

# **DON'T UNPLUG US: SAVE UNIVERSAL SERVICE**

EdLiNC Congressional Briefing  
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# Where did the Universal Service Fund Come from?

## STATUTORY AUTHORITY

- **Communications Act of 1934:** universal service concept established
  - only POTS
  - only residential
- **Telecommunications Act of 1996: USF extended**
  - Bipartisan group of Senators
  - Discounts on “advanced services”
  - Includes schools and libraries

# What is the USF designed to do?

“The goals of Universal Service are to promote the availability of quality services at just, reasonable, and affordable rates; increase access to advanced telecommunications services throughout the Nation; advance the availability of such services to all consumers, including those in low income, rural, insular, and high cost areas at rates that are reasonably comparable to those charged in urban areas. In addition...all providers of telecommunications services [must] contribute to Federal universal service...to preserve and advance universal service; all schools, classrooms, health care providers, and libraries should, generally, have access to advanced telecommunications services...”

Federal Communications Commission website

# What are the components of the Universal Service Fund?

- Schools and Libraries (E-Rate)
- High Cost (basic telephone service)
- Low-Income (basic telephone service)
- Rural Health Care (telemedicine)

# Where Did The E-Rate Come From?

## RULES AND REGULATIONS

- FCC/State Public Utility Commissioners create general structure; FCC drafts rules
- Discounts to public/private schools and public libraries on telecommunications, Internet access and internal connections
- Discounts: between 20% and 90%, based on school lunch
- \$2.25 billion per year cap
- Priority I (telecom/Internet) paid first; remainder for Priority II (internal connections).
- Internal connections prioritized based on need
- Paid for by USF – assessment on interstate and international revenues of common carriers

# Who Administers the E-Rate Program?

## ADMINISTRATION

- Universal Service Administrative Company (USAC)
  - Schools and Libraries Division
  - Board: carriers + school/library reps
  - Responsible for:
    - Processing more than 30,000 applications annually
    - Disbursing funds to carriers
    - Appeals
    - Audits

# What Has The E-Rate Accomplished?

## THE PERCENTAGES

- Raised Internet access rates in classrooms of public and private schools and public libraries
- Equalized classroom Internet access rates
  - In Majority Minority Districts
  - In Low Income Districts
- Helped Rural Schools' and Libraries' access rates to dramatically increase
- Raised the levels of minimal Internet access for public libraries to over 98%

## E-Rate and High-Cost Funding:

Funds disbursed since 1998:

As of March 2005: \$14.7 billion disbursed in E-Rate Funds

See the “Frequently Asked Questions” Document for a 50-state chart of funding amounts

As of February 2005: \$18.03 billion disbursed in High Cost funds

See the “Cumulative USF Support by State” Document for a 50-state chart of funding amounts

# What Has The E-Rate Accomplished?

## THE DERIVATIVE BENEFITS

- Compliance with NCLB
  - Improving Student Achievement
  - Enhancing Teacher Quality
  - Catalyzing Parental Involvement
- Economic Empowerment in Rural Areas
- Learning Opportunities for Students with Disabilities
- Community-wide Internet access through public libraries
  - Access to government information and services
  - Access to employment information/job training

See EdLiNC's "Vision of Opportunity and Innovation" report for nation-wide examples

## Why is there a crisis for E-Rate beneficiaries?

In February 2004, the FCC implemented new accounting rules which prevented USAC from issuing Funding Decision Commitment Letters to inform applicants of whether they would receive (sometime in the future) their requested reimbursement amounts.

The OMB considers these commitment letters “obligations” of “federal funds.”

The Anti-Deficiency Act prohibits federal agencies from obligating funds unless there are sufficient funds in the account to cover the obligation

## Why is there a crisis (cont'd)?

- As a result, from August to November USAC suspended issuance of all commitment letters
- The filing window for the following year opened with applicants not knowing whether they would receive funding for the previous year
- Massive instability and unpredictability
  - school and library budgeting
  - continuity of services

# What's Wrong With Applying ADA to the E-Rate program?

- First, we don't believe E-Rate funds are federal funds and therefore shouldn't be subjected to the Anti-Deficiency Act
- USF funds are collected quarterly by USAC—a non-profit entity--from telecom companies
- The funds are certain to be there
- Actual checks aren't cut until the services have been received--many months after commitment letters are sent.
- IF E-Rate funds are “federal funds,” imposing the ADA will cause consumers' telephone bills to increase dramatically because the collection rate will sky-rocket in order “fill” the account and keep a steady flow of commitment letters and funds flowing to schools and libraries

# What Should Congress Do?

Pass S. 241/H.R. 2533!!!

- Previous support (1-year exemption last year)
- Current bipartisan support
  - 41 Senate cosponsors
  - 48 House cosponsors (House bill introduced late June 2005)

(Senate bill: Snowe/Rockefeller)

(House bill: Cubin/Gonzalez)