



E-Rate Funding—Guaranteed

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E-Rate Overview

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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 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 1 vs. Priority 2* 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 in past years 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.

The Application Timetable for the 2006-2007 School Year

June 2005 – January 2006	File the Form 470. The 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.
November 2005 – February 2006	File the Form 471. There is typically an “80-day window” for submitting the Form 471. The exact dates have not yet been set. The 471 must be filed at least 28 days after the 470 is filed. Any necessary contracts must be signed before the Form 471 is filed.
February ??, 2006	Deadline to file Form 471. The deadline for the Form 471 changes every year, but is likely to be some time in the first half of February.
April – June 2006 (and beyond)	Funding Commitment Decision Letter (FCDL) received. Before funding, the Form 471 and Item 21 Attachments will be scrutinized by Program Integrity Assurance (PIA).
July 1, 2006	If funding commitment has been received, file Form 486 (within 120 days). Discounted services begin.
October 2006 January 2007 April 2007 July 2007	File BEAR Forms (Form 472) 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.) Checks should be received 45-60 days after filing.

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.

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.

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%

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. 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.”

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 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 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.

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

Here are a few concepts to keep in mind when trying to decide if something is eligible.

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 15th, the end of the application window would be March 4, 2005, a month later than usual.

Eligible Services Rules

There are several rules concerning eligible services which are helpful to understand.

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 money, eligible services were broken into two categories: Priority 1 and Priority 2. Priority 1 includes all telecommunications services (phone lines, long distance, leased lines, etc.) and Internet access. Priority 2 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 1 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 1 requests have been funded, the remaining funds are used for Priority 2 requests, starting with the neediest districts. In the past, districts with a 90% discount have always received Priority 2 funding, while districts with a discount of 80% or less have not received Priority 2 funding. The FCC has been taking steps to distribute Priority 2 funding more equitably, so it seems likely that for 2005-2006, Priority 2 funding will be available to more districts.

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. For most clients, we set up a purchase order based on an hourly rate and an estimated number of hours.

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.

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).

The “2 in 5” Rule

The FCC has recognized that applicants with high discounts have been consuming Priority 2 funding disproportionately. In order to “spread the wealth,” the FCC has declared that, with the exception of maintenance, applicants can only apply for Priority 2 funding twice in a five year period.

More Resources

On-Tech

www.on-tech.com/erate

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

e-rate.blogspot.com

This blog has informal observations on the E-Rate program, including a first-hand account of a Selective Review and an Extended Outreach Initiative site visit.

If you have specific questions, contact us.

Email: info@on-tech.com

Phone: 732-530-5435

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.