

Where or Where Do Those Dollars Go?

Have you ever wondered what you actually pay for when you write that check for your monthly telephone bill? Each phone company is required to pay into the Universal Service Fund. Some providers elect to charge a flat fee and others a percentage of the monthly charges. The Universal Service Administration Company (USAC) which is overseen by the Federal Communications Commission administers this "Universal Service Fund." There are (4) primary funding sources they administer – High Cost, Rural Health Care, Low Income, and Schools & Libraries Division. For the purpose of this article I am going to focus on the Schools & Libraries Division (otherwise known as E-rate.) If you work for, serve on a board of or are generally concerned about the funding sources for schools, libraries and Head Start programs I encourage you to read further.

First, what is E-rate? E-Rate is a common term in the K-12 education world; however, few other people know what it stands for and how it is used. E-rate is the funding received through the Schools & Libraries Division (SLD) of the USAC. It is a federal funding source available to schools, libraries, and Head Start facilities. Eligible schools are those that provide primary or secondary education. This includes private, charter or publicly funded schools. Some non-traditional educational facilities such as pre-kindergarten (Head Start) and adult education facilities may be eligible depending on the state's definitions of primary or secondary education facilities. In Illinois our laws do allow for the eligibility of these non-traditional facilities.

These entities are able to apply for discounts on monthly telecommunications, internet access services as well as costs to install and maintain internal connections. Eligibility falls under two categories as shown below:

1. Priority One - all eligible telecommunications and Internet access services
2. Priority Two - eligible requests for internal connections and basic maintenance of internal connections

Priority One funding is awarded first. This is available to all discount levels. Money left over after these requests have been fulfilled is designated for Priority Two funding. It is important to note that typically only those with the highest discount level receive Priority Two funding. Discounts are determined based on the poverty level reported under the National School Lunch Plan program. These discounts range between 20% and 90%.

Eligible libraries must meet the criteria of being a library under the 1996 Library Services and Technology Act (Pub. L. No. 104-208) (LSTA) and be eligible for assistance from a state library administration. For profit libraries are not eligible for funding, nor are libraries that function within a school district's budget, unless

that library has a separate budget from the school in which it operates. Then it may qualify for funding under the E-rate plan.

E-Rate filing is done in stages. Each stage must be completed on schedule to ensure that the facility receives the awarded funding. The government is not pro-active in giving out this money; it must be solicited properly and timely. Missed deadlines have accounted for millions of dollars in un-received funds over the past 4 years (\$24,591,031.96 in 2005 alone). One reason for missed deadlines is that there are little resources to have someone focus on E-rate as their sole job description. This complicated filing service is mixed in with day to day tasks of keeping the network running or the business of the organization functioning. E-rate rules change yearly similar to tax rules. It requires close scrutiny to ensure deadlines are understood and filing requirements are not overlooked.

Before filing for discount funding a technology plan must be in place. This technology plan must include a description of what connections are required (servers, wires, etc.) as well as how these connections combined with hardware and education software will assist in classroom learning and the overall teaching goals of the district. All of the preparation and filing is done within the 12 months preceding the funding year. Some of these task requirements are filing for the competitive bid process, RFP release, calculation of discount levels based upon the free/reduced lunch program, and disbursement requests. Each facility is responsible for calculating their discount eligibility. Libraries calculate their discounts based upon free/reduced lunch for the school district they reside in.

Before funding can be dispersed by USAC the facility must confirm start dates of services, approval of the technology plan, and the internet safety plan's compliance with the Children's Internet Protection Act (CIPA). If any step along the way is not done to the exact specifications of USAC funding may be denied.

Just as any tax payer should be ready for an audit from the IRS a facility which participates in USAC funding may be approached for an audit of their respective program. These audits are designed to review competitive bid processes, ensure that non-discount portions of invoices are paid and paid timely by the facility, and proof that only eligible products and services were installed. In the past USAC audits have found that although facilities conducted a competitive bid process it was not documented, facility shares were not paid properly, and service providers billed the client multiple times for the same services.

Schools, Libraries & Head Start programs should take advantage of a special funding offer by USAC. Since there is a surplus of uncollected funds in the E-rate program for schools and libraries more schools will be eligible for the Priority 2

funding in the upcoming funding year. They will be awarding that money on all eligibility levels, not just the 90% level.

In conclusion, if you are part of a school, library or Head Start program contact an E-rate consultant to assist you with your filing for the upcoming funding year! And no matter what - you can safely say that you have learned something new today about where your money goes when you pay your monthly phone bill.