

Microsoft Settlement Funds – particularly sweet in a time of tight tech budgets.



Powerful School Marketing Solutions

Federal technology grants to states peaked at \$700.5 million in 2002. Since then it's been a downward slide for the popular program. By 2006, funds for ed tech grants had dropped to \$272 million, and the President's '07 budget recommends zero funding. With a new Congress that could change. Nevertheless, the Microsoft settlement money some states are reaping is particularly sweet in a time when not much else is on the table.

To date, 18 states and the District of Columbia have announced settlements with Microsoft, totaling over \$2.5 billion dollars. The settlements result from class action lawsuits brought by consumers against Microsoft Corporation alleging abuse of power to inflate prices.

Although settlements vary among states, common to most of them is language that earmarks a percentage of unclaimed funds for needy schools, based on the percentage of students eligible for free and reduced price lunches. The benefit to schools stems from a recognition that the small sums class claimants are eligible to receive, hardly motivates a rush to file claims.

“The remedy was devised to make sure that Microsoft would pay something,” said Robert Hillis, Class Counsel for Nebraska’s settlement. In most states, the amount to schools is 50% of the difference between the maximum redeemable amount and the actual amount issued to class members. A number of states also allow class claimants to donate or transfer vouchers to schools and other organizations.

For schools, it's difficult to overstate the importance of this windfall. Montana, one of the first states to receive settlement dollars, saw an additional \$10 million for its state's 145,000 students, according to Joe Lamson, Public Information Officer at the Montana State Department of Education. “It was a very strong benefit for Montana schools, especially coming at the tail end of a time of when there hadn't been much money for education,” he said.

Although Montana's millions have now been spent, a number of states, including some of the largest, have just begun to receive vouchers or are anxiously awaiting them. In others, like Montana, students are already enjoying the benefit of technology upgrades in their classrooms.

California

California alone stands to reap an estimated **\$400–\$600 million** to bolster technology in its needy schools. According to the state's Chief Policy Officer, Susan Ronnback, the key aim of attorneys on both sides in arriving at the agreement was to disperse unclaimed funds to high need schools with the goal of closing the technology gap that still persists.

As a result, two thirds of unclaimed funds in California will benefit public elementary and middle schools where 40% or more of the students are eligible to receive free and reduced price lunches, and high schools with an eligible feeder school in the district. County Offices of Education, State Special Schools, and direct-funded charter schools with the requisite numbers of needy students also are eligible. Small schools with 300 or fewer students are being given special consideration.

“This settlement agreement provides a wonderful opportunity to close the digital divide in many of our schools,” said Jack O’Connell, State Superintendent of Public Instruction, in a press release announcing the availability of settlement dollars, beginning in the 2006-2007 school year.

The per-pupil voucher amount is estimated to be between \$98 and \$150 per pupil. Schools can redeem vouchers for cash reimbursements to purchase platform neutral hardware and software of their choice from any manufacturer, and for professional development and maintenance of computer equipment purchased through settlement vouchers. Fifty percent of the vouchers are termed General Purpose Vouchers; the other 50% are earmarked for specific category software.

The following is an abbreviated list of eligible purchases. (For a complete list see the links provided below).

General Purpose Vouchers – These vouchers can be used for a variety of hardware and software purchases, including:

- Laptops, desktops, or tablet computers
- Printers, scanners, monitors, keyboards
- Networking and infrastructure equipment
- Assistive technology devices for use by special needs students
- Platform neutral non-custom software
- IT services, training and professional development related to voucher purchases

Specific Category Software (See link to the approved provider list below)

- Operating system
- Presentation
- Web Authoring
- Server (including client access licenses)
- IT support services

Eligible schools must apply for the first round of funding totaling \$400 million on or before June 30, 2008. Vouchers must be redeemed within six years of issuance. A second distribution of funds will occur at a later date, and all funds from the second distribution must be redeemed within two years. A Request for Application (RFA) for first-round funding is posted on California’s website and provides additional details, including contact information.

Approved Provider List

RFA (Request for Application)

Eligible Products and Services

Arizona

Arizona public and charter schools with 50% or more needy students began receiving vouchers from their state's settlement in 2006. Although the total amount could not be verified by press time, according to the chief financial officer in one recipient district, a "ballpark" sum of **\$60 million** in vouchers was distributed to Arizona schools. Schools have until March 2009 to redeem the vouchers. Arizona districts and charter schools received two vouchers in equal amounts, one an allocation for hardware purchases and the other designated for software purchases.

Arkansas

Arkansas has reached a preliminary settlement. A final hearing is scheduled for March 2007. If a final settlement is reached, eligible schools could begin to receive vouchers as early as the 2007-2008 school year. The settlement provides up to **\$37.8 million** to claimants. The amount to schools is yet to be known, but could be as much as \$15 million or more, depending on the number of unclaimed vouchers.

Florida

As a result of Florida's settlement agreement, the department of education estimates that more than 1.1 million students in 1,790 of Florida's neediest schools (those with 50% or more students eligible for reduced price and free lunches), will reap more than **\$80 million**. Half of the funds are earmarked for software, half for hardware and other services such as professional development related to the new technology. Equipment and software can be purchased from any manufacturer.

Eligible Florida Schools

Estimated Dollars by District

Massachusetts

In Massachusetts, **\$16 million** from that state's settlement is going to schools to purchase a wide range of products, including hardware, software and related services such as IT support and professional development. In January of 2006, vouchers were sent to districts with schools where 50% or more students are eligible for free and reduced price lunches. Schools have until February 21, 2009, to redeem their vouchers.

Minnesota

In Minnesota, 467 school districts and charter schools have been identified to receive **\$55.2 million** in unclaimed vouchers. Public and charter schools reporting one or more students eligible for free and reduced price lunches in 2004-2005 school year are eligible to apply. The state will distribute vouchers based on percentage of need. In turn, districts must allocate vouchers to schools based on the ratio of needy students in each school. Vouchers were distributed to school districts in January 2006. The redemption deadline is January 27, 2012.

Eligible General Purpose Products

Non-eligible Products

Nebraska

In Nebraska, schools with 50% or more students eligible for free and reduced price lunches will get an estimated **\$10 million** in settlement vouchers, according to Robert Hillis, Class Counsel in that state's settlement. Nebraska's case is unique on two counts, according to Hillis. Private as well as public schools are eligible to receive vouchers. In addition, schools themselves can be claimants. As a result, schools can receive settlement vouchers and claimant vouchers, since government entities are included as part of the class. Not surprisingly, Omaha Public Schools will receive nearly half of the total settlement funds – an estimated \$4.6 million. Lincoln Public Schools will receive approximately \$1 million. Grand Island, a far smaller community whose public school district's enrollment is approximately 8,000 students, stands to reap more than \$700,000, Hillis said. Schools began receiving vouchers in the fall of 2006 and have until 2009 to redeem them.

New Mexico

By mid-September 2006 a total of **\$15.4 million** in settlement vouchers were mailed to New Mexico school districts with schools where 50% or more of the students are eligible for free and reduced price lunches. Schools have until February of 2009 to redeem them.

New York

The New York settlement received final approval in July 2006 for an estimated **\$350 million**. The claimant filing deadline was October 18, 2006, and vouchers will be mailed to claimants early in 2007. If the claims filed equal less than \$225 million, half of the difference between that amount and the total of vouchers issued will go to needy New York public schools. With tight deadlines, vouchers from unclaimed funds could reach schools as early as the 2007-2008 school year.

North Carolina

Eligible schools in North Carolina will receive a total of **\$40.9 million** in vouchers. Schools first will receive a base allocation of \$10,000 in vouchers. Remaining allocations will be based on their percentage of students eligible for free and reduced-price lunches. Eligibility percentages will differ for elementary, middle and high schools. Specific percentages were unavailable at press time. According to the state department of education, schools will begin receiving vouchers in early 2007.

South Dakota

According to Mark Moreno, Class Counsel for the South Dakota settlement, schools in that state with 50% or more students eligible to receive free and reduced price lunches will receive **\$4.58 million** in vouchers or an average of \$153.65 per student in eligible schools. Schools have until 2008 to redeem vouchers.

Tennessee

In Tennessee, **\$15.3 million** in vouchers will be allocated to schools based on spring 2006 enrollments. Schools received notification that they would be receiving vouchers in mid-November of 2006. The state estimates the per-pupil amount to be \$16.40. School districts can file with the State Department of Education for reimbursement of eligible purchases made with state or local funds between July 2006 and April 2007, and for new products purchased through 2008, according to a state department official.

Vermont

Vermont began distribution of **\$4.7 million** in settlement funds to 135 high-need schools in July 2006. Voucher amounts are based on enrollment and, as reported on the state's website, range from \$1,500 for the Granville School to \$168,000 for Brattleboro Union High School. Eligible schools are those where 40% or more students receive free and reduced price lunches, in addition to high schools in districts with eligible elementary and middle schools. Schools may redeem vouchers through December 31, 2008.

Vermont Eligible Schools

Vermont FAQs

Eligible Products

Wisconsin

A hearing for final settlement in Wisconsin approval is scheduled for March 2007. In the preliminary settlement, maximum benefits to claimants total **\$223.9 million**. If the total value of the vouchers issued is less than that amount, 50% of the remainder will benefit needy schools.

Other States

Other states reaching settlements are North Dakota, Kansas and West Virginia, and the District of Columbia. In Iowa, a settlement proved unreachable, and the case went to trial in December 2006. The trial is expected to last six months. Over the next few years, more states are expected to reach settlements. In a number of states, state statutes prohibit consumer class action suits in cases where the product in question is purchased through secondary vendors.

The table below is a quick reference to the status of Microsoft settlement vouchers to schools. This document will be updated as information becomes available.

State	Total Settlement to Claimants	Est. \$ Available to Schools	Eligibility % FRP Lunch (Title 1)	School Redemption Deadline
Arizona	\$104.6 M	\$60 M	50%	
Arkansas	\$37.8 M			
California	\$1.1 B	\$400-\$600 M	40%+	2012
DC	\$6.2 M		50%	
Florida	\$202.M	\$80 M	50%+	
Kansas	\$32 M		50%	
Massachusetts	\$34 M	\$16 M	50%+	February 21, 2009
Minnesota	\$174.5 M	\$55.2 M	See MN summary	January 27, 2012
Montana		\$10		
N. Carolina	\$89.2 M	\$40.9 M		2009
N. Dakota	\$9 M		50%+	
Nebraska	\$22.6 M	\$10 M	50%+	2009
New Mexico	\$31.5 M	\$15.4 M	50%+	February 2009
New York	\$350 M			
S. Dakota	\$9.3 M	\$4.58 M	50%+	2008
Tennessee	\$64 M	\$15.3 M	Enrollment-Based	
Vermont	\$9.7 M	\$4.7 M	40%+	December 31, 2008
West Virginia				
Wisconsin	\$223.9 M			

For more details about settlements in California and other states go to:

<http://www.microsoft.com/about/legal/consumersettlements/>



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