

E-rate Category 2 Workshop for PA Public Schools Funding Year 2019



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Category 2 Overview

- 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%
75 – 100%	85%	85%

5-Year Budgets

- 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

- 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
 - AVTS budgets based on total number of students
 - Not the # of students in the building at any given time
- 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

- 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

- 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

School	Current Enrollment	Budget Multiplier	‘Starting’ 5-year Budget	E-rate Discount	E-rate Funding Cap	District's Share %	District'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

Calculating Remaining C2 Budgets

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
- 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

Calculating Remaining C2 Budgets

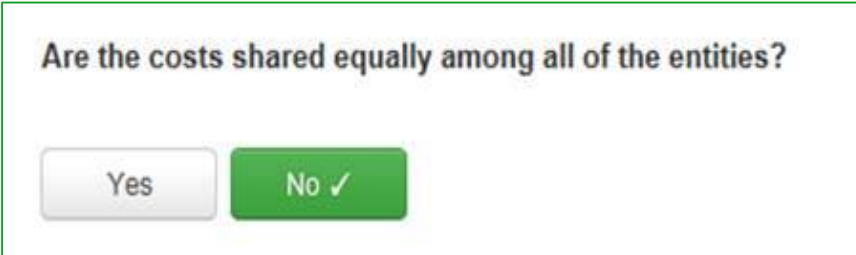
- Use **this tool** on USAC's website under Tools:
<https://sltools.universalservice.org/portal-external/budgetLookup/> -
- Includes all commitments from FY 2015 – FY 2018
 - Does NOT update when you change enrollments in EPC profiles
 - Does NOT include pending Form 500's
 - Must do offline math to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

Remaining C2 Budget Calculations

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

- 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

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

**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

- 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)

- 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

- 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

C2 E-rate Bidding Rules

- 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 procurement documents (470/RFP/Mini-Bids)
 - DQ reasons must be yes/no (either they complied or they did not)

PA Prevailing Wage Requirement

- ✓ Include **Prevailing Wage** Determination for all projects involving labor where the total project is over \$25,000
 - Obtain PW Determination and attach to bidding documents sent to vendors:
 - <https://www.dlsecureweb.pa.gov/PrevWage/Pages/DetermRequest.aspx?ID=&PageType=>

C2 Public School Bidding Options

- PA Public Schools have two options for competitively bidding Category 2 equipment and services:
 - 1) Post Form 470 with an RFP
~ or ~
 - 2) Conduct PA PEPPM Mini-Bid

Option # 1: C2 Form 470 w/RFP

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)
- Assuming all RFP requirements have been met, schools must accept the lowest-price bid (state law)
- Most school boards must approve contract prior to signing
 - Contract must be signed before submitting Form 471
- Best option for **structured cabling projects**

C2 Form 470

- RFP 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	

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.

C2 Form 470 Competitive Bidding

- After the Form 470/RFP has been posted online, vendors submit proposals directly to the school
- 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

Form 470/RFP Bidding Timeline

- Post 470/Release RFP by Dec 1
- Bids due Dec 29
- Evaluate bids Dec 30 – Jan 15
- Obtain board approval in February/Sign contracts
- Upload contracts to EPC Contract Module by March 1
- Complete 471 no later than March 10



Option # 2: PEPPM Mini-Bid

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 manufacturers 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

Note: FY 2019 PEPPM Mini-bids cannot be issued to vendors before January 2, 2019. New PEPPM contract is being bid and awarded vendors’ list won’t be available until then.

PEPPM Mini-Bids

- I will send PEPPM Mini-Bid Procurement Guide to listserve
 - Will contain step-by-step guidance/materials
 - 1) Equipment bid list template
 - 2) Sample cover e-mail to vendors
 - 3) PEPPM Product Line 'Category' List with Awarded Vendors and Contact Info*
 - 4) Bid Evaluation matrix template
 - 5) Sample cover e-mail to winning vendors
 - 6) Contract Module Guide for PEPPM-based contracts

PEPPM Category List Example

- Filter by which 'Category' your equipment falls under
- Copy Awarded Vendors' E-mails into e-mail
- Use cover letter and attach completed equipment list

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 (See next tab for list of Resellers)
ACE Computers	Ace Computers			X						John Samborski	johns@acecomputers.com	No
Actiontec	CDWG	X	X							Mark Ellis	markeli@cdwg.com	No
Adtran, Inc.	ADTRAN	X				X	X			Patrick Foster	patrick.foster@adtran.com	Yes
ADVA Optical Networkir	Walker and Associates, Inc.		X		X	X	X			Scott Stoll	scott.stoll@walkerfirst.com	No
Aerohive Networks	Aerohive Networks	X				X	X			Sarah Page	spage@aerohive.com	Yes
Alcatel-Lucent	Alcatel-Lucent Enterprise	X				X	X			David Croston	david.croston@al-enterprise	Yes
Allied Telesis, Inc.	En-Net Services, LLC	X			X	X	X			Ed Floyd	efloyd@en-netservices.com	No

EXAMPLE - DO NOT USE

PEPPM vs 470/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 require compatibility and interoperability with existing equipment (both)
- More appropriate for equipment/installation, rather than cabling project
- Can consider non-cost factors as long as costs of E-rate eligible equipment/services are most heavily weighted factor

RFP

- Must post 470 & RFP if over \$20,100
- More appropriate for cabling projects, in addition to equipment/installation
- Can provide greater specificity about requirements
- Can require compatibility and interoperability with existing equipment (both)
- 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

470/RFP or PEPPM Bidding Timeline

470/RFP

- Post 470/RFP by December 1
- Bids due at end of December
- Evaluate bids in early January
- Obtain board approval in January or February
- Sign contracts in February and upload to EPC Contract Module by March 1
- Complete Form 471 no later than March 10

PEPPM

- Release PEPPM Mini-bids no earlier than January 2
- Bids due by end of January
- Obtain board approval in February
- Sign contracts in February and upload to EPC Contract Module by March 1
- Complete Form 471 no later than March 10



Bid Evaluation

- On 29th 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
TOTAL POINTS		88	76	80



Signing Category 2 Contracts

- 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

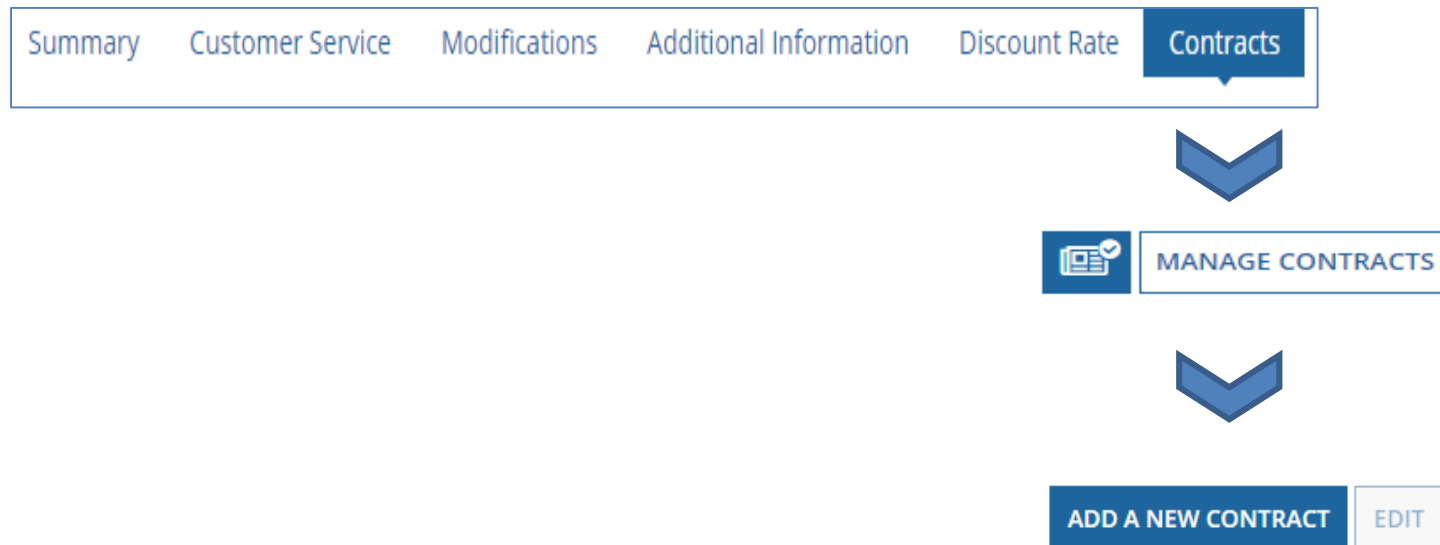
How are the services for this FRN being purchased?

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

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



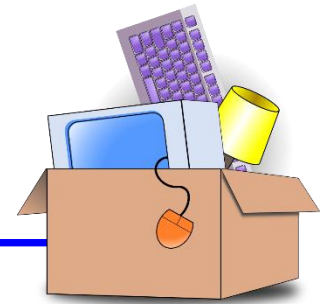
Purchasing Prior to FCDL...

- 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 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?

