

ONE HUNDRED THIRTEENTH CONGRESS
Congress of the United States
House of Representatives

COMMITTEE ON ENERGY AND COMMERCE

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July 10, 2014

The Honorable Tom Wheeler
Chairman
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Dear Chairman Wheeler:

The Universal Service Fund's Schools and Libraries program, also known as E-Rate, provides funding to assist schools and libraries in connecting our students through access to telecommunications services and the Internet, an important goal that we all share. Modernizing the fund to efficiently achieve these goals and keep pace with changing technologies has long been a bipartisan priority. Part of that reform should include fiscal prudence. As we wrote you earlier this year, the explosive and unconstrained growth of the Universal Service Fund is extremely troubling to us, and it is more important than ever that USF programs be structured to maximize value without growing the size of the fund. Last month, you announced a proposal to reform the E-Rate through streamlining administration of the fund and improving utilization of existing funds; this is an approach we support.

Unfortunately, recent reports raise concerns about your commitment to work within existing funds. The proposal promises \$5 billion in new Wi-Fi spending over five years plus continued support for broadband technologies at all schools and libraries. Two billion dollars is supposed to be reprogrammed from unused funds, but the Commission's 2014 carry-forward public notice only identified \$600 million in available funds, \$200 million of which was needed to fully fund existing services in 2014. Other funding is supposed to come from phasing out voice telephone and other outdated services. However, last year's NPRM only identified \$436 million in potential voice telephone savings, and Commissioners Rosenworcel and Pai identified only \$600 million in savings from eliminating voice and other outdated technologies. Given these public figures and reports that your proposal would reduce, but not eliminate, voice subsidies for most schools over two years, the numbers don't seem to add up. A recent FCC blog post suggested there could be \$1.2 billion in savings by eliminating support for non-broadband services, and yet we have not seen evidence of this number. These types of discrepancies underscore our concerns over the sustainability of your plans without imposing additional charges on American telecommunications customers' monthly bills.

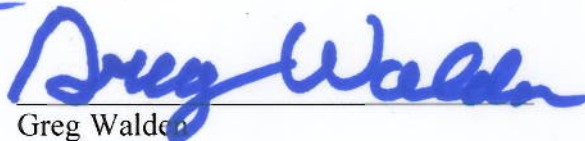
We are also troubled by press reports that you have promised to increase the E-Rate budget in the “near term” and recent allegations by Commissioner Pai that you are planning to grow the size of the existing \$9 billion Universal Service Fund through Commission action in a subsequent item. This would be an unacceptable course of action. We urge you to modernize the fund to bring our nation’s students the twenty-first century tools they need to succeed without increasing the ever-growing burden of USF on rate-payers.

In addition to the financial considerations, recent reports have also raised red flags as to the procedural approach to this item. As you know, good FCC process has long been a priority for the Committee. Engaging in bipartisan deliberation of all items should be the goal for every Chairman, particularly when all parties should share the same goals: creating a fund that will appropriately serve schools and the students that rely on modern technology, and that is fiscally prudent and does not over-burden ratepayers.

Sincerely,



Fred Upton
Chairman
Committee on Energy and Commerce



Greg Walden
Chairman
Subcommittee on Communications and
Technology

cc: The Honorable Henry A. Waxman, Ranking Member
House Committee on Energy and Commerce

The Honorable Anna Eshoo, Ranking Member
Subcommittee on Communications and Technology

The Honorable Mignon Clyburn, Commissioner
Federal Communications Commission

The Honorable Jessica Rosenworcel, Commissioner
Federal Communications Commission

The Honorable Ajit Pai, Commissioner
Federal Communications Commission

The Honorable Michael O’Rielly, Commissioner
Federal Communications Commission