

# E-Rate Eligible Services 101

October 12, 2023



Universal Service  
Administrative Co.

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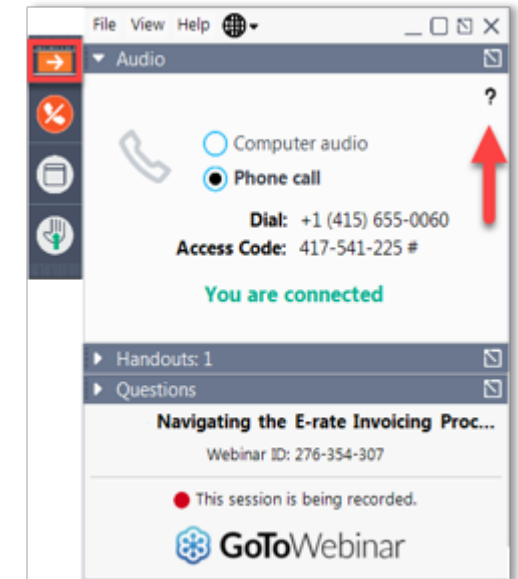
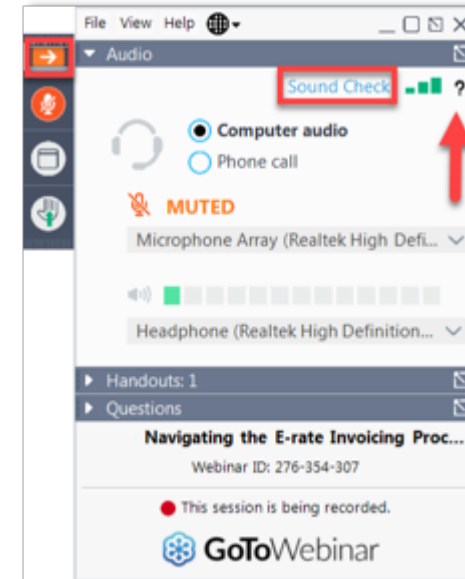
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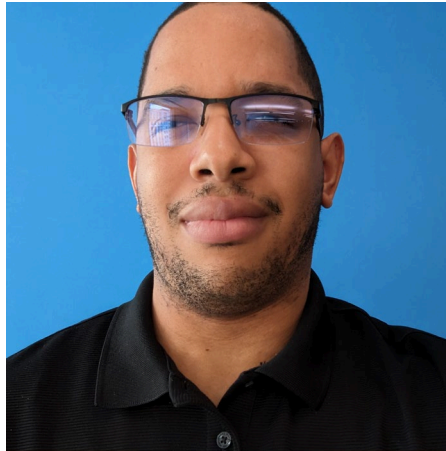
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# MEET THE TEAM



**Bernie Manns**

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**Derrick Harrison**

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# AGENDA

- Eligible Services List
- Types of Eligible Service
- BMIC Detail
- More on Eligible Services
- Early Installation
- Basic Fiber Concepts
- Questions



# Eligible Services List

# The Eligible Services List (ESL)

- Each year, before the opening of the application filing window, the FCC releases a list containing general guidance on the equipment and services that are E-Rate eligible for the upcoming funding year.



# Eligible Services List (ESL)

- The ESL also provides helpful information such as **eligibility conditions** for each category of service for each specified funding year.
- Applicants can only receive funding for eligible equipment and services that are being used **for educational purposes**.



# Eligible Services List (ESL)

- The Eligible Services List for Funding Year (FY) 2024 will be posted on the USAC website on the [Eligible Services List](#) webpage when it becomes available.
- This page also contains links to Eligible Services Lists for prior funding years.

# **Types of Eligible Service**

# Categories of Service

- Category 1 Services are services needed to support broadband connectivity **to eligible schools and/or libraries**
- Category 2 Services are
  - Services needed for broadband connectivity **within schools and/or libraries**, and
  - Services needed to bring broadband **into** and provide it **throughout** schools and libraries.

Products and services **may be fully or only partially eligible.**



# Categories of Service

- Category 1 Services include:
  - Internet Access
  - Data Transmission
- Category 2 Services include:
  - Internal Connections
  - Basic Maintenance of Internal Connections
  - Managed Internal Broadband Services
- There is no budget limit on Category 1 services.
- Category 2 services have a five-year budget, based on student count (schools) or square footage (libraries).
  - The current five-year budget cycle runs from FY2021 to FY2025.

# Category One Services – Service to the Entity - Examples

- Leased lit fiber or leased dark fiber
- Internet access
- Satellite service
- DS-1 (T-1), DS-3 (T-3), etc.
- DSL
- Broadband over power lines

# Category One Services – Service to the Entity – Eligible Costs

- Eligible costs associated with Category 1 service
  - Monthly charges
  - Special Construction
  - Installation and Activation charges
  - Software
  - Modulating electronics/equipment necessary to make an eligible Cat 1 broadband service functional
  - Maintenance and operations charges, including costs of for software needed for the operation of or maintenance of Network Equipment

Note: The draft FY 2024 clarified that the software necessary to operate or maintain Cat 1 network equipment is eligible.

# Types of Category Two Service

- **Internal Connections (IC)** - The equipment and services used to bring broadband into, and provide it throughout, schools and libraries.
- **Basic Maintenance of Internal Connections (BMIC)** – Basic maintenance and technical support appropriate to maintain reliable operation for eligible broadband **internal connections**.
- **Managed Internal Broadband Services (MIBS)** – Third-party operation, management, and monitoring of eligible broadband internal connections (owned or leased equipment).

Category 2 services have a five-year budget, based on student count (schools) or square footage (libraries).

The type of C2 service you select must be consistent between your FCC Form 470 and FCC Form 471.

# Category Two Service Type Examples

- **Internal Connections**
  - Cabling, routers, switches, and modems
  - Right-to-use software or Client Access Licenses
- **Basic Maintenance of Internal Connections (BMIC)**
  - The **repair and upkeep** of eligible cabling, routers, switches and modems.
  - Multi-year maintenance service subscriptions

Note: Only maintenance services **provided in the applicable funding year** are eligible in that year. (i.e., 1 year of a 3-year subscription should be requested on a current year funding request and invoiced a year at a time over the 3-year period)

- **Managed internal broadband services (MIBS)**
  - Managed Wi-Fi agreement

# BMIC Detail



# BMIC Types

- Basic Maintenance of Internal Connections is the **repair and upkeep of eligible internal connections**.
- Two types of BMIC are:
  - **In-Person Services**, which include on-site repairs (Time and Material Contracts)
  - **Remote Services**, to include Maintenance Support Services (such as, basic technical support, configuration changes, bug fixes, patches, software upgrades, support service subscription licenses, technical support licenses)
- The equipment being maintained must be eligible in order for the maintenance to be eligible for E-Rate support.
  - If repair or replacement work is performed under a maintenance contract, USAC only reimburses for the **actual work performed**.
- The [Eligible Services List](#) issued by the FCC defines eligible BMIC services each year.

# Examples of BMIC

- Repair and upkeep of eligible hardware (**In Person Services** /Time and Materials)
- Wire and cable maintenance (**In Person Services** /Time and Materials)
- Configuration changes (**Remote Services**/Maintenance Support Services)
- Basic technical support including online and telephone-based technical support (**Remote Services** /Maintenance Support Services)
- Software upgrades and patches including bug fixes and security patches (**Remote Services** / Maintenance Support Services)

Any license that provides a **maintenance functionality** should be requested under **BMIC** on the FCC Form 470/471 (not client access or right to use licenses).

# BMIC Services do not include

- **Actual Equipment** being maintained (e.g., cabling, access points, switches)
  - These are eligible under **Internal Connections**
- Unbundled warranties (Not Eligible for E-Rate Funding)
- Network management services, including 24-hour network monitoring (Eligible under **Managed Internal Broadband Services, MIBS**)
- The management, operation and monitoring of eligible broadband internal connections (Eligible under **Managed Internal Broadband Services, MIBS**)
- Maintenance on ineligible equipment (**Not Eligible** for E-Rate Funding)
- Internal connections software (**including Right to Use** and **Client Access Licenses to make equipment functional**): Internal connections software allows the equipment to function and distribute high-speed broadband. They do not provide support or maintenance, and are therefore, ineligible as BMIC. Such software is eligible as **Internal Connections**.

# Mixed Functionality

Some equipment has **mixed** BMIC & Internal Connections (IC) functionality.

- Some vendor licenses may include both **BMIC** & **IC** functionality such as **Right-to-Use** (RTU) and **Maintenance Services on the same license**.
- Split the license based on functionality (i.e., RTU and maintenance) into separate FRNs for BMIC and IC.
  - Contact the manufacturer or USAC's Customer Service Center (CSC) to obtain the breakdown for specific functionality that is included in a specific mixed services license.

Tip: During your competitive bidding process if you are seeking bids for RTU functionality and also maintenance subscription services be sure to post for all applicable service types on the FCC Form 470. (**i.e., IC and BMIC**).

# Mixed Functionality - Example

Some licenses or service subscriptions may have **mixed** BMIC & Internal Connections (IC) functionality.

- Question to ask: Is the “Prepaid Multiyear” license or subscription:
  - A right-to-use license and therefore an internal connections item?, or/and
  - Software upgrades and patches including bug fixes and security patches and therefore the SKU is basic maintenance of internal connections?

Tip: If it contains features of both types you should work with the vendor to determine if a separate identifiable price exist for the different aspects.

# If an Item is Misclassified on your FCC Form 471

After you receive your Funding Commitment Decision Letter, you may realize that a prepaid SKU (for example) was incorrectly classified as **Internal Connections** and should be classified as **BMIC**. The actions you take to remediate depend on the details.

- If you realize the error before the 60-day appeal period
- If you realize the error after the 60-day appeal period
- If the FCC Form 470 does not contain the category the item should be listed under, the form must be re-filed.



# Changing Service Types After Submitting FCC Form 471

- All services must be properly bid during the FCC Form 470 process.
- Be sure to confirm you are posting for all service categories that you are requesting bid responses on the FCC Form 470.
- FCC Forms 470 that sought the correct service type are required for corrections to be made on the FCC Form 471.
- To request changes identified after the FCC Form 471 is certified and **before the FCDL is issued**:
  - Submit a Receipt Acknowledgement Letter (RAL) modification request
- To request changes identified **after the FCDL is issued**:
  - Submit a Service Substitution request with a detailed narrative including:
    - Background information
    - Calculation for changes (single vs. multi-year)
    - Reason for the correction

## Time and Materials / On-Site Maintenance Example

- In-person repair of eligible internal connections equipment
- Billed at an hourly rate
  - Example: A cable is cut or frayed, and the service provider sends on-site maintenance to repair the cable.
- Applicant is billed for both the time and necessary materials to complete the repair.
- When invoicing E-Rate for Time and Materials BMIC, please provide the hours worked, the hourly rate, and the equipment being maintained.

# Maintenance Support Service (Single Year) Example

- Includes eligible BMIC services such as:
  - Ongoing operating system software updates and upgrades.
- May also includes an ineligible service:
  - Includes advanced security features like Intrusion Protection Systems or Deep Packet Inspection
  - Advanced or next-generation firewall or other network security services are not currently eligible in the E-Rate program.
- Check to see what services are eligible and ineligible in the E-Rate Eligible Service List (ESL).

# Maintenance Support Service (Cont.)

- Partially eligible BMIC support
  - Includes eligible and ineligible services.
    - Therefore, this subscription is **partially** eligible for BMIC support.
- Your service provider can provide more information regarding product/service eligibility and functionality including in a subscription offering.
- Contact our Customer Service Center for assistance (888) 203-8100.

# Multi-Year Maintenance Support Services

These are preventive and remedial services that physically repair or optimize hardware, including maintenance under contract and per-incident repair

- **Services are only eligible for one funding year at a time.**
- You must apply for funding for each year separately.
  - Example: A 3-year maintenance contact for \$12,000 can be submitted for reimbursement for each funding year associated for a maximum of \$4,000 per funding year.
  - Prorate the cost of the service for one year and only invoice after the services are received **for the applicable funding year.**
  - If services extend outside the funding year window, the invoice will be modified to only pay the current funding year services.
  - Inform the reviewer which year of the **multi-year** contract you are invoicing for.
    - Example: 3-year maintenance contract for **FY 2020 -2023**, when submitting your request for your 2nd year, indicate that fact to the reviewer.

# Multi-Year Maintenance Services Example

- Applicant received **3-year maintenance support subscription**, a 24-hour, 365 days a year service, to get the latest upgrades and updates.
- During the submission of the FCC Form 471 request, the applicant should:
  - Cost allocate the services by the term of the subscription and **only request funding and invoice for 1 year of the** services.
  - Each year submit a new FRN for one year of service.
- Since the applicant has already been billed by the service provider for the 3 years upfront, when invoicing USAC, the applicant/service provider would reference the same service provider bill from year one.
- The applicant/service provider should also explain to the reviewer why the date on the service provider bill is outside of the funding year.



## **More on Eligible Services**

# Budgeting by Category

- **Category One (C1)** services are not limited in cost as long as they are cost-effective.
- **Category Two (C2)** services are limited by a pre-discount cost ceiling (the “Category Two budget”)
  - Budget period is five years.
  - Budget is calculated based on:
    - Schools: number of full-time students in the school
    - Libraries: square footage of the library branch

# Recurring Services

- Services that are billed on a monthly basis – (e.g., broadband internet access service.)
- Must be received during the relevant funding year to be eligible for E-Rate funding.
  - For FY2024, this means that recurring services must be received between July 1, 2024 and June 30, 2025.

# Non-Recurring Services

- One-time charges for equipment and services that are delivered and installed (e.g., wiring, other cabling or wireless installations and equipment).
- Applicants and service providers have until September 30 following the close of the funding year to deliver and install non-recurring C2 services.
- For FY2024, this means non-recurring C2 services can be delivered from July 1, 2024 through September 30, 2025.
- This service delivery deadline can be extended under certain circumstances.

# Early Installation

# What is Early Installation?

- Some **Category One** non-recurring equipment can be installed as early as January 1, prior to the July 1 start of the funding year, if certain conditions are met.
- **Category Two** non-recurring services can be installed beginning April 1 before the start of the funding year.



# Early Installation – Category One

Early installation for non-recurring **Category One (C1)** equipment and services can occur provided the following conditions are met:

- Construction begins after selection of the service provider;
- The service provider must be selected pursuant to an FCC Form 470 posting;
- A C1 recurring service must depend on the installation of the infrastructure; and
- The C1 recurring service's actual start date is on or after July 1 of the funding year.

## Early Installation – Category Two

- Early installation of non-recurring **Category Two (C2)** equipment and services:
  - Services cannot start until after the **28-day competitive bidding process** is completed and the service provider is selected.



# Early Installation Reminders

- Funding is not guaranteed until USAC issues a funding commitment decision letter. (FCDL)
- Invoices (BEAR or SPI) cannot be dated before July 1 of the funding year.

# Basic Fiber Concepts

# Introduction to Fiber - Types of Eligible Fiber

## 1. Leased lit fiber

The applicant pays a monthly fee to the service provider who provides the fiber, the connections, the network equipment, and the data transport and/or internet access service. The service provider also manages and maintains the network.

## 2. Leased dark fiber

The applicant leases a portion of a fiber network owned by a service provider and pays separately for the network equipment, maintenance and operations, and data transport and/or internet access service over that fiber.

# Introduction to Fiber - Types of Eligible Fiber

## 3. Self-provisioned network

Applicant ownership of a high-speed broadband network. The applicant hires a vendor to construct the network or a portion of the network, and thereafter completely or partially owns and maintains that network or portion. An E-Rate eligible entity may share the equipment and services used to construct and/or operate a self-provisioned network supported by E-Rate funding with an ineligible third-party entity so long as the ineligible third-party entity pays its fair share of the costs (i.e., its pro-rata portion of the undiscounted costs of the network).

**Note:** Although included as a fiber option, a self-provisioned network may utilize technologies other than fiber. The applicant owns the network that it hires a service provider to construct. The applicant must pay for the network equipment, pay to maintain the network, and pay for any data transport and/or internet access services separately.

# Introduction to Fiber - Types of Eligible Fiber cont.

## 3. Self-provisioned network (cont.)

- Self-provisioned networks are a technology-neutral eligible service. Applicants may self-provision a fiber network, but applicants may also self-provision networks using other technologies (i.e., fixed microwave), or a mix of fiber and other technologies. In light of this, the FCC adopted a technology-neutral competitive bidding standard for self-provisioned networks – service provided over third party networks.
- If an applicant specifies a requested bandwidth that other providers can provide, the technology-neutral competitive bidding standard expands the competitive bidding pool and helps to ensure that applicants requesting E-Rate support for self-provisioned networks only do so when it is the most cost-effective service option to meet their connectivity needs. It is possible that based on the applicant's bandwidth specifications that fiber may be the only option for receiving the requested bandwidth.

# Fiber – What is Network Equipment?

- Network Equipment includes the electronics and equipment necessary to make a Category One fiber service functional.



# Fiber – What is Network Equipment?

- A single piece of Network Equipment (also called basic terminating equipment) is eligible under **Category One**.
  - The single piece must be located at the demarcation – the point at which the service provider would start to check if service were interrupted.
- Other pieces of Network Equipment can be eligible as **Category Two** Internal Connections.

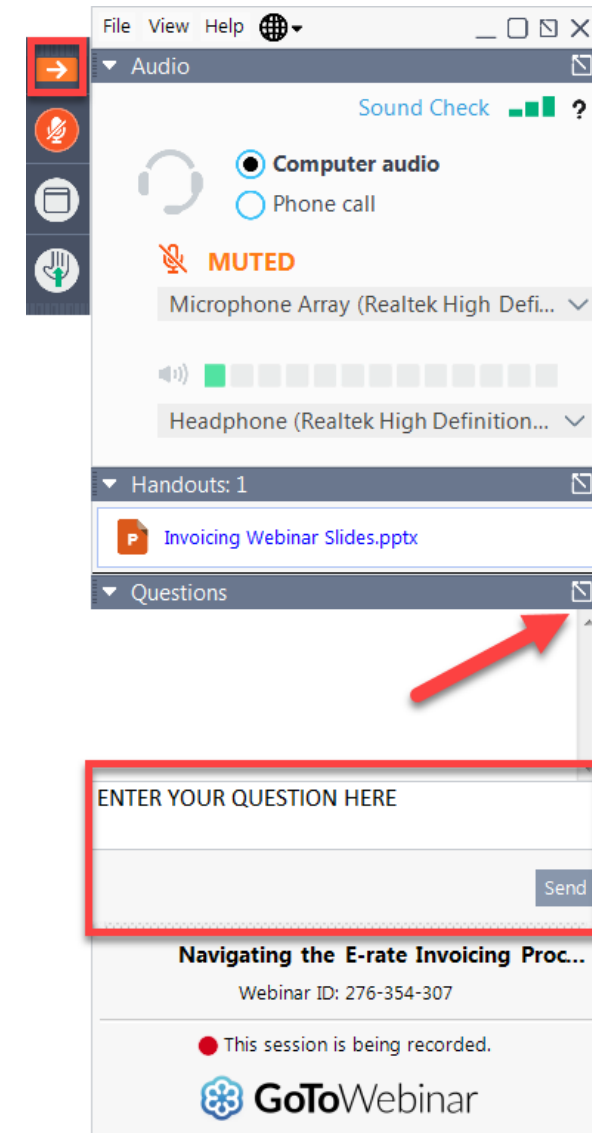
# Resources

- [Eligible Services Overview](#)
- [Eligible Services List](#)
- [Fiber – Summary Overview](#)
- [Fiber Frequently Asked Questions](#)
- [Eligible Services List \(ESL\) Glossary](#)



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# Questions

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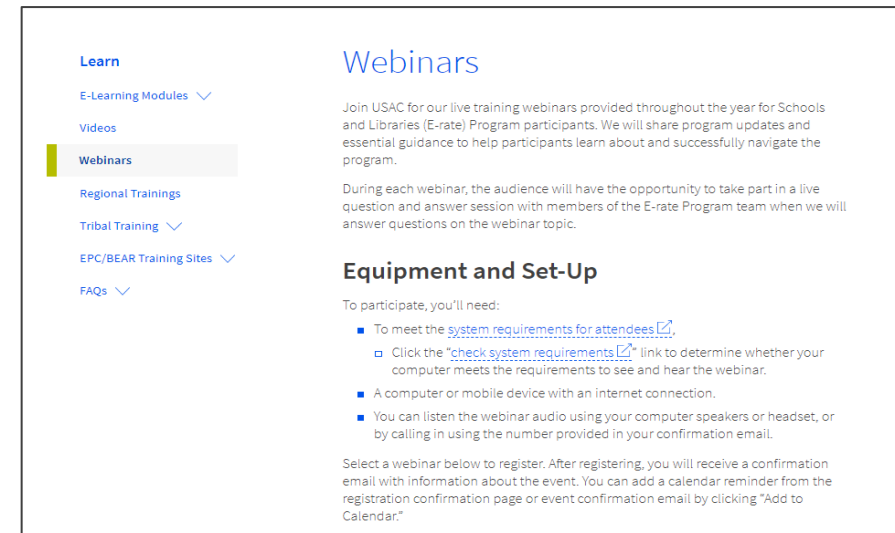
# Upcoming Webinars

**Our next webinar is on:  
October 17 at 2 p.m. ET**

## Category Two Budgets

**Recommended for:** Applicants and  
service providers

**E-Rate Experience Level:** All



The screenshot shows a web page with a sidebar on the left and a main content area on the right. The sidebar has a 'Learn' section with a yellow highlight, containing links for 'E-Learning Modules', 'Videos', 'Webinars' (highlighted with a yellow bar), 'Regional Trainings', 'Tribal Training', 'EPC/BEAR Training Sites', and 'FAQs'. The main content area is titled 'Webinars' and contains the following text: 'Join USAC for our live training webinars provided throughout the year for Schools and Libraries (E-rate) Program participants. We will share program updates and essential guidance to help participants learn about and successfully navigate the program.' Below this, it says 'During each webinar, the audience will have the opportunity to take part in a live question and answer session with members of the E-rate Program team when we will answer questions on the webinar topic.' The section 'Equipment and Set-Up' follows, stating 'To participate, you'll need:' and listing three items: 'To meet the system requirements for attendees' (with a link), 'Click the "check system requirements" link to determine whether your computer meets the requirements to see and hear the webinar.', 'A computer or mobile device with an internet connection.', and 'You can listen the webinar audio using your computer speakers or headset, or by calling in using the number provided in your confirmation email.' At the bottom, it says 'Select a webinar below to register. After registering, you will receive a confirmation email with information about the event. You can add a calendar reminder from the registration confirmation page or event confirmation email by clicking "Add to Calendar."'

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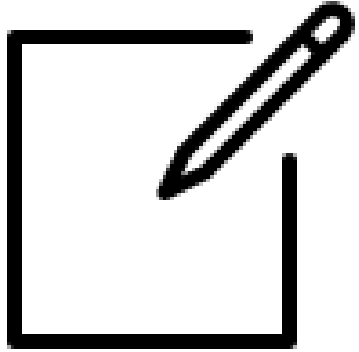
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**Thank You!**



