

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
A National Broadband Plan for our Future	)	GN Docket No. 09-51
	)	
Establishing Just and Reasonable Rates for Local Exchange Carriers	)	WC Docket No. 07-135
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337
	)	
Developing an Unified Intercarrier Compensation Regime	)	CC Docket No. 01-92
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Lifeline and Link-Up	)	WC Docket No. 03-109
	)	
Universal Service Reform – Mobility Fund	)	WT Docket No. 10-208

***COMMENTS OF*  
CALIFORNIA EMERGING TECHNOLOGY FUND (CETF)**

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## **I. Introduction and General Comments**

### The Respondent

California Emerging Technology Fund (CETF) is an independent non-profit organization established to provide leadership statewide to close the Digital Divide by accelerating the deployment and adoption of broadband and other advanced communications services to underserved communities and populations. CETF was established in 2005 at the direction of the California Public Utilities Commission (CPUC) as a condition of approving the mergers of SBC-AT&T and Verizon-MCI. AT&T and Verizon agreed to contribute a total of \$60 million in seed capital to launch CETF which was organized in 2006 and began operations in 2007 with an intense focus on achieving success in closing the Digital Divide in California within a decade.

### Mission

CETF provides leadership statewide to close the Digital Divide by accelerating the deployment and adoption of broadband and other advanced communications services to underserved communities and populations. CETF is dedicated to making California a global leader in the deployment and adoption of broadband, which includes both wireline and wireless technologies.

CETF is performance-driven and outcomes-focused. The CETF Strategic Action Plan is based on research and fact finding about “what works” and sets forth the overall approach and strategies to close the Digital Divide, including the metrics for accountability that provide the disciplined focus on results. CETF has identified 3 priority consumer communities for grant making: Rural and Remote Areas; Urban Disadvantaged Neighborhoods; and People with Disabilities.

## General Comments

CETF respectfully submits these comments to the Federal Communications Commission (FCC or Commission) in response to the Further Notice of Proposed Rulemaking (FNPRM) released on November 18, 2011. CETF applauds the Commission for taking the bold steps necessary to move resolution of these matters from ideas to action. CETF supports reform of the Universal Services Fund (USF) and the creation of the Connect America Fund (CAF) to provide increased broadband affordability for low-income urban and rural households, but strongly encourages the Federal Communications Commission (FCC) to couple the offering of USF broadband subsidies with eligible “broadband adoption” and “digital literacy” programs as described below. This innovative approach will align government, community and provider interests and foster public-private partnerships to accelerate broadband adoption and increased digital literacy across America. It is a more strategic approach to using affordable broadband rates to encourage adoption while improving lives and transforming poor neighborhoods than a traditional regulatory subsidy available based solely on income.

CETF has an overall goal, which is supported by the CPUC and the State of California Administration and Legislature, to achieve in California by 2015: (a) broadband deployment to 98% of all households; and (b) broadband adoption by 80% of all residents. These goals are consistent with the FCC National Broadband Plan. However, the CETF experience in working with government officials, community leaders and broadband providers throughout California points to the need for aggressive pursuit of these goals coupled with continued financial assistance for ubiquitous broadband and greater affordability of broadband service for the lowest income households in order to close the Digital Divide in California and across America and to implement the National Broadband Plan.

A powerful public policy tool to achieve these goals is reform of the USF to support broadband adoption through targeted affordability offerings. Thus, CETF supports the following reforms:

- I. The FCC should work in partnership with state entities and states with successful, result oriented broadband plans or initiatives in place, such as California: California Public Utilities Commission (CPUC); California Technology Agency (CTA); Governor’s Broadband Task Force (BTF); and California Emerging Technology Fund (CETF). The Commission should not rely solely on national organizations who may not know the needs of individual states and their communities well enough, and do not have credibility with trusted community-based organizations.
- II. The FCC should focus resources to targeted neighborhoods/low-income communities – OR– subsidy programs (place-based vs. subsidies)
  - USF should be used to achieve affordable broadband service for low-income households, perhaps with a greater amount of subsidy for very low-income households,
  - USF affordable broadband rates should be offered in conjunction with eligible “adoption promotion” and “digital literacy” programs to ensure that new subscribers can fully utilize the technology to improve their lives. Straight-forward criteria and a streamlined process for determining an eligible program can be set forth if the FCC decides to explore this approach.
- III. The FCC should focus efforts on Public-Private Partnerships –OR– full subsidies to providers (E-rate and USF)

- Reform of USF should be coupled with an expanded E-rate program for parents of students in low-performing schools that integrate computing and broadband technology into the teaching and learning components of school improvement. Education programs aimed at closing both the Achievement Gap and the Digital Divide (such as School2Home sponsored and managed by CETF and developed in partnership with The Children's Partnership and a spectrum of education, community and employer stakeholders in California) can target benefits to poor neighborhoods which surround low-performing schools.

**II. The FCC should work in partnership with state entities and states with successful, result oriented broadband plans or initiatives in place, such as California: California Public Utilities Commission (CPUC); California Technology Agency (CTA); Governor's Broadband Task Force (BTF); and California Emerging Technology Fund (CETF). The Commission should not rely solely on national organizations who may not know the needs of individual states and their communities well enough, and do not have credibility with trusted community-based organizations.**

We commend the Commission's decision to maintain critical state partnerships.<sup>1</sup>

However, the Commission must recognize that the partnerships to date that have been necessary to successfully address the Digital Divide have not been limited to those between the federal government and the states, but include public private partnerships between federal, state and public entities.

California has had experience with E-rate type funds since the 1990's. Utah, Texas and California established state funds for discounts and matching contributions to encourage the development of infrastructure and deployment of internet usage in schools and libraries. This fund eventually became the California Teleconnect fund. Although this fund had great impact,

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<sup>1</sup> R&O and FNPRM, Paragraph 15 (pg. 9)

California's experience indicates that more matching funds, focused measurable grants to be of greater success in this phase of broadband use particularly to close the Digital Divide. A better model is support of wrap-around or integrated services as demonstrated by CETF affiliated programs.

*Paragraph 15 (pg. 9) – We recognize that USF and ICC are both hybrid state-federal systems, and it is critical to our reforms’ success that states remain key partners even as these programs evolve and traditional roles shift. Over the years, we have engaged in ongoing dialogue with state commissions on a host of issues, including universal service. We recognize the statutory role that Congress created for state commissions with respect to eligible telecommunications carrier designations, and we do not disturb that framework. We know that states share our interest in extending voice and broadband service, both fixed and mobile, where it is lacking, to better meet the needs of their consumers. Therefore, we do not seek to modify the existing authority of states to establish and monitor carrier of last resort (COLR) obligations. We will continue to rely upon states to help us determine whether universal service support is being used for its intended purposes, including by monitoring compliance with the new public interest obligations described in this Order. We also recognize that federal and state regulators must reconsider how legacy regulatory obligations should evolve as service providers accelerate their transition from the Public Switched Telephone Network (PSTN) to an all IP world.*

During these challenging economic times and very limited broadband dollars, it is critical to emphasize the importance of state partners in the roll out of USF reforms and other complimentary new programs such as Connect to Compete. The FCC should work in partnership with state entities and states with broadband plans or initiatives in place instead of funding to support the leadership structure of national organizations who do not know individual states well enough.

In addition to state governmental partnerships, there are also key collaborative state partners that possess extensive broadband experience. CETF for example, has experience in working with public and private partners, government officials, community leaders, trusted community-based organizations and broadband providers throughout California. Partners such

as the CPUC, CTA, CTN, BTF, regional and local collaborative, have been critical players in CETF's efforts and successes.

National organizations may be an easy "go to" partner, and have the national reach to roll out new programs quickly, but they are unlikely to have the local/regional/state "know how" and trust, that existing state public and private partners will have.

Additionally, states with existing broadband plans and broadband funding mechanisms should be a natural "go to" partner for the FCC. California has had the benefit of over a decade of experience in broadband infrastructure and adoption efforts and programs. The state has built up synergy and momentum between broadband efforts in the Governor's administration, the legislation, CPUC, CTA, and other key partners:

- CETF, established in 2005, organized in 2006 and operational in 2007
- Governor's Broadband Task Force efforts in 2007
- California Broadband Council established in 2011
- Establishment and reauthorization of the CPUC California Advanced Services Fund (CASF) to support broadband infrastructure deployment to unserved and underserved communities in rural and remote areas of the state. Pending final CPUC decision on the reauthorization of CASF, approximately \$175M will be available. To date, CASF and ARRA have provided funding for broadband access to approximately 277,000 households, and construction of connection access has been completed for about 3,000 of them.

There is a need for programs to be coordinated by public interest organizations, not providers who lack experience and capacity to execute. A modest amount of funding would be sufficient for coordination and project management.

CETF is concerned that the requirement in Paragraph 146 (below) – that a carrier not use federal support for broadband deployment in a pre-existing capital improvement plan – may affect a carrier’s eligibility for funding from the CASF or other like sources, and cause inadvertent disqualifications. Rather, the FCC should seek out and work with states with existing funding mechanisms that can be readily leveraged. The FCC, CPUC, and other stakeholders can work together to determine the most cost-effective and prudent use of limited funding to achieve deployment goals.

*Paragraph 146 (pg. 57) – Within 90 days of being informed of the amount of incremental support it is eligible to receive, each carrier must provide notice to the Commission, the Administrator, the relevant state or territorial commission, and any affected Tribal government, identifying the amount of support it wishes to accept and the areas by wire center and census block in which the carrier intends to deploy broadband to meet its obligation, or stating that the carrier declines to accept incremental support for that year. Carriers accepting incremental support must make the following certifications. First, the carrier must certify that deployment funded through CAF Phase I incremental support will occur in areas shown on the most current version of the National Broadband Map as unserved by fixed broadband with a minimum speed of 768 kbps downstream and 200 kbps upstream, and that, to the best of the carrier’s knowledge, are, in fact, unserved by fixed broadband at those speeds. Second, the carrier must certify that the carrier’s current capital improvement plan did not already include plans to complete broadband deployment to that area within the next three years, and that CAF Phase I incremental support will not be used to satisfy any merger commitment or similar regulatory obligation.*

- III. FCC should focus resources to targeted neighborhoods/low-income communities – OR– subsidy programs (place-based vs. subsidies)**
- **USF should be used to achieve affordable broadband service for low-income households, perhaps with a greater amount of subsidy for very low-income households**
  - **USF affordable broadband rates should be offered in conjunction with eligible “adoption promotion” and “digital literacy” programs to ensure that new subscribers can fully utilize the technology to improve their lives. Straight-forward criteria and a streamlined process for determining an eligible program can be set forth if the FCC decides to explore this approach**

Universal Service programs in the high cost programs have the potential to close an appalling Digital Divide for urban poor and rural areas. High cost carriers have been slow and

reluctant to extend broadband services unless required to do so or when totally compensated to do so rather than incorporate into their commercial plans. Therefore, CETF suggests focusing on school to home and joining school beneficiaries to their neighborhoods and home through broadband.

*Paragraph 244 (pg 91) – Although the high-cost program is not the primary universal service program for addressing affordability, we note that some commenters have argued that if rates increase, service could become unaffordable for low-income consumers. However, staff analysis suggests that this rule change should not disproportionately affect low-income consumers, because there is no correlation between local rates and average incomes in rate-of-return study areas—that is, rates are not systematically lower where consumer income is lower and higher where consumer income is higher. We further note that the Commission’s Lifeline and Link Up program remains available to low-income consumers regardless of this rule change.*

As previously stated above, successful partnerships in tackling the Digital Divide in California have not only been between federal and state government, but also included targeted public private partnerships between federal, state, private and public entities. Inclusion of public interest organizations, such as community anchor institutions and community-based-organizations, ensures consideration of public benefits and leveraging of public assets. It is also public sector leverage to address broadband affordability for low-income communities.

It is key to successful broadband adoption that affordable broadband rates should be offered in conjunction with eligible “adoption promotion” and “digital literacy” programs to ensure that new subscribers can fully utilize the technology to improve their lives. State partners with successful, result oriented broadband plans or initiatives in place, will play an important role in the roll out and success of federal programs such as Connect to Compete.

Broadband is a powerful tool to transform schools and neighborhoods, and enhance economic prosperity. Future work for CETF is referred to as “CETF 3.0” because it relies on the “lessons learned” from the first two phases of work and focuses integrated efforts on the poorest

neighborhoods through Strategic Partnerships. CETF will utilize the local/regional/state “know how” and trust that existing state, community and private partners have. The approach of Strategic Partnerships has a higher leverage goal and focuses on integrated efforts to close the Digital Divide by improving education and transforming disadvantaged neighborhoods.

***Paragraph 1102** (pg 403) – Finally, we also seek comment on how to ensure that low-income consumers across America continue to have access to Lifeline service, both in urbanized areas that will not, going forward, receive support from the new CAF, and in rural areas that will, over time, receive support from the CAF. As a practical matter, how can the Commission ensure that low-income consumers that only wish to subscribe to voice service continue to have the ability to receive Lifeline benefits? We emphasize our ongoing commitment to ensuring that low-income consumers in all regions of the county have “access to telecommunications and information services.” Some commenters have suggested that we create Lifeline-only ETCs. As a matter of federal policy, would it thwart achievement of the objectives established by Congress to relieve an existing ETC of the obligation to provide Lifeline if there was no other ETC in that particular area willing to offer Lifeline services?*

CETF has learned that place-based or neighborhood-centered strategies are much more effective than national subsidies, to most effectively target and transform communities most in need locally. It is this strategy that will ensure that low-income consumers across America continue to have access to Lifeline service, both in urbanized and rural areas. Without public and private partners, government officials, community leaders, and trusted community-based organizations working with broadband providers, it may be less likely that low-income consumers in all regions of the country will continue to have “access to telecommunications and information services.”

***Paragraph 1225** (pg 430) – We seek comment on how to structure the Remote Areas Fund. We propose that support for remote areas be structured as a portable consumer subsidy. Specifically, we seek comment on CAF support being used to make available discounted voice and broadband service to qualifying residences/households in remote areas, in a manner similar to our Lifeline and Link Up programs (together, Lifeline). As with Lifeline and Link Up, ETCs providing service in remote areas would receive subsidies only when they actually provide supported service to an eligible customer. Such a program structure would have the effect of making voice and broadband more affordable for qualifying consumers, thus promoting consumer choice and competition in remote areas. We seek further comment on how to implement such a proposal in sections XVII.K.2 and XVII.K.3 below.*

From the beginning CETF identified Rural and Remote Areas as a priority consumer community for grantmaking. Investment in Rural Demand Aggregation Projects and fostering Regional Consortia has been cost-effective, leveraging approximately \$2.5 million in grants, contracts, and staff time to obtain \$10 million in CASF funding for Regional Consortia and serve as a catalyst for infrastructure deployment funding from CASF and ARRA.

- IV. FCC should focus efforts on Public-Private Partnerships (E-rate and USF)**
- **Reform of USF should be coupled with an expanded E-rate program for parents of students in low-performing schools that integrate computing and broadband technology into the teaching and learning components of school improvement. Education programs aimed at closing both the Achievement Gap and the Digital Divide (such as School2Home sponsored and managed by CETF and developed in partnership with The Children’s Partnership and a spectrum of education, community and employer stakeholders in California) can target benefits to poor neighborhoods which surround low-performing schools**

The emphasis should be on public-private partnerships and incentives with rewards, instead of full subsidies to providers only. Public-Private partnerships are preferable, especially in light of deep deficits across the board. CETF frontloaded investments from the beginning to highly leverage \$60M of seed money and identify which CBOs can deeply engage in underserved communities (CETF 1.0). CETF then instituted major initiatives such as School2Home and GetConnected!, to refine investment strategies. CETF also received two ARRA grants that enabled continued and expanded investments with 20 key CBO partners and grantees (CETF 2.0). CETF 3.0 focuses on School2Home as the centerpiece to a neighborhood-centered transformation strategy. Broadband affordability is still the challenge to increased adoption, as well as a provision for digital literacy training. Education programs aimed at closing both the Achievement Gap and the Digital Divide, such as School2Home, can target benefits to poor neighborhoods which surround low-performing schools

School2Home is an innovative statewide program to close both the Achievement Gap and the Digital Divide by integrating the use of computers and broadband technologies into teaching and learning at low-performing middle schools throughout California with an emphasis on school leadership, teacher professional development, parental involvement, student tech experts, and affordable home connectivity. CETF and The Children's Partnership co-sponsored development of School2Home, which was designed by a broad spectrum of policy leaders and stakeholders. Families in Schools is a major partner to facilitate parent engagement and to conduct training. Key funding and support have been provided by Google, AT&T, Comcast, Verizon, IBM, GenYES, Alameda County Office of Education, Sacramento Office of Education, California State University East Bay, and Computer-Using Educators (CUE). CETF is planning to expand School2Home to 25 schools and will contribute 20% of the implementation costs if sufficient matching funds can be secured.

### **Community Anchor Institutions (CAIs)**

The FCC expectation that eligible telecommunications carriers (ETCs) offer broadband at greater speeds to community anchor institutions (CAIs), engage with CAIs in network planning, and report on service to CAIs (Paragraph 102 below) should align with existing state initiatives such as the CPUC's CASF program, for funding network planning with CAIs through recently funded Regional Consortia throughout California. ETCs need to serve the community, not just get connectivity.

CETF has worked with leaders from Regional Consortia to aggregate demand, accelerate broadband deployment and adoption, and promote broadband applications in education, healthcare, and public services. The existing 13 Regional Consortia formed and evolved from

CETF investments in Rural Regional Aggregation Demand Projects and Urban Regional Roundtables. In the future, funding for Regional Consortia will be provided through the California Advanced Services Fund (CASF).

***Paragraph 102** (pg 38) – Community Anchor Institutions. We expect that ETCs will likely offer broadband at greater speeds to community anchor institutions in rural and high cost areas, although we do not set requirements at this time, as the 4 Mbps/1 Mbps standard will be met in the more rural areas of an ETC’s service territory, and community anchor institutions are typically located in or near small towns and more inhabited areas of rural America. We also expect ETCs to engage with community anchor institutions in the network planning stages with respect to the deployment of CAF-supported networks. We require ETCs to identify and report on the community anchor institutions that newly gain access to fixed broadband service as a result of CAF support. In addition, the Wireline Competition Bureau will invite further input on the unique needs of community anchor institutions as it develops a forward-looking cost model to estimate the cost of serving locations, including community anchor locations, in price cap territories.*

***Section 54.5** (pg. 535) **Terms and Definitions** – Community anchor institutions. For the purpose of high-cost support, “community anchor institutions” refers to schools, libraries, health care providers, community colleges, other institutions of higher education, and other community support organizations and entities.*

Community anchor institutions should include:

- Nonprofit organizations that offer products or services to low income households, vulnerable populations, people with disabilities, small businesses, foster families, etc.
- All government (municipal, county, tribal, state, and federal) offices and facilities
- All emergency services (fire, healthcare [including clinics, ambulance services, hospitals, etc] law enforcement, etc )
- Trade, chambers of commerce, and tourism agencies
- Airports, naval ports, rail yards, and land cargo distribution centers
- Municipal, county, state, and federal parks/recreation land and/or facilities
- Public computer centers

## E-rate and USAC

The FCC should form a standing advisory body (or, if there is some impediment to forming such a standing body, a temporary task force) of representative program participants to advise it on its rules and rulemaking actions and on Universal Service Administrative Company (USAC) administrative procedures.

- The Schools and Libraries Division of USAC formed a Task Force in 2003 to advise it on ways to prevent waste, fraud, and abuse in the E-rate program. Members of the Task Force were selected by the various interest groups representing E-rate program participants. In the Task Force meetings, members were encouraged to discuss the various issues before them and try to reach consensus recommendations. The Task Force adopted a definition of “consensus” that did not require unanimity but a strong majority. The result was that compromises were reached and reflected in the final recommendations.
- The FCC currently has frequent calls and meetings with various interest groups (e.g. American Library Association, Council of Great City Schools, State E-Rate Coordinators Alliance, service providers) to discuss various program issues, but those contacts do not provide a forum for cooperative problem solving. Each of such interest groups files its own position papers on program issues whether in response to a request for comments from the FCC or on its own initiative, but such filings represent those groups’ specific interests.
- The FCC would be much better served by a process that would encourage diverse interest groups to find common ground that represents the *common* interest. If the FCC formed an advisory group with representatives of all significant program participants, that group

could help the FCC reach the optimum result with respect to FCC rulemakings and USAC procedures (which must be approved by the FCC).

- The group could also give USAC and the FCC immediate feedback when a new rule or USAC procedure was causing confusion or not producing the intended result.
- If such a group is to achieve its purpose, it is important that its members really be participants in the program, for example, applicants who complete Forms 471, service providers who submit bids to E-rate applicants in response to Forms 470, applicant or service provider employees who file invoices with USAC for reimbursement. These people understand how the program works and what issues are confusing or what procedures are unfair or counterproductive.

The FCC should direct USAC to develop and maintain on the SLD website an always-current, comprehensive program “operating manual” with all the rules and other requirements for which program participants can be held accountable.

- Such a manual would enable all program participants to verify any requirements about which they were unsure *before* they acted and put themselves at risk.
- Auditors could also refer to the manual so that they would be “on the same page” as applicants and service providers.
- Applicants and service providers should be assured that they will never face denial or recovery of funds if they follow the guidance in the manual and can document that fact.
- New rules are often promulgated in FCC orders, which most applicants never see. Most only know what the FCC has directed through subsequent guidance from USAC, which may appear in the weekly News Brief, training programs, or Web site announcements.

Again, many applicants, especially small schools and libraries, don’t have sufficient staff

to dedicate resources to monitoring USAC announcements for the latest guidance or to go back later and find such guidance when they are facing an issue they don't understand. A manual always available on the SLD Web site would be the source for them to address any uncertainty.

## **V. General Comments on the USAC Administrative Process**

These comments focus on the current USAC data and administrative systems and are not specific to specific portions of the FCC order. USAC has performed adequately in administration of the E-rate and universal service funds but has been constrained by legislative, regulatory and systems support that need to be re-vamped. While focus has been on avoidance of "waste, fraud and abuse", delays in distribution and participants' heavy administrative burdens have hindered efficiency, accuracy and reaching our shared goals of closing the Digital Divide. Please consider the following as ways to assist USAC in reaching its goals:

1. Provide funding and support to revamp the processing and data systems at USAC.  
Current systems are out of date and need to provide a seamless flow of data from participants according to current industry standards.
2. Provide for annual data collection and real time evaluations on progress of programs to meet goals. As an example, CETF's annual surveys have measured progress, focused on success, and provided direction for funding priorities.
3. If the FCC agrees with CETF's suggestion to fund and replicate actual successful focused projects, additional USAC resources should be dedicated to onsite visits, specific audits, and workshops for sharing replicable programs with those communities in greatest need.

4. Most current E-rate participants must either hire outside vendors or devote scarce internal staff to fill out applications, monitor use and fulfill requirements of the program. A more seamless, direct application, and response system would help potential participants and current participants balance the cost benefit ratio of application.
5. The FCC should allow more flexibility to USAC for timely decisions rather than the current lengthy appeal process and funding delays which have participants waiting years to complete commitments. Greater USAC decision making responsibilities without going to the FCC should provide a more swift approach to get projects up and running.

## **VI. Conclusion**

In conclusion, CETF is encouraged by the reforms identified in the Commission's Report and Order. The success of these reform proposals depends significantly on proper targeting and accountability of CAF dollars. As previously stated, CETF applauds the Commission for taking the bold steps necessary to move resolution of these matters from ideas to action. CETF supports reform of the USF and the creation of the CAF to provide increased broadband affordability for low-income urban and rural households, but strongly encourages the FCC to couple the offering of USF broadband subsidies with eligible "broadband adoption" and "digital literacy" programs as described below. This innovative approach will align government, community and provider interests and foster public-private partnerships to accelerate broadband adoption and increased digital literacy across America. It is a more strategic approach to using affordable broadband rates to encourage adoption while improving lives and transforming poor neighborhoods than a traditional regulatory subsidy available based solely on income. CETF looks forward to providing additional comments on how to implement these reform proposals.

Dated at San Francisco, California, January 18, 2012

/s/ 

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California Emerging Technology Fund (CETF)