

# E-rate Program Tribal Training

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# **E-rate Fundamentals**

October – November 2015

Albuquerque • Minneapolis • Los Angeles • Portland

## Overview

- Introducing E-rate principles
- Requesting services (FCC Form 470)
- Competitive bidding process
- Ordering services (FCC Form 471)
- Application review and funding commitments
- Begin receiving services (FCC Form 486)
- Invoicing USAC (FCC Form 472 and FCC Form 474)
- Deadlines and Retention
- E-rate Improvements

# E-rate Fundamentals

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# Introducing E-rate Principles

## What is E-rate?

- The Schools and Libraries Program (E-rate) is one of four programs supported by the Universal Service Fund.
- The E-rate Program provides discounts on high-speed Internet access and telecommunications in eligible schools and libraries nationwide.

## Who Manages E-rate?

- Federal Communications Commission (FCC), an independent U.S. government agency, established and oversees the E-rate Program.
  - Office of Native Affairs and Policy (ONAP) is dedicated to Native Nations and Tribal matters.
- Universal Service Administrative Company (USAC), a not-for-profit company, administers the E-rate Program along with three other programs under FCC guidance.
- The Schools and Libraries Division (SLD) is the part of USAC with responsibility for the E-rate Program.

## Who Creates The Rules?

- Congress wrote the statute for E-rate within the Telecommunications Act of 1996, which is the law that outlines the program.
- Under the guidelines of the statute, the FCC creates rules and policies for the program through orders.
- Under the direction and guidance of the FCC and the orders, USAC's Schools and Libraries Division develops annual procedures for specific actions, such as how to process applications.

## What Is The E-rate Timeline?

- Applications are submitted and commitments are made by funding year (FY), which runs from July 1 through the following June 30.
- USAC refers to the funding year as the year in which most services will begin, e.g., FY2016 runs from July 1, 2016 to June 30, 2017.

## Who Is Eligible For E-rate Funding?

- Elementary and secondary schools and school districts
  - Public, private, parochial, charter, Tribal
  - Non-traditional facilities such as Pre-K, Head Start, juvenile justice, and adult education are eligible if they fit their state's definition of elementary and secondary education
- Libraries and library systems
  - Public, private, academic, research, Tribal
- Consortia: groups of eligible entities that band together to aggregate demand and negotiate lower prices



## What Services Are Eligible For Funding?

- Category One: provides connectivity to the building
  - Data Transmission Services and Internet Access (DTS/IA)
  - Voice Services (*subject to phasedown starting in FY2015*)
- Category Two: provides connectivity within the building
  - Internal Connections (IC)
  - Managed Internal Broadband Services (MIBS)
  - Basic Maintenance of Internal Connections (BMIC)
- Eligible Service Lists (ESL) are released each year
- FY2015 and FY2016 lists focus increasingly on broadband

## What Is E-rate's Funding Cap?

- Program funding is capped at \$3.9 billion per year as of FY2015.
- Once a year, the FCC can roll over unused funds from prior funding years to use in the next full funding year.
- \$1 billion funding target for Category Two funding

## How Do Discounts On Eligible Services Work?

- Discounts range from 20% to 90% and depend on two things:
  - A measure of poverty (e.g. percentage of students who are eligible for the National School Lunch Program (NSLP))
    - Schools: in the school district as a whole.
    - Libraries: in the public school district in which the main library branch is located.
  - Urban or rural status
    - The school district or library system is eligible for a rural discount when more than 50% of schools or libraries are considered rural (based on 2010 census data).

## What Are Alternative Discount Mechanisms?

- The primary measure for determining a measure of poverty is the National School Lunch Program (NSLP), but alternative mechanisms can be used as long as they are based on the same measure used by NSLP (income is at or below 185 percent of the federal poverty guideline)
  - Community Eligibility Provision
  - Survey
  - Matching siblings
  - Provision 1, 2, or 3 schools
  - Existing Sources

## Discount Matrix

	<b><i>CATEGORY ONE DISCOUNT LEVELS</i></b>		<b><i>CATEGORY TWO DISCOUNT LEVELS</i></b>	
<b>INCOME</b> <i>% of students eligible for NSLP</i>	<b>URBAN</b> <i>Discount</i>	<b>RURAL</b> <i>Discount</i>	<b>URBAN</b> <i>Discount</i>	<b>RURAL</b> <i>Discount</i>
Less than 1%	20%	25%	20%	25%
1% to 19%	40%	50%	40%	50%
20% to 34%	50%	60%	50%	60%
35% to 49%	60%	70%	60%	70%
50% to 74%	80%	80%	80%	80%
75% to 100%	90%	90%	85%	85%

## Discount Guidelines

- Schools
  - All schools in a district get the same discount and same urban/rural status (even when applying individually).
  - Independent schools calculate discounts and urban/rural status based on their own student population and address.
- Libraries
  - All libraries in a system get the same discount derived from the NSLP eligibility of the district in which the main branch is located.
  - Libraries calculate their urban/rural status based on their own outlets or branches (can include bookmobiles and kiosks).

## Discount Guidelines

- Consortia
  - Consortia calculate their discount based on the simple average of their consortia members.
  - All consortia members are now listed at their district-wide discount rate, even if only some schools in the district or libraries within the system participate in the consortium.
  - Only consortia can get a discount that doesn't come straight from the discount matrix.

## What Is A Category Two Budget?

- Each individual school or library outlet receiving Category Two support (IC, MIBS, BMIC) will have a five-year budget for Category Two products and services.
- The **pre-discount** budget for a school is calculated annually by multiplying the total number of students by \$150.
- The **pre-discount** budget for a library is calculated annually by multiplying the interior square footage of the library by \$2.30 (\$5 per square foot for certain urban libraries).



## What Is A Category Two Budget?

- Remember that the budget is pre-discount
- For example, for a school with 1,000 students:
  - At the **85%** discount rate (the maximum discount rate for Category Two), the school will have a pre-discount budget of \$150,000, but may receive E-rate discounts of up to **\$127,500**
  - At the **50%** discount rate, the school will have a pre-discount budget of \$150,000, but may receive E-rate discounts of up to **\$75,000**
  - At the **20%** discount rate, the school will have a pre-discount budget of \$150,000, but may receive E-rate discounts of up to **\$30,000**

## What Is A Category Two Budget?

- For small schools (fewer than 62 students) and libraries (less than 4,000 square feet) five-year budgets will be a minimum of \$9,200
- Non-instructional facilities (NIFs) – including school NIFs with classrooms and administrative buildings – do not have pre-discount budgets
  - If a NIF is essential for the effective transport of information to or within a school or library, the applicant must allocate the NIF costs to the entities benefiting from the service while the costs for ineligible services to a NIF should be allocated out

## How Do I File FY2016 E-rate Forms?

- The E-rate Productivity Center (EPC) is the account and application management portal for E-rate.
- Applicants participating in the E-rate Program will use this tool to file all FY2016 FCC Forms.
- The FCC Form 470 is currently available for filing.
- Over the course of the next year, the remaining E-rate Program forms and letters for applicants and service providers will become available in EPC.

## How Do I File E-rate Forms for Other Funding Years?

- For E-rate Program forms not yet filed in EPC there are three options
  - File online, certify on paper (**all forms except 500**)
  - File online, certify online (**all forms except 500**)
  - File on paper, certify on paper (**only 486, 472, 500**)

## Receiving E-rate Notifications

- Each time applicants file a program form, USAC issues an letter to the applicant.
- Letters issued for forms filed in EPC can be found only in the entity's EPC account "News" items (in electronic form).
- A paper letter will be issued for forms not filed in EPC (prior to FY2016).
  - Paper letters are color-coded by funding year

- 2014

Blue

- 2015

Yellow

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# Requesting Services (FCC Form 470)

## FCC Form 470 Purpose

- Opens your competitive bidding process
- Lists the types and quantities of services that you need
- Service providers can then review the posted FCC Form 470 information and submit bids
- Must be posted on the USAC website at least 28 days before filing the FCC Form 471
- After filing, USAC issues a Receipt Notification Letter (RNL) to the applicant in the E-rate Productivity Center (EPC)

## FCC Form 470 Exemptions

- Internet access service is exempt if you are seeking support for commercially available Internet access with minimum 100 Mbps download and 10 Mbps upload speeds at a pre-discount price not to exceed \$3,600 annually (including any one-time charges)
- Multi-year contracts that have an establishing FCC Form 470 do not require an annual FCC Form 470 as long as costs/services are within the scope of the establishing FCC Form 470 and contract



## Terms To Know

- Requests for Proposal (RFPs) or other supplemental documents may be issued to describe additional specific needs and circumstances. RFP document(s) must be uploaded as part of the FCC Form 470 filing process.
- Billed Entity Number (BEN): an identification number assigned by USAC to each school or library
- Allowable Vendor Selection/Contract Date (ACD): the date which marks the end of the 28-day waiting period

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# Competitive Bidding

## Competitive Bidding Requirements

- The goal is to have as many bidders as possible so that the applicant can receive better service and lower prices.
- The applicant must be ready to accept bids once the FCC Form 470 is posted on the USAC website.
- No one other than the applicant or an authorized representative of the applicant can prepare, sign or submit the FCC Form 470 or certification.
- The FCC Form 470 must describe the desired products and services with sufficient detail to enable interested parties to submit bid responses.

## Open and Fair Process

- The competitive bidding process must be open and fair
  - "Open" means there are no secrets in the process – such as information shared with one bidder but not with others – and that all bidders know what is required of them
  - "Fair" means that all bidders are treated the same and that no bidder has advance knowledge of the project information
- All potential bidders must have access to your FCC Form 470, RFP (or other supplemental documents describing the procurement, if you have them).
- Bidders must be evaluated fairly and equally

## Sample Matrix

The price of the eligible products and services must be the most heavily weighted factor in your evaluation of bids

Factor	Points Available	Vendor 1	Vendor 2	Vendor 3
<b>Price of the ELIGIBLE products and services</b>	30	15	30	25
Prior experience w/vendor	20	20	0	20
Prices for ineligible services, products and fees	25	20	15	25
Flexible Invoicing: FCC Forms 472 or 474	15	0	15	15
Local or in-state vendor	10	10	8	7
<b>Total</b>	<b>100</b>	<b>65</b>	<b>68</b>	<b>92</b>

## Too Few Bids

- If you received only one bid, and that bid is cost-effective, you should memorialize that fact with a memo or email for your records.
- If you did not receive any bids, you can solicit bids.
- If you currently receive service from a service provider, you can ask your current provider to submit information in response to your FCC Form 470.

## Competitive Bidding Timeline

- Applicants must wait at least 28 days after the FCC Form 470 is posted before you can:
  1. Evaluate bids received
  2. Choose your service provider(s)
  3. Sign a contract or retain another **legally binding agreement** (if applicable)
  4. Submit an FCC Form 471

## E-rate Fundamentals

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# Ordering Services (FCC Form 471)



## FCC Form 471 Purposes

- Identifies the service providers you have chosen
- Identifies the eligible entities that will receive services
- Identifies the services you've chosen and their costs
- Calculates how much support you seek for the funding year using the discount calculation information you provide
- Captures information on speed of current connectivity
- After filing, USAC will issue a Receipt Acknowledgement Letter (RAL) to the applicant in the E-rate Productivity Center (EPC)

## Terms To Know

- **Funding Request:** A description of services and prices associated with each funding request, which is integrated into the FCC Form 471
- **Funding Request Number (FRN):** The identification number assigned to each FCC Form 471 funding request
- **Service Provider Identification Number (SPIN):** The identification number assigned by USAC to a service provider
- **NCES/FSCS Codes:** Codes assigned by the National Center for Education Statistics to most schools and the Federal-State Cooperative System to most libraries

## E-rate Fundamentals

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# Application Review and Funding Commitments

## PIA Review

- Program Integrity Assurance (PIA) is the USAC group that reviews and makes funding decisions on program applications, as well as:
  - Checks your form for completeness and accuracy
  - Verifies eligibility of the schools and libraries entities, entity discount levels, and the services requested
  - Gives you an opportunity to make allowable corrections to your form
- PIA will use your email address to contact you with questions on the FCC Form 471

## PIA Review

- PIA reviewers may ask questions or in some cases, ask for additional verification of your compliance with program rules
- You have 15 days to respond to PIA questions, however you can ask for more time if you need it
- Some applications undergo additional review - Selective Review is one example - where PIA may request more detailed responses

## Decision Letter

- Funding Commitment Decision Letter (FCDL): Following application review, USAC issues this letter in EPC to both the applicant and the service provider. It contains decisions on approved or denied funding requests and next steps.

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# **Begin Receiving Services (FCC Form 486)**

## FCC Form 486 Purpose

- Notifies USAC that your eligible services have started or been delivered and invoices for those services can be processed and paid
- Reports your status of compliance with Children’s Internet Protection Act (CIPA)—a law with specific requirements on Internet safety policies.
- After filing, USAC issues an FCC Form 486 Notification Letter to the applicant and service provider in EPC



## Children's Internet Protection Act (CIPA)

CIPA requires schools and libraries receiving discounts on Data Transmission and Internet Access, Internal Connections, Managed Internal Broadband Services and/or Basic Maintenance to certify that they are enforcing Internet safety

- Internet safety policy
- Technology protection measure (filter)
- Reasonable public notice of and hearing/meeting
- (For schools) education for students on internet safety with focus on social networking, chat rooms, and cyberbullying awareness and response

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# Invoicing USAC (FCC Forms 472, 474)

## Requirements Before Invoicing USAC

- Applicants and service providers receive an FCDL from USAC for the services being invoiced
- Applicants must file an FCC Form 486 and receive an FCC Form 486 Notification Letter
- Service providers must file a Service Provider Annual Certification (SPAC) FCC Form 473 each funding year
- The services must have been delivered and paid for (an exception can be made for progress payments specified in a contract)

## Two Methods of Invoicing

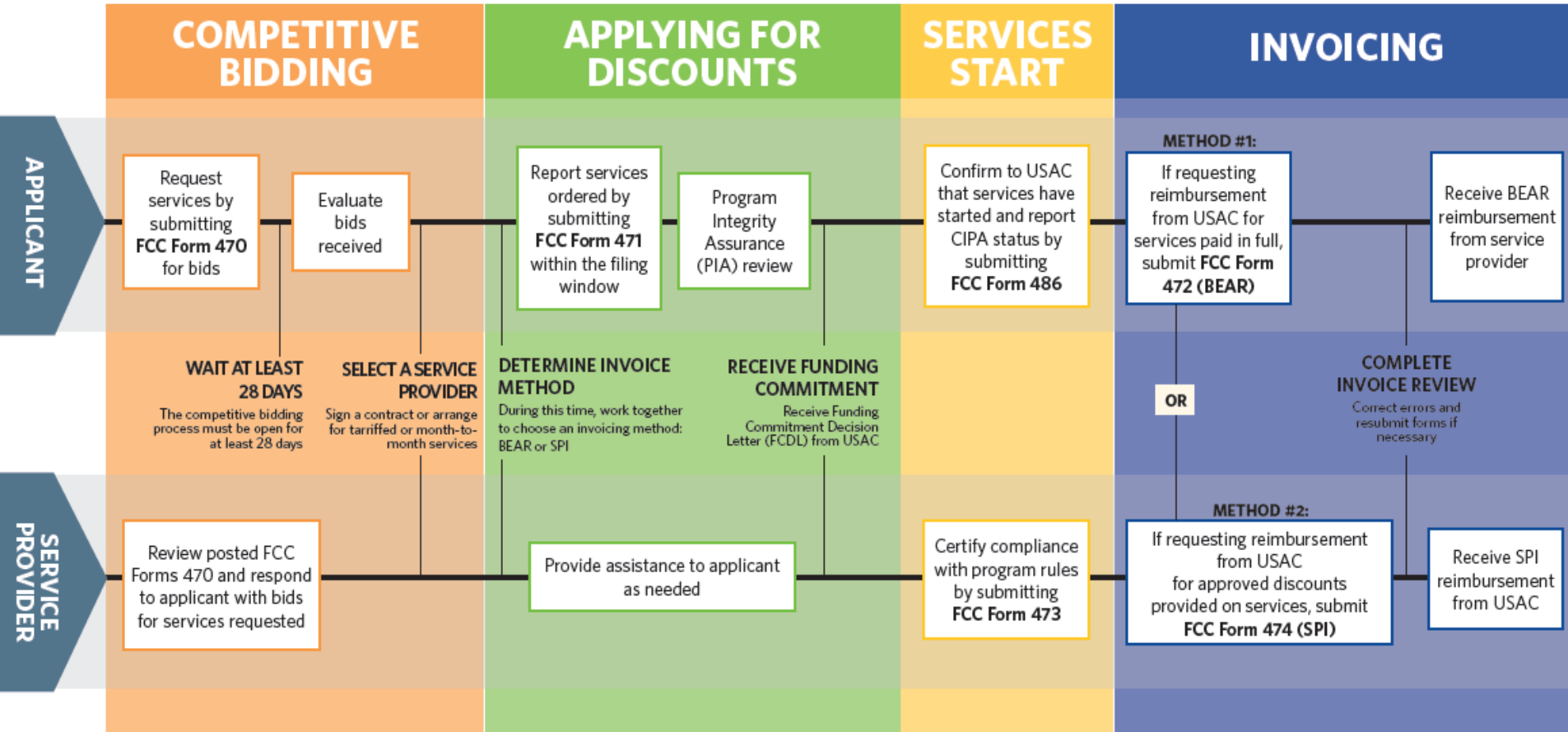
- 1) Billed Entity Applicant Reimbursement (BEAR) FCC Form 472: *filed by applicant* after services have been paid in full **OR**
  - 2) Service Provider Invoice (SPI) FCC Form 474: *filed by service provider* after the applicant has been billed for the non-discount portion of eligible services.
- After filing, USAC issues an BEAR Notification Letter to the applicant and service provider
  - Applicants can choose their method of invoicing

# Application Process Flow Chart

## BEFORE YOU BEGIN:

**APPLICANTS:** Applicants must first have an entity number and an E-rate Productivity Center (EPC) account.

**SERVICE PROVIDERS:** Service providers must first obtain a Service Provider Identification Number (SPIN) by submitting FCC Form 498.



\*Check website in December (for 498 information) and in early 2016 (for 472 information)

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# Deadlines and Retention

## Application Deadlines

- **FCC Form 470** - Posted at least 28 days before the filing of the FCC Form 471, keeping in mind the FCC Form 471 application filing window opening and closing dates
- **FCC Form 471** - Posted no later than 11:59 PM EDT on the day of the close of the FCC Form 471 application filing window
  - Application filing window is typically January through March (exact window dates will be posted on our website)

## More Deadlines

- **FCC Form 486** - Received or postmarked no later than the latter of 120 days after the date of the FCDL or the service start date
- **FCC Form 472/ FCC Form 474** - Received or postmarked no later than the latter of 120 days after the last day to receive service or the date of the FCC Form 486 notification letter.
  - On or before the invoice deadline, applicants can request and automatically receive a single one-time 120-day invoicing extension
- **Appeals** - Received or postmarked no later than 60 days after the date of USAC's decision letter



## 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** from the last date of service.

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# **E-rate Improvements**

## Making E-rate Easier And More Effective

- Simplifying E-rate processes
  - Streamlining applications and form filing in EPC
  - Streamlining discount rates
- Maximizing the cost-effectiveness of spending for E-rate purchases
  - Pricing transparency via FCC Form 471
  - Emphasis on consortia purchasing and lowest corresponding price rules

## Streamlined Invoicing in FY2016

- Applicants who choose the BEAR invoicing method will be paid directly via electronic transfer to a bank account instead of through service providers
  - Bank account and other information will be required
- BEAR Forms will no longer require Service Provider certification

## Increased Funding Opportunities

- Because of adjustments to the program, the FCC expects to fund both Category One and Category Two requests
- Additional amount, up to 10%, for special construction to match funds provided by states
  - *Tribal schools and libraries can get the match from states, Tribal Nations, or federal government agencies other than the FCC*

## Increased Broadband Initiatives

- Installment payment option for special construction charges
- Equalized treatment of lit and dark fiber
- Permit self-construction when cost effective
- Re-focused E-rate on high-speed broadband for all schools and libraries
- Managed Internal Broadband Services or “Managed Wi-Fi” is now eligible
  - Vendor provides, installs, manages, and maintains all equipment

## Tribal Training Initiative

- Commitment to developing and implementing the Tribal training and outreach program to increase participation and successful applications in E-rate
  - Tribal Liaison acts as point person at USAC for Tribal schools and libraries throughout the E-rate process
  - Tribal-specific trainings and workshops monthly outreach calls
  - One-on-one training
  - Gain a better understanding of the current state of connectivity among Tribal schools and libraries

# QUESTIONS?



# Thank you!