



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

Avoiding E-Rate Application Pitfalls

September 2005

Presented by:

Dan Riordan
President

On-Tech Consulting, Inc.
www.on-tech.com
732-530-5435

Table of Contents

Introduction.....	3
Common Misconceptions	3
Common Causes for Funding Denial and Reduction	4
Lessons to be Learned.....	4
Avoiding Application Pitfalls	5
Know the Application Process.....	5
Plan for the worst	5
Have a Technology Plan First.....	6
Read the Forms	6
Don't wait to file the Form 470	6
The filing deadline for the Form 471 depends on the post office.....	6
Put the Form 486 on your calendar.....	6
Put the Form 472 on your calendar.....	6
Get it Right the First Time.....	6
Get Help	6
File online	7
Plan to complete the forms in several sittings.	7
Have others review your Forms 470 and 471	7
Do the Item 21 Attachments before submitting the Form 471	7
Make your FRNs big.....	7
“When in doubt, break it out”	7
Opt for the discount, not the BEAR.....	8
Keep Records	8
Your PIA Reviewer Is Your Friend.....	8
Respond to Requests.....	8
Beware Repetitive Requests	8
Rules You May not See	8
Finding Information on the SLD Web Site.....	9
30% rule	9
Competitive Bidding.....	9
Priority One versus Priority Two.....	10
The “2 in 5” Rule	10
“Priority One On-Premise Equipment”	10
If It Crosses the Street, You Can't Own It.....	10
Wide Area Networks.....	10
More Resources	11
On-Tech	11
Schools & Libraries Division (SLD)	11
E-Rate Central.....	11
Find Your State E-Rate Coordinator.....	11

Introduction

On-Tech is a technology consulting firm focused on managing the E-Rate process for schools and libraries. We provide a full range of E-Rate services for applicants, including: handling the entire application process; consulting on construction projects to ensure maximum E-Rate funding; and reviewing proposals to ensure E-Rate compliance.

On-Tech is not associated with any service provider.

Dan Riordan has been involved with the E-Rate since 1997, when he was trained by the New Jersey Department of Education to offer assistance to districts in completing the application. Since then, he has worked on the E-Rate as a trainer, a district technology coordinator, and now a consultant.

Common Misconceptions

Only low-income districts receive funding.

Many districts are confused about this. The fact is that in every year of the E-Rate program, for telecommunications and Internet-access funding, **every district that has applied correctly has received the full amount** for which it was eligible. Only funding for "internal connections" has been unavailable to some districts. See the *Priority One vs. Priority Two* section of this handout.

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

Any district can benefit from the E-Rate. As an example, with a discount of 40%, if you pay \$20 per month for each of 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.

Without a Web filter, our district is not eligible.

The Children's Internet Protection Act (CIPA) restricts federal funding for districts which do not have a filter to protect students from inappropriate Web sites. Compliance with CIPA is not required for E-Rate funding for Telecommunications Services. Compliance is required to receive funding for Internet Access or Internal Connections.

The E-Rate program will cease to exist.

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

Common Causes for Funding Denial and Reduction

As of September 2, 2005, almost 30,000 FRNs (almost 16% of the total) for 2004-2005 had been denied. Of those, almost 5,000 were canceled by applicants, and over 14,000 were denied due to lack of Priority Two funding (see the description of Priority One versus Priority Two below). Of the 10,000 remaining denials, below are the most popular reasons for denial. The reasons are grouped into categories, with the most common reasons listed individually.

Important note: This table does not include a very common reason for loss of funding: failure to file on time. If the Form 471 is not filed by the deadline, it is not reviewed and is not entered into the SLD database from which this data was taken.

Reason	Percent denied
Ineligibility	23%
30% Rule	18%
Ineligible entity	3%
Ineligible use	2%
No proof of funding for applicant share	17%
Applicant unresponsive / insufficient documentation	14%
Competitive Bidding	13%
Didn't wait 28 days	6%
Service Provider involvement	3%
Price not primary factor	3%
No signed contract	12%
Form 470 problems	11%
470 not certified	5%
No 470	3%
Requested service not on 470	2%
Service provider not eligible to provide telecommunications services	2%
No tech plan	1%

Lessons to be Learned

The largest cause for denials? The 30% rule. We will cover this later, but to preiterate: if you aren't sure of a product's eligibility, put it in its own FRN.

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

A significant number of FRNs were denied because the applicant did not supply information requested by PIA. Undoubtedly some of these applicants did not have the

necessary documentation; others simply failed to respond to requests. The lesson here is: have your documentation ready, and send it to PIA when they ask for it.

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

Avoiding Application Pitfalls

Know the Application Process

Schools, districts and libraries must apply for the funding. The application process includes at least three separate forms, and begins 10 months before the start of the school year.

July 2005	SLD began accepting Form 470.
Early November 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.
Early January 2006	Form 470 must be completed 28 days before the close of the application window. Note, however, that if you wait until the last possible day, you will have to complete any necessary contracts, complete and file the 471 all in one day.
Early February 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 districts should receive funding commitments before June 30, though this goal has not been reached in the last two years.)
July 1, 2006	File Form 486 (within 120 days). Discounted services begin.
October 2006- July 2007	File BEAR Forms for reimbursement or receive discounts. If filing BEARs, expect a to wait 60 to 90 days to receive payment.

Plan for the worst

If you peruse the archive of appeals to the FCC, one common theme is applicants’ lack of a backup 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.

Read the Forms

It's tedious, but read the certifications at the bottom of every form, and be prepared to provide documentation of everything you're certifying.

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.

Get it Right the First Time

In many cases, there is no second chance with the E-Rate.

Get Help

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

File online

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

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

Plan to complete the forms in several sittings.

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

Have others review your Forms 470 and 471

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

Do the Item 21 Attachments before submitting the Form 471

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

Make your FRNs big

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

“When in doubt, break it out”

The exception to the previous rule is a service of uncertain eligibility. The “30% Rule” described on page 9 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. If you aren't sure about 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.

Keep Records

No one has a complete list of documents required, but you can find a fairly comprehensive list at:

www.on-tech.com/docs/On-TechE-RateDocumentRetentionRequirements.PDF

All documents must be retained for five years. This means you need to make sure that somewhere your district maintains all invoices for five years in case of audit.

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

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. I have seen cases where the extensions went on for months, but I would advise gathering the necessary information as quickly as you can. Otherwise, your application may move to the bottom of the stack.

Beware Repetitive Requests

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

Rules You May not See

There is no single document that contains all the E-Rate rules. It would be huge and constantly changing. This section covers some of the rules that applicants commonly miss.

Finding Information on the SLD Web Site

The Search utility on the SLD Web site is useless. If you need to find information on the SLD site, use the Google “site:” option. If you do a Google search using

keyword site:sl.universalservice.org

(substituting the term you’re seeking for “keyword”), Google will return matches from the SLD site.

30% rule

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 eligible 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).

Competitive Bidding

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

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

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

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

Priority One versus Priority Two

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

The “2 in 5” Rule

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

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

“Priority One On-Premise Equipment”

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

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

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

Wide Area Networks

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

More Resources

On-Tech

www.on-tech.com/erate

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

If you have specific questions, contact us.

Email: info@on-tech.com

Phone: 732-530-5435

e-rate.blogspot.com

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

Schools & Libraries Division (SLD)

www.sl.universalservice.org

This Web site is a wealth of information, and the information is official.

E-Rate Central

www.eratecentral.com

This Web site is less official than the SLD site above, but is more user-friendly.

Find Your State E-Rate Coordinator

www.e-ratecentral.com/us/stateCoord.asp

<http://www.ala.org/ala/washoff/WOissues/techinttele/erate/coordinators.htm>