

E-rate Category 2 Training for PA Public Schools



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Category 2 Overview

- 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%
75 – 100%	85%	85%

Category 2 E-rate Budget Caps

- Each **school** is entitled to a pre-discount cap of \$153.47 per student, or a minimum building cap of \$9,412.80, over 5 years
 - AVTS budgets based on total number of students
 - Not the # of students in the building at any given time
- Non-Instructional Facilities (**NIFs**):
 - Don't have C2 budgets because there is no student population
 - If equipment is located in the NIF and serves several schools, those schools' budgets can be used to fund the equipment
- Money is allocated **per school** (not on a shared-district basis)
 - Applicants **cannot** move funding from one school or one library to another
- Commitment must be spent during the funding year
 - There is no provision to allow applicants to spend funds and be reimbursed in a later year

5-Year Budgets

- 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 Installation Timeline

- C2 equipment purchase/installation time within a funding year is expanded
- Funding Year for recurring services is July 1 – June 30
- Funding Year for C2 equipment is **April 1 – September 30**
 - Full 18 months
 - Equipment must be installed before September 30
 - Even if installation isn't included on the FRN
 - Can request 1-year extension if request is made before September 30
 - Use Form 500 to submit request
 - Invoices to USAC cannot be submitted prior to July 1
 - **SSD on 471 cannot be earlier than 7/1/2018 – new guidance**

Category 2 – Enrollment Data

- Use the enrollment data as of Oct 2017, or most recent data when submitting 471
- 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 likely 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

School	Maximum Density Student Count – FY 2018	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

Calculating Remaining C2 Budgets

(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

- 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>

Requesting More Funding Than Remains in C2 Budget

**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

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



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

Internal Connections Eligibility

- 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

- 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

- 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 for PA Public Schools



E-rate Bidding Reminders

- 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)

PA Prevailing Wage Requirement

- Complying with PA Prevailing Wage Act
 - PA public school entities are required to comply with the Prevailing Wage Act
 - Applies to public works projects done under contract and paid for in whole or in part out of the funds of a public body
 - Where the estimated cost of the total project is in excess of \$25,000.
 - In speaking with several knowledgeable school officials, they believe that structured cabling projects costing more than \$25,000 would be required to comply with the Prevailing Wage Act
 - You will want to check with your school district solicitor to determine if he or she believes the Prevailing Wage Act applies and if so, be sure to have vendors submit appropriate pricing in their proposals
 - To request PW Determination from Dept of L & I, go to:
<https://www.dlsecureweb.pa.gov/PrevWage/Pages/DetermRequest.aspx?ID=&PageType=>
 - Then attach their response to your RFP

Public School Category 2 Bidding Options

Public schools in PA have 2 bidding options for Category 2 equipment/services:

1. Post Form 470 and Issue RFP

or

2. Conduct PEPPM Mini-Bid

- **Co-Stars** contract is NOT E-rate eligible because it's not competitively bid with price being the most heavily weighted factor

Category 2 Bidding: Option # 1

Post Form 470 and RFP

- RFP required if cost of equipment exceeds \$19,400 (state law)
- Form 470 and RFP bidding must be done concurrently and bidding window required to be open for at least 28 days before bids are due (E-rate rule)
- RFP must be published in at least 2 local newspapers of general circulation once/week for 3 consecutive weeks (state law)
- 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”
- Assuming all RFP requirements have been met, schools must accept the lowest-price bid (state law)
- School board likely requires contract approval prior to signing (local policy)
 - Contract must be signed before submitting Form 471 (E-rate rule)

Category 2 Bidding: Option # 1

- 1) Develop RFP with equipment/services list
- 2) Post 470 with RFP
- 3) Allow vendors at least 29 days to bid
- 4) Evaluate bids for compliance with RFP
 - Must select low-bid among all “qualified” proposals
- 5) Have school board approve award
- 6) Sign vendor contract
 - Can be as simple as signing vendor quote
 - Be sure to include these items:
 - 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
- 7) Notify vendor
- 8) Create Contract Record in EPC
- 9) File Form 471

Category 2 Bidding: Option # 2

Conduct PEPPM Mini-Bid

- Must conduct PEPPM Mini-Bid among all product lines in a certain “category”
- No Form 470 required (PEPPM filed Form 470 when contracts were competitively bid)
 - No newspaper advertising required
- More appropriate for equipment/installation, rather than cabling project
- Can consider other factors besides price
 - Price of eligible equipment must be the most heavily weighted factor
- Complete Guide to PEPPM Mini-Bidding available at:
http://e-ratepa.org/?page_id=6121

Step-by-Step: PEPPM Mini-Bidding

- On the PA E-rate Website, step-by-step documents are available for PEPPM Mini-Bidding
- http://e-ratepa.org/?page_id=6121
 - [PEPPM Mini-Bid Guide FY 2018](#) 
 - [A - Linking to PEPPM Consortium](#) 
 - [B - Sample Equipment Bid List FY 2018](#) 
 - [C - Sample PEPPM Mini-Bid Cover E-mail to Vendors FY 2018](#) 
 - [D - PEPPM E-rate Category List FY 2018 v15](#) 
 - [E - Bid Evaluation Matrix - PEPPM Sample FY 2018](#) 
 - [F - Sample Award Notification to Winning Vendor](#) 
 - [G - PEPPM Related Contract Module Data Points](#) 

PEPPM Mini-Bid Steps

- 1) Join PEPPM Consortium in EPC (if not previously done)
- 2) Develop equipment/services list
- 3) Compose cover e-mail to vendors
 - Explain due dates, requirements
- 4) Send e-mail and equipment list to all Awarded Vendors in specific “category”
 - Send to at least one reseller if Awarded Vendor uses resellers
 - Allow vendors minimum of 2 weeks to submit bids
- 5) Conduct bid evaluation among all qualified bids
 - Price just has to be the most heavily weighted factor
- 6) Have school board approve award

PEPPM Mini-Bid Steps

- 7) Sign vendor contract
 - Can be as simple as signing vendor quote
 - Be sure to include these items:
 - 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
 - Contract must be signed prior to creating Contract Record and 471
- 8) Notify vendor
- 9) Create Contract Record in EPC
 - Use those contract dates – not PEPPM dates – in EPC Contract Record
 - EPC Contract Record requires you to list # of bids received
- 10) Submit Form 471

Example: PEPPM Mini-Bid Category List

Filter by 'Category' then send equipment list to all vendors with x

Manufacturer	PEPPM Awarded Vendor Name	Wireless Equipment/Services	Cabling/Connectors	Caching Servers	Firewall Equipment	Switches	Routers	UPS	Racks	Awarded Vendor Contact Name	Awarded Vendor Contact Email	Uses Resellers?
ACE Computers	Ace Computers			x						John Samborski	johns@acecomputers.com	Yes
Adtran, Inc.	ADTRAN	x				x	x			Patrick Foster	patrick.foster@adtran.com	Yes
Aerohive Networks	Aerohive Networks	x				x	x			Zach Harris	sales-operations@aerohive.com	Yes Yes Yes
Alcatel-Lucent	Alcatel-Lucent Enterprise USA, Inc.					x	x			Neal Tilley	neal.tilley@alcatel-lucent.com	Yes
Allied Telesis, Inc.	En-Net Services, LLC	x			x	x	x			Ed Floyd	efloyd@en-netservices.com	No
APC	ePlus Technology, Inc.		x					x	x	Nick D'Archangelo	ndarchangelo@eplus.com	No
Arista Networks	Carahsoft Technology Corporation					x				Jack Dixon	Jack.Dixon@Carahsoft.com	No
Aruba Networks Corporation	Aruba Networks	x				x				Andrew Tanguay	atanguay@arubanetworks.com	Yes

Authorized Resellers on PEPPM

- Each PEPPM product line has been awarded to a single vendor (Awarded Vendor)
- In some cases Awarded Vendors will identify Authorized Resellers that are bound by the PEPPM contract terms and conditions and will rely on those resellers to directly sell to customers
 - See Column P to identify whether the Awarded Vendor relies on resellers
- Where resellers can/must be used, applicants should review all of the Authorized Resellers identified in the corresponding tab and document in their bid evaluation a valid reason why they selected a particular Authorized Reseller
 - A valid reason could include: proximity to the district, previous experience with the district, possesses an E-rate SPIN number, has E-rate experience, high references from other schools, etc.

Add'l Product Lines as of 1/2/2018

- A few additional product lines were competitively bid in fall 2017, and will be added to the PEPPM Contract beginning January 2, 2018
- PEPPM mini-bids issued prior to January 2, 2018 cannot include these new product lines; however, for PEPPM mini-bids issued on or after January 2, 2018, these product lines/awarded vendors must be included with your PEPPM mini-bid
- A new, updated Category List will be sent to the PA E-rate listserve with these additions on January 2, 2018. The product lines that will be added are:

Actiontec	Mimosa Networks
Baicells Technologies	Mist Systems
Barracuda	Mojo Networks
Cambium Networks	PacketViper LLC
Cradlepoint	Proxim Wireless
DragonWave	Ubiquiti
Huawei	West Penn Wire

Calculating Weighted Cost

- 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 ($70 * .77$)

Bidding: PEPPM Bid Evaluation Example

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

PEPPM vs RFP

PEPPM

- Don't have to post Form 470/Issue RFP
- Don't have to advertise in newspaper
- DO have to conduct mini-bid of every vendor that sells equipment in that category
- Don't have to wait full 28 days during mini-bid process
- **Can consider non-cost factors as long as costs of E-rate eligible equipment/services are most heavily weighted factor**
- Can require compatibility and interoperability with existing equipment
- More appropriate for equipment/installation, rather than cabling project

RFP/470

- Must post 470 and upload RFP
- More appropriate for cabling projects, in addition to equipment/installation
- Can provide greater specificity about requirements
- Can require compatibility and interoperability with existing equipment
- Can list binary disqualification factors
- Don't have to solicit bids from any vendor
- **Cannot consider non-cost factors during bid evaluation. If all RFP criteria have been met, must select lowest bid**

General Category 2 Bidding Timeline

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



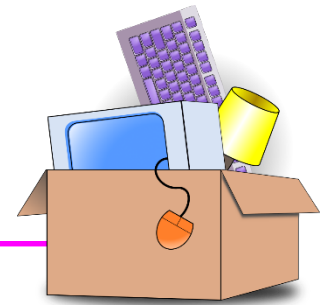
Purchasing Prior to FCDL...

- 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...

- 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



- 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

- 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!

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 requirement
with your business office



Questions?

