

**CATEGORY 2 NPRM (FCC 19-58) AREAS FOR COMMENT**  
**July 10, 2019**

¶	Topic	Specific Questions, Proposals and Issues for Comment
13	Summary	Summary/Overview: (1) FCC <b>proposes</b> to make permanent the category two budget approach for all applicants; (2) FCC <b>proposes</b> and seeks comment on ways to improve the category two budget approach; and (3) FCC <b>seeks comment</b> on how best to transition from the five-year test period to a permanent extension of this approach.
14	Permanent C2 Budget  C2 Report Findings	<b>Seeks comment</b> on making permanent the category two budget approach and on the Bureau’s overall findings in the Category Two Budget Report  Category Two Budget Report found that applicants have had access to category two funding every year, and no requests have been denied due to insufficient funding.  Category two budget approach has generally resulted in a more equitable distribution of funding that better approximates the makeup of E-Rate applicants, in comparison to the distribution under the two-in-five rules approach where funding disproportionately went to urban schools.
16	Permanent C2 Budget	<b>Questions:</b> What are the costs and benefits associated with making permanent the category two budget rules? Do the benefits of the category two budget approach outweigh the burdens associated with administering them? We also <b>seek comment</b> more generally on the costs associated with the budgets overall and the appropriate path forward.
17	Improvements Overview	FCC <b>seeks comment</b> on other potential ways to improve the budget approach, including moving to district-wide budgets and simplifying the budget calculations.  FCC <b>seeks general comment</b> on ways to decrease the burden of applying for category two services and improve administration of category two budgets for both applicants and USAC.
18	Eligible Services	FCC <b>proposes</b> extending the eligibility of managed internal broadband services, caching, and basic maintenance and seeks comment.  <b>Question:</b> Are there additional services that should be eligible for category two funding or any other issues regarding category two eligible services that the FCC should consider?
19	Budget Levels Retain Current Amounts?	C2 report stated that the C2 budgets are sufficient since approximately half of schools and most libraries having used less than half of their allocated five-year budget and a supermajority of schools and libraries having used less than 90% of their budgets. Based on C2 report finding, <b>FCC proposes</b> maintaining the existing budget multipliers for the category two budget approach.
20	Budget Levels Increase Amounts?	<b>Questions:</b> Alternatively, should the per-student or per-square foot budget multipliers be changed, particularly for entities that may have participated at a lower rate or that may face higher costs for internal connections?  Would, for example, increasing the budget floor to \$25,000 as some commenters suggested in response to the 2017 Public Notice be a more appropriate budget floor? How much should the floor be increased?  Would raising the budget floor to correspond with schools that participate at a higher rate be an appropriate budget floor level?

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21	Budget Levels Increase Amounts for Some Entities based on their Higher Costs?	<p><b>Questions:</b> Should the budget multipliers be adjusted for entities that may experience higher costs due to their geographic location. For example, the current budget multipliers appear to disadvantage rural libraries, leaving them with less than half the category two budget support per square foot than their urban counterparts despite often smaller square footage.</p> <p><b>Questions:</b> Should we maintain the increased budget multiplier for libraries in urban areas (i.e., \$5.00 per square foot), or should we set a higher budget multiplier for rural libraries, which is currently \$2.30 per square foot?</p> <p>For example, to the extent that entities in remote or Tribal areas or communities face higher category two costs, we seek data to assist the Commission in determining the appropriate budget multipliers.</p> <p><b>Commenters should submit specific data</b> and models to support their arguments that additional funding is necessary,</p>
22, 23	BEN-Wide C2 Budgets Benefits	<p>FCC <b>seeks comment</b> on moving from a per-school or per-library budget to a per-district or per-system budget for category two services.</p> <p><b>Questions:</b> Would a district-wide budget calculation simplify the application process by eliminating the need for school districts to count part-time students given that they would have the flexibility to allocate funding as they see fit?</p> <p>Would the application process be simplified by not requiring cost allocations per building?</p> <p>Would there be more flexibility to local officials in making determinations about the efficient and effective allocation of E-Rate funds in fulfillment of the program’s objectives and goals?</p>
24	BEN-Wide C2 Budgets Costs	<p><b>Questions:</b> What are the costs of moving to district-wide budgets, including with respect to the allocation and distribution of category two funding?</p> <p>For example, in some states, charter schools are considered a part of a school district, while in others, they are independent from the district. For charter school applicants that are subject to school district administration, are there risks that category two E-Rate support requested by the school district will be unfairly distributed among the schools in the district?</p> <p>FCC <b>seeks comment</b> on these risks and whether any safeguards could be used to ensure that funding is available for all eligible schools.</p>
25	District-wide C2 Budgets Administration	<p><b>Questions:</b> How should a district-wide budget approach should be administered?</p> <p>Which school entities are part of a district for purposes of applying for and setting district-wide category two budgets?</p> <p>Should parochial school entity groups and charter school groups that apply together be treated as a district with a district-wide budget?</p> <p>What would happen if districts combine or separate during the five-year budget cycle?</p> <p>Are there other issues to be considered including any rules or procedures that would need to be modified, under a district-wide category two budget approach?</p>
26	Library System Wide C2 Budgets	<p>We also <b>seek comment</b> on whether the same approach is appropriate for library systems.</p> <p><b>Questions:</b> Would library systems benefit from a system-wide budget in the same way schools might from a district wide C2 budget?</p> <p>How to handle situations where different outlets have different IMLS codes and therefore qualify for different per square feet budgets?</p>

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		What's the best way to figure out the IMLS locale code for the library system?
27	Equipment Transfer Rules	<p><b>Questions:</b> If district wide budgets are adopted, should the equipment transfer rules within a district be eased?</p> <p>Would the concern about transferring equipment be relevant anymore?</p>
28	Budget Calculations	<p><b>Questions:</b> How to simplify calculations?</p> <p>Should the student count and square footage in the first year of a five-year cycle be used for all five years to ease administration of the budgets?</p> <p>Would having a set pre-discount budget for five years make the review process easier because applicants would only have to verify this information once?</p> <p>Or are there significant advantages to having the budgets rise (or fall) depending on student population or square footage each year?</p> <p>If so, are there other ways to ease the review process for verifying student counts and square footage if we keep entity-level budgets on an annual basis?</p> <p>Should we establish a presumption that the student counts verified in one of the last four funding years are still accurate for the purposes of setting a category two budget, absent an effort by the applicant to increase the student count?</p> <p>Such a presumption could result in waste of funding if a school's student population dropped significantly, for example, due to migration of students to a new school.</p> <p>How could such an outcome be avoided if we were to adopt such a presumption?</p>
29	Budget Calculations	<b>FCC proposes</b> to use 2 decimal places for rounding of the budget multiplier.
30	Administration	<p><b>Questions:</b> Other suggestions welcome for simplification and improved efficiency of application process?</p> <p>Can the 471 be simplified?</p> <p>Should FCC provide master contract guidance?</p> <p>Are there changes to the FCC Form 500 cancellation process that would simplify the category two budget process?</p>
31	Transition to Permanent C2 Program	FCC <b>seeks comment</b> on the five-year budget cycles and how best to transition from the existing category two budget rules following the five-year test period.
32	Transition to Permanent C2 Program  Rolling Budgets	<p><b>The five-year test period adopted in 2014, however, makes it such that no applicant is able to request funding in a sixth year under the category two budget approach, and thus although the budgets were designed to be rolling, in practice they are not. We seek comment on using rolling budgets as originally intended.</b></p> <p>Under this approach, in funding year 2020, applicants would calculate their five- year budgets based on their student counts, inflation-adjusted per-student budget multipliers, and any funding committed in funding years 2016, 2017, 2018, and 2019 (but not funding year 2015).</p> <p><b>Questions:</b> What are the other benefits of this rolling approach?</p> <p>What are the costs of this approach? For example, is it administratively burdensome to calculate budgets in this way?</p>

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33	Fixed 5 Year Budget in Place of Rolling 5 Year Budget	<p>As an alternative to a rolling five-year cycle approach, FCC <i>seeks comment</i> on moving to a fixed five-year cycle from funding year 2020 through funding year 2024, with a new fixed five-year budget starting for all applicants every five years.</p> <p><i>Questions:</i> Is this approach more efficient?</p> <p>How can applicants be incentivized to avoid wasteful spending at the end of a fixed cycle by requesting funds solely because the funds are scheduled to expire?</p> <p>What are the other costs and benefits of rolling and fixed budget cycles?</p>
34	Rolling Budgets – More Questions	<p><i>Questions:</i> If a rolling budget approach is adopted, should budgets be modified to smooth the amount of support available over a five-year cycle by providing some funding each funding year?</p> <p>For instance, should we consider a system where an additional 20% is added to the applicant budget each year while still having a maximum budgeted amount that can be spent each year?</p> <p>Under this additive approach, a school would be able to roll unused funding from year to year; however, applicants would not be permitted to request more than \$150 per student (adjusted for inflation) in any given funding year.</p> <p>FCC <i>seeks comment</i> on this additive approach, its costs and benefits, and any alternatives to smooth out the amount of support available under a rolling five-year budget approach while minimizing administrative burdens on applicants and USAC.</p>
35	Transition to Permanent C2 Program	<p><i>Questions:</i> How to transition from the existing category two budget rules to any modified category two budget rules?</p> <p>For administrative efficiency, FCC seeks comment on starting fresh in funding year 2020 and resetting all applicant budgets, to allow applicants a new opportunity to track their category two budgets and ease the transition’s impact on all E-Rate program stakeholders</p> <p><i>FCC also seeks comment</i> on whether there is an administratively feasible way to take previous category two funding commitments into account when transitioning all applicants in funding year 2020.</p>
36	Transition to Permanent C2 Program Alternative Approach	<p><i>Questions:</i> Alternatively, depending on the timing of the new rules and the extent of the changes, should we consider using funding year 2020 as a bridge to transition to the final rules we adopt in this proceeding?</p> <p>For example, should we consider extending the existing rules for one funding year without any modifications?</p> <p>This approach could allow applicants that received support in funding year 2015 and have completed the five-year cycle, or applicants still within their five-year cycles with funds remaining in their budgets, to request support and allow for a smoother transition to the new rules. Should we permit applicants who have completed a five-year cycle to nevertheless access any unused funds in funding year 2020, in what would be a sixth year?</p> <p>Similarly, should any particular restrictions apply to applicants that did not receive category two support in funding year 2015 through 2019?</p> <p>Should we further provide some additional category two support to the existing five-year budgets, for example, \$30 per student or 20% of the library budget of \$2.30 or \$5.00?</p> <p>Commenters supporting this alternative are encouraged to also address what category two funding opportunities, if any, should be made for those E- Rate eligible entities who have already depleted their respective category two budgets.</p> <p>Or should we consider having a second, later filing window for category two service requests in funding year 2020?</p>

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		<p>How can we best reduce applicant confusion and provide for simplified administration of the category two budgets as we move beyond funding year 2019?</p> <p>Are there other alternatives that would afford a smooth and effective transition to the category two rules that the FCC adopts in the context of this proceeding?</p>