



SHLB thanks the Bureau for the opportunity to comment. In brief, SHLB supports the category two funding framework as it exists today. We certainly believe the category two budgets should not be reduced and we believe the framework has been a success so far. SHLB believes that the recommendations discussed below would make the category two funding framework even more successful.

**I. SHLB GENERALLY SUPPORTS THE APPROACH TO CATEGORY TWO FUNDING ADOPTED IN THE MODERNIZATION ORDERS**

SHLB believes that the approach to funding category two services adopted in the *Modernization Orders* has been a success so far. The combination of raising the cap and establishing the category two budgets has expanded the availability of Wi-Fi funding, and the nation's schools and libraries have seen tangible results. The mere fact that the E-rate program actually funded category two requests over the past two funding years, after not having disbursed any category two funding in the previous two years, shows that the *Modernization Orders'* framework has made a positive difference. At the same time, the new framework has only just begun to extend the benefits of Wi-Fi to school districts and libraries. SHLB thus urges the Commission to retain the current framework for category two services and give it time to reach its fullest potential.

Although the Bureau is just beginning its inquiry, already the available data are a testament to the success of the category two funding framework. Funds for Learning and the Alliance for Excellent Education have published an analysis that provides a state-by-state breakdown of how much each state has benefited from the *Modernization Orders'* revisions to

category two funding.<sup>3</sup> This analysis found that in funding year 2015, the first funding year after the *Modernization Orders* were adopted, the program provided \$1 billion to support Wi-Fi infrastructure and services and expanded Wi-Fi service to almost 43,000 schools.<sup>4</sup> Eighty-three percent of those were low-income schools.<sup>5</sup> These findings indicate that the category two funding framework is advancing the Commission's stated priorities of expanding funding for internal connections while maintaining the program's historic focus on funding poor schools.<sup>6</sup>

E-rate consultant Funds for Learning has also compiled E-rate funding data showing that applicants have requested approximately \$3.2 billion in funding for internal connections in the first three funding years under the new framework: \$1.4 billion in 2015, \$1 billion in 2016, and \$817 million in 2017.<sup>7</sup> These figures, along with the data described above, show that in spite of concerns raised at the time of the *Modernization Orders*' adoption, the \$5 billion over five years allocated to internal connections has turned out to be a realistic estimate of demand.

In short, the available data demonstrate that the category two funding framework is, by and large, operating as the *Modernization Orders* envisioned it would, and that school districts and library systems are benefitting from the increased availability of funding for internal

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<sup>3</sup> Alliance for Excellent Education, *New Analysis Shows E-Rate Program Supporting Wi-Fi Services in More Than 42,700 Schools Nationwide*, <https://all4ed.org/press/new-analysis-shows-e-rate-program-supporting-wi-fi-services-in-more-than-42700-schools-nationwide/> (Sept. 18, 2017).

<sup>4</sup> Alliance for Excellent Education, *E-rate Modernization Order Expands Wi-Fi Access for More Than 42,700 Schools During First Year of Implementation*, <https://all4ed.org/e-rate-modernization-order-expands-wi-fi-access-for-more-than-42000-schools-during-first-year-of-implementation/> (Sept. 14, 2017). Alliance for Excellent Education describes how dramatically the expansion of Wi-Fi capability under the new category two funding framework improved educational opportunities for students in the Silver Lake Unified School District in Kansas. *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> *Modernizing the E-rate Program for Schools and Libraries*, WC Docket No. 13-184, Order and Further Notice of Proposed Rulemaking, 29 FCC Rcd 8870 (2014) (*July 2014 Modernization Order*).

<sup>7</sup> Funds for Learning, *Demand Drops to \$3 Billion*, [https://www.fundsforlearning.com/blog/2017/05/demand-drops-to-\\$3-billion](https://www.fundsforlearning.com/blog/2017/05/demand-drops-to-$3-billion) (May 19, 2017).

connections. SHLB expects that the data submitted in this proceeding, along with the FCC Form 471 data that the Bureau will analyze for its report, will further show how successful the category two funding framework is.

Notwithstanding the successes of the category two budgets to date, there is room for improvement. There are still too many schools and libraries that need more category two funding than they are receiving. SHLB therefore encourages the Commission, once it has examined the data collected in this proceeding, to assess whether the budgets for internal connections are sufficient to meet the needs of America's schools and libraries, particularly those in rural areas.<sup>8</sup>

Finally, with respect to some of the specific questions asked in the *Public Notice*, SHLB takes the following positions:

- SHLB supports the continuation of managed wi-fi so that schools and libraries have this additional option to use a third-party to install and manage the wi-fi network. SHLB has long supported giving schools and libraries these kinds of options in order to increase competition and efficient use of E-rate dollars..
- SHLB believes that the existing framework for allocating funds—student counts for schools and square footage for libraries—are appropriate and is not aware of any alternative framework that would do a better job of allocating funds equitably.

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<sup>8</sup> Rural schools typically do not have enough enrollment and staff to fulfill technology needs with the budget of only \$150/student. Many of these rural school districts are under-staffed, rarely can afford a full-time technology director, and must also pay extra for out-sourced services. For example, Northern Wells Community Schools (Indiana) in FY2017 had 2,422 students with a category two budget of \$371,704. Due to the district's rural location and lack of staff, it needed a vendor to perform all the installation and configuration of access points, switches and UPS. The components necessary for the operation of a wireless infrastructure totaled \$437,846 and the installation/configuration cost \$35,000. Therefore, the cost to obtain an adequate wireless infrastructure was \$472,846 but the school corporation's category two budget was \$371,704.

## II. ADDITIONAL FLEXIBILITY TO ACCOMMODATE LOCAL NEEDS AND INCREASED STREAMLINING WILL ENCOURAGE EFFICIENT USE OF C2 FUNDS

Given the robust demand for Wi-Fi in schools and libraries, it is a curious fact that the requests for category two funding have declined since the adoption of the rules for category two services in the *Modernization Orders*.<sup>9</sup> At a time when schools and libraries are working feverishly to get their students and patrons connected, the aggregate demand for on-campus networking reported via the E-rate program has decreased.<sup>10</sup>

This does not mean that the need for category two funding has waned. The decline in aggregate demand has more to do with inefficiencies in the program and the lack of flexibility in how applicants may use category two funding. To that end, below SHLB offers a few ideas that would help ensure that schools and libraries are getting the category two funding that they need:

- *Allow greater flexibility in allocating resources.* Commission rules currently require schools and libraries to apply for funding on a per-building basis, based on the number of students the building serves, and funds requested for one building may not be used for another building.<sup>11</sup> But all buildings are not created equal: the size of a building and the building materials used in its construction, to name just two factors, can affect the cost of installing Wi-Fi. The per-building approach does not account for these factors, and while the student-count and square-foot measurements are a good starting point for determining what support each building should receive, a school's or library's connectivity needs may or may not be met by its allotted funding.

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<sup>9</sup> See [https://www.fundsforlearning.com/blog/2017/05/demand-drops-to-\\$3-billion](https://www.fundsforlearning.com/blog/2017/05/demand-drops-to-$3-billion).

<sup>10</sup> *Id.*

<sup>11</sup> 47 C.F.R. § 54.502(b)(5).

Ideally, Commission rules would allow school districts and libraries some flexibility to distribute their allotted funding among their locations as best meets their needs. For example, an elementary school may have far more funding than it needs to install robust Wi-Fi, while a high school may not have enough funding to install sufficient Wi-Fi capability to serve its users. The Commission should therefore consider allowing school districts or library systems the flexibility to direct unneeded category two funding from one school to another.

- *Streamline the Form 500.* SHLB encourages the Commission to eliminate the requirement that applicants provide specific C2 information on the FCC Form 500 when they do not use all of the C2 funding requested for a particular funding year. Currently, an applicant is required to specify what pieces of equipment listed on its FCC Form 471 were not purchased or what services were listed but not taken in order to be able to use that part of its budget in a subsequent funding year.<sup>12</sup> USAC should simply calculate the amount of unused funding after invoices are due, and notify the applicant as to its remaining budget. During a subsequent audit or payment quality assurance review, USAC would be able to verify that the service or product requested on the FCC Form 471 was purchased and could reconcile those purchases to submitted invoices. The current method is unnecessarily burdensome.<sup>13</sup>

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<sup>12</sup> <http://www.usac.org/sl/applicants/before-youre-done/500-filing.aspx> (“An applicant wants to cancel or reduce an FRN to return funding to its Category Two Budget to be eligible to receive a Category Two commitment in another funding year. This must be accomplished by filing an FCC Form 500. The first FRN must be canceled or reduced before USAC can consider funding the second FRN.”)

<sup>13</sup> USAC is also unable to properly reference the dates of services for C2 funding in EPC. For example, if an applicant has a monthly service which isn’t used in February, EPC cannot pay the other 11 months and allow return of funds for February. It has to either note the service started a month late or end it a month early, neither of which is accurate. The Commission should direct USAC to fix EPC so that it can properly reflect the dates of services so the applicant is not incorrectly viewed as non-compliant in a future review or audit.

- *Allow support for Wi-Fi on school buses.* SHLB believes that school districts should be able to apply for E-rate funding to install Wi-Fi capabilities on their buses. This technology would improve students' ability to do homework on the bus, and it would be particularly beneficial to students in rural areas, who spend more time on the bus than their urban counterparts. The Commission could consider limits to this funding, to ensure that it is focused on actual bus commutes, where students are continuing to study and learn. This change would again empower districts to use their funding in the way that makes the most sense for their students.
- *Schools for students with special needs.* In establishing the pre-discount \$150 per student five-year budget, the Commission considered several cost models. Unfortunately, those cost models and others did not allow for variance of implementation due to any unique circumstances such as facilities serving a unique population, such as special needs students. In fact, the Commission's pre-discount \$150 per student five-year budget model as adopted by the Commission is not adequate for those facilities serving unique populations. For example, the Illinois School for the Visually Impaired (ISVI) currently is limited to a \$9,450. However, the ISVI's costs for category two eligible services are more than \$100,000. The Commission should consider using a square foot model for these schools. If a budget of \$2.30 (pre-discount) per square foot over a five-year period model were adopted, ISVI's budget would be \$458,615. (199,398 square feet times \$2.30 per square foot).

### III. THE COMMISSION SHOULD PURSUE THE IDEA OF PREFERRED MASTER CONTRACTS FOR C2 EQUIPMENT

In response to the Bureau's request for ideas about how to ease administrative burdens on applicants, SHLB recommends that the Bureau exercise its delegated authority to designate preferred master contracts for category two equipment. The *Modernization Order* authorized the Bureau to designate preferred master contracts in order to encourage applicants to take advantage of bulk buying opportunities.<sup>14</sup> The Commission stated that the Bureau could designate a master contract as a preferred master contract if the contract "offers eligible entities nationwide the opportunity to obtain excellent pricing for category two services as reported on FCC Form 471."<sup>15</sup> SHLB believes that the designation of preferred master contracts is a good idea that, as far as it knows, the Bureau has not pursued. As the Commission observed, "Commodities such as the equipment used in internal connections lend themselves to bulk purchasing arrangements, and can be shipped nationwide."<sup>16</sup> Preferred master contracts would streamline and simplify the competitive bidding process and make it easier for applicants to obtain category two funding. They would also save money, both for applicants and for the E-rate program.<sup>17</sup> SHLB therefore encourages the Bureau to exercise its authority to designate preferred master contracts.

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<sup>14</sup> *First Modernization Order*, 29 FCC Rcd at 8940, ¶¶ 170-172 ("The Bureau may make such a designation for the purpose of (a) exempting the preferred master contract from the FCC Form 470 filing requirement and (b) requiring applicants to include the preferred master contract in their bid evaluations even if the master contract is not submitted as a bid in response to the applicant's FCC Form 470.")

<sup>15</sup> *Id.* at 8940, ¶ 171.

<sup>16</sup> *Id.* at 8940, ¶ 172.

<sup>17</sup> *Id.* at 8940, ¶ 171 ("National availability of the equipment offered on a preferred master contract will ensure that all E-rate applicants have the opportunity to take advantage of its pricing.").




#### **IV. CONCLUSION**

SHLB supports the category two funding framework as it exists today and believes that the recommendations discussed herein would make that framework even more successful.

SHLB appreciates the opportunity to comment on this matter and looks forward to the Bureau's report.

Respectfully submitted,

A handwritten signature in black ink that reads "John Windhausen, Jr." with a period at the end. The signature is written in a cursive style.

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