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## Genoa-Kingston Community Unit School District 424

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Mr. Brent O’Daniell

*Superintendent*

July 29, 2019

To Whom It May Concern,

Earlier this summer, the Federal Communications Commission (FCC) released a Notice of Proposed Rulemaking (NPRM) related to the schools and libraries program, known as E-Rate. In the NPRM, the republican FCC Commissioners pose and consider setting an overall cap for the programs financed under the Universal Service Fund. This proposal would place limits on the amount of money the E-Rate program could make available to support school and library efforts to improve internet access. Unlike previous proposals which have been narrow in scope and focused on E-Rate, this latest proposal targets the broader umbrella program USF and its component programs. Specific to E-Rate, the proposal would pair E-Rate with Rural Healthcare under a single cap. Although E-Rate is currently undersubscribed, school and library demand will only continue to grow, and even if these connectivity prices keep falling, the reality of increasing demand and skyrocketing costs with rural health care create a scenario where one USF program is pitted against another, with rural schools competing with rural health care for connectivity needs.

The Genoa-Kingston CUSD #424 is concerned with—and opposed to—this simplistic approach to a significant program overhaul, seemingly for administrative simplicity. We are concerned that the realities of funding and demand trends in E-Rate and rural health care are at odds. Yes, the E-Rate program is undersubscribed from its current budget, but we know that demand for equitable access to broadband in schools is only going to continue to grow. And even granting the generous assumption that actual costs of school connectivity are falling and can help offset the increasing demand, the reality of RHC demand and costs is an allbut-certain road map highlighting how the pairing of these programs under one cap is a head-on collision. Our opposition falls in three broad topics:

• Creates arbitrary competition, pitting USF programs against each other in a connectivity version of ‘Hunger Games’. An overall USF cap set at $9.6 billion or less would pit all four programs into competition with each other. The competition emerges when demand exceeds the proposed cap, and the Commission would be in the position of deciding which programs deserve funding. The proposal creates significant uncertainty year-to-year for all who participate in and benefit from USF programs. Specific to E-Rate and RHC, this means schools and libraries, along with rural health care providers, would not know year to year what they stand to receive, independent of eligibility, resulting in instability and uncertainty and undermining their ability to plan and budget accordingly. This proposal pits USF programs against each other.

• Pits Schools/Libraries Against Rural Hospitals and Clinics. While E-Rate demand is currently below its authorized $4 billion cap, demand could continue to grow substantially as schools and libraries seek to upgrade their internal connections to achieve the one Gbps per thousand student goal established in the 2014 E-Rate Modernization Order or as new eligible services are added. Rural Health Care program beneficiaries have ramped-up their demand significantly in recent years, exceeding that program’s cap in 3 2016. RHC’s actual commitments have increased from $83 million in 2010 to $521 million in 2017. In 2018, the Commission raised the RHC program’s cap to $571 million and demand is estimated to quickly outstrip that number. If the Rural Health Care program is placed under a single cap with E-Rate, there is every reason to presume that RHC will continue growing beyond its 2018 authorized cap and will begin to consume the unused part of E-Rate funding almost immediately. This establishes a troubling precedent of one program taking from another that may lead to a permanent change in the E-Rate’s cap level.

• NPRM Proposal Stymies E-Rate Funds and Stands to Expand Confusion Among Beneficiaries. Before 2014, E-Rate demand was more than double the $2.4 million available under its annual cap and no money was available for internal connections. The first five year cycle of this Category 2 formula’s operation is essentially a pilot, with the FCC required to take action in order for the formula to continue to operate. School E-rate beneficiaries believe, based on anecdotal evidence and surveying, that the $150 cap for Category 2 is insufficient: It is not enough to cover the costs of many schools’ projects to improve internal connections and construction costs associated, as costs vary greatly given locale (rural, urban, geographic diversity, etc.). Additionally, Costs for Category 2 vary widely, largely because of labor costs, which this formula does not take into account.

An FY2018 survey of E-rate applicants found that the per-pupil budget fell short of what schools needed for Category 2 as 44.9% of school respondents indicated that the budget should be set at $250 per student; another 24.3% indicated it should be set at $350 per student. There is concern that the $150 per-pupil “budget” keeps demand for Category 2 artificially low and also helps explain, in part, why we have not reached the modernized E-rate cap as of yet. While the beneficiaries believe that the Category 2 formula is imperfect, they are concerned that drastic changes such as a new sub-cap, new overall USF cap, and/or new priorities could wreak havoc with the program and cause great uncertainty for beneficiaries. Right now, there is sufficient room under the $4 billion annual E-Rate cap to raise the $150 per pupil allocation by $250 or more if the Commission determines it is warranted.

If E-Rate is merged financially with the Rural Health Care program, there may not be sufficient funding under a new sub-cap to provide schools the money that they truly need for internal connections. There are serious concerns that capping the USF and sub-capping E-rate and HRC is intended to sow confusion and create uncertainty in an attempt to discourage beneficiaries from applying to the program(s) and artificially suppress demand in order to drive down the contribution factor.

Please reconsider setting an overall cap for programs financed under the Universal Service Fund. Our district is very diligent in our use of E-Rate funds, and any loss of funding will impact our ability to serve our students through the ever changing world of technology.

Yours For Better Education,



Brent O’Daniell