

E-rate Category 2 Workshop for PA 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

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

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 for that district would be FY 2017 (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
- Rules also say that after FY 2019, BMIC, MIBS and caching are no longer eligible

Request for Comments – C2

- September 2017 - FCC Sought Comments on Category 2 issues:
 - Sufficiency/Usage of Category 2 budgets
 - Administration of the C2 budgets
 - Calculation of C2 Budgets
 - Category 2 application process
- PDE submitted comprehensive comments
 - Available at: <https://www.fcc.gov/ecfs/filing/1023387727667>
- Some people are concerned that they may want to reduce C2 budgets or spread “budgets” between C1 and C2
 - I don’t think C2 is going away
 - However, I recommend using your C2 funding in FY 2018 or FY 2019, if possible

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 for that school or library
- 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
 - Takes a few months for USAC to process
- FY 2018 Inflation Factor will not be announced until the late March
 - Presume that your budget is based on \$153.47
 - Don’t try to wait for inflation factor before filing Form 471

Calculating Remaining C2 Budgets

- **Caution:** Do NOT use “View C2 Budgets” tool in Form 471
 - These are not accurate and don’t include anything from FY 2015
- Use **this tool** on USAC’s website under Tools:
<https://sltools.universalservice.org/portal-external/budgetLookup/> -
- Includes all commitments from FY 2015 – FY 2017
 - Does NOT include FY 2018 enrollments!!!
 - Does NOT include pending Form 500’s
 - Must do offline math to accurately determine what C2 remains for each school

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



PA C2 Budget Utilization

- Since FY 2015, PA's schools and libraries have received nearly \$100 million in Category 2 funding
- 2825 individual schools and libraries within 825 separate billed entities have utilized at least some or all of their Category 2 budgets
 - 82% of our public school districts have utilized **some** of their C2 budgets
 - 23% of public school districts have spent **ALL** of their five-year 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
 - Network cards aren't eligible
- 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 Bidding Options

- **Nonpublic schools/libraries:**
 - Post 470 only; No RFP required
 - Wait 29 days, conduct bid evaluation, sign contract and submit 471
 - Can consider other factors besides cost
- **PA Public schools:**
 - 2 Options:
 - 1) Post Form 470/RFP
 - ~ or ~
 - 1) Use PA PEPPM Contract

Public Schools C2 Bidding: Option # 1

Post Form 470 and RFP

- RFP required if cost of equipment exceeds \$20,100 (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)
- Most school board must approve contract prior to signing
 - Contract must be signed before submitting Form 471
- Use this option for **structured cabling projects**

Public Schools C2 Bidding: Option # 2

Conduct PEPPM Mini-Bid

- No Form 470 required (PEPPM filed Form 470 when contracts were being competitively bid)
- Must conduct PEPPM Mini-Bid Procurement
 - Request proposals from all manufactures in that “Category”
 - Can list preferred manufacturer, but must request bids for “equivalent” products
 - Minimum 2 week bidding period; longer preferred
- Then conduct bid evaluation among all product lines that offer the ‘category’ of service, including equivalents
- Can consider other factors besides price
- Sign contract (or vendor quote) and use those contract dates – not PEPPM dates – in EPC contract record
- Cannot contact PEPPM bidder ahead of bidding to seek equipment list

C2 Bidding Reminders

- ✓ Equipment list **MUST** allow for equivalent manufacturer's products to be bid
 - "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
- ✓ 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)**
- ✓ Include **Prevailing Wage** Determination for all projects involving labor where the total project is over \$25,000 (public schools only)
 - Obtain PW Determination and attach to RFP:
 - <https://www.dliscureweb.pa.gov/PrevWage/Pages/DetermRequest.aspx?ID=&PageType=>
- ✓ All RFP amendments must be uploaded into EPC with original Form 470
 - Includes relevant information given to vendors that would impact bid (FAQs)
 - Restart 28-day clock if "**cardinal change**" made to RFP (adding equip/services, recipients of service)
- ✓ All C2 services/equipment must have a **signed contract** before Form 471 is filed

Category 2 Installation Timeline

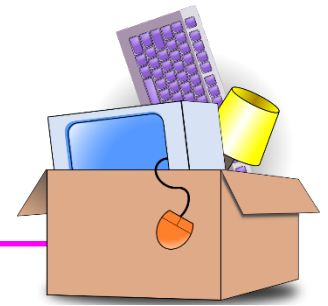
- C2 equipment purchase/installation time within a funding year is expanded
- Funding Year for C2 non-recurring services/equipment is **April 1 – September 30**
 - Full 18 months
 - Equipment must be installed before September 30
 - Even if installation isn't included on the FRN
 - Can request 1-year 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**
- Only make pre-FCDL purchases if you can afford to pay 100% of cost and seek reimbursement later
 - And are willing to assume risk of an E-rate funding denial

C2 Purchasing Reminders

- ✓ Create and Maintain Asset Inventory
 - All audits require this to be submitted
 - Sample available
 - <http://e-ratepa.org/wp-content/uploads/2014/03/Asset-Register-Sample.xlsx>
- ✓ Only purchase exact equipment that was approved on 471
 - If equipment is different, seek a **Service Substitution** from USAC
- Keep everything
 - E-rate rules now require you to keep all documents related to procurement, purchasing, discount calculations, invoicing for 10 years from the last date to receive service or service delivery deadline, whichever is later



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

C2 Form 471 Filing Reminders

- Apply for Multi-Year Product Licenses in 1st year
 - No need to amortize
- Don't apply for Basic Maintenance Services as Licenses
 - Must amortize
- Ignore the “View Category 2 Budget Information” in the Form 471
- Don't ever apply for more than C2 budget cap for a school
- Have Structured Cabling Contracts be Single Priced
 - By school
- Break Out All Components into Separate FRN Line Items – Including Switches
- Break Out Ineligible Costs
 - Firewalls: Anti-virus, anti-spam, filtering, DDOS features
 - UPS: Network cards
- Sign vendor contracts before submitting 471
- Wisely Allocate C2 Budgets for Shared Equipment
 - Use weighted calculation if it maximizes your C2 budgets
- Don't Use “Copy FRN” Feature (for C1 or C2 FRNs)

Questions?

