

**Universal Service Funding
Schools & Libraries Program (E-rate)**

**FY2012 PER STUDENT PRE-DISCOUNT
FUNDING ANALYSIS**

March 1, 2013



2575 Kelley Pointe Parkway, Suite 200
Edmond, OK 73013

phone 405-341-4140
fax 866-552-8110

www.FundsForLearning.com

About the E-rate Discount Program

Universal Service Funding for Schools and Libraries, commonly referred to as the E-rate program, provides discounts to eligible entities in the United States towards the purchase of goods and services necessary to connect students and library patrons to the Internet.

About Funds For Learning, LLC

Funds For Learning, LLC, (FFL) is an advocate for the use of educational technologies and student Internet access. Formed in 1997, FFL is a professional services firm that focuses on E-rate funding management and compliance support. Each year, FFL's work directly supports millions of students throughout America.

Professional Standards of Conduct

FFL has established and implemented several self-imposed professional consulting standards for our firm and its employees. Although no formal regulation exists governing E-rate consultants, FFL voluntarily complies with the following Code of Conduct, Code of Ethics, and Code of Client Confidentiality.

CODE OF CONDUCT

FFL understands that conflicts of interest or the appearance of impropriety can negatively impact customer trust and/or E-rate application success. Therefore, FFL has a comprehensive Code of Conduct to which its staff complies. Below are several key elements of this code:

- FFL does not sell or offer any E-rate eligible services
- FFL does not have a SPIN (Service Provider Identification Number)
- FFL does not prepare technology plans.
- FFL does not advise clients on what technology to procure or from whom to purchase it.
- FFL does not receive payment from service providers based on their sales to applicants.

FFL first developed a formal, internal code of conduct in 2002; and, in 2004, FFL became the first E-rate consultancy to publish a code of conduct and to submit itself to public accountability in this manner.

CODE OF ETHICS

FFL is a founding member of the E-rate Management Professionals Association (E-mpa®). This association has developed a comprehensive Code of Ethics for E-rate consulting firms. This Code of Ethics is based on similar codes established for Certified Public Accountants. As a member of E-mpa®, FFL agrees to comply with the E-mpa® Code of Ethics.

CODE OF CLIENT CONFIDENTIALITY

FFL places a high-value on client confidentiality. FFL employees frequently receive confidential information from client customers. FFL does not share that information with other parties. Furthermore, as a condition for employment, each FFL staff member agrees to and signs a strict client confidentiality agreement.

Introduction

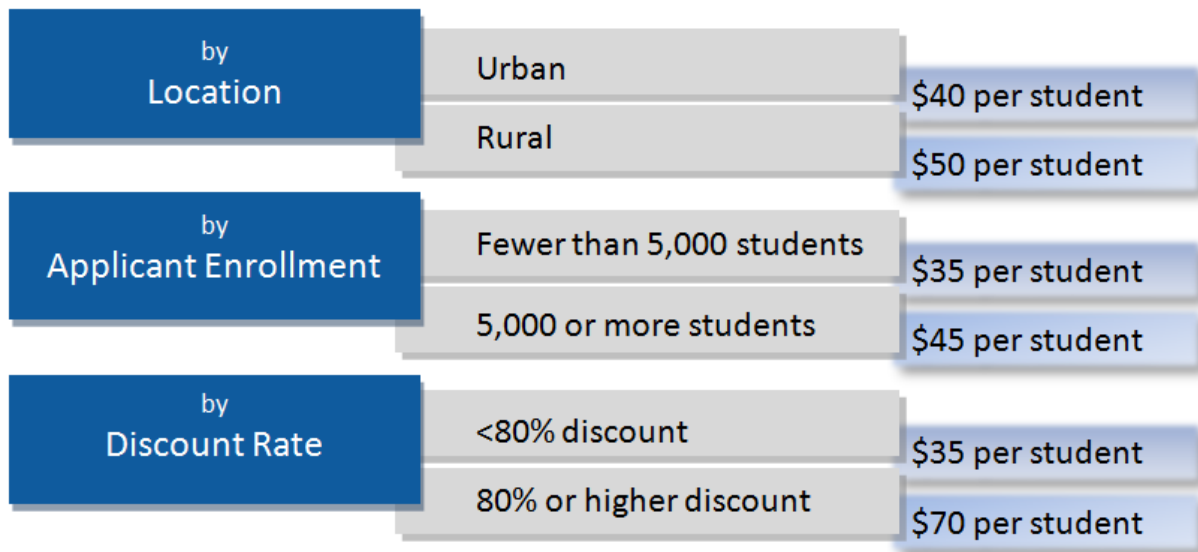
The E-rate program is a 15-year success story. It is helping to transform our nation’s schools by providing financial support for much needed telecommunications and Internet access – services that connect our children (and their “bring your own devices”) to a world of educational resources and opportunities.

Demand for E-rate funding is growing, as is the demand for Internet access in our schools. In 2012, the total demand for funding was \$5.13 billion, well over twice the available \$2.34 billion. This shortfall is negatively impacting our schools, many of which lack the Internet access and Wi-Fi networks necessary to adequately serve their teachers and students. This shortfall is also impacting the functions of the E-rate program itself, and it could result in changes to the E-rate program in the not too distant future.

To help program stakeholders as they consider future changes to the E-rate program, it is important to understand the program as it stands today. Funds For Learning® has prepared a first-of-its-kind analysis of the FY2012 E-rate telecommunications and Internet funding requests, looking at the per student expenditures of school applicants prior to their E-rate discount. Below are a few of the major findings as calculated by location, by applicant enrollment and by discount rate:

Annual Telecommunications and Internet Expense Per Student

Based on FY2012 E-rate Funding Request Data



Per Student Pre-Discount E-rate Analysis

When comparing applicants and reviewing their E-rate funding requests, it is useful to consider the per student, pre-discount cost of services. E-rate discounts are based on the eligibility of students for the USDA's National School Lunch Program and vary from school to school. Also, the number of students at a school or in a school district impacts the level and types of service being requested. Therefore, to conduct any sort of "apples-to-apples" comparison of E-rate applicants, it is necessary to look at the pre-discount cost of services on a per student basis.

What is a pre-discount amount?

One of the most successful aspects of the E-rate funding program is its use of discounts. The E-rate is not a grant program or a formula program that just doles out money. Applicants must pay for the goods and services they receive, but they can request a discount on their invoices based on the economic need of families in their school or community.

This brings us to the issue of the pre-discount amount. Each E-rate funding request has two primary components: the portion the applicant pays and the portion paid from the E-rate fund.

Pre-discount Amount = Applicant Portion + E-rate Program Portion

For a service that qualifies for funding, there will always be an applicant payment and E-rate payment; the only thing that varies will be the ratio of the two payments based on the discount rate of the applicant. To illustrate, the following table shows the applicant and E-rate payment for a service that has a pre-discount cost of \$500.

Name	Applicant E-rate Discount	Applicant Payment	E-rate Funding Request (Total x Discount)	Total Pre-Discount Amount
School A	20%	\$400	\$100	\$500
School B	60%	\$200	\$300	\$500
School C	80%	\$100	\$400	\$500

In all cases, the total cost of the service is \$500; but, the cost paid by the applicant and the E-rate program varies significantly based on the discount rate of the applicant. For example, an applicant that qualifies for a 20% discount will pay \$400 of the \$500 invoice. The E-rate program will pay the remaining \$100. The applicant who qualifies for an 80% discount will pay \$100 of the \$500 invoice, and the E-rate program will pay the remaining \$400.

What is the per student amount?

The Per Student amount is a simple calculation. It is found by taking the total cost of a service and dividing it by the number of students served by that service. The following table illustrates the calculation of the per student cost for a sample \$500 service.

Name	Applicant Enrollment	Total Pre-Discount Amount	Per Student Pre-discount Cost
School A	50 students	\$500	\$10.00 / student
School B	100 students	\$500	\$5.00 / student
School C	125 students	\$500	\$4.00 / student

The per student cost of the \$500 service varies from \$10 per student for School A with 50 students to \$4 per student for School C, which has an enrollment of 125.

Per Student Pre-Discount Amount

Combining the two sets of data for the sample \$500 service, it becomes evident why the per student pre-discount number is such an important figure. The following table corresponds to the sample data in the two previous illustrations.

Name	E-rate Funding Request	Applicant Enrollment	E-rate Discount	Total Pre-Discount Amount	Per Student Pre-discount Cost	Per Student Funding Request
School A	\$100	50 students	20%	\$500	\$10.00 / student	\$2.00 / student
School B	\$300	100 students	60%	\$500	\$5.00 / student	\$3.00 / student
School C	\$400	125 students	80%	\$500	\$4.00 / student	\$3.20 / student

The first column is the amount of E-rate funding requested. Even though the overall cost of the service is the same (\$500), the funding request varies significantly, from \$100 to \$400. If the discount rate of the applicant was not known, it would be impossible to know who had the most expensive service; or, (as illustrated in this case) that the service cost is the same for each school.

Taking the analysis a step further, we can look at the amount of funding requested per student. It varies from \$2.00 per student at School A with 50 students to \$3.20 per student at School C with 125 students. Again, if the enrollment, pre-discount cost of the service, and discount rate of the school is not known, it would be impossible to evaluate the variation in the per student funding request amounts. Is School A getting the best deal because it is only requesting \$2.00 per student? Not really. It turns out the service at School A is the most expensive when evaluated on a per student basis (\$10.00).

Looking at the 2012 Data

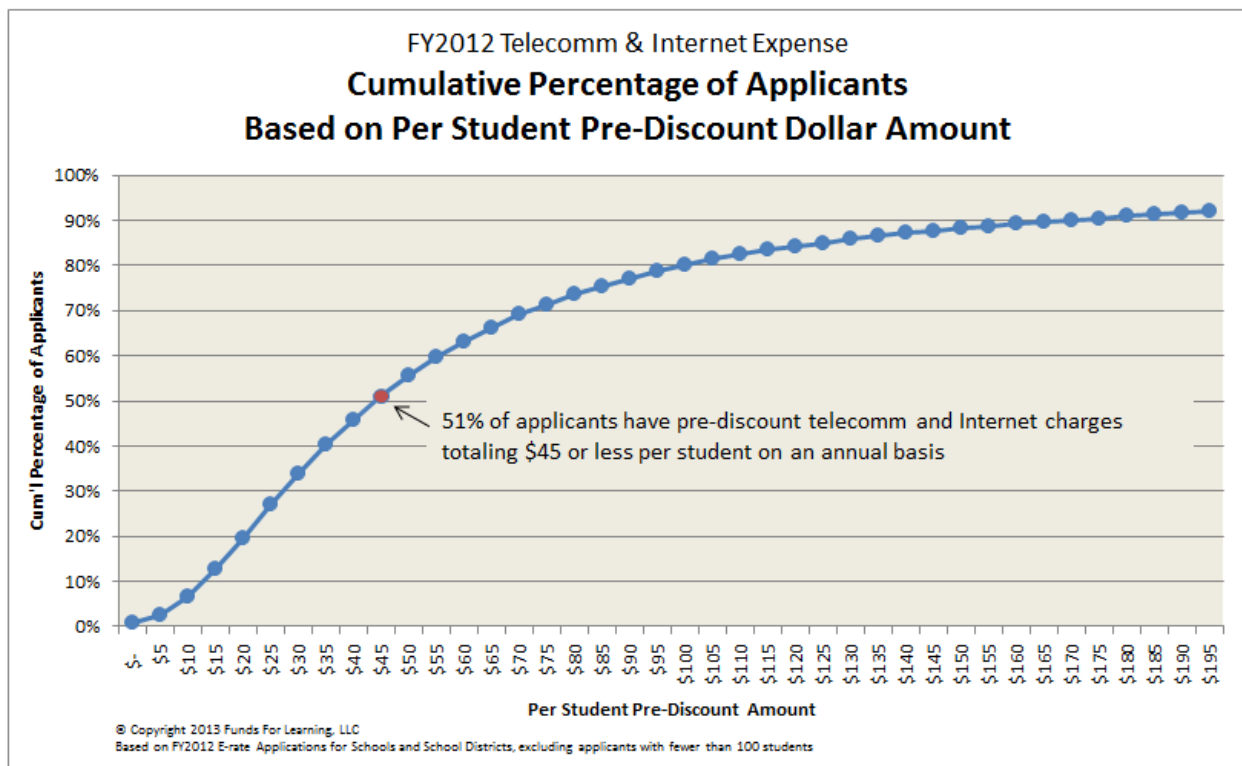
There were 19,105 schools and school districts that applied for E-rate discounts in 2012¹. Below is an analysis of the number of applicants based on their per student pre-discount amounts and the E-rate funding requested by various applicant types.

Distribution of Per Student Amounts among Applicants

The following charts show the distribution of FY2012 applicants based on their per student pre-discount telecommunications and Internet expenditures.

The first chart shows the cumulative percentage of all applicants as it relates to the per student pre-discount amount of each applicant. For example, when considering FY2012 applications for telecommunications and Internet access charges:

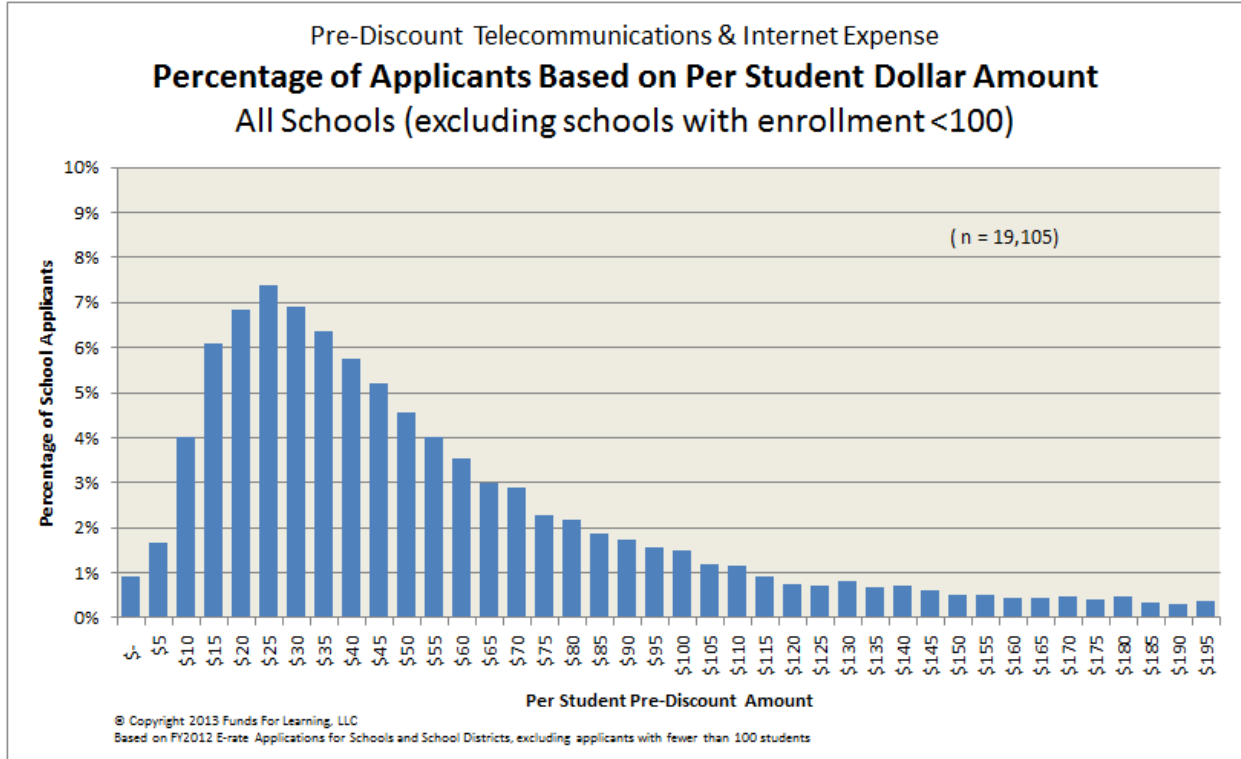
- 20% of applicants had pre-discount expenditures totaling \$20 or less per student
- 51% of applicants had pre-discount expenditures totaling \$45 or less per student
- 80% of applicants had pre-discount expenditures totaling \$100 or less per student



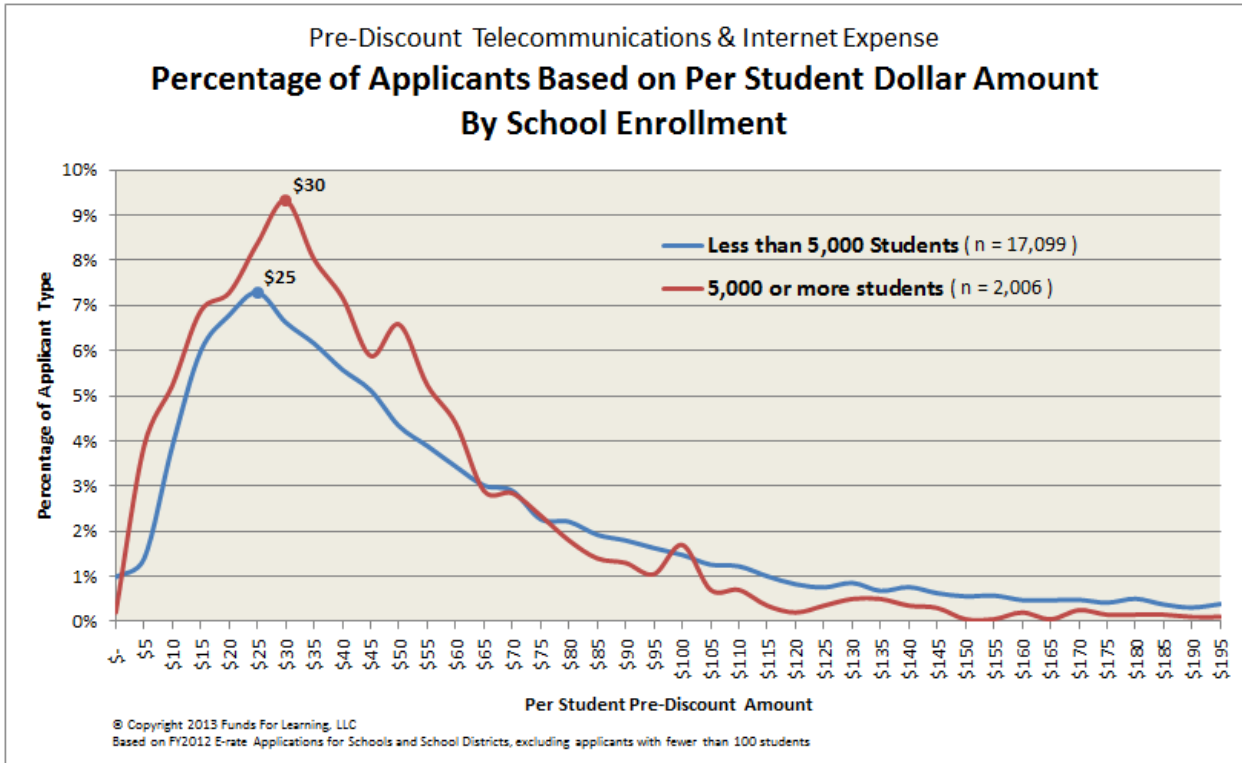
The majority of applicants had per student pre-discount telecommunications and Internet charges totaling about \$45 per student.

¹ This figure excludes applicants with fewer than 100 students.

The next chart shows the percentage of all applicants that had a specific per student pre-discount average. For example, around 7.5% of all applicants in 2012 had pre-discount telecommunications and Internet access charges totaling \$25 per student. A little over 2% of applicants had pre-discount charges totaling \$80 per student.

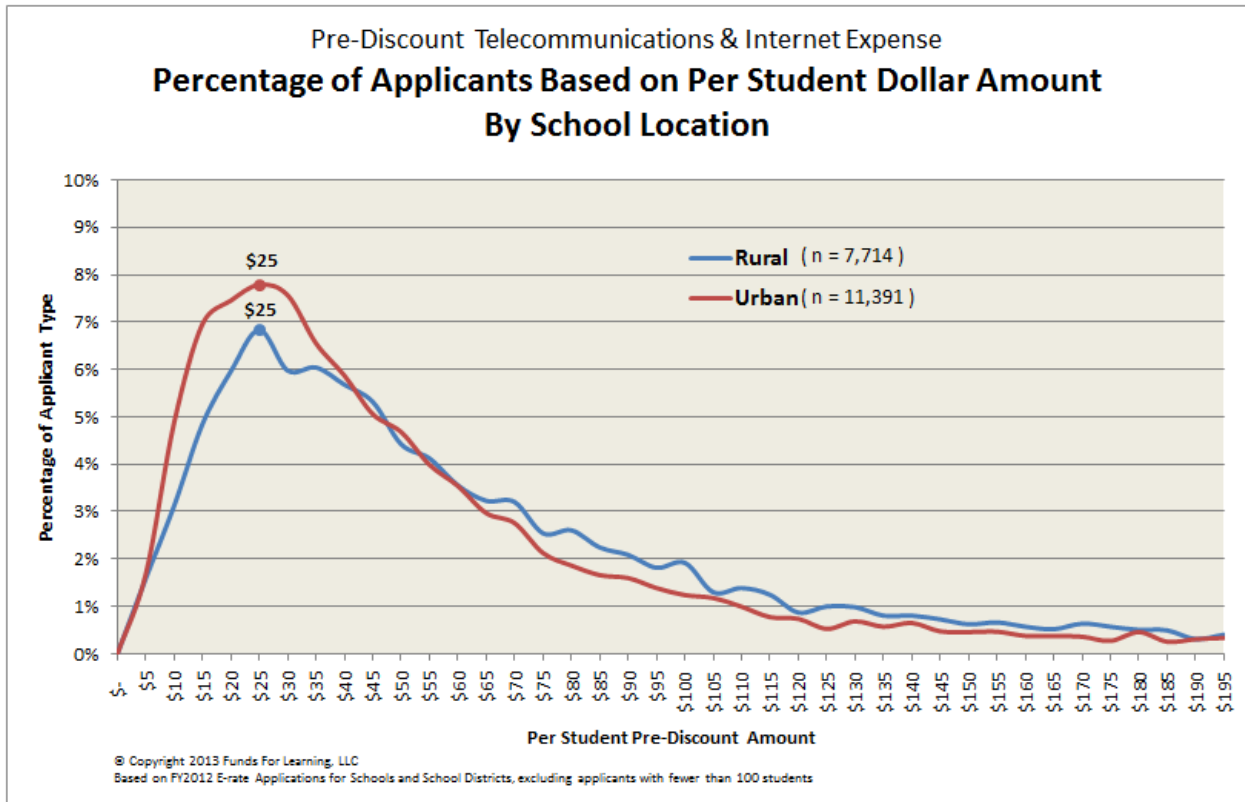


This distribution of applicants can be further divided. The following charts show the percentage of applicants with various per student pre-discount expenditures based on the enrollment size of the school, the location of the school and the discount rate of the school.



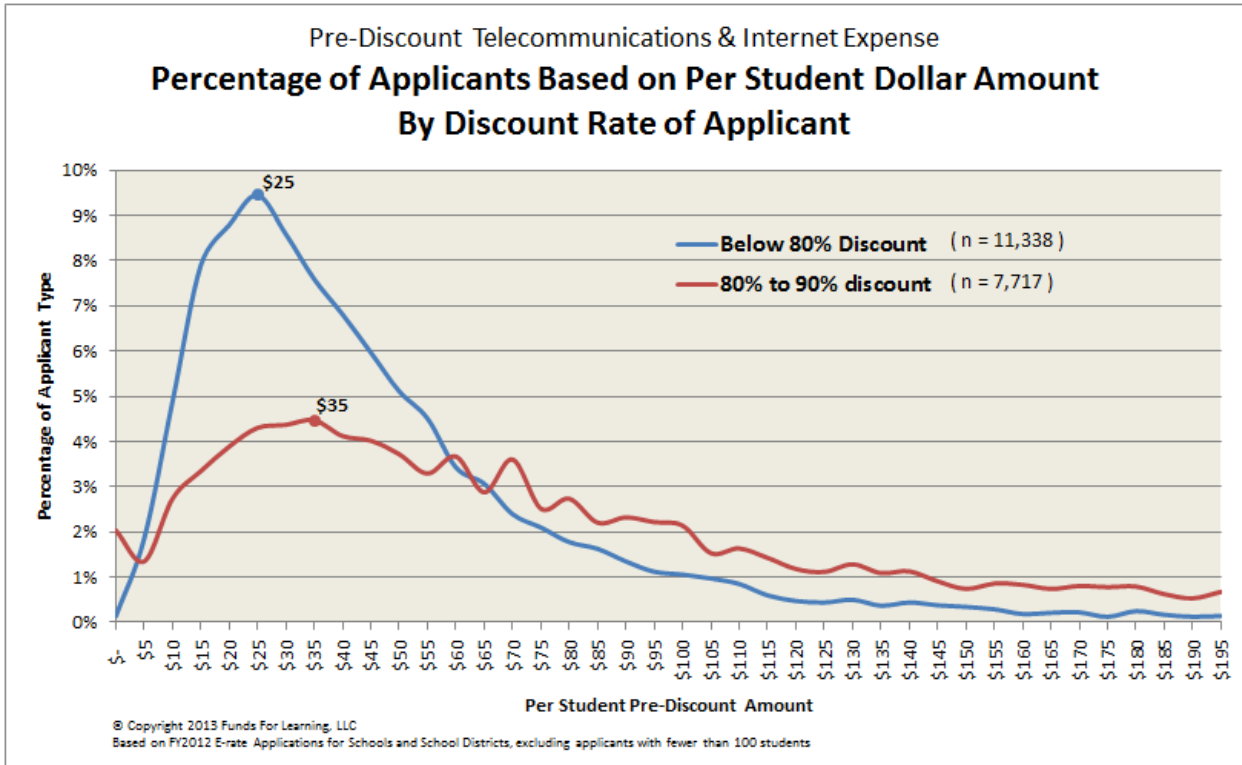
For schools with 5,000 or more students, 9.3% of applicants had pre-discount telecommunications and Internet expenditures of \$30 per student. The majority of these applicants had pre-discount amounts of \$35 per student or less.

For schools with fewer than 5,000 students, 7.3% of applicants had pre-discount telecommunications and Internet expenditures of \$25 per student. The majority of these applicants had pre-discount amounts of \$45 per student or less.



For schools with a self-reported urban designation, 7.8% of applicants had pre-discount telecommunications and Internet expenditures of \$25 per student. The majority of these applicants had pre-discount amounts of \$40 per student or less.

For schools with a self-reported rural designation, 6.9% of applicants had pre-discount telecommunications and Internet expenditures of \$25 per student. The majority of these applicants had pre-discount amounts of \$50 per student or less.

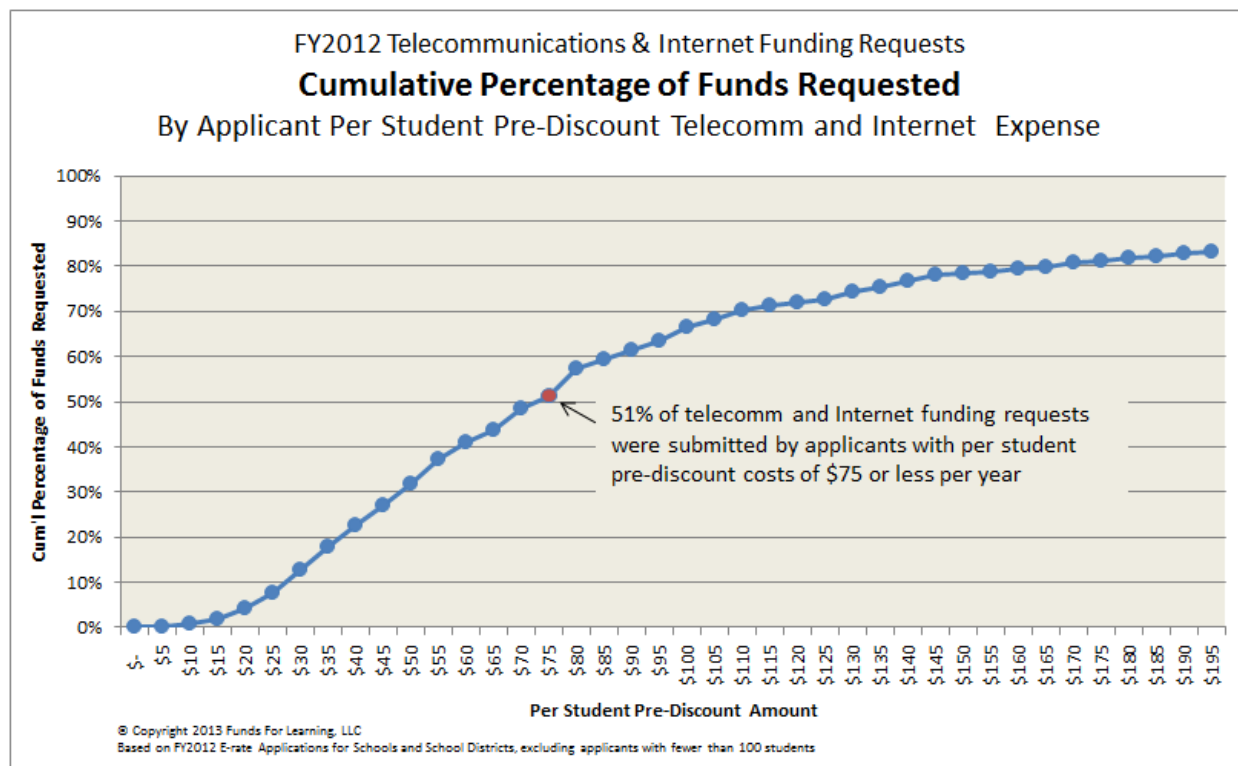


For schools with a shared E-rate discount rate below 80%, 9.5% of applicants had pre-discount telecommunications and Internet expenditures of \$25 per student. The majority of these applicants had pre-discount amounts of \$35 per student or less.

For schools with a shared E-rate discount rate of 80% to 90%, 4.5% of applicants had pre-discount telecommunications and Internet expenditures of \$35 per student. The majority of these applicants had pre-discount amounts of \$70 per student or less.

FY2012 Telecomm and Internet Funding Requests

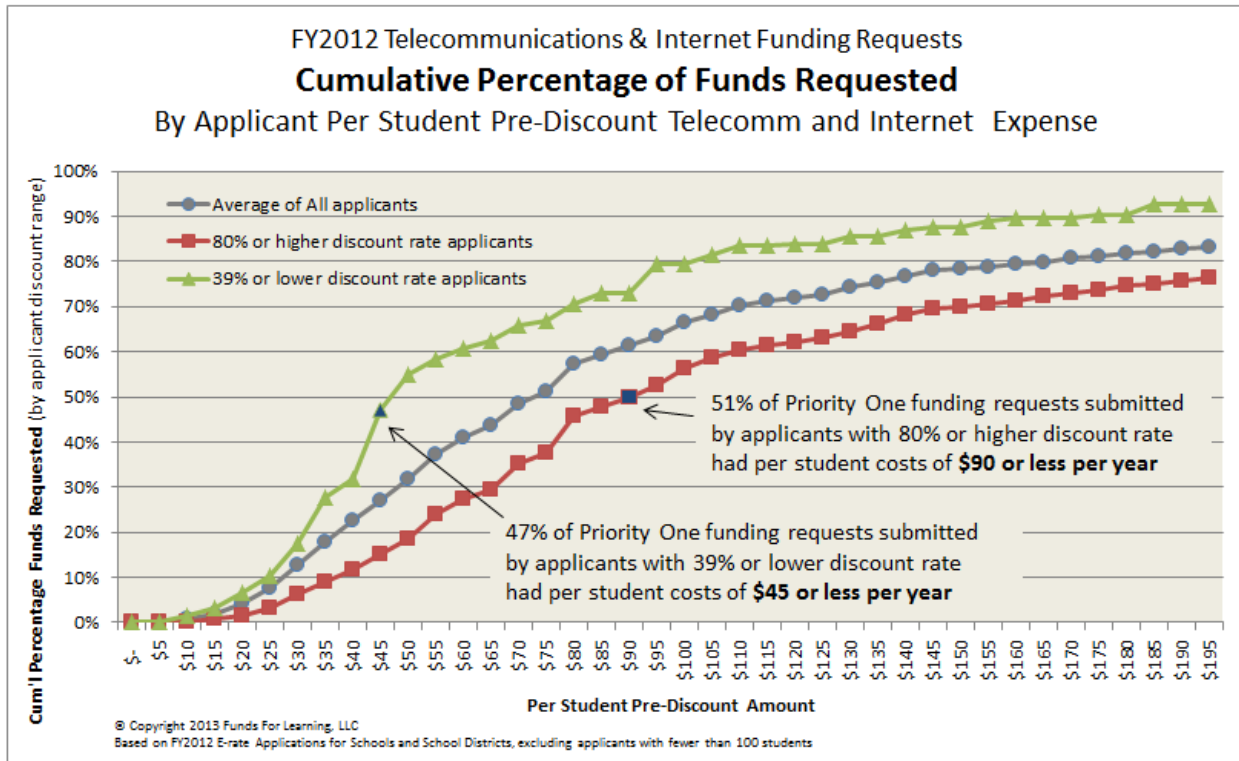
In addition to the count and distribution of applicants, it is important to review the allocation of the total funding requested. Below is a chart depicting the cumulative percentage of FY2012 telecommunications and Internet funding requests as a function of the per student pre-discount amount of applicants.



For example, 51% of all telecommunications and Internet funding requests were submitted by applicants with pre-discount expenditures totaling \$75 or less per student. 80% of all funds were requested by applicants with pre-discount expenditures totaling \$165 or less per student.

As illustrated on the following page, this data can be further segregated based on the discount rate of applicants:

- Nearly half of the funds requested by applicants with a shared discount rate of 39% or lower came from applicants with pre-discount expenditures of \$45 or less per student.
- For applicants with a shared discount rate of 80% or higher, 51% of all funds requested were submitted by applicants with pre-discount expenditures of \$90 or less per student.
- 23% of the Priority One requests submitted by 80% discount (or higher) applicants came from applicants with pre-discount expenditures totaling \$200 or more per student.



Additional Tables and Charts

Below are additional tables and charts of the FY2012 telecommunications and Internet funding requests based on the per student pre-discount expenditures of applicants.

FY2012 Applicant Count
by Per Student Pre-Discount Amount and Applicant Discount Rate

Per Student Pre-Discount	Applicant Discount Rate							TOTAL	
	20% - 39%	40% - 49%	50% - 59%	60% - 69%	70% - 79%	80% - 89%	90%		
Less than \$60	261	2,572	1,731	1,762	1,868	2,226	987	11,407	60%
\$60 - \$119	54	609	384	510	768	1,253	974	4,552	24%
\$120 - \$179	18	91	54	93	196	415	468	1,335	7%
\$180 - 239	6	43	24	39	74	188	295	669	4%
\$240 - \$299	6	17	6	18	45	83	194	369	2%
\$300 or more	8	21	29	27	54	186	448	773	4%
TOTAL	353	3,353	2,228	2,449	3,005	4,351	3,366	19,105	
	2%	18%	12%	13%	16%	23%	18%		

FY2012 Enrollment
by Per Student Pre-Discount Amount and Applicant Discount Rate

Per Student Pre-Discount	Applicant Discount Rate							TOTAL	
	20% - 39%	40% - 49%	50% - 59%	60% - 69%	70% - 79%	80% - 89%	90%		
Less than \$60	405,055	6,160,845	6,040,416	6,736,636	8,636,618	8,240,757	1,614,723	37,835,050	73%
\$60 - \$119	68,076	919,568	689,920	1,060,347	2,131,963	5,434,675	1,006,316	11,310,865	22%
\$120 - \$179	12,948	62,229	83,972	113,726	323,690	883,452	287,906	1,767,923	3%
\$180 - 239	5,316	26,382	18,561	22,952	87,858	224,903	169,932	555,904	1%
\$240 - \$299	1,442	11,154	2,091	9,377	51,741	71,699	136,868	284,372	1%
\$300 or more	1,418	6,734	10,184	17,530	59,130	152,642	172,370	420,008	1%
TOTAL	494,255	7,186,912	6,845,144	7,960,568	11,291,000	15,008,128	3,388,115	52,174,122	
	1%	14%	13%	15%	22%	29%	6%		

FY2012 Telecommunications and Internet Funding Request Amount
by Per Student Pre-Discount Amount and Applicant Discount Rate

Per Student Pre-Discount	Applicant Discount Rate							TOTAL	
	20% - 39%	40% - 49%	50% - 59%	60% - 69%	70% - 79%	80% - 89%	90%		
Less than \$60	\$3,634,440	\$66,492,246	\$84,468,663	\$122,919,962	\$173,858,428	\$225,825,564	\$45,265,984	\$722,465,287	37%
\$60 - \$119	\$1,562,102	\$28,654,579	\$26,515,832	\$51,347,993	\$123,466,711	\$353,327,522	\$73,042,594	\$657,917,333	34%
\$120 - \$179	\$417,650	\$3,438,085	\$6,022,166	\$9,714,979	\$33,845,012	\$104,034,375	\$35,835,230	\$193,307,497	10%
\$180 - 239	\$313,459	\$2,181,708	\$1,949,391	\$2,855,184	\$13,495,558	\$37,170,090	\$30,911,181	\$88,876,571	5%
\$240 - \$299	\$102,414	\$1,176,314	\$280,448	\$1,648,131	\$10,188,705	\$15,621,267	\$32,840,583	\$61,857,862	3%
\$300 or more	\$192,135	\$1,345,639	\$2,306,157	\$5,654,831	\$20,208,703	\$95,090,537	\$88,682,210	\$213,480,212	11%
TOTAL	\$6,222,200	\$103,288,571	\$121,542,657	\$194,141,080	\$375,063,117	\$831,069,355	\$306,577,782	\$1,937,904,762	
	0%	5%	6%	10%	19%	43%	16%		

FY2012 Telecommunications and Internet Funding Request Amount
by Per Student Pre-Discount Amount and Applicant Student Enrollment

Per Student Pre-Discount	Applicant Student Enrollment					TOTAL	
	100 to 500	501 to 2,500	2,501 to 5,000	5,001 to 25,000	25,001 or more		
Less than \$60	\$19,162,007	\$97,534,389	\$87,522,062	\$235,770,550	\$282,476,279	\$722,465,287	37%
\$60 - \$119	\$28,875,103	\$116,470,522	\$93,154,396	\$206,236,329	\$213,180,983	\$657,917,333	34%
\$120 - \$179	\$21,582,979	\$51,039,661	\$32,552,421	\$55,555,947	\$32,576,489	\$193,307,497	10%
\$180 - 239	\$17,287,072	\$32,148,104	\$15,099,473	\$24,341,922	\$0	\$88,876,571	5%
\$240 - \$299	\$12,652,235	\$19,412,152	\$8,258,082	\$13,306,243	\$8,229,150	\$61,857,862	3%
\$300 or more	\$67,518,189	\$75,719,273	\$31,972,478	\$11,756,577	\$26,513,695	\$213,480,212	11%
TOTAL	\$167,077,585	\$392,324,101	\$268,558,912	\$546,967,568	\$562,976,596	\$1,937,904,762	
	9%	20%	14%	28%	29%		

FY2012 Telecommunications and Internet Funding Request Amount
by Per Student Pre-Discount Amount and Applicant Location

Per Student Pre-Discount	Applicant Location			TOTAL	
	Urban	Rural (excl. remote)	Rural Remote		
Less than \$60	\$586,687,716	\$121,604,473	\$14,173,098	\$722,465,287	37%
\$60 - \$119	\$473,224,199	\$163,497,929	\$21,195,205	\$657,917,333	34%
\$120 - \$179	\$118,156,752	\$61,856,444	\$13,294,301	\$193,307,497	10%
\$180 - 239	\$51,690,646	\$30,773,730	\$6,412,195	\$88,876,571	5%
\$240 - \$299	\$36,903,701	\$21,050,617	\$3,903,544	\$61,857,862	3%
\$300 or more	\$125,535,446	\$40,797,510	\$47,147,256	\$213,480,212	11%
TOTAL	\$1,392,198,460	\$439,580,703	\$106,125,599	\$1,937,904,762	
	72%	23%	5%		

FY2012 Telecommunications and Internet Funding Request Amount by Applicant Per Student Pre-Discount Amount and Discount Rate

