

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

In the Matter of)	
)	FCC 10-83
Schools and Libraries Universal Service)	
Support Mechanism)	CC Docket No. 02-6
)	
A National Broadband Plan)	GN Docket No. 09-51
For Our Future)	

Comments of CSM, Inc.



CSM, Inc.
3130-C Inland Empire Blvd.
Ontario, California 91764
909.944.7798
www.csmcentral.com

Table of Contents

Heading	Page
I. INTRODUCTION.....	3
II. STREAMLINING THE APPLICATION PROCESS.....	4
i. Technology Plans.....	4
ii. Competitive Bidding Process.....	5
iii. Codifying a Fair and Open Competitive Bidding Process.....	7
iv. Application Process Streamlining.....	7
v. Discount Matrix Streamlining.....	10
III. PROVIDING GREATER FLEXIBILITY TO SELECT BROADBAND SERVICES.....	13
i. Wireless Services Outside of School.....	13
ii. Expanded Access to Low-Cost Fiber.....	14
iii. Targeting Supported Services for Broadband.....	15
IV. EXPANDING THE REACH OF BROADBAND TO THE CLASSROOM.....	18
i. Predictable Internal Connections Funding for More Schools and Libraries.....	18
ii. Indexing the Annual Funding Cap to Inflation.....	23
V. SUMMARY.....	24

I. INTRODUCTION

CSM, Inc. (“CSM”) is submitting these comments in response to the Commission’s request for comment on the Notice of Proposed Rule Making (FCC 10-83) 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) in California. Our primary client base is in California, though we also work with some large school districts in other states throughout the country. We file approximately 1,800 funding requests on 375+ Form 471 applications every year as well as California’s statewide consortium application. Our client base consists solely of applicants including consortium and public, private and charter school systems ranging from 21 to 200,000 students. Our staff members are highly versed in E-Rate processes and routinely communicate with USAC administration on program compliance issues. CSM has been intimately involved in dozens of the Attestation Examination processes over the last three years and many of our comments are tempered by our observations throughout those examinations. CSM is a member in good standing of the E-Rate Management Professionals Association (E-mpa™). We are proud to submit our comments to these important proceedings and welcome the opportunity to present our ideas and observations based on our depth of experience in the day-to-day operations required of a successful E-Rate application process.

We feel it is noteworthy at this point to iterate that the E-Rate Program has been a resounding success on so many levels; the Commission and the original authors of the program are to be commended. That being said, the context of the following comments should be considered in relation to the reality of today’s E-Rate program, particularly from an ‘available funds’ standpoint. The comments/suggestions that follow take a hard stance and suggest significant change and even a departure from the commonly accepted ‘way’ that business is conducted in the E-Rate program. **These comments are based upon an assumption that a significant infusion of predictable funds is not forthcoming in the near future.** If there is a significant infusion of funds, above and beyond that which is proposed in the NPRM, our comments would have been significantly different; particularly those regarding abolishing support for some eligible services and ensuring predictable internal connections funding. However, since it does not seem to be the Commission’s intent to infuse another \$2 billion into the fund (the minimum amount we feel is required to allow the program to continue as it has been with the anticipated demand), CSM has proposed what we think are balanced solutions based upon current and future demand and with the aim of ensuring the longevity of the program for all applicants.

All of that said, CSM submits the following for thoughtful consideration.

II. STREAMLINING THE APPLICATION PROCESS

i. Technology Plans

The technology planning component of the FCC's rules has, for a number of years, been a complicated and often misunderstood process fraught with pitfalls from a 'gotcha' standpoint in the applicants' ability to maintain compliance not only with the rules of the program, but in the spirit of the program, both in theory and in practice. CSM agrees there is a need for some sort of tangible technology planning in the E-Rate application process but disagrees that it must consist of a complex document addressing curriculum and instructional strategies, budget concerns, and other institutional needs that are often indirectly connected to the technologies required from a physical networking perspective. Let's face it, technology planning is ongoing. As new technologies emerge on an almost daily basis, it is nearly impossible to keep up with them in a written document with all of the time-intensive associated writing, review, and approval processes that are currently required for E-Rate program compliance. As newer, faster, more robust technologies are available, they are explored in an effort to determine how or if they might enhance an applicant's existing infrastructure or how they might help the applicant achieve the ever shifting technology goals of its organization. In order to support this milieu, and in concert with the Commission's comment in the 5th Report and Order *19 FCC Rcd at 15829, para. 62* "***...seek[ing] comment on whether increased use and familiarity with Internet access in the intervening six years makes this [technology plan] requirement unnecessary in today's environment,***" CSM would suggest the technology planning process be simplified to incorporate the fast pace that technology is changing and afford protection against Waste, Fraud and Abuse ("WFA") in the following manner.

Every applicant needs phone service. Every applicant needs some form of data transmission services. Every applicant needs Internet access. Since it is reasonable to assume that every applicant needs these services, do not require a complex technology 'plan' document or process with all of the associated complexities to support for these types of services, regardless of the dollar amount of requested funding. Fiber is fiber, and often the only difference in the dollar amount of one applicant's request versus another is in the total number of lines. Obviously, the overall cost of service for an applicant with 200+ sites at 100Mbps is going to be much higher than that for an applicant with only 20 sites at 100Mbps, but it is still fiber service. Requiring a different standard based on dollar amounts is arbitrary and does not provide protection against WFA; it is just another requirement that further complicates an already complicated process.

Since the applicant community is very comfortable with the idea of "Forms," CSM suggests that the Commission modify the initial application process to integrate a standardized "Form" that lists the technologies for which the applicant is seeking SLSM funding, whether hardware or services, and require it be filed in anticipation of or in conjunction with the posting of an FCC Form 470.

Combining the technology planning requirement in conjunction with the posting of the Form 470 would achieve several goals. One, it would encourage an applicant to apply some measure of critical thought to its needs. Two, it would allow the applicant, USAC staffs and subsequent auditors a mechanism by which to substantiate that there was some thought process behind any subsequent request for SLSM support for those needs. Three, since the form is standardized, the subjective nature of the existing process is removed, whereby one reviewer's interpretation is different than that of another's. Four, it would take the burden of approval for an applicant's plan from the already overburdened and underfunded state-level approvers, and streamline the process with the Commission's oversight. Finally, this process would take the guesswork out of determining whether there is a need for a technology plan. All applicants would complete this significantly simplified and streamlined form for all requests irrespective of the dollar amount, size of the organization, type of technology or whether it is for Priority One or Priority Two funding, or both.

CSM comments that states across the country are experiencing significant budget cuts, with more on the way, and would have great difficulty absorbing the additional technology plan approval effort suggested by the FCC in its NPRM. CSM comments that pushing more work back onto the states would slow down the approval process and further complicate an already burdensome and difficult process. CSM urges the FCC to move toward simplification and the easing of technology plan requirements at this time.

In summary, CSM recommends the following:

- Retain a modified and greatly simplified technology planning process.
- Replace the existing process with a form that is in concert with the Form 470 and that is filed with USAC with FCC oversight.
- Do not push the responsibility for oversight of a complex technology plan approval process back on the often resource starved state-level approvers.

ii. Competitive Bidding Process

Modifications to the Form 470 and Form 470 process

The Commission's Form 470 process, while somewhat complicated, has been an effective tool in allowing an applicant to receive proposals for requested products or services with some measure of competitiveness and standardization. At this time, CSM does not support the suggestion to abolish the Form 470 process from the E-Rate application cycle, on any level. CSM does, however, have some suggestions for ways to streamline and/or simplify the process while still maintaining the integrity and intent of the Commission's requirement for a fair and open competitive bidding process.

The Commission has requested comment on whether there is value in abolishing the need for a Form 470 in instances where there are applicable state or local procurement guidelines in place for the procurement of Priority One services. CSM *does* concur that applicants continue to be required to adhere to applicable procurement law or guidelines in their respective states; but we also suggest that in the presence of applicable procurement guidelines, rather than try to 'force' the state guidelines to fit those of the Form 470, to allow the Form 470 the ability to 'conform' to state or other local guidelines.

As for additional streamlining of the Form 470 and its associated processes, CSM suggests once an applicant has conducted a competitive bidding process with an associated Form 470 that a subsequent competitive bidding process and Form 470 be required for Priority One services only if an applicant is looking to change services or otherwise contract with a new service provider. A particular area of complexity and, in our opinion, an unnecessary burden, is the current requirement that a Form 470 be filed every year for Priority One tariff or month-to-month services when in fact, the applicant has no need, intent or option to change service providers. Removal of this burden will allow for applicants to file their Forms 471 earlier, allow USAC to review and approve their applications more quickly and efficiently, and will allow for earlier release of Funding Commitment Decision Letters ("FCDL").

Additionally, the Form 470 could be streamlined and simplified to become a more effective tool in today's E-Rate program in the following manner:

- **Remove the current requirement to complete Block 2, Items 7a, b and c of the Form 470.**
 - ◆ This information is often misunderstood and/or misrepresented and is of little or no value to the process, particularly if other changes to the Form are adopted.
- **Rather than have a separate section for each of the "Categories of Service," offer simply "Priority One" or "Priority Two" as the only choices.**
 - ◆ One of the particularly challenging areas of compliance is selecting the correct category of service on the Form 470. Often there is confusion about where services reside. For example, an applicant may select the Internet Access category of service for its high-speed wide area network ("WAN") as this connectivity ultimately allows the applicant's classrooms access to the Internet. However, it would more correctly be classified as a Telecommunications service (although exceptions do exist). Result...denial.

- **Allow each service/function/quantity to be briefly addressed INDIVIDUALLY under the “Priority One” or “Priority Two” service categories.**
 - ◆ It is assumed the Commission’s intent for this requirement was to aid service providers interested in responding to a posted Form 470 determine whether they held the appropriate certifications or if their service offering was of interest to an applicant before requesting additional information or responding. CSM contends that after 13 years of the program, those service providers who participate in the E-Rate program are (or should be) savvy enough to make that determination without requiring an applicant to ‘check the correct box.’ As an aside, as most applicants will attest, it has become much more commonplace for potential service providers to simply blast their offering via email to every contact person listed on, for example, a Form 470 that checked the “Internet Access” box without actually perusing the Form’s details to ensure the applicant was seeking support for “Internet Access” rather than hosted email service or any of the other services that fall under the category “Internet Access.” In effect, this practice has diminished the need for any high level of specificity from a category of service perspective and a change to this process may in fact force potential service providers to actually read and understand the needs of their potential customers.

- **Allow applicants to specifically reference their state and/or local guidelines with regard to the availability of an RFP, RFB, IFB, RFQ or any other associated document, including the posting date, due date and accessibility information for the interested parties.**
 - ◆ A particular area of interest and scrutiny by USAC in the Form 470 process is acknowledgement of the existence or planned existence of an “RFP.” CSM agrees that the Commission’s *Ysleta Decision* requiring notification of the availability of other documentation with more detail than what is available on the Form 470 is necessary to ensure open, fair and competitive bidding. However, under the current Form 470, the term “RFP” used unilaterally to refer to this ‘other documentation’ has caused a great deal of confusion among applicants whose procurement process may not be an “RFP” by their definition. To cure this problem, CSM recommends that the Form 470 allow the applicant to indicate the details of their accompanying documentation on a line by line and case by case basis without the need for multiple Form 470 applications to address different due dates of the processes. Another area of scrutiny and potential risk for an applicant is the ability to demonstrate the date on which their accompanying documentation and/or process was made available to potential respondents. CSM would suggest that the Form 470 allow the applicant to not only indicate the existence of an accompanying process, but indicate the specific posting and due date of it as well. Most importantly, CSM suggests that in the presence of structured state procurement guidelines whereby there are procedures mandated with regard to posting media, timelines, etc., the Form 470 should conform to those measures and the 28-day requirement would be re-aligned to correspond accordingly. The important distinction here is that in the absence of those same or similar guidelines, the 28-day requirement would be retained.

In summary, in response to the Commission’s request, CSM comments that a modified Form 470 would continue to serve a useful purpose in achieving the Commission’s goal of ensuring an fair, open, and competitive environment in the procurement of services or products to be supported under the SLSM. Additionally, some of the modifications noted above would help enable an applicant’s processes to be more effective and compliant by default in that they require ‘acknowledgement’ by the applicant during application construction.

- Retain a modified Form 470 process for all applicants excepting those not making any change to their contracted, tariff or MTM providers.

- Streamline the Form 470 application
 - ◆ Remove unnecessary sections of the Form
 - ◆ Only include priority one and priority two services as options
 - ◆ Align 470 window (28 days) in the presence of state and local requirements

iii. Codifying a Fair and Open Competitive Bidding Process

The Commission's suggestion to amend CFR 54.510 to codify the requirement of conducting a fair and open competitive bidding process is welcome. However, providing an illustrative list demonstrating the types of activities or behaviors that would be prohibited under the amendment is, in our opinion, overkill. Most (if not all) applicants are already subject to guidelines that prohibit the activities described in the illustrative list and the presence of a 'list' could lead to a rebuttable presumption that the list is all inclusive, regardless of whether it is indicated as 'not exhaustive.' In the interest of streamlining the application process and lessening the burden on participants and administration, the simple amendment to the rule should satisfy the intent of the Commission and investigations surrounding alleged misconduct can be evaluated on a case by case basis.

In summary, CSM comments that:

- Codification of CFR 54.510 in the manner suggested is welcome.
- It is not necessary to make a 'list' of prohibitive behaviors.
- Instead, rely upon codification and/or state or local conflict of interest requirements

iv. Application Process Streamlining

The Commission has requested comments regarding whether all forms should be required to be submitted and certified online. CSM agrees that this suggestion is responsible and warranted providing all USAC systems are updated to allow a seamless, transparent process that does not affect the day-to-day access to the database required by applicants, service providers and other interested or affected parties.

Online Form 500

CSM would also comment that to ensure uniformity of process, the Form 500 should be added to the list of forms that will be submitted online. Currently, the Form 500 has several purposes, with another added to its function list soon if the Commission's suggestion later in the NPRM is adopted, but it is not even available for online submission, much less online certification. This deficiency adds to the delays experienced by applicants and service providers in the invoicing process particularly as an invoice cannot be paid by USAC if the Contract Expiration Date and Implementation Deadline are not in agreement. Online submission and certification would ease these delays and allow a better mechanism by which to track the progress of the Form throughout its processing.

Accommodate the need of Consortia Applicants with Online System

CSM manages the California Statewide Consortium application process and in that role, we have been thwarted by the deficiencies the online Form 471 presents in the application construction process. If the Commission does adopt a requirement that all forms be submitted and certified online, CSM comments that the Consortium application process must be closely examined for conformity to this requirement. Currently, more complex consortium applications must be submitted on paper and await USAC data entry before application review can begin. For FY 2010, Block 4 of the California application consisted of approximately 1,500 pages of details for Block 4 Worksheets A and C that required painstaking line by line entry by USAC (or contracted) personnel which took about 6 weeks to complete. As an aside, it should be noted that USAC staff completed the data entry with minimal 'operator error' and the application is in active review as of the preparation of these comments; but the situation is far from ideal. Had the online form been available in a useable form for consortia, the application could be up to 6 weeks further along in the review process which would support the Commission's intent for streamlining the application process.

Though the Commission has not requested comments specific to the following, CSM would like to take this opportunity to discuss some additional ideas that lend themselves to this section of the NPRM in so much as, in our experience with a multitude of applicants throughout the country, they are related to additional ways to streamline the application process.

Better Define Applicant Types

As part of our role in the national State Consortium Group (SCG), and as management professionals responsible for hundreds of applications and thousands of funding requests annually, CSM comments that the current ‘applicant type’ designations are not always representative of the different ‘types’ of applicants. For example, the Form 470 and Form 471 both request that an applicant designate whether it is considered a school, school district, library or library system, or Consortium. CSM comments that there are additional ‘types’ of applicants that, if designated correctly, may ease the application review process immensely, thereby reducing the administrative burden on both the applicant and USAC.

CSM would suggest the following applicant types:

- Public School or Public School District
- Non-Public School or Non-Public School System – *Including (but not limited to) Charter Schools, Private Schools, Parochial or Diocesan Schools.*
- Intermediate Agencies – *Including (but not limited to) BOCE, ESA, COE*
- Library or Library System *(there may be additional striations here, but CSM is not well versed enough in library entities to speak directly to this possibility)*
- Consortium
 - ◆ Consortium of Public Schools or School Districts
 - ◆ Consortium of Non-Public Schools or Non-Public School Systems
 - ◆ Consortium of Libraries or Library Systems
- Statewide application – *Including State Networks, State wide Networks or Statewide applications*
- Other *(for those applicants whose structure is not clearly defined by any descriptors above)*

CSM contends that entity type designation of this specificity would result in several benefits.

- It would allow review of the application to be tailored to the ‘type’ of entity.
 - ◆ Different entity types have different, yet more often than not, standard organizational parameters that may differ from that of another entity type. Designation would allow Program Integrity Assurance (“PIA”) Review to address known specifics about a particular entity type up front without a need for asking inappropriate or “unanswerable” questions which often slow down the review process.
- It would allow the Commission and USAC to compile meaningful data as to ‘who’ the beneficiaries of the program are and plan accordingly.
- It may reduce the instances of applicants whose structure *(and ultimate eligibility)* may not be clearly defined from getting ‘lost in the shuffle’ and allow USAC to assist them in defining their true entity type for eligibility purposes. If an applicant cannot certify that it is one of the types indicated, it would check “Other” requiring USAC to reach out and determine which type it should be based on the information provided prior to PIA review.
- There is a real difference in “Consortia” and “State Networks” that operate under the definition of “State Networks” (“SN”) and trying to fit the SN *(square peg)* into the Consortia *(round hole)* causes immeasurable pain, suffering and interminable delays during the application review process. Separating the two would streamline the review process exponentially and allow the critical funding needed for these entity types to flow more quickly in order to best serve the vast populations they represent by allowing the question and answer period be tailored appropriately.¹

¹ Many State Networks require via legislative action that ALL public school districts (and other agencies such as public libraries or systems) receive their services from the SN. Under current procedures, upon presenting proof of the legislation, USAC does not require this type of SN to collect Letters of Agency (“LOAs”), such as what is required of Consortia applicants, because the entities have no choice but to allow the Billed Entity to contract on their behalf. Taking this policy further, all State Network applicants (those that are wholly operated by state government) should be exempt from collecting LOAs. The majority of public schools and libraries take advantage of their ability to connect to their state network and, purely by taking this action, are entirely aware of services procured by the state on their behalf.

Revise Categories of Service to Delineate Broadband Services and Basic Voice Services

The NPRM also suggests that one of the ways to perhaps lessen the demand on the fund might be to no longer support “Basic Voice Services.” CSM has specific comments on that topic further along in the document but for purposes of this section, we would suggest that the Commission’s idea is difficult to assess without a clear understanding of the impact such a change would have on the beneficiaries of the program. In order to address this, and allow the Commission to collect meaningful data on the subject, CSM suggests that FCC Form 471 categories of service be restructured to allow a separation of support for services considered to be ‘Basic Voice’ from the overarching “Telecommunications” category of service. Current practice does not allow a clear picture of the true demand on the fund that is related to “Basic Voice” services and it also does not allow the Commission a meaningful understanding of the ongoing support required for implementation and delivery of “Broadband” services, as suggested by the National Broadband Plan (“NBP”).

To cure this problem, CSM suggests the FCC Form 471 allow a designation for Priority One services’ support to be one of two types; “Basic Voice Services” (*with definition*) or “Broadband Services” (*with definition*). CSM’s thought as to very loose definition(s) are:

- **“Basic Voice Services”** – services delivered via public, switched telephone network and provided by an eligible telecommunications provider; interstate, intrastate and/or local toll services provided by an eligible telecommunications provider; voice mail provided by an eligible telecommunications provider; etc.
- **“Broadband Services”** - data transmission services at speeds higher than dial up regardless of the transport method (managed fiber, dark fiber, point-to-point, etc.); cellular/wireless services (whether voice or data); managed VoIP services; Internet access (with or without transport); managed email service; etc.

Obviously, the definitions would require critical review for compliance, but we are hopeful the general idea is clear. CSM suggests that “Basic Voice Services” (that is ‘dial tone’ services) must continue to be provided by an eligible telecommunications provider but “Broadband Services” could be provided under whatever definition results from the Commission’s proceeding regarding changes to the Eligible Services List.²

After 13 years, applicants are comfortable with the idea of categories. It is the opinion of CSM that this modified designation of service would allow the Commission, USAC *and individual beneficiaries* to more effectively track the operational and financial impact of no longer supported “Basic Voice Services” as well as to allow some insight as to the saturation of services encouraged by the NBP, namely “Broadband Services.” For example, a “Broadband” category of service and its associated demand could be compared state by state or by regions within a state or nationally to determine if a particular region or area is predominantly ‘underserved’ by the availability of Broadband services. CSM has compiled preliminary data based on the applications filed by Public School Districts in California that suggests that “Broadband Services” (*as loosely defined above*) constitute nearly 75% of Priority One requests submitted in FY 2010. Please see: **“Targeting Supported Services for Broadband”** section of this document for the detail of this analysis.

Again, since the Commission has requested comment on how to streamline the application process, it is the opinion of CSM that the suggestion above would allow the PIA review to be streamlined exponentially. Currently, applications are subject to particularly intense review in the area of “Internet Access” (“IA”) versus “Telecommunications” for services provided in a bundled manner. In fact, USAC and the PIA review procedures often require complicated, time consuming and often incorrect cost allocations for data transmission services if the service is deemed to provide both telecommunications and basic conduit access to the Internet on the same transport. Typically, an applicant finds it difficult to even answer the questions because so many voice solutions (even those considered ‘basic’) have some component of the service requiring data transmission, such as PRI. It is the opinion of CSM that a cost allocation should not be required in instances where an eligible Priority One

² CSM concedes that the particulars regarding the definition of ‘eligible provider’ have not been completely factored into the suggestion above, but suggests that there is a workaround on the horizon based on the ultimate decision as to the eligibility of dark (or dimly lit) fiber among other items.

service is being provided whether that service is telecommunications or Internet access, principally based on the assumption that the circuit or line is enabling the effective transport of information to the classroom, whether voice or data, which has always been a cornerstone of the program.

v. Discount Matrix Streamlining

In general, CSM agrees there is significant value in the proposal submitted by E-rate Provider Services (EPS) regarding revision of Block 4 of the Form 471 to require that a simple districtwide discount percentage be applied to a matrix, rather than the complicated site based weighted discount calculation currently required. We concur that if the suggestion (or one like it) is adopted, much of the PIA process that relates to entity validation and discount validation would be minimized and/or eliminated, allowing for applications to move through the process much more quickly. Should the Commission desire to continue to collect school-level information, we suggest that it be collected in the form of an attachment, much like the current Item 21 attachment, rather than in the Form 471 itself.

CSM has researched how the proposed change to using a simple districtwide National School Lunch Program (“NSLP”) participation percentage applied to a modified matrix might affect the demand on the fund, specifically among California public school districts’ requests for Priority One services (We will address the Priority Two discount later in the section regarding equitable and predictable access to internal connections funding).

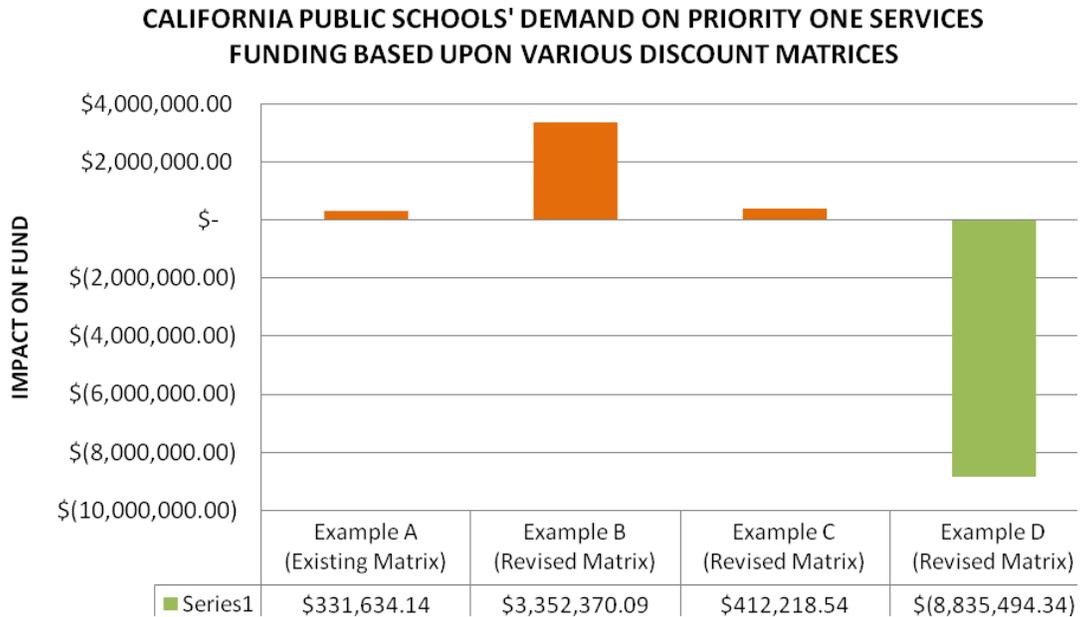
Revised Matrices: The data below begins with the existing discount matrix (Example A) and then examines three additional matrices of increasing granularity (Examples B, C and D). The scenarios below assume a single matrix with no designation of Urban or Rural status.³ The simple NSLP percentage (total participation/total enrollment) was applied to the revised single matrix to determine the discount, and then applied to California Public School Districts’ FY 2010 Priority One services funding requests.

TABLE II.1

Example A Current discount matrix		Example B Revised discount matrix		Example C Revised discount matrix		Example D Revised discount matrix	
NSLP %	Matrix Discount						
<1	20%	<1	20%	<1	20%	0-9%	30%
1-19%	40%	1-9%	30%	1-9%	30%	10-19%	40%
20-34%	50%	10-19%	40%	10-19%	40%	20-29%	50%
35-49%	60%	20-29%	50%	20-29%	50%	30-39%	60%
50-74%	80%	30-39%	60%	30-39%	60%	40-49%	65%
>75%	90%	40-49%	70%	40-49%	70%	50-59%	70%
		50-74%	80%	50-59%	75%	60-64%	75%
		>75%	90%	60-69%	80%	65-69%	80%
				70-79%	85%	70-74%	82%
				80%+	90%	75-79%	84%
						80-84%	86%
						85-89%	88%
						90%+	90%

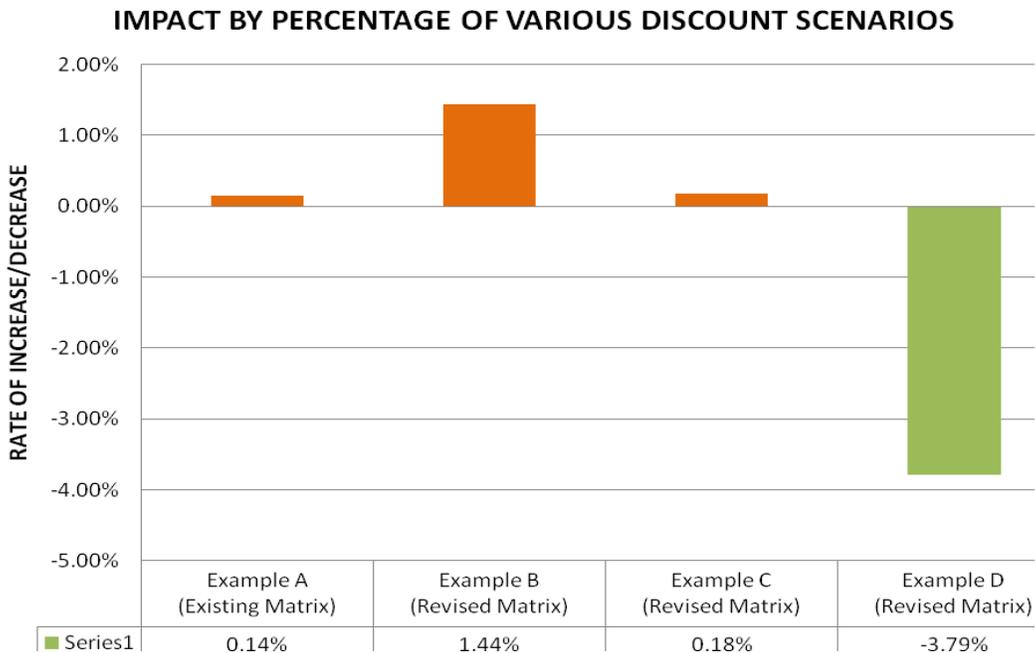
³ California has only 16% of its public school entities designated as “rural” under the current definition. Therefore, in an effort to truly streamline and simplify the discount calculation process, our matrices assume no consideration to the ‘rurality’ of an entity whether under the current definition or under any proposed change.

TABLE II.2 illustrates the impact on the fund, based upon scenarios A through D:



CSM examined these myriad scenarios as we feel that it is important that the FCC be aware of any potential financial impact of proposed modification of the discount mechanism. California public schools' Priority One applications for Funding Year 2010 equate to approximately \$232,973,000 in funding requests, which represent approximately 11.4% of the overall, national projected Priority One funding requests of \$2,038,196,437. The table below illustrates the overall impact by the various scenarios we ran (A through D), with percentage increase or decrease in demand on the fund. It is also noteworthy to mention that Priority One funding has become, and we assume will continue to be, a staple of the E-Rate program and protecting its feasibility is a goal we assume the Commission has prioritized on some level.

TABLE II.3



As evidenced by the data, it is CSM's opinion that in order to effectively achieve the goals of streamlining/simplifying the discount calculation process, Example C is the most palatable option. The overall effect noted is statewide, though individual applicants may see a reduction in their ultimate eligible discount percentage. We responsibly realize that there may be a large contingent of applicants throughout the country (inclusive of some of our clients) that will at first glance, be alarmed at the possibility of 'losing' funding that has become part of their normal operating budgets and in this economic climate, may be too much to bear in the short term. We are hopeful however, that when the proposal is carefully considered by the potentially affected parties, there is a sense of stewardship and an adoption of the 'give and take' mentality required to ensure the continued viability, effectiveness and success of the program under the current cap. It is for this reason that CSM encourages the Commission to thoughtfully reflect that in order to allow applicants to work through their procurement in FY 2011 with consideration of a potential reduction in funding, implementation of a solution such as Example C is considered for FY 2012 at a minimum. The idea behind this delay is that applicants will foster a more competitive process and choose an even more cost effective solution ongoing in order to bridge the potential funding gap with minimal impact.

In summary, CSM submits comments on streamlining the application process would be enhanced by the following actions:

- Implement an online Form 500.
- Update/improve the online application process for Consortium applicants.
- Revise Priority One categories of service to "Basic Voice Services" and "Broadband Services."
- Implement a revised discount matrix for Priority One Services based upon a simple districtwide NSLP participation percentage.
- Collect site-level data in an attachment outside of the Form 471 that is similar in concept to the Item 21 attachment.

III. PROVIDING GREATER FLEXIBILITY TO SELECT BROADBAND SERVICES

i. Wireless Services Outside of School

The Commission requests comment on the feasibility of adopting the NBP's recommendation to provide full E-Rate support for wireless Internet access service used with portable learning devices that are used off premises. CSM respectfully submits the following for consideration.

A common theme throughout the NPRM is how to address the robust goals and objectives of the NBP within the confines of the finite resource that is the Schools and Libraries Support Mechanism (SLSM) while also considering ways to 'spread the money' to a larger pool of applicants. Opening up support for wireless Internet on portable devices used off premises to any applicant remotely interested in exploring this possibility is not going to allow the Commission to achieve either of the stated objectives.

That being said, it is the opinion of CSM, and in particular, a valued customer/partner of ours, San Diego Unified School District's Chief Information and Technology Officer, Darryl LaGace, that a limited rollout of this technology solution be supported in the form of a pilot program over a three-year period. Mr. LaGace suggests that an applicant interested in obtaining discounts on services of this type *be required to demonstrate certain measures of readiness* in conjunction with its application as illustrated below

The applicant must have a pre-established plan for the following minimum requirements:

- ♦ One-to-One computing initiative (three-year minimum pilot)
- ♦ Desktop filtering application(s) that are compliant with both CIPA and Protecting Children in the 21st Century Act
- ♦ Student lesson plans and curricular coordination
- ♦ Budgeted resources for any necessary hardware/filter purchases
- ♦ Annual training for teachers and staff members
- ♦ Phased rollout to student population

Mr. LaGace comments that San Diego Unified School District has already begun to implement services of this nature under the currently established rules; but the restrictiveness of the rules regarding the use of such services off campus has greatly reduced the effectiveness of support from a financial perspective. The cost allocation required on the monthly service charges related to estimated use from an ineligible location (off campus) is so great that the ultimate benefit is essentially negligible. It is because of this circumstance that San Diego USD has not moved as quickly as planned to implement the service on a more wide-spread basis, though all other suggested factors of readiness are in place.

Given the multiple concerns from the Commission regarding the logistics of providing support for wireless Internet access on portable devices, CSM and San Diego Unified School District strongly support a limited, controlled and structured pilot targeted to those applicants able to demonstrate readiness and a willingness to accept the additional burden of compliance and oversight that would accompany receipt of support for a minimum of a three year period. Additionally, in order to control the potential impact on the fund, CSM comments that a ceiling be placed on the amount of funding allocated during the pilot period. It would be reasonable to assume an incremental increase each year of the pilot to accommodate more widespread rollout. A practical estimate would be \$30,000,000 in the first year, \$60,000,000 in the second year and \$120,000,000 in the third year. This strategic plan would be funded in part with little impact on the fund by some of the other proposals throughout this document that result in a softening of the demand by the reduction or elimination of support for certain categories of service over the next three years.

In summary, CSM comments that:

- The Commission should support a *pilot rollout* of anytime, anywhere wireless data access to students with funding available only for those applicants able to demonstrate readiness.
- The Commission should incrementally cap the amount of funding available commensurate with a comprehensive, three-year pilot that encourages saturation in an effort to measure its effectiveness.

ii. Expanded Access to Low-Cost Fiber

The Commission's intent to add dark fiber to the Eligible Services List ("ESL") for FY 2011 is welcome, though CSM comments that the language in the NPRM is somewhat misleading, incomplete and, in some regard, quite concerning. The language in the NPRM reads that the Commission "...seek(s) comment on permitting recipients to receive support for the lease of fiber, even if unlit, from third parties that are not telecommunications carriers, such as municipalities and other community or anchor institutions, to allow schools and libraries more flexibility to select the most cost-effective broadband solutions." On the surface, it would seem the language suggests the Commission is proposing SLSM support be provided on 'lit' or 'dark' service provided by any provider whether an eligible telecommunications provider or not; then on the other hand, the language seems to relate specifically to "...municipalities and other community or anchor institutions" as being acceptable non-telecommunications providers. Additionally, the NPRM is suggesting 'fiber' as the *only* cost effective alternative to a traditional digital transmission service, when in fact there are often other technologies and transport medias that may provide the same, if not more, cost-effective bandwidth in keeping with the goals on the NBP.

That being said, CSM wishes to comment on a particular concern; that of the seemingly 'short list' of acceptable non-telecommunications providers of cost-effective, fiber-based digital transmission services. It seems the Commission is looking to publicly leverage (and hopefully support the reasonable expansion of) existing fiber infrastructure throughout the country currently serving the K-12 and library community often without SLSM support. It is this concept we applaud...with one consideration. CSM comments that if there are to be 'types' of providers of this service defined by the Commission and the ESL, the list also specifically include Statewide Research and Education Networks.

CSM also comments that the Commission's language does not clearly indicate whether the intent is to open eligibility for service of this type be provided by any provider who can get access to dark fiber. Since the Commission's intent is not clear, CSM offers comment that in *our* opinion, the nation's schools and libraries would not benefit in the long term, from 'fly by night' service providers providing unreliable network services or relying upon the applicants to ensure they truly have the equipment and/or expertise in house to manage an unmanaged service. The intangible cost of unreliable service involves more than dollars and cents and is unacceptable in the face of the NBP. That being said, we are confident the Commission has or will consider this quandary as the policy is developed.

As well, it would be of great benefit if the Commission would more clearly define its intent as to eligibility of 'dark' vs. 'lit' vs. 'dimly lit' solutions. Currently, USAC review procedures for what were understood to be unilaterally eligible solutions for Internet Access service that included 'transport' are being held to a standard that is essentially unattainable. Complicated and often incorrect cost allocations are being forced on applicants if the service is deemed to be a 'combination' of Telecommunications (transport) and Internet Access when in fact, there should be no differentiation. As stated earlier in these comments, Priority One services are Priority One services, and separating Internet Access and Telecommunications services in this day and age creates unnecessary complexity. The confusion among applicants, service providers and USAC is almost palpable and clarity from the Commission is not only welcome, it is essentially required, particularly as more solutions of this nature are implemented.

As stated, CSM comments that the addition of this service and lifting of service provider restrictions are welcome changes that will accomplish several goals.

- Leverage existing infrastructure to help achieve the goals of the NBP without unnecessary, redundant and costly build-out by traditional providers.
- Allow support for that same infrastructure because the restrictions currently imposed as to the ‘eligibility’ of the providers is lifted.
- Allow meaningful and measurable data collection by the Commission as to the mechanisms of deployment of broadband services throughout the country by ‘type’ of service provider, whether traditional telecommunications provider or some other provider, making available high speed services no matter the location or other logistical challenges.
- Provide support for the Commission’s goal of lessening the demand on the fund by expanding funding beyond costly ‘traditional’ solutions, thereby allowing those funds to be re-allocated in an effort to achieve the goals of the NBP.

iii. Targeting Supported Services for Broadband

CSM recognizes that with the demand on the fund reaching ever-increasing levels, and no infusion of funding on the horizon, something has to give. We also recognize, like the Commission, that applicants are faced with severe budget concerns, and are relying on E-rate funds more than ever. In order to determine the potential financial impact of the NPRM, we have categorized, separated, and extrapolated data from our client base.

To review the impact of eliminating funding for basic voice telephone service and web hosting, in comparison to other Priority One services, we defined the following categories for comparison:

Category	Description (loose)	Comment
Basic Voice	Local phone service such as 1 MB and Centrex (or other switched services) with local toll and long distance services, dial up or DSL speed services	
Advanced Telecommunications	Advanced telecommunications such as PRI, ISDN, Point to Point or frame relay T-1 or higher speed services, 3Mbps (or higher speed) fiber services, wireless digital transmission services (such as microwave), bundled cellular services (voice/data), and Interconnected (Managed) VoIP	For the sake of better defining “Broadband Services,” CSM proposes combining Internet services and advanced telecommunications services into one “Broadband Services” Category.
Web hosting	Web hosting	Proposed to be eliminated under FY 2011 ESL
Internet	Basic conduit access to the Internet (that reaches the boundary of public Internet space), bundled Internet services, hosted e-mail, and unbundled cellular data services	For the sake of better defining “Broadband Services,” CSM proposes combining Internet services and advanced telecommunications services into one “Broadband Services” Category.

Taking these defined categories, we looked at overall FY 2010 funding requests for our clients, which are illustrated in Charts III.1 and III.2. CSM, Inc. represents nearly 27% of public school districts, in the State of California. Our clients represent approximately 37% of the total Priority One dollars requested in the State of California for all types of applicants. Nationwide, our clients represent approximately 5% of total Priority One funding requests (\$2,038,196,436.59 nationwide in FY 2010).

CHART III.1

Of the \$92,825,137 in FY 2010 **Telecommunications** funding requests filed for CSM clients, 72% of the total dollars requested were for Advanced Telecommunications services (as defined above), and 28% of the requests were for Basic Voice Services.

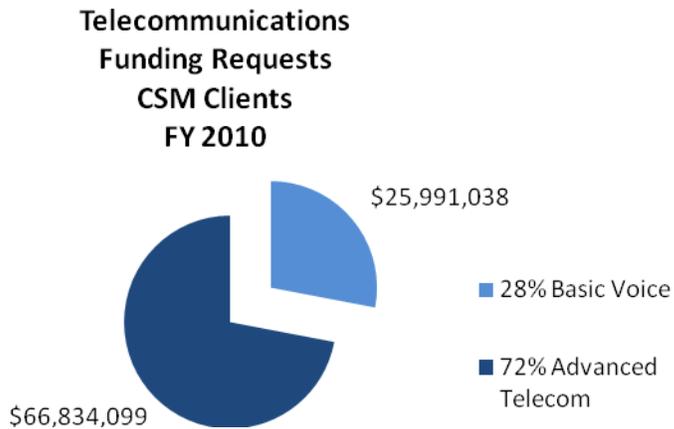
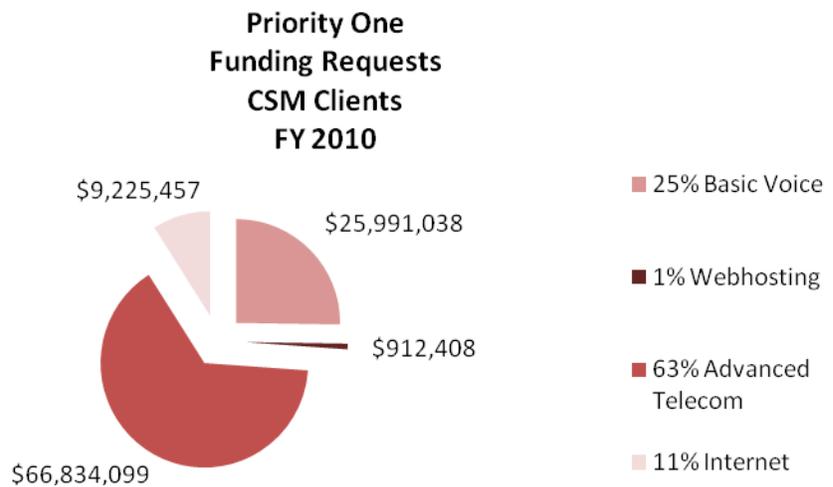


CHART III.2

Of the \$102,962,632 in FY 2010 **Priority One** Services requests filed for CSM clients, 25% of the total requests represented Basic Voice Services. Effectively, 74% of the requests were for what we propose are “Broadband Services” (combination of Advanced Telecommunications and Internet Access as described above).



In reviewing the data from our clients’ applications, we believe that there is already a strong trend toward converting Basic Voice Services to Broadband Services. That being said, we do not support the complete elimination of support for Basic Voice Services at this time. If Basic Voice Services funding requests are extrapolated nationwide, the elimination of said services could potentially mean that approximately 25% of the \$2.04 billion currently identified as the Priority One services demand for FY 2010 would be available for other uses. But at what cost? Since the use of Basic Voice Services is only slowly being rolled into Broadband Services, applicants (schools and libraries) around the country would be losing an estimated \$510 million⁴ in funding for these services, a *significant and unbearable impact on already strained budgets*. In other words, the E-Rate Program, and by default, the current beneficiaries of the E-Rate Program, will be funding a significant portion of the NBP.

⁴ This number is approximated based on CSM’s client data.

TABLE III.1

	Total FY 2010 Priority One Funding Requests	Estimated Basic Voice Services at 25%	Estimated Broadband Services at 75%
CSM Clients*	\$102,963,002	\$25,740,750	\$77,222,251
California Applicants	\$279,024,197	\$69,756,049	\$209,268,148
Nationwide	\$2,038,196,437	\$509,549,109	\$1,528,647,327

*CSM clients represent 37% of California funding requests and 5% of nationwide funding requests for Priority One services.

CSM comments that the elimination of any significant category of service, such as Basic Voice Services, must occur over a number of years to allow applicants time to plan for budget adjustments and for the adoption of new technologies to replace those services. As stated previously in these comments, CSM believes that by redefining the Priority One categories of service as “Basic Telephone Services” and “Broadband Services” the FCC will gain more insight into what financial impact the elimination of Basic Telephone Services would have on the applicant community as a whole and on the fund itself. It would also allow applicants to better identify those services that are currently funded under the E-rate program, and plan for the reality that they will most likely not be funded at some point in the future.

To soften the blow and allow applicants adequate time to plan and implement new Broadband technologies that will replace Basic Voice Services, CSM suggests that any elimination of support for Basic Voice Services not occur for a period of at least three years. After three years, CSM comments that the FCC should “wean” applicants from the funding source by cutting available funding for these types of services to 75% in year four, 50% in year five, and 25% in year six. Therefore, applicants would have, in essence, seven years to plan for total elimination of support for these services. We believe that this proposal is reasonable, and provides an incentive to applicants to look harder at their reliance on Basic Voice Services and consider more cost effective alternatives.

In summary, CSM comments that:

- Based on CSM’s client applications, it already appears that the majority of funding requests for Priority One services would be classified as Broadband Services.
- The Commission should collect further data by separating Priority One services into two new categories consisting of “Basic Telephone Services” and “Broadband Services.”
- The Commission should not immediately eliminate support for Basic Telephone Services, but phase out support over time.

IV. EXPANDING THE REACH OF BROADBAND TO THE CLASSROOM

i. Predictable Internal Connections Funding for More Schools and Libraries

It is clear the Commission has all intent to address the challenge of the seeming inequitable availability of Internal Connections support to allow schools and libraries of every size, shape, and demographic statistic to achieve and maintain robust broadband connectivity.

We predict that the NPRM will result in innumerable solutions suggested by various constituencies to ensure more predictability in available funding and allow access to some measure of funding by a more varied and/or extensive pool of applicants year to year, and all will have merit. While we applaud the commitment of the applicant community and acknowledge the suggestions as steps in the right direction, we *respectfully* suggest that many of the proposed solutions would essentially amount to status quo, barring the establishment of a \$4+ billion dollar program. It is for that reason that CSM, Inc. will outline a proposed solution that will boldly achieve every goal the FCC has set forth not only in the NPRM, but, in our opinion, for rule-making throughout the life of the program to date and in the future.

How? How could the goals of “...*providing funding for internal connections to more schools and libraries than in the past; and ensuring a predictable amount of funding available to schools and libraries for internal connections each year,*” be achieved within the confines of the existing program’s cap while streamlining the application process and significantly protecting against waste, fraud, and abuse? It’s simple really...give every applicant the same discount for Internal Connections funding. Simple.

Discussion

Under the current funding model, there is a fostering of the belief that schools, libraries, or other applicants with significant NSLP eligibility are ‘poorer’ or have a ‘greater need’ than applicants with a lower percentage of NSLP eligibility, from a dollars and cents perspective. This belief has been taken a step further in promoting the supposition that this very small pool of applicants has a greater need from a networking perspective as well, when in fact, every applicant in the country has the SAME need for support in achieving its network goals in order to first, best address the populations they serve, and second, to meet the goals and objectives of the National Broadband Plan (“NBP”).

The reality is that there is no difference in the cost of a switch capable of layer three, QoS and POE in a school or library with 75% or more of its population eligible for the NSLP than in a school or library with only 25% of its population eligible for the NSLP. The same could be said for WLANs, fiber optic cabling, VoIP systems, and so forth. Additionally, after 13 years of program resources being effectively funneled to those whose need was determined by the high poverty level of their student populations, it could be argued that the tables have been turned and, in fact, the schools with low NSLP eligibility have become needy. The only thing ‘predictable’ about Internal Connections funding under the current model is that a preponderance of applicants will not receive ANY support – essentially a 0% discount - and that statistic is unacceptable. It is disheartening to look at the statistics of California applicants over the past few years. The pool of applicants receiving Internal Connections funding is shrinking, and indeed, most applicants don’t even bother to apply for Internal Connections funding as the likelihood of their being approved for funding is dismally low. Below is a table illustrating the most recent four-year history of California applicants of all types.

TABLE IV.1

History of California Applicants' Success in Applying For Internal Connections Funding

	FY 2010*	FY 2009	FY 2008	FY 2007
Total Number of California Applicants	1,475	1,382	1,338	1,392
Number of Applicants Applying for Internal Connections Funding	293	266	296	360
% of Total Applicants NOT Applying For Internal Connections Funding	80%	81%	78%	74%
Number of Applicants Approved for Internal Connections Funding	n/a	180	134	199
Number of Applicants with Pending Funding	n/a	38	4	0
Number of Applicants Not Receiving Internal Connections Funding	n/a	1,164	1,200	1,193
% of Total Applicants NOT Receiving Internal Connections Funding	n/a	84%	90%	86%

* As of July 1, 2010, no Internal Connections funding requests have been funded.

So, in essence, on average **100% of Internal Connections funding is going to 13% of the applicants** on an annual basis. This is in *no way an equitable distribution of Universal Service Funds*. As illustrated in the table below, in California, the total pre-discount Internal Connections dollars requested in Funding Year (“FY”) 2009 were \$306,723,243.82, and as of today, \$157,538,323.87 has been committed to 180 applicants. The lowest discount level that has been funded thus far is 78%; a funding threshold that has not been seen since the burgeoning days of the program, and strictly due to \$900 million dollars of rollover funding being made available by the Commission. If there isn’t radical change to the funding structure, or a permanent infusion of more dollars into the SLSM, access to Internal Connections funding will not be feasible for *any* applicants.

TABLE IV.2

Recent History of California Applicants Internal Connections Funding Requests

FY	Requested Pre-Discount Cost	Requested Funding	Funded Amount	Not Funded	Pending	% Funded
2007	\$ 387,525,089.12	\$ 326,855,475.01	\$ 228,890,764.77	\$ 73,541,957.65	\$ -	70%
2008	\$ 285,902,791.20	\$ 248,288,176.79	\$ 168,108,960.98	\$ 65,911,994.59	\$ 2,995,998.31	68%
2009	\$ 306,723,243.82	\$ 262,300,940.71	\$ 157,538,323.87	\$ 49,402,690.42	\$ 47,009,379.95	60%
2010*	\$ 230,581,914.26	\$ 197,059,904.55	\$ -	\$ -	\$ -	0%

* As of July 1, 2010, no Internal Connections funding requests have been funded.

Proposal – “One Discount for All”

CSM’s suggestion is to level the playing field and make all applicants eligible for the same discount on Internal Connections funding requests. In addition, limit the amount of applicants eligible for Internal Connections each year by establishing a rotating schedule, so that applicants have better predictability of their funding likelihood. The funding mechanism would work this way: all applicants are eligible for the same discount on Internal Connections applications. Priority for funding of these applicants would, for the first year, be established by the applicants’ simple NSLP percentage, and those applicants with the highest NSLP percentages would be approved for funding first.⁵ In the second year, applicants that applied in the first year but did not receive funding due to the cap, would proceed to the “front of the line” and would be funded based on the simple NSLP percentage, highest being approved first.⁶ However, if an applicant with a high NSLP percentage chooses not to apply for a particular year, and the funding threshold drops below its NSLP percentage, that applicant cannot be funded until the NSLP percentage band goes down to 0%, and essentially all other applicants with lower NSLP discount percentages have had their chance to be funded. As stated, the process would cycle through until **all applicants** have had the opportunity to be funded. We anticipate this cycle could last 6 or more years (*see “Rotating Schedule” table below*). Once a ‘cycle’ is complete, it would start all over again either in the same manner or by that time, perhaps by some as yet undetermined manner that adjusts the funding mechanics to account for new goals and objectives identified in the preceding years.

Rotating Schedule

(assumes 50% discount offered)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Highest Actual NSLP % funded	100%	68%	57%	38%	26%	14%
Lowest Actual NSLP % funded	69%*	58%	39%	27%	15%	0%

*assumes that applicants who have historically been funded for Internal Connections will not apply initially at 50% discount...but those who have historically 'just missed' will be first in line.

Additionally, since the applications would be structured as district (or applicant) wide, eligible products and/or services could be deployed to any site owned or operated by the applicant **where there is need**. We suggest that if the applicant were able to make responsible decisions based on NEED rather than the forced decisions the current structure dictates, more cost effective and strategic solutions could be sought. Perhaps there will be more ‘centralized’ solutions with consolidated equipment located and managed from a central site, which would reduce the ongoing costs associated with de-centralized deployment; both one-time and ongoing. Since our proposal suggests the applicant can deploy anywhere within its organization there is need, and in an effort to allow the applicant to budget its match effectively, we recommend allowing a longer implementation timeframe as applicants will likely file larger, one-time applications. CSM believes that 36 months from the first date of service indicated on FCC Form 486 would be reasonable, with opportunity for extension, if necessary.

To illustrate how a “One Discount for All” would immediately impact the availability of funding for Internal Connections, CSM conducted an analysis of how this might look at three different discount percentages – 70%, 60%, and 50%. The impact of a “One Discount for All” discount method is compared against California funding requests and actual funded amounts over the past several years.

⁵ Once an applicant has been approved for funding, they are essentially ‘off the table’ until such time as ALL applicants who have submitted an application over the next several years are given a ‘predictable’ opportunity to benefit from SLSM using the ‘rotating schedule’ method as described.

⁶ This would also include applicants whose NSLP eligibility did not ‘qualify’ them the year before, but in the current year would be higher than the ‘highest’ actual NSLP percentage eligible for the funding. It also assumes the applicant APPLIED in the prior year (along the lines of a ‘reverse’ Two-in-Five calculator). This methodology does not account for applicants with ‘new’ submissions in a subsequent year if their NSLP percentage is higher than the lowest amount funded in the prior year.

TABLE IV.3

Amount Funded with Revised "One Discount for All" at 50%, 60%, and 70% Discount Levels (Based on Actual California Applicants' Internal Connections Funding Requests)					
FY	Requested Pre-Discount Cost	Actual Funded Amount	70% Discount	60% Discount**	50% Discount
2007	\$ 387,525,089.12	\$ 228,890,764.77	\$ 271,267,562.38	\$ 232,515,053.47	\$ 193,762,544.56
2008	\$ 285,902,791.20	\$ 168,108,960.98	\$ 200,131,953.84	\$ 171,541,674.72	\$ 142,951,395.60
2009	\$ 306,723,243.82	\$ 157,538,323.87	\$ 214,706,270.67	\$ 184,033,946.29	\$ 153,361,621.91
2010*	\$ 230,581,914.26	\$ -	\$ 161,407,339.98	\$ 138,349,148.56	\$ 115,290,957.13

* As of July 1, 2010, no Internal Connections funding requests have been funded.

Even at a 60% discount level, not all Internal Connections funding requests would have been funded based on the total actual funded amount for that funding year. **Only at 50% would all applications filed for a particular funding year have been funded based on the total actual funded amount for the year.

Based on the data, it appears that a 50% “One Discount for All” has the most positive outcome and will ensure the most equitable access to Internal Connections Funding.⁷ As discussed briefly above, considering that MOST applicants receive zero support for Internal Connections needs, a 50% discount constitutes a 100% increase in their funding (or ‘double their money’). As stated in Table IV.3, it is immediately apparent that in order to accommodate all of the funding requests (even when submitted by so few applicants as currently do so evidenced in Table IV.1), 50% is the highest level of discount that would enable all applicants for those funding years to have been successfully funded. In addition, we think that it is fair to ask applicants to “match” their funding requests in a one-to-one ratio. We believe that if the applicants have more “skin in the game,”⁸ it will inherently encourage them to take a more responsible approach to their planning processes, work harder to find cost effective solutions and significantly reduce the risk or instances of Waste, Fraud and Abuse.

The data suggests that a 50% discount will directly lead to more applicant entities receiving the benefit of Internal Connections funding as illustrated in the Table IV.4 below. In the example, we assume that it costs, on average, \$500,000 to upgrade a LAN per school. Based on a total funding figure of \$135,000,000 and a \$500,000 cost per entity, the number of schools eligible for funding is calculated for 70%, 60%, and 50% discount bands. The data is then compared to a 90% discount which, for all intents and purposes, will be the only discount band funded (if at all) if the program continues on its current trajectory, barring rollover funds. Assuming a total available funding figure of \$135,000,000 (which based on the funding history for California, does not seem improbable), a 50% discount would translate to a 180% increase in the number of schools funded.

⁷ As stated previously, CSM is aware that this number (50%) is such a radical departure from common practice and culture it may cause significant alarm across the applicant (and potentially, the service provider) communities. We do feel strongly however, that without a significant (\$2 billion or more) infusion to the fund, the current cap will not accommodate the goals set forth by the Commission. The National Broadband Plan is exciting, it is robust and it is expensive. It is our opinion that if there is any hope of achieving its goals, serious commitment to change must occur; whether that is committing to a \$4 billion+ cap, or reimagining the way Internal Connections funds are made available and distributed.

⁸ The idea of ‘more skin in the game’ has been presented multiple times in the past by various constituents in response to requests for comment, albeit only with an ongoing priority of funding model driven by the widely accepted practice that more funding go to the ‘poorest’ schools with the assumption there is ‘more need.’ CSM’s proposal offers an alternative methodology to effectively achieve a level playing field and equality of access across all applicants.

TABLE IV.4

Number of Schools Funded with "One for All" Discount Versus a 90% Discount and \$135,000,000 in Available Internal Connections Funding				
	90% Discount	70% Discount	60% Discount	50% Discount
Pre-Discount Cost	\$ 150,000,000	\$ 192,857,143	\$ 225,000,000	\$ 270,000,000
E-Rate Discount	90%	70%	60%	50%
Funding request	\$ 135,000,000	\$ 135,000,000	\$ 135,000,000	\$ 135,000,000
Estimated Cost/School	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Number of Schools Funded	300	386	450	540
Increase in Schools Funded	0%	129%	150%	180%

In concert with some of the other modifications to the SLSM suggested in this document, such as a revised Priority One discount matrix and reduction of funded voice services over time, we believe that the “One Discount for All” will enable the FCC to meet its goal of equitable access to Internal Connections funding. While it’s difficult to predict demand once the mindset changes for those applicants who have essentially been left off the table due to non-application submittal, we suggest that with the amount of applicant match higher than in previous years, combined with lower available budgets, the demand will initially be greatly reduced. We do however feel strongly that those applicants with the greatest need in today’s E-Rate program (*translation: those applicants who have not received ANY Internal Connections support in the last 13 years*) will come to the table in droves and the leveling of the playing field will be accomplished in very short order. Furthermore, as evidenced by TABLE IV.4 above, *even if* a ‘new breed’ of Internal Connections applicant does not emerge, a single discount effectively provides support to significantly more eligible entities, even within a single applicant, in a single year. It is for this reason CSM does not support a ‘set-aside’ for Internal Connections funding, in the manner suggested by the Commission.⁹

Finally, we suggest that the FCC revisit the funding mechanism more frequently than it has historically, for example, every five years. It is apparent the original authors of USF legislation recognized that the initial approach to establishing the mechanism by which funding was allocated was one of several possibilities and it “... satisfie[d] section 254(h)(1)(B)'s directive that the discount be an amount that is ‘appropriate and necessary to ensure affordable access to and use of’ the services eligible for the discount, and fulfills our **statutory obligation to create specific, predictable, and sufficient universal service support mechanisms.**” (emphasis added) It also seems that the language as stated in the order suggests there may be a time in the future that the approach is revisited if and/or when circumstances warranted; and at that time there be a critical re-evaluation of the process to realign the funding structure to address those “as yet undetermined” circumstances. CSM comments that NOW is that future and NOW is the time to undertake that critical re-evaluation and considerably suggests that the Commission ensure this happen on a more frequent basis in the future.

In summary, CSM comments that:

- Level the playing field by establishing a “One Discount for All” for Internal Connections funding requests.
- Set up the priority of funding based on a simple NSLP percentage, but allow applicants who have applied, but been denied due to threshold, have higher priority in subsequent years’ applications.
- Reassess the funding mechanism after 5 years to ensure the ever changing goals and objectives of the program are being met.

⁹ Please see “Indexing the Annual Cap to Inflation” discussion below.

ii. Indexing the Annual Funding Cap to Inflation

CSM comments that an increase to the Annual Funding Cap is both warranted and necessary. However, a simple adjustment based on annual CPI may not achieve the intended result; which is to allow schools and libraries to maintain the same purchasing power in the future as what 2010 dollars have today. The Commission has proposed increasing the cap incrementally over the next 5 years to approximately \$2.55 billion. This proposal assumes the historical 5 year inflation rate will not deviate, though the economic indicators in the marketplace today are nothing like what has been seen in the last 5 years, certainly. In order to account for the deflation that has occurred, and will most likely continue to occur, and in an effort to more closely align the 1999 dollars with its adjusted value in 2010, CSM would submit for consideration that an *initial* increase to the cap might be an amount equal to the average CPI adjustment since the program's inception. Upon initial adjustment, the annual inflationary increase should *also* account for an average CPI, (perhaps a 5 or 10 year average) with a mandate that the adjustment can never be less than zero, in the event the CPI is a negative number. This compromise would allow a significant enough infusion to the fund to allow some of the proposed changes to be effective very quickly. It is CSM's opinion that without a considerable influx of 'cash,' and an ongoing plan to allow growth within the fund that is commensurate with the costs associated with the NBP, many of the goals and objectives will be positioned for failure.

Though the Commission has not asked for 'other' ideas as to how to increase the funding cap, CSM respectfully submits the following for consideration.

As the Commission is well aware, the Universal Service Fund contribution factor comprises a complex series of calculations that result in a percentage 'charged' based upon the contributing service providers' revenues, and CSM will state publicly that we are not fluent in the regulatory guidelines that established that process nor in how that process may or may not change as the Commission navigates the previously uncharted waters of net neutrality and mandated broadband rollout. Therefore, we do not feel we are in a position to state *unequivocally* whether the contribution factor is appropriate or not though we do suggest that is an area where the Commission may be able to address some of the challenges in regards to the finite nature of the contribution and the fund present.

Along the lines of contribution and in keeping with the particular challenges the Commission speaks about regarding Internal Connections funding, CSM would suggest the following for consideration. Is there a way by which service providers who perform work that is partially funded by the SLSM pay a portion of the gross revenue generated back to the fund to be used strictly for funding Priority Two funding requests? In our mind, this would achieve a couple of goals:

- It may 'quiet' some of the 'noise' about how the contribution factor is only charged through what amounts to a small pool of providers though a very large pool of providers ultimately benefit from the fund.
- It would help ensure some predictability in an upcoming year because the contribution would be earmarked specifically for Priority Two funding as a starting point.
- Since there would be a 'starting point', there would be no need to 'wait' until USAC determines demand before beginning to issue FCDLs¹⁰. The only waiting that would occur would be to determine the 'floor' of P2 funding in a particular year once the leftover funds from the general E-Rate pool are calculated and distributed.

CSM comments that this solution could potentially protect even further against WFA if the service provider is responsible to contribute some portion of the revenue generated. It is reasonable to assume the service provider would not want to contribute some portion of a higher than necessary project total, thereby keeping the scope and dollars reasonable.

¹⁰ If there were a pool of funds set aside specific to Priority Two funding, USAC ostensibly could determine very quickly (based on applications submitted) those that were 'guaranteed' funding availability starting with the highest actual percentage of NSLP eligibility (as discussed in the section "Predictable Internal Connections Funding to more Schools and Libraries"). FCDLs could be issued much earlier in the process to those applicants and a more 'predictable' project schedule could be determined. Any availability of additional funds toward P2 applications would still be determined using the traditional method whereby USAC issues a demand report and the works with the Commission to determine what funds are available after all Priority One applications are considered.

V. SUMMARY

CSM would like to take a final opportunity to express our gratitude to the Commission for its forthrightness and willingness to hear from the “people in the trenches;” and to other interested parties who have or will read these comprehensive comments that express our ideas and opinions based on our years and depth of experience with various applicants throughout the country. That being said, we realize that much of what we are proposing is so much of a departure from the norm, it may be difficult for some to immediately absorb the possibility there may be another way to do things. Right, wrong or indifferent, we realize (as does the Commission) that the program is in a state of flux and critical and radical change is coming, whether we like it or not. At CSM, we welcome the opportunity to actively participate in effecting that change and embrace the prospect of continuing to do our part to ensure the sustainability and value the program brings to schools and libraries throughout the nation.

Respectfully submitted,



Kimberly M. Friends
Vice-President



CSM, Inc.
3130-C Inland Empire Blvd.
Ontario, California 91764
909.944.7798