

National E-rate Survey



National E-rate Survey Analysis by Funds For Learning

AT A GLANCE

E-RATE MANAGED WELL

65% of applicants who expressed an opinion feel the program is well managed. Of all applicants surveyed, 24% disagree with USAC's management of the program.

MEETING THE GOAL

Applicants overwhelmingly agree that the E-rate program is meeting its goal of helping connect the country's classrooms to the Internet.

BISHOP PERRY HELPS

Applicants feel that the Federal Communications Commission's decision to allow USAC to be less rigid and more customer-friendly is the most positive impact to the E-rate program in recent years.

2-IN-5 NOT HELPFUL

Just over half of applicants surveyed do not feel that the implementation of the 2-in-5 Rule for Internal Connections purchases is helping to lower the Discount Threshold each year.

Funds For Learning and *eSchool News* have co-sponsored the first ever survey of the nation's E-rate applicants. Funds For Learning's goal for the survey is to obtain an accurate sense of applicants thoughts and opinions about the E-rate program. The survey was conducted in April and May of this year using a short questionnaire followed by a focus group.

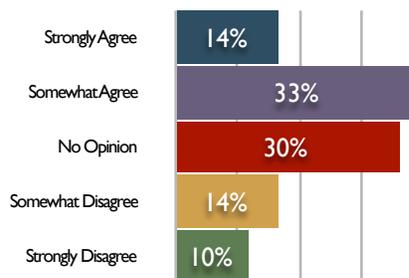
In all, we received over 700 responses from applicants large and small from across the country. Most of the questions gave applicants an opportunity to rank on a psychometric scale to specify their level of agreement or opinion of negative or positive effect to a statement. Applicants could also provide information in an open format, allowing them to describe or expand on any of their answers. We have included a few of these responses here.

From the applicant responses to our survey, we invited a select number to participate in a focus group moderated by online focus group administrators EdRoom. The focus group discussed specific items related to the E-rate program and process. Funds For Learning is proud to present the following analysis of the survey and focus group to give you a clear picture of the results.

Program Management

Survey Item

The E-rate program is well managed by program administrators.



This item gave people the opportunity to express their opinion about how well the E-rate program is managed by program administrators. Of the respondents that expressed an opinion, the majority (65.5%) feel the E-rate program is well managed by the various groups responsible for the operation of the program.

The main players in the administration of the E-rate program are the Federal Communications Commission (FCC), which is responsible for establishing the rules of the program, and making decisions on appeal; and the Schools and Libraries Division (SLD) of the Universal Service Administrative Company (USAC), which is responsible for the day-to-day administration of the program.

As part of the survey, respondents could provide additional information about their responses. The following are some of the additional comments about this survey item:

- The E-rate program has improved over the years but it still is a difficult program to navigate. There is too much 'red tape' and redundancy in the forms that are required.
- Things have greatly improved since the beginning.
- I have experienced a great deal of redundancy in dealing with the reviews. It is very time consuming and frustrating to send the identical items several times and in several modes.
- Turn around on E-rate decisions has improved over the last year and hopefully will continue to improve so projects can begin July 1 of each year if funded

Along with querying applicants about their opinion of program management, we asked about SLD outreach efforts which include such activities as Helping Applicants To Succeed (HATS) visits, general site visits, and applicant training programs. In general, these are deemed to be helpful to those who have provided an opinion about them.

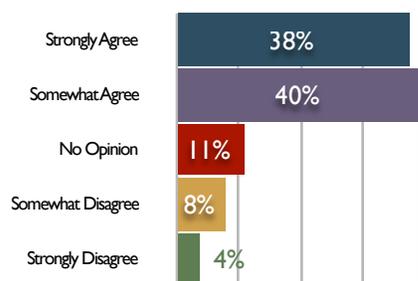
The HATS site visits are designed to assist those applicants who have experienced problems with the E-rate program that have resulted in funding reductions or denials. These visits are an opportunity for USAC to share helpful information such as best practices with the applicant in an effort to ensure E-rate success in the future. The best practices that are shared in the HATS visits are gleaned from other applicants' site visits by program administrators.

Program Outcomes

Survey participants overwhelmingly agree that the E-rate program is meeting its goal of connecting schools and libraries to the Internet.

Survey Item

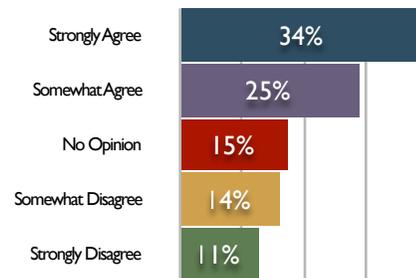
The E-rate program is meeting its goal of connecting schools and libraries to the Internet



Almost 80% of applicants think that the program is helping to connect the nation's schools and libraries to the Internet. In 1996, when the E-rate program was created 14% of K-12 classrooms had Internet access. Today, over 95% of classrooms are connected to the Internet. (Wells, J., and Lewis, L. (2006). *Internet Access in U.S. Public Schools and Classrooms: 1994-2005* (NCES 2007-020). U.S. Department of Education. Washington, DC: National Center for Education Statistics.)

Survey Item

My organization has more classrooms connected to the internet than we would if the E-rate program had not existed.



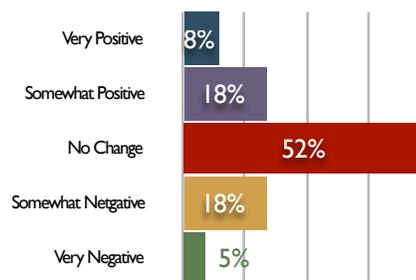
Further analysis of these responses show that the opinion someone has on this topic varies based on whether or not the applicant has received funding for Internal Connections projects. In general, those that do not receive Internal Connections funding are less likely to feel that the E-rate program is having a positive impact on this objective of the program.

In addition to connecting classrooms, the E-rate program also provides faster connections to the Internet. Results show that 65% of applicants feel that they can afford faster Internet connections with E-rate discounts than if the funding was not available. In a related item, 52% of applicants state that they could not sustain their current level of Internet connectivity to classrooms without E-rate funds.

While assessing the program's operation and if the program is meeting its goals, we also asked applicants about the impact of some changes to the program that have been implemented in recent years. These include the Two-in-Five rule for the Internal Connections service category, the FCC's Bishop Perry ruling, and recent changes to the Eligible Services List that is updated each year.

Survey Item

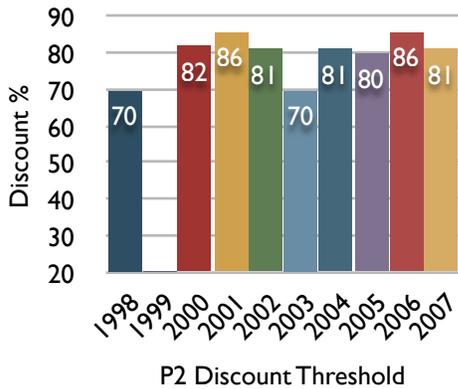
What kind of impact do you think the Two-in-Five Rule for Internal Connections will have on your organization?



Most applicants feel that this new rule, which went into effect for the 2005 Funding Year, has not had any change on the availability of Priority Two (Internal Connections and Basic Maintenance) funding for applicants with lower discount rates. The Two-in-Five rule allows an individual site to receive Internal Connections funding in only two out of five years.

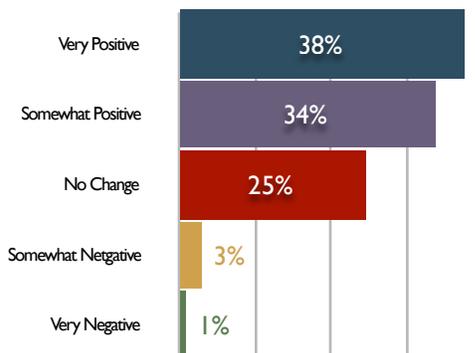
The FCC hoped that this new rule would allow for more applicants at lower discount rates to have access to Priority Two funding.

The following chart shows the Priority Two funding threshold for the history of the E-rate program. In 1999, the demand for Priority Two funding requests did not necessitate the establishment of a Priority Two threshold.



The short time that the Two-in-Five rule has been in effect makes it difficult to determine if the Two-in-Five rule will make any impact on the availability of Priority Two funding for applicants with lower discount rates, but the data show that there has been no immediate impact.

Survey Item
What kind of impact do you think the Bishop Perry decision will have on your organization?

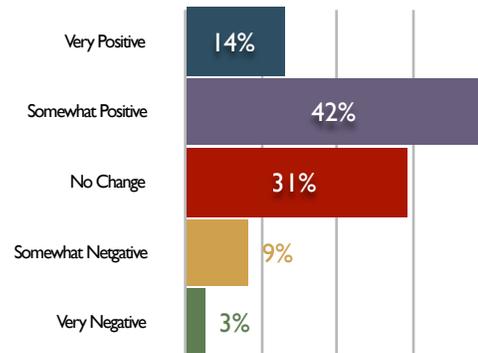


On May 19, 2006, the FCC released the Bishop Perry Order. The Bishop Perry Order grouped together 196 applicant appeals which had been filed with the FCC for various ministerial and clerical errors. This order directed USAC to permit applicants to make corrections and changes to specific parts of their applications if ministerial or clerical errors were discovered.

The Bishop Perry Order is the most positive change that has happened to the program in recent years, according to applicants that took part in our survey. While most of the comments related to the Bishop Perry Order are positive, one applicant that is one of the 196 applicants included in the

order indicates that their organization has been unable to get a funding commitment from the affected application.

Survey Item
What kind of impact do you think changes to the Eligible Services List will have on your organization?



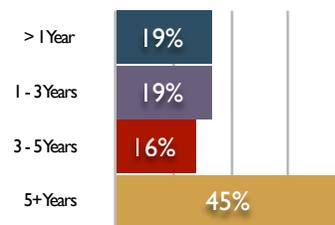
Recent years have seen the addition of a few items to the Eligible Services List, which provides guidelines to applicants about the types of services that are eligible for E-rate discounts. The most recent significant change is the inclusion of Interconnected Voice Over IP services as an eligible Internet Access service.

Despite changes to the program in recent years that are largely perceived to be positive, some applicants such as this one seem conflicted about these changes:

“With things always changing it gets very confusing. When you finally feel you understand what you are supposed to do, what is eligible, etc. something changes...Also, things have improved in many ways to allow all people to understand the program. Yet there is still room for improvement in enabling the program to be a little more "user friendly". Particularly with things like technology planning and eligible services.”

Learning E-rate & Experience

Survey Item
Years of E-rate Experience



The survey shows that there is a 19% turnover in E-rate personnel year over year, and approximately 60% have 3 or more years of E-rate experience. As expected, those with more experience with the E-rate program feel that they are more



Funds For Learning works with public and private schools, school districts, consortia, and libraries of all sizes all across the country to help them navigate the E-rate program. Service at FFL is tailored to the needs of each client, providing an end-to-end solution for some and more limited compliance services for others.

Funds For Learning's breadth of real-world, hands-on E-rate experience provides our customers with "Best in Class" service. Fully committed to helping applicants receive successful benefits through participation in the E-rate program, FFL does not disappear when E-rate applications are filed.

Funds For Learning accepts only a limited number of new clients each year. Requests for application support for the Funding Year 2009 filing window are currently being accepted.

Funds For Learning has developed an extraordinary suite of tools to assist applicants in their pursuit of E-rate funding. Whether you are a private school with a few funding requests or a large school district that needs to track millions of dollars in funding, E-rate Manager for Applicants makes the process easier and provides a robust E-rate solution at an affordable price.

E-rate Manager for Applicants is an award-winning tool that is widely known as the most comprehensive and effective online tools for Schools, Libraries and Consortia. E-rate Manager for Applicants gives you the ability to track your E-rate funding requests, generate E-rate paperwork, and stay on top of deadlines and news that are critical to your E-rate success.

And as the E-rate program evolves, so does E-rate Manager for Applicants, so you'll never be caught off guard by changes in program rules or forms.

Annual subscriptions pricing starts at \$249 per user, based on the size of the applicant.

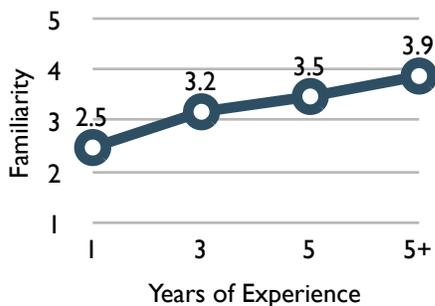


knowledgeable about the process and better equipped to manage the process for their organization.

We asked applicants to rank their familiarity with various aspects of the E-rate process. The applicants ranked themselves on a scale from 1 (No Familiarity) to 5 (High Familiarity). The areas of the E-rate process that ranked the highest (both at 3.8) include two of the stages at the beginning of the process--Procurement and the Form 471 Application. On the low end of the rankings were Payment Paperwork (3.2) and Service Substitutions and Deadline Extension requests (2.6).

Survey Item

Overall Familiarity with E-rate Process



In addition to the increase in E-rate knowledge that comes with years of experience, applicants that have undergone an audit, a site visit, or a selective review reported a higher level of E-rate knowledge.

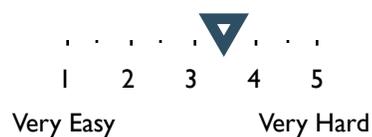
Applicants generally feel that the E-rate program's rules and processes are somewhat difficult to learn. We asked applicants to rank their opinion of the difficulty for someone who is not familiar with E-rate to learn various aspects of the E-rate process. These included:

- Technology Planning
- Procurement
- Eligibility
- Form 471 Application
- Program Integrity Assurance
- Form 486 / Receiving Services
- Payment Paperwork
- Service Substitutions and Deadline Extensions
- Document Retention Standards

Overall, applicants were consistent in their responses for all of these categories regardless of their experience level with the E-rate program.

Survey Item

Overall Opinion on Learning E-rate Rules and Processes



This shows that despite the outreach efforts of the SLD, learning all of the E-rate program's rules and processes can be

difficult for those that are new to the program. This can be especially critical for those organizations that experience a change in personnel.

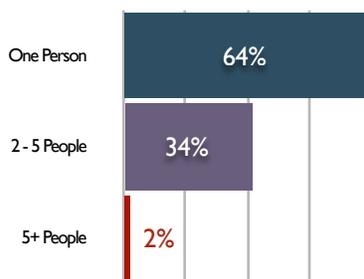
Managing the Process

As those with many years of E-rate experience will recognize, the E-rate process involves many different departments within an applicants organization. Administrators, curriculum advisors, instructional technology, procurement, accounting, information technology, and other personnel are involved at various times during the process. Each of these departments perform a function that is critical to an organization’s success with the E-rate program.

Within many organizations, there is a single person that is considered to be the E-rate manager. This person is responsible for understanding E-rate requirements and coordinating the E-rate related activities of the organization to ensure that all pertinent E-rate rules and procedures are followed.

By far, most applicant organizations have just one person managing the E-rate process. The size of an applicant (measured by both the number of students and amount of funding requested) is the main factor affecting the number of personnel that are involved in managing the E-rate process. Also, the majority of people who are the only E-rate manager for their organization are typically in the Administration or Information Technology departments.

Survey Item Staff Managing E-rate



Applicants often enlist outside resources to help them manage the E-rate process. Twelve percent of all applicants use a consultant to provide assistance and expert advice with E-rate process. This number jumps to near 40% when the applicant requests more than \$100,000 in E-rate discounts each year.

Time Spent on E-rate

On average, applicants spend 21 hours per month on activities related to the E-rate process. As

The Typical E-rate Applicant

Number of Funding Requests in 2008	5.4
Amount Requested	\$19,280
Discount Rate for 2008	70%
Average Funding Year 2008 Discount Rate by Service Category	
Telecommunications Services	67.1%
Internet Access	67.3%
Internal Connections	81.8%
Basic Maintenance	83.3%
Number of Eligible Sites in the Organization	6.1
Time Dedicated to E-rate Each Month	21 Hours
Years of E-rate Experience	3
Applicants Assisted by an E-rate Consultant	12%

Funds For Learning compiled the profile of the average E-rate applicant from information about the 2008 Funding Year and applicants that responded to the National E-rate Survey.

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expected, the more funding that is requested by the applicant, the more time is spent on managing the E-rate process.

Requested Annually	Monthly Hours
> \$10,000	9
\$10,000 - \$100,000	12
\$100,000 - \$500,000	16
\$500,000 - \$1,000,000	28
\$1,000,000 +	47

The first-ever national E-rate survey and focus group provides a good measurement of the thoughts and opinions of applicants across the country. From this survey we have learned that applicants feel:

- The E-rate program is meeting its goal of connecting the nation’s classrooms to the Internet and telecommunications services,
- The Bishop Perry Order and changes to the Eligible Services List, both issued by the FCC, have been well-received by applicants,
- The E-rate program can be challenging for newcomers to learn,
- The FCC’s 2-in-5 rule for Internal Connections has not had the desired impact on the program, and
- The post-commitment phase of the E-rate process can be challenging for those with E-rate experience.

Funds For Learning thanks the more than seven hundred applicants who participated in this national E-rate survey and focus group. Look for additional analysis and commentary about the results of this survey from Funds For Learning in the future. Funds For Learning is already planning the Second Annual National E-rate Survey.

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About Funds For Learning

Funds For Learning, LLC, is an E-rate compliance firm specializing in guiding E-rate applicants and service providers through the complex and ever-changing E-rate regulatory process. With more than 10 years of experience in providing professional advice and assistance relating to the E-rate program, Funds For Learning exists to provide high-quality solutions for the needs of E-rate stakeholders. The company was established in 1997 and is headquartered in Edmond, Okla. For more information, visit Funds For Learning online at www.FundsForLearning.com or phone 405-341-4140.

SOME SURVEY COMMENTS

Love the E-rate program but it is extremely rigorous and technical.

Although not perfect the SLD continues to strive to make a complex program as applicant-friendly as possible.

Seems like the rules change every year as to what is eligible and what's not. A lot depends on the reviewer.

E-rate staff being more available to assist would be more helpful.

There needs to be a USAC E-rate seminar in the South-Central area of the country such as Kansas City, Oklahoma City or Dallas.

Funding decisions fall across school fiscal years often making schools lose refunds to state and local requirements that do not allow monies to roll over from one year to another.

We only applied for telephone service. This year we applied for internet service and the dates on the papers were confusing. The USAC site is very helpful and always courteous in answering beginner questions and concerns.

The E-rate program has been the only reliable Federal funds for technology. Thanks.

Overlapping deadlines and redundancy will make it difficult for a new person to take over.