

**Remarks of Tom Wheeler  
Chairman, Federal Communications Commission  
Council of Chief State School Officers Legislative Conference  
March 17, 2014**

Thank you, Tom Luna for that introduction and for your leadership of CCSSO's Digital Learning Task Force. Thank you to CCSSO for welcoming me today.

Although he's no longer in the room, we all should acknowledge Secretary Arne Duncan for his outstanding leadership. He and his team have been outstanding partners to the Commission on digital learning. And his blind pass to feed a layup ain't bad either!

I especially want to call out Commissioner Rosenworcel for her leadership on E-Rate. For more than a decade, Commissioner Rosenworcel has worked to make sure E-Rate is working for America's students. The cause of promoting digital learning is fortunate to have Jessica Rosenworcel as a champion, and I consider myself lucky to have her as a colleague.

You've already heard from Commissioner Rosenworcel on the importance of E-Rate and the need to modernize the program. To that I can only add a few high-level points to help set the stage for today's discussion.

Point One: E-Rate modernization is a BIG deal.

Everyone agrees education technology can better prepare young Americans to succeed in the global, digital economy. That's why we need to get America's biggest education technology program right. That's why President Obama has set a goal of leveraging E-Rate to connect 99 percent of all students to high-speed broadband within 5 years.

That's why 50 of America's leading corporate chiefs – from Michael Dell to Meg Whitman to Mark Zuckerberg – recently wrote me a letter calling a revitalized E-Rate essential to U.S. competitiveness. That's why over two dozen Members of Congress recently sent me a bipartisan letter of support urging swift action to bring transformative learning opportunities to every school in America through E-rate modernization.

And that's why CCSSO is hosting this discussion. I won't belabor the point, but what we are all about is a BIG deal!

Point Two: Technology has changed; the needs of schools have changed; the E-Rate program must reflect this change. I am not a stranger to the challenge of technology in schools.

In the 1990s -- pre-E-Rate -- I was in the mobile phone business and helped create ClassLink, a program that gave mobile phones and free airtime to teachers. At J.O. Wilson Elementary School, right here in Washington, D.C., we experimented with taking that idea one step further by installing mobile phones attached to modems in a crude effort to connect the school to the Internet. It may have been crude, but it worked and we installed this makeshift technology in schools across the country.

Back in those days, if you could connect a computer to the Internet, it usually took place in a designated space, like a computer lab or the library. The connected computer was a "nice to have," and it was down the hall.

A couple months ago at Edna Brewer Middle School in Oakland, I saw the difference between what the E-Rate originally supported and what it needs to support today and tomorrow. In each classroom, there was a conduit running around the wall, and at six or eight foot intervals, there were electric plugs and Ethernet ports. It was stark testimony to the fact that when computers were first installed with E-Rate funds, they were still something “over there” – maybe no longer down the hall, but still something that students went to as an adjunct activity rather than a core component of their curriculum.

At Edna Brewer, those plugs and Ethernet ports were unused – except for one to which was connected a WiFi router. The Internet had moved from “over there” along the wall, to sitting on each student’s desk.

And here’s the point: the nature of educational connectivity has changed dramatically over the life of E-Rate. How E-Rate funds are distributed, however, has not. We are in the midst of a rulemaking to address and correct that reality. Just how we do that leads to my third point.

While the details of E-Rate modernization remain in flux, the goals are clear. For E-Rate modernization to be successful, the updated program must be:

- 1) Focused on delivering faster-speeds to schools and libraries and WiFi throughout;
- 2) Funded and future-proofed;
- 3) Fiscally responsible and fact-based; and
- 4) Friendly to use.

Let me unpack that, starting with speed.

According to a 2013 survey, 72 percent of schools reported broadband speeds that are inadequate for their teaching needs. I visited one school where the network would crash if too many students pushed “Enter” simultaneously. I recently saw an article in the *Detroit News* about a Michigan elementary school in which students were midway through a 45-minute online math test when the system crashed as a result of inadequate bandwidth. Most of the students lost all of their work and had to retake the test.

In California I learned of a school that had to bus students to another school in order that they could take the online tests. I also heard that students that haven’t had the opportunity to practice in an online test environment often perform worse than those from schools that are already online.

But despite the clear need for speed, only about half of the E-Rate’s funds go for broadband connectivity. And far less than half of E-Rate funds goes for the kind of 100 mbps and higher speeds necessary for today’s learning environment. Most disturbing in an era when WiFi is at every burger joint and coffee shop, is how the E-Rate program is not helping to put WiFi in all classrooms.

This past year, for the first time ever, after supporting priority one services, no funding was available to support Wi-Fi. So for the most recent funding year America’s largest program for connecting schools spent less than half of its \$2.4 billion providing 100 megabit-per-second capacity, and nothing for WiFi.

Why does this happen?

Why do we spend over a billion dollars per year on things that don’t enhance the high-speed broadband connectivity our teachers and students need? Answering that question, however, begins to

ruffle feathers because it means potentially reallocating E-Rate resources. Or looking at new ways to structure the manner in which funds are allocated.

At the end of this process, the way in which we pay for certain things may need to change. And the things that have historically been paid for by E-Rate may no longer qualify. With that said, I do understand that E-rate is a program relied upon and well understood by the education community.

But let's look at some examples.

As Commissioner Rosenworcel has said, we spend an estimated \$600 million annually on outdated services. Let's start with the low-hanging fruit in that expenditure. Narrowband pagers may have fit into a plan 18 years ago, but we need to question their role in a broadband future. Similarly, legacy PBX systems are an historic relic.

Then there is a collection of supported activities that fall into the "nice to have" category, but certainly are not "must have" if our priority is broadband deployment.

Mobile phones are now ubiquitous in our nation. E-Rate support does not mean the difference between teachers having mobile phones and not having them. But we spend over \$175 million a year of E-Rate funds to pay for mobile phones. Similarly, we spend over \$260 million annually on services including email, text messaging, slow speed connectivity, domain name registration, Web hosting and 800 number services.

I have no doubt that the schools and libraries make use of these capabilities, but are they more important than paying for high-speed connectivity to the facility and WiFi access throughout?

The challenge we face is to make choices.

Should we take money away from assuring broadband in every classroom to pay for these legacy activities? It is hard to walk away from such subsidies, I know, but we need to keep our eye on the prize.

A 21<sup>st</sup> century E-Rate program needs to focus on 21<sup>st</sup> century needs. I recognize that this means hard decisions – both in E-Rate administration and school administration. How we evolve from analog voice to digital voice services in schools is one of those tough challenges.

We at the FCC are in the midst of a regulatory transition program that will result in the nation's analog phone service going all digital. And we must remember that when broadband comes into a school, so does digital voice capabilities. Yet today we spend close to a quarter of our annual E-rate budget on voice service.

Our schools, libraries and our E-Rate program all need to evolve from Alexander Graham Bell's technology to Internet Protocol technology. Notice how I've purposefully used the word "evolve." This can't be cold turkey, but if we are going to connect 99% of American students to high speed connections in 5 years – or faster – we must reorient all our thinking – even about voice calls – to broadband.

We will modernize what was a wonderful program for meeting 20<sup>th</sup> century needs to one that is a great program for providing 21<sup>st</sup> century connectivity into and throughout our schools and libraries.

Next is the issue of funding and future-proofing the program, and doing so in a way that enhances digital learning opportunities for ALL schools and libraries. The statute under which we operate is clear

that Congress intended the principle of universal connectivity to be applied for schools and libraries in all parts of the country. Unfortunately, it is not so today. It will not be so tomorrow without rethinking how we allocate funds.

As I stated earlier, for the 2013 Funding Year, no funds were available for WiFi. And even in the most recent years, when funding was available, the distribution of E-Rate dollars for that purpose was far from equitable as over 80 percent of the funds for WiFi went to urban districts.

Let me be clear, I'm not saying these chiefly urban schools shouldn't have received the support, I am simply observing that we need to recognize the universal service mandate of the program. Future-proofing E-Rate requires that we challenge ourselves, just as our teachers challenge our students, to think anew. When we did that to the administration of the E-Rate program we were able to identify \$2 billion of additional E-Rate funds available for speedy deployment over the next two years.

As a business person, I have described this as applying business logic to E-Rate administration. In reality, it was asking the question every teacher asks: "Is this the best you can do?" In addition to this down payment, we need to think long term to assure that sufficient resources will always be available to meet our goals.

The future security of the E-Rate program requires that our decisions about the program must be fiscally responsible and fact-based. Many are asking us to simply raise the contribution rate and send more money to schools and libraries.

I will not hesitate to recommend this should it be warranted.

But the FCC has a fiduciary responsibility to both rate-payers who contribute to the program and to students who rely on it to first assure that every E-Rate dollar is finding its highest and best use. So here we must deal with a key reality. Simply sending more money to the E-Rate program to keep doing business as it has been for the last 18 years is not a sustainable strategy.

Again, I will recommend this to my colleagues if warranted. But my colleagues and I can't just pour more money into the program as it presently stands. The first step in expansion is introspection. The best way of making sure sufficient resources flow to assure a secure and continuing E-Rate program begins with the management of the program.

I was a member of the Universal Service Administrative Corporation (USAC) board when E-Rate was first implemented. We are currently searching for a new CEO and are working with USAC management to revisit how their administrative process works. Suffice it to say, as a businessman, I've always found that such reviews produce significant improvements in carrying out the task.

Within the FCC I will soon be announcing a special strike force for the entire Universal Service Fund (of which E-Rate is a part) to make certain there is adherence to the rules and the People's money is wisely spent.

And, in order to get that new \$2 billion to work for high-speed broadband, USAC is instituting a process to accelerate the speed in which all applications are processed. In particular, we are emphasizing the need to more quickly process those applications that will utilize funds for scalable high-speed broadband connectivity. And we will make sure that consortium-based applications, those most likely to get the most services at the lowest cost, are acted on first, not last.

Beyond management, however, we must address how to increase the efficiency with which the funds are spent. This is a key component of the recent public notice and a priority as we head towards a late spring decision by the Commission. We are looking at three key issues.

First, why is it that the prices paid by like schools in like circumstances vary so widely? What can we do to help all schools pay the lowest price for the best service? How do we look at creative ways to make a buck go farther? For instance, this program is called the E-*RATE*. It is not called E-Subsidy, or E-Block Grant. It is our responsibility to ensure that schools and libraries are getting access to connectivity at an affordable education rate.

Second, how do we have a program that has a growth path in terms of the bandwidth it enables? And how do we ensure that growth path works for all schools, including our most rural schools who have not always benefited under the current rules? We want a program that will continue to grow high-speed access capabilities and speeds over time.

Today 100 mbps may seem like a stretch goal, but we need to build a program that can grow that capacity to 1 gigabit as needs increase and technology grows – and do it at a low recurring cost that reflects our crucial national interest in 21<sup>st</sup> century digital learning.

Third, we need to be smart with schools and how they interact with the program. I've heard enough about administrative burden and encrusted processes to know we can do better.

I believe that once we have addressed these efficiency issues – coupled with the ongoing experience to determine costs – we will be in a position to identify just how much is required to achieve our goals. Should the evidence substantiate a need to increase the permanent funding levels for the E-Rate program, we will do what is appropriate.

The last point I want to make before taking your questions is that we need your help. We recently put out a Public Notice seeking input on some of the thornier questions the Commission is now facing. How do we establish predictable and widespread funding for internal WiFi connections? Should we (and if so, how) provide one-time support for schools that don't currently have a high-speed connection? What's the best way to phase down support for legacy services like voice so that we can phase-up high-speed broadband? What are ways to maximize cost-effectiveness of purchases to lower recurring costs? We need your thoughts on these and other issues.

But let me be candid. This is a watershed moment in the E-Rate program. I know there are strongly held views on many of these topics, but only a united front will move the E-Rate program forward.

If those of us who believe high-speed connectivity of schools and libraries is a national priority don't coalesce around a new structure for E-Rate we will have shamefully lost a great opportunity. If we don't emerge with a clear vision that looks forward, not backward, we will put the advancement of digital learning opportunities at risk.

After 18 years in school, students traditionally go on to a new stage in their lives. We need to view the E-Rate program as having reached a similar state of maturity. Just like high school graduates, this is a time of great promise and not a little bit of apprehension. Oftentimes the individual's future is determined by how they handle that promise and apprehension.

All of us who support E-Rate are in a similar position: it is time for real change that opens the door to expanded opportunity. Working together, we will get E-Rate modernization right, and more

important, we will harness the power of digital learning to open new worlds of opportunity for our students.

Thank you.