

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

In the Matter of)	
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USAC's Priority 2 Discount Threshold)	CC Docket No. 02-6
Recommendation for the Schools and)	
Libraries Program for FY 2010)	

**KELLOGG & SOVEREIGN[®] CONSULTING, LLC
COMMENTS TO THE FEBRUARY 18, 2011 REQUEST FOR COMMENTS
(DA 11-331)**

Kellogg & Sovereign[®] Consulting, LLC submits these Comments in response to the FCC's Public Notice released February 18, 2011, designated DA 11-331, seeking comment on a petition by Funds for Learning, Inc. to reject the Universal Service Administrative Company's Priority Two discount threshold recommendation for the Schools and Libraries Program for FY 2010.

Kellogg & Sovereign is an E-rate management company that has managed E-rate applications for the previous 14 years. At present our firm assists 250+ applicants in eight states. These applicants range in size from a total of 7 students to applicants with 40,000+ students. Our diverse client base provides us with the ability to see a wide range of schools and libraries and gives us an understanding of their various needs from a broad perspective.

Due to the significant need for E-rate funding to assist schools and libraries with limited financial resources this year, we certainly support funding to at least 80% and possibly below based on the FCC's analysis of funds that will be available from prior years plus an estimate of unused funds in current years and funding levels available for the next funding year.

Of primary importance in school funding is the ability to properly plan expenditures and manage ever tightening budgets. If the FCC determines that there is a possibility of funding priority two requests at the 80% level or even lower for 2010-11 then by all means we encourage the FCC to delay making an early decision to deny funding at the 80% level. Furthermore, we encourage the FCC to manage the program as efficiently as possible to continue to be able to provide funding for new equipment at the 80% level in future years.

Throughout the year each year of the program, during PIA and audits, funds are returned to USAC for a variety of reasons. Additionally, this early in the year there are a large number of applicants with discount levels at 82-90% funding that have yet to receive funding commitment decision letters for FY 2010-11. Once these applications are approved for 2010-11, many of them may decide to cancel funding requests from the current or prior years. This same scenario plays out across the nation bringing literally millions of dollars back into the program that can then be reallocated to other applicants.

We support the comments made by Tel/Logic Inc., d.b.a. E-rate Central related to the *80% Funding Threshold Controversy* as follows:

... E-Rate Central believes that funds currently available for FY 2010 are, or will be, sufficient to lower the Priority 2 threshold to 80%. Regardless of the final amount of funds initially awarded for Priority 1 and for Priority 2 at 81% and above, a significant percentage of those funds — 25% or more — have historically never been utilized. Applying even a conservative 10% to the roughly \$2.7 billion that might be awarded this year would be more than enough to cover USAC's estimated shortfall for Priority 2 funding at 80%.

There are two ways to take advantage the realities of unused FY 2010 awards. One is to simply wait, while periodically reminding applicants to file Form 500s to reduce commitments for unnecessary funding awards. Given the importance of 80% funding, we could even justify waiting until the end of calendar 2011, well past the invoice deadline for recurring FY 2010 services. E-Rate Central's recommended alternative — one that would permit immediate commitments to 80% applicants — is to take advantage of USAC's statutorily granted exemption from the Anti-Deficiency Act ("ADA") so as to commit a modest amount of funds in excess of this year's nominal funding cap.

Above all, E-Rate Central urges the Commission not to rush to judgment by approving USAC's recommendation to cutoff Priority 2 funding at 81% at this time. This is too important a decision to be made at this time without fully exploring reasonable alternatives.

We believe that the negative impact of a “*rush to judgment by approving USAC's recommendation to cutoff Priority 2 funding at 81% at this time*” would mean that large numbers of schools and libraries who have been unable to acquire badly needed equipment will continue to struggle to keep old hardware operating so they can teach students or assist library patrons access the information resources they need to improve their educational level or just do business with the state.

This lack of current hardware also impacts a rural community's ability to take full advantage of high bandwidth circuits when they are installed under The National Broadband Plan. Even small rural schools and libraries have discount levels that are at or below 80%.

We have submitted comments to the FCC previously regarding the need to stay focused on the purpose of the E-rate program and to narrow eligibility to those products and services that provide schools and libraries with affordable access to advanced telecommunications and Internet Access services. Each year the FCC reviews the eligible services list to ensure the program is meeting its original goals. Each time the eligible services list is modified, the FCC needs to carefully consider changes that may adversely affect the availability of funds in the priority two categories of service to ensure schools and libraries will be able to receive funding for basic equipment needed to allow connectivity and access to advanced telecommunications and Internet Access services.

We encourage the Commission to delay a decision of this magnitude to later in the funding year as has been done in the past.

Respectfully submitted by:

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March 8, 2011