



Summary of E-Rate Modernization Order

FCC 14-99 — Released July 23, 2014

Presented by E-Rate Central

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Overview of Order

- Refocus E-rate on broadband to the classroom
 - Set broadband goals for schools and libraries
 - Target “predictable” funding for internal Wi-Fi connections
 - Fund Wi-Fi by eliminating or phasing out support for Priority 1 “legacy” services

- Update rules on competitive bidding, contracts, discount rates, electronic filing, technology plans, and more



Performance Goals

- Affordable access to ConnectEd broadband goals
 - Schools: Internet at 100 Mbps per 1,000 students short-term and 1 Gbps per 1,000 students long-term
 - Libraries: Internet at 100 Mbps for populations under 50,000 and 1 Gbps for larger populations
 - WAN connectivity “scalable” to 10 Gbps
- Maximum cost-effectiveness of purchases
- Fast, simple, and efficient E-rate process



New Category Designations

- Old “Priority 1” and “Priority 2” designations dropped, new nomenclature will be:
 - **Category 1:** Services that enable Broadband connectivity *to* the school/library
 - **Category 2:** Services that enable Broadband connectivity *within* the school/library
- Targeted funding to be available for both C1 and C2



Distribution of Funding

- No increase in funding – remains at \$2.25 billion per year with inflation adjustments after 2011
- \$1 billion targeted for Category 2 services for both FY 2015 and FY 2016, with plans to provide the same \$1 billion in future years
- Funding for Category 1 services will remain available for all discount levels
- Maximum discount rate for Category 2 is 85%



Eliminate, Phase-Out, or Narrowly Define Support for "Legacy" Services

Category 1



Ineligible Category 1 Services for FY 2015

- Paging, email, text messaging, voice mail, and web hosting
- Telephone service components - directory assistance charges, custom calling services, direct inward dialing, 900/976 call blocking, and inside wire maintenance plans
- Multi-year contracts will not be “grandfathered” for newly ineligible services



Voice Service Phase-Out

- Applies to **all** voice services: Local phone service, long distance service, plain old telephone service (POTS), 800 service, satellite telephone, shared telephone service, Centrex, cellular voice, and interconnected VoIP
- Phase out schedule: 20 percentage points will be deducted from the eligible discount percentage each year beginning with FY 2015:
 - *E.g.*, For a 60% discount applicant, FRNs for any voice service will be reduced 20 points to 40% in FY 2015, to 20% in FY 2016, and to zero in FY 2017



Data Plans and Air Cards

- Basically ineligible
- Technically: Data plans and air cards for mobile devices will continue to be eligible for E-rate support **only** in instances where the school or library seeking support **demonstrates** that individual data plans are the most cost-effective option for providing internal broadband access for portable mobile devices at schools and libraries



Support of Internal Connections

Category 2



Category 2 Equipment & Services

- Basic: Cabling, routers, switches, wireless access points
- At least for FY 2015 and FY 2016:
 - Maintenance of basic LAN equipment
 - Managed Wi-Fi
 - Caching servers
- Category 2 services may be purchased as of April 1st of the preceding funding year



Category 2 Budgets

- Each eligible school shall be eligible for support for Category 2 services up to a pre-discount price of \$150 per student over a five-year funding cycle
- New schools may estimate the number of students, but shall repay any support provided in excess of the maximum budget based on student enrollment the following funding year
- Library Category 2 funds limited to \$2.30 per square foot
- Minimum pre-discount funding per school or library is \$9,200



Category 2 Budgets (cont'd)

- If all allowable funding is not utilized in first year, requested, remainder can be used in subsequent years
- Five year plan dependent on review and new order after FY 2015 and FY 2016
- Unused Category 1 funds in any funding year can be re-allocated to Category 2 at the discretion of the FCC



Category 2 Budgets (cont'd)

- Category 2 discount awards will be allocated to highest discount bands (lowest wealth applicants) first until all available funds expended
- Within a discount band, actual district NSLP percentage will be used to allocate funds until expended
- Funding below 80-85% level unlikely in FY 2015



Non-Instructional Buildings

- Support is **not** available for Category 2 services provided to or within non-instructional school buildings or separate library administrative buildings **unless** those Category 2 services are essential for the effective transport of information to or within one or more instructional buildings of a school or non-administrative library buildings, or the FCC has found that the use of those services meets the definition of educational purpose



Maximize Cost-Effectiveness



Data Collection and Pricing Transparency

- Item 21s will be revised to clearly indicate services and pricing — and will be **made public**



Consortium Changes

- Prioritize application review for state and regional consortium applicants — already in effect for FY 2014
- Consortium membership LOAs must be in place **prior** to filing the Form 470
- One consortium discount rate for all FRNs



Preferred Master Contracts

- FCC to consider designation of “Preferred Master Contracts” (PMC) – contracts designed to offer eligible entities nationwide “the opportunity to obtain excellent pricing for category two services”
- PMCs limited to Category 2 equipment
- FCC may require PMCs to be included in bid evaluations where equipment is listed on a Form 470
- No PMCs designated as yet



“Simplify” the E-Rate Process

For applicants, vendors, USAC, or the FCC



Discount Rate Calculations

- Each school or group of schools in a district will use the single district-wide “matrix” discount rate in **all** funding requests
- Libraries will continue to use the discount percentage of the district where library is located
- Consortia applicants must average each member’s district-wide discount



Discount Rate Calculations (cont'd)

- An Educational Service Agency (“ESA”) applicant should determine its discount using all E-rate eligible students in schools that fall under the control of the central educational agency
- Technical and special education schools are allowed to double-count students attending part-time with “snap-shot” counts
- Private and charter schools responsible for their own administration and finances calculate their own discounts including all schools under same administration



Survey Method for Discount

- Discount determination based **only on surveys received** in reference to total student population (no extrapolation allowed):
 - Example – 100 total students, all surveyed, 60 surveys are returned – of those 52 indicate students are eligible for Free or Reduced lunch
 - Previously: 52 of 60 students eligible = 87% eligibility extrapolated to 100 students meant a 90% discount
 - Now: 52 of 100 students eligible = 52% eligibility means an 80% discount



Community Eligibility Provision (CEP)

- Districts and schools participating in the CEP will determine their discount percentage by using the same approach as that for NSLP eligibility under CEP – number of direct certified children times the CEP Multiplier – presently 1.6 – not to exceed 100% student eligibility
- CEP discount percentage - direct cert x 1.6 – may be used for up to 4 years
- If applicant adjusts calculation of CEP, change must apply to E-rate discount



Urban – Rural Determination

- Census data will be used for determining urban/rural status
- Schools not located in census-indicated urban areas will be considered rural
- USAC will post a tool on its website to allow applicants to quickly find the status of their entities
- A district or library system with a majority of entities considered rural will receive the benefit of rural status



Maximum Discounts

- The maximum discount percentage is reduced from 90% to **85%** for Category 2 only
- The Category 1 maximum discount percentage will remain at 90%



Other "Simplification" Measures

- Expedited review for multi-year contracts after first year
 - Those no longer than 5 years
 - Process does not include commitment to fund all years of multi-year contracts
- Technology plans **not required** for either Category 1 or Category 2
- Exemption from competitive bidding rules will apply to "business class Internet access services" of minimum 100 Mbps down and 10 Mbps up if pre-discount costs are \$3,600 or less annually



Contract Signatures

- Having a signed contract in place prior to submitting and certifying Form 471 no longer required
- Applicants must demonstrate that they have “a legally-binding agreement” in place
 - E.g., bid with all terms & conditions and email accepting the bid is acceptable
 - Verbal offer or acceptance will **not** be acceptable



Electronic Filing

- New Form 470 and Form 471 **must** be filed electronically by FY 2015
- Beginning in FY 2017 **all** forms and SLD correspondence will be required to be filed or sent electronically



BEAR Reimbursement Process

- Applicants will receive direct reimbursement from USAC **beginning with FY 2016**
 - Applies to Form 472 BEAR filings only
 - All USAC payments must be made electronically
 - Applicants must have banking information on file as to where BEAR payments should be sent – accounts where **electronic transfers** of funds will be accepted
 - Service providers must certify on Form 473 that bills are accurate and eligible for E-rate support



Invoice Filing Deadlines

- FCC codifying existing invoice filing (BEAR & SPI) deadline process allowing applicants to request and automatically receive a single **one-time** 120-day extension of their invoicing deadline
 - Invoice deadline extension requests must be made **no later than** the existing initial deadline for filing BEAR or SPI requests
 - USAC not allowed to grant further invoice deadline extension requests
 - Waivers by the FCC may be granted only in extraordinary circumstances



Appeal Rules

- All appeals of USAC decisions **must** be made to USAC as a first step before filing appeals with the FCC
- Applicants seeking **only** a waiver of the rules may address the waiver request directly to the FCC



Document Retention and Access

- The document retention period will be extended from five to **10 years** after the latter of the last day of the applicable funding year, or the service delivery deadline for the funding request
- E-rate applicants and service providers must allow auditors, investigators and others appointed by State, USAC, and the FCC access to enter & inspect premises



Other Pending Changes for FY 2015

- Final Eligible Services List (“ESL”) for FY 2015
- Changes to Form 470 (minor) and Form 471 (major)
- Possible follow-up order to FNPRM and “clarification” order(s)
- Second modernization order focusing on Category 1 issues



Additional Information

SLD

Website: www.usac.org/sl/



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