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#### **Making Category Two Funds Go Farther**

- \$1B funding target in FY 2015 and FY 2016 for Category Two funding.
- If Category Two demand exceeds available funds, prioritize based on discount rate.
- If there are insufficient funds in a single discount rate, prioritize based on the percentage of students that are eligible for free and reduced school lunches within each applicant's school district.
- Top Category Two discount rate now 85% instead of 90%.
- Two-in-Five rule not in effect for FY 2015 and FY 2016.

E-rate Modernization Order Webinar | November 2014





#### **Applicant Category Two Budgets**

- School budgets are \$150 per student PRE-DISCOUNT based on the count of full time and part time students at that school with a floor of \$9,200.
- Library budgets are \$2.30 PRE-DISCOUNT times the square footage of the library (inside the four walls) with a floor of \$9,200.
- Budgets are recalculated every year based on current student population or square footage, and can go up or down.
- Any funding commitments that include an entity as a recipient of service in FY 2015 will count against the pre-discount budget for that entity in FY 2016.





#### **Applicant Category Two Budgets**

- Each individual school and each library outlet or branch has a Category Two budget.
- Non-instructional facilities (NIFs) including school NIFs with classrooms and administrative buildings – do not have Category Two 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.
- Districts or library systems may not average their costs across multiple school or library budgets.





## **Applicant Category Two Budgets Example**

- Red School District qualifies for a 50% discount rate.
- There are 1,000 students in total. High School has 550 students but 10 middle school students also take advanced classes there.

| School            | F/T & P/T<br>Students | Pre-discount Category Two Budget | Post-discount<br>Category Two Budget |
|-------------------|-----------------------|----------------------------------|--------------------------------------|
| Red Elementary    | 100                   | 100*150 = \$15,000               | \$15,000*0.5 = \$7,500               |
| Red Middle School | 300                   | 300*150 = \$45,000               | \$45,000*0.5 = \$22,500              |
| Mountain Top ES   | 50                    | 50*\$150 = \$9,200 (floor!)      | \$9,200*0.5 = \$4,600                |
| Red High School   | 560                   | 560*\$150 = \$84,000             | \$84,000*0.5 = \$42,000              |
| District Office   | 0                     | \$0 (NIFs don't qualify)         | \$0 (NIFs don't qualify)             |







#### **Reorienting Support to High Speed Broadband**

- Focus on providing support for broadband, removes eligibility of other services.
- Category One services now ineligible:
  - Web hosting, voicemail, email, and texting
  - Outdated or legacy voice services including, but not limited to:
    - Paging service
    - · Inside wire maintenance
    - Custom calling service





#### **Phasing Down Support for Voice**

- The discount rate for all voice services will be reduced by 20 percentage points beginning in FY 2015, and reduced by an additional 20 percentage points each subsequent funding year.
- Applies to all costs incurred for the provision of telephone services and circuit capacity dedicated to providing voice services, including:
  - Local phone service, long distance service, plain old telephone services, radio loop, 800 service, satellite telephone, shared telephone service, Centrex, wireless telephone service such as cellular, and interconnected VoIP.





#### **Phasing Down Support for Voice Example**

- Big Red School District has 10,000 students of which 7,000 students are eligible for NSLP giving the district an 80% discount.
  - Big Red School District seeks \$100,000/year for their local and long distance VOIP service.
  - Local and long distance VOIP is subject to the phase down
  - FY 2015: \$100,000 x (80-20)% = \$60,000 post-discount
  - FY 2016: \$100,000 x (80-40)% = \$40,000 post-discount
  - FY 2017: \$100,000 x (80-60)% = \$20,000 post-discount





#### **Cellular Data Connections**

- Data plans and air cards are eligible only if a school or library can demonstrate that individual data plans are the most costeffective options for providing internal broadband access.
- Must be able to demonstrate either that installing a wireless local area networks (WLAN) is not physically possible, or provide a cost comparison to implement an individual data plan solution versus a WLAN solution.
- Cost comparison may be established by seeking bids on WLANs and individual data plans.
- Voice portion remains eligible but subject to phase down.





#### **Category Two - Internal Connections**

 Eligible: Broadband distribution services and equipment needed to deliver broadband to students and library patrons and are eligible. For example:

Routers

- Switches

Access Points

- Internal cabling

 Ineligible: Components that do not support broadband distribution are no longer eligible. For example:

Servers

- Voice/VOIP components

Circuit cards

Video components





# \*NEW\* Category Two – Managed Internal Broadband Service

- For FY 2015 and FY 2016
- New Category Two Managed Internal Broadband Service
  - Created to help cover the operation, management, and monitoring of a LAN or WLAN.
  - Applicants benefit from greater flexibility to choose among managed Wi-Fi options





#### **Transparent Cost and Connectivity Data**

- No more separate Item 21 attachments now embedded in the FCC Form 471.
  - FRN line items list all requested products and services.
- Pricing data will be publicly available unless you can show a specific law, rule, or other restriction bars publication of the purchasing price data.
- Contracts executed after the effective date of the Order may not contain any restriction barring publication of this pricing data.





#### **Transparent Cost and Connectivity Data**

- Preferred Master Contracts
  - Must be designated by FCC.
  - May be exempt from FCC Form 470 posting requirement and/or required in bid evaluations.
  - Likely that none will be designated for FY 2015.







#### **Encouraging Consortia Purchasing**

- A consortium lead may seek bids on behalf of the schools, school districts, and libraries for which it has authority to seek competitive bids for E-rate eligible services, even if it does not have authority to purchase services for the consortium members.
- Consortia applications will be given priority during the review process.





#### **Offering Lowest Corresponding Price**

- The LCP rule prohibits an E-rate provider from "charg[ing]" E-rate applicants a price higher than the lowest price that provider charges to non-residential customers who are similarly situated to a particular school, library, rural health care provider or consortium that purchases directly from the service provider.
- LCP rule means that providers must both:
  - submit bids to applicants at prices no higher than the lowest price they charge to similarly-situated nonresidential customers for similar services; and
  - charge applicants a price no higher than the LCP.





## Simple, Fast, and Efficient

#### **Multiyear Contracts**

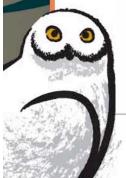
- Streamlined application process available starting in FY 2016 for multiyear contracts filed in FY 2015 as long as:
  - the multi-year contract is five years or less, and
  - to the extent applicable, any changes in the requested services are within the scope of the original FCC Form 470 and multi-year contract.





#### **Easing Signed Contract Requirement**

- Applicants must have a signed contract or other legally binding agreement in place prior to submitting their FCC Forms 471 to USAC.
- Signed contracts constitute the best evidence that a legally binding agreement exists.
- A verbal offer and/or acceptance will not be considered evidence of the existence of a legally binding agreement.
- Existence of a written offer from the service provider containing all the material terms and conditions and a written acceptance of that offer can be evidence of the existence of a legally binding agreement.



#### **Requiring Electronic Filing**

- Starting in FY 2015, all applicants must file their FCC Form 471 online.
  - Item 21 is now integrated in the form. Can't submit application without completing this item.
- New FCC Form 470 will be only online.
- In FY 2015, applicants will still be able to certify their FCC Forms 470 and 471 on paper.
- Over next two years, USAC will transition all remaining forms to online only.



#### **New Discount Principles**

- Discounts are calculated for the organization as a whole.
- Discount rates do not change based on which entities within a district/system are receiving service.
- Libraries derive their discount from the NSLP eligibility of the district in which the main outlet is located.
- Consortia continue to use simple average of member discounts.
- Rural status is determined at the district/system level and only if more than 50% of schools or libraries are rural.



#### **Urban/Rural Classifications**

- Urban/rural status is based on most recent decennial U.S.
   Census data.
- Urban/rural status is now determined for the entire school district or library system, instead of for individual schools or libraries.
- More than 50% of the schools or libraries in a district/system must be rural for district/system to be classified as rural.
- Non-instructional facilities do not get an urban/rural status and are not counted in the determination of whether more than 50% of the entities are rural.



### **Community Eligibility Program (CEP)**

- Nationwide program to reduce NSLP paperwork burden.
- Schools must have at least 40% of their students directly certified to qualify for CEP.
- All students eat free, but this does not mean they are counted as eligible for E-rate purposes. Must still determine eligibility percentage.
- Schools apply national multiplier (1.6) to directly certified population to determine NSLP eligible population.
- Schools are capped at 100% NSLP eligible for purposes of determining the E-rate discount.



#### **Discount Surveys**

- Surveys continue to be valid, though you can no longer extrapolate them.
- If you send out a survey to each student, and you only get responses from half, and only half of those are eligible, then you can only report 25% of your students as eligible for NSLP.
- Starting in FY 2015, you can use NSLP applications as your survey instrument, because you can no longer extrapolate the results.



#### **Invoicing Changes**

- BEAR payments to applicants
  - Beginning in FY 2016, applicants that pay the full cost of the E-rate supported services to a service provider will be able to receive direct reimbursement from USAC.
- Deadline for filing invoices
  - The latter of 120 days after the last day to receive service or the date of the FCC Form 486 notification letter.
  - Applicants can request and automatically receive a single one-time 120-day extension of the invoicing deadline.



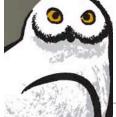
## **Appeals**

- · Appeals must be filed with USAC first.
- · Waiver requests should continue to go to the FCC.



#### **Document Retention**

- 10 years from last date to receive service.
- FY 2015: this is at least June 30, 2026
  - Any document from a prior year that supports current year must be kept until 10 years from last date to receive service as well.
  - E.g., Contract from 2010 for recurring services, used to support FY 2015 FRNs, must be kept until at least June 30, 2026
- Documents may be retained in electronic format or paper and must be disclosed upon request.



## Questions?



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