

E-Rate Primer

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Introduction

On-Tech is a technology consulting firm focused on managing the E-Rate process for schools and libraries. We provide a full range of E-Rate services for applicants, including: handling the entire application process; consulting on construction projects to ensure maximum E-Rate funding; and reviewing proposals to ensure E-Rate compliance. In addition, On-Tech obtains E-Rate funding for school construction projects.

On-Tech is not associated with any service provider.

Dan Riordan has been involved with the E-Rate since 1997, when he was trained by the New Jersey Department of Education to offer assistance to districts in completing the application. Since then, he has worked on the E-Rate as a trainer, a district technology coordinator, and now a consultant.

E-Rate Overview

The Universal Service Fund was created by the Telecommunications Act of 1996, and began distributing funding in 1998. Telecommunications carriers pay into a fund, \$2.25 billion, which is then used to subsidize telecommunications and data communications for districts. The program has provided almost \$13 billion to schools and libraries since 1998.

Subsidies (called “discounts”) are a percentage of a district’s expenditures on telecommunications and Internet access. So your funding depends on two things: 1) how much you spend, and 2) what your discount level is.

Calculating Your Discount

The level of discount ranges from 20% to 90%, and is based on the percentage of total enrollment which is “low-income.” Low-income is defined as a student whose family’s income is 185% of the poverty level or less. The easiest way for a district to determine their discount is to calculate the percentage of students eligible for the National School Lunch Program. Find where the percentage fits in the left-hand column, and find the discount.

NSLP free or reduced	Discount	Percentage of schools in NJ
Less than 1%	20%	9.2%
1% to 19.5%	40%	45.6%
19.5% to 34.5%	50%	12.4%
34.5% to 49.5%	60%	8.8%
49.5% to 74.5%	80%	10.3%
Over 74.5%	90%	13.7%

The last column in this chart shows what percentage of schools in New Jersey are at each discount level, based on NJDOE data from October 2001.

Calculating your discount if you have more than one school

If your district has more than one school, you can file separate applications for each school, or file one application for the whole district. If you file for the district, you must use a weighted average to determine your district's discount. If you file the Form 471 online, these calculations are done automatically.

For a quick idea of your district's discount level, see the NJDOE Web site in the Resources section of this handout. This tool also shows you how weighted averages are calculated. Note, however, that we have in some cases been able to get better discounts for our clients.

What Services are Eligible?

The program is intended to reduce the cost of voice, video and data transmission for schools and libraries. The complete list of eligible services is available on the SLD Web site (see Resources below). Almost all telephone services (local service, toll calls and long distance), Internet access, and digital lines (ISDN, T-1, frame relay, ATM) are eligible. For some districts, networking equipment is also eligible.

Priority 1 vs. Priority 2

There has been some confusion about whether districts with a lower discount can expect funding. In order to ensure that all districts receive some money, eligible services were broken into two categories: Priority 1 and Priority 2. Priority 1 includes all telecommunications services (phone lines, long distance, leased lines, etc.) and Internet access. Priority 2 included "internal connections," which includes items like Web servers, network cabling, and PBXes. More detailed information is available on the SLD Web site.

If the demand for funding is greater than the available funds — as it always is — first all Priority 1 requests will be funded. This means that every district, even those with no students receiving free or reduced lunches, will receive a discount on telephone service, Internet access and any digital lines (T-1, ATM, ISDN, frame relay) between locations. After Priority 1 requests have been funded, the remaining funds are used for Priority 2 requests, starting with the neediest districts. Over the last 4 years of the program, districts with a 90% discount have always received Priority 2 funding, while districts with a discount of 80% or less have never received Priority 2 funding. The FCC has been taking steps to distribute Priority 2 funding more equitably, so it seems likely that for 2005-2006, Priority 2 funding will be available to more districts.

Common Misconceptions

Only low-income districts receive funding.

Many districts are confused about this. The fact is that in every year of the E-Rate program, for telecommunications and Internet-access funding, **every district that has applied properly has received the full amount** for which it was eligible. Only funding for "internal connections" has been unavailable to some districts. See the *Priority 1 vs. Priority 2* section of this handout.

Our district is too small to bother with the E-Rate.

Any district can benefit from the E-Rate. As an example, with a discount of 40%, if you pay \$20 per month for each of your phone lines, you will receive \$96 per year on each phone line your district uses. If you pay \$800 per month for your T-1 Internet connection, with a 40% discount you will receive \$3,840 per year.

The paperwork is overwhelming.

The administrative burden to complete the application is considerable. If the burden of learning the rules and filling out all the forms is too much, consider hiring an E-Rate consultant to handle your application.

We use the Access NJ, so we're not eligible for E-Rate discounts.

This rule has changed. You can now receive E-Rate discounts in addition to Access NJ discounts. By the way, if you have never heard of Access NJ, look into this Verizon program.

Without a Web filter, our district is not eligible.

The Children's Internet Protection Act (CIPA) restricts federal funding for districts which do not have a filter to protect students from inappropriate Web sites. Compliance with CIPA is **not required** for E-Rate funding for Telecommunications Services. Compliance is required to receive funding for Internet Access or Internal Connections.

The E-Rate program will cease to exist.

This rumor has existed since year one, and in past years there have been attempts in Congress to kill the program, but none have come close to succeeding. Currently, congressional action is focused on reforming the program rather than ending it.

Application Process

Schools, districts and libraries must apply for the funding. The application process includes at least three separate forms, and begins 10 months before the start of the school year. Once funding is approved, districts can choose to receive the funding as a discount on bills, or pay the full amounts, then receive reimbursement.

The Forms

Before we dive into the forms, here is a brief introduction to the forms you will have to fill out, so that you can see what kind of workload you are facing in order to apply for E-Rate funding.

Technology Plan

OK, it's not really a form, but it is the necessary first step. If you plan to request anything beyond basic telephone service, you will need to have a technology plan of some sort. We will talk about technology plans later.

Form 470: Request for Bids

The form that starts it all. The purpose of the Form 470 is to provide an opportunity for service providers to see what services you will be requesting E-Rate funding for, so that competition will bring you lower prices. It fails utterly in that purpose, but you still have to fill it out. It's not a difficult form, since it usually just describes the service you are already receiving. There is no deadline for this form, but it must be submitted at least 28 days before the Form 471. File it as soon as you can. File it online.

Form 471: Description of Contract

This is the most difficult part of the process. The Form 471 reminds me of a tax form: there aren't that many blanks to fill in, but it takes time to collect the information needed to fill in each blank, and if you make a small mistake, it can cost you a lot of money. The deadline for this form varies from year to year, but will probably be in early February. File this form online.

Form 486: Start of Service

This is the simplest form, but it often forgotten. All the information you need for this form is on the Funding Commitment Decision Letter. This form should generally be filed within 120 days of July 1st. File this form online.

Form 472 (BEAR): Request for Reimbursement

You can avoid this form by having your service provider discount bills. On-Tech recommends avoiding the BEAR for most applicants; make the service provider do the work. This form requires that you collect bills and exchange faxes with your service provider, so it does take some time, but it is fairly straightforward. This form must be filed by October 28, 2004, and cannot be filed online.

The Timeline

July 2004	SLD began accepting Form 470.
Early November 2004	The “80-day window” for submitting the Form 471 opens. The exact date has not yet been set. The 471 must be filed at least 28 days after the 470 is filed.
Early January 2005	Form 470 must be completed 28 days before the close of the “80-day window.” Note, however, that if you wait until the last possible day, you will have to complete any necessary contracts, complete and file the 471 all in one day.
Early February 2005	The deadline for the Form 471 has been in the first week in February for the last two years.
April – June 30, 2005	Funding commitment decision received. (80% of districts should receive funding commitments before June 30.)
July 1, 2005	File Form 486 (within 120 days). Discounted services begin.
October 2005	File first BEAR Form for reimbursement. (Note that this step and all the following steps are only required if you opt to use the BEAR form rather than receiving discounted bills.)
December 2005	Receive first set of reimbursement checks.
January 2006	File second BEAR Form for reimbursement (if necessary).
March 2006	Receive second set of reimbursement checks.
April 2006	File third BEAR Form for reimbursement (if necessary)..
June 2006	Receive third set of reimbursement checks.
July 2006	File fourth BEAR Form for reimbursement (if necessary)..
September 2006	Receive fourth set of reimbursement checks.

More Resources

On-Tech

www.on-tech.com/erate

This handout and other E-Rate information and links are available at our Web site.

If you have specific questions, contact us.

Email: info@on-tech.com

Phone: 732-530-5435

Schools & Libraries Division (SLD)

www.sl.universalservice.org

This Web site is a wealth of information, and the information is official.

E-Rate Central

www.eratecentral.com

This Web site is less official than the SLD site above, but is more user-friendly.

NJDOE

General E-Rate Information: www.nj.gov/njded/techno/teleact/index.html

Find your school's discount: www.nj.gov/njded/techno/teleact/discount.htm