E-rate Basics

FY2018 Fall Training
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 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.
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.
Eligible Services

Examples of C1 & C2
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)
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>
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</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
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)
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.
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)
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.
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
Cardinal Changes

- A “cardinal change” is defined as anything that changes the initial scope of the project

- If a cardinal change is made to your service request/RFP, a new Form 470 is required. This resets your 28-day waiting period
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 143xxxxx ABC Inc.</th>
<th>Vendor 2 143xxxxx DEF Inc.</th>
<th>Vendor 3 143xxxxx GHI Inc.</th>
<th>Vendor 4 143xxxxx JKL Inc.</th>
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<td><strong>Total Points</strong></td>
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<td><strong>81</strong></td>
<td><strong>68</strong></td>
<td><strong>94</strong></td>
<td><strong>0</strong></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.
EPC

Where to find the important stuff
EPC has a new look
E-rate Productivity Center (EPC)

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

https://portal.usac.org
BREAK
Back at 1:00
FCC Form 470 Drop down options
FCC Form 470 Drop down options

- The definitions for Internet Access and Transport Bundled and Transport Only-No ISP Service Included now specifically exclude fiber-based services.
  - If you are seeking Internet access service, and the Internet service provider (“ISP”) will be providing a non-fiber connection (e.g., DSL) to deliver that Internet service, the only Form 470 drop-down menu option required is “Internet Access and Transport Bundled.”
  - If, however, the ISP will be providing a fiber connection to deliver Internet access (as is often required for higher-speeds), two Form 470 drop-down options must be selected — “Internet Access and Transport Bundled” and “Leased Lit Fiber.”
  - If you don’t care what type of connection is provided, but wish to merely specify a minimum Internet speed (or speed range), you should also use both the “Internet Access and Transport Bundled” and “Leased Lit Fiber” options. Without including the “Leased Lit Fiber” option, any subsequent request for a bundled fiber-based Internet service will apparently be denied.
What’s happening with C2?

• FCC seeks comment on sufficiency of budgets for category two services
  Comment Date: October 23; Reply Comment Date: November 7
  – How applicants spent their budgets
  – C2 services purchased with and without E-rate support
  – The varying impacts based on differences in geography, rural status, applicant type, or student population
  – Better proxies for usage density than student counts or square footage
  – Simpler methods for calculating C2 budgets
  – Ways to improve administration of C2 and the application process
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
Secondary Connections

- FCC-07-64A1-Macomb Order

3. Applicants may only seek support for services eligible for support. Each year, the Commission releases a revised list of eligible services to assist applicants in their efforts to request only eligible services. When USAC reviews an application and identifies an ineligible service it will deny funding for that service. In addition, if the total requested for ineligible services exceeds 30 percent of the total for any individual funding request, the Commission’s rules require USAC to deny the entire funding request. The Commission has also found that applicants must select the most cost-effective service offering, and price should be the primary factor considered when determining which service offering is the most cost-effective. Pursuant to this requirement, requests for duplicative services, described as services that provide the same functionality for the same population in the same location during the same period of time, will be rejected.
Deadlines & Reminders

• FY2016 Recurring Services – last day to invoice or request an extension is October 28th

• FY2016 Non-Recurring Services – last day to invoice or request an extension is January 28, 2018

• Don’t forget about the FCC Form 486 - Due 120 days after the FCDL date or 120 days after the service start date (July 1), whichever is later.

• FY2018 Filing Window (mid January – March)
FY2018 Tips

- Update contact information in EPC
- Simple applications get funded first
- Do not apply for more than your C2 budget
- Do not change the Service Start Date (SSD)! It should always be July 1
- If you plan to use BEAR, file your Form 498 now
- Avoid Form 500s if possible
- Keep all documentation! (when in doubt, take a screenshot)
Document Retention

E-rate Binder
Document Retention

▪ 10 years from last date to receive service.
  ▪ FY 2017: this is at least June 30, 2028

▪ 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.
Audits

Documentation is key
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

- **Schools & Libraries Website** - [http://usac.org/sl/default.aspx](http://usac.org/sl/default.aspx)
- **Eligible Services List** - [http://usac.org/sl/applicants/beforeyoubegin/eligible-services-list.aspx](http://usac.org/sl/applicants/beforeyoubegin/eligible-services-list.aspx)
- **Ga E-rate Website** - [http://www.gae-rate.usg.edu/trainings_and_outreach](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