

**SEPARATE STATEMENT OF
COMMISSIONER JONATHAN S. ADELSTEIN**

Re: Schools and Libraries Universal Service Support Mechanism

With today's action we address certain issues and proposals regarding the Schools and Libraries Program. Since its inception in 1996, this program has opened up a whole new world of opportunities to students who might not have access to advanced capabilities without the program. Last year, close to \$1.7 billion were disbursed to schools and libraries across the United States. The schools and libraries in South Dakota, for example, received over \$5.5 million of that disbursement. From 1998-2002, USAC has disbursed over \$6 billion of funding in this program. All of that funding is in support of education.

I am an ardent supporter of this program, in addition to the other universal service programs.

The Schools and Libraries program has received great deal of attention since its inception. Some of the attention has been positive, and, unfortunately, some has been negative. The FCC and USAC have attempted to create a program that is beyond reproach. USAC has extensive program integrity assurance procedures that are designed to prevent waste, fraud and abuse. There have been extensive audits of the programs to supplement USAC's internal controls. However, there are some who have found ways around these protections to the benefit of themselves, and the detriment of the program, and ultimately the eligible schools and libraries across the nation. With the help of USAC, the providers, and the user community, we hope to further tighten up the program to ensure that it continues to perpetuate the positive strides it has already made.

I view today's item as taking a necessary first step in creating an even stronger and more efficient and effective program. Next, on May 8, 2003, we will hold an open forum to learn more about how we can further improve the program. At that point, I hope we will take more comprehensive steps that we have posed in our Further Notice in this proceeding.

As I have said, today's Order is just a first step. I look forward to larger, more comprehensive steps in many areas.

One such area is in the area of debarment. I am inclined to pursue debarment for those entities that have been found guilty of civil and criminal violations beyond those associated with the Schools and Libraries Program. Moreover, I believe that we should be able to debar providers, and applicants, in the event that USAC can establish a clear pattern of abuse based on objective FCC-crafted, USAC-implemented criteria.

It is also incumbent on us to ensure that the users, in addition to the service providers, are not violating our rules. I would support a process that would address any abuses that are committed by the schools and libraries that are meant to benefit from this program. Establishing parameters and enforcing violations will only make this program stronger.

Once we have established the violations for which debarment is appropriate, I would support different levels of treatment for different violations. For instance, if one is convicted of a civil offense, or has demonstrated a pattern of abuse of the program and its rules, I would allow re-entry into the program after a specified period of debarment. On the other hand, if a particular provider is convicted of a criminal offense, I believe that there should be a higher threshold before that entity is permitted to re-enter the program after the period of debarment has ended. For instance, such an entity should be required to petition for approval to participate again. It may also be appropriate for those entities that have been convicted of civil or criminal offenses to be required to put up a bond in order to participate again, at least for a probationary period.

I believe that it is important to address the possibility of changing the discount levels for this program. Many have suggested that the 90% discount level is too high because it does not require enough of an investment by the school or library. Reducing the discount levels can introduce more accountability, and better control the costs of the program. At the same time, there may very well be some schools and libraries that could not afford the benefits of this program if we reduced the discounts. Perhaps we should consider an "ad hoc" 90% discount based on specific FCC established criterion applied by USAC.

When private companies make decisions about their telecommunications investments, particularly when it comes to investments in equipment, they generally do not expect to replace their equipment year after year. The current rules in the Schools and Libraries program allow schools and libraries to do just that. In this Order, we have reinforced the rule disallowing the funding of duplicative services because they impact the fair distribution of discounts to schools and libraries. Similarly, perhaps we should disallow annual requests for duplicative equipment, or networking, in order to ensure that the funds are more fairly and evenly distributed among requesting users. Perhaps in this program we should consider assigning a "service life" to equipment. This program-specific service life would require program participants to keep the equipment for a particular period of time rather than applying annually for discounts for duplicative equipment. It may be helpful to ascertain how businesses determine how long they will keep a particular piece of equipment before replacing it. I would encourage comment on this.

Also, if our goal is to connect all schools and libraries, perhaps we should establish a baseline, or minimum level of connectivity. This "minimum level" could be based, among other things, on the speed of connections, the number of computers on site per student population, or a combination of them. In the event we have remaining funds, once we have established that minimum level among all of the discount levels, we could circle back and take the schools and libraries to the second level of service and connectivity.

I support this item as a first step in a number of steps that we will need to take to improve an already outstanding program. I look forward to working with my colleagues, USAC, the service providers, and the schools and libraries as we undertake this endeavor.