



Schools & Libraries – Cost Effectiveness

What is Cost Effectiveness?

When USAC determines that the costs of the products and services in a funding request are significantly higher than the costs generally available in the applicant's marketplace for the same or similar products or services, USAC will not approve the funding request since it may not be a cost effective choice. For example, equipment at prices two or three times greater than the prices available from commercial vendors would not be cost effective, unless there were extenuating circumstances. Applicants will be contacted and given an opportunity to justify the costs of the products or services that seem to be not cost effective prior to a final determination by USAC.

How does this impact the application process?

The FCC in their Fifth Report and Order required the applicant to certify on the Form 470 and 471 that "all bids submitted will be carefully considered and the bid selected will be the most cost-effective service or equipment offering, with price being the primary factor, and will be the most cost-effective means of meeting educational needs and technology plan goals."

When is this determination made?

USAC's principal evaluation of cost effectiveness occurs during the PIA review process. It can involve an individual funding request or all funding requests for an entity.

What are some of the questions that may be asked?

Applicants may be asked for:

- A copy of the contract(s), bid details, bid matrix, etc.
- The make, model, location, and quantity of equipment.
- Telecom bandwidth / bit rate per school / library
- Number and functionality of servers
- Location and quantity of cable drops
- Maintenance costs per item of equipment, if for Basic Maintenance
- Hours of maintenance, cost per hour, cost per school / library
- An explanation of the special circumstances that lead to the higher than usual pricing. These factors could include geographic location, the types of services that are included, and other mitigating circumstances.

What should applicants do?

When selecting a service provider, applicants should be sure that the pricing and configuration of the service provider's bid can withstand scrutiny for cost effectiveness. If you are selected for a cost effective review and you believe the pricing and configuration being requested is appropriate, work with your service provider to prepare a justification for costs that appear excessive, and provide complete and accurate responses to USAC if questions arise.

For additional information, please use the USAC resources listed below:

Service Provider Selection: <http://usac.org/sl/applicants/step04/>

News Brief Reference: <http://usac.org/res/documents/sl/html/SL-newsbrief-20060331.aspx>

FCC 03-313 (Ysleta Order): <http://usac.org/res/documents/about/pdf/fcc-orders/2003-fcc-orders/FCC-03-313.pdf>

FCC 04-190 (5th Order): <http://usac.org/res/documents/about/pdf/fcc-orders/2004-fcc-orders/FCC-04-190.pdf>