

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

In the Matter of)
)
Schools and Libraries Universal Service) CC Docket No. 02-6
Support Mechanism)
)

**REPLY COMMENTS OF FUNDS FOR LEARNING, LLC
on E-RATE DRAFT ELIGIBLE SERVICES LIST
FOR FUNDING YEAR 2012**

For close to 14 years, Funds For Learning (“FFL”) has been providing a wide range of support to E-rate applicants. The nature of that work has enabled FFL to become very familiar with every aspect of the E-rate application and invoicing process. Based on that experience, we agree fully with the State E-rate Coordinators Alliance (“SECA”) that the “myriad of separately itemized line item fees and surcharges that telecommunications carriers place on phone bills” should be eligible for E-rate support or treated as *di minimis* amounts for E-rate purposes. Among other things, this will help to improve the speed of the application review process.

Along those same lines and for similar reasons, we urge the Commission to direct USAC to stop the application review practices discussed below in Section II, as they too are causing funding commitments to be delayed unnecessarily.

I. FFL Agrees With SECA That All Telecom Surcharges and Fees Should Be Eligible.

In its comments, SECA’s explained why the nominal fees and surcharges that appear on monthly phone bills are eligible or, at the very least, should be considered *di minimis*. We agree wholeheartedly with everything SECA had to say in that regard.

SECA’s observation about USAC’s work in ferreting out these relatively insignificant surcharges and fees from monthly phone bills developing into an enormous administrative

burden on the program is especially worth noting. It takes an astonishing amount of time for applicants to weed out those charges in the first place and, thereafter, an equally shocking amount of time for USAC's PIA staff to review the applicants' work -- especially when so many of the bills that applicants and USAC have to review are more than 100 pages long (up to 1,000 pages for large school districts). USAC exacerbates the problem by reviewing applicants' phone bills not once, but twice -- first it examines sample bills submitted during the application review process to support projected costs and then the "real" bills submitted for payment. This, as SECA explains, is the problem:

Schools and libraries are compelled to review every line of every bill, many of which are hundreds of pages each month, to identify which of these small fees must be cost allocated and removed from their BEAR reimbursement or their Form 471 request. This task is further complicated when the school or library personnel try to decipher which charges are eligible and which are not because there is no consistent naming conventions between carriers and no comprehensive list of which charges are eligible and which are not. PIA and invoice reviewers spend a disproportionate amount of time weeding through Item 21 attachments and invoices, posing follow-up questions, to ensure that none of these rather miniscule charges are included as part of authorized funding or disbursement.

We do not understand why, when it is so important for USAC to be issuing funding commitments as quickly as possible, it continues to waste valuable time and resources so early in the funding cycle on such tedious, time-consuming, unproductive work such as this. As a practical matter, this kind of pre-commitment hunt for phone company fees and surcharges on old telephone bills is never going to save the program any meaningful amount of money or further any important policy of the program, like relieving pressure on demand for example. These are some of the reasons why:

(1) At this early point in the process, applicants are simply making good faith estimates of their next year's total eligible phone charges based on sample bills from the year before, and the relatively small amounts involved for fees and surcharges are not going to significantly affect those projections;

(2) Applicants' estimates of future phone charges are never going to be one hundred percent accurate, especially in large school districts where moves, adds and changes occur regularly;

(3) Estimates of total phone charges for the year frequently wind up on the high side for a variety of other reasons (e.g., lower than expected usage; lines installed late or not at all; fewer moves, adds or changes; delayed construction); consequently, there is very little risk that an applicant's estimate will wind up being too high solely because of the surcharges and fees included in it;

(4) Eliminating nominal charges from an estimate on the front end will never stop some of those charges from slipping through the cracks and appearing on invoices on the back end; and

(5) The only way to ensure that E-rate money is not used to pay for nominal surcharges and fees on monthly phone bills, if this is something that the Commission concludes USAC must do, is for USAC to review applicants' phone bills before it pays them.

Like SECA, we believe strongly that these kinds of fees and surcharges are eligible or at least *di minimis*, and that it does the program a tremendous disservice to require applicants and USAC to look for and weed them out at any point in the process. Therefore, we join SECA in urging the Commission to put an end to these burdensome, unnecessary reviews. If the Commission disagrees, however, then we ask the Commission to please instruct USAC to rifle through bills for these charges only once and only when it matters – when invoices are submitted for payment.

II. Eliminate Other Unnecessary Application Review Practices

A. USAC should stop treating form 471 estimates like actual invoices.

To estimate the average monthly cost of telecommunications services to include in its next year's E-rate application, applicants look to, among other things, old invoices that are representative of what its monthly costs are likely going to be. During the application review process, PIA reviewers will request to see those sample invoices.

The problem is that PIA reviewers routinely treat those old, sample invoices as if they were actual invoices pending payment, reviewing each line item carefully and reducing funding requests by as little as one dollar or even 35 cents as a result. Inevitably, this process leads to

multiple back and forth correspondence between the applicant and PIA, further lengthening the time it takes for USAC to issue a funding commitment.

PIA staff should not be spending valuable review time microscopically examining and dissecting sample bills in this fashion. USAC's Invoice Department conducts its own review before paying invoices. That is when USAC should be removing ineligible charges that are not *di minimis*, which the applicant or service provider might have missed, and, quite frankly, USAC's Invoice Department is very good at this kind of work.

B. USAC should stop reducing funding to reflect billing period, rather than actual monthly, amounts.

We know from experience that at least some PIA reviewers have cost applicants time and funding by requiring them to remove from their estimates amounts for telecommunications services equal to the monthly service charges that appeared, due to billing cycles, on their following month's sample bill. For example: a telecommunication carrier ends its billing period on the 23rd of every month; the service fee for the 24th through the end of the month appears on the next month's invoice; during PIA, the reviewer will require the applicant to remove from its monthly estimate the cost of service for the end of the first month (from the 23rd on) that appeared on its next month's bill, explaining that those charges "fall outside the current billing period." The rationale for this escapes us since the issue is monthly estimated costs to support a funding request and not whether a particular invoice is inside or outside any particular billing period. The irony in all of this time wasted in reducing telecom requests is that at the invoice stage, the FCC Form 471 instructions specifically instruct an applicant to simply use the DATE of the invoice, and not the date the service occurs. The date on the invoice for telecommunications services is always after the service has occurred.

C. USAC should stop requiring applicants to move line activation fees from the recurring to the non-recurring services category.

Currently, PIA reviewers spend time moving charges on monthly recurring telephone service invoices from the recurring service line item 23 A on the Form 471 to the non-recurring service line item 23 F, even though there does not appear to be any legal, practical, or systemic

reason for doing so. The types of charges that are being moved from one line to the next are typically activation fees for additional lines or moves and additions.

For large school districts, these relatively small charges occur on a monthly basis and appear buried in invoices that are typically 300-1000 pages long. USAC does not dispute that those charges are fully eligible. Nevertheless, its reviewers force applicants to find and identify them. They do this, apparently, for no other reason than to move the estimated charges from one line in Block 5 of a Form 471 to another line in the same form. This is a questionable use of everyone's time.

When USAC issues a FCDL, it assigns one approved dollar amount to each FRN. It does not maintain two separate accounts for one FRN, one for recurring and another for monthly telecom services. If USAC has a sound administrative reason for this practice of ferreting out eligible line activation charges and changing how they are labeled on application forms, USAC should articulate it to the Commission and to the public, and by all means continue it. If, on the other hand, USAC fails to or cannot justify it, we urge the Commission to direct USAC to end it.

Respectfully submitted,

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