

## **Software & Information Industry Association**

**2005 Ed Tech DC Fly-In  
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### **E-RATE**

#### **Background & Talking Points**

**MESSAGE:** The E-Rate must be continued to ensure all students, including those in the most disadvantaged communities, gain and retain access to the telecommunications, Internet and related technologies so important to their educational success.

#### **BACKGROUND:**

##### **Program Basics:**

- The federal E-Rate program provides discounts to schools and libraries to help offset the costs of their telecommunications services, Internet access, and internal networking equipment.
- It is part of the larger universal service program funded through a fee on telephone bills and administered under the Federal Communications Commission (FCC).
- Schools and libraries do not receive grants, but instead each year complete a detailed application and go through a bidding process to qualify for discounts of 20%-90% (depending on the poverty rate) off qualified services and equipment.

##### **Current Status:**

- The E-Rate has and will face a number of challenges, including:
  1. Several cases of waste, fraud and abuse, leading to federal investigations, Congressional hearings, hard-hitting GAO reports, and increased program oversight and auditing.
  2. A 2004 FCC decision to transition the E-Rate program to comply with existing federal accounting standards. The decision triggered imposition of Anti Deficiency Act regulations barring The Universal Service Administrative Company (USAC) – the entity that oversees all universal service programs and funds – from sending out funding commitment letters (defined as obligations) to approved applicants, because there lacked sufficient cash on hand to cover those obligations. As a result, E-Rate funding commitments were delayed for several months and not finally paid until passage of a stop-gap legislative remedy in December 2004.
  3. Reauthorization in the 109<sup>th</sup> Congress of the Telecommunications Act, which authorizes the universal service and E-Rate programs. Among the most formidable issues facing Congress is the overall universal service program, of which E-Rate is a part, and specifically which types of telecommunications services/providers should pay into the fund in light of today's ever-evolving technologies.
- The FCC has also made significant rules changes, including limiting internal connections funding to twice every five years, and USAC has augmented its application audit program to

combat waste, fraud and abuse concerns. Political support in the Senate is strong, but many House members question both E-Rate and the entire concept of universal service. Some telecommunications providers are pushing to detach E-Rate from universal service and fund it through tax dollars, thereby subjecting E-Rate to the appropriations process. Most immediately, before telecommunications reform passes, new legislation will likely be required to extend or make permanent the temporary Anti-Deficiency Act exemption, before it expires in December 2005.

## **TALKING POINTS:**

### **Program Success & Unmet Needs:**

- The E-Rate is the largest and single most important source of education technology funding to K-12 schools and libraries. It not only provides \$2.25 billion annually in discounts, but schools and libraries build from and leverage those resources to address their comprehensive learning technology needs.
- To date, more than \$12 billion of discounts have been approved, and the percentage of classrooms connected to the Internet has increased to well over 90%.
- Despite these successes, classrooms high speed access remains woefully inadequate in far too many districts, and continued E-Rate support is necessary. At the same time, most telecommunications and Internet access needs are for ongoing services, thus requiring ongoing E-Rate support. Therefore, the E-Rate will have a critical role to play for the foreseeable future to ensure schools and libraries are able to both enhance and maintain the telecommunications and Internet access necessary in the 21<sup>st</sup> Century.

### **Policy Goals:**

- Make permanent the exemption of the E-Rate (and universal service) from the federal Anti-Deficiency Act.
- With discount requests doubling the \$2.25 billion cap, continued and expanded efforts are needed to ensure all classrooms have access to ever advancing technologies.
- As Congress debates altering the way that the FCC collects the universal service fund, a financially stable, predictable and smoothly operating fund, located outside of the appropriations process, is necessary for the health of the E-Rate program.
- Efforts to improve program efficiency and effectiveness as well as curb fraud and abuse should continue, but must not chill the willingness and ability of low-income schools and libraries to participate in the program.

## **RESOURCES:**

- SIIA Ed Tech Alert (January 2005) – See Item #3 at <http://www.sii.net/govt/docs/members/EdTechAlertJanuary2005.pdf>
- E-Rate: Leveraging the Program (SIIA Webcast; 10/04) -- Archived at <http://www.sii.net/education/webcasts/11-18-04/>

- SIIA's Guide to the E-Rate – Available at <http://www.siiia.net/estore/pubs/ert-03.pdf>