



Making the Most of E-Rate

A guide for K-12 schools and districts to take advantage of federal discounts for technology, telecom and Internet services

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Executive Summary

Every year, the federal government offers \$2.25 billion in subsidies to help public and private schools pay for telecommunications services, Internet connectivity and technology equipment through its E-Rate program.

The application process is challenging, but for school officials who push through the process and do it right, the payoff is enormous: up to a 90 percent discount on phone and Internet services and related technology equipment, which can result in anywhere from thousands of dollars to more than \$1 million in savings a year.

“In a world of finite resources and cuts across the board, schools can’t afford to pass on E-Rate savings,” says Drew France, an E-Rate consultant for schools and owner of My E-Rate Guy in Tulsa, Okla. “Schools today can’t operate without cell phones, and you can’t have modern education without Internet access. These are services you need to pay for, so you might as well get a discount.”

Whether you are new to E-Rate or seeking a refresher course, this white paper will walk you through the funding process. It shares best practices and highlights important dates, deadlines, rules and regulations. It will also detail what services and equipment are eligible for E-Rate funding.



E-Rate Program Overview

E-Rate was created by the U.S. Telecommunications Act of 1996 to ensure that schools and libraries, particularly those in low-income and rural areas, have affordable access to telecommunications and Internet services.

The program, which has dispensed \$2.25 billion annually since 1998, is paid for by an assessment on companies that offer interstate and international telecommunications services. The Federal Communications Commission (FCC) sets the policies for E-Rate, while the Schools and Libraries Division (SLD) of the Universal Service Administrative Company (USAC) manages the program.

K-12 public schools and districts are eligible for E-Rate funding. Private and religious schools are also eligible as long as they do not operate on a for-profit basis and do not have an endowment larger than \$50 million.

E-Rate offers annual subsidies (or “discounts”) of 20 percent to 90 percent on eligible services and technology equipment. If a district qualifies for a 90 percent discount, for example, the E-Rate program pays 90 percent of the cost of a service or equipment, while the district pays the remaining 10 percent.

Discount rates are determined by the percentage of students eligible for free and reduced lunches through the National School Lunch Program. Rural schools are eligible for higher discount rates than urban schools.

Four types of services and products are eligible for discounts:

- Telecommunications services, such as basic phone service
- Internet access
- Internal connections, such as networking equipment and telecommunications wiring
- Basic maintenance

E-Rate gives funding priority to telecommunications services and Internet access, which is categorized as Priority 1. After Priority 1 funding is handed out, the remaining funds pay for internal connections and basic maintenance costs, which are categorized as Priority 2.

An internal connection is defined as the infrastructure inside buildings that allows schools to make use of telecommunications and Internet services. This includes routers, switches, Wi-Fi and Voice over IP equipment, and in some cases, servers.

E-Rate does not pay for end-user devices, such as computers, phones and most software. Schools can only receive Priority 2 funding for internal connections in two years out of any five-year period. Funding for basic maintenance, however, is allowed every year.

The E-Rate Process

To get funded for the 2011 fiscal year, which is the next funding cycle, schools or districts must submit their applications between mid-November

2010 and early February 2011. The exact dates will be announced on USAC’s SLD website.

The application process is a year-round endeavor that requires applicants to juggle several years of E-Rate funding at once. At any given time a district could be processing reimbursements from a previous year, answering questions from the current application and doing some planning for next year’s application.

Applying to E-Rate is a multistep process. And to succeed, you must meet deadlines, keep good documentation and pay attention to details. Here are six steps in the process that require particular attention.

1. DEVELOP A TECHNOLOGY PLAN. Applicants must develop a plan or modify an existing one to explain how they will integrate the E-Rate-eligible technology and services to improve their education mission.

The plan, which must encompass at least one year but no more than three years, has to include a professional development strategy and describe the additional hardware, software and services needed to take advantage of the telecommunications and Internet services. The plan must also state that the school or district has secured funds to pay for its portion of the project.

Applicants must develop a draft of the plan before filing Form 470. And once funding is approved, schools or districts must have their plans approved by their state education agency or other USAC-certified body before they can purchase services and products.

2. OPEN A COMPETITIVE BID PROCESS. File Form 470 to start the competitive bid process. Applicants must describe the specific services and technologies they seek. Once filed, applicants can solicit bids.

3. THE 28-DAY WAITING PERIOD. After filing Form 470, schools must wait 28 days before reviewing bids. Schools must select the most “cost-effective” providers. Price must be the primary factor, but the FCC allows schools to take into account other factors, including past performance and personnel qualifications.

4. SIGNING CONTRACTS AND FORM 471. After schools select their service providers and vendors, they must have signed contracts before submitting Form 471. Form 471 must include documentation that details the cost and specific products and services you want to purchase and where they will be deployed. Documentation can include copies of contracts or quotes from vendors.

5. THE APPLICATION REVIEW. E-Rate applications are reviewed by a process called Program Integrity Assurance (PIA). If the PIA raises questions or finds problems, such as missing documentation, schools must respond within 15 days.

6. RECEIVE YOUR FUNDING DECISION. Once applications are reviewed, the SLD will issue a Funding Commitment Decision Letter. If the project is approved, schools must submit Form 486 before SLD makes payments. With Form 486, schools must confirm the start date of services,

that the tech plan was approved and that the school complies with the Child Internet Protection Act (CIPA), which requires a public hearing, Internet filtering software and an Internet safety policy.

Best Practices

While the E-Rate application process is tedious, it's not impossible. Of the more than 40,000 applicants last year, 92 percent received funding. This means only 8 percent were denied, says Mel Blackwell, vice president of USAC's SLD.

"Most applicants go right through the process and get funded without any problems," he says. "It's about following the rules, meeting the deadlines and not making careless errors."

In recent years, the SLD has become more applicant friendly. In the past, if the PIA discovered ineligible items or missing information, it was an automatic denial. Now, the PIA allows applicants the opportunity to fix problems. This has reduced the denial rate from 15 percent to the current 8 percent, Blackwell says.

Here are some best practice tips to improve your chances of success.

1. Start early and file early. The biggest mistake applicants make is that many wait until the last day to submit their applications. Rushing at the last minute can result in mistakes, says DeLilah Collins, Colorado Department of Education's E-Rate coordinator. It's better to start early to give yourself time to review forms and make sure everything is correct. In addition, schools that apply first get reviewed first, so they get funded more quickly, she says.

2. File separate Form 471s. If a district is requesting Priority 1 and Priority 2 funding, separate them out into different Form 471s, Blackwell says. That's because the PIA reviews Priority 1 applications first. The first wave of funding is typically announced in mid-April.

If you request Priority 1 and Priority 2 funding on the same Form 471, your Priority 1 funding is held up until the PIA begins reviewing Priority 2 applications, which is typically in July or August, he says.

3. Stay organized. Because you are often juggling several years of E-Rate funding at once, keep track of your documentation by placing each funding year into a separate binder. "In an audit, they want to see specific documents, and you have to be ready to go," Collins says.

4. Encourage parents to fill out free and reduced lunch questionnaires. The extra effort can increase a school's discount rate. For example, if 35 to 49 percent of students qualify for free and reduced lunches, an urban school receives a 60 percent discount rate. But if 50 to 74 percent of students qualify, the school gets an 80 percent discount rate.

5. Take advantage of state coordinators and the USAC for advice. Some districts hire outside consultants, but there is free help available. State coordinators offer training and help with applications,

appeals and audits. The SLD offers free training and a website full of information.

Need-to-know Dates and Time Frames

The next funding year: The next eligible funding opportunity is fiscal year 2011, which runs July 1, 2010, through June 30, 2011.

The Form 470 time frame: This form must be turned in at least 28 days before filing Form 471. (SLD will announce when Form 470s can be filed for the next funding cycle — it's usually prior to the new fiscal year.)

The Form 471 time frame: This time frame usually runs early November to early February. (Exact dates will be posted on SLD's website.) Form 471 must be received or postmarked no later than 11:59 p.m. EST on the final day of the filing window.

The Form 486 time frame: This form must be received or postmarked within 120 days after the date of the Funding Commitment Decision Letter, or within 120 days after services have started, whichever is later. If delayed, some discounts could be jeopardized.

The appeals time frame: Appeals must be received or postmarked no later than 60 days after the date of the SLD decision letter.

Need-to-know Rules and Regulations

Keep all E-Rate documents. Schools must keep all documentation, including e-mails with service providers, for five years. The inability to produce documentation can result in penalties, including having to repay the E-Rate program.

Misuse of funds is not tolerated. To guard against misuse or waste of funds, E-Rate administrators closely review funding requests and hold selective reviews and audits. The program even has a whistleblower hotline where people can report alleged misdeeds. If rules are violated, E-Rate administrators can rescind funds, demand repayment and report you to law enforcement.

Do not favor service providers. Service providers cannot assist schools in developing a technology plan, filling out Form 470 or be involved in evaluating bids. RFPs must be competitive and cannot be structured to favor one service provider.

The nondiscounted portion of the bill must be paid. Service providers are not allowed to waive the nondiscounted portion of the bill. If an applicant has not paid its portion within 90 days of service or product delivery, it will be in violation of the rule that requires applicants to pay their share of the cost.

Eligibility Guidelines

Besides public and private K-12 schools (and public libraries), some Head Start, Juvenile Justice, adult education and educational service agencies

are eligible for E-Rate discounts in states that define them as part of elementary and secondary education.

The following is a list that specifies which services and products are eligible and ineligible for E-Rate discounts.

Telecommunications services that *are* eligible include:

- Basic and long-distance telephone service, cell phone service
- Wide area network services, including fiber optics

Telecommunications services that *are not* allowed include:

- Services that provide broadcast content or cable television
- Internet2 membership dues

Internet services that *are* eligible include:

- Internet access, such as T1 lines
- E-mail service
- Web hosting

Internet services that *are not* allowed include:

- Charges to access Internet content
- Charges for distance learning or video conferencing utilities, such as web meetings and online collaboration solutions
- Software and services used to create or edit Internet content
- Training to use the Internet

Internal connections that *are* eligible include:

- Cabling
- Networking and Voice over IP equipment
- Data protection devices, such as firewalls, proxy servers, virtual private networks and uninterruptible power supply (UPS) systems
- Servers for dynamic host configuration, domain name, e-mail and firewalls
- Some video conferencing equipment, such as CODEC devices, PVBX and multipoint control units

Internal connections that *are not* allowed include:

- End-user equipment, such as computers and printers
- End-user software, including security software
- Video monitors, video cameras and televisions

Eligible basic maintenance services include the repair and upkeep of eligible hardware, wire and cable maintenance, and basic tech support.

Ineligible maintenance services include onsite tech support and 24-hour network monitoring.

For a full and updated eligibility list, go to: www.universalservice.org/sl/tools/eligible-services-list.aspx

Resources

To learn more about E-Rate, here are some resources available over the web:

- Schools and Library Division (SLD) of the Universal Services Administrative Company (USAC) website: www.usac.org/sl/
- SLD's training page, which includes video tutorials and listings of upcoming training programs: www.universalservice.org/sl/about/outreach-training.aspx
- A list of E-Rate state coordinators (from E-RateCentral.com, a consulting firm that provides E-Rate news and information): www.e-ratecentral.com/us/stateCoord.asp

University of Chicago Charter School Benefits from E-Rate

E-Rate funding has helped the University of Chicago Charter School build the technology infrastructure at its four public school campuses, says James Butler, IT manager for UCCS.

The charter school, managed by the University of Chicago Urban Education Institute, has taken advantage of E-Rate for the past five years, using the funding to build a big portion of its network infrastructure, including switches, Wi-Fi equipment and a fiber network that connects its four schools together. Every year, E-Rate discounts the cost for phone and high-speed Internet access and basic network maintenance.

With a 90 percent discount rate, the charter school has purchased about \$900,000 worth of services and equipment for only \$90,000 out of its own pocket.

"It's helped us out tremendously. The last few years we've been able to bring high-speed wired and wireless access to our schools," Butler says. "With our one-to-one computing program, students in sixth grade and higher get laptops. Having a robust network allows them to access high-bandwidth applications like online video."

This fiscal year he hopes to use new E-Rate funding to purchase virtual private networks, which will provide staff with direct access to secured network services. He also hopes to update servers and complete network upgrades at one campus.

The charter school has hired an E-Rate consultant to help with the application process. But Butler is still very hands on. He touches base regularly with school leaders to discuss future technology needs and updates the technology plan yearly. He negotiates contracts with service providers and vendors. He reviews and submits E-Rate funding requests and handles subsequent selective and Program Integrity Assurance reviews.

"The amount of paperwork and attention to detail required is extraordinary," he says. "It's a year-round process that never ends. But it's definitely worth it because we only have to pay 10 cents for every dollar of equipment."