

Category 2: What's Eligible & What's Not

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As part of the E-rate Modernization Order, the FCC created "Category 2" which is very similar to the former Priority 2. This message attempts to clarify what services and equipment are eligible for the new Category 2, to the best of our knowledge. A link to USAC's webinar on eligible services is available at:

<http://www.usac.org/sl/about/outreach/online-learning.aspx>.

1) What is Eligible for Category 2 Funding?

Beginning in FY 2015, Category 2 eligible equipment and services will be limited to LAN/WLAN (local area networks/wireless local area networks)-focused components, otherwise known as Internal Broadband Equipment and Services. The final Eligible Services List can be found

at: https://apps.fcc.gov/edocs_public/attachmatch/DA-14-1556A1.pdf.

"Internal Broadband Equipment" includes:

- Wireless Access Points
- Wireless Controllers
- Routers
- Switches
- Antennas (must be integral to the LAN/WAN)
- Firewall Equipment
- Internal Structured Cabling (unless solely used for voice)
- Caching Servers - (this is new for FY 2015)
- Racks that house eligible equipment
- UPS that support eligible equipment

Additionally, these services also are eligible:

- Cloud-based functionality of eligible equipment - (new for FY 2015)
- Licenses for eligible equipment
- Software that supports eligible equipment
- Limited basic maintenance services for eligible equipment (see more below)
- Managed Internal Broadband Services (MIBS) - (new for FY 2015 -- see more below)
- Taxes, surcharges and other similar reasonable charges
- Shipping charges
- Training on how to use eligible equipment
- Installation and configuration (no longer has to be provided by the equipment vendor)

2) What Equipment is Not Eligible for Category 2 Funding?

The following are not eligible for C2: Circuit Cards/components, storage devices, telephone and VOIP components, video components, data protection (except for firewall and uninterruptible power supply/battery back-up), interfaces, gateways, and servers (except for caching servers).

3) What are Considered Managed Internal Broadband Services (MIBS)?

The FCC considers Managed Internal Broadband Services to be those which cover the 3rd party operation, management, and/or monitoring of a LAN or WLAN. This new category of service can include managed Wi-Fi, installation, activation, maintenance, initial configuration and on-site training of eligible equipment. In some arrangements, the applicant will sign a contract with a vendor who would own, manage, operate and maintain the

network equipment; or, the applicant will own the equipment, but have a vendor manage it for them. MIBS are considered only eligible for Funding Years 2015 and 2016, but applicants that receive funding approval in FY 2015 and/or FY 2016 for these services will continue to be eligible for funding for FY 2017 - FY 2019. Meaning, if you are interested in these MIBS services, you must opt-in in FY 2015 or FY 2016.

4) How Does My Category 2 Budget Work with Managed Services?

Applicants are allowed to apply for up to \$30 per year/per student for these 'managed' services. A Form 471 must be submitted annually for all multi-year contracts, even if the contract was paid in full the first year.

5) What is Considered Basic Maintenance of Internal Connections?

E-rate support is available for basic maintenance and technical support appropriate to maintain reliable operation when provided for an eligible broadband internal connections component. Software, patches and online tech support are eligible. E-rate also will pay to support actual labor and break-fix costs. Insurance-type warranties or full-replacement contracts, similar to Cisco Smartnet, is not E-rate eligible. Lesser coverage, similar to Cisco Base, which is limited to software updates and online tech support, is eligible.

6) Are Manufacturer's Warranties Eligible?

A manufacturer's warranty up to 3 years may be bundled with an eligible component, as long as there is no separate price for the warranty. This would not be considered "Basic Maintenance" and would not need to be broken out into a separate FRN because there is no separate cost for the warranty. Unbundled warranties are not eligible.

7) Can we pay for a multi-year license or service contract upfront?

Yes, but you can only request a pro-rated amount from E-rate for the funding year in which the services were rendered. For example, if you purchase a 3-year wireless license for \$3,000, you must apply for \$1,000 in FY 2015, \$1,000 in FY 2016, and \$1,000 in FY 2017. A new Form 470 isn't required each year because a multi-year contract was signed 29 days or more after the initial Form 470 was posted, but you do need to file the request on a Form 471, Block 5 each year. After the FCDL is received each year, then you can submit a BEAR to seek reimbursement for the portion of services provided in that funding year.

I will continue to provide updates as more information is provided related to Category 2 eligible services.

-- Julie

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