

# **E-rate Category 2 Workshop for Non-Public Schools & Libraries:**

## **Budgets, Eligibility and Bidding**



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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, 2020 – Sept 30, 2021
  - Cannot invoice USAC until July 1
- Intention is to have all schools and libraries obtain Category 2 funding over a set multi-year “cycle”
- 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>

# Category 2 Budgets

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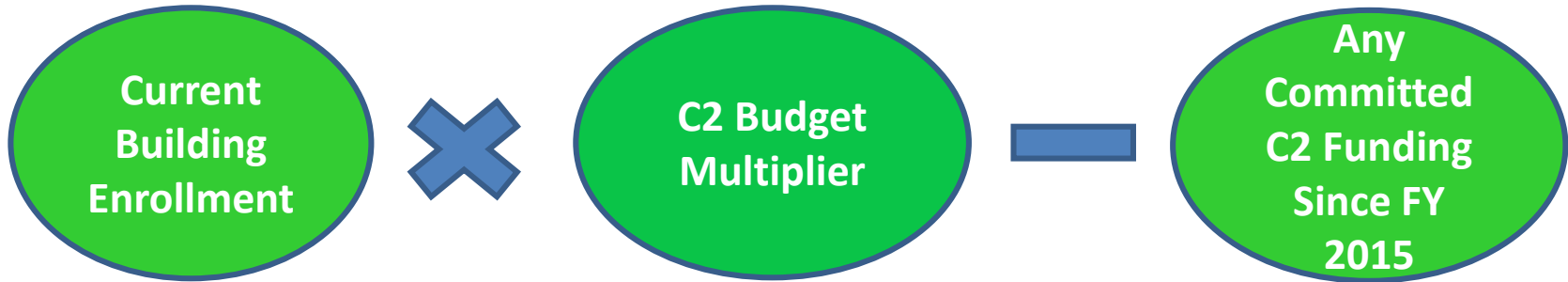
- Recently, the FCC extended the Category 2 Pilot Cycle from 5 years to 6 years.
  - Cycle 1 (pilot) = FY 2015 – FY 2019 → FY 2015 – FY 2020
  - Cycle 2 = FY 2021 – FY 2025
- Schools/libraries receive a per pupil or per square foot “pre-discount” amount (multiplier) that can be spent anytime during the C2 cycle
  - *FY 2020 anticipated multipliers:*
    - Schools: \$195.63/pp/school
    - Urban libraries: \$6.52 (locale codes 11, 12, 21)
    - All other libraries: \$2.99
    - Minimum budget/building: \$11,998.43
  - No unused funding will be rolled over into next C2 cycle (FY 2021)

# Category 2 E-rate Budgets

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- For FY 2020, funds are allocated **per school/library** (not on a shared-district basis) and applicants **cannot** move funding from one school or one library to another
  - For FY 2020, equipment **MUST** stay at the location indicated on the Form 471 for a period of **3 years** after the date of purchase
  - For FY 2021, funds will be allocated district-wide or library system-wide and equipment can be transferred between buildings
  - Asset inventory must be updated to track equipment
- 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
- 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

# FY 2020 Category 2 Budget Formula



## EXAMPLES:

School	Enrollment	FY 2020 Budget Multiplier	FY 2020 Base Budget	Used Since FY 2015	FY 2020 E-rate C2 Funding Cap
Red School	625	\$195.63	\$122,268	\$50,000	<b>\$72,268</b>
Green School	300	\$195.63	\$58,689	\$20,000	<b>\$38,689</b>
Yellow School	50	\$195.63	<b>\$11,998.43</b>	\$2,500	<b>\$9,498.43</b>
Blue School	120	\$195.63	\$23,475	\$25,000	<b>\$0</b>

Because  $(50 * \$195.63) < \text{floor amount}$

Because enrollment decreased significantly

# Where to Find How Much Has Been Used Since FY 2015?

## 2 Ways:

### 1) USAC's Category 2 Budget Tool

<https://sltools.universalservice.org/portal-external/budgetLookup/>

- Caution: ONLY use this tool to obtain the previously-used funding data
- Don't look at what it shows for the remaining balance because the tool has not been updated to reflect the FY 2020 multipliers

Easy Nav: [www.usac.org/e-rate](http://www.usac.org/e-rate)

#### Resources

[Eligible Services List](#)

[Tools](#)

[Weekly SL News Brief](#)

[Training](#)

[Announcements](#)

#### FCC Form 471 Tools

[Category Two Budget Tool](#)

#### Schools and Libraries (E-rate)

##### Category 2 Budget Lookup Tool

Note that C2 budgets are pre-discount. Only approved pre-discount amounts are charged against an entity's C2 budget. Individual schools and libraries have C2 budgets.

School districts, library systems, consortia, and non-instructional facilities (NIFs) do not. [\(more...\)](#)

##### Entity Number

Enter up to 100 entity numbers separated by commas.

Enter Entity Number or paste from your clipboard

Lookup C2 Budget Status

# Using USAC's C2 Budget Tool

**STEP 1:** Enter building entity numbers into tool

Entity Number

Enter up to 100 entity numbers separated by commas.

20832  
20831  
234602

List School/Library Entity Numbers Here

Lookup C2 Budget Status Clear

**STEP 2:** Expand each “+”

Category 2 Budget Status

Understanding the search results [\(more...\)](#)

Entity # 20832	Entity Name ENGLE MIDDLE SCHOOL
Entity # 20831	Entity Name PENN LONDON ELEMENTARY SCHOOL
Entity # 234602	Entity Name AVON GROVE INTERMEDIATE SCHOOL

**STEP 3:** Copy “Approved Pre-Discount” Amount

Entity #	Entity Name	
20832	ENGLE MIDDLE SCHOOL	
+ FY2019		
<del>C2 Budget</del>	<del>Approved Pre-Discount</del>	<del>Remaining Balance</del>
<del>\$134,760.68</del>	\$8,025.80	<del>\$126,734.88</del>

ONLY use this data point. This amount includes the approved, pre-discount amounts of all FRNs in FY 2015 – FY 2019. It also includes all processed (not pending) Form 500's that were submitted to reduce or cancel funding.

# Where to Find How Much Has Been Used Since FY 2015?

## 2) Cool New C2 Budget Tool from Funds for Learning

<https://www.fundsforlearning.com/FFLServices/c2budgetcalculator.php>

### Category Two Budget Calculator

The Category Two budget amount is based on student population and the discount rate is based on prior-year application data. Both are actual figures based on user data input.

**Step 1: Enter a billed entity number, a zip code, all or part of the entity's name, or the entity's city in the box below.**

Search Term:  ←

**Step 2: Select a state if you wish to narrow your search.**

State:

**Step 3: Select an entity type if you wish to narrow your search.**

Entity Type:  School Districts  
 Library Systems

Only need BEN, zip, name, etc., unlike USAC's tool that requires building entity numbers.

**Caveat: This tool currently does not show results for schools that have not used any C2 budgets, and does not include C2 "used" commitments where an entity was listed on a consortium C2 application.**



# FFL C2 Budget Tool - Results

**Search Results**

Name	Billed Entity Number	NCES Number	Street	City	State	Zip	Category	Type	Urban/Rural
AVON GROVE SCHOOL DISTRICT	126215		375 S. JENNERSVILLE RD	WEST GROVE	PA	19390	DISTRICT	PUBLIC	Not Found

**Category 2 Budget Per Site**

**Available Pre-Discount C2 Budget for FY 2020**

New C2 Budget Table Options ▾

Site Name	BEN	FY2020 Budget	FY2015-2019 Budget Util.	FY2020 Avail. Budget	FY2020 Avail. Discount
AVON GROVE HIGH SCHOOL	20833	\$343,917.54	\$50,407.51	\$293,510	x 60% \$146,755
AVON GROVE INTERMEDIATE SCHOOL	234602	\$294,814.41	\$14,330.42	\$280,484	x 60% \$140,242
ENGLE MIDDLE SCHOOL	20832	\$165,111.72	\$8,025.80	\$157,086	x 60% \$78,543
PENN LONDON ELEMENTARY SCHOOL	20831	\$180,762.12	\$47,097.81	\$133,664	x 60% \$66,832
		\$984,605.79	\$119,861.54	\$864,744	\$432,372

What E-rate Will Pay

\$195.63 x Current Enrollment in EPC

Amount Used Since FY 2015 - From USAC C2 Budget Tool

# Stay Within Your C2 Budget!

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**Never Request More \$ Than is In Your Category 2 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



# Sneak Peak at NEXT Year's Changes

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- Next C2 cycle: FY 2021 – FY 2025
- All C2 **budgets will be reset** at beginning of each C2 cycle
  - Unused funding will NOT carry over from previous C2 cycle
- Budget calculations will be **district-wide** or **library system-wide** instead of at building-level
  - Nice hybrid option for districts/library systems with 10 or less buildings
- Budget **multipliers will remain constant** for entire C2 cycle
  - Will only be adjusted for inflation before NEXT C2 cycle (FY2026)
  - FY 2021 – FY 2025 set multipliers:
    - Schools: **\$167/pp**
    - Libraries: **\$4.50/sq ft**
      - NOTE: All libraries will have identical multiplier
    - Minimum/building: **\$25,000**
- Equipment can be **transferred** between schools

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



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

# 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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- 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 7/1/2020 – 6/30/2021
  - Does not follow the 4/1/2020 – 9/30/2021 schedule
  - Does not follow the first 12 months of ownership schedule
- 100% eligible = basic tech support, configuration changes
  - Costs common when purchasing new equipment
  - Often referred to as “Manufacturer Support Services”
- 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.**

# 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 C2 budget

# Category 2 Installation Timeline

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- 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 7/1/2020**
  - 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



# Category 2 Procurement Options/Requirements



# General C2 Bidding Requirements

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- ✓ 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
    - Be sure to list your existing equipment
  
- ✓ Binary 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)**
  
- ✓ **NEW:** Absent a bid due date, new requirement to consider all bids received up until the date you conduct your bid evaluation I suggest the following language:

**"Deadline for vendor proposals is 9:00 am Eastern, 29 days from the date this Form 470 is posted. We reserve the right to reject late-submitted proposals. Proposals must be e-mailed to the Form 470 contact unless otherwise noted."**

# General C2 Bidding Requirements

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- ✓ **NEW:** FCC recently adopted an Order prohibiting the use of Universal Service funding, including E-rate funds, to purchase equipment and services from companies deemed a national security risk. I recommend that from now on, both Category 1 and Category 2 Form 470's and/or RFPs contain the following language:

“In accordance with FCC Rules, proposals that include equipment from Huawei or ZTE, or have components from these companies embedded in proposed products, will be disqualified.”

# General C2 Bidding Requirements

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- ✓ 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, modifying project scope)
  
- ✓ Cannot contact vendors ahead of bidding to seek equipment list
  
- ✓ All C2 services/equipment must have a signed contract before Form 471 is filed

# 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.

# Hints When Constructing Form 470

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- Always list bid due date/time
  - “Bids are due on X date/time to Y person. We reserve the right to accept late-submitted proposals.”
- List disqualification factors (Y/N format)
  - Include Huwuai and ZTE dq factors
- List interoperability and compatibility requirements
  - “Must be interoperable with the school’s existing XYZ equipment”
- Consider pre-bid walk through for cabling projects
- It’s ok to forward your posted 470 to potential vendors to encourage bidding
- Although RFPs aren’t required, even a 1-page document describing your project and dq criteria is a good idea
  - That way the system permits future amendments/documents to be uploaded with the existing 470

# Competitive Bidding

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- After the Form 470 has been posted online, vendors submit proposals to the school or library
- 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



# General Category 2 Bidding Timeline

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- Post 470/Release RFP before holiday recess
- Bids due 29 days after 470 is posted (mid-late January)
- Evaluate bids late Jan - Feb
- Sign contracts by February 27
  - 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: 4/1/2020 through 9/30/2021
    - Purchase is contingent upon E-rate funding and local funding approval
- Upload contracts to EPC Contract Module by March 1
- Complete 471 no later than March 10



# C2 Purchasing Reminders

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- ✓ 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



# Questions?

