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Marlene H. Dortch, Secretary  
Office of the Secretary  
Federal Communications Commission  
445 12<sup>th</sup> St., SW, Room TW-A325  
Washington, DC 20554

RE: Comments on E-Rate Program Notice of Proposed Rulemaking  
WC Docket No. 13-184, DA 21-1062

Dear Secretary Dortch:

I am a consultant with over 20 years of experience with the E-rate program and I would like to request a change to the rules regarding the eligibility and reimbursement of licenses for E-rate eligible products so that all licenses can be administered as one-time expenses that are fully reimbursed at the time they are paid.

The current rules create an artificial distinction between licenses that are required for a product to function (Internal Connections or Right to Use RTU licenses) and licenses that do not (Basic Maintenance of Internal Connections BMIC licenses). Since both licenses provide similar technical support, patches, bug fixes and software updates, products will not function optimally without some kind of active license in place. These licenses are an important component of a reliable network, and as such, they are recognized as eligible by the FCC on the Eligible Services List.

All of these licenses are billed upfront for service terms that are generally for 1, 3 or 5 years. Under the current rules, the RTU Internal Connections licenses are considered to be a one-time expense and are funded and reimbursed at the time the vendor bills are paid, regardless of the length of the term. It only requires a single 471 form, a single funding request, and single BEAR or SPI form to get full reimbursement.

On the other hand, licenses that are categorized as Basic Maintenance of Internal Connections are currently considered to be a monthly expense. This has implications for how USAC and the EPC process the reimbursement requests and it causes significant administrative burden and waste.

None of the BMIC license reimbursement funds are released until the time has lapsed for the applicable term. This means that even though a 1-year license is paid for upfront with the product, it will not be reimbursed until the end of the program year. On a 1-year license, this is not too onerous of a requirement, but a 3-year license that is also paid for upfront requires three times the amount of administrative work to get the reimbursement.

A 3-year license will only be reimbursed for 1/3 of the total cost after the end of each of the three program years. In order to set aside funds for a 3-year BMIC license term, a 471 form must be filed including a funding request for the license for each of the three years. Then BEAR/SPI invoices need to be filed at the end of each of these three program years to receive the reimbursements.

In the same manner, a 5-year BMIC license purchased at the same time as the product requires 5 times as much administration as a similar 5-year Internal Connections License. This also means that an E-rate applicant may purchase a product with a 5-year BMIC license at the beginning of a program year, but cannot expect to be fully reimbursed for their discount on the license until 5 full years later.

To further complicate this administrative process, products and licenses are rarely purchased in July at the start of a program year. By categorizing BMIC licenses as a monthly expense, this means that the cost allocation for the first and last years of a multi-year term will not include a full 12 months and the applicant will lose the reimbursement on a portion of their full costs. In addition, the bills for annual licenses rarely, if ever, include the exact same 12 month period as an E-rate program year, and require multiple bills from different years to substantiate a reimbursement request, and also require significant communication and explanation between USAC and the applicant.

Furthermore, the requirement for annual funding requests in 471 forms make it extremely difficult, if not impossible for an applicant to take advantage of SPI credits on their bills. I believe that in order to take advantage of the SPI credits, an applicant would still need to create annual funding requests on several different 471 forms, and then the service provider would have to agree to not receive their funding for several years and agree to fill out SPI forms each year for the appropriate cost allocation. This is not a practical solution and based on my conversations with other E-rate consultants and service providers, many applicants are either forgoing E-rate funds for these BMIC licenses or are forgoing the BMIC licenses altogether.

As these examples illustrate, the existing rule that classifies BMIC licensing as a monthly expense is very confusing. After receiving inconsistent rulings from USAC on identical FRNs and BMIC BEAR invoices, I heard different explanations from the PIA, invoicing, customer service and appeals departments. There is a lack of clarity and documentation on these rules that affects both the applicants and the staff at USAC and leads to excessive waste for everyone involved in the administration of the E-rate program.

**In closing, I respectfully request that the FCC review this distinction between Internal Connections and BMIC licenses and recognize that they are all actually one-time expenses to applicants and should be administered accordingly.** Please feel free to contact me if you have any questions or would like to discuss this issue further.

Sincerely,

*Claire O'Flaherty*

Claire O'Flaherty, Owner & Consultant  
E-Rate Expertise, Inc