E-Rate

Request: The E-Rate works. Don’t make any changes now.

Background: The E-Rate is part of the federal universal service program authorized under the Telecommunications Act of 1996. Originally, E-Rate’s authors focused the program on connecting all schools and libraries to the Internet. Since the FCC’s 2014 E-Rate modernization orders, the E-Rate’s goal is to ensure that all schools and libraries have ample bandwidth to meet the educational needs of students and library patrons. To accomplish this goal, E-Rate provides public and private schools and public libraries with support for:

- **Broadband/Internet access** (Category 1) – applicants receive service discounts ranging from 20% to 90%, with the lowest income applicants receiving the deepest discounts
- **Wi-Fi/Internal Connections** (Category 2) – applicants receive 5-year formula distributions, with schools getting $150 per student and libraries $2.40 per square foot of space

Over the last two decades, E-Rate has increased public school classroom Internet connections from 14% in 1998 to nearly 100% today. **E-Rate has committed over $49 billion to applicants in the twenty years since its founding in 1998.**

In 2014, the FCC modernized the E-Rate with the following changes:

- eliminating support for services not central to Internet access, including voice services, web-hosting and email;
- establishing classroom/library bandwidth goals and focusing Category 2 funding on Wi-Fi;
- creating new opportunities for rural and remote schools and libraries to gain access to high-speed fiber; and
- increasing the annual cap from $2.4 billion to $3.9 billion.

Our Position: E-Rate works. It has a positive impact on schools and the students they serve. We oppose new changes to the program for the following reasons:

1. **E-Rate Demand Is Strong**
   - E-Rate demand over the past three years has been strong: in **2016 applicant requests totaled $3.61 billion, in 2017 requests were $3.2 billion, and in 2018 requests were $2.77 billion.** Demand has continued at a high rate even with the phase-out of support for voice services and the imposition of a formula for the distribution of Category 2 Wi-Fi funding.
   - Public schools accounted for approximately $3.2 billion of 2016 demand, private schools accounted for $233.8 million of demand, and public libraries accounted for $179.8 million according to Funds for Learning. In 2016, 48% of Catholic Schools received E-Rate support.

2. **E-Rate Is Moving Quickly to Meet New Wi-Fi Goals**
   - The 2014 E-Rate Modernization Order focused E-Rate funds on ensuring that all schools and libraries meet high benchmarks for Wi-Fi connectivity – 100 Mbps/1000 students in the short term and 1 Gbps/1000 students in the long term. Library benchmarks are similar.
Four years after the E-Rate modernization order, schools and libraries are making great strides towards meeting these targets. The *percentage of classrooms meeting the initial connectivity target grew from 30% in 2013 to 98% in 2018 according to a study by Education Superhighway. By 2018, 28% of school districts had met the long-term connectivity target, with nearly half of America’s small school districts having met this goal.*

3. **E-Rate’s Category 2 Formula Works Adequately but Per Pupil Formula May Need Adjustment**
   - The E-Rate Modernization Orders established a $150 per student per five years formula that replaced the previous system, which allowed schools to apply only twice every five years for Priority 2 support. The FCC must act to renew the formula or the program will revert to the 2 in 5 years rule. The Commission recently conducted a review of the new formula and concluded that the new system works because:
     - more money has been committed than in years past
     - all applicants who have applied for Category 2 funding have received funding (under the previous rules, very few—if any—applicants received funding in this category)
     - more individual schools and libraries have received funding
     - urban and rural applicants now request and receive commitments at the same rate (previously large urban districts received nearly all funding in this category)
     - applicants are better able to plan because they know how much they are entitled to receive and know that funds will be available for them
   - However, many school districts believe that the formula itself, while helpful, is insufficient for their needs.
     - Only 16% of respondents found the current formula level sufficient. 44% indicated that the formula should be increased to $250 per student, another 24% that it should be increased to $350 per student, with 14% suggesting even higher according to Funds for Learning’s 2018 Trends report.

4. **E-Rate Works. E-Rate changes are unnecessary**
   - The changes instituted by the Commission are only in their fourth year of implementation, with Category 1 changes only just rolling out in 2016.
   - Schools and libraries are just getting used to some of the major changes that the 2014 E-rate Modernization Orders made, including reduced services, a Category 2 formula and the availability of additional connectivity support in Category 2. Pushing for new changes to the program now would create great confusion and uncertainty in the applicant community, potentially discouraging those applicants who benefit from the program the most (including rural and low-density applicants who are benefiting from the cap increase) from participating.
   - If the Commission elects to retain the existing formula structure, it should investigate the sufficiency of the current per pupil allocations.