E-Rate – the Past, Present and Future

Schools and Libraries Universal Service Support

When did E-Rate start?

When the Telecommunications Act of 1996 was signed into law, for the first time schools and libraries became eligible for Universal Service support. An explicit goal of the Act is to ensure that schools and libraries have affordable access to advanced telecommunications. On May 7, 1997, the Federal Communications Commission (FCC) issued a unanimous ruling for implementing Universal Service.

This fund is maintained through contributions made by telecommunications providers through fees included in communications services bills.*

*recently increased from 15.7% to 16.1%

What Is E-Rate?

❖E-Rate is administered by Universal Service Administration Company (USAC) under the Federal Communications Commission (FCC) direction

❖Schools work with the Schools and Libraries Division (SLD) of the USAC

❖The SLD provides discounts to assist schools & libraries in obtaining telecommunications & Internet access

Four Service Categories Originally Funded by the SLC

- Telecommunications Services
- Internet Access
- Internal Connections
- Maintenance of Internal Connections

  - o Discounts range from 20% to 90% of the cost of eligible services.

The Original Process for obtaining E-Rate Funding

1. Prepare a Technology Plan
2. Open a Competitive Process for the Services Desired (FCC Form 470)
3. Seek Funding for Eligible Services Competitively Bid (FCC Form 471)
4. Apply for funds from the SLC
5. The Delivery of Services Begin (FCC Form 486)
6. Pay the Service Provider (FCC Form 472)
7. Collect E-Rate Payments from the SLD

Priority Funding

❖ Priority 1
  ➢ All eligible telecommunications and internet access services are funded (If funds remain after Priority 1 then Priority 2 requests are considered)

❖ Priority 2
  ➢ Eligible requests for internal connections and basic maintenance of internal connections from applicants with the highest discount levels are considered for the remaining funds

Priority 1 Discount

- The discount percentage is based upon the total Free and Reduced Lunch counts in the district.

- The discount rate for 2014-2015 is 64%.

- All eligibility entities who apply will receive funding for Priority 1.

Priority 2

- Priority 2 is only funded after all Priority 1 has been funded.

- Priority 2 is funded to those applicants who have the highest Free and Reduced Lunch student counts (for the specific school or library contained in the request).

Priority 2

- In 2010 the district received their first Priority 2 request covering the 6 schools with the highest Free and Reduced Lunch counts.

- This request was for 68 switches/routers and 39 Uninterruptible Power Supplies (UPS) plus maintenance contracts.

Total 2010 Priority 2 Request

Amphi Middle	$	88,615
Holaway	$	66,224
Keeling	$	64,285
Nash	$	74,336
Prince	$	83,483
Rio Vista	$	83,469
	$	460,412

Priority 2

The district was awarded a 90% discount on:

Hardware	$460,411.28
Maintenance Contracts	$ 12,960.00
Total	$473,371.28

The district pays 10% of the total plus sales taxes.

E-Rate 2008-2014

Increased demand for Priority 1 resulted in limited Priority 2 funding

The E-Rate program was initially capped at $2.25 billion, but it has been indexed to inflation since 2010. For the 2013 funding year, schools and libraries sought E-Rate funding in excess of $4.9 billion, more than twice the 2013 cap of $2.4 billion. Demand for services has exceeded the E-Rate cap all but one year since the program's inception.

The FCC started study changes to the program in 2010 and recently issued changes effective for Funding Year 2015.

New Method of Discount Calculation

- Before
  - Each school had it's own discount rate based on Free/Reduced Lunch participation
  - District-wide discount was an aggregate of school discounts, weighted by population
  - School Rural/Urban status based on 2000 Census
- Now
  - Total district population is divided into district Free/Reduced Lunch participation
  - Each school uses the same district-wide discount
  - School Rural/Urban status based on 2010 Census

Discount Matrix

INCOME % of students eligible Free/Reduced Lunch	URBAN LOCATION Discount	RURAL LOCATION Discount
75% to 100%	90%	90%
50% to 74%	80%	80%
35% to 49%	60%	70%
20% to 34%	50%	60%
1% to 19%	40%	50%
Less than 1%	20%	25%

Districts in the 20% to 49% range have the most to lose with the new Rural/Urban status determination.

Changes to Priority 1 Services

- Priority 1 is now called Category 1
- Category 1 Services: services needed for Broadband Connectivity to schools (Internet-Wide Area Network)
- Legacy services that do not support Broadband are being eliminated
- Voice services will be Phased Down at 20% per year until gone

Category 1 Services - Ineligible

- Components of Telephone Service and Voice mail
- Web Hosting
- Hosted email
- Wireless Data Plans
  - (unless it can be demonstrated to be the only cost effective way to receive Internet connectivity)
- Paging

Category 1 Services that will be Phased Down

- Local phone service/analog phone lines, PRI and Centrex
- Long distance
- Wireless telephone service (cellular)
- Hosted Voice Over IP (VOIP)
- Other: 800 service, satellite telephone, shared telephone service, and radio loop

Priority 1 Implications for Amphi

- No Funding for WEB HOSTING
- Funding for Remaining Costs on Telephone Bills will be reduced by 20%
- Estimated loss of Revenues projected will be:

  2015 $ 3,700

  2016 $ 7,400

  2017 $11,100

- Future additional funds needed to continue expansion of bandwidth will exceed $100,000 per year at current discount percentages

Changes to Priority 2 Services

- Now called "Category 2" . . . includes some monthly services that traditionally would have been Priority 1
- Services needed for Broadband Connectivity within schools
- Category 2 focus: Wi-Fi connectivity (Router-Switch-Wireless Controller-cabling-Access Points)

Category 2 Services - Eligible

- Routers and Switches
- Wireless Access Points and Controllers
- Structured Cabling
- UPS and Firewall
- Caching servers or appliances
- "Cloud Services" that accomplish the above

Category 2 Services - Declared Ineligible

- Storage devices
- Telephone components and voice over IP components
- Video components and video over IP components
- Lots of other little things

Category 2 funding

- The FCC is "budgeting" $1 billion for Category 2 Services

- Highest Discount Rate for Category 2 is lowered from 90% to 85%

- If funding is insufficient to fund all applicants within a Discount Level, then the highest free/reduced lunch rate applicants within that level will be funded first

Distribution of Category 2 Funding

- Districts will receive a five year target budget for Category 2 - funding only guaranteed for 2 years
- $150 per student over five years ($30 per student per year)
- This budget is "Pre-Discount," meaning the funding will be adjusted by your Discount Rate
- Minimum funding for a school/entity is $9,200 for a five year period ($1,840 per year)
- Budget can be used all in the first year, or spread out across the five year period

Other Changes

- Document retention period increased from 5 years to 10 years
- Technology Plan no longer required for any services
- Installation of Category 2 Services can start on or after April 1 of the funding year

Priority 2 Implications for Amphi

- Enrollment = 14,163 Students
- Free/Reduced Lunch Rate = 48%
- District Discount Rate = 60%
- 5 Year Budget = 14,163 x $150 x 60% = $1,274,670
- 1 Year Budget = $254,963
- District contribution needed each year = $169,956 or $849,780 over the next five years