

CATEGORY TWO BUDGETS: FY2015-FY2019 TEST PERIOD AND FY2020 TRANSITION YEAR

Table of Contents

Category Two (C2) Budgets FY2015-2019	3
C2 Budget Tools.....	3
Which entities have C2 budgets?	3
How do I calculate the C2 budget for a school?	4
How do I calculate the C2 budget for a library?	4
How are the C2 budgets adjusted by inflation each funding year?	5
What time period does my C2 budget cover?	5
Can my C2 budget change from year to year?	6
How is the cost of services counted against my C2 budget?	6
Category Two (C2) Budgets for FY2020.....	7
FY2020 is a transition year	7
C2 budget multipliers and the budget floor	7
All applicants will have a prorated portion of C2 funding available for FY2020.....	7
Applicants will not be able to carry over remaining FY2020 C2 budget amounts to FY2021.....	8
FY2020 C2 Budget Tool	8
FAQs: Category Two (C2) Budgets	9
C2 Budgets	9
Q1: Does E-rate program funding received prior to Funding Year (FY) 2015 count against the five-year budget for Category Two (C2) purchases?.....	9
Q2: How long will the C2 budgets be in effect?.....	9
Q3: The cost to update the network and maintain the eligible equipment exceeds my budget. If I spend more than my budget will that affect my E-rate program request?.....	9
Q4: Are contracts for managed internal broadband services limited to \$30 per student (or a fifth of the per square foot library budget) each year?	9
Q5: What happens if my plans change and I can't use all of the Category Two funding committed in a year? Can I reduce or cancel funding that USAC has already approved for the current funding year to "free up" money in its budget for the next funding year's requests?.....	9
Q6: How do I indicate which products or services should be counted against which budgets?	10

Q7: Can school districts or library systems shift funds or average costs between their schools and libraries?.....	10
Q8: If a school or library receives C2 equipment that was purchased with E-rate program support from another school or library that is closing, would that have any effect on the school's five-year C2 budget?	10
Q9: Are the service substitution requirements – which permit applicants to replace an approved purchase with a similar purchase, under limited conditions – still in effect?	10
Q10: How does a tech center that houses internal connections equipment, like a central switch, get C2 support?	10
Q11: Are NIFs with classrooms eligible for a C2 budget?	11
Q12: Are residential facilities of a school eligible for a C2 budget?	11
Schools.....	11
Q13: Can a school's budget change from year to year?.....	11
Q14: How do I count part-time students?	11
Q15: How do I count virtual students?	11
Q16: What types of documentation should I have in order to validate a regular increase in enrollment due to part-time students?	11
Q17: What happens if I spend my school's entire C2 budget and then my student population decreases in a subsequent year? Do I have to return any funding?	12
Q18: How should new schools determine their C2 budgets before they have enrolled students?	12
Q19: If a new school estimates that it will have 1,000 students in FY2015, but only 800 enroll, what happens?	12
Libraries.....	13
Q20: Can a library's budget change from year to year?.....	13
Q21: How should a library determine its square footage for purposes of determining its C2 budget? Can it include outdoor spaces that get Wi-Fi service?	13
Q22: How should libraries count the square footage of bookmobiles?	13

Category Two (C2) Budgets FY2015-2019

Equipment and services eligible for universal service Schools and Libraries (E-rate) program discounts are divided into [Category One \(C1\)](#) and [Category Two \(C2\)](#).

Starting in Funding Year (FY) 2015, each school or library receiving C2 support has a five-year, pre-discount budget for those products and services based on the number of students in the school or the number of square feet of the library branch (outlet). (There is no budget for C1 services.)

- The first year that an eligible school or library receives E-rate program support for C2 services and equipment will be the first year of its five-year budget.
- A school or library can decide if it wants to spend all of its C2 budget in one year or if it wants to use the budget over any of the five years.
- Eligible C2 products and services for each funding year are included in the annual [Eligible Services List](#).
- Each school or library can receive discounts on eligible C2 equipment and services up to its pre-discount budget amount.

C2 Budget Tools

The C2 Budget Tools include information on C2 budget calculations and commitment information.

- The [FY2015 – FY2019 C2 Budget Tool](#) provides C2 budget information for FY2015 through FY2019 only.
 - See the [FY2015 – FY2019 Category Two Budget Tool User Guide](#) for additional information.
- The [FY2020 C2 Budget Tool](#) provides information about the **expected** FY2020 C2 budget for an entity based on the information in that entity's current profile in EPC. It also allows a user to manually enter a projected student count and display a projection of the entity's C2 budget based on the entered data.
 - See [FY2020 C2 Budget Tool – Instructions](#).

Note that these tools do not have information on pending FCC Form 500 requests, pending appeals, or pending funding requests, but can be used to assist applicants planning for their spending.

Which entities have C2 budgets?

Each individual school and each library outlet/branch has a C2 budget. School districts and library systems cannot average their costs across multiple school or library budgets.

Non-instructional facilities (NIFs) do not have C2 budgets. If a NIF is essential for the effective transport of information to or within a school or library, the applicant must allocate the cost of the eligible product or service associated with the connection through the NIF to the entities benefiting from the service. However, costs specific to the NIF itself must be cost-allocated and removed from any C2 funding request.

- School NIFs are school buildings or buildings on school property that generally do not have classrooms – e.g., administrative buildings, school bus barns and garages, cafeteria offices, and facilities associated with athletic activities. However, even school NIFs that have classrooms do not have C2 budgets.
- Library NIFs are library buildings or buildings on library property without public areas – e.g., administrative buildings, bookmobile garages, interlibrary loan facilities, and library technology centers.

How do I calculate the C2 budget for a school?

To calculate the C2 budget for a school, multiply the number of students who attend the school by the C2 multiplier for the appropriate funding year. To calculate the number of students who attend the school, add the total number of full-time students to the number of peak part-time students (if any). The number of peak part-time students is the greatest number of part-time students at a single point during the school day, not the total number of part-time students that attend the school during the course of the entire school day.

The C2 multiplier for schools was set at \$150.00 in FY2015 and is increased for inflation each subsequent year. If this calculation results in a figure below the budget floor allocated for that funding year, the C2 budget for the school is the budget floor.

If a student attends more than one school (e.g., if the student from one school attends a vocational training school each afternoon), both schools can count that student for the purpose of calculating their respective C2 budgets.

How do I calculate the C2 budget for a library?

First, add up the total square footage for all floors occupied by the library branch/outlet and enclosed by the outer walls of the library branch/outlet, including those areas off-limits to the public. This is the same floor area data annually collected by the Institute of Museum and Library Services (IMLS). Libraries cannot include patios or other outdoor spaces such as parking lots unless they are enclosed by the outer walls of the library.

Bookmobiles calculate the square footage of the area enclosed by the outer walls of the bookmobile. Generally, a bookmobile's C2 budget will be the budget floor.

To calculate the budget for a library, multiply the total area of the library in square feet, including all areas enclosed by the outer walls of the library and occupied by the library, by the C2 multiplier for the appropriate funding year. The C2 multiplier for libraries was set at \$2.30 or \$5.00 (depending on IMLS Locale Code) in FY2015 and is increased for inflation for each subsequent year. If this calculation results in a figure below the budget floor allocated for that funding year, the C2 budget for the library is the budget floor.

How are the C2 budgets adjusted by inflation each funding year?

Entity Type	FY2015 Pre-Discount C2 Budget Calculation	FY2016 Pre-Discount C2 Budget Calculation	FY2017 Pre-Discount C2 Budget Calculation	FY2018 Pre-Discount C2 Budget Calculation	FY2019 Pre-Discount C2 Budget Calculation
Schools	(Total number of students) x \$150.00	(Total number of students) x \$151.50	(Total number of students) x \$153.4695	(Total number of students) x \$156.231951	(Total number of students) x \$159.669053922
Libraries with IMLS Locale Codes 11, 12, or 21	(Total square feet) x \$5.00	(Total square feet) x \$5.05	(Total square feet) x \$5.11565	(Total square feet) x \$5.2077317	(Total square feet) x \$5.3223017974
All Other Libraries	(Total square feet) x \$2.30	(Total square feet) x \$2.323	(Total square feet) x \$2.353199	(Total square feet) x \$2.395556582	(Total square feet) x \$2.448258826804
Budget Floor	\$9,200.00	\$9,292.00	\$9,412.80	\$9,582.23	\$9,793.04

What time period does my C2 budget cover?

C2 budgets are subject to a five-year cycle beginning with the first funding year in which you receive support for C2 services or equipment. However, the budgets can be used as needed, and schools and libraries are not required to use one-fifth of their budgets each funding year.

- For a school district, the first year of the C2 budget for ALL of the individual schools in the school district is the first year in which ANY individual school in the school district receives a

positive commitment from USAC on a C2 funding request.

- For a library system, the first year of the C2 budget for ALL of the individual library branches in the library system is the first year in which ANY library branch in the library system receives a positive commitment from USAC on a C2 funding request.

Can my C2 budget change from year to year?

Yes, your budget could increase or decrease from one funding year to the next.

- Your budget could increase from the previous funding year's budget if your student count increases or you build an addition to your library, or it could decrease if your student count decreases or you downsize the internal area of your library.
- For existing schools, if you have used your entire budget for a funding year and your student count for the following funding year decreases, you do not have to repay the money disbursed in excess of the C2 budget.
- For new schools or new construction, however, if you overestimate your student count and exceed the five-year pre-discount budget the next funding year, you must return any funds disbursed in excess of the actual discount amount calculated from the allowable budget.

Remember that the amount of funding available for a funding year is impacted by commitments featuring your school or library for all funding years within your five-year cycle. These commitments could be featured on an application you file or an application filed on your behalf, such as a consortium application.

How is the cost of services counted against my C2 budget?

On the FCC Form 471, each applicant will allocate the cost of the C2 services and/or equipment to the entities sharing the services and/or equipment. Each amount allocated to a particular school or library will count against the C2 budget for that school or library.

Remember that your C2 budget is based on the pre-discount cost of the products and services allocated to your school or library. A change in your E-rate program discount percentage from year to year does not affect the amount of your C2 budget.

For additional information about C2 Budgets, see the [C2 Budget FAQs](#).

Category Two (C2) Budgets for FY2020

The FCC issued Report and Order [FCC 19-117](#) to permanently extend the Category Two (C2) budget approach with some modifications.

FY2020 is a transition year

FY2020 will act as a transition year (effectively a sixth year) between the original C2 budget test period and the permanent changes that will take effect starting in FY2021. Other than the prorated amount of C2 funding available to all applicants, there are no changes to the C2 budgets for FY2020.

C2 budget multipliers and the budget floor

In a Public Notice (DA 19-1301, released December 19, 2019) the FCC released the budget multipliers and funding floor for FY2020. The multipliers and funding floor for the FY2020 transition year are as follows:

- Schools – \$195.63 per student
- Libraries with Institute of Museum and Library Services (IMLS) locale codes 11, 12, or 21 – \$6.52 per square foot
- Libraries with all other IMLS locale codes – \$3.00 per square foot
- Entities at the funding floor – \$11,998.43.

All applicants will have a prorated portion of C2 funding available for FY2020.

C2 budgets will continue to be calculated on an individual school or individual library basis. The C2 budget for an individual school will be the sum of the number of full-time and peak part-time students multiplied by the specific per-student number (multiplier).

The C2 budget for an individual library will be the total square footage of the library multiplied by a multiplier. There will be two different multipliers: one for libraries with an IMLS locale code of 11, 12, or 21 and another for libraries with other IMLS locale codes.

For new school construction, schools can estimate the number of students that will attend the school. If you overestimate your student count and you spend all of your C2 budget based on that estimate, you will have to return the discount share of the difference between your estimated total C2 budget and your actual C2 budget.

To determine an applicant's remaining C2 budget, calculate the total budget and then subtract the pre-discount costs of approved C2 commitments from FY2015 through FY2019. Applicants will be able to use any unused funding from the C2 budget test period, which the Report and Order extended to six years.

For C2 equipment located in non-instructional facilities (NIFs), applicants must allocate the cost of the equipment among the entities using the equipment. If the NIF is also using the equipment, the NIF's share of the cost of the equipment must be deducted from the funding request.

Managed internal broadband services, caching, and basic maintenance of internal connections continue to be eligible as C2 services. Refer to the FY2020 Eligible Services List for information on the eligibility of products and services.

Applicants will not be able to carry over remaining FY2020 C2 budget amounts to FY2021.

C2 budgets for all applicants will be reset in FY2021, so be sure to plan accordingly when submitting your funding requests for FY2020.

FY2020 C2 Budget Tool

The [FY2020 C2 Budget Tool](#) provides information about the **expected** FY2020 C2 budget for an entity based on the information in that entity's current profile in EPC. It also allows a user to manually enter a projected student count and display a projection of the entity's C2 budget based on the entered data.

- See [FY2020 C2 Budget Tool – Instructions](#).

Note that these tools do not have information on pending FCC Form 500 requests, pending appeals, or pending funding requests, but can be used to assist applicants planning for their spending.

FAQs: Category Two (C2) Budgets

C2 Budgets

Q1: Does E-rate program funding received prior to Funding Year (FY) 2015 count against the five-year budget for Category Two (C2) purchases?

A1: No. In FY2015, all schools and libraries are eligible for the full amount of their five-year Category 2 (C2) budgets. The first year that a school or library receives funding for C2 services and/or equipment will be the first year of the five-year period.

Q2: How long will the C2 budgets be in effect?

A2: The C2 budgets are in effect for schools and libraries that receive C2 funding for one or more funding years between FY2015 and FY2019. The first year that an eligible school or library receives E-rate program support for C2 services and/or equipment will be the first year of its five-year funding cycle for its C2 budget.

Q3: The cost to update the network and maintain the eligible equipment exceeds my budget. If I spend more than my budget will that affect my E-rate program request?

A3: No. Although the C2 request limits what the E-rate program will reimburse, you can spend more than your C2 budget as long as you pay for those additional products and services using non-E-rate funds.

Q4: Are contracts for managed internal broadband services limited to \$30 per student (or a fifth of the per square foot library budget) each year?

A4: No. You can decide how to spend your Category Two (C2) budget. You can, for example, choose to spread your C2 budget evenly over five years, or you can spend your entire C2 budget in the first year, regardless of the C2 service type. Remember that if you have a multi-year contract, you can only receive reimbursement for the portion of the contract that is delivered during the funding year. You will have to request E-rate program funding for each year of a multi-year contract.

Q5: What happens if my plans change and I can't use all of the Category Two funding committed in a year? Can I reduce or cancel funding that USAC has already approved for the current funding year to "free up" money in its budget for the next funding year's requests?

A5: Yes. If you find that you will not spend the entire amount of C2 funding that USAC has committed in a particular funding year, you can file an FCC Form 500 to return unused funds. School districts and library systems may need to provide additional information so that you and USAC are in agreement

about the impact on a particular school or library outlet's five-year budget.

Q6: How do I indicate which products or services should be counted against which budgets?

A6: In the FCC Form 471, you will indicate which school or library is getting the products and services in a Funding Request Number (FRN). For C2 FRNs, you will list the entities sharing that service and then indicate how much of the FRN line item costs should be allocated to each school or library. A single FRN line item for the same product or service can include multiple schools or libraries, each with their own cost allocation.

Q7: Can school districts or library systems shift funds or average costs between their schools and libraries?

A7: No. C2 funds must be spent for the specific school or library for which they are allotted. These funds cannot be shifted or averaged across your school district or library system.

Q8: If a school or library receives C2 equipment that was purchased with E-rate program support from another school or library that is closing, would that have any effect on the school's five-year C2 budget?

A8: No.

Q9: Are the service substitution requirements – which permit applicants to replace an approved purchase with a similar purchase, under limited conditions – still in effect?

A9: Yes. If you need to request a service substitution, remember to follow the guidance on USAC's website to request approval for such substitution requests.

Q10: How does a tech center that houses internal connections equipment, like a central switch, get C2 support?

A10: Although NIFs do not get C2 budgets of their own, to the extent that a NIF houses a piece of shared equipment that is essential to connecting a school's or library's network to the internet, the cost of that equipment can be allocated among the budgets of the schools or libraries that are sharing that piece of equipment.

If the equipment is also used by the NIF itself, then an appropriate portion of the cost must be allocated to the ineligible NIF and removed from the funding request. When completing your application, if you have shared equipment that is located in a NIF, you must indicate in the "Narrative" section of the funding request in which NIF the piece of equipment is located.

Q11: Are NIFs with classrooms eligible for a C2 budget?

A11: No. Starting in FY2015, there is no longer a distinction between NIFs and NIFs with classrooms, since all entities within in a school district qualify for the same, single discount rate and NIFs are not eligible for their own C2 budget.

Q12: Are residential facilities of a school eligible for a C2 budget?

A12: No, residential facilities are not eligible for a separate C2 budget. If, however, the residential facility is eligible for E-rate program funding because it serves unique populations as set out in paragraph 31 of the [Sixth Report and Order](#), the cost of the internal connections, basic maintenance of internal connections or managed internal broadband services for the dormitory can come from the associated school's C2 budget.

Schools

Q13: Can a school's budget change from year to year?

A13: Yes, a school's C2 budget is based on the school's student count, and therefore it can increase or decrease year to year.

Q14: How do I count part-time students?

A14: Schools may count part-time students for the purposes of determining the school's C2 budget. However, schools should include part-time students in their student count only when doing so regularly increases the maximum number of students on the school premises at the same time during the school day. For example, a vocational school that has 100 students in the morning and 100 different students in the afternoon should report a student count of 100. However, students attending after-school activities or after-school events cannot be included in the student counts.

Q15: How do I count virtual students?

A15: Students who attend a virtual class that originates at a school, but who are not on the school premises, cannot be counted in that school's student count for the purposes of C2 budgets.

Q16: What types of documentation should I have in order to validate a regular increase in enrollment due to part-time students?

A16: Acceptable third-party documentation of full- and part-time students can include, for example, an official state report or state website indicating the total numbers of full and part-time students, or other types of documentation held by the school or school district that will help ensure a timely review of the indicated student counts.

Q17: What happens if I spend my school's entire C2 budget and then my student population decreases in a subsequent year? Do I have to return any funding?

A17: No, schools with decreasing student counts do not have to repay funding received in prior years in excess of the current year's budget. There is an exception, however, for new schools, as discussed immediately below.

Q18: How should new schools determine their C2 budgets before they have enrolled students?

A18: If you are applying for a new school that has not yet opened, you can determine your C2 budget based on an estimate of the number of students that will attend that school in the upcoming funding year. However, in order to decrease the incentive for schools to overestimate student counts to obtain more funding, these schools will be required to repay USAC in the subsequent funding year for any E-rate program support received in excess of the available budget based on the actual student enrollment. The school should report the actual student count to USAC within the year. USAC will follow up with the schools to determine their actual student enrollment counts and will seek recovery of funds if necessary.

Q19: If a new school estimates that it will have 1,000 students in FY2015, but only 800 enroll, what happens?

A19: A new school may request C2 services based on the estimate of 1,000 students, but it will have to repay any support received in excess of available funding based on actual enrollment.

Funding Year	Student Count	Five-year Pre-Discount Budget	Five-year Post-Discount Amount
2015 (Estimate)	1,000	$1,000 * \$150 = \$150,000$	$\$150,000 * 50\% = \$75,000$
2015 (Actual)	800	$800 * \$150 = \$120,000$	$\$120,000 * 50\% = \$60,000$

For the example above, the school would have to return any committed support above \$60,000, which is the C2 post-discount amount based on the actual student population. If the school requested and received commitments for their entire C2 budget based on the estimated student population (\$75,000), USAC would then rescind commitments for the difference between the actual and the estimated budget amounts, which in this case would be \$15,000.

Libraries

Q20: Can a library's budget change from year to year?

A20: Yes, a library's C2 budget is based on the library's square footage. If a library increases its square footage, its budget can increase.

Q21: How should a library determine its square footage for purposes of determining its C2 budget? Can it include outdoor spaces that get Wi-Fi service?

A21: To determine a library's C2 budget, add up the total square footage for all floors occupied by the library and enclosed by the outer walls of the library, including those areas off-limits to the public. This is the same floor area collected by the Institute of Museum and Library Services (IMLS) annually. Libraries cannot include patios or other outdoor spaces such as parking lots unless they are enclosed by the outer walls of the library.

Q22: How should libraries count the square footage of bookmobiles?

A22: They should be counted like any other library – count the area enclosed by the outer walls of the bookmobile. Generally, bookmobiles would qualify for the funding floor.