Introduction to E-rate: Program Basics and Filing Form 470

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Overview

- History of E-rate and Universal Service Fund
- E-rate Program Administration and Terminology
- Discount Rate and Urban/Rural Status
- Category One and Category Two Funding
- Category Two Budget
- E-rate Required Forms
- Form 470 Bidding Process, Rules, Bid Evaluation
- Application Timeline
- Where to Get Training and Help

The Universal Service Fund

- Consumers pay a fee to providers that is then collected by USAC
- The USF is $9 -11 Billion/year
- USAC disburses the USF to four programs:
  - Lifeline (low income)
  - E-rate (sch. and libs.)
  - High Cost (rural areas)
  - Rural Health Care
- E-rate is capped at $4.15 Billion/year with the cap being indexed to inflation

⊕ Monthly charges for Nov 4 - Dec 3	$33.99
⊖ All surcharges, taxes & fees	$7.74
⊖ Company fees & surcharges	$6.99
Administrative Fee	$1.99
County Sales Surcharge	$0.05
County Telecom Surcharge	$0.06
Federal Universal Service Charge	$2.09
Regulatory Cost Recovery Charge	$1.50
WI State Sales Surcharge	$0.45
WI State Telecom Surcharge	$0.68
WI State Universal Service Fee	$0.17
⊖ Government fees & taxes	$0.75
WI POLICE AND FIRE PROTECTION FEE	$0.75

What is E-Rate?

- Discount program to offset costs data circuits, internet and of in-building network equipment
- Schools and libraries apply individually or as a consortium
  - (E.g., TEACH Wisconsin applies as a consortium for data circuits via TEACH Network)
- Funding is requested under two categories:
  - Category One (C1): Deliver internet <u>to</u> the building
  - Category Two (C2): Deliver internet <u>within</u> the building to students, patrons, staff
- Discounts based on level of poverty and urban/rural location
- Discounts range from 20-90% of the cost of eligible services (state ave. = 65%)

E-rate Program Administration

- Under authority of the Federal Communication Commission (FCC)
  - FCC writes program rules and regulations
- Administered by the Universal Service Administrative Company (USAC)
- Applicants use USAC's E-rate Productivity Center (EPC) [One Portal](#) system
  - To update administrative info like: Staff contact, enrollment, free/reduced lunch data (provided by DPI)
  - To complete the required forms
  - To answer questions from USAC's Program Integrity Assurance (PIA) unit which reviews all applications

Terminology - Entity Numbers

- Billed Entity Number (BEN) - Each applicant, like a school district, that receives and pays bills is assigned a BEN.
  - Each school in the dist. also has a (child) School Entity Number that falls under the district's (parent) BEN.
- E-rate Glossary of Terms

My Entities

Entity	Entity Number	City	State	Zip Code
School District 400153	17361	Washington	DC	20005
School 1 In District 400153	18166	DC	DC	20005
School 2 In District 400153	18165	DC	DC	20005
School 3 In District 400153	18167	DC	DC	20005

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Update Entity Profile by Jan. 12, 2024

- Update free/reduced lunch and enrollment numbers, and any other information in the EPC
- It is imperative that the data you enter in your EPC profile matches the DPI posted data to avoid PIA questions about your free/reduced and enrollment numbers
- Update lunch and enrollment information in two areas
  - entity profile (discount calculation)
  - category two budget (if enrollment went up) and request category 2 replacement budget from USAC
- Pre-recorded USAC training for how to update entity information during the administrative window

Discount Rate

Your E-rate discount is based on:

1) **Percent of students eligible for free or reduced lunch.**

2) **Urban or rural status.**

Libraries use sch. district discount

INCOME Measured by % of students eligible for the National School Lunch Program (NSLP)	CATEGORY ONE (C1)		CATEGORY TWO (C2)	
	URBAN Discount	RURAL Discount	URBAN Discount	RURAL Discount
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%

Note: Tribal Libraries FY 2024 and Later: 90% for C1 and C2

[Urban Rural Lookup Tool](#)

Category 1: Broadband and Internet Access

E-rate eligible
- Monthly/annual (ongoing) charges
- Installation and activation charges
- Equipment needed to make the service functional
- Maintenance and operation

Not eligible
- Staff salaries and labor costs
- Consulting services not related to the installation and configuration of the service components
- Applications, email
- End user devices (laptops, etc.)

Category 2: Internal Connections

E-rate eligible
- Routers, switches
- Cabling
- Access points and controllers
- Uninterruptible power supply
- Basic firewall
- Software supporting equipment
- Managed Internal Broadband Services
- Basic Maintenance of Internal Connections

Not eligible
- Servers
- Filtering
- End user devices (laptops, etc.)
- Cybersecurity tools (beyond basic firewall)

See:
FY 2024 Eligible Services List

Category 2: Basic Maintenance of Internal Connections

- BMIC Covers
    - Maintenance and technical support to maintain reliable operation of eligible broadband internal connections (i.e. routers, switches)
    - Multi-year maintenance service subscriptions (i.e.software upgrade patches, patch fixes)

Category 2: Managed Internal Broadband Services

- MIBS Covers
  - Services provided by a third party for the operation, management, and monitoring of eligible broadband internal connections are eligible MIBS (e.g., managed Wifi)
  .
- Contract with 3rd party vendor to operate the internal network
- Various service models:
  - 3rd party vendor owns and installs the equipment & applicant may lease the equipment as part of a managed service contract
  - Applicant owns equipment and 3rd party manages it for them

Category 2 Budget

- Your district or library has a five-year C2 budget to support in-building networking

  - (There is no budget for C1)

- Five-year budget cycle began FY21 (7-1-21 to 6-30-22); ends FY25 (7-1-25 to 6-30-26)

- Budget amount is $167/student; $4.50/library building square foot

- Funding minimum is $25,000 (equal to: 149 students; 5,556 square feet)

- For schools, budgets are based on districtwide enrollment

Category 2 Budget: Example

- Ebenezer School District has 1,000 students

- Its C2 budget = 1,000 x $167 = **$167,000** for 5 years

- Over this period it can receive E-rate funding for purchases of up to $167,000 of in-building eligible equipment and services

- The budget amount covers pre-discount costs of equipment or services

Category 2 Budget Example

School District Enrollment	5 Year Category 2 Budget Cap	E-rate Category 2 Discount	E-rate Will Pay	District's Share%	District's Share $
1,000	$167,000	85%	$141,950	15%	$25,050

Chart Description:
This chart displays an example of the discount percentage and dollar amount that will be paid by both E-rate and the district in the course of a five-year budget cycle.
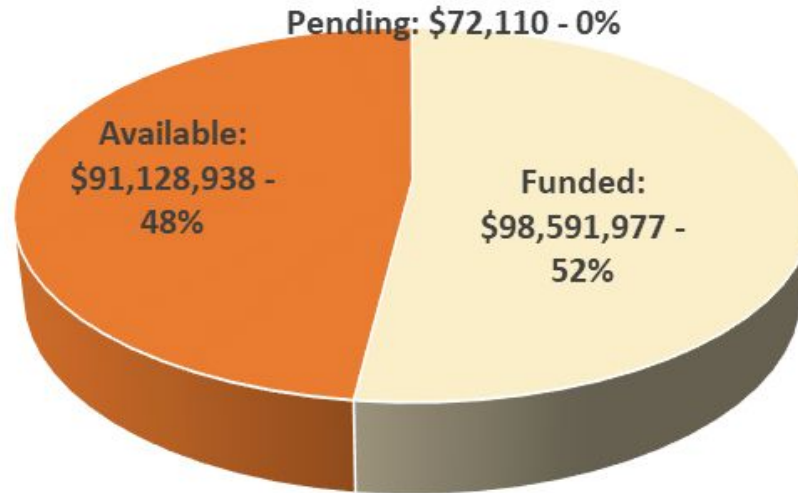
Category 2 Budget Tracker

- USAC has a [Budget Tracker](#) which shows the C2 funding status for applicants. Here's an example:

STEVENS POINT AREA SCHOOL DISTRICT

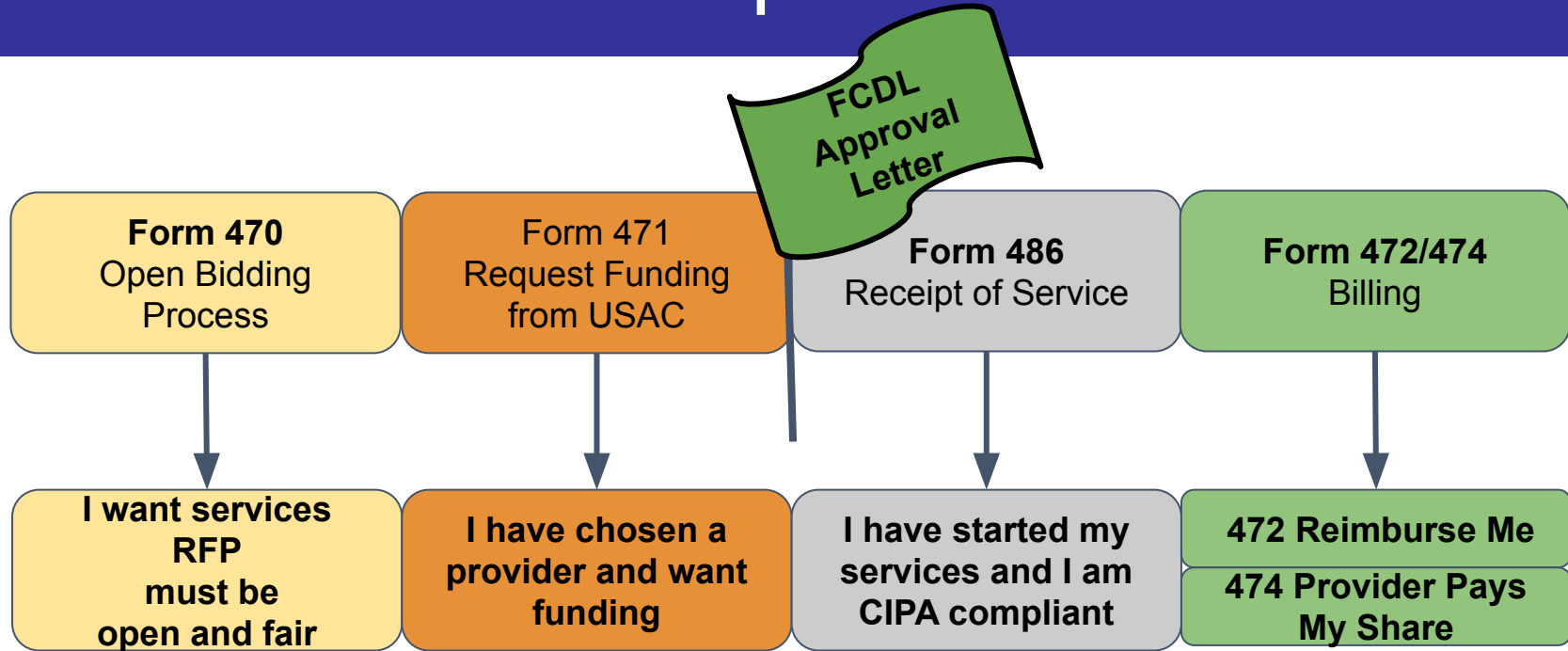|	
☐ Available C2 Budget Amount	$1,062,922.28
C2 Budget	$1,195,386.00
Funded C2 Budget Amount	$104,113.72
Pending C2 Budget Amount	$28,350.00
Available C2 Budget Amount	$1,062,922.28

WI Total 5-Year C2 Budget

WI Total C2 Budget: $189,973,025

Pending: $72,110 - 0%

Available: $91,128,938 - 48%

Funded: $98,591,977 - 52%

FY 2024 and 2025 are last two years for this C2 funding cycle.

E-rate - Required Forms

Form 470
Open Bidding Process

Form 471
Request Funding from USAC

FCDL Approval Letter

Form 486
Receipt of Service

Form 472/474
Billing

**I want services
RFP
must be
open and fair**

I have chosen a provider and want funding

I have started my services and I am CIPA compliant

472 Reimburse Me

474 Provider Pays My Share

Application Process - Form 470

- Form 470 - a request for either Cat 1 or Cat 2 services
  - Describe/list the eligible services you want
    - Issuing an RFP is optional
  - Form (i.e., bid) must be "open" for at least 28 days

- Providers review your Form 470 service request and contact you

- You evaluate responses and -- using cost as prime factor -- select provider

- Then file Form 471 which lists the service, the provider, costs, discount, etc.

- **Recommended:** File Form 470 no later than February 1.

Bidding Basics

- Bid: A detailed description and request for quotations for equipment and services
- Goal is to get the best services and equipment at lowest price
- Bidding must be transparent, open and fair
  - Information shared with a specific bidder must be shared with every bidder
- If requesting a specific item, include "or equivalent."
- Bid based on services and equipment listed in the E-rate's [Eligible Services List (ESL)](#)

Determine Bid Evaluation Criteria

- You can include many factors, but price must be the most heavily weighted
- Other important factors can be weighted almost as much as price
  - These factors can include previous experience with the vendor and references
- USAC has provided a sample bid evaluation matrix
  - We strongly recommend that you adopt the USAC format
  - You can establish your own criteria and weighting.

Bid Evaluation Matrix

FACTOR	POINTS AVAILABLE	VENDOR 1	VENDOR 2	VENDOR 3
Price of the eligible products and services	50*	20	50	40
Prior experience with the vendor	25	25	0	25
Prices for ineligible services, products, and fees	15	10	5	15
Local or in-state vendor	10	10	0	0
TOTAL	100	65	55	80

Note that price of this winning bid is *not* the lowest price.

Beware!

Even if your standard district procurement policy allows other factors to have as much weight as cost, your bid evaluation matrix must establish cost as the most heavily weighted factor.

Do I need to post separate bid documents?

- Usually, you can enter your bid narrative directly into the Form 470 and do not need to post separate bid documents
  - The Form 470 narrative is plain text and has a character limit
- If needed, a more detailed bid document (aka RFP), can be uploaded into EPC as part of your Form 470 application:
  - Category 1 fiber projects (RFP required)
  - Complex equipment bids (RFP optional)
  - Local purchasing requirements/Board policy
- Important: Not saying "or equivalent" may result in a funding denial by not giving other vendors the opportunity to bid

What is a "Cardinal Change"?

- "A cardinal change is a change that is outside of the scope of your original project, and is significant enough that bids submitted in response to your original submission would not adequately address the change in scope."
  --USAC News Brief, February 18, 2018

- To minimize need to refile, be thorough in your details and ensure accuracy before you post the 470

Timing

- Minimum bidding period (posted Form 470) is 28 calendar days

- Consider a longer bidding period depending on:
  - Scope of the project
  - Degree of detail in your requests
  - Requirement of a facility walkthrough
  - Number of E-rate vendors in your region

- Remember: it's not just about your schedule - you have to consider vendors' availability to respond as well

Receiving One Bid or No Bids

- If you don't receive any bids after 28 days, you can solicit bids from any vendor at your discretion
- If you receive only one bid and it meets your requirements, you can accept it

After Accepting a Bid

- Be sure to file the following and save for ten years:
    - Your bid evaluation matrix
    - All bids received
    - All communications with vendors, written or electronic
- Common Bid Violations:
    - Matrix includes other factors with equal or higher weight than price and/or
    - Awarded the bid to higher-priced bidder but has no bid evaluation matrix to support the choice

Form 471 Application Review
Program Integrity Assurance (PIA)

- Form 471 - Lists the C1 or C2 services you want, costs and other details
- PIA reviews all 471 applications
  - Verifies discount percentage, costs, eligibility of C1 or C2 services
- Most applicants will be contacted by PIA who may:
  - Provide opportunity to make corrections
  - Ask for clarification and additional information
    - Complex applications means more PIA questions, longer review
  - If uncertain how to respond to questions, ask for clarification and additional time; *contact DPI if needed*
- A wrong answer can result in denial of funding

Application Approval

- USAC issues a Funding Commitment Decision Letter (FCDL)
  - Has details if funding is fully or partly approved, or denied
    - If denied, applicants have 60 days from date of FCDL to appeal

- Then file Form 486 which tells USAC that services have started
  - File within 120 days after service starts (often July 1) or within 120 days of the FCDL date, whichever is later
  - Must file form 486 before seeking reimbursement

Receiving the Funds - Forms (472/474)
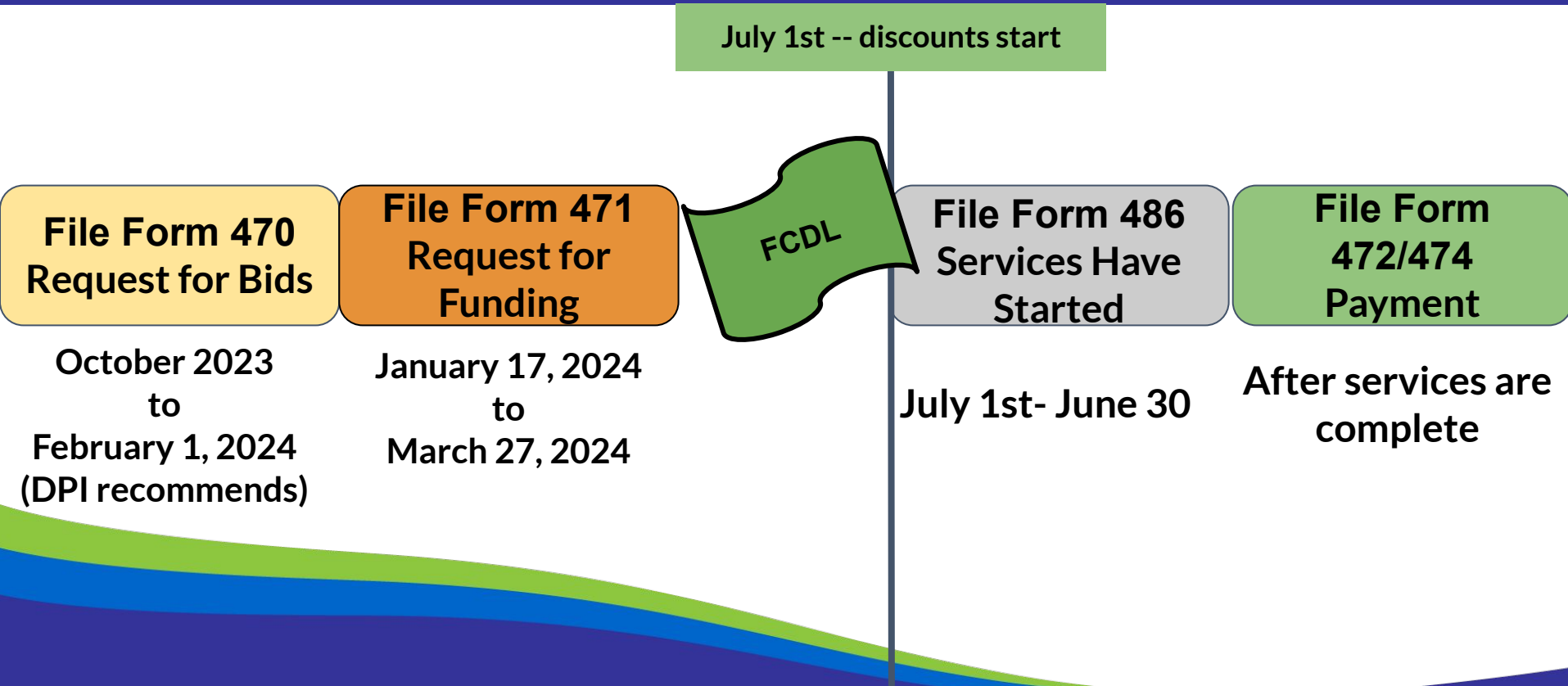
**Form 472:
USAC, Reimburse me**

**Form 474:
Provider, send me a
discounted bill**

- **472: Commonly referred to as the BEAR* form; means you pay in full and seek reimbursement later from USAC. Also requires a form 498 Bank routing form be filed.**
  (*Billed Entity Applicant Reimbursement)

- **474: Commonly referred to as the SPI* form means the service provider bills you with a discounted bill. The service provider gets reimbursed by USAC for the discounted amount.**
  (*Service Provider Invoice)

2024 Application Timeline

- **January 12, 2024** - Last day for E-rate applicants to update their EPC Profile with lunch numbers, and enrollment information as shown in the DPI posted data.

- **February 28, 2024** - Last day to file Form 470 to comply with the minimum 28 day competitive bidding requirement. DPI recommends filing by February 1, to make sure you have time to evaluate all bids and file your Form 471.

- **January 17, 2024 - March 27, 2024** - Form 471 Filing Window.

Timeline Overview

July 1st -- discounts start

File Form 470 Request for Bids

October 2023
to
February 1, 2024
(DPI recommends)

File Form 471 Request for Funding

January 17, 2024
to
March 27, 2024

FCDL

File Form 486 Services Have Started

July 1st- June 30

File Form 472/474 Payment

After services are complete

Where to Get Training and Help

- USAC Client Services Bureau
  - USAC Video Library:
    - https://www.usac.org/e-rate/learn/videos/
  - USAC Webinar Library:
    - https://www.usac.org/e-rate/learn/webinars/
  - Client Service Bureau: 888-203-8100
- Subscribe to the DPI E-Rate Listserv
  - https://dpi.wi.gov/erate/getting-help
- If you get questions from PIA:
  - Provide requested documentation and communicate with the reviewer via the EPC Portal; **contact DPI if needed**

Upcoming Webinars

DPI Webinars: (https://dpi.wi.gov/broadband/events/month)
- Filing the Form 471 for Internet Access Over the TEACH Network
  - Wednesday, January 3, 12:00 - 1:00 PM
- What's New with E-rate: Pending Rules and Comments
  - Thursday, January 4, 11:00 AM - 12:00 PM

Thank You

https://dpi.wi.gov/erate

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