

# E-rate Category 2 Training for PA Non-Public Schools & Libraries



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# Category 2 Overview

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- Category 2 funds Wi-Fi and related wiring, infrastructure and equipment **inside** buildings
- Technology plans are no longer required
- Intention is to have all schools and libraries obtain Category 2 funding over a 5-year period
- All competitive **bidding requirements** will continue to apply and applicants can only apply for what they need
- Form 471 application is required to be submitted each year
- Maximum discount = 85%

NSLP Eligibility	Urban	Rural
Less than 1%	20%	25%
1 – 19%	40%	50%
20 – 34%	50%	60%
35 – 49%	60%	70%
50 – 74%	80%	80%
<b>75 – 100%</b>	<b>85%</b>	<b>85%</b>

# Category 2 E-rate Budget Caps

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- Each **school** is entitled to a pre-discount cap of \$153.47 per student, or a minimum building cap of \$9,412.80, over five years
  - AVTS budgets based on total number of students
  - The “5-Year Cycle” begins the first year any schools in a district’s schools obtain E-rate funding
  - Unsure what will happen after 5-year budget plan is over
- Each **library** is entitled to a pre-discount cap of \$2.35 per square foot, (\$5.12 per square foot for urban libraries\*)
  - Urban libraries have census tracts of 11, 12, and 21
  - This includes areas that are off-limits to the public
- Non-Instructional Facilities (**NIFs**):
  - Don’t have C2 budgets because there is no student population
  - If equipment is located in the NIF and serves a school(s) or library, that school or library’s budget can be used to fund the equipment

# Category 2 E-rate Budget Caps

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- *Stipulations:*
  - Money is allocated **per school** (not on a shared-district basis) or **per library**, and applicants **cannot** move funding from one school or one library to another
  - Commitment must be spent during the funding year
    - Funding Year 2018 = April 1, 2018 – September 30, 2019
  - There is no provision to allow applicants to spend funds and be reimbursed in a later year
  - Not required to use the full budget in a single year
    - Apply for what equipment/services are needed for that year

# 5-Year Budgets

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- The “5-Year C2 Cycle” begins the first year *any* school in a district obtains E-rate funding, beginning FY 2015
  - Example, if the first school in a district receives C2 funding in FY 2017 (with no other school receiving E-rate C2 funding in FY 2015 or FY 2016), C2 Year 1 would be FY 2017
  - C2 Year 5 would be FY 2021
- What happens after 5-year Budget Plan is over?
  - FCC Order states that after all 5 years are used, the 2/5 method of C2 funding will resume
  - This will create mass confusion if some applicants are on a 2/5 plan and others are on the 5-year plan
  - Hope the FCC issues new rules soon

# Category 2 – Enrollment Anomalies

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- Increases/Decreases in Enrollments from Year to Year
  - If enrollment **increases**, you receive benefit of extra students next year
  - If enrollment **decreases**, you aren't required to pay back funds
- Budgets for New Schools
  - **Estimate** the number of students who will be attending the new school and seek funding based on that estimate
    - PIA will hold your 471 until the exact # of students is known
- Students Who Attend **Multiple** Schools
  - Such as those that attend CTCs or Intermediate Units part-time, may be counted by **both** schools in order to ensure appropriate LAN/WLAN deployment for both buildings

# Category 2 Funding Budget Example

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School	Maximum Density Student Count	Budget Multiplier	5-Year Budget Cap	E-rate Discount	E-rate Funding Cap	District's Share %	District's Share \$
School A	625	\$153.47	\$95,918	60%	\$57,550	40%	\$38,367
School B	300	\$153.47	\$46,041	60%	\$27,624	40%	\$18,416

- The Budget Cap is the **pre-discount price**. E-rate discounts will then apply **on top of** the budget cap
- In this example, district would still owe 40% non-discounted share

# Category 2 Funding Budget Example - Libraries

School	Square Footage	Budget Multiplier	5-Year Budget Cap	E-rate Discount	E-rate Funding Cap	Library's Share %	Library's Share \$
Plainfield Library	840	\$2.35	\$9,412*	60%	\$5,647	40%	\$3,765
Jacksonville Library (urban)	8000	\$5.12	\$40,960	60%	\$24,576	40%	\$16,384

- The Budget Cap is the **pre-discount price**. E-rate discounts will then apply **on top of** the budget cap and the library must pay the non-discounted amount.
- In this example, the library would still owe 40% non-discounted share.

*\* Although  $840 * \$2.35 = \$1,974$ , the minimum cap is invoked.*



# Calculating Remaining C2 Budgets

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**(School Enrollment \* \$153.47) – FY 2015, 2016, 2017 approved pre-discount amounts = Remaining C2 Budget**

- Multiply each school's current enrollment by \$153.47, then **subtract** the pre-discount amount of any C2 E-rate funding used in FY 2015, FY 2016, and FY 2017
- Example:
  - School A's Oct 2017 enrollment is 625 (giving a C2 cap of \$95,918)
  - School received C2 funding commitments for \$25,000 in 2015
    - This is the pre-discount amount, not what was requested from E-rate
  - C2 budget available for remaining 2 years (FY 2018 & FY 2019) would be \$70,918 (\$95,918 - \$25,000)
    - IF....School A uses their full \$70,918 in FY 2018, and their enrollment for FY 2019 increases by 25 students, they would have an additional \$3,825 (\$153 x 25) for use in FY 2019

# Tracking Used C2 Budgets

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- Figuring out what has been “used” for each school’s budget is a little complicated
- Any funding commitments that include a school or library as a recipient of service in that funding year are subtracted from the C2 pre-discount budget for that entity
  - C2 budget is “reduced” at time of commitment, not disbursement
  - If not all committed funding is spent, you can file a Form 500 to return the remaining unused ‘commitment’ to USAC
- How do you know what your C2 budget is at any given time?
  - Review previous Form 471s
  - Review data Julie sent to listserve
  - USAC C2 Budget Calculator - <https://sltools.universalservice.org/portal-external/budgetLookup/> - only for FY 2015 and FY 2016
  - FY 2017 – look up amounts/Recipients of Service at <https://data.usac.org/publicreports/Forms/Form471Detail/Index>

# Calculating Remaining C2 Budgets

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- Multiply each school's current enrollment by \$153.47, then subtract the pre-discount amount of any C2 E-rate funding used in FY 2015, FY 2016, and FY 2017.
- **EXAMPLE:**
  - If a school's enrollment is 245 (giving a C2 cap of \$37,500), and the school received C2 funding commitments for \$25,000 in 2016 (this is the pre-discount amount, not what was requested from E-rate)
  - The remaining budget available for next 3 years (FY 2018 – 2020) would be \$12,500 ( $\$37,500 - \$25,000$ )
  - **IF....School A's enrollment for FY 2018 increases to 275, they would have an additional \$3825 ( $\$153 \times$  additional 25 students) for FY 2018**
  - **School A's remaining C2 budget, adjusted for FY 2018 enrollment, would be \$16,325 ( $\$12,500 + \$3825$ )**
- *Library calculations are much easier – simply subtract the budget committed from the overall C2 budget*
  - *If a square footage changes, the additional C2 budget would be available based on the new figure*

# Requesting More Funding Than Remains in C2 Budget

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**Don't do it.  
Ever.**

- What happens if you do?
  - Your Form 471 will go into manual PIA review
  - Will be required to identify exactly what FRN line items should be reduced or eliminated to come into budget

# C2 Budget Caps - Adjusted

School	FY 2018 Maximum Density Student Count	Budget Multiplier	5-Year Budget Cap	Subtract FY 2015, FY 2016, FY 2017 Committed C2 Funding + Form 500 Returns	Remaining C2 Budget	E-rate Discount	E-rate Funding Cap	District's Share %	District's Share \$
School A	625	\$153.47	\$95,918	-\$44,500	\$51,418	60%	\$30,850	40%	\$20,566
School B	300	\$153.47	\$46,041	-\$41,000	\$5,041	60%	\$3,024	40%	\$2,016

# What's Eligible and Not Eligible for Category 2 Funding?



- **Internal Connections**
- **Basic Maintenance (BMIC)**
- **Managed Internal Broadband Services (MIBS)**

# Internal Connections Eligibility

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- Wireless Access Points/Controllers
- Structured Cabling
- Caching Servers
  - Only eligible servers
- Firewalls
  - No ancillary modules/functions are eligible
  - Like anti-spam, anti-virus, etc.
- Network Routers & Switches
- Racks and UPSs
  - That support eligible equipment only
- Equipment licenses
  - Multi-year licenses can be requested in first year
- Cloud-based functionality of this equipment
- Operating system software to support eligible equipment
- Installation and configuration
  - If wanted, be sure to specify this in your 470/RFP
- Taxes and fees
- Basic training on use of equipment
- **Not eligible:**
  - Storage Devices
  - Voice/Video Components
  - End User Devices

# Basic Maintenance (BMIC) Eligibility

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- Limited eligibility
- Multi-year contracts must be amortized
  - Cannot apply for full cost of multi-year BMIC contract in Year 1
  - Must amortize and submit 471 each year
- Can only be for services/work performed from 7/1/2018 – 6/30/2019
  - Does **not** follow the 4/1/2018 – 9/30/2019 schedule
  - Does **not** follow the first 12 months of ownership schedule
- 100% eligible = basic tech support, configuration changes
  - Costs common when purchasing new equipment
- Conditionally eligible = repair of equipment, cable maintenance
  - E-rate will commit based on amount of contract
  - BUT.... Will only reimburse for time/parts used
  - C2 budget takes “hit” based on full commitment, not funds “used”

**For these reasons, I do not recommend applicants use their C2 budgets for BMIC.  
Rather, use C2 budgets for eligible equipment/installation.**



# MIBS Eligibility

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- Managed Internal Broadband Services (MIBS)
- Have not traditionally been popular among applicants
- Cover the operation, management, or monitoring of a LAN
- 2 Options:
  - Paying an outside vendor to own/maintain the equipment
  - Paying an outside vendor to maintain school-owned equipment
- Eligible for \$30/year/student
  - This is not in addition to the \$150/students

# Category 2 Procurement Options/Requirements – Nonpublic Schools and Libraries



# E-rate Bidding Reminders

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- Applicants should not contact a potential vendor ahead of bidding to seek equipment list (E-rate rule)
  - Service providers are allowed to:
    - Answer general questions about the products and services they sell in response to applicant inquiries, but they may not prepare any part of a RFP or spec sheet that will be used by the applicant for conducting a competitive bid procurement.
- Equipment list **MUST** allow for equivalent manufacturer's products to be bid (E-rate rule)
  - “Cisco 48-port PoE Switch or equipment that is equivalent in functionality and quality”
  - **May include a requirement that equivalent equipment must be fully interoperable and compatible with District's existing XYZ equipment**
    - Be sure to list your existing equipment
- Bid disqualification reasons be stated in the State and Local Procurement Requirements of the Form 470 or in the RFP
  - DQ reasons must be yes/no (either they complied or they did not)

# Form 470 Required

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- Post Form 470 in EPC
  - RFP not required, but may be advisable for C2 projects
  - If RFP is issued, it must be uploaded when 470 is posted
  - All addenda and additional information provided to vendors also **must** be uploaded into EPC at the time of issuance \*
    - Locate 470 in EPC > Related Actions > Add an RFP Document
    - 28-day clock must be restarted if material changes are made to the RFP
    - Changes in services, changes in entities
- Wait at least 29 days and answer vendor questions during bidding window
- Conduct bid evaluation among all qualified bids
- Can consider other factors besides price
  - Price of eligible equipment must be the most heavily weighted factor

# Calculating Weighted Cost

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- For any bid evaluation, you may want to consider using a Weighted Cost Formula for properly weighting the value of cost
  - Not an E-rate requirement, but rather a best practice
  - Formula can be used for all bid evaluations (C1/C2)
- If the bid evaluation is based solely on cost, this is a non-issue
- But where other bid evaluation factors are considered, the steps are as follows (also shown in the Bid Evaluation Sample online):
  - > List the total cost of eligible equipment/services for each proposal
  - > Divide the lowest cost proposal by cost of each other proposal to obtain the % of low cost. For example, if the lowest cost was \$100 and the next lowest cost was \$130, the formula would be  $\$100/\$130 = 77\%$
  - > Multiply this percentage factor by the number of points you're awarding in the "Cost" category. For example, if you're awarding 70 points for cost, the \$100 proposal would receive the full 70 points (the lowest cost always receives the full points for cost), and the \$130 proposal would receive 53.9 points ( $70 * .77$ )

# Bid Evaluation Example

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Category of Service: Wireless				
	Possible Points	Allied Telesis, Inc.	Aruba Networks	Avaya
Total Cost of Eligible Goods/Services		\$800	\$700	\$600
% to Lowest bid		75%	86%	100%
Cost of Eligible Goods and Services*	70	53	60	70
Cost to Train or Certify School Staff on Manufacturer's Equipment	20 (highest points where least cost)	15	20	20
Previous Vendor Experience with the District	10	10	0	10
	100	77.5	80	100

# Contract Records in EPC

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- All C2 requests must have signed contracts
- All contract records must be completed in EPC prior to completing the Form 471
  - All contract related information (470 #, contract signing dates, extension info, vendor, SPIN, etc.) will be done outside of 471 in EPC
  - Then just refer to that contract in the 471
    - Hint: Use a good Contract Nickname (Year, Manufacturer, Vendor)
  - Contract can be as simple as a vendor quote that is signed by the school or library. Be sure to include:
    - Contract signing date (must be before 471 filing date)
    - Contract term: 4/1/2018 through 9/30/2019
    - Purchase is contingent upon E-rate funding and local funding approval

# General Category 2 Bidding Timeline

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- Post 470/Release RFP by Dec 1
- Bids due Dec 29
- Evaluate bids Dec 30 – Jan 15
- Sign contracts by February 27
- Upload contracts to EPC Contract Module by March 1
- Complete 471 no later than March 5





# Purchasing Prior to FCDL...

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- May purchase Category 2 equipment as early as April 1 prior to the start of the funding year -- even with no FCDL
  - Only make early purchases if they are NOT contingent on E-rate funding and you plan to pay for your equipment in full and seek E-rate reimbursement after your Funding Commitment Letter arrives
- Be sure your PO is for the FULL amount, not the non-discounted share
- Submit Form 486 until AFTER the FCDL arrives
- Submit Form 472 BEAR to USAC once your FCDL arrives, and after you have paid your vendor invoice
- Create and Maintain Asset Inventory
  - Sample available
- Maintenance records, if BMIC FRN
  - Require detailed invoices (what, when, where)

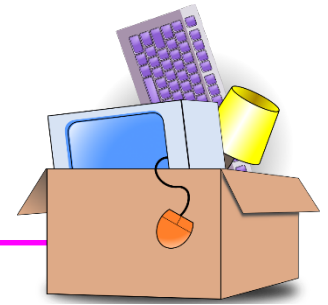
# Purchasing After the FCDL Arrives...

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- Issue Purchase Order
  - If seeking discounted bills
    - Be sure to include only the non-discounted amount and any ineligible charges
    - Vendor will invoice USAC for E-rate share
  - If paying bills in full
    - Issue PO for full amount
    - Submit BEAR Form 472 to seek reimbursement after receiving equipment and paying vendor invoice
- Submit the Form 486 to “turn on funding”
- Create and Maintain Asset Inventory
  - Sample available
- Maintenance records, if BMIC FRN
  - Require detailed vendor invoices (what, when, where)

# Equipment Transfer Rules

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- Equipment **MUST** stay at the location indicated on the Form 471 for a period of **3 years** after the date of purchase
  - After that, the equipment can be transferred to other eligible entities
  - Asset Inventory must be updated
- If a location **closes within 3 years**, equipment from that closed location can be transferred to another eligible entity
  - USAC must be notified of such equipment transfers using the Form 500
  - Asset Inventory must be updated
- After **5 years** from the date of installation, equipment can be disposed of, sold, transferred, traded, etc. with no USAC notification required
  - If equipment is sold, no funding is required to be returned to USAC

# Equipment Substitution Rules

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- To change approved equipment, you must submit what USAC refers to as a "Service Substitution Request"
  - Could be due to clerical error on your Form 471, or
  - Because the vendor is now substituting a newer/different model number
- Service Substitution must generally have the same functionality
  - i.e. data distribution, wireless distribution, cabling, etc.
- If the service substitution results in a change in the pre-discount price, the E-rate funding commitment will be adjusted to the lower cost



# Reminder: Keep Everything!

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## Expanded Document Retention Rules

- The document retention requirement has been **expanded** from 5 years to 10 years from the last date to receive service or service delivery deadline, whichever is later

Be sure to coordinate this new requirement  
with your business office



# Questions?

