

institutions face shrinking budgets. We therefore conclude this clarification of educational purpose should increase program efficiency without leading to waste, fraud, or abuse.

12. *Funding of Duplicative Services.* In the *Universal Service Order*, 62 FR 32862, June 17, 1997, the Commission indicated that an applicant's request for discounts should be based on the reasonable needs and resources of the applicant, and bids for services should be evaluated based on cost-effectiveness. Pursuant to this requirement, the Administrator has denied discounts for duplicative services. Duplicative services are services that deliver the same functionality to the same population in the same location during the same period of time. We emphasize that requests for discounts for duplicative services will be rejected on the basis that such applications cannot demonstrate, as required by our rules, that they are reasonable or cost effective.

13. We find that the use of discounts to fund duplicative services contravenes the requirement that discounts be awarded to meet the "reasonable needs and resources" of applicants. We find that requests for discounts for duplicative services are unreasonable because they impact the fair distribution of discounts to schools and libraries. The schools and libraries mechanism of the universal service fund is capped at \$2.25 billion dollars. Under our rules, when total demand exceeds the cap, discounts for Priority Two services (internal connections) are awarded after all Priority One requests are satisfied, beginning with the most economically disadvantaged schools and libraries as determined by the schools and libraries discount matrix. Total demand for discounts from the schools and libraries program has exceeded the funding cap in the past two funding years and we expect this trend to continue. Thus, funding duplicative services would operate to award discounts to applicants higher on the matrix twice for the same services, while some others, because of their lower rank on the matrix, could not receive discounts for the same service because the Priority Two funds available under the cap had been exhausted.

14. In addition, we find that it is inconsistent with the Commission's rules to deliver services that provide the same functionality for the same population in the same location during the same period of time. We believe that requests for duplicative services are not consistent with the Commission's rules regarding competitive bidding, which

require applicants to evaluate whether bids are cost effective. In the *Universal Service Order*, the Commission stated that price is the primary of several factors to be considered. Thus, applicants must evaluate these factors to determine whether an offering is cost effective. We find that it is not cost effective for applicants to seek discounts to fund the delivery of duplicative services. Therefore, we conclude that this rule can be violated by the delivery of services that provide the same functionality for the same population in the same location during the same period of time. We recognize that determining whether particular services are functionally equivalent may depend on the particular circumstances presented. In addition, we amend § 54.511(a) of our rules to make clear that applicants must consider whether the service is cost effective.

15. *Eligibility of Wireless Services.* Under section 254(h)(1)(B), eligible schools, libraries, and consortia that include eligible schools and libraries, are eligible for discounts on telecommunications services. Accordingly, basic telephone service, which includes mobile and fixed wireless service, is eligible for discounts pursuant to the schools and libraries universal service support mechanism. The cost of telephones or associated maintenance of equipment is not eligible for discount. In the *Schools and Libraries NPRM*, we sought comment on whether we needed to modify any rules and policies regarding the eligibility of wireless services. We also sought comment on whether broadening the eligibility of wireless services under the schools and libraries universal service support mechanism, consistent with the statute, would improve the application review process.

16. We reiterate that wireline and wireless telecommunications services are equally eligible under our current rules. If wireless service is used at the school or library for educational purposes, that service is eligible for support to the same extent as requests for wireline-based telecommunications services. We emphasize that, under existing rules, requests for wireline and wireless services must be reviewed under the same standard. It would be inappropriate, for instance, to presume that wireline services are used for educational purposes while presuming that wireless services are not used for similar purposes. What is relevant, for purposes of determining compliance with the statutory standard, is whether the service in question is integral, immediate, and proximate to the provision of education or library

services, regardless of the technology platform. As we stated, we presume that activities that occur in a library or classroom or on library or school property, are integral, immediate, and proximate to education of students, or, in the case of libraries, to the provision of library services to library providers, and therefore qualify as educational purposes.

17. We believe that this restatement of technology neutrality, in tandem with our clarification of educational purposes set forth, will serve to reduce confusion and uncertainty regarding the eligibility of wireless services and thus further our streamlining efforts by making the application process more predictable for applicants.

18. *Eligibility of Voice Mail.* In the *Universal Service Order*, the Commission decided that certain information services—namely Internet access—would be funded. The Commission also determined, without further discussion, that voice mail would not "at [that] time" be eligible, based, in part, on the recommendation of the Federal-State Joint Board on Universal Service that such information services not be eligible. Specifically, the Joint Board had recommended that, "by establishing a discount mechanism for telecommunications and Internet access, we conclude that the intent of Congress will be met and it is not necessary to support the full panoply of information services at this time." We now think it appropriate to revisit this issue, in light of our experience over the last five years.

19. The prevalence of and need for voice mail as a way of communicating with school and library staff for educational purposes causes us to reexamine the eligibility of voice mail. Virtually all commenters supported making voice mail an eligible service, including the state members of the Federal-State Joint Board on Universal Service. After reviewing the record on this issue, we conclude that voice mail should be eligible for discounts as a Priority One service under the universal service support mechanism in the same way that Internet access, *i.e.*, e-mail, is currently eligible. Voice mail services are used in conjunction with telecommunications services. We agree with commenters that voice mail is functionally equivalent to e-mail. Therefore, we believe that it is administratively and operationally appropriate for such requests to be processed within the same priority as telecommunications services and Internet access. After five years of experience with the schools and libraries universal service support