

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

In the Matter of )  
 )  
Modernizing the E-rate ) WC Docket No. 13-184  
Program for Schools and Libraries )  
 )

**COMMENTS OF FUNDS FOR LEARNING, LLC  
*on the*  
7<sup>th</sup> REPORT AND ORDER AND FURTHER NOTICE OF PROPOSED RULE MAKING**

Funds For Learning (“FFL”) is a national, E-rate-compliance consulting and web services firm. One of our specialties is E-rate data mining and management.

In its 7th Report and Order, the Commission made numerous changes to the E-rate Program and adopted new goals for it. In view of those changes, the Commission now seeks, among many other things, data that will help it to determine the “the future funding levels” needed to meet its newly adopted goals.

The Commission has fundamentally changed much of how the E-rate program operates, bringing dated aspects of the program in line with educational technology needs for modern schools and libraries. Adopting a budget system for Category Two funding dedicated to network equipment, maintenance and services was one of the more sweeping changes it made to the program. As FFL has commented many times before, a budget system is necessary to ensure equitable funding for all applicants and curb high per-student funding applications. While we believe strongly that a unitary budget system applicable to all eligible products and services would have been better, we also believe that the Commission’s decision to put applicants on a Category Two budget was a step in the right direction.

The Commission has a five-year plan to help schools and libraries secure the network infrastructure they will need to meet the broadband goals it hopes to see them reach. The plan earmarks \$2 billion of E-rate funds for Category Two purchases in Funding Years 2015 and 2016, and sets “funding targets” of \$1 billion per year after that.

These funds will go a long way toward breaking the cycle of little to no funding being available for the purchase or maintenance of LAN and WLAN equipment, a shortcoming of the program that has plagued the program for many years.

But how far will these funds actually go and how long will it take to get them? Applicants with higher discount rates will continue to be funded first, which will be problematic, and there could still be a shortage of funding —unless the program fund is permanently increased. And then there’s the multi-billion dollar question, which we do not address here, namely, will a Category Two budget of \$150/student be “enough” to get America’s K-12 schools and libraries where they need to be so far as high-speed, wireless connectivity to the Internet is concerned – and keep them there.

### **The Chart Below and its Underlying Assumptions**

The chart below shows the cumulative total of school applicant budgets, based on the enrollment figures from Funding Year 2014, and the \$150 per-student pre-discount budget established by the Commission.

We hope that the Commission and the E-rate community find it useful and encourage everyone to draw their own conclusions from it. If the Commission (or anyone else) has questions about this chart and/or the underlying data, please let us know and we will do our best to answer them.

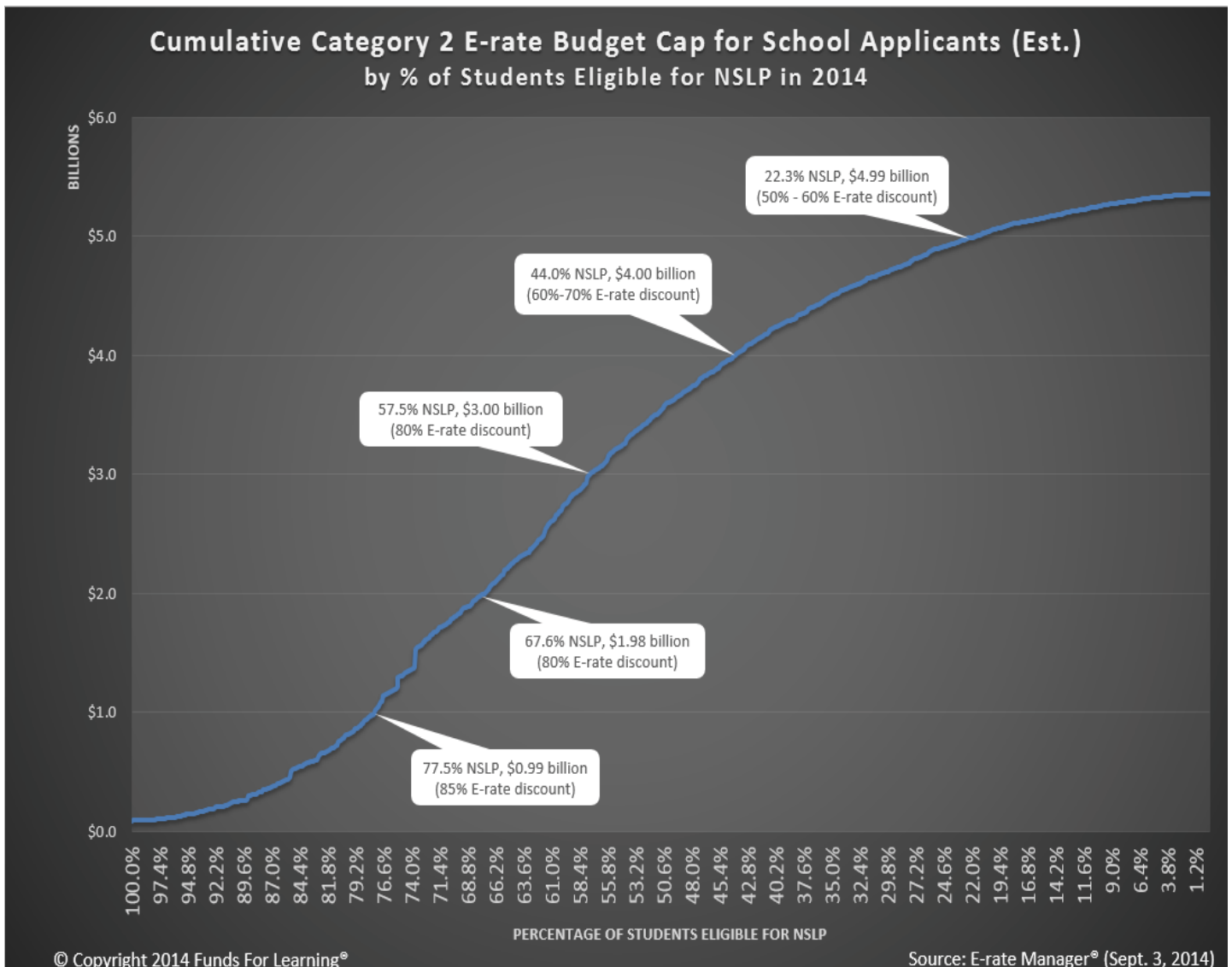
In preparing this chart, we made the following three assumptions:

- Because of the tremendous amount of uncertainty over whether and how much Category Two funding will be available beyond FY 2016, pent up demand for internal connections funding, and pressure from vendors, schools will take full advantage of their \$150/student budgets as soon as they possibly can. Therefore, the chart assumes that schools will take full advantage of their budgets all at one time and in whatever funding year there is likely to be enough funding available for them to do so.

Because of the uncertainty surrounding the availability of Category Two funding beyond FY 2016, this is not an unrealistic scenario. Especially in this economic climate, if schools do not do everything in their power to take advantage of every dollar of funding at their disposal as soon as it becomes available to them, quite frankly, we will be shocked.

- There will be at least one billion dollars available every year for the next five funding years, even though the Commission has not committed itself to that amount for more than the next two funding years.
- The demand for Category One funding will not be so large that it cuts into the one billion dollars per year that the Commission has set aside to subsidize Category Two services.

One final thing to note is that the chart does not take into account the Category Two funding budgets that the Commission has assigned to library applicants, which are based on the square footage of their facilities. How much of and how quickly those library budgets get used could, of course, affect which schools receive Category Two funding and when.



## **Some of the Important Things This Chart Tells Us**

### **1. FY 2015 (Year One): Funding Only for 85%-Discount Schools**

In FY 2015, E-rate 2.0 will not look all that much different from E-rate 1.0, at least insofar as funding for internal connections and maintenance is concerned. That is because the same 90%-discount schools (now 85%) that have always received internal connections, when funding for it was available, will likely consume the full one billion dollars all by themselves.

### **2. FY 2016 (Year Two): Funding Down to 80%-Discount Schools**

One billion dollars in Category Two funding for FY 2017 will reach some, but not all, of the nation's 80%-discount schools – i.e., only 80%-discount schools with NSLP-eligible student populations above 67.5% will get funded. The remainder of them will get shut out this year too.

What this means is that, two long funding years after E-rate reform, a good many of the schools that serve our nation's poorest communities will still be waiting in line for their first look at a Category Two dollar and, unfortunately, still a very long way from the ticket window.

If no more, or an insubstantial amount, of funding is earmarked for Category Two after FY 2016, E-rate modernization will have been a failure.

### **3. FY 2017 (Year Three): Funding Down to 80%-Discount Schools**

One billion dollars in Category Two funding for FY 2017 will only take care of schools down to the 57.5% NSLP-eligible level, the remainder of schools with 80% discount rates.

What is disturbing about this is that, three funding years after the commencement of E-rate reform, there is likely to be schools that have still not seen a single Category Two dollar, even though more than 50% of their students are NSLP eligible.

**4. FY 2018 (Year 4): Funding Down to 60%-Discount Schools**

Finally, in the fourth year of E-rate reform, reform starts to kick in. After funding the remaining 80%-discount schools, this year's one billion dollars in Category Two funding begins to work its way down the discount ladder. The special, rural-only category of schools at 70% finally receives support and less poor, but still very poor, schools (schools down to 44% NSLP eligibility) get funded too. But schools at 43.9% NSLP eligibility and below are once again left holding their hands out. This group, of course, includes some very poor schools.

**5. FY 2018 (Year 5): Funding Down to 50%-Discount Schools**

Under the Commission's five-year plan to subsidize the build-out of K-12, broadband infrastructure, this is supposed to be the year when the Commission can finally say, Mission Accomplished. That does not look likely.

One million dollars of Category Two funding for this funding year will dry up before it can help a single school where the student population is less than 22.3% NSLP eligible. After five years of E-rate reform, not one 40%-discount school, of which there are many, will have received any Category Two Support.

**6. FY 2019 (Year 6): Funding Down to 20%-Discount Schools**

Technically, this year does not exist so far as the Commission's five-year plan is concerned. If it did, this is when the "last" K-12 school would finally get to touch a Category Two dollar.

Respectfully submitted,

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