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September 14, 2007

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street SW
Washington DC 20554

Re: WC Docket No. 05-195, Comprehensive Review of the Universal Service Fund Management, Administration, and Oversight; CC Docket 02-6, Schools and Libraries Universal Service Support Mechanism

Dear Ms. Dortch:

On September 13, the undersigned, Theo Marcus, and Ernie Bond of AT&T, Kathleen Grillo and Shelley Robinette of Verizon, Jeff Lanning and Barbara Stoll of Embarq, Norina Moy of Sprint, and Shelly Eggert of Qwest, met with Gina Spade, Dana Bradford, and Alex Minard of the Wireline Competition Bureau. The service providers presented several proposals that they believe would help make the Universal Service E-rate program more efficient and effective for all parties involved: applicants, service providers, and USAC. Materials used during the meeting are attached.

In addition to several improvements that could be implemented immediately, the service providers offered a concept for fundamentally changing the e-rate funding methodology. The service provider group recognized the need to include applicants, particularly the education and library communities, in our e-rate reform discussions before presenting this concept to the FCC. Stakeholder support and consensus is important for moving forward with any broad reform. Collaboration with stakeholders affected by this reform will ensure that concerns are addressed and any streamlined process will be broadly supported. Accordingly, the group met jointly with members of SECA and EdLiNC who have agreed to further discussions about the proposed reforms.

In accordance with Section 1.1206, I am filing this notice electronically and request that you place it in the record of the noted proceedings. If you have any questions please do not hesitate to contact me at 202-457-2041.

Sincerely,

Mary L. Henze

cc: G. Spade
D. Bradford
A. Minard

Service Provider Team E-rate Improvement Proposals

1. Introduction

- Current e-rate funding methodology is complex, resource intensive, full of uncertainty, and rife with opportunity for error and delay for all parties involved: applicants, service providers, and USAC.
- Schools and Libraries deserve a more stable and predictable financial environment and a more “normal” relationship with Service Providers.

2. It’s Time for Fundamental Change in the E-rate Funding Methodology

Concept

Rather than merely promising e-rate funding, the program should be modified to provide e-rate funds outright to Schools and Libraries in individual USAC-based “e-rate discount accounts” for their use in purchasing eligible e-rate services.

Use current competitive bidding, application, and discount process as formula to size funds provided to each applicant and identify the selected services and service providers.

Allow applicant to draw upon its e-rate account to pay eligible service providers for eligible services.

Benefits

- Puts schools and libraries in control of their e-rate transactions with USAC.
- Provides immediate access to funds once application is approved; no waiting for discounts on bills or BEAR reimbursements.
- Takes service providers out of the USAC funding flow equation.
- Returns relationship between schools and libraries and service providers to normal commercial transaction.

3. Interim Funding Change (Until Item 2 is Implemented)

Eliminate Service Providers as a Financial Go-Between in BEAR Process

- Revise BEAR process to eliminate service providers from certification and pass-through role; allow applicants to file BEAR directly with USAC with applicant certification only; USAC provides funds directly to Applicants.

4. Application Process Improvements for Today and Tomorrow

Establish Separate Application and Processing of Priority 1 and Priority 2 Services

- Require, rather than “encourage” Applicants to file separate Priority 1 and Priority 2 Applications

Revise the Process for Handling Existing Multi-Year Priority 1 Contracts

- Create Form 471C to be used for existing Priority 1 services that already have been processed via Form 471 the first year of their multi-year contract.

Establish New Deadlines

- Close Form 470 Window on 12/31, which lengthens the time between the close of the Form 471 Window and the last day an applicant can post a Form 470.
- Release Eligible Service List by June 1 to allow applicants and service providers more rational timing for e-rate decisions before start of school year.