

# **E-Rate Funding for Emerging Technology**

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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.

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## The Eligibility Matrix

In order to be eligible for funding, a service or piece of equipment must meet three eligibility criteria: 1) a service or equipment type eligible for funding, 2) used by an eligible user, 3) at an eligible location, 4) for an eligible purpose.

### Eligible Service or Equipment

In order to be approved, a funding request must be only for services and equipment that have been deemed eligible by the FCC. We will focus on this area of eligibility, as it is the most difficult for applicants.

### Eligible Users

In order to be approved for funding, the service or equipment must be used by eligible users. For schools, eligible users are students and school employees. For libraries, eligible users are library patrons and staff. So, for example, a computer lab set up by a school to allow Internet access to the community after school hours would not be eligible for E-Rate funding.

### Eligible Locations

In general, only services and equipment used within school or library locations are eligible for E-Rate funding. The FCC has recently expanded eligibility to include cell phones used by staff while on field trips or school buses. For digital lines or other dedicated links from a school building, only those to another eligible location are eligible for funding. For remote access, only access from eligible locations is eligible.

For buildings that do not have classrooms, only some services are eligible for funding. See the USAC Web page on “Non-Instructional Facilities.”

### Educational Purposes

In order to be eligible, services or equipment must have educational purposes. Activities that are integral, immediate, and proximate to the education of students qualify as “educational purposes.” Activities that occur on library or school property are presumed to be integral, immediate, and proximate to the education of students or the provision of library services to library patrons

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## Eligible Services List

The Eligible Services List (ESL) is a good place to start in determining whether a technology is eligible. The ESL provides specific guidance on the eligibility of services and equipment. The list evolves each year, and is getting more specific and less contradictory every year. Each summer, the list is published for comment, reviewed by the FCC and finally published in the fall.

The latest final Eligible Services List is available at:  
[www.sl.universalservice.org/reference/eligible.asp](http://www.sl.universalservice.org/reference/eligible.asp)

FCC and finally published in the fall.

## ***Beyond the Eligible Services List***

There are several areas of the Eligible Services List which can be used to make eligible projects which might otherwise not be eligible.

### **On-Premise Priority One Equipment**

This loophole continues to tighten, but as it now stands, if you purchase a service, and the service provider installs equipment on your site and charges you the cost of that equipment, but retains ownership of the equipment, it can be eligible as part of a Priority 1 service. The most common use of this provision is to provide Internet routers. Your ISP can supply the router that connects your LAN to the Internet. Note that in both cases, your ISP must also provide the circuit from your location to their location. That is, their service must extend uninterrupted to your premises. If the digital line between you and your ISP is billed by a separate telecommunications provider, your ISP can not install on-premise Priority One Equipment.

Be sure to read and fully understand the SLD web document “On-premise Priority 1 Equipment” before you try this. Every year a few service providers think they have come up with a new way to exploit this rule. Generally their exploits fail. Note that PBXes are specifically excluded.

### **Wide Area Networks**

If you plan to create a wide area network, use an “eligible telecommunications provider.” You cannot own the fiber optic cable connecting your locations, but you can lease it from an “eligible telecommunications provider.” To learn if a service provider is an “eligible telecommunications provider,” go to [www.sl.universalservice.org/Forms/SPIN\\_Contact\\_Search.asp](http://www.sl.universalservice.org/Forms/SPIN_Contact_Search.asp) and find the service provider. The search results have a column showing if the company is an eligible telecommunications provider.

There are many other guidelines to learn when trying to fund a WAN. See those guidelines at: [www.sl.universalservice.org/reference/wan.asp](http://www.sl.universalservice.org/reference/wan.asp)

### **Ancillary Use versus Cost Allocation**

If you have a device or service that includes both eligible and ineligible components, it is fully ineligible unless: 1) you can remove the cost of the ineligible components through “cost allocation” or 2) the ineligible components meet the criteria for “ancillary use.” Here are three examples.

- 1) A PBX with 100 phone sets. The PBX is eligible for discount, the phone sets are not. In this case, when you request bids, require vendors to separately identify the cost of the phones. Then apply for funding based only on the cost of the PBX.
- 2) Microsoft ISA Server is a caching firewall. Firewalls are eligible, caching devices are not. In this case, it is not possible to separately identify the cost of the ineligible component, since it cannot be sold separately. The server is eligible only if you can show that the caching is “ancillary.” Read the rules for “Ancillary Use,” which are part of the Eligible Services List.
- 3) Paging equipment is not eligible for E-Rate funding, but paging is a standard feature of many PBXes. As long as your RFP for a PBX does not specify a requirement for paging, the PBX would be fully eligible. Read the rules for “Ancillary Use,” which are part of the Eligible Services List.

**Maintenance**

Maintenance of eligible equipment is eligible for Priority Two funding. If you have a technician come in to maintain or repair an eligible piece of equipment, her/his services are eligible for discount. For most clients, we set up a contract based on an hourly rate and an estimated number of hours.

Note, however, that all invoices under such agreements must make clear that the service was performed only on eligible equipment. So if the same company provides support to both PCs and the network, or to both phone sets and the PBX, only invoices on the network or PBX are eligible for funding. Invoices should make clear which equipment was serviced.

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**Eligible Services Overview**

The program is intended to reduce the cost of voice, video and data communications for schools and libraries. As a general rule, 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 districts with a high percentage of low-income students, equipment necessary to transmit voice, video and data is also eligible.

The Eligible Services Framework is available at:  
[www.sl.universalservice.org/reference/eligserv\\_framework.asp](http://www.sl.universalservice.org/reference/eligserv_framework.asp)

Here are a few concepts to keep in mind when trying to decide if something is eligible.

**Transport is Eligible, Creation and Storage are not**

Anything necessary to transport data, voice or video to instructional areas is eligible. This includes, for example, cabling, switches, routers, PBXes, video modulators, Web hosting and Internet access. Devices required to create or store information are not eligible. Examples of ineligible equipment and services include PCs, video cameras, file servers, VCRs, content caching and Web page creation. Two exceptions are equipment necessary to store email and voicemail.

**If It Crosses the Street, You Can't Own It**

Any link that stays within an applicant's "campus," like a wireless bridge between two buildings on a single piece of property, is eligible for funding as an Internal Connection. However, a wireless bridge which connects two buildings on opposite sides of the street is no longer eligible as an Internal Connection. If you could find an "eligible telecommunications provider" to lease that wireless link to you, it might be eligible as a Priority One service. See the Wide Area Networks section on page 4 for more information.

**Web Filtering Is Required, but Not Eligible**

If your district does not filter Web content, you can receive funding only for basic telephone service. However, Web filters have been deemed not necessary to transport information, and so are not eligible for discount.

**End-User Equipment and End-User Training Are Required, but Not Eligible**

Equipment and training for end users are ineligible. However, you must certify that you have enough end user training and equipment to make use of the services and equipment for which

you are requesting funding. For example, if you want funding for an email server, you must be able to show that your users have been trained in using email, and that they have access to a PC with the software necessary to check their email. The training and PCs are not eligible for E-Rate funding.

### **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 are funded. This means that every district, even those with no low-income students, receive discounts 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. In the past, districts with a 90% discount have always received Priority 2 funding, while districts with a discount of 80% or less generally have not received Priority 2 funding. The FCC has been taking steps to distribute Priority 2 funding more equitably, so it is possible that Priority 2 funding will be available to more districts in the future.

## **More Resources**

### **On-Tech**

[www.on-tech.com/erate](http://www.on-tech.com/erate)

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

[e-rate.blogspot.com](http://e-rate.blogspot.com)

A less formal look at the E-Rate.

If you have specific questions, contact us.

Email: [info@on-tech.com](mailto:info@on-tech.com)

Phone: 732-530-5435

### **Schools & Libraries Division (SLD)**

[www.sl.universalservice.org](http://www.sl.universalservice.org)

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

<http://www.sl.universalservice.org/reference/eligible.asp>

The current approved Eligible Services List is available as a PDF or through a searchable interface.

### **E-Rate Central**

[www.eratecentral.com](http://www.eratecentral.com)

This Web site is less official than the SLD site above, but is more user-friendly. The New York State Department of Education contracts with E-Rate Central to provide information and assistance to New York public schools.