# Schools and Libraries
# NEWS BRIEF

**November 8, 2013**

---

**TIP OF THE WEEK: Remember that you can file an FCC Form 470 for FY2014 from the Apply Online web page or on paper.** You do not need to wait for the application filing window to open before filing this form and opening your competitive bidding process.

---

## Commitments for Funding Years 2013 and 2012

**Funding Year 2013.** USAC will release Funding Year (FY) 2013 Wave 26 Funding Commitment Decision Letters (FCDLs) November 14. This wave includes commitments for approved Priority 1 (Telecommunications Services and Internet Access) requests at all discount levels. As of November 8, FY2013 commitments total over $1.28 billion and encompass 28,623 of FY2013 applications.

**Funding Year 2012.** USAC will release FY2012 Wave 68 FCDLs November 15. This wave includes commitments for approved Priority 2 (Internal Connections and Basic Maintenance) requests at 90 percent and denials at 89 percent and below. As of November 8, FY2012 commitments total over $2.80 billion.

On the day the FCDLs are mailed, you can check to see if you have a commitment by using USAC's Automated Search of Commitments tool.

## APPLICATION PROCESS: Eligible Services

Each year, before the FCC Form 471 application filing window opens, the Federal Communications Commission (FCC) releases an Eligible Services List (ESL) for the upcoming funding year. This list contains a description of the products and services that will be eligible for discounts, together with additional helpful information such as a list of ineligible products for each category of service and a glossary of terms. We suggest that you review this list before you prepare your technology plan – if one is required – and before you file an FCC Form 470 to open your competitive bidding process.

The FY2014 ESL has been released. A detailed description of the changes is included in the FCC's Order DA 13-2037. The Order provides clarifications for lit and dark fiber, web hosting, and several other miscellaneous clarifications.

**Lit and Dark Fiber**

Lit and dark fiber provided by an entity, including a non-telecommunications carrier, is eligible. Leased lit fiber as part of a Priority One service may include as eligible: monthly charges, special construction charges, maintenance charges, and modulating electronics. For leased dark fiber, from the eligible entity up to the property line, maintenance costs and special construction costs to connect the fiber are eligible. Beyond the eligible entity's property line, monthly charges and maintenance provided as a component of leased dark fiber to maintain reliable operation is eligible. If the dark fiber serves other customers, the costs of maintenance should be shared among all recipients. Re-routing of fiber is considered construction not maintenance. Also for dark fiber, an Indefeasible Rights of Use (IRU) purchase arrangement will be considered a lease for E-rate purposes and may be subject to amortization if the IRU contains significant upfront charges.

Web hosting

The Order clarifies that features that facilitate the ability to communicate, such as blogging and discussion boards, are eligible for E-rate funds if part of a web hosting package, but are not eligible as standalone services. Because the FCC did not designate these features as standalone services, applicants may not seek them from multiple providers (e.g., they may not seek funding for web hosting service from one vendor and communications features from another).

Miscellaneous Clarifications

The Order provides a few miscellaneous clarifications to the ESL. There are non-substantive corrections in the introduction to the ESL. The definition of Internet Access in the Glossary was modified to match the definition in the Special Eligibility Section. The Glossary adds the definition of "shared telephone service" which had been inadvertently deleted in a prior year. Finally, deleted from the list is the explanation concerning cost allocation for file servers which is covered by the main explanation for cost allocation.

## Categories of service

There are five main categories of eligible services in two funding priorities:

Priority 1

- Telecommunications Services
- Telecommunications
- Internet Access

Priority 2

- Internal Connections
- Basic Maintenance of Internal Connections

Beginning in FY2014, all of the Priority 1 services appear in the same section.

*Note: The proposed draft FCC Form 470 will reflect the consolidation of the Priority 1 section in the ESL and will feature only a single selectable category of service listed as "Priority One" on the new form.

### - Telecommunications Services

Commonly available telecommunications services eligible for discounts include local and long distance wired telephone service, Interconnected Voice over Internet Protocol (VoIP), cellular phone service, and Centrex service. Digital Subscriber Line (DSL), Primary Rate Interface (PRI), T-1, T-3, and satellite services are also eligible.

Telecommunications Services must be provided by a telecommunications carrier, that is, a company that offers telecommunications services on a common carriage basis. You can Search for SPIN Information on the USAC website to find information about the telecommunications carrier status of a provider.

### - Telecommunications

Telecommunications include leased lit and dark fiber which is described in the FY2014 ESL update.

### - Internet Access

Applicants can apply for discounts on basic conduit access to the Internet, but not on content, equipment purchases, or other services beyond basic conduit access. However, selected services that are an integral component part of an Internet Access service may be eligible. There are also other services designated as eligible by the FCC as Internet Access, for example: interconnected VoIP, email service, and web hosting.

### - Internal Connections

Internal Connections includes products such as routers, switches, hubs, and wiring. Eligible components of Internal Connections are located at the applicant site and must be necessary to transport information to classrooms or publicly accessible rooms of a library. Internal Connections do not include services that extend across a public right-of-way beyond the school or library facility.

Starting with FY2005, under the Two-in-Five Rule, eligible entities can only receive discounts for Internal Connections in two of every five funding years.

**- Basic Maintenance of Internal Connections**

Basic maintenance services – repair and upkeep of eligible hardware, wire and cable maintenance, basic technical support, and configuration changes – ensure the necessary and continued operation of internal connections components at eligible locations. The components themselves must be eligible for discounts for their associated basic maintenance services to be eligible.

Basic maintenance services must be for actual work performed and parts repaired or replaced. Unbundled warranties or fixed price contracts – other than for software upgrades and patches including bug fixes and security patches, and online and telephone-based technical assistance and tools – are not eligible for reimbursement unless the ineligible portions can be cost-allocated.

**Some other eligibility issues to consider**

**Partial eligibility.** If a product or service has both eligible and ineligible uses or components, applicants may still receive discounts on the eligible portion(s) of the product or service. We refer to these products or services as partially eligible. For example:

- A file server may be used both as an email server (an eligible use) and an archive server (an ineligible use).
- A phone service may be delivered to a school run by a church (an eligible location) and to the church office (an ineligible location).

To request discounts on the eligible portion of these products and services, you must do a cost allocation. There is not a single approved method to allocate eligible and ineligible costs. The method you choose must use tangible criteria to reach a realistic result.

**Conditional eligibility.** Products and services may be eligible under certain conditions but not others. We refer to these products or services as conditionally eligible. For example:

- Basic maintenance is only eligible if it is for eligible products and services.
- A file server in conditionally eligible based on the tasks being performed. For example, if a server is being used for email, DHCP, or DNS service, the server is eligible. However, if a server is being used for running applications or archiving, the server is ineligible.

The product or service can be eligible for discounts if the appropriate conditions are met.

**Ancillary use.** If a product or service contains an ineligible feature that is not significant and is strictly ancillary to the principal uses of the product or service and the ineligible feature is not offered or priced separately, the full product or service may be eligible for E-rate discounts and may not require a cost allocation if certain other requirements are met.

**On-premise Priority 1 equipment.** Equipment owned by the service provider but located at the applicant site and leased by the applicant can be eligible for discounts as a Priority 1 service if it meets specific conditions. We refer to this equipment, if eligible, as on-premise Priority 1 equipment.

**Wide area networks.** A wide area network (WAN) is a voice, data, or video network that provides connections from one or more computers or networks within an eligible school or library to one or more computers or networks that are external to such eligible school or library. Under certain conditions, leased WAN services can be eligible for discounts.

**Educational purposes.** Services must not only be eligible, but must also be delivered to eligible locations and used primarily for educational purposes. The presumption is that activities that occur on school or library property fall under the definition of educational purposes but certain special conditions may apply.

For more information on eligible services, refer to the guidance documents linked to the Eligible Services Overview on the USAC website.

Please do not reply to this email, instead, [Submit a Question](#) or call 1 (888) 203-8100.