E-Rate Program

Eligible Services

May 10, 2011 – Atlanta l May 15, 2011 – Los Angeles

- **Overview**
  - Priority One:
    - Telecommunication services, telecommunications and Internet access (IA)
  - Priority Two:
    - Internal connections (IC) and Basic maintenance of IC (BMIC)
- **Trending Topics**
  - BMIC continued
  - Dark fiber
  - VoIP
  - Open issues

Eligible Services

Overview

Priority 1 – Telecommunications Services

- Support for telecom services

- Examples:

  - Local and long distance service

  - Cellular service

    - Text messaging

  - Ethernet

Priority 1 – Telecommunications Services

- Other examples of eligible telecom services:
  - T-1, T-3
  - DSL
  - PRI
  - Satellite service
  - Interconnected Voice over Internet Protocol (VoIP)
  - Taxes and certain fees
  - Installation and configuration

Priority 1 – Telecommunications Services

- Some examples of services NOT eligible:
    - Broadcast "Blast" messaging
    - Monitoring services for 911, E911 or alarm telephone lines
        - The actual circuit itself is eligible
    - Services to ineligible locations
    - End-user devices

Priority 1 – Telecommunications Services and Telecommunications

- Telecommunications Services and Telecommunications are now two categories on the Eligible Services List (ESL).

  – **Telecommunications Services** can only be provided by an eligible telecommunications carrier.

  – **Telecommunications** can be provided by non-telecommunications carriers via fiber in whole or in part.

Priority 1 – Internet Access

- Support for Internet access includes the Internet Service Provider (ISP) fees and the conduit to the Internet.

- Internet-related services funded under the Internet access category also include:
  - E-mail Service,
  - Web Hosting, and
  - VoIP.

Priority 1 – Internet Access

- Some examples of services NOT eligible:
  - Filtering
  - Costs for Internet content
    - Subscription services such as monthly charges for on-line magazine subscriptions
  - Internet2 membership dues
  - Web site creation fees
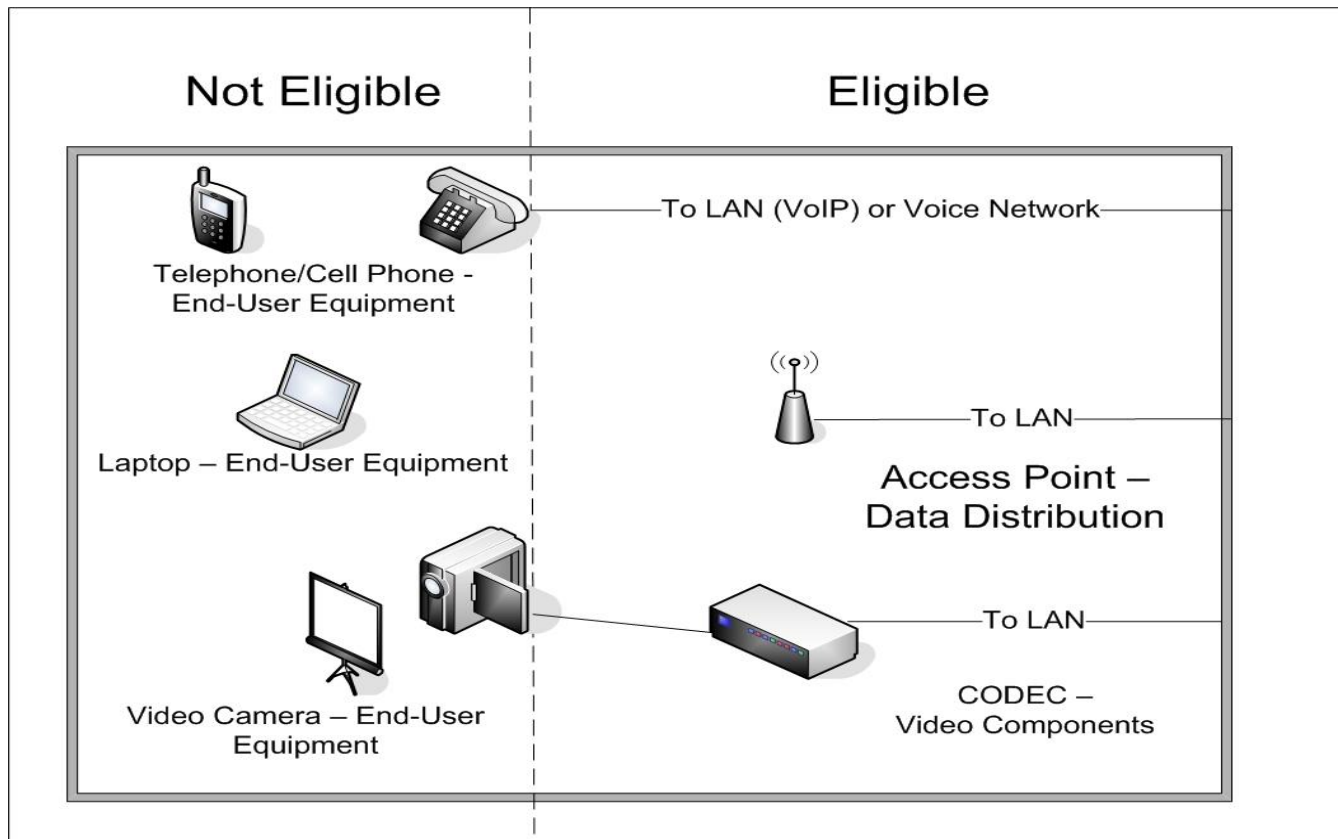 - Software, services, or systems used to create or edit Internet content

Priority 1 - Tips

- If your service includes on-premise equipment, provide your customer with the make and model.

- If you are offering an ineligible service along with eligible services, do not forget to break out any of the costs associated with installation, training and taxes associated with the ineligible services.

- If you have a new service or re-naming a pre-existing service, be sure to supply your applicant with a description of the service to ensure the PIA reviewer understands the exact service you are providing.
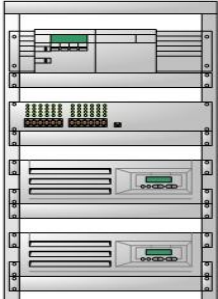
Priority 2 – Internal Connections

- Support for equipment and cabling on-site that transport information to classrooms or public rooms of a library.

- Does NOT include end-user components such as computers, printers and projectors.

- Subject to the Two-in-Five Rule.

  - Entities can only receive funding every two out of five years.

Priority 2 - Internal Connections

Priority 2 - Internal Connections

Eligibility	Product - Function
Eligible	Router – Data Distribution
	Switch – Data Distribution
	E-mail Server - Servers
	DHCP/DNS Server - Servers
Conditionally Eligible *	Tape Drive - Data Protection
	Uninterruptible Power Supply (UPS) - Data Protection
Not Eligible	Application Server - Servers

Conditions:

*Eligible if used with eligible equipment.
Cost Allocation may be utilized if supporting ineligible equipment

Priority 2 – Basic Maintenance of Internal Connections

- Allows for support for basic maintenance of eligible internal connections.

- Examples:
  - Repair and upkeep of eligible hardware
  - Wire and cable maintenance
  - Basic technical support
  - Configuration changes

Priority 2 – Basic Maintenance of Internal Connections

- Agreements or contracts must state the eligible components covered by make, model and location.

- Service must be delivered within the July 1st to June 30th timeframe.

- Two-in-Five Rule does not apply to BMIC.

Priority 2 - Tips

- As with the Priority One services, be sure to identify costs associated with ineligible charges such as tax, installation and training along with the cost(s) of the ineligible product(s).

- Refer to the Eligible Services List to ensure services and products seeking a service substitution are of the same functional category.

- Incorporate the make, model and quantities of the products you will be maintaining into your maintenance contract to ensure PIA reviewers understand what products are being supported.

Eligible Services

Trending Topics

Basic Maintenance of Internal Connections

- Unbundled warranties are NOT eligible.

- Unbundled warranties allow for broken equipment to be fixed or if it is beyond repair, replaced.

- Unbundled warranties are considered a type of retainer and not as an actual maintenance service.

- This does not apply to a manufacturer's warranty of no more than three years that is included in the price of the equipment , OR

- If the retainer is tied to actual service performed.

Basic Maintenance of Internal Connections

- Applicants may make estimates based on:
  - Hours per year of maintenance,
  - History of needed repairs and upkeep, and
  - Current life of eligible internal connections.
- Provision of this information as part of the Item 21 attachment can reduce the time it takes to receive a funding commitment.
- Basic maintenance will be paid on the actual work performed and hours used only.

Basic Maintenance of Internal Connections

- BMIC costs must be a bona fide request.

  – It is not reasonable to estimate an amount that would cover the cost of every piece of eligible equipment.

- While replacement of hardware may be eligible as BMIC, it is not meant to circumvent the 2-in-5 rule.

Leased Dark Fiber for FY 2011 and forward

- Introduced as "Telecommunications" in the FY2011 Eligible Services List.

- Allows for support for lit or dark fiber, as a priority one service, from *any* entity.

- On the FCC Form 471, applicants are instructed to select the Telecom box if the leased fiber is provided by a telecom carrier.

- In all other cases, the applicant should select the Internet access box.
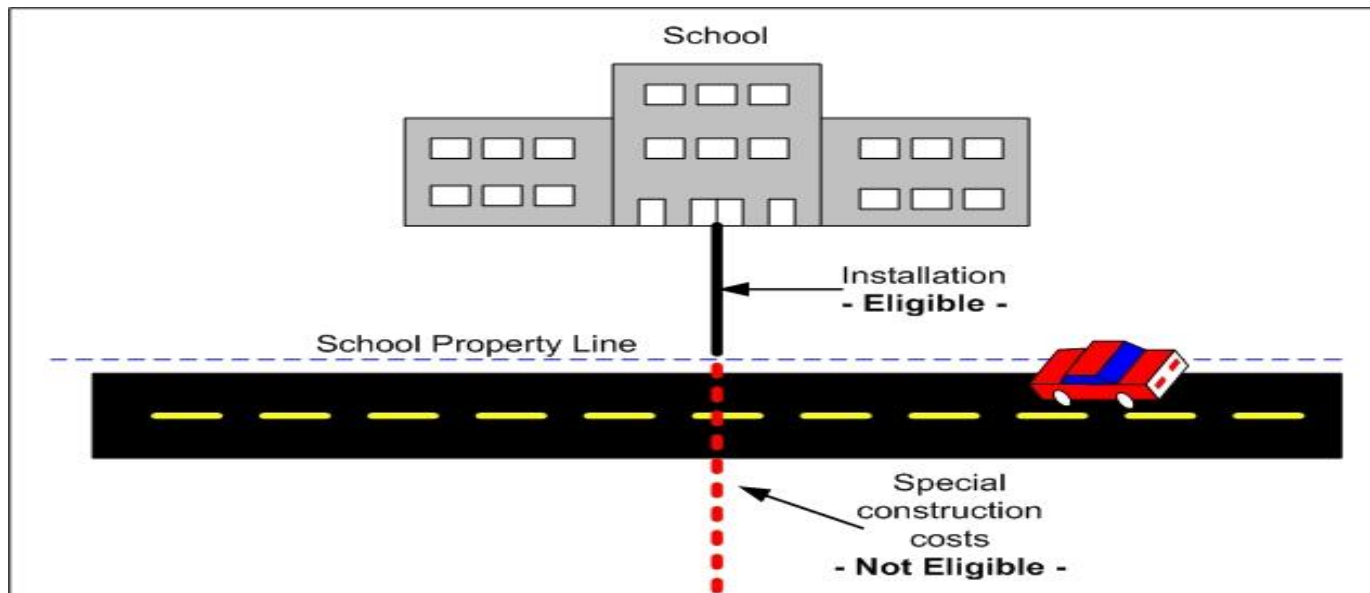
Leased Dark Fiber

- Dark fiber must be lit immediately.
  - Immediately means the fiber must be lit during the funding year in which you request services in order to receive E-rate discounts.
  - USAC will not pay for recurring or non-recurring charges until the fiber is lit.

- Does NOT allow for unneeded capacity or warehouse dark fiber for future use
  - The Commission's intent was to provide applicants more flexibility when considering fiber as a solution to meet their needs, not to acquire dark fiber for future use.

Leased Dark Fiber

- Maintenance costs of dark fiber and installation costs to hook up the dark fiber are eligible

  – This includes charges for installation within the property line (see next page for eligibility matrix)

- Modulating electronics for leased dark fiber are not eligible

  – Eligible only as applicant owned priority 2 if it meets the definition of an internal connection. If being used for LAN traffic it is eligible; if WAN, not eligible.

Leased Dark Fiber Installation Diagram

- Special Construction charges to build out connections from applicants' facilities to an **off-premise** fiber network are NOT eligible.
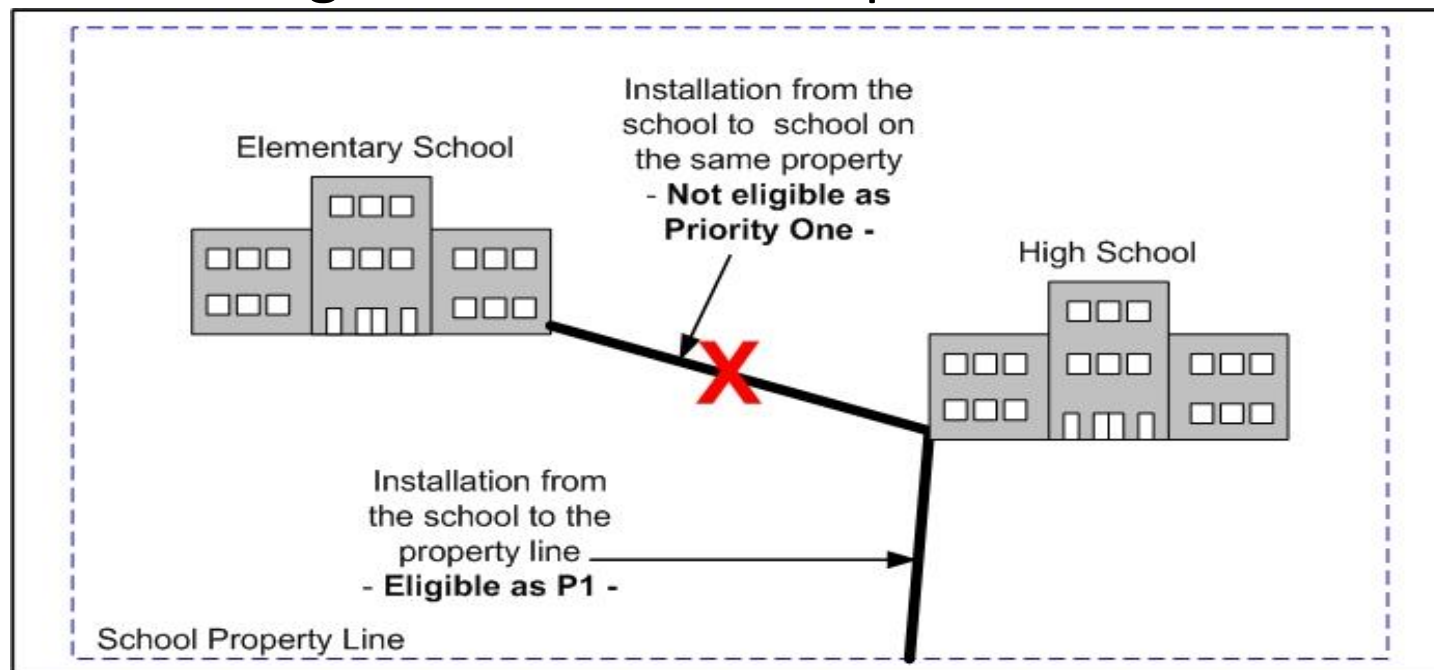
Leased Dark Fiber

- Some examples of **not eligible** special construction charges include:
  - Design and engineering costs,
  - Project management costs,
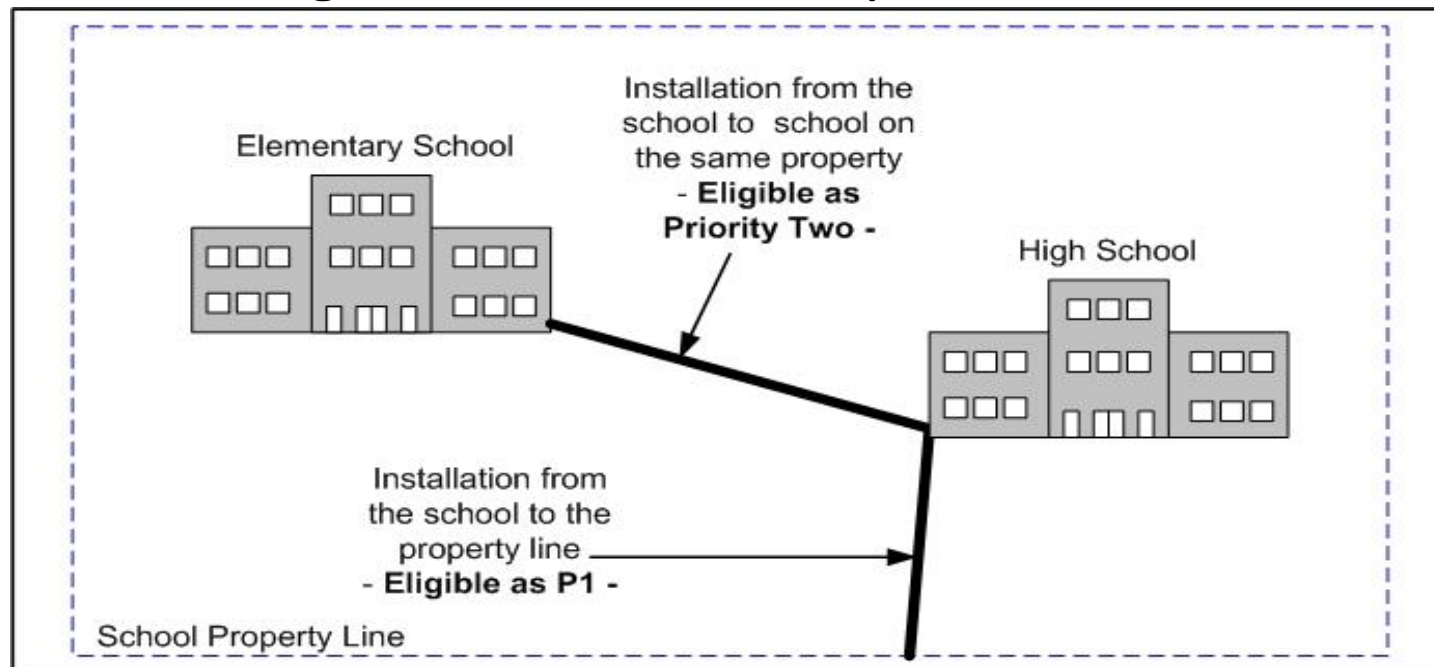 - Digging trenches, and
  - Laying fiber.

Leased Dark Fiber

- Dark fiber is not eligible as a Priority 1 service between two buildings on the same campus.

Leased Dark Fiber

- Dark fiber is eligible as an Internal Connection servicing two buildings on the same campus.

Installation from the school to school on the same property
- **Eligible as Priority Two** -

Elementary School

High School

Installation from the school to the property line
- **Eligible as P1** -

School Property Line

Dark Fiber Install and Maintenance Matrix

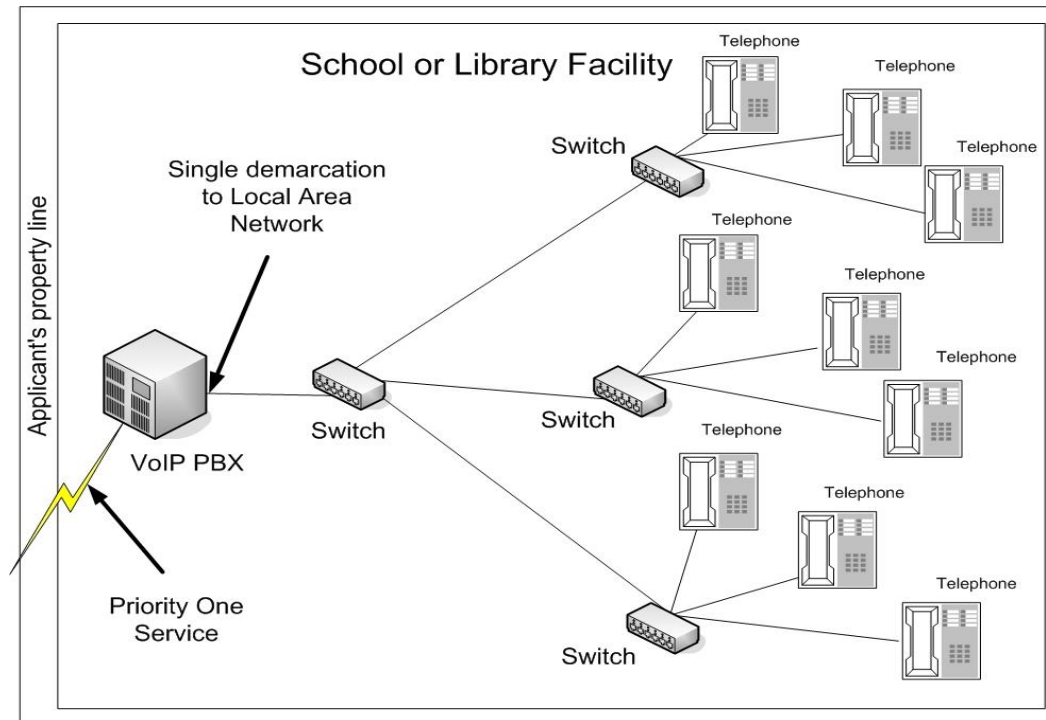|	Description	P1- Leased Lit Fiber	P1- Leased Dark Fiber	P2- Leased Lit or Dark Fiber	P2- Purchased Dark Fiber
1	Installation within property from bldg to bldg	Not Eligible	Not Eligible	Eligible	Eligible
2	Installation on property from bldg to property line	Eligible	Eligible	Not Eligible	Not Eligible
3	Installation off property from curb to service provider	Eligible	Not eligible	Not Eligible	Not Eligible
4	Monthly service charges within property from bldg to bldg	Not Eligible	Not Eligible	Eligible	Not Eligible
5	Monthly service charges from bldg to service provider or to off-site bldg	Eligible	Eligible	Not Eligible	Not Eligible
6	Maintenance charges from bldg to bldg	Not Eligible	Not Eligible	Eligible	Eligible
7	Maintenance charges from bldg to service provider	Eligible	Eligible	Not Eligible	Not Eligible

VoIP

- Interconnected VoIP is defined as a service that:

  – Enables real-time, two-way voice communications

  – Requires a broadband connection from the user's location

  – Requires Internet protocol-compatible customer premises equipment (CPE)

  – Permits users generally to receive calls that originate on the public switched telephone network and to terminate calls to the public switched telephone network.

VoIP

- Priority 1 Services

  – May be applied for in either telecommunications or Internet access on an applicant's FCC Form 470.

  – USAC highly recommends applicants to post in both the telecommunications service and Internet access categories of service.
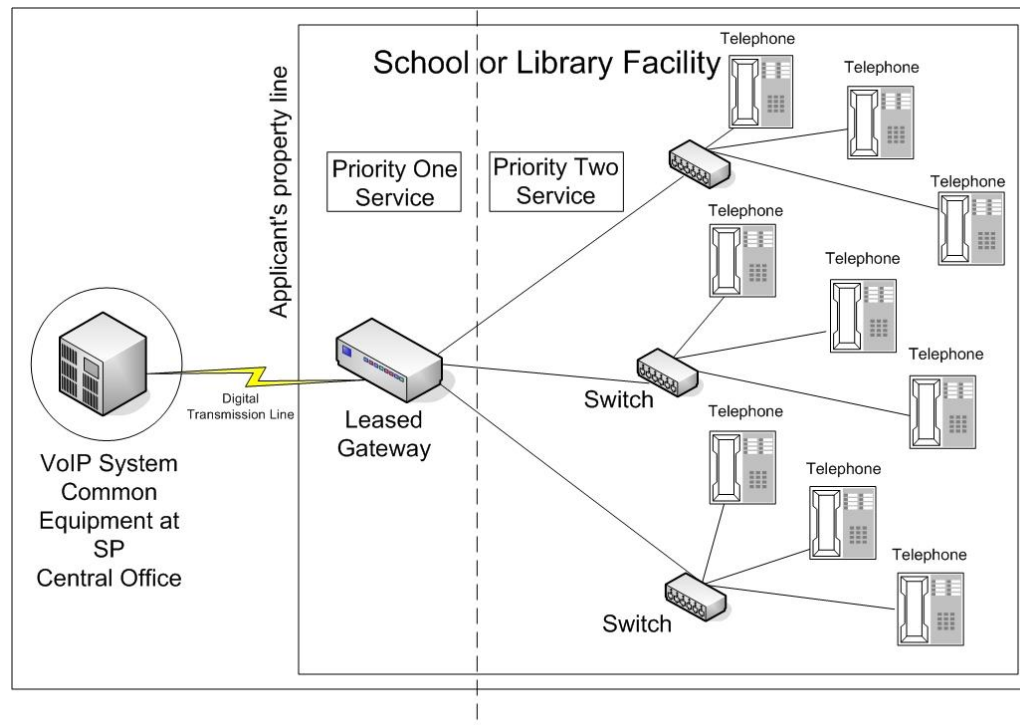
VoIP

- A leased VoIP phone system is NOT eligible for Priority 1 funding

- By removing the VoIP equipment, the local voice network will cease to function. This equipment is eligible ONLY as Internal Connections.

VoIP

- A gateway may be leased with eligible Priority 1 VoIP service.

- A gateway is considered a single basic terminating device.

VoIP

- Priority 2 – VoIP components are eligible.
  - Includes:
    - VoIP phone system,
    - VoIP router and/or switches, and
    - Software licenses for the functioning of the IP telephone devices.
  - Excludes:
    - End-user devices e.g. IP phones and Softphones.

Open Issues

- Is the receipt of multiple forms of a service duplicative?
  - E.g., a school receives funding for T-1 service for Internet access and a teacher in a room that has access to the T-1 service uses an air card to access the Internet.

- Are free VoIP handsets permissible if provided to all customers?
  - DA 10-2355 states, "For example, many cell phones are free or available to the general public at a discounted price with the purchase of a two-year service contract. Schools and libraries are free to take advantage of these deals, without cost allocation, but cannot accept other equipment with service arrangements that are not otherwise available to some segment of the public or class of users."

Eligible Services

Questions?