E-rate 101

2017 GAMEIS Conference
E-rate Basics
Purpose of the Program

- The Schools and Libraries Program (E-rate) provides discounts for Wi-Fi, high-speed broadband, and telecommunications services for eligible schools and libraries throughout the country.
The History of E-rate

- Federal Communications Commission (FCC), an independent U.S. government agency, established and oversees the E-rate program.

- Universal Service Administrative Company (USAC), a not-for-profit, administers the E-rate program along with three other programs.

- Schools and Libraries Division (SLD) is the part of USAC with responsibility for E-rate.
E-rate Rules, Policies and Procedures

• Congress directed the FCC to establish the E-rate program in 1996.

• The FCC sets rules and policies through orders.

• USAC develops procedures for specific actions, such as how to process applications.
  - USAC’s procedures are reviewed and approved each year by the FCC.
E-rate Timeline

• Commitments for E-rate are made by funding year (FY), which runs from July 1 through the following June 30.

• USAC refers to the funding year as the year in which most services will begin, e.g., Funding Year (FY) 2017 is July 1, 2017 to June 30, 2018
E-rate Budget

• E-rate funding is capped at $3.9 billion per year, adjusted annually for inflation.

• Once a year, the FCC may direct USAC to roll over funds that are collected but unused from one or more prior funding years to the next full funding year.
E-rate in Georgia

- 114,392,859 requested in FY2016; $88,339,527 committed
  - $56,287,745 – committed C1
  - $39,121,903 – committed C2
- Since 1998, Georgia has received $1,552,032,012 in commitments

District Funding Report
E-rate in Georgia

- Data Transmission and/or Internet Access: $47,230,534.25
- Internal Connections: $38,294,443.88
- MIBS: $583,911.81
- Basic Maintenance of IC: $243,546.81

Total: $90,266,437.81
E-rate Eligibility

• Elementary and secondary schools and school districts
  – Non-traditional facilities (NIFs i.e. district office)
• Libraries and library systems
• Consortia – groups of eligible entities that band together to aggregate demand and negotiate lower prices
  – Consortia can also include ineligible entities under limited circumstances and subject to cost allocation requirements.
E-rate Service Types

Category One = connectivity to the building
- Data Transmission Services and Internet Access
- Voice Services

Category Two = connectivity within the building
- Internal Connections (IC)
- Managed Internal Broadband Service (MIBS)
- Basic Maintenance of Internal Connections (BMIC)
E-rate Discounts

- Discounts range from 20-90 percent of eligible costs (20-85 percent for Category Two services, up to 30 percent for voice in FY2017).

- Discounts are calculated for the school district or the library system (not for individual schools or library branches).

- Discount level depends on:
  - Percentage of students who are eligible for National School Lunch Program (NSLP) in the appropriate school district
  - Urban or rural status.
Discount Matrix

<table>
<thead>
<tr>
<th>INCOME % of students eligible for NSLP</th>
<th>Category One Discount Levels</th>
<th>Category Two Discount Levels</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>URBAN DISCOUNT</td>
<td>RURAL DISCOUNT</td>
</tr>
<tr>
<td>Less than 1%</td>
<td>20%</td>
<td>25%</td>
</tr>
<tr>
<td>1% to 19%</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>20% to 34%</td>
<td>50%</td>
<td>60%</td>
</tr>
<tr>
<td>35% to 49%</td>
<td>60%</td>
<td>70%</td>
</tr>
<tr>
<td>50% to 74%</td>
<td>80%</td>
<td>80%</td>
</tr>
<tr>
<td>75% to 100%</td>
<td>90%</td>
<td>90%</td>
</tr>
</tbody>
</table>
2014 E-rate Modernization

- Annual funding cap for the E-rate program was raised from $2.4 billion to $3.9 billion
- The discount rate for all voice services will be reduced by 20% each funding year beginning in FY2015
- Districts will now use a district-wide discount based on total district enrollment and total NSLP eligibility
- Urban/Rural status is based on most recent decennial U.S. Census data
- Webhosting, e-mail and paging service will no longer be eligible beginning in FY 2015
E-rate Modernization

- Commercially available 100+ mbps Internet packages costing less than $3600/year will no longer have to be competitively bid
- The top discount for Category Two is now 85%, rather than 90%
- Each school building will qualify for a $150 per student PRE-DISCOUNT budget (or minimum of $9200) over 5 years for C2 purchases
- Components that do not support broadband distribution are no longer eligible C2 items (servers, VoIP/video components)
- A 1-time invoice (BEAR or SPI) extension will be granted but only if submitted by invoice deadline (typically October 28)
- Technology plans are no longer required by the E-rate program
Category Two Budgets

• Starting with FY2015, USAC calculates a Category Two (C2) budget for each school or library.
  – The school or library can receive discounts on the cost of C2 services up to its C2 budget amount.
  – The C2 budget covers a five-year period starting with the first funding year USAC makes a C2 commitment.
2017 Per Student Budget will be $153.47

- $150.00 * 1% (2016) = $151.50
- $151.50 * 1.3% (2017) = $153.47

2017 small school (less than 62 students) minimum budget will be $9,412.80

- $9,200.00 * 1% (2016) = $9,292.00
- $9,292.00 * 1.3% (2017) = $9,412.80
E-rate Productivity Center (EPC)

- EPC is the E-rate customer portal for applicants, service providers, and consultants.

https://portal.usac.org
Eligible Services

Examples of C1 & C2
Eligible Services List

- Each year, the FCC publishes a list of products and services that are eligible for E-rate discounts for the upcoming funding year.
  - FCC issues a draft eligible services list and solicits comments and reply comments.
  - FCC reviews comments and reply comments received, then prepares and issues the final list.
  - That eligible services list governs the eligibility of products and services for that funding year.
Category One Service Types

- Date Transmission Services and Internet Access
- Voice Services
Examples of C1 Services

- Fiber (Leased Lit and Leased Dark)
- Wireless Services (microwave)
- Satellite Services
- DS-1, DS-2, DS-3
- Ethernet
- T-1, T-3, Fractional T-1
- Frame Relay

- Cable Modem
- ATM
- Telephone Dialup
- Broadband over Power Lines
- Self-provisioned Broadband Networks
Voice Phasedown

- Voice phasedown is still in effect.
- For FY2018, the reduction to voice services is 80 percentage points.

<table>
<thead>
<tr>
<th>Discount %</th>
<th>FY2015 - 20</th>
<th>FY2016 - 40</th>
<th>FY2017 - 60</th>
<th>FY2018 - 80</th>
<th>FY2019 - 100</th>
</tr>
</thead>
<tbody>
<tr>
<td>90</td>
<td>70</td>
<td>50</td>
<td>30</td>
<td>10</td>
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<tr>
<td>20</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
Category Two Service Types

• Internal Connections
• Basic Maintenance of Internal Connections
• Managed Internal Broadband Service

* Category Two services are subject to a per school, five-year budget.
Examples of C2 Services

• Access Points
• Cabling
• Caching
• Firewalls
• Switches
• Routers
• Racks
• UPS

• Wireless LAN Controllers
• Improvements, upgrades and software necessary to support eligible broadband internal connections components
• Functionalities listed here that can be virtualized in the cloud and equipment that combines eligible functionalities are also eligible
Managed Internal Broadband Services (managed Wi-Fi)

- Service provided by a third party
  - Management
  - Operation
  - And/or monitoring of eligible internal broadband internal connections components
- The third party may manage the school’s/library’s equipment or provide the equipment as part of a lease
Basic Maintenance of Internal Connections

- Support for basic maintenance of eligible internal connections such as:
  - Repair and upkeep of hardware
  - Wire and cable maintenance
  - Basic tech support
  - Configuration changes
- Support for BMIC is limited to actual work performed under the contract
BMIC Does not include:

- Services to maintain ineligible equipment
- Upfront estimates that cover the full cost of every piece of equipment
- Services that enhance the utility of equipment
- Network management services, including 24-hr network monitoring
- On-site technical support
- Unbundled warranties

*Operations and management of eligible equipment is not supported as BMIC but is eligible as MIBS*
Miscellaneous

- Eligible Charges
  - Taxes, surcharges and other similar reasonable charges
  - Lease fees to rent or lease eligible components
  - Shipping charges
  - Training
  - Installation and configuration (installation can be provided by a third party)
BREAK

10 minutes
E-rate Timeline

Application process by form
**COMPETITIVE BIDDING**

- Request services by submitting FCC Form 470 for bids
- Evaluate bids received

**APPLYING FOR DISCOUNTS**

- Seek discounts for services by submitting FCC Form 471 within the filing window
- Program integrity Assurance (PIA) review

**SERVICES START**

- Confirm to USAC that services have started and report EIA status by submitting FCC Form 486*

**INVOICING**

- Submit FCC Form 498 to receive an applicant 498 ID for direct BEAR payments
- If requesting reimbursement from USAC for services paid in full, submit FCC Form 472 (BEAR)
- Receive BEAR reimbursement from USAC

**METHOD #1:**

- FCC Form 498 (SPI)
- Work with your selected service provider to determine which invoicing method to use

**METHOD #2:**

- FCC Form 472 (BEAR)
- The due date for invoicing is 120 days after the last day to receive service or 120 days after the 486 notification letter, whichever is later.
  - Deadline for C1 Services - October 28
  - Deadline for C2 Services - January 28

* The due date for invoicing is 120 days after the last day to receive service or 120 days after the 486 notification letter, whichever is later.

**COMPLETE INVOICE REVIEW**

- Correct errors and resubmit forms if necessary

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* Complete procurement between July and December. This will allow enough time to wait the required 28 days, evaluate bids and sign a contract before the 471 filing window opens.

* The Filing Window usually opens mid to late January and closes end of March or early April. PIA happens anytime after the close of the window, even over summer break.

* Typically, you will file a Form 486 after you receive your FCID. The due date is 120 days after the FCID date or the service start date, whichever is later.
Competitive Bidding

Rules for procurement and contracts
Competitive Bidding

- Must be a fair and open process.
- Avoid conflicts of interest.
- Open competition and bid evaluation.
- Follow all rules – FCC and state/local.
- Read the FCC Form 470/RFP responses and contract fine print.
- 6th Report and Order provides further clarifications and examples of rule violations.
Request for Proposal

- FCC rules do not require RFPs.
- State and local procurement rules apply
- Provide sufficient detail in FCC Form 470 to enable service providers to formulate bids.
  - Cannot provide generic descriptions (e.g., all eligible telecom services, Digital Transmission Services).
  - Cannot provide laundry lists of products and services.
FCC Form 470

- Applicants must count 28 calendar days from whichever (FCC Form 470 or RFP) was posted or available last before evaluating bids and awarding a contract.

  **Example:** RFP posted on December 1, FCC Form 470 posted on December 15; December 15 starts the 28-day count

- The 29th calendar day is your Allowable Contract Date (ACD)
Imposing Restrictions

- Cannot list specific make and model of services sought without also allowing equivalent products and/or services to be bid.
  - “XYZ manufacturer's router model 345J or equivalent”
- Applicants may require service providers to provide services that are compatible with one kind of system over another (e.g. Brand X compatible).
- Bidder disqualification criteria must be spelled out in FCC Form 470 and/or RFP and be available to all.
Site Surveys and Q&A

- Site surveys (mandatory or optional) are allowed.
- Any information provided to one service provider must be provided to all potential bidders.
  - Q&A/RFP addenda can and should be posted in EPC
- Document all correspondence with service providers during procurement
Cost Effectiveness

- Selecting the winning bidder
  - Price of the **ELIGIBLE** goods and services must be the primary factor in the bid evaluation.
  - Other factors, including other price factors, can be considered as well; but they cannot be weighted equally or higher than cost of the eligible goods and services.
## Bid Evaluation Matrix Example

<table>
<thead>
<tr>
<th>No</th>
<th>Factors</th>
<th>Total Points Available</th>
<th>Vendor 1 (ABC Inc.)</th>
<th>Vendor 2 (DEF Inc.)</th>
<th>Vendor 3 (GHI Inc.)</th>
<th>Vendor 4 (JKL Inc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cost of the Eligible Goods and Services</td>
<td>40</td>
<td>38</td>
<td>25</td>
<td>38</td>
<td>0</td>
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<tr>
<td>2</td>
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<td>3</td>
<td>Availability</td>
<td>10</td>
<td>10</td>
<td>8</td>
<td>7</td>
<td>0</td>
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<tr>
<td>4</td>
<td>Minority Business Status</td>
<td>10</td>
<td>6</td>
<td>9</td>
<td>9</td>
<td>0</td>
</tr>
<tr>
<td>5</td>
<td>In State Preference</td>
<td>10</td>
<td>3</td>
<td>7</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>6</td>
<td>Cost of the Ineligible products</td>
<td>5</td>
<td>4</td>
<td>1</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>7</td>
<td>Project Management Expertises</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td><strong>Total Points</strong></td>
<td><strong>100</strong></td>
<td><strong>81</strong></td>
<td><strong>68</strong></td>
<td><strong>94</strong></td>
<td>0</td>
</tr>
</tbody>
</table>

* This number must be higher than all of the other numbers in this column.

### Winning Bidder:
- Vendor 3 (GHI Inc.) is the winning bidder because it has the highest total points.

### Disqualified Bidders:
- Bidder Reason for Disqualification
  - JKL Inc. All interested bidders received two weeks' notice of a required pre-bid conference. JKL Inc. did not attend this conference and did not provide a reason for its absence.
Cost Effectiveness

▪ Applicants must be able to demonstrate why a solution with higher than average pricing is cost-effective.

▪ Applicants will need to CERTIFY on FCC Form 471 that all bids submitted were carefully considered, the most cost-effective bid was selected with price being the primary factor considered, and is the most cost-effective means of meeting educational needs and technology goals.
Contracts

- Applicants must have a signed contract or other legally binding agreement in place prior to submitting their FCC Forms 471 to USAC.
- Applicant must not sign a contract before the Allowable Contract Date (ACD).
- A verbal offer and/or acceptance will not be considered evidence of the existence of a legally binding agreement.
- Keep a copy of your signed contracts!!
Contracts

- A definitive contract term must be set. No automatic renewals allowed!
- Voluntary contract extensions are allowable only when the option is stated in the original provisions of the contract.
- Applicant must rebid the services (i.e., file a new Form 470) if contract extensions are not stated in the contract or RFP.
- Applicants must create a contract record in their EPC profile for each contract and can upload a copy of the contract.
Contracts

▪ Contract terms should align with the E-rate funding year
  ▪ Category One services run July 1 – June 30
  ▪ Category Two services run July 1 – September 30
Lowest Corresponding Price (LCP)

- Service providers are required to offer applicants their services at the lowest corresponding prices charged to other similarly situated customers throughout their geographic service area.

- Ensures schools and libraries in the E-rate program can receive and evaluate competing bids based on the lowest corresponding price available from vendors and are not charged more than similarly situated non-residential customers for the same services because of their E-rate participation.

- Exceptions can be made if the provider can show that they face significantly higher costs to serve this customer due to volume, mileage from facility, and/or length of contract.

- Applies to all service providers and for all service arrangements (tariff, month-to-month and contracted services).
Free Services

• Can’t use E-rate to get free stuff (ineligible or eligible)

• Must deduct the value of the “free stuff”, discounts, trade-in etc, from the pre-discount amount in order get equal comparison between offerings

• Cost of eligible goods and services cannot be inflated to cover the “free” ineligible stuff
Gifts

- Receipt or solicitation of gifts by applicants from service providers (and vice versa) and potential service providers is a competitive bidding violation.

- Service providers may not offer or provide any gifts or thing of value to applicant personnel involved in E-rate.

- Gift prohibitions are always applicable, not just during the competitive bidding process.

- Must always follow FCC rules and any applicable state/local rules.
Gift Rule Exceptions

- Items worth $20 or less, including meals, if the value of these items received by any individual does not exceed $50 from one service provider per funding year.

- Charitable donations not directly or indirectly related to an E-rate procurement, and not intended to circumvent any other FCC rule.

- Cure violations by promptly returning any item or paying the donor its market value.

- Prizes at conferences are subject to the $20/$50 rule.

- Counted per funding year.
Paying Non-Discount Share

- All E-rate applicants must pay their non-discount share.
- Service providers cannot give the money (directly or indirectly) to pay for the non-discount share.
  - If applicant can’t show proof of payment during invoice review, invoice may be denied.
Document Retention

E-rate Binder
Document Retention

▪ 10 years from last date to receive service.
  ▪ FY 2016: this is at least June 30, 2027

▪ 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 2016 FRNs, must be kept until at least June 30, 2027

▪ Documents may be retained in electronic format or paper and must be disclosed upon request.
Examples of Documentation to Retain

- Copies of bids.
- Contracts signed with service providers.
- Correspondence with service providers regarding bidding process.
- Copies of bid matrix or decision process for selecting winning bid.
- Proof of delivery of the service.
- Documentation of any service down time.
- Logs of maintenance performed.
- Documents that support cost allocation of funds for eligible services.
Ga E-rate Team

Service Offerings
What we can do for you

- E-mail and telephone support
- Virtual review of E-rate program forms
- E-rate updates via email listserv
- PIA, selective review and audit support
- Annual trainings for Georgia schools and libraries
- Outreach program for onsite assistance
- Regional and national level representation
- Liaison with FCC, USAC and service providers

**We are FREE!!**
Helpful Links

- Ga E-rate Website - http://www.gae-rate.usg.edu/trainings_and_outreach
Ga E-rate Team
844-423-7283
gae-rate@usg.edu
www.gae-rate.usg.edu

USAC Client Service Bureau (CSB)
888-203-8100
http://usac.org/sl