

E-rate Program Applicant Training

Eligible Services

October – November 2015

Washington DC • Tampa • Albuquerque • Minneapolis • New Orleans • Los Angeles • Philadelphia • Portland

Overview

- Category One
- Category Two
- ESL updates:
 - Fiber
 - ISDN
 - Data plans
 - Firewalls
 - Virtualization and cloud based functionality
- Category Two Budgets

Eligible Services

Category One

What is Category One?

- Category One primarily supports broadband connectivity to schools and libraries.
- Category One also supports voice service which is subject to a phase down of support as of FY2015.
- This includes broadband connections to eligible locations that:
 - Connect multiple points
 - Connect eligible locations to the Internet
 - Services that provide basic conduit access to the Internet

Eligible Data Transmission Services and Internet Access

- Some examples include:
 - Fiber (Lit and Dark)
 - Self-Provisioned Fiber
 - Wireless Service
(e.g. microwave)
 - Satellite Services
 - DS-1, DS-2, DS-3
 - Ethernet
 - T-1, T-3, Fractional T-1
 - Cable Modem
 - DSL
 - ISDN
 - MPLS

Voice Service

- Starting with FY2015, voice services are subject to a 20% reduction continuing until FY2019 when all voice services are phased out.
- For FY2016, the reduction to voice services is 40%.

Discount %	FY2015 -20%	FY2016 -40%	FY2017 -60%	FY2018 -80%	FY2019 -100%
90	70	50	30	10	0
80	60	40	20	0	0
70	50	30	10	0	0
60	40	20	0	0	0
50	30	10	0	0	0
40	20	0	0	0	0
30	10	0	0	0	0
25	5	0	0	0	0
20	0	0	0	0	0

Eligible Voice Services Subject to Phasedown

- Local, long distance, 800 service
- POTS
- Interconnected VoIP
- Circuit capacity dedicated to providing voice service*
- Centrex
- ISDN
- Radio Loop
- Satellite telephone service
- Shared telephone service
- Wireless telephone service including cellular voice
 - Excludes data and text messaging

Circuits and the Voice Phasedown

- Circuits are subject to the voice phasedown if any portion of the circuit is dedicated to voice.
 - Circuits wholly dedicated to voice such as PRIs and SIP trunks are fully subject to the phase down.
 - A T-1 used for voice is subject to the phasedown if any of the channels are dedicated to voice.
- If there is a voice application running over a data circuit with no portion of the circuit dedicated to voice (e.g. QoS), the circuit is not subject to the phase down.
- VoIP service bundled with Internet access requires cost allocation to separate the voice from the Internet charges.

Eligible Services

Category Two

What is Category Two?

- Category Two includes equipment and services needed to bring broadband into and throughout schools and libraries.
- Subject to five-year budgets for schools and libraries.
- Category Two includes internal connections, basic maintenance of internal connections and managed internal broadband service.

Eligible Internal Connections

- Access points
- Cabling
- Caching
- Firewalls
- Switches
- Routers
- Racks
- UPS
- Wireless LAN Controllers
- Improvements, upgrades and software necessary to support eligible broadband internal connections components

Eligible Internal Connections: Virtualized and Cloud-Based Functionalities

- As part of the E-rate Modernization Order, broadband distribution services and equipment that can be virtualized in the cloud are eligible.
- This includes virtual or cloud based functionalities so long as they support eligible internal connection functions.
 - For example, software virtualizing routing or switching in the cloud is eligible.
- Equipment and functionalities must still be competitively bid and the most cost-effective solution must be chosen.

Managed Internal Broadband Services (e.g. Managed Wi-Fi)

- Services provided by a third party:
 - Operation
 - Management
 - And/or monitoring of eligible broadband internal connection components
- The third party may manage the school or library's equipment or provide the equipment as part of a lease.

Basic Maintenance of Internal Connections

- Support for basic maintenance of eligible internal connections such as:
 - Repair and upkeep of hardware
 - Wire and cable maintenance
 - Basic tech support
 - Configuration changes
- Support for BMIC is limited to actual work performed under the contract.

Basic Maintenance of Internal Connections

- Basic maintenance does not include:
 - Services that maintain ineligible equipment
 - Upfront estimates that cover the full cost of every piece of eligible equipment
 - Services that enhance the utility of equipment
 - Network management services, including 24-hr network monitoring
 - On-site technical support
 - Unbundled warranties

Operations and management of eligible equipment not supported as BMIC but eligible as Managed Internal Broadband Services

Miscellaneous Charges

- Eligible Charges
 - Taxes, surcharges and other similar reasonable charges
 - Lease fees to rent or lease eligible components
 - Shipping charges
 - Training
 - Installation and configuration
 - Installation may be provided by a third party

Eligible Services

ESL updates

Eligible Category One Costs – Dark and Lit Fiber

- The Second E-rate Modernization Order equalized lit and dark fiber.
- Dark fiber special construction is now eligible both within and beyond the property line.
- Modulating electronics to light dark fiber is eligible.
- Due to the equalization of fiber, eligible costs for lit vs dark fiber has been removed.

Eligible Category One Costs – Special Construction

- Special construction consists of
 - Design and engineering
 - Project management
 - Construction of network facilities.
- Special construction is limited to the one-time costs of physically deploying new or upgraded network facilities and services required to complete that deployment.
 - Does not include non-construction one-time costs such as Network Equipment or upfront IRU payments for dark fiber.

Eligible Category One Costs – Dark and Lit Fiber

- Eligible costs for new or existing lit fiber, dark fiber and self-provisioned broadband networks include:
 - Monthly charges
 - Special construction
 - Installation and activation
 - Network equipment (Includes modulating electronics and other equipment to make the broadband service functional)
 - Maintenance and operation charges.

Other Category One Modifications

- Integrated Services Digital Network (ISDN) is added to the list of eligible Voice Services.
 - ISDN must be selected in the Voice Services category if it is being used for voice.
- Data plans and air cards for mobile devices include additional explanations of eligibility.

Eligibility Limitations of Data Plans

- Data plans and air cards for mobile devices are eligible only:
 - If you can demonstrate that individual data plans are the most cost-effective option for providing internal broadband access for mobile devices or
 - Installing a Wireless Local Area Network (WLAN) is not physically possible.
- Seeking support for data plans or air cards for mobile devices for use in a school or library with an existing broadband connection and WLAN implicates the E-rate Program's prohibition on requests for duplicative services.

Cost Comparisons for Data Plans

- This can be accomplished by seeking and comparing bids for both WLANs and individual data plans.
- The comparison may not include likelihood of receiving Category Two support.
- Program rules require applicants to use the pre-discount cost of the service and not the post-discount cost when evaluating price as the primary factor.

Eligible Category Two Services - Firewall

- Firewall protection provided by a vendor other than the Internet access provider OR priced separately is considered Internal Connections.

Other Category Two Minor Clarifications

- Bug fixes, security patches and online and telephone-based technical assistance still do not have to demonstrate work being performed to receive BMIC support.
- Network monitoring and management functions remain eligible only as Managed Internal Broadband Services.

Eligible Services

Category Two Budgets

What are Category Two budgets?

- Each school or library receiving Category Two support between FY2015 and 2019 will have a five-year budget for Category Two products and services (those that distribute broadband *within* schools and libraries).
 - Category Two products and services include Internal Connections, Managed Internal Broadband Services, and Basic Maintenance of Internal Connections.
 - Products and services ordered in excess of an entity's Category Two budget will not receive E-rate discounts.
 - There is no budget for Category One services (those that connect broadband *to* schools and libraries).

Which entities have Category Two budgets?

- Each individual school and each library outlet or branch has a pre-discount budget. School districts or library systems may not average their costs across multiple school or library budgets.
- Non-instructional facilities (NIFs) – including school NIFs with classrooms and administrative buildings – do not have pre-discount budgets.
 - If a NIF is essential for the effective transport of information to or within a school or library, the applicant must allocate the NIF costs to the entities benefiting from the service while the costs for ineligible services to a NIF should be allocated out.

How much is my budget?

- The pre-discount budget for a school is calculated by multiplying the total number of students at the school by \$150, with a minimum of \$9,200 if the school has fewer than 62 students.
- The pre-discount budget for a library is calculated by multiplying the total area in square feet – including all areas enclosed by the outer walls of the library and occupied by the library – by \$2.30, with a minimum of \$9,200 if the library is less than 4,000 square feet.
 - Libraries located in cities and urbanized areas with a population of 250,000 or more are eligible for a budget of \$5 per square foot.

How much is my budget (cont'd)?

- Remember that the budget is PRE-DISCOUNT.
- For example, for a school with 1,000 students:
 - At the **85%** discount rate (the maximum discount rate for Category Two), the school will have a pre-discount budget of \$150,000, but may receive E-rate discounts of up to **\$127,500**.
 - At the **50%** discount rate, the school will have a pre-discount budget of \$150,000, but may receive E-rate discounts of up to **\$75,000**.

What period of time does my budget cover?

- The pre-discount budget calculation is for a five-year period, starting with the first funding year in which you receive Category Two support.
 - However, you can apportion your pre-discount budget in a manner that best meets your needs. You could spend all of it in FY2016, spend 1/5 each year, or any other combination up to your total.

Can my budget change from year to year?

- Your pre-discount budget in FY2016 is decreased based on all commitments where your entity is listed as a recipient starting with FY2015 commitments.
 - It could go up in FY2016 if your student count or square footage increases, or down if your student count decreases.

Can my budget change from year to year (cont'd.)?

- For existing schools: If your student count decreases in subsequent funding years, you do not need to repay the fund for money disbursed in excess of the five-year budget in years when your student count was higher.
- For new schools: If you overestimate your student count and exceed the five year pre-discount budget based on your actual student count, you must return any funds in excess of the allowable budget to USAC.

How do I allocate costs for shared services?

- On the FCC Form 471, you indicate how funding should be allocated among entities sharing services.
- Your allocation can be:
 - Straight-line (all entities share the cost equally)
 - Proportional (based on student count/square footage of each entity)
 - Specific (you specify each entity's share)

How are services counted against my budget?

- Any funding commitments that included your entity as a recipient of service in FY2015 count against your pre-discount budget for that entity.
- If funding is remaining on a funding request, you can file an FCC Form 500 to return the funding to USAC.
 - If entities are sharing the service, we will need specific information so that we know how to apply the returned funds to specific entities.
- If you need to return funds you will need to fill out a [Payment Identification Worksheet](#).

QUESTIONS?

Thank you!