

What Board Members Should Know About the E-Rate

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Dan Riordan has been obtaining E-Rate funding for schools and libraries since 1997, first with an ETTC, then as a district technology coordinator, and finally as an E-Rate consultant. Since founding On-Tech, Dan has obtained several million dollars in funding for over 50 school districts.

In this time of tight budgets, the E-Rate can provide funding to offset telecommunications and technology costs, yet many districts in New Jersey do not take advantage of the program. This article will give an overview of the program and describe the services and equipment eligible for E-Rate funding.

What is the E-Rate?

The Universal Service Fund was created by the Telecommunications Act of 1996, and implemented January 1, 1998. Telecommunications carriers pay into the fund, a portion of which is then used to subsidize telecommunications and data communications for districts. The program has provides more than \$2 billion each year to schools and libraries.

Subsidies (called discounts) are a percentage of a district's expenditures. 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.

The matrix at right shows how discounts are calculated. Find where your district's percentage of students eligible for free or reduced lunch falls in the first column, and the discount is in the second column. The last column in this chart shows what percentage of schools in New Jersey are at each discount level as of October 2003.

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%

To see your district's discount level online, go to www.nj.gov/njded/techno/teleact/discount.htm. Note, however, that in some cases On-Tech has been able to increase discounts by analyzing NSLP numbers more closely.

The E-Rate is not a competitive grant. **All districts that complete the paperwork correctly receive funding.**

Discount matrix change on the Horizon

The FCC has said that it is considering a change in the discount matrix. In particular, there seems to be a great deal of support for a reduction of the maximum discount for “Priority 2” requests (see below for more on Priority 1 vs. Priority 2). Many in the E-Rate community expect the top discount level to drop to 80% or even 70% for Priority 2.

New Jersey and the E-Rate

The E-Rate program is an important source of funding for New Jersey’s school districts. In the 2004-2005 school year, schools and libraries in New Jersey will receive roughly \$45,000,000. However, each year roughly **one-third of the districts in New Jersey do not receive funding.** These districts either did not attempt to apply, or applied incorrectly. Every district which properly completes the application receives funding.

Which Services are Eligible?

The program is intended to reduce the cost of voice and data communications for schools and libraries. Each year, the FCC releases the Eligible Services List, which details which services and equipment are eligible and ineligible for funding. The list is available on the SLD Web site (see Resources below). The most common services funded are:

- telephone charges (local service, toll calls and long distance)
- Internet access charges (including email service and Web hosting)
- Digital lines (ISDN, T-1, frame relay, ATM) are eligible.

For districts with high discounts, many types of internal networking equipment are eligible. The maintenance of these systems is also eligible. A few common systems funded are:

- Network electronics (switches, routers, firewalls, wireless access points)
- Phone systems
- Video distribution systems
- Data, voice and video cabling
- Some servers (server eligibility depends on how they will be used)

Priority 1 vs. Priority 2

There has been some confusion about whether districts with a lower discount can expect funding. In order to ensure that all districts receive some funding, eligible services were broken into two categories: Priority 1 and Priority 2. If the demand for funding is greater than the available funds — as it always is — first all Priority 1 requests will be funded. This means that every district, even those with no low-income students, will receive a discount on telephone service, Internet access and any digital lines (T-1, ATM, ISDN, frame relay) between locations. Whatever funds remain after all Priority 1 requests have been funded are used for Priority 2 requests, starting with the neediest districts. Districts with a 90% discount have received Priority 2 funding every year.

How to tell if your request is Priority 1 or Priority 2

The easy answer is to find the service or equipment on the Eligible Services List. In general, the categories are broken down as follows:

- Priority 1 includes all telecommunications services (phone lines, long distance, leased lines, etc.) and Internet access.
- Priority 2 (“internal connections”) includes items like Web servers, network cabling, and PBXes. More detailed information is available on the SLD Web site.

There are some rules of thumb that can give you a quick idea which category is appropriate. **Note that none of these rules is true for every case.**

1. If it crosses a street, it is Priority 1.
2. If it is a service, it is Priority 1.
3. If it is inside your building, it is Priority 2.
4. If you own it, it is Priority 2.

Will my district get Priority 2 funding?

In years past, it was unrealistic for districts with a discount below 80% to expect Priority 2 funding. However, recent changes, as well as changes expected in the near future, will bring Priority 2 funding to a wider range of districts. Looking ahead to the 2006-2007 funding year, it seems like that districts with a 70% discount will receive funding and, depending on the changes made, it is even possible that 40% will receive some Priority 2 funding.

Funding for 2005-2006

The application process for the 2005-2006 school year is over, and funding decisions are being made now. If your district has not applied yet, it is too late. If your district has applied, a decision should be made on your funding request by June.

Looking Ahead to 2006-2007

It's not too early to be thinking about filing for the 2006 – 2007. The SLD will begin accepting the Form 470 (the start of the application process) soon, and it is to your advantage to complete the 470 by the end of September. Why not complete it before the start of the school year? If you intend to use an outside company to handle your E-Rate application, the summer is a good time to decide on a company.

The Application Process

Without question, the complexity of the application process is the main impediment to districts receiving E-Rate funding. The process takes about two years from start to finish. There are four steps in the application process, each with sub-steps. And there is one “pre-step.” The following is a very brief description of each step in the process.

Before the application process: Technology Planning

Before you can begin the funding request process, your district must have a written technology plan which includes the equipment and services you will be requesting. Before you can actually receive the funding, the plan must be approved. All districts in

NJ have an approved technology plan, so the important question is: does my tech plan support the services I will be requesting? First, the plan must show how the technology will enhance instruction. Second, the plan must show how the district will pay for the technology.

Form 470: Request for Bids

The Form 470 is a description of the services and equipment for which you will be requesting E-Rate funding. It is meant 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. There is no deadline for this form, but it must be submitted at least 28 days before the Form 471.

Form 471: Description of Contract

This form is the most difficult part of the process. As in 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 February.

Form 486: Start of Service

This is the simplest form, but also the one most 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.

Form 472 (BEAR): Request for Reimbursement

You can avoid this form by having your service provider discount bills. 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 28th following the end of the funding year.

The Expected Timeline for 2006-2007

July 2005	SLD begins accepting Form 470.
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.
January 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 2006	The deadline for the Form 471 has been in February for the last three years, but is not set for 2006-2007.
April – June 30, 2006	Funding commitment decision received. (80% of districts should receive funding commitments before June 30.)

July 1, 2006	File Form 486 (within 120 days). Discounted services begin.
October 2006	File first BEAR Form for reimbursement. (Note that this step and all the following steps are only required if you opt to use the BEAR form rather than receiving discounted bills.)
December 2006	Receive first set of reimbursement checks.
January 2007	File second BEAR Form for reimbursement (if necessary).
March 2007	Receive second set of reimbursement checks.
April 2007	File third BEAR Form for reimbursement (if necessary).
June 2007	Receive third set of reimbursement checks.
July 2007	File fourth BEAR Form for reimbursement (if necessary).
September 2007	Receive fourth set of reimbursement checks.

Resources for Further Information

Ask On-Tech

www.on-tech.com

Email your questions to: info@on-tech.com

Call us at 732-530-5435

Schools & Libraries Division (SLD)

www.sl.universalservice.org

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

NJDOE

General E-Rate Information:

www.nj.gov/njded/techno/teleact/index.html

Find your school's discount:

www.nj.gov/njded/techno/teleact/discount.htm

[Sidebar]: **Seven E-Rate Myths**

Myth #1: 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 properly completed the application process has received the full funding** for which it was eligible. Only funding for "internal connections" has been unavailable to some districts. See the *Priority 1 vs. Priority 2* section of this article.

Myth #2: 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 content on the Internet. 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.

Myth #3: 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 \$25 per month for each of you phone lines, you will save \$120 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 save \$3,840 per year.

Myth #4: 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 for you district's personnel, consider hiring an E-Rate services company to handle your application.

Myth #5: I'm already in the Access NJ program, so I'm 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 Verizon's Access NJ program, it is worth considering. If you hire an outside company to handle the E-Rate for your district, make sure that company is familiar with Access NJ.

Myth #6: The program is suspended.

The approval of funding requests was suspended for the later part of 2004 due to new rules subjecting the fund to the Anti-Deficiency Act. This suspension did not affect payment of funding already approved, and the approvals made after the suspension are retroactive. At the end of 2004, Congress specifically exempted the E-Rate from the Anti-Deficiency Act for one year. A long-term resolution should be worked out by then.

Myth #7: The E-Rate program will cease to exist.

This rumor has existed since year one, and in past years there have been attempts in Congress to eliminate the program. However, the program is popular and successful, and has survived every attempt to discontinue it.