What's New with E-rate and How to Make it Work for You

A Handbook for Education Leaders

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Modernizing E-rate for Education Reform

Five years ago, students, teachers and administrators at Agua Fria Union High School District in Avondale, Ariz., were getting by with a 20-megabit Internet connection. By July 2014, the district's connection speed had soared to a full gigabit — about 50 times faster than in 2009.

This dramatic rise was needed to meet the significant technology demand from today's education environment, says Mike Shepard, Agua Fria's executive director of information systems.[1] Teachers are using more cloud-based resources, streaming video and rich media in their instruction, while the district's 7,500 students are bringing more mobile devices to school (the district has a BYOD policy that encourages this). The wide area network (WAN) that connects the district's four high schools has been made more efficient as well.

The network and Internet improvements at Agua Fria were implemented in large part due to a government program called

A sweeping overhaul of the E-rate program announced in mid-2014, "E-rate 2.0," targets funding for fast broadband services while scaling back support for telephony.

E-rate, which funds telecommunications and Internet services and internal connections in schools and libraries (not end-user equipment such as computing devices and phones), especially those in higher-need and rural areas. During the past six years, Agua Fria has been awarded nearly $800,000 in E-rate funding and has used this money not only for Internet and networking, but also for phone service and website hosting. "Without the E-rate program, we would be well under where we need to be on using those services," says Shepard.

At a time when many school districts in the U.S. are struggling to meet rising demands for fast Internet and Wi-Fi service, E-rate can be a crucial resource, awarding about $2.4 billion annually to eligible schools and libraries nationwide. This is truer today than ever before due to a sweeping overhaul of the E-rate program announced in mid-2014. "E-rate 2.0" targets funding for fast broadband services while scaling back support for telephony. This is in line with Obama administration goals to increase broadband access in schools to 99 percent by 2017. More money is also being set aside to improve broadband connections within schools — an extra $2 billion over the next two E-rate funding years (2015 and 2016).

According to the Federal Communications Commission (FCC), the new E-rate reforms were designed to streamline the program and make it easier to use. However, these new rules and procedures may be confusing for some users. The Center for Digital Education (CDE) created this handbook to help education leaders take advantage of this significant funding resource. It describes the application process and answers questions about new rules, eligibility, timelines, what's covered and much more.

An Overview: What is E-rate?

E-rate is a federal program, started in 1998, that funds technology in schools and libraries through a fee levied on long-distance telecommunications services (some companies pass a portion of this fee on to consumers through the "universal service fee" on phone bills). The program is governed by the FCC and is administered by the Schools and Libraries Division (SLD), which is part of the Universal Service Administrative Company (USAC).

Since its inception, E-rate has helped increase the percentage of U.S. schools with Internet access from 14 percent to nearly 100 percent.[2] However, many still lag in connection speed and capacity. In a 2013 CDE survey, only 31 percent of education technology leaders said their connectivity completely met their needs for digital content; 30 percent said it met their needs for video streaming and 28 percent said it met their needs for online testing.

E-rate initially was budgeted at $2.25 billion annually, with that mark indexed to inflation starting in 2010; the 2013 budget amount was $2.4 billion. The program is designed to award money for telecommunications and Internet access services first, and then to schools and libraries with the greatest need for internal connections, until the annual allotted amount is exhausted. Need is determined by the percentage of students qualifying for free and reduced lunches. Rural schools also receive extra funds.

> Since its inception, E-rate has helped increase the percentage of U.S. schools with Internet access from 14 percent to nearly 100 percent.

Under the new E-rate reforms, the program budget remains at approximately $2.4 billion annually, but program administrators are using an additional $2 billion in reserve funds for funding years 2015 and 2016 to provide broadband connectivity within schools and libraries. Other changes include the elimination of phone-based services, either immediately or gradually, and the reduction of the highest discount level for one category of services.

This reform comes at a time when fast, robust Internet is more important than ever for schools and libraries. Students and library users often have multiple devices — phones, laptops, tablets and so on — to connect to networks at any given time. Schools are shifting to BYOD and 1:1 programs, which foster personalized learning. Content is increasingly digitized, with multimedia, interactive, mobile and virtual elements. Online testing for the Common Core State Standards, as well as other state and national standardized assessments, is another big driver for broadband services.

What's New with E-rate 2.0

A look at the biggest changes to E-rate thanks to the Modernization Order of 2014.

- Priority 1 and 2 classifications are replaced by services broken into Categories 1 and 2.
- Immediate elimination of funding for:
  - Voicemail
  - Email
  - Web hosting
  - Paging
  - Texting
  - Certain voice service components/features (e.g., directory assistance, custom calling services, 900/976 call blocking)
  - Cellular data (unless shown to be the most cost-effective means to deliver on-site classroom connectivity)
  - Certain internal connections not necessary to distribute broadband services to students and library patrons (e.g., circuit cards, interfaces, gateways, servers, voice and video components, virtual private networks, most data protection components)
- Funding for telephony services will be phased out (local phone service, long distance service, plain old telephone service [POTS], radio loop, 800 service, satellite telephone, shared telephone service, Centrex, wireless telephone service such as cellular, interconnected voice over Internet protocol [VoIP] and the circuit capacity dedicated to providing voice services). Funding will be cut by 20 discount percentage points per year until it's eliminated entirely in fiscal year 2019.
- Districts must use a single discount rate. In the past, schools within a district could figure discount rates individually, so that those with a higher free and reduced school lunch rate could apply separately and be awarded a higher discount. This is no longer allowed.
- Applicants will be subjected to new funding caps over five-year periods for Category 2 services, using a schedule based on number of students (if schools) or square footage (if libraries).
- Managed Wi-Fi services are allowed as a Category 2 expense. (Eligible managed Wi-Fi expenses include the management and operation of the local network, including installation, activation and initial configuration of eligible components, and on-site training on the use of eligible equipment.)
- More record-keeping is in store: Districts must keep separate budgets for each school and records must be kept for 10 years. More detailed information must also be provided on some forms.
- Consortia will be encouraged — that is, state or regional groups of school districts and/or libraries that pool resources and applications. Applications will be given priority treatment.
- No technology plan is required for any of the services (previously, it was required for Priority 2).
- Category 2 services and equipment can be purchased and/or installed on or after April 1 in order to complete necessary installation work prior to the start of the funding year on July 1. However, funding disbursements will not be made prior to July 1.
- USAC award decisions must occur earlier than in the past — in most cases by Sept. 1.

For more details and to keep up with new, additional information, visit E-rate's modernization site: www.usac.org/sl/tools/modernization-order/default.aspx.

A Deep Dive Into the Discounts Available

Since its inception, E-rate has funded eligible services and equipment in order to improve connectivity for schools and libraries. Discounts ranging from 20 to 90 percent are available based on economic need, as determined by the number of students qualifying for the National School Lunch Program; additional discounts are also available for those in rural areas, as defined by census data. (Libraries' discounts are based on the level of need of the school district in which they reside and non-public schools are permitted to use alternative discount mechanisms.)

The classification of eligible services and equipment covered is changing under the new E-rate rules. Beginning in funding year 2015, the E-rate system of Priority 1 and Priority 2 services — which covered telecommunications services, telecommunications (dark and lit fiber), Internet access, internal connections and basic maintenance of internal connections — is being replaced with Category 1 and Category 2 services.

More information about the specifics of what is covered and not covered for each category is described later in this handbook. In general, Category 1 services cover what's needed to bring broadband connectivity to schools and libraries, while Category 2 services are focused on improving connectivity within buildings (such as Wi-Fi services). Slightly different discount levels apply for these two categories: Category 1's range is from 20 to 90 percent, while Category 2 is from 20 to 85 percent (a drop from previous years, when 90 percent was the highest percentage). See the table below for more details.

Percent of Students Eligible for NSLP	Category 1 Discount Rate		Category 2 Discount Rate	
	Urban	Rural	Urban	Rural
LESS THAN 1%	20%	25%	20%	25%
1% – 19%	40%	50%	40%	50%
20% – 34%	50%	60%	50%	60%
35% – 49%	60%	70%	60%	70%
50% – 74%	80%	80%	80%	80%
75% – 100%	90%	90%	85%	85%

Source: https://www.fundsforlearning.com/info/2014/09/discount-rate-calculation-overview

For example, if your school has a free and reduced lunch rate of 45 percent and you are in an urban location, you qualify for a discount rate of 60 percent; if you are in a rural location, it's 70 percent of the price for eligible services. Schools that have a free and reduced lunch population of less than 1 percent qualify for a 20 to 25 percent discount rate, depending on location.

In prior years, E-rate paid Priority 1 funds first and then paid Priority 2 funding requests, starting with the highest-need applicants, until the money ran out. In recent years, the demand for Priority 1 funding has been so high that there has been little to no money left over for Priority 2 applicants.

Under E-rate 2.0, at least for funding years 2015 and 2016, an additional $1 billion for each year has been earmarked specifically for Category 2. This means Category 2 services are no longer the poor cousin, but have a guaranteed seat at the table. However, funds still will be allocated starting with applications from the neediest schools and libraries first, until funds run out.

In 2013, USAC received 45,000-plus applications from 95,400 school districts and 11,700 libraries with a total request of $4.986 billion. Of these applications, $2.7 billion was requested for Priority 1 services, reflecting demand for greater bandwidth — this amount was an increase of 10.8 percent over the prior year and exceeded the cap of $2.4 billion allotted to the entire program. For 2014, a slightly reduced total amount — $4.825 billion — was requested on 45,731 applications, again showing the great demand for E-rate-eligible services and equipment.

New in 2.0: Budget Caps

E-rate 2.0 also instituted budget caps for Category 2 services for schools and libraries that apply for discounts in funding years 2015 and 2016. These budget caps are calculated per school building, not by district, and funding may be requested any time over a rolling five-year period. The cap is calculated as follows: $150 per student multiplied by the school district's E-rate discount rate (based on the free and reduced lunch percentage), then multiplied by the number of students in the school.

For example, an urban school with 500 students and a free and reduced lunch rate of 45 percent (which translates to a 60 percent E-rate discount rate) has a budget of $150 (.60) = $90 x 500 = $45,000 that it can use over five years (FY 2015 through FY 2019). Very small schools should keep in mind that there is a minimum amount of $9,200 for each school, even if this formula doesn't rise to that dollar level.

Keep in mind that these budget caps are per school, not per district. Districts will need to track their schools' budgets to see where they stand with E-rate Category 2 money. Applicants cannot move funding from one school to another.

Libraries also will be subject to budget caps for Category 2 services. The formula for libraries is based on the building's size. To calculate the cap, multiply the square footage of the library by $2.30 and then apply the discount rate (that is, the discount rate for the school district within which the library is located). The budget floor of $9,200 also applies to each library.

The Eligibility Requirements of E-rate

In general, E-rate covers K-12 schools and libraries, with some exceptions. For example, for-profit private schools are not covered (only nonprofit private, charter and public schools are eligible). School libraries are covered, but only if their budgets are completely separate from their institutions. Also, non-instructional facilities (NIFs) in schools are not eligible in certain circumstances, nor are library facilities without public areas. Depending on how states classify them, facilities housing non-traditional education groups, including adult education, pre-kindergarten and juvenile justice, may be eligible. This is broken down in more detail in the following sections.

Schools and School Districts

Both public and nonprofit private K-12 schools are eligible for E-rate. Schools can file for discounts individually, in groups or by district.

In the past, if a diverse district had some schools with high rates of need but others with low rates, its overall rate might be too low to qualify, making it more advantageous to file only for services for the needier schools.

> **Under E-rate reform, school districts will be given a single discount number for the entire district, representing how many of its total number of students qualify for free and reduced lunch.**

For example, at Agua Fria Union High School District, two of the four high schools that make up the district qualify for relatively high discount rates and two do not. Agua Fria High School's free and reduced lunch population is 65 percent, qualifying it for an 80 percent E-rate discount; Desert Edge High School is 50 percent, qualifying it for 80 percent. Millennium High School's free and reduced lunch rate is 27 percent and Verrado High's is 28 percent, qualifying both schools for a 50 percent discount. The district's overall discount rate is 64 percent.

"We have filed both ways — by school and by district," says Executive Director of Information Systems Shepard. "We have applied in the past for one of those schools for Priority 2 because they were at that 80 percent level."

Under E-rate reform, however, this option is eliminated. School districts will be given a single discount number for the entire district, representing how many of its total number of students qualify for free and reduced lunch. Participation in Medicaid, the Supplemental Nutrition Assistance Program (SNAP), Supplementary Security Income (SSI), federal public housing assistance or Section 8, or the Low Income Home Energy Assistance Program (LIHEAP) is an acceptable alternative to NSLP eligibility for non-public schools.

Libraries

Public libraries are eligible, as are school libraries, academic libraries and research libraries — but only if they are budgeted separately from the academic institution. Another requirement: libraries must be eligible for assistance from a state library administrative agency under the Library Services and Technology Act.

Eligible libraries' discount rates are tied to the free and reduced lunch percentages of the districts in which they are located. Sometimes, libraries apply for E-rate along with schools and/or districts as part of a consortium; in this case, the discount percentage is an average of all of the members of the consortium.

Examples and more information about eligibility can be found at the School and Libraries Division (SLD) website, www.sl.universalservice.org/reference/discount.asp.

Uncovering What Services and Equipment are Eligible for E-rate Funding

E-rate 2.0 has changed what is covered, scrapping Priority 1 and 2 lists of services and replacing them with Category 1 and 2. Preliminarily, the following is what's covered under these categories (according to a proposed Eligible Services List). However, it is important to continue to check E-rate's website (www.usac.org/sl) for updates.

Category 1: Eligible Data & Internet Services

- Asynchronous Transfer Mode (ATM)
- Broadband over power lines
- Cable modem
- Digital Subscriber Line (DSL)
- DS-1, DS-2 and DS-3
- Ethernet
- Fiber, both lit and dark
- Frame relay
- Integrated Services Digital Network (ISDN)
- OC-1, OC-3, OC-12, OC-n

- Satellite service
- Switched multimegabit data service
- Telephone dial-up
- T-1, T-3, fractional T-1
- Wireless services, such as microwave

Note: Wireless Internet access and mobile hotspot service plans for mobile devices are eligible if used for educational purposes and if cost effective. However, off-campus use of any sort is ineligible.

Category 1: Eligible Voice Services

- Centrex
- Circuit capacity dedicated to providing voice service
- VoIP
- Local, long distance and 800 service
- POTS
- Radio loop
- Satellite phone service
- Shared phone service (only the portion that is for eligible use)
- Wireless telephone service including cellular voice — excluding data and text messaging

Note: These are subject to a phase-out starting in funding year 2015 when they will have a 20 percent percentage point reduction in discount (e.g., if a school qualifies for an 80 percent discount under E-rate, it will only qualify for a 60 percent discount for voice services in 2015). Each subsequent year will see an additional 20 percent reduction until full elimination from coverage by 2019. A separate funding request should be filed for these services.

Category 2: Eligible Internal Broadband Connections

- Access points used in a LAN (local area network) or WLAN (wireless local area network)
- Cabling, connectors, related components used for internal broadband connections
- Caching
- Firewalls used to ensure continued operation of eligible equipment
- Network switches and routers
- Racks that support eligible internal connections components
- Uninterruptable power supply battery backup necessary for basic power protection for eligible equipment
- Wireless LAN controllers
- Software to support eligible broadband internal connections, including client access licenses for LAN/WLAN networks
- Improvements and upgrades to components on this list

Notes: Functionalities that can be virtualized and equipment that combines eligible functionalities, such as routing and switching, are also eligible. Also, manufacturers' multi-year warranties (up to a three-year period) that are provided as an integral part of an eligible component without a separately identifiable cost may be included in the component cost. Ineligible components, including content filtering, bundled with eligible components must be cost-allocated out of the funding request.

Category 2: Eligible Managed Internal Broadband Services

- Managed internal broadband services (e.g., managed Wi-Fi)
  - Services provided by a third party to operate, manage and/or monitor eligible broadband internal connections and components (ineligible components must be separated out and cost-allocated).

Note: This can include diagnostic services, 24-hour network monitoring or help desk support. It also covers models where the third-party manager owns and installs the equipment, which the school district or library leases. Or, the school or library may own the equipment but outsource management to a third party.

Category 2: Eligible Maintenance Services of Eligible Internal Connections

- Repair and upkeep of eligible hardware
- Wire and cable maintenance
- Configuration changes
- Basic technical support, including online and telephone-based
- Software updates and patches, including bug fixes and security patches

Note: Ineligible basic maintenance services include:

- Maintenance of ineligible equipment
- Upfront estimates that cover the full cost of all equipment
- Advanced diagnostics, management and monitoring
- Network management services, including 24-hour network monitoring
- On-site tech support, unless it's cost effective
- Unbundled warranties

If you are ever in doubt about product or service eligibility, call the Schools and Libraries Program at 888-203-8100 or email question@universalservice.org.

Voice Technologies — Still Covered, But Being Phased Out

For the next several years, funding for voice technologies is being gradually phased out by 20 percentage points per year — it will be eliminated entirely by 2019.

Some telephone-based services that will continue to be covered in limited fashion for the next few years include the following:

Voice over Internet Protocol (VoIP)

VoIP is a telecommunications service that uses an Internet connection in place of dial-up phone service. According to a 2013 survey by the Consortium for School Networking (CoSN) of 469 school district technology leaders in 44 states, about 25 percent have implemented VoIP and used E-rate to cover costs; another third say they use VoIP but haven't used E-rate to help pay for it; while nearly half of districts — mostly small, rural ones — do not yet have this service.[3]

Advantages of VoIP include less cost for phone time over traditional landlines, particularly for long distance, easier conference calling, and better management of voicemail and other services.

Under traditional E-rate rules, the purchase of VoIP phone system equipment was eligible as a Priority 2 expense, but beginning in funding year 2015, VoIP equipment no longer will be eligible. VoIP service itself continues to qualify as Priority 1 under the phase out, but features such as voicemail and caller ID will no longer be eligible.

Agua Fria Union High School District recently switched to a hosted VoIP solution, which was funded as a Priority 1 service by E-rate. The new VoIP service replaced the district's 13-year-old PBX system, which struggled to support five locations and 530 phone users and "was very challenging to manage and maintain," says Shepard.

The district decided to switch to a VoIP system, but then had to choose between an on-premises system or one that was hosted by a service provider with leased equipment. Agua Fria analyzed costs, including potential E-rate support, for both options, finding that with an on-site VoIP system, the district would have had hardware costs of $300,000 that would not be supported as a Priority 1 expense. E-rate would, however, pick up a large part of the hosted service under Priority 1.

"We determined that a hosted VoIP system leveraging Priority 1 E-rate funding provided a lower cost to the district over a five-year period," says Shepard.

IP Centrex

IP Centrex is a cloud-based VoIP phone system, hosted by the service provider, which provides its own phone platform (replacing the PBX) over a private network. It is an alternative to having an on-premises VoIP phone system, which might require maintenance, upgrade or replacement costs.

SIP Trunking

Another VoIP and streaming media service is SIP (Session Initiation Protocol) trunking, which allows users to replace traditional phone lines and transition their PBX voice trunks to the Internet. It uses both VoIP and SIP. Advantages include cost effectiveness, flexibility and added features.

How to Apply

While E-rate can seem overwhelming, the program is manageable, provided you prepare first by making sure you have a thorough understanding of its rules, forms and — most importantly — its deadlines. The following section presents steps to help walk you through the process.

Create an Internet Security Plan (CIPA)

If you are applying for funding for Internet access services, you must show that you are compliant with CIPA (the Children's Internet Protection Act) by preparing an Internet security plan. You have to have this plan in place and list its key elements in order to be eligible for funding.

Three items must be covered in your plan: an Internet safety policy that shows minors are protected from inappropriate Web content and contacts; a technology protection measure, typically an Internet filter; and a public notice and hearing or meeting — at least one must be held to allow the public to address your technology protection plan.

Your Internet safety policy must address the following:

- Access by minors to inappropriate online content
- Security for minors using email, chat rooms and other communications
- Hacking and other unlawful activities
- Unauthorized disclosure, use and dissemination of personal information

- Measures to restrict minors' access to harmful materials
- Education of minors about appropriate online behavior, including interacting with others on social networks and in chat rooms, cyberbullying awareness and response

Note that in your first year of applying for E-rate, you don't need to be fully compliant with CIPA requirements, but can certify that you are making steps toward this goal. You may also seek a similar waiver in your second funding year. You will need to keep documentation on file that you undertook actions to become compliant; you might need to produce these records if audited. More information about CIPA compliance is available on the SLD site at www.usac.org/sl/applicants/step06/cipa.aspx.

Know the Timeline

You must follow USAC's timetable throughout the process or risk losing funds. There are deadlines for each stage. Most deadlines are set and do not change, however, the dates of the annual Form 471 application window are set each year, usually towards the end of the calendar year preceding the July 1 start of an E-rate funding year.

In general, says E-rate spokesman Eric Iversen, "the application window doesn't usually change all that much — the final due date is usually March. The FCC decides late in the year when the next filing window will be." For the 2014 funding year, the deadline for filing Form 470 was February 26, 2014, and for Form 471 it was March 26, 2014.

To get some idea of the timeline, keep in mind that the E-rate funding year runs from July 1 through the following June 30. Typically, planning and assessment of school/library needs should take place from July through early fall; procurement processes (the Form 470 process and requests for proposals, if required by state or local procurement rules) occur from August through the last day to file a Form 470 during the application window; application for funds (Form 471) occurs during the application window — usually from December/January through March; and the application review period begins immediately after the close of the application window.

Choose a Vendor

The competitive bidding process is regulated to prevent fraud and favoritism. Specific forms must be filed and requests for proposals (RFPs), if used, must be handled carefully. Applicants must use a vendor who has a

Service Provider Identification Number (SPIN). In order to get a SPIN, vendors have to file a Form 498 and then file for certification each year using Form 473.

File the Appropriate Forms

FCC Form 470 (Description of Services Requested and Certification Form): Before E-rate reform, all applicants had to file Form 470, which served as a request for bids to eligible vendors, who then had a 28-day bidding period for response.

Now, in an effort to streamline the process, E-rate will be allowing certain generally available services to be contracted without the filing of this form. Effective in funding year 2015, applicants seeking E-rate support for commercially available, business Internet access that costs $3,600 or less per location for a single year (pre-discount price, including any one-time installation and equipment charges) need not file a Form 470 and go through the competitive bidding process. To be eligible, the service must offer at least 100 Mbps downstream and 10 Mbps upstream and the service and price must be commercially available.

Form 470 is also being rewritten as part of E-rate 2.0. You can view a draft of the proposed new Form 470 to get some idea of what the new form will require by visiting www.usac.org/sl/tools/modernization-order/default.aspx.

This form, like all other E-rate forms, can be filed online. Under E-rate reform, some forms may be required to be filed online in funding years 2015 and 2016, and ALL forms will be required to be filed electronically by funding year 2017. If you do need to file Form 470, it must be posted on the SLD website for at least 28 days to give potential service providers an opportunity to bid before choosing a vendor. *Be sure to list all the services you want covered; if you decide later you want to add something, you will have to post an*

E-RATE FUNDING YEAR ANNUAL PROCESS CALENDAR	JUL	AUG	SEP	OCT	NOV	DEC
Planning – Assess District Needs	�	▓	▓	▓	▓	
Engagement – Form 470 Process				▓	▓	▓
Execution – Form 471 Process						▓
Waiting for Funding						
Implementation – Install Equipment						

PROCESSES

additional 470, if there is still time to do so before the deadline.

In addition, all E-rate records must now be kept for 10 years instead of 5. This includes the competing bids you receive as a result of your Form 470. You will need to save all related documentation for 10 years from the last date you receive service so that you can defend your choice in the case of an audit or other review.
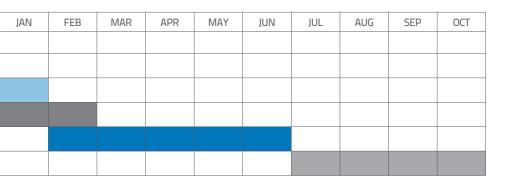
Once your Form 470 has been filed, you will receive a Form 470 Receipt Notification Letter (RNL) informing you that your form has been posted to the SLD site, and also giving you key allowable dates for vendor selection and execution of contracts.

You are expected to pick the vendor with the highest evaluation on an evaluation matrix, and price must be the most heavily weighted factor in the matrix (here is a sample evaluation matrix provided by USAC: www.usac.org/_res/documents/sl/pdf/samples/Bid-Evaluation-Matrix.pdf). Please note: You must not enter into an agreement prior to the allowable contract date (ACD), which is listed on the Form 470 RNL.

If you already signed a multi-year contract with your service provider in a previous year, you don't need to submit a new Form 470 to apply for discounts for those services.

Form 471: This is the form you file to request funding for services. You file it after you've picked your vendor and agreed to terms and charges. The form calculates how much of a discount you are eligible to receive.

Funding requests have to be limited to what's eligible. *You must allocate out ineligible charges on the Form 471. If more than 30 percent of your request is for*

JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT

non-eligible items, your entire request will be denied if not corrected. The form has required attachments, such as "Item 21" — a form that describes and breaks down relevant costs for every item for which you are seeking discounts. Starting in funding year 2015, the Item 21 will be embedded in the Form 471 and will have to be completed before the close of the application window.

E-rate 2.0 has expanded the Item 21 form to include several categories, with more expanded reporting requirements. The Item 21 data also will be more accessible to the public, improving transparency.

USAC will send you a Form 471 Receipt Acknowledgement Letter (RAL), which can be used to correct any errors. During the review period that follows, you also may be contacted by a Program Integrity Assurance (PIA) reviewer with questions about your application. You will have 15 days to respond to the reviewer's questions, though you can request a longer time period if needed to complete your reply. If you don't respond by the agreed-upon due date, your application could be denied.

When USAC completes its review of your application, you will be issued an award letter (officially called the Funding Commitment Decision Letter, or FCDL), which can deny or approve funding requests in full or in part. Letters are sent to both applicants and service providers in response to each funding request.

You Received E-rate Funding: Now What?

The E-rate process doesn't end once you receive your funding decision, which tells you how much you have been awarded. For example, what if you disagree with USAC's decision? Can you appeal?

There is indeed an appeal process. You have to file your appeal within 60 days of the date of your decision letter (received or postmarked). If you think your denial was based on administrative errors, you can appeal to USAC; if you think there is a substantive policy reason for the denial, you can appeal to the FCC. Under the new E-rate rules, in all circumstances you must first appeal to USAC (unless you are seeking a waiver of one of the rules — only the FCC can approve a waiver).

Your appeal must include supporting documentation and explanations of relief sought. You can submit this by email or postal mail. Guidelines and other information are available on the USAC site at www.usac.org/sl/about/program-integrity/appeals.aspx.

Case Study:
The Metropolitan Regional Career and Technical Center

The Metropolitan Regional Career and Technical Center is a career-oriented public school in Rhode Island that has three campuses. Its 888 students — chosen by lottery — learn by doing, with their personal interests used to match them with companies where they can complete hands-on work in the form of internships and other work-study experiences. Teachers are known as advisors and instruction is highly personalized.

The school qualifies for a free and reduced lunch percentage of 73 percent. Since 2007, its first year in the program, the Met School has been awarded about $588,000 in funding and expects an additional $70,000 in fiscal year 2014, says Lucas Lussier, CFO and business manager.[4]

Thanks to E-rate, the school has been able to convert its telephone system to VoIP, as well as increase its Internet speed to 40 megabytes per second and install Wi-Fi throughout its campuses. "That's allowed us to provide open Internet to every single student and staff member in our institution," says Lussier.

The Met School has started purchasing Chromebooks and anticipates having every student equipped with a mobile device in the next two years. "They can use that wireless infrastructure to do their project work anywhere they are on campus and interact with their advisors," says Lussier. "It's a very flexible and easy-to-use system, having the wireless technology to work anytime, anywhere — and without the E-rate discounts, we wouldn't be able to afford or support that wireless infrastructure."

If you are satisfied with your funding decision, you must then file a Form 486 — the Receipt of Service Confirmation Form — with USAC. The form tells USAC that your service providers have begun to deliver their services or will start them on July 1. This triggers the payment process. Schools must submit Form 486 within 120 days of receiving their funding letter or from the service start date (whichever is later); vendors also have 120 days from the end of completing services or 120 days from the 486 notification letter to send in invoices or they won't be paid. Don't neglect these forms or their deadlines — payments can be denied if these filings aren't done properly.

When it comes to invoicing and vendor payment, E-rate gives you choices concerning how funding is distributed. One option is for you to pay the vendor the full amount for services. When the E-rate funding is approved, you must file Form 472, aka the BEAR (Billed Entity Applicant Reimbursement) form, to get reimbursed for the portion of your payment funded by E-rate.

Note that E-rate 2.0 has changed the BEAR process. Previously, reimbursement went to the vendor, who then had 20 business days from receipt of the funds to reimburse you. Starting with the 2016 funding year, BEAR payments will go directly to you.

Another option is for E-rate to pay the provider directly. You pay the provider the amount you owe after E-rate's award is calculated (for example, 30 percent if you receive a 70 percent discount). In this instance, the provider must file Form 474, also referred to as the SPI (Service Provider Invoice) form, to receive the portion funded by E-rate.

Whether you go the BEAR or SPI route is up to you — it is not a decision made by E-rate. However, in a given funding year, once the first invoicing form is filed, you cannot change your invoicing method for the remainder of that funding year. Also keep in mind that once you receive services, you must keep all records concerning payment for your E-rate-funded equipment and E-rate invoicing in case of a future audit.

What if You Have Problems with Your Vendor?

E-rate allows two types of service provider changes (known as SPIN changes). The first is "correctional" — if, say, a provider's SPIN was entered incorrectly or the provider merges with another company during the term of the contract. Information about making corrective changes is available at www.usac.org/sl/applicants/before-youre-done/spin-changes/corrective-changes.aspx

The other is an "operational change" — a request to change providers. The Metropolitan Regional Career and Technical Center in Rhode Island — known as "The Met School" — has needed to do just that with its E-rate-approved service provider. The Met School ran into problems with service from a telecommunications vendor it hired about two years ago to provide Internet and VoIP phone services.

"We had tremendous interruptions in service — sometimes for a couple of minutes, sometimes for multiple days where students and staff couldn't use the phone and couldn't get online," says Lussier. The school worked with its vendor for about a year to try to get problems resolved before deciding it needed to switch to another provider.

A Rundown of E-rate Terms

USAC (Universal Service Administrative Company)

The parent company that oversees the administration of the E-rate program.

SLD (Schools and Libraries Division)

A division of USAC, which administers E-rate funding.

CIPA (Children's Internet Protection Act)

This legislation protects minors from inappropriate content, security threats and other dangers related to Web access. Schools and libraries receiving federal funds (e.g., E-rate) for Internet access must demonstrate they are compliant with its provisions. However, content filtering software is not eligible for E-rate funding.

NSLP (National School Lunch Program)

This federal program determines eligibility of students for free or reduced lunch; program participation rates are the basis upon which eligible public institutions' E-rate funding amounts are determined.

Form 470

In essence, this is the school/library request for bids for E-rate-eligible projects. It describes the services for which bids are sought and gives potential vendors a minimum of 28 days to respond. However, E-rate applicants are not precluded from issuing their own RFP, or similar procurement vehicle, in addition to filing the Form 470 with USAC.

Form 471

The form used to file school/library requests for E-rate funds.

FCDL (Funding Commitment Decision Letter)

Letter sent from USAC informing recipients and vendors of the funding decision(s) and the award amount(s).

BEAR (Billed Entity Applicant Reimbursement, aka Form 472)

The form that is filed with USAC by an applicant if a vendor has been paid in full, so the applicant can be reimbursed for its approved discount amount (until funding year 2015, funds are disbursed through the service provider; beginning with funding year 2016, the applicant will be reimbursed directly from USAC).

SPI (Service Provider Invoice, aka Form 474)

Service providers file this form for direct reimbursement of the approved discount amount from USAC. Applicants pay only their portion (the undiscounted amount) of the service or equipment charges.

Because the vendor's contract had been approved by E-rate and funding allocated, the Met School needed to go through the operational SPIN change process.

"You have to show evidence to E-rate that the change is warranted, that you've tried to resolve problems with the vendor and that the vendor in fact is breaking the contract you had with them," says Lussier. The school had kept meticulous records of its contacts with the vendor and was able to provide 160 pages of emails, plus original bid specifications, quotes and other paperwork, all of which convinced E-rate to approve the change.

However, under E-rate regulations, the second-highest ranked bidder on the original contract must then be awarded the job. This was not satisfactory to the Met School, which had determined during its experience with the first vendor that it needed to work with a vendor that could provide both VoIP and Internet service, as well as infrastructure. The second qualifying bidder did not meet those criteria.

As a result, the Met School continued to appeal through E-rate for a further SPIN change, going through three rounds of appeals. It may ultimately appeal directly to the FCC, says Lussier.

To find out more about the process for changing providers, visit www.usac.org/sl/applicants/before-youre-done/spin-changes/operational-changes.aspx.

Best Practices to Ensure E-rate Success

As we've shown, E-rate is a complicated and broad program, covering a variety of services. It also can be tremendously helpful for schools and libraries seeking to expand their telecommunications and Internet services and internal connections, which are so valuable to education today. You don't want to miss out on funding for which you are eligible due to simple mistakes.

We've consulted with E-rate vendors, experts and users for best practices to keep in mind as you make your way through this program.

Protect against audits with thorough record-keeping and ongoing monitoring. Shepard, for example, sets up an E-rate binder with tabs to organize and hold all of the forms he files, every invoice sent, and every bit of communication and correspondence related to the program. USAC has a link that lists the type of documentation you need to retain at www.usac.org/sl/tools/document-retention.aspx.

Record-keeping can also help in the case of appeals, such as the one the Met School has undertaken to change providers.

"Keep exorbitant amounts of documentation in regards to communication with your vendor about their performance and issues you may be experiencing — even if they are insignificant," says Lussier. "Down the road if any school wants to go to E-rate and say the vendor is not meeting their end of the contract, you need to be able to provide that record-keeping — the date and time of the communication, who said what, what was the issue and how was it handled."

Make use of free training and services provided by USAC, such as the HATS program (Helping Applicants to Succeed), which offers outreach visits by phone, video or even in person with USAC E-rate team members who work to provide one-on-one guidance to help you solve your specific challenges.[5]

Training sessions are also held throughout the year to teach applicants about program rules and updates, forms, eligibility and audits. Information about these can be found at the SLD site.

E-rate training is sometimes offered by state departments of education or other statewide organizations. Shepard, for instance, has attended several trainings offered by his state education department and another by his state's Association of School Business Officials.

"It covers the basics for people who are new to the program plus any kind of current changes or things happening within the program," Shepard says. "There are a lot of rules and requirements and timelines on which to stay current."

Network with peers. Shepard has found tips for dealing with E-rate from discussions with other IT directors. "Find people you can have a dialogue with and find out how they are using the program and see if any of it might translate to your district," he advises.

Remember that vendors and service providers are NOT allowed to help you fill out forms prior to being selected as the winning vendor and there are very strict rules pertaining to what vendors can and cannot do during the procurement phase of the process. If, for example, you used a service provider to help fill out Form 470 (which opens the bidding process) and then you chose that provider (whose name would be listed on your Form 471), your funding request would be denied. However, the winning vendor can assist with your Forms 471 and 486 by providing you with information regarding services they will provide to you. Criminal investigations can be launched if either applicants or service providers are suspected of breaking the law.

Keep the E-rate site bookmarked and review it frequently to see when changes are implemented. You can also sign up for alerts to keep apprised of unexpected changes.[6]

Taking Advantage of E-rate

E-rate is a significant resource for schools and libraries looking to boost their digital presence. Given the new funds set to flow into the program for the next two years (and calls for such funds to be continued beyond that), it is wise for school and library administrators to keep tabs on this evolving, valuable program. Students and those served by public libraries can all benefit from fast, high-speed communications technologies now and well into the future.

Endnotes:

1. All information from CDE interview with Mike Shepard, May 16, 2014
2. www.fcc.gov/guides/universal-service-program-schools-and-libraries
3. www.cosn.org/sites/default/files/2013EratebroadbandFinal.pdf
4. All information from CDE interview with Lucas Lussier, July 30, 2014
5. www.usac.org/sl/about/outreach/hats.aspx
6. www.usac.org/about/tools/publications/subscription-center.aspx

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