

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
Spending Priorities	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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
Process	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Simple • Only 2 forms required; initial application is only one page • Streamlined rules eliminate need for consultants • USF Administrator does all the calculations
Funding Allocation	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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
Financial Planning	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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
Fiscal Responsibility	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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
Transparency and Accountability	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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
Relation to Libraries	<ul style="list-style-type: none"> • Libraries receive about 10% of E-Rate funding 	<ul style="list-style-type: none"> • Libraries receive about 10% of E-Rate funding