

USAC'S October 2014 Training

Some Key Items

We attended USAC's training in Minneapolis on Monday, October 13th. It started at 8:00 am and ended at 4:00 pm. There was an hour lunch break, but the rest of the time was packed with information about "e-Rate 2.0". We would like to share some take-aways.

e-Rate 2.0 Focus

Up front, recall that the focus of the "e-Rate Modernization Order" is to provide robust Internet access in the hands of each student in the classroom. The FCC's opinion is that the most cost effective way of doing that is through robust wireless LANs. Keep this in mind as you read.

Elimination of Support for Some Services

This seems to be common knowledge by now; but, beginning with the 2015 Funding Year (7/1/2015 – 6/30/2016), the Program will no longer support:

- "Stand-alone" Services such as:
 - Web hosting
 - E-mail
 - Paging
- Certain "Voice Services"
 - Directory assistance charges
 - Custom calling services
 - Direct inward dialing
 - 900/976 call blocking
 - Inside wire maintenance
 - Voice mail; and
- These "Cellular Services"
 - Text messaging
 - Cellular data*

Earlier, John Harrington of Funds for Learning, a leading national e-Rate consulting firm, opined that the Program would most likely accommodate the typical cellular voice, text, data packages. Not so. The FCC, in general, is no longer allowing the bundling of goods and services. Even the free cell phone that companies typically provide needs to be "cost allocated out". USAC said it is reaching out to the cell phone vendors to ask them to develop ways that schools and libraries can more easily determine the level of support they can request for eligible cellular voice services.

The Phase Out of Support for All Voice Services

Again, most have heard that the e-Rate Program will begin the phase out of support for all voice services beginning with a 20% reduction in Funding Year 2015 and followed by a 20% reduction each subsequent year until the support zeroes out. For clarity, if you are currently eligible for a

50% discount on voice services, your Funding Year 2015 support will be 30%, Funding Year 2016 10%, and no support in Funding Year 2017.

All voice services are included in the phase out, even VoIP. As a matter of fact, if you send voice signals down you data connections you must cost allocate out the voice service from the data service. A quick and dirty example would be if you use six of a T-1's twenty-four channels for voice traffic, you would have to allocate 25% of the T-1's cost to voice which would, then, be subject to the phase down. Dana Shafer of the FCC assured us that further clarification on this issue is forthcoming.

BIG!

The New Category Two and \$150 per Student

The FCC changed Priority One and Two's names to Category One and Two. In a way, this is a name change only. All eligible Category One requests will be funded first and the remaining dollars will be used to fill Category Two requests beginning with those eligible for the highest discount possible. This is no different than in the past. But...

\$1 Billion "Extra" in Funding Years 2015 and 2016

The FCC is conducting a two year pilot for Category Two. It starts with moving unclaimed money from the past including those from the three other Universal Service Administrative Company's programs other than Schools and Libraries in the amount of \$1 Billion per year for each of the first two years (FY2015 and FY2016). It is our opinion that the \$1 Billion will not be there to move after the first two years. And, the FCC stated that it will decide what to do for FY2017 and beyond once it sees how the pilot works. Conclusion: do something in FY2015 and/or 2016.

The second thing the FCC did to assure that more schools and libraries could tap into Category Two dollars was to establish a ceiling and a floor. The ceiling is a \$150 per student pre-discount cap for schools and \$2.30 per square foot one for libraries. The floor for small schools (less than 62 students) and small libraries (less than 4,000 square feet) is \$9200.

The third thing is that the FCC is limiting Category Two support to only those goods and services necessary to provide a robust wireless LAN, nothing more. Only items included are:

- Access points
- Cabling
- *NEW* Caching (currently very fuzzy definition – more to come)
- Firewalls
- Network switches
- Routers
- Racks
- UPS

- Wireless LAN Controllers
- Improvements, upgrades and software necessary to support eligible broadband internal connections components

If it is not listed, it is not eligible.

The fourth thing the FCC did was change the cap on the Category Two discount. The old Priority Two cap was 90%. The new one is 85%.

Once in Five Years

The FCC further opines that the useful life of current technology is five years. So, the \$150 per student is available once in this first five year period. The hassle is: this is a two-year pilot. We don't know what will happen for Funding Year 2017 and beyond. Conclusion: move this year and/or next year on this Category Two availability. Can't win if you're not in it. The old "2 in 5" rule is not in effect for these two funding years.

School Budget, not District for Category Two

The e-Rate Program is looking at this \$150 per student as a five year school budget. That is School A has 100 students, so it will have \$15,000 to spend on Category Two goods and services over the upcoming five year period (again, the warning that this is a two-year pilot). School B has 500 students, so its five year budget is \$75,000. The district does not have \$90,000 to spend as it wishes on the two schools. For example, it cannot use some of School B-s budget to spend more than the \$15,000 on School A because A is an older building and cabling and access point issues are more complex.

Also, be sure to note that the dollar amounts are "pre-discount". If the district is eligible for a 50% discount, the Program will match dollar for dollar up to 50% of the pre-discount amount: \$7,500 for School A and \$37,500 for School B.

Central Equipment

Let's say that School A and B's district has a head-end at the district office. The district office is a "NIF" (non-instructional facility) and, as a NIF, it is not eligible for any Category Two dollars (note we said "Two"). But the district needs to upgrade the router at the district office in order to be able to support the new WAPs and cabling in School A and B.

The district office has no Category Two "budget", but it can use money from School A and B's budgets to cover the cost of the router because the router is serving both schools. The district may choose to allocate how it apportions the dollars to the two budgets. It may "straight line" it, taking 50% of the cost of the router from each; or, it may cost allocate based on the total student population; or, it may use any other "defensible" (a Zeller term) method: for example, usage.

Duplicative Counting

Let's say School A is a middle school and School B is a high school. The district buses ten of School A's students to School B for an Honors Geometry class. School B now becomes eligible for \$150 times 510 students. Its WLAN has to support, at least, 510 students. (This is Gerry Zeller's way of looking at it.) School A is still eligible for the \$150 times 100 students. (It has to be able to support the 100 students.)

BIG!

RFP Help, Anyone???

Zeller and Associates, LLC has always urged schools and libraries to issue a Request For Proposals whenever requesting Priority (now Category) Two goods and/or services. We continue to urge the issuance of RFPs for such services. However, few of us are good RFP writers. Perhaps, we can share among ourselves. Perhaps, regional centers could gather folks to prepare a template that would be shared. Perhaps, professional organizations might have a template prepared that its members could use. We'll all need to prepare one. We should be able to tap our collective talents. Let Zeller and Associates, LLC know your ideas (gzeller@zellerandassociates.com).

Cabling Walk-throughs

We also urge folks to conduct a mandatory walk-through when seeking bids on cabling. Cabling is so site specific, a service provider really needs a walk-through in order to provide a quote it can live with. And, you don't want to have to stop what you are doing to accompany a vendor on a walk-through whenever one calls. As long as the mandatory walk-through is cited in the 470 and, we recommend strongly, in the RFP as well; it is within e-Rate guidelines to require attendance. We also recommend conducting the walk-through in the middle of the 470's 28-day waiting period. It gives the vendor a two week notice of the event and two weeks to prepare a response.

Discount Calculation

Beginning with Funding Year 2015 the FCC is changing the way the discount is calculated. Previously, we went school by school calculating each one's discount based on its percentage of Free and Reduced Lunch students. There was a favorably weighted formula that determined the district's overall discount. No longer. The discount is now computed at the district level. The total student enrollment and the total FRL counts for each school are added and the percentage of FRL students is determined at the district level. If that percentage is, say 33%, the district and all the schools in it are eligible for the 50% discount. No longer can there be that one school eligible for the 90% discount.

Again, John Harrington of Funds for Learning, gave two examples: one where the new method helped a district and one where it hurt. To us and with the way we figure mathematically, the

new method takes away that favorable weighting calculation. There will no longer be districts with a “54%” discount, but a “50%” one.

That’s All Folks

That is it for today. We’re certain there is more to talk about; and, that we have stirred up a number of questions. Ask away. Also, we believe we got everything right, but that can easily be an overly optimistic assumption with the new Program. Let us know if you think differently: (gzeller@zellerandassociates.com).

And, we will try to respond with another email such as this with answers to questions, clarifications, and more news.