

## **A Student-Centered E-Rate Program**

In his speech today at the American Enterprise Institute, Commissioner Ajit Pai of the Federal Communications Commission proposed to establish a student-centered E-Rate program. His plan focuses on five key goals:

### **1. Simplify the Program**

- Schools need to fill out only two forms: an initial application and a report back on how the money was spent
- Initial application can be no more than one page
- USF administrator does all the calculations, reducing the burden on schools
- Less red tape means fewer delays, more predictability, and no need to hire consultants

### **2. Fairer Distribution of Funding**

- Allocates E-Rate budget across every school in America; every school board and parent knows how much funding is available on day one
- Schools receive money on a per-student basis; funds follow students when they change schools
- Additional funds allocated for schools in rural and/or low-income areas as well as small schools to account for higher costs and different needs

### **3. Focus on Next-Generation Technologies for Kids**

- Eliminates disincentive to spend money on connecting classrooms
- No more funding for stand-alone telephone service
- Students come first; funding directed only to instructional facilities, rather than non-educational buildings like bus garages
- Equal funding for all eligible services; local schools (not Washington) set priorities

### **4. More Transparency and Accountability**

- Creates website where anyone can find out exactly how any school is spending E-Rate funds; enables parents, schools boards, press, and public to conduct effective oversight
- School district superintendent or school principal must certify that E-Rate funds were used to help students

### **5. Fiscal Responsibility**

- Ends the “more you spend, more you get” phenomenon: Schools given fixed amount of money and must contribute at least one dollar for every three E-Rate dollars they receive
- Better incentives, reduced waste, and less red tape allows program to accomplish a lot more with the same amount of money; over \$1 billion more in first year provided for next-generation technology
- Caps overall USF budget before any increase in E-Rate budget; any expansion in E-Rate must be accompanied by corresponding cuts elsewhere in USF

|  | Legacy E-Rate Program  | Student-Centered E-Rate Program   |
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| <b>Spending Priorities</b>             | <ul style="list-style-type: none"> <li>• Prioritizes voice telephone service, long-distance calling, cellphone service, and paging ahead of connecting classrooms with broadband Internet access</li> <li>• Funding available for non-instructional facilities such as bus garages and sports stadiums</li> </ul>  | <ul style="list-style-type: none"> <li>• Focuses on next-generation services; no funding for stand-alone telephony service</li> <li>• All eligible services treated equally (including connecting classrooms); local schools, not Washington, should set priorities</li> <li>• Students come first; funding directed only to instructional facilities</li> </ul>  |
| <b>Process</b>                         | <ul style="list-style-type: none"> <li>• Complicated</li> <li>• Schools face up to 6 separate forms plus outside review by an approved planner</li> <li>• Schools must spend money on consultants to navigate web of rules such as the 28-day rule, the 2-in-5 rule, and discount calculations</li> <li>• Backlog of appeals stretches back a full decade</li> </ul>   | <ul style="list-style-type: none"> <li>• Simple</li> <li>• Only 2 forms required; initial application is only one page</li> <li>• Streamlined rules eliminate need for consultants</li> <li>• USF Administrator does all the calculations</li> </ul>  |
| <b>Funding Allocation</b>              | <ul style="list-style-type: none"> <li>• Funding tied to discounts; higher-discount schools get more funding overall and funding for more services</li> <li>• Complex rules encourage arbitrage and gaming</li> <li>• Differences in spending among states and within states are largely arbitrary</li> <li>• &gt;\$400 million lost each year due to red tape</li> </ul>                                    | <ul style="list-style-type: none"> <li>• Funding follows the student</li> <li>• Funding allocated to all schools based on student population, adjusted for challenges that schools in rural and low-income areas face</li> <li>• Additional allocation for very small schools and schools in remote areas like Alaska</li> <li>• Much less money lost as a result of red tape means more money for students</li> </ul>  |
| <b>Financial Planning</b>              | <ul style="list-style-type: none"> <li>• Funding available to a school may change dramatically from one year to the next</li> <li>• Funding tied to decisions of every other school in the country</li> <li>• Schools must bid out services before they know if funding is available</li> <li>• Funding not secured until months or even years after funding year starts</li> </ul>                          | <ul style="list-style-type: none"> <li>• Funding available immediately to all schools, independent of decisions made by other schools</li> <li>• Minimal fluctuations from one year to the next allow for long-term financial planning</li> </ul>   |
| <b>Fiscal Responsibility</b>           | <ul style="list-style-type: none"> <li>• The more you spend, the more you get</li> <li>• Some schools have little skin in the game by receiving up to a 90% discount</li> <li>• Priority and group-discount rules discourage long-term, efficient-scale purchasing</li> <li>• Cap on E-Rate but not overall Universal Service Fund</li> </ul>  | <ul style="list-style-type: none"> <li>• Fixed pot of money for each school and matching requirement of one dollar for every three from E-Rate promotes prudent spending</li> <li>• Reducing wasteful spending allows the program to accomplish a lot more with the same amount of money; over \$1 billion more provided in first year for next-generation technology</li> <li>• Cap overall Universal Service Fund before any increase in E-Rate budget</li> </ul> |
| <b>Transparency and Accountability</b> | <ul style="list-style-type: none"> <li>• Funding available to schools not disclosed until after the fact</li> <li>• Parents can't go online to see precisely how a school's E-Rate funds are being spent; online catalog just shows funding for each recipient divided into four broad categories</li> <li>• Relies on complicated rules and federal audits and investigations for accountability</li> </ul> | <ul style="list-style-type: none"> <li>• Funding available to schools publicly disclosed immediately to enable parents, school boards, press, and public to conduct local oversight</li> <li>• Schools to report online exactly what they're getting for E-Rate dollars; school administrators must certify it's spent on students</li> <li>• Transparency and local control are key; federal oversight a backstop</li> </ul>                                       |
| <b>Relation to Libraries</b>           | <ul style="list-style-type: none"> <li>• Libraries receive about 10% of E-Rate funding</li> </ul>  | <ul style="list-style-type: none"> <li>• Libraries receive about 10% of E-Rate funding</li> </ul>   |