On-Tech

E-Rate Funding—Guaranteed

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Maximizing Your E-Rate Funding

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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.

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.

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 correctly has received the full amount** for which it was eligible. Only funding for "internal connections" has been unavailable to some districts. See the *Priority One vs. Priority Two* 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 you 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.

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 there have been attempts in Congress to kill the program, but none have succeeded. Currently, the E-Rate has powerful enemies, but congressional action is focused on reforming the program rather than ending it.

Avoid Common Causes for Funding Denial / Reduction

Make sure your services are eligible.

The 30% rule has been softened recently, but is still a major cause of denials. This rule is a "gotcha" that most applicants find out about too late. The rule is: "If 30 percent or more of the request seeks discounts for ineligible services, the Administrator will deny the funding request in its entirety." So make sure *all* the services and equipment you are applying for are eligible. If you're not sure, put questionable items in a separate funding request.

For more information on eligibility, see the Eligible Services List at: www.sl.universalservice.org/ reference/eligible.asp

Note that the Eligible Services List changes a little every year. In general, the list is available each fall.

Be Ready to Show You Have the Resources to Use the Funding

The number of applicants denied for not being able to demonstrate that they have sufficient resources to support the funding is a surprise, especially since this information is not typically requested during PIA review. For most applicants, supplying a budget annotating sources of funding is enough. A quick scan through these denials shows many applicants meet the classic target profile for unscrupulous service providers, so it seems that PIA was using this rule to trip up cheaters.

Respond to Requests for Information Quickly

A significant number of FRNs were denied because the applicant did not supply information requested by PIA. Undoubtedly some of these applicants did not have the necessary documentation; others simply failed to respond to requests. The lesson here is: have your documentation ready, and send it to PIA when they ask for it.

Have a Contract before Submitting the Form 471

The lack of a contract disqualified a significant number of FRNs. Make sure you have a contract signed and dated by both parties before the Form 471 is filed.

Avoiding Application Pitfalls

Know the 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. Here are some dates for the 2010-2010 application cycle:

May 2009	SLD began accepting Form 470.
Early November 2009	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 2010	Form 470 must be completed 28 days before the close of the application 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 2010	The deadline for the Form 471 has been in the first week in February for the last two years.
April – June 30, 2010	Funding commitment decision received. (80% of districts should receive funding commitments before June 30, though this goal has not been reached in the last two years.)
July 1, 2010	File Form 486 (within 120 days). Discounted services begin.
October 2010- July 2011	File BEAR Forms for reimbursement or receive discounts. If filing BEARs, expect to wait 60 to 90 days to receive payment.

Get your technology plan written early

The 470 must be posted at least 28 days before a vendor is chosen, so there must be at least a 28-day delay between filing the Form 470 and filing the Form 471. File the Form 470 early, to give yourself flexibility in filing the Form 471.

Don't wait to file the Form 470

The 470 must be posted at least 28 days before a vendor is chosen, so there must be at least a 28-day delay between filing the Form 470 and filing the Form 471. File the Form 470 early, to give yourself flexibility in filing the Form 471.

Put the Form 486 on your calendar

If you don't file the Form 486 by October 29 for services that started on July 1, you will begin slowly losing funding. Make sure to give yourself a reminder to file the Form 486 in July.

Put the Form 472 on your calendar

You cannot file a Form 472 (BEAR) after October 28 for services that ended on June 30. Make sure to give yourself a reminder to file the Form 472 in August.

Get Help

If you are unsure about some aspect of your application, get it clarified before you file. Whenever possible, ask the SLD (see the "More Resources" section for contact information). Note, however, that if you are given incorrect information by an SLD employee, and you lose funding because that information was wrong, you may not be able to restore funding on appeal. If the SLD can't answer your question, try your State E-Rate Coordinator. If the coordinator can't answer your question, you may need to hire some help. Feel free to contact us at On-Tech with any questions.

File online

The Forms 470, 471 and 486 can be filed online. Several common errors are caught by the online application system as you complete the form, so the chance of losing funding due to clerical errors is reduced. In addition, you cannot fail the "minimum processing standards," which means that your application will be accepted. If you file on paper, there is a risk that your entire application will be rejected because you forgot to put a zero in one of the blanks.

A bonus for those who file the Form 470 online: the 28-day waiting period starts when online filers click the "Submit" button, while paper filers have to wait for the SLD to do data entry before the 28 days start.

Plan to complete the forms in several sittings.

Just as you wouldn't submit the first draft of a major report, don't try to complete and submit the forms in one sitting. Complete the form, then come back another day to review and submit it.

Have others review your Forms 470 and 471

Once you have completed the form, but before you submit it, have it reviewed by your technology and accounts payable personnel, to see that nothing has been left out, and that the amounts are correct.

Do the Item 21 Attachments before submitting the Form 471

At the heart of the Form 471 are the "Item 21 Attachments," which are detailed descriptions of the services requested and the costs. If you prepare these attachments before you file, you will be less likely to make mistakes on the Form 471.

Make your FRNs big

If you get several bills from the same vendor each month, consider combining them into one funding request. This will simplify your bookkeeping when you file the BEAR. More importantly, it makes the funding more flexible. If your costs decline on one bill, but increase on another, they will offset each other.

"When in doubt, break it out"

The exception to the previous rule is a service of uncertain eligibility. The "30% Rule" described on page Make sure your services are eligible.4 means that an ineligible service can cause funding for eligible services in the same request to be denied. One strategy to reduce the risk is to break that service out into its own FRN.

Your PIA Reviewer Is Your Friend

Almost every PIA reviewer I've worked with has been very helpful. Remember, her or his goal is the same as yours: to move your application out of review. Reviewers have a strange set of rules to follow, and they aren't supposed to tell you what all the rules are, but within the confines of those rules, they're generally very helpful.

Respond to Requests from the SLD

Look back at the reasons for denial: not responding to PIA requests is a frequent cause for denial. If you don't have the information at your fingertips, say so, and ask for an extension if necessary.

Beware Repetitive Requests from the SLD

If you send a piece of information, and your reviewer requests the same information again, the probable reason is that the answer you gave the first time was wrong or insufficient, and you're about to lose funding. Reviewers won't tell you if there is a problem with your application, but they will frequently request the information again, just to confirm. If a request seems repetitive, check your answer and check the rules again.

Competitive Bidding

The Form 470 is a request for bids. If a bid comes in, you must consider it. Price must be the primary factor, but doesn't have to be the only factor. So you could set up evaluation criteria like this:

Criterion	Weight	Score	Weighted Score
Price	30%		
Prior experience	25%		
Personnel qualifications	20%		
Management capability	15%		
Environmental objectives	10%		
Total			

Once you have scored the applicants, put the evaluation sheets in the file and keep them for five years.

If you receive no bids in response to a 470, write a memo to the file saying no bids were received.

Priority One versus Priority Two

There is not enough funding available to cover all requests, so the FCC developed a system for prioritizing requests. Priority One requests include all telecommunications and Internet access services. Priority One requests will be fully funded for *all* applicants who follow program rules. Priority Two requests include "internal connections" equipment and maintenance. Priority Two requests are funded on an "as available" basis, starting with the highest-discount applicants. Most applicants will not receive Priority Two funding, so applicants should keep Priority Two and Priority One funding requests in separate FRNs

The "2 in 5" Rule

The FCC has recognized that applicants with high discounts have been consuming Priority Two funding disproportionately. In order to "spread the wealth," the FCC has declared that, with the exception of maintenance, applicants can only apply for Priority Two funding twice in a five year period. Note that this rule is applied on a location-by-location basis.

"2 in 5" works out to once every three years. In order to maximize funding, applicants should plan to make all internal connections upgrades, replacements and enhancements only once every three years.

"Priority One On-Premise Equipment"

Districts whose discount is too low to receive Priority Two funding can receive funding for equipment under Priority One in limited circumstances. This loophole was created to allow ISPs to put routers in customer premises. The router must remain property of the ISP and be managed by the ISP, but the ISP can charge the applicant the cost of the router as a set-up fee. This loophole probably also would allow ISPs to install and manage firewalls. The installation of PBXes as Priority One equipment has been specifically ruled ineligible by the FCC.

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

In general, if you are purchasing a link that crosses a public right of way, whether with copper, fiber or wireless, it is not eligible for E-Rate funding. Links which cross the street can only be funded as a telecommunications service, which means the service provider must be eligible to deliver telecommunications service.

Wide Area Networks

Wide area networks are a source of much PIA review. If you plan to install a WAN, especially if you plan to lease fiber, find the rules and read them carefully before you prepare an RFP and file the Form 470.

Tips to Increase your Funding

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If you get several bills from the same vendor each month, consider combining them into one funding request. This will simplify your bookkeeping when you file the BEAR. More importantly, it makes the funding more flexible. If your costs decline on one bill, but increase on another, they will offset each other.

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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

Blog.on-tech.com

A less formal look at the E-Rate program. Includes narratives on going through a Selective Review and an Extended Outreach Site Visit.

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.