

**Overview¹ of
Libraries Program of the Universal Service Fund
"E-Rate"
2011-2012**

Overview of the Process

This document summarizes the process libraries follow to apply for and receive support. Each of the steps in this process - preparing a technology plan, opening the competitive process, seeking discounts on eligible services, confirming the receipt of services, and invoicing for services - is covered in more detail in the steps below.

- Step 1** [Determine Eligibility](#)
- Step 2** [Develop a Technology Plan](#)
- Step 3** [Open a Competitive Bidding Process](#)
- Step 4** [Select a Service Provider](#)
- Step 5** [Calculate the Discount Level](#)
- Step 6** [Determine Your Eligible Services](#)
- Step 7** [Submit Your Application for Program Support](#)
- Step 8** [Undergo Application Review](#)
- Step 9** [Receive Your Funding Decision](#)
- Step 10** [Begin Receipt of Services](#)
- Step 11** [Invoice USAC](#)

For additional details applicants should refer to form instructions and the guidance materials posted on the USAC web site. <http://www.universalservice.org/sl/>

The Libraries Program of the Universal Service Fund, commonly known as "E-Rate," is administered by the Universal Service Administrative Company (USAC) under the direction of the Federal Communications Commission (FCC), and provides discounts to assist most libraries in the United States to obtain affordable telecommunications and Internet access. It is one of four support programs funded through a Universal Service fee charged to companies that provide interstate and/or international telecommunications services.

USAC is committed to ensuring [program integrity](#), which is fundamental to USAC's stewardship of the USF. One of the many activities USAC conducts to ensure program integrity is the [Payment Quality Assurance \(POA\) program](#), which is designed to generate reliable, comprehensive data about rates of improper payments.

¹ This overview is a composite of the E-Rate requirements as identified by the Universal Service Administrative Company (USAC) and can also be viewed at <http://www.universalservice.org/sl/>

The Libraries Program supports connectivity - the conduit or pipeline for communications using telecommunications services and/or the Internet. Funding is requested under four categories of service: telecommunications services, Internet access, internal connections, and basic maintenance of internal connections. Discounts for support depend on the level of poverty and the urban/rural status of the population served and range from 20% to 90% of the costs of eligible services. Eligible libraries may apply individually or as part of a consortium.

Applicants must provide additional resources including end-user equipment (e.g., computers, telephones, etc.), software, professional development, and the other elements that are necessary to utilize the connectivity funded by the Libraries Program.

Step 1: Determine Eligibility

Libraries

Libraries must meet the statutory definition of library or library consortium found in the 1996 Library Services and Technology Act (Pub. L. 104-208) (LSTA) to meet [eligibility requirements](#) for Libraries support.

- Libraries must be eligible for assistance from a state library administrative agency under that Act.
- Libraries must have budgets completely separate from any schools (including, but not limited to, elementary and secondary schools, colleges and universities).
- Libraries cannot operate as for-profit businesses.

Step 2: Develop a Technology Plan

The application process for Libraries support begins with a technology assessment and a technology plan.

A technology plan designed to improve education or library services should cover the entire funding year (July 1 to June 30) but not more than three years. The plan must contain the following five elements:

- Goals and realistic strategy for using telecommunications and information technology
- A professional development strategy
- An assessment of telecommunication services, hardware, software, and other services needed
- Budget resources
- Ongoing evaluation process

The technology plan must be approved by a USAC-certified technology plan approver before discounted services can begin. The state is the certified technology plan approver for libraries.

Applicants that seek Libraries Program support only for [basic telephone service](#) do not need a technology plan.

Step 3: Open a Competitive Bidding Process (Form 470)

Applicants must file the *Description of Services Requested and Certification Form* (Form 470) to begin the competitive process and must ensure an [open and fair competitive bidding process](#) for specific products.

Applicants must file a new [Form 470](#) each funding year for requests for tariffed or month-to-month services and for new contractual services. When the Form 470 is filed, USAC will make it available to interested service providers by posting it to the USAC website.

Applicants **must**:

- [Describe specific services](#) or functions for support
- Identify the correct [category of services](#): telecommunications, Internet access, internal connections, or basic maintenance of internal connections
- Identify recipients of services for support
- Follow all applicable state and local procurement laws
- Wait 28 days after the Form 470 is posted to the USAC website or after public availability of your Request for Proposals (RFP), whichever is later, before selecting a vendor or executing a contract ([see Step 4: Select the Most Cost-Effective Service Provider](#))

Applicants **may**:

- Use RFPs or other solicitation methods tailored to specific needs and circumstances **in addition to** the required Form 470.

The Form 470 must be completed by the entity that will negotiate for eligible products and services with potential service providers. A service provider that participates in the competitive bidding process as a bidder cannot be involved in the preparation or certification of the entity's Form 470.

A new Form 470 is **not required** if an applicant intends to seek discounts on services provided under a multi-year contract executed under a posted Form 470 in a prior funding year.

Step 4: Select the Most Cost-Effective Service Provider

Applicants must select the most cost-effective provider of the desired products or services eligible for support, with price as the primary factor.

Waiting Period. At the conclusion of the [28-day waiting period](#) after the *Description of Services Requested and Certification Form* (Form 470) is posted on the USAC website, the applicant may select a vendor for tariffed or month-to-month services or execute a contract for new contractual services.

Bid Evaluation. Applicants must [construct an evaluation](#) for consideration of bids received in response to the posting of the Form 470 that makes price the primary factor in the selection of a vendor.

Contract Guidance. Applicants may also choose vendors from a State Master Contract, execute multi-year contracts pursuant to a Form 470, and enter into voluntary contract extensions, but certain additional [contract requirements](#) apply. In all cases, applicants must comply with state and local procurement laws.

Document Retention. Applicants must save all documentation pertaining to the competitive bidding process and vendor selection for five years. Applicants must certify and acknowledge on the Form 470 and the *Services Ordered and Certification Form* (Form 471) that they may be audited and that they must retain all records that can verify the accuracy of information provided.

State Contractsⁱ

Applicants may use a state master contract that was competitively bid and put in place by a state government entity for use by others to replace an expiring state master contract as long as appropriate contract procedures based on when the state master contract expires are followed. The state entity is required to post an FCC Form 470, *Description of Services Requested and Certification Form*, for at least 28 days prior to signing a state master contract.

Step 5: Calculate the Discount Level

An applicant that applies for Libraries Program support for eligible services must calculate the discount percentage that it and the libraries it represents are eligible to receive.

Applicants use the [Services Ordered and Certification Form \(Form 471\)](#) to calculate the discount and begin by listing the recipients of services for support. FCC rules include a [discount matrix](#) that takes into consideration poverty level and the [urban or rural location](#) of the participating entity. For detailed information about how to calculate the percentage discount and complete the Block 4 Worksheet of Form 471, read [Form 471 Instructions](#) for the Block 4 Worksheet.

Libraries

- Library branches or outlets must obtain and use the NSLP data for the public school district in which they are located to calculate the discount.

- A library system applicant calculates its shared discount by calculating an average of the discounts of all library branches or outlets included in the system.

Consortia

- A consortium calculates its shared discount by calculating the average of the discounts of all eligible libraries that are included in its membership.

Urban or Rural

- Every school or library in the United States is located in either a rural or an urban area, based on Metropolitan Statistical Area (MSA) data.
- The applicant must determine if the individual school or library is [rural or urban](#) to properly calculate its percentage discount.

Step 6: Determine the Eligible Services

Applicants may request discounts for eligible products and services delivered to eligible entities for eligible purposes.

Applicants file a *Services Ordered and Certification Form* (Form 471) to request discounts on the cost of eligible services to be delivered to eligible libraries, and consortia of these entities. Eligibility for discounts requires that the product or service is eligible and that it is put to an eligible use at an eligible location by an eligible entity. Four categories of eligible services have been established by the Federal Communications Commission (FCC):

- Telecommunications Services
- Internet Access
- Internal Connections
- Basic Maintenance of Internal Connections

Services and products may be eligible, not eligible, or conditionally eligible for support. The libraries [Eligible Services List](#) provides details about eligible equipment and services and the conditions under which they are eligible. Eligibility is based on criteria established by statute and FCC rules.

Step 7: Submit Application for Support (Form 471)

The *Services Ordered and Certification Form* (Form 471) is the key form used to assure that libraries receive appropriate Universal Service Fund support, comply with eligibility requirements, and take steps to use the supported services effectively.

What to File -

Form 471 - *Services Ordered and Certification Form*

The [Form 471](#):

1. May be filed online or on [paper](#)
2. Must be certified by an authorized person to be considered complete
3. Must be postmarked or submitted online prior to the close of the application filing window for the funding year to be considered as filed within the window

Form 471 Item 21 Attachment

Services and products for which discounts are requested must be described on the [Item 21 Attachment](#). Beginning with Funding Year 2006, the Item 21 Attachment may be created and submitted online.

Form 471 Item 25 Certification

Applicants must certify that they have secured access to the resources necessary to pay for:

1. The non-discounted portion of the costs for requested eligible services within the funding year
2. The ineligible products and services necessary to make effective use of the eligible services requested

After You File

Receipt Acknowledgement Letter

USAC will issue a Form 471 [Receipt Acknowledgment Letter](#) (RAL) to both the applicant and service provider upon successful data entry of the Form 471 and certification. Applicants should review the RAL and submit allowable corrections to USAC.

Step 8: Undergo Application Review

Each application is reviewed to ensure that Universal Service Fund support is committed only for eligible products and services as well as eligible uses by eligible entities.

Review of All Applications

USAC reviews all *Services Ordered and Certification Forms* (Forms 471) to verify the accuracy of discount percentages and ensure that support is committed only for eligible products and services. USAC is committed to issuing timely Funding Commitment Decision Letters but its ability to meet that goal depends on efficient processing of application reviews.

Applicants can help speed up application reviews by:

- Submitting a complete Form 471 including required certifications and Item 21 Attachments for each funding request
- Responding to requests for additional or clarifying information within [15 days](#)
- Verifying that USAC has correct [contact information](#)

Selective Reviews

USAC selects some applicants for a [Selective Review](#) to ensure that they are following certain FCC program rules. Applicants are asked to provide the following information covering all of the billed entity's Forms 471 for the funding year:

- Documentation regarding their competitive bidding and vendor selection process
- Documentation of their ability to pay their share of the cost of the products and services eligible for libraries program support
- Proof that they have obtained the (ineligible) hardware, software, professional development, electrical capacity or other retrofitting, and maintenance necessary to make effective use of the requested discounts

View a [sample Selective Review Information Request](#). Service providers may **not** provide responses to Selective Review Information Requests.

The result of a Selective Review may be that funding is approved or denied. The applicant may also receive a [Resource Deficiency Advisory](#) that explains the areas USAC finds to be deficient. Applicants should consider increasing their level of investment in identified areas since USAC may follow up in subsequent years regarding the necessary resources.

Applicants may not receive direct or indirect help from service providers to pay their non-discounted share.

Step 9: Receive Your Funding Decision

Following application review, USAC issues one or more Funding Commitment Decision Letters (FCDLs) to both the applicant and the service provider(s).

Program funding commitment decisions are issued in "waves," or regular cycles. Generally, funding year commitment waves will run on a regular bi-weekly schedule until such time that the only remaining applications are those held for heightened scrutiny.

For all certified, in-window applications, FCC rules of priority are observed in processing funding requests:

- **Priority One** - all eligible telecommunications and Internet access services are fully funded first

- [Priority Two](#) - eligible requests for internal connections and basic maintenance of internal connections from applicants with highest discount levels receive next priority

Applicants should carefully review their [Funding Commitment Decision Letter](#) (FCDL) for details of approved or denied requests. Prior to the start of services for which Universal Service Fund support is approved, the applicant should review its technology plan status and its status concerning compliance with the [Children's Internet Protection Act \(CIPA\)](#)

If an applicant believes that its funding request has been incorrectly reduced or denied, the applicant can [appeal](#) the decision to USAC or to the FCC.

[Step 10: Begin Receipt of Services](#)

Before USAC can pay invoices, the billed entity must confirm: the start date of services, approval of the technology plan, and compliance with the Children's Internet Protection Act (CIPA).

To help USAC ensure that Universal Service Fund support is paid only for services that have actually been delivered, applicants must verify the [start date of services](#) and submit a [Receipt of Service Confirmation Form](#) (Form 486).

Technology plans must be approved before services start or before the applicant certifies the Form 486. Applicants must be able to provide a technology plan approval letter issued by a USAC-certified technology plan approver. If the approval letter is posted on a website, the applicant should print and retain a copy.

[CIPA](#) certifications are made on either Form 486 or the *Certification by Administrative Authority to Billed Entity of Compliance with the Children's Internet Protection Act* ([Form 479](#)) depending on whether the applicant is the billed entity.

- If the applicant is the billed entity, it must certify on Form 486 that it is in compliance with CIPA or that CIPA does not apply because funding requests are only for telecommunications services.
- If the applicant is not the billed entity, it must submit Form 479 to the billed entity; the billed entity, as the Administrative Authority, then submits Form 486 to USAC with the CIPA certification. Applicants that are not the billed entity do **not** submit Form 479 to USAC.

Applicants should read [Form 486 Filing Information](#), [Form 486 Instructions](#), and [Form 479 Instructions](#) for further information including required filing dates.

Step 11: Invoice USAC

After eligible services have been delivered, service providers and school and library applicants may submit invoices for Universal Service Fund (USF) support.

FCC rules require USAC to pay universal service support to service providers and not directly to applicants. However, two invoice methods and program forms exist:

[Service Provider Invoice \(SPI\)](#) (Form 474)

Service providers may submit Form 474 to USAC seeking payment for services:

- After the service provider provides the services or equipment to the applicant
- After the billed entity submits the [Receipt of Service Confirmation Form](#) (Form 486) verifying the service start date
- After the service provider has provided a discounted bill to the billed entity

[Billed Entity Applicant Reimbursement \(BEAR\) Form](#) (Form 472)

The billed entity and the service provider must *jointly* submit the BEAR form:

- Following the receipt of discounted eligible services
- After the billed entity submits the [Form 486](#)
- After the billed entity has paid the total amount (including the applicant's non-discount share and the amount of USF support to be paid by USAC) to the service provider

Determining Invoice Method

Applicants should work with service providers to include a provision in contracts or service agreements specifying whether customer bills will be the total cost of services or only the customer's non-discount share. Service providers may provide applicants with discounted bills and submit the SPI to request payment from USAC for the amount of USF support to be paid. Service providers and applicants may jointly submit the BEAR when the applicant has paid the entire cost of services to the service provider. In all cases, USAC pays support to the service provider.

Service Delivery and Invoice Deadlines

The date of the Funding Commitment Decision Letter determines deadlines for [service delivery](#) and [invoices](#). Under certain conditions, applicants may request extensions of program deadlines.

ⁱ State Contract Requirements

Funding years run from July 1st of the funding year through June 30th of the following year. If you are using or intend to use a state master contract for eligible services and the master contract expires before June 30 of the funding year for an application, you may be

eligible for support for the full funding year. However, the appropriate state replacement contract (SRC) procedure must be followed. Two scenarios include state master contracts expiring **before** the funding year and state master contracts expiring **during** the funding year.

Scenario A - State master contracts expiring *before* the funding year

A state master contract may expire BEFORE the start of the funding year for an application. In this case, your state intends to select a service provider as part of a competitive bidding process to provide services under a new state master contract, but that process has not been completed and you are not yet sure who that service provider will be.

If the state master contract expires **BEFORE July 1 of the funding year for an application (BEFORE the funding year)** please follow the directions below.

1. The Billed Entity must fill out a Form 471 Block 5 Funding Request covering the REPLACEMENT master contract, using the instructions below:

- Item 12: use the establishing Form 470 number for the expiring master contract.
- Item 13: use SPIN number 143999999.
- Item 14: use STATE REPLACEMENT CONTRACT as the Service Provider name. (Although a commitment of funds can be made towards the state replacement contract, no funds will be authorized for disbursement until there has been a SPIN change; see Step 3, below.)
- Item 15: use "SRC" as the prefix in front of the expiring master contract number. (For example, if the expiring master contract number is WNT-98-005, use the number SRCWNT-98-005 as the contract number.)
- Item 16: use the same Billing Account Number (if applicable) as used for the expiring master contract.
- Item 17: the Allowable Vendor Selection/Contract Date will be pre-populated by the system (it will be related to the Form 470 number that was used in Item 12.) Paper filers may leave this item blank.
- Item 18: the Contract Award Date should be the day AFTER the expiration of the expiring master contract.
- Item 19: the Service Start Date should be July 1 of the funding year.
- Item 20a: the Contract Expiration Date will be the end of the funding year. (You will reflect the true expiration date of the replacement contract on your subsequent funding year Form 471.)
- Item 21: submit a copy of the expiring master contract as the attachment for Description of Service.

-
- Item 22: indicate the entities that will receive this service under the replacement master contract.
 - Item 23: For both recurring charges and one-time charges, the funding commitment will be limited to charges contained in the expiring master contract. That means the monthly charges MUST be no greater than what is contained in the expiring master contract. (If the replacement master contract charges are different, they can be reflected in Forms 471 filed in subsequent years.)
 - If there was no provision for one-time charges under the expiring master contract, but there is such a provision in the replacement master contract, there can be no claim for one-time charges under the replacement master contract for this funding year. (You may claim one-time charges incurred in subsequent program years in Forms 471 filed in subsequent years.)
2. When the state is ready to begin the competitive procurement process for the replacement master contract, the state entity negotiating the replacement master contract will be required to file a Form 470 (and have it posted for a minimum of 28 days prior to signing the replacement contract). If the state does NOT file the Form 470, you will NOT be eligible for discounts for the replacement master contract for the program year.
 3. After the state replacement master contract has been signed and dated by the state, you must request a SPIN change (replacing the service provider designation "state replacement contract" with the name of the actual vendor who has been awarded the replacement master contract) by marking up the relevant pages from your Funding Commitment Decision Letter (FCDL). On your FCDL you must indicate:
 4. the appropriate Funding Request Number (FRN)
 5. the actual service provider name (attach the appropriate page of the contract)
 6. the actual service provider's SPIN
 7. the state entity's Form 470 Application Number which was filed for the replacement master contract
 8. the contract award date (attach the appropriate page of the contract)
 9. the service start date
 10. the service end date
 11. the replacement contract number
 12. the ACTUAL expiration date of the replacement contract (attach the appropriate page of the contract)
 13. the effective date of the replacement contract
 14. You must SIGN and date the marked up page(s) of the FCDL. Return it by mail or express delivery to:

State Replacement Contracts
Libraries Division - Correspondence Unit
30 Lanidex Plaza West
PO Box 685
Parsippany, NJ 07054-0685
-

-
15. You will receive notice when the SPIN change has been made.
 16. Once you receive notification that the SPIN change has been made, you may submit a Form 486 for the FRN(s) using the replacement master contract information.
 17. In subsequent program years when you file a Form 471, you will reference the state entity's Form 470 application number as the establishing Form 470 for this replacement master contract.

Scenario B - State master contracts expiring *during* the funding year

A state master contract may expire DURING the funding year for which you are applying for discounts. In this second situation, the current service provider will provide services during part of the funding year under that state master contract, but your state intends to select a service provider as part of a competitive bidding process to provide services under a new state master contract during the remainder of the funding year. Again, that process has not been completed and you are not yet sure who the new service provider will be.

If the state master contract expires **BETWEEN July 1 and June 30 of the funding year for an application (DURING the funding year)**, please follow the directions below.

In this case, the Billed Entity must fill out two Form 471 Block 5 Funding Requests. You must put your funding request(s) for the expiring master contract and the replacement master contract on the SAME Form 471.

1. For EACH funding request that you have under an expiring master contract, complete one Block 5 covering the EXPIRING master contract.
2. For EACH funding request that you have under an expiring master contract, complete an additional Block 5 covering the REPLACEMENT master contract, using the instructions below:
 - Item 12: use the establishing Form 470 number for the expiring master contract.
 - Item 13: use SPIN number 143999999.
 - Item 14: use STATE REPLACEMENT CONTRACT as the Service Provider name. (Although a commitment of funds can be made towards the state replacement contract, no funds will be authorized for disbursement until there has been a SPIN change; see Step 4, below.)
 - Item 15: use "SRC" as the prefix in front of the expiring master contract number. (For example, if the expiring master contract number is WNT-98-005, use the number SRCWNT-98-005 as the contract number.)
 - Item 16: use the same Billing Account number (if applicable) as used for the expiring master contract.

-
- Item 17: the Allowable Vendor Selection/Contract Date will be pre-populated by the system (it will be related to the Form 470 number that was used in Item 12.) Paper filers may leave this Item blank.
 - Item 18: the Contract Award Date should be the day AFTER the expiration of the expiring master contract.
 - Item 19: the Service Start Date should be the day AFTER the expiration of the expiring master contract.
 - Item 20a: the Contract Expiration Date will be the end of the funding year (You can reflect the true expiration date of the replacement contract on your subsequent year Form 471.)
 - Item 21: submit the Description of Service used for the expiring master contract as the attachment for Description of Service.
 - Item 22: indicate the entities that will receive this service under the replacement master contract.
 - Item 23: For both recurring charges and one-time charges, the funding commitment will be limited to charges contained in the expiring master contract. That means the monthly charges MUST be no greater than what is contained in the expiring master contract. (If the replacement master contract charges are different, they can be reflected in Forms 471 filed in subsequent years.)
 - If there was no provision for one-time charges under the expiring master contract or you will not be incurring one-time charges under the expiring master contract during the funding year and there is a provision for one-time charges under the replacement master contract, there can be no claim for one-time charges under the replacement master contract for this filing year. (You may claim one-time charges incurred in subsequent program years in Forms 471 filed in those subsequent years.)
3. When the state is ready to begin the competitive procurement process for the replacement master contract, the state entity negotiating the replacement master contract will be required to file a Form 470 (and have it posted for a minimum of 28 days prior to signing the replacement contract). If the state does NOT file the Form 470, you will NOT be eligible for discounts for the replacement master contract for the remaining portion of the funding year.
 4. After the state replacement master contract has been signed and dated by the state, you must request a SPIN change (replacing the service provider designation "state replacement contract" with the name of the actual vendor who has been awarded the replacement master contract) by marking up the relevant pages from your FCDL. On your FCDL you must indicate:
 5. the appropriate Funding Request Number (FRN)
 6. the actual service provider name (attach the appropriate page of the contract)
 7. the actual service provider's SPIN
 8. the state entity's Form 470 Application Number which was filed for the replacement master contract
-

-
9. the contract award date (attach the appropriate page of the contract)
 10. the service start date
 11. the service end date
 12. the replacement contract number
 13. the ACTUAL expiration date of the replacement contract (attach the appropriate page of the contract)
 14. the effective date of the replacement contract
 15. You must SIGN and date the marked up page(s) of the FCDL. Return it by mail or express delivery to:
 - State Replacement Contracts
 - Libraries Division - Correspondence Unit
 - 30 Lanidex Plaza West
 - PO Box 685
 - Parsippany, NJ 07054-0685
 16. You will receive notice when the SPIN change has been made.
 17. Once you receive notification that the SPIN change has been made, you may submit a Form 486 for this FRN(s) using the replacement master contract information.
 18. In subsequent program years when you file a Form 471, you will reference the state entity's Form 470 application number as the establishing Form 470 for this replacement master contract.