



OFFICE OF
THE CHAIRMAN

FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

August 11, 2014

The Honorable Fred Upton
Chairman
Committee on Energy and Commerce
U.S. House of Representatives
2125 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Upton:

Thank you for sharing your views about E-rate modernization. I appreciate your support of the Commission's ongoing work to streamline E-rate's administration and improve the use of its existing funds. Doing so is vital to ensuring the program can help extend broadband connectivity to and within the greatest number of schools and libraries in the most cost-effective manner.

Your letter raises concerns about the Commission's ability to work within existing funds to meet the \$5 billion Wi-Fi spending target established in the July 11, 2014, *Modernizing the E-rate Program for Schools and Libraries Report and Order and Further Notice of Proposed Rulemaking*. I am confident that there will be sufficient funds available to meet these goals. First, earlier this year, the Commission announced it had identified \$2 billion in savings from existing E-rate funds to be derived from reprioritizing existing E-rate funds to focus on high-capacity Internet connectivity, increasing program efficiency, and modernizing the program's management. Second, the *Order* gradually phases out E-rate support for non-broadband services, such as voice services, which, according to Commission analysis, would yield approximately \$3.6 billion in savings aggregated over five funding years. Please note, also, that actual savings may be greater to the extent spending on voice services decreases as discount levels are reduced. Third, the *Order* also introduces additional transparency measures that should have the effect of improving the purchasing efficiency for all E-rate services, which will also help ensure the adequacy of the five-year budget. Consequently, we are confident that we have sufficient funds with which to meet the Wi-Fi spending targets outlined in the *Order*.

Importantly, the *Order* introduced the five-year Wi-Fi budget as an aspirational target, not a mandatory allotment. We also included a provision that will ensure that, should insufficient funds ever be a problem, traditional broadband connectivity needs will come first, just as they always have.

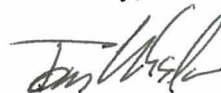
Additionally, your letter references press reports that allege promises have been made to increase the E-rate budget in the "near term." The *Order* includes a *Further Notice of Proposed Rulemaking*, which, among other things, requests comment on how much funding is needed to

meet the E-rate program goals established in the *Order*, keeping in mind our responsibility to minimize the overall Universal Service Fund contribution burden on businesses and consumers. Given that E-rate's funding cap was established in 1997, first indexed to inflation in 2011, and now applies to a program wherein we have seen continually increasing demand for high-speed Internet connections and Wi-Fi support, we believe this issue merits serious consideration. The Commission will take action in this matter only on the basis of a sound record. At this time, however, the Commission has made no decisions about this matter, and the current E-rate funding cap will remain in place through funding year 2016.

Finally, your letter cites "recent reports" concerning the "procedural approach" the Commission employed to adopt the *Order*. I share your interest in good Commission process. The *Order* is based upon comments received in response to the 2013 *E-rate Modernization Notice of Proposed Rulemaking* and the 2014 *E-Rate Modernization Public Notice*. Moreover, Bureau staff began briefing other Commissioners' offices about the draft *Order* over a month in advance of the July Open Meeting. Each of my fellow Commissioners was afforded many opportunities to offer comments and request revisions to the draft *Order*. Their suggestions were duly considered, and the *Order* was adopted at a Commission Open Meeting, per usual Commission procedures.

Thank you again for being in touch with your concerns. I look forward to continuing the Commission's work with you and others to modernize the E-rate program with a view toward maximum connectivity and cost-effectiveness.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Wheeler", with a stylized, cursive script.

Tom Wheeler



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WASHINGTON

August 11, 2014

The Honorable Greg Walden
Chairman
Subcommittee on Communications and Technology
Committee on Energy and Commerce
U.S. House of Representatives
2125 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Walden:

Thank you for sharing your views about E-rate modernization. I appreciate your support of the Commission's ongoing work to streamline E-rate's administration and improve the use of its existing funds. Doing so is vital to ensuring the program can help extend broadband connectivity to and within the greatest number of schools and libraries in the most cost-effective manner.

Your letter raises concerns about the Commission's ability to work within existing funds to meet the \$5 billion Wi-Fi spending target established in the July 11, 2014, *Modernizing the E-rate Program for Schools and Libraries Report and Order and Further Notice of Proposed Rulemaking*. I am confident that there will be sufficient funds available to meet these goals. First, earlier this year, the Commission announced it had identified \$2 billion in savings from existing E-rate funds to be derived from reprioritizing existing E-rate funds to focus on high-capacity Internet connectivity, increasing program efficiency, and modernizing the program's management. Second, the *Order* gradually phases out E-rate support for non-broadband services, such as voice services, which, according to Commission analysis, would yield approximately \$3.6 billion in savings aggregated over five funding years. Please note, also, that actual savings may be greater to the extent spending on voice services decreases as discount levels are reduced. Third, the *Order* also introduces additional transparency measures that should have the effect of improving the purchasing efficiency for all E-rate services, which will also help ensure the adequacy of the five-year budget. Consequently, we are confident that we have sufficient funds with which to meet the Wi-Fi spending targets outlined in the *Order*.

Finally, the *Order* introduced the five-year Wi-Fi budget as an aspirational target, not a mandatory allotment. We also included a provision that will ensure that, should insufficient funds ever be a problem, traditional broadband connectivity needs will come first, just as they always have.

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Tom Wheeler