



3 Pillars of E-rate

Eligible Entities

Eligible Services

Discount %

Debra Kriete, Esq.
South Dakota State E-rate Coordinator
October 26, 2020



What is E-rate?

- National program that offers funding to K-12 schools and public libraries for certain technology purchases - \$4.2 billion
- **Category 1** funding is for broadband circuits and Internet access
- **Category 2** funding is for data network equipment and related services
- Funding is quantified as a discount off the eligible “pre-discount” price of the services and equipment
- Pre-discount price is set based on competitive bidding

Informative Resources

- Schools and Libraries Division (SLD) Web site
 - Administrator of E-rate program
 - www.usac.org/e-rate
 - <https://www.usac.org/e-rate/get-started/>
- Overview Documents
 - <https://www.usac.org/wp-content/uploads/e-rate/documents/Handouts/application-process-flow-chart.pdf>
 - High level flowchart
 - <https://www.usac.org/wp-content/uploads/e-rate/documents/Handouts/E-rate-Overview.pdf>
 - 8-page summary of program prepared by SLD

Who's in Charge?

- **Federal Communications Commission**
 - Administrative agency
 - Issues regulations & orders
- **Universal Service Administrative Co. (USAC)**
 - Administrator of all USF programs including E-rate
- **Schools and Libraries Division of USAC (SLD)**
 - Division inside USAC responsible for E-rate

State E-rate Coordinator

- Offers E-rate training and assistance to applicants with the E-rate process and serves as liaison with SLD
- Maintains State E-rate Listserv
 - Self-subscribe at this link:
https://www.k12.sd.us/MailingList/SD_E-Rate
- Prepares and submits DDN State Network E-rate Application
- dmkriete@comcast.net
- 888 232 0241

3 Pillars of E-rate

Entity

- K-12 School per State law
- Library eligible for LSTA funding

Service

- Listed on Eligible Services List
- Delivered to eligible entity

E-rate Discount

- Based on % of Free/Reduced Students
- Correlate to E-rate Discount Matrix



Eligible Entities

Buildings that qualify for E-rate funding

Eligible Entities

- **Public, private, tribal schools**
 - Not for profit
 - Must have school designation from State
- **Libraries eligible for funding under LSTA**
 - Must have independent budget
 - Must be payee for eligible services
 - Dual use libraries
 - School and public library occupy same space inside a K12 school
 - Library must meet above requirements to be able to apply for E-rate

Limited Eligibility of Pre-K Programs

- Schools with **Pre-k students are eligible** if Pre-K program is part of school program
 - This includes Head Start
 - Students must be ages 3+
- Day care centers not designated as schools are **ineligible**
- **Independent Head Start programs are ineligible**
- Head Start programs operated by nonpublic schools are **ineligible**

Home Based Locations

- General Rule - Not eligible for E-rate
 - Does not matter if this is the primary location of where student receives education
- Only exceptions are for residential areas of certain schools
 - Tribal schools
 - Juvenile Justice facilities
 - Schools for children with disabilities
 - Boarding schools with 35% or more NSLP percentage

Administrative Buildings

- A building that is part of the district or library but is primarily administrative
 - If the building is not designated as a school by State, then it's an administrative building
 - Even if there is some classroom instruction in the building
- E-rate name is “Non-Instructional Facility (“NIF”)
- Building must be listed on the funding application and must have its own Entity Number

E-rate Entity Numbers

- Each school, library or NIF must be listed on E-rate funding application as a recipient of service
- Must have an E-rate assigned number called “Entity Number”
- Definition of school based on state law
- Multiple schools in one building – each school should have its own entity number

1 physical building
3 separate schools
3 different E-rate Entity #s



Other Kinds of Buildings

- **Annex**
 - An **annex to a school** is considered part of that school (not a separate school) but separated from that school by a public right-of-way
 - An **annex to a library** is considered part of that library (not a separate library) but separated from that library by a public right-of-way
 - Annexes do not require their own entity numbers
- **Swing space** temporarily houses students from a school which is considered the "main entity" or original location of the student population. The students may need to be temporarily relocated due to closure, construction, or a revamping of their technological infrastructure at the school
 - Obtain an entity number for a swing space



Eligible Services & Equipment

Overview

Overarching purpose of E-rate funding –
Deliver broadband Internet to students and
library patrons

- **Category 1 – Broadband & Internet Services **TO** buildings**
 - Internet access service
 - Data transmission service

- **Category 2 – Network services/equipment **INSIDE** buildings**
 - Internal Connections equipment/service
 - Managed Internal Broadband Services
 - Basic Maintenance of Internal Connections

Why 2 Funding Categories?

- Originally due to concerns about not having enough funding for all applications
 - Category 1 used to be called “Priority 1” and all requests were funded first
 - Category 2 used to be called “Priority 2” and requests with highest discounts were funded first until all funds were exhausted in a given year
- In 2014, E-rate program was modernized and updated to focus on broadband and Internet
 - All voice services were de-funded which freed up funding
 - Rules for funding were changed to ensure all applicants would have access to funds for equipment/service inside their buildings
 - Lower maximum discount for Category 2 (85%)
 - All Category 2 requests are capped based on a budget formula (will review in upcoming slides) whereas there is no cap on Category 1 requests
 - Overall amount of annual funding was increased (\$4 Billion annually increased for inflation)
 - Priorities were changed to “Category 1 and 2”

Category 1 Overview

- Funding is geared to broadband and Internet service delivered to buildings
 - Data transmission circuits
 - Internet access service
- Schools and libraries should consider --
 - Buildings that need Internet
 - Wide area network circuits – connections between eligible buildings for larger districts and library systems

C1 Data Transmission Lines

- High speed connections to and between school and library buildings leased from a service provider
- Public school districts with all buildings connected to the DDN will likely not have data transmission lines that they pay for
- Generally if a building is not connected to DDN, then a data line or Internet line is needed for that school to obtain Internet access
- Data lines are most frequently used for a Wide Area Network service
 - Circuits that interconnect schools or libraries to one another
 - Also called “building to building” service

C2 Internet Access

- Eligible Internet Access Service is provided by different kinds of service providers such as –
 - Cable companies
 - Phone companies
 - Internet service companies
 - Satellite companies
 - Wireless companies
- Each company may include add-on features as part of the base service price such as -
 - Basic firewall protection
 - Domain name service
 - Dynamic host configuration
 - Filtering
 - As long as these features are part of the basic Internet service and there's no additional charge, these features also qualify for E-rate funding.
 - If there are separate add-on charges, then these charges don't qualify for E-rate
- Examples of ineligible components of Internet access (with or without separate fees)
 - Any kind of end user device
 - Web hosting
- Costs associated with ineligible features need to be quantified and removed from the funding request

Category 1 Other Eligibility

- These charges qualify for E-rate
 - Installation costs (include request on bidding Form 470)
 - State, federal and local taxes
 - Universal service fund charge
- These charges don't qualify for E-rate and need to be deducted from funding requests
 - Late payment charges
 - Finance charges
 - Paper statement fees
 - Administrative charges not related to Internet or data transmission
 - Administrative cost of collecting USF surcharge
 - Property tax surcharge

C1 Leased Dark Fiber & Purchased Fiber

- If you have a building that needs broadband service, you may also consider leasing dark fiber and then adding electronics to light the fiber
- If there are no economic options to lease service from a vendor, you may also consider requesting a vendor to build facilities that you would own
- For dark fiber or purchased fiber to qualify for E-rate funding, there are many intricate requirements that must be met
- Mentioning these options in case someone may need more information
 - Contact me for a separate phone call or Zoom session to discuss the detailed requirements

Category 2 Equipment/Service

- Data network equipment and service inside buildings needed for broadband & Internet connectivity
- 3 Subcategories
 - Internal Connections
 - Basic Maintenance of Internal Connections
 - Managed Internal Broadband Services

C2 Internal Connections

Component	Component
Access Points	Uninterruptible power supply/battery backup for eligible equipment
Antennas	Wireless controller
Connectors	Software/operating systems of eligible equipment
Cabling	Licenses (right to use) for eligible equipment
Caching	Virtualized (cloud based) functionalities
Basic firewall functionality	Bundled warranty included in price (not separate fee)
Switches	Installation, configuration of eligible equipment
Routers	Basic training on use of equipment
Racks	

C2 Basic Maintenance of Internal Connections (BMIC)

- Equipment being maintained must be eligible
- Cost must be based on estimated time and materials
- Insurance type contracts are not eligible
- *Reimbursements limited to actual time and expense incurred on maintenance*
- Extended warranties are not eligible
- Software updates and basic technical support are eligible without having to document use of the service
 - If prepaid for multiple years, you can only claim the annual cost of the maintenance and must annually for yearly cost

C2 Managed Internal Broadband Services (MIBS)

- Services provided by third party for operation, management, and monitoring of eligible internal connections
- Services may include:
 - Management and operation of the LAN/WLAN
 - Installation, activation and initial configuration of eligible components
 - On-site training on use of equipment
- Equipment ownership options
 - 3rd party manager may own equipment that is leased to the school or library.
 - School or library may own the equipment and contract for management services.
- MIBS includes network monitoring but Basic Maintenance does not include monitoring

Calculation of C2 Budgets

- 5-year cycle for C2 budgets, and new cycle begins FY 2021 – FY 2025
- All budgets will re-set for FY 2026 & zeroed out
- Budgets are pre-discount amount
- E-rate discount is applied to quantify the amount of E-rate funding

Single School Budget:

$\$167 \times \text{total enrollment}$ OR $\$25,000$, whichever total budget is greater

School Districts:

$\$167 \times \text{total district enrollment}$, OR

$\$25,000 \times \text{total \# of schools in the district}$, whichever total budget is greater

Independent Libraries:

$\$4.50 \times \text{total square footage}$ OR $\$25,000$, whichever total budget is greater

Library Systems:

$\$4.50 \times \text{total square feet of all library branches}$ OR $\$25,000 * \# \text{ branches}$, whichever total budget is greater

Hybrid Calculation for Smaller Applicants

- School districts and library systems with **10 or fewer schools or branches** can use a third ‘hybrid’ option
 - Calculate budget for each school using the $\$167 * \# \text{ students}$
 - Calculate budget for each library using $\# \text{ square feet} * \4.50
 - Compare each building’s amount to the $\$25,000$ floor per school or library branch
 - Use the higher of the two amounts for each school/library
 - Add up the building amounts for the district-wide or library system-wide 5-year prediscount budget
 - If a school has less than 150 students, the floor amount of $\$25,000$ will be greater than the $\# \text{ students} * \$167$
 - For example, $149 \text{ students} * \$167 = \$24,883$ which is $< \$25,000$ floor
 - If a library has less than 5,556 square feet, the floor amount of $\$25,000$ will be greater than the $\# \text{ of square feet} * \4.50
 - For example, $5,555 \text{ square feet} * \$4.50 = \$24,997.50$ which is $< \$25,000$ floor

School District Hybrid Budget Calculation Example

School	Enrollment	FY 2021-2025 Floor Amount	Per Student Calculation
Red School	625	\$25,000	\$104,375
Green School	300	\$25,000	\$50,100
Yellow School	50	\$25,000	\$8,350
Blue School	120	\$25,000	\$20,040
Subtotals		\$50,000	\$154,475
Total for School District			\$204,475

Library System Hybrid Budget Calculation Example

Library	Square Feet	FY 2021-2025 Floor Amount	Per Square Foot Calculation
Orange Library	10,000	\$25,000	\$45,000
Purple Library	8,500	\$25,000	\$38,250
Brown Library	5,500	\$25,000	\$24,750
White Library	4,000	\$25,000	\$18,500
Subtotals		\$50,000	\$83,250
Total for Library System			\$133,250

C2 for Non-Instructional Buildings

- NIFs do not qualify for C2 funding
- If the NIF is your network hub where network equipment is located that supports school buildings, use the schools' C2 budgets to pay for the equipment
- Must deduct a portion of costs of shared equipment for NIF's use
 - For example, if you have a core switch, it may be housed at the admin building, but a portion of the pre-discount cost must be declared ineligible
 - Can be straight allocation (4 schools + 1 admin buildings = 20% ineligible)
 - Or can be other method (# of users, square footage of buildings, etc.)
 - Just keep documentation of how the cost allocation was calculated

E-rate C2 Budget Example

5 Yr. Budget Cap *	E-rate Discount %	E-rate will pay	Applicant's Share %	District must pay
\$747,108.00	60%	\$448,264.80	40%	\$298,843.20

- The C2 budget cap is the **pre-discount price**. The E-rate discount percentage then is applied to the budget cap to quantify the amount of available E-rate funding. In this example the Applicant's share is 40% that they would owe
- For future funding cycles, the amount of committed C2 funding from prior years in the cycle must be deducted to determine the remaining C2 pre-discount budget
- The SLD's budget tool has this calculation built in

SLD Category 2 Budget Tool

BEN	BEN Name	C2 Budget Cycle	Child Entity Count	Full Time Students
134200	Aberdeen School District 6-1	2021-2025	10	4,326

Student Multiplier	C2 Budget	C2 Budget Version	C2 Per Site Basis Difference	Funded C2 Budget
\$167	\$747,108.00	Forecast	\$24,666.00	\$0

Pending C2 Budget Amount	Available C2 Budget Amount
\$0	\$747,108.00



Discount Calculations

Methodology

- Discount is based on NSLP % and whether your location is considered rural or urban per program definition
- All discounts for both Category 1 and Category 2 will be calculated on a district-wide average basis
- $\text{Total district NSLP eligible students} / \text{total district enrollment} = \text{NSLP \%}$
- Each building will receive the same district-wide discount
- Libraries receive E-rate discount for the district in which the library is located
- 2010 U.S. Census classifications of rural/urban are used for each building
- Rural/urban status of majority of buildings (physical addresses) will be used for entire district
- All districts are rural except for Sioux Falls, Rapid City and Aberdeen

E-rate Discount Matrix

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%

School District Discount Example

School	Urban or Rural	Enrollment	NSLP
Custer Elementary	Rural	357	119
Custer High School	Rural	253	68
Custer Middle School	Rural	100	27
Hermosa Elementary School	Rural	163	35
Custer School District Totals	Rural	873	336
		336/873 = 38.48% NSLP	

38.48% NSLP for a rural school district correlates to E-rate discount percentage of 70%

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%

Library Discount Calculations

- Independent Libraries
 - Will derive their discount based on the percentage of students eligible for the NSLP in the school district in which that library is located and whether the library is in an urban or rural area
- Library Systems
 - Will derive their discount based on the percentage of students eligible for the NSLP in the school district in which the main library system outlet/branch is located
 - AND
 - The percentage of buildings in rural areas
 - If more than 50% of the libraries are in rural areas, then the rural discount applies

NSLP Community Eligibility Provision (CEP)

- CEP program provides an alternative to NSLP household applications for free and reduced-price meals in high poverty LEAs
- A school, group of schools, or the entire district must have an Identified Student Percentage of 40% or more and must offer both breakfast and lunch daily to qualify for CEP
- For E-rate, CEP schools will use the 1.6 multiplier as is currently permitted by USDA and other federal programs
- Schools are capped at 100% NSLP eligibility for purposes of determining E-rate discount

CEP Example - School

- Enrollment = 1000 students
- 50% are identified as 'NSLP direct certified' = 500 students
- 500 students * 1.6 multiplier = 800 students eligible for NSLP
- $800/1000$ is used for E-rate discount calculations

Alternative Measures to NSLP

- 2 Options
 - Report '0' as number of free/reduced lunch qualifying students
 - Conduct income survey of students' families
 - NSLP form may be used in place of survey instrument
 - Survey must be sent to each student



Next Steps

Next Steps

- Review and assess your needs
- Review bills for Internet and data circuits
- Do research about technology equipment you may need
- Talk to colleagues
- Get ready for posting Form 470

Questions and Future Trainings

- Unmute your microphone
- Put question in chat
- Email me at dmkriete@comcast.net or call 888 232 0241
- Upcoming Trainings
 - Thursday, October 29 – 10 am CT – Veteran’s Training Updates
 - Monday, November 2 – 10 am CT - Form 470 Filing Demonstration and Updating Entity Profiles in EPC
 - Monday, November 16 – 10 am CT – E-rate Competitive Bidding
 - Monday, November 23 – 10 am CT – E-rate Contracts
 - Monday, December 7 – 10 am CT – Getting Ready to File Form 470
 - Monday, December 14 – 10 am CT – Form 471 Filing Demonstration