UNDERSTANDING THE E-RATE PROGRAM:

BEGINNER'S GUIDE

YEAR 17 EDITION

2014-2015 FUNDING CYCLE

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A Typical "Year" In E-Rate

Fall: **Establish consortia (if needed)**
               Review new E-Rate rules
               Prepare RFPs (if needed)
               File Form 470

Winter: **Evaluate bid responses**
               Present proposals to Board
               Sign contracts
               Determine eligible services
               Calculate discount
               File Form 471 within filing window

Spring: **Respond to PIA questions**
               Item 25 reviews
               Additional Certifications
               Receive Funding Commitment Letter

Summer: START OF FUNDING YEAR!

Fall: **File Form 486 no later than October 29 (or 120 days after receipt of a Funding Commitment Letter)**

, , : Receive Services, Pay bills, Document Request service, vendor changes, if necessary

Fall: **File Form 472 (applicants) or Form 474 (vendors) by October 28 to claim E-Rate money**

Keep all documentation for FIVE more years after contract expires.

Introduction to the E-Rate Process

Getting Ready to Apply

Success with the E-Rate program requires considerable time and effort by applicants. Planning an overall E-Rate strategy will help minimize problems and maximize discounts. Building an effective E-Rate team will help ensure all eligible services are included, forms are filled out properly and deadlines are met. The team should include individuals from the business office, technology department, procurement, and maintenance.

Three-Year Educational Technology Plans

Developing a Three-Year Educational Technology Plan is a valuable tool to assist New Jersey schools with budgeting and implementation of technologies in support of digital learning.

Three-Year Educational Technology Plans are NOT required for Priority One services (Telecommunications and Internet Access) beginning with Fund Year 2011. Plans ARE still required for Priority Two services (Internal Connections and Basic Maintenance).

For applicants seeking E-Rate funding for Internal Connections and Maintenance of Internal Connections, a Three-Year Educational Technology Plan is required. Plans must be in draft form before a Form 470 is posted. Plans must be approved by a certified plan approver and an approval letter in hand BEFORE services begin.

See the New Jersey DOE Technology Web site: http://www.state.nj.us/education/techno

Establish Needs Assessment/Procurement Schedule

Once the Three-Year Educational Technology plan has been developed (if necessary) and E-Rate eligible needs have been established, work with the procurement department to coordinate which services will require an RFP and which services can be procured by other means. *The E-Rate program and Form 470 posting is not a substitute for procurement compliance with state or local procurement laws or policies.*

If an RFP is required, coordinate a Form 470 filing with the issuance of the RFP. The RFP must be available for at least 28 days after the corresponding Form 470 has been posted before bidding can be closed, even if a shorter period is allowed under local procurement policies. New Jersey schools should be familiar with New Jersey Public School Contracts procedures and comply with those procedures as well as Form 470 requirements.

New Jersey Public School Contract Regulations
http://www.state.nj.us/education/purchasing/

RFPs for E-Rate eligible services should specify bidders will be required to participate in the E-Rate program, comply with all E-Rate regulations and, if desired, the vendor will provide discounted bills.

Form 470

The Form 470 is the procurement vehicle for E-Rate. A Form 470 should be filed whenever procurement for E-Rate eligible services is initiated throughout the year. A general "cover all" form 470 should be posted during the E-Rate filing season to cover E-Rate service in general or to make existing contracts E-Rate eligible (see Memorializing Contracts). Generally, late January or early February is the last possible timeframe to post 470's for a given fund year.

When the LEA/school E-Rate coordinator has a good concept of the program and needs of the applicant, a form 470 should be filed. The form 470 provides potential vendors with information about E-Rate applicants. Information provided on the form 470 is posted on the SLD Web site (http://www.usac.org/sl) and allows vendors to contact E-Rate applicants with offers of service. Applicants may list RFPs for which they desire services, or list general services.

E-Rate Tip: It is highly recommended that, in the absence of an RFP, the services requested on the form 470 are as specific as possible. All categories of service should be included in the request. The Form 470 was updated in December 2013. The new form combined Telecommunications and Internet Access into a single Priority 1 category. List all services desired for telecommunications and Internet. When requesting cellular service, include a request for "cellular and data" service. If Web hosting, firewall, email, or voicemail are desired, list them separately on the lines provided. If a brand and model is listed, it must include the phrase "or equivalent" in the description. When requesting bandwidth applicants should list a minimum bandwidth and include the words "or better" in the description.

File the form 470 online. This will eliminate the possibility of automatic rejection. It also results in immediate posting of the form.

IMPORTANT: if you are seeking a contract for multiple years and/or want a contract with a renewal option, you MUST detail that in 13 (b). For example, if you are seeking a multi-year contract for WAN service, you must specify the time period you are seeking a contract - two years, five years, with three optional one-year renewals, etc. If implementation is contingent on E-Rate funding, add that provision in Item 13.

The Schools and Libraries Division provided guidance on Form 470 preparation in a News Brief dated February 7, 2014: http://www.eratecentral.com/sld_news_briefs/529.pdf

Bid Evaluation

E-Rate Tip: Price of eligible services must be the primary consideration when evaluating E-Rate eligible contracts. The SLD has indicated that E-Rate eligible services must be used when evaluating bids. For example, if a cellular vendor offers the lowest cost service but the applicant must purchase new phones (ineligible), only the cost of service may be used for evaluation.

The SLD provides two example evaluations:

Factor	Weight
Price of the ELIGIBLE goods and services	30%
Prior experience	25%
Personnel qualifications	20%
Management capability	15%
Environmental objectives	10%
Total	**100%**

Example 2:

Factor	Weight
Price of the ELIGIBILE goods and services	30%
Prior experience	25%
Other cost factors (including price of ineligible goods and services, price of changing providers, price for breaking contract, etc)	20%
Management capability	15%
Local Vendor	10%
Total	**100%**

The Schools and Libraries Division (SLD) provided guidance on competitive bidding and selecting vendors in a News Brief dated February 7, 2014:
http://www.eratecentral.com/sld_news_briefs/529.pdf

Sign Contracts or Select Vendors

After the 28-day posting period has passed and local and state procurement laws have been met, a contract may be signed with the winning bidder or bidders. It is advisable to include the E-Rate funding contingency clauses, in addition to local funding clauses in such contracts. A clause in the contract requiring the winning bidder to participate in the E-Rate program is also advisable.

Tariffed telecommunications services and month-to-month Internet or cellular phone services do not require signed, binding contracts but applicants will need copies of bills, work orders or other documentation to verify that the applicant is receiving or will receive service. Tariff and Month-to-Month services are subject to state and local procurement regulations.

Except for services to be delivered under non-contracted tariffed or month-to-month arrangements, an E-Rate applicant must sign a contract with the service provider before signing and submitting a completed (certified) Form 471. Applicants must also comply with state contract law. Applicants must be able to demonstrate that they had a signed contract in place before or at the time they submitted their completed Form 471.

If approval from the governing body is required before a contract is signed and the earliest board meeting is after the filing window closes, the date that the selection committee determined which vendor to recommend (after the 470 posting period had been met) would suffice as the contract award date for E-Rate filing.

FORM 471

File Form 471 (How much do you want and for what services)

IMPORTANT: File one Form 471 for Telecommunications Services or Internet Access and a *SEPARATE* Form 471 for Internal Connections or Maintenance. If combined, a funding commitment for Telecommunication or Internet service will be delayed.

With signed and dated contracts for all services, except Tariff or Month-to-Month, a form 471 may be submitted during the E-Rate filing window. The fiscal agent in a consortium would submit the form. Applicants must also calculate their discount rate on form 471.

E-Rate Tip: ALL buildings (including separate campuses) must have entity numbers. If you have not applied for entity numbers for every building, do so before starting the Form 471 process. Call the SLD to obtain an entity number at: (888) 203-8100. Press zero for a representative.

How to File the Form 471

Block 5 of the Form 471 is the actual request for funding. Complete one Block 5 per contract or service. If an applicant receives local telephone service from Verizon and long distance service from ATT, two Block 5s would be completed – one for Verizon and one for ATT. Typically, a single 471 will have at least six Block 5's, reflecting local, long distance, cellular, Internet, WAN, and pager services.

Block 5 has a number of quirks that can generate questions from program reviewers. For most applicants, **Item 10** will not be checked. This item is limited to Internal Connection funding requests that have not been funded from previous years or are under appeal. Item 11 is self explanatory but make sure you are checking the appropriate box for THIS particular Block 5.

Item 12 is the 470 application number for THIS service. If this is the second or third year of a multi-year contract, use the 470 number that initiated the contract some years ago. If the service is tariff or Month-to-Month, use THIS year's 470 – as those services must have a 470 filed each year.

Item 15c should be checked if a third party negotiated the contract. For example, a contract negotiated a by a regional service agency or the state. If you select this contract for your service, 15c should be checked.

Item 15d should be checked for continuations of multi-year contracts. Provide the FRN from last year for this contract.

Item 17 is the Allowable Contract Date from the 470 listed in Item 12. For 470s filed this year, it will be this year. For 470s filed in years past for multi-year contracts, it will be a date years ago.

Item 18 is the contract award date or the vendor selection date. THIS DATE MUST BE AFTER THE DATE IN ITEM 17. This date must also be BEFORE the filing date of the 471 and the Block 6 certification signature date.

Item 19 will normally be 07/01/2014

Item 20a is used for tariff or month-to-month services and is usually 06/30/2015

Item 20b is the contract expiration date for multi-year contracts. If a contract is extended in subsequent years, this will lead to additional questions by SLD. For Tariff and Month-to-Month service, this line will be blank.

Item 21 is the attachment used to justify THIS funding request. The attachment should be listed by number for each Block 5 and should follow guidance on the SLD Web site: http://www.universalservice.org/sl/applicants/step07/form471-attachments.aspx#5

Item 23 includes calculations for determining how much funding is requested under this Block 5. In some cases, recurring services include one-time installation charges. Make sure to include both recurring and one-time charges in the appropriate box.

Item 24 is a new requirement for 2014. It is used to collect broadband information for schools and libraries. For ALL broadband service (including cellular data), this section must be completed.

The Schools and Libraries Division provided guidance on the new Item 24 requirement in a News Brief dated February 21, 2014: http://www.eratecentral.com/sld_news_briefs/534.pdf

The Schools and Libraries Division provided guidance on Form 471 preparation in a News Brief on January 31, 2014: http://www.eratecentral.com/sld_news_briefs/527.pdf

Receive Receipt Acknowledgment Letter (RAL) from SLD

Form 471 applications filed within the filing window are delivered to Lawrence, Kansas, for the data entry process. Applications filed online pass through this process rather quickly, because most of the data entry work was accomplished automatically**.** Manually filed applications can take months to process. After an application has been data entered, SLD will issue a Receipt Acknowledgment Letter (RAL) to the applicant. This letter contains all application and funding information in the SLD database. Applicants must carefully review the RAL for accuracy. If there is a mistake on the RAL, a line should be drawn through the mistake and the accurate information should be written on the page and mailed to Lawrence, Kansas. A copy of the corrected RAL should also be kept by the applicant for documentation.

The RAL correction process can be used to correct mistakes of the data entry process, to correct an incorrect SPIN, to REDUCE or INCREASE a funding request, or to break out multiple service providers mistakenly listed on a single FRN. *Corrections can be made up to the time the Funding Commitment Decision Letter (FCDL) is issued.*

Application Review

Respond to inquiries from Program Integrity Assurance (PIA)

Once data entry is complete, applications undergo Program Integrity Assurance (PIA) review in New Jersey. This is a high-level review of all applications for compliance with program rules. Item 21 attachments justifying E-Rate discounts for each Block 5 must be delivered to PIA during review, typically January through October.

Reviewers at PIA scrutinize all applications and contact applicants when questions arise. Common questions include how applicants determined discount rates, what goods and services are included in contracts, and whether requested discounts are for eligible items.

Various FCC Orders allow applicants to make corrections to applications up to and during PIA review including requesting additional funds, increasing the discount rate, adding buildings, or changing services.

The SLD is concerned that vendors and applicants, particularly at the 90 percent level may be attempting to commit fraud or waste program resources. If SLD suspects fraud or abuse, those applications receive extra scrutiny and funding may be denied. Unfortunately, additional scrutiny of all applications means some legitimate funding requests are also denied. It is better to work with PIA during the review process and avoid denial.

Once denied funding, the only recourse for applicants is to appeal, to either to the FCC or SLD within 60 days of the POSTMARK of the SLD letter of denial. Currently, the backlog of appeals at the SLD is approximately two months. The backlog at the FCC is over three years!

Receive Funding Commitment Decision Letter from SLD

After the PIA has successfully completed its review of funding requests, a Funding Commitment Decision Letter (FCDL) is issued to the applicant. The FCDL is similar to the RAL, discussed earlier, except that it includes a commitment (or denial) of funds to applicants. The FCDL will also contain instructions on how to obtain discounts and how to appeal decisions.

Funding commitments are made on the basis of each form 471, and one decision for each Block 5 submitted. If an applicant submitted two form 471s with 15 Block 5s on one and 10 on the other, then the applicant will receive two FCDL's (one for each form 471), with 15 and 10 commitments, respectively.

Funding commitments take the following forms:
- Funding in full,
- Partial funding with reasons listed by SLD, or
- Denial of funding with reasons listed by SLD

If the FCDL does not fully fund service requests, applicants are urged to appeal. Appeals must be postmarked no later than 60 days after the date of the FCDL.

Form 486 and CIPA Compliance

After receiving a full or partially funded FCDL and service has started, applicants may file form 486. Form 486 notifies the SLD that service has begun or is about to begin and that the SLD may pay the vendor for invoices or for BEAR forms (form 472) submitted by the applicant. SLD allows early filing of form 486. In cases where the applicant is sure service will begin on or near July 1 of the funding year, form 486 may be submitted after a commitment letter is received prior to July 1.

E-Rate Tip: For most applicants, a form 486 must be filed within 120 days of the start of service, usually October 28 of each funding year. However, if a Commitment Letter is issued AFTER July of the fund year, the deadline for filing the Form 486 is 120 days from the DATE of the Commitment Letter. Funding will be reduced by one day for each day the 486 is late. Online filing of the 486 is now available.

The form 486 is also used for applicants to comply with the Children's Internet Protection Act (CIPA) regulations. Applicants must certify on the form 486 that they are 1) in compliance with CIPA, 2) are undertaking actions toward compliance, or 3) do not need to comply because discounts are received only on telecommunications services. Generally, all applicants must now certify that they are in compliance with CIPA or are receiving only telecommunications service.

To comply with CIPA, schools must have an Internet safety policy in place before services begin. The policy must address a number of issues including:
- Access by minors to inappropriate matter on the Internet and World Wide Web
- The safety and security of minors when using electronic mail, chat rooms, and other forms of
  direct electronic communication
- Unauthorized access including "hacking" and other unlawful activities by minors online
- Unauthorized disclosure, use, and dissemination of personal information regarding minors
- Measures designed to restrict minors' access to material harmful to minors.

Beginning in 2012, CIPA certification compliance changed for schools to include a provision for educating minors about appropriate online behavior, including interacting with other individuals on social networks, cyberbullying, and safety.

The Schools and Libraries Division provided guidance on CIPA in a News Brief on June 14, 2013: http://www.eratecentral.com/sld_news_briefs/492.pdf

File form 472 (BEAR)

The Form 472 (Billed Entity Applicant Reimbursement or BEAR) should be filed by applicants that have paid bills in full for E-Rate eligible items and will be receiving retroactive discounts.

BEAR forms should be submitted after bills have been paid and on a quarterly, semi-annual, or annual basis. Once SLD has received and verified the BEAR form, it will issue a check for the requested amount to the vendor. The vendor is required to issue a check to the applicant within 20 business days of receipt of the SLD check. When using the BEAR process applicants should consider payment timing issues. If an applicant submits a single BEAR form at the end of the funding year (after the June bill has arrived in most cases), SLD will issue a check for the total yearly discount. The applicant will receive payment in August or September of the fiscal year *following* the year in which discounts occurred. However, quarterly BEAR submissions will result in only three months of funds being shifted between fiscal years.

E-Rate Tip: The deadline for filing the last Form 472 is 120 days after the last day of service, typically October 28 of the year service is received. If this deadline is missed, all remaining funding will be lost! Each year of the E-Rate program, approximately 20 percent of committed funding goes uncollected. If vendors cannot provide accurate bills by the deadline, file an extension request with the SLD prior to the deadline.

<u>Resources</u>

Federal Communications Commission (FCC): http://www.fcc.gov
The Federal Communications Commission is the federal agency responsible for enacting regulations governing the E-Rate program.

Universal Service Administrative Company (USAC): http://www.usac.org/sl
USAC was created by FCC order to administer the program. The Schools and Libraries Division of USAC is responsible for administration of the federal E-Rate program.

Webinar: E-Rate for Beginners, produced by E-Rate Central in conjunction with Web Junction: http://www.webjunction.org/events/webjunction/E-Rate_for_Beginners.html
(produced February 2011 so it is somewhat dated)

NJDOE Office of Educational Technology:
http://www.state.nj.us/education/techno

E-Rate Central: http://www.E-Ratecentral.com
E-Rate Central is an E-Rate consulting company based in New York. The Web site includes tools for schools to monitor E-Rate applications and funding. E-Rate Central is a sub-contractor for the New Jersey Digital Readiness for Learning and Assessment program.

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Schools & Libraries (E-Rate) Process I FOR APPLICANTS

BEGIN HERE → Complete and post FCC Form 470 to request services →

28-day Competitive Bidding Process
Service Providers review requests for service and submit bids.

→ Applicant selects a service provider and signs a contract

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File FCC Form 486 to confirm receipt of services and service start date ← **Service Starts** ← USAC notifies all parties of funding commitments made ← USAC application review ← File FCC Form 471 to describe services ordered

When received, USAC sends FCC Form 486 Notification Letter to all parties

USAC sends Funding Commitment Decision Letter (FCDL) to all parties

When received, USAC sends FCC Form 471 Receipt Acknowledgement Letter (RAL) to all parties

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BEAR or SPI? Invoicing USAC

SPI = Service Provider Invoice → Service provider discounts applicant on bill → Service provider invoices USAC →

USAC provides Universal Service Fund (USF) support to the service provider

BEAR = Billed Entity Applicant Reimbursement

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Applicant pays total amount to the service provider → Applicant files FCC Form 472 → Service provider approves the filed form →

When received, USAC sends FCC Form 472 Notification Letter to all parties

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