

### **E-Rate and Independent Schools**

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E-Rate is a program under the Federal Communication Commission that funds telecommunications, internet, and on-campus discounts for schools and libraries in the United States. Funds for E-Rate come from the Universal Service Fund, a fee charged to telecommunications carriers and often listed on commercial and personal telephone bills as a separate line item. The fund was expanded to include "advanced services such as high-speed internet" in 1996 under the authority of the 1996 Telecom Act. No funds are given directly to schools or libraries, instead, vendors provide discounts to schools and libraries and seek reimbursement for these discounts from the Universal Service Administrative Company (USAC).

Independent schools have a complicated history with E-Rate. When the program began distributing funds in 1997, many independent schools found that E-Rate provided little benefit to them, either because they could not qualify for funds or because the paperwork involved discouraged them from even applying. However, over time, the program expanded, more funds became available, and the process became somewhat streamlined as consultants began to offer their services to schools. Accordingly, many independent schools became interested in exploring E-Rate again. In the fall of 2016, just over 30% of ATLIS members reported applying for and receiving E-Rate discounts. Looking more closely at these E-rate schools, two thirds used the services of an E-Rate consultant and the other third completed the paperwork on their own.

#### ***What does E-Rate pay for?***

While E-Rate funds can provide discounts multiple areas of technology spending, independent schools see the biggest impact in two areas: monthly bills for Internet access and purchases of wireless technology equipment (switches, routers, access points, etc.). During construction and renovation years, schools may also get significant discounts for cabling installation and other equipment.

***Who is eligible for E-Rate?***

Almost all independent schools are eligible. It is easier to say who is ineligible for E-Rate:

- (1) for-profit schools
- (2) (2) schools with an endowment valued at more the \$50 million dollars.

This means that all independent schools that are not-for-profit institutions with endowments valued at less than \$50 million dollars *are* eligible to apply for E-Rate funds.

***Does E-Rate require that a school tightly filters Internet access?***

Schools receiving E-Rate must filter according to “community standards.” These are the standards that a school community has already determined for the current filtering situation and the standards do not need to change. Schools that do not have a written policy outlining their current standards for Internet filtering (even if they choose not to filter) would be wise to create one prior to applying for E-Rate funds.

***What discounts does a school get?***

The amount of the discount is based on the percentage of students in the school who are deemed “low income” according to Federal Free and Reduced Lunch Guidelines<sup>ii</sup>. The school is not required to name or list the students or actually provide a free lunch, but rather count the number of students who meet the defined income threshold. Your financial aid office can gather this information (again, without naming any students) and provide you with the number. Once eligibility is determined, independent schools will generally see a 40% discount on their Internet bills. Equipment discounts vary from 40 to 90%; most independent schools will receive discounts closer to the 40% amount.

***Do I have to switch providers?***

No, you will need to review bids and determine which provider best meets your needs. There is no requirement to accept the lowest bid; however, you are obligated to receive bids for a minimum of 28 days before making your decision.

***Will E-Rate tell me what brands of equipment to purchase?***

No, you will need to review bids and determine the equipment that best meets your needs. There is no requirement to purchase the least expensive option; however, you are obligated to receive bids for a minimum of 28 days before making your decision.

***Will I be inundated with information from vendors when I am in the bid process?***

In short, yes. It is wise to set up a separate email address for receiving bids.

***My school is in a multi-year contract with an Internet Service Provider. Do we have any options?***

You may be able to re-negotiate. For example, an extension of your contract at the new rate may be possible. Contact your vendor directly to discuss options and be persistent.

***Does applying for E-Rate involve a significant amount of time and paperwork?***

Yes, the process involves completing numerous forms and submitting them properly. Schools can handle the application internally or by seeking a volunteer with appropriate background experience (a tax-preparer for example). Some schools choose to use a consultant who does the bulk of the preparation and then takes a percentage of the amount the school receives (typically less than 10%).

***Does accepting E-Rate mean that a school is accepting federal funds?***

This is the big question around which many misconceptions and assumptions exist. Consult your school's attorney about your school's situation before determining that you are ready to apply for E-Rate. It is important to note that no funds are given directly to schools or libraries. Instead, vendors provide discounts to schools and libraries and seek reimbursement for these discounts from the Universal Service Administrative Company (USAC).

When discussing the option of exploring E-Rate with a school leadership team and/or risk management committee, technology leaders should have accurate information. Examine the school's spend on Internet access for the last five years. Calculate what a 40% discount (the minimum a school can expect to receive) would have been over these years and share that number with the group. Do the same with large purchases of network switches and access points and share that amount as well.

***Are there special considerations for single-gender or religious schools who may have specific concerns about accepting federal funds?***

No funds come directly to schools that benefit from E-Rate. Instead, the discounts the school receives are reimbursed to the vendor or service provider. The caselaw on single gender-schools and E-Rate still falls in the undetermined category. This means that some attorneys will advise extreme caution. Each school should consult with an attorney and examine the cost savings and the risks to make a decision about applying for E-Rate.

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<sup>i</sup> <https://www.fcc.gov/general/universal-service>

<sup>ii</sup> <https://www.fns.usda.gov/school-meals/income-eligibility-guidelines>