Description: Description: CSM Official Logo

Before the

Federal Communications Commission

Washington, D.C. 20554

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

Reply Comments of CSM Consulting, Inc.

Regarding

FCC Public Notice DA 17-921 Seeking Comment on Category 2 Budgets

CSM, Inc. (“CSM”) is submitting these reply comments in response to the Commission’s request for comment on Category Two Budgets (DA 17-921) noted above. CSM is an E-Rate management firm assisting applicants throughout the country achieve and maintain compliance with the myriad of rules, regulations, timelines and documentation requirements associated with the Schools and Libraries Support Mechanism (“SLSM”), AKA E-Rate program. We have been providing these services as a firm since 2003, though the firm’s principals have been involved in the program since its inception as applicants and coordinators for large school districts and county offices of education (also known as educational services agencies). We work with 380 school and library applicants including the Tennessee and Hawaii Departments of Education and California’s statewide consortia of schools and libraries. We file, on average, 4,000 funding requests every year. Our client base consists solely of applicants including consortia and public, private and charter school systems ranging from 21 to 200,000 students as well as individual libraries and library systems. Our staff members are highly versed in E-Rate processes and routinely communicate with USAC administration on program compliance issues. CSM has been closely involved with a significant number of program audits and compliance reviews. CSM is a member in good standing of the E-Rate Management Professionals Association (E-mpa™). The comments we submit are based upon our key learnings and observations of the Category Two application process starting with the planning process, filing of FCC Form 471 funding requests, implementation of Category Two Services, invoicing, and reconciliation of rolling Category Two budgets.

***Sufficiency of the Category Two Budgets for Schools***

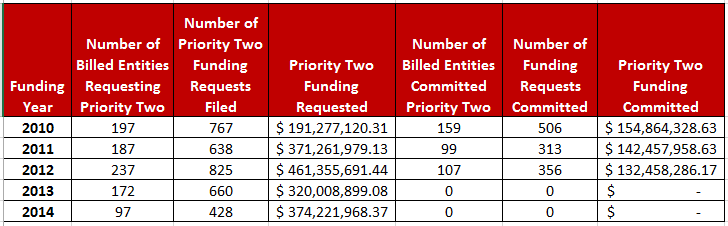
We can report that anecdotal feedback from our school district customers indicates that the Category Two per-student and floor budget amounts are not sufficient to provide the infrastructure updates needed to support ubiquitous wireless connectivity on school campuses. While we cannot opine on a recommended per-student budget or small school budget floor necessary to achieve success, we are submitting data for two examples of where an applicant sought bids for a five-year technology upgrade plan and in each case the budget was not sufficient to meet its needs. These examples include a small district (Four schools - Appendix A) a and a large district (61 schools - Appendix B).[[1]](#footnote-1) In agreement with the American Library Association’s comments, we believe that the FCC should continue to gather data on the sufficiency of the Category Two budgets through at least Funding Year 2019 as applicants are implementing their infrastructure upgrades under a relatively new Category Two budget model. We also believe that by allowing applicants to report the full demand of services needed under their funding requests, rather than trying to fit them within the available site budgets, will enable to FCC to get a better glimpse into the true demand for Category Two services among applicants.

Along with numerous commenters, we support the fact that a multi-year budget has thus far allowed all applicants nationwide who successfully complete the application process know with certainty that they have access to Category Two funds. We have generally seen an increase in the number of successfully funded applicants with funding requests for Internal Connections and Basic Maintenance of Internal Connections. At this time, we have very few customers that utilize the Managed Internal Broadband category of service. This is primarily due to the fact that applicants have been hesitant to adopt infrastructure upgrades as recurring operating costs as opposed to one-time capital investments. These fears are additionally fueled by the historic uncertainty of access to E-rate funding for Priority Two services and uncertainty of the FCC’s plans to continue funding the current five-year Category Two plan for years past 2020.

The tables below illustrate application trends for CSM’s clients for five years prior to the E-rate Modernization Order and the three years since the implementation of the Category Two budgets. Prior to Funding Year 2015, generally more of CSM’s customers applied for funding, but fewer received funding commitments. There were fewer funding requests filed, but the value of the funding requests were higher than those filed in the past three years. Since Funding Year 2015, there are generally fewer applicants filing for Category Two funds on an annual basis, however a greater number have received funding commitments. Despite fewer applicants filing for Category Two services, the number of funding requests filed have significantly increased. This is primarily due to complicating factors associated with per-school budgets as described elsewhere in these comments.

**Figure A.1**

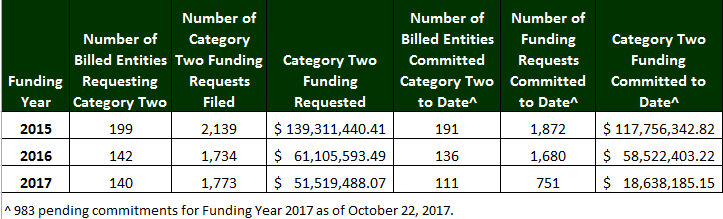
**CSM Clients Priority Two Funding Request Data Funding Years 2010-2014**

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***Key observations: Generally more applicants filing, but fewer applicants funded. Fewer, but larger funding requests.***

**Figure A.2**

**CSM Clients Category Two Funding Request Data Funding Years 2015, 2016, and 2017**



***Key observations: Fewer applicants filing, but all successful applicants funded. More funding requests filed, primarily due to the complexity of administration of school-based budgets and detailed reporting of Funding Request Line Items in FCC Form 471.***

**We emphatically DO NOT support going back to the two-in-five model. The current model has afforded applicants much more certainty in the commitment of these needed funds.**

We would like to raise the fact that the current per-student and small school funding floor Category Two budget model does not adequately address newly-defined entities called “annexes.”[[2]](#footnote-2) In its implementation of the E-rate Productivity Center (“EPC”), USAC has directed applicants to define any adjunct facility or campus having a separate address, but still considered part of a larger school, be given this “annex” designation. Because these annexes are considered to be part of a school, and not unique schools on their own (though in many instances, the facility IS considered a unique school by the school district), a school’s budget must be shared among these locations. However, this designation does not take into account that there are basic minimum infrastructure “start-up” costs for each unique campus/address.[[3]](#footnote-3) It seems appropriate that these annexes should be assigned a separate per-student budget based upon the number of part-time and full-time students that attend the campus or be assigned a budget floor as an entity serving a small student population to address the fact that there is a minimum amount of infrastructure required to establish services at each separate physical campus. Because these unique locations are eligible to receive Category One services, (for example they are each eligible to receive a separate Wide Area Network broadband circuit), this approach would normalize the treatment of annexes among Category One and Category Two and create more equity of access for students attending classes at these adjunct locations.

***Simpler Method for Calculating Category Two Budgets for School District Applicants***

For school district applicants, CSM agrees with multiple commenters that moving to a District-wide budget model would vastly simplify the administration of Category Two Budgets. A simple District-wide student multiplier would alleviate the need for performing any calculations by individual school, and would be consistent with the E-rate District-wide discount calculation established by the E-rate Modernization Order. We believe this modification in the Category Two budget calculation would be easily incorporated into EPC because this data is already collected as part of an applicant’s FCC Form 471 process. We also propose that, in normalizing the eligibility of entities across Categories One and Two, and to promote further simplification, that non-instructional facilities be should eligible for Category Two services.

By allowing every entity that is eligible to receive Category One Service to also be eligible to receive Category Two service, complex allocations of funding would be eliminated. To illustrate, CSM has included an example of a cost allocation for shared eligible equipment where a significant proportion of the cost is removed from the funding request due to the number of non-instructional facilities in the school district.[[4]](#footnote-4) It is needlessly complex and inconsistent with the treatment of Category One services to treat non-instructional facilities as ineligible for support under Category Two. Furthermore, because these locations meet the FCC’s requirement of eligibility - their primary purpose is for education[[5]](#footnote-5) - and many types of shared eligible services are located at these facilities,[[6]](#footnote-6) we firmly believe that it no longer makes sense to exclude these locations from Category Two funding. We argue that the Local Education Educational Agencies should be given the authority to make the determination where technology upgrades are needed the most and be given the flexibility to implement these upgrades at E-rate eligible locations, period.

Finally, we argue that a District-wide budget, where the applicant has the authority to administer the budget where it is needed the most, will result in not only a simpler and more effective program, but will also eliminate unintended inequities of distribution of such funds. Currently, under the per-school allocation, the applicant has no flexibility to apply a school’s unused budget to another school that may need it. This phenomenon occurs in several scenarios:

* New schools constructed with state and local funds do not require immediate technology upgrades while other schools needing upgrades are underfunded
* Existing schools recently upgraded with local bond funds or other state funds to support online testing do not require immediate upgrades while others do
* Schools that historically qualified for Priority Two funding due to site-based discounts may not require the funds as desperately as those that never qualified due to their lower discounts and the historic Priority Two thresholds
* Variances in site-based factors such as the number and distribution of buildings on a campus affect how much infrastructure is needed. This need does not necessarily directly correlate to a school’s enrollment[[7]](#footnote-7)
* Variances in the age and construction of buildings which may impact the expense of infrastructure projects on a school-by-school basis not directly correlated to a school’s enrollment[[8]](#footnote-8)
* Need for shared equipment at the District’s head-end (i.e. network operations center) insufficiently funded due to the requirement that allocations from site budgets be proportional to the sites’ shared use of the equipment[[9]](#footnote-9)

Moving to a District-wide budget model, where all eligible locations could be considered recipients of shared services will not only allow the applicants to fully use their budgets as intended and where needed but would also result in significant administrative benefits to make approval and distribution of such funds faster and more efficient.

***Ways to Improve Administration of the Category Two Budgets to Ease the Burden on Applicants***

CSM’s position, as supported by the multiple comments submitted by E-rate stakeholders to this proceeding, is that moving to a District-wide budget, while not completely eliminating some complexities of managing a budget, will dramatically reduce the scale of such complexities and will significantly improve the administration of the program for both applicants and the program administrator. We will also address some further practices we feel will ease the burden on applicants and the program’s administrator.

***Tracking a Budget by District Rather than School Will Enable Faster and More Accurate Decisions***

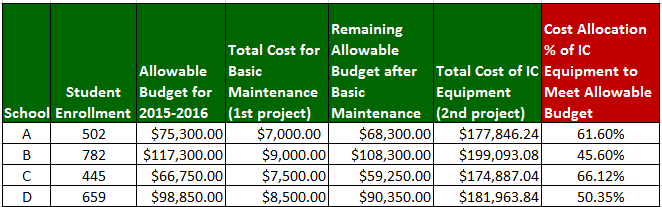
Because a school’s enrollment and the associated per-student budget varies from year to year, this causes a *de facto* requirement that an applicant track its changing available budgets, commitments, and disbursements by school over time. One could argue that this is not overly onerous if an applicant chooses to utilize its entire budget for every school within a single funding year. We find, however, that most E-rate applicants are conservative with their funds and are strategic in the use of their budgets over time. This means that the budget calculations must be tracked, outside of USAC’s tools,[[10]](#footnote-10) for each school by budget estimate, commitment, and disbursement over multiple funding years. While a shift to a District-wide budget would not completely eliminate the need to track budgets, it would significantly reduce the scale of such activities.

***Prioritizing of Multiple Funding Requests by District Rather than School Will Simplify the Program and Create More Flexibility***

When an applicant chooses to go out to competitive bid for E-rate eligible services, it may have some idea of what its infrastructure upgrades will cost. However, it will not know the true costs until bids have been received and service providers selected. Let’s assume an applicant goes out to bid for different types of service (for example cabling for wired and wireless infrastructure, wireless access points and controllers, UPS, and switches) and receives multiple bids by school for such services. The applicant must then go through the bids, school by school to determine which components will be covered by the school’s budget and which will not. This prioritization process is complex, because it can occur across multiple funding requests and the allocation of budgets across funding requests is unique to each school.

Below is a simple example of this prioritization and allocation across projects by school. In this example there are two projects being performed at four schools. The first project for Basic Maintenance of Internal Connections is fully funded by each site’s Category Two budget. The second project for Internal Connections must be allocated by school as each school’s budget is insufficient to pay for the cost of the project.

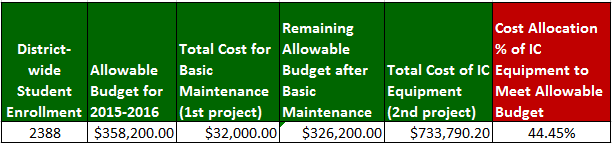
**Figure B.1**



These allocations differ by site and must be communicated to USAC and the service provider in the application, funding commitment, and invoicing process. It should be noted that this example is for a fairly small applicant with two projects in a single funding year. Imagine what this could look like for an applicant with 30, 50, 100, or 200+ schools with multiple projects over multiple funding years.

By moving to a District-wide model, the allocation across funding requests would still exist. However, it would only be required at one level - the District level - versus each school level.

**Figure B.2**



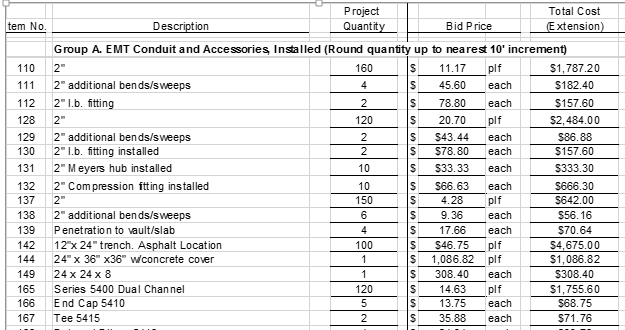
It is difficult to exactly quantify precisely how many hours could be saved by moving to a more simplified District-wide budget model, but in our experience over the past three years with the Category Two budget, we can state unequivocally that it would be significant.

***Allocating Funding Requests Across Multiple FRN Line Items by District Versus School Will Dramatically Simplify the Program***

Because FCC Form 471 requires an applicant to assign a Funding Request Number (“FRN”) line item within a funding request for each unique part number or unit cost, most funding requests involve many multiple line items. In addition to the allocation across funding requests as described above, if a school does not have sufficient budget to cover its entire project or projects, it must also allocate funding request line items within the FCC Form 471 funding request to enable it to “fit” its project(s) within the school’s budget.

In Figure B.1 above, School A’s Category Two budget is insufficient to fund the entire project. Its total project value of $177,846.24 must be allocated at 61.60% to fit within the school’s available budget. The remaining 38.40% of the costs do not fit under the school’s budget and must either be removed or identified as ineligible costs in the FRN line items. This project, however, has 60 FRN line items that must each be reported individually in EPC.

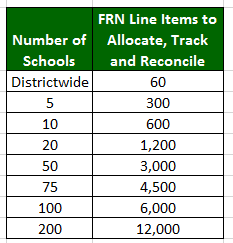
**Figure C.1 (see full list in Appendix D)**



The applicant must either decide to eliminate some of the scope of work to fit within the budget, or perform a cost allocation by EACH of the 60 FRN line items in order to fit within the school’s budget.[[11]](#footnote-11) These allocations must be precisely reported in the FCC Form 471 FRN line items or the applicant will encounter issues in PIA review which may lead to funding denial. Sophisticated applicants will choose to do the allocation for ALL FRN line items within a project rather than prioritizing specific ones over others so that if the scope changes during implementation, there is flexibility to modify services delivered via the service substitution process. For example, if a scope of work includes cabling and switches, and the applicant decides to only apply for funding for switches and not apply for funding for cabling in order to fit within its budget, but then during implementation finds it needs the cabling more than the switches, the applicant would not be able to file a service substitution to modify the funding request from switches to cabling. Its hands are effectively tied because of the existing service substitution rules which demand “like for like” services.[[12]](#footnote-12) It doesn’t matter that the project scope in its entirety was competitively bid and awarded under E-rate rules. This is a strong deterrent to applicants to simplify funding requests by de-scoping in order to fit a project within a school’s budget rather than cost-allocating across an entire project.

For this applicant, the FRN line items have a separate allocation percentage for each school (as illustrated in Figure B.1) which will require calculation and tracking across 60 FRN Line Items each (240 total for four schools) not only at the time of calculating the funding request itself, but throughout the entire project up to payment for services delivered. If the project is not fully implemented, then a detailed reconciliation must be made by FRN line item in order to adequately communicate to USAC which commitments by FRN line item must be adjusted by FCC Form 500 to de-obligate the unused funds. The requirement to track and communicate this minutia has never been addressed by USAC in its public communications, but is the reality facing applicants that choose to apply for Category Two funds. It was only in the recent *Schools and Libraries News Brief* of July 21, 2017 where USAC advised that applicants could apply for funding for their entire project and USAC would help with the allocations needed to fit within an applicant’s budget. How USAC will do this is entirely unclear and untested at this point in time.

Again, by moving to a shared District-wide budget, this issue would not be completely eliminated. It is possible that when a District’s budget is exhausted that a cost allocation must be performed on an FRN line item by FRN line item basis. However, using the example of this four-site school district, the allocation would need to be tracked by only 60 FRN line items, and not 240 FRN line items which is what is now required. It is important to understand the scale of the complexity at hand. Below is a tally when this example is expanded to increasingly larger sized school districts.



In order to provide context of how truly complicated it is to track and manage school-based five-year budgets, we have provided a case study for a large school district’s Category Two application process in Appendix E and its associated attachments. We hope this will effectively further illustrate how moving to a district-wide budget would help alleviate some of the significant administrative burden applicants face under the current program.

We propose that while the applicant continue to report the unit cost and quantity of E-rate eligible services on distinct FRN line items on the FCC Form 471, that it no longer be required to indicate any allocation by school or location receiving service. Moving to a District-wide budget where all eligible locations are eligible for Category Two services would be the most logical approach to dramatically streamline the process. USAC would need to validate only that the services and the sites to receive service are eligible. The complex cost allocations would become relatively more simple to manage when compared to the current requirements.

***Implementation of Services District-wide Could Effectively Eliminate the Equipment Transfer Rule***

The implementation of services from a District-wide perspective will enable the applicant to make strategic and justifiable decisions on delivering services where they are needed most to any of its eligible locations. We are not suggesting this change would recuse an applicant from tracking the locations of equipment and ensuring that only eligible entities receive the equipment over a minimum of five years as required by FCC rules. However, if each funding request is considered to be shared by all eligible entities within the District, the applicant could install and relocate equipment among eligible locations as it is needed. The temptation to order more equipment for a site that has sufficient budget only to transfer it to another site without adequate budget after three years would be eliminated. There would be fewer findings of waste if a site’s enrollment decreases and equipment needs to be relocated before the initial three years as now required. CSM contends that if the Commission decides to move to a District-wide budget calculation model, the ‘Three-Year Rule’ would become obsolete.

**Other Means to Simplify the Category Two Process**

***Simplify FCC Form 471 Reporting to Speed up Commitments***

As mentioned above, we recommend simplifying the reporting of unit costs and quantities on the FCC Form 471 to a District-wide method. We would further this request to eliminate the requirement for applicants to report any site level data other than the service delivery addresses of E-rate eligible entities. It should also only be necessary to report District-wide enrollment and NSLP eligibility versus site based data as now required in the annual updates of EPC profiles. This would be consistent with the direction given in the E-rate Modernization Order.[[13]](#footnote-13) This would remove or reduce the necessity of the so-called “Administrative Window” prior to the opening of the FCC Form 471 window.[[14]](#footnote-14) Eliminate the requirement for any assignment or allocation of FRN line items to specific eligible entities; all funding requests could be considered District-wide as all entities are eligible to receive services. PIA would only need to validate eligible entities, District-wide enrollment and NSLP eligibility, and eligible services in order to process typical applications. This will help USAC meet its performance metric of issuing Funding Decisions earlier in the cycle.

***Easing the Services Substitution Process***

Currently, there is a disparity between the methods in which applicants are required to successfully submit a Service Substitution between Funding Years 2015 and prior and Funding Years 2016 and 2017. In addition to each process being initially complex, the disparity in methods from one funding year to another adds to the administrative burden of applicants managing their Category Two budgets and funding requests. Service Substitutions for Funding Year 2015 and prior require applicants to create FROM and TO worksheets outside of EPC that contain copious amount of details such as FRN Line Item numbers, quantities, unit pricing, and association of Recipients of Services for each FRN Line Item. This worksheet, created individually by each applicant with no direction or template from USAC, is then uploaded into EPC. The USAC reviewer’s engagement with the applicant after submission often consists of back and forth revisions of the worksheet until the FRN line item details are in the precise format to be processed. Service Substitutions for Funding Years 2016 and 2017 require that applicants access a live version of their 471 applications within the EPC portal and manually enter the same amount of copious detail for each FRN line item in a method similar to the initial Form 471 filing. This can require many hours of manual entries into the EPC portal without the aid of an upload tool or without a final review function to ensure the entries are free from error prior to submission.

As an example, we will outline the Funding Year 2016 process for a fairly straightforward service substitution for a school district with 24 schools that each have an FRN filed by school. Each funding request has five FRN line items to be modified to reflect an update in a model of a switch which has various separately-priced components necessary to make the switch operational. There is also a need to add two new FRN line items for components to make the new model of switch functional. The applicant must then enter the EPC Service Substitution module in EPC and manually update 120 FRN line items (even though the information is the same for each school) and then also manually add 48 additional FRN line items. This real process took four hours to complete - longer than it did to create the original FCC Form 471 itself. It should be noted that the FCC Form 471 module allows for bulk uploads of data while the service substitution model does not.

Although it is understood that the FCC Form 471 filing platform used for Funding Year 2015 and prior was different than that of Funding Years 2016 and 2017, we propose that consideration is taken to minimize the disparity between the methods by which applicants submit a Service Substitution among the different funding years. CSM feels it is imperative that a Service Substitution upload tool be implemented in EPC to mimic the FCC Form 471 FRN line item bulk upload. This would significantly ease the Service Substitution process by providing relief in the amount of time it requires to enter the changes manually.

***Improve Invoicing Process and Transparency***

CSM has found that USAC takes much more time to process Category Two FCC Form 472 invoices when compared to similarly-valued Category One invoices. A Category One FCC Form 472 may be processed within a week, while a Category Two FCC Form 472 may take a month or more to process, particularly if a service certification is required. We also find that more than 90% of Category Two FCC Form 472 invoices are flagged for additional review, which causes further delays in the distribution and receipt of funds.

The reason for the difference in treatment of Category One and Category Two invoices is unclear, but the delays in the processing of these invoices poses a financial hardship on applicants. We ask that USAC normalize the processing time of invoices among the categories of service.

An additional hurdle facing both applicants and service providers is USAC’s process for automatically rejecting invoices (or ‘zero’ paying them) rather than engaging with the applicant or service provider when issues are found. We believe that open dialog between the USAC invoice review team and the entity submitting a problematic invoice should happen before an invoice is rejected. What currently happens is USAC rejects an invoice and the applicant or service provider has to decode cryptic comments on USAC’s notifications. These provide little to no real information on what was deficient with the invoice or supporting documentation. This is an area of real concern, especially in light of the fact that the FCC has implemented much more rigid invoice deadline rules. We would ask that the FCC consider that the applicants and service providers commonly act in good faith in attempting to submit invoices well before the invoice deadline, but there may be extenuating circumstances caused by USAC’s failure to adequately communicate or troubleshoot invoice issues as they are being processed. We strongly encourage USAC and the FCC revisit the current cycle of invoice rejection and resubmission and devote more resources to ensuring invoices are processed the first time submitted.

***Easing the FCC Form 500 Process when an Applicant Wants to Return Committed Category Two Funds***

In support of the comments submitted by Schools, Health & Libraries Broadband (SHLB) Coalition, we strongly agree that any FCC Form 500 submitted to de-obligate Category Two funding should be processed as a simple reduction to the overall value of a funding request and should not require a detailed funding request line item-by-funding request line item reconciliation as is what is required now. It serves no purpose to require applicants to perform these gymnastics to return funding, it should be a simple reduction by funding request and entity, where appropriate. This will help alleviate the significant backlog of unprocessed FCC Forms 500 that currently exist at USAC.

CSM thanks the Commission and the Bureau for the opportunity to submit these comments and suggestions to help make the E-rate program more effective, efficient, streamlined and simplified for all constituents and we welcome an opportunity to discuss these and other ideas at your convenience.

Warmest Regards,

/s/

Kimberly M. Friends

Vice-President, E-Rate Compliance

CSM Consulting, Inc.

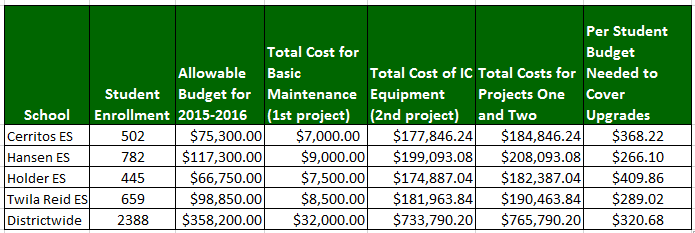
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El Dorado Hills, CA 95762

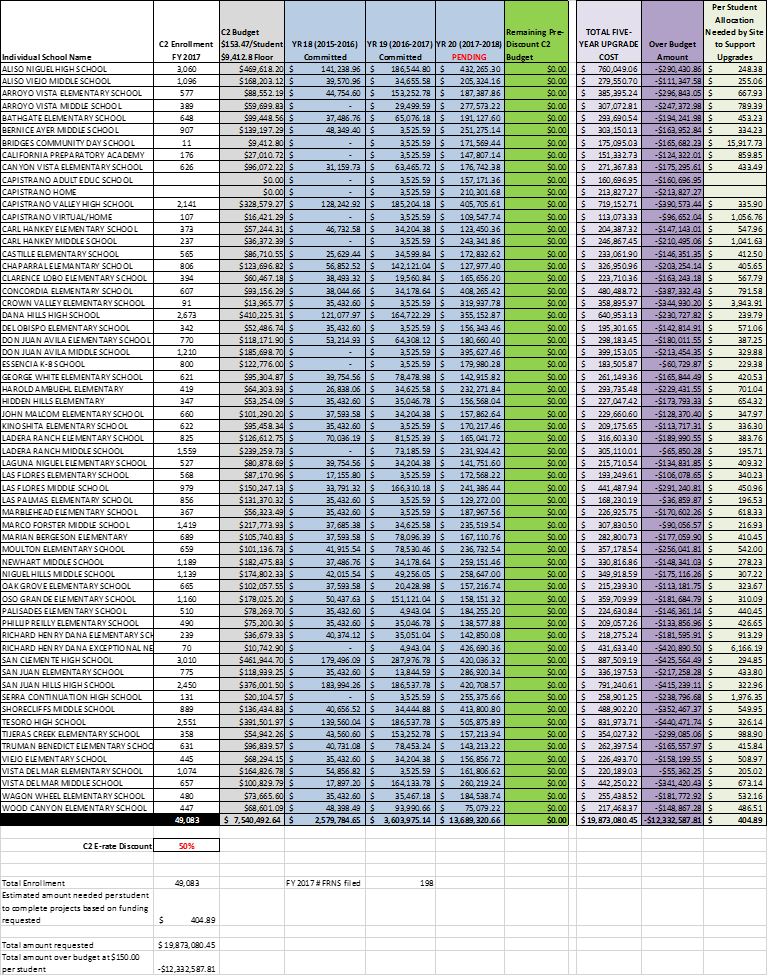
909.972.5355

[kfriends@csmcentral.com](mailto:kfriends@csmcentral.com)

**Appendix A: Five-Year Project Cost for District with Four Schools**

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**Appendix B: Five-Year Project Cost for District with 61 Schools**

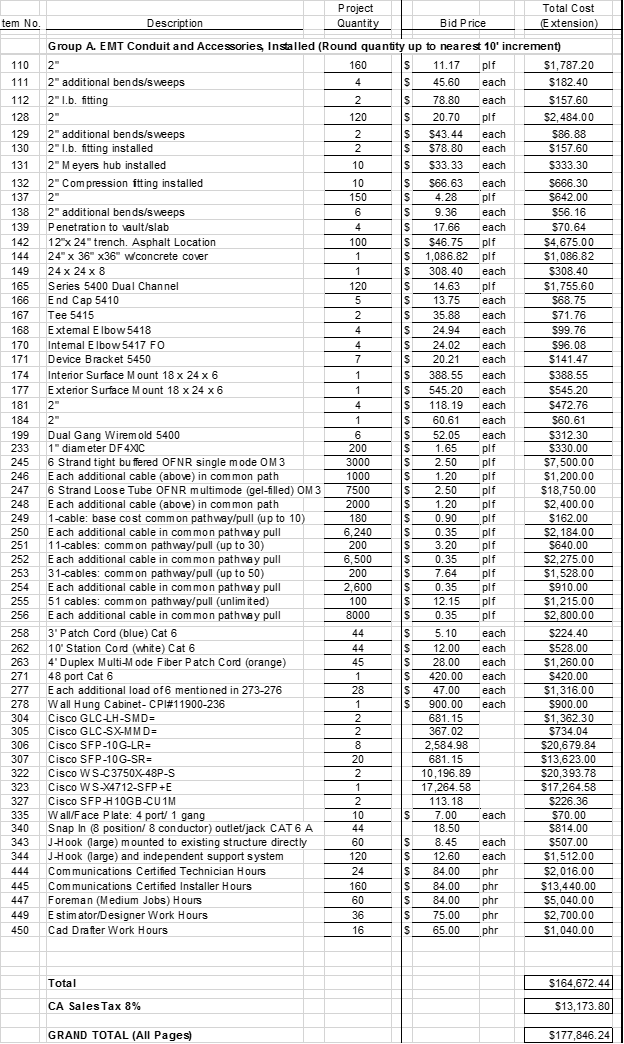


**Appendix C: Complex Cost Allocation for Shared Equipment at Non-Instructional Facilities**





**Appendix D: School A Full Scope of Work - 60 FRN Line Items**



**Appendix E: Case Study of Complexity of Managing Category Two Process**

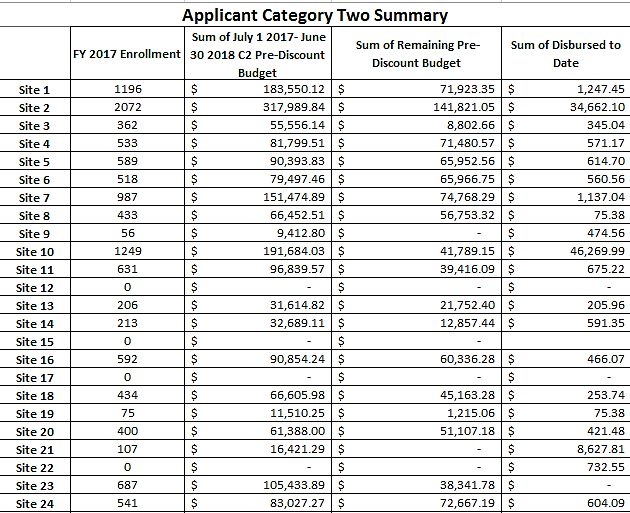
The purpose of this Case Study is to show the trajectory of a Category Two application under the current site-based budget platform and the complexities that exist from the moment the funding request is created until it is disbursed and reconciled.

Before an applicant embarks on filing for Category Two services an analysis needs to be performed to determine the available budgets for each site. The exhibits presented within this case study are to demonstrate the unavoidable complexities of filing for Category Two funding under the site based model as well as and the ongoing management and tracking of those funds. In this example the “District” has taken the approach of applying for their Category Two funds over multiple funding years. Due to various factors existing at each site including but not limited to modernization or equipment refresh schedules, building age, etc, the needs among the sites vary so the District must evaluate how to obtain the essential upgrades with the funding allocated to that particular site.

The exhibits are essentially a walk-through of the process an applicant applying for Category Two funding must go through if they are to effectively request, manage and obtain funding all while maintaining compliance with program rules. The examples presented reflect real documentation and processes utilized for funding year 2017. For the sake of anomynity the actual entity names will be reflected as “Site 1, Site 2” and so forth. “Applicant A” has 144 sites so in order to cleanly track their site based budgets each site has their own funding request or funding requests if more than one service provider is providing the service. Due to size limitations the full Exhibits are not reflected in this document but can be viewed in full as separate attachments.

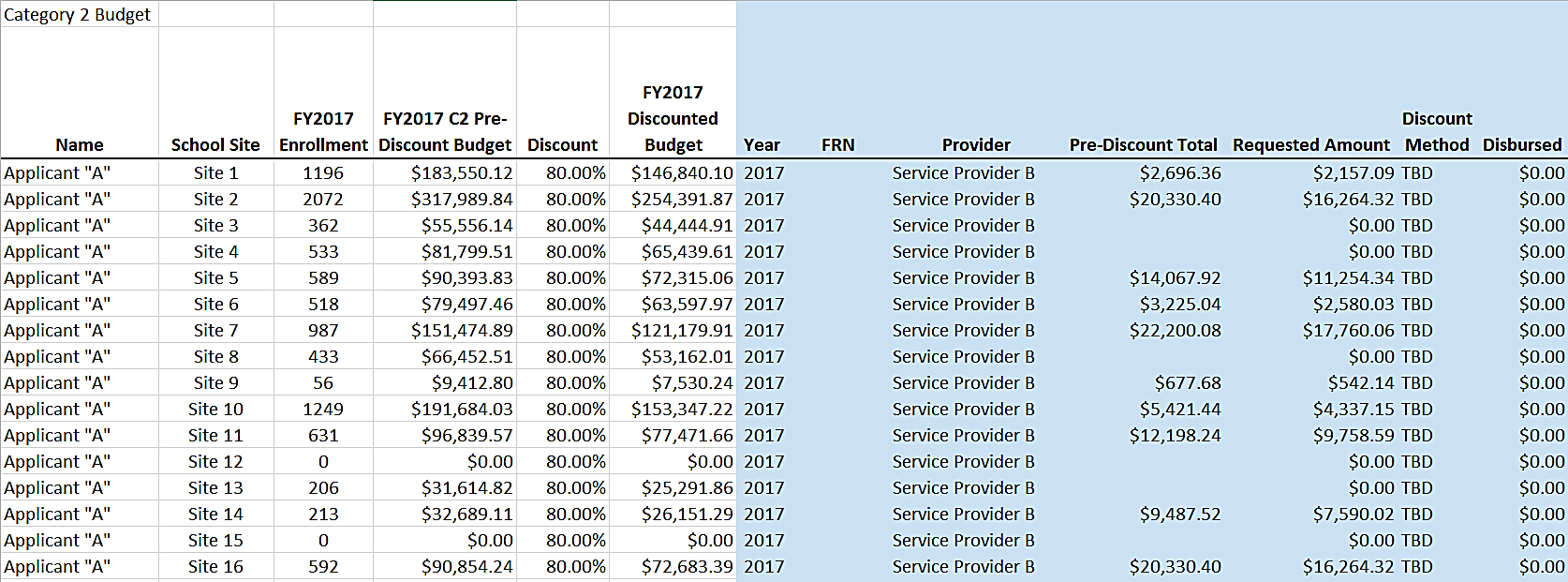
**Exhibit E-1:** Represents the Summary tab of an applicant created spreadsheet for the purpose of tracking the available individual site Category Two funding balances. Tracking both the Committed and Disbursed amounts is vital for the ongoing and ever-changing balances of the funding requests. The “Sum of Remaining Pre-discounted Budget” column reflects the balance of Category Two funding available for each site after subtracting the services already Committed in Funding Years 2015, 2016 and 2017. Within this same workbook are the details by year and site and is demonstrated in Exhibit E-2.

**Exhibit E-1: Category 2 Budget Summary**

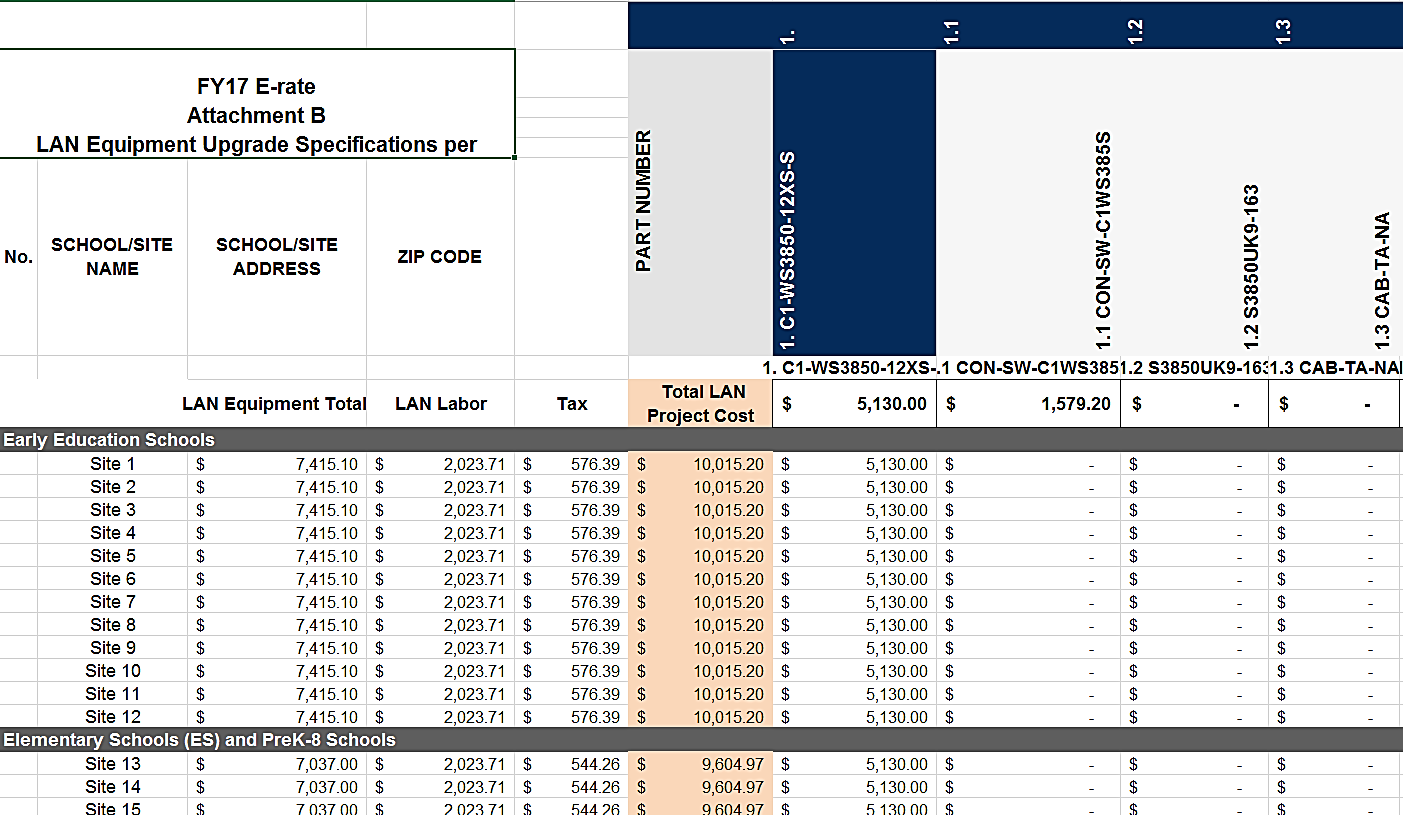


**Exhibits E-2 – E-3:** Upon completion of the competitive bidding process and vendor award, a cost analysis by site needs to be performed. The District created the cost analysis spreadsheet (Exhibit E-2 and E-3) which breaks down the equipment and the associated cost (including the removal of ineligible products) by site in order to establish the total cost and details that make up the funding requests. The total eligible services inputted into Exhibits E-2 and E-3 will be applied to Exhibit A-1 to determine where each site falls within their allocated budgets. If the quoted cost of the products and services exceed the site’s budget, a needs assessment will be conducted to determine which methodology will be applied to reduce the services requested. This spreadsheet will also serve as a reference point for the FRN line item details, PIA or other USAC reviews, invoicing, etc and contains over 90 columns to reflect each individual type of equipment or service that is part of this project.

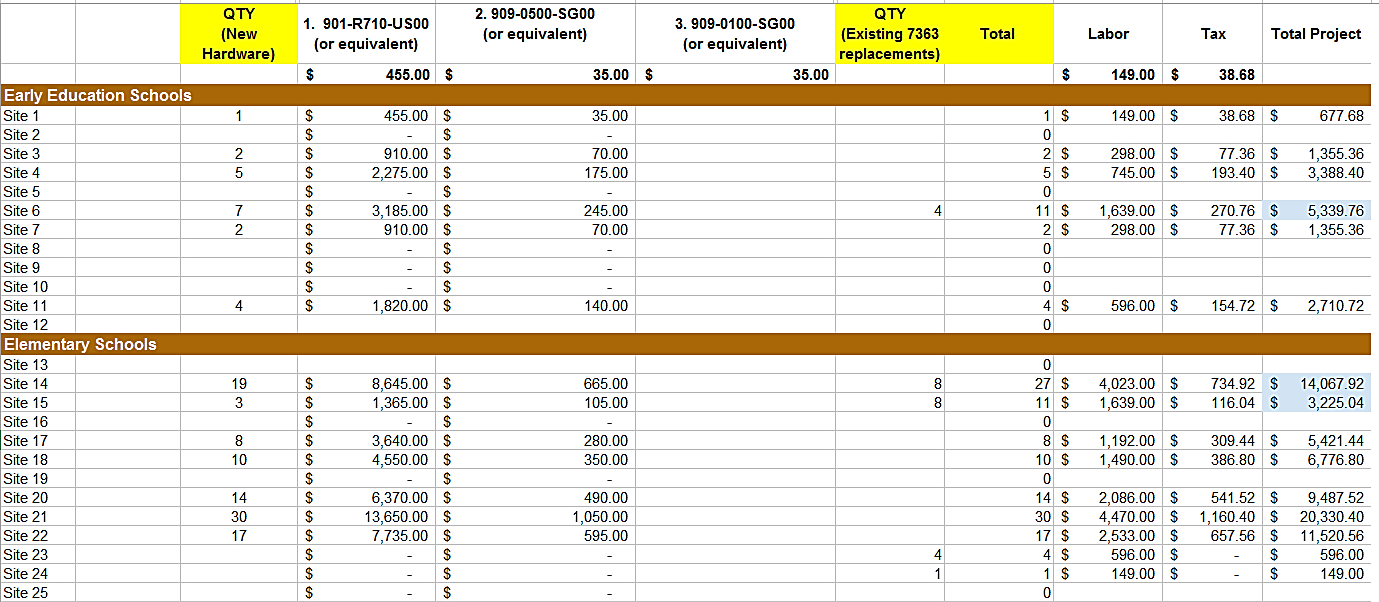
**Exhibit E-2 Category 2 Site Based Budget**



**Exhibit E-3**, **Vendor 1 Equipment, Services, Cost Detail by Entity**

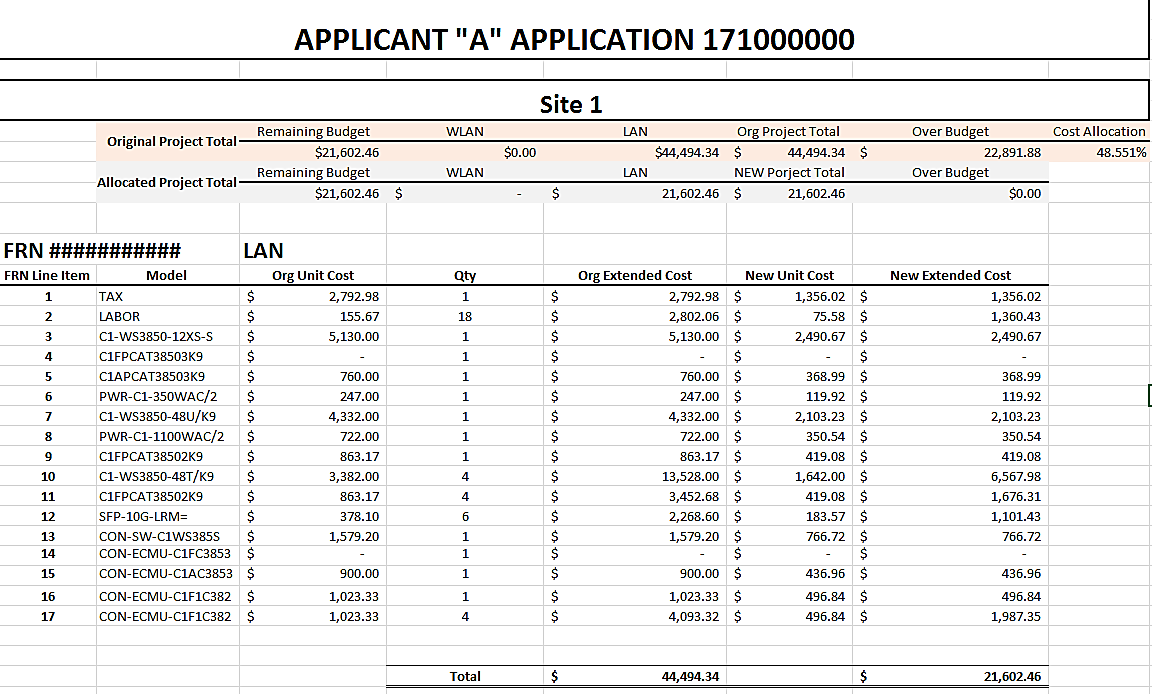


**Exhibit E-3 Vendor 2 Equipment, Services, Cost Detail by Entity**



**Exhibit E-4:** Site #1 had a remaining Category Two budget of $21,602.46 available for FY 2017 however the total cost of eligible services from Vendor 1 was $44,494.34. The next step is to reduce the requested amount by 51.449%. Another methodology to reduce the scope of the request is to remove actual line items from the request. However, to fully utilize the available Category Two budget for site 1, “Applicant A” chose the percentage cost allocation methodology. The administrative burden in this particular instance would be tracking the percentage cost allocation reduction throughout the life of the funding request. Reconciling and invoicing will be particularly difficult to manage.

**Exhibit E-4 Percentage Cost Allocation Methodology**



**Exhibit E-5:** USAC’s current FRN line item uploads consist of 23 columns of required fields that must be formatted correctly in order for them to be accepted when uploaded into the Form 471 in EPC. For example, a Funding Request with 20 FRN Line Items equates to 460 fields for this single funding request. Multiply this by 117 recipients of service and you have 53,820 fields to complete. Every piece of equipment or service must be entered on its own line item which imposes an extensive burden of time AND large margin of error that could potentially befall the applicant. If even a single field is not entered or formatted properly, EPC will not accept the upload. Although the FRN Line Item upload contains a verification mechanism where the applicant can validate that the upload is formatted correctly for upload, there is still a significant probability that the EPC system will reject that upload.

**Exhibit E-5 Form 471 FRN Line Item Upload**



Applicant A’s Form 471 for Vendor 1 generated 117 funding requests, one for each site/recipient of services and totaled 2,674 pages. Applicant A’s Form 471 for Vendor 2 generated 65 funding requests one for each site/recipient of services and totaled 606 pages.

After the application has been certified, it’s highly probable that it will undergo PIA review where adjustments may be made to the funding requests or recipients of services. Any modifications made during that process will require the District to update all applicable spreadsheets. Once the Funding Commitment Decision Letter is issued the District and the Service Provider must determine if there have been any changes to what was originally requested. From the time the application is filed to the Funding Commitment Decision Letter date, there are common issues that arise that will require some form of modification: one, changes to products and services due to end of life; two, technology advances of products; three, the need and utilization of product quantities; and four, closures or changes to school site locations. All these factors are outside of the Applicant’s control and therefore will affect the utilization of the funding request.

The administrative burden of filing for Category Two funding under the current site based model is enormous as has been supported in the Exhibits provided.

Exhibits E-1 through E-3 were necessary to reconcile the services and equipment requested in the RFP to the service provider’s bid response and then to the FRN line items.

Exhibits E-3, E-4 and E-5 are a part of the building of the FCC Form 471 funding requests.

One can see that based on the level of information required to complete the FCC Form 471 an Applicant cannot effectively review the application for errors when it consists of over 2,600 pages. It is our hope that this has provided valuable insight into a district’s processes and challenges in administration of the site-based budgets.

1. The District-wide per student budget needed to accomplish the five-year plan was $320.68 per student for the small school district and $404.89 per student for the large school district. [↑](#footnote-ref-1)
2. THESE ‘ANNEXES’ HAVE BEEN CREATED SOLELY BECAUSE OF THE FOUNDATIONAL PARENT-CHILD RELATIONSHIPS REQUIRED IN EPC. Prior to the advent of EPC, these entities were assigned their own entity number(s). [↑](#footnote-ref-2)
3. Nowhere is the impact of this model more apparent than for California’s County Offices of Education (also known as an Educational Service Agencies, or ESAs). These entities serve at-risk and special education populations at, typically, tens to hundreds of unique campuses spread throughout their geographic regions, often in rural areas. Prior to the implementation of the annex designation in Funding Year 2016, each of these separate address locations where students receive instruction from ESA-employed teachers were considered to be separate entities with their own Category Two budgets. The movement to the annex designation has effectively and significantly reduced the amount of Category Two funding available to each of these unique locations. For example, each special education campus typically enrolls fewer than 20 students. Prior to FY 2016, each site would qualify for the Category Two budget floor for a small school. As an annex, the site no longer qualifies for the budget floor but must rely on its proportional enrollment for the available Category Two Budget. [↑](#footnote-ref-3)
4. Appendix C: County Office of Education with 108 sites, 73 eligible and with adequate budget resulting with a 67.6% cost allocation across all FRN line items. [↑](#footnote-ref-4)
5. FCC 03-101 SECOND REPORT AND ORDER AND FURTHER NOTICE OF PROPOSED RULEMAKING, April 2003 [↑](#footnote-ref-5)
6. Shared core equipment such as switches, routers, firewalls, and wireless controllers. [↑](#footnote-ref-6)
7. For example, a high school with widely distributed buildings requiring more IDFs versus a more condensed campus with fewer IDFs [↑](#footnote-ref-7)
8. For example, older “hard-cap” buildings with little to no crawl space and concrete walls requiring more boring and raceway versus newer schools with crawl spaces and drywall walls [↑](#footnote-ref-8)
9. For example, with a shared wireless controller, the number of access points used at each eligible school could be a basis of the cost allocation. Sites without capped budgets cannot contribute to the cost of the controller on behalf of those sites that do have capped budgets. [↑](#footnote-ref-9)
10. USAC currently has multiple tools that must be used for the tracking and administration of Category Two budgets, yet none have complete information. There is currently no tracking of Funding Year 2017 in the Category Two Budget Tool, for example. USAC’s Category Two Budget tools track commitments for Funding Years 2015 and 2016, but not disbursements. The applicant must aggregate the data from multiple tools (Data Retrieval Tool, FRN Status Tool, Category Two Budget Tool, EPC Category Two Budget calculation) and its own data for FY 2017 and current 2017/18 school year enrollment in order to accurately forecast a budget by school. [↑](#footnote-ref-10)
11. PRIOR TO THE RECENT GUIDANCE, NEVER PROVIDED DEFINITIVE GUIDANCE AS TO ‘HOW’ AN APPLICANT SHOULD ADDRESS THE INSUFFICIENCY, ONLY THAT A FUNDING REQUEST SUBMITTED THAT EXCEEDS THE SCHOOL’S AVAILABLE BUDGET WILL RESULT IN DELAYS IN REVIEW AND APPROVAL OF THE REQUEST. [↑](#footnote-ref-11)
12. http://usac.org/sl/applicants/before-youre-done/service-substitutions.aspx [↑](#footnote-ref-12)
13. FCC 14-99 REPORT AND ORDER AND FURTHER NOTICE OF PROPOSED RULEMAKING, July 2014, Paragraph 210 [↑](#footnote-ref-13)
14. The short window of time where applicants are to update school enrollment and NSLP eligibility before it is locked-down by USAC prior to the opening of the FCC Form 471 window [↑](#footnote-ref-14)