TUSD's Participation in the Federal E-Rate Program

1. General

Each year at about this time, school districts across the country submit requests for funding under the Federal E-Rate program. In short, E-Rate is a subsidization program that provides funding to school districts, schools and public libraries via steep discounts on the acquisition of products and services intended for telecommunications and Internet functions.

In very recent years, TUSD has benefitted tremendously from the program, to the tune of nearly $10 million net.

The application window for school year 2013-14 requests closes on March 14th. Staff is preparing its recommendation for TUSD's 2013-14 E-Rate requests, and will present them to the Governing Board for Action at the February 26th Special Meeting. It is essential that action be taken at that meeting.

The purpose of this Board Agenda Item and accompanying documentation is twofold:

- Provide a succinct explanation of the E-Rate program and TUSD's participation. The intent of this is to provide a short "primer" for our new Governing Board members and a refresher for those who have experienced it in the recent past.
- Provide a summary of what the Board can expect to see in preparation for the Feb. 26th meeting.

Staff also will provide a brief presentation summarizing this material at the Feb. 12th Regular Meeting.

2. E-Rate Basics for the TUSD Governing Board

The E-Rate program has been in existence since it was authorized in the Federal Telecommunications Act of 1996. It has evolved over the years to the point where it is providing well in excess of $2 billion per year to schools and libraries across the nation; however, it also has increased in complexity. This summary is a succinct introduction to the program and TUSD's recent participation. For convenience, the same information is attached to this BAI as a separate document.

What is E-Rate?

E-Rate (Education Rate) is the commonly used name for the Schools and Libraries Program of the Universal Service Administrative Company (USAC) – a not-for-profit entity that administers the E-Rate program on behalf of the Federal Communications Commission (FCC). E-Rate provides discounts to help ensure that all eligible schools and libraries have affordable access to 21st Century telecommunications and information services.

Where does the funding for E-Rate discounts come from?

Under FCC oversight, USAC collects money from telecommunications carriers and distributes it to eligible schools and libraries through the Universal Service Fund. Some telecommunications providers get this money directly from their customers by including a "universal service" item on customers' bills.

What services are eligible for E-rate discounts?

Funding is requested under the following categories of service:

- *Priority 1 (funded first)*:
    - Internet Access
    - Telecommunications Services such as Basic telephone service
- *Priority 2 (funded based on need and availability of funds)*:
    - Internal Connections
    - Basic Maintenance of Internal Connections

An internal connection is defined as the infrastructure inside buildings that allows schools to make use of telecommunications and Internet services, such as routers, switches, and Wi-Fi and Voice over IP (VoIP) equipment. ***E-Rate does not provide discounts for end-user devices, such as computers, phones, and most software.***

How much is the discount?

The amount of the discount ranges from 20% to 90% of the costs of eligible products and services depending on the level of poverty and location of the school or library receiving service. TUSD receives an ***81% discount*** on district-wide services such as telephone service and Internet access. The amount of discount for site-based services, such as the installation of networking equipment at a school, depends on the level of poverty at the school. Discount rates at each TUSD school vary widely and are determined by the percentage of students eligible for free and reduced lunches through the National School Lunch Program.

How has TUSD benefitted from E-Rate?

As of October of 2010, TUSD had not received any E-Rate funds since the 2002-03 school year, as a result of purchasing issues and the State Attorney General's subsequent Consent Decree. Technology Services leaders engaged with USAC's Schools and Libraries Division leadership and jointly devised a plan for resolving all issues and gaining approval for past and current E-Rate requests. The plan was successfully executed and in the spring of 2011 TUSD began to receive E-Rate funding commitments and reimbursements for requests dating back to the 2007-08 school year. The following table summarizes TUSD's net benefits received for the past five school years (not including 2012-13):

School Year	Total Cost of Services	Amount Paid By TUSD	Discounts Received
2007-2008	$3,617,921.64	$549,855.78	$3,068,065.86
2008-2009	$3,775,753.08	$582,270.26	$3,193,482.82
2009-2010	$1,191,763.51	$286,023.24	$905,740.27
2010-2011	$1,448,461.24	$318,661.47	$1,129,799.77
2011-2012	$1,992,928.39	$418,514.96	$1,574,413.43
Total Benefit to TUSD since 2007-2008:			**$9,871.502.15**

What does TUSD need to do to get E-Rate discounts for 2013-2014?

The application process is a year-round endeavor that involves multiple deadlines and accurate, substantial documentation (see the separate attachment, "TUSD E-Rate Basics" for a graphical view of the process). To get discounts on eligible services and equipment for the 2013-2014 school year, TUSD must submit an application for each funding request to USAC by March 14, 2013. Each request must be approved by the Governing Board prior to submittal. The year-round process requires TUSD to juggle multiple years of E-Rate funding simultaneously. At any given time, the district may be processing reimbursements from a previous year, undergoing USAC review for the current year, and planning for the next year.

The following are a few of the critical steps and deadlines that require particular attention each year:

Technology Planning – Each year, TUSD must develop a plan or modify an existing plan to explain how telecommunications and information technology will be used to achieve educational goals. The plan must be drafted before soliciting bids for services, and approved by the Governing Board and Arizona Department of Education by July 1 of the year those services start.

Competitive Bidding – The competitive bidding process is a formal process to identify and request technology products and services. For each request involving new products and/or services to be acquired, TUSD must file Form 470 with USAC and, if required, issue a Request for Proposals (RFP). All Form 470s and any corresponding RFPs must be posted for a minimum of 28 days before bids can be evaluated.

Evaluating, Selecting and Approving Service Providers – After conducting an open, fair, competitive bidding process, bids must be evaluated and selected based primarily on cost-effectiveness. The selected service provider must be approved by the Governing Board and sign a contract before starting services. Service providers must be selected prior to applying for discounts.

Applying for Discounts – After vendors have been selected and contracts have been signed, TUSD must file Form 471 to provide USAC with detailed quotes and information about the services being requested. All funding requests must be approved by the Governing Board prior to submitting Form 471, and Form 471 must be submitted by the March 14th deadline designated by USAC.

Undergoing Application Review – All Form 471 applications are reviewed by Program Integrity Assurance (PIA) reviewers at USAC to ensure compliance with program rules and policies. It is not uncommon for this process to take more than 8 months for USAC to complete, but TUSD must respond to each and every PIA question within 15 days of receipt.

Receiving Funding Commitment Decision and Starting Services – After the application review is complete, USAC issues a Funding Commitment Decision Letter indicating the services approved for discounts, if any. It is not uncommon for services to start well in advance of receiving a funding commitment from USAC, but services must start no earlier than July 1 of the year approved for funding. *Until a funding commitment has been made, TUSD must pay for services in full*.

Completing Services and Invoicing for Reimbursement – After services have been completed there are two options for invoicing for reimbursement: Service Provider Invoice (Form 474) or Billed Entity Applicant Reimbursement (Form 472). The appropriate forms must be filed no later than 120 days after the last day of service. *Depending on the time it takes to complete the review process, it could be more than a year from the time services start before TUSD is reimbursed.*

3. Preview of TUSD's School Year 2013-2014 E-Rate Request

Given the nature of the telecommunications and Internet infrastructure subsidized by the E-Rate program, each year's submission normally consists of multiple requests for both ongoing services/programs and new projects. Ongoing programs are services such as Internet access, Wide Area Network bandwidth, and long distance telephone services. Projects typically involve equipment and/or cabling installation, such as a Local Area Network upgrade to a school.

FCC rules require that the Governing/School Board of the LEA officially vote to approve submitting each year's requests. The reason for this is that the LEA must certify that, in addition to following all of the relevant E-Rate rules, it agrees to pay its share (i.e. the non-discounted portion) for each service and that sufficient budget is available to ensure successful implementation and sustainment of the service. Boards are free to group and vote on multiple requests in any rational fashion. We in TUSD have chosen in recent years to group the requests into logical categories for purposes of voting. This allows the Board to consider each group separately, while not requiring an excessive number of votes.

Veteran Board members will recall that with the Board's approval last March, we launched a district-wide IT Infrastructure Modernization Initiative (ITIMI). The initiative is designed to replace all of the district's voice and data telecommunications networking, bring our ability to serve students, staff, and faculty with 21st Century capabilities. Specifically, the Board approved awards of three contracts:

- **Fiber-based Wide Area Network**. This is a service contract by which the vendor – The Zayo Group – will provide high speed bandwidth connecting every site in the district. It replaces both our aging and extremely limited hub and spoke system and our more recent City of Tucson and microwave network with a very high speed and reliable fiber-optic network.
- **Local Area Network and Campus-Wide Wireless Upgrades**. This contract was awarded to World Wide Technologies (WWT). It consists of replacement of each school's and administrative site's LAN with modern high-speed switching technology as well as installation of campus-wide wireless networks at every location.
- **Telephony Upgrades**. This contract – awarded to Century Link – replaces our aging analog/digital hybrid telephone system with a modern Voice over Internet Protocol (VOIP), fully digital system. VOIP has become the industry standard for large and small entities in recent years and provides much greater reliability, richer features, and ultimately lower cost than our existing system. As an additional cost saving measure, we were able to establish a contract and system that allows us to continue to use our existing telephone hand sets while still taking advantage of the power of the new VOIP system.

Shortly after contract award, one of the bidders not chosen for award protested the awards to WWT and Century Link. The protests were part of a larger effort by the vendor aimed at State level contracts. Resolution of the protest took some months, and while the resolution was ultimately in TUSD's favor, we received legal advice to remove all cabling services from the WWT contract and to bid those services separately. We followed that advice and the Board awarded five year cabling services contracts to three vendors in December of last year. Following all of the required E-Rate protocols, staff ensured that those cabling services are eligible for E-Rate discounts, per normal rules and restrictions.

The ITIMI project is underway and installation will be complete as planned by June 30th, 2014. While we are in transition, we must continue to operate our existing systems. Therefore, this year's E-Rate requests cover both existing and new infrastructure. In summary, our 2013-14 requests will be grouped into the following four categories:

- Approval and Commitment of Funding for Continuation of District Internet and Long Distance Services
- Approval and Commitment of Funding for Continuation and New Wide Area Network Services and Telecommunications Services
- Approval and Commitment of Funding for New Local Area Network Equipment and Services
- Approval and Commitment of Funding for New Telephony Equipment and Services

For the February 26th Action Item, staff will provide full explanations and specific costs and discount projections for each request.