STATE E-RATE COORDINATORS ALLIANCE

August 14, 2006

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, SW
Room TW-A325
Washington, DC 20554

Re: Schools and Libraries Universal Service Support Mechanism, CC Docket No. 02-6
        Reply Comments to Proposed Eligible Services List;
        Public Notice Released July 21, 2006 (FCC 06-109)

Dear Secretary Dortch:

        The State E-rate Coordinators' Alliance (SECA) submits these Reply Comments in accordance

with the August 15, 2005 Public Notice (FCC 05-158), concerning the Universal Service Administrative

Company's (USAC or Administrator) Proposed Eligible Services List (ESL).

I.   **Digital Transmission Service -- Video Conferencing Scheduling Service**
         (Proposed ESL, pp 2-3)

        SECA supports the comments filed by Wisconsin Departments of Administration and Public

Instruction (Wisconsin), the Arkansas Departments of Information Systems and Education (Arkansas), the

Iowa Department of Education (Iowa), and General Communication, Inc. which collectively and

persuasively argue in favor of deeming scheduling service to be eligible as an integral component of

telecommunications video distance learning service. The scheduling service is integrated into the service

offered by telecommunications common carriers as part of the manner in which the video service is

provided. This integrated bundling is sensible and logical, considering that distance learning networks

typically include numerous sites and locations which must coordinated in the use of the network services.

As Wisconsin explained, there are 290 districts which subscribe to the video distance learning service

and whose use of the service must necessarily be coordinated. Iowa has 472 separate sites which

require coordination and Arkansas has 330 districts that use that state's video distance learning network service.

The scheduling feature is integrated into the network software and functions much like a network operating system. Although the network theoretically can function without the scheduling service, the use of the network is much less efficient and requires manual scheduling of video sites in the absence of the scheduling component. The scheduling service is not a content-based service and is not a value added application; rather it is integrated into the service offering. This is evident because the service is *not* offered as a stand-alone service and has no separately itemized price/cost.

SECA argues in the alternative that the scheduling feature included as part of a bundled video telecommunications service offering should qualify as an ancillary use. As explained in the SLD's "Ancillary Use of Ineligible Components," the price of the scheduling service cannot be determined because the service is integrated as part of the video distance learning service and the video distance learning service is the most cost-effective means of obtaining the eligible functionality without regard for the value of the ineligible functionality.[1]

II.   Cost-Effectiveness Language Contained in the Proposed ESL.

As expressed in its initial comments on the proposed ESL, SECA is concerned with the SLD's seemingly growing use of unpublicized cost-effectiveness standards as a condition for the eligibility of different products and services. The proposed ESL is peppered with the language concerning cost-effectiveness but fails to articulate the quantitative measures of cost-effectiveness. A review of the other ESL comments indicates that this concern is shared, in addition to SECA and the applicants it represents, by service providers and consultants alike. In sum, all stakeholders are concerned about this issue.

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[1] Although Embarq and Sprint Nextel supported the ineligibility of scheduling service for video distance learning, neither company articulated why they support this position. Consequently, SECA is unable to address any concerns that Embarq or Sprint Nextel may have concerning this issue.

On-Tech Consulting Inc. notes that "[t]he term 'cost-effective' has entered the ESL in several places, but no definition of the term is given." On-Tech suggests that "[t]he appearance of the term in the ESL appears to be a justification for a new SLD procedure called a 'cost-effectiveness review.'"

The E-Rate Service Provider Forum ("ESPF") also expressed concern "…with the increased use of the phrase 'cost-effectiveness' as a modifier for eligible services," and the implied application of undisclosed and seemingly arbitrary cost-effectiveness standards being used to deny specific funding requests.

ESPF pointed out that the SLD's adoption of such standards appears to contradict the Commission's own position set forth in FCC 03-323 in which it specifically noted that its rules do not expressly require applicants to consider "…whether a particular package of services are most cost-effective…" and that its rules do not "…expressly establish a bright line test of what is a 'cost-effective' service."

SECA recognizes that the FY 2007 ESL comment period is not the proper vehicle for addressing cost-effectiveness standards of various products and services, and as such, USAC's cost-effectiveness language is troubling. We are concerned that the insertion of this language into the ESL will provide USAC with the ability to deny funding requests using unpublished standards and with which applicants have no way of insuring compliance. SECA encourages the FCC to explore cost-effective "bright line tests," "safe harbors," and/or "rebuttable presumptions" in a separate proceeding. Such guidelines should be based on industry-wide standards, subject to expert comment, as to both level and measurement. A cost-effectiveness measure for basic maintenance, for example, might better be based on an annual percentage of initial equipment cost than on dollars/student (a measure that the SLD appears to have been using).

Until such guidelines are proposed, subjected to comment, adopted, and made available to both applicants and service providers, SECA recommends that all product-specific "cost-effective" language be stricken from the ESL.

III.   Conclusion

SECA respectfully requests the FCC to make the above-described revisions to the Eligible Services List for Funding Year 2007.

Sincerely,

/s/ Gary Rawson
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