

E-Rate for K-12

Information and guidance on the discount program that can help give your district or school a technology boost

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Executive Summary

Does your district or school need telecommunications and Internet services, or need to purchase, upgrade or maintain technology equipment? It's never too early to start thinking about saving money on technology through E-Rate discounts for the coming year.

As it has done annually since 1998, the Federal Communications Commission will offer \$2.25 billion in discounts on telecommunications and Internet services through E-Rate, otherwise known as the Schools and Libraries Universal Service Support Mechanism. Most schools are eligible and can qualify for savings that amount to tens of thousands of dollars, and sometimes even hundreds of thousands of dollars.

This white paper will provide administrators with tips and best practices about applying for E-Rate discounts and getting their applications approved.

E-Rate: The Big Picture

The E-Rate program was created in 1997 when the FCC adopted the Universal Service Order, implementing the library and school discounts established in the Telecommunications Act of 1996. E-Rate was set up to ensure that libraries and schools have affordable access to modern telecommunications and Internet services.

The program's mission is connectivity, not content, and the list of eligible services closely parses that distinction. About 95 percent of the E-Rate funding goes to schools and the remaining 5 percent goes to libraries, says Robert Bocher, a technology consultant with the Wisconsin Department of Public Instruction (WDPI), who provides E-Rate application advice to both public libraries and schools.

E-Rate provides discounts ranging from 20 to 90 percent of the cost of eligible services, depending on the economic need and location of the applicant. Discount levels are based on the percentage of students eligible for the National School Lunch Program at the local school district and whether the library applying is rural or urban, as designated by the federal Office of Management and Budget.

Eligible services generally fall into one of four categories:

- Telecommunications, such as basic phone service;
- Internet access, including e-mail;
- Internal connections, such as telecommunications wiring or network servers and routers;
- Basic maintenance of internal connections.

Basic telecommunications service and Internet access are designated Priority One for the program, and applications for those discounts are considered first, according to Mel Blackwell, vice president of the Schools and Libraries Division (SLD) of the Universal Service Administration Company (USAC), which administers the E-Rate program for the FCC.

Funds remaining after successful Priority One requests have been awarded are then available for distribution among Priority Two applicants, who request support for internal infrastructure to make use of the basic connectivity.

Priority Two requests (which include technology equipment and any infrastructure within a building, such as wiring) can only be funded two years out of any five-year period. Basic maintenance, which is also considered Priority Two, can be funded every year, says Mark Miller, president of the Miller Institute for Learning with Technology (MILT).

End-user equipment (telephones and computers, for example), as well as most software and professional services, are not eligible for E-Rate discounts. In order to receive the savings on eligible services, districts and schools must show that they have in place (or have budgeted) their share for eligible services as well as the equipment, software and services included in their technology plans to make use of the connectivity supported by E-Rate.

The FCC posts a revised, detailed list of eligible services each autumn before the filing period begins. The best practice is for applicants to avoid including ineligible items in their requests, says Gary Rawson, E-Rate coordinator for the Mississippi Department of Information Technology Services (MDITS) and chairperson of the State E-Rate Coordinators Alliance.

"An ineligible item in a request certainly delays the approval process," he says. "You don't want to give the appearance of trying to manipulate or abuse the program. You want to avoid that 'flag' being raised about you or your process, which will result in additional reviews, all of which adds additional hassles and delays."

Ineligible for Discounts

One way to better understand how E-Rate works is to review some of the products and services that are not eligible for discounts, such as the examples below from the previous funding year.

1. TELECOMMUNICATIONS

- 900/976 charges
- Dark fiber service

2. INTERNET ACCESS

- Internet content (excluding e-mail, which is eligible)
- Training in the use of the Internet
- Internet2 content or charges
- Cost for training provided via the Internet
- Software, services or systems used to create or edit Internet content
- Online collaboration tools
- Distance learning or video-conferencing software or content services
- In a web-hosting situation, software applications, end-user file storage and content-editing features

3. INTERNAL CONNECTIONS

- Computer workstations, notebook computers
- Telephones
- Fax machines
- Printers
- All end-user software
- Application software other than e-mail
- Development software
- Operating system software for end-user computers
- Security software

4. BASIC MAINTENANCE OF INTERNAL CONNECTIONS

- Onsite technical support
- Help desks that provide comprehensive support beyond basic connectivity maintenance

5. MISCELLANEOUS

- Interest or finance charges
- Late payment fees
- Performance bonds

For an updated and complete eligible services list for the current 2010 funding year, visit: www.universalservice.org/sl/tools/eligible-services-list.aspx

Getting Started

In order to secure the discounts for the funding year starting in July 2009*, schools must submit an application between mid-November and early February (exact dates to be announced) to USAC's SLD. The time to begin preparing the application is now, say veterans of the process.

"While the application process opens up in October or November and there's a two- to three-month window to put in an application, E-Rate is almost a year-round, 12-month process," says WDPI's Bocher. Dread of the E-Rate process (as well as other administrative duties) can prevent some school administrators from getting started, adds MDITS's Rawson.

But for those willing to push through the complex application process, the E-Rate discounts are well worth the effort — and they don't have to do it alone. State E-Rate coordinators are available to walk them through the process. "We can sit with them, visit with them and offer training sessions and workshops," Rawson says.

Five Key Requirements to Avoid Process Pitfalls

Applying for E-Rate discounts is a multistep process in which sequence, deadlines and documentation are all crucial. Listed below are five key points in the process that require particular attention.

1. TECHNOLOGY PLAN. The plan must exist in at least a draft form before Form 470 is filed (except for applications limited to basic phone service), and it must be approved by the applicant's state or another certified approving body before discounts can take effect. Developing the plan should be any applicant's first step in the E-Rate process, and the services for which discounts are requested should grow out of the plan.

Service providers should never be involved in creating the technology plan, MILT's Miller says. And when schools use a consultant, in-house staff must still be deeply involved in creating the technology plan to ensure that it meets their specific needs.

2. FCC FORM 470. Filing this Description of Services Requested and Certification form is intended to trigger a competitive bidding process. It is illegal for service providers to be involved in the submission of Form 470, and evidence of involvement will lead to a denial of the application, Miller says.

3. 28-DAY WAITING PERIOD. After filing Form 470, applicants are required to solicit and compare competitive bids for the services requested before they can contract with a provider and then submit Form 471, the Services Ordered and Certification form.

Inattentive applicants sometimes file Form 470 too late to allow time for the waiting period and the completion of a contract before the filing deadline for Form 471, Bocher says. Keeping a close watch on the SLD website (where deadlines are posted as they are set in the fall) and on your calendar are the only ways to avoid this dilemma.

4. CONTRACTS AND FORM 471. After applicants have selected their service providers, they must have completed and signed contracts in place before they submit Form 471. Unfortunately, a decision on E-Rate discounts is weeks or months away at this point in the process. Besides the need for applicants to have budgeted their share of the costs of the services they request, contracts with providers should include contingencies in case the E-Rate discounts are denied, Miller says.

E-Rate Provides Foundation in Newark

E-Rate discounts have helped build the technology foundation for Newark Public Schools, says district CIO Paul Mailloux. He keeps a close watch on the process that creates those savings.

"The district has received more than \$60 million over the life of the program," Mailloux says. "I do the entire application, and I've been doing it since day one of E-Rate. It's that important."

The New Jersey city's school system serves 42,000 students in 76 buildings, so other administrators help gather the data and encourage students to apply for the federal school lunch subsidies on which E-Rate discount levels are based. On average, Newark Public Schools has qualified for E-Rate discounts of 86 percent.

In 2006, Newark received \$3.6 million in Priority One funding for basic telecommunications and Internet services, but didn't get the \$600,000 in Priority Two funding for which it applied that year. In the early years of the E-Rate program, Newark did even better, receiving between \$5.1 million and \$11.2 million in discounts, much of which was applied to Priority Two purchases for essential internal connections.

"At that point, the district was laying down the wiring. Those were the years we were building our infrastructure," Mailloux says. "E-Rate provided the servers, the routers and the switches of our network, and now it means that the district can afford the services that go over the network."

*E-Rate funding years run from July 1 to June 30. Funding year 2010 began July 1, 2009, and ends June 30, 2010.

5. PROGRAM INTEGRITY ASSURANCE. The SLD's diligent PIA unit reviews every application and will respond to the applicant with issues ranging from typos to serious contract problems. The only way to deal with PIA inquiries is promptly — within 15 days — and with plenty of documentation.

"If PIA doesn't understand something they will call you, and you will have to explain, whether it's via e-mail, phone, fax or a combination," MDITS's Rawson says.

Reasons for Denial

Of the 39,000 E-Rate applications received by the SLD for the 2006 funding year, 32 percent were denied. The most common reasons for those denials were insufficient documentation, incomplete contracts and requests for ineligible products or services, USAC's Blackwell says.

The FCC is working to increase the number of successful E-Rate applications by loosening rules for correcting in-process applications, he notes.

"We're trying to allow corrections on the front end of the process when applicants make honest mistakes," Blackwell adds. "It's better for the applicants and it's better for us as the administrators of the program."

Steps to Success

Applying for E-Rate discounts is not a simple process, but veterans of the program have advice to help districts and schools successfully negotiate it.

1. START NOW. Waiting until the application window opens (to begin your application process) surely means added stress and can lead to failure, MDITS's Rawson says. "Understand eligible services. Find out about procurement. Learn about the forms and the steps of the process. Attend the training sessions available to you. Talk to your state coordinator. Talk to other people. Hear their horror and success stories. Then you'll be ready when the window opens," he says.

2. BUILD EXPERTISE AND INSTITUTIONAL MEMORY INTO THE APPLICATION PROCESS. Schools have found that the E-Rate application process goes most smoothly when one person takes responsibility for it. But it's a good idea to have two people go through training and become savvy for quality assurance, and also because the second person can back up the first person, MILT's Miller says.

"One person should drive it, but it's a good idea to have a second person to double check the application and sign off on it," he continues. And if the first person ever leaves for another job, the second person is well-versed enough to take over the process.

3. DOCUMENT EVERYTHING. Besides assembling substantiating documents related to the initial application, document every interaction with the SLD, and get a return receipt on any correspondence with the agency, Miller says. In addition, all documents, including such items as losing bids, must be retained for five years after the service ends.

That's because audits can happen at any time. Districts and schools must demonstrate that they followed their tech plan and that they followed all local, state and E-Rate procurement rules, Rawson says. "Auditors may come to visit two-to-three years after funding has been granted, services delivered and funds expended," he adds.

4. USE STATE COORDINATORS AND USAC AS RESOURCES. Individual states and USAC have E-Rate training programs every year. States with active state coordinators such as Wisconsin, Minnesota and Mississippi provide the support that leads to very high application rates and very low denial rates.

In addition to being the location where E-Rate deadlines and eligible services lists are posted, the USAC website, www.usac.org/sl, is crammed with information about the program and how to apply. All the forms for the E-Rate application come with line-by-line instructions, and the agency is ready to answer any questions.

Significant Savings for Waunakee

With less than 10 percent of its approximately 3,500 students eligible for the National School Lunch Program, the Waunakee Community School District receives a relatively modest 40 percent discount on its basic telecommunications and Internet costs through the E-Rate program — about \$55,000 savings in the last funding cycle.

It's part of Assistant Director of Instruction Tim Schell's job to negotiate the application and review the process that secures the discounts for this suburban district just north of Madison, Wis. And though he still devotes significant blocks of time to E-Rate at crucial points in the application schedule, the process is getting easier.

"The rewards are there and they're certainly worth the effort required," says Schell, noting that the E-Rate savings are just about equal to a salary for a teacher. "School systems can't afford to pass up this kind of savings."