

Chairman Elia Germani
Commissioner Kate F. Racine
Commissioner Robert B. Holbrook
Public Utilities Commission
89 Jefferson Boulevard
Warwick, Rhode island 02888

Commissioners

The Rhode Island Department of Elementary and Secondary Education (RIDE) would like to speak at this hearing on behalf of the public and not-for-profit K-12 schools and libraries of Rhode Island about the rules and regulations proposed to comply with General laws, Section 39-1-61.

The comments that will be made today will be limited to a concern that the Rhode Island Department of Elementary and Secondary Education has with potential interpretations of the law which may create a significant gap in the flow of funds that the Department requires to maintain uninterrupted service for schools and libraries.

The Department offers the diagram, titled *E-Rate Schedule of Activities*, for the purpose of explaining the E-Rate's July 1 to June 30th program calendar as it relates to the Verizon January to December program funding calendar, and the proposed start of the RI Telecommunications Education Access Fund's program year.

Please note the following on the *E-Rate Schedule of Activities*:

- 1) Each program year begins 8-9 months in advance of the actual onset of services which can be installed and billed. It begins with a Bid posting to the E-Rate site using the Form 470, along with any other local bid process desired by the applicant.
- 2) This bid-posting window is available for a 3 month period beginning in October of each preceding year, and the bid must be posted for 28 days. The bidding must close with sufficient time for the applicant to meet the inflexible mid-January deadline that ends each year's application process. This process results in the Form 471, which is the formal Request for Funds. The Form 471 selects providers and services which must be allocated and calculated for up to 600 eligible entities that make up this complex application.

It will be useful to review the current program year's E-Rate program processes in light of the E-Rate rules and the funding provided by Verizon. The current program year began in November of 2002 with the Form 470 posting of services that we desired. It was predicated on a budget that consisted of the \$2 million to be provided by Verizon. However, there was

nothing about the application submitted for the program year that would have precluded some mix of Verizon and state funds we might acquire from new legislation, in addition to the funds we would be entitled to from the E-Rate program. The E-Rate program subsidy was calculated from the most recently determined Free and Reduced lunch counts of every school in the state, and was determined to be 56%, although this may vary slightly each year. With the Rhode Island subsidy at 56%, and the Verizon/state funds representing 44% of the total funds available, we were able to budget for the 2003-4 E-Rate program year as follows:

The calculation for RI's Year 2003-4 budget was:

$$\begin{array}{r} .44 \quad \$2,000,000 \\ \hline .56 \quad \quad \quad \$ X \end{array} = \frac{\quad}{\quad}$$

where, X, the E-Rate subsidy, is \$2,545,454
and, the total available funds are \$4,545,454.

The PROBLEM

The problem becomes apparent when we take a look at the two most likely scenarios of how the transition from the Verizon program to the new funding source might take place. These two scenarios are both subject to the following assumptions, which I believe to be true:

Assumption 1 (the RI TEAP): *The Department has access to the Education Access Fund for services that have been fairly bid and awarded under the current law up to a dollar amount comparable to that provided under the most recent Verizon program, or approximately \$2 million.*

Assumption 2 (the E-Rate): *The Department cannot use a bid posted in this upcoming October-to-December 2003 period to modify an award of services made under the previous E-Rate bid cycle. Remember, the bid we are discussing today is intended for services that will be awarded beginning on July 1, 2004, for the new program period. There is no process or justification (other than bankruptcy of the original vendor) for modifying the previous award of services to a vendor.*

Scenario 1: Verizon funds are no longer available on December 30, 2003. The Department, in order to pay for services deployed under the 2003-4 E-Rate program year, must rely on funds collected by the PUC under the new legislation.

Issue 1: The telecommunications services being referenced are provided only by Verizon, as a result of the E-Rate cycle that began last October and ended with the selection of Verizon last January for services which began in July, 2003.

Issue 2: Funds collected under the current legislation seem to require a new bid process that all vendors can participate in, depriving the Department of access to this money, if it can only pay for Verizon services.

Issue 3: In the absence of funds from Verizon, or the newly created Education Access Fund, RIDE has no funds for the services acquired, and cannot legitimately request a subsidy from the E-Rate. E-Rate subsidies are not a grant, but are a subsidy to a budgeted technology implementation.

Summary: For the 6 month period of January 1 2004 to July 2004, there appears to be a \$2.25 million shortfall of funds.

Scenario 2: Verizon funds are no longer available on December 30, 2003, but the process under which new services are bid and selected is expedited so the new program rules can be employed beginning on January 1, 2004 and the collected funds are available to pay all vendors (less the E-Rate subsidized portion).

Issue 1: The telecommunications services which are eligible for subsidy in the current E-Rate program year are only provided by Verizon as per the E-Rate bid/award cycle that began last October. There is no way for the department to disregard or abandon the previous bid and selection process without losing the E-Rate subsidy. There is no process for modifying a vendor selection in the absence of Verizon going out of business.

Issue 2: Because no other vendors were listed as providers of service in this current E-Rate cycle, there would be no way to receive the subsidies necessary to pay for other vendor/provider services. RIDE would be limited in its reimbursement process to the percentage of services remaining with Verizon. Some amount of money awarded to Verizon under the E-Rate process would be left unclaimed.

Summary: While the percentage of reimbursements might only exclude the fraction of non-Verizon services for the 6 month period of January 1, 2004 to June 30, 2004, there would be a shortfall of funds that cannot be easily addressed, and the impact would be felt by only non-Verizon service providers.

The SOLUTION: 2 possibilities

Verizon could be asked to accept the responsibility of continuing funding for the next 6 months, while other vendors would have to accept the delay in the new program implementation. Educators and vendors would benefit by having the fee collection process get ahead of the pay-out process, which would ensure that the state's payments for services would be reasonably timely.

Alternatively, the Department could be allowed to draw down on the newly created Education Access Fund, but exclusively for Verizon services for some fraction of the initial 6 month period, although there might be some compromise period where Verizon would share the responsibility for funding.

Thank you for your patience and continued support of the K-12 educational and library institutions that have benefited so greatly from your efforts.

Sincerely

William Fiske
Coordinator of Educational Technology
Rhode Island Department of Education

E-RATE SCHEDULE OF ACTIVITIES

E-RATE activities are color coded for the related program year. The program year begins with services

E-Rate Activities	2002	E-Rate Activities	2003	E-Rate Activities
Select service provider; submit 471 by deadline (19th?)	January	Select service provider; submit 471 by deadline (19th?)	January	Select service provider; submit 471 by deadline (19th?)
	February		February	
	March		March	
	April		April	
	May	Begin Form 472/486 process to recover subsidy.	May	
Award due, BUT . . . Received MAY 2003	June	Award due, BUT . . . NOT YET	June	Award due, BUT . . .
Service begins	July	Service begins	July	Service begins
	August		August	
	September		September	
	October		October	Begin Form 472/486 process AFTER award is received.
Post bid (Form 470)	November	Post bid (Form 470)	November	Post bid (Form 470)
Wait 28 days.	December	Wait 28 days.	December	Wait 28 days.



E-Rate Program Year 2001-2		E-Rate Program Year 2003-4		E-Rate Program Year 2005-6
E-Rate Program Year 2002-3		E-Rate Program Year 2004-5		

s starting July 1 to the following June 30th.

2004	E-Rate Activities	2005
January	Select service provider; submit 471 by deadline (19th?)	January
February		February
March		March
April		April
May		May
June	Award due, BUT . . .	June
July	Service begins	July
August		August
September		September
October	Begin Form 472/486 process AFTER award is received.	October
November	Post bid (Form 470)	November
December	Wait 28 days.	December

