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## **EXECUTIVE SUMMARY**

The E-rate universal service program is a critical “piece of the puzzle” in terms of making broadband service available in sparsely-populated, high-cost rural areas of the nation. While carriers that are currently recipients of schools and libraries program support should be applauded for their efforts to date, it is nonsensical for anyone to assert that such an entity could be considered an unsubsidized competitor. Carriers that are e-rate participants are in fact subsidized competitors for other universal service purposes and definitions. A carrier should only be considered unsubsidized if it receives no support from **any federal programs, including E-rate** and Rural Health.

We applaud the Commission for having the foresight to promulgate rules that allow the E-rate program to keep pace with the changing telecommunications needs of schools and libraries. The Commission would be well served to consider similar indexing for the other federal universal service programs that assist carriers in providing the underlying infrastructure that serves as the communications backbone to schools, libraries and other important community anchor institutions.

RLECs have made tremendous progress in delivering on the promise of a modernized E-rate program. A failure to leverage this success and the availability of high-capacity, scalable networks already in place will expend a significant amount on E-rate funds and utilize resources that could otherwise be directed towards keeping services affordable, funding the upgrade/installation of internal connections, or funding the construction of new connections in areas that truly lack them.

## **Introduction and Background**

GVNW Consulting, Inc. (GVNW) submits reply comments filed pursuant to the Commission's *Public Notice*<sup>1</sup> (DA 14-308), released on March 6, 2014. In the instant *Public Notice*, the Wireline Competition Bureau seeks comment on several issues related to the modernization of the Universal Service Fund (USF) Schools and Libraries (E-rate) program.

GVNW is a management consulting firm that provides a wide variety of consulting services, including regulatory and advocacy support on issues such as universal service, intercarrier compensation reform, and strategic planning for communications carriers in rural America. We are pleased to have the opportunity to offer reply comments addressing the issues the Commission has raised in the *Public Notice*.

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<sup>1</sup> *Wireline Competition Bureau Seeks Focused Comment on E-Rate Modernization*, WC Docket No. 13-184, Public Notice, DA 14-308 (rel. March 6, 2014) (Public Notice).

**THE E-RATE PROGRAM IS A CRITICAL PIECE OF THE PUZZLE FOR  
MANY AREAS OF THE NATION**

In its comments at page 1, NTCA – The Rural Broadband Association (NTCA) offers a keen observation:

*The E-rate universal service program is a critical “piece of the puzzle” in terms of making broadband service available in sparsely-populated, high-cost rural areas of the nation. Along with the High-Cost universal service program, the E-rate mechanism has made available advanced communication services in rural areas that would otherwise lack access. The two specific programs should be seen as important complements to one another in achieving a broader comprehensive universal service mission.*

These programs, including the eventual successor mechanisms<sup>2</sup> for the current legacy high cost loop support for rural ETCs, must continue to work hand-in-hand for the benefits of broadband to reach every rural school and library.

While we will discuss this in more detail in response to the comment and reply cycles for future dockets, a comment about definitional integrity is in order at this point. While carriers that are currently recipients of schools and libraries program support should be applauded for their efforts to date, it is nonsensical for anyone to assert that such an entity could be considered an unsubsidized competitor. Carriers that are e-rate participants are in fact subsidized competitors for other universal service purposes and definitions. One of the most successful participants in the Commission’s E-Rate program to date has been GCI in Alaska. As the Alaska Rural Coalition noted in their April 11, 2014 ex parte letter reporting on April 8-9 visits with the legal advisors: A carrier should only be considered unsubsidized “if it receives no support from *any* federal programs,” including E-rate and Rural Health. (*Emphasis in original*)

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<sup>2</sup> The Commission has been slow to enact the logical next step in the legacy evolution for rural ETCs – a mechanism that reflects the choice that some customers will make to opt for broadband data only service platforms.

**THE FIRST PRIORITY FOR MODERNIZATION IS RECOGNIZING  
THE BUDGET TRADEOFFS**

We applaud the Commission for having the foresight to promulgate rules that allow the E-rate program to keep pace with the changing telecommunications needs of schools and libraries. In the March 28, 2014 Public Notice (DA 14-426), the Wireline Competition Bureau announced the E-Rate inflation-based cap for funding year 2014 pursuant to Section 54.507(a)(1) of the Commission's rules. The new 2014 cap of \$2,413,817,693 represents a 1.4% inflation-adjusted increase from the funding year 2013 level of \$2,380,314,485. The Public Notice noted that the Commission began this indexing in 2010. The Commission would be well served to consider similar indexing for the other federal universal service programs that assist carriers in providing the underlying infrastructure that serves as the communications backbone to schools, libraries and other important community anchor institutions.

However, accepting proposals that could increase the cost of the program without understanding the full budget implications is not prudent. One example of such a proposal that warrants careful scrutiny was placed in the record by General Communication, Inc.(GCI) GCI continues to advocate for a "priority 0" level of support that would allocate more funding to cover middle mile costs before the other priority levels kick in. While we are sympathetic for the funding needs for middle mile in Alaska as well as other western states with long distances to points of presence, there is not a firm cost estimate provided.

At pages 9-10 of their comments, GCI offers a "guess" that it would be less than the \$511 million for "priority 1" level support. A cost estimate range covering over half a

BILLION dollars is a far cry from approaching the level of precision needed for prudent policy analysis.

**AN EMPHASIS ON SCALABLE INFRASTRUCTURE RATHER THAN SPECIFIC SPEED TARGETS IS RECOMMENDED**

In its filing on pages 5-6, WTA offers an important policy recommendation, suggesting the FCC is correct in:

. . . refraining from focusing on funding specific speed targets that may be unaffordable, unsustainable, or of questionable necessity for some schools and libraries that have fewer students/users. As mentioned above, many rural schools and libraries do not have the population to support the need for high-capacity broadband at this moment in time. An arbitrary speed target set by the Commission could force schools and libraries to apply for E-rate support that far exceeds their current needs thereby overextending the E-rate fund and wasting valuable universal service dollars. Ultimately, the FCC's focus on scalable last-mile connections to schools and libraries is the correct approach . . .

NTCA corroborates this with their passage at page 5 of their comment filing:

. . . RLECs have made tremendous progress in delivering on the promise of a modernized E-rate program. A failure to leverage this success and the **availability of high-capacity, scalable networks already in place** . . . will expend a significant amount on E-rate funds and utilize resources that could otherwise be directed towards keeping services affordable, funding the upgrade/installation of internal connections, or funding the construction of new connections in areas that truly lack them . . . (Emphasis added)

More students and library users will benefit in both the short run and more importantly over the long run if the Commission acts as a good steward of its schools and libraries fund budget.

Respectfully submitted,

*s/ Jeffrey H. Smith*

*Via ECFS at 4/18/14*

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