

June 6, 2013

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: Reply Comments on the Eligibility of Bundled Components
under the Schools and Libraries Program
DA 13-592 and CC Docket No. 02-6

Dear Ms. Dortch:

E-Rate Central submits these Reply Comments in response to the Comments filed by Sprint Nextel (“Sprint”) and Funds For Learning (“FFL”) with respect to the FCC’s Public Notice released April 9, 2013 (designated DA 13-592), seeking comment on the eligibility of bundled components.

Both Sprint and FFL disagreed with the FCC’s proposal to require cost allocation of all bundled services as of FY 2014. Both encouraged the FCC to retain current practices under Footnote #25 of the *Gift Rule Clarification Order* (DA 10-2355) whereby free or reduced-priced mobile devices can be bundled with cellular services without cost allocation.

Neither party argued that the bundling of ineligible equipment did not increase the service costs on which applicants were seeking discounts. Indeed, Sprint agreed that as a “theoretical matter” the real cost of a free or reduced-priced device “results in a more expensive bundle,” but noted only that “there is no data to support this supposition.” FFL also took a “no data” approach citing “untested, unsupported assumptions about how much ‘free’ ineligible services have been costing and will cost the E-rate program in the future.”

E-Rate Central notes that there is data supporting the cost of bundled equipment, and suggests that Sprint need look no further than the pricing analysis, undoubtedly already done by its marketing department, of T-Mobile’s unbundled service plans.

E-Rate Central also notes that neither Sprint's nor FFL's Comments addressed the issue of "eligibility creep" inherent in Footnote #25. This issue was at the heart of SECA's initial Petition for Clarification, as well as the Comments filed by E-Rate Central and Steven Kaplan in this Public Notice proceeding. It is one thing to support the unallocated bundling of basic cellphones in a monthly cellular plan, and quite another to support bundling of much higher-priced smartphones and tablets — not to mention the extension of the bundling concept to non-cellular equipment such as VoIP phones or any other bundled products and/or services. We note that neither Sprint nor FFL proposed any limitation on bundled services that could be provided without cost allocation.

As an additional argument, FFL's Comments discuss the procedural difficulties with a requirement to cost allocate bundled mobile devices. This issue was also addressed in our own initial Comments with a proposal to develop "safe harbor" allocation guidelines based upon cellular carrier product lines. Since there are a limited number of cellular carriers serving most applicants nationwide, the development of such guidelines should be manageable.

FFL also took the opportunity in this proceeding to submit Supplementary Comments in support of a proposal it is promoting to recast the entire E-rate program based on a per student funding cap. Although this is not the proceeding to fully explore alternative approaches to E-Rate 2.0, E-Rate Central's basic reaction to the FFL proposal can be summarized as follows:

1. There is a clear need, from both a process and funding viewpoint, to rethink the E-rate program. Funds For Learning should be commended for its efforts to point out some of the inequities in the current program and to propose an alternative.
2. A per student funding cap, while simple in concept, becomes increasingly complex as you begin to think about the detailed rules, regulations, and procedures necessary to equitably support a program of this nature. The problems of supporting both individual school and district applications, as well as statewide and/or regional consortium applications, are particularly acute. One advantage of the existing program structure is that it is supported by over fifteen years of precedent and experience.
3. If the E-rate program is to be revised, as it should be, several basic questions need to be addressed, including:
 - a. What is the proper role of the Universal Service Fund in supporting the telecommunications and technology needs of K-12 schools and libraries? Should USF be the sole federal source of such funding? Encouragingly, for example, President Obama's new ConnectED Initiative indicates that the "Department of Education will work with states and school districts to better use existing funding through the Elementary and Secondary Education Act to strategically invest in this kind of professional development to help teachers keep pace with changing technological and professional demands.."

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- b. What incentives should be incorporated within the program to encourage cost-effective use of the technology? Are 90% discounts sustainable and consistent with these incentives?
- c. What are the key products and services to be supported by E-rate? Should the Eligible Services List be focused more narrowly on broadband connectivity and Internet access to support on-campus e-learning and online assessments? Can a means be found to support off-campus mobile learning, at least for economically disadvantaged students?

E-Rate Central greatly appreciates the Commission's effort to address SECA's petition for clarification of footnote #25 and, more broadly, other bundled service issues.

Sincerely,



Winston E. Himsworth
Executive Director