



**E-Rate Funding—Guaranteed**

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# **The E-Rate**

## **Should Libraries File?**

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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 libraries in completing the application. Since then, he has worked on the E-Rate as a trainer, a library technology coordinator, and now a consultant.

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## What is the E-Rate?

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

Subsidies (called “discounts”) are a percentage of a library’s expenditures on telecommunications and Internet access. The level of discount ranges from 20% to 90%, and is based on the percentage of low-income students.

<b>NSLP free or reduced</b>	<b>Urban Discount</b>	<b>Rural Discount</b>
Less than 1%	20%	25%
1% to 19.5%	40%	50%
19.5% to 34.5%	50%	60%
34.5% to 49.5%	60%	70%
49.5% to 74.5%	80%	80%
Over 74.5%	90%	90%

## Calculating your Discount Level

For libraries, the easiest way to calculate the discount is use data from the library in which the library is located. The library must determine the percentage of students eligible for the National School Lunch Program as a percentage of total enrollment for the library. Libraries can find district school lunch and enrollment figures on the Web at:

<http://www.nj.gov/njded/techno/teleact/discount.htm>

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## The Application Process

Schools, libraries 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 program year, which runs from July 1 to June 30. Once funding is approved, libraries can choose to receive the funding as a discount on bills, or pay the full amount of invoices, then receive reimbursement.

### **The Forms**

This is intended as 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 1<sup>st</sup>. 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 funding should be committed 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.

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## Eligible Services Overview

The program is intended to reduce the cost of voice 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 some libraries, equipment necessary to transmit voice, video and data is also eligible.

The Eligible Services Framework is available at:

[http://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 8 for more information.

### Web Filtering Is Required, but Not Eligible

If your library 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 is 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. If, for example, 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 libraries with a lower discount can expect funding. In order to ensure that all libraries 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 library, 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 libraries. In the past, libraries with a 90% discount have always received Priority 2 funding, while libraries with a discount of 80% or less have not 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 libraries.

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## Eligible Services List

The Eligible Services List is an attempt by the SLD to provide specific guidelines on the eligibility of services and equipment. The list evolves each year, and is getting more specific and less contradictory every year.

The latest final Eligible Services List is available at:  
<http://www.sl.universalservice.org/reference/eligible.asp>

Check the date on the list to see that it has the year 2004 on it. If not, you do not have the Eligible Services List for Program Year 2005-2006.

The Eligible Services List has generally been published in October, but the FCC created a new rule that a draft Eligible Services List must be posted for public comment, and a final version available 60 days before the start of the application cycle. The draft was published and the comment period is closed. Assuming that the application “window” will be similar to past years, we should see a final Eligible Services List in mid-September.

### **Clarifications**

A few areas of the Eligible Services List are misleading or confusing. The following comments may help clarify those areas.

#### **Voice over IP**

The list says that VoIP is ineligible. However, “voice over IP” means a service that uses the Internet to transport voice calls. Within a library, voice calls can be transported in any way. VoIP systems that replace PBXes are eligible, as long as outgoing calls go over telephone lines.

#### **Video Equipment**

Equipment and cabling necessary to transport video within or among eligible locations is eligible. Equipment and cabling for the transport of broadcast or cable TV is not. If you want to create a system that does both, make sure that any components which are used only for broadcast and cable TV are separate. See the section on Ancillary Use vs. Cost Allocation on page 8.

The list says that “head-end equipment” is ineligible. However, this is not really the case. The components that make up a head end are eligible. Just be sure the term “head end” does not appear in any documents. Instead use a term like “video distribution center.”

### **File server**

The list uses “file server” to refer to any server. So the list says that some “file servers” are eligible. In fact, a server which is used to store user files is not eligible.

### ***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. Be sure to read and fully understand the SLD web document “On-premise Priority 1 Equipment” before you try this, but here are some ideas for such equipment:

- Internet router: Have your ISP supply the router that connects your LAN to the Internet.
- Firewall: Have your ISP provide a “firewall service” by installing a firewall in your building.

### **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 buildings, but you can lease it from an “eligible telecommunications provider.” To learn if a service provider is an “eligible telecommunications provider,” go to [http://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: <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 the need 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 purchase order based on an hourly rate and an estimated number of hours.

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## **CIPA: the Children's Internet Protection Act**

The Children's Internet Protection Act (CIPA) applies to E-Rate funding. This section will clarify what a library's responsibilities under CIPA are, and what effect non-compliance will have on E-Rate funding.

### ***CIPA Requirements***

#### **Internet Safety Policy**

In order to comply with CIPA, libraries must create an "Internet Safety Policy." This policy must address prevention of access through the Internet, to obscene material and child pornography for all users, and, for minors, material harmful to minors.

The content required for the safety policy is actually outlined in a separate law, the Neighborhood Children's Internet Protection Act (NCIPA). NCIPA requires that libraries participating in the E-Rate program adopt and implement an Internet safety policy that addresses

1. Access by minors to inappropriate matter on the Internet and the Web;
2. The safety and security of minors when using electronic mail, chat rooms, and other forms of direct electronic communications;
3. Unauthorized access, including so-called "hacking," and other unlawful activities by minors online;
4. Unauthorized disclosure, use, and dissemination of personal identification information regarding minors; and
5. Measures designed to restrict minors' access to materials harmful to minors.

#### **Filtering or Blocking Technology**

For most libraries, the central issue in CIPA compliance is filtering the Web. CIPA requires the use of a "technology protection measure" to filter the Internet. The definition from the law:

The term "technology protection measure" means a specific technology that blocks or filters Internet access to visual depictions that are--

- (A) obscene, as that term is defined in section 1460 of title 18, United States Code;
- (B) child pornography, as that term is defined in section 2256 of title 18, United States Code; or
- (C) harmful to minors.

A variety of filtering products are available. The ALA site listed in Appendix A has a section on filtering products.

#### **Public Meeting**

The final requirement of CIPA is that the library hold a public meeting which addresses the proposed Internet Safety Policy and Technology Protection Measure.

## ***We don't filter: now what?***

Libraries that do not comply with CIPA are still eligible for limited E-Rate funding. Funding for telecommunications services is not affected by CIPA compliance. This means that a library which does not filter can still receive discounts on telephone service and digital lines (T-1s, ATM, ISDN, etc.).

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## **Technology Plan Requirements**

As mentioned above, the first step to receiving E-Rate discounts is completing a technology plan. This section will outline the need for a tech plan, and the requirements for that plan.

### ***Do we really have to have one?***

It is possible to receive some E-Rate funding without a tech plan. Libraries that apply only for “basic local and long distance telephone service” are not required to have a technology plan. So let's say you're not CIPA compliant; why have a tech plan? Well, without CIPA compliance, you are still eligible for telephone services like Centrex and for digital lines like T-1s or frame relay. Without a tech plan, those services are not eligible.

### ***What Needs to Be in a Technology Plan?***

This is still a very vague area. There are many examples of approved tech plans, but these plans have not been tested by the scrutiny of an E-Rate audit. We can only provide the guidance that is available from the SLD.

When creating a tech plan, think of it as a set of goals and objectives with some information on the technology that will be used to achieve those objectives. The plan does not have to get into the nitty-gritty when it comes to “what,” but should make clear “why.”

## **The Criteria for an Approved Technology Plan**

To qualify as an approved Technology Plan for a Universal Service discount, the plan must meet the following five criteria that are core elements of successful school and library technology initiatives:

- (1) the plan must establish clear goals and a realistic strategy for using telecommunications and information technology to improve education or library services;
- (2) the plan must have a professional development strategy to ensure that staff know how to use these new technologies to improve education or library services;
- (3) the plan must include an assessment of the telecommunication services, hardware, software, and other services that will be needed to improve education or library services;
- (4) the plan must provide for a sufficient budget to acquire and maintain the hardware, software, professional development, and other services that will be needed to implement the strategy; and
- (5) the plan must include an evaluation process that enables the school or library to monitor progress toward the specified goals and make mid-course corrections in response to new developments and opportunities as they arise.

## How Many Years Should be Covered by the Technology Plan?

Approved Technology Plans should cover a period of **not more than three years**.

## How Detailed Does the Plan Have to Be?

Here is a real gray area. The guidance from the SLD is: “The approved plan should include a sufficient level of information to justify and validate the purpose of a Universal Service Program request.”

One specific piece of information we have gleaned is on the subject of the budget requirements: while you must show that you have thought about where the money will come from, you do not have to have any dollar amounts in the plan.

One example may be helpful. If you have a 1.5 Mbps frame relay connection to a central library for access to their catalog and Internet access, the plan does not have to identify the speed or the technology, but should mention that you will have a high-speed connection and why.

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## **Appendix A: 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.

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.

### **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.

### **American Library Association**

[www.ala.org/CIPA](http://www.ala.org/CIPA)

Information on CIPA and libraries.

### **Library Spot E-Rate Page**

<http://www.libraryspot.com/erate/>

A good set of links to take you to the information you need.

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## Appendix B: New Jersey Public Libraries with Approved Technology Plans

List current as of July 22, 2004

Absecon Public Library	Long Branch Free Public Library
Alfred H. Baumann Free Public Library	Madison Public Library
Asbury Park Public Library	MAIN, Inc.
Atlantic City Free Public Library	Manville Public Library
Atlantic County Library System	Maplewood Memorial Library
Atlantic Highlands Public Library	Margaret E. Heggan Free Public Library
Bloomfield Public Library	Margate City Public Library
Bridgeton Public Library	Middletown Township Public Library
Burlington County Library System	Millville Public Library
Camden Free Public Library	Morris County Library
Cape May County Library	Neptune Township Public Library
Central Jersey Regional Library Cooperative	Newark Public Library
Chester Library	Ocean City Free Public Library
Cumberland County Library System	Ocean County Library System
Dowdell Library	Otto Bruyns Public Library
Dunellen Public Library	PALS Plus
East Orange Public Library	Penn's Grove/Carney's Point Public Library
Free Public Library of Elizabeth	Pennsville Public Library
Elmer Public Library	Phillipsburg Public Library
Gloucester County Library System	Plainfield Public Library
Highland Park Public Library	Red Bank Public Library
Hillside Public Library	Rockaway Township Free Public Library
Irvington Public Library	Roxbury Public Library
Jersey City Public Library	Salem Free Public Library
Libraries of Middlesex Automation Consortium	Sussex County Library
Linwood Free Public Library	Vineland Public Library
	Washington Township Public Library