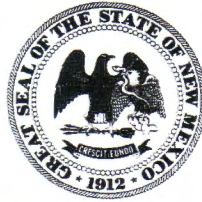


**State of New Mexico
Public School Facilities Authority**

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

| | | |
|-------------------------------------|---|----------------------|
| In the Matter of |) | |
| |) | |
| FCC Request for Comments |) | |
| on Category 2 Budgets |) | |
| Schools and Libraries |) | CC Docket No. 02-6 |
| Universal Service Support Mechanism |) | WC Docket No. 13-184 |

**COMMENTS ON THE WIRLELINE COMPETITION BUREAU
REQUEST FOR COMMENTS ON CATEGORY TWO BUDGETS
(DA 17-921)**

Bureau Chief Kris Monteith,

The Public School Capital Outlay Council (PSCOC) oversees a broadband infrastructure upgrade program that coordinates and provides support to K12 public schools in New Mexico. The Broadband Deficiency Corrections Program (BDCP) provides matching funds for special construction and Category 2 Services for public schools in New Mexico. Since the inception of the E-rate program New Mexico has taken active steps to ensure schools optimize their use of E-rate funds in a cost-effective manner. These efforts have resulted in over \$750 million in commitments to New Mexico applicants since 1998. We appreciate the FCC's efforts to continue to improve the program and provide a vital funding source for applicants.

Category two (Cat2) E-rate budgets established by the *FCC Modernization Orders* of 2014 are essential to New Mexico public schools.¹ The rural nature of the state favors the existence of small schools, who need robust broadband infrastructure to operate and to offer their students learning opportunities comparable to city schools.

Approximately 80% of New Mexico schools and school districts serve populations of less than 1,000 students, in many cases serving expansive geographic areas. Only three school districts serve student populations more than 10,000 students. The remoteness of New Mexico is demonstrated by Catron County with a total population of 3,508.² Catron County is 6,929 square miles and larger than four states. The two school districts in Catron County, Quemado Independent Schools and Reserve Independent Schools, serve 135 and 79 students respectively and each have three schools.

The K12 Broadband Infrastructure Gap Analysis Report developed in 2015 as part of the BDCP found that 98% of the K12 schools in New Mexico need Cat2 upgrades to meet current and future connectivity demands. The estimated cost of the upgrades exceeds the current E-rate Cat2 budgets available for most of the schools, especially for the small/rural locations. The Gap Analysis report estimated that the cost of the required infrastructure upgrades in New Mexico schools would cost a total of \$166 million, which is much more than the estimated \$50 million available in Cat2 budgets for schools.

Additionally, this infrastructure must be upgraded on an approximate five-year cycle, putting another long-term strain on the schools' available funds. Lack of resources for planning and implementation makes the progress slow, yet progress is being made and the current Cat2 E-rate funding awards are making a significant difference. The PSCOC strongly supports the continuation of the current E-rate Cat2 funding assistance provided by the E-rate Program, but also proposes some modifications to simplify the process, increase participation, and provide more adequate funding. The PSCOC supports modifying the Cat2 budget process to provide funding at a district wide level as opposed to the current school by school model. We believe this will greatly simplify the administration of the budgets through less cumbersome applications. A district wide budget will reduce the need to track budgets by school, and will provide districts more flexibility to deploy services where they are needed most. We do not believe this paradigm shift will result in districts choosing to provide services to only a subset of schools. Instead it will allow districts to leverage finite resources in a more effective manner. As the FCC acknowledged in their decision to move from a weighed discount to a district wide discount, "The record demonstrates that E-rate applicants find the current building-by-building discount calculation approach to be confusing, time-consuming, and fraught with the potential for errors."³ The applicant experience since per school budgets were implemented in 2015 has been confusing, time-consuming, and has put them at great risk for denial if budgets are not cost-allocated to the penny. It would thus seem appropriate to provide funding at the district level and not the school level.

We also believe that the current budget per student is not adequate to support the needs of most of our schools, especially those schools with small enrollments and in remote rural areas. We are not proposing a specific modification to the per student budget, but we may file reply comments on proposed changes suggested by

¹ Modernizing the E-rate Program for Schools and Libraries, WC Docket No. 13-184, Order, 29 FCC Rcd 8870, 8902, para. 86 (2014) (E-rate Modernization Order); Modernizing the E-rate Program for Schools and Libraries, WC Docket Nos. 13-184 and 10-90, Second Report and Order and Order on Reconsideration, 29 FCC Rcd 15538, 15571, para 82 (2014) (Second E-rate Modernization Order); 47 CFR § 54.502(b).

² See United States Census Bureau / American FactFinder. "Annual Estimates of the Resident Population: April 1, 2010 to July 1, 2016". 2016 Population Estimates Program. Web. March 2017. <http://factfinder2.census.gov>

³ FCC-14-99A1, Adopting District-Wide Discount Rates, paragraph 210.

other commenters. In rural areas, there is much less competition than what can be found in urban areas. Vendors in these rural areas do not have the same buying power as larger urban vendors. This increases their costs and thus the costs to the districts. If a district is doing a commodity purchase of equipment, they can take advantage of lower prices from larger vendors, but they generally lack the technical expertise required to install and configure the equipment. In the more remote areas there may be no qualified vendors to provide service and because of the long travel time many vendors require a per diem to account for the travel time, thus increasing costs. Any solution adopted by the FCC should not be a one size fits all approach as the current budget model.

When analyzing the data surrounding utilization of Cat2 budgets we urge the FCC to consider several factors that have resulted in funding requests being less than the actual demand. In New Mexico many schools initiated infrastructure upgrades in 2014 and 2015 in preparation of on-line PARCC testing which we believe resulted in fewer dollars requested in FY 2015, 2016, and 2017. Schools that undertook such upgrades may not have immediate needs, but those needs will increase as bandwidth needs increase and equipment reaches the end of its useful life.

Another factor dampening true demand is the fact that USAC previously indicated that applicants should not request funding more than their Cat2 budget. This has resulted in the numbers reported on the Form 471 being less the actual costs of the projects. In instances where actual demand is more than the Cat2 budget many schools decide not to pursue the projects because they do not have local funds to pay the non-discounted portion plus the costs exceeding the Cat2 budgets. Additionally, some apply only for their budget, and do not include the balance of their project costs on applications so that they can avoid the delay of being required to cost allocate funding requests to align with Cat2 budgets in PIA.

In New Mexico schools have undergone budget cuts over the last several years. Many schools decide to forgo the funding altogether because the administrative burden has increased drastically, and insufficient budgets do not justify the level of effort required to seek funding. Like the E-rate program, schools have limited human and financial capital, so hard decisions need to be made regarding which projects to pursue. Many of our districts have sought funding for fiber connectivity involving special construction which is an arduous task. Given their limited capital they decide to take an either-or approach, which is reasonable given the overall complexity of the program.

In response to the FCC's request for quantitative data we provide an example showing where the current budget allocation is not adequate. In 2017 Gallup-McKinley County Schools sought funding for a switch upgrade project for nine of its schools. As shown in the chart below, the project had a cost of \$415,413 and the cumulative budget for these schools is \$510,919.83 or 81% of the total Cat2 budget. For three schools, the costs were more than 170% of the total budget. The district also needs to update/upgrade most other eligible internal connections at the schools. With such a high proportion of the budget used for the switching project, the district may not be able to complete the other needed upgrades. If the budget were based on the district as opposed to a school-by-school budget, this portion of the needed upgrades could have been funded through the E-rate program. This would still leave the district with the difficult task of finding additional funds for the remaining needs.

| Gallup 2017 Switching Upgrade Project | | | | |
|---------------------------------------|---------------------|---------------------|--------------------------|-------------------|
| School | Eligible Cost | Cat2Budget | Budget Shortfall/Surplus | Percent of Budget |
| Gallup MS | \$51,393.35 | \$65,838.63 | \$14,445.28 | 78% |
| Navajo Pines | \$40,440.59 | \$23,327.44 | \$17,113.15 | 173% |
| David Skeet | \$22,177.19 | \$29,312.77 | \$7,135.58 | 76% |
| Red Rock | \$36,106.99 | \$49,110.40 | \$13,003.41 | 74% |
| Navajo MS | \$32,272.00 | \$18,569.87 | \$13,702.13 | 174% |
| Gallup HS | \$138,722.21 | \$144,722.21 | \$6,000.00 | 96% |
| Navajo ES | \$23,570.10 | \$41,283.43 | \$17,713.33 | 57% |
| JFK MS | \$70,730.57 | \$104,359.60 | \$33,629.03 | 68% |
| Ramah HS | \$64,782.44 | \$34,395.48 | \$30,386.96 | 188% |
| Total: | \$415,413.00 | \$510,919.83 | \$30,724.39 | 81% |

We appreciate your consideration of our comments as you continue to expand the record on the adequacy and effectiveness of E-rate funding. We are hopeful the FCC will conclude that the current model works well, but can be improved through simplifying the process and increasing the funding for these projects.

Sincerely,



Jonathan Chamblin, Director
Public School Facilities Authority