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Public Service Commission

October 21, 2013

VIA ELECTRONIC FILING

The Honorable Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

**Re: Reply Comments of the Florida Public Service Commission in WC Docket No. 13-184,
Modernizing the E-rate Program for Schools and Libraries**

Dear Ms. Dortch:

Forwarded herewith are reply comments of the Florida Public Service Commission in the above docket regarding the e-rate program for schools and libraries.

Greg Fogleman, at (850) 413-6574, is the primary staff contact on these comments.

Sincerely,

/ s /

Cindy B. Miller
Senior Attorney

CBM:tf

cc: James Bradford Ramsay, NARUC
Best Copy

The Florida Public Service Commission (FPSC) submits these reply comments in response to the Notice of Proposed Rulemaking (NPRM) released by the Federal Communications Commission (FCC) on July 23, 2013.¹ These comments address the issues relating to how to minimize any overlap in funding for broadband, while extending the reach of both the Connect America Program and the schools and libraries program. We believe that the FCC should evaluate the changes it has made in the Connect America Fund and any changes to the schools and libraries program before considering expanding the funding of the schools and libraries program. Furthermore, we believe that it would be beneficial to refer this issue to the Federal-State Joint Board on Universal Service (Joint Board). In addition, we support the use of state contracts that include competitive bidding as a central component to ensure efficiency and minimize waste, fraud, and abuse of the program funds.

ADDITIONAL FUNDING

Within this NPRM, the FCC notes that the reforms in the high-cost proceeding will likely have a positive effect on the schools and libraries program. The new Connect America Fund has the explicit purpose to accelerate broadband build-out to the 18 million Americans living in rural areas who currently have no access to robust broadband infrastructure. This targeted high-cost support should push down the costs associated with broadband expansion in high-cost areas for all consumers, including schools and libraries. Yet the FCC seeks comment through this NPRM on potentially increasing the size of the program (either temporally or permanently) beyond its current inflation adjusted cap of approximately \$2.38 billion.

The FPSC concurs with the comments of the United States Telecom Association that the FCC should delay expanding funding for the schools and libraries program at this time until the effects of

¹ FCC Notice of Proposed Rulemaking, FCC 13-100, WC Docket No. 13-184, released: July 23, 2013.

the high-cost reforms are better known and any changes within the schools and libraries program are implemented.² Several of the proposals outlined by the FCC suggest the phase down of support for certain services.³ The FPSC believes that redirecting support from services that are no longer central to the FCC's policy supporting broadband would be better than an expansion in the fund size at this time.

The FPSC also agrees with the comments of the National Association of State Utility Consumer Advocates that the consequences of such an expansion should also be considered in the context of how the universal service funds are collected from telecommunications carriers.⁴ These fees are overwhelmingly passed onto end-users and ultimately affect the affordability of service. Last year, the FCC issued an NPRM seeking comments on reform of the USF assessment methodology noting that the USF contribution base is shrinking as customers migrate to communication services that do not contribute to the fund.⁵ As a result, some aspects of the current contribution methodology may result in competitive distortions as contribution obligations differ depending on how the service is provided. Given the decline in assessment base, increases in the universal service fund absent assessment reform would only exacerbate this problem. Redirecting support (or savings from reforms) in other universal service programs may reduce this tension if expanding the schools and libraries program is necessary.

² Comments of United States Telecom Association, September 16, 2013, p. 12.

³ FCC Notice of Proposed Rulemaking, FCC 13-100, WC Docket No. 13-184, released: July 23, 2013; these services including paging, directory assistance, and certain calling features such as inside wiring maintenance plans, call blocking, 800 number services and text messaging services.

⁴ Comments of National Association of State Utility Consumer Advocates, September 16, 2013, p. 2.

⁵ FCC 12-46, Further Notice of Proposed Rulemaking, WC Docket No. 06-122, released April 30, 2012, par. 4.

JOINT BOARD REFERRAL

The FCC also seeks comment on the appropriate role for the Joint Board in providing the FCC with advice and guidance on any temporary, long-term, or permanent approach to providing additional funds for the schools and libraries program. The FPSC supports a referral by the FCC to the Joint Board regarding the necessity and the amount of any increase in the program size. We believe that the perspective of the Joint Board could bring a balanced recommendation and provide useful state insights into reforming the program.

CONTINUED USE OF STATE MASTER CONTRACTS WITH COMPETITIVE BIDDING

The FPSC agrees with the comments of Florida Department of Management Services Division of Telecommunications and the National Association of State Chief Information Officers that recommend the continued use of state master contracts for E-rate funding.⁶ In Florida, such master contracts are required to include a competitive bidding process that we believe is sufficient to address concerns regarding how service providers are selected.⁷ We believe that a competitive bidding component should be included in any state master contract that is eligible for support under the schools and libraries program.

CONCLUSION

The FPSC opposes expanding the size of the schools and libraries program at this time. Expanding the size of the fund should not be the first option to consider. Instead, the FCC and the Joint Board should consider redirecting existing support from proposed changes as well as the expanded role of the high-cost program. Finally, such changes should not be considered in a vacuum.

⁶ Comments of Florida Department of Management Services Division of Telecommunications, September 16, 2013, pp. 13-14 and Comments of the National Association of State Chief Information Officers, September 13, 2013, p. 3.

⁷ Chapter 287, Florida Statutes; Chapter 60A-1, Florida Administrative Code.

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Any increases have real effects on consumers who will ultimately pay for such expansions. In the presence of a shrinking assessment base, such expansion is unwarranted. Finally, the FPSC supports the use of state contracts that include competitive bidding as a central component to ensure efficiency and minimize waste, fraud, and abuse of the program funds.

Respectfully submitted,

/ s /

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