



NEW JERSEY DIVISION OF THE RATEPAYER ADVOCATE

*Connecting New Jersey's
Schools and Libraries to the
Information Superhighway*

The Federal Telecommunications Act of 1996 intended to ensure that all schools and libraries will have access to affordable telecommunication services for students and library users through discounted rates, the "E-rate", available under the Universal Service Fund. However, there is no guarantee that all New Jersey schools and libraries will receive the funds necessary to meet these goals. That is why the Ratepayer Advocate is calling for the Board of Public Utilities (BPU) to take action in this matter and create a state universal service fund, ensuring that all of our schools and libraries are connected to the information superhighway. The fund would guarantee that all New Jersey schools and public libraries receive discounts on phone service, Internet access and the cost of internal wiring. Based on the Ratepayer Advocate's cost model, *Before 2000: Funding Technology in New Jersey's Schools and Public Libraries by the End of the Century*, an annual funding requirement of approximately \$40 million for the next 5 years is necessary for a State Universal Service Fund, to ensure the equal distribution of information technologies for all New Jersey's schools and libraries. The need for a state fund continues to be important, particularly since the Federal Communications Commission (FCC) has acknowledged that not every eligible school and library will receive benefits under the program.

The history of the E-rate program thus far has been whimsical. In Year 1, the FCC reduced the level of federal support to schools and libraries from \$2.25 billion annually to \$1.6 billion, and funded 25,785 of the more than 30,000 applications received from schools and libraries nationwide requesting E-rate discounts. Additionally, the FCC decided not to fund applications for internal connections from schools and libraries that were eligible for discounts at levels less than 70 percent. Data from the New Jersey Department of Education (DOE) shows that in Year 1, New Jersey

"We can use the money to fill the gaps where the FCC can't or won't help and respond to individual hardships requiring additional aid", Mrs. Peretz said. "What we are trying to do is make sure that all of New Jersey's schools and libraries obtain what they need to put our educational system on the cutting edge of telecommunications."

A STATE UNIVERSAL SERVICE FUND IS NECESSARY BECAUSE:

- *We don't know how much of the federal funds will be allocated for New Jersey for each funding period;*
- *We don't know which New Jersey school or library will receive money from the federal fund for each funding period;*
- *We don't know whether all New Jersey's schools and libraries that apply will receive funding for each funding period.*

schools and libraries received \$61 million of the total \$74 million in funding they applied for. Thus, all schools and libraries were not able to receive funding under the program.

In Year 2 (July 1999-June 2000), the FCC received more than 32,000 applications requesting \$2.435 billion in E-rate discounts, and funded a total of \$1.9 million. New Jersey was fortunate to receive full funding for its requested \$41 million in discounts, however, this luck won't be extending to Year 3. The Schools and Libraries Division (SLD), which administers the Universal Service Fund for the FCC, has already announced that since they have received requests totaling \$4.72 billion (twice the maximum \$2.25 billion funding level approved this year), applications with discount rates of 80 percent or below would not qualify for support for internal connections. Additionally, Kate Moore, President of the SLD has noted that currently "[f]or levels at 81% to 89%, funding is uncertain, but in the weeks ahead we will know more." For New Jersey, this means that school districts and libraries such as Newark, Camden, and Atlantic City whose discount rates fall between 81 and 89 percent, may not get any funding for internal connections this year. For districts that qualify for discounts at 79% or smaller, it appears virtually certain that their hopes for federal monies for inside wiring will not be realized.

The news is "bittersweet. The demand is wonderful, but we will have to say 'no' to a lot of people"

-SLD President Kate Moore

Coupled with the FCC's recent actions, a cloud of uncertainty continues to remain over the entire federal program, with opposition from some Congressional representatives seeking to eliminate the program entirely. Clearly, New Jersey cannot rely on the federal fund to meet all of our Universal Service needs. Without access to information technology, New Jersey's students, its residents and the State as a whole, will be at a disadvantage in the competitive global marketplace.

The \$40 million requested by the Ratepayer Advocate for schools and libraries is one third of the components in our proposal for a state Universal Service Fund. In addition to providing statewide

discounts for schools and libraries, the fund will also provide assistance to low income customers and ensure an appropriate level of service in all the areas of the state, including the high cost rural areas.

A state universal service program for low income subscribers is necessary to provide the matching funds necessary to implement the federal Lifeline program in New Jersey, and ensure that the maximum amount of federal benefits available is received. A fund of \$11 million would provide meaningful assistance to low income consumers that has never before been available in New Jersey.

The universal service fund must also ensure the availability of affordable service to customers in high cost geographic areas. The Ratepayer Advocate is recommending a \$16 million fund to enable and hopefully encourage competitive carriers to enter the marketplace in high cost geographic areas, and provide all New Jersey citizens with an equal opportunity to benefit from vigorous competition in the local phone industry and its promise to bring lower rates and access to new technologies.

The window of opportunity is here to enrich the lives of school children, low income residents and those in remote high cost areas. We urge the BPU to open the door to new technology to ensure that our schools and libraries receive sufficient funding for the new Information Age, to meet the needs of its low income residents and for those who live in high cost geographic areas.

If you would like copies of our schools and libraries report, and testimony filed at the BPU from both the Ratepayer Advocate and New Jersey's education associations, please contact our office or Website.

New Jersey Division of the Ratepayer Advocate
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, New Jersey 07101



Telephone (973) 648 - 2690
Fax (973) 624 - 1047

<http://www.njin.net/rpa>