

Planning for the New E-rate

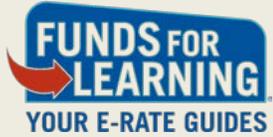
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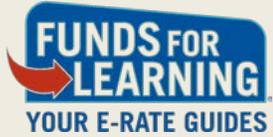
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About the E-rate



- Largest single source of Edtech funding in US for K-12 schools
 - › Public, private, charter schools; (nearly all participate)
 - › Public libraries also qualify
- Offers discounts of 20%-90% on eligible goods and services
- Annual program cap: ≈ \$2.4 billion (inflation adjusted)
 - › Additional \$1 billion in FY2015 + FY2016 for on-campus Wi-Fi
 - › Increased funding cap possible in future

New Broadband Focus Begins FY2015



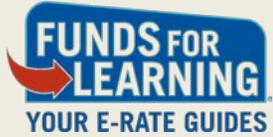
- Changes adopted in July 2014 will impact FY2015 and beyond
- E-rate transitioned to focus on broadband
 - › to schools and libraries (category 1)
 - › within schools and libraries (category 2)
- To ensure funding for broadband,
 - › Phase-out of support for voice services
 - › Elimination of support for email, txt msg, cellular data, web hosting
 - › Capping of funding requests for Category 2 purchases

Effective Applicants Preparing Now



- Understand the new eligible services list
- Calculate new discount rate for your school or library
- Plan for Category 2 budgets (amount and timing)
- Get ready for updated forms, processes, deadlines

Arkansas State Support for Applicants

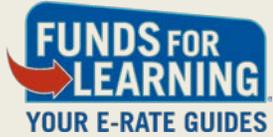


- Funds For Learning[®] support for Arkansas applicants
 - › E-rate Manager[®] licenses for all public school applicants
 - › E-rate help desk to answer questions
 - › Online training (live and on-demand)
- Other support
 - › Providing support to state E-rate coordinator
 - › Assisting with statewide funding applications

Support for Arkansas Schools
help@fundsforlearning.com
405-341-4140

Why Does E-rate Matter?

E-rate Funding Supports EdTech Networks



- Provides access to 21st century technologies
 - › Increases opportunities for anytime/anywhere personalized learning
 - › Boosts communication among parents, teachers & admin
 - › Enhances safety and security
- Enhances purchasing power, stretches budgets
- Positively impacts students, teachers and parents
- Speeds deployment of IT services
- Assists technology staff

High Stakes Opportunity

- Stringent bidding rules and procedures
- Many deadlines and forms to complete
- Recent reform creates new learning curves
- Lengthy timelines to received funding and keep paperwork
 - › Projects are delayed pending funding award
 - › Payments may be denied or delayed
 - › Record-keeping stretches over 10-year period
- Failures result in repayment, fines, and/or incarceration

Funding Process Overview

Discount program

- Not a grant. E-rate is a discount program.
- Category 1 discounts: 20% - 90%
 - › Telecommunications Services
 - › Internet Access
- Category 2 discounts: 20% - 85% discounts
 - › Internal connections (and maintenance)
 - › Managed internal broadband service (managed Wi-Fi)
 - › Subject to 5-year funding cap per applicants

About the E-rate

- Who's in charge?
 - › Federal Communications Commission (FCC)
 - › Universal Service Administrative Company (USAC)
 - › Schools and Libraries Division (SLD)
- Source of funds: Universal Service Fund
 - › Telephone bill surcharge
 - › Not part of federal budget

Applicant Steps

- Determine technology needs
- Receive bids, quotes, proposals and evaluate vendors
- Sign contract(s) for goods and services
- Submit funding application for review
- Receive service during allowable dates
- Prepare payment paperwork

Applicant Requirements

- Fulfill Children's Internet Protection Act
 - › Filtering and monitoring of activities
 - › Acceptable use policy
- Budget for their portion and pay invoices
- Submit all paperwork on time
- Be responsive to USAC inquiries
- Keep good records
- CHANGE: No technology plan required in FY2015 and beyond

Select Vendors

Vendor Selection Process

- Applicant releases request for services
 - › Submits FCC Form 470 and may release RFP
 - › Follows state and local bidding laws and regulations
- Evaluation criteria used by applicant
 - › Price must be given top consideration; low-cost bid not a guarantee
 - › Other factors allowed (e.g. experience, solution,...)
- Master contracts may be used
 - › Form 470 must still be posted
 - › “Mini-bids” required for multi-vendor award contract

More About the Form 470

- Posted on the USAC web site
 - › Describes products and services
 - › Include contact information
 - › May include RFPs and other information
- Filed at any time during the year
- Must use “vendor or equivalent” language
- Must be certified prior to submission of funding requests
- Must be posted 28-days before contract is awarded

Competitive Bidding Conduct Important

- Applicants expected to treat all vendors equal
 - › Bids may not be vendor-specific
 - › No inside information or special advantages
- “Fair and open” competitive bid process
 - › Vendors should not assist with vendor selection
 - › Vendors should not provide RFP language
 - › Vendors should not assist with Form 470 or RFP preparation
- Vendors required to give Lowest Corresponding Price

Vendor Communications with Applicants

- USAC guidance: Vendors can...
 - › Have pre-bid discussions
 - › Discuss product offerings with applicants
 - › Teach applicants about new products
 - › Present product demonstrations
- Applicants should document activities to show compliance
 - › Maintain correspondence
 - › Keep copies of promotional materials and RFPs

Gift Giving Limitations

- Strict limitations on gifts given to applicants
- Applies to anything of value
 - › Meals, travel
 - › Event attendance, golf, “swag”
- Each gift must be valued at \$20 or under
- Total gifts per year per school employee: \$50
- Subject to audit/documentation requirements

Contract Signed

- Legally binding agreement required
 - › Signed after 28-day period but prior to funding request (Form 471)
 - › Must include extension/renewal terms
- Should contain detailed scope of work
 - › Service parameters, equipment make, model and quantity
 - › Billing terms, service logs, etc.
- May be contingent upon funding commitment
- Subject to 10-year recordkeeping

Consortium Applications Permitted

- Group purchasing encouraged by FCC
- Consortium leads
 - › Submit applications on behalf of group
 - › Authorized for multiple years + no longer need authority to order service
 - › Can select multiple vendors
- FCC rules prioritize review of state/regional consortia
- Potential future changes for consortium
 - › Student-weighted average discount rate
 - › 5% discount incentive for large consortium

Preferred Master Contracts (“PMC”)

- FCC may designate PMC as early as FY2015, more likely FY2016
 - › Internal connections equipment (ONLY) offering “excellent pricing”
 - › Nationwide agreement, exempt from the Form 470
- Applicants
 - › May be required to evaluate in purchasing
 - › Are not required to purchase using the PMC
- Typical Master contracts
 - › Are not exempt from the Form 470
 - › Are not considered preferred master contracts

Apply for funding

Funding Application

- Funding requests submitted on FCC Form 471
 - › Filed by applicants (schools or libraries)
 - › Multiple applications submitted
- Must be filed during annual “window”
 - › Window typical dates: Jan. 1 – March 15
 - › FY2015 window: ??
- Funding requests identify services, vendor, costs, discount
- FRN = funding request number (references each request)

Item 21 Descriptions

- Provides USAC with detailed service descriptions
- Embedded within the new Form 471
 - › In recent years, Item 21s submitted after the Form 471
 - › Applicants must be ready before hand to share detail
- USAC to publish all non-confidential data
 - › Applicants may opt out for existing contracts
 - › New contracts may NOT opt out
- Be prepared for vendors and others to scrutinize your costs

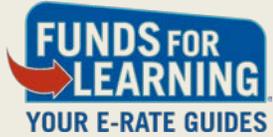
Calculating the E-rate Discount

- UNCHANGED
 - › Discount program
 - › Discount rate calculated based on NSLP eligibility
 - › District-wide and site-specific funding requests
- NEW
 - › Discount same at all sites in district
 - › Top Category 2 discount rate lowered from 90% to 85%
 - › Urban/rural definition refined by census definition

E-rate Discount Matrix

Percent of Students Eligible for NSLP	Category One Discount Rate		Category Two Discount Rate	
	Urban	Rural	Urban	Rural
Less than 1%	20%	25%	20%	25%
1% - 19%	40%	50%	40%	50%
20% - 34%	50%	60%	50%	60%
35% - 49%	60%	70%	60%	70%
50% - 74%	80%	80%	80%	80%
75% - 100%	90%	90%	85%	85%

Calculating NSLP Eligibility for School Sites



- Actual counts
- Surveys of families
 - › NSLP % based on actual number of returned forms
 - › Projections no longer allowed based on survey samples
- Community Eligibility Provision
 - › CEP school districts use same method for E-rate
 - › # of directly certified students X multiplier (1.6)
- One method per site, but different sites can use diff. methods

PIA: Program Integrity Assurance

- Form 471 application review questions from USAC
- Continues for several months, multiple levels
- Applicant may ask vendor for assistance
 - › Product/service information
 - › Detailed service descriptions
 - › Cost-allocations
- Vendor may not prepare budget or bid response information

Other Potential Reviews

- Applicant and vendors subject to additional reviews
- Selective Review (“SRIR”)
 - › Detailed, applicant-level review
 - › Competitive bidding process
 - › Budget and other resources
- Cost-effectiveness evaluation of goods and services
- Special compliance reviews

Funding Decision Timeline

- September 1, 2015 decision deadline for “workable” form 471s
 - › Filed timely with all information to enable appropriate decision
 - › Applicant/provider/consultant not subject to investigation or audit
 - › Applicant responds over summer
- Decision appeals must be submitted within 60 days
 - › Most decisions appealed to USAC
 - › Policy-related decisions sent to FCC

Receive Services and Discounts

Services Begin

- Service delivery tied to allowable service start dates
 - › Recurring services start no earlier than July 1 of funding year
 - › Category 2 purchases can start as early as April 1 prior to year
- Delivered services must match application
 - › Double-check Item 21 before delivery begins
 - › Service substitutions may be required

Applicant Chooses Payment Method

- FCC Form 486 filed by applicant initiates payment
 - › Due within 120 days of service start or funding decision (later of two)
 - › E-rate payments cannot begin until processed by USAC
- Reimbursement (BEAR method)
 - › Applicant pays bill in full
 - › Files reimbursement request via vendor; direct reimburse in FY2016
- Discounted invoices (SPI method)
 - › Applicant pays non-discount portion
 - › Vendor files SPI for discounted amount

Audits of Payments

- Service certifications to confirm service delivery
- Program Quality Assurance (PQA) mini-audits
- Beneficiary and Contributor Audit (BCAP)
 - › Several days or weeks of on-site work
 - › Several months of review before USAC approval

Understand the Eligible Services List

Eligible Services List

- Puts E-rate principles to practice
 - › Defines the services categories
 - › Sets goods and services that qualify for support
- 2015 list being finalized
 - › Subject to annual review (comments due Sept 18)
 - › Revised significantly from past
- Not listed in the ESL? Assumed not eligible

Eligibility

- Listed on ESL alone is not enough
 - › Must support educational purposes
 - › Must be used by eligible users, in eligible locations
- Delivered during the proper time frame
 - › Delivered during funding year
 - › Services align with proper ESL
- Matches description given to USAC
- Ineligible items removed from request

Categories

- Priority designations replaced by category
 - › Category 1 (“C1”) ≈ old Priority 1 (“P1”)
 - › Category 2 (“C2”) ≈ old Priority 2 (“P2”)
- Category impacts funding
 - › Category 1 : top discount = 90%, exempt from budgets
 - › Category 2 : top discount = 85%, subject to budgets + priority rules

No support for ineligible

- No discounts for ineligible goods and services
- End-user equipment
 - › Desktops (incl. virtual), laptops, handhelds
 - › Large format displays, cameras, speakers, end-user applications, etc.
- Non-critical infrastructure
 - › File servers, content repositories, cloud services
 - › Anti-virus/spam, IDS/IPS, filtering, security, collaboration tools
- Reduce funding requests by value of free ineligible items

Cost Allocations

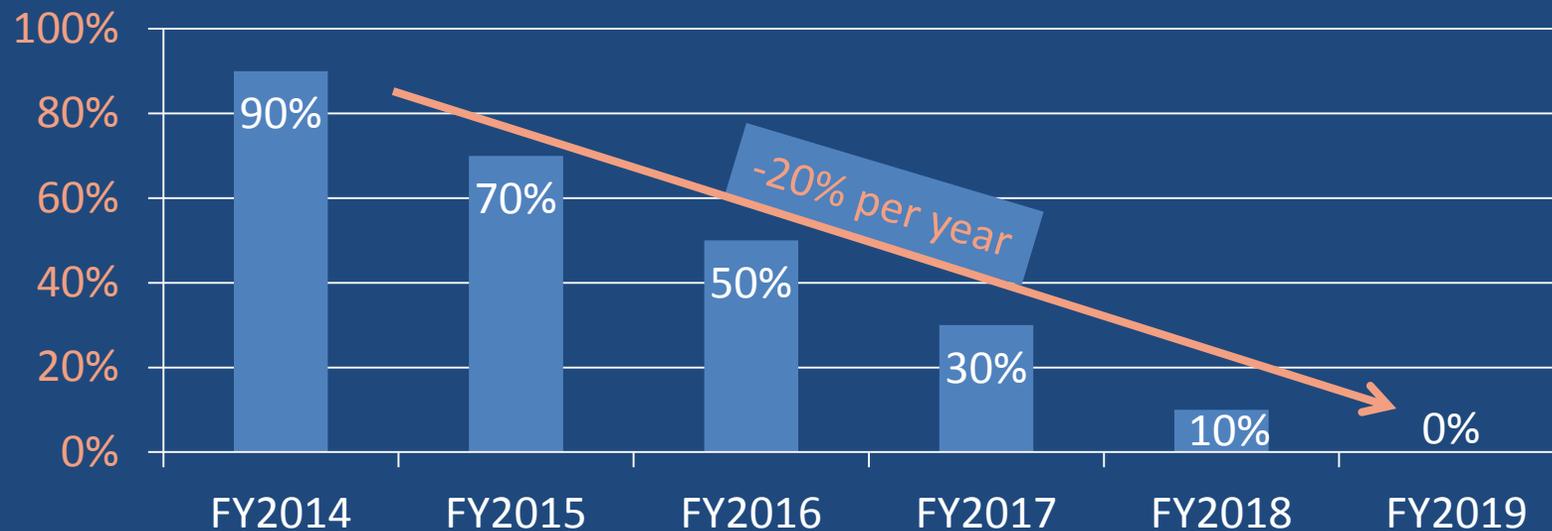
- E-rate discounts available only for eligible goods/service
- Mixed eligible/ineligible use items requires cost split
- Cost-allocations apply to equipment type and use
 - › No discount for ineligible features
 - › Discounts only for educ. use, users, locations

Category 1 Discounts

- High-speed leased telecomm and Internet
 - › Data services
 - › Fiber leases and fixed wireless (e.g. microwave)
- Voice phased out (20% reduction in 2015)
 - › POTS/Centrex/VoIP, long dist., cellular voice
 - › Circuits dedicated to voice (i.e. SIP trunks, PRIs)
- Eliminated: cell data/txt; voicemail, email/web
- No limits or budgets for eligible Category 1 services

Voice Phased out 20%/year

- Standard discount less 20%
- Separate service designation on Form 471
- Requires separate funding request (FRN)



Category 2 Purchases and Services Internal Connections



- Local Area Network infrastructure
- Hardware/software required for network
- Electronics: Access points, switches, caching
- Infrastructure: data cabling, racks, UPS
- Purchase, installation, and configuration
 - › 3-year bundled warranties eligible
 - › Ineligible equip/services must be removed
 - › Work can begin as early as April 1 (prior to funding year start)

Category 2 Purchases and Services

Basic Maintenance



- Repair and upkeep of eligible components
 - › Specify type/location of equip; keep logs
 - › Break fix billing preferred
- Basic technical support
 - › Software bug fixes/patches/minor updates
 - › Configuration changes
- Ineligible maintenance
 - › Extended/upgraded warranties
 - › Advance hardware replacement

Category 2 Purchases and Services Managed Internal Broadband Svc



- “Managed Wi-Fi” new in 2015
- Vendor manages on-campus network(s)
 - › Applicant-owned or leased equipment
 - › Includes network monitoring, management, maintenance
- Deducted from overall Category 2 budget cap

Prepare for Category 2 Budgets

Discounts for On-Campus Networks

- Category 2 to receive funding in FY2015 and FY2016
 - › Absent from E-rate program FY2013 and FY2014
 - › FCC guarantees at least \$1 billion/yr for two years
- Funded by rollover from prior years
- FCC uses budgets to cap each applicants' C2 support
 - › Budgets designed to spread out funding
 - › Budget system requires reauthorization for FY2017 and beyond

Category 2 Budget Caps

- Calculated on building-by-building basis
 - › Cap applied over 5 years (FY2015 to FY2019)
 - › No sharing of cap between sites
- Pre-discount factor multiplied by discount rate
 - › School @ \$150/student; Library @ \$2.30/sq-ft
 - › Minimum of \$9,200 pre-discount per site
- No budget for NIFs
 - › Non-instructional facilities in schools
 - › Library facilities without public areas

Sample C2 Funding Cap for a Building

- 1,000 students (school/school district)
 - › 85% discount rate
 - › 5 year cap = 1,000 students x \$150 x 85%
= \$127,500 total (5 years)
- 100,000 sq. ft. (library)
 - › 50% discount rate
 - › 5 year cap = 100,000 sq. ft. x \$2.30 x 50%
= \$115,000 (5 years)

Category 2 Prioritization

- Priority system if insufficient funding for C2
- FRNs prioritized by discount rate (highest first)
- Within discount rate:
 - › School district: % NSLP students
 - › Libraries: % NSLP students (from school district)
- Funding levels dependent on many factors
 - › Demand for C1 and C2
 - › Increase of overall program annual funding cap

Preparing for FY2015 Filing Window

Next steps

- Get started!
- Develop a timeline
 - › Review procurement requirements
 - › Check Board meeting schedules
- Document, document, document
 - › Keep everything for at least ten years from the last date of service
 - › Store documents in E-rate Manager[®] for future reference
- Send questions to help@fundsforlearning.com

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