

**STATEMENT OF
COMMISSIONER MICHAEL J. COPPS**

RE: Federal-State Joint Board on Universal Service, Rural Health Care Support Mechanism, Lifeline and Link-Up, Changes to the Board of Directors of the National Exchange Carrier Association, Inc., Comprehensive Review of Universal Service Fund Management, Administration, and Oversight, CC Docket Nos. 96-45, 02-6, 02-60, 03-109 and 97-21, Notice of Proposed Rulemaking.

Today's NPRM is about keeping the Universal Service Fund on good footing and being good stewards of our programs. Let me focus on one of those programs. No doubt about it, the E-Rate is one of the nation's great success stories. Thanks to this program, schools and libraries across the country, including those in rural areas and in our inner cities, have access to telecommunications services and to the Internet. The critical importance of this program means that it needs regular review and care. We continue that process today. I want to commend the Chairman for recognizing the importance of application simplification to improving the program, saving scarce resources, and reducing too common ministerial and clerical errors. I am particularly pleased that we make a tentative conclusion to move to a multi-year application process for Priority One services. This is a real step forward and I look forward to seeing it instituted soon. We must also always be mindful of protecting the program from those few who would abuse it. While instances of intentional fraud are infrequent, our goal must be to eliminate them altogether. I therefore support the NPRM's conclusion that we will strengthen our debarment rules and take new steps to identify and punish predatory contractors.

I am concerned about one aspect of the NPRM. It asks if we should replace the application process and distribute E-Rate funds directly to schools and libraries according to their size. Such a change could also allow funds to be used for unspecified communications-related services and equipment, rather than requiring applications that specify services and equipment. So many questions about this approach remain unaddressed. Distributing funds directly to schools could conceivably exclude Catholic and other private and parochial schools from the E-Rate program. Tying funds to school size could conceivably result in our rural and insular schools being denied the funds they need for the extraordinary cost of services in these areas, just because they have fewer students. And if schools are given a sum of money to be used for unspecified purposes rather than for specified and verifiable services and equipment, it could be much more difficult to identify fraud. Without assurances that parochial schools and rural schools would not be disadvantaged, and fraud detection would not be undermined, I must express my concern with this aspect of a generally very sound item. I urge all those who share this concern to respond to this notice so that our record leaves no doubt about the effects, including those always pernicious unintended effects, of proposals that would so dramatically affect this very successful program.