



THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK /  
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May 6, 2002

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, N.W.  
Washington, DC 20554

Dear Mr. Caton:

On behalf of the New York State Education Department, I am submitting reply comments on proposed rulemaking for the School and Libraries Universal Support Mechanism, designated CC Docket No. 02-6.

### **State Role in E-Rate Program Administration**

#### Program Support for State E-Rate Coordination

Several education and related organizations commented on the important, but unfunded, responsibilities placed on states to approve technology plans, to file Form 470s for state master contracts, to provide in-state outreach for e-rate applicants, and to assist the Schools and Libraries Division (SLD) in applicant contacts and/or data verification.

This Department coordinates New York's e-rate effort using technology plan approval services of the public schools' Regional Information Centers and the regional library systems. We also fund a specialized consulting effort (E-Rate Central) to approve private school plans, provide statewide e-rate education, and coordinate with the SLD on a day-by-day basis.

We concur with the other state organizations that the Universal Support Mechanism should provide a modest level of funding to support state e-rate coordination.

#### State Caps or Block Grants

Several organizations also commented on the apparent disparity of e-rate funding among states and territories and suggested consideration of alternative fund distribution mechanisms involving state caps and/or block grants. New York disagrees with either alternative. In particular:

- New York applicants have been successful participants in the e-rate program, in large part due to the number and size of lower-income schools and libraries involved and to an active and effective e-rate support effort organized by this Department.
- Through its participation in the national e-rate efforts of the Council of Chief State School Officers, New York has noticed wide differences in level of resources devoted to state e-rate coordination. Providing program support for state coordination should mitigate disparities.
- Despite certain growing pains — many of which we expect will be corrected as the result of this rulemaking — the e-rate program has effectively distributed substantial technology funds nationwide in a nondiscriminatory and apolitical manner.
- Capping the amount of e-rate funds available to applicants in certain states, and reserving additional funds for applicants in other states, would likely increase the percentage of unused funds while withholding critical funding from needy applicants.
- The state block grant mechanism is already in use for other federal entitlement programs; an alternative direct mechanism such as e-rate provides a useful, balanced basis of comparison.
- Implementation of either state caps or block grants would require state administrative support well exceeding currently budgeted staff resources.

## **Consortia Requirements**

### Rule Change to Support State E-Rate Consortia

In analyzing New York State e-rate awards over the first three funding years, it is clear that the lowest level of participation occurs among smaller schools and libraries. The major reason for this disparity is not that the relative value of e-rate discounts is lower for smaller entities, but that the administrative costs of obtaining discounts is relatively higher.

In an effort to correct this situation, New York is exploring alternative filing mechanisms that would permit e-rate participation by its smaller schools and libraries. The simplest and most efficient approach could be to develop one or more e-rate consortia that would:

- File one Form 470 on behalf of all members;
- Accept bids from a number of service providers and let members sign up, and be billed directly, for local, long distance, and Internet services from selected vendors;
- File one Form 471;
- File one Form 486; and
- File vendor-specific Billed Entity Applicant Reimbursements as required, distributing payments in accordance with individual member usage and discount rates.

While this approach would clearly provide e-rate benefits to smaller entities, with minimal administrative involvement on their part, such consortia are currently constrained by a rule requiring the consortia leaders to be billed entities. The administrative costs of handling the billing for numerous small members would make such consortia impractical.

As a solution to this roadblock, New York supports the suggestion of Tel/Logic Inc. (d.b.a. E-Rate Central) (See comments Item 7, pages 9-10) that administrative e-rate consortia be permitted. We concur with Tel/Logic's conclusion that proper control conditions can be met by

requiring the consortia leaders to maintain billing records of its members without actually paying the bills themselves.

If the Commission is concerned about relaxing this consortium restriction generally, we suggest that the Commission consider waiving the restriction only for state-sponsored consortia. Precedent for state-level e-rate rules currently exists in the Commission's treatment of state master contracts.

Sincerely,

Richard H. Cate