Understanding E-rate Category 2 Budgets
12/16/2014

Beginning in Funding Year 2015, all schools and libraries will be eligible to apply for Category 2 funding, up to a maximum 5-year pre-discount amount, known as a Category 2 budget. As you know, last week the FCC significantly increased the E-rate funding cap, and as a result, all schools and libraries needing eligible equipment in Funding Year 2015 are encouraged to apply. Next, I'll send information related to what equipment and services are eligible for Category 2 funding.

1) What are Category Two budgets?

Each school or library receiving C2 support beginning in FY 2015 will have a five-year, pre-discount budget for eligible equipment and related services. Each school or library can receive E-rate discounts on eligible products and services up to the pre-discount budget amount. There is no budget for Category One services.

2) Which entities have Category Two budgets?

Each individual school and each library outlet/branch has a C2 budget. School districts and library systems may not average their costs across multiple school or library budgets or move funding from one school to another. Non-instructional facilities (NIFs) do not have C2 budgets. If central equipment that serves schools is located in a separate non-school building, you may purchase such equipment using C2 funding from the schools served by the equipment and must allocate on the Form 471 the cost of the eligible product to one or more of the entities benefiting from the service (see attached slide on different cost allocation methodologies).

3) How do I calculate the Category Two budget for a school?

To calculate the budget for a school, multiply the number of students who attend the school by $150. Because there is a funding floor, if fewer than 62 students attend the school, the budget is set at $9,200. Note: If a student attends more than one school (e.g., if the student from one school attends a vocational training school one afternoon a week), both schools can count that student for the purpose of calculating their respective budgets. Here is an example of how three schools would calculate their C2 budgets.

School	School Enrollment	Budget Multiplier	5-Year E-rate Budget Cap (Pre-Discount	E-rate Discount	E-rate 5-Year Funding Cap	District Match (30% in this example)
Plainfield Elementary	50	$150	$9,200*	70%	$6,440	$2760
Jacksonville Middle School	105	$150	$15,750	70%	$11,025	$4725
Newville High School	325	$150	$48,750	70%	$34,125	$14,625

Although 50 x $150 = $7,500, the minimum floor of $9,200 is invoked because school has less than 62 students.

4) How do I calculate the Category Two budget for a library?

To calculate the budget for a library, multiply the total area of the library in square feet – including all areas enclosed by the outer walls of the library and occupied by the library – by $2.30. Because there is a funding floor, if the library's total area is less than 4,000 square feet, the budget is set at $9,200. Libraries that serve populations greater than 250,000 have a per square foot budget of $5.00.

5) What time period does my Category Two budget cover?

C2 budgets are subject to a five-year cycle beginning with the first funding year in which you receive C2 support. However, the budgets can be used as needed, and schools and libraries are not required to use all of the funding in a single year.

6) Can my Category Two budget change from year to year?

Yes. Your budget could increase for FY2016 if your student count increases or you build an addition on your library, or it could decrease if your student count decreases or you downsize the internal area of your library. Please note that for existing schools, if you have used your entire budget for FY2015 and your student count for FY2016 decreases, you do not have to repay the Fund for money disbursed in excess of the budget. For new schools or new construction, however, if you overestimate your student count and exceed the five-year pre-discount budget the next funding year, you must return any funds in excess of the allowable budget.

7) How is the cost of services counted against my Category Two budget?

On the Form 471, each applicant will allocate the cost of the C2 products and services to the entities sharing them. Each amount allocated to a particular school or library will count against the budget for that school or library.

Remember that your Category Two budget is based on the *PRE-DISCOUNT* cost of the products and services allocated to your school or library. A change in your E-rate discount from year to year does not affect the amount of your Category Two budget, only the amount of the cost that USAC will reimburse.

8) What happens if I don't spend all of the funds that are committed to our school?

You can file a Form 500 to return the unused funds. Those funds will then be available for use in a future year and will not count against your C2 5-year budget.

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