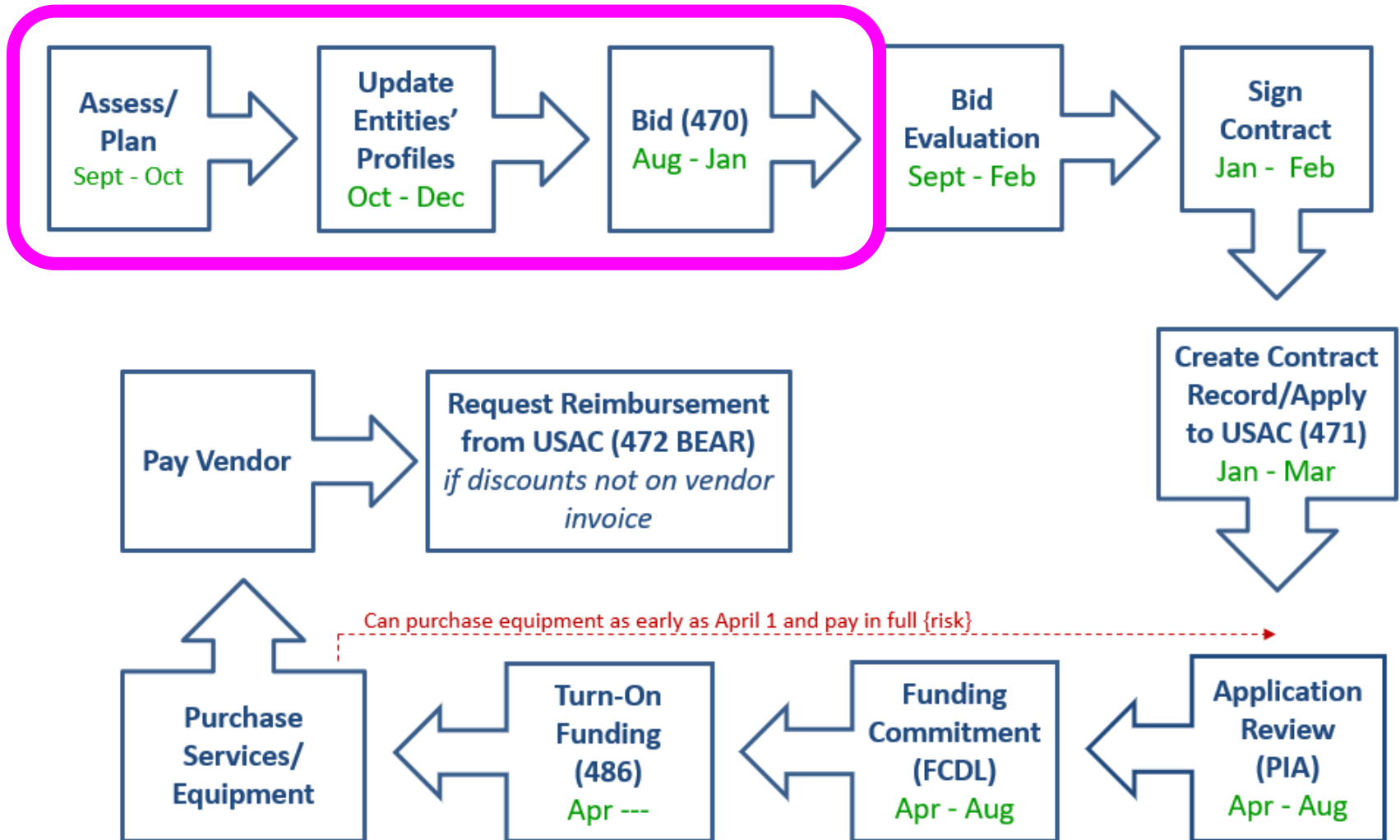


E-rate Workshop for PA Public Schools: Category 2 Eligibility & Competitive Bidding



Presented by Julie Tritt Schell
PA E-rate Coordinator
for the Pennsylvania Department of Education
November 2020

You are here in the FY 2021 E-rate process:



Categories of Service

- **Category 1** – Services that go TO the school/library

- Subcategories:

- Data Transmission Services (fiber, coaxial cable, etc.)
- Internet Access

- Maximum discount is 90%

- No E-rate funding caps



- **Category 2** – Services/equipment that go INSIDE the school/library

- Subcategories:

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

- Maximum discount is 85%

- Subject to 5-year E-rate funding caps



Internal Connections

- Wireless Access Points/Controllers
 - Network Routers & Switches
 - In-Building Structured Cabling
 - Caching Servers
 - Only eligible servers
 - Firewalls (appliances only)
 - No ancillary modules/functions are eligible, like anti-spam, anti-virus, etc.
 - No 'redundant' or high availability firewalls
 - 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

Internal Connections Purchase Timeline

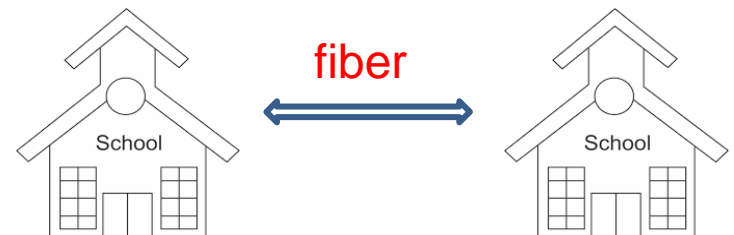
- Applicants have full 18 months to purchase/install equipment
- Equipment can be purchased as early as April 1, prior to funding year start
 - For example, applicants can purchase equipment on April 1, 2021 for FY 2021, even though funding year doesn't begin until July 1, 2021
 - Vendors/applicants cannot be reimbursed from USAC until July 1
 - Applicants that purchase equipment prior to receiving funding commitment letter are risking paying full price
- Equipment can be purchased as late as September 30, following the end of funding year
- Allows applicants two full summers to install equipment

FUNDING YEAR 2021 APPLICATION CYCLE

		FY 2021 - Non-Recurring Services/Equipment Purchases - April 1, 2021 - Sept 30, 2022																													
		FY 2021 - Recurring Services - July 1, 2021 - June 30, 2022																													
Form	Description	Sept 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	June 2021	July 2021	Aug 2021	Sept 2021	Oct 2021	Nov 2021	Dec 2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	June 2022	July 2022	Aug 2022	Sept 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	
470	Competitive Bidding Window (min. 29 days)	July 1, 2020 - Mid February 2021																													
AW	Administrative Window (EPC Profile Updates)	Oct 1 - Mid Jan. 2021																													
	Newly Signed Vendor Contracts Uploaded to EPC																														
471	Funding Request Application Window						Mid Jan - Late Mar. 2021																								
PIA/ FCDL	PIA Review/Funding Decision Letters (FCDL) Issued							April 2021 - Sept 1, 2021																							
486	CIPA Certification/Turn on Funding																														
472	BEAR Deadline - Recurring Services																								Oct 28						
	BEAR Deadline - Non-Recurring Services																												Jan 28		

School-to-School Fiber Eligibility

- For schools that are in close proximity, applicants often want to use C2 funds to install fiber between them
- FCC has well intentioned, but restrictive rules related to these connections, as follows:
 - **1 school but located in 2 buildings (rare)**
 - Fiber between those buildings = Category 2
 - Does PDE recognize it as single school?
 - **2 schools but located in same building (rare)**
 - Fiber between those schools = Category 2
 - **2 schools but located in different buildings (common)**
 - Fiber between these buildings = Category 1
 - Would list as “Self Provisioned Fiber” on Form 470
 - Cannot use C2 funding, unfortunately



Basic Maintenance (BMIC)

- **Eligible:**
 - Repair and upkeep of eligible hardware
 - Wire and cable maintenance
 - Configuration changes
 - Basic technical support including online and telephone-based technical support
 - Software upgrades and patches including bug fixes and security patches
- **Eligibility limitations:**
 - Contract must specifically identify the equipment being covered, including product name, model number and location.
 - Support will only be paid for actual work performed under contract.
 - Support for bug fixes, security patches, and technical support is 100% eligible
- **BMIC does not include:**
 - Services that maintain ineligible equipment
 - Upfront estimates that cover the full cost of every piece of eligible equipment
 - Services that enhance the utility of equipment beyond the transport of information or diagnostic services in excess of those necessary to maintain the equipment's ability to transport information
 - Network management services, including 24-hour network monitoring
 - On-site technical support (i.e., contractor duty station at the applicant site)
 - Unbundled warranties

Basic Maintenance (BMIC) Recommendation

I do not recommend that applicants use their C2 budgets for BMIC. Why?

1. Can only be for services/work performed from during 12 month funding year (7/1/2021 – 6/30/2022)
 - Does **not** follow the 4/1/2021 – 9/30/2022 schedule
 - Does **not** follow the first 12 months of ownership schedule
2. Multi-year contracts must be amortized
 - Cannot apply for full cost of multi-year BMIC contract in Year 1
 - Must amortize and request discounts for each year, annually
3. Next day replacement contracts not eligible
 - Only basic tech support, configuration changes are 100% eligible
4. 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”

~ Use your Category 2 budgets for equipment and installation ~

Managed Internal Broadband Services (MIBS)

- Definition:
 - Services provided by a 3rd party for the operation, management and monitoring of eligible internal connections (managed wi-fi)
- Eligible:
 - Management and operation of the LAN/WLAN, including installation, activation, and initial configuration of eligible components and on-site training on the use of eligible equipment
- Eligibility limitations:
 - Only eligible equipment may be managed
 - Must have listed specific equipment to be maintained in RFP
- Has traditionally not been popular among applicants
- 2 Options:
 - Paying an outside vendor to own/maintain the equipment
 - Paying an outside vendor to maintain school-owned equipment
- Subject to the C2 budget caps

CATEGORY 2 BUDGETS



Category 2, 5-Year Funding Caps

Each billed entity's Category 2 E-rate funding has a 5-year cap, using this formula:

Single Schools:

$\$167 \times \text{total enrollment}$ OR $\$25,000$, whichever total budget is greater

School Districts:

$\$167 \times \text{total district enrollment}$, OR
 $\$25,000 \times \text{total number of schools in the district}$
– Whichever total budget is greater

Single, Independent Libraries:

$\$4.50 \times \text{square feet}$
Minimum/building = $\$25,000$
– Whichever total budget is greater

Library Systems:

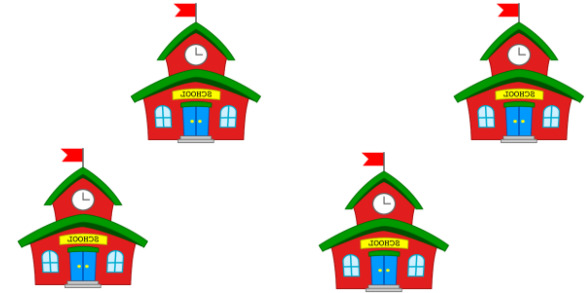
$\$4.50 \times \text{total square feet of all libraries in system}$
Minimum/building = $\$25,000 \times \text{total number of libraries in system}$
– Whichever total budget is greater

- Will be same multiplier ($\$167$ or $\$4.50$) for 5-year C2 funding cycle: FY 2021 – FY 2025
 - All C2 **budgets will be reset** at beginning of each C2 cycle (FY 2026)
 - Unused funding will NOT carry over from previous C2 cycle
- C2 budgets are **pre-discount**
 - Applicants' E-rate discounts then apply
- Beginning July 1, 2021, all E-rate-discounted equipment can be **transferred** between schools in a district, or libraries in a library system, but not between consortium members

Special C2 Budget Calculation Option for Smaller School Districts

School Districts with **10 or fewer** schools – 3 options:

- a) Calculate by total district enrollment x \$167
or
- b) Calculate by total number of schools x \$25,000
or
- c) **Hybrid**: Calculate by school and take the higher budget from each school and add together



School	Enrollment	FY 2021 - 2025 Budget (hybrid)
Red School	625	x \$167 = \$104,375
Green School	300	x \$167 = \$50,100
Yellow School	50	Minimum = \$25,000
Blue School	120	Minimum = \$25,000
Total of all buildings' max. budgets:		\$204,475

- a) $\$167 \times 1095 = \$182,865$
- b) $\$25,000 \times 4 = \$100,000$
- c) Hybrid = \$204,475

Library Systems with 10 or fewer libraries have the exact same calculations except using square feet and \$4.50

Category 2 Funding Budget Example

5-Year C2 Budget Cap*	E-rate Discount	E-rate Will Pay:	District's Share %	District Must Pay:
\$204,475	60%	\$122,685	40%	\$81,790

* The C2 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

- Future funding years: To determine what “**remains**” in a C2 budget for future years in the C2 “cycle”, take the 5-Year Budget Cap and subtract the pre-discount amounts of what has been “committed” in the previous year(s) of the C2 cycle.

What is YOUR 5-Year Category 2 Budget Cap?

- List available at: <http://e-ratepa.org/wp-content/uploads/2020/09/PA-C2-Budget-Calculations-9-1-2020.xlsx>
- This list used enrollment approved on your FY 2020 Form 471

Equipment Transfer and NIF Rules

- **All E-rate funded equipment may be transferred between buildings beginning July 1, 2021**
 - **Even equipment funded in prior years**
 - If equipment is transferred between buildings within 5 years from date of purchase, must record reason and date of transfer and update asset inventory
 - No notice to USAC is required
 - Asset inventory must be updated and retained for 10 years from date of purchase
 - Equipment may be disposed of, sold, transferred, etc. from 5 years from the date of installation
 - No notice to USAC required but asset inventory must be updated
- **Non-instructional facilities (NIFs)** continue to be ineligible for C2 funding
 - Must deduct proportional share of NIFs use of any shared equipment
 - Seeking to have this reconsidered
 - Equipment may be housed at a NIF, however

Requesting More Funding Than Remains in C2 Budget

**Don't Do It.
Ever.
Ever.**

- What happens if you do?
 - Your E-rate application will go into manual processing and funding will be delayed
 - You will be required to identify exactly what FRN line items should be reduced or eliminated to come into budget – USAC will not do this for you



CATEGORY 2 BIDDING REQUIREMENTS/OPTIONS



General C2 Bidding Requirements

- ✓ 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 [December 20, 2020] at 9:00 am Eastern. 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

- ✓ **NEW:** Companies deemed national security risks
 - FCC prohibits the use of Universal Service funding, including E-rate funds, to purchase equipment and services from companies deemed a national security risk. Be certain that you do not consider any proposals that include either **Huawei or ZTE** equipment.

- ✓ 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

Prevailing Wage Requirement

- PW Requirement:
 - Mandates that workers on PA public construction, reconstruction, demolition, alteration, or repair projects costing more than \$25,000, other than those involving “maintenance work,” must be paid the general prevailing minimum wage rates. “Maintenance work” is defined in the Act as “the repair of existing facilities when the size, type or extent of such facilities is not thereby changed or increased.”
- Internal structured cabling projects subject to PW
 - Installation of networking equipment is not generally considered subject to PW
- To comply, must first obtain PW Determination
 - Complete simply online form at:
<https://www.dlisecureweb.pa.gov/PrevWage/Pages/DetermRequest.aspx?ID=&PageType=>
 - They will e-mail back a link to the PW rates in your county within 2 business days
 - Save the entire rate sheet as PDF and attach to your RFP

Category 2 Bidding Options

PA public schools have two options to competitively bid E-rate eligible equipment:

- 1) Post Form 470/RFP in EPC
~ or ~
- 2) Conduct Mini-Bid Using PA PEPPM Contract

Notes:

- Directions for using either procurement option take into account PA procurement laws
- PA Co-Stars Contract is not E-rate eligible

Option # 1: Category 2 Form 470 w/RFP

Post Form 470 and RFP

- RFP required if cost of equipment exceeds \$21,000 (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 among the field of bidders deemed 'responsible' (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**

Category 2 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	

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

- 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 all possible disqualification factors (Y/N format)
- 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 disqualification criteria is a good idea
 - That way the system permits future amendments/documents to be uploaded with the existing 470

Let’s file a Category 2 Form 470...

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
- 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
- PEPPM Mini-Bid Guide, templates and vendor list available at:
http://e-ratepa.org/?page_id=6121

PEPPM Mini-Bid Process

1. Create equipment bid list (attachment A)
2. Create cover e-mail (attachment B)
3. Open PEPPM Product/Category/Vendor spreadsheet (attachment C) and filter by which 'category' your equipment falls under. Then send e-mail with equipment bid list to all awarded vendors in that category. **Don't combine categories.**

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.com	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

470/RFP

- Must post 470 & RFP if over \$21,000
- 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

Next Steps

- Vendors will submit proposals directly back to the contact indicated on the 470/RFP or mini-bid
- After bid due date, ensure bids are compliant with minimum qualifications and conduct bid evaluation
 - Remember that you can't assign weighted points if using the Form 470/RFP bidding option
- Contact winning vendor to seek contract
- Seek board approval (if required)
- Sign contract
 - 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: 4/1/2021 through 9/30/2022
 - Purchase is contingent upon E-rate funding and local funding approval
- Create Contract Record in EPC and upload contract
- Submit Form 471

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



General Category 2 Bidding Timeline

- Post 470/release RFP before December 1
- Bids due 29 days after 470 is posted or 14 days after mini-bid issued
- Evaluate bids early January
- Seek board approval at January or February meeting
- Sign contracts immediately following board meeting
- Create Contract Record in EPC
- Complete 471 by March 1, if possible. No later than March 10



Questions?

