THE E-RATE PROGRAM IN EDUCATION

OBJECTIVE

The federal Schools and Libraries Program, known as the E-rate program, provides kindergarten to grade 12 schools and libraries with discounted telecommunications services.

KEY FACTS

♦ Schools and libraries are eligible for discounts of 20 percent to 90 percent on telecommunication services. The discount is based on their urban or rural status and the percentage of the student population that is economically disadvantaged.

♦ Beginning in the 2015–16 funding period, the E-rate program has an annual funding cap of $3.9 billion for all states.

♦ As of November 2015, $229.0 million had been committed to Texas public schools for the 2015–16 funding period.

BUDGETARY IMPACT

Funding for the E-rate program comes from the federal Universal Service Fund, which is maintained through required contributions from interstate telecommunications providers. Since 1998, nearly $3.6 billion of discounts have been committed to Texas public schools, accounting for 7.6 percent of all federal E-rate funding for this period.

In 1996, the U.S. Congress established the Schools and Libraries Universal Service Support mechanism as part of the Telecommunications Act. The program promotes universal access to telecommunications services by providing elementary and secondary schools and libraries with services at a discounted rate. This rate is called the education rate or E-rate. Funding for the program comes from required contributions to the Universal Service Fund by interstate telecommunications providers. Texas public schools receive 7.6 percent of the total national E-rate funding.

PROGRAM OVERVIEW

The E-rate program is administered by the Schools and Libraries Division of the Universal Service Administrative Company (USAC). USAC is a nonprofit corporation appointed by the Federal Communications Commission. The E-rate program provides eligible institutions with discounts on the costs of eligible telecommunications services ranging from 20 percent to 90 percent. Private schools, public schools and school districts, charter schools, and libraries are eligible to participate in the program. These institutions can apply to the E-rate program on their own or as part of a consortium. Regional Education Service Centers and some school residential facilities are also eligible. In Texas, nontraditional elementary and secondary education institutions (including Head Start programs that are part of school districts, prekindergarten, and juvenile justice programs) are eligible. Each state has different rules regarding the eligibility of nontraditional institutions. The discount for which each institution qualifies is based on its rural or urban status (based on census data) and the percentage of its student population that is economically disadvantaged. This classification is defined as students who are eligible for the National School Lunch Program.

USAC organizes the services available for funding discounts into five service types in two categories. Category One is data transmission services, Internet access, and voice services, including broadband connectivity and basic access to the Internet. It also includes local and long-distance wired telephone service, voice over Internet protocol, and cellular phone service. However, beginning in the 2015–16 funding period, USAC reduced the available discount for voice services until the 2019–20 funding period, when it will stop funding these services. Category Two includes internal connections, managed internal broadband services, and basic maintenance of internal connections, including devices located at the site that are necessary to transport information to classrooms (e.g., access points, routers, hubs, and wiring). This category also includes third-party management and repair and device upkeep.

Initial onsite training for the use of eligible devices in either category at or around the time of installations is eligible for funding. Funding discounts cannot be applied to the costs for purchasing or maintaining end-user devices such as desktop, laptop, and tablet computers. The E-rate funding period is from July 1 to June 30. The deadline for the 2015–16 funding period—from July 1, 2015, to June 30, 2016—was March 19, 2015. Beginning in the 2015–16 funding period, the program has an annual funding cap of $3.9 billion. In accordance with Federal Communications Commission rules, the cap will be indexed to inflation in future

funding periods.

DISBURSEMENT OF FUNDS

To apply for discounts, an institution posts a form to the USAC website detailing the types of services needed. Beginning in the 2016–17 funding period, this form must be filed through USAC's online portal, the E-Rate Productivity Center. Vendors then bid on providing the services. After a 28-day bidding window, the institution chooses a service provider. The institution is allowed to consider any selection factors to choose which bid to accept (i.e., prior experience or management capability), but the price of the service must carry the most weight. After selecting a bid, the institution applies to USAC for the appropriate discount amount. USAC reviews all requests that are received within the filing window, which lasts approximately two and a half months. USAC conducts at least two reviews of each application. Reviewers at USAC may request additional information from the district. If this information is requested, the district has 15 days to respond. USAC commits to funding the discounts in the order in which institutions complete the review process. USAC announces funding decisions periodically as those decisions are made, rather than holding decisions until all the applications are reviewed. After USAC commits to funding the discount, the institution and the service provider coordinate to determine how the discount will be applied. USAC can pay the service provider the discounted portion directly, or the institution can pay the service provider the full amount and then bill USAC for the discounted portion.

FISCAL IMPACT

Since the program began providing funds in 1998, USAC has committed funding for nearly $3.9 billion in discounts to Texas public schools. Some schools or districts may have received additional funding through participation in a school or library consortium. Of the funds committed to Texas public schools, approximately 75.0 percent have been disbursed. The funds have not been fully disbursed because institutions do not always use the full amount of the discount for which they have qualified. Figure 1 shows the E-rate funding committed to Texas public schools in the 20 Regional Education Service Centers since the program began. Regional Education Service Center 1, located in the Rio Grande Valley, has received the highest amount of E-rate funds. This area had an annual average of 84.4 percent economically disadvantaged student population in the period from 1998 to 2015. Texas public and private schools that applied in the 2015–16 funding period have received commitments of more than $229.0 million as of November 2015. Additional funding may be committed as USAC continues to release funding decisions.

FIGURE 1
COMMITTED FUNDING FOR E-RATE DISCOUNTS BY TEXAS EDUCATION SERVICE CENTER REGIONS
FUNDING PERIODS 1998–99 TO 2015–16
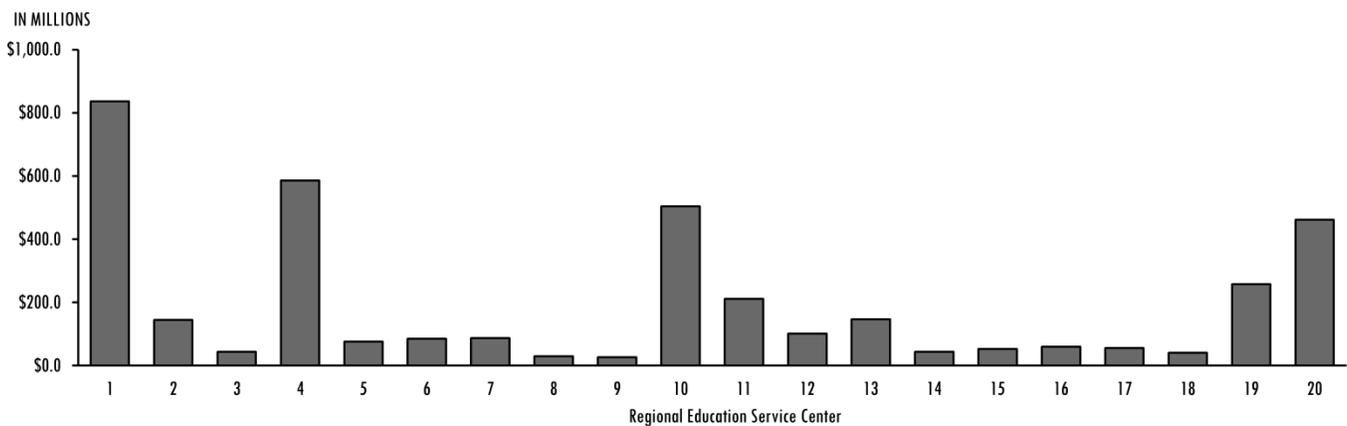
SOURCE: Texas Education Agency, Educational Technology Division, November 2015.

USEFUL REFERENCES

Universal Service Administrative Company E-rate website: www.usac.org/sl/

Texas Education Agency E-rate website: www.tea.state.tx.us/index2.aspx?id=2147501610

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