E-RATE BASICS

What Is E-Rate?

- FCC Program
- Discounts primarily for Internet access and equipment
  - No longer covers telephone service
- Schools and Libraries
- Funding comes from the Universal Service Fund (fcc.gov/general/universal-service-fund)
- The Schools and Libraries portion of the Universal Service Fund, more widely known as **E-Rate**, was authorized as part of the Telecommunications Act of 1996, section 254.
- E-Rate funding year begins July 1 and ends June 30

How is E-Rate Funded?

- USF – Universal Service Fund
  - https://www.fcc.gov/general/universal-service-fund
  - Federal Universal Service Fund (FUSF) charge on your phone bill
  - Kansas also collects it's own (KUSF), but this is not given to FUSF programs
    - https://kcc.ks.gov/telecommunications/ks-universal-service-fund
- Universal Service Administrative Company (USAC) appointed by the FCC to administer the programs benefiting from USF
- Four programs derive funding from USF
  - Connect America Fund (formally known as High-Cost Support) for rural areas
  - Lifeline (for low-income consumers), including initiatives to expand phone service for residents of Tribal lands
  - Schools and Libraries (E-rate)
  - Rural Health Care
  - https://www.fcc.gov/consumers/guides/universal-service-support-mechanisms

Points to Consider

- USF contributions comes from companies that offer interstate and international long-distance telecom services (i.e., voice services).
- Service providers generally pass these costs on to consumers in their monthly phone bill.
- Interstate and international end-user telecommunications revenues have decreased drastically in the last 20 years: texting, emailing versus telephone calls.
- The FCC has increased the percentage contribution factor to make up for revenue decreases.
- The FCC announced that the Proposed First Quarter 2021 Universal Service Contribution Factor (DA 20-1480) will be 31.8%
- Broadband revenues aren't considered telecom revenues.
- At one time most of the money went toward voice services but over the years, more and more of it has gone towards broadband.
- USF budget is approximately $8 billion annually.
- https://e-ratecentral.com/Resources/Newsletters/News-of-the-Week/ArticleID/2150/December-21-2020
- https://www.fcc.gov/general/contribution-factor-quarterly-filings-universal-service-fund-usf-management-support

Discounts

- Discounts range from 20 to 90 percent
- Based on the poverty level of the schools
  - National School Lunch Program (NSLP)
  - https://www.usac.org/e-rate/applicant-process/applying-for-discounts/calculating-discounts/#new-library-construction
  - https://www.usac.org/wp-content/uploads/e-rate/documents/samples/Discount-Matrix.pdf
- Rural schools and libraries may also receive a higher discount
- Recipients must pay some portion of the service costs

Calculating Discount Example

- https://nces.ed.gov/ccd/districtsearch/district_detail.asp?Search=2&details=1&ID2=2004800&DistrictID=2004800
- Cimarron Elem: 138+53=191
- Cimarron High: 87+36=123
- 191+123 = 314 students eligible for free / reduced lunch
- 698 students in district
- 314 / 698 = .4498 = 45%
- Rural
- https://www.usac.org/wp-content/uploads/e-rate/documents/samples/Discount-Matrix.pdf
- 70% E-Rate Discount

What does it pay for?

- Each year the FCC releases an Eligible Services List (ESL) for the upcoming funding year. This list contains a description of the products and services that will be eligible for discounts
- The ESL includes the following service types that fall in one of two funding categories:
  - Category One Services:
    - Data Transmission Services and/or Internet Access
  - Category Two Services:
    - Internal Connections & Managed Internal Broadband Services
      - Routers, Wireless Access Points, etc.
      - Services provided by a third party for the operation, management, and monitoring of eligible broadband internal connections components
    - Basic Maintenance of Internal Connections (BMIC)
      - Repair and upkeep of eligible internal connections. Eligible repair and upkeep services include hardware, wiring, and cable maintenance, along with basic technical support and configuration changes.

C2 (Category 2) Budgets

- FIXED Five-year budget cycles (2021-2025, 2026-2030, etc.)
- Minimum Category 2 budget for each school and library will be increased from $9,200 to $25,000 starting in 2021/2022.
- Library multiplier is **$4.50** per square foot for all libraries
- **Single Library:** Square footage X $4.50, OR $25,000, whichever is greater.
- Filtering technology to ensure compliance with CIPA will remain ***ineligible*** for Category 2 funding.

CIPA Requirements

- CIPA
  - Content Filtering
  - Applicants must certify compliance with the Children's Internet Protection Act (CIPA) to be eligible
- CIPA requirements include the following three items:
  - Internet Safety Policy
  - Technology Protection Measure
  - Public Notice and Hearing or Meeting
- https://www.usac.org/e-rate/applicant-process/starting-services/cipa/
- KS-CIPA

Quick Steps

- Competitive Bidding: identify the services you want and submit a request for competitive bids to USAC.
  - Form 470 (RFP)
- USAC notifies providers of the bidding opportunity by posting the request on its website.
- Allowable Contract Date: at least 28 days after the 470 was posted.
- Application for Funding: After reviewing bids, and selecting the most **cost-effective offering**, a funding request is submitted to USAC
- USAC issues a funding commitment after review of the request.
  - FCDL = Funding Commitment Decision Letter
  - We usually advise that you wait to purchase category 2 items until you have the FCDL
- https://www.usac.org/wp-content/uploads/e-rate/documents/Handouts/application-process-flow-chart.pdf

EPC Portal

- EPC is the account and application management portal for the Schools and Libraries (E-rate) Program.
- Referred to as the "epic" portal
- E-rate Program participants use this tool to manage program processes, receive notifications and to contact customer service.
- https://forms.universalservice.org/portal/login
- Our E-rate consultant, Toby, handles the filings on your behalf.

Invoicing: SPI vs BEAR

- SPI – Service Provider Invoicing
  - Service provider (ISP, etc.) invoices USAC for E-rate discounts provided directly to applicants
  - Library is billed discounted cost of service or item
- BEAR - Billed Entity Applicant Reimbursement
  - Library requests reimbursement from USAC for E-rate discount
  - Library is billed full cost of service or item
  - Reimbursement can be annually, semi-annually, quarterly, or monthly
  - Frequency of reimbursement can be changed
  - Direct deposit

ISP Invoicing within SWKLS region

Internet Service Provider	Invoicing Method
Golden Belt Telephone	SPI
United Telephone	BEAR
EPIC Touch	BEAR
Haviland Telephone	BEAR
Pioneer Telephone	SPI
Wheatland	SPI
Cox	SPI
S&T Telephone	SPI

Document Retention

- All applicants and service providers are required to retain receipt and delivery records relating to pre-bidding, bidding, contracts, application process, invoices, provision of services, and other matters relating to the administration of universal service for a period of at least **10 years** after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request.
- https://www.usac.org/e-rate/document-retention/

Final Thoughts

- Toby Sykes
  - eRate Solutions, LLC based in Lawrence KS
  - SWKLS pays ½ of the consulting fee for members each year
- SWKLS members received $77326 in reimbursements from the e-rate program in 2020
- The Funding Year (FY) 2021 application filing window will close at 11:59 p.m. EDT on Thursday, March 25, 2021.
- Give consideration to how you budget for telecommunications
  - Some members were caught off guard when telephone services phased out of coverage under e-rate
  - Without significant changes, the long-term viability of the USF program is problematic

Select Terminology

- **Allowable Contract Date** - the first day an applicant can sign a contract with a service provider during the competitive bidding process. This is at least 28 days after the 470 was posted.
- **Billed Entity** - The school or library that pays the service provider for services delivered.
- **Billed Entity Number (BEN)** - a unique number USAC assigns to each school and library for the E-rate program.
- **Category 1** - Products/services in the Internet Access category, which are funded first.
- **Category 2** - Includes LAN (local area networks), WLAN (wireless local area networks) components, basic maintenance of broadband internal connections components, and managed internal broadband services.
- **Children's Internet Protection Act (CIPA)** - This is a law that requires applicants to have an Internet Safety policy and filtering.
- **FCC** - Federal Communications Commission.
- **FCDL** - Funding Commitment Decision Letter.
- **RFP** - Request for Proposal.
- **SPIN/498ID** - Service provider Identification Number - a number assigned by SLD to each vendor participating in the E-rate program.
- **Universal Service Administrative Company** - the not-for-profit corporation that administers the Universal Service Fund (USF).