



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #871

E-rate Funding (TEACH)

[LFB 2001-03 Budget Summary: Pages 629 and 630, #5 and 6]

CURRENT LAW

The TEACH Board collects federal E-rate funds on behalf of the state's eligible entities that receive TEACH funding. In 2000-01, TEACH collected approximately \$2.8 million in E-rate funds. Heretofore the Board has used E-rate monies at its discretion to fund a variety of projects, including partial funding for three gateways for distance learning networks, prepayment of its master lease costs, a literacy initiative, and several smaller projects.

The segregated universal service fund (USF) currently provides funding for the TEACH telecommunications access program. The USF receives its funding through assessments on annual gross operating revenues from intrastate telecommunications providers. Appropriations for TEACH from this revenue source would total \$13.7 million annually under the Governor's proposal. Total appropriations from this source of revenue, including the Department of Public Instruction and the UW, would be \$16.5 million in 2001-02 and \$16.4 million in 2002-03 under the bill.

GOVERNOR

Provide \$500,000 FED annually from federal E-rate monies for pupil technology support pilot programs. Require the TEACH Board to award grants to school districts to train pupils to provide educational technology support services to the school districts in which they are enrolled. Specify that the TEACH Board could award no more than \$500,000 in grants in each fiscal year. Require TEACH to award grants in consultation with the Board of Regents of the University of Wisconsin System (UW) and the Wisconsin Technical College System Board (WTCS).

Provide \$500,000 FED from federal E-rate monies and \$250,000 SEG from the USF in 2001-02 for an alternative technology study. Require the TEACH Board to conduct a study of emerging technology products, services, and applications for distance learning in primary and secondary schools. Specify that the TEACH Board would have to conduct approximately six pilot projects. Authorize the use of monies from the USF for this purpose. Require the TEACH Board to report the findings of its study to the Governor and Legislature by January 31, 2003.

DISCUSSION POINTS

Pupil Technology Pilot Projects

1. The pupil technology support initiative was included in TEACH's 2001-03 agency budget request. The Board requested creation of a pilot demonstration project in collaboration with UW and WTCS in which K-12 pupils would be trained to provide educational technology support services to their school districts. TEACH pointed out that school districts have made significant investments in computer networks and hardware using federal, state, and local funding, and that out of 367 school districts that completed an educational technology survey in spring 1999, 45% reported technical support to keep equipment operational among their top technical assistance needs. School districts find it difficult to recruit and retain instructional technology personnel due to competition with the private sector for such staff.

2. Under 1999 Act 9 (the 1999-01 state budget), the UW received \$1.7 million GPR and \$0.9 million PR for student information technology (IT) worker salaries and fringe benefits, in addition to \$0.9 million GPR and \$0.5 million PR to provide training for 680 student IT workers, over the biennium. Students receive training to meet campus needs to support the installation and maintenance of desktop computers, classroom technology and campus computer networks, and provide technical and help-desk support for faculty, students and staff.

3. UW-Milwaukee currently runs an extensive student technical support program on its campus, in which students are trained in a wide variety of technological systems and equipment, including network operations, distance learning, television engineering, and applications development. In addition, for 2000-01 Milwaukee Public Schools (MPS) received a training and technical assistance implementation grant from the TEACH Board to implement a pupil technical support program. Under the program, UW-M participants mentor MPS middle and high school pupils interested in learning about IT. The pupils receive training from the University and provide support at their schools.

4. The TEACH pilot would be modeled on these programs, although it would be focused on training K-12 pupils in classroom, computer lab, network operations, and help desk support. The pilot program would be created in consultation with the UW and WTCS. TEACH anticipates conducting five to six demonstration pupil technology support projects across the state, which would train pupils in grades nine through twelve who wish to participate. The pupils would be trained after school and on weekends, and would be given the opportunity to gain certification in certain systems and software, as well as gain credits in related courses through WTCS or UW

institutions.

5. The TEACH pilot would attempt to model an approach that has worked at the college-level and apply it to K-12 schools. Because the MPS program is just beginning, it is unknown at this point whether this type of pupil technology support initiative would be successful at the K-12 level. UW students participate in a work-study capacity and thus are given responsibilities as employees. Presumably, college students are closer to entering the workforce and more motivated to perform well and gain work experience than might be the case with unpaid high school students.

6. Some might question whether a new initiative, such as this proposal, be funded in the 2001-03 budget given the limited resources available to the Legislature.

Alternative Technology Study

7. TEACH requested funds in its 2001-03 agency budget request to study the use of emerging technology products, services, and applications for distance learning for the K-12 environment. TEACH anticipated conducting approximately six pilots at an estimated total cost of \$500,000 with 50% funding coming from E-rate and the remaining 50% from the USF. TEACH's rationale for the request was to establish pilots that would provide reliable information regarding the future direction and applications of educational technology in order to make better informed, more cost effective policy and purchasing decisions. The results of the pilots could then be documented and used for statewide strategic educational technology planning.

8. The Governor's proposal provides a total of \$750,000, with \$500,000 FED and \$250,000 SEG for the alternative technology study. To avoid this additional use of USF monies, which are passed through to telephone subscribers' local exchange service rates, the Committee could reduce the allocation to \$500,000 FED to make it consistent with the agency request.

Alternative Uses of E-rate Monies

9. The Board collects funding from the federal universal service fund under the federal E-rate program on behalf of eligible entities that receive TEACH services. The E-rate program provides eligible schools and libraries with federally funded discounts on telecommunications services, Internet access and internal connection (computer wiring, hubs and routers). Discounts, which range from 20 to 90 percent, are based in part on the number of students eligible for the federal free and reduced price school lunch program and the classification of the school or library as rural or urban. There are two options for collection of E-rate benefits. The most common form is the discount, described above, on subscriber bills from the service provider for telephone service, Internet access, or other telecommunications services. The less common form is the cash reimbursement the TEACH Board receives. TEACH receives this money because it has an ongoing services contract with Ameritech. TEACH cannot receive the normal discount because the bill is prepaid, so TEACH receives the E-rate discount in the form of a payment. The Board collected approximately \$2.8 million in 2000-01 and expects to collect about \$3.2 million in E-rate monies in 2001-02. In addition, it is possible that \$3.2 million could be collected in 2002-03, although this is

speculative, since it will depend on federal decisions relating to the E-rate program.

10. Under the Federal Communications Commission (FCC), the Universal Service Administrative Company (USAC) administers the federal universal fund, and the Schools and Libraries Division (SLD) of the USAC administers the E-rate program. Since the E-rate discount TEACH is receiving is a reimbursement for funds already invested as the Board's share of E-rate funded services, the use of that cash is beyond the scope of SLD's responsibility. However, in order to secure this reimbursement, TEACH has certified to SLD that the Board has secured access to the resources necessary to effectively use the services that E-rate is subsidizing. This certification addresses the "total cost of ownership" of the systems and services necessary to use E-rate funds effectively. SLD requires that applicants for E-rate discounts have secured access to resources such as computers, professional training, software, and the cost of the non-discounted portion of services. In many instances, SLD undertakes a special review of applications to assure that adequate resources have been budgeted, and that behind the certification lies the documentation to demonstrate that the certification is sound. This is an issue SLD also examines in their post-commitment audit of beneficiaries. Therefore, if TEACH can ensure that the total costs of ownership necessary to utilize E-rate effectively will be met, then the use of E-rate funds is at the Board's discretion.

11. Under an agreement reached by the Board with the Joint Committee on Finance (Committee) in January 2001, for all future use of E-rate funds, the Board must submit information relating to the proposed utilization of the monies to the Committee under a 14-day passive review process. If an objection is raised, the Committee will schedule a meeting under s. 13.10 of the statutes to consider the request. If no objection is raised, the Board's proposed use of the monies will be approved. E-rate monies received above the amounts recommended by the Governor for the pupil support and alternative technology studies could be allocated by TEACH, subject to the Committee's approval, per the agreement of January 2001.

12. The Committee could use E-rate funds to offset spending under the GPR technology block grant program, which under the Governor's budget would remain at its base level of funding, \$35 million in each year of the biennium. Restrictions on E-rate funds set by SLD would allow these monies to be used for the block grant program, which helps secure the equipment necessary to utilize E-rate services. A program revenue appropriation could be created for all E-rate monies received after May 1, 2001, which would be used dollar-for-dollar to offset the GPR block grant program and allow a corresponding lapse to the general fund. By setting up this type of applied receipts appropriation, the full \$35 million of GPR funding would remain available for expenditure in 2001-02 and in 2002-03, if for some reason E-rate monies were not received by the state. However, it appears that at least \$3.2 million of E-rate monies will be received in 2001-02, and it is possible that \$3.2 million will be received in 2002-03. In addition, TEACH has an unencumbered balance of E-rates funds for 2000-01 of approximately \$1 million. The Committee could deposit these funds in the applied receipts appropriation for 2001-02, which would result in an estimated reduction in GPR block grant expenditures (lapse) of \$4.2 million in 2001-02 and \$3.2 million in 2002-03. This approach could be used in conjunction with the proposed uses of E-rate monies under the Governor's budget recommendation, but with lesser GPR lapse amounts.

ALTERNATIVES TO BASE

A. Pupil Technology Pilot Projects

1. Approve the Governor’s recommendation to provide \$500,000 FED annually for pupil technology support pilot programs.

<u>Alternative A1</u>	<u>FED</u>
2001-03 FUNDING (Change to Base) <i>[Change to Bill]</i>	\$1,000,000 \$0]

2. Maintain current law.

<u>Alternative A2</u>	<u>FED</u>
2001-03 FUNDING (Change to Base) <i>[Change to Bill]</i>	\$0 - \$1,000,000]

B. Alternative Technology Study

1. Approve the Governor’s recommendation to provide \$500,000 FED and \$250,000 SEG in 2001-02 for an alternative technology study.

<u>Alternative B1</u>	<u>FED</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base) <i>[Change to Bill]</i>	\$500,000 \$0	\$250,000 \$0	\$750,000 \$0]

2. Modify the Governor’s recommendation to only provide \$500,000 FED in 2001-02 for an alternative technology study provision.

<u>Alternative B2</u>	<u>FED</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base) <i>[Change to Bill]</i>	\$500,000 \$0	\$0 - \$250,000	\$500,000 - \$250,000]

3. Maintain current law.

<u>Alternative B3</u>	<u>FED</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base) <i>[Change to Bill]</i>	\$0 - \$500,000	\$0 - \$250,000	\$0 - \$750,000]

C. Alternative Use of E-Rate Monies

1. *All E-Rate Monies Allocated to Block Grants.* Provide \$4,200,000 PR in 2001-02 and \$3,200,000 in 2002-03 in a new continuing PR appropriation under TEACH designated for the receipt of E-rate monies received by the TEACH Board after May 1, 2001. Specify that the current available balance of E-rate monies would be transferred to this appropriation. Treat these monies as applied receipts for the TEACH GPR block grant program, so that an estimated GPR lapse of \$4,200,000 in 2001-02 and \$3,200,000 in 2002-03 would occur.

Alternative C1	PR	GPR-Lapse
2001-03 FUNDING (Change to Base)	\$7,400,000	\$7,400,000
[Change to Bill]	\$7,400,000	\$7,400,000

2. *All E-Rate Monies after Funding A1 and B1 or B2 Allocated to Block Grants.* Provide \$2,700,000 PR in 2001-02 and \$3,200,000 PR in 2002-03 in a new continuing PR appropriation under TEACH designated for the receipt of E-rate monies in excess of \$500,000 received by the TEACH Board after May 1, 2001. Treat these monies as applied receipts for the TEACH GPR block grant program, so that an estimated GPR lapse of \$2,700,000 in 2001-02 and \$3,200,000 in 2002-03 would occur. Specify that the first \$500,000 of E-rate monies received after May 1, 2001, as well as the available balance of E-rate monies, would be deposited to a federal appropriation under the TEACH Board.

Alternative C2	PR	GPR-Lapse
2001-03 FUNDING (Change to Base)	\$5,900,000	\$5,900,000
[Change to Bill]	\$5,900,000	\$5,900,000

3. Maintain current law.

Prepared by: Layla Merrifield