

Category 2 Eligible Services/Equipment Overview

Category 2 equipment and services is generally for equipment, wiring and related services needed for local area networks and wireless local area networks INSIDE schools and library buildings.

There are three categories:

- A. Internal Connections
- B. Managed Internal Broadband Services (MIBS)
- C. Basic Maintenance of Internal Connections (BMIC)

The following equipment and services are eligible if used for educational purposes:

A) Internal Connections Equipment/Services:

- Routers
- Switches
- Wireless access points
- Internal cabling, racks
- Wireless controller systems
- Firewall equipment/services
- Uninterruptable power supply equipment that supports eligible equipment
- Caching servers
- Software that supports eligible equipment
- Installation of eligible equipment
- Cloud-based functionality of this equipment; for example, cloud-based wireless controllers

Licenses: Functionalities listed above that can be virtualized, and equipment that combines eligible functionalities, like routing and switching, are also eligible. Licenses for eligible equipment are E-Rate eligible and must be competitively bid under the category associated with the license of equipment (such as wireless controller). Multi-year licenses may be pre-paid upfront, are not required to be amortized, meaning that applicants may apply for E-Rate funding on the full cost of the multi-year license (subject to the Category 2 budget cap) in the first year of the license. Multi-year maintenance agreements, however, must be amortized and applied for on a year-by-year basis, even if they were pre-paid.

Installation: Installation may be part of the equipment purchase contract or in a separate contract from the equipment and with a different vendor. Installation services must have been included on the Form 470 request in order to be included on the Form 471.

Early Installation of Category 2 Equipment: Eligible equipment may be purchased and/or installed on or after April 1 prior to the beginning of the funding year to allow maximum amount of time during the summer to complete the necessary work. Disbursements will not be made until on or after July 1 – the first day of the actual funding year.

Equipment Leasing: Applicants may lease equipment as a part of an internal connections request or a MIBS request.

B) Managed Internal Broadband Services (MIBS) (including managed Wi-Fi):

MIBS are provided by a third party for the operation, management and/or monitoring of eligible broadband internal connections components such as LANs and WLANs.

- Installation, activation, and initial configuration of eligible components
- Basic design and engineering costs if these services are provided as an integral component of the installation of the relevant services
- Basic project management costs if these services are provided as an integral component of the installation of the relevant services
- Services necessary to manage and repair the LAN/WLAN network, such as diagnostic services, 24-hour network monitoring, or helpdesk support
- On-site training on the use of eligible equipment
 - Basic instruction on the use of eligible equipment, directly associated with equipment installation and is part of the contract or agreement for the equipment. Training must occur coincidentally or within a reasonable time after installation.
- Under such managed service contracts, schools and libraries may either:
 - Obtain LANs/WLANs as a service typically for a period of three to five years from a third party who manages the entire system, providing operations and maintenance for the life of the contract; or
 - Schools and libraries may own the equipment, but have a third party manage it for them
- Eligible managed Wi-Fi expenses do not include a managed voice service. The services must be related to LAN or WLAN connectivity.
- Upfront charges that are part of a managed service contract are eligible for E-Rate support except to the extent that the upfront charges are for any ineligible internal connections components (e.g., content filtering) which, if included in the contract, must be cost allocated out of any funding request.
- For bundled pricing that includes eligible and ineligible expenses, applicants are required to cost allocate eligible from ineligible services to ensure only eligible services are funded through E-Rate.

C) Basic Maintenance of Eligible Broadband Internal Connections Components:

Limited E-Rate support is available for basic maintenance and technical support appropriate to maintain reliable operation when provided as a component of eligible broadband internal connections. It includes:

- 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

In general, applicants may only receive support for actual work performed under contract on eligible products and parts that are repaired or replaced. The agreement or contract must specifically identify the eligible components covered, including product name, model number, and location. Multi-year maintenance agreements must be amortized and applied for on a year-by-year basis, even if they were

pre-paid. (Note: multi-year equipment licenses may be applied for in the first year and is not subject to the amortization rule.)

Unbundled warranties or fixed price contracts are not eligible for reimbursement, unless the ineligible portions of the warranty or contract can be cost-allocated. Standard manufacturer warranties, up to 3 years, included with the equipment at no additional cost are eligible as part of the cost of the equipment (not basic maintenance).

However, services such as software upgrades and patches, including bug fixes and security patches, and online and telephone-based technical assistance and tools that are typically standard fixed priced offerings are fully eligible if the service or equipment would not function and serve its intended purpose with the degree of reliability ordinarily provided but for these specific services. Only the annual cost of the service is eligible for funding in each year, not the total prepaid cost of the service if sold on a multi-year basis.

Basic maintenance 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

Category 2 Budgets

Equipment and services eligible for E-Rate program discounts are divided into Category One (C1) and Category Two (C2). Each independent school, school district, library, or library system receiving C2 funding has a five-year, pre-discount budget for those equipment and services based on the number of students in the school district or the number of square feet in the library system. There is no budget for C1 services. The initial five-year C2 Budget cycle ran from FY 2021-2025. The next five-year C2 Budget cycle is FY 2026 through FY 2030.

Fixed, Five-Year C2 Funding Cycle

The FCC's Category Two Report and Order ([FCC 19-117](#)) established the rules, C2 budget multipliers, and the funding floor for the fixed, five-year funding cycles. The FCC's 2023 Tribal Order ([FCC 23-56](#)) provided a new C2 funding floor for Tribal libraries only.

The C2 budget multipliers and the funding floor are adjusted for inflation and released by the FCC in advance of the start of each five-year cycle. Applicants must validate their student counts or library square footage in the first year they apply for C2 funding in the relevant five-year funding cycle.

C2 Budget Multipliers and the Funding Floor

The C2 budget multipliers and the funding floor for each five-year funding cycle are set once at the beginning of the cycle and apply to the entire cycle. In June 2025, the FCC Wireline Competition Bureau (WCB) announced C2 budget funding floors and multipliers for the FY 2026-2030 funding cycle. See [DA-25-471A1](#).

Budgets for the FY 2026-2030 cycle:

- The **school multiplier** is \$201.57 per student.
- The **library multiplier** is \$5.43 per square foot for all libraries.
- The **funding floor** is \$30,175 for all schools and libraries, with the exception of Tribal libraries, which have a \$66,385 funding floor.

Applicants will be required to validate their student counts or library square footage in the first year they apply for category two support during the FY 2026-2030 cycle. Their category two budget will be set for the five-year period. To ensure your budget is accurately computed, you must update your Category 2 enrollment numbers in EPC for each school or library building in the fall of 2025. If you opt to wait until a later year to begin using your Category 2 funds, then you must also update your Category 2 enrollment in EPC for the year that you first apply for Category 2 funding.

Applicants calculate their C2 budget using their student counts (in the case of a school or district) or library square footage (in the case of a library or system) and the respective multiplier. They receive the funding floor when the C2 budget calculation for an entity results in a figure below their respective funding floor. Examples of entities eligible for the FY 2026-2030 funding floor include:

- A school with fewer than 150 students ($\$201.57/\text{student} \times 149 \text{ students} = \$30,033.93$)
 - This school receives the funding floor: \$30,175
- A library with less than 5,558 square feet ($\$5.43/\text{square foot} \times 5,557 \text{ square feet} = \$30,174.51$)
 - This library receives the funding floor: \$30,175

- A Tribal library with less than 12,226 square feet ($\$5.43/\text{square foot} * 12,225 \text{ square feet} = \$66,381.75$)
 - This library receives the Tribal library funding floor: \$66,385

Calculating Your C2 Budget

School districts and library systems calculate their five-year, pre-discount C2 budgets at the district or system level, not at the site level. School districts and library systems are no longer required to maintain separate budgets for each school or library and can allocate funding among their eligible sites as they see fit.

An independent school or independent library calculates its five-year, pre-discount C2 budget for itself using its student count or square footage, respectively.

Libraries shall provide the total area for all floors, in square feet, of each library outlet separately, including all areas enclosed by the outer walls of the library outlet and occupied by the library, including those areas off-limits to the public. Outdoor space used for programming cannot be included in this C2 calculation. Bookmobiles calculate the square footage of the area enclosed by the outer walls of the bookmobile.

Schools only count full-time students for their C2 budget calculations. Schools do not report part-time students to USAC or include them in their C2 budget calculation.

School District and Library System Calculations

Most school districts with over 10 schools will add the number of full-time students of each of their individual schools and then multiply this total by the C2 budget cycle school multiplier.

- For example, a district with 12 schools and 2,000 students would have a budget of \$403,140 ($\$201.57 * 2,000$).

However, if the number of individual schools in the school district multiplied by the funding floor (\$30,175 for FY 2026-2030) results in a larger C2 budget (the “aggregate funding floor”), that aggregate funding floor becomes the school district’s C2 budget.

- For example, a district with 11 schools and fewer than 1647 students ($\$201.57/\text{student} * 1646 \text{ students} = \$331,784.22$) would get the aggregate funding floor C2 budget of \$331,925 (11 schools * \$30,175 funding floor) over the five-year FY 2026-2030 cycle.

Most library systems with over 10 branches will add the square footage of each of their library branches and then multiply the total by the C2 budget cycle library multiplier.

- For example, a 12-branch system with 70,000 square feet would have a budget of \$380,100 ($\$5.43 * 70,000$).

However, if the number of library branches multiplied by the funding floor (\$30,175 for FY 2026-2030) results in a larger C2 budget, that aggregate funding floor becomes the library system’s C2 budget.

- For example, a library system with 11 library branches with less than a total 61,128 square feet would get the aggregate funding floor C2 budget of \$331,925 (11 library branches * \$30,175 funding floor) over the five-year FY 2026-2030 cycle.

Calculating C2 Budgets With 10 or Fewer Sites

School districts with 10 or fewer schools and library systems with 10 or fewer library branches have the option to calculate their C2 budgets on a per-site basis and then combine the results.

Small school district example: A school district consists of three schools – one school with 50 students, one school with 100 students, and one school with 200 students. This school district can calculate its FY 2026-2030 cycle C2 budget as $\$30,175 + \$30,175 + \$40,314 = \$100,664$, because the first and second schools would be eligible for the funding floor.

Small library system example: A library system consists of a bookmobile, a library branch with 4,000 square feet, and a library branch with 7,500 square feet. This library system could calculate its FY 2026-2030 C2 budget as follows:

$\$30,175 + \$30,175 + \$40,725 = \$101,075$, because the bookmobile and the smaller library branch would be eligible for the funding floor. If a library in that system is a Tribal library, the funding floor calculation would include \$66,385 for each Tribal library and \$30,175 for each non-Tribal library.

Aggregating C2 Budget Funding Floors With Two or More Tribal Libraries

A library system containing **two or more Tribal libraries** that is aggregating funding floor amounts can include \$66,385 for each Tribal library for the FY 2026-2030 cycle.

- For example, in the FY 2026-2030 cycle, a library system with five small library branches (three Tribal and two non-Tribal) with 1000 square feet each ($\$5.43/\text{square foot} * 5000 \text{ square feet} = \$27,150$) would get the aggregate funding floor C2 budget of \$259,505 [(two library branches * \$30,175) + (three library branches * \$66,385)] over the five-year cycle.

Estimates for Buildings Under Construction

Schools

Large school districts cannot estimate the number of students for buildings under construction; however, independent schools with their own entity-level budgets and small school districts (10 child entities or less who report C2 enrollment at a school level) can estimate student counts for a new school while construction is underway. If the school overestimates, it must return to USAC any funding received in excess of the amount it was entitled to, based on the actual enrollment by the end of the next funding year.

Libraries

Library systems can provide planned square footage for buildings under construction that will open during the funding year.

Option to Adjust C2 Budget

If the total student count or square footage changes during the five-year funding cycle, applicants may request a C2 budget recalculation but are not required to do so. This is referred to as a “replacement C2 budget” request. However, if an applicant does not request a recalculation, the C2 budget student count for the school district or the C2 budget library square footage for the library system remains fixed throughout the five-year cycle. Replacement C2 budgets can be requested during the EPC administrative window and during the FCC Form 471 filing window (up until the budgeted entity’s first C2 FCC Form 471 for that funding year is certified).

To learn how to request a C2 Replacement Budget, watch **Module 6: How to File a C2 Budget Replacement Request** in the [EPC Administrative Window](#) learning module. Since the C2 budget cycle for FY 2021-2025 has passed, and the new cycle starts with FY 2026, FY 2027 is the earliest funding year if you choose to request a replacement budget due to student count (schools) or square footage (libraries) changes.

C2 Budget Tool for FY 2021+

The [E-Rate C2 Budget Tool FY 2021+](#) provides data on the FY 2021-FY 2025 C2 budget cycle. It is available on the [Tools](#) page along with a [video](#) on how to use the tool and a [glossary of terms](#). The tool will be updated to show C2 budget forecast data for the FY 2026-FY 2030 C2 budget cycle based on the most recent student count and library square footage data in the applicant organization's profile in the E-Rate Productivity Center (EPC). *This update is expected to occur sometime in the fall of 2025. As soon as the new budget forecasted data is available, the state E-Rate Coordinator will send it to the listserv.*

The following terms are used in the tool:

Budgeted Entities and Child Entity Count

- Each entity that has a C2 budget is called a **budgeted entity**. A budgeted entity must be an independent school, independent library, school district, or library system.
- For the purpose of calculating a C2 budget, the **child entity count** is the number of the individual schools in a school district or the library branches in a library system.
 - With a few exceptions, an individual school must have a student count greater than zero in the entity profile to be included in the child entity count.
 - A library branch must have a square footage greater than zero in the entity profile to be included in the child entity count. Note that bookmobiles and kiosks will not be counted if their square footage is zero.
 - Non-instructional facilities (NIFs) and annexes are not considered child entities.

C2 Budget Algorithms

There are eight different possible C2 budget calculations for budgeted entities, depending on the entity type and size (independent school or library, large or small school district, large or small library system). In the tool, these are referred to as **C2 budget algorithms**.

For some budgeted entities, only one C2 budget algorithm applies. For others, two or three may apply. The C2 budget displayed is the entity's highest C2 budget pursuant to FCC rules.

Forecast, Preliminary, and Confirmed Versions

There are three different versions of C2 budgets in the tool: forecast, preliminary, and confirmed.

- The **forecast** version of an entity's C2 budget is based on the current student count or square footage in the applicant organization's profile. If you change a student count or a square footage entry related to the C2 budget in the entity profile, the forecast version of the C2 budget will show the result of the change the following day.
- The **preliminary** version of an entity's C2 budget is based on the information on the first certified FCC Form 471. Note, an independent school designated as new construction that provides an estimated student count will also show a preliminary budget until the actual student count is verified.

- The **confirmed** version of an entity's C2 budget is based on the information in an FCC Form 471 for which USAC has issued a funding decision for a C2 funding request, unless all funding requests have been canceled. Note, you will not see confirmed C2 budgets until after the first commitment wave.

Category 2 Bidding Options/Requirements

E-Rate requires that procurements must comply not only with E-Rate regulations but also with state law. It is important, therefore, for applicants to be aware of both the state law and E-Rate bidding requirements.

South Dakota state law exempts school districts from the requirement to competitively bid the purchases of computer hardware and software, peripheral equipment and related connectivity. (Section 5-18A-22 (5)). Although there is no separate state competitive bidding requirement, there are numerous E-Rate bidding requirements that govern and must be observed.

State Law Requirements for School Districts

South Dakota state law states that contracts must be approved by the Board of Directors, (Section 13-20-1) and the contract must be signed by an authorized official. (Section 5-18A-21). Applicants should check their local policies and procedures to identify the requirements for obtaining formal approvals of contracts for E-Rate purchases and build the timeline for these procedures into your Form 470 competitive bidding schedule.

E-Rate Bidding Reminders:

Or equivalent: E-Rate rules require applicants that include a model number or manufacturer's name to also include the words "or equivalent" on their Form 470/RFP and then evaluate equivalent products that are bid. Applicants may state that such equipment must be compatible with the District's existing equipment (in which case the existing equipment must be identified).

Bid Disqualification Reasons: E-Rate rules require that any bid disqualification reasons be stated in the State and Local Procurement Requirements of the Form 470 or in the RFP. The disqualification factors must be binary – that is, answered with a yes or no.

Vendor Restrictions: Applicants should not contact a potential vendor prior to bidding to seek an equipment list (E-Rate rule). Service providers are allowed to answer *general* questions about the products and services they sell in response to applicant inquiries, but they may not prepare any part of a RFP or spec sheet/bill of materials that will be used by the applicant for conducting a competitive bid procurement.

If you do not know exactly what equipment you need, list general equipment needs (wireless controller, WAPs for 35 classrooms, and installation), and then perhaps conduct a site walk-through. Or perhaps contact several vendors to request their opinions on what equipment is needed and then develop an equipment list based on a comparison of those opinions.

Signed Contract: Applicants must have a signed contract for all Category 2 funding requests. This can be as simple as a signed vendor quote as long as it contains this information:

- Contract signing date (must be on or before the Form 471 submission date).
- Term of contract (April 1 of the funding year through September 30 of the year following the end of the funding year for equipment purchases).
- List of equipment/quantities/prices (or services) and installation costs.
- Whether you want the equipment/services to be contingent upon E-Rate funding approval.

Form 470 must be posted: There are no state master contracts that are E-Rate qualified and available to South Dakota applicants. This means that each applicant seeking to purchase Category 2 equipment or services must post their own Form 470 and accept proposals from interested vendors and conduct a bid evaluation to select the most cost-effective vendor.

State Master Contracts may be considered but are not required to be considered as a bid response:

There are state technology contracts available to some applicants depending on whether you are a public school district, non-public school, library, or a consortium composed of different entities. Because these contracts were entered into outside of the E-Rate process, the contracts may be considered as a bid response but may not be used in place of posting a Form 470.

Access to information about State Master Contracts available for E-Rate:

South Dakota participates in a national purchasing cooperative known as NASPO ValuePoint. The following table contains the list of data Communications Equipment Cooperative Price Agreements available to Public School Districts and all political subdivisions of the State including counties and municipalities. These contracts may be useful to review to determine whether the prices set forth in them are more competitive than the prices submitted by bidders in response to your Form 470. They may also be used in the event that no bids are submitted in response to your Form 470.

<https://boa.sd.gov/central-services/procurement-management/procurement-management-contractsA-C.aspx>

The link to the NASPO ValuePoint web site is <https://www.naspovaluepoint.org/>

Search available information technology and communications related contracts at this link and enter "South Dakota" in the state name and then search.

<https://www.naspovaluepoint.org/participants/participant-results/?state=South%20Dakota>

See, for example, the following information for a potential source of pricing and purchasing information for potential E-Rate purchases.

<p>Data Communications (2019 - 2026) State of South Dakota</p> <p>More Information →</p>	<p>Click on a fully executed Participating Addendum below</p> <p>Select from the list below to browse available contracts</p> <ul style="list-style-type: none"> Cisco Systems, Inc. Cradlepoint, Inc. Extreme Networks Juniper Networks, (US) Inc. Palo Alto Networks, Inc. <p>Not on the list? Find out how you can participate</p>
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Requests for Proposals: *Any supplemental information you want to share with bidders that is in addition to the Form 470 application is considered to be a “RFP” and must be uploaded to the Form 470 web site when you post your Form 470 application.*

There is no E-Rate or state law requirement for issuing a Request for Proposal in connection with a Category 2 procurement. Nonetheless, you may find it to be helpful and advantageous to set forth your specific bidding requirements in a separate document that is uploaded with your Form 470. This may be particularly helpful for a structured cabling project where you may have diagrams and other specific standards that you want to ensure vendors comply with, and there may not be sufficient room to include all of this information on the Form 470.

Bid Evaluation: While covered in a separate tab of this Resource Manual, please remember that you must conduct a bid evaluation and memorialize your decision as part of your E-Rate document retention requirements. Copies of all bids, both winning and losing, must be retained for 10 years from the date of installation of the equipment.

Purchase Order Documentation: Keep an asset inventory of all equipment/services purchased using E-Rate funding so that if audited, you will be able to document the location and use of the equipment in accordance with E-Rate requirements. Please refer to Tab 15 for comprehensive information about recordkeeping and documentation requirements. As part of your Form 470 requirements, it is advisable to inform prospective bidders that they must provide you with an asset inventory that contains the make, model and serial number of each component and the specific room and building in which the component is installed. Add the purchase order number, Form 471 and FRN number to this inventory to maintain complete records.