E-Rate 2.1
What Does It Mean to Me?

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What is the E-Rate?

- Federal program to subsidize the cost of telecommunications and Internet access broadband to schools and libraries
- Applicants receive 20%-90% “discount” on costs for eligible services
- Not a competitive grant; all applicants receive some funding
E-Rate 2.0 and 2.1
The Origin

- In June 2013, President Obama called for an expansion of the E-Rate program to:
  - Bring 100 Mbps to 99% of schools nationwide
  - Put Wi-Fi in schools
- For a year, the FCC collected input
- In July 2014, the FCC adopted the E-Rate Modernization Order (E-Rate 2.0)
- In December 2014, the FCC adopted the Second E-Rate Modernization Order (E-Rate 2.1)
E-Rate 2.0

The Goals

• Refocusing of funding on broadband
  • Removal or phase-down of non-broadband
• Increasing cost-effectiveness
• Simplifying the application process
E-Rate 2.0

Focus on Broadband

- No changes to eligibility of broadband
- Voice services phased out: 20 percentage points per year
- Voice equipment removed
- Video services and equipment removed
- Other non-broadband services removed
  - E-mail
  - Webhosting
  - Voicemail
- Caching added (for now at least)
- Managed Internal Broadband Services added
E-Rate 2.0
Priority 2 is now Category 2

• Voice, video and servers dropped
• Top discount dropped from 90% to 85%
• $150-in-5 replaces 2-in-5 ($2.30-in-5 for libraries)
  • For FY 2015, 2016 only?
• Caching added for FY 2015, 2016
• Managed internal broadband services
• $1 billion available next 2 years, then?
E-Rate 2.0
Maximizing Cost-Effectiveness

- Item 21 Attachment data will be public
- Lowest Corresponding Price
- Preferred Master Contract (e.g., GSA)
- Consortium purchasing encouraged

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E-Rate 2.0
Simplifying the Process

• No tech plans
• Checks straight from USAC to applicants
  • No service provider certification of BEARs
  • FY 2016 and later only
• USAC processing changes
  • Speeding review
  • Improving online system
  • Improving access to data
  • Plain language review
E-Rate 2.0
Not Simplifying the Process

• Discount calculation simplified
  • Urban/rural criteria changed
• Must file electronically
  • New forms coming soon
• New Item 21 Attachment format
• New form for multi-year contracts … later
• Contracts don’t have to look like contracts; must be written
• Must consider Preferred Master Contracts (not before FY 2016)
• No 470 for business-class Internet access
• Appeals must be filed with USAC first
• Documents must be retained for 10 years
E-Rate 2.1

More Funding, Lower Costs

• Changes in rules for leased fiber WANs
• High-cost service providers (Phase II) must lower prices to “rates reasonably comparable to rates charged to schools and libraries in urban areas for similar services.”
• Per-square-foot budget for urban libraries increased to $5
• Increasing the fund from $2.4 billion to $3.9 billion
What does it mean to me?

Fund Increased

• Category 1 funding is quite assured
• Category 2 funding will reach everyone … but probably not this year
What does it mean to me?

WANs: Going Over to the Dark Side

• You don’t have to amortize upfront costs
  • FY 2015 through FY 2018

• Starting FY 2016-2017
  • You can “buy” a fiber WAN
  • You can lease a dark fiber WAN built just for you
  • You can bill USAC up front,
  • You can pay your share of upfront costs over 4 years
  • If the state kicks in support for broadband, the E-Rate will match up to 10%
What does it mean to me?
Voice Funding Withering

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What does it mean to me?

C1 Services No Longer Eligible

- Voice phased out
  - Discount percentage drops by 20 points each year
- Web hosting
- Email
- Voicemail
- Mobile data plans (except in unusual circumstances)
- Little charges on your phone bill that don’t cost much but are going to be a real pain to remove, like Directory Assistance, 900/976 Call Blocking
What does it mean to me?

New C2 Services
(FY 2015, 2016 only?)

• Caching
  • Web caching: commonly accessed pages stored locally
  • WAN caching: commonly accessed data stored locally

• Managed Internal Broadband Services (MIBS)
  • Operation, management, monitoring, repair of LAN
  • May include leased equipment
    • May include upfront charges
  • Ineligible components must be cost-allocated
  • Cloud WLAN controller charges

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What does it mean to me?

C2 Services No Longer Eligible

- Voice equipment (PBX)
- Video equipment (Video server)
- Servers (DNS, DHCP, email)
- Antennas (excluding access points)
- Interfaces / Gateways (IAD, media converter)
- Circuit cards
What does it mean to me?
C2 Services Maybe Not Eligible After 2017

- Basic maintenance
- Caching
- Managed Internal Broadband Services
What does it mean to me?

Category 2 Budgets

- $150/student for 5 years (libraries: $2.30/sq.ft.), $9,200 min.
- Spend it all in 1 year or spread it across up to 5 years
- Includes Basic Maintenance, MIBS
- Budget is per-location
  - Equipment which serves more than one location consumes budget from each location served
    - Based on tangible criteria
    - Provide a realistic result
    - Examples: per user, per square foot, per location, other (e.g., by usage)
What does it mean to me?
Will I Get Category 2 Funding?

- Optimistic:
  - schools apply for 70% of the $150/student
  - no libraries apply
  - $1 billion rollover for the first two years,
  - Category 1 demand = $2.7 billion/year
  - FY 2015-2016: applicants with 80% and 90% discounts, some 70% applicants
  - FY 2016-2017: all applicants

- Pessimistic:
  - schools apply for 100% of funding
  - lots of applicants self-provision or pay large upfront costs on leases FY 2016 forward
  - FY 2015-2016: applicants with 90% discounts, some 80% applicants
  - FY 2016-2017: Category 1 consumes entire fund

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What does it mean to me?

What Will My Discount Be?

• One discount for all schools in the district
  • An 84% district will move to 80% or 90%
  • Most applicants will see no change
  • About a sixth of applicants will have a higher discount
  • About a third of applicants will have a lower discount

• Urban or Rural?
  • Now based on census maps, not counties
  • Some suburbs will become rural
  • If buildings are in urbanized areas of a rural county, district becomes urban
  • Tie goes to the urban
What does it mean to me?

New Gotchas

- Documents must be retained for 10 years
  - Most applicants will need to revise document retention policies
- Preferred Master Contracts (not before FY 2016)
  - If one gets approved, you must consider it
- Cell phone data off-campus not eligible
- Your old Item 21 Attachment format won’t work
What does it mean to me?

What Should I Do?

• Consider moving to internal VoIP if you own the phones
• Spend C2 funding as soon as you can get it
  • 80% and up: apply this year
  • Below 80%: throw the Hail Mary
• If you go MIBS, get a contract with large upfront costs, or buy equipment
• Consider MIBS instead of basic maintenance
• Stop paying for cell phones directly: stipend
• Try out the new 471 as soon as it’s available (Nov. 4th?)
Questions

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Thank you!

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