



E-Rate

Request: The E-Rate works and no changes are needed to it right now.

Background: The E-Rate is part of the federal universal service program and was 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 receiving \$150 per student and libraries receiving \$2.40 per square foot of space

Since its implementation in 1998, E-Rate has increased public school classroom Internet connections from 14% in 1998 to nearly 100% today. According to the Universal Service Administrative Company's 2016 Annual report, the *E-Rate has committed over \$44.3 billion to applicants between its founding in 1998 and 2016*. During that time, schools and libraries in California received more than \$6.5 billion, those in Texas received more than \$4.5 billion, and those in New York received about \$3.75 billion.

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

- eliminating support for services not central to Internet access, including voice services, web-hosting and e-mail;
- 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.

Current Challenge: The FCC's current leader has suggested changes to the program, including lowering the cap and establishing a per pupil distribution formula for the entire program.

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

1. Per Pupil Formulas are Problematic

- Any formula-driven system is unlikely to account adequately for the needs of low income and rural schools and libraries, central concerns of E-Rate's Congressional framers.
- Bandwidth is not sold on a per pupil basis and limiting E-Rate support by a formula linked to per pupil allocations could lead to small rural and large urban schools and libraries receiving support that is inadequate to purchase higher bandwidth levels. While funding fairness may be achieved through a per pupil system, higher bandwidth levels may be compromised.

- A formula driven system would not provide more flexibility for applicants. Although on the surface it would allow them to buy whatever they want, in reality they would only have enough money to buy what they will be able to afford with the subsidy... and this might, fall far short of what they need.

2. E-Rate Demand Remains Strong

- 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, E-Rate demand over the past two-years has been strong: **in 2016 applicant requests totaled \$3.61 billion while 2017 requests were \$3.2 billion.**
- According to Funds for Learning, 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. In 2016, 48% of Catholic Schools received E-Rate support.
- **Commitments to rural applicants rose significantly as a result of the 2014 E-Rate Modernization Orders, growing from \$719.7 million in 2013 to \$1.04 billion in 2015.**

3. E-Rate Is Already 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. An EducationSuperhighway study showed that the **percentage of classrooms meeting initial connectivity targets grew from 30% in 2013 to 94% in 2017.**
- According to comments filed with the FCC by CoSN, EducationSuperhighway and Funds for Learning, in the three years before the Commission adopted the E-Rate Modernization Order, “only 11% of schools received funding for internal connections...[I]n the three years following E-rate modernization, 78% of schools received E-rate funding for internal connections.”

4. E-Rate Efforts to Increase Broadband Connectivity are Ramping-Up

- The E-Rate modernization order opened new opportunities for rural and remote schools and libraries to gain access to high-speed fiber by allowing them to receive support for special construction charges and modulating electronics associated with leasing dark fiber; to build and own their own high-speed networks when cost-effective to do so (.e., the most cost-effective bid); and to receive additional support from the E-rate program when states contribute more funding for their infrastructures.
- According to EducationSuperhighway, **18 states have reserved nearly \$200 million in fiber matching funds.**

5. More changes to the E-Rate are Not Needed Now; E-Rate Works

- The changes instituted by the Commission are only in their third 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).
- The FCC’s 2014 changes are bearing fruit and should be allowed ample time to operate. 2019, when the FCC is required to conduct a look-back at the E-Rate’s Category 2 formula, would be a more appropriate time to consider tweaks to the program.