The Funds For Learning®

E-rate 2.0 Proposal

June 14, 2013
E-rate’s Unsustainable Path

• No internal connections for any applicants
• Inadequate support for telecomm/Internet
• Funding Year 2014: 70% P1 discount threshold
  › No support for 45% of libraries and 47% of schools
• Funding Year 2015: 80% P1 discount threshold
  › No support for 84% of libraries and 71% of schools
• Going forward, political support wanes as E-rate funding disappears for most applicants
Aggressive Applicants Dominate

- No incentive for accurate funding requests
- Highest discount rate schools take all they want, leaving nothing for other applicants
- “Big spenders” request majority of funding
  - Inefficient applicants rewarded with big dollars
  - Incentives to select P1 tariff/MTM service
- New purchases easier than maintenance
President Calls for Reform

“In a country where we expect free Wi-Fi with our coffee, why shouldn't we have it in our schools?”

-- President Barack Obama (June 6, 2013)

• ConnectED: restore U.S. educational leadership
• Modernize and further leverage E-rate program
• Connect 99% of students within 5 years
  › Broadband connections (100 Mbps up to 1 Gbps)
  › High speed wireless access in buildings
Answering the President’s Call

• FCC preparing to implement Obama’s vision
  › Additional E-rate funding -- 3 year surge?
  › New efficiencies within the E-rate program
  › Other changes?

• New proposal: achieving Obama’s goals
  › Ensure all schools and libraries benefit from E-rate
  › Allow applicants to set local funding priorities
  › Restore support for infrastructure (e.g. wireless)
  › Encourage cost-effective technology choices
E-rate Program
At a Crossroads
E-rate Straining Under Demand

• No longer a technology neutral program
  › Priority system broken – no internal connections
    • Eliminates lease vs. purchase cost-benefit analysis
    • Encourages more expensive Priority 1 solutions
  › Creates environment for gaming the system
  › Entire cap can be spent with no contract or tech plan

• Discount threshold eliminates discount matrix
  › No longer a sliding scale funding mechanism
  › All or nothing funding for a select few
FY2013 E-rate Demand $4.99 Billion
By Priority and Applicant Discount

<table>
<thead>
<tr>
<th>Priority</th>
<th>Discount</th>
<th>Billings</th>
<th>Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>One</td>
<td>80% Disc.</td>
<td>$1.11 B</td>
<td>47%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One</td>
<td>70% Disc.</td>
<td>$0.58 B</td>
<td>24%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One</td>
<td>90% Disc.</td>
<td>$0.49 B</td>
<td>21%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One</td>
<td>60% Disc.</td>
<td>$0.27 B</td>
<td>11%</td>
</tr>
<tr>
<td></td>
<td>50% Disc.</td>
<td>$0.14 B</td>
<td>6%</td>
</tr>
<tr>
<td>Two</td>
<td>90% Disc.</td>
<td>$1.76 B</td>
<td>74%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Two</td>
<td>80% Disc.</td>
<td>$0.46 B</td>
<td>19%</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>
### FY2013 E-rate Demand $4.99 Billion

#### By Priority and Applicant Discount

<table>
<thead>
<tr>
<th>Priority</th>
<th>Discount</th>
<th>Cap</th>
<th>Annual Cap</th>
<th>Funding</th>
<th>Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>One</td>
<td>80% Disc</td>
<td>47%</td>
<td>$1.11 B</td>
<td>$1.49 B</td>
<td>FY2013</td>
</tr>
<tr>
<td></td>
<td>70% Disc</td>
<td>24%</td>
<td>$0.58 B</td>
<td>$0.76 B</td>
<td>Fiscal Year</td>
</tr>
<tr>
<td>Two</td>
<td>90% Disc</td>
<td>74%</td>
<td>$1.76 B</td>
<td>$2.35 B</td>
<td>FY2013</td>
</tr>
<tr>
<td></td>
<td>80% Disc</td>
<td>19%</td>
<td>$0.46 B</td>
<td>$0.59 B</td>
<td>Fiscal Year</td>
</tr>
</tbody>
</table>

FY2013 funding cap only covers Priority One 90% to 60% requests. Rollover needed to cover lower-discount rate P1 requests.
Per Student E-rate Funding
Available vs Requested (Telecomm and Internet)

Includes consortia demand; Available amount calculated after subtracting library demand

On average, $50 requested per student

<table>
<thead>
<tr>
<th>Year</th>
<th>Available</th>
<th>Requested</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$48.9</td>
<td>$23.5</td>
</tr>
<tr>
<td>2001</td>
<td>$47.5</td>
<td>$29.3</td>
</tr>
<tr>
<td>2002</td>
<td>$46.2</td>
<td>$35.0</td>
</tr>
<tr>
<td>2003</td>
<td>$44.9</td>
<td>$34.6</td>
</tr>
<tr>
<td>2004</td>
<td>$44.6</td>
<td>$30.9</td>
</tr>
<tr>
<td>2005</td>
<td>$43.8</td>
<td>$29.3</td>
</tr>
<tr>
<td>2006</td>
<td>$43.0</td>
<td>$31.7</td>
</tr>
<tr>
<td>2007</td>
<td>$42.7</td>
<td>$33.7</td>
</tr>
<tr>
<td>2008</td>
<td>$42.4</td>
<td>$35.7</td>
</tr>
<tr>
<td>2009</td>
<td>$42.0</td>
<td>$38.1</td>
</tr>
<tr>
<td>2010</td>
<td>$42.0</td>
<td>$39.6</td>
</tr>
<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>
</tr>
<tr>
<td>2013</td>
<td>$45.5</td>
<td>$50.1</td>
</tr>
</tbody>
</table>

On average, $50 requested per student
FY2013 Telecomm and Internet demand
$50 per Student Requested

- iVoIP/Fiber Leases $3.26
- Cellular $5.87
- Internet access $12.97
- Telecomm/WAN $27.20
- E-mail/web host $0.77

$50/student demand exceeds $45/student funding cap

Total demand = $5.57/student per month (pre-discount)

Includes consortia demand; Per Student amount calculated after subtracting library demand.
Proposed Solution Framework
Proposal Overview

• Keep current discounts and eligible services
• Keep current ESL/470/471/PIA/payment process
• Eliminate “unlimited” funding requests
• Allow applicants to set their own priorities
  › Discounts used for any service category, any site
  › Offer all applicants access to support every year
• Promote equitable distribution of funding
• Increase cap to $4.5 billion/year
• Avoid unnecessary complexity and changes
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
Per Student Budget Calculation

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

\[
\text{Discount Ceiling} = \text{Pre-Discount Per Student Rate (Set by FCC)} \times \text{Discount Rate} \times \text{Enroll}
\]

- Example: $115 pre-discount target by FCC
  - 80% school district
  - Multiplied by $115 = $92 / student max discount
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 high cost

\[
\text{Budget Floor} = \text{Pre-discount Floor} \times \text{Discount Rate} \times \text{High Cost Multiplier}
\]

Pre-discount Floor (Set by FCC)
Estimated Result of Budget System

Based on E-rate 2.0 Proposal
Results of Funds For Learning® Proposal
Option #1: $2.80B Current cap + rollover

Per Student Factor = $70 per student; Funding floor = $34,000 / entity

- **$0.14B** Rural Remote
  - $101 / student
  - $64K / entity

- **$0.50B** Small Schools
  - Enrollment 100 to 2,499
  - Students = 9.6M
  - n = 14,546
  - $52 / student
  - $34K / entity

- **$0.66B** Medium Schools
  - Enrollment 2,500 to 9,999
  - Students = 14.4M; n = 3,047
  - $46 / student
  - $218K / entity

- **$0.79B** Large Schools
  - Enrollment 10,000 to 49,999
  - Students = 16.2M; n = 861
  - $49 / student; $913K / entity

- **$0.51B** Mega Schools
  - Enroll 50,000+ excl. NYC
  - Students = 10.0M
  - n = 138
  - $52 / student
  - $3,671K / entity

- **$0.10B** Library
  - $25K / entity

- **$0.06B NYC**
  - $58/student

- **$0.05B**<100 students
  - $36K / entity

The size of this square represents $25 million of funding commitments.
### Results of Funds For Learning® Proposal Option #2: $4.46B

**Per Student Factor = $115 per student; Funding floor = $40,000 / entity**

<table>
<thead>
<tr>
<th>Enrollment</th>
<th>Students</th>
<th>n</th>
<th>Per Student</th>
<th>Funding per Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Schools (100 to 2,499)</td>
<td>9.6M</td>
<td>14,546</td>
<td>$80/student</td>
<td>$52K/entity</td>
</tr>
<tr>
<td>Medium Schools (2,500 to 9,999)</td>
<td>14.5M</td>
<td>3,047</td>
<td>$76/student</td>
<td>$358K/entity</td>
</tr>
<tr>
<td>Large Schools (10,000 to 49,999)</td>
<td>16.2M</td>
<td>861</td>
<td>$80/student</td>
<td>$1,500K/entity</td>
</tr>
<tr>
<td>Mega Schools (50,000+ excl. NYC)</td>
<td>10.0M</td>
<td>138</td>
<td>$86/student</td>
<td>$6,032K/entity</td>
</tr>
<tr>
<td>NYC</td>
<td>95/student</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural Remote</td>
<td>131/student</td>
<td>$83K/entity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Library</td>
<td>37K/entity</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note: The funding floor is $40,000 per entity.*
Proposal Details

• Eliminates need for 2-in-5 rule
• Eligible services list can stay as-is
• Schools set their local priorities
  › Requests total no more than budget ceiling
  › Applicants may allocate budget to consortia
• Library budgets based on per patron measure
• Remote rural and other high cost locations have higher minimum
Benefits of Budget Ceiling

• Produces more predictable projects and services
• Encourages efficient use of funds
• Allows funding to be released more quickly
• Reduces excessive and/or frivolous $ requests
• Diminishes or removes incentives to
  › Replace equipment before end of life
  › Gold plate networks and game the P1/P2 system
• Protects against “mega” requests
• Limits waste/fraud/abuse potential per entity
Other Potential Details

- State networks could receive 0.5% - 1.0% of discount disbursements
- Applicants authorize portion of their budget to other consortia-type applications
- Special budget waivers could be requested
Budget System Calculation

Step-by-step
Per Student Budget Calculation

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

$$\text{Discount Budget} = \text{Pre-Discount Per Student Rate} \times \text{Discount Rate} \times \text{Enroll}$$

(Pre-Discount Per Student Rate (Set by FCC))
Discount Budget = Pre-Discount Per Student Rate \times \text{Discount Rate} \times \text{Enroll}

$70

Annual limit set by the FCC. The current funding cap would support this figure.
Discount Budget = Pre-Discount Per Student Rate (Set by FCC) \times Discount Rate \times Enroll

\$70 \times 75\% \quad \text{Your shared discount rate. (Calculated in same manner as before.)}
Discount Budget = Pre-Discount Per Student Rate (Set by FCC) \times Discount Rate \times Enroll

\$70 \times 75\% \times 10,000

Your total enrollment
Discount Budget = Pre-Discount Per Student Rate \times \text{Discount Rate} \times \text{Enroll}

= \$70 \times 75\% \times 10,000

Discount Budget = \$525,000
Budgets Vary by Discount Rate

Discount Rate

$70 \times 45\% \times 10,000 = $315,000

$70 \times 75\% \times 10,000 = $525,000

$70 \times 90\% \times 10,000 = $630,000

May 15, 2013
Budgets Vary by Enrollment

Enrollment

$70 \times 75\% \times 1,000 = \$52,500

$70 \times 75\% \times 10,000 = \$525,000

$70 \times 75\% \times 100,000 = \$5,250,000
Budgets Vary with E-rate Cap

Per Student Limit

$70 \times 75\% \times 10,000 = $525,000

Discount Budget

$95 \times 75\% \times 10,000 = $725,000
Sample Budget Calculation #1
Urban School District

• Pre-Discount Student Rate Ceiling: $115
• Pre-Discount Per Applicant Floor: $40,000
• Applicant: Enrollment = 4,000; Discount = 80%

\[
\text{Ceiling} = \text{Pre-Discount Per Student Rate} \times \text{Discount Rate} \times \text{Applicant Enrollment} = \$115 \times 80\% \times 4,000 = \$368,000
\]

\[
\text{Floor} = \text{Pre-Discount Applicant Floor} \times \text{Discount Rate} \times \text{Rural Remote Multiplier} = \$40,000 \times 80\% \times 1 = \$32,000
\]

Max of Ceiling and Floor calculations

\[
\text{Discount Budget} = \text{Max of Ceiling and Floor} = \$368,000
\]
Sample Budget Calculation #2

Remote Rural School

- Pre-Discount Student Rate Ceiling: $115
- Pre-Discount Per Applicant Floor: $40,000
- Applicant: Enrollment = 125; Discount = 90%

\[
\begin{align*}
\text{Ceiling} &= \text{Pre-Discount Per Student Rate} \times \text{Applicant Discount Rate} \times \text{Applicant Enrollment} \\
&= $115 \times 90\% \times 125 \\
&= $12,936 \\
\text{Floor} &= \text{Pre-Discount Applicant Floor} \times \text{Applicant Discount Rate} \times \text{Rural Remote Multiplier} \\
&= $40,000 \times 90\% \times 2 \\
&= $72,000
\end{align*}
\]

Max of Ceiling and Floor calculations

\[
\text{Discount Budget} = $72,000
\]
Understanding the FY2013 E-rate Fund Demand
FY2013 E-rate Demand
Total Demand: $4.99B

Each square represents $25 million of funding demand
(Approximately 200 squares = $4.99 billion of demand)
The FY2013 E-rate funding cap is approximately $2.4 Billion

(96 squares = $2.40 billion funding cap)

The area outside the white box represents the difference between the demand and the funding cap.

(Approximately 104 squares = $2.60 billion difference)
FY2013 E-rate Demand $4.99 Billion
By Priority Designation

Priority One
Telecommunications
and Internet

$2.71 B
Portion of Annual Cap: 114%

Priority Two
Internal Connections
and Basic Maint

$2.28 B
Portion of Annual Cap: 74%
FY2013 E-rate Demand $4.99 Billion
By Priority and Applicant Discount

<table>
<thead>
<tr>
<th>Priority One</th>
<th>Priority Two</th>
</tr>
</thead>
<tbody>
<tr>
<td>80% Disc.</td>
<td>90% Disc.</td>
</tr>
<tr>
<td>$1.11 B</td>
<td>$1.76 B</td>
</tr>
<tr>
<td>Cap: 47%</td>
<td>Cap: 74%</td>
</tr>
<tr>
<td>70% Disc.</td>
<td></td>
</tr>
<tr>
<td>$0.58 B</td>
<td></td>
</tr>
<tr>
<td>Cap: 24%</td>
<td></td>
</tr>
<tr>
<td>90% Disc.</td>
<td></td>
</tr>
<tr>
<td>$0.49 B</td>
<td></td>
</tr>
<tr>
<td>Cap: 21%</td>
<td></td>
</tr>
<tr>
<td>60% Disc.</td>
<td></td>
</tr>
<tr>
<td>$0.27 B; Cap: 11%</td>
<td></td>
</tr>
<tr>
<td>50% Disc.</td>
<td></td>
</tr>
<tr>
<td>$0.14 B; Cap: 6%</td>
<td></td>
</tr>
<tr>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>$0.11 B; Cap: 5%</td>
<td></td>
</tr>
<tr>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>$0.11 B; Cap: 5%</td>
<td></td>
</tr>
<tr>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>$0.11 B; Cap: 5%</td>
<td></td>
</tr>
<tr>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>$0.11 B; Cap: 5%</td>
<td></td>
</tr>
</tbody>
</table>

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## FY2013 E-rate Demand $4.99 Billion
### By Service Provider Type

<table>
<thead>
<tr>
<th>Service Provider Type</th>
<th>E-rate Demand</th>
<th>Cost per Student</th>
<th>Cost per Entity</th>
<th>Number of Entities</th>
<th>Cap Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional Telecommunications and Internet Providers</td>
<td>$2.18B</td>
<td>$33.96 / student</td>
<td>$84.8K / entity</td>
<td>24,730</td>
<td>91%</td>
</tr>
<tr>
<td>Cellular</td>
<td>$0.31B</td>
<td>$7.00 / student</td>
<td>$23.0K / entity</td>
<td>13,312</td>
<td>13%</td>
</tr>
<tr>
<td>Non-trdtl Telco</td>
<td>$0.18B</td>
<td>$14.97 / student</td>
<td>$43.3K / entity</td>
<td>3,903</td>
<td>8%</td>
</tr>
<tr>
<td>Basic Maint.</td>
<td>$0.27B</td>
<td>$22.82/student</td>
<td>$68.1K / entity</td>
<td>4,122</td>
<td>11%</td>
</tr>
<tr>
<td>E-mail</td>
<td>$0.04B</td>
<td>$2.42/student</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal Connections Providers</td>
<td>$2.01B</td>
<td>$154.71 / student</td>
<td>$618.3K / entity</td>
<td>3,229</td>
<td>84%</td>
</tr>
</tbody>
</table>

*Note: N and Cap values are rounded to the nearest whole number.*
## FY2013 E-rate Demand $4.99 Billion
### By School District Size

<table>
<thead>
<tr>
<th>Enrollment Range</th>
<th>School Districts</th>
<th>Enrollment</th>
<th>Total Demand</th>
<th>Average Demand/Student</th>
<th>Average Demand/Entity</th>
<th>Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0.61B</td>
<td>NYC Board of Ed</td>
<td>967,159</td>
<td>$0.61B</td>
<td>$626</td>
<td>$605,746K</td>
<td>25%</td>
</tr>
<tr>
<td>$1.1B</td>
<td>Small Schools</td>
<td>100 to 2,499</td>
<td>$1.1B</td>
<td>$114</td>
<td>$75K</td>
<td>46%</td>
</tr>
<tr>
<td>$0.60B</td>
<td>Mega Schools</td>
<td>50,000+ excl. NYC</td>
<td>$0.60B</td>
<td>$62</td>
<td>$4,368K</td>
<td>25%</td>
</tr>
<tr>
<td>$1.14B</td>
<td>Large Schools</td>
<td>10,000 to 49,999</td>
<td>$1.14B</td>
<td>$70</td>
<td>$1,319K</td>
<td>48%</td>
</tr>
<tr>
<td>$0.97B</td>
<td>Medium Schools</td>
<td>2,500 to 9,999</td>
<td>$0.97B</td>
<td>$67</td>
<td>$319K</td>
<td>41%</td>
</tr>
<tr>
<td>$0.06B</td>
<td>Rural Remote</td>
<td>&lt;100</td>
<td>$0.06B</td>
<td>$42</td>
<td>$27K</td>
<td>5%</td>
</tr>
<tr>
<td>$0.16B</td>
<td>State Consortium</td>
<td>38</td>
<td>$0.16B</td>
<td>$626</td>
<td>$6,594K</td>
<td>11%</td>
</tr>
<tr>
<td>$0.11B</td>
<td>Library</td>
<td>4,023</td>
<td>$0.11B</td>
<td>$75K</td>
<td>$27K</td>
<td>5%</td>
</tr>
</tbody>
</table>
## FY2013 E-rate Demand $4.99 Billion

### By Amount Requested Per Student

<table>
<thead>
<tr>
<th>Amount Requested Per Student</th>
<th>Demand ($Bn)</th>
<th>By Amount Requested Per Student</th>
<th>Disc. Schools</th>
<th>Percentage of Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>NYC Board of Ed $601+</td>
<td>$0.61</td>
<td>$601 or more Per Student</td>
<td>81% - 90%</td>
<td>83%</td>
</tr>
<tr>
<td>83% Disc. School</td>
<td>$626/student</td>
<td>$601 or more</td>
<td>n = 737; Cap: 30%</td>
<td>$955K / entity</td>
</tr>
<tr>
<td>$605,746K / entity</td>
<td></td>
<td>81% - 90% Disc. Schools</td>
<td>n = 1; Cap: 25%</td>
<td>$605,746K / entity</td>
</tr>
<tr>
<td>$199 or Less Per Student</td>
<td>$0.70</td>
<td>$200 to $600 Per Student</td>
<td>81% - 90%</td>
<td>81%</td>
</tr>
<tr>
<td>80% or Lower Disc. Schools</td>
<td>$601/Student</td>
<td>$200 to $600</td>
<td>n = 844; Cap: 16%</td>
<td>$442K / entity</td>
</tr>
<tr>
<td>$448K / entity</td>
<td></td>
<td>81% - 90% Disc. Schools</td>
<td>n = 1,689; Cap: 32%</td>
<td>$442K / entity</td>
</tr>
<tr>
<td>Rural Remote Enroll &lt;100</td>
<td>$0.96</td>
<td>$199 or Less Per Student</td>
<td>81% - 90%</td>
<td>81%</td>
</tr>
<tr>
<td>80% or Lower Disc. Schools</td>
<td>$199/Student</td>
<td>$199 or Less</td>
<td>n = 2,656; Cap: 40%</td>
<td>$360K / entity</td>
</tr>
<tr>
<td>$118/student</td>
<td></td>
<td>81% - 90% Disc. Schools</td>
<td>n = 2,132; Cap: 43%</td>
<td>$118K / entity</td>
</tr>
<tr>
<td>$80K / entity</td>
<td></td>
<td>$199 or Less</td>
<td>n = 1,323; Cap: 45%</td>
<td>$80K / entity</td>
</tr>
<tr>
<td>Library</td>
<td>$0.11</td>
<td>$199 or Less Per Student</td>
<td>81% - 90%</td>
<td>81%</td>
</tr>
<tr>
<td>Enroll &lt;100</td>
<td>$0.16</td>
<td>$199 or Less</td>
<td>n = 4,023; Cap: 40%</td>
<td>$27K / entity</td>
</tr>
<tr>
<td>$27K / entity</td>
<td></td>
<td>81% - 90% Disc. Schools</td>
<td>n = 2,023; Cap: 40%</td>
<td>$27K / entity</td>
</tr>
</tbody>
</table>

| State Consortium             | $0.43        | $200 or more Per Student        | 81% - 90%    | 81%              |
| n = 38                       | $600/Student | $200 or more                     | n = 844; Cap: 16% | $442K / entity |
| $6,594K / entity             |              | 81% - 90% Disc. Schools         | n = 1,689; Cap: 32% | $442K / entity |
| Library                      | $0.06        | $200 or more Per Student        | 81% - 90%    | 81%              |
| n = 4,023                    | $26K /Student| $200 or more                     | n = 2,023; Cap: 40% | $27K / entity   |
| $27K / entity                |              | 81% - 90% Disc. Schools         | n = 2,023; Cap: 40% | $27K / entity   |

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Alternative Solutions

Most could work in conjunction with E-rate 2.0 proposed budget system
Eligible Services Changes

• Rationale
  › Set min and/or max levels of technology support
  › Stop funding out dated services (e.g. POTS)
  › Stop “gold plating” (e.g. excess Internet bandwidth)

• Weakness
  › Detailed definitions require on-going adjustment
  › New standards add complexity to application review
  › Opens door to gaming system. For example, if 100 MB connections were allowed, but Gigabit connections were not, an applicant might lease ten 100 MB lines.
Discount Matrix Changes

• Rationale
  › Reduce the demand by decreasing discount rates.
  › This will also encourage better bargain shopping.

• Weakness
  › Discount rates cut in half to meet current demand
  › Does not address insufficient E-rate funding or inadequate priority system
  › Offers no protection against mega funding requests
  › Hardest on poorest communities. For example,
    • 90% disc. => 80% disc.: applicant payment +200% (double)
    • 20% disc. => 10% disc.: applicant payment +12%
  › Majority of 90% schools are not “big spenders”
Purchasing Exchanges

• Rationale
  › Require schools to purchase goods and services via a cooperative buying exchange.
  › Volume discounts and centralized decision making will yield better pricing and choices.

• Weakness
  › Most already have access to state master contracts
  › Consortium applications currently allowed
  › Increasing demand driven primarily by additional services (i.e. higher bandwidth), not higher pricing
  › Technology needs vary dramatically among schools