

The discounts range from 20 percent to 90 percent for all eligible telecommunications services, internet access, and internal connections, subject to a \$2.25 billion annual cap. The discounts are to be applied to a pre-discount price. That price must be no higher than the lowest price the carrier charges to similarly situated non-residential customers for similar services. The pre-discount price is the total price that the providers such as a Local Exchange Carrier (LEC) would receive for the services they sell to schools and libraries. The schools and libraries would pay the carrier only the discounted rate, and the carrier would receive the amount of the discount from universal service support mechanisms.³ The FCC is not requiring a carrier to file new tariffs to reflect the discounts it has applied for schools and libraries, but rather, discounts will be applied to existing tariff rates where appropriate.⁴

The range of discounts is correlated to students' eligibility for the national school free and reduced lunch program, and urban or rural location based on metropolitan statistical areas (MSAs). The following discount matrix has been adopted by the FCC:

Percent of Students Eligible	Discount Level		
	Schools in Category Estimated %	Urban Discount %	Rural Discount %
<1	3	20	25
1-19	31	40	50
20-34	19	50	60
35-49	15	60	70
50-74	16	80	80
75-100	16	90	90

³ The pre-discount price is the price of most significance to providers of services to schools and libraries. The pre-discount price is also highly significant to schools and libraries because they must pay the undiscounted portion of the price. The FCC believes that this will give schools and libraries a strong incentive to secure the lowest pre-discount price.

⁴ In its *Order*, in *Section 484*, the FCC clarified that the tariffed rate of a carrier would represent a carrier's lowest corresponding price in a geographic area in which that carrier has not negotiated rates that differ from the tariffed rate.

IT IS THEREFORE ORDERED THAT:

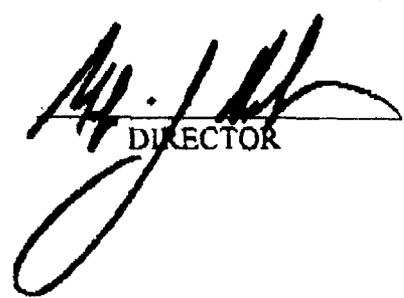
1. Upon consideration, we adopt the discount matrix contained in FCC Order No. 97-157, FCC Docket 96-45, and represented in this Order for purposes of permitting schools and libraries to receive federal funding. By adopting this matrix, we do not waive the right to file an appeal on matters contained in the FCC Order with the appropriate court of law or other entity.

2. That any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within ten (10) days from and after the date of this Order.

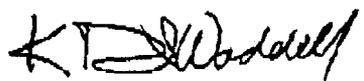
3. That any party aggrieved with the Authority's decision in this matter has the right of judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from and after the date of this Order.


CHAIRMAN


DIRECTOR


DIRECTOR

ATTEST:



EXECUTIVE SECRETARY

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**TENNESSEE REGULATORY AUTHORITY
DIRECTORS' CONFERENCE
Tuesday, February 3, 1998
VOLUME III**

**BEFORE: CHAIRMAN LYNN GREEN
DIRECTOR SARA KYLS
DIRECTOR KELVIN MALONE**

APPEARANCES: MR. DAVID WADDELL

COPY

**Reported By:
Susan D. Dale**



NASHVILLE COURT REPORTING

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MAR-13-98 FRI 8 20 PM MATTHEW CRELAP
MAR. 20. 1998 11:30AM BISHOP'S SALES

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DIRECTOR KYLES: I vote yes.

DIRECTOR MALONE: Under section 100 the question is, what funding mechanism should be adopted to fund Lifeline and Link-up?

And consistent with what you've done in this proceeding to date, I move that Lifeline and Link-up be funded from the Universal Service Fund.

DIRECTOR KYLES: Yes.

CHAIRMAN GREEN: I agree. Issue 11. What support in addition to the federal support already adopted by the TRS should be provided to schools and libraries? I believe there are two subissues in that issue.

DIRECTOR MALONE: He states: The TRS should state specifically what discounts are available in Tennessee and at what levels.

Currently there are four services, school/parent communications service, in-classroom computer access service, ISDN, and distance learning video transport service that are provided to schools and libraries at discounted rates via tariff offerings.

On July 15, 1997, the TRS adopted the Federal Discount Matrix which specifically states the discount levels available to schools and libraries in

MAR-13 98 FR: 8:21 PM MATTHEW CHELAP
FEB. 24 1998 11:36 AM WYATT TARRANT & COMBS

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schools and libraries to receive funding. Today, every school and library in Tennessee, as a result of the order entered September 18, 1987, can apply for its share of a national \$525 million Universal Service Fund first and second quarter 1998, and a \$2.35 billion fund each year thereafter.

Therefore, I move that we continue to require tariffed discounts for schools and libraries for school/parent communications service, in-classroom computer access service, ISDN, and distance learning video transport service.

CHAIRMAN GREER: I agree.

DIRECTOR KYLE: I'll agree.

DIRECTOR WALONS: lib, How does the CRA address prediscount price complaints?

I move that the existing procedures for addressing prediscount price complaints should remain in effect and continue to be used.

CHAIRMAN GREER: I agree.

DIRECTOR KYLE: I'll agree.

CHAIRMAN GREER: Issue 12, What support should be provided to healthcare providers? And there are two subissues.

DIRECTOR WALONS: Subissue 11c, Should the TRA provide support in addition to that

MAR-13 00 PM 21 PM MATTHEW CHELAP
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1 Tennessee. These discounts are applied to tariffed
 2 business rates in determining the applicable rates.
 3 For the most part, discounted rates provided to
 4 schools and libraries will be determined by the
 5 Federal Matrix. However, some services, the four
 6 mentioned above, are already provided discounts in
 7 accordance with the state approved plans. For these
 8 services, schools and libraries will have the
 9 opportunity to choose the state or federal discount,
 10 whichever is greater.

11 Additionally, because it is possible
 12 that federal funding could be depleted by the time
 13 some schools and libraries apply for federal discounts
 14 and because it is possible that some Tennessee schools
 15 may only minimally qualify for federal support, the
 16 continuance of state established education plans
 17 assure schools and libraries of receiving some level
 18 of discounted telephone service. In the interest of
 19 ensuring ubiquitous and affordable access to
 20 telecommunications services for schools and libraries
 21 in Tennessee, the TRA in this docket dated
 22 September 18, 1997 and captioned, Order Establishing
 23 Intrastate Discounts for Schools and Libraries
 24 Pursuant to Section 354(h) of the Telecommunications
 25 Act of 1996 and FCC Order 97-197 to allow Tennessee