

# USF for Schools and Libraries FY 2013 and Beyond

Predictability  
Flexibility  
Affordability  
Accountability

# Internet Access in Education is a Vital National Interest

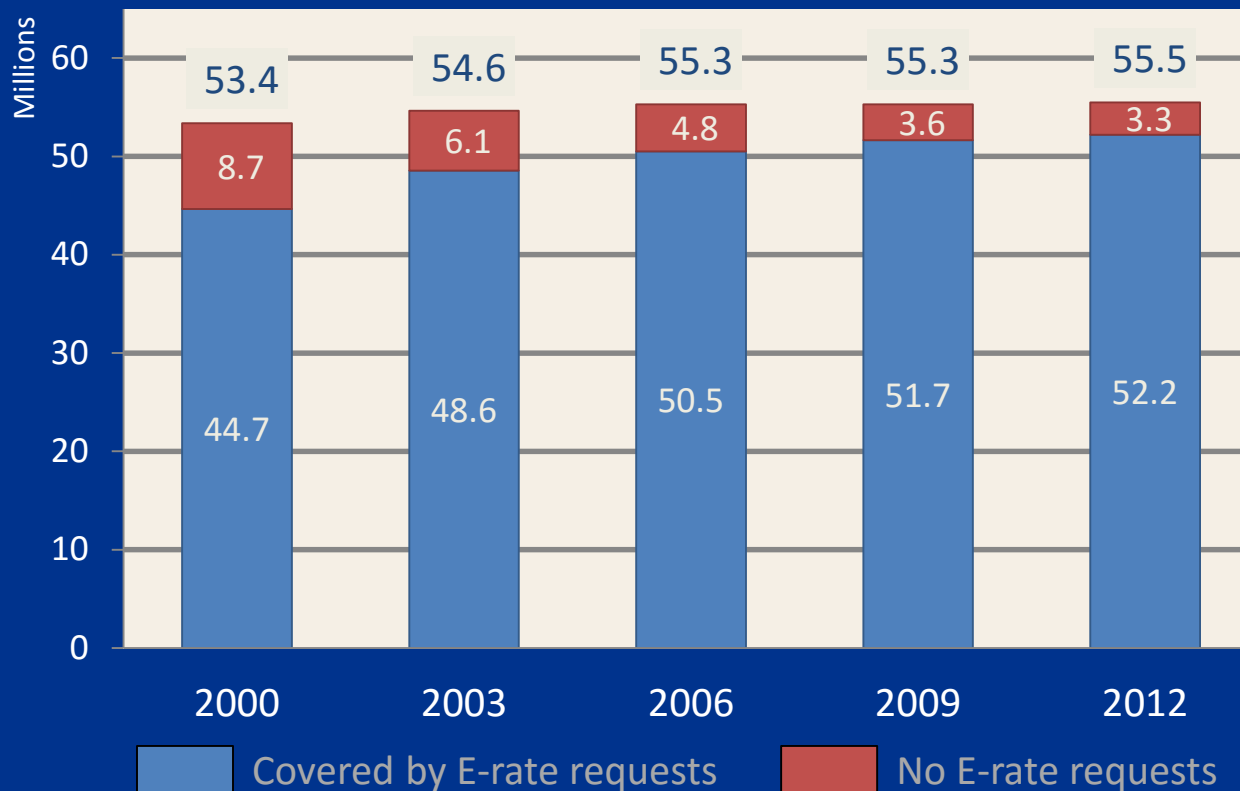


- America's future charted by today's students
- Internet connectivity: Game changer
  - › Connecting students to learning resources
  - › Breaking the "7<sup>th</sup> grade math" textbook model
  - › Supporting teachers and parents
  - › Providing feedback, accountability, cost-savings
- School Internet primarily supported by E-rate
- Internet access more significant now than '97

# E-rate impacts 95% of students



K-12 Public and Private Enrollment (Source: NCES<sup>1</sup>)



- 55.5M K12 students
  - › Public
  - › Private
- 95% directly impacted by E-rate applications
- Every corner of country touched by E-rate dollars

<sup>1</sup> [http://nces.ed.gov/programs/digest/d10/tables/dt10\\_002.asp?referrer=list](http://nces.ed.gov/programs/digest/d10/tables/dt10_002.asp?referrer=list); National 2012 enrollment projected using 2007-2010 enrollment

# 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%)

Full results: <http://www.fundsforlearning.com/docs/2012/10/FY2012%20FFL%20E-rate%20Survey%202012-10-08.pdf>

# E-rate: Strategic Changes



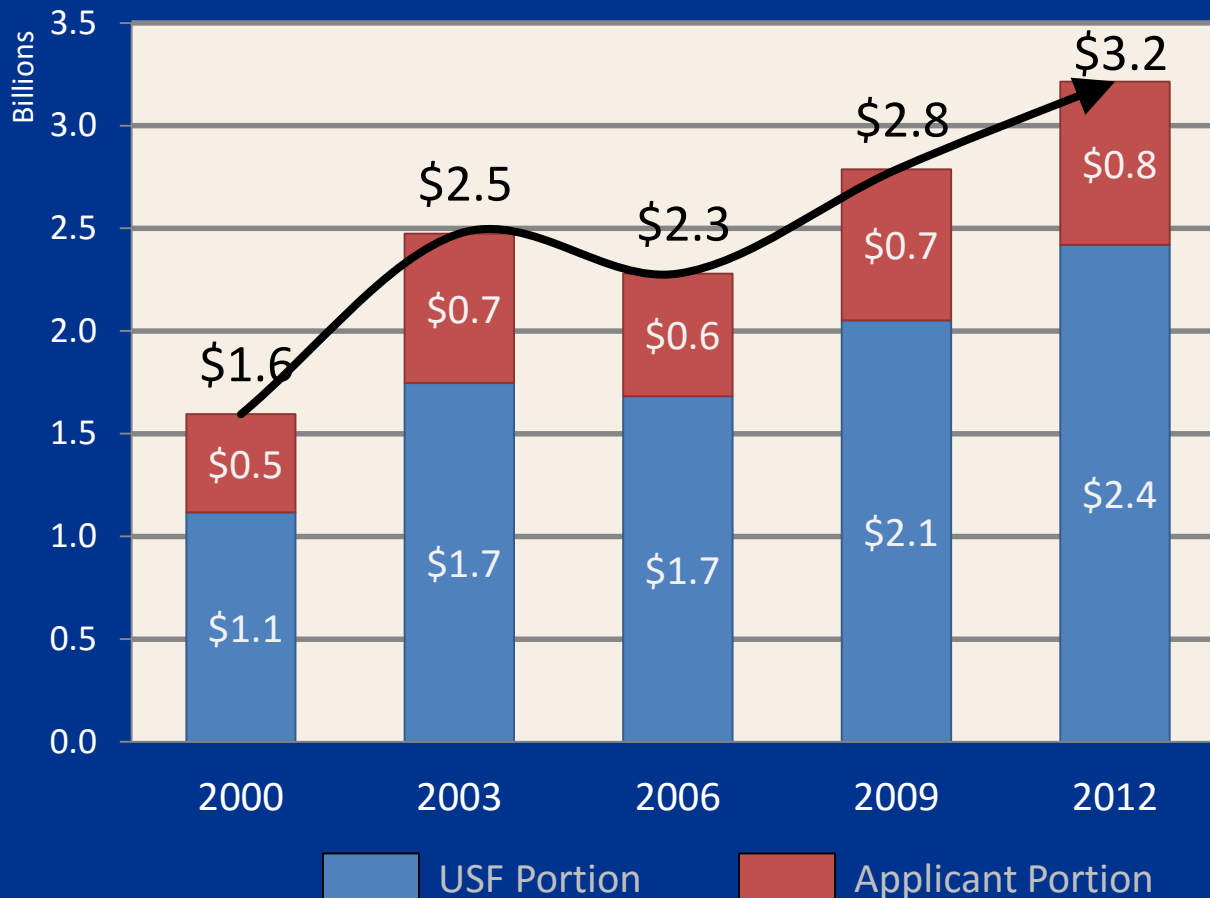
- E-rate funding impacts almost every student
- Student Internet access (or lack thereof) plays crucial role in our country's future
- Funding for the E-rate program can be increased without an act of Congress
- New program rules can be adopted to insure the E-rate fund continues to fulfill its mission

# E-rate Funding Needs Update



- FCC directed to establish discounts to ensure affordable access for ALL schools and libraries
  - › FCC directive at-risk due to insufficient funds
  - › Funding uncertainty creates cascading issues
- 1997 Paradigm Does not Fit 2013 Reality
  - › Different world today. Technology has changed.
  - › Weak school budgets (the new normal)
  - › Certain applicants take disproportionate funding
  - › E-rate rules encourage schools to purchase recurring P1 services over more cost-effective P2 solutions

# Demand has Doubled since 2000 for Internet and Telecommunications



- E-rate applicants report \$3.2B Internet and telecomm (FY2012)
  - › \$2.4B USF
  - › \$0.8B Applicant
- 5% growth / year

# Driving the Demand for Internet



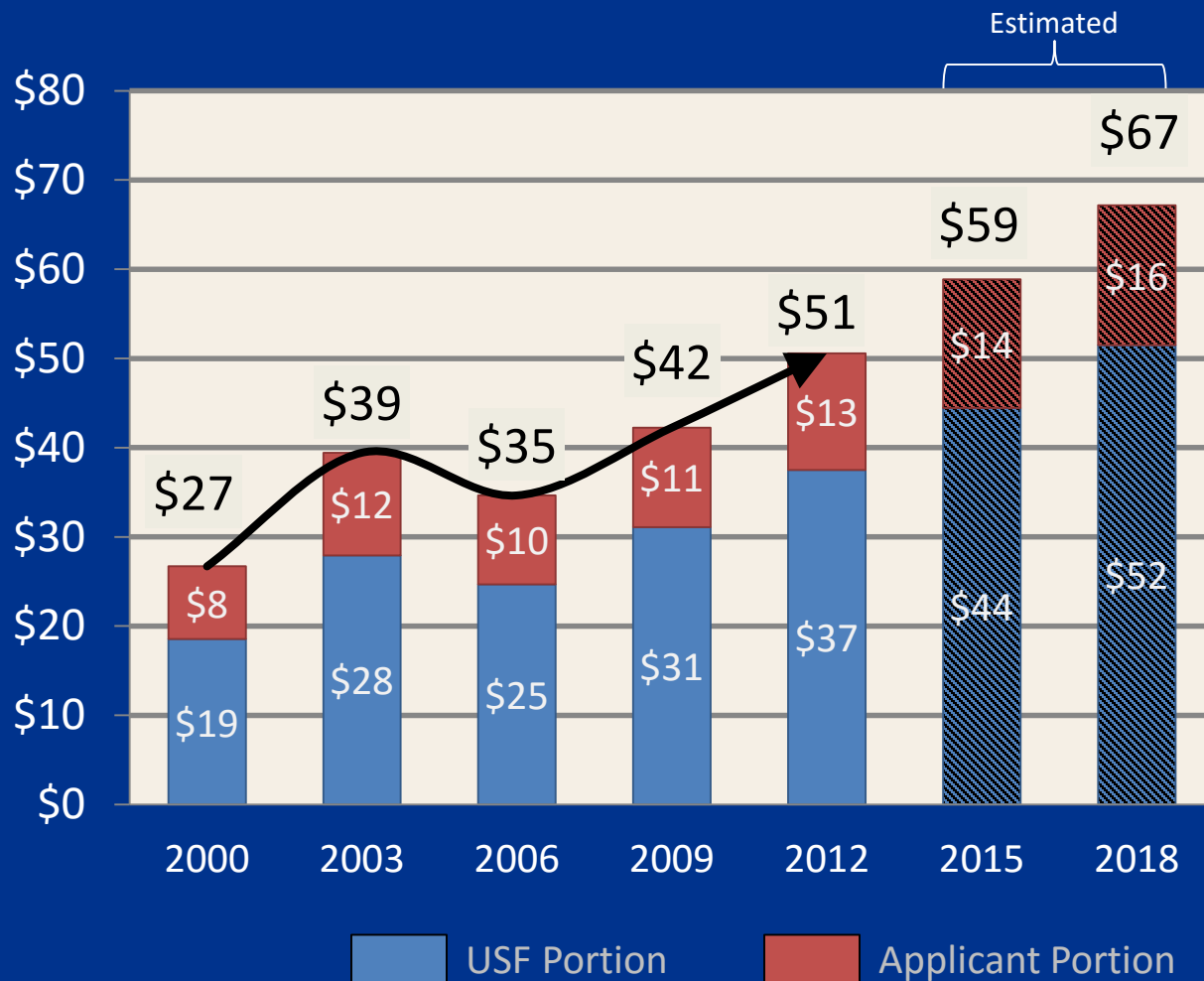
- Increasing availability, expectation & use of:
  - › High-quality educational content
  - › Instructional and administrative tools
- Growing # of devices & new learning pathways
  - › Digital textbooks, BYOT / BYOD
  - › Web-based courses and distance learning
- On-line testing and assessment



# Internet-Telco Demand Per Student

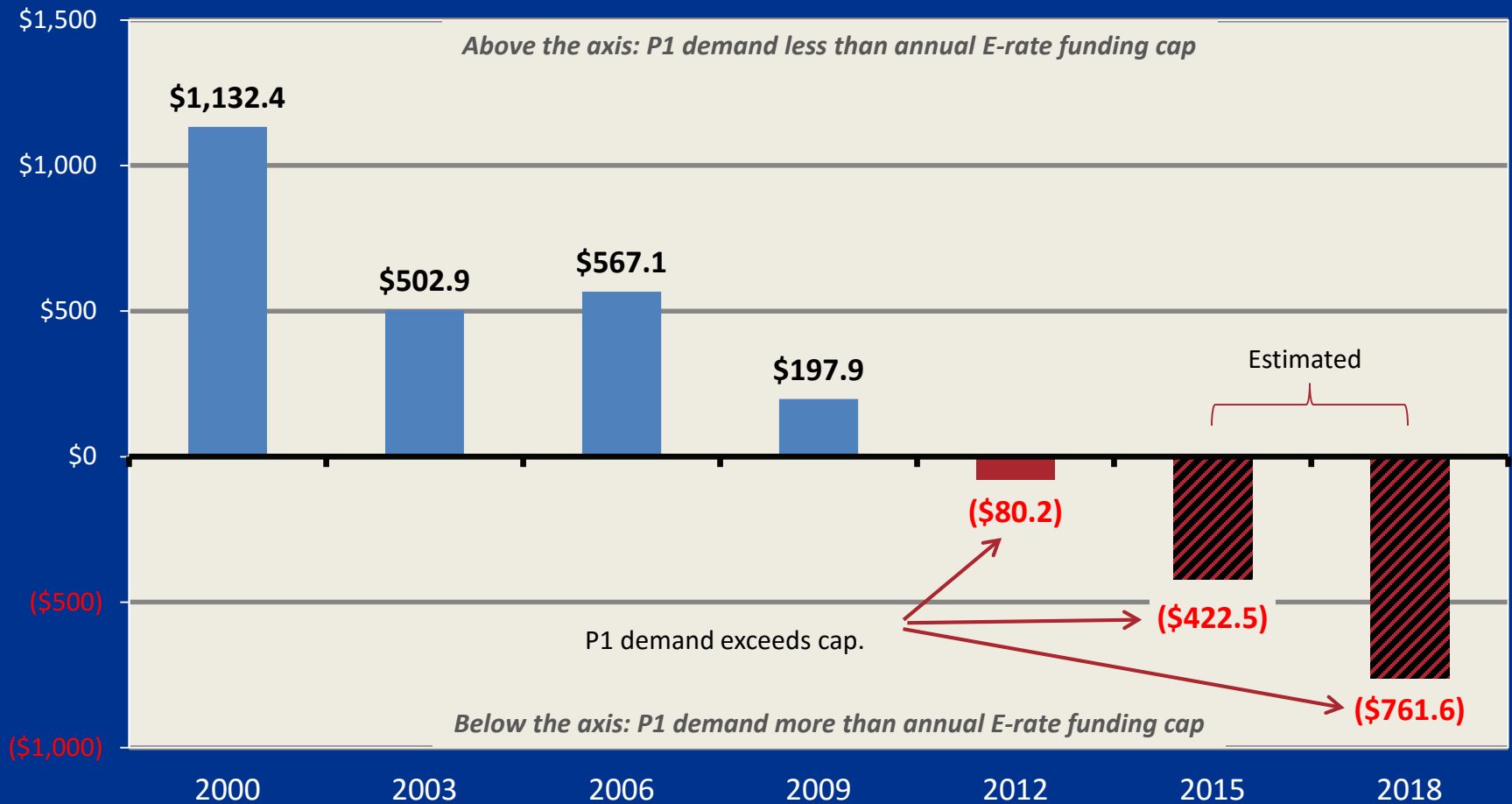


FY2000-FY2012 actual; FY2015-FY2018 est.



- FY2012 Avg \$51 per student:
  - › E-rate request \$37 per student
  - › Avg P1 E-rate disc 74.2% (for schools)
- From 2006-2009, P1 spending per student rises \$2.65/student per year

# Gap: P1 Requests vs. E-rate Cap in \$ millions



# USF provides \$43 per Student<sup>1</sup> *with rollover \$63 per student*



## FY2012

- 52.5 million students listed
- \$2.339 billion indexed cap
  - › \$43 per student
- \$3.389 billion with rollover
  - › \$63 per student

<sup>1</sup> Available dollars calculated after subtracting library demand from cap. Average annual library demand: \$98.3 million.

# Solution Framework

- Insure equitable access to all applicants
- Reinstate proportional funding levels
- Allow applicants to plan more effectively
- Minimize USAC admin time and expense
- Increase predictability and reduce uncertainty
- Build in limiters to waste, fraud, abuse
- Reset cap based on 15-years data

# Proposal

- FCC calculate funding for schools & libraries
  - › Schools: annual per student caps
  - › Libraries: annual per patron or per bldg caps
  - › Minimum cap amount set for small schools
- Amount set each year to reflect available \$
- School cap based on discount rate of applicant

# Proposal Updates E-rate



- Maintains successful aspects of current E-rate
- Offers systemic improvements
  - › Minimizes delays while increasing predictability
  - › Encourages technology planning and prioritizing
  - › Accommodates flux in rollover, cap, disc. matrix
- Allows applicants to set their own priorities
- Provides all applicants access to some support
- Eliminates current cap system (disc. threshold)

# Creates Additional Safe Guards



- Reduces excessive and/or frivolous \$ requests
- Protects against “mega” requests
- Limits waste/fraud/abuse potential per entity
- Applicants required to submit application at or below cap amount

# Advantages of Proposal

- Eliminates need to reexamine discount matrix
- Per student limits work with today's system
- Minimal changes for applicants/vendors/USAC
  - › No change to discount calculation methods
  - › Application review process handled the same
  - › No changes to eligible services
- Resets base line for funding cap to level that better matches needs of applicants



# More Advantages of Proposal



- Encourages cost-effective decision making
- Eliminates “one-size-fits-all” funding priorities
- Puts limit on Waste, Fraud and Abuse per BEN
- Reduces or removes incentives to
  - › Replace equipment before end of life
  - › Gold plate networks
  - › Game the P1/P2 system
- Enables high speed connectivity for rural anchors
- More easily accommodates changing USF cap