

**Software & Information  
Industry Association**

Education Division



# Guide to the E-rate

Prepared by



April 2012

## Table of Contents

<b>Acknowledgements .....</b>	<b>1</b>
Funds For Learning, LLC .....	1
Software & Information Industry Association .....	1
<b>Introduction to the E-rate Program .....</b>	<b>2</b>
Why You Should Care About the E-rate Program .....	2
<b>E-Rate Program Overview .....</b>	<b>2</b>
E-rate Dollars in the Marketplace .....	2
The E-rate Regulators .....	3
The E-rate Program’s Three Distinguishing Characteristics .....	3
Eligibility for Discounts and How E-rate Discount Rates are Determined .....	3
E-rate Eligible Products and Services .....	4
Important Basic Maintenance Considerations .....	5
The E-rate Timetable .....	6
When Demand Exceeds Supply .....	7
<b>Opportunities for Software publishers From the FY 2012 Eligible Services List .....</b>	<b>8</b>
Operational Software .....	8
E-mail Software .....	8
Voice Mail Software .....	8
VoIP Software .....	8
Server and Server Virtualization Software .....	9
Client Access Licenses .....	9
Data Storage/File Servers .....	9
Bundled Software .....	9
Note on Ineligible Software and Digital Content .....	10
<b>Leveraging the E-rate Program .....</b>	<b>11</b>
Monitor Form 470 Postings .....	11
Encourage Use of E-rate Savings for Software Purchases .....	11
Monitor Which Applicants are Using Their E-rate Discounts and Which Ones are Not .....	11
Study the E-rate Market .....	11
Be Aware: Applicants’ E-rate Compliance Affects Software Sales Opportunities .....	12
Understand the E-rate Payment Process .....	13
<b>Next Steps .....</b>	<b>14</b>

### List of Appendices

<b>Appendix A:</b> Contributor Information .....	16
<b>Appendix B:</b> Applying For and Receiving E-rate Discounts .....	17
<b>Appendix C:</b> Glossary .....	18
<b>Appendix D:</b> Vendors With Largest Approved E-rate Commitment Amounts for Funding Year 2010 .....	20
<b>Appendix E:</b> A Snapshot of Large School Districts .....	22
<b>Appendix F:</b> Helpful Links and Resources .....	24

### List of Figures

<b>Figure 1:</b> The E-rate Funding Year.....	6
<b>Figure 2:</b> Annual Demand for E-rate Funding (\$ billions) .....	7
<b>Figure 3:</b> Priority 2 Discount Threshold by Funding Year .....	8
<b>Figure 4:</b> Preferred Payment Methods in FY2009 .....	13
<b>Figure 5:</b> Vendors With Largest Approved E-rate Commitment Amounts for FY2010.....	22
<b>Figure 6:</b> Snapshot of Large School Districts.....	24

## Acknowledgements

[SIIA](#) wishes to thank the staff at [Funds For Learning](#), LLC for their contribution to this guide.

### Funds For Learning, LLC

Funds For Learning (FFL) was established in 1997, at the same time as the Federal Communications Commission's "E-rate" program for schools and libraries. Today, FFL is by far the largest regulatory consulting firm in the country dedicated exclusively to the E-rate program and the only one that specializes in developing and providing online E-rate management and sales lead services. FFL offers compliance-consulting services, E-RATE MANAGER® (online sales leads and compliance tools), and E-RATE UNIVERSITY® (online E-rate training) to public and private schools, public libraries and technology and telecommunications companies. You can find further information about FFL, E-RATE MANAGER®, and E-RATE UNIVERSITY® at [www.fundsforlearning.com](http://www.fundsforlearning.com).

Funds For Learning, LLC  
2575 Kelley Pointe Pkwy, Edmond, OK 73013  
Phone: 405.341.4140  
Email: [info@fundsforlearning.com](mailto:info@fundsforlearning.com)

### Software & Information Industry Association

The Software & Information Industry Association (SIIA) is a non-profit organization representing more than 500 leading high-tech companies that develop and market software and electronic information for business, education, consumers and the Internet. Many SIIA member companies provide education software tools and digital curricula, while all depend on the nation's schools for a skilled high-tech workforce.

Through a myriad of programs and services, SIIA provides a neutral, global business forum for its members to understand business models, technological advancements, industry trends and best practices. SIIA works to inform, represent and advance the software and information industry and the interests of its member companies. Additional information about SIIA is available at <http://www.sii.net>.

SIIA's Education Division provides a forum for 180 companies who produce and market code, content and related technologies and services for use in educational settings in K-12 schools, higher education institutions and homes. Our companies include market leaders as well as hundreds of small and medium-sized companies that are driving innovation in this competitive environment. With the leadership of the Education Division Board, this division considers issues and projects that are of special interest to members in the education technology market.

Software & Information Industry Association  
1090 Vermont Ave., NW, Sixth Floor, Washington, DC 20005-4095  
Phone: 202.289.7442  
<http://www.sii.net>

## **NOTE ON CONTENTS**

The guide is designed to help software, digital content and online learning providers gain an understanding of the E-rate program and how it affects school technology purchases. The information in this booklet is current as of April 2012 and, as with all aspects of the E-rate program, is subject to change.

### **Copyright 2012 Funds For Learning, LLC**

No part of this book may be reproduced, in whole or in part, without the express written permission of Funds For Learning, LLC.

## **Introduction to the E-rate Program**

The Telecommunications Act of 1996 created the legal skeleton for the E-rate (short for “education rate”) program, and the Federal Communications Commission (FCC) fleshed it out with a broad range of rules and regulations. The E-rate program provides substantial discounts to public and private schools and public libraries for the purchase of telecommunications services, Internet access, and networking equipment, software, and related services, such as installation and technical support. To help make those purchases even more affordable and to reduce the government’s share of their cost, the FCC requires schools and libraries to bid them out. Every year for this purpose, the FCC commits at least \$2.25 billion worth of discounts (plus an additional amount to account for inflation).

### **Why You Should Care About the E-rate Program**

Now in its 14<sup>th</sup> year, the E-rate program is the largest, single source of technology funding for schools and libraries. For years, cash-strapped schools and libraries in virtually every Congressional district have been receiving E-rate discounts. This gives it a strong measure of political security and makes it, in turn, an extremely reliable and predictable source of funds every year. What’s more, the E-rate program not only allows, indeed it requires schools and libraries to leverage their savings or to find another source of funds to purchase, among other things, whatever hardware and software they will reasonably need to use their E-rate supported purchases effectively.

Keep in mind too that knowledge of the E-rate program provides an entrée into conversations and discussions with CIOs and Technology Directors about their technology needs. It is extremely important to them and, for that reason alone, it should be extremely important to you.

## **E-Rate Program Overview**

### **E-rate Dollars in the Marketplace**

Schools and libraries have a tremendous need and thus a very large appetite for technology and telecommunications. From its start in 1998 through 2010, they collectively requested approximately \$49.9 billion in funding to help pay for E-rate eligible products and services. The program could not support that much demand, however, so after the dust settled, the amount of E-rate funding actually disbursed over that time came to around \$21.9 billion -- still a sizable sum. Note that the demand for E-rate funding continues unabated and is expected to increase. For the 2011 funding year (“FY 2011”),

schools and libraries requested \$4.645 billion worth of discounts. At this time, those requests are still being processed.

## The E-rate Regulators

The FCC sets overall policy for the E-rate program. It interprets program rules, modifies or waives them when necessary, and occasionally creates new ones. The Universal Service Administrative Company (USAC), a private, non-profit company, handles administrative matters, and a division of USAC, the Schools and Libraries Division (SLD), manages the program's day-to-day operations.

## The Source of E-rate Funding

Funding for the E-rate program comes from the universal service fund (USF), a fund established originally to help extend affordable telephone services to rural and other underserved areas. All telecommunications carriers that provide service between states and/or internationally must pay quarterly "contributions" into the USF based on how much revenue those services generate. In turn, those companies recoup most or all of their contributions via "universal service fees" included in their customer billings. USAC deposits all of this revenue into a central fund, and then distributes it to four different programs, including "E-rate," known officially as the Schools and Libraries Program. The other three are: (1) High Cost (now called the Connect America Fund), (2) Low Income, and (3) Rural Health Care. Note that a company does not have to contribute to the USF to take advantage of it. A company that only sells software, for example, is not required to make USF contributions, but it may sell E-rate discounted, eligible software to schools and libraries.

## The E-rate Program's Three Distinguishing Characteristics

- The E-rate program is NOT a grant program. Schools and libraries do not receive grants, but instead complete detailed application and bidding processes to qualify for discounts of 20 to 90 percent (depending on their poverty rate) on the purchase of certain kinds of services and equipment. If a school or library does not ultimately make the planned purchase for which it sought E-rate support, it will not receive its approved funding.
- There is NO competition for E-rate funds. Schools and libraries do not compete against each other to write the most compelling grant application. Under the current rules and with the current level of demand, every eligible school can qualify for at least some funding, provided that it properly completes its applications on time.
- E-rate funds are "off budget". E-rate funding does NOT require an annual appropriation from Congress. Funding comes from the USF, over which the FCC has statutory control, and not from federal tax dollars or other federal revenues under Congress' direct control.

## Eligibility for E-rate Discounts

- All public libraries
- All public K-12 schools
- Private and charter schools operated on a non-profit basis, including religious schools, are eligible, so long as the school does not have an endowment worth more than \$50 million.