

SEPARATE STATEMENT OF COMMISSIONER KATHLEEN Q. ABERNATHY

Re: Schools and Libraries Universal Service Support Mechanism, Third Report and Order and Second Further Notice of Proposed Rulemaking, CC Docket No. 02-6 (adopted Dec. 17, 2003).

I am extremely pleased to support this Order and Further Notice. Today we make real progress in improving the efficiency and effectiveness of the Schools and Libraries program. In April of this year, the Commission took an initial step to bolster our defenses against waste, fraud, and abuse in the program by adopting a debarment rule for bad actors. At that time, we solicited comment on additional measures to prevent waste, fraud, and abuse, and in May, I organized a public forum to develop more concrete recommendations. On the heels of the public forum, the Universal Service Administrative Company formed a task force to provide additional proposals.

This item represents the initial fruit of those efforts. Many participants in the public forum argued that the Commission should limit the frequency of discounts for internal connections and also restrict transfers of equipment among schools. The USAC task force made similar recommendations. The Commission has appropriately responded — quite promptly — by limiting funding for internal connections to twice every five years and barring most equipment transfers. These new rules will give applicants flexibility to spread expenditures over two years, but will prevent the same applicants from being funded year after year. Given the scarcity of priority two funds in recent years, the changes will result in extending discounts to schools and libraries in lower discount bands that have yet to receive any funding for internal connections. While we have effectively authorized applicants to upgrade their internal connections every three years, I want to stress that this is a *minimum* period of time that must elapse; in most circumstances, I would expect applicants to recognize that cables, routers, and the like will have significantly longer useful lives.

I am also encouraged by the recommendation of the USAC task force, among others, to lower the maximum discount percentage for internal connections. Common sense suggests that once schools and libraries have been wired, they should not need significant funding again for many years. In practice, however, many applicants in the 80-90 percent discount range have sought increasing funding every year. This pattern suggests that a “copay” of only 10-20 percent may be insufficient to ensure cost-effective expenditures. I look forward to further developing the record on this issue and hopefully making additional rule changes next year.

Finally, I am pleased that the Order continue our search for additional ways to simplify the application process. Although our primary focus has appropriately been ensuring program integrity, we should remain mindful of the need to make it easier for deserving applicants to obtain access to funding. The April Order and today’s Order made several improvements, but we should continue to work on minimizing red tape in the next phase of this rulemaking.