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

Selecting a Payment Method

Dan Riordan

On-Tech Consulting, Inc.

dan@on-tech.com

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 and library 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 school 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.

The History

When the E-Rate program was established, it was envisioned that districts would receive a bill for the undiscounted portion of the costs, and the service provider would bill the E-Rate program for the discounted portion. However, service providers complained that they would need time to convert their billing systems to this new regime, and the "BEAR" (Billed Entity Applicant Reimbursement) payment method was created, in which a district pays the full amount, then submits a form and gets reimbursement.

Since the BEAR method was easier for service providers (although more difficult for districts), most service providers refused to discount bills automatically and required districts to use the BEAR form. The FCC required that service providers offer districts a choice of payment method starting with the 2004 - 2005 funding year, but there was no consequence for service providers which refused to discount. The change in service provider behavior started when USAC sped up invoice processing, and service providers realized they could receive payment faster by discounting bills. Still, there are many service providers which will not discount bills.

The Payment Options

The program offers two options for receiving funding. Note that not all service providers offer the discount option, so in some cases you do not have an option, and will have to file for reimbursement.

Discounts

In this payment method, your library will receive a bill which already has E-Rate funding deducted from the amount due. So if your phone bill is $1200 and your E-Rate discount is 60%, you would see a credit of $720, and an amount due of $480. From the service provider perspective, they simultaneously send an invoice for $480 to your library and an invoice for $720 to USAC. Service providers invoice USAC by filing a Form 474 or SPI (Service Provider Invoice).

Some service providers have a lagged discount. Using the amounts from the above invoice, they would bill you the full $1200, invoice USAC for $720, then credit the $720 on a future bill once USAC has paid their invoice. This is technically a violation of program rules, but it doesn't make too much difference to the applicant; you just get your funding 30 days later.

Reimbursement

In this payment method, you pay the full amount of the bill, then send a request for reimbursement to USAC. The reimbursement request is made using a Form 472 or BEAR (Billed Entity Applicant Reimbursement). So if your phone bill is $1200 and your E-Rate discount is 60%, you would pay the full $1200 to your service provider, then submit a BEAR for $720 to USAC. Note, however, that most applicants do not file BEARs monthly. In most cases, applicants will file a single BEAR for the entire funding year. After the BEAR is approved, USAC will send a check to the service provider, and the service provider will send you a check. Service providers have the option of crediting your bill instead of sending a check, but that rarely happens.

Choosing Discounts:

Generally, discounts are the easiest way to receive funding.

Pros

1. Funding is received instantly.
2. The applicant has less paperwork. Once discounts are set up, all the calculations are done by the service provider.
3. In the event of a recovery, USAC will go after the service provider. Recovery is rare, and the service provider will probably come after your library, but it is nice to have USAC go after someone else.

Cons

1. Discounts can be difficult to set up. Many service providers require that you submit a form which shows your account numbers, E-Rate discount and percentage of charges that are ineligible.
2. Telecommunications expenditures drop, creating a temptation to reduce the telecom budget. When the Board sees that you're only spending 40% of what you were spending before, they may want to reduce the telecom budget. That is not a problem as long as E-Rate funding flows normally, but an interruption in E-Rate funding for any reason would cause a funding crisis.
3. You are relying on the service provider to do the invoicing correctly. Service providers are generally pretty good at this, but you'll still have to check up on them.

Choosing Reimbursements

Receiving reimbursements is appropriate for many applicants.

Pros

1. Telecommunications expenditures are not changed, so the Board won't be tempted to lower the telecommunications budget.
2. Funding received in a lump can be used more flexibly. You do not have to use the funding on items eligible for E-Rate funding. You can use the funding to buy books or whatever else you want.

3. Funding received in a lump looks better to the Board. It makes more of an impression to present a check for $12,000 than to show a monthly phone bill with a $1,000 credit.
4. You get flexibility on timing of funding receipt. The main use for this is applicants who know that the following year will be very lean, so they can wait and receive the reimbursement in the following year. If your funding year does not run July to June, this flexibility may be even more useful.

Cons

1. Library personnel have to do more paperwork. You have to get the total expenditures and deduct any ineligible charges.
2. The library is fronting money to USAC until reimbursement received. If you file a single BEAR, like most applicants, you are actually letting USAC keep all that funding for the year. Like a tax refund, it feels good, but is actually a fiscal mistake.
3. Funding received in a lump can be taken away by the municipality or other departments in the library. If your bills are paid by the municipality, the reimbursement will be mailed to the municipality. Perhaps the funding will be returned to the library's budget, perhaps not.

How to Set the Payment Method

For applicants in Group A, for whom E-Rate is filing all the forms, simply check a box on On-Tech's Payment Method Selection form, and we'll take care of it.

Otherwise, if you want to use the reimbursement method, you don't need to do any set-up. Just submit BEARs whenever you like. If you want to receive discounted bills, the process for setting up the discounts depends on your service provider. Most telephone carriers have a form to fill out. Contact your service provider to find out what their procedure is. Note that not all service providers will agree to discount. While this is technically a program violation, there is no consequence for a service provider that refuses to discount.

Switching Payment Methods

Note that it is not easy to change your mind mid-year. Once a BEAR or SPI has been submitted, USAC will accept only more of the same type of invoice. It is possible to change, but the process takes some time.

More Resources

On-Tech

www.on-tech.com/erate

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

blog.on-tech.com

For a more informal discussion of the E-Rate, visit our blog. You can search for a topic of interest to you and get an insider's view.

If you have specific questions, contact us.
Email: info@on-tech.com
Phone: 732-530-5435

Schools & Libraries Division (SLD)

www.usac.org/sl

This Web site is a wealth of information, and the information is official. Start by pointing at the light blue "Schools and Library Applicants" button, and selecting the relevant step.

File online at: http://www.sl.universalservice.org/menu.asp

Download paper forms at: http://www.universalservice.org/sl/tools/required-forms.aspx