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How not to hate the eRate: Best practices for Funding Year 2004

By Brian Davidson
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After a year of congressional inquiries, investigations, and multiple summits to address curbing waste, fraud, and abuse, winds of change will be blowing your way this fall. As it does every year, the eRate will have a few "new and improved" rules to follow this season. With some common sense, though, you can navigate the ever-changing currents. Here are 10 tips to keep your eRate ship afloat in 2004.

1. Read.

Yes, believe it or not, the Schools and Libraries Division (SLD) web site actually has a wealth of helpful information. The trick is finding the time to read about all the changes each season. One thing to put on your reading list for sure is the SLD's new Eligible Services List.

If you're a real eRate geek, you can roam the Federal Communications Commission (FCC) web site for eRate decisions and orders. Alternatively, eratecentral.com has an excellent section devoted to FCC decisions that is easy to understand and is indexed by category.

2. Document.

One word that usually strikes panic in people is "audit." In the eRate world, not keeping proper documentation on file in case of an audit can lead to a Commitment Adjustment. If you keep decent records and follow the rules, however, you'll be fine.

You must keep documentation on file for five years. Generally, if funds need to be recovered, the SLD will seek recovery from the service provider. But the service provider might recover those funds from the applicant if services already have been rendered.

Although this isn't meant to be a comprehensive account, some things you'll want to make sure you keep on file include all requests for proposals, bids, filed forms, bid evaluations, contracts, budgets, National School Lunch Program (NSLP) statistics, invoices, and any correspondence related to the bidding, selection, and/or eRate process.

3. Make the SLD's job easier.

Although applying for the eRate can be tedious, it might help to consider what

it's like being on the receiving end. Reviewers probably would be happy to put your file at the bottom of the stack if it's a crazy mess, or put you through the ringer if attachments are illegible. Thus, one of the keys to success and expedience is to get organized with your Item 21 attachments.

During review, you'll often be asked to verify your discount based on NSLP data. If you've been asked for this in the past, you should include a copy of a recent NSLP claim form with your attachments.

Using the SLD's Form 471 cost calculation grid with representative phone bills or quotes can help you get organized and can help the SLD, too. Be sure to give brief, yet informative, descriptions of the services you're requesting, and leave a manageable paper trail. If contracts are signed, be sure to attach a copy.

4. Plan and budget wisely.

The SLD will be taking a closer look at technology plans in the future and is scrutinizing budgets for matching funds. Concerns have been raised by the SLD's Waste, Fraud, and Abuse Task Force about the need for applications to align more closely with applicants' technology plans.

Although it's unlikely to know in fall 2003 exactly what your budget will be in July 2004, making a reasonable effort to draft a budget that estimates next year's matching funds for eRate -eligible services is crucial to success. A denial description that has become more prevalent in recent years is that applicants "[did not] have funds available to pay the non-discounted share." Therefore, try to earmark all necessary matching funds before you apply.

5. Collaborate.

A common misconception is that forming a consortium means you have to give up all rights to filing for the eRate to the consortium leader. In fact, a consortium can be quite flexible and can allow you to collaborate with other entities on some services while applying individually for others. The advantages of economies of scale are obvious in these uncertain fiscal times. Not only can a consortium arrangement drive service provider costs down, but it also might reduce your administrative costs. Just make sure you have Letters of Agency on file for all members before you post a Form 470 on behalf of a consortium.

6. Attend class--and do your homework.

Many states offer applicant training sessions each fall. If that's the case in your state, your state eRate coordinator will have the latest scoop from the Train-the-Trainer conference in late September. Armed with information directly from the horse's mouth, as well as valuable insight from the State eRate Coordinators' Alliance, your state leader should be able to help you attack your eRate homework.

Better yet, ask the SLD to do a little homework for you. If you eMail a specific question to the SLD at question@sl.universalservice.org, the agency can research it for you and usually give you a more definitive answer than by phone. Although the SLD hotline is a good source for simple questions, your best bet is eMail for complex issues or gray areas. The SLD typically assigns more experienced staff to tackle the tougher eMail questions; also, you'll have a paper trail to support you during an appeal if you're given the wrong advice.

There are a few caveats, though. The SLD won't pre-approve new technologies that don't clearly fall into a specific eligible service category. Also, as it stands

now, the staff answering SLD eMails aren't the same people who review applications. So if your eMail comes back "thumbs up," include it in your application attachments, just in case.

7. Learn from others' mistakes, not your own.

If you've discovered the SLD's data request tool, you might have noticed that one of the most common reasons for denials is breaking the 30 -percent ineligible services rule--where if more than 30 percent of your application requests ineligible services, the entire application is denied. Aside from reading the Eligible Services List cover to cover and accurately interpreting the 400 -plus eRate appeal decisions since the 1990s, a good way to learn what products and services the SLD might or might not approve is by observing who is being denied for what types of requests this year.

8. Shop around.

The SLD has stated repeatedly: Price doesn't need to be the only factor in selecting a service provider, but it has to be the primary factor. Simply enough, put cost (and only cost) at the top of your rubric when evaluating bids. You can give whatever weight you'd like to other metrics, so long as cost is the greatest component--even if only by a few percentage points.

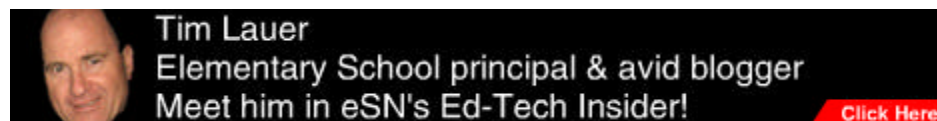
9. If it sounds too good to be true ...

Two promises to beware of are (1) the "free lunch" and (2) the "free" consultant. Essentially, there are no such things. If a service provider offers free services or equipment, claiming that the eRate pays for everything, that is a violation of program rules. If a consultant tells you his services are free, more than likely--unless he works for a state agency or a well-established nonprofit organization--there is something wrong. Ask for references, and make sure consultants disclose any conflicts of interest. If you learn of anything that seems out of line, contact the SLD. The "Free Services Advisory" section of the SLD web site has more information on things to look out for.

10. When in doubt, break it out.

With more than 41,000 applications to review this year, the SLD uses the 30 -percent rule to process applications more quickly and efficiently--certainly something everyone wants. That 30-percent cushion still gives you a "safe harbor" for inadvertent mistakes, but don't push it. Be sure to factor out all ineligible costs, and break out any questionable items as a separate funding request. If you're still not sure, ask the SLD or refer to the eRate "gospel," the Eligible Services List.

Brian Davidson is the former state eRate coordinator for the North Carolina Department of Public Instruction. He is also the founder and president of Clarity Solutions Inc., a vendor-neutral eRate consulting firm in Raleigh, N.C. You can reach Brian at brian@erate4schools.com.



www.eschoolnews.com

info@eschoolnews.com

7920 Norfolk Ave., Suite 900

Bethesda, MD 20814

(800) 394-0115 - Fax (301) 913-0119

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