Category 2 Post FCDL Purchasing Guide

After receiving a Category 2 E-Rate Funding Commitment Letter (FCDL), it is important to be familiar with the additional steps that must be taken, beginning with the issuance of your purchase order. This guide provides step-by-step instructions when purchasing E-Rate eligible Category 2 equipment to ensure you stay in compliance with E-Rate rules. Specifically, the following subjects are addressed:

- Early-purchasing of equipment
- What information/amounts to list on the Purchase Orders
- How to create the required asset inventory
- Filing the Form 486
- Invoicing USAC
- Equipment transfers
- Service substitutions

1. Early-Purchasing of Equipment on or after April 1

Many schools and libraries seek to purchase equipment even before receiving E-Rate funding approval and/or receiving discounted invoices from their vendors. Under E-Rate rules, such early purchasing of internal connections equipment is permitted on or after April 1, and applicant purchase orders (POs) and vendor invoices can be dated on or after April 1 (no need to future-date them to July 1). Please keep these points in mind:

- Applicants (and vendors) cannot submit BEAR or SPI reimbursement forms to USAC until July 1 or receipt of the FCDL and approval of FCC Form 486. In the reimbursement system, the service start date will be the earlier actual invoice date.
- Applicants wishing to make these purchases prior to the receipt of their E-Rate funding commitments should be mindful that they will be paying 100% of the cost of the equipment and assuming the risk that their E-Rate funding request may not be approved. (Some vendors will provide discounted bills prior to July 1 if the applicant signs a form agreeing to make the vendor whole if the full E-Rate funding is not approved for any reason.)
- Even if applicants have received their E-Rate funding commitments, and ordered equipment/services between April 1 and June 30, BEARs and SPI reimbursement forms cannot be submitted to USAC until July 1.

Category 2 Equipment Purchase Steps:

Step 1) Create Purchase Order

The following are instructions on how to purchase the Category 2 equipment. Note: **1a** relates to creating a PO when you are paying the vendor IN FULL. **1b** (in italics) relates to creating a PO when you would like to receive DISCOUNTED VENDOR INVOICES that reflect your E-Rate discount funding as a credit.

1a) PO – No E-Rate Discounts:

- General Description of Equipment (i.e. Ruckus Wireless)
- Vendor Name
- Funding Year [20xx]

- Form 471 #
- Funding Request #
- Total Cost of Equipment (without E-Rate discounts)
- Detailed List of All Equipment Being Purchased (unit cost, quantity, description or SKU)
  - This list should match the information approved on your Form 471 application/FRN.

1b) PO – <u>With</u> E-Rate Discounts:

- *General Description of Equipment (i.e. Ruckus Wireless)*
- *Vendor Name:*
- *Funding Year [20xx]*
- *Form 471 #*
- *Funding Request #*
- *Total Cost of Equipment (without E-Rate discounts)*
- *Total Ineligible Cost (either because your C2 budget did not cover the entire cost or because the product is only partially eligible)*
- *Total E-Rate Eligible Cost of Equipment (Total cost – total ineligible cost)*
- *E-Rate Discount %*
- *E-Rate Share (eligible equipment cost * discount %)*
- *PO amount/District Share (Total Cost of Equipment - E-Rate Share) THIS WILL BE YOUR PO AMOUNT.*
- *Detailed List of All Equipment Being Purchased (unit cost, quantity, description or SKU)*

Example:

Total Cost of Equipment [contract amount] = $100,000
Total Ineligible Cost = $20,000
Total E-Rate Eligible Cost of Equipment = $80,000
E-Rate Discount % = 60%
E-Rate Share = $80,000 * 60% = $48,000
PO Amount/District Share = ($100,000 - $48,000) = $52,000 {[$80,000 - $48,000] + $20,000}

<u>Step 2) Label/Update Asset Inventory</u>

After the equipment arrives, it is very important that you take the following steps to document and label your equipment because future E-Rate audits will require such documentation to be provided/shown:

1) When the equipment arrives, label each piece of equipment with "FY [20xx], FRN #[*XXX]*". This is what the auditors will look for during their site visits.

2) Record each piece of equipment in your school's Asset (Inventory) Register or create your own E-Rate Asset Register (recommended). The Asset Register should contain the following information:

- Make & Model
- Serial number (if available)
- Physical location of equipment (building/room number)
- Date installed
- Funding Year [20xx] and FRN #

- Purchase Order #

A sample Asset Inventory Worksheet is in Section 15 of this Resource Manual. Auditors also ask for a building diagram showing where the equipment is located, including the placement of wireless access points (by room), so be sure to record this information in your asset inventory as well.

Steps to Take After the FCDL Arrives

Step 3) Submit the Form 486

After the FCDL arrives, the applicant should submit the Form 486 in EPC to "turn on funding" which will allow invoices to be submitted for payment on or after July 1. Generally, the Service Start Date (SSD) on the Form 486 should be the PO date, or July 1, 20XX – whichever is later. USAC will issue a Form 486 Approval Letter within EPC within a few days after the Form 486 has been submitted; the vendor also will receive a copy of this 486 Notification in their EPC portal. Note: The Form 486 cannot be submitted until AFTER the FCDL arrives, but should be filed as soon as the FCDL arrives if you've already purchased the equipment so you can submit the BEAR to USAC (or your vendor can submit the SPI) and receive reimbursement. Deadline to submit this form is 120 days from FCDL or Service Start Date listed on the 486, whichever is later.

Step 4) Invoice USAC

- If you paid for the full cost of the equipment and did NOT receive discounted bills, then the SCHOOL should submit the Form 472 BEAR to USAC on or after July 1, 20xx. This should be done after the equipment has arrived (or installed, if installation was included in the FRN), after the Form 486 Approval Letter has been received, and after you have paid the vendor invoice.

- In previous years during BEAR or SPI reimbursement review, USAC has reached out to applicants to request copies of the actual vendor C2 invoices to verify the USAC invoice amounts. This happens in most (but not all) cases, so be prepared to submit this documentation quickly upon request.

- If you purchase some of the equipment on an FRN *before* you receive your FCDL and some equipment *after* you receive your FCDL, you must continue with the same payment method for that entire funding request. Meaning, if you start using the BEAR reimbursement process for the FRN, you must continue paying in full and using the BEAR reimbursement process for all equipment on that FRN -- you cannot use two different billing methods on a single FRN.

Other Reminders

Moving Equipment from Building to Building

Prior to July 1, 2021, the E-Rate rules required that equipment MUST stay at the location indicated on the Form 471 for a period of three (3) years after the date of purchase. After three years from purchase date, the equipment could be transferred to other eligible entities. If a location closes within three years, equipment from that closed location can be transferred to another eligible entity, but USAC must be notified of such equipment transfers using the Form 500, and the Asset Inventory must be updated. After five (5) years from the date of installation, equipment can be disposed of, sold, transferred, traded, etc. with no USAC notification required. If equipment is sold after five years, no funding is required to be returned to USAC.

Beginning July 1, 2021, the restrictions on equipment transfer have been significantly lessened. You must keep a record of any moves and the reasons for the moves for five years but the three year prohibition against moves has been eliminated. The requirement to notify USAC of any relocations is also eliminated.

Equipment Substitutions – Post-Commitment

If you find that you need to make a change to the equipment list for which you have been approved, either due to clerical error on your Form 471 application, or because the vendor is now substituting a newer/different model number, you can submit what USAC refers to as a "Service Substitution Request." The Service Substitution must generally have the same functionality (i.e. data distribution, wireless distribution, cabling, etc.). If the service substitution results in a change in the pre-discount price, the E-Rate funding commitment will be adjusted to the lower cost (we expect there will be procedures announced to explain how to ensure that any reduction in cost can be attributed back to the C2 budget of the affected entity (school, district, library or library system).

The SS Request must include Billed Entity/Contact/471/FRN information as well as a "From-To List" that details exactly what was approved (From List), and exactly what equipment you would like to substitute (To List). Applicants also must include the original commitment amount and the revised commitment amount, along with a specific SS certification. Complete details and instructions for submitting a Service Substitution Request can be found at: https://www.usac.org/E-Rate/applicant-process/before-youre-done/service-substitutions/.

Equipment Substitutions – Pre-Commitment

If you find that you need to make a change to the equipment list before, either due to clerical error on your Form 471 application, or because the vendor is now substituting a newer/different model number, you should quickly submit a RAL Modification Request. The RAL will be automatically linked to your 471 and PIA will make the necessary changes during their review of your application.

Sample E-rate Asset Register/Inventory List																			
471	FRN	Applicant Name	BEN	Fund Year	Category	Equipment Description	Make/Model	Serial #	Date of Purchase	USAC Invoice #	Install Date	Original Building Location	Original Room Location	Current Location	Replacement Date (if applicable)	Vendor Invoice Date	Vendor Invoice #	Invoice Amount	Purchase Order #	Notes

Label all E-rate funded equipment with FRN and Funding Year

Keep a schematic/network diagram of all equipment and the location in the building(s) including drops/wall jacks

Applicant Process

- Before You Begin
- Step 1: Create an EPC Account
- Step 2: Competitive Bidding
- Step 3: Select Service Providers
- Step 4: Apply for Discounts
- Step 5: Application Review
- Step 6: Start Services
  - FCC Form 486 Filing
  - CIPA
  - **Advance Installation**
- Step 7: Invoice USAC
- Before You're Done

‹ Step 4 Step 6 ›

Advance Installation

Category One Non-Recurring Services

Program rules permit applicants to request Schools and Libraries (E-Rate) program discounts for non-recurring charges incurred up to six months prior to the July 1 start of the funding year (i.e., on or after January 1), provided that:

1. Construction begins after selection of a service provider pursuant to a valid competitive bidding process;
2. A Category One recurring service depends on the installation of the infrastructure;
3. The service start date is on or after the start of the funding year; and
4. No invoices (FCC Form 472 or FCC Form 474) can be dated prior to July 1 of the funding year.

For rules regarding special construction charges refer to the Fiber – Summary Overview.

Category Two Non-Recurring Services

Installation of Category Two non-recurring services may begin on the April 1 prior to the July 1 start of the funding year. No invoices (FCC Form 472 or FCC Form 474) can be certified prior to July 1 of the funding year.

Source: https://www.usac.org/e-rate/applicant-process/starting-services/advance-installation/ · page last modified Apr 9, 2025 · captured Nov 1, 2026