

Technical Appendix: Schools and Libraries Support Program

Eligible schools, school districts, libraries, and consortia that include schools and libraries may receive discounts for eligible services under the schools and libraries universal service support mechanism, also known as the E-rate program. The discounts range from 20 percent to 90 percent. The level of the discount is based on the percentage of students in the school or school district that are eligible for the national school lunch program (or a federally approved alternative mechanism) and location in a rural area.

On September 28, 2010, the FCC released an order revising the E-rate program to maximize the utilization of broadband and eliminate rules that no longer serve their intended purpose.¹ The revisions adopted by the FCC fall into three conceptual categories. First, the FCC enabled schools and libraries to better serve students, teachers, librarians, and their communities by providing more flexibility to select and make available the most cost-effective broadband and other communications services. Specifically, the FCC allowed applicants to lease fiber from the most cost-effective provider, including not-for-profit entities, so that applicants can choose the services that best meet their needs from a broad set of competitive options and in the most cost-effective manner available in the marketplace. The FCC also changed its rules to permit schools to allow community use of E-rate funded services outside of school hours and supports broadband connections to the residential portion of schools that serve students with special circumstances. Additionally, the FCC established a pilot program to establish best practices to support off-campus wireless connectivity for portable learning devices outside of regular school or library operating hours. Further, the FCC indexed E-rate's funding cap of \$2.25 billion annually to inflation to preserve the purchasing power of the E-rate program.² As a result, the caps for funding years 2010 through 2012 were set at \$2,270,250,000, \$2,290,682,250, and \$2,338,786,577 respectively.³

The FCC also simplified and streamlined the E-rate application process by removing the technology plan requirement for priority one telecommunications and Internet access services, and by facilitating the disposal and recycling of obsolete equipment supported by E-rate by authorizing schools and libraries to receive payment for such equipment. Additionally, the FCC improved safeguards against waste, fraud, and abuse by codifying the requirement that competitive bidding processes be fair and open and making the gift rules under the E-rate program consistent with the gift rules applicable to employees of federal agencies.

For an eligible school or library to receive discounts on eligible services under the E-rate program, the Commission's rules require that the applicant submit a request for services (FCC Form 470) to the universal service fund administrator, the Universal Service Administrative Company (USAC). The FCC Form 470 sets forth the technological needs and the services for which the applicant seeks discounts. This submission initiates the required competitive bidding process. An FCC Form 470 is required to be posted on USAC's website for at least 28 days so that providers have an opportunity to submit competing

1 *Schools and Libraries Universal Service Support Mechanism, A National Broadband Plan for our Future*, CC Docket No. 02-6, GN Docket No. 09-51, Sixth Report and Order, FCC 10-175 (rel. Sept. 28, 2010) (*Sixth Report and Order*).

2 *Id.* at 22, para. 40.

3 *Id.* at 22, para. 40. Also see *Wireline Competition Bureau Announces E-rate Inflation-based Cap for Funding Year 2012*, CC Docket No. 02-6, Public Notice, DA 12-791 (rel. May 18, 2012), available at http://hraunfoss.fcc.gov/edocs_public/attachmatch/DA-12-791A1.pdf

bids to perform the services.⁴

After the applicant has complied with the Commission's competitive bidding requirements and contracted for eligible services, it must then submit an application (FCC Form 471) to USAC to request discounts for the eligible services. USAC reviews the FCC Forms 471 that it receives and issues funding commitment decisions indicating the applicable discounts that the applicant may receive in accordance with the Commission's rules. In order to receive reimbursement the applicant either: (1) pays the non-discounted portion of the service cost to the service provider, which, in turn, seeks payment from USAC for the discounted amount (using the FCC Form 472), or (2) pays the entire bill (the pre-discounted amount) to the service provider and seeks reimbursement from USAC for the discounted amount (using the FCC Form 474). In the latter instance, USAC disburses the money to the service provider who, in turn, reimburses the applicant.

USAC acts on these requests for funding in accordance with Commission rules and decisions. If USAC denies a funding request, the applicant may either appeal directly to the Commission or appeal to USAC. If an appeal is rejected by USAC, the applicant may appeal USAC's decision to the Commission.

Frequently, the total amount of funding requested exceeds the annual funding cap. Under the Commission's rules of priority, when the application filing window closes, USAC will calculate total requests for support submitted during the application filing window. If the total amount requested exceeds the total support available in that funding year, USAC will: (1) calculate the requests for telecommunications services and Internet access for all discount categories (these services receive first priority for funding), (2) allocate the remaining funds to the requests for support for internal connections and basic maintenance of internal connections, beginning with the most disadvantaged schools and libraries (those eligible for a 90 percent discount), and (3) commit remaining funds for internal connections to the applicants at each descending discount level until there are no funds remaining (i.e. 89%, 88%, etc).

USAC supplies the FCC with funding commitments and disbursements information for the E-rate program for all active funding years. The lists of individual funding commitments and disbursements are too lengthy to include in this report, but are available online from USAC's website.⁵ Information for earlier funding years can be found in earlier editions of the *Universal Service Monitoring Report*.⁶

4 The posted forms can be viewed on USAC's website at http://www.slforms.universalservice.org/Form470Expert/Search_FundYear_Select.aspx.

5 See *Data Retrieval Tool* on USAC's website at www.sl.universalservice.org/funding/OpenDataSearch.

6 Earlier editions of the Monitoring Reports are available at <http://fcc.gov/wcb/iatd/monitor.html>.