

E-Rate for Libraries

Information and guidance on the discount program that can help give your library a technology boost

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Executive Summary

Does your library need telecommunications and Internet services, or need to purchase, upgrade or maintain technology equipment? It's never too early to start thinking about saving money on technology through E-Rate discounts for the coming year.

As it has annually since 1998, the Federal Communications Commission will offer \$2.25 billion in discounts on telecommunications and Internet services through E-Rate, otherwise known as the Schools and Libraries Universal Service Support Mechanism. Most libraries are eligible and can qualify for savings that amount to tens of thousands of dollars, and sometimes even hundreds of thousands of dollars.

This white paper will provide library administrators with tips and best practices about applying for E-Rate discounts and getting their applications approved.

E-Rate: The Big Picture

The E-Rate program was created in 1997 when the FCC adopted the Universal Service Order, implementing the library and school discounts established in the Telecommunications Act of 1996. E-Rate was set up to ensure that libraries and schools have affordable access to modern telecommunications and Internet services.

The program's mission is connectivity, not content, and the list of eligible services closely parses that distinction. About 95 percent of the E-Rate funding goes to schools and the remaining 5 percent goes to libraries, says Robert Bocher, a technology consultant with the Wisconsin Department of Public Instruction (WDPI), who provides E-Rate application advice to both public libraries and schools.

E-Rate provides discounts ranging from 20 to 90 percent of the cost of eligible services, depending on the economic need and location of the applicant. Discount levels are based on the percentage of students eligible for the National School Lunch Program at the local school district and whether the library applying is rural or urban, as designated by the federal Office of Management and Budget. Rural libraries can receive slightly higher discounts.

Eligible services generally fall into one of four categories:

- Telecommunications, such as basic phone service;
- Internet access, including e-mail;
- Internal connections, such as telecommunications wiring or network servers and routers;
- Basic maintenance of internal connections.

Basic telecommunications service and Internet access are designated Priority One for the program, and applications for those discounts are considered first, according to Mel Blackwell, vice president of the Schools and Libraries Division (SLD) of the Universal Service Administration Company (USAC), which administers the E-Rate program for the FCC. Funds remaining after successful Priority One requests have been awarded are then available for distribution among Priority Two applicants, who request support for internal infrastructure to make use of the basic connectivity.

Priority Two requests (which include technology equipment and any infrastructure within a building, such as wiring) can only be funded two years out of any five-year period. Basic maintenance, which is also considered Priority Two, can be funded every year, says Mark Miller, president of the Miller Institute for Learning with Technology (MILT).

End-user equipment (telephones and computers, for example), as well as most software and professional services, are not eligible for E-Rate discounts. In order to receive the savings on eligible services, libraries must show that they have in place (or have budgeted) their share for eligible services as well as the equipment, software and services included in their technology plans to make use of the connectivity supported by E-Rate.

The FCC posts a revised, detailed list of eligible services each autumn before the filing period begins. The best practice is for applicants to avoid including ineligible items in their requests, says Gary Rawson, E-Rate coordinator for the Mississippi Department of Information Technology Services (MDITS) and chairperson of the State E-Rate Coordinators Alliance.

"An ineligible item in a request certainly delays the approval process," he says. "You don't want to give the appearance of trying to manipulate or abuse the program. You want to avoid that 'flag' being raised about you or your process, which will result in additional reviews, all of which adds additional hassles and delays."

Getting Started

In order to secure the discounts for the funding year starting in July 2009*, libraries must submit an application between

Ineligible for Discounts

One way to better understand how E-Rate works is to review some of the products and services that are not eligible for discounts, such as the examples below from last year's funding year.

1. TELECOMMUNICATIONS

- 900/976 charges
- Dark fiber service

2. INTERNET ACCESS

- Internet content (excluding e-mail, which is eligible)
- Training in the use of the Internet
- Internet2 content or charges
- Cost for training provided via the Internet
- Software, services or systems used to create or edit Internet content
- Online collaboration tools
- Distance learning or video-conferencing software or content services
- In a web-hosting situation, software applications, end-user file storage and content-editing features

3. INTERNAL CONNECTIONS

- Computer workstations, notebook computers
- Telephones
- Fax machines
- Printers
- All end-user software
- Application software other than e-mail
- Development software
- Operating system software for end-user computers
- Security software

4. BASIC MAINTENANCE OF INTERNAL CONNECTIONS

- Onsite technical support
- Help desks that provide comprehensive support beyond basic connectivity maintenance

5. MISCELLANEOUS

- Interest or finance charges
- Late payment fees
- Performance bonds

For an updated and complete eligible services list for the current 2010 funding year, visit: www.universalservice.org/sl/tools/eligible-services-list.aspx

mid-November and early February (exact dates to be announced) to USAC's SLD. The time to begin preparing the application is now, say veterans of the process.

"While the application process opens up in October or November and there's a two- to three-month window to put in an application, E-Rate is almost a year-round, 12-month process," says WDPI's Bocher. Dread of the E-Rate process (as well as other administrative duties) can prevent some library administrators from getting started, adds MDITS's Rawson.

But for the librarians willing to push through the complex application process, the E-Rate discounts are well worth the effort — and they don't have to do it alone. State E-Rate coordinators are available to walk them through the process. "We can sit with them, visit with them and offer training sessions and workshops," Rawson says.

Five Key Requirements to Avoid Process Pitfalls

Applying for E-Rate discounts is a multistep process in which sequence, deadlines and documentation are all crucial. Listed below are five key points in the process that require particular attention.

1. TECHNOLOGY PLAN. The plan must exist in at least a draft form before Form 470 is filed (except for applications limited to basic phone service), and it must be approved by the applicant's state or another certified approving body before discounts can take effect. Developing the plan should be any applicant's first step in the E-Rate process, and the services for which discounts are requested should grow out of the plan.

Service providers should never be involved in creating the technology plan, MILT's Miller says. And when libraries use a consultant, in-house staff must still be deeply involved in creating the technology plan to ensure that it meets their specific needs.

2. FCC FORM 470. Filing this Description of Services Requested and Certification form is intended to trigger a competitive bidding process. It is illegal for service providers to be involved in the submission of Form 470, and evidence of involvement will lead to a denial of the application, Miller says.

3. 28-DAY WAITING PERIOD. After filing Form 470, applicants are required to solicit and compare competitive bids for the services requested before they can contract with a provider and then submit Form 471, the Services Ordered and Certification form.

Inattentive applicants sometimes file Form 470 too late to allow time for the waiting period and the completion of a contract before the filing deadline for Form 471, Bocher says. Keeping a close watch on the SLD website (where deadlines are posted as they are set in the fall) and on your calendar are the only ways to escape this dilemma.

4. CONTRACTS AND FORM 471. After applicants have selected their service providers, they must have completed and signed contracts in place before they submit Form 471. Unfortunately, a decision on E-Rate discounts is weeks or months away at this point in the process. Besides the need for applicants to have budgeted their share of the costs of the services they request, contracts with providers should include contingencies in case the E-Rate discounts are denied, Miller says.

5. PROGRAM INTEGRITY ASSURANCE. The SLD's diligent PIA unit reviews every application and will respond to the applicant with issues ranging from typos to serious contract problems. The only way to deal with PIA inquiries is promptly — within 15 days — and with plenty of documentation.

"If PIA doesn't understand something they will call you, and you will have to explain, whether it's via e-mail, phone, fax or a combination," MDITS's Rawson says.

Significant Savings for Hidalgo's Library

According to Nicole McKelvy, assistant director of Hidalgo Public Library, which is located in Hidalgo, Texas, the E-Rate application process is well worth the effort.

The library, located in an economically disadvantaged area just north of the Mexican border, takes advantage of E-Rate funding every year, using it for basic phone and Internet connectivity, network maintenance and new technology, such as servers and networking equipment (when they need to be upgraded).

The library gets a 90 percent subsidy, typically receiving \$30,000 to \$40,000 a year from E-Rate funding, McKelvy says.

"We're seeing more people who can't afford an Internet connection anymore, so they come to the library," she says.

McKelvy says library administrators should take advantage of available resources that will help them with the E-Rate application process, whether it's a state E-Rate coordinator or colleagues at other libraries. For example, her library is part of a 12-library consortium, and everyone in the consortium meets regularly to help each other with their applications.

"We don't have money to hire consultants, so we do our homework and just sit down and work together," she says.

Reasons for Denial

Of the 39,000 E-Rate applications received by the SLD for the 2006 funding year, 32 percent were denied. The most common reasons for those denials were insufficient documentation, incomplete contracts and requests for ineligible products or services, USAC's Blackwell says.

The FCC is working to increase the number of successful E-Rate applications by loosening rules for correcting in-process applications, he notes.

"We're trying to allow corrections on the front end of the process when applicants make honest mistakes," Blackwell adds. "It's better for the applicants and it's better for us as the administrators of the program."

Building Technology Foundations in Weslaco

E-Rate discounts helped Weslaco Public Library build its technology foundation, says Library Director Michael Fisher.

The library in Weslaco, Texas, has taken advantage of E-Rate since 1998, using the funding to purchase new servers, routers, switches and Wi-Fi equipment. E-Rate also provides a 90 percent discount on yearly network maintenance. Last year, the library purchased \$392,000 worth of new networking equipment for \$39,200.

Thanks to network infrastructure provided by E-Rate, the library has been able to provide computer and Internet access to the community of 33,000 residents. Users now have access to the library's online web resources, such as encyclopedias and databases to popular periodicals and medical information.

"E-Rate funding has bootstrapped us into the 21st century," Fisher says. "With a network, we can offer information 24x7 through our website."

Fisher advises public libraries that apply for and are awarded E-Rate funding to provide good documentation because the Universal Service Administrative Company (USAC) will do audits. "It's not our money, so you better have a good paper trail and account for every cent," he says.

Steps to Success

Applying for E-Rate discounts is not a simple process, but veterans of the program have advice to help libraries successfully negotiate it.

1. START NOW. Waiting until the application window opens (to begin your application process) surely means added stress and can lead to failure, MDITS's Rawson says. "Understand eligible services. Find out about procurement. Learn about the forms and the steps of the process. Attend the training sessions available to you. Talk to your state coordinator. Talk to other people. Hear their horror and success stories. Then you'll be ready when the window opens," he says.

2. BUILD EXPERTISE AND INSTITUTIONAL MEMORY INTO THE APPLICATION PROCESS. Libraries have found that the E-Rate application process goes most smoothly when one person takes responsibility for it. But it's a good idea to have two people go through training and become savvy for quality assurance, and also because the second person can back up the first person, MILT's Miller says.

"One person should drive it, but it's a good idea to have a second person to double check the application and sign off on it," he continues. And if the first person ever leaves for another job, the second person is well-versed enough to take over the process.

3. DOCUMENT EVERYTHING. Besides assembling substantiating documents related to the initial application, document every interaction with the SLD, and get a return receipt on any correspondence with the agency, Miller says. In addition, all documents, including such items as losing bids, must be retained for five years after the service ends.

That's because audits can happen at any time. Libraries must demonstrate that they followed their tech plan and that they followed all local, state and E-Rate procurement rules, Rawson says. "Auditors may come to visit two-to-three years after funding has been granted, services delivered and funds expended," he adds.

4. USE STATE COORDINATORS AND USAC AS RESOURCES. Individual states and USAC have E-Rate training programs every year. States with active state coordinators such as Wisconsin, Minnesota and Mississippi provide the support that leads to very high application rates and very low denial rates.

In addition to being the location where E-Rate deadlines and eligible services lists are posted, the USAC website, www.usac.org/sl, is crammed with information about the program and how to apply. All the forms for the E-Rate application come with line-by-line instructions and the agency is ready to answer any questions.