

Texas Needs the Continuation of State Required Telecommunications Discounts and So Does Abilene ISD

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The Texas Legislature in 1995 passed important telecommunication deregulation legislation called HB 2128 that in part required telecommunications providers to ensure that public entities such as schools, libraries, institutions of higher education, non profit telemedicine centers, and public hospitals receive at significantly reduced rates telecommunication services involving internet access. The rationale behind this requirement was that the Texas Legislature wanted to provide a world class telecommunications infrastructure for Texas—and that needed to include the public entities. These discount rates allowed public institutions to purchase high speed services from incumbent local exchange carriers at a reasonable rate, which in most cases ended up being at cost plus 5 to 10% profit.

The Public Utility Commission calculated in 2005 that 877 public institutions have used these services and that more than \$100 million in benefits have resulted from this action—with the prediction that these benefits will rapidly increase in the years to come. Therefore, the Legislature passed in 2006 as part of a special session the extension of this discount benefit through SB 5 for another period of time- until 2012.

Senator Zaffirini has recently filed Senate Bill 773 which would extend the telecommunications discount to eligible entities from 2012 until 2024. This legislation is critical to public institutions in general and to school districts in particular. If this bill is not enacted into law, school districts receiving discounts under HB2128 could experience a cost increase in eligible telecommunication services. Walt Magnussan at Texas A@M has stated that school districts could see an increase of at least three times what they are paying now for these same services. Considering the budget crisis that school districts currently face, this increase might make it difficult for them to continue the same level of service they receive today.

There seems to be some confusion to Senate Bill 773 as there are comments being made that school districts no longer need this discount as they are receiving eRate discounts. While it is true we receive these discounts through the very popular and federally funded eRate program, the truth of the matter is that **we need both discounts** to keep our costs down to our present level.

The best way to illustrate this is by example. Abilene ISD is a district of nearly 17,000 students and more than 2400 employees at 38 locations.

The first set of charts below discuss what Abilene ISD is presently paying for telecommunication services through AT@T, what the cost is with the HB2128 discount, what eRate pays of our HB2128 costs (76%), and what the district actually ends up

paying for these services. **The actual cost to AISD with both benefits in place is \$85,680.** This service includes Gigaman (internet access).

As you can tell, AISD receives significant benefit from HB 2128 **and** eRate and will be hard pressed to find the funds to continue these services at the same level. If our HB2128 rates increase by three times then our costs would go from paying \$357,000 to \$714,000-- - and it would be even worse if our rates would go up four times as we would be going from \$357,000 to \$1,071,000.

3X

Service	Cost	Cost with House Bill 2128	Savings with House Bill 2128	E-Rate Pays	E-rate's %	District Pays	District's %
Gigaman	\$1,071,000.00	\$357,000.00	\$714,000.00	\$271,320.00	76.00%	\$85,680.00	24.00%
	\$1,071,000.00	\$357,000.00	\$714,000.00	\$271,320.00		\$85,680.00	

TOTAL SAVINGS COMBINING HB 2126 & E-RATE \$985,320.00

4X

Service	Cost	Cost with House Bill 2128	Savings with House Bill 2128	E-Rate Pays	E-rate's %	District Pays	District's %
Gigaman	\$1,428,000.00	\$357,000.00	\$1,071,000.00	\$271,320.00	76.00%	\$85,680.00	24.00%
	\$1,428,000.00	\$357,000.00	\$1,071,000.00	\$271,320.00		\$85,680.00	

TOTAL SAVINGS COMBINING HB 2126 & E-RATE \$1,342,320.00

The second set of charts discuss the costs to AISD if HB2128 went away and there was only eRate funding available. **This would mean AISD would have to pay \$257,040 if the costs were three times greater and \$342,720 if it was four times greater.**

3X

Service	Cost	E-Rate Pays	E-rate's %	District Pays	District's %
Gigaman	\$1,071,000.00	\$813,960.00	76.00%	\$257,040.00	24.00%
	\$1,071,000.00	\$813,960.00		\$257,040.00	

TOTAL SAVINGS E-RATE \$813,960.00

4X

Service	Cost	E-Rate Pays	E-rate's %	District Pays	District's %
Gigaman	\$1,428,000.00	\$1,085,280.00	76.00%	\$342,720.00	24.00%
	\$1,428,000.00	\$1,085,280.00		\$342,720.00	

TOTAL SAVINGS E-RATE \$1,085,280.00

Please join me in contacting your local legislators that SB 773 is good for Texas public institutions, good for Texas public schools, and in particular good for Abilene ISD. With all the State budget cuts we are facing, we need all of the help we can get to keep our telecommunication costs lower—and this legislation does just that.