TELECOMMUNICATIONS

Long-Term Strategic Vision Would Help Ensure Targeting of E-rate Funds to Highest-Priority Uses

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Highlights

Why GAO Did This Study

The Federal Communications Commission's (FCC) Schools and Libraries Universal Service Support Mechanism—also known as the E-rate program—is a significant source of federal funding for information technology for schools and libraries, providing about $2 billion a year. As requested, GAO assessed issues related to the E-rate program's long-term goals, including (1) key trends in the demand for and use of E-rate funding and the implications of these trends; (2) the rate of program participation, participants' views on requirements, and FCC's actions to facilitate participation; and (3) FCC's performance goals and measures for the program and how they compare to key characteristics of successful goals and measures. To perform this work, GAO analyzed data going back to the first year of the program, surveyed a sample of participating schools and libraries, reviewed agency documents, and interviewed agency officials and program stakeholders.

What GAO Recommends

To ensure targeted and efficient use of program funds, FCC should (1) report to Congress on its strategic vision for the E-rate program, including long-term goals, and (2) report annually in its performance plan on undisbursed funding associated with expired funding commitments. FCC took no position on GAO's recommendations, and USAC noted it stood ready to work with FCC to develop and report performance goals and measures.

What GAO Found

Requests for E-rate funding consistently exceed the annual funding cap, and increased commitments for telecommunications and Internet services, combined with significant undisbursed funds, limit funding for wiring and components needed for data transmission. Although still exceeding available funds, total amounts requested have generally declined since 2002, largely due to declining requests for wiring and components. Funding commitments in recent years reflect this trend, with the amount of funding for wiring and components outweighed by funding for telecommunications services and Internet access. In addition, a significant amount of committed funds are not disbursed to program participants; for commitments made in 1998 through 2006, about one-quarter of the funds have not been disbursed. Unused funds are reallocated for use in future years but are still problematic because they preclude other applicants from being funded.

Participation rates and participants' views on program requirements indicate difficulties in the E-rate application process, which FCC and the Universal Service Administrative Company (USAC)—the program's administrator—are taking steps to address. The participation rate among the more than 150,000 eligible schools and libraries is about 63 percent, but participation rates among groups vary, from 83 percent among public schools to 13 percent among private schools. According to nonparticipants, a key circumstance influencing nonparticipation is the complexity of program requirements, even though participants reported that participation is becoming easier. Still, E-rate program data show that some funding is denied because applicants do not correctly carry out application procedures. In recent years, FCC and USAC have made changes intended to ease the process of participation for schools and libraries, such as giving applicants an opportunity to correct clerical errors in their applications. FCC officials said they will consider further changes to facilitate participation, but their primary interest is in protecting funds from improper use.

FCC does not have performance goals for the E-rate program, and its performance measures are inadequate. In 1998, GAO first recommended that FCC develop specific performance goals and measures for the E-rate program in accordance with the Government Performance and Results Act of 1993. FCC set forth specific goals and measures for some of the intervening years, but it does not currently have performance goals in place. Further, the performance measures it adopted in 2007 lack key characteristics of successful performance measures, such as being tied to program goals. Performance goals and measures are particularly important for the E-rate program, as they could help FCC make well-informed decisions about how to address trends in request for and use of funds. Without them, FCC is limited in its ability to efficiently identify and address problems with the E-rate program and better target funding to highest-priority uses. FCC's piecemeal approach to performance goals and measures indicates a lack of a strategic vision for the program.

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