

Mr. Chairman and members of the Committee

My name is Wayne Wedemeyer and I serve as the Director of Telecommunication Services at the University of Texas at Austin. I am here today as a resource witness and I am testifying on behalf of the University of Texas System.

I want to thank you for taking the time to discuss this important issue and I want to thank Senator Zaffirini for her tireless efforts on behalf of higher education in Texas.

In 1995, the Texas Legislature passed H.B. 2128 - landmark telecommunications deregulation legislation.

The goals of H.B. 2128 were to:

1. Allow for a competitive telecommunications market
2. Encourage investment in the state
3. Provide a world class telecommunications infrastructure in Texas

The Legislature took special care to ensure that telecommunications infrastructure that serves public entities such as schools, libraries, institutions of higher education, non-profit telemedicine centers, and public hospitals was established at a reasonable rate.

H.B. 2128 established discounts that allow these entities to purchase high-speed broadband services from incumbent local exchange carriers at 105 percent to 110 percent of long run incremental costs (LRIC).

These discounts were set to expire in 2005, but S.B. 5, in the Second Called Session of the 79th Legislature, extended these discounts through 2012. Last session, S.B. 773 increased the return to the carriers to 110% of the cost of providing service and extended these important discounts through January 1, 2016.

Reliable, efficient and cost-effective data, video and voice communications are critical to the strategic missions of education, research, health care and public service, and to the students and patients we serve in higher education.

University of Texas System institutions spent approximately \$4.9 million last year on infrastructure services acquired using the telecommunications discount. If national and state tariffs were imposed to acquire these services, the estimated cost would increase by more than five times, to \$27.5 million a year. Bandwidth demand increases every year to meet academic, healthcare and research needs.

I have provided the committee a one-page summary detailing the cost savings to each U.T. System institution.

The current telecommunications discount statute guarantees a profit margin to the provider of 10 percent of long-run incremental costs. Additionally, providers such as AT&T have begun to impose three year contract provisions on eligible entities.

If these critical discounts are not extended beyond January 1, 2016, U.T. System institutions will face the following choices:

- Reduce costs by decreasing the amount of bandwidth available to campuses and clinics for students, researchers and healthcare professionals.
- Seek additional appropriations to pay for the increased costs for vital telecommunications infrastructure.
- Increase costs to students and patients.

Again thank you for the opportunity to discuss this important issue.

Mr. Chairman, I would be happy to answer any questions that you or any members of the committee may have.

TELECOMMUNICATIONS DISCOUNT

BENEFIT TO UNIVERSITY OF TEXAS SYSTEM INSTITUTIONS

Reliable, efficient and cost-effective data, video and voice communications are critical to the strategic missions of education, research, health care, and public service.

The University of Texas System institutions spend approximately \$4.9 million a year on infrastructure services acquired using the telecommunications discount. If national and state tariffs were used to acquire these services, the estimated cost would increase by more than five times to an estimated \$27.5 million a year.

Annual Telecommunications Discount Savings by Institution

The telecommunications discount statute guarantees a profit margin to the provider of 5% or 10% of long-run incremental costs. At the same time, it provides substantial savings to the affected institutions;

• The University of Texas at Arlington	\$2,163,414
• The University of Texas at Austin	\$1,578,721
• The University of Texas at Brownsville	\$696,921
• The University of Texas at Dallas	\$1,426,283
• The University of Texas at El Paso	\$241,239
• The University of Texas Pan American	\$421,419
• The University of Texas Permian Basin	\$1,080,920
• The University of Texas at San Antonio	\$901,403
• The University of Texas at Tyler	\$559,614
• University of Texas Southwestern Medical Center	\$1,278,056
• University of Texas Medical Branch at Galveston	\$2,215,939
• UT Health – U. T. Health Science Center at Houston	\$1,146,390
• University of Texas Health Science Center at San Antonio	\$3,096,764
• University of Texas M.D. Anderson Cancer Center	\$5,107,694
• University of Texas Health Science Center at Tyler	<u>\$709,698</u>
	\$22,624,475

The telecommunications discount allows University of Texas System institutions to save over \$22.6 million a year.

Loss of affordable high bandwidth communications would impair the ability of The University of Texas System institutions to fulfill their many and varied missions.

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