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

In the Matter of	)	
	)	
Schools and Libraries Universal Service	)	
Support Mechanism	)	WC Docket No. 13-184
	)	
Modernizing the E-Rate Program for	)	
Schools and Libraries	)	

Comments of CSM, Inc.

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

CSM Comments
Executive Summary

CSM is an E-Rate Consulting firm assisting applicants throughout the country achieve and maintain compliance with the rules, regulations, timelines and documentation requirements associated with the Schools and Libraries Support Mechanism ("SLSM"), AKA the E-Rate program since 2003. We file approximately 2,400 funding requests on 500+ Form 471 applications every year as well as California's statewide consortium application. Our comments are organized into the three basic sections the Commission stated in the NPRM.

1) **Ensuring that schools and libraries have affordable access to 21st Century broadband that supports digital learning;**
2) **Maximizing the cost-effectiveness of E-rate funds; and**
3) **Streamlining the administration of the E-rate program.**

1). CSM supports the increase in funding for the E-Rate program to meet the proposed broadband connectivity goals and proposes a new priority system – products and services that directly support the E-rate 2.0 initiative would become "Priority 1" and "Priority 2" would become "everything else" and should be funded at a flat 50% discount instead of the current discount percentages.

2). CSM supports the request to better maximize the effectiveness of the E-Rate funding by incentivizing consortium purchasing.

3). CSM supports the change for discount calculation to the simple district wide calculation as well as the electronic filing of all forms. CSM supports the creation of an applicant portal to keep and retain forms and documentation and recommends that the Online Item 21 attachment be updated to include a bulk upload feature to allow applicants to fill out the spreadsheets and

upload directly into the Online Item 21 attachment system as this will speed efficiency and provide better data to the FCC.

CSM supports measures to speed review of applications and the issuance of funding commitments, elimination of arduous cost allocations and multi-year applications. CSM does not support proposed changes to the rules that would require hundreds or thousands of pages of competitive bidding documents to be submitted with each funding request, nor the expansion of the document retention from 5 years to 10 years, as both would be unduly burdensome to the applicant.

In short, CSM applauds the FCC for taking steps to modernize the E-Rate program and hopes that they will take the suggestions outlined in this submission as substantive program improvements to streamline the process, speed up delivery of funds to the applicants and continue the success that the E-Rate program has been for the last 16 years.

Table of Contents

Content ***Page #***

I. INTRODUCTION……..... 5
II. ENSURING AFFORDABLE ACCESS TO 21ST CENTURY BROADBAND.... 7

A. Funding CAP…… 7
B. Est. Cost to Upgrade Applicants' Local/Wide Area Networks…… 8
C. Implications of Proposed Internet Connectivity Goals…… 13
D. Establishing a NEW Priority System…… 13
E. Eligible Service List Modifications…….. 15
F. Discount Matrix Modifications……. 16
G. Limiting the Number of Applications…… 17
H. More Predictable "Priority Two" Funding…… 18

III. MAXIMIZING THE COST EFFECTIVENESS OF E-RATE FUNDS…….. 21

A. Create "Incentives" for Consortia Purchasing…….. 21

IV. STREAMLINING THE ADMINISTRATION OF THE E-RATE PROGRAM.. 24

A. Electronic Filing of ALL Forms and Correspondence…… 24
B. User-Friendly Online Portal…… 25
C. Item 21 Attachments…… 26
D. Online Form 472…….. 26
E. USAC's Process Streamlining and Transparency…… 28
F. Speedier Funding Commitments…….. 28
G. Cost Allocation Challenges…….. 29
H. Two Different Filing Windows…… 30
I. Multi-Year Applications……... 31
J. Competitive Bidding Documents with Form 471…… 32
K. Required Documentation Retention Period Extension…… 33

V. CSM's OTHER ITEMS FOR CONSIDERATION…… 34

VI. SUMMARY AND CONCLUSION…… 35

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 (WC Docket No. 13-184) noted above. CSM is an E-Rate Consulting firm assisting applicants throughout the country achieve and maintain compliance with the rules, regulations, timelines and documentation requirements associated with the Schools and Libraries Support Mechanism ("SLSM"), AKA the 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 several large school districts in other states throughout the country. We file approximately 2,400 funding requests on over 500 Form 471 applications every year as well as California's statewide network 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 is a member in good standing of the E-Rate Management Professionals Association (E-mpa™)[1] and we currently have five *Certified* E-Rate Management Professionals[2] on staff.

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.

[1] http://www.e-mpa.org
[2] http://www.e-mpa.org/certification.aspx

Our comments are organized into the three basic sections the Commission stated in the NPRM[3].

- Ensuring that schools and libraries have affordable access to 21st Century broadband that supports digital learning;
- Maximizing the cost-effectiveness of E-rate funds; and
- Streamlining the administration of the E-rate program.

CSM submits the following for the Commission's consideration.

[3] See http://apps.fcc.gov/ecfs/document/view?id=7520932914 at ¶13

II. ENSURING AFFORDABLE ACCESS TO 21st CENTURY BROADBAND

Funding CAP

CSM contends that of all the changes proposed in the NPRM, the one that makes nearly everything possible and without which E-rate 2.0 will likely flounder, is the need for increased funding.

Since very early on in the program's history, funding demand for the E-rate program has dramatically and consistently eclipsed available funding. Currently, requested demand is more than double the amount available. However, even that statistic does not accurately reflect true demand for the ever more valuable E-Rate funding needed by schools and libraries. CSM estimates there is roughly $2-3 billion in 'hidden' demand that is never even applied for in internal connections because Priority Two funding rarely is approved below the 80% threshold. In recent years, the only way most applicants received *any* Priority Two funding was by relying on unused or not needed carry-forward funds from previous funding years. In 2013, applicants applied for so much funding in the Priority One category of service alone, that nearly $200 million in carry-forward funds were needed to just close the gap of available funds and, as of the submission of this document, there still persists a billion dollars' worth of funding requests pending at 90% for Priority Two.

Long before the FCC issued this Notice of Proposed Rule-Making, there has been considerable discussion about the size of the fund and whether it is still 'right' or not. Some feel that the size of the fund is adequate and that "trimming the fat" by changing the Priority system or discount calculation methodology or no longer supporting products or services non-essential to meeting the FCC's proposed goals of 1Gbps per 1,000 students (or users) will make the fund stretch further and cover all of the necessary funding that schools and libraries will need to meet

these goals. However, this line of reasoning *alone* does not address the fundamental problem of the historical disparity of internal connections funding where the same applicants who were considered the poorest of the poor (80-90% districts) received the lion's share *(nearly all)* of the funding whereas applicants with lower discounts received NO E-Rate funding at all[4]. CSM submits that this disparity is why most of the schools in the nation are light years behind schools in other countries in their deployment of high speed broadband technologies.

CSM noted throughout its comments to the 2010 E-Rate NPRM that the program was woefully underfunded and made suggestions as to how much more money might be needed and discussed the potential implications that may occur if the funding crisis was not addressed in a timely fashion.[5]

CSM is confident the Commission is ever mindful of the continuing and consistent oversubscription of the E-Rate program and is seriously considering a *permanent increase*[6] to the current cap as it moves toward implementation of the reform that will result from this landmark rule-making proceeding. We believe that the analysis below and commentary from other E-rate stakeholders will support the rationale of a need for a permanent increase of funding to achieve the FCC's stated goals.

Est. Cost to Upgrade Applicants' Local/Wide Area Networks

Leaving aside any discussion on whether the service providers can support the new bandwidth requirements (which in itself would require a whole proceeding), CSM will focus our comments

[4] See CSM comments to FCC 10-83 filed 07/09/2010) at http://apps.fcc.gov/ecfs/document/view?id=7020520477 page19 and further discussion later in this document.
[5] See *Supra* at comment 4, pages 2, 18-19 and 22
[6] See *Supra* at comment 3, at ¶58, ¶63, ¶174

on the upgrades that applicants will need in order to meet the bandwidth goals outlined by the FCC in this NPRM.[7]

According to FCC Commissioner Rosenworcel in her speech on June 6, 2013 citing the FCC's 2010 E-Rate Program and Broadband Usage Survey Report[8], 80% of applicants do not believe that their broadband connections meet current needs. Only a meager 20% of applicants indicate that their bandwidth is sufficient to meet the ever growing needs of their students, staff or patrons.

In preparation for these comments, CSM conducted a survey[9] in which many questions were asked to help provide some substantive data for the Commission's consideration and to establish a baseline to be used to estimate real-time pre-discount costs that will be required to meet some of the proposed bandwidth goals throughout the NPRM.

As a practical matter, 81% of our applicants responding to the survey connect to the Internet through a hub and spoke design, with a Gigabit connection or better going to the district office or central network aggregation point, and lesser feeder connections to each individual school location on the Wide Area Network ("WAN"). For many of the respondents the WAN infrastructure has been upgraded in recent years to allow high capacity throughput between the school and the district office, but they lack the total internal bandwidth to make best use of it. 45% of our respondents have individual connection speeds from the district office to the school between 11 Mbps to 100 Mbps and only 10% currently connect at 1 Gbps or higher. Furthermore, most would need an added boost in internal Local Area Network ("LAN") or "on-

[7] See *Supra* at comment 3, at ¶23, etc.
[8] http://transition.fcc.gov/010511_Eratereport.pdf
[9] http://www.websurveymaster.com/s/csmeratesurvey see also Appendix A

campus" bandwidth capacity of between half and three-quarters of a gigabit to meet the standard of 1 Gb per 1,000 students/users.

Additionally, according to our survey, although 74% of the applicants have wired connections in the classroom, they indicated they would need to upgrade switches, cabling, Wireless Access Points and controllers in order to meet the goals proposed by SETDA.[10] Without both the increase in available bandwidth from the central aggregation point to the schools (WAN), and the upgrade of infrastructure within the school and classroom (LAN), it will be like putting a medicine dropper on the end of a funnel; data will be traveling at high velocity through the funnel, but applicants will be unable to make effective use of it because it is constrained at the point of termination.

We surveyed our customers with several detailed questions about the current state of their connectivity, their bandwidth requirements and the infrastructure they would need to meet the goals highlighted by the FCC. Outlined below are the results from one of the more demonstrative questions[11]:

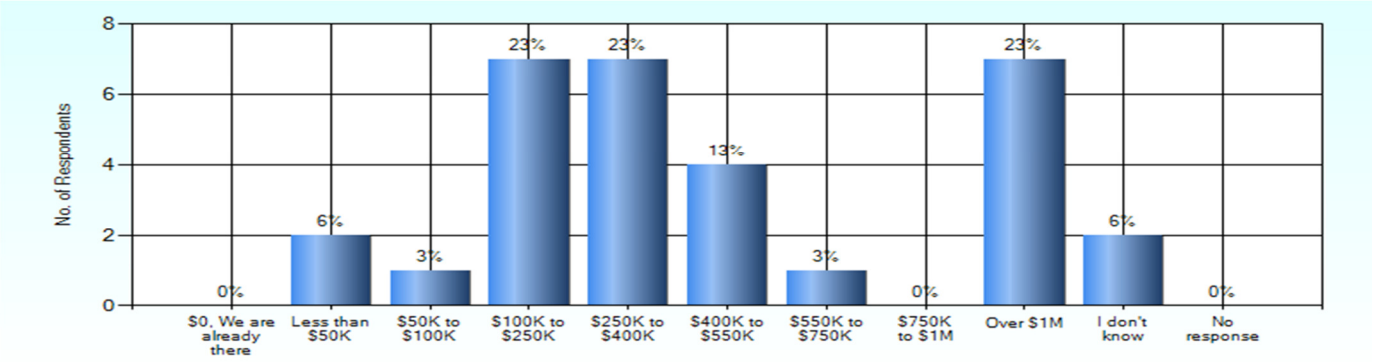
> *"If, by 2015, you had to upgrade your local area network to 1 Gbps per 1,000 students and* ***deliver it wirelessly to the classroom*** *to meet the White House and FCC's stated goal, how much would it cost on average per school to implement the upgrades? - Please*

[10] http://www.setda.org/c/document_library/get_file?folderId=353&name=DLFE-1515.pdf

[11] See *Supra* at comment 3, ¶83. "…*We seek comment on the percent of schools and libraries that do not have the necessary equipment to provide high-capacity broadband connectivity within schools, and the amount it would cost to provide high-capacity broadband connectivity within such schools and libraries. We invite commenters to be as specific as possible and to provide any data they have available on this issue."*

consider upgrades such as fiber runs, POE switches, MDFs, IDFs, [12] *robust access points and controllers, CAT 6 cabling to classroom or wireless drop, etc."*

- 9% indicated they would need to spend less than $100K per school
- 23% indicated they would need to spend $100 to $250K per school
- 23% indicated they would need to spend $250 to $400K per school
- 13% indicated they would need to spend $400 to $550 per school
- 3% indicated they would need to spend $550K to $750K
- 23% indicated they would need to spend $1 million or more per school



These applicants have a combined total of 814 school sites serving approximately 630,000 students. This equates to an average of 774 students per site. Using the midpoint dollar amount of each of the dollar range categories and anything over $1 million as $1 million, we estimated the total dollar figure needed to upgrade their wireless infrastructure and the average cost for each of the school sites necessary to meet the proposed goals. For these applicants alone, the

[12] Note that the question asked 'by 2015', a mere 2 years from now. POE is Power Over Ethernet, MDF is Main Distribution Frame –often the central network demarcation point on a school campus, IDF is Intermediate Distribution Frame – often an intermediate network demarcation point on a school campus.

pre-discount price tag for the required on-campus wireless upgrades is $230.4 million, with an average per site pre-discount cost of $283K.[13]

According to the NCES' Fast Facts statistics[14], there were 98,817 public school sites and 33,366 private school sites for a total of 132,183 schools nationwide in 2009/2010. Assume for the purpose of this discussion that our sample is extrapolated across this larger population of school sites. Using this methodology, a pre-discount cost of $283K per school site to upgrade the wireless infrastructure necessary to meet the proposed goals would equal approximately $37.4 billion total, pre-discount dollars. If this total amount were spread over 5 years[15], considered Priority One (or "First Priority") funding and was requested using the current average E-Rate discount of all applicants as 69%, the fund's cap would have to be upward adjusted to equal a ***minimum*** of **$5 billion dollars per year**. This number **does not** allow for any other priority funding at all.[16]

Generally, our schools in California are in better shape than many schools throughout the nation, where the service provider infrastructure may not be as developed and may only be currently capable of connecting at 100 Mbps to 250 Mbps at the District office level, so their costs will likely be even higher to upgrade to the common proposed standard. Greater distances, fewer competitors, and a larger percentage of obsolete equipment will weigh heavy on the Priority One requests for those applicants seeking to upgrade their networks.

---

[13] For the purposes of this example, we are extrapolating data to show what estimated 'per school' costs might be to meet the proposed bandwidth connectivity goals.
[14] http://nces.ed.gov/fastfacts/display.asp?id=84
[15] 5 years is used by CSM as a demonstrative indicator only
[16] We propose that the FCC move to a modified Priority One/ Priority Two structure – that Priority One would encompass services and equipment essential to the delivery of broadband. Everything else (other) would be considered Priority Two funding.

Implications of Proposed Internet Connectivity Goals

CSM represents 4,736[17] individual school sites comprised of a total of 3,092,194 students. Based on the current configurations and Internet bandwidth speeds for CSM's clients, and following the assumption of 1 Gbps per school up to 1,000 students and/or 1 Gbps per 1,000 students, we estimate that our clients alone would need to purchase an additional 500 Mbps (.5 Gbps) to 750 Mbps (.75 Gbps) of Internet access on *average*, *per 1,000 students*[18]. Using this average, the 4,736 individual school sites we represent would require requests for 2,368 Gbps to 3,282 Gbps of *additional internet bandwidth* in the coming E-Rate year or years. Assuming that each school nationwide needed a similar increase of .5 Gbps to .75 Gbps and extrapolating this same average over all of those school sites and the students they serve, the amount of additional Internet connectivity necessary to meet the Commission's proposed goals is an astounding 66,000 Gbps.

Though these are admittedly rough calculations, it is apparent that not only will there need to be a significant infusion of additional funding to the current E-Rate program's cap to meet the Commission's stated goal of ensuring affordable access to 21st Century broadband, we hope that the Internet Service Providers will weigh in on this proceeding on their capability to provide these scales of high capacity bandwidth.

Establishing a NEW Priority System

CSM would put forth that in order for the Commission's proposed goals to be met, the current Priority System MUST be completely re-imagined. We suggest that **monthly recurring**

[17] This number is nearly 4% of all of the public and private school sites in the nation
[18] Does not account for connectivity for staff or other administrative personnel

services and/or **one-time**[19] **equipment purchases** considered ***essential*** to meet the proposed broadband Internet connectivity goals would be a 'new' Priority One category and everything else would be considered a 'new' Priority Two category.

Applicants would be able to apply for the services and/or equipment necessary for the delivery of high-speed, high-capacity broadband as Priority One funding at their District-wide discount.[20]

CSM considers that the 'price tag' associated with this tectonic change will be very high (as we stated earlier in these comments) which further emphasizes the *absolute necessity* of a substantial increase to the annual E-Rate program cap or allocation. We contend that since applicants will have varied matching (undiscounted) share(s) that the demand from year to year on the new Priority One category will vary as well.

We predict that demand will be impacted in the following manner:

- Applicants who have had access to 'traditional' Priority Two funding will likely not need to access the equipment portion (one-time purchase) of the new Priority One to the extent that applicants who have NEVER had access to traditional Priority Two funding, at least initially.
- Since the equipment that is purchased as part of the new Priority One will be subject to the existing equipment transfer and/or equipment disposal rules, applicants will naturally be cyclical in their application(s) for funding. This natural evolution should allow the Commission to abolish the 2-in-5 rule.

That being said, we feel it is critical the Commission CLEARLY identify those services and/or equipment that would be eligible under the new Priority One category of service.

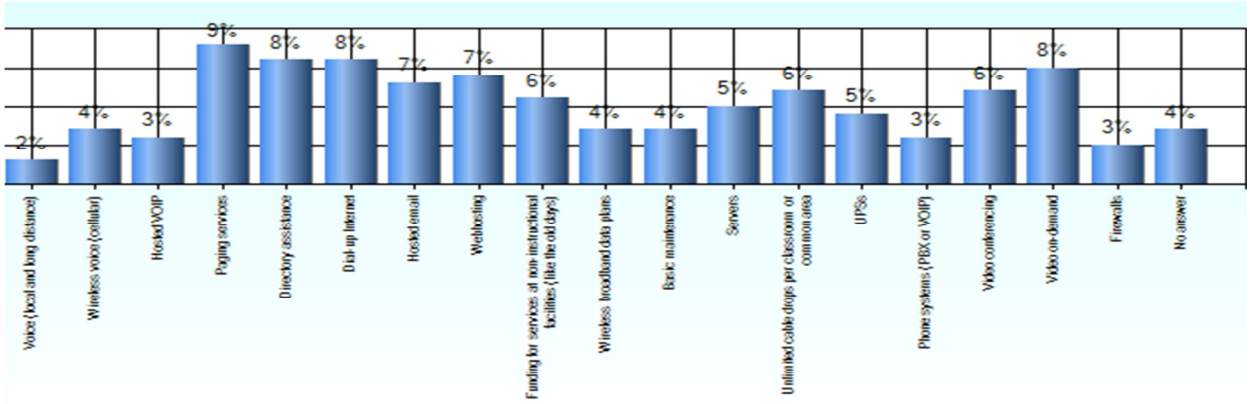
[19] By "one-time', we refer to 'periodic' purchases of equipment that would still be subject to the Commission's equipment transfer and/or disposal rule(s).
[20] See "Discount Matrix Modifications" further in these comments at page 16

CSM suggests that everything else on the modified Eligible Services List (discussed below) that is not designated as essential for the delivery of high-speed broadband should be considered a Priority Two service.

Eligible Services List Modifications

In several sections of the NPRM, the FCC has requested comments regarding 'streamlining' the Eligible Services List ("ESL") to perhaps no longer provide E-Rate support for equipment or services that are deemed obsolete technologies and/or generally unable to support the proposed bandwidth and capacity goals.

In support of our suggested 'new' Priority One category, CSM comments that modifications will need to be made to the ESL on a go-forward basis. Equipment and/or services that are essential to support the Commission's proposed goals and the President's ConnectED initiative should be considered Priority One. Equipment or services not essential to meet those standards should be considered Priority Two. The FCC should seek comments on the equipment or services that fall into either new category.



In our survey process, we polled our clients to determine what currently eligible products or services they felt they could 'forego' E-Rate support for in exchange for more stable and predictable access to Priority Two funding (current Priority Two products and/or services). Surprisingly, 65% of respondents indicated they would be willing to apply for discounts on fewer services in exchange for more funding for Internal Connections.

Most frequently, our clients felt they could "make-do" with less (or no) funding for paging services, directory assistance, dial-up services, unlimited cable drops, and web hosting. A handful of other respondents felt that they could move more services to the cloud and do away with expensive servers and hosted email services, when there are less costly options available.

These results are indicative of the willingness of applicants throughout the nation to compromise in order to have access to those valuable internal connections dollars. The idea of having access to ANY funding to help them upgrade their internal networks is so appealing, they are willing to ***give*** something up to ***get*** something they've really never had.

Discount Matrix Modifications

The Commission proposes to amend section 54.504(a) to read:

> *An eligible school, library, or consortium that includes an eligible school or library seeking to receive discounts for eligible services under this subpart, shall, upon signing a contract for eligible services, submit a completed FCC Form 471 to the Administrator. All schools and libraries that are part of the same school district and seek priority two internal connections shall submit a completed FCC Form 471 to the Administrator as part of the school district in which they are located. A commitment of support is contingent upon the filing of an FCC Form 471.*

As discussed in our 2010 E-Rate NPRM comments,[21] CSM still agrees there is significant value in revising the discount calculation process to require a simple district-wide discount percentage be applied to a matrix, rather than the complicated site based weighted discount calculation currently required.

CSM fully supports this proposed change and suggests that it will help maximize the cost effectiveness of the E-Rate fund and will add additional benefit by streamlining and simplifying the E-Rate process for both applicants and USAC.

Limiting the Number of Applications

The Commission is seeking comment on whether to limit the number of applications that an applicant can file[22]. CSM does not recommend this change be implemented. We have found that there are instances where more than one Form 471 would be warranted in a particular category of service. This is most necessary in situations where a single funding request may be subject to USAC's "heightened scrutiny" or other special compliance review. If this possibility is known to exist before the filing window closes, it behooves applicants to file separate Forms 471 for "non-controversial" funding requests versus "controversial" funding requests so that the "non-

[21] See *Supra* at comment 4, pages 10-12

[22] See *Supra* at comment 3, ¶132 *"…we seek comment on whether to limit applications for a school district to one for each category of service requested. For example, if the Commission retains the current priority one and priority two distinctions, an applicant could only submit two applications – one for each category."*

controversial" funding requests will be funded in a timely manner. We have not found that single Form 471 applications are funded on a timely basis if a particular funding request is under heightened scrutiny versus the other funding requests on the same Form 471 application that are not under such scrutiny. Rather, all of the funding requests on the particular application are held until USAC has completed its internal process for review, causing significant delays in approvals that are unwarranted for all but the funding request under heightened scrutiny. Should the FCC limit applicants to one Priority One application and one Priority Two application per funding year, we implore the Commission to make a commitment to applicants that funding requests not associated with any special compliance review be released in a timely manner.

More Predictable "Priority Two" Funding

The impact of the historical lack of available funding for internal connections for all but the neediest of applicants is rearing its ugly head during this NPRM proceeding.

As we stated in our 2010 NPRM comments, "Under the current [priority] funding model, there [has been] 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... 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."[23]

[23] See *Supra* at comment 4, page 18

According to the following table (which reflects current California specific data), on average, 79% of applicants have 'given up' on applying for Priority Two funding and on average only 13% of the applicants in the state have received 100% of the available Priority Two funding.

History of California Applicants' Success in Applying For Internet Connections Funding						
	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007
Total Number of California Applicants	1640	1567	1475	1382	1338	1392
Number of Applicants Applying for Internal Connections Funding	335	289	293	266	296	360
% of Toal Applicants NOT Applying for Internal Connections Funding	**80%**	**82%**	**80%**	**81%**	**78%**	**74%**
Number of Applicants Approved for Internal Connections Funding	185	160	N/A	180	134	199
Number of Applicants with Pending Funding	22	8	N/A	38	4	0
Number of Applicants Not Receiving Internal Connections Funding	1433	1399	N/A	1164	1200	1193
% of Toal Applicants NOT Receiving for Internal Connections Funding	**87%**	**89%**	**N/A**	**84%**	**90%**	**86%**

This is particularly disappointing when in FY 2010, the FCC ultimately decided to fund all applicants' Priority Two applications, regardless of their discount level[24].

CSM submits that this consistent inequity is the primary reason why the pre-discount price tag associated with the Commission's proposed goals is estimated (by CSM) to be at least $37 billion dollars.[25]

To bridge this gap, CSM suggested earlier in these comments, that a new 'priority' system be established that gives the highest priority to funding for schools' and libraries' to facilitate access to high-speed and high capacity broadband Internet access. This newly defined focus should drive the institution of a different first priority (Priority One) category of service, but we suggest

[24] See Funds for Learning, LLC Order (DA 11-1354) http://hraunfoss.fcc.gov/edocs_public/attachmatch/DA-11-1354A1.pdf

[25] See comments earlier in the document in section II(D) page 13

there still be a second priority given to some or all of the products and/or services currently on the Eligible Services List[26] that are not identified as being essential to the first priority's mission.

Given the estimated costs that have been discussed in this submission, CSM advocates that it will be imperative that the new Priority Two category of service be treated altogether differently than before. Again referring to our 2010 NPRM comments, we still recommend that newly defined Priority Two funding should be applied for using a flat discount that is the same for all applicants[27] and we still recommend that the discount should be 50%[28].

Based on the data shown in the preceding table, since 79% of applicants have 'given up' on even applying for Priority Two funding, and we do not currently know what the 'new' Priority One category will comprise, it is difficult, if not impossible, to predict how much funding would be needed to satisfy all of the 'new' Priority Two requests even at a 50% discount for all primarily because the new Priority Two category will also include some previously Priority One eligible services. CSM respectfully suggests that the Commission issue a Further Notice of Proposed Rule-Making focusing on the 'details' to gather input from the stakeholders who will be affected should this change (or anything like it) be adopted.

[26] The 'second priority' would be given to products and/or services on the current ESL *(and any future ESLs adopted by the Commission)* that are not identified as essential for broadband access.
[27] "It's simple really…give every applicant the <u>same discount</u> for Internal Connections funding." See *Supra* at comment 4, page 18
[28] See *Supra* at comment 4, page 20

III. MAXIMIZING THE COST EFFECTIVENESS OF E-RATE FUNDS

Create 'Incentives' for Consortia Purchasing by Streamlining Their Application Processes

CSM manages the Statewide Network 'Consortium' application process for public schools in California and in that role can speak to the complexity of filing multiple large Form 471 Consortium applications, the largest including more than 7,800 entities[29]. While we applaud the changes to USAC's system that now allow for bulk uploads of Block 4 entities into the Consortium Form 471, the delays in review and funding decisions caused by the collection of and subsequent validation of data for so many entities continues to be both extremely time consuming and discouraging.

In our 2010 NPRM comments[30], CSM recommended that the FCC adopt more granular applicant type definitions including:

"*Statewide application – Including State Networks, State wide Networks or Statewide applications*."

The FCC subsequently updated Form 470 and Form 471 and added the applicant type:

"*Statewide application - All public schools/districts in the state, All non-public schools in the state, All libraries in the state*."

However, it left **statewide networks** under the Consortium umbrella. We believe the FCC should revisit this classification.

[29] "Block 4" of our California application with all of the necessary Worksheet Cs and Worksheet As is more than 1,500 pages
[30] See *Supra* at comment 4, page 8

We believe that **statewide network applicants**[31] are in a class of themselves and should be treated as such. While each network may have a different configuration for delivering services (for example, currently California's application is strictly for middle mile connections, while other states deliver services directly to school districts or even to schools), we feel strongly that there is value in defining statewide networks as a distinct class of applicant that is different than a Consortium.

We believe that creating a separate class of applicant will accomplish the following:

1) Easily allow USAC to identify forms filed by statewide networks and assign them to Program Integrity Assurance ("PIA") reviewers with experience with these types of applicants and applications.
2) Minimize some of the questions posed during PIA review that are inappropriate for statewide network applicants. For example, we have been asked for cost allocation of funding requests due to school closures and questions regarding relocation Internal Connections-funded equipment at closed schools. These questions are irrelevant to a statewide network that only applies for funding on middle mile circuits. Some inexperienced PIA reviewers have challenged our responses to these cost allocations and have even asked how statewide networks are eligible for funding. In addition, even though we base our Block 4 statistics on official data published by the California Department of Education ("CDE"), we are consistently asked to validate the eligibility of school sites listed on the Block 4. This data is publicly available on the CDE website and

[31] *There are some common elements to statewide networks which include not-for-profit status, governmental or quasi-governmental ties, and a mission to deliver affordable broadband access to schools, libraries, and other agencies throughout their respective states.*

could be validated directly by the PIA reviewer.

a. *Both of these benefits would equal speedier funding decisions which would incent consortia applications. Currently, the delays in issuing a funding commitment decision associated with all of the issues we've discussed above often serve as a disincentive to applicants who cannot afford to go without 'timely' funding.*

3) Should the FCC desire to move forward with a pilot or test program with statewide network applicants under certain proposals in this NPRM, this separate classification would be of further benefit for administrative and data collection purposes.

Another area of streamlining the application process that would assist statewide network applicants greatly would be the requirement for electronic filings and an applicant portal. What could provide the greatest assistance to statewide network applicants in terms of the sheer number of administrative hours spent would be if USAC could facilitate the collection of Letters of Agency ("LOAs") and FCC Forms 479 by allowing the entities being served by the statewide network to go directly onto USAC's website and complete and submit these documents and certifications. We believe that creating the repository of LOAs at USAC would achieve benefits beyond the amount of time spent by statewide networks facilitating the collection and storing of these forms, it would also allow USAC to instantly access these forms for purposes of review and audit. Likewise, the process of collecting and storing Forms 479, required for statewide networks applying for Internet Access and Priority Two Services, is a significant burden which could be alleviated if USAC could facilitate the collection and storing of these forms online.

Finally, CSM also suggests that the simplified discount calculation methodology discussed in the preceding section would greatly simplify application construction for consortia applicants as it

would only require a calculation of the total number of students served by the services and what percentage of that total number is eligible for the NSLP; applied to a matrix, of course.

IV. STREAMLINING THE ADMINISTRATION OF THE E-RATE PROGRAM

Electronic Filing of ALL Forms and Correspondence

CSM applauds the FCC's commitment to electronic filing of all forms and issuance of all USAC communications electronically. Most applicants and applicant consultants already submit all available forms electronically as well as submit correspondence to the Client Services Bureau via the "Submit a Question" function. CSM would recommend that in moving to all electronic submissions and correspondence that a concerted effort be made to allow applicants to define who should be the appropriate recipients of communication from USAC and the ability to update that information 'at will' or as often as it changes . Often times it may be more than one person who should receive such correspondence including, but not limited to, the applicant contact and the applicant's consultant. . All too often outdated contact and authorized signer information is what is used as the addressee on correspondence long after that person has either left the role of E-rate contact at the applicant organization, or has left the applicant organization altogether. Frequently the applicant's consultant is the only consistent contact for over the course of several funding years. Allowing applicants to regularly update this information will ensure that the correspondence will be directed to the most appropriate person(s) and the response time to USAC requests will be reduced.

User-Friendly Online Portal

CSM supports SECA's proposal for a centralized portal[32] geared to a specifically applicants' or service providers' needs. Currently, much of the electronic submission and retrieval functions are located in various places scattered throughout USAC's website. For an initiate to the E-rate program, it is difficult, if not impossible to track down data specific to the applicant without significant investment in time and research. That being said, if there is any effort to completely revamp USAC's systems and create portals for applicants and service providers, it is IMPERATIVE that the various stakeholders be allowed to provide input to the design and necessary features. We suggest that a stakeholder group be formed to provide input on what functions would be valuable to applicants and service providers. The group should include, but not be limited to: schools, libraries, intermediate service agencies, consortia leads and members of consortia, statewide applicants, statewide networks, service providers, and their respective consultants.

CSM suggests that any portal or consolidated electronic filing system should allow for applicants to have immediate access to all forms and correspondence filed by USAC, the applicant, the service provider, or its consultant in relation to any funding requests associated with the applicant's Forms 471. CSM also recommends that the requirement for electronic filing be instituted over time to allow for applicants and service providers to thoroughly understand the system and for USAC to be able to determine if there is any attrition of applicants or participation due to more stringent electronic filing requirements.

[32] See http://apps.fcc.gov/ecfs/document/view?id=7520924964 (filed 6/25/13) at pages 18-19

Item 21 attachments

One of the best ways for the FCC to obtain better data from USAC is to allow better data to come into their database via the Item 21 attachment process. Currently, mostly only small applicants use the online Item 21 system that is currently available. Larger applicants, particularly those with large numbers of funding requests, or those applicants with specialized solutions and many (if not most) consultants will typically submit their Item 21attachments in PDF form that are non-searchable.

CSM has thought long and hard about how to address this problem and suggests the following for consideration.

If USAC could provide an interface to the online Item 21 attachment that would allow for a bulk upload of data from the applicants' databases using a common API (application program interface). This process development could be coordinated with applicants (and/or consultants) who do not currently use the online Item 21 system because of its perceived shortcomings, so that USAC can understand how to best serve its customers; the applicants. At CSM, we do not currently use the online Item 21 attachment tool at all because it simply does not fit in the workflow we have established to create and file the thousands of Item 21 attachments associated with the thousands of funding requests we submit each year. We contend that this system would be relatively easy to implement and would result in immeasurable benefits for applicants, USAC's administration of the program and in terms of generating reports for the FCC.

Online Form 472

Finally, should electronic filing of all forms become a requirement, we suggest that USAC revisit the online Form 472 BEAR filing system. Unlike the online filing system for Forms 470, 471,

and 486, the online BEAR system requires that the preparer have a PIN in order to prepare and see a form online. This is not a requirement for the other online FCC forms. For Forms 470, 471, and 486, the applicant can prepare a draft online and allow others to review that draft before it is submitted and certified. This is not permitted in the Form 472 online system, an artificial constraint that makes it inefficient for the applicant to conduct any levels of review once the form has been generated, but before it has been submitted and certified. In addition, once a Form 472 has been certified by the applicant, the email generated by the system to the applicant and service provider contains minimal identifying information – strictly the system generated invoice number. It does not include the Billed Entity Number, Applicant Name, Applicant Form Identifier, or even Funding Request Number. Again, should the applicant wish to view the Form 472 associated with the system-generated e-mail, it must log in to the system with its PIN in order to view the invoice by invoice number. This is inefficient when a large number of Forms 472 are being reviewed and submitted for processing.

Again, if electronic filing is to become a requirement for the Form 472, then might we suggest that USAC offer trainings or outreach to service providers to ensure that they all understand how to utilize the online BEAR. Not all service providers currently accept online BEARs, whether it be from their lack of a PIN, not understanding the procedures to certify online, not receiving/understanding the email notifications when a BEAR has been submitted by the applicant, or other reasons not clearly understood. Finally, the online Form 472 system does not indicate when the requested reimbursement amount on the BEAR exceeds the remaining funding available on a particular Funding Request. Therefore, a Form 472 can be certified by both the applicant and service provider and be submitted to USAC for review, and then ultimately be rejected. This inefficient use of the applicant, service provider, and USAC's time would be

eliminated if the online Form 472 system would alert the applicant during preparation that the requested reimbursement exceeds the FRN cap.

USAC's Process Streamlining and Transparency

CSM fully supports ALL of the proposals suggested by SECA in paragraph 223 on the NPRM. Any additional level of status that USAC could provide to the applicant community regarding their applications will likely suppress much of the anxiety created when applications seem to languish in the nether land between submission and approval.

Speedier Funding Commitments

The Commission is looking for ways to reduce the time it takes USAC to review applications for E-rate support in order to more quickly release funding commitment decisions[33]. Applications can potentially undergo multiple levels of review prior to receiving a Funding Commitment Decision Letter ("FCDL"). Now factor in the time in between additional PIA Review such as Cost Effectiveness Review, Selective Review or Special Compliance Review and it can prolong an already lengthy process. One suggestion to speed up funding commitment timeline would be to establish deadlines for the review process such as the requirement that an FCDL be issued no later than 90 days from the date of the applicant's last response to a PIA inquiry. We agree with SECA's proposal that USAC should issue an FCDL no more than 90 days after the last date of activity on an FCC Form 471. The proposed timeframe would not be applicable in instances of suspected criminal activity.

The Commission also seeks comment on suggested ways to expedite the application review process.[34] CSM suggests that eliminating duplicative requests made during the PIA process would shorten the duration of the review process. In our experience duplicative requests are not

[33] See *Supra* at comment 3, ¶234
[34] See *Supra* at comment 3, ¶235

a daily occurrence; however, they are also not by any means rare. Duplicated questions seem to be most common when there is a long period of time between initial outreach, or when there is a change in assigned reviewer. For example, one applicant's 2012/2013 application was originally sent clarifying questions regarding closed or merged schools on January 31, 2013. The response to those questions was sent to the PIA reviewer on February 1, 2013. Subsequently, on March 19, 2013 the applicant was issued another PIA letter which contained the identical group of questions regarding the closed or merged schools. Our response to the duplicated question was identical to the response previously submitted and an FCDL was issued 4 weeks later. There was a 6 1/2 week time lapse between the original request for closed/merged schools and the following duplicated request. Perhaps if the same 15 day response due date applied to PIA's responses as well, it would at least reduce the amount of redundant questions. Furthermore, the applications would not sit on a desk for a seemingly indefinite time without any outreach if the 15 day response time applied to reviewers.

Cost Allocation Challenges

The Commission specifically seeks comment regarding cost-allocation challenges that impose undue burdens on applicants and on USAC.[35]

CSM concurs that many of the required currently required cost allocations should be abolished. We submit this short list as a starting point:

- "Ineligible" taxes and/or surcharges on phone bills
- ***Services*** associated with Pre-K students co-located on an otherwise eligible school site[36]
    - *Pre-K students should NOT be included in an applicant's discount calculation if Pre-K has not been deemed 'eligible' in that state*

[35] See *Supra* at comment 3, ¶238

[36] In states that do not consider Pre-K to meet the definition of 'primary education' and have therefore declared the students ineligible

- *Stand-alone Pre-K sites would continue to be ineligible in states that do not consider Pre-K to meet the definition of 'primary education'*

- Cost allocations associated with 'functionality' on an otherwise eligible device
  - *Many times, these required cost allocations equate to less that 5% of the total cost of that piece of equipment and we contend that the resources spent cost allocating this de-minimus amount from otherwise eligible charges equates to an overall diminished return for both the applicant and USAC*

Two Different Filing Windows

The FCC asks whether or not two separate filing windows, one for Priority One Services running from January to mid-March and one for Priority Two Services running from mid-April to the beginning of June would be of benefit to applicants. While the CSM commends the FCC in its desire to assist applicants from spending their resources unnecessarily for filing of funding requests for Priority Two Services when such funding is ultimately unavailable, we believe that the proposed two window filing method would not achieve this laudable goal.

CSM agrees with the Commission that a significant amount of resources is required from applicants and service providers to successfully complete an application process for Priority Two Services. However, the timing for when such resources need to be identified and set aside for a Priority Two application process occurs well ahead of the Form 471 filing window. These resources, at a minimum, involve the development of a technology plan, an undertaking that can take several months, as well as the process of preparing bidding documents and going out to bid, which can also take several months and is not concurrent with the technology plan process. The resources associated with just these two steps of the process are significant and may include investment of not only an applicant's time but also in resources such as consultants, legal counsel, architects, engineers, project managers, construction managers, and technology specialists. If there was a lag time established between the windows for Priority One applications

and Priority Two applications, we believe that the lag time would need to be at least six to nine months (or longer) if the goal was to establish a more reliable method for applicants to forecast their opportunity to apply and be approved for Priority Two funds.

We believe that there are other methods suggested in other sections of the NPRM and throughout our comments that would better allow for predictability to applicants wanting to apply for Priority Two funds. We believe that establishing two separate windows, especially so close together, would only cause more confusion to applicants and would achieve little tangible benefit.

Multi-Year Applications

The Commission seeks comment regarding the potential for multi-year applications.[37]

We must start this section by stating that that our comments are based on the premise that the Commission will adopt the 'new' priority system that CSM has proposed. Therefore, CSM agrees that multi-year applications for Priority One services would be an immeasurable improvement toward the goal of speedier funding commitment decisions; however, we caution the Commission that multi-year applications should only be allowed when there are no changes anticipated throughout the term of the agreement/contract tied to that multi-year application.

This will likely benefit very small applicants who rarely see any fluctuation in their Priority One contracted services' funding commitments year to year and it is our understanding that this change is proposed with those very applicants in mind.

In larger, more complex applicants, it is far more likely that their services will change often over the life of that agreement/contract. Schools close, merge or otherwise change for a number of reasons and all of those changes affect the total cost of services annually.

[37] See *Supra* at comment 3, ¶242

For this reason, if the Commission adopts a multi-year application process, CSM recommends that it should apply only to Priority One services and there should be a certification from the applicant indicating their understanding that they cannot make any changes to the application without rescinding it and filing a new one in the next funding cycle.

Finally, CSM suggests that if the Commission adopts either or both of their proposed changes for multi-year contracts and/or multi-year applications, that if the applicant wishes to streamline their own processes by taking advantage of these changes, they should be required to submit all competitive bidding documentation with the first year's Form 471 application. This will help the Commission and USAC address their concerns about and responsibilities to reduce the risk of waste, fraud or abuse.

Competitive Bidding Documents Submitted with Form 471 ***(not multi-year)***

CSM recognizes that an applicant's compliance with the myriad of FCC competitive bidding rules, state laws, and local policies and procedures is one of the most complex aspects of maintaining compliance and continued positive funding approvals in the E-rate program. While it is an interesting idea to require submission of all bidding documents with the Form 471 funding requests, ostensibly so that USAC can review them for compliance prior to the release of funding commitments, we believe that this will create an extreme burden on applicants and will prohibit USAC from processing applications in a timely manner.

Currently applicants are only required to submit comprehensive competitive bidding documents prior to funding commitment during a Selective Review or Special Compliance Review. In our experience these reviews, even when there are no additional complicating matters and the bidding process is found to be compliant, delay funding approval for a minimum of 180 days, and often longer. Competitive bidding documentation can range from hundreds to literally

thousands of pages per funding request. For example, a cabling RFP alone can comprise of hundreds of pages of legal terms and conditions and specifications and drawings. The bid responses to these RFPs are often hundreds of pages long as well. While there may be some benefit in the applicant providing these documents to USAC up front, in that it could possibly prevent audit issues post-commitment, we believe that the burden far exceeds the benefit.
The FCC mentions the possibility of requiring the bid evaluation matrix be submitted with the Form 471 funding requests. While the bid matrix in of itself is not always an indicator of a compliant bidding process, the requirement could be a positive deterrent for applicants who either do not fully understand or habitually choose to disregard the FCC's competitive bidding rules.

Required Documentation Retention Period Extension

The FCC requested comments regarding whether they should extend the documentation retention requirements, currently at 5 years from date of last service, to 10 years from date of last service.[38] We feel that proposed change would be unduly burdensome on the applicants for the following reasons.

As a practical matter, while the proposed rule change would be from 5 to 10 years from the last date of service received, the reality is that proper and complete documentation retention would necessitate that MOST of the documents be retained for at least 12 years when one considers the original date of the competitive bidding, through application submission, through PIA review, through application funding and disbursement. If you have a multi-year contract, the length of time may be fifteen years or more, an excessive standard, even when compared to the IRS. The IRS uses the standard of 3 years for bank statements and up to 6 years for failure to report

[38] See Supra comment 3, ¶295

income.[39] A de-facto 12 year standard is double the amount of time the IRS requires for even its most complicated requests.

It is estimated that approximately 1/3 of the E-rate personnel have been in the job less than a year. Over a 10 year period, most related personnel may have changed jobs 2 or 3 times since the original E-Rate process for a particular funding year was begun.

We do agree that applicants who have matters pending on appeal with the FCC should retain any documentation relating to that appeal until the appeal is adjudicated in the event the FCC needs to reach out to them 5, 10, or even 15 years later.

V. CSM's OTHER ITEMS FOR CONSIDERATION

Ongoing FCC Data Collection

We agree with the Commission's suggestion[40] that modification to existing forms will be the most efficient method to collect data. E-rate applicants are familiar with the existing forms and how they relate to the overall E-rate funding process. It makes most sense to tie the data sought to requests for funded services on the Form 471 and Item 21 attachments. In order for USAC to collect data that is meaningful and consistent, we suggest that the service descriptions on the Item 21 attachment be directly representative of services as described in the Eligible Services List. Prepopulated descriptions with a drop down menu for selection of services sought and associated bandwidth (where applicable) should better provide more accurate and consistent data for analysis. For Internal Connections funding requests, generic descriptions of items will be necessary. However, more detailed documentation, such as detailed vendor quotes describing

[39] IRS Publication 583 Starting a Business and Keeping Records www.irs.gov/pub/irs-pdf/p583.pdf
[40] See *Supra* at comment 3, ¶53

specific manufacturer, part number, and product can be provided during the Program Integrity Assurance Review process.

VI. SUMMARY AND CONCLUSION

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.[41]

Respectfully submitted,

Kimberly M. Friends
Vice-President, E-Rate Compliance

CSM

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

[41] See *Supra* at comment 4, page 24