

E-Rate: Getting Ready Now for the Next Cycle

Applying for E-Rate discounts can be complicated and frustrating, but potential applicants shouldn't be scared away. Learn how to navigate through the process and save money for your school.

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Students have just returned to classrooms and school administrators have plenty to do. But it's not too early to start thinking about saving money on technology services in the academic year after this one.

As it has annually since 1998, the Federal Communications Commission will offer up to \$2.25 billion in discounts on telecommunications and Internet services through the Schools and Libraries Universal Service Support Mechanism, better known as E-Rate. Most schools and school districts are eligible for some savings, and a significant number qualify for 90 percent discounts, often amounting to millions of dollars. In order to secure the discounts for the funding year starting in July 2008*, schools and libraries must submit an application between mid November and early February (exact dates to be announced) to the Schools and Libraries Division (SLD) of the Universal Service Administration Company, which administers E-Rate for the FCC. The time to begin preparing the application is now, say veterans of the process.

"Almost no one starts early enough," says Mark Miller, president of the Miller Institute for Learning with Technology. "Having the time to collect the information you need and taking the time to double-check every detail is essential."

Besides the press of other duties, dread of the E-Rate process can prevent some school administrators from getting started, says Gary Rawson, E-Rate coordinator for the Mississippi Department of Information Technology Services and chairman of the State E-Rate Coordinators Alliance. The E-Rate process has become infamous among school and library administrators — including strong supporters of the program like Rawson — for the number of bureaucratic hoops required for the application and the small or nonexistent margins of error.



*E-Rate funding years run from July 1 to June 30. Funding year 2008 will begin on July 1 of next year and end on June 30, 2009.

Ineligible for Discounts

One way to understand how E-Rate works is to consider some of the products and services that are not eligible for discounts, such as the examples below. They may be essential to the technology plan of the applying school or district, but they are not tied closely enough to the FCC's mission for the program: making basic communications and connectivity affordable for all schools and libraries.

Telecommunications

- 900/976 charges
- Dark fiber service

Internet Access

- Internet content (excluding e-mail, which is eligible)
- Training in the use of Internet
- Internet2 content or charges
- Cost for training provided via the Internet
- Software, services or systems used to create or edit Internet content
- Online collaboration tools
- Distance learning or video conferencing software or content services
- In a Web hosting situation, software applications, end-user file storage and content-editing features

Internal Connections

- Computer workstations, laptop computers
- Telephones
- Fax machines
- Printers
- All end-user software
- Application software other than e-mail
- Development software
- Operating system software for end-user computers
- Security software

Basic Maintenance of Internal Connections

- Onsite technical support
- Help desks that provide comprehensive support beyond basic connectivity maintenance

Miscellaneous

- Interest or finance charges
- Late payment fees
- Performance bonds

A complete listing of ineligible products and services is part of the Draft Eligible Services List Schools and Libraries Support Mechanism for Funding Year 2008, which is available at http://www.universalservice.org/_res/documents/about/pdf/2008-ESL-FCC0-07-130.pdf

"In 25 years of working with state and federal programs, this is one of the most complex programs I've worked with," says Robert Bocher, technology consultant for the Wisconsin Department of Public Instruction. "But it's worth the hassles and the headaches."

And there are remedies for what Rawson calls "E-Rate phobia."

"You have to address the fears because they're real," Rawson says. "It's so easy to forget a deadline or form and people have lost jobs because of it. People need to become comfortable with the program and the process, and they can't wait until the filing window opens."

History of the Program

The E-Rate program was created in 1997 when the FCC adopted the Universal Service Order implementing the school and library discounts established in the Telecommunications Act of 1996. E-Rate was set up to ensure that schools and libraries have affordable access to modern telecommunications and Internet services. The program's mission is connectivity, not content, and the list of eligible services closely parses that distinction.

E-Rate provides discounts ranging from 20 percent to 90 percent of the cost of eligible services, depending on the economic need and location of the applicant. Discount levels are based on the percentage of students eligible for the National School Lunch program and whether the school or district applying is rural or urban, as designated by the federal Office of Management and Budget. Rural schools can receive slightly higher discounts.

Eligible services generally fall into one of four categories: telecommunications, such as basic phone service; Internet access, including e-mail; internal connections, such as telecommunications wiring or network servers and routers; and basic maintenance of internal connections.

Basic telecommunications service and Internet access are Priority One for the program and applications for those discounts are considered first, according to USAC vice president Mel Blackwell. Funds remaining after successful Priority One requests have been awarded are

then available for distribution among Priority Two applicants, who request support for internal infrastructure to make use of the basic connectivity. Priority Two requests from any particular applicant can only be funded two years out of any five-year period.

End-user equipment (telephones and computers, for example), as well as most software and professional services, are not eligible for E-Rate discounts. In order to receive the savings on eligible services, schools and libraries must show that they either have in place or have budgeted for their share of eligible services as well as the equipment, software and services included in their technology plans to make use of the connectivity supported by E-Rate.

The FCC posts a revised, detailed list of eligible services each autumn before the filing period begins. The draft list for funding year 2008 on the USAC Web site now fills 25 pages. In the past, any funding request in which 30 percent or more of the requested services were ineligible for discounts was automatically rejected. The SLD will now let schools remove the ineligible items rather than denying the whole request. The best practice, however, is for applicants to avoid including ineligible items in their requests, says Mary Mehsikomer, technology planner for the Minnesota Division of School Improvement.

"Applicants should be sure they're using the latest list," Mehsikomer says. "At the very least, applying for ineligible services will complicate what can be a straightforward process. It's part of doing your E-Rate homework."

Changes for the Upcoming Cycle

Prior to publishing the final list of eligible products and services for each cycle, the FCC releases a preliminary version and opens a 21-day public comment period on changes from the previous year. The FCC reviews the comments and then approves a final list. The draft list for the 2008 funding year was posted on the USAC Web site on July 27 and includes few changes from the last cycle, Blackwell says.

The designation of Centrex systems as basic phone service is the most significant change in the proposed list of eligible services for the next cycle. Schools and libraries that only apply for basic phone service aren't required to file a

technology plan, and this will ease the burden on their administrators, Bocher says.

The draft list clarifies that while E-Rate will provide discounts for the Internet service that makes distance learning and video conferencing possible, the hardware and software tools themselves are ineligible. In much the same way, the 2008 draft makes it clear that basic Web hosting services — provision of bandwidth, disk space for applicant-provided content and FTP transfer or Web interface to upload — are eligible for discounts. But features such as software applications or end-user file storage and editing tools are not eligible.

The 2008 draft adds “failover” products and services — redundant technologies that are only used when the primary technology fails — to the list of ineligible items.

Five Key Requirements to Avoid Process Pitfalls

Applying for E-Rate discounts is a multi-step process in which sequence, deadlines and documentation are all crucial. Listed below are five key junctures in the process that require particular attention.

1. Technology Plan. The plan must exist in at least a draft form before Form 470 is filed (except for applications limited to basic phone service) and must be approved by the applicant’s state or another certified approving body before discounts can take effect. Developing the plan should be any applicant’s first step in the E-Rate process, says Mehsikomer, and the services for which discounts are requested should grow out of the plan.

Service providers should never be involved in creating the technology plan, Miller says. And when schools use a consultant, in-house staff must still be deeply involved in creating the technology plan to ensure that it meets their specific needs.

“There are people who sell technology plans like term papers, and they’re about as useful to the educational process,” Miller says. “There shouldn’t be one-size-fits-all plans.”

2. FCC Form 470. Filing this Description of Services Requested and Certification form is intended to trigger a competitive bidding process. It is illegal for service providers to be involved in the submission of Form 470 and evidence of that involvement will lead to denial of the application, Miller says.

3. 28-day Waiting Period. After filing Form 470, applicants are required to solicit and compare competitive bids for the services requested before they can contract with a provider and then submit Form 471, the Services Ordered and Certification form. Inattentive applicants sometimes file Form 470 too late to allow time for the waiting period and the completion of a contract before the filing deadline for Form 471, Bocher says. Keeping a close watch on the SLD Web site, where deadlines are posted as they are set in the fall, and on the calendar is the only way to escape this dilemma.

4. Contracts and Form 471. After applicants have selected their service providers, they must have completed and signed contracts in place before they submit Form 471. Unfortunately, a decision on E-Rate discounts is weeks or months away at this point in the process. Besides the need for applicants to have budgeted their share of the cost of services they request, contracts with providers should include contingencies in the event E-Rate discounts are denied, Miller says.

5. Program Integrity Assurance. The SLD’s diligent PIA unit reviews every application and will come back to the applicant with issues ranging from typos to serious contract problems. The only way to deal with PIA inquiries is promptly — within 15 days — and with plenty of documentation.

“The review process is a big challenge,” Mehsikomer says. “Make sure you’ve reviewed everything yourself first and have extra substantiation.”

Reasons for Denial

Of the 39,000 E-Rate applications received by the SLD for the 2006 funding year just ended, 32 percent were denied. The most common reasons for those denials were insufficient documentation, incomplete contracts and

E-Rate discounts have helped build the technology foundation for the Newark Public Schools, says district CIO Paul Mailloux. He keeps a close watch on the process that creates those savings.

“The district has received more than \$60 million over the life of the program,” Mailloux says. “I do the entire application and I’ve been doing it since day one of E-Rate. It’s that important.”

The New Jersey city’s school system serves 42,000 students in 76 buildings, so other administrators help gather the data and encourage students to apply for the federal school lunch subsidies on which E-Rate discount levels are based. On average, Newark Public Schools qualified for E-Rate discounts of 86 percent.

In 2006, Newark received \$3.6 million in Priority One funding for basic telecommunications and Internet services, but didn’t get the \$600,000 in Priority Two funding for which it applied that year. With higher lunch program enrollment in the 2007 funding year that just began, Mailloux says he believes NPS will get the full \$3.2 million for which it applied. As a matter of strategy, the district focused its Priority Two requests on the specific schools that are eligible for 90 percent reimbursement.

In the early years of the E-Rate program Newark did even better, receiving between \$5.1 million and \$11.2 million in discounts, much of which was applied to Priority Two purchases for essential internal connections.

“At that point, the district was laying down the wiring — those were the years we were building our infrastructure,” Mailloux says. “E-Rate provided the servers, the routers and the switches of our network and now it means that the district can afford the services that go over the network.”

“I’ve never understood that criticism,” he adds. “It’s a step-by-step process and we’ve always complied with both the spirit and the law of the program and done all right. It helps that I have experience. I can imagine a little confusion for people just getting started, but not after that.”

Mailloux’s only complaint about E-Rate focuses on the extended time lags between the submission of the application and the funding decision and then between the decision and the completion of the paperwork that actually yields the discounts. The funding eventually comes through in the form of reimbursements rather than discounts, and in the meantime the district still needs to pay for its phone and Internet service.

“There have been times when the district has had three or four years open,” he says.

But even that situation has a bright side for Mailloux. When the reimbursement checks come back, he has persuaded his superintendent to reinvest most of it in technology for the schools.

Significant Savings for Suburban Waunakee

With less than 10 percent of its approximately 3,500 students eligible for the National School Lunch Program, the Waunakee Community School District receives a relatively modest 40 percent discount on its basic telecommunications and Internet costs through the E-Rate program — about \$55,000 savings in the last funding cycle.

It's part of Assistant Director of Instruction Tim Schell's job to negotiate the complicated, sometimes frustrating application and review the process that secures the discounts for this suburban district just north of Madison, Wis. And though he still devotes significant blocks of time to E-Rate at crucial points in the application schedule, the process is getting easier.

"The rewards are there and they're certainly worth the effort required," says Schell, noting that the E-Rate savings are just about equal to a salary for a teacher. "School systems can't afford to pass up this kind of savings. Experience helps. It takes one or two cycles to make the process more efficient and effective."

Waunakee has been applying to USAC's Schools and Libraries Division for E-Rate funding since 1998, the first year it was available. Schell joined the district and took over the application process the following year. WCSO applies under a single technology plan. Schell gathers necessary documentation from the district's six schools, fills out the forms and responds to any requests or inquiries from the SLD. In small school systems, it works best to have one person in charge of the application process, Schell says.

"Either someone in technology or on the business process side should take the lead," he says. "It helps to build expertise because that will save time and make things easier. The trouble is, you only get to practice once a year."

Waunakee typically receives 100 percent of the discount for which it applies, says Schell, because he's careful to weed out any ineligible services from the application. Not only will the ineligible services not get funded, they will trigger a round of inquiries from the SLD reviewers and slow down the process.

In recent years, though, the SLD has taken significant steps to simplify the E-Rate application process with streamlined online forms and increased communication with applicants, allowing early resolution of inadvertent errors and omissions, says Schell.

requests for ineligible products or services, Blackwell says.

That roughly matches findings of an analysis Bocher performed on reasons for E-Rate denials of Wisconsin school district applications from 2004-2006, though the state's rejection rate was just 8.3 percent during that period. The Wisconsin study puts contract issues at the top of the list of trouble spots, with problems arising from failure to honor the 28-day waiting period after Form 470 is filed or having no signed agreement with a service provider in place when Form 471 is filed.

Seventeen percent of the Wisconsin denials resulted from administrators not being able to produce the documents necessary to respond to an inquiry from a PIA reviewer within the required 15 days.

Although the Wisconsin data includes denials that resulted from the now abandoned 30-percent rule, a substantial proportion of failed applications were for ineligible products and services. The best remedy is to download the draft list of eligible services now and check the SLD Web site frequently from late September on for the final list, Blackwell says.

The FCC is working to increase the success rate for E-Rate applications by loosening rules for correcting in-process applications, Blackwell notes.

"We're trying to allow corrections on the front end of the process when applicants make honest mistakes," Blackwell adds. "It's better for the applicants and it's better for us as the administrators of the program."

Steps to Success

Applying for E-Rate discounts is not a simple process, but veterans of the program have advice to help schools successfully negotiate it.

1. Start now. Waiting for the application window to open surely means added stress and can lead to failure, Rawson says.

"Understand eligible services, find out about procurement, learn about the forms and the steps of the process," Rawson says. "Attend the training sessions available to you. Talk to

your state coordinator. Talk to other people. Hear their horror and success stories. Then you'll be ready when the window opens."

2. Build expertise and institutional memory into the application process. Both large urban districts like Newark and smaller school systems like Waunakee (see sidebars) have found that the E-Rate application process goes most smoothly when one person takes responsibility for it. Mehsikomer suggests that schools' E-Rate experts also share knowledge and experience with others.

"Ownership of the process is important, but when there's staff turnover, you don't want to start learning all over again," she says.

3. Document everything. Besides assembling substantiating documents related to the initial application, document every interaction with the SLD, and get a return receipt on any correspondence with the agency, Miller says. In addition, all documents, including such items as losing bids, must be retained for five years after the service ends.

4. Use state coordinators and USAC as resources. Individual states and USAC have E-Rate training programs every year. States such as Wisconsin, Minnesota and Mississippi with active state coordinators provide the support that leads to very high application rates and very low denial rates.

In addition to being the place E-Rate deadlines and eligible services lists are posted, the USAC Web site, www.usac.org/sl, is crammed with information about the program and how to apply. All the forms for the E-Rate application come with line-by-line instructions and the agency is ready to answer any questions, Blackwell says.

"I know nobody reads instructions — I don't read instructions — but we try to take you through the process step by small step," Blackwell says. "And don't put something down if you're not sure about it. Call us."