USF for Schools and Libraries
FY 2013 and Beyond
Growing to Meet the Needs of Students and Library Patrons
Proposal Overview

- Increase cap to $4.5 billion/year
  - Bring funding closer to true need (> $5 billion)
  - Help schools prepare for Common Core tests, etc.
- Implement budget system
  - Keep discount payment system
  - Limit grand total of annual discounts per applicant
- Allow applicants to set their priorities
  - Discounts used for any service category, any site
  - Provide all applicants access to some support
E-rate Program Today

• E-rate is succeeding in its mission
  › 95% of U.S. students listed on E-rate applications
  › Perfectly positioned for today’s EdTech needs

• But, program is straining under:
  › Increasing demand for E-rate supported services
  › Shifts in technology, education system, society

• Inadequate funding and 15-years of tweaks have shifted program’s direction and impact
Drifting from Original Intent

• No internal connections for 94% of students (currently)
  › Est. 6% of students at 90%-discount schools
  › Most “90% applicants” have 80% disc school sites

• FY2013: no internal connections support (estimated)
  › National Broadband Plan (rec 11.16)
    “The FCC should provide E-rate support for internal connections to more schools and libraries.”

• Priority system falling short
  › Encourages gamesmanship (P1 vs P2 services)
  › Creates addt’l complexities (e.g. 2-out-of-5 rule)
  › Shortfall for telecomm and Internet by 2014
Schools Respond to Survey
Summer 2012 Survey of Applicants Receiving E-rate Funding

• E-rate “critical” to their success (92%)
  › BYOD/e-books will increase need for E-rate $(89%)
  › Telecomm & Internet spending climbing (58%)
  › Tech infrastructure not future-ready (85%+)

• Their most important tech initiatives:
  › Wireless access points (42%)
  › Wide Area Network/Internet (39%)

• Most important areas for FCC to focus:
  › Increase E-rate funding cap (58%)
  › Set annual funding window dates (23%)

“Increase E-rate Funding”

- Petition submitted Nov. 15, 2012
- Over 1,700 signatures from all 50 states
- Signed by parents, community members, and E-rate stakeholders

http://www.fundsforlearning.com/docs/2012/11/Petition%20Cvr%20Ltr-v3%20REV%20ENL.pdf
E-rate Supports 52.2 Million Students
Applicants by Enrollment and Location
Urban and Rural Count of Students

- **90%**-disc schools
  - 6.5% of all students
- **80%-89%** disc
  - 27% of urban enroll
  - 37% of rural enroll
  - In these schools, majority of students on NSLP
Internet/Telecomm E-rate Requests
$ millions (by Urban/Rural and Disc. Rate)
Connectivity Demands are Increasing
2012 E-rate Demand $5.2 billion

Straining E-rate
• FY2012: applicants requested $5.2 billion
  › $2.4B Internet/Telco
  › $2.7B Int. conn/maint

Looking forward
• FY2013
  › Limited funding for internal connections

• FY2014
  › Telecomm and Internet funding reductions or discount thresholds
Internet/Telco Demand **Alone** Exceeds Cap

Gap estimated at least $750M+ by 2018
# Telecomm and Internet Requests FY2012 by Discount Rate and Location

## FY2012

<table>
<thead>
<tr>
<th>Applicant Disc. Rate</th>
<th>CGCS</th>
<th>Other Urban excl. remote</th>
<th>Rural Rural*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>20% - 39%</td>
<td></td>
<td>$5,736,707</td>
<td>$554,529</td>
<td>$18,302</td>
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<tr>
<td>40% - 49%</td>
<td>$84,083,483</td>
<td>$19,301,364</td>
<td>$131,692</td>
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<tr>
<td>50% - 59%</td>
<td></td>
<td>$94,815,337</td>
<td>$26,689,805</td>
<td>$509,601</td>
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<tr>
<td>60% - 69%</td>
<td>$10,383,212</td>
<td>$137,127,785</td>
<td>$41,280,065</td>
<td>$6,212,628</td>
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<tr>
<td>70% - 79%</td>
<td>$43,704,818</td>
<td>$224,268,424</td>
<td>$87,230,829</td>
<td>$21,090,177</td>
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<tr>
<td>80% - 89%</td>
<td>$252,709,976</td>
<td>$365,425,691</td>
<td>$150,434,834</td>
<td>$61,479,288</td>
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<tr>
<td>90%</td>
<td></td>
<td>$240,928,603</td>
<td>$63,401,256</td>
<td>$20,283,795</td>
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<tr>
<td>Grand Total</td>
<td>$306,798,006</td>
<td>$1,152,386,030</td>
<td>$388,892,682</td>
<td>$109,725,483</td>
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</table>

* Remote rural based on Department of Education locale designation "43"
“Per Student” Analysis
Per Student E-rate Funding
Available vs Requested (Telecomm and Internet)

Includes consortia demand; Available amount calculated after subtracting library demand

Available per student
Total E-rate fund

Requested per student
Telecomm and Internet

Per Student

<table>
<thead>
<tr>
<th>Year</th>
<th>Available</th>
<th>Requested</th>
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<tbody>
<tr>
<td>2000</td>
<td>$48.9</td>
<td>$23.5</td>
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<tr>
<td>2001</td>
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<td>2002</td>
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<td>2003</td>
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<tr>
<td>2004</td>
<td>$44.6</td>
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<td>2005</td>
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<td>2006</td>
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<td>2007</td>
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<tr>
<td>2010</td>
<td>$42.0</td>
<td>$39.6</td>
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<tr>
<td>2011</td>
<td>$42.2</td>
<td>$41.2</td>
</tr>
<tr>
<td>2012</td>
<td>$42.7</td>
<td>$44.3</td>
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</table>
### Per Student Funding Request
#### FY2012 School Telecomm and Internet

**By Enrollment**

<table>
<thead>
<tr>
<th>Applicant Disc. Rate</th>
<th>1 to 500</th>
<th>501 to 2,500</th>
<th>2,501 to 5,000</th>
<th>5,001 to 25,000</th>
<th>25,001 or more</th>
<th>Overall</th>
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<tbody>
<tr>
<td>20% - 39%</td>
<td>$15.28</td>
<td>$13.37</td>
<td>$12.38</td>
<td>$11.66</td>
<td>$12.13</td>
<td>$12.72</td>
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<tr>
<td>40% - 49%</td>
<td>$18.84</td>
<td>$19.68</td>
<td>$13.79</td>
<td>$12.41</td>
<td>$11.96</td>
<td>$14.39</td>
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<tr>
<td>50% - 59%</td>
<td>$29.69</td>
<td>$22.42</td>
<td>$17.63</td>
<td>$17.72</td>
<td>$14.81</td>
<td>$17.80</td>
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<tr>
<td>60% - 69%</td>
<td>$40.87</td>
<td>$29.13</td>
<td>$27.30</td>
<td>$24.14</td>
<td>$20.74</td>
<td>$24.46</td>
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<tr>
<td>70% - 79%</td>
<td>$69.94</td>
<td>$41.80</td>
<td>$39.82</td>
<td>$35.66</td>
<td>$24.07</td>
<td>$33.30</td>
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<tr>
<td>80% - 89%</td>
<td>$98.60</td>
<td>$64.59</td>
<td>$67.44</td>
<td>$50.62</td>
<td>$49.89</td>
<td>$55.58</td>
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<tr>
<td>90%</td>
<td>$168.70</td>
<td>$118.45</td>
<td>$85.52</td>
<td>$60.51</td>
<td>$39.72</td>
<td>$93.69</td>
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<tr>
<td>Overall</td>
<td>$85.61</td>
<td>$47.13</td>
<td>$38.56</td>
<td>$32.28</td>
<td>$31.45</td>
<td>$37.50</td>
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</tbody>
</table>

Excludes libraries and most consortia
## Per Student Funding Request
### FY2012 School Telecomm and Internet

### By Location

<table>
<thead>
<tr>
<th>Applicant Disc. Rate</th>
<th>CGCS</th>
<th>Other Urban excl. remote</th>
<th>Rural Rural*</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>20% - 39%</td>
<td>$12.88</td>
<td>$11.25</td>
<td>$14.07</td>
<td>$12.72</td>
</tr>
<tr>
<td>40% - 49%</td>
<td>$14.41</td>
<td>$14.24</td>
<td>$44.51</td>
<td>$14.39</td>
</tr>
<tr>
<td>50% - 59%</td>
<td>$17.25</td>
<td>$19.86</td>
<td>$34.48</td>
<td>$17.80</td>
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<tr>
<td>60% - 69%</td>
<td>$24.59</td>
<td>$23.49</td>
<td>$49.04</td>
<td>$24.46</td>
</tr>
<tr>
<td>70% - 79%</td>
<td>$26.38</td>
<td>$32.75</td>
<td>$43.49</td>
<td>$33.30</td>
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<tr>
<td>80% - 89%</td>
<td>$55.77</td>
<td>$49.64</td>
<td>$124.01</td>
<td>$55.58</td>
</tr>
<tr>
<td>90%</td>
<td>$55.77</td>
<td>$49.64</td>
<td>$173.51</td>
<td>$93.69</td>
</tr>
</tbody>
</table>

| Overall              | $46.41 | $33.34                   | $39.71       | $88.25  |

Excludes libraries and most consortia
Proposed Solution Framework
Updating the E-rate Program
Revised structure to help applicants budget their needs

• Maintain discount system
• Restore funding for all service categories
• Allow flexibility for local funding priorities
• Calculate budget ceilings for applicant discounts
• Insure all eligible requests receive some support
• Create long-term funding structure
  › Anticipates changes in USF funding levels (including increase)
  › Easily adjusts for other changes, such as disc. matrix
Proposal Objectives

• Build on successful aspects of current E-rate
• Offer systemic improvements
  › Minimize delays while increasing predictability
  › Encourage technology planning and prioritizing
• Allow applicants to set their own priorities
• Provide all applicants access to some support
• Encourage accurate funding requests
• Reduce waste and abuse
Existing E-rate System + Budgets

- Maintain (no change)
  - Graduated discount rate system
  - Current ESL/470/471/PIA/payment process
- Eliminate unlimited budgets (current system)
- Establish flexible budget ceiling system for applicants
  - Per student limits for schools; per patron for libraries
  - Tied to available USF funding
  - Per capita rates published before filing window
- Tie applicant budget amount to their discount rate
  - Highest per capita budgets to highest disc rate applicants
  - Budget floors set for small schools and libraries
FCC Sets Target Pre-Disc Amount

- FCC publishes pre-discount amount
- School district calculates discount rate
- Multiply disc. rate by target to get max disc.
- Example: $160 pre-discount target by FCC
  - 80% school district
  - Multiplied by $160 = $128 / student max discount
Per Student Budget Calculation

- FCC sets per student pre-discount amount
- School district calculates discount rate (as before)
- Ceiling calculated by multiplying per student factor by discount rate by enrollment

Discount Ceiling = Pre-Discount Per Student Rate (Set by FCC) x Discount Rate x Enroll
Budget Floor for Small Schools

- FCC sets pre-discount budget floor
  - Min. amount before budget ceiling is activated
  - Protects small schools
- School district calculates discount rate (as before)
- Floor calculated by multiplying pre-discount budget floor by discount rate of applicant
- Doubled for sites classified as “rural remote”
Proposal Details

• Eliminates need for 2-in-5 rule
• Eligible services list can stay as-is
• Schools set their local priorities
  › An applicant’s requests can total no more than the calculated budget ceiling
  › Applicants may allocate some or all of their budget to support consortia applications
• Library budgets based on per patron measure
• Remote rural locations have higher minimum
Other Benefits of Budget Ceiling

• Allows FCDLs to be issued more quickly
• Reduces excessive and/or frivolous $ requests
• Reduces or removes incentives to
  › Replace equipment before end of life
  › Gold plate networks
  › Game the P1/P2 system
• Protects against “mega” requests
• Limits waste/fraud/abuse potential per entity
Works in Conjunction with Other Potential Program Changes

• Accommodates future increase(s) to fund without retooling the program
• Works with other changes being discussed
  › Augments other changes, but...
  › Also reduces need for some changes
• Could facilitate:
  › Individual applicant “rollover” one year to next
  › Multi-year funding commitments
• “the Commission should consider imposing some ceiling on the amount of funding which applicants can request.”

• “…would help ensure that applicants are submitting the most cost-effective funding requests by eliminating what some may perceive as a “blank check.”"
Frequently Discussed Alternative Solutions
Limited Potential Discount Matrix Changes

• Most commonly discussed “solution”
• Does not address fundamental issues
  › Insufficient E-rate funding
  › Inadequate priority system
  › No protection against mega funding requests
• -10% in rate impacts poorest students most
  › 90% => 80% : payment +200%
  › 20% => 10% : payment +12%
• At best provides a few sites w/P2 a few years
Limited Potential
Eligible Services

Changes

- Other “solution” frequently mentioned
- Requires detailed technical definitions
- Adds complexity to application review
- Requires constant tweaking (chasing technology)
- Offers incentives to game system
- For example, eliminating POTS
  - Hurts less tech-savvy schools most
  - Counterproductive to Universal Service
  - Adds complexity to process
Sample Results
Increased E-rate Funding and Budget System

Annual program cap of $4.5 billion/year
Applicant budget calculation system
Sample Budget Calculation #1
Urban School District

- Pre-Discount Student Rate Ceiling: $160
- Pre-Discount Per Applicant Floor: $36,000
- Applicant: Enrollment = 4,000; Discount = 80%

<table>
<thead>
<tr>
<th>Pre-Discount Per Student Rate</th>
<th>Applicant Discount Rate</th>
<th>Applicant Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ceiling</td>
<td>$160</td>
<td>80%</td>
</tr>
<tr>
<td>Floor</td>
<td>$36,000</td>
<td>80%</td>
</tr>
</tbody>
</table>

\[
\text{Ceiling} = 160 \times 0.8 \times 4000 = 512,000
\]

\[
\text{Floor} = 36,000 \times 0.8 \times 1 = 28,800
\]

Max of Ceiling and Floor calculations

Discount Budget = $512,000

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Sample Budget Calculation #2
Remote Rural School

- Pre-Discount Student Rate Ceiling: $160
- Pre-Discount Per Applicant Floor: $36,000
- Applicant: Enrollment = 125; Discount = 90%

<table>
<thead>
<tr>
<th>Ceiling</th>
<th>$160</th>
<th>90%</th>
<th>125</th>
<th>$18,000</th>
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<tbody>
<tr>
<td>Floor</td>
<td>$36,000</td>
<td>90%</td>
<td>2</td>
<td>$64,800</td>
</tr>
</tbody>
</table>

Discount Budget = $64,800
## National Results

Based on $160 per Student Ceiling / $36,000 per Applicant Floor

<table>
<thead>
<tr>
<th>Applicant Disc. Rate</th>
<th>CGCS</th>
<th>Other Urban excl. remote</th>
<th>Rural Rural*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>20% - 39%</td>
<td>$7,346,867</td>
<td>$325,764</td>
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<td>$7,713,601</td>
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<td>40% - 49%</td>
<td>$211,232,704</td>
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<td>$304,407,698</td>
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<td>60% - 69%</td>
<td>$30,298,463</td>
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<td>$515,525,343</td>
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<td>80% - 89%</td>
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<td>90%</td>
<td>$314,143,437</td>
<td>$137,023,323</td>
<td>$23,052,341</td>
<td>$474,219,101</td>
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<td>Grand Total</td>
<td>$687,676,450</td>
<td>$2,491,137,188</td>
<td>$938,488,275</td>
<td>$4,268,831,020</td>
</tr>
</tbody>
</table>

### NOTES/ASSUMPTIONS
1. Based on FY2012 enrollment data and discount rates
2. All applicants find sufficient matching funds to maximize their budgets.
3. Remote rural schools have a budget floor factor double the standard rate. $36,000 x 2 = $72,000
4. Balance of funds used for library applicants, program administ
## Council of Great City Schools

### Sample Results

<table>
<thead>
<tr>
<th>School District</th>
<th>Enroll</th>
<th>FY2012 Telco &amp; Internet (millions)</th>
<th>FY2014 Telco &amp; Int. (est) (millions)</th>
<th>Proposed Budget (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NYC Dpmt of Ed</td>
<td>970,052</td>
<td>$62.94</td>
<td>$67.98</td>
<td>$104.36</td>
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<tr>
<td>Los Angeles Unified</td>
<td>600,844</td>
<td>$25.54</td>
<td>$27.58</td>
<td>$66.23</td>
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<tr>
<td>Chicago Schools</td>
<td>357,184</td>
<td>$20.75</td>
<td>$22.41</td>
<td>$42.27</td>
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<tr>
<td>Miami-Dade County</td>
<td>308,057</td>
<td>$11.29</td>
<td>$12.20</td>
<td>$33.96</td>
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<tr>
<td>Clark County</td>
<td>297,913</td>
<td>$4.68</td>
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<tr>
<td>Houston ISD</td>
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<td>$7.80</td>
<td>$8.43</td>
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<td>Dallas ISD</td>
<td>158,486</td>
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<td>Broward County</td>
<td>225,664</td>
<td>$5.00</td>
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<td>Philadelphia</td>
<td>144,234</td>
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<td>$3.67</td>
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<td>Hillsborough County</td>
<td>190,768</td>
<td>$2.25</td>
<td>$2.43</td>
<td>$15.82</td>
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</table>

<table>
<thead>
<tr>
<th>School District</th>
<th>Enroll</th>
<th>FY2012 Telco &amp; Internet (millions)</th>
<th>FY2014 Telco &amp; Int. (est) (millions)</th>
<th>Proposed Budget (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orange County</td>
<td>171,095</td>
<td>$3.86</td>
<td>$4.17</td>
<td>$15.40</td>
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<td>San Diego Unified</td>
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<td>Palm Beach County</td>
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<td>Memphis City Schools</td>
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<td>Charlotte-Mecklenburg</td>
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<td>Albuquerque</td>
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<td>Fort Worth ISD</td>
<td>83,442</td>
<td>$1.65</td>
<td>$1.78</td>
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<td>Duval County</td>
<td>118,257</td>
<td>$3.13</td>
<td>$3.38</td>
<td>$9.81</td>
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<tr>
<td>Long Beach Unified</td>
<td>83,687</td>
<td>$2.64</td>
<td>$2.85</td>
<td>$8.79</td>
</tr>
</tbody>
</table>

### NOTES/ASSUMPTIONS
1) Based on FY2012 enrollment data and discount rates
2) All applicants find sufficient matching funds to maximize their budgets.
3) FY2014 telecomm and Internet estimate based on 8% increase over FY2012 requests

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