from single site and rural libraries with low resources and high needs, to suburban libraries with large footprints and moderate usage, to urban libraries with smaller footprints and higher usage.  Below are some suggestions for improving the allocation of funds to fulfill the goals of the E-Rate program.

* Allow the funding to be allocated to a library SYSTEM (not branch by branch) so that there is not the appearance of the availability of funds which actually cannot be spent, and so that libraries have the flexibility needed to make wise and cost effective purchasing decisions.  If USAC is reserving these funds with the expectation that they will be spent, then there are literally hundreds of thousands of dollars of unused E-rate funds for my clients alone that are being held needlessly for 5 years instead of being spent for their intended purpose.
* Allow NIFs to receive category 2 budgets and funding.
* Adjust the budget floor so that it will cover the cost of a full set of the equipment on the eligible services list (WAPs, routers, switches) and including BMIC for a small branch.
* Add more items to the eligible services list that are related to the program goals (something needs to be done to fill the gap created for some libraries by the loss of voice funding or the C2 funding and program goals cannot be accomplished).  Can servers or voice services be made eligible again?
* Can filtering be made an eligible product/service (especially since it has essentially become a program mandate)?  This would have the added benefit of not requiring the burden of removing filtering costs from firewall services or racks that support filtering equipment, etc.
* Can a portion of unused C2 budget funds be used for other purposes?
* Is there a way to create an option for a library system to accept a lesser amount of money or a lower discount rate for jumping through fewer hoops?  Is there a way to block grant the funds to libraries?
* Are there system wide or service center/Headquarter system enhancements (regardless of whether patron services are offered in that building or if the building is a NIF) that can become eligible that do not have to be allocated to branches?

I welcome the opportunity to explore these issues further with the FCC.  Although there are equity and efficiency improvements that need to be made to the E-Rate program, the benefits to libraries and their patrons are undeniable and essential to the provision of services.. I thank you for allowing me the opportunities to make the needs of libraries known to the FCC and hope that we can find solutions that will target and efficiently deliver funding where it is most needed.