

Before the  
Federal Communications Commission  
WASHINGTON, D.C. 20554

In the Matter of	)	
	)	
Schools and Libraries Universal Service	)	CC Docket No. 02-6
Support Mechanism	)	
	)	
A National Broadband Plan for Our Future	)	GN Docket No. 09-51
	)	
	)	

**REPORT AND ORDER**

**Adopted: August 10, 2011**

**Released: August 11, 2011**

By the Commission:

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**I. INTRODUCTION**

1. This order adds the statutory language from the Protecting Children in the 21<sup>st</sup> Century Act regarding the education of students about appropriate online behavior to the existing Commission rules implementing the Children’s Internet Protection Act (CIPA) for the schools and libraries universal service support mechanism (also known as the E-rate program).<sup>1</sup> The Commission’s CIPA rules were also implemented at the direction of Congress, and school and library E-rate applicants that seek to receive discounts on Internet access or internal connections have been required to certify their compliance with

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<sup>1</sup> Protecting Children in the 21<sup>st</sup> Century Act, Pub. L. No. 110-385, Title II, 122 Stat. 4096 (2008); 47 C.F.R. §§ 54.520(c)(1)(i), 54.520(c)(2)(i).

CIPA since 2001.<sup>2</sup> The Protecting Children in the 21<sup>st</sup> Century Act directs E-rate applicants to also certify that their CIPA-required Internet safety policies provide for the education of students regarding appropriate online behavior including interacting with other individuals on social networking websites and in chat rooms, and regarding cyberbullying awareness and response.<sup>3</sup> We implement this statutory language verbatim. We also make minor non-substantive revisions to Commission rules to conform to existing statutory language from the CIPA statute where necessary. Finally, we make minor corrections to the Commission's *Schools and Libraries Sixth Report and Order*.<sup>4</sup>

## II. BACKGROUND

2. Under the E-rate program, eligible schools, libraries, and consortia that include eligible schools and libraries may apply for discounted eligible telecommunications, Internet access, and internal connections services.<sup>5</sup> Since 2001, in accordance with CIPA, to be eligible for E-rate discounts for Internet access and internal connection services, schools and libraries that have computers with Internet access must certify that they have in place certain Internet safety policies and technology protection measures.<sup>6</sup> As required by CIPA, section 54.520(c) of the Commission's rules requires that the Internet safety policy must include a technology protection measure that protects against Internet access by both adults and minors to visual depictions that are (1) obscene; (2) child pornography; or, with respect to use of the computers by minors, (3) harmful to minors.<sup>7</sup> In addition, section 54.520(c)(1)(i) requires a school to certify that its Internet safety policy includes "monitoring the online activities of minors."<sup>8</sup> Applicants make their CIPA certifications on the Receipt of Service Confirmation Form (FCC Form 486), or the Certification by Administrative Authority to Billed Entity of Compliance with the Children's Internet Protection Act (FCC Form 479).<sup>9</sup>

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<sup>2</sup> Congress included CIPA as part of the Consolidated Appropriations Act, 2001, Pub. L. No. 106-554 §§ 1701 *et seq.* Section 1721 of CIPA amends section 254 (h) of the Communications Act of 1934 (as amended) (Act). 47 U.S.C § 254(h); *Federal-State Joint Board on Universal Service, Children's Internet Protection Act*, CC Docket No. 96-45, Report and Order, 16 FCC Rcd 8182 (2001) (*CIPA Order*).

<sup>3</sup> Protecting Children in the 21<sup>st</sup> Century Act, Pub. L. No. 110-385, Title II, 122 Stat. 4096 (2008).

<sup>4</sup> *Schools and Libraries Universal Service Support Mechanism, A National Broadband Plan For Our Future*, CC Docket No. 02-6, GN Docket No. 09-51, Sixth Report and Order, 25 FCC Rcd 18762 (2010) ("*Schools and Libraries Sixth Report and Order*").

<sup>5</sup> 47 C.F.R. §§ 54.501-54.502, and 54.504.

<sup>6</sup> Congress included CIPA as part of the Consolidated Appropriations Act, 2001, Pub. L. No. 106-554 §§ 1701 *et seq.* Section 1721 of CIPA amends section 254 (h) of the Communications Act of 1934 (as amended) (Act). 47 U.S.C § 254(h).

<sup>7</sup> 47 U.S.C. § 254(h); 47 C.F.R. §§ 54.520(c)(1)(i), 54.520(c)(2)(i).

<sup>8</sup> 47 U.S.C. § 254(h)(5)(B)(i); 47 C.F.R. § 54.520(c)(1)(i). The statute does not extend this requirement to libraries. 47 U.S.C. § 254(h)(5)(B)(i).

<sup>9</sup> See FCC Form 486 at 5, available at <http://www.universalservice.org/res/documents/sl/pdf/486.pdf> (last visited July 10, 2011); FCC Form 479 at 2, available at <http://www.usac.org/res/documents/sl/pdf/479.pdf> (last visited July 10, 2011). The Administrative Authority is the entity that must make the CIPA certifications for the applicant. If the Administrative Authority is also the Billed Entity, then the Administrative Authority may make its CIPA certifications on the FCC Form 486. See Instructions for Completing the Schools and Libraries Universal Service Receipt of Service Confirmation Form at 2-3 (FCC Form 486 Instructions), available at <http://www.usac.org/res/documents/sl/pdf/486i.pdf> (last visited July 10, 2011). If the Administrative Authority is not the Billed Entity, then the Administrative Authority must make its CIPA certifications on the FCC Form 479 and (continued....)

3. In 2008, Congress passed the Protecting Children in the 21<sup>st</sup> Century Act.<sup>10</sup> Among other things, section 215 of the Protecting Children in the 21<sup>st</sup> Century Act, titled Promoting Online Safety in Schools, revised section 254(h)(5)(B) of the Communications Act of 1934, as amended (the Act), by adding a new certification requirement for elementary and secondary schools that have computers with Internet access and have applied for discounted services under the E-rate program.<sup>11</sup> In addition to the existing CIPA certifications required of schools in section 254(h)(5) of the Act, the Protecting Children in the 21<sup>st</sup> Century Act requires the school, school board, local educational agency, or other authority with responsibility for administration of the school to certify that, “as part of its Internet safety policy, [it] is educating minors about appropriate online behavior, including interacting with other individuals on social networking websites and in chat rooms and cyberbullying awareness and response.”<sup>12</sup>

4. In the November 2009 Notice of Proposed Rulemaking (NPRM), we proposed to revise section 54.520(c)(1)(i) to require certification that a school’s Internet safety policy provides for the education of minors about appropriate online behavior, including interacting with other individuals on social networking websites and in chat rooms, and cyberbullying awareness and response, as required by the Protecting Children in the 21<sup>st</sup> Century Act.<sup>13</sup> We also sought comment on revising certain rules to reflect more accurately the existing statutory language regarding the CIPA certifications.<sup>14</sup>

### III. DISCUSSION

#### A. Protecting Children in the 21<sup>st</sup> Century Act Revisions

5. *Revision to section 54.520(c)(1)(i) of the Commission’s rules.* We revise section 54.520(c)(1)(i) of the Commission’s rules to include the new certification requirement added by the Protecting Children in the 21<sup>st</sup> Century Act. We revise section 54.520(c)(1)(i) to add a certification provision that a school’s Internet safety policy must provide for the education of minors about appropriate online behavior, including interacting with other individuals on social networking websites and in chat rooms and cyberbullying awareness and response.<sup>15</sup>

6. We note that the *NPRM* included a proposed rule that the school’s Internet safety policy “must educate minors about appropriate online behavior.”<sup>16</sup> Tech Ed Services raised concerns that the language in the proposed rule could be interpreted to require that the actual Internet safety policy document itself educate minors about appropriate online behavior.<sup>17</sup> In response, we have revised the rule

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submit the FCC Form 479 to the Billed Entity. The Billed Entity then certifies on the Form 486 that it has collected the completed and signed FCC Form(s) 479. *Id.* at 3.

<sup>10</sup> Protecting Children in the 21<sup>st</sup> Century Act, Pub. L. No. 110-385, Title II, 122 Stat. 4096 (2008).

<sup>11</sup> Protecting Children in the 21<sup>st</sup> Century Act § 215; 47 U.S.C. § 254(h)(5)(B).

<sup>12</sup> Protecting Children in the 21<sup>st</sup> Century Act § 215.

<sup>13</sup> *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Notice of Proposed Rulemaking, 24 FCC Rcd 13898, 13899, para. 4 (2009) (*NPRM*).

<sup>14</sup> *Id.* at 13900-02, paras. 7-16.

<sup>15</sup> See Appendix A, 47 C.F.R. § 54.520(c)(1)(i) as amended herein. Under the law, this certification is not required of libraries. Protecting Children in the 21<sup>st</sup> Century Act § 215.

<sup>16</sup> *NPRM*, 24 FCC Rcd at 13908.

<sup>17</sup> Tech Ed Services, Inc. Comments at 1.

to make clear that the Internet safety policy must provide for the education of minors about appropriate online behavior. The new rule states: “This Internet safety policy must also include monitoring the online activities of minors and must provide for educating minors about appropriate online behavior, including interacting with other individuals on social networking websites and in chat rooms and cyberbullying awareness and response.”<sup>18</sup> We believe this makes clear that, although a school’s Internet safety policy may include the development and use of educational materials, the policy itself does not have to include such materials.

7. As required by the Protecting Children in the 21<sup>st</sup> Century Act, a school, school board, school district, local education agency, or other Administrative Authority of a school receiving E-rate funding for Internet access and internal connections must certify on its FCC Form 486 or FCC Form 479, beginning with funding year 2012, that it has updated its Internet safety policy.<sup>19</sup> The update must include provisions for educating minors about appropriate online behavior, including interacting with other individuals on social networking websites and in chat rooms, and cyberbullying awareness and response.<sup>20</sup> Although we encourage schools to update their Internet safety policies as soon as practicable, making this requirement effective for the 2012 funding year, which begins July 1, 2012, will give schools adequate time to amend their Internet safety policies and to implement procedures to comply with the new requirements after the completion of this rulemaking proceeding.<sup>21</sup> Unless required by local or state rules, schools will not need to issue an additional public notice and hold a hearing in order to update their Internet safety policies in accordance with the new Protecting Children in the 21<sup>st</sup> Century Act requirements. We also note that although the FCC Forms 486 and 479 do not need to be amended because the existing language already incorporates a certification of compliance with all of the statutory requirements, the instructions to these forms will be revised to list each requirement individually, including the requirements we adopt today.<sup>22</sup>

8. At this time, we decline to define or interpret the terms provided in the new statutory language, such as “social networking” or “cyberbullying.” In addition, we will not detail specific procedures or curriculum for schools to use in educating students about appropriate online behavior because these are determinations that are better be made by schools implementing this policy in the first instance.<sup>23</sup> Furthermore, section 254(l), is an example of Congress’s intent to have local authorities make decisions in this area. We believe that by not defining terms such as “cyberbullying” in this proceeding, we are acting in accordance with this intent. We note, however, that schools can find a number of

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<sup>18</sup> See Appendix A, 47 C.F.R. § 54.520(c)(1)(i) as amended herein.

<sup>19</sup> As explained above, the Administrative Authority is the entity that must make the CIPA certifications for the applicant. If the Administrative Authority is also the Billed Entity, then the Administrative Authority may make its CIPA certifications on the FCC Form 486. See Instructions for Completing the Schools and Libraries Universal Service Receipt of Service Confirmation Form at 2-3 (FCC Form 486 Instructions), available at <http://www.usac.org/res/documents/sl/pdf/486i.pdf> (last visited July 10, 2011). If the Administrative Authority is not the Billed Entity, then the Administrative Authority must make its CIPA certifications on the FCC Form 479 and submit the FCC Form 479 to the Billed Entity. The Billed Entity then certifies on the Form 486 that it has collected the completed and signed FCC Form(s) 479. *Id.* See *supra* n. 9.

<sup>20</sup> See Appendix A, 47 C.F.R. § 54.520(c)(1)(i) as amended herein.

<sup>21</sup> See, e.g., ALA Comments at 4; Council of Great City Schools at 2; NYC DOE Comments at 1; SECA Comments at 4; WV DOE Comments at 2; SETDA Reply Comments at 1; Alaska Library Reply Comments at 1 (requesting additional time to implement changes and meet the new requirements).

<sup>22</sup> See, e.g., SECA Comments at 3.

<sup>23</sup> See, e.g., NYC DOE Comments at 1, SECA Comments at 1,

resources available to them as they prepare their Internet safety policies to provide for the education of students about appropriate online behavior. Many of these resources are online, including, for example, the ideas and links for parents of children that use the Internet supported by OnGuardOnline.gov, the website the Federal Trade Commission jointly developed with the FCC, other federal government offices, and various technology industry organizations.<sup>24</sup>

## B. Other Proposed Rule Revisions

9. We also revise certain rules to conform more accurately to the existing statutory language, as proposed in the *NPRM*.<sup>25</sup> We emphasize that these revisions do not impose additional obligations on E-rate participants, but merely mirror the existing statutory language and codify existing statutory requirements. Many of our modifications will simplify the application process by including in our rules important definitions that we previously required applicants to look up from other sources. Contrary to the suggestion of one commenter, E-rate participants will not need to undergo new training or re-file any forms as a result of our conforming our rules to the existing statutory language unless they have been non-compliant with these existing obligations.<sup>26</sup> We note that one commenter objected to these rule revisions generally on the basis that the revisions are unnecessary and will cause confusion.<sup>27</sup> We conclude, however, that these rule revisions will eliminate potential confusion by making the rules reflect the statutory language more accurately and clarifying all of the CIPA obligations.

10. Our first revisions clarify and add various defined terms relating to the CIPA obligations. First, we revise the rules so that the definitions of elementary and secondary schools are consistent throughout our rules and reflect the exact statutory wording of 20 U.S.C. § 7801(18) and (38).<sup>28</sup> According to this statute, an elementary school is “a nonprofit institutional day or residential school, including a public elementary charter school, that provides elementary education, as determined under State law.”<sup>29</sup> A secondary school is “a nonprofit institutional day or residential school, including a public secondary charter school, that provides secondary education, as determined under State law, except that the term does not include any education beyond grade 12.”<sup>30</sup> At this time, Commission rule sections 54.500, 54.501, and 54.504 all contain differently worded references to definitions of elementary and secondary schools.<sup>31</sup> We first note that the existing definition of elementary school in section 54.500(c)

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<sup>24</sup> See OnGuard Online; Stop, Click, Think; Net Cetera, <http://www.onguardonline.gov/topics/net-cetera.aspx> (last visited June 15, 2011).

<sup>25</sup> See *NPRM*, 24 FCC Rcd at 13900-02, paras. 7-16.

<sup>26</sup> See ALA Comment at 4 (stating that revising the rules will require re-filing of forms and retraining of “thousands of applicants”).

<sup>27</sup> See ALA Comments generally.

<sup>28</sup> See Appendix A, 47 C.F.R. §§ 54.500(c), 54.500(k), 54.501(a)(1), 54.503(c)(2)(i), and 54.504(a)(1)(i) as amended herein. Section 254(h)(7) states that the term “‘elementary and secondary schools’ means elementary schools and secondary schools, as defined in section 7801 of Title 20.” 47 U.S.C. § 254(h)(7); see also Funds for Learning Comments at 5 (supporting the rule revisions).

<sup>29</sup> See 20 U.S.C. § 7801(18).

<sup>30</sup> See 20 U.S.C. § 7801(38).

<sup>31</sup> For example, sections 54.501(b) and 54.504(b)(2)(i) cite to the statutory definition of elementary school in 20 U.S.C. 7801(38), while section 54.500 does not contain a reference to 20 U.S.C. 7801(38) and defines an elementary school as a “non-profit institutional day or residential school, including a public elementary charter school, that provides elementary education, as determined under state law.”

tracks the statutory definition of an elementary school.<sup>32</sup> We revise section 54.500(k) to make it consistent with the statute that a secondary school is “a nonprofit institutional day or residential school, including a public secondary charter school, that provides secondary education, as determined under State law, except that the term does not include any education beyond grade 12.”<sup>33</sup> We also revise sections 54.501(a)(1), 54.503(c)(2)(i), and 54.504(a)(1)(i) to refer consistently and identically to section 54.500 definitions of elementary and secondary schools.<sup>34</sup> We disagree with the ALA’s concern that schools will be confused about their eligibility if we use the statutory definitions in our rules.<sup>35</sup> We believe that it will be easier for entities to determine their eligibility because they will only have to look at the Commission’s rules instead of having also to look at the statute.

11. Second, we revise section 54.520(a)(1) to add “school board” to the definition of entities that are subject to CIPA certifications.<sup>36</sup> Although section 254(h) of the Act includes the term “school board” as an entity to which the CIPA certifications may apply, the existing rules do not include this term.<sup>37</sup> We believe that this revision clarifies that school boards are authorized to make CIPA certifications.<sup>38</sup> We note that although the statute does not include the term “school district” as an entity to which the CIPA certifications apply, existing rules do include the term “school district.”<sup>39</sup> We will not delete the term “school district,” however, to prevent any confusion; we will continue to treat a school district as an entity that may be authorized to make CIPA certifications.

12. Third, we revise section 54.520(a)(4) to add the existing statutory definitions of the terms “minor,” “obscene,” “child pornography,” “harmful to minors,” “sexual act,” “sexual contact,” and “technology protection measure,” consistent with the statute.<sup>40</sup> Section 54.520 of our rules does not currently include the definitions of these terms, but instead refers back to the CIPA statute.<sup>41</sup> We find that including the statutory definitions of these terms in our rules will make it easier for E-rate program participants to understand their CIPA obligations. We disagree with ALA’s concern that we should not include the definition of “minor” in our rules because the definition of “minor” varies among the states.<sup>42</sup> The potential confusion caused by so many different definitions of “minor” among the states is precisely why we should clarify that term for purposes of E-rate funding. Regardless of a state’s definition of a

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<sup>32</sup> See 47 C.F.R. § 54.500(c).

<sup>33</sup> See Appendix A, 47 C.F.R. § 54.500(k) as amended herein.

<sup>34</sup> See Appendix A, 47 C.F.R. §§ 54.501(a)(1), 54.503(c)(2)(i), 54.504(a)(1)(i).

<sup>35</sup> See ALA Comments at 6.

<sup>36</sup> See Appendix A, 47 C.F.R. § 54.520(a)(1) as amended herein.

<sup>37</sup> See 47 U.S.C. § 254(h)(5)(A)(i).

<sup>38</sup> We agree with ALA’s comments that a school board may or may not be the Administrative Authority responsible for CIPA certifications on the Forms 486 or 479. See ALA Comments at 6-7.

<sup>39</sup> See 47 C.F.R. §§ 54.520(a)(1).

<sup>40</sup> See Appendix A, 47 C.F.R. § 54.520(a)(4) as amended herein; 47 U.S.C. § 254(h)(7)(D)-(I). We note that some definitions set forth in section 254 reference other statutory provisions. See, e.g., 47 U.S.C. § 254(h)(7)(E) (defining obscene as having the “meaning given such term in section 1460 of title 18, United States Code”).

<sup>41</sup> See 47 C.F.R. § 54.520(a)(4) (“The terms ‘minor,’ ‘obscene,’ ‘child pornography,’ ‘harmful to minors,’ and ‘technology protection measure’ as used in this section, are defined in the Children’s Internet Protection Act section 1721(c).”).

<sup>42</sup> See ALA Comments at 7.

minor, for CIPA purposes, E-rate program participants must use the CIPA statutory definition of “minor” we now set forth in our rules.

13. Fourth, we revise our rules by adding the statutory provisions related to local authorities’ rights and obligations regarding technology protection measures. We revise sections 54.520(c)(1)(i) and 54.520(c)(2)(i) – consistent with sections 254 (h)(5)(B)(ii), (h)(5)(C)(ii), (h)(6)(B)(ii), and (h)(6)(C)(ii) of the Act – to state that a school or library must enforce the operation of technology protection measures while the school or library computers with Internet access are being used.<sup>43</sup> Although this is an existing obligation that was not codified in our rules previously, we find that codification of the obligation is desirable to clarify the CIPA responsibilities of E-rate participants.

14. We further revise sections 54.520(c)(1)(i) and 54.520(c)(2)(i) to reflect language in sections 254(h)(5)(D) and (h)(6)(D) of the Act that permits an administrator, supervisor, or other person authorized by the certifying authority to disable an entity’s technology protection measure to allow for bona fide research or “other lawful purpose by an adult.”<sup>44</sup> We note that in the 2001 *CIPA Order*, although the Commission acknowledged this statutory provision, it declined to adopt any implementing rule provision, stating that:

[w]e decline to promulgate rules mandating how entities should implement these provisions. Federally-imposed rules directing school and library staff when to disable technology protection measures would likely be overbroad and imprecise, potentially chilling speech, or otherwise confusing schools and libraries about the requirements of the statute. We leave such determinations to local communities, whom we believe to be most knowledgeable about the varying circumstances of schools or libraries within those communities.<sup>45</sup>

The Commission stated at that time that its decision was supported by commenter concerns about the difficulty of school or library staff in determining whether an adult user was engaging in bona fide research or other lawful purposes and would impinge upon staff resources.<sup>46</sup>

15. We decline to mandate specific methods for disabling technology protection measures, but rather codify in our rules the statutory language of sections 254(h)(5)(D) and (h)(6)(D).<sup>47</sup> This should make clear that the statutory permission to disable technology measures exists without imposing undue burdens on schools or libraries regarding how this provision should be applied. We agree with the ALA and SECA that we should not define “bona fide research” because we believe that determination should be left to the affected schools and libraries.<sup>48</sup> For similar reasons, we also decline to set forth how much disclosure must accompany requests for disabling and other matters related to disabling.<sup>49</sup> We continue to

<sup>43</sup> See Appendix A, 47 C.F.R. §§ 54.520(c)(1)(i) and 54.520(c)(2)(i) as amended herein; 47 U.S.C. §§ 254 (h)(5)(B)(ii), (h)(5)(C)(ii), (h)(6)(B)(ii), (h)(6)(C)(ii).

<sup>44</sup> 47 U.S.C. §§ 254(h)(5)(D), (h)(6)(D).

<sup>45</sup> *CIPA Order*, 16 FCC Rcd at 8203-04, para. 53.

<sup>46</sup> *Id.*

<sup>47</sup> See Appendix A, 47 C.F.R. § 54.520(c)(1)(i) and 54.520(c)(2)(i) as amended herein; 47 U.S.C. §§ 254(h)(5)(D), (h)(6)(D).

<sup>48</sup> See ALA Comments at 10; SECA Comments at 5. *But see* Tina Cheng’s Comments at 2 (requesting that the Commission define “bona fide research”).

<sup>49</sup> See, e.g., Tina Cheng Comments at 1-2 (stating that the Commission should provide guidelines on what constitutes “disabling” and “bona fide research”).

believe that we should leave these determinations to local communities because they are the most knowledgeable about the varying circumstances of the schools or libraries within their communities.

16. As required by the statute, we also add a rule provision to require local determination of what matter is inappropriate for minors.<sup>50</sup> The commenters overwhelmingly support this provision.<sup>51</sup> Among other things, the statute states that a determination regarding what matter is inappropriate for minors shall be made by the school board, local educational agency, library, or other authority responsible for making the determination.<sup>52</sup> Although this is mandated by the statute, it is not currently in the Commission's rules. We believe codifying this statutory provision will provide clarity on the authority of the local community to decide what is best for its schools and libraries.

17. In addition, we take this opportunity to address an issue raised by SECA. SECA expressed concern about a situation in which an audit administered by USAC found that a school violated CIPA requirements because it allowed access to Facebook and MySpace.<sup>53</sup> Although it is possible that certain individual Facebook or MySpace pages could potentially contain material harmful to minors, we do not find that these websites are *per se* "harmful to minors" or fall into one of the categories that schools and libraries must block.<sup>54</sup> In addition, the statute states that local school and library authorities are the appropriate bodies to determine what online content is inappropriate for minors accessing the Internet through their facilities.<sup>55</sup> Indeed, the U.S. Department of Education recently found that social networking websites have the potential to support student learning, stating that students can "participate in online social networks where people from all over the world share ideas, collaborate, and learn new things."<sup>56</sup> Declaring such sites categorically harmful to minors would be inconsistent with the Protecting Children in the 21<sup>st</sup> Century Act's focus on "educating minors about appropriate online behavior, including interacting with other individuals on social networking websites and in chat rooms, and cyberbullying awareness and response."<sup>57</sup>

18. Our next rules pertain to record retention and the obligation to produce Internet safety policies. We add a rule provision requiring each Internet safety policy that is adopted pursuant to section

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<sup>50</sup> See Appendix A, 47 C.F.R. § 54.520(c)(4) as amended herein.

<sup>51</sup> See, e.g., Council of Great City Schools Comments at 2; Nancy Willard Comments at 1; SECA Comments at 5-6; Alaska Library Reply Comments at 2.

<sup>52</sup> See 47 U.S.C. § 254(l)(2).

<sup>53</sup> See SECA Reply Comments at 2 (referring to the 2009 audit of a school in which auditors appeared to find that access to Facebook and MySpace was a *per se* violation of CIPA).

<sup>54</sup> CIPA defines "harmful to minors" to mean: any picture, image, image, graphic image file, or other visual depiction that--(i) taken as a whole and with respect to minors, appeals to a prurient interest in nudity, sex, or excretion; (ii) depicts, describes, or represents, in a patently offensive way with respect to what is suitable for minors, an actual or simulated sexual act or sexual contact, actual or simulated normal or perverted sexual acts, or a lewd exhibition of the genitals; and (iii) taken as a whole, lacks serious literary, artistic, political, or scientific value as to minors. 47 U.S.C. § 254(h)(7)(G).

<sup>55</sup> 47 U.S.C. § 254(l)(2).

<sup>56</sup> United States Department of Education, Office of Educational Technology, National Educational Technology Plan 2010: Transforming American Education: Learning Powered by Technology, at 6 (2010), available at <http://www.ed.gov/sites/default/files/NETP-2010-final-report.pdf> (last visited June 9, 2011).

<sup>57</sup> Protecting Children in the 21<sup>st</sup> Century Act § 215.



254(l) of the Act to be made available to the Commission upon request.<sup>58</sup> Although this requirement is mandated by the statute, it is not currently in the Commission's rules.<sup>59</sup> In adopting this rule, we do not intend to withhold E-rate funds pending a review of such policies.<sup>60</sup> We also emphasize that the Commission is not mandating a wholesale collection of Internet safety policies. An entity would only need to produce its Internet safety policy *upon request* by the Commission. We do not anticipate that the Commission would request this information with any more frequency than it has before, and therefore do not see this rule provision as imposing any new burden.<sup>61</sup>

19. We find that the maintenance of the Internet safety policy should be in accordance with the existing audit and recordkeeping requirements of rule section 54.516(a) and existing certification number 10 on the FCC Form 486, which require schools and libraries to retain documents for at least five years after the last day of service delivered in a particular funding year.<sup>62</sup> In applying this requirement to Internet safety policies, we conclude that a school or library should be required to retain its Internet safety policy documentation for a period of five years after the funding year in which the policy was relied upon to obtain E-rate funding.<sup>63</sup> For example, if a school adopted an Internet safety policy in 2002 and used that same policy to make its certification in funding year 2009, the school must retain its Internet safety policy documentation for five years after the last day of service for funding year 2009.

20. We also add a rule provision requiring a local public notice and a hearing or meeting to address any Internet safety policies newly adopted pursuant to CIPA.<sup>64</sup> Although this is mandated by the statute and was discussed in the *CIPA Order*, there is no provision addressing this issue in the existing rules.<sup>65</sup> As discussed in the *NPRM*, this requirement only applies to an entity that has no previous Internet safety policy or did not provide public notice and a hearing or meeting when it adopted its Internet safety policy.<sup>66</sup> Unless required by local or state rules, an additional public notice and a hearing or meeting is not necessary for amendments to Internet safety policies, including the changes to schools' Internet safety policies required by the Protecting Children in the 21<sup>st</sup> Century Act.<sup>67</sup> We understand, however, that a school or library might have convened such a hearing or meeting before we adopted our record retention

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<sup>58</sup> See Appendix A, 47 C.F.R. § 54.520(c)(5) as amended herein.

<sup>59</sup> See 47 U.S.C. § 254(l)(3).

<sup>60</sup> See SECA Comments at 6 (supporting such a rule as long as E-rate funds are not held during the collection and review process).

<sup>61</sup> See ALA Comments at 14 (stating that the additional burden for consortium leaders will lead to fewer consortium-type applications filed).

<sup>62</sup> See 47 C.F.R. § 54.516(a); FCC Form 486 at 4, available at <http://www.usac.org/res/documents/sl/pdf/486.pdf> (last visited July 10, 2011).

<sup>63</sup> See SECA Comments at 7; West Virginia DOE Comments at 3.

<sup>64</sup> See Appendix A, 47 C.F.R. § 54.520(h) as amended herein. Several commenters stated that the text of the *NPRM* had omitted the word "meeting." See, e.g., ALA Comments at 15; SECA Comments at 7. We note that the text of the proposed rule stated that the requirement was for a "hearing or meeting." See *NPRM*, 24 FCC Rcd at 13909.

<sup>65</sup> See 47 U.S.C. § 254(h)(5)(A)(iii); (h)(6)(A)(iii); (l)(1)(B); *CIPA Order*, 16 FCC Rcd at 8202-03, paras. 49-52.

<sup>66</sup> See *NPRM*, 24 FCC Rcd at 13902, para. 16.

<sup>67</sup> See, e.g., Council of Great City Schools Comments at 2; Nancy Willard Comments at 2; NYC DOE Comments at 2; West Virginia DOE Comments at 3; SECA Comments at 7; SETDA Reply Comments at 1.

rules in August 2004, and may not have retained a record of the hearing or meeting.<sup>68</sup> As such, we will not consider it a CIPA violation if the hearing or meeting was held prior to August 2004, and the entity cannot produce such records. However, prospectively, an entity must, at a minimum, keep at least some record of when the public notice and hearing or meeting took place (*e.g.*, a copy of the meeting agenda, or a newspaper article announcing the hearing or meeting).<sup>69</sup> Finally, in response to the concerns of several commenters, we conclude that if an entity's existing Internet safety policy contains language sufficient to encompass the new requirements of the Protecting Children in the 21<sup>st</sup> Century Act, then no amendment to the policy is required.<sup>70</sup>

21. We next address SECA's request for clarification on compliance and penalties regarding CIPA requirements.<sup>71</sup> SECA requests that the Commission instruct USAC that "technical violations" of the CIPA requirements do not warrant immediate recovery of funds and that affected applicants should be given the opportunity to cure any omissions.<sup>72</sup> We agree that in certain circumstances, USAC should give applicants the opportunity to correct minor errors that could result in violations of the Commission's CIPA rules before instituting recovery of E-rate funds, but such errors must be immaterial to statutory CIPA certification compliance.<sup>73</sup> For example, if a school has complied in practice with the CIPA certification it has made with regard to the use of its Internet access services by minors, but has inadvertently left out one of the details of its practice in its written Internet safety policy, we would consider that to be an immaterial error that could be cured.

22. We also revise sections 54.520(c)(1)(iii)(B), (c)(2)(iii)(B), and (c)(3)(i)(B) to clarify that, in the first year of an entity's participation in the E-rate program only, the entity's Administrative Authority may certify on the FCC Form 486 or 479 that it will complete all CIPA requirements by the following funding year and still receive funding for the current funding year.<sup>74</sup> The text of the existing rules contains an option for a grace period, by which an Administrative Authority may certify that it will come

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<sup>68</sup> *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Fifth Report and Order, 19 FCC Rcd 15808, 15824, para. 48 (2004). We note that a record of a public hearing or meeting might include board minutes, an announcement to the public of the hearing date or an affidavit from someone who attended swearing that the hearing occurred.

<sup>69</sup> If the school or library cannot locate any record of a public notice and hearing that was held after August 2004 (such as board minutes, an announcement to the public or an affidavit from someone who attended swearing that the hearing occurred), the school or library could provide public notice and hold a hearing or meeting to be able to demonstrate that it has complied with the statute. *Id.*

<sup>70</sup> *See, e.g.*, Alaska Library Reply Comments at 1; SETDA Reply Comments at 1.

<sup>71</sup> *See* SECA Comments at 2.

<sup>72</sup> In a January 16, 2009 letter to Universal Service Administrative Company, the Wireline Competition Bureau instructed USAC that CIPA violations do not necessarily warrant full recovery of E-rate funds, especially if the applicant was not "in technical compliance," but was in "substantial compliance with the spirit of the CIPA requirements." *See* Letter from Dana R. Shaffer, Chief, Wireline Competition Bureau to Scott Barash, Acting Chief Executive Officer, Universal Service Administrative Company, CC Docket No. 02-6, DA 09-86 (dated Jan. 16, 2009), available at [http://hraunfoss.fcc.gov/edocs\\_public/attachmatch/DA-09-86A1.doc](http://hraunfoss.fcc.gov/edocs_public/attachmatch/DA-09-86A1.doc).

<sup>73</sup> 47 U.S.C. §§ 254(h)(5)(F) and 254(h)(6)(F).

<sup>74</sup> *See* Appendix A, 47 C.F.R. §§ 54.520(c)(1)(iii)(B), 54.520(c)(2)(iii)(B), 54.520(c)(3)(i)(B) as amended herein; *CIPA Order*, 16 FCC Rcd at 8191-92, paras. 17-18 (in any "year that is the first year in which an entity applies for universal service discounts, entities that have not adopted and implemented the Internet safety policy required by section 254(l) shall certify that they are 'undertaking such actions, including any necessary procurement procedures, to put in place' the required policy").

into compliance with the CIPA requirements by the next funding year, but does not specify that this certification option is only applicable to entities that are applying for E-rate discounts for the first time. We believe this clarification will help new applicants understand their CIPA obligations during their first year of E-rate funding.<sup>75</sup> We note that ALA expresses concern that parties will be confused by this revision.<sup>76</sup> We disagree. As ALA itself states, the FCC Form 486 instructions go into great detail about the circumstances under which an entity may certify that it will come into compliance with the CIPA requirements by the next funding year.<sup>77</sup> We also note that USAC has extensive guidance on its website on compliance with the CIPA requirements, including when the grace period applies,<sup>78</sup> and this guidance will continue to be available to parties.

23. Some E-rate recipients have sought guidance regarding the potential application of CIPA requirements to the use of portable devices owned by students and library patrons, such as laptops and cellular telephones, when those devices are used in a school or library to obtain Internet access that has been funded by E-rate. We recognize that this is an increasingly important issue, as portable Internet access devices proliferate in schools and libraries. We believe it may be helpful to clarify the appropriate policies in this area, and intend to seek public comment in a separate proceeding.

24. Finally, we take this opportunity to make minor corrections to the *Schools and Libraries Sixth Report and Order* released September 28, 2010.<sup>79</sup> Among other things, the Commission included dark fiber on the Eligible Services List (ESL) and allowed eligible schools and libraries to receive support for the lease of fiber, whether lit or dark, as a priority one service from *any* entity. In the discussion of dark fiber, the seventh sentence in paragraph 9 currently reads: “We emphasize that selecting a telecommunications carrier as a service provider does not absolve schools and libraries of their obligation to adhere to the Children's Internet Protection Act (CIPA) requirements when they use that service to obtain Internet service or access to the Internet.” We revise the last part of that sentence to read: “. . . when they use USF funding to obtain discounted Internet access service.”

25. In addition, we also correct 54.507(g)(1)(i) of the final rules to the *Schools and Libraries Sixth Report and Order* which currently reads: “(i) Schools and Libraries Corporation shall first calculate the demand for telecommunications, telecommunications services, voice-mail, and Internet access for all discount categories as determined by the schools and libraries discount matrix in § 54.505(c). These services shall receive first priority for the available funding.” We revise this rule to change “Schools and Libraries Corporation” to “Administrator” and to reflect that voice mail, although eligible for E-rate discounts, does not need to be listed as an individual eligible service in our rules. We revise the rule to read: “(i) The Administrator shall first calculate the demand for services listed under the telecommunications services, telecommunications, and Internet access categories on the eligible services

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<sup>75</sup> We note that SECA stated that because CIPA has been effective since April 2001, there is no longer any need to provide a grace period. SECA Comments at 5. We believe, however, that there may still be entities that are new to the E-rate program and that these entities should have a grace period to come into compliance. In addition, we disagree with ALA that the revised rule is unclear as to when the first year of E-rate participation takes place. ALA Comments at 12. No other commenters supported ALA's position.

<sup>76</sup> See ALA Comments at 12.

<sup>77</sup> *Id.*; see also FCC Form 486 Instructions at 11-13, available at <http://www.usac.org/res/documents/sl/pdf/486i.pdf> (last visited July 10, 2011).

<sup>78</sup> See USAC website, Step 10: Children's Internet Protection Act (CIPA), Definition of First, Second, and Third Funding Years, available at <http://www.usac.org/sl/applicants/step10/cipa.aspx>, (last visited July 10, 2011).

<sup>79</sup> See *Schools and Libraries Sixth Report and Order*.

list for all discount levels, as determined by the schools and libraries discount matrix in § 54.505(c). These services shall receive first priority for the available funding.<sup>80</sup>

#### IV. PROCEDURAL MATTERS

##### A. Final Regulatory Flexibility Analysis

26. As required by the Regulatory Flexibility Act of 1980 (RFA),<sup>81</sup> the Commission has prepared a Final Regulatory Flexibility Analysis (FRFA) relating to this Report and Order. The FRFA is set forth in Appendix B.

##### B. Paperwork Reduction Act Analysis

27. This document contains new information collection requirements subject to the Paperwork Reduction Act of 1995 (PRA), Public Law 104-13. It will be submitted to the Office of Management and Budget (OMB) for review under Section 3507(d) of the PRA. OMB, the general public, and other Federal agencies are invited to comment on the new information collection requirements contained in this proceeding. In addition, we note that pursuant to the Small Business Paperwork Relief Act of 2002, Public Law 107-198, *see* 44 U.S.C. 3506(c)(4), we previously sought specific comment on how the Commission might further reduce the information collection burden for small business concerns with fewer than 25 employees.

28. In this present document, we require any school receiving E-rate funding to certify that its Internet safety policy provides for the education of minors about appropriate online behavior, including interacting with other individuals on social networking websites and in chat rooms and cyberbullying awareness.<sup>82</sup> We have assessed the effects of this new certification requirement and find that it will not significantly impact the burden on small business. Congress adopted this new certification requirement to promote online safety education in schools.<sup>83</sup> We also codify the existing statutory requirement that schools and libraries make Internet safety policies available upon request by the Commission.<sup>84</sup> We have assessed the effects of adding this requirement to our rules and find that it will not significantly impact the burden on small business because it was an already existing statutory requirement with which schools and libraries have had to comply.

#### V. CONGRESSIONAL REVIEW ACT

29. The Commission will include a copy of this report and order in a report to be sent to Congress and the Government Accountability Office pursuant to the Congressional Review Act, *see* 5 U.S.C. 801(a)(1)(A).

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<sup>80</sup> *See* Appendix A, 47 C.F.R. § 54.507(g)(1)(i) as amended herein.

<sup>81</sup> *See* 5 U.S.C. § 604. The RFA, *see* 5 U.S.C. §§ 601-612, has been amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (“SBREFA”), Pub. L. No. 104-121, Title II, 110 Stat. 857 (1996). The SBREFA was enacted as Title II of the Contract With America Advancement Act of 1996 (“CWAAA”).

<sup>82</sup> *See supra* paras. 5-8.

<sup>83</sup> Protecting Children in the 21<sup>st</sup> Century Act, Pub. L. No. 110-385, Title II, 122 Stat. 4096 (2008).

<sup>84</sup> *See supra* para. 18.

**VI. ORDERING CLAUSES**

30. Accordingly, IT IS ORDERED that, pursuant to the authority contained in sections 1, 4(i), 201-205, 214, 254, and 403 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 154(i), 201-205, 214, 254, and 403, and section 1.411 of the Commission's rules, 47 C.F.R. § 1.411, this report and order IS ADOPTED.

31. IT IS FURTHER ORDERED, that pursuant to the authority contained in sections 1, 4(i), 201-205, 214, 254, and 403 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 154(i), 201-205, 214, 254, and 403, 47 C.F.R. §§ 54.500-54.501, 54.503-54.504, 54.507, and 54.520, ARE AMENDED as set forth in Appendix A, effective thirty (30) days after the publication of this report and order in the Federal Register.

32. IT IS FURTHER ORDERED that the Commission's Consumer Information Bureau, Reference Information Center, SHALL SEND a copy of the report and order, including the Final Regulatory Flexibility Analysis, to the Chief Counsel for Advocacy of the Small Business Administration.

FEDERAL COMMUNICATIONS COMMISSION

Marlene H. Dortch  
Secretary

## APPENDIX A

## Final Rules

Part 54 of the Commission's Rules and Regulations, Chapter 1 of Title 47 of the Code of Federal Regulations, is amended as follows:

**A. Subpart F- Universal Service Support for Schools and Libraries. The following sections of Subpart F are revised as follows:**

1. Amend § 54.500 to read as follows:

Section 54.500 Terms and Definitions

\* \* \* \* \*

(c) *Elementary school.* An "elementary school" means an elementary school as defined in 20 U.S.C. § 7801(18), a non-profit institutional day or residential school, including a public elementary charter school, that provides elementary education, as determined under state law.

\* \* \* \* \*

(k) *Secondary school.* A "secondary school" means a secondary school as defined in 20 U.S.C. § 7801(38), a non-profit institutional day or residential school, including a public secondary charter school, that provides secondary education, as determined under state law except that the term does not include any education beyond grade 12.

2. Amend § 54.501 to read as follows:

Section 54.501 Eligibility for services provided by telecommunications carriers.

\* \* \* \* \*

(a) *Schools.* (1) Only schools meeting the statutory definition of "elementary school" or "secondary school" as defined in section 54.500(c) or (k) of these rules, and not excluded under paragraphs (a)(2) or (a)(3) of this section shall be eligible for discounts on telecommunications and other supported services under this subpart.

3. Amend § 54.503 to read as follows:

Section 54.503 Competitive bidding requirements.

\* \* \* \* \*

(c)(2)(i) The schools meet the statutory definition of "elementary school" or "secondary school" as defined in section 54.500(c) or (k) of these rules, do not operate as for-profit businesses, and do not have endowments exceeding \$50 million.

\* \* \* \* \*

4. Amend § 54.504 to read as follows:

Section 54.504 Requests for services.

(a)(1)(i) The schools meet the statutory definition of "elementary school" or "secondary school" as defined in 54.500(c) or (k) of these rules, do not operate as for-profit businesses, and do not have

endowments exceeding \$50 million.

\* \* \* \* \*

5. Amend § 54.507 to read as follows:

Section 54.507 Cap.

(g)(1)(i) The Administrator shall first calculate the demand for services listed under the telecommunications services, telecommunications, and Internet access categories on the eligible services list for all discount levels, as determined by the schools and libraries discount matrix in § 54.505(c). These services shall receive first priority for the available funding.

\* \* \* \* \*

6. Amend § 54.520 to read as follows:

Section 54.520. Children’s Internet Protection Act certifications required from recipients of discounts under the federal universal service support mechanism for schools and libraries.

\* \* \* \* \*

54.520(a)(1). School. For the purposes of the certification requirements of this rule, school means school, school board, school district, local education agency or other authority responsible for administration of a school.

\* \* \* \* \*

54.520(a)(4). Statutory definitions.

(i) The term “minor” means any individual who has not attained the age of 17 years.

(ii) The term “obscene” has the meaning given such term in 18 U.S.C. § 1460.

(iii) The term “child pornography” has the meaning given such term in 18 U.S.C. § 2256.

(iv) The term “harmful to minors” means any picture, image, graphic image file, or other visual depiction that--

(A) taken as a whole and with respect to minors, appeals to a prurient interest in nudity, sex, or excretion;

(B) depicts, describes, or represents, in a patently offensive way with respect to what is suitable for minors, an actual or simulated sexual act or sexual contact, actual or simulated normal or perverted sexual acts, or a lewd exhibition of the genitals; and

(C) taken as a whole, lacks serious literary, artistic, political, or scientific value as to minors.

(v) The terms “sexual act” and “sexual contact” have the meanings given such terms in 18 U.S.C. § 2246.

(vi) The term “technology protection measure” means a specific technology that blocks or filters Internet access to the material covered by a certification under subparagraph (c) of this section.

\* \* \* \* \*

(c)(1)(i). The Internet safety policy adopted and enforced pursuant to 47 U.S.C. 254(h) must include a technology protection measure that protects against Internet access by both adults and minors to visual depictions that are obscene, child pornography, or, with respect to use of the computers by minors, harmful to minors. The school must enforce the operation of the technology protection measure during

use of its computers with Internet access, although an administrator, supervisor, or other person authorized by the certifying authority under subparagraph (a)(1) may disable the technology protection measure concerned, during use by an adult, to enable access for bona fide research or other lawful purpose. This Internet safety policy must also include monitoring the online activities of minors and must provide for educating minors about appropriate online behavior, including interacting with other individuals on social networking websites and in chat rooms and cyberbullying awareness and response.

\* \* \* \* \*

(c)(1)(iii)(B) Pursuant to the Children's Internet Protection Act, as codified at 47 U.S.C. § 254(h) and (l), the recipient(s) of service represented in the Funding Request Number(s) on this Form 486, for whom this is the first funding year in the federal universal service support mechanism for schools and libraries, is (are) undertaking such actions, including any necessary procurement procedures, to comply with the requirements of CIPA for the next funding year, but has (have) not completed all requirements of CIPA for this funding year.

\* \* \* \* \*

(c)(2)(i). The Internet safety policy adopted and enforced pursuant to 47 U.S.C. 254(h) must include a technology protection measure that protects against Internet access by both adults and minors to visual depictions that are obscene, child pornography, or, with respect to use of the computers by minors, harmful to minors. The library must enforce the operation of the technology protection measure during use of its computers with Internet access, although an administrator, supervisor, or other person authorized by the certifying authority under subparagraph (a)(2) may disable the technology protection measure concerned, during use by an adult, to enable access for bona fide research or other lawful purpose.

\* \* \* \* \*

(c)(2)(iii)(B) Pursuant to the Children's Internet Protection Act, as codified at 47 U.S.C. § 254(h) and (l), the recipient(s) of service represented in the Funding Request Number(s) on this Form 486, for whom this is the first funding year in the federal universal service support mechanism for schools and libraries, is (are) undertaking such actions, including any necessary procurement procedures, to comply with the requirements of CIPA for the next funding year, but has (have) not completed all requirements of CIPA for this funding year.

\* \* \* \* \*

(c)(3)(i)(B) Pursuant to the Children's Internet Protection Act, as codified at 47 U.S.C. § 254(h) and (l), the recipient(s) of service under my administrative authority and represented in the Funding Request Number(s) for which you have requested or received Funding Commitments, and for whom this is the first funding year in the federal universal service support mechanism for schools and libraries, is (are) undertaking such actions, including any necessary procurement procedures, to comply with the requirements of CIPA for the next funding year, but has (have) not completed all requirements of CIPA for this funding year.

\* \* \* \* \*

(c)(4) Local determination of content. A determination regarding matter inappropriate for minors shall be made by the school board, local educational agency, library, or other authority responsible for making the determination. No agency or instrumentality of the United States Government may establish criteria for



making such determination; review the determination made by the certifying school, school board, school district, local educational agency, library, or other authority; or consider the criteria employed by the certifying school, school board, school district, local educational agency, library, or other authority in the administration of the schools and libraries universal service support mechanism.

(c)(5) Availability for review. Each Internet safety policy adopted pursuant to 47 U.S.C. 254(l) shall be made available to the Commission, upon request from the Commission, by the school, school board, school district, local educational agency, library, or other authority responsible for adopting such Internet safety policy for purposes of the review of such Internet safety policy by the Commission.

(h) Public notice; hearing or meeting. A school or library shall provide reasonable public notice and hold at least one public hearing or meeting to address the proposed Internet safety policy.

**APPENDIX B****Final Regulatory Flexibility Analysis**

1. As required by the Regulatory Flexibility Act (RFA),<sup>85</sup> an Initial Regulatory Flexibility Analysis (IRFA) was prepared and incorporated in the *Notice of Proposed Rulemaking* in CC Docket 02-6.<sup>86</sup> The Commission sought written public comment on the proposals in the *Notice of Proposed Rulemaking*, including comment on the IRFA. We did not receive any comments specifically directed toward the IRFA. This final Regulatory Flexibility Analysis (FRFA) conforms to the RFA.

**A. Need for, and Objectives of, the Report and Order**

2. This *Report and Order* revises the Commission's rules to add a new certification for elementary and secondary schools that have computers with Internet access and receive discounts under the E-rate program, pursuant to the mandate of the Protecting Children in the 21<sup>st</sup> Century Act.<sup>87</sup> Such action is necessary to comply with the Protecting Children in the 21<sup>st</sup> Century Act. We also adopt revisions to related Commission rules to reflect existing statutory language more accurately. Finally, we make corrections and add a clarification related to the Commission's Schools and Libraries Sixth Report and Order (FCC 10-175).<sup>88</sup>

**B. Summary of Significant Issues Raised by Public Comments in Response to the IRFA**

3. No comments specifically addressed the IRFA.

**C. Description and Estimate of the Number of Small Entities to Which Rules May Apply**

4. The RFA directs agencies to provide a description of and, where feasible, an estimate of the number of small entities that may be affected by the proposed rules, if adopted.<sup>89</sup> The RFA generally defines the term "small entity" as having the same meaning as the terms "small business," "small organization," and "small governmental jurisdiction."<sup>90</sup> In addition, the term "small business" has the same meaning as the term "small business concern" under the Small Business Act.<sup>91</sup> A small business

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<sup>85</sup> See 5 U.S.C. § 603. The RFA, see 5 U.S.C. §§ 601–612, has been amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA), Pub. L. No. 104-121, Title II, 110 Stat. 857 (1996).

<sup>86</sup> *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Notice of Proposed Rulemaking, 24 FCC Rcd 13898 (2009) (*NPRM*).

<sup>87</sup> Protecting Children in the 21<sup>st</sup> Century Act, Pub. L. No. 110-385, § 215, 122 Stat. 4096 (2008).

<sup>88</sup> *Schools and Libraries Universal Service Support Mechanism, A National Broadband Plan For Our Future*, CC Docket No. 02-6, GN Docket No. 09-51, Sixth Report and Order, 25 FCC Rcd 18762 (2010).

<sup>89</sup> 5 U.S.C. § 603(b)(3).

<sup>90</sup> 5 U.S.C. § 601(6).

<sup>91</sup> 5 U.S.C. § 601(3) (incorporating by reference the definition of "small business concern" in 15 U.S.C. § 632). Pursuant to the RFA, the statutory definition of a small business applies "unless an agency, after consultation with the Office of Advocacy of the Small Business Administration and after opportunity for public comment, establishes (continued....)"

concern is one that: (1) is independently owned and operated; (2) is not dominant in its field of operation; and (3) satisfies any additional criteria established by the Small Business Administration (SBA).<sup>92</sup> Nationwide, there are a total of approximately 29.6 million small businesses, according to the SBA.<sup>93</sup> A “small organization” is generally “any not-for-profit enterprise which is independently owned and operated and is not dominant in its field.”<sup>94</sup> Nationwide, as of 2002, there were approximately 1.6 million small organizations.<sup>95</sup> The term “small governmental jurisdiction” is defined generally as “governments of cities, towns, townships, villages, school districts, or special districts, with a population of less than fifty thousand.”<sup>96</sup> Census Bureau data for 2002 indicate that there were 87,525 local governmental jurisdictions in the United States.<sup>97</sup> We estimate that, of this total, 84,377 entities were “small governmental jurisdictions.”<sup>98</sup> Thus, we estimate that most governmental jurisdictions are small.

5. Small entities potentially affected by the proposals herein include eligible schools and libraries and the eligible service providers offering them discounted services.<sup>99</sup>

6. *Schools and Libraries.* As noted, “small entity” includes non-profit and small government entities. Under the schools and libraries universal service support mechanism, which provides support for elementary and secondary schools and libraries, an elementary school is generally “a non-profit institutional day or residential school that provides elementary education, as determined under state law.”<sup>100</sup> A secondary school is generally defined as “a non-profit institutional day or residential school that provides secondary education, as determined under state law,” and not offering education beyond grade 12.<sup>101</sup> For-profit schools and libraries, and schools and libraries with endowments in excess of \$50,000,000, are not eligible to receive discounts under the program, nor are libraries whose budgets are not completely separate from any schools.<sup>102</sup> Certain other statutory definitions apply as well.<sup>103</sup> The SBA has defined for-profit, elementary and secondary schools and libraries having \$6 million or less in

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one or more definitions of such term which are appropriate to the activities of the agency and publishes such definition(s) in the Federal Register.” 5 U.S.C. § 601(3).

<sup>92</sup> Small Business Act, 15 U.S.C. § 632.

<sup>93</sup> See SBA, Office of Advocacy, “Frequently Asked Questions,” <http://web.sba.gov/faqs/faqindex.cfm?areaID=24> (revised Sept. 2009).

<sup>94</sup> 5 U.S.C. § 601(4).

<sup>95</sup> Independent Sector, *The New Nonprofit Almanac & Desk Reference* (2002).

<sup>96</sup> 5 U.S.C. § 601(5).

<sup>97</sup> U.S. Census Bureau, *Statistical Abstract of the United States: 2006*, Section 8, page 272, Table 415.

<sup>98</sup> We assume that the villages, school districts, and special districts are small, and total 48,558. See U.S. Census Bureau, *Statistical Abstract of the United States: 2006*, section 8, page 273, Table 417. For 2002, Census Bureau data indicate that the total number of county, municipal, and township governments nationwide was 38,967, of which 35,819 were small. *Id.*

<sup>99</sup> 47 C.F.R. §§ 54.501-54.502, 54.504.

<sup>100</sup> 47 C.F.R. § 54.500(c).

<sup>101</sup> 47 C.F.R. § 54.500(k).

<sup>102</sup> 47 C.F.R. § 54.501.

<sup>103</sup> See *id.*

annual receipts as small entities.<sup>104</sup> In funding year 2007 approximately 105,500 schools and 10,950 libraries received funding under the schools and libraries universal service mechanism. Although we are unable to estimate with precision the number of these entities that would qualify as small entities under SBA's size standard, we estimate that fewer than 105,500 schools and 10,950 libraries might be affected annually by our action, under current operation of the program.

7. *Telecommunications Service Providers.* First, neither the Commission nor the SBA has developed a size standard for small incumbent local exchange services. The closest size standard under SBA rules is for Wired Telecommunications Carriers. Under that size standard, such a business is small if it has 1,500 or fewer employees.<sup>105</sup> According to Commission data, 1,311 incumbent carriers reported that they were engaged in the provision of local exchange services.<sup>106</sup> Of these 1,311 carriers, an estimated 1,024 have 1,500 or fewer employees and 287 have more than 1,500 employees.<sup>107</sup> Thus, under this category and associated small business size standard, we estimate that the majority of entities are small. We have included small incumbent local exchange carriers in this RFA analysis. A "small business" under the RFA is one that, *inter alia*, meets the pertinent small business size standard (*e.g.*, a telephone communications business having 1,500 or fewer employees), and "is not dominant in its field of operation."<sup>108</sup> The SBA's Office of Advocacy contends that, for RFA purposes, small incumbent local exchange carriers are not dominant in their field of operation because any such dominance is not "national" in scope.<sup>109</sup> We have therefore included small incumbent carriers in this RFA analysis, although we emphasize that this RFA action has no effect on the Commission's analyses and determinations in other, non-RFA contexts.

8. Second, neither the Commission nor the SBA has developed a definition of small entities specifically applicable to providers of interexchange services (IXCs). The closest applicable definition under the SBA rules is for wired telecommunications carriers.<sup>110</sup> This provides that a wired telecommunications carrier is a small entity if it employs no more than 1,500 employees.<sup>111</sup> According to the Commission's *2008 Trends Report*, 300 companies reported that they were engaged in the provision of interexchange services.<sup>112</sup> Of these 300 IXCs, an estimated 268 have 1,500 or few employees and 32

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<sup>104</sup> 13 C.F.R. § 121.201, North American Industry Classification System (NAICS) codes 611110 and 519120 (NAICS code 519120 was previously 514120).

<sup>105</sup> 13 C.F.R. § 121.201, NAICS code 517110.

<sup>106</sup> FCC, Wireline Competition Bureau, Industry Analysis and Technology Division, "Trends in Telephone Service" at Table 5.5, Page 5-5 (August 2008) (*2008 Trends Report*) (using data that is current as of Nov. 1, 2006).

<sup>107</sup> *Id.*

<sup>108</sup> 5 U.S.C. § 601(3).

<sup>109</sup> See Letter from Jere W. Glover, Chief Counsel for Advocacy, SBA, to William E. Kennard, Chairman, FCC, dated May 27, 1999. The Small Business Act contains a definition of "small business concern," which the RFA incorporates into its own definition of "small business." See U.S.C. § 632(a) (Small Business Act); 5 U.S.C. § 601(3) (RFA). SBA regulations interpret "small business concern" to include the concept of dominance on a national basis. 13 C.F.R. § 121.102(b).

<sup>110</sup> 13 C.F.R. § 121.201, NAICS code 517110.

<sup>111</sup> *Id.*

<sup>112</sup> *2008 Trends Report*, Table 5.3, page 5-5.

have more than 1,500 employees.<sup>113</sup> Consequently, the Commission estimates that most providers of interexchange services are small businesses.

9. Third, neither the Commission nor the SBA has developed a definition of small entities specifically applicable to competitive access services providers (CAPs). The closest applicable definition under the SBA rules is for wired telecommunications carriers.<sup>114</sup> This provides that a wired telecommunications carrier is a small entity if it employs no more than 1,500 employees.<sup>115</sup> According to the *2008 Trends Report*, 1,005 CAPs and competitive local exchange carriers (competitive LECs) reported that they were engaged in the provision of competitive local exchange services.<sup>116</sup> Of these 1,005 CAPs and competitive LECs, an estimated 918 have 1,500 or few employees and 87 have more than 1,500 employees.<sup>117</sup> Consequently, the Commission estimates that most providers of competitive exchange services are small businesses.

10. *Wireless Telecommunications Carriers (except Satellite)*. Since 2007, the Census Bureau has placed wireless firms within this new, broad, economic census category.<sup>118</sup> Prior to that time, such firms were within the now-superseded categories of “Paging” and “Cellular and Other Wireless Telecommunications.”<sup>119</sup> Under the present and prior categories, the SBA has deemed a wireless business to be small if it has 1,500 or fewer employees.<sup>120</sup> Because Census Bureau data are not yet available for the new category, we will estimate small business prevalence using the prior categories and associated data. For the category of Paging, data for 2002 show that there were 807 firms that operated for the entire year.<sup>121</sup> Of this total, 804 firms had employment of 999 or fewer employees, and three firms had employment of 1,000 employees or more.<sup>122</sup> For the category of Cellular and Other Wireless Telecommunications, data for 2002 show that there were 1,397 firms that operated for the entire year.<sup>123</sup>

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<sup>113</sup> *Id.*

<sup>114</sup> 13 C.F.R. § 121.201, NAICS code 517110.

<sup>115</sup> *Id.*

<sup>116</sup> *2008 Trends Report*, Table 5.3, page 5-5.

<sup>117</sup> *Id.*

<sup>118</sup> U.S. Census Bureau, 2007 NAICS Definitions, “517210 Wireless Telecommunications Categories (Except Satellite)”; <http://www.census.gov/naics/2007/def/ND517210.HTM#N517210>.

<sup>119</sup> U.S. Census Bureau, 2002 NAICS Definitions, “517211 Paging”; <http://www.census.gov/epcd/naics02/def/NDEF517.HTM>; U.S. Census Bureau, 2002 NAICS Definitions, “517212 Cellular and Other Wireless Telecommunications”; <http://www.census.gov/epcd/naics02/def/NDEF517.HTM>.

<sup>120</sup> 13 C.F.R. § 121.201, NAICS code 517210 (2007 NAICS). The now-superseded, pre-2007 C.F.R. citations were 13 C.F.R. § 121.201, NAICS codes 517211 and 517212 (referring to the 2002 NAICS).

<sup>121</sup> U.S. Census Bureau, 2002 Economic Census, Subject Series: Information, “Establishment and Firm Size (Including Legal Form of Organization),” Table 5, NAICS code 517211 (issued Nov. 2005).

<sup>122</sup> *Id.* The census data do not provide a more precise estimate of the number of firms that have employment of 1,500 or fewer employees; the largest category provided is for firms with “1000 employees or more.”

<sup>123</sup> U.S. Census Bureau, 2002 Economic Census, Subject Series: Information, “Establishment and Firm Size (Including Legal Form of Organization),” Table 5, NAICS code 517212 (issued Nov. 2005).

Of this total, 1,378 firms had employment of 999 or fewer employees, and 19 firms had employment of 1,000 employees or more.<sup>124</sup> Thus, we estimate that the majority of wireless firms are small.

11. Wireless telephony includes cellular, personal communications services, and specialized mobile radio telephony carriers. As noted, the SBA has developed a small business size standard for Wireless Telecommunications Carriers (except Satellite).<sup>125</sup> Under the SBA small business size standard, a business is small if it has 1,500 or fewer employees.<sup>126</sup> According to the *2008 Trends Report*, 434 carriers reported that they were engaged in wireless telephony.<sup>127</sup> Of these, an estimated 222 have 1,500 or fewer employees and 212 have more than 1,500 employees.<sup>128</sup> We have estimated that 222 of these are small under the SBA small business size standard.

12. *Common Carrier Paging*. As noted, since 2007 the Census Bureau has placed paging providers within the broad economic census category of Wireless Telecommunications Carriers (except Satellite).<sup>129</sup> Prior to that time, such firms were within the now-superseded category of “Paging.”<sup>130</sup> Under the present and prior categories, the SBA has deemed a wireless business to be small if it has 1,500 or fewer employees.<sup>131</sup> Because Census Bureau data are not yet available for the new category, we will estimate small business prevalence using the prior category and associated data. The data for 2002 show that there were 807 firms that operated for the entire year.<sup>132</sup> Of this total, 804 firms had employment of 999 or fewer employees, and three firms had employment of 1,000 employees or more.<sup>133</sup> Thus, we estimate that the majority of paging firms are small.

13. In addition, in the *Paging Second Report and Order*, the Commission adopted a size standard for “small businesses” for purposes of determining their eligibility for special provisions such as bidding credits and installment payments.<sup>134</sup> A small business is an entity that, together with its affiliates

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<sup>124</sup> *Id.* The census data do not provide a more precise estimate of the number of firms that have employment of 1,500 or fewer employees; the largest category provided is for firms with “1000 employees or more.”

<sup>125</sup> 13 C.F.R. § 121.201, NAICS code 517210.

<sup>126</sup> *Id.*

<sup>127</sup> “Trends in Telephone Service” at Table 5.3.

<sup>128</sup> “Trends in Telephone Service” at Table 5.3.

<sup>129</sup> U.S. Census Bureau, 2007 NAICS Definitions, “517210 Wireless Telecommunications Categories (Except Satellite)”;  
<http://www.census.gov/naics/2007/def/ND517210.HTM#N517210>.

<sup>130</sup> U.S. Census Bureau, 2002 NAICS Definitions, “517211 Paging”;  
<http://www.census.gov/epcd/naics02/def/NDEF517.HTM>.

<sup>131</sup> 13 C.F.R. § 121.201, NAICS code 517210 (2007 NAICS). The now-superseded, pre-2007 C.F.R. citations were 13 C.F.R. § 121.201, NAICS codes 517211 and 517212 (referring to the 2002 NAICS).

<sup>132</sup> U.S. Census Bureau, 2002 Economic Census, Subject Series: Information, “Establishment and Firm Size (Including Legal Form of Organization,” Table 5, NAICS code 517211 (issued Nov. 2005).

<sup>133</sup> *Id.* The census data do not provide a more precise estimate of the number of firms that have employment of 1,500 or fewer employees; the largest category provided is for firms with “1000 employees or more.”

<sup>134</sup> *Revision of Part 22 and Part 90 of the Commission’s Rules to Facilitate Future Development of Paging Systems*, Second Report and Order, 12 FCC Rcd 2732, 2811-2812, paras. 178-181 (“*Paging Second Report and Order*”); see also *Revision of Part 22 and Part 90 of the Commission’s Rules to Facilitate Future Development of Paging Systems*, Memorandum Opinion and Order on Reconsideration, 14 FCC Rcd 10030, 10085-10088, paras. 98-107 (1999).

and controlling principals, has average gross revenues not exceeding \$15 million for the preceding three years.<sup>135</sup> The SBA has approved this definition.<sup>136</sup> An initial auction of Metropolitan Economic Area (“MEA”) licenses was conducted in the year 2000. Of the 2,499 licenses auctioned, 985 were sold.<sup>137</sup> Fifty-seven companies claiming small business status won 440 licenses.<sup>138</sup> A subsequent auction of MEA and Economic Area (“EA”) licenses was held in the year 2001. Of the 15,514 licenses auctioned, 5,323 were sold.<sup>139</sup> One hundred thirty-two companies claiming small business status purchased 3,724 licenses. A third auction, consisting of 8,874 licenses in each of 175 EAs and 1,328 licenses in all but three of the 51 MEAs, was held in 2003. Seventy-seven bidders claiming small or very small business status won 2,093 licenses.<sup>140</sup>

14. Currently, there are approximately 74,000 Common Carrier Paging licenses. According to the most recent *Trends in Telephone Service*, 281 carriers reported that they were engaged in the provision of “paging and messaging” services.<sup>141</sup> Of these, an estimated 279 have 1,500 or fewer employees and two have more than 1,500 employees.<sup>142</sup> We estimate that the majority of common carrier paging providers would qualify as small entities under the SBA definition.

15. *Internet Service Providers.* The 2007 Economic Census places these firms, whose services might include voice over Internet protocol (VoIP), in either of two categories, depending on whether the service is provided over the provider’s own telecommunications facilities (e.g., cable and DSL ISPs), or over client-supplied telecommunications connections (e.g., dial-up ISPs). The former are within the category of Wired Telecommunications Carriers,<sup>143</sup> which has an SBA small business size standard of 1,500 or fewer employees.<sup>144</sup> The latter are within the category of All Other Telecommunications,<sup>145</sup> which has a size standard of annual receipts of \$25 million or less.<sup>146</sup> The most current Census Bureau data for all such firms, however, are the 2002 data for the previous census

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<sup>135</sup> *Paging Second Report and Order*, 12 FCC Rcd at 2811, para. 179.

<sup>136</sup> See Letter from Aida Alvarez, Administrator, SBA, to Amy Zoslov, Chief, Auctions and Industry Analysis Division, Wireless Telecommunications Bureau (“WTB”), FCC (Dec. 2, 1998) (“*Alvarez Letter 1998*”).

<sup>137</sup> See “*929 and 931 MHz Paging Auction Closes*,” Public Notice, 15 FCC Rcd 4858 (WTB 2000).

<sup>138</sup> See *id.*

<sup>139</sup> See “*Lower and Upper Paging Band Auction Closes*,” Public Notice, 16 FCC Rcd 21821 (WTB 2002).

<sup>140</sup> See “*Lower and Upper Paging Bands Auction Closes*,” Public Notice, 18 FCC Rcd 11154 (WTB 2003). The current number of small or very small business entities that hold wireless licenses may differ significantly from the number of such entities that won in spectrum auctions due to assignments and transfers of licenses in the secondary market over time. In addition, some of the same small business entities may have won licenses in more than one auction.

<sup>141</sup> “Trends in Telephone Service” at Table 5.3.

<sup>142</sup> “Trends in Telephone Service” at Table 5.3.

<sup>143</sup> U.S. Census Bureau, 2007 NAICS Definitions, “517110 Wired Telecommunications Carriers”; <http://www.census.gov/naics/2007/def/ND517110.HTM#N517110>.

<sup>144</sup> 13 C.F.R. § 121.201, NAICS code 517110 (updated for inflation in 2008).

<sup>145</sup> U.S. Census Bureau, 2007 NAICS Definitions, “517919 All Other Telecommunications”; <http://www.census.gov/naics/2007/def/ND517919.HTM#N517919>.

<sup>146</sup> 13 C.F.R. § 121.201, NAICS code 517919 (updated for inflation in 2008).

category called Internet Service Providers.<sup>147</sup> That category had a small business size standard of \$21 million or less in annual receipts, which was revised in late 2005 to \$23 million. The 2002 data show that there were 2,529 such firms that operated for the entire year.<sup>148</sup> Of those, 2,437 firms had annual receipts of under \$10 million, and an additional 47 firms had receipts of between \$10 million and \$24,999,999.<sup>149</sup> Consequently, we estimate that the majority of ISP firms are small entities.

16. *Vendors of Internal Connections: Telephone Apparatus Manufacturing.* The Census Bureau defines this category as follows: “This industry comprises establishments primarily engaged in manufacturing wire telephone and data communications equipment. These products may be standalone or board-level components of a larger system. Examples of products made by these establishments are central office switching equipment, cordless telephones (except cellular), PBX equipment, telephones, telephone answering machines, LAN modems, multi-user modems, and other data communications equipment, such as bridges, routers, and gateways.”<sup>150</sup> The SBA has developed a small business size standard for Telephone Apparatus Manufacturing, which is: all such firms having 1,000 or fewer employees.<sup>151</sup> According to Census Bureau data for 2002, there were a total of 518 establishments in this category that operated for the entire year.<sup>152</sup> Of this total, 511 had employment of under 1,000, and an additional seven had employment of 1,000 to 2,499.<sup>153</sup> Thus, under this size standard, the majority of firms can be considered small.

17. *Vendors of Internal Connections: Radio and Television Broadcasting and Wireless Communications Equipment Manufacturing.* The Census Bureau defines this category as follows: “This industry comprises establishments primarily engaged in manufacturing radio and television broadcast and wireless communications equipment. Examples of products made by these establishments are: transmitting and receiving antennas, cable television equipment, GPS equipment, pagers, cellular phones, mobile communications equipment, and radio and television studio and broadcasting equipment.”<sup>154</sup> The SBA has developed a small business size standard for firms in this category, which is: all such firms

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<sup>147</sup> U.S. Census Bureau, “2002 NAICS Definitions: 518111 Internet Service Providers”; <http://www.census.gov/epcd/naics02/def/NDEF518.HTM>.

<sup>148</sup> U.S. Census Bureau, 2002 Economic Census, Subject Series: Information, “Establishment and Firm Size (Including Legal Form of Organization),” Table 4, NAICS code 518111 (issued Nov. 2005).

<sup>149</sup> An additional 45 firms had receipts of \$25 million or more.

<sup>150</sup> U.S. Census Bureau, 2002 NAICS Definitions, “334210 Telephone Apparatus Manufacturing”; <http://www.census.gov/epcd/naics02/def/NDEF334.HTM#N3342>.

<sup>151</sup> 13 C.F.R. § 121.201, NAICS code 334210.

<sup>152</sup> U.S. Census Bureau, American FactFinder, 2002 Economic Census, Industry Series, Industry Statistics by Employment Size, NAICS code 334210 (released May 26, 2005); <http://factfinder.census.gov>. The number of “establishments” is a less helpful indicator of small business prevalence in this context than would be the number of “firms” or “companies,” because the latter take into account the concept of common ownership or control. Any single physical location for an entity is an establishment, even though that location may be owned by a different establishment. Thus, the numbers given may reflect inflated numbers of businesses in this category, including the numbers of small businesses. In this category, the Census breaks-out data for firms or companies only to give the total number of such entities for 2002, which was 450.

<sup>153</sup> *Id.* An additional 4 establishments had employment of 2,500 or more.

<sup>154</sup> U.S. Census Bureau, 2007 NAICS Definitions, “334220 Radio and Television Broadcasting and Wireless Communications Equipment Manufacturing”; <http://www.census.gov/naics/2007/def/ND334220.HTM#N334220..>



having 750 or fewer employees.<sup>155</sup> According to Census Bureau data for 2002, there were a total of 1,041 establishments in this category that operated for the entire year.<sup>156</sup> Of this total, 1,010 had employment of under 500, and an additional 13 had employment of 500 to 999.<sup>157</sup> Thus, under this size standard, the majority of firms can be considered small.

18. *Vendors of Internal Connections: Other Communications Equipment Manufacturing.* The Census Bureau defines this category as follows: “This industry comprises establishments primarily engaged in manufacturing communications equipment (except telephone apparatus, and radio and television broadcast, and wireless communications equipment).”<sup>158</sup> The SBA has developed a small business size standard for Other Communications Equipment Manufacturing, which is: all such firms having 750 or fewer employees.<sup>159</sup> According to Census Bureau data for 2002, there were a total of 503 establishments in this category that operated for the entire year.<sup>160</sup> Of this total, 493 had employment of under 500, and an additional 7 had employment of 500 to 999.<sup>161</sup> Thus, under this size standard, the majority of firms can be considered small.

#### **D. Description of Projected Reporting, Recordkeeping, and Other Compliance Requirements**

19. Schools and libraries that have computers with Internet access must certify that they have in place certain Internet safety policies and technology protection measures in order to be eligible for E-rate discounts for Internet access and internal connection services.<sup>162</sup> Pursuant to the mandate in the Protecting Children in the 21<sup>st</sup> Century Act, the *Report and Order* revises section 54.520(c)(i) of the

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<sup>155</sup> 13 C.F.R. § 121.201, NAICS code 334220.

<sup>156</sup> U.S. Census Bureau, American FactFinder, 2002 Economic Census, Industry Series, Industry Statistics by Employment Size, NAICS code 334220 (released May 26, 2005); <http://factfinder.census.gov>. The number of “establishments” is a less helpful indicator of small business prevalence in this context than would be the number of “firms” or “companies,” because the latter take into account the concept of common ownership or control. Any single physical location for an entity is an establishment, even though that location may be owned by a different establishment. Thus, the numbers given may reflect inflated numbers of businesses in this category, including the numbers of small businesses. In this category, the Census breaks-out data for firms or companies only to give the total number of such entities for 2002, which was 929.

<sup>157</sup> *Id.* An additional 18 establishments had employment of 1,000 or more.

<sup>158</sup> U.S. Census Bureau, 2002 NAICS Definitions, “334290 Other Communications Equipment Manufacturing”; <http://www.census.gov/epcd/naics02/def/NDEF334.HTM#N3342>.

<sup>159</sup> 13 C.F.R. § 121.201, NAICS code 334290.

<sup>160</sup> U.S. Census Bureau, American FactFinder, 2002 Economic Census, Industry Series, Industry Statistics by Employment Size, NAICS code 334290 (released May 26, 2005); <http://factfinder.census.gov>. The number of “establishments” is a less helpful indicator of small business prevalence in this context than would be the number of “firms” or “companies,” because the latter take into account the concept of common ownership or control. Any single physical location for an entity is an establishment, even though that location may be owned by a different establishment. Thus, the numbers given may reflect inflated numbers of businesses in this category, including the numbers of small businesses. In this category, the Census breaks-out data for firms or companies only to give the total number of such entities for 2002, which was 471.

<sup>161</sup> *Id.* An additional 3 establishments had employment of 1,000 or more.

<sup>162</sup> 47 C.F.R. § 54.520(c).

Commission's rules to add a provision that a school's Internet safety policy must include educating minors about appropriate online behavior, including interacting with other individuals on social networking websites and in chat rooms and cyberbullying awareness and response.<sup>163</sup>

20. In addition, this *Report and Order* revises certain rules to more accurately reflect the provisions of the Act with regard to certifications made pursuant to the Children's Internet Protection Act (CIPA).<sup>164</sup> Specifically, the rule revisions that may affect small entities require: (1) schools and libraries to enforce the operation of technology protection measures during use of computers by minors and adults; (2) local determination of what matter is inappropriate for minors; (3) schools and libraries to make available to the Commission, upon request by the Commission, any Internet safety policy that is adopted pursuant to section 254(l) of the Act; and (4) schools and libraries to provide public notice and hearing to address any proposed Internet safety policy that is adopted pursuant to CIPA.<sup>165</sup>

#### **E. Steps Taken to Minimize Significant Economic Impact on Small Entities, and Significant Alternatives Considered**

21. The RFA requires an agency to describe any significant alternatives that it has considered in reaching its proposed approach, which may include the following four alternatives (among others): (1) the establishment of differing compliance and reporting requirements or timetables that take into account the resources available to small entities; (2) the clarification, consolidation, or simplification of compliance or reporting requirements under the rule for small entities; (3) the use of performance, rather than design, standards; and (4) an exemption from coverage of the rule, or part thereof, for small entities.<sup>166</sup>

22. With regard to the new certification requirements pursuant to the Protecting Children in the 21<sup>st</sup> Century Act, we do not believe that there will be significant economic impact on small entities. Currently, schools and libraries file the FCC Form 486 to certify their compliance with the requirements regarding Internet safety policies and technology protection measures.<sup>167</sup> Because schools and libraries will continue to use the same FCC Form 486 to certify their compliance with these requirements, there will be no additional reporting requirements. We note that although the FCC Forms 486 and 479 do not need to be amended because the existing forms already incorporate a certification of compliance with all of the CIPA rules, the instructions to these forms will be amended to list each CIPA requirement individually, including the requirements we mandate today. The requirement to amend their Internet safety policies to include provisions on educating minors about appropriate online behavior, including interacting with other individuals on social networking websites and in chat rooms and cyberbullying awareness and response, will require schools to update their already existing policies. Making this requirement effective beginning July 1, 2012, however, will give schools adequate time to amend their Internet safety policies and to implement procedures to comply with the new requirements after the effective date of these rules.

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<sup>163</sup> See Appendix A.

<sup>164</sup> 47 U.S.C. § 254(h).

<sup>165</sup> See *supra* Appendix A.

<sup>166</sup> See 5 U.S.C. § 603(c).

<sup>167</sup> See FCC Form 486, available at <http://www.universalservice.org/res/documents/sl/pdf/486.pdf> (last visited June 9, 2011).

23. Several other rule revisions will have little economic impact on small entities because schools and libraries have already implemented these measures. We acknowledge that we are requiring schools and libraries to enforce the operation of technology protection measures during use of computers by minors and adults, to provide public notice and hearing to address any proposed Internet safety policy that is adopted pursuant to CIPA, and that schools and libraries make Internet safety policies available upon request by the Commission. However, as a practical matter, current E-rate beneficiaries have already implemented and have been operating under these requirements, even though these statutory requirements are not specifically stated in the text of the Commission's rules. For example, schools and libraries would have been unable to make the proper CIPA certifications unless the technology protection measures have been enforced during computer use by minors and adults. In addition, the requirement to provide public notice and hearing was discussed extensively in the *CIPA Order* even though an implementing rule was not adopted.<sup>168</sup>

24. With regard to the remaining rule provisions, we believe that these rule revisions will have no economic impact on small entities because they merely clarify existing definitions and existing requirements.<sup>169</sup> For example, the revisions regarding the definitions of elementary and secondary schools did not change the definitions, but merely clarified that the same definitions were utilized throughout the rules, or codified existing statutory definitions. Finally, the permission granted to schools and libraries to disable technology protection measures to enable access for bona fide research or other lawful purpose is not a requirement but may impose a burden on small entities if they decide to disable technology measures. We note again, however, that current E-rate beneficiaries have already implemented and have been operating under these requirements, even though these statutory requirements were not specifically stated in the text of the Commission's rules.

**F. Federal Rules that may Duplicate, Overlap, or Conflict with the Proposed Rules**

25. None.

**G. Report to Congress**

18. The Commission will send a copy of this *Report and Order*, including this FRFA, in a report to be sent to Congress pursuant to the SBREFA.<sup>170</sup> In addition, the Commission will send a copy of the *Report and Order*, including the FRFA, to the Chief Counsel for Advocacy of the SBA. A copy of the Report and Order and the FRFA (or summaries thereof) will also be published in the Federal Register.<sup>171</sup>

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<sup>168</sup> *Federal-State Joint Board on Universal Service, Children's Internet Protection Act*, CC Docket No. 96-45, Report and Order, 16 FCC Rcd 8182, 8202-03, paras. 49-52 (2001) (*CIPA Order*).

<sup>169</sup> See Appendix B, § 54.500, 54.501, 54.504, 54.520(a)(4), 54.520(c)(1)(iii)(B), 54.520(c)(2)(iii)(B), 54.520(c)(3)(i)(B).

<sup>170</sup> See 5 U.S.C. § 801(a)(1)(A).

<sup>171</sup> See 5 U.S.C. § 604(b).

**APPENDIX C****Comments and Reply Comments in Response to the  
*CIPA NPRM*****Commenters:**

1. American Library Association
2. Brenda Caldwell
3. Carolyn Foote
4. Coalition for Independent Ratings
5. Common Sense Media
6. Council of the Great City Schools
7. Funds for Learning, LLC
8. Leslie Witten
9. Linda DeVore
10. Nancy Willard
11. New York City Department of Education
12. School District of Auburdale
13. State E-rate Coordinators' Alliance
14. Tech Ed Services, Inc.
15. Thomas T. Kaun
16. Tina Cheng
17. West Virginia Department of Education

**Reply Commenters:**

1. State Educational Technology Directors Association
2. State E-rate Coordinators' Alliance
3. Alaska State Library