**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

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|  | Legacy E-Rate Program | Student-Centered E-Rate Program |
| Spending Priorities | * Prioritizes voice telephone service, long-distance calling, cellphone service, and paging ahead of connecting classrooms with broadband Internet access
* Funding available for non-instructional facilities such as bus garages and sports stadiums
 | * Focuses on next-generation services; no funding for stand-alone telephony service
* All eligible services treated equally (including connecting classrooms); local schools, not Washington, should set priorities
* Students come first; funding directed only to instructional facilities
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| Process | * Complicated
* Schools face up to 6 separate forms plus outside review by an approved planner
* 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
* Backlog of appeals stretches back a full decade
 | * Simple
* Only 2 forms required; initial application is only one page
* Streamlined rules eliminate need for consultants
* USF Administrator does all the calculations
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| Funding Allocation | * Funding tied to discounts; higher-discount schools get more funding overall and funding for more services
* Complex rules encourage arbitrage and gaming
* Differences in spending among states and within states are largely arbitrary
* >$400 million lost each year due to red tape
 | * Funding follows the student
* Funding allocated to all schools based on student population, adjusted for challenges that schools in rural and low-income areas face
* Additional allocation for very small schools and schools in remote areas like Alaska
* Much less money lost as a result of red tape means more money for students
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| Financial Planning | * Funding available to a school may change dramatically from one year to the next
* Funding tied to decisions of every other school in the country
* Schools must bid out services before they know if funding is available
* Funding not secured until months or even years after funding year starts
 | * Funding available immediately to all schools, independent of decisions made by other schools
* Minimal fluctuations from one year to the next allow for long-term financial planning
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| Fiscal Responsibility | * The more you spend, the more you get
* Some schools have little skin in the game by receiving up to a 90% discount
* Priority and group-discount rules discourage long-term, efficient-scale purchasing
* Cap on E-Rate but not overall Universal Service Fund
 | * Fixed pot of money for each school and matching requirement of one dollar for every three from E-Rate promotes prudent spending
* 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
* Cap overall Universal Service Fund before any increase in E-Rate budget
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| Transparency and Accountability | * Funding available to schools not disclosed until after the fact
* 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
* Relies on complicated rules and federal audits and investigations for accountability
 | * Funding available to schools publicly disclosed immediately to enable parents, school boards, press, and public to conduct local oversight
* Schools to report online exactly what they’re getting for E-Rate dollars; school administrators must certify it’s spent on students
* Transparency and local control are key; federal oversight a backstop
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| Relation to Libraries | * Libraries receive about 10% of E-Rate funding
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