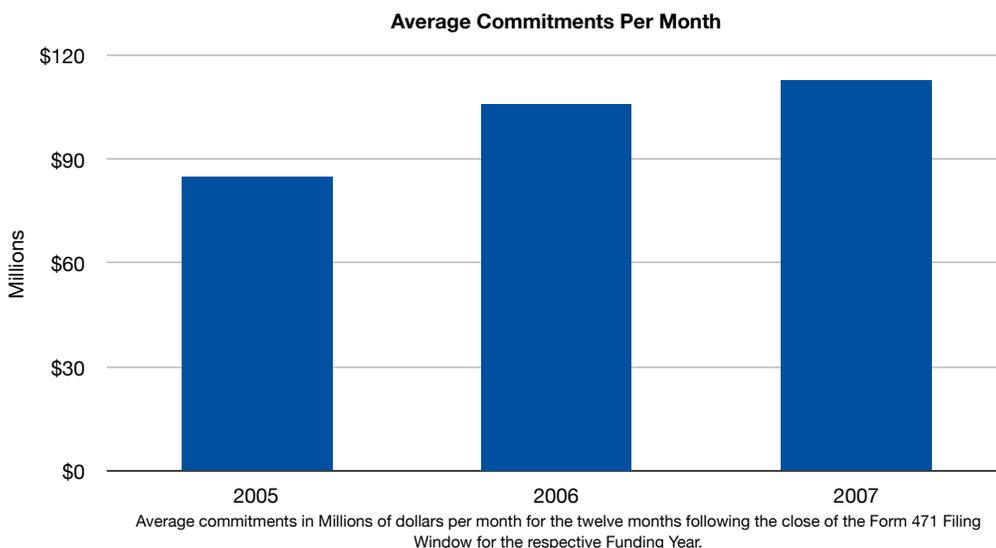


The Schools and Libraries Division of the Universal Service Administrative Company (the SLD) is responsible for the day to day administration of the E-rate program. Part of this administration includes the commitment of money from the Universal Service Fund for services which are eligible for discounts in the E-rate program. One metric often used to determine if the SLD is working efficiently in its issuance of funding commitments is to examine the pace of funding commitments from one year to the next.

Pace of Commitments

Funds For Learning has examined historical E-rate information to determine if the SLD is, in fact, issuing funding commitments more efficiently today than in the past. Our research shows that during the first twelve months after the close of the Form 471 Filing Window for E-rate Funding Years 2005, 2006, and 2007, the SLD has increased its issuance of funding commitments year-over-year.

The following chart shows by funding year the average dollars committed per month for the first twelve months after the close of the Form 471 filing window.



The amount of funding committed has increased from an average of \$85 Million per month for Funding Year 2005 to over \$110 Million per month in Funding Year 2007.¹

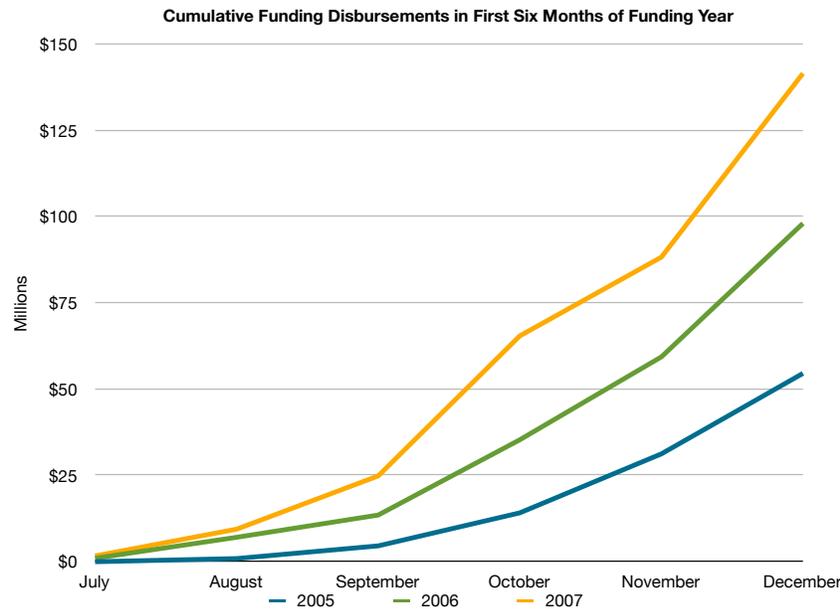
Those who have been involved with the E-rate program for many years will recall that Funding Year 2005 brought with it changes that impacted the SLD's ability to make commitments. There was the institution of Two-in-Five rule for the purchase of Internal Connections products with E-rate discounts. Along with this policy change came a new, fourth E-rate service category—Basic Maintenance of Internal Connections.

¹ Commitment information from E-rate Manager EDGE February 2008

This faster pace of funding commitments has given E-rate applicants the ability to realize the benefits of the program sooner than in previous years. But are applicants taking advantage of this opportunity?

Pace of Utilization

Examining the historical daily authorizations for disbursement provides a great deal of insight into how committed funds are utilized. For this analysis, Funds For Learning compared the amount of money that was authorized for disbursement in the first six months of Funding Years 2005, 2006, and 2007. The following chart shows the total amount of authorized disbursements during this time period.



When comparing the pace of E-rate disbursements for the first six months of the same funding years, we see that USAC is disbursing funds at a faster rate than each previous year. This means that more E-rate applicants are realizing the benefits of the program sooner each year.

In the first six months of Funding Year 2005, the SLD authorized just over \$54 Million in disbursements. In the same period for Funding Year 2007, that number grew to over \$141 Million. This represents an increase of 161%. This demonstrates that a great deal of funding is being disbursed faster in the early months of a funding year when comparing year-over-year.²

Summary

The SLD's mission to provide administration and oversight to the E-rate program has continually increased in complexity since its inception. In addition to rule changes mandated by the FCC there has been a great deal of attention paid to each phase of the E-rate process to guard against waste, fraud, and abuse. In spite of these challenges, it appears that two core functions of the program examined here—approving funding requests and disbursing funds—are both being performed with increased efficiency each year.

² Disbursement information from E-rate Manager EDGE, February 2008