

FCC Seeks Additional Input on E-rate Reform

3/9/2014

As a continuation of the FCC's efforts to modernize the E-rate program, yesterday the FCC issued a Public Notice (Notice) seeking further comments with respect to four specific topics – Broadband Within the School, Broadband to the School, Elimination of Voice Services and Pilot Projects. The Notice, which is attached to this message, contains specific questions/proposals related to each area which are summarized at the bottom of this message.

Reading between the lines, here is what I think we learned from this Notice in terms of E-rate reform:

- The FCC is likely to keep the 2-priority system, but is seeking ways to be sure that eligible networking equipment funding is distributed to all applicants and not just those with 90% discounts. Options include only allowing applicants to receive funding once every 5 years, creating a rotating funding schedule, or allocate a specific amount of Priority 2 funding to every applicant each year.
- Priority 2 eligibility will become narrowly focused on WiFi and broadband internal connections/internal wiring.
- Changes are coming to the eligibility of voice services as they likely will be either phased-out over 5 years or eliminated via a flash-cut. It is unclear whether voice services include VOIP (but it looks doubtful).
- The FCC wants specific pilot proposals related to broadband connectivity, purchasing, libraries, consortia, technical assistance, etc. BE THINKING ABOUT THIS.
- The full Reform Order is slated for release this summer, with most of the changes intended to be implemented for Funding Year 2015.

Initial comments are due April 7, with reply comments due April 21. If you would like to submit comments or pilot proposals to the FCC on any of these issues, I strongly encourage you to read the actual Notice and then use the attached Filing Guide as a framework.

PUBLIC NOTICE SUMMARY

- FOCUSED BROADBAND FUNDING –

A. Broadband Deployment within Schools and Libraries (Priority 2)

- **Equipment Eligibility:** What specific equipment should be E-rate eligible in order to get high-capacity broadband from the building's front door to tablets/computers. Internal wiring, switches and routers, wireless access points, and supporting software? Should caching, firewalls and content filtering also be eligible?
- **Funding:** Proposes 3 possible ways to revise Priority 2 funding rules and seeks comments on these options:
 1. Five year Upgrade Cycle: Change the current '2-5 year' rule (where applicants are eligible for P2 funds no more than twice in a rolling five year span), to a '1-5 year' rule.
 2. Rotating Eligibility: Similar to the '1-5 rule,' the rotating cycle concept would instead provide funding on a cyclical basis where applicants would be eligible to reapply for funding after all applicants had received a chance for P2. For example, all 90% entities would be funded, then all 80% entities, and so on. When funding ran out in the first year at a particular discount level, the next lower discount level would be funded in the second year, and so on. Funding for the 90% applicants would not be available again until applicants with all discount ranges had received funding approval.

3. Annual Allocation for Internal Connections: This proposal would make ‘some’ amount of P2 funding available to each applicant each year, regardless of needs.
4. Other Methods to Prioritize Internal Connections: Two alternative proposals were suggested: prioritizing projects based on the number of students impacted per dollar of funding, and/or prioritizing consortia applications.

B. Broadband Deployment to Schools and Libraries: Should they create a one-time limited initiative (within priority one) to incent deployment of high-capacity broadband to schools and libraries that are not yet connected? If so, should those projects receive a higher discount rate? They would like specific examples of projects for which applicants would seek funding.

C. Encouraging Cost-Effective Purchasing:

- The FCC is considering incentives related to consortium applications and bulk buying.
- Should technology planning be reinstated for broadband requests ?
- The FCC is continuing to seek comments on what data collection issues and whether price transparency for E-rate supported services will help drive down prices.

D. Streamlining the Administrative Process: What changes can the FCC make to the E-rate Form 471 application process that would make it less administratively burdensome? Should invoicing deadlines be adjusted for broadband projects? Should applicants be given more time to complete projects? Should applicants be given extra time before the funding year begins to begin infrastructure construction or internal infrastructure projects?

- REDUCED SUPPORT FOR VOICE SERVICES –

A. Redirecting Support from Voice Services: The FCC offers several ways to change the eligibility of voice services and seeks comments on these options:

1. Phase-out voice services over a period of years. Example: Each year voice services would receive a reduced discount – such as 15%, beginning in 2015 – until voice services were eliminated in 2020. Thus, the 90% discount applicants would receive a 75% discount on voice services in 2015, 60% in 2016, 45% in 2017, 30% in 2018, and 15% in 2019.
2. Eliminate voice services in a flash-cut. Example, services would becoming ineligible in Funding Year 2016 or 2017.
3. Don’t change the eligibility of voice services but instead giving them a lower priority and/or cap the discount it receives (such as giving everyone a flat 40% discount on voice services).

B. Eligibility of Certain Voice Services: Should any voice services remain eligible?

C. Eligibility of Voice Priority 2 Equipment: Should any voice equipment remain eligible under Priority 2?

D. VOIP: Should VOIP service remain eligible, and if so, what specifically does VOIP include? Should the FCC create an incentive, such as a one-time 10 – 20% discount, to help applicants defray the up-front costs necessary for the first year of a transition to VOIP?

- DEMONSTRATION (PILOT) PROJECTS –

A. Demonstration (Pilot) Projects: The FCC is seeking comment on whether to provide limited funding for well-defined demonstration/pilot projects they could consider as a way to field-test options they think might benefit E-Rate. For example, a state or consortia bulk-purchasing project; a technical assistance program to hire technical assistance experts to assist in network design or technical planning in under-served areas; pilots to link last-mile

infrastructure to BTOP funded networks; experiments on the use of consortia; projects that target rural areas; or ways to reduce the administrative burden on E-rate applicants.

B. Library Pilot: In addition, the FCC seeks comments on the American Library Association proposal to temporarily increase the discount level for targeted libraries, prioritizing public-private partnerships and providing funding for technical assistance.

C. Data to Submit: With respect to all proposed pilot projects, the FCC would like specific goals, amount of funding requested, suggestion for the process for selecting participants, the data to be collected and the proposed timeline.

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