Before the
Federal Communications Commission
Washington, D.C.

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

**Comments of the State of South Carolina on the proposed rulemaking for the
Category 2 Program**

The State of South Carolina, as represented by the South Carolina Department of Administration, South Carolina Education Oversight Committee, South Carolina Educational Television Commission (SCETV), Chester County Library, Dorchester County Library, Division of Technology E-Rate Consortium, Florence County School District 1, Georgetown County School District, High Point Academy, Kershaw County School District, Oconee County School District, Richland Library and York County Library, respectfully submits its comments on the Federal Communications Commission's (Commission) proposed rulemaking regarding the Category 2 Program.

Today, schools and libraries in South Carolina have excellent Wi-Fi networks that meet the needs of students and patrons across the state The five-year Category 2 Program has made this possible. As such, the State of South Carolina (State) wishes to see the Category 2 Program extended permanently with some modifications detailed below.

<u>Permanent Extension of Funding</u>

When compared to the E-Rate program's two in five rules, the Category 2 Program has resulted in a more equitable distribution of E-Rate funding across the State. For example, in funding year (FY) 2014, 66 South Carolina applicants filed 474 funding requests (FRN) totaling $41.3 million in Category 2 products and services. Unfortunately, due to the priority 2 rules, no applicants received funding that year. In contrast, 94 South Carolina applicants filed 974 FRNs in FY 2015 which was the first year of the Category 2 Program. Valued at approximately $33.3 million in Category 2 products and services, the Category 2 Program was able to commit $24.3 million to 89 applicants. Clearly, the Category 2 Program represents a funding model that works.

> *"The C2 budget has allowed our district to make significant infrastructure improvements in all of our schools to provide sufficient connectivity for our devices, and for our online testing experience."*
>
> *Kershaw County School District*

Permanently extending the Category 2 Program will provide applicants with a sense of program stability. South Carolina applicants repeatedly state that a permanent Category 2 Program would improve their ability to create long-term strategic plans for budgeting and technology acquisition.

Simplified Category 2 Application Process

While the Category 2 Program has been a critical part of financing Wi-Fi network infrastructure over the past five years, the administrative burden to applicants is significant. In FY 2019, of the 106 South Carolina applicants who filed Category 2 applications, 86 cited an E-Rate consulting firm on the Form 471. While the State believes E-Rate Consultants are very important to the E-Rate program, the rigor of program compliance is a barrier to many small South Carolina applicants.

> *"We have relied heavily on the advice and recommendations from the State E-Rate Coordinator. Without having that expertise to guide us through the E-rate process, we would have undoubtedly missed out on important and necessary funding."*
>
> *High Point Academy*

The State wishes to see the Commission extend the eligibility of internal connections, basic maintenance, and managed broadband services to applicants for FY 2020 and beyond. However, the State would like to provide comments as to how the Commission can improve the Category 2 Program for applicants.

The State proposes that the Commission consider merging the three Category 2 service types: internal connections, basic maintenance of internal connections, and managed internal broadband services. To be clear, the State does not recommend that the Category 2 products and services associated with these service types be eliminated, rather group all eligible Category 2 products and services under one Category 2 identifier. The State finds that the current three Category 2 service types are confusing to applicants.

For example, an applicant files a Form 470 requesting bids for a firewall. The applicant only selects the internal connections service type on the Form 470. During the bid evaluation process, the applicant understands that they will need the vendor to provide additional support aside from initial installation and configuration.

In this example, the applicant does not know that in order to receive E-Rate program support for the additional support services, the applicant would need to file a new Form 470 indicating that the applicant is seeking internal connections and managed internal broadband services. If the applicant does not recompete the Form 470, the managed internal broadband services service request on the applicant's Form 471 will ultimately be denied because the Form 470 did not include managed internal broadband services.

This is one example of how the Category 2 Program can be simplified to provide the greatest level of flexibility to applicants and in turn reduce the administrative review burden on the Universal Service Administrative Company (USAC) during the Program Integrity Review (PIA) process.

Changing Audit Practices

The State has learned that during on-site audits, some applicants were notified of program compliance violations when an auditor found that a non-eligible product was plugged into an eligible product. For example, a school's security cameras are plugged into several ports of a 48 port switch. The auditor claimed that since the security cameras were not eligible, the school would need to cost allocate a portion of the cost of the switch based on the number of ports used for the security cameras and return payment to

USAC. The State finds this audit practice very troubling and wishes to see the Commission reverse its position.

When deployed at an eligible school or library, eligible network infrastructure, such as routers, switches, access points and firewalls, should be considered eligible regardless if a non-eligible product is dependent on that eligible hardware. In other words, one could conclude that the Commission's current position on this matter would require schools and libraries to cost allocate out a portion of the cost of a cable drop where a networked printer or desktop computer is connected. The Commission should adopt the position that eligible products are eligible for program support regardless of what non-eligible products are connected to those eligible products. This will result in a program that more closely fits the real-world needs of schools and libraries.

Extending E-Rate Eligibility for New Products

The State proposes the following products and services become eligible for E-Rate program support in FY 2020–2021.

1. Content Filtering:
   Perhaps the single most important product to South Carolina applicants that is not currently eligible is content filtering services. Applicants are always perplexed as to why E-Rate funding is predicated on Children Internet Protection Act (CIPA) compliance, yet content filtering is not an eligible service.

2. Advanced Threat Protection/Network Security:
   The Commission must consider the Wi-Fi networks funded through the E-Rate program as an investment in America's students. As such, the Commission must realize that in order to protect the investment it has made, the Commission should include products and services on the eligible services list such as advanced threat protection and network security. Today, the Commission requires that applicants who choose products, such as firewalls with advanced threat protection, to cost allocate a portion of the cost attributable to advanced threat protection. Removing this cost allocation requirement will result in more secure and resilient Wi-Fi networks and simplify the Category 2 Program.

3. Eligibility of School Buses:
   School buses in South Carolina are different from what they were five years ago. Today, school buses are considered extensions of the classroom and present students with the opportunity to access the internet on their ride home.

   "With over 26,100 bus riders spending on average 1.24 hours on a school bus each day, the total daily ride time for students equal 19,594 hours without Internet access. By installing Wi-Fi on 425 regular and special education buses, Greenville County School District has extended the classroom and measurably reduced the homework gap."
                                                                                              Greenville County School District

   The State recognizes that the associated data transmission or internet access for a school bus would be considered a Category 1 service. However, the State would like the Commission to extend eligibility for Category 2 products and services to school buses under this Notice of Proposed Rulemaking.

4. Data Servers:

As Wi-Fi networks in South Carolina's schools and libraries continues to grow, the State finds that other products and services are needed to help schools and libraries grow more efficiently. The State requests that data servers be added to the eligible services list. Schools and libraries use data servers to store data which can insulate them from ransomware attacks. Additionally, school districts in South Carolina are deploying thousands of devices such as laptops and tablets. Servers with Dynamic Host Configuration Protocol (DHCP) capability allow a school district's network to communicate with end-user devices quickly and efficiently, reducing the administrative burden on network administrators.

Changes in Category 2 Multipliers and Budgets

In general, the State would like to see Category 2 multipliers increased for FY 2020–2021. Additionally, the State would like to see several Category 2 budget calculation changes, such as district/system wide Category 2 budgets adopted for the upcoming funding year.

According to a 2017 survey of South Carolina school districts, 81% stated that the school district multiplier of $150/student is insufficient. While some schools did not take full advantage of the Category 2 program, the applicants who did were successful in utilizing most of their available Category 2 funds. The State observed this trend in many of South Carolina's rural and suburban school districts. This suggests that the Category 2 budget multiplier should be increased to a minimum of $250/student.

Additionally, like many other states, South Carolina schools are mandated by law to implement one-to-one device programs and conduct online testing. When the Category 2 program was first proposed, these mandates were still in development. Today, school districts are forced to prioritize time and resources to ensure a district is meeting one-to-one device and online testing mandates. Increasing the Category 2 budget multiplier to a minimum of $250/student is required.

The State firmly believes that libraries are hotbeds for innovation and have very significant technology needs. In the past five years, libraries in South Carolina have seen bandwidth capacity quadruple and new services expanded. Many South Carolina libraries now host and process more digital content than some school districts. As such, the State believes the Commission should abolish the Category 2 budget multipliers based on IMLS Locale Code and establish a minimum of $5/square foot rate for all libraries.

Coupled with increased Category 2 budget multipliers for schools and libraries, the State is in favor of the Commission implementing a school district wide/library system Category 2 budget. According to a 2018 poll of South Carolina schools and libraries, 77% of applicants would prefer a district/system wide Category 2 budget.

> *"As a public library system with large and small branches, I've found that I need more C2 funding at my smaller branches than currently allowed in order to provide comparable equipment and services at each of our locations. I'd love to have a system wide Category 2 budget to better allocate funds where needed within my system, particularly for my smaller, rural branches."*
>
> *Richland Library*

Should the Commission adopt the district/system wide Category 2 budget, the State feels that this new approach will simplify the Category 2 program significantly. For example, a district/system wide Category 2 budget would allow applicants to move excess funds from larger, urban schools or libraries to smaller, rural schools and libraries. The State believes the current Category 2 budget calculus should remain in place, providing applicants with a total district/system wide budget to be spent over the five

year Category 2 budget window. The only modification is providing applicants with the freedom to allocate Category 2 funds where they're needed most.

As the Commission indicates in the Notice of Proposed Rulemaking, moving to a district/system wide Category 2 budget would simplify the way in which school districts count students. Specifically, the new district/system budget should eliminate the need to count part-time students enrolled in vocational schools, for example. Additionally, the Commission suggests that a district/system wide budget would simplify the Form 471, so that applicants may no longer need to cost allocate shared services at non-instruction facilities. The district/system budget would allow applicants to use the un-utilized Category 2 funds that would otherwise be forfeited. Lastly, the proposed district/system wide Category 2 budget would ease equipment transfer rules as long as the products and services associated with a Category 2 FRN are deployed and operating in a related school or library and asset tracking policies are observed. The State agrees that implementing a district/system wide Category 2 budget will simplify the Category 2 program and result in more efficient utilization of funds.

The State recognizes that implementing a new district/system wide Category 2 budget may be difficult to manage for applicants that are not associated with a school district or applicants that may be merging or dividing. In South Carolina, there are two charter school districts that hold the charters for approximately 50 charter schools. For E-Rate purposes, these charter schools are considered independent since their associated charter school district does not file for E-Rate products and services on behalf of the affiliated charter schools. As such, each charter school in South Carolina is listed as an independent school and files its own Category 2 applications. Should the Commission adopt the district/system wide Category 2 budget, the State does not foresee any complications with respect to the way in which charter school Category 2 budgets are calculated and allocated. The State works with charter schools and the public charter school districts to ensure all applicants understand the reason why charter schools are considered as independent schools for the purposes of E-Rate.

Small, rural school districts are consolidating in South Carolina. With regard to the proposed district/system wide Category 2 budget and treatment of merging/dividing districts or library systems, the State maintains that the Category 2 multiplier for schools and libraries is the best calculus for determining a district/system wide Category 2 budget. As such, in the event multiple school districts consolidate into one school district, the cumulative Category 2 budget expenditures from the previous school districts must by applied to the new, consolidated school district.

For example, this is how the State's proposed changes would impact a new school district formed from the consolidation of three school districts should district/system wide budgets be allowed. Presume that during FY 2020-2021, school district A spent $100,000 of its $400,000 total Category 2 budget, school district B spent $250,000 of its $250,000 Category 2 budget, and school district C spent none of its $500,000 Category 2 budget, and all three districts consolidate into school district D July 1, 2021. School district D would have only spent $350,000 of its newly combined $1,150,000 Category 2 budget. When school districts or library systems merge, the Category 2 budget should continue to be calculated based on the student or square foot multipliers for each school or library. Any Category 2 disbursements to school districts or library systems prior to consolidation should be factored in when calculating the district/system wide Category 2 budget for the new, consolidated school district or library system. The State feels the same calculus is appropriate for school districts or library systems that divide.

Increased Funding Floor

The State would like to see the Commission increase the funding floor from $9,200 to $30,000. In the Notice of Proposed Rulemaking, the Commission states that schools with a pre-discount amount of

$30,000 participate at an 80% rate. The State agrees with the Commission's assessment and feels that the E-Rate program must provide sufficient resources to eligible applicants considering technology demands for schools and libraries has only increased. For example, Richland Library, a large system that provides services to rural parts of Richland County, struggles to finance network infrastructure projects at its most rural branches such as the Blythewood Branch and Eastover Branch. With a pre-discount Category 2 budget of approximately $15,000 at its Blythewood Branch, Richland Library needed to spend $31,000 to bring Blythewood Branch's network infrastructure on par with other suburban library branches. The State feels that increasing the Category 2 funding floor to $30,000, increasing the Category 2 multipliers to $250/student and $5/square foot, and implementing the district/system wide Category 2 budget will greatly increase participation in the E-Rate program.

To complement the Commission's efforts, the State is also working to incentivize applicant participation in the Category 2 program. Since FY 2017–2018, the State has provided funding to applicants as match for funded Category 2 applications. The State feels that leveraging these funds with E-Rate funds increases participation among the smallest and most rural schools and libraries.

The State agrees with the Commission that rounding the Category 2 budget multipliers for inflation would simplify the program for not only applicants, but USAC reviewers as well.

Administrative Changes

The State wishes to provide the following administrative changes to the Commission for consideration.

1. Migrate invoicing to the E-Rate Productivity Center (EPC)
   Many South Carolina applicants would like to see BEAR (Form 472) forms submitted through EPC. They would prefer to work with one system (EPC), not two. Applicants stated that similar to the way in which contract information is imported to a Form 471, billing, FRN and service provider information, which is already housed in EPC, could be automatically imported to a Form 472.

2. Multiyear Form 471s
   In certain situations, an applicant's costs for products and services may be identical to the prior year's costs. Currently, an applicant need only create a new Form 471 and select the "Copy FRN" button to populate a prior year's data on a current year Form 471. However, the State is requesting the Commission to consider allowing applicants file one multiyear Form 471. This proposal would limit the number of funding years to the term of the contract whereas an applicant would be able to file a three year Form 471 as long as the corresponding contract is valid for three years. Additionally, this proposal would disburse funds to applicants based on the current year FRN on the application. In other words, USAC should not disburse all funds of a multiyear Form 471 in one funding year. Albeit a radical suggestion, the State believes this approach would simplify the program for applicants and USAC reviewers. For example, applicants will work with potentially one application instead of many. As such, the number of applications USAC must review each year may be reduced.

3. Cancel/Reduce FRNs during the PIA process
   The State would like the Commission to consider allowing applicants to cancel or reduce Category 2 FRNs during the PIA process. It is common for applicants to receive PIA inquiries stating that the applicant is over its Category 2 budget, and the applicant must cancel or reduce an FRN to bring the Category 2 budget in line. In most cases, applicants will find a prior year's

FRNs that were partially disbursed. Several old, partially disbursed FRNs may be needed to bring the Category 2 budget in line and satisfy the PIA review. The PIA reviewer instructs the applicant to file a Form 500 to return the unused Category 2 funds. Since PIA reviewers are the only source with accurate Category 2 budget data for applicants, allowing PIA reviewers to notate which partially disbursed FRNs the applicant wishes to cancel or reduce would remove the administrative burden for applicants of filing a Form 500.

Transition to Permanent Category 2 Program

The State understands that FY 2020–2021 will be an important year for the Category 2 program. As such, the State provides the following recommendations to the Commission regarding the transition to the permanent Category 2 program.

Instead of the Commission using the rolling Category 2 budget as proposed, the State recommends resetting all Category 2 budgets every five years will provide familiarity to applicants, follow technology refresh cycles, and allow applicants to make long terms technology plans. Additionally, USAC's reporting tools such as the Data Retrieval Tool (DRT) and the Funding Request Number Status Tool (FST) are disjointed whereas FY 2015 Category 2 data does not appear on the FST. Resetting all Category 2 budgets for FY 2020–2021 would signal a clean end for the first iteration of the Category 2 program and a clean start to the next iteration of the Category 2 program.

To facilitate smooth implementation of the next iteration of the Category 2 program, the State does not recommend that the Commission extend the current iteration of the Category 2 program rules. The State finds that applicants who have utilized most or all their Category 2 funding are the most negatively impacted. If the Commission decides to extend the current Category 2 program rules to FY 2020–2021, applicants will ultimately need to understand three iterations of the Category 2 program — the current FY 2019–2020 version, the transitional FY 2020–2021 version, and finally the FY 2021–2022 version. This would be a deterrent to applicants.

To avoid confusion by applicants, the State does not recommend that the Commission create a second, later filing window for Category 2 products and services. No amount of communication to applicants explaining the deadlines for a two-window funding year will result in all applications being filed in the correct window by the correct deadline.

Conclusion

The State is grateful for the opportunity to submit these comments to the Commission. In summary, the State hopes the Commission will permanently extend the Category 2 program but increase the Category 2 budget multipliers and the funding floor, as well as adopt the district/system wide Category 2 budget. Additionally, the State hopes the Commission will modernize the products and services on the Eligible Services List by providing discounts for content filtering, advanced threat protection, network security, data servers and school buses. The State hopes the Commission will consider unique ideas to improve the administration of the Category 2 program. Finally, the State hopes the Commission will provide applicants with a plan to transition to the next five-year Category 2 program and cleanly reset all Category 2 budgets July 1, 2020.