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Before the Federal Communications Commission
Washington DC

In the Matter of)
Petition for Rule Making)
in the Universal Service) CC docket no 96-45
E-Rate Program=09)

I petition today on two matters of some urgency regarding the Universal=20
Service E-Rate program. First, I have learned that the Common Carrier Bureau=
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at the request of long distance carriers, has instructed the Universal=20
Service Administrative Company to
allow E-Rate vendors to issue non-discounted bills to schools and libraries=20
through the end of 1999. I ask the Commission to reconsider this decision an=
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allow certain applicants to self-discount E-Rate eligible bills after=20
receiving Commitment Letters. Second, the Schools and Libraries Division has=20
reported that it expects at least $200 million to be carried over from=20
funding year one to funding year two. I ask that this substantial carryover=20
amount be added to the $2.25 billion Commission approved year two funding,=20
allowing full funding of all applications received during the year two filin=
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window.=20

Universal Service legislation in the 1996 Telecommunications Act=20
specifically called for the FCC to set discount rates for interstate=20
telecommunications services and that telecommunications carriers shall=20
provide services =93...at rates less than the amounts charged for similar=20
services to other parties.=94 Due to a number of circumstances, very few=20
invoices from local and long distance carriers have been discounted during=20
the first 18 months of the program. The Commission allowed retroactive=20
payments to applicants for the entire period because of well documented=20
problems associated with the roll-out
of a program of this magnitude.

Retroactive payments to applicants during the first year (18 months)=
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was an inconvenience to many applicants. Schools and libraries, particularly=20
those with higher discounts, did not order services until Funding Commitment=20
Letters arrived between November 1998 and February 1999. These applicants ha=
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budgeted sufficient funds to cover the non-discounted portion of their=20
services from the time they had intended to begin service - usually long=20
before Commitment Letters arrived. Since installations and service start wer=
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delayed because applicants were awaiting Commitment
Letters, applicants had sufficient funds in their budgets to =93float=94 ful=
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payment while waiting for reimbursement checks to arrive.

As we enter the second year of the program, applicants no longer hav=
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the luxury of delaying service implementation as most have already begun=20
service and are now faced with on-going charges - charges which they have=20

budgeted at discounts of 40 to 90 percent - in the case of Virginia public=20
school applicants. Applicants in 80 and 90 percent discount categories do=20
not have the option of floating loans this year because telecommunications=20
and Internet budgets will be completely depleted by September or October if=20
they must pay full price for services. If the second year is a repeat of the=20
first, retroactive payments to applicants will be made well into next fiscal=20
year, leaving some applicants over budget.

=09I ask that applicants with discounts of 70 percent and above be=20
allowed to self
discount invoices and place the burden on vendors to collect their=20
undiscounted share. Schools and libraries should not be faced with the=20
prospect of reduced service because they cannot afford to pay non-discounted=20
invoices. A number of Virginia applicants reported that they may be forced t=
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curtail services if required to pay full price for six months. Florida and=20
Michigan both estimate ten percent of their applicants would have difficulty=20
with retroactive payments.

=09The second issue is equally important to applicants in lower discount=20
bands. For a number of reasons I am sure the Commission will wish to explore=
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the SLD will have a significant sum of money left over from year one. The SL=
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recently estimated that figure at $200 million. I suspect it could be=20
substantially larger.=20

=09Under current rules, all applicants receive funding for priority one=20
services and the highest discount applicants receive funding for internal=20
connections in descending order. 1999-2000 demand for funds is estimated at=20
$2.44 billion and funding set at $2.25 billion. If the Commission allows yea=
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one carryover funds to be additive, sufficient funds will be available to=20
fund all year two applicants for all services. I ask that the Commission=20
allow carryover funds to be added to 1999-2000 contributions and that those=20
contributions remain at the $2.25 billion level. =20

Respectfully Submitted,

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