

## E-rate Program

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# Category Two Budgets

January 6, 2015

## Housekeeping

- Audio is available through your computer's speakers
  - Audience will remain on mute during the presentation
- No live Q&A
- Recording will be available on-demand

## Today's Presenters

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## Overview

- What are Category Two budgets?
- Which entities have budgets?
- How much is my budget?
- Can my budget change from year to year?
- What period of time does my budget cover?
- How are services counted against my budget?
- How do I allocate costs for shared services?
- Examples

## What are Category Two budgets?

- Each school or library receiving Category Two support in FY2015 through 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.

## How much is my budget?

- There are TWO pre-discount budgets for libraries. Recognizing that the usage density in more densely populated areas is higher, the Commission adjusted the pre-discount budget for libraries located within cities and urbanized areas with a population of 250,000 or more, as identified by the Institute of Museum and Library Services (IMLS) locale codes of 11, 12, and 21.
  - NOTE: This change to the library budgets was adopted in the *Second E-rate Modernization Order* adopted by the Commission in December 2014.



## How much is my budget?

- The pre-discount budget for libraries in these IMLS codes of 11, 12, and 21 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 \$5.00, with a minimum of \$9,200 if the library is less than 1,840 square feet.
- For all libraries that are not located in the more urbanized areas identified by IMLS locale codes 11, 12, or 21, the pre-discount budget 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.

## 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**.
  - At the **20%** discount rate, the school will have a pre-discount budget of \$150,000, but may receive E-rate discounts of up to **\$30,000**.

## Can my budget change from year to year?

- Your pre-discount budget in FY2016 is decreased based on the commitments featuring your entity (e.g., on your application and on any other application with your entity number, such as on a consortium application) 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.

## 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 (FY2015 – FY2019) 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 FY2015, spend 1/5 each year, or any other combination up to your total.

## How are services counted against my budget?

- Any funding commitments that include your entity as a recipient of service (beginning 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.

## 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)

## Example 1

- My school has 200 students. How do I calculate my Category Two pre-discount budget?
  - 200 students x \$150 per student = \$30,000.



## Example 2

- My library (not located within the areas identified by IMLS locale codes 11, 12, or 21) is 3,500 square feet. How do I calculate my Category Two pre-discount budget?
  - 3,500 square feet x \$2.30 per square foot = \$8,050.
  - However, there is a \$9,200 floor. Since the result of the calculation is less than \$9,200, the pre-discount budget is \$9,200.

## Example 3

- My school has 100 students and a Category Two pre-discount budget of \$15,000. I plan to use the entire amount for FY2015. If we get 20 additional students for FY2016, how does this impact my pre-discount budget?

Calculate the budget each year using the total number of students that year.

- In FY2016, 120 students x \$150 per student = \$18,000.
- Subtract the pre-discount amount used in FY2015 to determine the amount available in FY2016. Subtract \$15,000 budget used in FY2015 from \$18,000.
- Available pre-discount budget for FY2016 is \$3,000.

## Example 4

- My library has a \$23,000 pre-discount budget. We used exactly half for FY2015. However, we were eligible for a 50% discount in FY2015 but are eligible for a 70% discount in FY2016. What is in my pre-discount budget for FY2016?
  - Half of the budget (\$11,500) was used in FY2015, so half (\$11,500) remains for FY2016.
  - Because the budget is PRE-DISCOUNT, a change in the E-rate discount does not change the budget.

## Example 5

- My school district has three schools – School A with 25 students, School B with 50 students, and School C with 75 students. How do I correctly allocate a shared service with a pre-discount cost of \$300?

### Straight line

$$A = \$100$$

$$B = \$100$$

$$C = \underline{\$100}$$

$$\$300$$

### Proportional by students

$$A = 25/150 \times \$300 = \$50$$

$$B = 50/150 \times \$300 = \$100$$

$$C = 75/150 \times \$300 = \underline{\$150}$$

$$\$300$$

### Specific (e.g., usage)

$$A \text{ uses } 30\% = \$90$$

$$B \text{ uses } 15\% = \$45$$

$$C \text{ uses } 55\% = \underline{\$165}$$

$$\$300$$

## Example 6

- On my FCC Form 471, I estimate that 90 students will attend a new school we are building. However, only 80 students actually register and attend. If I am at an 80% discount and I spent my entire pre-discount budget in FY2015, how much money must I return to USAC?
  - Original budget for FY2015 =  $90 \times \$150 = \$13,500$ 
    - E-rate discount of 80% is \$10,800 in E-rate funding
  - Actual budget should have been  $80 \times \$150 = \$12,000$ 
    - E-rate discount of 80% would have been \$9,600
  - $\$10,800 - \$9,600 = \$1,200$  to be returned.

**With questions, please contact us!**

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