



The E-Rate Filing Process, Step by Step *or* How to Apply for E-Rate yet Emerge Unscathed

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What is E-Rate, Again?

- Federal Subsidy (20% - 90%) on:
 - Telephone Lines
 - Mobile Phone Service
 - Local Usage and Long Distance Charges
 - Data Lines (*e.g.*, T1, DS3, WAN services (fiber/wireless))
 - Internet Access and Hosting Services
 - Internal Connections (Wiring, Switches, Routers, Servers)
(only for high discount schools, typically 80% or higher)
 - Basic Maintenance of Internal Connections
- Application Process begins annually around Oct-Nov
- Series of Forms: 470 (Nov) ... 471 (Jan-Feb) ... 486 (July)
- ***Significant*** Savings if High Free/Reduced Lunch



\$100M Impact in Oregon Alone

Disclaimer - Crude Estimate based on SLD Data Pulls

<u>Year</u>	<u>Pre-Discount*</u>	<u>Local Funding*</u>	<u>SLD Funding</u>
2006-07	\$10,957,451	\$3,177,661	\$7,779,790
2005-06	\$14,660,702	\$4,251,604	\$10,409,099
2004-05	\$21,120,292	\$6,124,885	\$14,995,407
2003-04	\$22,662,162	\$6,572,027	\$16,090,135
2002-03	\$19,625,060	\$5,691,267	\$13,933,792
2001-02	\$19,253,891	\$5,583,628	\$13,670,263
2000-01	\$15,296,970	\$4,436,121	\$10,860,849
1999-00	\$16,346,737	\$4,740,554	\$11,606,183
1998-99	\$13,526,004	\$3,922,541	\$9,603,463
Totals	\$153,449,268	\$44,500,288	\$108,948,980

**Assuming overall average discount of 71%*

What E-Rate Is *Not*

- Technology funding with no strings attached
- Rebate on all that stuff you already bought
- Free money to buy that new computer lab
- Paperwork to get discounts while you just keep working with your favorite vendor
- Blank check for a shopping spree
- Risk-free
- Flexible
- Easy



Funding Denials

A Few Real Examples from Oregon

Applicant has not provided sufficient documentation. The category of service was changed from Telecom to Basic Maint in accordance with program rules. The 470 cited did not include service of this type; therefore it does not meet the 28 day	\$78,562
A contract for a new service was signed prior to the required 28-day waiting period computed from the date of the posting of the Form 470 to the SLD Web Site. A competitive bid	\$168,714
The category of service was changed from Telecom to Internet Access in accordance with program rules. The FRN references services that require a posting of a 470 for each Funding Year.	\$274,777
On 2/17/2006 your application was dismissed pursuant to the Red Light Rule which implements requirements of the Debt Collection Improvement Act.	\$321,105

But Isn't E-Rate Getting Cancelled, Anyway?



- It is Under Attack Every Year
- Currently in 9th Year of Operation
- E-Rate has been a *Major* Reason Why So Many Schools are now Online. Huge Positive Impact!
- There *Have* Been Serious Abuses
- Growing Emphasis on Audits and Enforcement
- Prediction: E-Rate Will Survive, but with Ever-Stricter Compliance Checking
- Any Program Would Have Similar Ground Rules:
 - **Certified Technology Plan**
 - **Child Internet Protection Act/Appropriate Use Policy**
 - **Commitment to Staff Development**

Step 0. Start Early!

- 61% of Forms 471 are certified in the final week of the annual window (e.g., Feb 16) -- that's cutting it too close.
- During the last week, the web site is slow, vendors are unable to respond, the SLD Help Desk is swamped, and serious mistakes become unavoidable.
- Working backwards 28 days, allowing time for contract negotiations, time for Board to approve contracts, etc. implies Form 470 should be filed by **October**.

Step “5”. Calculate Discount Level

INCOME Measured by % of students eligible for the National School Lunch Program	URBAN LOCATION Discount	RURAL LOCATION Discount
If the % of students in your school that qualifies for the National School Lunch Program is...	...and you are in an URBAN area, your discount will be...	...and you are in a RURAL area, your discount will be...
Less than 1%	20%	25%
1% to 19%	40%	50%
20% to 34%	50%	60%
35% to 49%	60%	70%
50% to 74%	80%	80%
75% to 100%	90%	90%

This needs to be done early on--do NOT wait until Step 5--because it determines (a) whether to even bother applying and (b) what to ask for. If <75% discount level, it is not worth the investment to ask for Internal Connections. For school districts with low discount levels, weigh the cost of the application process itself--and the compliance risks--versus the projected discounts.

Step 1. Determine Eligibility

- Be careful about Pre-K programs
- Be careful about Adult Ed programs
- Consortia:
 - Do Not Include For-Profit Entities
 - Do Not Include Entities with \$50M+ Endowments
 - Sign LOAs prior to Form 470
 - Recommend just 1-2 years at a time
- Avoid Overlapping Applications
 - District Applies, but then
 - Individual School Applies for Same Services Separately (such as Charter Schools)
- *Don't even think about* sharing a T1 with the local Church or providing dialup access to families

Step 2a. Develop Tech Plan

- You should Write a Tech Plan with Teeth
 - Actually say what you plan to do, in detail (not just platitudes)
 - Hence, it also implies what you are *NOT* going to do
 - Commit to estimated dollars and where they will come from
- Be sure it covers NEXT funding year, July 1 - June 30
- Update it EVERY Year **Before** Submitting Form 470
 - File a **Dated** copy of Tech Plan draft as of Form 470 submission
- Budget Dollars
 - Your Share of Eligible Costs
 - Costs that are Necessary to Implement, but Ineligible
 - Source of Funding
 - Board Minutes Committing to Plan, contingent on E-Rate
 - Must not be contingent on future whim of Board
 - File dated minutes **Before** Submitting Form 471

Step 2b. Develop Tech Plan

- Tech Plan must address Five Crucial Elements:
 1. Goals and realistic strategy for using telecommunications and information technology
 2. Professional development strategy
 3. Assessment of telecommunication services, hardware, software, and other services needed
 4. Budget resources
 5. Evaluation process
- Tech Plan must be ***certified*** (by County or State)
 1. Certification should be prior to start of services (usually July 1)
 2. Need *not* be certified as of Form 471 filing.
- Tech Plan Not required if requesting only *Plain Old Telephone Service*
- Do ***NOT*** accept service provider help writing plan.

Step 6. Determine Eligible Services

- Determination of eligible services is part of writing the Technology Plan or updating it annually. You cannot budget without assumptions about what will be covered by E-Rate!
- The order of these steps, as explained on the SLD web site, is misleading. Their Step 6 has to be part of Tech Plan update and *prior* to their Step 3!
- In order to prepare 470 and RFP, you first must know what services you seek that are eligible. Do not write an RFP that requests ineligible services!

Step 3a. Competitive Bidding

- File 470
 - Describe specific services and products you need
 - Do **NOT** accept service provider help preparing Form 470 or RFP
 - Do **NOT** accept service provider help preparing Form 470 or RFP!!!
 - You only need one 470
 - It is OK to abandon one if you make a mistake
 - For multi-year contract, only need 470 for 1st year
 - The sooner, the better. Today would be good.
 - If you will have an RFP, be **sure** to mention how to get a copy of it, in the Form 470.

Step 3b. Competitive Bidding

- RFP
 - Not strictly required but highly recommended
 - Writing good RFPs is key to a less painful E-Rate process
 - Be sure to mention the RFP in your Form 470 and conversely
 - Be sure to clearly list all applicable local and state regulations
 - Tightly written RFPs will save you *much* future grief
 - **Design RFP so each planned Funding Request Number [FRN] is clearly identifiable!**
 - Do not set yourself up for comparing Apples to Oranges later

Step 3c. Competitive Bidding

- Do not cut the 28 days too close--allow more like 30 days--the SLD uses confusing methods for counting days
- Post it on a web site so you can later post corrections and addenda.
- No special access to information for any vendor!
- Require **SIGNED** bids so you can then document **BINDING** contracts
- Leave yourself a loophole to negotiate if partially non-responsive bid best meets your needs
- Require all bids in electronic form
- Require all questions via email and respond via the web site (no sidebar interactions with bidders)

Step 3d. Competitive Bidding

- RFP, continued
 - Aggressively solicit bids from **QUALIFIED VENDORS WITH SPINS**
 - Verify **common carrier** status for telecom bids!
 - Emphasize that bids including **ineligible** items will be considered **spam** and may result in otherwise-responsive bids being thrown out
 - Emphasize that contracts are contingent on E-Rate funding at approximately the levels anticipated
 - Emphasize that pricing must remain valid even if SLD takes 2 years to rule on the application

Step 3e. Bid Evaluation Criteria

- Prior experience with E-Rate
- Willingness to commit to SPI method of invoicing
- Minimization of service disruptions;
- Compatibility with existing infrastructure
- Performance characteristics
- Track record
- Financial stability;
- Flexibility to adapt to mid-course corrections

Step 3f. Bid Evaluation Criteria, cont'd

- Timely availability
- Timely proposal submission
- Responsiveness during negotiations;
- Realism of estimates
- Soundness of technical approach;
- Quality of proposal -- ***adequate detail for Item 21s***
- Familiarity with existing equipment for bids on maintenance
- Completeness of solution (single vendor contract)

Step 3g. Bidding/RFP Strategy

- Simplify, simplify, simplify!
- Do not apply for E-Rate for small items such as a handful of cell phones or long-distance services that are an insignificant fraction of your telecom budget
- Do not try to micro-optimize each school site
 - Define “district standard” config for servers, etc.
 - Even if needs are extremely different, **limit the # of configurations**
 - If you have 100 schools, you cannot accept 100 unique configuration bids x N vendors and make sense of it later during bid analysis, much less during PIA
- Level playing field -- **beware of vendors bearing gifts**

Step 4a. Select Service Provider

- Carefully document the ***process of selection***, including who decided, what weights were applied
- Retain all bids including losers
- If lowest priced bidder does not win, be ***especially*** careful to document the rationale
- Prefer one vendor, one contract whenever possible
- Multi-year contracts reduce E-Rate application costs over time
- ***Agendize contract approval for Board Meeting!***
- Sign contracts ***before*** 471 (but after 28 days)
- Ensure that contract is binding (though contingent on E-Rate approval ***at approximately the level anticipated***)

Step 4b. Select Service Provider

- Consider devising RFPs and contracts that provide a lower level of service (e.g., DSL rather than T1, 6 1MBs rather than 12) during the period from July 1 until you receive the FCDL, so as to minimize budget risk resulting from SLD uncertainties
- Insist that SPI mode rather than BEAR mode invoicing be used
- Insist that school pay only the discounted portion of the invoices
- Insist that invoices show the FRN number and the pre-discount amount, then the portion billed to USAC, then the balance
- **DO *allow service provider to help document each line item for Item 21 Attachment.*** You will need to be able to explain!

Step 7a. Form(s) 471

- How Many?
 - You might do one giant 471 for all services, or 1 471 for every FRN
 - Recommendation (Experts do not all agree on this)
 - 1 for all shared Priority 1 Services
 - 1 for Priority 2
 - Within Priority 2, group school sites based on discount levels
 - 1 group for just 90% schools
 - 1 group for just 80% schools
 - Probably do not apply for I.C. for below 80%

Step 7b. Form(s) 471

- File Online and Certify Online (Verify that you know your PIN, **NOW**)
- ***DO NOT LOSE YOUR SECURITY CODES***
- Draft Item 21s, with exact dollars, before trying to prepare rest of 471
- You can submit Item 21s later, but the sooner the better
- Do you have those signed contracts?
- Triple-check every date and every number!
- Save every document (PDF is good) both electronically and hardcopy

Step 8a. Program Integrity Assurance

- Every application -- indeed every **form** -- now undergoes P.I.A.
- Every application now gets a “Notice of Possible Errors” letter, as a result of the Bishop Perry order
- Use that opportunity to actually review and make corrections
- In preparing P.I.A. responses, it can be hard to separate the boilerplate from the real concerns. Read questions carefully. Often, they have found some minor ineligible item (a power strip, where a U.P.S. would have been eligible, or a Late Fee on a telephone bill) and they are testing your integrity

Step 8b. Program Integrity Assurance

- SLD is fanatical about dates. Check every date. If you provide the wrong date on a form, it is very difficult to fix later, even if it was a simple typographical error
- Always get a return receipt for your response
- ***Never ignore a 7-day or 15-day letter! Ask for more time.***
- Enlist help of Service Provider where appropriate -- it is OK to do so here (such as for technical questions about the proposed solution)
- Prepare a Memo to File with date, time, and contact info for any conversation you have with PIA personnel
- More generally, whenever you call the help desk, get a case number and prepare a Memo to File with the date, time, and contact info, and the advice you were given

Step 9. FCDL

- Review Funding Commitment Decision Letter, Promptly and Carefully
- If a decision seems unfair, consider prompt appeal
- Compare to original application and add to binder
- TIP: The online data retrieval tool is very helpful at each stage from FCDL forward
- The FCDL becomes one of the most important documents to refer to over time

Step 10. Receipt of Services

- Many schools leave funding “on the table” after it is approved, such as by:
 - Not ordering it until it is too late
 - Ordering it from another provider or signing a new contract instead of honoring the 471 Binding Contract
 - Neglecting to File Form 486 (CRUCIAL!)
- Tips for Internal Connections Contracts:
 - Often they start very late due to SLD delays
 - Write them to allow more time
 - Contract expirations are a common way to lose the funding
 - Check to see if you need to write a contract amendment in order to ensure you have enough time for provider to finish
 - You may also need a Form 500 to buy extra time -- you often need BOTH

CIPA Compliance (for Form 486)

1. Appropriate Use Agreement that Applies to students and staff
 - Purpose of network resources is education
 - Requires agreement before usage
 - Defines consequences of violation (avoid overly onerous language)
 - Limits liability of school if students are exposed to inappropriate materials
 - Explains in ordinary English what sorts of blocks or filters are used, and their inherent limitations
 - Covers intellectual property and plagiarism issues
 - Sets guidelines for safety relating to virus propagation
 - Emphasizes that “hacking” is unethical, illegal, and violates agreement
2. Hold a public meeting (Agendize) to discuss with community
3. Technical blocking or filtering
 - Recommendation: subscription-based, network/server solution, not individual desktop approach
4. Human Supervision

Step 11. Invoicing

- After going to all this trouble, many school districts neglect to invoice (BEAR mode) when appropriate. Funds are lost when invoicing deadline passes.
- Many do not submit “Data Gathering Forms” to telecom providers promptly and thereby lose discounts
- SPI method is more advantageous to schools since it shares the compliance burden more evenly and improves cash flow
- 120 days
- Did I mention, 120 days?

Closing Thoughts

- The background of my slides emphasizes the ***money that school districts continue to leave on the table***, due to avoiding the E-Rate program, or applying for it without taking the program rules and compliance aspects sufficiently seriously
- Your district staff has a lot on their plates. This is not a duty that can be just piled onto your Tech Coordinator or Business Mgr. If you do this in-house, ***hire a dedicated person*** to manage it
- ***Consider using a consultant*** with lots of prior E-Rate experience. It takes at least one year of experience, going through the entire process from start to finish, to begin to appreciate the complexities. Look for someone who has already been through an Audit, Site Visit, or Selective Review
- Always require ***“2 pairs of eyes,” before*** you click **SUBMIT**
- Retain ***all*** documentation. We suggest 1 binder per year with 1 section for each type of form. Also keep electronic copies

For More Information

- **SLD Web Site:**

- www.universalservice.org/sl/



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