

Rethinking the E-Rate

The pros and cons of why libraries should be tapping the largest available pot of federal dollars

by Carrie Lowe

What is the largest source of potential federal funding for public libraries? Your first thought may naturally be the Library Services and Technology Act, a program that provided around \$220 million for libraries in FY2008. But the correct answer is the Education-Rate Program, commonly known as the “e-rate,” with at least \$2.25 billion per year—one of the four programs that comprise the federal Universal Services Fund (USF) that was established in the Communications Act of 1934 to equalize the cost of telephone services to underserved areas of the country. The 1996 Telecommunications Act took it a step further by adding support

for advanced telecommunications and information services, extending the USF’s priorities to include K–12 schools and public libraries. Thus, the birth of the e-rate.

If you have ever examined your telephone bill and noticed a charge called universal service fee, you may already have a sense of how the e-rate works. Phone companies pay into the USF, creating a pool of money administered by the Universal Service Administrative Company (USAC), a not-for-profit entity established and overseen by the Federal Communications Commission (FCC). The money collected is then used to provide discounts based on need to schools and libraries. These discounts are for specific goods and services broken

into two priorities—priority one includes telecommunications and internet access and priority two encompasses internal connections within a library building and basic maintenance on those connections.

It’s been five years since the U.S. Supreme Court’s decision against the American Library Association on filtering internet access on public library terminals. The fight over the Children’s Internet Protection Act, which tied e-rate eligibility and other federal money for some services to a filtering mandate, had a negative impact on e-rate participation.

Four years ago, e-rate disbursements ground to a halt as the FCC was suddenly faced with a mandate forcing the program to comply with the Anti-Deficiency Act (ADA), which requires that the money related to any funding commitment, such as those made after applications are reviewed, must be in the agency’s account at the time the commitment is made rather than at the point the funds are received and invoiced. Since e-rate money is received from service providers on a rolling basis, this law immediately placed a moratorium on disbursement of funds. The quick action of supporters compelled Congress to create an 11th-hour temporary ADA exemption for the e-rate and for all of the universal service support mechanisms.

Is the e-rate worth it?

While there might be a great deal of money available to e-rate applicants, there are also a lot of challenges.



State e-rate coordinators Malavika Muralidharan, Arizona, and Richard Brock (center), Georgia, consult with John Noran of the Universal Services Administrative Company.

Libraries have historically faced a number of challenges when dealing with the program. One issue is the complicated application process. Filing for reimbursements of monthly telecommunications and internet services can involve over a dozen steps in the application and disbursement processes—all tied to a specific timeline that may not be consistent with local purchasing and decision-making timelines. Also, the necessary e-rate recordkeeping can overwhelm even the most meticulous librarian. Many of the forms associated with the application process are long and complicated, and once the application is filed other parts of the process start, which may demand more time and attention.

The discount that e-rate applicants receive is based on poverty levels determined by eligibility for the National School Lunch Program as well as the library's urban or rural location. The percentage of students at a given school who qualify to receive a free or reduced lunch establishes a school's poverty level and determines the e-rate discount received. However, libraries must use an average of the school lunch numbers from across the local school district. This means that a library branch near a high-poverty school—for example, one that receives an 80% discount—but is in the same district as a fairly wealthy school, perhaps at a 20% discount—ends up with a much lower discount rate. In comments submitted to the FCC, ALA has advocated to change this discount methodology.

Shattering myths

Beliefs that the e-rate program is unstable, overly complicated, returns

little for the amount of time that must be invested, and that to participate one must filter represent some of the common understanding about the program in the library community.

Thousands of libraries across the country depend on the e-rate program and they receive millions of dollars—more than \$609 million went to libraries in the first 10 years—to help meet the need for internet access and to provide other technology-driven solutions. Applications are submitted in a myriad of ways—from large consortium or statewide applications to

single applications from rural one-room libraries. In fact, the only thing these library applicants have in common is that they have figured out how to crack the program code to obtain the needed dollars to support connectivity in this noncompetitive program.

So what is the truth about the e-rate? Let's consider the first myth, and perhaps the biggest one: A library that doesn't filter internet access cannot receive the e-rate. While it is true that libraries who apply for e-rate discounts on internet access or internal connections must filter, libraries that apply for e-rate discounts on any telecommunications services are not required to filter under CIPA. Keep in mind that there are many big-ticket items in this category of service, including telecommunication circuits that can help a library achieve true broadband connectivity.

Next, let's probe the idea that the e-rate is politically unstable to a point where participation could represent a significant risk. There was a moment in the program's history where this might have been true, but no longer. Soon after the program was established in 1997, it served as a

stalking horse in congressional debates. Opponents dubbed it the "Gore tax" (after Vice President Al Gore, who was instrumental in its creation) and pointed to it as an example of unnecessary government spending—a point that millions of schoolchildren and library patrons would probably dispute. Many feel that the e-rate narrowly escaped elimination during these early years.

Once the dust from these debates began to settle, distressing stories about misuse of e-rate funds began to emerge. Several high-profile congressional hearings brought to light incidences of egregious fraud and abuse of funds. It is important to note that most of these problems occurred early in the program and years before the hearings took place. Regardless of the timing of the problems themselves, the hearings once again threw the program into turmoil. The result of this political upheaval was increased scrutiny of applications, more audits, and the adoption of several new program rules.

Benefits abound

Though reports of political instability, bad press, and increased scrutiny have created a poor public impression of the e-rate program, what these reports fail to capture is the fact that thousands of applicants play by the rules and millions of library patrons and students benefit every year as they connect to the internet at their local library or school.

So what is the truth about the political environment of the e-rate? The fact is that the program, now in its 11th year, is strong and stable. Thanks in large part to the commitment of many applicants, members of Congress have gotten the message that the e-rate is a key program that provides much-needed funding to schools and libraries.

What about the myths that the e-rate is overly complicated and that the return on investment is too low

"Without the e-rate, we wouldn't be able to keep pace with the broadband needs of our patrons, particularly in poor rural communities"

—Linda Lord, chair
ALA's OITP E-Rate Task Force.



State coordinators from across the country get training in Chicago May 7 to assist libraries in applying for federal e-rate program dollars.

to bother applying? It is true that some e-rate applications are enormously long and complicated to the point where they may require full-time work. However, these applications tend to be for large statewide or consortium programs and may return millions of dollars annually. There are thousands of small libraries that file very simple applications, such as ones to receive discounts on basic telephone services. While they may not lead to big-ticket items and broadband connectivity, the resulting funds are a steady and dependable source of money that allow these libraries some budgetary freedom to purchase other needed items.

In 2005, ALA and its E-Rate Task Force filed a proposal with the FCC to simplify the program making the argument that its complexity excludes many smaller library applicants. It also pointed out that the many steps involved with the application and fund-disbursement processes can actually obscure places where fraud and abuse can take place.

Get involved

Although the ALA filing took place three years ago and the FCC has not yet acted on the suggestions, the Association continues to advocate for simplification and the FCC has indicated increased interest in taking a

fresh look at the entire USF in the coming months. Although this inquiry would not be focused specifically on the e-rate, many experts feel that the USF's high-cost fund that supports telephone companies in rural and remote areas is badly in need of reform. Addressing this issue will likely reopen all of the programs within USF to scrutiny, including the e-rate.

The simplest and most important way to get involved with the e-rate is to apply for discounts on telecommunications and internet services. The good news is that in the 11-year life of the program, every correctly submitted application for priority-one services has been funded. In fact, millions of dollars that could be going to priority-one library applicants roll over each year into priority-two funding.

While there are good reasons why a local public library should participate in the e-rate at some level, it can be intimidating to get started. One good source for advice is your state library's e-rate coordinator. For the past two years, ALA's Office for Information Technology Policy has been working closely with state e-rate coordinators in a project

funded by the Bill and Melinda Gates Foundation. The goal is to create a nationwide network of experts who can share ideas and support local applicants. The state coordinators meet biannually for three days of training on the e-rate application and disbursement processes and to review any program changes.

The training has made a real difference for state coordinators, according to Bob Bocher, technology consultant with the Wisconsin Department of Public Instruction's Division for Libraries, Technology, and Community Learning. "We've observed a high turnover rate among e-rate coordinators across the country," noted Bocher, a former chair of ALA's E-Rate Task Force. "This, combined with the steep learning curve that e-rate presents, means that traditional learning opportunities may not be enough."

If you are not at a public library or otherwise eligible for the e-rate, it is still important to be aware of the program and be ready to advocate for it when necessary. Stay abreast of the latest on the e-rate and make your voice heard when necessary, through the ALA Washington Office's District Dispatch blog.

One thing that supporters and detractors agree upon is that while it is far from a perfect program, library applicants depend on the e-rate.

"Without e-rate, we wouldn't be able to keep pace with the broadband needs of our patrons, particularly in poor rural communities," said Linda Lord, deputy state librarian for the Maine State Library and chair of ALA's OITP E-Rate Task Force. "While the e-rate is not yet perfect, it is absolutely necessary to help libraries and schools afford the telecommunications and related services to serve their patrons and students." ■



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