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Introduction to the E-Rate

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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 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.

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

Subsidies (called "discounts") are a percentage of an applicant'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.

Common Misconceptions

Only low-income libraries receive funding.
Many libraries are confused about this. The fact is that in every year of the E-Rate program, for telecommunications and Internet-access funding, **every library that has applied properly has**

received the full amount for which it was eligible. Only funding for "internal connections" has been unavailable to some libraries. See the *Priority One vs. Priority Two* section of this handout.

Our library is too small to bother with the E-Rate.

Any library 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 library 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 library is not eligible.

The Children's Internet Protection Act (CIPA) restricts federal funding for libraries 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, Internal Connections, or Basic Maintenance of 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 funding year. 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.

Here are some dates to remember for the 2012-2013 funding year:

July 2011	SLD began accepting Form 470.
January 9, 2012	The first day on which the Form 471 can be filed. The 471 must be filed at least 28 days after the 470 is filed.
February 21, 2012	Last possible day to file the Form 470. The Form 470 must be completed 28 days before the close of the filing window. **Caution**: if you wait until the last possible day, you will have to select vendors, complete any necessary contracts, and file the 471 all in one day.
March 20, 2012	The deadline to file the Form 471.
April 2012 and beyond	Funding commitment decision received.

July 1, 2012	Discounted services begin. File Form 486 within 120 days. Funding can be received any time after Form 486 is filed.
September 30, 2013	Last day to receive recurring services.
June 30, 2013	Last day to receive Internal Connections services (equipment installations).
October 28, 2013	Last day to file the Form 472 (BEAR) in order to receive reimbursements

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 library to determine their discount is to calculate the percentage of students eligible for the National School Lunch Program for the school district in which the library is located. Find corresponding percentage range in the left-hand column, and find the discount in the Urban or Rural column.

NSLP free or reduced	Urban Discount	Rural Discount
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%

The "Urban" vs. "Rural" distinction is made at the county level. To learn whether your county is Urban or Rural, go to
www.universalservice.org/sl/applicants/step05/urban-rural/

Discount calculation for libraries with multiple branches

If your library has multiple branches all within one school district, then all the branches use the same NSLP data. If branches are located in different school districts, then each branch will receive the discount of the district in which it is located. If you apply as a library system (for all branches), your system-wide discount will be the average of your branches' discounts. If you file the Form 471 online, the average is calculated automatically.

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 Priority Two services, you will need to have a technology plan. (See Priority One vs. Priority Two, page 10.)

Form 470: Request for Bids

The purpose of the first form in the application process, 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 is like 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; for 2012-2013, the deadline in March 20, 2012. 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 1st. 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, if you don't file online, that you exchange faxes with your service provider, so it does take some time, but it is fairly straightforward. This form should generally be filed within 120 days of the last day to receive service. So for the 20012-2013 funding year, the deadline for most funding requests will be October 28, 2013.

Ideally, you should file this form online. But first check with your service providers to be sure that they are set up to certify online, and then inform them after you have submitted a BEAR online.

Avoiding Application Pitfalls

Even though the SLD and FCC are much kinder than in past years, many applicants still lose funding through simple mistakes. Here are a few issues that have tripped up many libraries when applying for the E-Rate.

Have a Technology Plan first

Before you can post a Form 470 for Priority Two services or equipment, you must have a technology plan that supports the purchase of that item.

Plan for the worst

Perusing the funding requests that have been denied over the years, it is clear that the unexpected happens. Plan the E-Rate process for your library with a contingency plan in case the unthinkable happens. If you do not plan to outsource management of the E-Rate process, at least two people should be aware of the E-Rate deadlines and be able to file the forms.

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.

Conduct an open bidding process

The first part of the E-Rate application process is competitive bidding. The Form 470 acts as an RFP. Be sure that all vendors are treated equally in creation of the Form 470 and during the bidding process.

Make price the primary factor in selection

In evaluating vendors, applicants do not have to choose the lowest-cost vendor. Applicants can use as many criteria as they want in the selection process. However, price must be more important than any other single factor. And, of course, the criteria and the scoring must be documented.

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

The filing instructions for the Form 471 say that you can file up to 11:59 p.m. on the day of the application deadline. But unless you have already received an E-Rate 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.

What if my Library Doesn't Pay the Phone Bill Directly?

Many libraries have their telephone bills paid by the municipality. In this case, the municipality must apply for E-Rate funding on behalf of the library. The library can manage the E-Rate process, but formally, the application must come from the entity that actually pays the telephone service provider.

Document Competitive Bidding

The first part of the E-Rate application process is competitive bidding. The Form 470 acts as an RFP. Applicants must keep copies of all bids, winning and losing. In addition, applicants should document the selection process, even in cases where no bids were received.

File online

All the forms can now 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.

Warning: If you plan to file the Form 472 online, be sure that your service provider is prepared to certify forms online. Not all service providers are up to speed with the online process.

Get the latest version of the form

If you insist on filing on paper, make sure you have the latest version of the form. You can find the latest version of the forms at: www.universalservice.org/sl/tools/required-forms.aspx

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.

Keep Your Item 21 Attachments Simple

Supply the bare minimum of information with you Item 21 Attachments. For telecommunications, include only a sentence about the type of service and the quantity. Try the online Item 21 Attachment tool. Do not send actual bills. If the SLD needs more information, they will ask for it.

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 **Error! Bookmark not defined.** 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 library has four cell phones: two for principals, and two for bookmobile drivers, who are contractors, not library employees. If you aren't sure about the eligibility of the drivers' cell phones, put them into a separate funding request, even though they are on the same phone bill.

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 for information quickly

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

If you send a piece of information, and your reviewer requests the same information again, or asks you to confirm your response, the probable reason is that the answer you gave the first time was wrong or insufficient, and you're about to lose funding. If a request seems repetitive, or you're asked to confirm your response, check your answer and check the rules again.

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, situations 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 the municipality pays the library's bills, E-Rate funding is more likely to be available to the library if they come in the form of a check instead of discounted bills.
3. If you pay the full cost, then file one BEAR for the year, in the beginning of the next fiscal year, you may be able to move this year's E-Rate funding into next year's budget.

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.

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 some 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.).

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:
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 12 for more information.

Web Filtering Is Required, but Not Eligible

If your library does not filter Web content, you can receive funding only for Priority One services. 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. In addition, you must provide education to students on the use of social media.

Priority One vs. Priority Two

There has been some confusion about whether libraries with a lower discount can expect funding. In order to ensure that all applicants 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 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 One requests have been funded, the remaining funds are used for Priority Two requests, starting with the neediest libraries. In the past, libraries with a 90% discount have always received Priority Two funding, libraries with a discount of 80% have rarely received funding, and libraries with a discount below 80% have generally not received Priority Two funding.

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 Eligible Services List for 2012-2013 was released on November 17, 2011. It is available at: www.universalservice.org/sl/tools/eligible-services-list.aspx

Clarifications

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

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 12.

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.
- Fiber GBICs: If you are leasing a lit fiber Wide Area Network, the equipment which sits in your location and lights the fiber must be owned by the service provider, even if it is a GBIC in a library-owned switch.

Leased Fiber Wide Area Networks (WANs)

You cannot own the fiber optic cable connecting your buildings, but you can lease it. If the service provider lights the fiber, you can get E-Rate funding for the cost of creating the WAN. If you lease dark fiber, the cost of running the fiber is not eligible for E-Rate funding (except the cost of running fiber from the property line to your building).

There are many other guidelines to learn when trying to fund a fiber WAN. See those guidelines at: 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 two examples.

Whenever possible, you should use cost allocation. In cost allocation, you remove the cost of ineligible components from the amount you are requesting. For example, let's say you purchase 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.

Ancillary use can be used when you cannot separate the cost of ineligible items, and the product purchased is the most cost-effective means of obtaining the eligible functionality. For example, 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" in the Eligible Services List.

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.

American Library Association

http://www.ala.org/ala/issuesadvocacy/advleg/federallegislation/cipa/index.cfm

Information on CIPA and libraries.

Colorado Department of Education

http://www.cde.state.co.us/edtech/erate2.htm

Technology Planning for Colorado Libraries

http://www.cde.state.co.us/cdelib/technology/erate.htm