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August 9, 2019

Marlene H. Dortch, Secretary

Office of the Secretary

Federal Communications Commission

445 12th St., SW, Room TW-A325

Washington, DC 20554

RE: Comments & Reply Comments on E-Rate Program Notice of Proposed Rulemaking

WC Docket No. 13-184

Dear Secretary Dortch:

I am a consultant with over 20 years of experience with the E-rate program. My clients include only Library applicants and I am sending you comments on behalf of this often under-represented group.

I have been appreciative and generally impressed with the Modernization rules that created the C2 budgets that allowed libraries to finally receive the benefits of funding for broadband equipment. In addition, the budget allocation method allows for more certainty, planning and equity in funding distribution. However, I would like to make some suggestions for improvements for the E-rate program.

I disagree with the statement that “No request has been denied due to insufficient funding”. Please do not assume that because all of the funding that was set aside for applicants has not been used, that there is sufficient funding. Although none of my clients’ funding requests have been technically denied, all of them have had to reduce their funding requests because of insufficient C2 budget amounts at smaller library branches. All of my clients have at least 10%-50% of their branches with $0 budget remaining by Year 5, despite having system wide budget remaining. In all cases, my libraries have delayed implementation of broadband improvement projects until the next budget cycle, and they have had to pay full costs for projects at certain branches in later years of the 5-year cycle. Below are 3 examples:

* Library A had $206,000 in remaining budget but 14 of 23 branches were out of budget resulting in $63,000 in ineligible costs in 2019, plus $20,000 in ineligible costs in 2018, and in postponing other projects. This library system also opened up 2 new small branches for underserved areas and the budget floor amount was not enough to fund the new equipment required for the new branches.
* Library B had $70,000 in remaining budget but 5 of 9 branches were out of budget resulting in $10,000 in ineligible costs and postponing other projects.
* Library C had $651,000 in remaining budget but 1 of 5 branches was out of C2 budget resulting in $5,000 in ineligible costs and postponing other projects. For this small library system, even this amount of ineligible costs caused a disproportionately higher burden.

While the benefits of this modernization rule certainly outweigh the administrative burden for an experienced E-rate applicant or for a larger library system, I have acquired new small library clients over the past few years because they did not have the knowledge or staff resources to take advantage of the Category 2 opportunity on their own. I have also talked to a few small library systems with only a couple branches and they were eligible for so little funding after the Voice phase out that they just stopped applying for E-rate. In these cases, it seems like the modernization rule changes are hitting the smaller and more rural libraries with unintended and disproportionate negative impacts.

In addition, even with assistance from a consultant for maximizing their funding, some of my libraries experience a gap from the loss of voice funding that is not completely filled by the new C2 funding. Although the voice funding phase down temporarily filled the gap over the past 5 years, if costs and funding remain the same, at least two of my libraries will experience projected losses of $120,000 and $63,000 in funding support over the next 5 year budget period despite their active participation in the C2 program. This funding gap will either degrade other essential library services to patrons or prevent the investment in future broadband upgrades and expansion. While I understand and support the FCC’s goal to focus investment on broadband priorities, the unintended consequence may in fact result in less broadband investment in the long run for some libraries. If funding for VoIP services were added back into the program, this would help alleviate the impacts of this gap.

Below is a list of my Suggestions for Potential Improvements to the C2 Budget Approach:

1. Use library system wide budgets!
   1. This will significantly reduce the administrative burden and allow for better planning over time with local discretion for distributing funds to where they are most needed. All of my libraries distribute funds and equipment according to standards established for meeting patron demand for services and they always attempt to achieve equity in their investments at branches unless the technological capacity is not available in an area. The FCC and USAC does not need to regulate these decisions. In fact, the branch budgets actually encourage uneven investment because many branches have $0 funds remaining.
   2. System wide budgets will also provide greater access to the funds intended to be set aside for the library system as a whole, will alleviate some of the budget constraints, and will give a much more accurate depiction of actual demand for the funds.
   3. The USAC approach of requiring all components and taxes to be allocated to separate line items and then allocated to branches has caused a greatly excessive burden on both USAC and applicant staff and has caused significant delays in the processing of applications. I was told they needed this to be done so USAC can evaluate if the base product price is within an acceptable range. However, this information is easily seen on the quote/contract and should not be required to be allocated to branches thus adding hours to the calculations for each FRN. The calculations are further complicated when ineligible costs due to lack of C2 budget at certain branches need to be factored into the equation.
   4. In addition, the requirement to input data into the EPC system on a cost/unit basis adds countless hours to the administrative burden of each FRN when a cost/unit calculation could be easily computed by the system.
2. Increase the budget floor to $35,000 and the lower multiplier from $2.30 to $3.50. Adjust the budget multiplier every 5 years, with no annual COLA adjustment.
   1. The current budget floor is not sufficient for 5 years’ worth of equipment in all of my small library branches. The $35,000 request is the approximate cost/location to replenish all routers, switches, cabling and UPS units with robust equipment required for the speeds needed to meet patron demand.
   2. Lower C2 budget limits encourage the purchase of equipment with lower quality or lack of long-term adequacy. It creates short-sighted purchasing decisions resulting in system failures and the need to replace or upgrade equipment in shorter time periods thus increasing costs and degrading quality of service. Patron demand continues to grow at unimaginable rates as the internet and technology advances. Libraries need to be prepared to meet this demand with robust equipment.
   3. Even branches with budgets above the floor need additional funding. At this point, my clients with branches with the $5 multiplier have sufficient budget.
   4. The annual COLA adjustment increases the administrative complexity and burden and causes confusion and errors in the calculations. The allocation of COLAs at the branch level cases great administrative burden and provides little help to branches with already depleted budgets. As long as additional funds are made available through the above suggestions, a COLA adjustment every 5 years would be work.
3. Do not make the Locale code apply to an entire system!
   1. The rules for Rural vs. Urban status, prevent many remote library branches from receiving additional needed funding. I have library systems that don’t meet the 50% Rural branches cutoff, but have several branches that are very remote and have unique and costly challenges for connectivity and internet access. They would greatly benefit from the additional Rural 10% discount. Applying the Locale code to an entire library system would cause a similar inefficient distribution of funds and would have detrimental impacts on libraries near the cutoff point while providing excessive and unneeded funding for other libraries. Instead, increase the $2.30 multiplier to $3.50 as noted above.
4. The Locale codes for the $5 multiplier should be expanded for more cities.
   1. These codes are a very imperfect factor in the allocation of funds. For example, the capital city for our state does not qualify for the $5 rate, but a suburb 15 minutes away does get the additional funding.
5. Additional Services to be added to the Eligibility List
   1. Pay for Filtering Components of Firewalls. This unfunded mandate costs some smaller libraries more than they would receive in E-rate funding. It also greatly increases the administrative burden for all applicants and vendors.
   2. Fund VoIP to help cover the funding gap from Voice Funding Phase Out.
   3. Pay for Servers.
6. Increase the discount rate for libraries to be the rate for the school district within the library system boundaries with the highest percent of school lunch participation. Allow all libraries to select a Main Outlet based on the most advantageous school district lunch numbers, even if their headquarters is not a NIF.
   1. In some cases, my libraries with NIF headquarters have Main Outlet branches that resulted in an increase in their overall discount rate. These are the libraries that have fared the best after the loss of Voice Funding.
7. Rolling C2 budgets would cause greater administrative burden, confusion and error.
   1. If a library system/applicant refreshed a large amount of equipment in a few project years in a 5-year cycle, then the funding is always tied up until that same funding year in the next 5 year cycle and this timing issue greatly complicates planning.
   2. This method would only work if a library buys approximately the same amount of equipment each year
   3. It hinders the ability to do major systems upgrades and equipment refreshes.
   4. Keep the 5 year period set for all applicants but if you need to have a transition year, change to system wide budgets, add one year (20%) of new funds to leftover funds from the prior period, and then start from scratch the next year.

I thank you for the opportunity to provide comments on this program. My years of experience with this program, my interest in administrative and financial processes, and my deep commitment to my library clients makes me uniquely qualified to provide feedback to you. I am happy to answer any questions you may have and would also welcome opportunities to work with you as you develop improvements to this vital program.

Sincerely,

**Claire O’Flaherty**

Claire O’Flaherty

Owner & Consultant

E-Rate Expertise, Inc