

The Honorable Julius Genachowski
Chairman
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

November 14, 2011

CC DOCKET: 02-6
WC DOCKET: 10-90

PLEASE PROVIDE MORE "E-RATE" FUNDING FOR SCHOOLS AND LIBRARIES
For Our Children to Succeed, They MUST Be Well-Connected

Dear Mr. Chairman:

I am the chief executive officer of Funds For Learning, LLC (FFL), a regulatory consulting firm that specializes exclusively in the "E-rate" program for schools and libraries. Since 1997, we have been focusing our attention not only on E-rate compliance issues, but on important policy matters too, which is why we are always looking for realistic ways to help the Commission improve the program.

Because of how much the E-rate program has accomplished in 14 years and the type of work FFL does, I have had the opportunity and the great privilege to witness firsthand the technological metamorphosis of many of America's schools into engines of 21st century learning. The transformation, as you know, has been extraordinary – but as you also know, it's far from complete.

That is why I am writing to you today. I want to discuss a critically important piece of regulatory business, one that I believe strongly the Commission must address now. If it fails to do so, way too many American schools and libraries are going to be left behind in the digital dust, no matter what else the Commission does. That business is simply this: more E-rate funding.

▪ **The National Broadband Plan Requires More E-rate Funding to Succeed**

The Commission's goal is for every American to have broadband access by the end of the decade. To accomplish that bold goal, the Commission has adopted a National Broadband Plan. But the National Broadband Plan will never succeed unless the E-rate program succeeds too. In terms of what the E-rate program supports today and the kinds of things that you envision it supporting in the future, such as a Digital Literacy Corps, it's obvious that the success of the two programs are inextricably intertwined. And, as any E-rate stakeholder will tell you, the E-rate program is never going to succeed completely – never going to bring affordable, reliable, high-speed connectivity to every school and library in every corner of the country -- unless and until it receives more funding from the Commission.

- **The Timing for an Increase in E-rate funding Could Not be More Perfect**

Rest assured, I am not proposing that the increase come from the pockets of service providers or consumers. The good news is that the Universal Service Fund, which you have described as being designed “for the Alexander Graham Bell era of rotary telephones,” is now history. In its place stands the Connect America Fund, which is exactly what the country needs right now. As you explained upon its adoption, the Commission shaped the Connect America Fund “for the era of Steve Jobs and the Internet future he imagined.”

The Connect America Fund will make \$4.5 billion available annually to accelerate broadband build-out to unserved homes, businesses and anchor institutions across the country. Now is the time to assess, carefully and very realistically, just how much of that \$4.5 billion per year in funding the Commission needs to allocate to the E-rate program to give it a fighting chance to succeed, to accomplish what Congress and the Commission envisioned for it originally, plus whatever else the Commission has in mind for it in the months and years to come. This is the time to give the E-rate program what it needs to get the job done. Continuing to shortchange the E-rate program means shortchanging the National Broadband Plan, which, quite frankly, and I know you will agree, means shortchanging America.

Obviously, this is a critical issue and a critical time, and thus the sooner the Commission starts receiving public input on it the better. To get the ball rolling, I have prepared and attached a brief overview in the form of an Open Letter that I hope you will find useful. I also hope that the entire E-rate community will have an opportunity soon to file comments on a formal proposal by the Commission to substantially increase its annual allocation of funding to the E-rate program or, better yet, to see the Commission take fast, unilateral action in that regard.

In the meantime, I would be pleased to discuss this matter with you personally, if you think that would be helpful, or to try to answer in writing any questions that you might have. In addition, since FFL possesses a wealth of E-rate data and the data mining and reporting capability necessary to make that data useful, I will gladly make those resources available to the Commission, if staff members want them to help analyze this important issue.

Sincerely,

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**An Open Letter
To
FCC Chairman Genachowski**

**PLEASE PROVIDE MORE “E-RATE” FUNDING FOR SCHOOLS AND LIBRARIES
For Our Children to Succeed, They MUST Be Well-Connected**

“The changes being ushered in by high-speed Internet are at least as promising as those brought about by electricity.”

“No area has greater potential to transform the lives of our children than education, and no technological innovation in our lifetime has greater potential to transform education than broadband Internet.”

“It’s not just a theory. It’s a fact. Broadband has gone from being a luxury to a necessity for full participation in our economy and society.”

“Now is not the time to think small or look backward. We need to think big and build the future like we’ve always done.”

The quotes above are yours, Chairman Genachowski, and I agree wholeheartedly with all of them. Likewise, I agree with you that, today, all of America’s schools and libraries – urban or rural, rich or poor, and every one of them in-between -- must have broadband connections to the Internet. That of course is one of the reasons why you championed the creation and adoption of a National Broadband Plan.

▪ **The National Broadband Plan Requires More E-rate Funding to Succeed**

One of the National Broadband Plan’s central features, the Connect America Fund, will bring new twists to an old, out-of-date telephone-centric program. The new fund will focus on broadband – on universal access to it and on promoting its adoption as an everyday tool. It is designed to bring high speed Internet connectivity to every corner of America. We need this plan to work, Chairman Genachowski, because our children’s future depends on it. But like a car that needs a full tank of gas to get you where you need to go, the National Broadband Plan is never going to get our country where it needs to go unless it too has a full tank of gas. The Commission’s E-rate discount program for schools and libraries is the fuel the National Broadband Plan needs to succeed. Please, Chairman Genachowski, make sure its tank is full.

I am excited about the National Broadband Plan’s prospects for success and strongly support it. And since its success is going to be so closely and inextricably tied to how well the E-rate program performs, I was especially pleased to learn that you are

not only one of that program's strongest supporters, but that you also plan to expand its impact by giving it a central role to play in the advancement of digital literacy.

For schools and libraries, especially those in our nation's poorer communities, the E-rate program is the financial backbone that enables them to keep their sophisticated and expensive telecommunications networks up and running. This incredible program, now 14 years old, is what makes connecting students and library patrons to the Internet at very high speeds affordable. As you know, it does so by subsidizing, in the form of substantial discounts, the extremely high costs associated with broadband connectivity.

How much more funding and regulatory support the Commission decides to allocate to the E-rate program is going to determine whether any schools or libraries get left behind and, ultimately, what the National Broadband Plan's record book looks like when its cover finally closes. That is why this issue is so terribly important and the specific reason why I am writing to you today. I believe strongly that the National Broadband Plan cannot succeed if the E-rate program remains funded at its current level. But before I get into that in any detail, a little bit of background would be helpful.

▪ **In the Information Age, Opportunities Should be Everywhere**

The ability of children to grow and flourish, unlike trees, should not have to depend on where they happen to be "planted." No matter where in this country children live, they ought to have the same opportunity to jump safely online at their local school or library and, from there, to access the information they will need to enable them to become well-informed, well-educated students, to become good global citizens, and to increase their chances for economic and every other form of success imaginable. Unfortunately, that is not the case – at least not yet, as you have underscored repeatedly.

▪ **America's Connectivity Conundrum Continues**

Wide swaths of our country remain either unconnected or under-connected to the Internet, which means that large numbers of children are not receiving equal opportunities to succeed. Making matters even worse, once thriving schools and libraries in many other parts of the country have watched their federal and state funding for educational technology simply turn to dust during these difficult economic times. Enhancing Education Through Technology for example, the federal program designed to improve student achievement through the use of technology and to promote digital literacy, has dried up completely. In only three short years from FY2009 to FY2011, it descended from \$636.5 million in total appropriations to

\$93 million to zero. Today, only one federal program dedicated exclusively to educational technology and telecommunication remains standing: E-rate.

▪ **Ambitious But Attainable Goals ... But Only With More Funding**

For many schools and libraries, the digital landscape is looking mighty bleak. I know they must feel like a dark, dense fog is socking them in. Nevertheless, good reasons for optimism abound. For example, you observed recently that it is time to shake up the E-rate program, to make it better and more effective. You said that the program, designed originally in and for a dial-up world, should be rebooted to meet the broadband needs of the 21st century, and that it is important to the country and to you to see that happen. What's more, you pointed out that the modernization process has already begun – for example, (1) now there are more choices for broadband connectivity; (2) a mobile wireless education pilot project is well underway, and (3) after-hours community access to schools' E-rate supported, high-speed networks is now being encouraged.

And that's just the beginning. Additionally, you have made a strong commitment to extending broadband infrastructure everywhere and to promoting broadband adoption by emphasizing digital literacy. Digital literacy, you have explained, will open up the digital world to more Americans. It will deliver to them, among so many other vitally important things, the ability “to search for jobs online, prepare and upload a resume, and have the basic skills to participate in today's economy.”

Indeed you have already announced plans “*to launch a proceeding to explore how the E-Rate program can promote job creation by expanding access to digital literacy training to more public libraries and schools across the country.*” What you are proposing would enable thousands more libraries to host in-person, basic digital literacy training programs and expand digital literacy training to the Commission's “School Spots” program, which allows schools to keep their computer labs open after hours for students and their families. Together, you have said, these new library and school literacy courses and instructors would form a new “Digital Literacy Corps.”

Those are lofty and ambitious new goals that you have outlined for the E-rate program to support, and I share your enthusiasm for all of them. I appreciate your dedication and all of your hard work, and you can count on me to support you in your efforts to see those changes to the program through to fruition -- but only if there is sufficient funding for them AND the program's original mission, which is to support every school and library's needs for advanced telecommunications services, including local area network infrastructure.

▪ **The Problem**

As it stands today, the problem with the Broadband Plan is money -- E-rate money. There is simply not enough of it to go around, even with no new initiatives to siphon away more of it. We fear, therefore, that unless you address this problem quickly, the broadband “car” is never going to get too far down the street; it might not even make it out of the garage.

As it is, the E-rate program is bursting at the seams, barely able to support half of what schools and libraries are requesting to support their existing connectivity needs. This year, for example, the demand for E-rate funding was roughly \$4.65 billion, more than twice the amount available. New programs and new initiatives will only increase the pressure on the program, and eventually it will break -- unless the Commission allocates significantly more funding to it to relieve that pressure. As the following statistics illustrate all too clearly, the E-rate program is a victim of its own success:

Since 1998, when the program began:

- Demand for E-rate discounts has increased by 108%.
From \$2.36 billion in 1998 to \$ 4.65 billion in 2011.
- The number of applicants applying annually has increased by 28%.
From 19,222 in 1998 to 25,598 in 2011, with school districts representing most of that growth, roughly 8,500 in 1998 to 13,000 in 2011.
- The average E-rate funding request for telecommunications services and Internet access has increased by 161%.
From \$33,617 per applicant in 1998 to \$87,899 per applicant in 2011.

You have indicated that you expect the E-rate program to “*help deliver on the Broadband Plan’s goal of super high-speed anchor institutions in every community,*” but even after increasing this year’s E-rate funding level to an inflation-adjusted \$2,290,682,250, the \$4.65 billion in demand makes it is obvious just how unrealistic that expectation actually is.

The reality is that far too many schools and libraries in this country do not have the sophisticated infrastructure necessary to support that kind of “super high-speed” connectivity for their communities. Moreover, there is not (and will not be) enough E-rate money available to help all of them buy it or, if they have it, to keep it up and running reliably. Furthermore, if demand for E-rate discounts continues to grow at its current pace as expected, pretty soon, because of the way the program’s rules work, the situation is going to become dire. More and more schools and libraries,

even those located in very poor neighborhoods, are going to find themselves shut out of the funding they had been counting on to operate and maintain their broadband networks. After that, as demand continues to grow, some schools and libraries are likely going to be surprised to find themselves walking away completely empty handed for the very first time or with only a fraction of what they had expected to receive. Over time, that will become more and more the norm.

This is not the place for a detailed discussion of E-rate program rules, which can become very complex very quickly. Still, it is very important at least to point out that, because of those rules, the disconnect between your plan to find new uses for E-rate funds and the reality of the situation is even more notable when it comes to libraries. Therefore, counting on any given library to be its community's high-speed anchor institution in a digital literacy program is a risky proposition, unless and until the E-rate program receives significantly more funding.

As you know, every school in a school district receives its own discount rate based on the household income of its student population. E-rate discount rates assigned to libraries, on the other hand, are based on the discount rates assigned to the respective school districts in which those libraries are located. When E-rate funding runs out, as it has in every year but two since the program began, only schools and libraries with the highest discount rates receive funding for their network infrastructure and maintenance. Thus, high-discount schools in a school district might receive discounts, even though the lower-discount ones in that same district do not. For libraries though, it's an all or nothing affair. And since most libraries do not have high enough discount rates in most years to qualify for this kind of funding before it disappears, most of them routinely get shut out.

At the E-rate program's current funding levels, therefore, no one can realistically expect all or even most of the libraries across the country to have and maintain the kinds of networks that they will need to provide the community support for digital literacy that the Broadband Plan envisions. There will not be any money left over for a Digital Literacy Corps. That much is certain.

▪ **The Solution is Simple**

Unlike most solutions to complex problems, the solution to this one is simple:

- Allocate more of the money from the Connect America Fund to the E-rate program, enough to connect at broadband speeds all of America's schools and libraries – urban and rural, rich and poor, and every one of them in-between – to the Internet.

- Make sure that there is enough funding to enable schools and libraries to update and maintain those networks, so that all of the students, teachers, administrators, librarians, and members of the community who use those networks can rely on them.
- And last but not least, ensure that sufficient funding is available to support the National Broadband Plan's digital literacy initiative, along with any other part of that plan that requires E-rate funding to operate and succeed.

As you have said, "*Now is not the time to think small or look backward. We need to think big and build the future like we've always done.*" I hope that we can continue to count on you to do just that.

Mr. Chairman, I began with your words because they are both true and compelling. I am going to close with them too -- and for exactly the same reason. The following quote of yours articulates ever so clearly what all of us want, or certainly ought to want, for our children, our nation, and our future, and I could not possibly have said it better myself:

Indeed, I think it's mandatory in the digital age – in our global digital economy – that we seize the opportunities of technology for our children; that we ensure universal access and digital literacy for all our kids; that we ensure that all our children, no matter the town or the school district they're from, have the tools they need to be full participants in our digital economy and 21st century democracy.

Yours truly,

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