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GET READY FOR E-RATE 2.0

A guide for K–12 schools and districts on changes to the E–Rate program taking effect in 2015

Executive Summary

The Federal Communications Commission has recently made the biggest changes to E–Rate since the program was created 19 years ago to help schools pay for telecommunications and Internet services.

Major changes include increased funding and the phasing out of some services and technologies, as well as increasing support for broadband and wireless networks in classrooms.

The focus is to help the nation's schools get the bandwidth they need to take advantage of mobile devices and embrace a more interactive and individualized digital learning curriculum, said Jon Wilkins, the FCC's managing director.

"This is about taking E-Rate from the 20th century to the 21st century, and it is now entirely focused on high–speed broadband," Wilkins says.

Schools and districts should be aware of the major changes to E-Rate, as well best practices, important dates and deadlines. They also should know what services and equipment are eligible — or ineligible — for funding.

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E–Rate Program Overview

E-Rate, created by the U.S. Telecommunications Act of 1996, helps ensure that K–12 schools and libraries, particularly those in low-income or rural areas, have affordable access to telecommunications and Internet services.

The program provides annual subsidies or "discounts" of 20 percent to 90 percent on eligible services and technology equipment. For example, if a school district qualifies for a 90 percent discount, the E-Rate program pays 90 percent of the cost, while the district pays the remaining 10 percent.

The discount rates are determined by the percentage of students eligible for free and reduced lunches through the National School Lunch Program.

Public K–12 schools and districts and most nonprofit schools are eligible for E-Rate funding. Rural schools are typically eligible for higher discount rates than urban schools.

The FCC overhauled E-Rate in 2014 after President Obama called on the agency to modernize the program to meet broadband and Wi-Fi connectivity goals outlined in his new ConnectED Initiative.

The initiative aims to provide 99 percent of America's students with next-generation broadband (at speeds of at least 100 megabits per second, with a target of 1 gigabit per second) and to establish high-speed Wi-Fi networks in schools within the next five years.

In response, the FCC issued two modernization orders in 2014, in July and December. Highlights include:

Increased funding: E-Rate funding will increase from $2.4 billion to $3.9 billion annually.

More Wi-Fi support: The increased funding includes a target of $1 billion per year for internal connections, such as local area networks (LANs) and Wi-Fi, for the next five years.

Phasing out voice services: To focus on broadband and Wi-Fi, E-Rate will begin phasing out phone services, including cellphone plans, starting in the 2015 funding year.

Increased broadband options: Of particular benefit to rural districts, schools can now purchase dark fiber as well as build their own high-speed broadband facilities if that's the most cost-effective option.

Recent Changes

The FCC's changes to E-Rate focus on three areas: ensuring that schools and districts have affordable broadband and Wi-Fi; maximizing E-Rate spending; and making the administration of the E-Rate program and the application process faster, simpler and more efficient.

Ensuring Affordable Broadband and Wi–Fi

The fundamental structure of E-Rate remains the same: Discounts are based on economic need, and the program allows individual schools or districts to choose the providers or technologies that best fit their needs as long as they're the most cost-effective options, Wilkins says.

The biggest structural change is a $1 billion annual commitment to internal networks, which aims to ensure that schools receive the subsidies they need to provide students with high-speed Wi-Fi access in their classrooms. The FCC's modernization efforts will ensure that E-Rate will fully fund schools' Wi-Fi needs over the next five years, Wilkins says.

"We feel highly confident, between the new higher spending cap and phasing out of support of older services, that we will fully fund both categories," he says.

Category Changes

The FCC has also changed the names of the funding categories from Priority One and Priority Two to Category One and Category Two.

Here are more specific changes to the two categories:

CATEGORY ONE CHANGES: While the highest discount level for Category One services remains at 90 percent, the highest discount rate for voice services will drop to 70 percent for the 2015 funding year and decrease another 20 percentage points each year after.

Category One services eliminated include email, text messaging, voicemail and web hosting.

CATEGORY TWO CHANGES: The highest discount level for Category Two services and equipment has been reduced from 90 percent to 85 percent. This will spread E-Rate funds more widely and provide an incentive for applicants to find the most cost-effective options, the FCC said.

The previous rule that schools can receive funding only for internal connections in two years out of any five-year period has been eliminated. The new rule allows schools to apply for Category Two funding for purchases of up to $150 (prediscount) per student over a five-year period.

New Category Two services and equipment that are eligible include managed Wi-Fi services and caching technology, which stores frequently accessed links and other web content locally.

The FCC has also eliminated E-Rate support for Voice over IP systems, virtual private networks and software, except for software used for internal broadband distribution.

Supporting Broadband

The FCC's second Modernization Order in December provided more flexibility and options for schools to access affordable high-speed broadband, with the goal of spurring investment in high-speed broadband infrastructure.

Toward that goal, beginning in the 2015 funding year, the FCC is suspending the requirement that schools seek E-Rate funding for large upfront (nonrecurring) construction costs over a period of several years. Schools can now pursue large construction projects and get E-Rate funding upfront in one year.

Beginning in funding year 2016, schools and districts can also:

- Pay their portion of nonrecurring large construction costs over multiple years through an installment plan. Previous rules required schools to pay their portion within 90 days of service delivery.

- Use E-Rate funds to lease dark fiber, which can drive down broadband costs. Previously, schools could purchase only lit fiber services.

- Build their own high-speed broadband facilities if this is the most cost-effective solution.

- Receive additional E-Rate discounts if states help fund high-speed broadband construction. If a state agrees to provide financial support for last-mile broadband facilities, the E-Rate program will match the state's contribution by providing up to 10 percent in additional Category One discounts.

Maximizing E-Rate Spending

The FCC has made several rule changes to drive down the cost of services and equipment and to ensure that schools are spending E-Rate funds as efficiently as possible. They include:

Price transparency: The FCC has directed the Schools and Libraries Division (SLD) of the Universal Service Administrative Company (USAC), which manages the E-Rate program, to post the prices of services and technology that each applicant pays.

Posting the prices will create transparency and allow schools and districts to see what others are paying, so they can negotiate better prices, says Keith Bockwoldt, director of technology services at Township High School District 214 in Arlington Heights, Ill.

"In Illinois, you can have one district paying $3 per megabyte and another paying $9 per megabyte from the same vendor," he says. "We feel it should be equitable, so transparency can make a difference."

Bulk purchases through a consortium: To encourage schools and districts to join a consortium, the FCC will prioritize E-Rate applications from state and regional consortia. Bulk purchasing through a consortium can drive down prices.

Making Application and Administration Faster, Simpler and More Efficient

USAC has made great strides in streamlining the application process and speeding the review of applications.

For example, the new online application features drop-down menus, which reduce errors, prepopulate applicant information where possible and provide embedded tips as users go through the application, says Mel Blackwell, vice president of USAC's SLD.

USAC is also reviewing applications and making commitment decisions faster than ever. Last year, USAC completed the funding process by Oct. 1. The goal for the 2015 funding year is to complete the funding process by Sept. 1.

ELIGIBLE SERVICES AND TECHNOLOGY: WHAT'S IN, WHAT'S OUT

The following list specifies which services and products are eligible or ineligible for E-Rate discounts.

CATEGORY ONE

ELIGIBLE	INELIGIBLE
Services	**Services or Components**
Digital transmission services and Internet access services, such as:	• 900/976 call blocking
• Cable modem	• Custom calling services
• Digital subscriber line (DSL)	• Direct inward dialing
• DS-1 (T1), DS-3 (T3) and Fractional T1 and T3	• Directory assistance charges
• Ethernet	• Email
• Fiber (lit and dark)	• Inside wire maintenance plans
• Multiprotocol label-switching (MPLS)	• Paging
Voice services, such as:	• Text messaging
• Voice over IP	• Voicemail
• Local, long distance and 800 service	• Web hosting
• Plain old telephone service (POTS)	
• Wireless telephone service, including cellular voice (but excluding data and text messaging)	

CATEGORY TWO

ELIGIBLE	INELIGIBLE
Equipment and Services	**Services or Components**
• Access points for wired and wireless LANs	• Circuit cards/components
• Caching	• Data protection
• Firewall services and components	• Interfaces, gateways, antennas (except for antennas that support internal broadband connections)
• Switches, routers and racks	• Servers (except for servers necessary for caching)
• Uninterruptible power supplies (UPSs)/battery backups	• Software (except for software that supports internal broadband connections)
• Wireless controller systems	• Storage devices
• Software that supports internal broadband distribution	• Telephone and video components
• Managed internal broadband services	• Voice/video IP components
• Basic maintenance	

Changes to E-Rate that will speed and simplify the application process further include the following:

Streamlined applications for multiyear contracts: Applicants entering new multiyear contracts can use a streamlined application process in subsequent funding years if they submit a complete FCC Form 471 the first year.

Eliminating the technology plan requirement: Historically, E-Rate has required applicants to develop a tech plan that is approved by a state education agency or other USAC-certified body. The FCC eliminated the tech plan requirement for Category One services in 2010 and now has eliminated the requirement for Category Two services.

Eliminating paper applications: Applicants and service providers must file all documents electronically to USAC.

Adopting districtwide discount rates: To simplify the application process, each district is now required to calculate and use a single districtwide discount rate instead of calculating and using building-by-building discount rates.

Best Practices

Schools and districts should consider some best practices and tips when applying for E-Rate funding.

1 **Read the two E-Rate Modernization Orders.** There is no better way to understand the full scope and reasoning behind the FCC's changes than to read the Modernization Orders, which are available on USAC's website, Blackwell says.

2 **Start early. Do not wait until the last minute.** Applicants should start early and ask USAC any questions they have about E-Rate. This will provide ample time to understand the program and to ensure that the application is filled out correctly, which speeds up the funding process, Blackwell says.

Filing early also has its perks. Schools and districts that apply first get reviewed first; if their application is filed correctly, they will receive funding in the first wave of approvals.

3 **Plan for several years into the future.** FCC no longer requires schools to submit a technology plan to get funded. But it's still important for schools and districts to look beyond the current E-Rate funding cycle and plan two to three years out so they can prioritize projects and apply for funding accordingly.

4 **Use USAC's free educational resources.** USAC's website includes a library full of print resources, educational videos and tutorials that walk you through each step of the application process. School and district leaders can also sign up for training events throughout the country, take part in live webinars, or schedule one-on-one meetings that can be held in person, over the phone or through video conferencing, Blackwell says. Applicants with questions can also call USAC's call center.

Timeline for Milestone Dates

The upcoming funding year, FY16, is **July 1, 2015, to June 30, 2016**. Applicants begin the filing process with Form 470 the fall prior to the funding year.

FCC Form 470 and competitive bids: Schools must solicit bids for services and technology by filing FCC Form 470. Form 470 for FY16 is currently available. After filing the form, schools must wait at least 28 days before reviewing bids from service providers. The last day to post this form for FY16 is still to be determined, but will likely be in **February or March 2016**.

FCC Form 471 filing window: The filing window for FCC Form 471 for FY16 is still to be determined, but will likely close in **March or April 2016**. Schools must submit Form 471 after they have selected their service providers and vendors.

Document retention period: The document retention period has been extended from **five years to 10 years**.

Resources

To learn more about E-Rate, these resources are available online:

Schools and Library Division of the Universal Services Administrative Company website: **usac.org/sl**

SLD's training and outreach page, which includes video tutorials and listings of training sessions: **usac.org/sl/about/outreach/default.aspx**

To get more information and guidance on E-Rate, visit the EdTech Focus on K-12 website: www.edtechmagazine.com/k12.