



**E-Rate Funding—Guaranteed**

On-Tech Consulting, Inc.  
53 Elm Place  
Red Bank, NJ 07701  
Voice: (732) 530-5435  
Fax: (732) 530-0606  
www.on-tech.com  
info@on-tech.com

# E-Rate Update

**Dan Riordan**

**President**

**On-Tech Consulting, Inc.**

**dan@on-tech.com**

- Introduction..... 3
- What is the E-Rate? ..... 3
- Common Misconceptions ..... 3
- The Application Process ..... 4
  - Calculating Your Discount ..... 5
    - Calculating your discount if you have more than one school..... 5
  - The Forms ..... 5
    - Technology Plan ..... 5
    - Form 470: Request for Bids..... 5
    - Form 471: Description of Contract ..... 5
    - Form 486: Start of Service..... 6
    - Form 472 (BEAR): Request for Reimbursement..... 6
  - Avoiding Application Pitfalls ..... 6
  - Application Tips ..... 7
- Eligible Services Overview..... 8
  - Transport is Eligible, Creation and Storage are Not..... 8
  - If It Crosses the Street, You Can't Own It..... 8
  - Web Filtering Is Required, but Not Eligible..... 8
  - End-User Equipment and End-User Training Are Required, but Not Eligible ..... 9
  - Priority One vs. Priority Two..... 9
- Eligible Services List ..... 9
  - Clarifications..... 9
  - Voice over IP ..... 10

Video Equipment .....	10
File server.....	10
Beyond the Eligible Services List.....	10
On-Premise Priority One Equipment.....	10
Wide Area Networks.....	10
Ancillary Use versus Cost Allocation.....	10
Maintenance.....	11
Pitfalls and Tips .....	11
Changes for 2004-2005.....	12
Eligible in 2004 onward.....	12
Educational Purpose (Phones for Secretaries and Bus Drivers).....	12
Voice Mail .....	12
Firewalls.....	12
Web hosting .....	12
Alarm lines.....	13
Ineligible in 2004 onward.....	13
VoIP .....	13
Dark Fiber .....	13
30% rule.....	13
Changes for 2005-2006.....	13
The “2 in 5” Rule .....	14
30% Rule Limited.....	14
Equipment Must be Tracked, Can’t be Transferred.....	14
Online Eligible Products Database .....	14
Technology Plans.....	14
Changes for 2006-2007.....	15
Eligible Services Changes .....	15
Internet Must be Separate from Telecom.....	15
VPNs Eligible .....	15
Blackberry Eligibility Complicated .....	15
New Features on the SLD Web Site.....	15
Online Item 21 Attachments .....	15
PINs Coming to Us All.....	15
Possible Changes in the Future.....	15
Discount Matrix .....	15
Formulaic Funding.....	16
Wide Area Networks.....	16
Bids from the 470.....	16
More Resources .....	17
On-Tech .....	17
Schools & Libraries Division (SLD) .....	17
E-Rate Central.....	17
NJDOE.....	17

## 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.

---

## 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 districts. The program has provided roughly \$2.25 billion to schools and libraries annually since 1998.

Subsidies (called "discounts") are a percentage of a district's expenditures on telecommunications and Internet access. The level of discount ranges from 20% to 90%, and is calculated based on the percentage of students eligible for the National School Lunch Program. For districts with multiple schools, the discounts for individual schools can be combined, or schools can apply individually.

---

## 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 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 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 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.

---

## 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. Once funding is approved, districts can choose to receive the funding as a discount on bills, or pay the full amount of invoices, then receive reimbursement.

July 2005	SLD began accepting Form 470.
December 14, 2005	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.
January 20, 2006	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.
February 17, 2006	The deadline for the Form 471 has been in the first week in February for the last two years.
April – June 30, 2006	Funding commitment decision received. (80% of funding should be committed before June 30.)
July 1, 2006	File Form 486 (within 120 days). Discounted services begin.
July 2006 – June 2007	Receive funding, either as discounts on service provider bills or reimbursements. In order to receive reimbursements, you will need to file the Form 472 (BEAR).

## 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.

## 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 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.

### ***Avoiding Application Pitfalls***

Districts have learned that the SLD and FCC are merciless when districts don't follow program rules. Here are a few issues that have tripped up many districts when applying for the E-Rate.

#### **Plan for the worst**

If you peruse the archive of appeals to the FCC, one common theme is applicants' lack of a backup person in the E-Rate filing process. Missing a deadline will not be excused if business administrator unexpectedly quits the week before a deadline, or a technology coordinator goes into the hospital just before a form is due. The FCC's standard response is: 1) it could have been filed earlier, and 2) someone else should have taken over the application process. Plan the E-Rate process for your district with a contingency plan in case the unthinkable happens. At least two people should be aware of the E-Rate deadlines, and should be able to file the forms or be ready to outsource it.

#### **Have a Technology Plan First**

Before you can post a Form 470 requesting bids on a service or piece of equipment, you must have a technology plan that supports the purchase of that item. While the particular item apparently does not have to be included in the plan, it must be supported in the budget and must support the educational goals of the plan. For more information, see the Tech Plans section on page 14.

#### **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.

#### **The filing deadline for the Form 471 depends on the post office**

The filing instructions for the Form 471 says that you can file up to 11:59 p.m. on the day of the application deadline. But unless you have already applied for a special PIN, you must file the certification pages on paper, and they must be postmarked on that day. So the deadline for the application is really the closing time of your post office (or express mail service).

**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.

***Application Tips***

This presentation does not include complete instructions for filing E-Rate forms, but here are a few tips to help you with your applications.

**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. For the Form 470, 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 get these attachments in order before you file, you will be less likely to make mistakes on the Form 471.

**Make your FRNs big**

If you get several Verizon bills 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 13 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.

For example, suppose your district has four cell phones: two for principals, and two for your bus drivers, who are employees of the bus company, not district employees. The rules are not clear on the eligibility of phones used by contractors' employees. Rather than risk losing the funding

for all cell phones, put the bus drivers' phones into a separate funding request, even though they are on the same phone bill.

### **Opt for the discount, not the BEAR**

If you opt to use the BEAR, it is more paperwork for you, and you are fronting money to the USAC. There are, however two cases where you might want to do the BEAR:

1. You want to keep your telecommunications costs at pre-discount levels, and use the reimbursements for purposes outside telecommunications.
2. If you pay the full cost, then file one BEAR for the year, in the beginning of the next fiscal year, you can move this year's E-Rate funding into next year's budget.

---

## **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 districts, 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 10 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 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 One vs. Priority Two**

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 One and Priority Two. Priority One includes all telecommunications services (phone lines, long distance, leased lines, etc.) and Internet access. Priority Two 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 One 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 One requests have been funded, the remaining funds are used for Priority Two requests, starting with the neediest districts. In the past, districts with a 90% discount have always received Priority Two funding, while districts with a discount of 80% or less have not received Priority Two funding. The FCC has been taking steps to distribute Priority Two funding more equitably, so it seems likely that for 2005-2006, Priority Two funding will be available to more districts.

---

## **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 for 2005-2006 is now overdue. 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. If the FCC follows its rules, the 80-day application window will be pushed back. If, for instance, the list is released on October 15<sup>th</sup>, the end of the application window would be March 4, 2005, a month later than usual.

## ***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 district, 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 10.

## 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 and responsibility for maintenance, it can be eligible as part of a Priority One service. Be sure to read and fully understand the SLD document “On-premise Priority One 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.

---

## Pitfalls and Tips

Districts have learned that the SLD and FCC are merciless when districts don't follow program rules. Here are some tips to avoid common pitfalls and give yourself more flexibility in requesting funding.

### Have a Technology Plan First

Before you can post a Form 470 requesting bids on a service or piece of equipment, you must have a technology plan that supports the purchase of that item. While the particular item apparently does not have to be included in the plan, it must be supported in the budget and must support the educational goals of the plan. For more information, see the Tech Plans section on page 14.

### Make your FRNs big

In general, larger FRNs provide more flexibility. If, for instance, you intend to purchase network switches and UPSes from the same vendor, put them in the same FRN. That way when it is finally time to purchase the items, if you decide to purchase more switches and fewer UPSes, you need only do a minor revision.

### “When in doubt, break it out”

The exception to the previous rule is a service of uncertain eligibility. The “30% Rule” described on page 13 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 (funding request number).

For example, suppose your district decides to buy two servers, one for use as a Web server, one for use as a terminal server. The Web server is eligible (as long as it will serve Web pages to the

Internet), but the eligibility of the terminal server is not clear. Put each server in its own FRN so that if the terminal server is ruled ineligible, it does not affect funding for the Web server.

### **Changes are Allowed**

After approval of the funding, it is possible to change everything about a contract except the maximum amount of funding. It is quite common to change the equipment ordered, as the lag between bid and installation can be almost two years. As long as the functionality remains the same, quantities and model numbers can be changed using a “service substitution.” It is also possible to change vendors through a “SPIN” change, though the requirements to do so are a bit more rigorous.

### **Google the SLD Web Site**

The Search function on the SLD Web site is useless. Instead, use Google. If you type in keyword site:sl.universalservice.org replacing “keyword” with whatever word or phrase you are looking for, Google will search the SLD Web site and deliver a much more relevant set of results than the SLD’s Search tool.

---

## **Changes for 2004-2005**

The FCC made several changes to the eligibility of services and equipment for 2004-2005. The most important of those changes are listed below.

### ***Eligible in 2004 onward***

#### **Educational Purpose (Phones for Secretaries and Bus Drivers)**

The FCC has loosened the rule concerning “educational purpose.” The new rule states “reasonable requests for any supported service – over any technology platform – to be used by any school or library staff while in a library, classroom, or on school or library property, shall be eligible for discounts”. So, for example, phone service to administrative buildings and cell phones used by bus drivers are now eligible, even if the drivers are actually employees of an outside contractor.

#### **Voice Mail**

Voice mail services and equipment are eligible for discount.

#### **Firewalls**

All districts can receive funding for firewall service as part of Internet access. Districts eligible for Priority Two (“internal connections”) funding can receive funding for the purchase of firewall equipment and software.

#### **Web hosting**

Districts can now receive funding for external hosting of their Web sites. Note that charges for content creation and management are still ineligible.

## Alarm lines

Telephone lines used to connect alarm systems are now eligible. Alarm services are not eligible.

### ***Ineligible in 2004 onward***

## VoIP

The status of Voice over IP is now up in the air, and until the status is clarified, it has been declared ineligible as a telecommunications service. However, VoIP equipment continues to be eligible for districts which receive Priority Two funding. The FCC is apparently using “Voice over IP” to refer only to the use of the Internet to avoid routing calls over the public switched telephone network.

## Dark Fiber

Districts cannot receive discounts on the lease of “dark fiber,” which is fiber optic cable without modulating electronics. If the district also leases the devices to “light” the fiber, it is eligible for discount. However, only lit fiber provided by “eligible telecommunications providers” is eligible for discount. To determine if your vendor is an eligible telecommunications provider, use the SPIN Search tool on the SLD Web site to locate the information on your vendor. In the table that appears, there is a column for “Elig Telecom Provider,” which shows whether a vendor is eligible.

## **30% rule**

This new rule is really just codification of current practice. I include it here because 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.”

Here’s an example. Let’s say your district is paying for three T-1 lines: one between two school buildings, one to the Internet, and one to the municipal building. You put them all in the same funding request. The T-1 lines between buildings and to the Internet are eligible, but the T-1 line to the municipal building is not eligible, since the municipal building is not an ineligible entity. When reviewing the application, the SLD will remove the ineligible service from the FRN.

Now the 30% rule rears its ugly head. Since more than 30% of the funding request is ineligible, the entire funding request is ineligible. That means you lose the discount for all three T-1 lines, both eligible and ineligible.

The moral of the story: “When in doubt, break it out.” If you aren’t sure a particular service is eligible, put it in its own funding request (FRN).

---

## **Changes for 2005-2006**

The first three items in this section are recent rule changes. The other four items are proposed rule changes which may or may not be enacted. This is not a complete list of the changes that the FCC is considering, only those that seem most significant for districts.

## 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.

## 30% Rule Limited

The FCC has clarified that the 30% Rule only applies to applications where 30% of the request is for ineligible services, but cannot be used to deny funding requests where 30% of the request is unsubstantiated. So if you request funding based on \$100 per month for 5 phone lines, and it is determined that 2 of those phones are at an ineligible location, you would lose all the funding. If, however, you can only show bills for \$60 for those lines, the funding request would be reduced, but not denied in full.

## Equipment Must be Tracked, Can’t be Transferred

The FCC has ruled that applicants must have an inventory system that allows them to identify at all times the location of equipment purchased with E-Rate funding. In addition, the FCC has ruled that equipment purchased for a particular location cannot be transferred from that location for three years.

## Online Eligible Products Database

The SLD is working with manufacturers to create a database of internal connections products and their eligibility. Applicants (and resellers) will be able to see the eligibility of the particular piece of equipment they are considering. A pilot database with products from approximately 25 vendors is now available at:

<https://slpin.universalservice.org/mfpin/EPDPublic/PublicInterface/Search.aspx>

## Technology Plans

In the Fifth Report & Order, the FCC made several changes to its rules concerning technology planning. In general, these changes are really just codification of previous practice.

1. The Form 470 must be written, though not necessarily approved, before submission of the Form 470, and applicants must certify that it will be approved before the start of service.
2. Applicants must certify on the Form 486 that a technology plan was approved before the start of service.
3. “In addition to the requirements of the EETT, technology plans [must] be supplemented by an analysis that indicates that the applicant is aware of and will be able to secure the financial resources it will need to achieve its technology aims, including technology training, software, and other elements outside the coverage of the Commission’s support program.”
4. Applicants are free to make “changes in the services they order as long as those services are designed to deliver the educational applications they have prepared to provide.”

## **Changes for 2006-2007**

### ***Eligible Services Changes***

The Eligible Services List for 2006-2007 has not been finalized, but the following changes were part of the SLD's suggested list, and are expected to be part of the final list.

### **Internet Must be Separate from Telecom**

In the past, if an applicant's phone bill included Internet access charges, the SLD allowed the applicant to submit one funding request for administrative convenience. Now the bill will have to be split into two funding requests: one for the Internet Access services, and one for Telecommunications.

### **VPNs Eligible**

The new proposed list would make VPN equipment and services eligible for funding under the Internet Access category.

### **Blackberry Eligibility Complicated**

The list states that cell phone use at ineligible locations is still eligible in some cases (bus drivers, teachers on field trips), but that Internet access using mobile devices is not eligible.

### ***New Features on the SLD Web Site***

The SLD has added new features which it would like applicants to use.

### **Online Item 21 Attachments**

The SLD is now testing and will soon release an online Item 21 Attachment tool. The tool is worth taking a look at, but does not offer significant advantages for applicants.

### **PINs Coming to Us All**

If you have certified a Form 470, 471 or 486 in the past, you will receive a PIN from the SLD. This PIN will allow you to certify forms online, without the need to print and sign the certification page. In the past, there was a cumbersome request process, but now the SLD will "push" PINs out to everyone who has certified a form.

---

## **Possible Changes in the Future**

The FCC is currently seeking comments on almost all aspects of the Universal Service program. However, it is unlikely that any of the contemplated changes will affect the 2006-2007 funding year. Below are some of the areas that might see change.

### **Discount Matrix**

In another attempt to distribute Priority Two funding more equitably and reduce waste, fraud and abuse, the FCC is considering reducing the maximum discount for Priority Two funding. It seems likely that the FCC will reduce the maximum discount to 80%, or even 70%, for Priority

Two equipment and services. A reduction was once seen as likely, but the latest request for comment does not mention the idea.

### **Formulaic Funding**

The new FCC Chairman has expressed support for awarding funding based on a formula. An applicant would probably have to supply a few numbers, and those numbers would be put into a formula, and a block of money would be given to the applicant to spend as the applicant sees fit. The only factor mentioned so far in the formula is enrollment.

### **Wide Area Networks**

The FCC will probably tighten regulations around wide area networks (WANs), especially leased fiber optic WANs. Some of the proposed changes are limiting the amount of upfront capital recovery in WAN contracts.

**Dark Fiber:** Some of the FCC commissioners have suggested that the FCC reverse itself and once again make dark fiber eligible for discount as a telecommunications service. However, such a decision seems less likely as time passes.

### **Bids from the 470**

The SLD has been paying more attention to the competition used in selecting a vendor, and the FCC is looking for ways to increase competition. One possible change is to require applicants to obtain at least three bids for any service requested.



## **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)

For a more informal discussion of the E-Rate, visit our blog. We have posted our experience with a Selective Review and an Extended Outreach Site Visit.

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. If you can find it.

### **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.

### **NJDOE**

General E-Rate Information: [www.nj.gov/njded/techno/teleact/index.html](http://www.nj.gov/njded/techno/teleact/index.html)

Find your school's discount: <http://www.nj.gov/njded/techno/teleact/year9/discount.htm>