



E-Rate & ECF 101

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FEATURED BREAKOUT SESSION

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Welcome!

Which of these best describes your engagement?

- I'm an expert, ask me anything E-rate related.
- I lead the process with our staff.
- We let our consultant handle it
- I've just been informed I'm now in charge of our E-rate-**HELP!**

What is E-rate?

The E-Rate program is a federally funded program providing discounts on eligible services & equipment to eligible schools and libraries for internet access and internal network connections.



Categories of Service

Category 1- Internet Access/Data Transmission- costs to get internet to the district

Category 2- Internal Connections/Network Equipment- costs to distribute internet throughout the district's network



Discount Rate- based on % of students eligible for NSLP program- higher poverty rate = higher discount rate

Calculating Discount Rates

What does this mean?

Example:

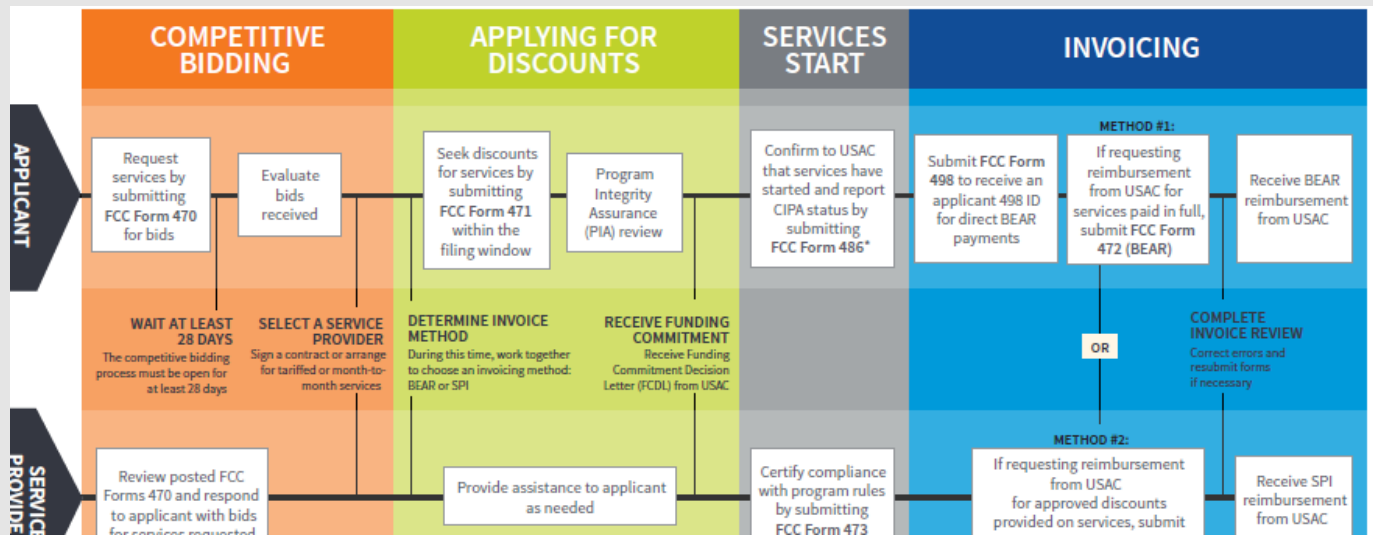
80% Discount Rate

E-rate pays 80%

District pays 20%

INCOME Measured by % of students eligible for the National School Lunch Program (NSLP)	CATEGORY ONE (C1)		CATEGORY TWO (C2)	
	URBAN Discount	RURAL Discount	URBAN Discount	RURAL Discount
Less than 1%	20%	25%	20%	25%
1% to 19%	40%	50%	40%	50%
20% to 34%	50%	60%	50%	60%
35% to 49%	60%	70%	60%	70%
50% to 74%	80%	80%	80%	80%
75% to 100%	90%	90%	85%	85%

Application Timeline



- FY21- July 1, 2021 – June 30, 2022
 - C1&2 services Invoice Deadline:
 - C1- October 28, 2022
 - C2-January 28, 2023
- FY22- 95% of FCDLs have been issued
 - Start Category 1 services July 1st
 - C2 - Order/install anytime after 4/1/22 to 9/30/23
- FY23- Form 470 window opened July 1st
 - Form 471 window expected to open mid-January 2023

Form 470 – Competitive Bidding

- Category 1

Please note that an RFP is required with your FCC Form 470 in EPC if you are requesting the options for:

- “Leased Dark Fiber and Leased Lit Fiber”
- “Self-Provisioned Network and Services Provided Over Third Party Networks”
- “Network Equipment”
- “Maintenance & Operations”
- “Cellular Data Plan/Air Card Service”
- “Other”

Open and Fair Competitive Bidding Process

The entity filing the FCC Form 470 must ensure that the competitive bidding process is open and fair:

- All bidders must be treated the same.
- No bidder can have advance knowledge of the project information.
- There are no secrets in the process – such as information shared with one bidder but not with others – and that all bidders know what is required of them.
- With limited exceptions, service providers and potential service providers cannot give gifts to applicants.
- In addition, the value of free services and/or products (e.g., price reductions, promotional offers, free products) generally must be deducted from the pre-discount cost of funding requests.

Leased Dark Fiber Requirements

- If a school or library is soliciting bids for leased dark fiber, the school or library must also solicit proposals to provide the needed services over leased lit fiber over a time period comparable to the duration of any dark fiber lease or infeasible right of use (IRU), and must select the most cost-effective option.
- The requirement to seek competitive leased lit fiber bids applies whether or not the leased dark fiber solution requested involves special construction.
- If an applicant is also considering the option of requesting support for Network Equipment (e.g., modulating electronics and other equipment necessary to make a Category One service functional) and/or Maintenance and Operations costs associated with lighting leased dark fiber, it must request bids for those services in the same FCC Form 470 as the bid request for leased dark fiber.
- Applicants are required to consider all responsive proposals received and select the most cost-effective option.
- In considering whether leased dark fiber or leased lit fiber is the more cost-effective option, applicants will need to identify a specific and comprehensive total cost for each of the responsive proposals received, and compare those costs over a defensible time period.

- **Detailed RFP –**

- Consider a Cost Proposal template for vendors to fill out and submit. Ease of evaluating
- Consider a Special Construction worksheet be included with RFP documents – required during PIA review.
- Include evaluation scoring factors

USAC PIA Reviews to expect

Cost Effectiveness

- TCO evaluation over 5, 10 or 20 years
- Explain evaluation process and cost comparison
- Including costs of network equipment if any

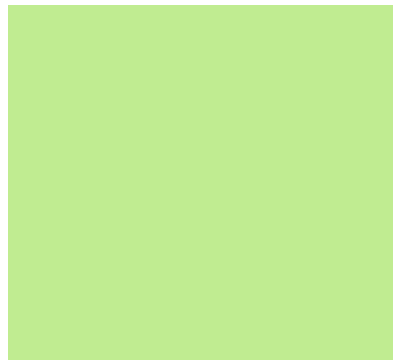
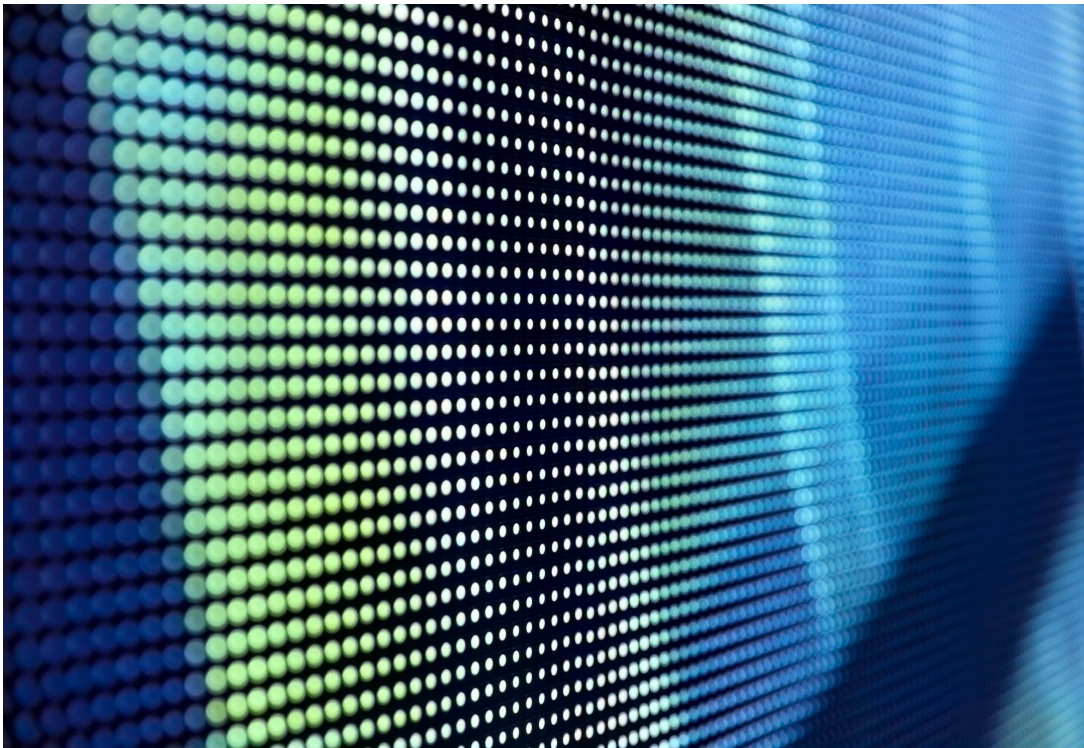
Competitive Bidding

- All amendments
- Complete copies of all proposals
- All other bid documentation – attendance sheets, meetings, disqualified bids, vendor notifications.
- Bid Evaluation Matrix(ces)
- All correspondence with vendors and consultants

C2 Installation Deadline Waiver Granted by FCC FY2020 & FY2021

- On September 19, 2022, the Federal Communications Commission issued an Order granting a waiver and extension of the service delivery deadline for Funding Year 2020 and 2021 non-recurring funding requests which have a current deadline of September 30, 2022. Responding to a request from the Schools, Health & Libraries Broadband Coalition (SHLB), the Commission noted that “there is good cause to waive and extend the upcoming September 30, 2022 non-recurring service implementation deadline” due to “the continuation of global supply chain delays and its impact on the timely delivery and installation of applicants’ E-Rate-funded equipment and services.”

Category 2 Budgets



Current Budget
Cycle 2021-2025

\$167 per student

(Renews every 5 years)

Minimum \$25k
per building

Calculated on a
district wide basis

Category 2 Budgets - cont'd

What does Pre-Discount mean?

Example:

Acme SD's budget is \$551,601.00 with an 80% discount rate

E-rate will pay 80% = \$441,280.80

Acme SD will pay 20% = \$110,320.20

Category 2 Eligible Services

Antennas

Cabling

Connectors

Caching*

Firewalls*

Racks

Routers

Switches

UPS/Battery
Backups*

WAPs

Wireless
Controller
Systems

Category 2 Eligible Services

Basic Maintenance of Internal Connections

- Repair and upkeep of eligible hardware
- Wire and cable maintenance
- Configuration changes
- Basic technical support including online & telephone-based technical support
- Software upgrades and patches including bug fixes and security patches

Managed Internal Broadband Service (MIBS)

- Services provided by third party for operation, management and monitoring of eligible broadband internal connections (managed Wi-Fi)
- E-Rate support (management and operation of LAN/WLAN- including installation, activation, initial configuration of eligible components & on-site training)

Cost Allocation

Must separate the eligible and ineligible costs

Example: a server that is used for both caching (eligible) and video distribution (ineligible)

Many products have a known ineligible portion submitted to USAC ahead of time

- Example: Smartnet (Basic Maintenance) is commonly 19% ineligible
- UPS- if supporting ineligible equipment you must do your best to cost allocate the ineligible portion when creating the Form 471 – have a list of supported equipment ready
- Firewall appliance usually 100% - licensing/software normally partly ineligible
- 30% rule- if 30% or more of an FRN are ineligible the funding request will be denied

Importance of Cost Allocation

To avoid unexpected costs, check with vendors, manufacturers or USAC Customer Service to determine eligibility of Firewall Software & Licensing.
Per USAC rules remove ineligible portion from funding request **before** submitting your Form 471 application.

Example below in which district assumes all components to be 100% eligible. With an 80% discount rate, district expenditure is expected to be \$10,000.

Upon application or invoicing review by USAC, it is revealed software is 63% ineligible.

Firewall - \$35,000 – 100% eligible

Software/Licensing - \$15,000 – 37% eligible

Total Cost		\$ 15,000.00
Ineligible	63%	\$ 9,450.00
Eligible	37%	\$ 5,550.00
E-rate	80%	\$ 4,440.00
District Portion of Eligible	20%	\$ 1,110.00
Plus 63% Ineligible		\$ 9,450.00
Plus 20% Firewall		\$ 7,000.00
Budget Smasher		\$ 17,560.00

What's the difference between C1 & C2 fiber?

- Category 1 Fiber-Connections between buildings on DIFFERENT campuses
- Category 2 Fiber-Connections between buildings on the SAME campus
- Cabling Options:
 - MDF (main distribution frame) to IDF (independent distribution frame)
 - New wiring for WAPs
 - Installation of UPS

Form 486 – CIPA Compliance

An Internet Safety Policy
(ISP)

Record of the public
notice held to establish
ISP

Description of the
technology
protection/filtering
mechanism

Plan for educating
minors about
appropriate online
behavior

Who was responsible
for creating or updating
the policy? Creation &
revision dates

Documentation of
purchase/renewal of
filtering. How often is it
renewed?

Breaks in service?
How are logs maintained?
Ensure filtering is working?

E-rate Reminders

- Must keep E-rate records for 10+ years from last date of service
- Always follow State & Local/Board procurement laws/rules
- Form 470s must be open a minimum of 28 days
- PIA Review - 15 days- make sure your team is ready to answer as they come in
- Advance Installation-
 - C1 – Installation work may begin on January 1
 - C2 -you may begin installation/ordering of hardware/services on April 1
 - Invoices may not be submitted prior to July 1
 - First wave of FCDLs don't typically come out until end of April- there is no guarantee you will receive full funding

Emergency Connectivity Fund

1

To Fill the
Homework Gap
Students
Teaching Staff

2

Window 1 & 2
July 1, 2021 – June
30, 2023

3

Window 3
July 1, 2022 –
December 31, 2023

4

Keep detailed
records of
assignment of
devices & hotspots

NEWS WATCH

Upcoming and potential changes to the E-rate
Program

- Upcoming -System Consolidation – BEARs move to EPC
- Potential – EPC Bid Portal
- Potential – E-rate funding for cybersecurity

E-Rate System Consolidation

SCOPE OF CHANGE

USAC is integrating its current legacy applications into EPC to give users a **single platform** to conduct all their E-Rate transactions. The first phase will include **creation and submission of invoices**, **Service Provider Annual Certification**, and Funding Year (FY) 2015 and earlier **appeal submissions**. These changes will occur in a phased approach with implementation of certain features in **December 2022**.

PHASE 1 →

What this system consolidation means:

- The information you submit will be the same, however, the interface will look different.
- System integration goals will improve functionality and ease user pain-points for invoicing processes and FY2015 and earlier Funding Requests.
- Some aspects of submitting certain transactions will change such as setting up user access, navigating the system, and responding to outreach requests.

What's not changing:

- Invoicing processes and rules will remain consistent when invoicing.
- Payment processing will continue on a twice-weekly basis.
- FY2015 and earlier appeals submissions will be consistent with the current appeal submission process in EPC.

What to expect over the next few months:

- USAC expects to begin the phased cutover from legacy systems to EPC in December.
- USAC will provide outreach and training including webinars, training modules, website content, and video tutorials.

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We will communicate more updates and details as the upgrade progresses. Go to the “E-Rate System Consolidation” page for the latest updates and information.

The E-Rate [Announcements](#) page and [Upcoming Dates](#) page will provide information about training materials and upcoming events.

[Subscribe](#) to the [E-Rate News Brief](#) to stay on top of the updates.

If you have any questions, please reach out via the [Contact Us](#) page.



Universal Service
Administrative Co.

Industry Groups Challenge DOJ's Bid Portal Support

Funds For Learning Newsletter – October 14, 2022

On October 7, 2022, the Consortium for School Networking (CoSN), State E-rate Coordinators' Alliance (SECA), and Schools, Health & Libraries Broadband Coalition (SHLB) filed an *ex parte* letter with the Federal Communications Commission in response to the Department of Justice's [August 16 letter](#) showing support for the FCC's proposed competitive bidding portal. Stating their belief that the proposed portal "has the real potential to be harmful to applicants who earnestly try to comply with program rules," the groups challenge several claims in the FCC's [Notice of Proposed Rulemaking](#) and the DOJ's letter of support. The letter:

reiterates the existing "frequent, extensive pre-funding and post-commitment auditing" of competitive bidding documentation,

notes that "the creation of a data analytics program is well underway" by USAC, who has "retained a contractor to develop a fraud risk framework" for the E-rate program,

asserts that even if a bidding portal will be implemented, it would not prevent "improper bidding practices...conducted outside the portal" or the "sharing of inside information," and,

shares the groups' concern that restrictions on communications between applicants and potential service providers "will reduce the quality of services provided to schools and libraries."

Estimating Cybersecurity's Impact on C2 Funds

by Brian Stephens – Funds For Learning

October 21, 2022

Estimating Cybersecurity's Impact on C2 Funds

As E-rate applicants, service providers, and industry experts continue to debate the benefits and challenges of adding next-generation firewalls and other cybersecurity products and services to the E-rate program's Eligible Services List, it is important to consider the impact an expansion of eligible services would have on demand for program funds. Presuming that next-gen firewalls would be funded as a Category Two purchase, the program's current C2 budget cap system imposes a predictable limit on a potential increase in demand for funds.

Currently, the FCC has committed to C2 budget caps that total \$1,476,668,599 per year for the period FY2021 – FY2025. If all applicants nationwide were on pace to utilize 100% of their C2 budgets, we would expect to see an average of \$1.477 billion requested each year. Instead, we have seen an average of \$1.357 billion requested each year. This leaves an average "surplus" of unused C2 budgets of \$0.12 billion per year.

If the full cost of firewalls were to be added to the C2 Eligible Services List, the E-rate program would ultimately see – at best – an average uptick in demand of \$120M annually: the amount of unused funding that might be requested due to the addition of new eligible services.

That said, a full \$120M annual increase is unlikely because we know that not all applicants utilize their C2 budgets. For example, the average annual C2 budget for libraries is \$116.4M; however, in the past two years, libraries have only requested an average of \$20.5M in C2 discounts, a pattern we do not expect to change dramatically. Based on this data, Funds For Learning estimates that the real-world increase in C2 funding requests due to the addition of firewalls and other security services is unlikely to be more than \$60 million per year.

Another predictor of potential increase in demand is the total ineligible C2 funding over the past five years. The average annual total funding requested for "basic" firewalls in the past five years is \$23.3M. The ineligible portion listed on the application by the applicants averages a total of \$3.9M per year.

We know that most of the ineligible charges "carved out" of current C2 firewall purchases are for software and licensing which enable "next generation" firewall features. Based on historical funding request data, we can estimate that simply updating the program's definition of firewall to be consistent with 2022 marketplace and network design standards could result in an increase in demand for funding as little as \$4 million per year.

October 7, 2022

Several stakeholders filed reply comments on [proposed FY2023 E-rate Eligible Services List \(ESL\)](#) which were due on October 6, 2022. The stakeholders urged the Federal Communications Commission (FCC) to update the E-rate Program to include all current firewall and related features without requiring cost allocations and apply to FY2023 E-rate Eligible Services List to better address K12 Schools and libraries cybersecurity needs.

Resources

- ODE Weekly E-Rate Newsletter
 - https://public.govdelivery.com/accounts/ORED/subscriber/new?topic_id=ORED_114
- USAC Trainings
 - <https://www.usac.org/e-rate/learn/webinars/>
- USAC Website
 - <https://www.usac.org/#>
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