

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

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| In the Matter of |) | |
| |) | WC Docket No. 13-184 |
| Schools and Libraries Universal Service |) | CC Docket No. 02-6 |
| Support Mechanism |) | |
| |) | |

COMMENTS OF FUNDS FOR LEARNING, LLC
on the
**DRAFT ELIGIBLE SERVICES LIST FOR SCHOOLS AND LIBRARIES
UNIVERSAL SERVICE PROGRAM FOR FUNDING YEAR 2017**

Funds For Learning (“FFL”) is a national, E-rate-compliance consulting and web services firm. For the past 19 years, FFL has dedicated itself exclusively to the needs of E-rate stakeholders. Our clients include some of the country’s smallest and largest E-rate applicants.

What K-12 schools and libraries desperately need from E-rate Eligible Services List for FY 2017 is what the E-rate program promised and provided to them from the outset – namely, reasonable support for voice communications services. To ease the financial burden on applicants that defunding voice service has caused, as well as some of the counterproductive impact that the defunding decision has had on broadband policy, we propose, as a reasonable stopgap measure, to keep the voice service phase-down at a 40% reduction from other Category One services in FY 2017. Based on our analysis of the data, we are confident that this modest proposal can be accomplished without creating a scenario where program demand outpaces available funds for that funding year.

**WE URGE THE COMMISSION TO SUSPEND TEMPORARILY
ANY FURTHER PHASE-DOWN OF E-RATE SUPPORT FOR VOICE SERVICE**

- **Demand For Voice Service Remains High Because It Is A Necessity**

FFL’s analysis of FY 2016 E-rate applications revealed, not surprisingly, that applicants submitted more requests for discounts on voice service than for any other type of

service.¹ The same was true in FY2015, the first year of the phase-down. We anticipated this high level of demand, since applicants must have voice services to conduct school business and to keep everyone in their buildings safe and secure. Voice service is not a luxury. It is not something that is simply nice to have. In contrast, the Commission's short-term target of 100 Mbps service per 1000 students and longer-term target of 1 Gbps per 1,000 students remains just that – something for schools and libraries to aspire to, but which remains, as a practical matter, something that they would like to have.

- **Budgeting for Voice Service Always Has and Always Will Take Precedence over Budgeting for Improvements in Internet Connectivity.**

School and library administrators include in their budgets first what they must have and then, if there is any money left over, what they would like to have. Voice service is and always will be an essential component of every applicant's communications infrastructure. That is why they always have and always will include money in their budget for voice service. Like water and electricity, voice service is something that every school and library requires.

For the past eighteen years, school and library administrators have counted on funding for E-rate-eligible voice service, making it a stable line item in every applicant's budget. The Commission's decision to defund voice service, however gradual, has done more harm, we believe, than the Commission expected (despite warnings to the contrary²). In conversations with applicants across the country during the FY 2016 "window" application period, we heard the concerns and felt the anxiety of school and library administrators who were trying desperately to find money in already constricted budgets to cover the gaping holes that the absence of E-rate funding for voice service had left in them. Some applicants had to find tens of thousands of dollars, others hundreds of thousands of dollars, and some of the largest, most economically disadvantaged applicants as much as a million dollars or more just to fill this gap.

The kind of broadband connectivity that the President and the Commission want for schools and libraries is not, in the foreseeable future, going to take precedence over voice service in school and library budgets. While undoubtedly most applicants today consider at least some high-speed Internet connectivity to be essential, the reality is that they do not feel that way about meeting the Commission's targets for connectivity. The reason is not that they don't want to, but rather, that they cannot afford to. Meeting those targets

¹ FFL analysis performed on June 17, 2016 (<https://www.fundsforlearning.com/blog/2016/06/lit-fiber-dominates-fy2016-c1-requests>)

² COMMENTS OF FUNDS FOR LEARNING, LLC on the PETITIONS FOR RECONSIDERATION OF ACTION IN RULEMAKING PROCEEDING (Public Notice April 8, 2015) <https://www.fundsforlearning.com/docs/2015/04/FFL%20Comments%20-%20Restore%20Voice%20Funding.pdf>

would be wonderful, school and library administrators will tell you, IF they had money left over in their budget to do so. However, with schools and libraries now having to budget for 100% of the cost of voice service, rather than for only their discounted share of it, they have less or no money available in their budgets to pay for their share of the cost of better and faster Internet connectivity, let alone for paying 100% of the cost up front and seeking reimbursement for the discounted portion later on in the BEAR process.

In terms of meeting the Commission's goals for Internet connectivity, the timing of the Commission's defunding decision could not possibly have been worse. If the Commission had waited a few funding years to begin phasing out funding for voice service, schools and libraries would have had time to leverage the money they were saving on voice service to help them pay, for example, to self-provision their own, cost-effective, broadband networks. Indeed, as a condition of receiving support for voice service, the Commission, if it had wanted to, could have required applicants to invest their savings in Internet connectivity.

- **Defunding Voice Service Is Hurting, Rather Than Helping, the Program.**

Because of the Commission's decision to defund voice service, schools and libraries now have less money available in their budgets for broadband. So while eliminating funding for voice service might have looked to the Commission like a step toward modernization, in reality, it was not. In many instances, it is actually making it more difficult for schools and libraries to acquire the kind of broadband connectivity that the Commission would like every school and library to have.

As we warned the Commission before:³

Phasing out and ultimately defunding voice services will make it much more difficult for schools and libraries to reach the broadband goals set out for them. This is because the Commission does not realize, or at least appears not to realize, that large numbers of schools and libraries -- especially those serving economically disadvantaged communities -- will not be able to find enough money in their budgets to pay their share of the cost of wireless networks and/or high-speed connectivity now that they have to pay more, and soon full price, for voice services.² This will be the case no matter how much E-rate funding the Commission makes available for the services now eligible in Categories One and Two. Budgeting is a zero sum game, so the money to pay for an applicant's share of the cost for E-rate services has to come from somewhere.

³ COMMENTS OF FUNDS FOR LEARNING, LLC on the PETITIONS FOR RECONSIDERATION OF ACTION IN RULEMAKING PROCEEDING (Public Notice April 8, 2015)
<https://www.fundsforlearning.com/docs/2015/04/FFL%20Comments%20-%20Restore%20Voice%20Funding.pdf>

Therefore, so far as national broadband policy and the E-rate program as a whole is concerned, the Commission's decision to defund voice service is obviously counterproductive.

- **This Would Be An Excellent Time for a Time-Out.**

We believe strongly that further discussion regarding the phase-down of support for voice service is warranted. While we understand that the Commission intends to "evaluate the impact of the phase down on eligible schools and libraries" over Funding Years 2015 and 2016,⁴ we also believe strongly that neither applicants nor the program can afford to sacrifice any more funding for voice service while waiting for that evaluation to occur. Accordingly, we propose a time-out, a hiatus on defunding voice service any further.

USAC estimates total program demand for Funding Year 2016 to be just over \$4 billion, well short of the approximately \$5.9 billion available. This gives the Commission a unique window of opportunity in which to act. It can ease the financial burden of mission critical voice communications services on schools and libraries *by keeping the phase-down at a 40% reduction from other Category One services in FY2017, without creating a scenario where program demand outpaces available funds.* This would enable the Commission to study the impact of its decision to reduce funding for voice service in FY2015 and FY2016 as planned, while at the same time limiting the unintended but nonetheless harmful impact that its decision is having on applicants and the program now.

When the Commission does convene to study its decision to gradually defund voice services, we implore the Commission to do so in a formal proceeding where it can collect both anecdotal and statistical evidence to help it determine whether defunding voice service is helping or impeding the ability of schools and libraries to achieve the Commission's 100 Mbps service per 1000 students/1 Gbps per 1,000 students targets and goals for wireless networking.

Respectfully submitted,

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⁴ FCC 14-99, ¶135.