FY2023 E-Rate Eligible Services Webinar
E-Rate Program Participant Webinar
January 5, 2023
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MEET THE TEAM

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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 products 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 products or services that are being used *for educational purposes*.
Eligible Services List (ESL)

• The Eligible Services List for Funding Year (FY) 2023 is 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
  • The 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 square footage (libraries) or student count (schools)
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

There is no budget limit on Category 1 services
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 square footage (libraries) or student count (schools)

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., a 3-year subscription should be 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 products 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 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 for a specific mixed services license.
Mixed Functionality - Example

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

- **Question:** Is a “Prepaid Multiyear” SKU:
  - A right to use license and therefore an internal connections SKU
  or
  - Software upgrades and patches including bug fixes and security patches and therefore the SKU is basic maintenance of internal connections?
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, it has to be re-filed.
Changing Service Types After Submitting FCC Form 471

- All services must be properly bid during the FCC Form 470 process.
- Ensure your FCC Form 470 clearly explains what licenses you are seeking bids on.
- 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)
- To request changes identified **after the FCDL is issued:**
  - Submit a Service Substitution request with a detailed narrative
    - 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): Cisco Smartnet Example

- Includes eligible BMIC services such as:
  - Full-time global access to the Cisco Technical Assistance Center.
  - Ongoing operating system software updates and upgrades.
- Also includes an ineligible service:
  - *Next business-day advanced hardware replacement* = Unbundled Warranty
    - Next business-day advanced hardware replacement is an ineligible BMIC service because it is considered an unbundled warranty and purchased as a retainer (i.e., the customer **pays in advance** for professional work to be specified later) not as an actual maintenance service.
- Check to see what services are eligible and ineligible in the [E-Rate Eligible Service List (ESL)](https://example.com/esl).
Maintenance Support Service (Single Year) Continued

• Cisco Smartnet
  • Includes eligible and ineligible services.
  • Therefore: Cisco Smartnet is \textit{partially} eligible for BMIC support.

• Your service provider can provide more information regarding product/service eligibility.

• Contact our Customer Service Center for assistance
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 contract 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 a 3-year Premium support, 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 year and **only invoice for 1 year of the** services.
  - Each year submit a new FRN for each respective year of service.

- Since the applicant has already been billed for the 3 years upfront, when providing an invoice, the applicant/service provider would use the same invoice from year one.

- The applicant/service provider should also explain to the reviewer why the bill date is outside of the funding year as the services were prepaid during year one.
Modified Reimbursement for BMIC Services

When would a BMIC request not be reimbursed in full?

- Maintenance was performed on ineligible/partially eligible equipment.
- BMIC license was only **partially eligible** for funding - such as Cisco Smartnet (previously discussed)
- Reimbursement request included reimbursement for **future months of service**.
  - BMIC invoices are only reimbursed **after the services have been delivered** for the applicable funding year.
BMIC Reimbursement Overview

• Overview of a 2021 BMIC FRN

  • An applicant or service provider may not invoice for the full $96 discounted amount unless the services are provided. BMIC services must be invoiced based on the amount of BMIC services received.

  • The discount amount can be invoiced in different ways so long as it is after the services are received.

  • For example, if services are delivered monthly, the submitter may:
    • Invoice monthly after services are received ($96 / 12 months) = $8 / month
    • Invoice quarterly after services are received ($96 / 4 quarters) = $24 / quarter
    • Invoice annually after all services are received = $96 / annually
Reimbursement Example

• If the submitter is receiving consistent monthly services (such as with a maintenance support service), the submitter should only invoice for the current month.
Invoicing for BMIC Services

• When should you invoice for BMIC services?
  • After services were received; reimbursements will be reduced to remove any future dates of service.

• Steps to take before invoicing:
  • Check the E-Rate eligible services list to ensure services requested are eligible.
  • Check your service provider’s website or contact the E-Rate Customer Service Center to get an estimate of the eligibility percentage of the service.
  • Invoice accurately by **removing ineligible portions of your product / service**
    • Your invoice payment will be reduced by the ineligible amount so that **only the eligible portion of the services are reimbursed through the E-Rate program**.
  • Obtain hourly rate information for any fixed-price contracts, invoice E-Rate at the hourly rate and include these details in the contract documentation (September 6, 2019 News Brief).
  • Ensure you are only invoicing for BMIC services that **have been received**.
    • Invoice **up to the current month** for services received.
    • Multi-year contracts are only eligible for one funding year at a time.
Streamlining BMIC Reviews: Tips for Success

• To shorten the invoice review process, the applicant may choose to upload a copy of their contract for BMIC services to the contract record after filing their FCC Form 471.
  • If a contract cannot be provided, other relevant documentation can include a bill, quote or a copy of a legally binding agreement.
• Check the Eligible Services List (ESL) before submitting your invoice to ensure your equipment/services meet eligibility requirements.
• Obtain an hourly rate from your service provider for time and materials / on-site BMIC services
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 FY2023, this means that recurring services must be received between July 1, 2023 and June 30, 2024.
Non-Recurring Services

- One-time charges for services and/or equipment that are delivered and installed (e.g., wiring, other cabling or wireless installations and equipment).
- Applicants and service providers have until September 30 of the relevant funding year to deliver and install non-recurring C2 services.
- For FY2023, this means non-recurring C2 services can be delivered from July 1, 2023 through September 30, 2024.
- This service delivery deadline can be extended under certain circumstances.
Early Installation
What is Early Installation?

• Some **Category One** non-recurring components 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** 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 Category One recurring service must depend on the installation of the infrastructure; and
- The Category One 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** services:
  • Services cannot start until after the **28-day competitive bidding process** is completed and the service provider is selected.
  • Funding is not guaranteed until USAC issues a funding commitment decision.
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 services and equipment 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 undiscouned 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.
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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