

AGENDA

FORUM ON IMPROVING THE ADMINISTRATION OF THE
SCHOOLS AND LIBRARIES UNIVERSAL SUPPORT MECHANISM
(E-rate)

May 8, 2003
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Federal Communications Commission
Washington, D.C.

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Office of the Secretary

Opening Remarks, Chairman Michael K. Powell

Welcome Comments, Commissioner Kathleen Q. Abernathy

Opening Remarks by Other Commissioners

Opening Statement, Universal Service Administrative Company

Opening Statement, Wireline Competition Bureau

Panel Presentations

Panel 1 – Preventing Program Waste, Fraud and Abuse

- ❖ Geoff Craven, Central Susquehanna Intermediate Unit 16
- ❖ Margaret Greene, BellSouth
- ❖ Orin Heend, Funds for Learning
- ❖ Charlie Parker, State Library of Florida
- ❖ Greg Weisiger, Virginia Department of Education

Panel 2 – Addressing Competitive Bidding Process

- ❖ John Mitchell, Seattle Public Schools
- ❖ Toni Pickle, Pioneer Telephone Cooperative
- ❖ Gary Rawson, Mississippi Department of Information Technology Services
- ❖ Barbara Stoll, Sprint
- ❖ Tony Wening, Missouri Research and Education Network (MOREnet)
- ❖ Dr. Alan Whitworth, Jefferson County (Louisville, KY) Public Schools

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Comments of the American Library Association
before the
Federal Communications Commission

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**Public Forum on Improving Administration of the E-rate
 Program**
May 8th, 2003

The American Library Association appreciates the opportunity to participate in the Commission's "Public Forum on Improving the Administration of the E-rate Program" and respectfully submits its written comments. We applaud the Commission's April 23 Rule Making Clarifying E-rate Rules and Further Notice of Proposed Rule Making on additional issues and will also actively participate in that process.

The American Library Association, founded in 1876, is the oldest and largest library association in the world. With membership of more than 64,000 librarians, library trustees, library educators, friends of libraries and other interested persons from every state, ALA is the chief advocate for the people of the United States in their search for the highest quality of library and information services. The ALA's E-rate Task Force was established in 1999 to work directly with the Schools and Libraries Division of the Universal Service Administrative Company to advocate fair and efficient program administration. The ongoing work of the Task Force and its communication with the SLD have greatly benefited the program.

ALA remains fully committed to the goals of the E-rate program: the purpose of the E-rate discounts is to make telecommunications services affordable and accessible to the poorest communities through the libraries and schools that serve them while at the same time promoting other goals of the Telecommunications Act, especially competition.

ALA Recognizes the Program's Success in Achieving the Goals of 1996 Act. - The E-rate program has played a tremendous role in encouraging local libraries to provide the public with access to the Internet, technology and training. Today, almost all public library outlets (98.7%) have an Internet connection, 97.8% of those serving rural communities, and those serving communities with more than 40% poverty are 100% connected.¹

To use one state, Florida, as an example, the E-rate contributed greatly to the provision of real services to people. Preliminary reports indicate that last year Florida public libraries provided the public with access to over 6,500 pc's with Internet access; that the public used that service over 14 million times and libraries provided technology training to over 1 million Floridians.

¹ Bertot, John Carlo, and McClure, Charles R., (2002) Public Libraries and the Internet 2002: Internet Connectivity and Networked Services. p.4. Tallahassee, FL: Information Use Management and Policy Institute, Florida State University. Available at: <http://www.ii.fsu.edu>.

Before the E-rate, public Internet access was largely limited to larger communities and was often dial-up. After the first year of the program almost every library in Florida had networked connections. Florida's experience is typical of other states.

A healthy E-rate program is necessary so that libraries can continue to pay for costly telecommunications services and develop new services to meet the evolving needs of the communities we serve.

ALA Recognizes the Steps Taken By the SLD, USAC, and FCC to Insure Proper Program Administration and Prevent Waste, Fraud, and Abuse. - It is clear from the record of program improvements since the first days of the program that the SLD, USAC, and FCC have closely monitored the program's integrity for indications of waste, fraud, and abuse, gaming the system, and gold plating and have made appropriate improvements. As the ALA prepared these comments, it looked for a public record of reports of inappropriate behavior and found very few reports of instances where discounts were inappropriately awarded. It appears that most funding denials are the result of applicants' honest errors, and most reports of inappropriate activity involve inappropriate requests, not awards. This finding is also supported by our own anecdotal information.

Much of the discussion about program abuses appears to involve a few apocryphal and often repeated stories. One example is that of a school with a 90% discount that leased a server for one year at \$20,000 that could have been purchased for the same amount and additionally paid an \$80,000 maintenance agreement. It is ALA's understanding that there indeed was such a situation but that the SLD appropriately turned down the application within current program rules.

ALA is not claiming that abuses do not occur, but we emphasize that those responsible for administration have monitored the program and have taken steps to ensure integrity throughout its history. We also make the point that the lack of available *documented information* about abuses makes it difficult to see the problems clearly and to make well-informed recommendations for program improvement.

ALA developed these comments with three primary goals in mind: 1) maintain or improve equity; 2) protect program integrity; 3) ease the applicant burden. Therefore, it is from this perspective that we are able to suggest and support the following recommendations for changes to the E-rate program. Careful consideration should be given as to whether numerous changes should be made at one time and, as always, we implore the Commissioners to make changes in a timely manner to allow applicants and vendors to be appropriately prepared.

1. Simplify the Application Process to Encourage Increased Participation and Make the Program Easier to Administer. – The current application review process requires significant administrative personnel resources that could be better used to speed up processing of complex applications and focus on preventing waste, fraud and abuse. Simplifying the requirements for simple applications, those requesting only telecommunications and Internet – especially applications for only POTS, would also remove a disincentive for applicants serving small communities to bring the benefits of the program and the Internet to their residents. Applicants should not have to fax every phone bill they receive to the administrator to substantiate discount requests.

Currently about 50% of public libraries are estimated to participate in the e-rate program² and the ALA believes participation would increase considerably if the program were simpler. State coordinators tell numerous stories about libraries that would apply for e-rate discounts except that staff is too intimidated by the program's complexity.

ALA proposes that the application and Item 21 review processes be dramatically simplified for applications that continue existing telecommunications and Internet services. Among the ways this could be accomplished are providing a multiyear, or evergreen 471 form application, or treating local and long distance voice services like the Lifeline program with no application.

2. Impose Reasonable Limits on Annual Requests for Priority 2 Services and Transfer of Equipment. - ALA believes that an overly complex eligible services framework, particularly for Priority 2 services, provides incentives to applicants and providers to game the system and provides a climate where, in a few cases, unscrupulous service providers prey on unsophisticated applicants, particularly small inexperienced applicants that lack appropriate procurement processes.

The ALA recommends that the FCC limit the number of times Priority 2 discounts are available for each applicant during a given time period, for instance, allowing applicants to apply for Priority 2 discounts only twice in any 5 year period. This change would allow time for multi-year projects while preventing applicants from applying for Priority 2 discounts for essentially the same "one-time" cost year after year without regard to the appropriate lifespan of products purchased. Under these restrictions provision would need to be made for continuity of appropriate maintenance for equipment.

Another approach to this issue would be to prohibit the transfer of any equipment purchased with an E-rate discount, such as eligible routers, switches or servers, for a minimum of three years. Under such a transfer restriction ALA recommends that there be penalties for violations. Record keeping requirements should be as clear and simple as possible to minimize administrative demands on applicants.

ALA supports pursuing issues that arose in Commission discussion on April 23 such as establishing baselines for services and reasonable life spans for equipment and looks forward to contributing to those discussions. ALA believes that the integrity and reputation of the program and the tens of thousands of honest vendors and applicants demands that a high standard for appropriate use of discount funds be upheld. We therefore recommend that the Commission implement such changes well before the beginning of the next program cycle, providing due notice of the changes.

3. Take the Steps and Allocate the Resources Necessary to Complete the Application Review Process In a Timely Manner. A significant number of applicants, particularly statewide networks and other large organizations, do not have their applications reviewed until well into the program year. This delay in making funding commitments is causing cash flow problems for applicants and does

² McClure, Charles R.; Ryan, Joe, and Bertot, John Carlo, (2002) Public Library Internet Services and the Digital Divide: The Role and Impacts from Selected External Funding Sources, p.4. Tallahassee, FL: Information Use Management and Policy Institute, Florida State University. Available at: <http://www.ii.fsu.edu>.

not foster good relationships with vendors. The ALA understands that instances of this in the current year are largely attributable to the SLD's efforts to handle applications with problems of waste, fraud, and abuse. The ALA recommends that steps be taken to insure timely application review in the ongoing 2003 process.

4. Provide Libraries Equitable Access to Upper Discount Levels. – The ALA appreciates the Commission's revising the instructions for calculating library discounts from the weighted average discount of the school district within which a library is located to the discount from the matrix indicated by the percentage of all students in the district eligible for the free or reduced price lunch program. While this step aligns the library discount determination, process with the Commission rules, it still does not address the fundamental equity issue that makes it far more difficult for libraries to receive discounts for Priority 2 services than the schools in the same communities.

Panelists were asked to address whether the current rules ensure efficient and equitable funding of internal connections. Currently libraries are at a serious disadvantage with respect to discount determination, a fact which makes it almost impossible for them to receive internal connection discounts. In many situations this prevents residents of low-income communities from benefiting from the program as intended and creates what we believe is an unintended inequity.

At present, applications may be submitted on the behalf of individual schools or groups of schools within school districts using individual schools' school lunch eligibility to determine discounts while libraries can only use the eligibility percentage of all of the students in the district. As a consequence, many libraries serving high poverty areas are not able to receive appropriate discounts and are essentially prevented from ever receiving discounts for internal connection or Priority two services.

For 2002, internal connection discounts are being funded to 81-90% and in Florida this means 1 library system out of over 120, rural Gadsden County, is able to receive a discount for Priority 2 services. Schools serving low-income communities all over the state are able to receive internal connection discounts as they should be, while the libraries serving those same communities, sometimes located across the street from 90% schools, are not. Clearly this issue must be addressed if the Commission is seeking equity in this program.

The library community has proposed several remedies to this problem including allowing libraries to apply on the behalf of individuals or groups of facilities using the school lunch eligibility percentage of the nearest elementary school or the elementary school zone within which they are located. Use of census poverty data for the area in which an individual library is located has also been proposed. The library community is willing to work with the Commission in solving this problem but it needs to be solved prior to the opening of the 2004 window.

5. Adjust the Discount Matrix for Priority 2 – Finding a new range and distribution of discounts for Priority 2 services could have the impacts of both discouraging improper use of funds and increasing the number of libraries and schools with access to assistance for the important components of technology access that Priority 2 discounts support. This change would be the most dramatic shift in the program since its inception. It should not be undertaken lightly and should *perhaps* be postponed until the impacts of other changes are evaluated.

When the discount matrix is adjusted it should be done based on an analysis of the matrix and the proportional impacts to different discount levels. Reductions made should not disproportionately impact any one segment of the E-rate applicant community. An across the board reduction would cause a disproportionate increase in the obligation of the most impoverished communities. For example, a reduction of 10 percentage points in everyone's discount would cause a 100% increase in the amount a 90% library or school must pay while causing only a 20% increase for those in the 50% bracket. Any adjustments should strive to spread the benefits of Priority 2 services to a broader group of applicants while continuing to give priority to applicants with the greatest need.

8. Use the Data Retrieval Capacity to Evaluate the Program, Identify Patterns of Use, And Publish the Results to Make the Process as Transparent As Possible - The SLD is commended for making the "Funding Request Data Retrieval" function available at its web site. The ALA believes that the best way to encourage appropriate applicant and vendor behavior is to open the program to the sunlight of public examination and review. The ALA recommends that the SLD perform and publish analysis itself or take active steps to encourage and facilitate analysis by third parties so that patterns of program usage can be known. This will provide the E-rate community, administrators, legislators, and the public with a substantiated basis for evaluating the program and making well-informed decisions about program improvements.

9. Involve the Applicant and Vendor Communities More Closely in Reviewing Program Activity so That Informed Recommendations Can be Made. - As noted above it is the ALA's understanding that there has been continuous monitoring of the program by the SLD, its contractors, the USAC, and the FCC and that periodic program improvements are positive indications of this activity. It is also the ALA's understanding that the program administrators cannot share information about specific situations due to concerns for confidentiality, liability, and the need to ensure that possible legal prosecution is not jeopardized.

The ALA believes that if the applicant and vendor communities are to help the program prevent inappropriate activity, those communities will have to be provided greater access to the information about the program and inappropriate or suspect practices so that they can make informed assessments. Indeed access to greater information is necessary if the applicant and vendor communities are to make informed, substantiated recommendations about any aspect the program.

Several years ago the administrator convened a "Year Three Task Force" that brought together representatives of the E-rate community for discussions about the future of the program. It is ALA's understanding that the Task Force's activity resulted in program improvements and increased the sense of program ownership and responsibility among the constituencies represented.

The ALA recommends that the SLD develop a permanent formal committee of E-rate community representatives to work with it in continuously improving the program, including the addressing inappropriate activity.

10. Support E-rate Coordinators in the States. - The E-rate program relies heavily on state coordinators to conduct training, provide technical assistance, review technology plans, and provide state level coordination. State E-rate

coordinators from both the library and school communities play a major role in protecting program integrity, especially as relates to waste, fraud, and abuse. They help applicants avoid mistakes and bad actors in the program. The coordinators' active support allows the SLD to save on program overhead by supplementing the number of staff dedicated to these tasks. Therefore, it is imperative that those coordinators be well trained and informed about the program and its processes.

In September of 2002 the SLD conducted an excellent two day Train-The-Trainer Workshop but review of the participant list suggests that only about half of the states had library coordinators in attendance. Prominent among the workshop presentations were those about waste, fraud, and abuse and efforts being made to address them. Coordinators in all of the states needed to hear that message. The importance of effective state coordinators requires that a greater effort be made to encourage state participation. The ALA recommends that the SLD pay the appropriate travel expenses of state E-rate coordinators to SLD sponsored training.

To the library community E-rate stands for the "equity rate" because the discounts provide affordable access to all through the libraries and schools of our nation's communities. As the E-rate program matures, adjustments to the program should be considered that maintain the initial goal: equitable access. We feel that the recommendations we have made strike an appropriate balance.