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

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E-Rate 2.0 and 2.1
Why? The Origin Story

- 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)

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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

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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
- Managed Internal Broadband Services added

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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)
- Caching added
- Managed internal broadband services added
- $1 billion available next 2 years, then ?

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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

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E-Rate 2.0
Not Simplifying the Process

- Discount calculation simplified
  - Urban/rural criteria changed
- Must file electronically
  - New forms 470, 471 available now; other 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

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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

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What does it mean to me?
Fund Increased

- Category 1 funding is quite assured
- Category 2 funding is likely to reach everyone … but probably not this year

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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, but 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%

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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

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What does it mean to me?
Voice Funding Withering

Base Discount	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Increased Cost 2015
20%	-	-	-	-	-	25%
25%	5%	-	-	-	-	27%
40%	20%	-	-	-	-	33%
50%	30%	10%	-	-	-	40%
60%	40%	20%	-	-	-	50%
70%	50%	30%	10%	-	-	67%
80%	60%	40%	20%	-	-	100%
90%	70%	50%	30%	10%	-	200%

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What does it mean to me?
New C2 Services

- 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

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What does it mean to me?
Category 2 Budgets

- Five-year budgets:
  - Schools: $150/student
  - Libraries: $2.30/sq.ft.
  - Urban libraries: $5/sq.ft.
  - $9,200 minimum per location
- 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)

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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
  - FY 2017-2018: Maybe 70% applicants
  - FY 2018-2019: Maybe all applicants

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What does it mean to me?
What Will My Discount Be?

- One discount for all locations
  - School districts will use district total enrollment and total NSLP eligibility to determine district discount; no more weighted average
  - Library systems will use the discount of the school district in which the main branch sits
  - 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, applicant becomes urban
  - Tie goes to the urban

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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

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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
  - 70% and up: apply this year
  - Below 70%: 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 right away

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Questions

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Thank you!

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