

# E-rate Category 2 Workshop for PA Non-Public Schools & Libraries Funding Year 2019



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# Category 2 Overview

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- Category 2 funds Wi-Fi and related wiring, infrastructure and equipment **inside** buildings
- Can purchase/install equipment from April 1, 2019 – Sept 30, 2020
  - Cannot invoice USAC until July 1
- 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 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>

# 5-Year Budgets

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- The '5-Year C2 Period' begins the first year *any* school in a district obtains E-rate funding, beginning FY 2015
  - Example, if the first school in a district received 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 should be FY 2021)
- What happens after 5-year Budget Plan is over?
  - Unsettled: We *believe* that each school will receive the remainder of their 5-year C2 budgets
  - FCC will announce in coming months what will happen to applicants that have exhausted their 5 year (meaning they started in FY 2015)
- Rules say that after FY 2019, BMIC, MIBS and caching are no longer eligible

# Category 2 E-rate Budget Caps

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- Each **school** is entitled to a pre-discount cap of \$156.23 per student, or a minimum building cap of \$9,852.23, over 5 years
- Each **library** is entitled to a pre-discount cap over 5 years, based on their Locale Code:
  - Urban Libraries (those with locale codes of 11, 12 or 21): \$5.21/sq. ft.
  - Other Libraries: \$2.39/sq. ft.
  - Square footage is the area for all floors occupied by the library, including those areas off-limits to the public
- These C2 multipliers will be adjusted for inflation, likely in February
  - Base your calculations on the FY 2018 amounts shown above

# Category 2 E-rate Budgets

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- Non-Instructional Facilities (NIFs):
  - Don't receive C2 funding 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/library** (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 – 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
- 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

# C2 “Starting” School Budget Example

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School	Current Enrollment	Budget Multiplier	‘Starting’ 5-year Budget	E-rate Discount	E-rate Funding Cap	School’s Share %	School’s Share \$
School A	625	\$156.23	\$97,643	60%	\$58,585	40%	\$39,057
School B	300	\$156.23	\$46,869	60%	\$28,121	40%	\$18,747

- 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 their 40% non-discounted share

# C2 “Starting” Library Budget Example

School	Square Footage	Budget Multiplier	‘Starting’ 5-year Budget	E-rate Discount	E-rate Funding Cap	Library’s Share %	Library’s Share \$
Plainfield Library	840	\$2.39	\$9,852*	60%	\$5,911	40%	\$3,941
Jacksonville Library (urban)	8000	\$5.21	\$40,960	60%	\$25,008	40%	\$16,672

- 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  $840 * \$2.39 = \$2,007$ , the minimum cap of \$9,852 is available.*



# Calculating Remaining C2 Budgets

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## Formula:

(School Enrollment \* \$156.23) – approved pre-discount amounts since FY 2015 = Remaining C2 Budget

- Multiply each school's current enrollment by \$156.23, then **subtract** the pre-discount amount of any C2 E-rate funding used in FY 2015, FY 2016, FY 2017, & FY 2018 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 2019 Inflation Factor will not be announced until Feb/March
  - Presume that your budget is based on \$156.23 and the current library budget multipliers

# Calculating Remaining C2 Budgets

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- Use **this tool** on USAC's website under Tools:  
<https://sltools.universalservice.org/portal-external/budgetLookup/> -
- Includes all commitments from FY 2015 – FY 2018
  - Does NOT update when you change enrollments in EPC profiles
  - Does NOT include pending Form 500's
  - Must do offline math to accurately determine what C2 remains for each school or library for FY 2019 based on updated enrollments

# Remaining C2 Budget Calculations

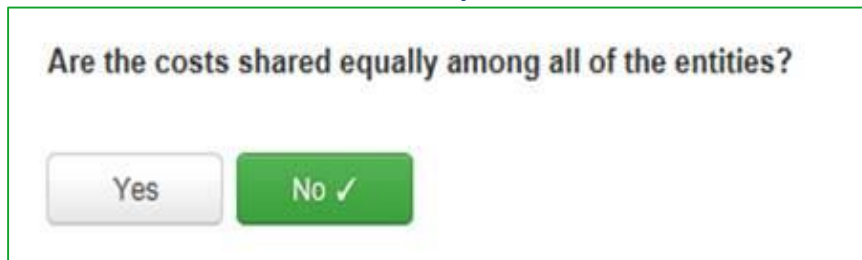
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School	Current Enrollment	Budget Multiplier	'Starting' 5-year Budget	Subtract FY 2015, FY 2016, FY 2017 Committed C2 Funding + Form 500 Returns	Remaining C2 Budget	E-rate Discount	E-rate Funding Cap	District's Share %	District's Share \$
School A	625	\$156.23	\$97,643	-\$44,500	\$53,143	60%	\$31,885	40%	\$21,257
School B	300	\$156.23	\$46,869	-\$41,000	\$5,869	60%	\$3,521	40%	\$2,347

# C2 Budget Options for Shared Equipment

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- If equipment is shared by 2+ entities, the cost of the equipment must be allocated from the C2 budgets of the schools sharing the equipment
  - Core switches and wireless controllers are good examples of shared equipment
- Deciding which cost allocation method to choose -- and making sure you do so correctly on your Form 471 -- is important
- After identifying the schools sharing the equipment, the 471 will ask *"Are the costs shared equally among all of the entities?"*
  - If you answer "Yes," the system will split the costs of this line item equally among the recipients identified
  - This may not be the best use of your C2 dollars



Are the costs shared equally among all of the entities?

Yes No ✓

# C2 Budget Options for Shared Equipment

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Can use a weighted C2 budget figures instead of straight cost allocation:

- By percentage of enrolled students
- By percentage of devices connected
- Other verifiable method

	Total Enrollment (or devices, etc)	% of Total	% x Cost of Shared Component
Plainfield Elem	225	0.21	\$6,355.93
Jacksonville HS	256	0.24	\$7,231.64
Franklin HS	581	0.55	\$16,412.43
	1062		\$30,000.00

# Requesting More Funding Than Remains in C2 Budget

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**Don't Do It.  
Ever.  
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





# Internal Connections

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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
  - 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)

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- 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”
- Can only be for services/work performed from 7/1/2019 – 6/30/2020
  - Does not follow the 4/1/2019 – 9/30/2020 schedule
  - Does not follow the first 12 months of ownership schedule
- 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



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

# Managed Internal Broadband Svcs

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- Managed Internal Broadband Services (MIBS)
- Has not traditionally been popular among applicants
- Covers 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



# 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

- 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
  - Restart 28-day clock for service or entity changes

### Add New Service Request

**Service Type \***

Internal Connections

Basic Maintenance of Internal Connections

Managed Internal Broadband Services

**Function \***

Please select a value

Please select a value

Cabling

Caching

Firewall Service and Components

Racks

Router

Switches

UPS/Battery Backup

WAP

Wireless Controller

Antennas, Connectors, and Related Components

# Adding Service Requests to 470

### Add New Service Request

**Service Type \***

Internal Connections

Basic Maintenance of Internal Connections

Managed Internal Broadband Services

**Function \***

Switches

**Quantity \***

2

**Unit**

Each

**Manufacturer**

Hewlett Packard or equivalent

**Are you also seeking Installation, Activation and Initial Configuration for this service? \***

Yes

No

<input type="checkbox"/>	Service Type	Function	Manufacturer	Manufacturer Other Description	Entities	Quantity	Unit	Installation and Initial Configuration?	Associated RFPs
<input type="checkbox"/>	Internal Connections	Switches	Hewlett Packard or equivalent			2	Each	Yes	

ADD NEW SERVICE REQUEST

EDIT SERVICE REQUEST

REMOVE SERVICE REQUEST

### Narrative

If you would like to provide further detail about the services sought, you may do so in this box below. Examples of such further detail include specific additional capacity levels that you are seeking, additional descriptions of the services bidders should be aware of or any disqualification factors.

Seeking HP Model XXXXX or equivalent switches. Equivalent proposals must be compatible and fully interoperable with the library's existing XXX HP equipment.

# Competitive Bidding

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- After the Form 470 has been posted online, vendors submit proposals to the school or library
- Proposals must be accepted for a minimum of 28 calendar days, but applicants may accept proposals after this date
- Vendors will contact you if they need additional information
- When contacted by a vendor, you must indicate your willingness to receive a proposal for services listed on Form 470
  - Do NOT say you are just going to stay with your current vendor

# Bid Evaluation

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- On 29<sup>th</sup> day after 470 is posted (or later), billed entity must review all bids received for all services
- Create bid evaluation spreadsheet
  - List bid evaluation factors and weights
    - Quality of proposed solution
    - Cost of ineligible items
    - References
    - History with vendor
    - Ability to meet installation deadline
- **Price of eligible services/equipment MUST be the most heavily weighted factor during bid evaluation**
  - Recommended: Price of eligible services should be at least 51% of weight
- Keep documentation of criteria used to select vendor
  - Keep all winning and losing bids
  - Keep bid evaluation matrix
  - Retain all correspondence between applicant and all vendors (winning and losing)



# Bid Evaluation Matrix Example

Factor	Points Available	Vendor A	Vendor B	Vendor C
Proposal Cost		\$750	\$800	\$1000
-- Weighted Points (% to lowest bid)		100%	80%	75%
Price of Eligible Services/Equipment (weighted)	60	60	48	45
Ability to Meet Installation Timeline	20	10	10	20
Quality of Proposed Solution	10	10	10	10
References	10	8	8	5
<b>TOTAL POINTS</b>		<b>88</b>	76	80



# Signing Category 2 Contracts

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- All C2 requests must have signed contracts
  - 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: 4/1/2019 through 9/30/2020
    - Purchase is contingent upon E-rate funding and local funding approval
- Most of procurement information is not included on Form 471
  - Instead, it's put into a 'Contract Record' in EPC prior to starting the 471
  - That information is then ported into the 471
  - What info is put into the Contract Record?
    - 470 #, contract signing dates, extension info, vendor, SPIN, uploaded contract, etc.
    - Hint: Use a good Contract Nickname (Year, Manufacturer, Vendor)

**From  
Form 471:**

### FRN Contract

How are the services for this FRN being purchased?

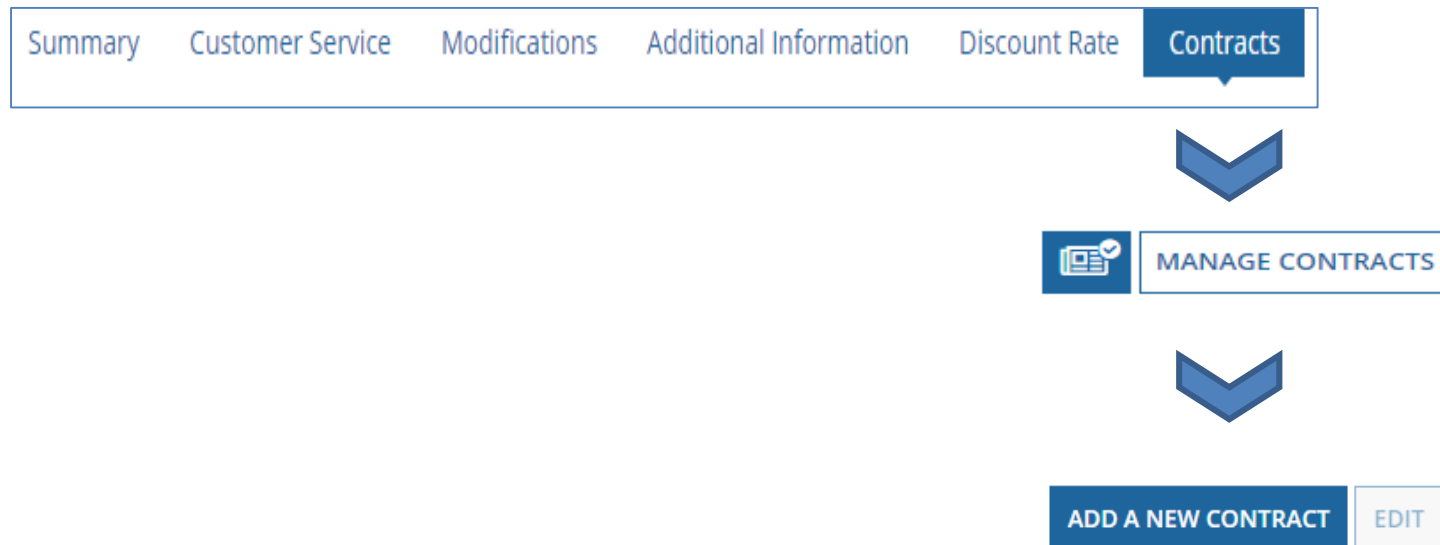
Contract information is stored in your Profile; you can add a new Contract at any time. Details about your Tariff and Month-to-Month services will be entered in your FRN.

Contract  Tariff  Month-to-Month

# Finding the Contract Module in EPC

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> Landing Page > Click on District Name > Contracts from top toolbar > Manage Contracts > Add a New Contract



# 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 10



# 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)

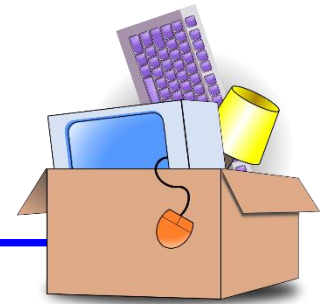
# Purchasing After the FCDL Arrives...

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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 is now 10 years from the last date to receive service or service delivery deadline, whichever is later.
- Electronic document storage is permissible

Be sure to coordinate this new requirement  
with your business office



# Questions?

