E-rate 2.0 Proposal Outline

ConnectEd – President Obama' K-12 Broadband Initiative

ConnectED is President Obama's bold new initiative to bring high speed Internet access to 99% of our nation's students within five years. This ambitious goal is certainly within reach, but it will require creative solutions and hard work. Note that in a Funds For Learning® survey released last October, only 10% of schools described their current communications networks as ready for the future[1]. Obviously, much work needs to be done.

With a Few Modifications, the FCC's E-rate Program Provides the Means to Achieve the President's Goal

Fortunately, a well-oiled, time-tested FCC program already exists that is perfectly suited to answer the President's challenge. Since 1998, that program, commonly called "E-rate," has provided much of the funding to connect our nation's schools. To help the President achieve his ConnectED goal, all the FCC has to do is slightly modify it. The following three adjustments are the only changes necessary:

1. Increase annual E-rate funding to $4.5 billion permanently, with an ongoing adjustment for inflation. Increasing the amount of funding allows more applicants to enhance their network connectivity.

2. Restore the original technology-neutral E-rate framework by removing the "Priority System" funding cap. Restoring technology-neutral funding priorities gives applicants the flexibility to choose the most cost-effective solutions that they conclude they need to meet their own unique, local needs.

3. Place reasonable limits on the annual amount of E-rate discounts available to any single applicant. Placing limits on the total discounts available to individual applicants encourages thoughtful, cost-effective decision making, stops large-spending applicants from creating dramatic, annual funding shortages, and helps to ensure that E-rate discounts are applied to the eligible goods and services that each applicant needs the most.

These three changes can be implemented relatively quickly, with only minor tweaks to the E-rate program's existing successful structure. Significantly, no changes would be required to the current E-rate discount rate matrix, eligible services list, or application process. Every applicant will benefit from:

- more manageable budgeting, more predictability, and faster E-rate funding decisions.
- the ability to spend E-rate discounts at any of their educational facilities on whatever E-rate eligible services and equipment they decide meets their specific needs -- including internal connections.
- incentives to seek the most cost-effective services and submit accurate funding requests

The Key E-rate Modification Required

Under the current priority funding cap system, most applicants receive no E-rate funding for wireless infrastructure or any other type of internal connection. Soon, because of skyrocketing demand, many applicants will be shut out from telecomm and Internet funding too. Replacing the priority funding cap system with a discount budget calculation that places a reasonable limit on funding requests is the key element of the E-rate 2.0 proposal.

Total funding requests for school districts would be capped. This annual limit, based on a Per Student spending limit and Budget Floor set by the FCC, would vary for each school district. Additionally, the maximum annual discount received by remote rural applicants would be doubled to account for their higher costs.[2]

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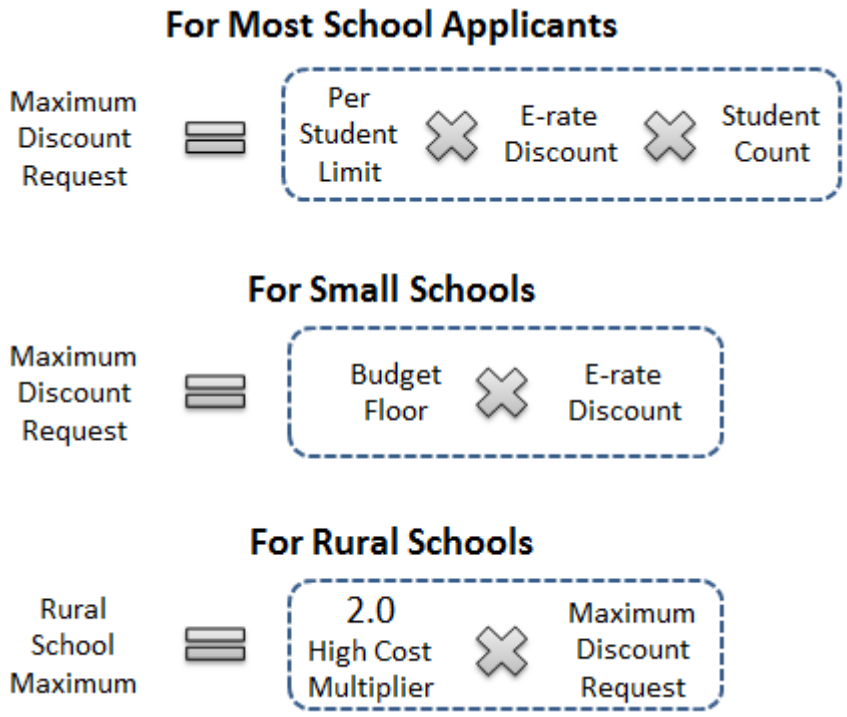
[1] See http://www.fundsforlearning.com/docs/2012/10/FY2012 FFL E-rate Survey 2012-10-08.pdf

[2] See http://www.fundsforlearning.com/docs/2013/07/FY2013 20P1 School Demand Analysis 2013-07-03.pdf (page 21)



If, for example, the FCC were to set the Per Student Budget Factor at $115, a number that "works" in this context, this would allow a school district with 4,000 students and a discount rate of 60% the opportunity to request as much as $276,000 in annual E-rate discounts [$115 x 4,000 students x 60% discount rate]. Similarly, if the FCC were to set the Budget Floor at $40,000, this would allow a small rural school district with 11 students and a 90% discount rate to request as much as $72,000 in annual E-rate discounts [$40,000 x 90% discount rate x 2.0 high cost multiplier]. NOTE: in both cases, the school district would still be required to submit its E-rate applications and to pay its portion of each bill just as it currently does.

Under the E-rate 2.0 proposal, an estimated 87% of applicants would qualify in FY2014 for total E-rate discounts that were equal to or greater than their FY2013 telecommunications and Internet funding requests combined. Furthermore and unlike today, 100% of applicants would enjoy greater freedom and flexibility to use their discounts on <u>any</u> service or equipment that the FCC included on its eligibility list and, in addition, have them delivered to <u>any</u> eligible building in their systems that <u>they</u> decide needs it. These are a few of the reasons why Miami-Dade Superintendent Anthony Carvalho is on record in support of these changes[3].

The E-rate Reform Coalition is a group of stakeholders with a single common interest: providing the E-rate Program with the framework it needs in the short term to help it connect 99% of America's students with broadband within 5 years and for continued success long thereafter.

[3] See http://apps.fcc.gov/ecfs/document/view?id=7022127287