



Illinois Century Network



Securing High Speed Broadband for Illinois Schools via E-rate

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Introduction

- This presentation provides an overview of E-rate modernization, highlights key rules and discusses clarifications that schools should be aware of as they file their E-rate Form 470 and 471

- E-rate modernization resulted in 2 FCC Orders in 2014.
 - The key focus of the July 2014 Order was the Internal Wi-Fi connections within a school.
 - The key focus of the Dec 2014 order was increasing the options available to schools for building high speed broadband networks to the school campus.



July 2014 Order Summary

- Goal 1: Ensuring Affordable Access to High-Speed Broadband in Schools and Libraries
 - \$1B target for category two services
 - Increasing the minimum contribution rate for category two services
 - Budgets for category 2 services
 - Services eligible for category 2 support
 - Internal Connections
 - Basic Maintenance and Managed Wifi



July 2014 Order Summary

- Increasing the minimum contribution rate for category two services
 - From 10% to 15% i.e. the maximum subsidy is 85% - from 90%
 - Only applicable for category 2 services. Category 1 maximum subsidy stays at 90%
 - Discount matrix adjusted to account for this change



July 2014 Order Summary

- Budgets for category 2 services
 - \$150/student for schools and \$2.30 per square foot for libraries (pre discount budgets) for schools and libraries seeking category 2 funding in funding years 2015 and 2016
 - Budgets are for a five year period
 - Pre-discount funding floor of \$9,200 in category 2 support for each school or library over a five year period
 - Applicants required to seek support on a school by school or library by library basis
 - The category 2 budget support replaces the existing two-in-five rule
 - Priority 2 funding received by applicants in prior years has no bearing on category 2 eligibility
 - Absent FCC action, the two-in-five rule re-instated for applicants in funding year 2020



July 2014 Order Summary

- For category 1 rule changes relates to the phase down and ending of support for legacy services
- Phasing down support for voice services
 - The order starts a phase down of support for voice services
 - Discount applicants receive for voice services will be reduced by 20 percentage points every funding year beginning in funding year 2015
 - This phase down will apply to all costs incurred for the provision of telephone services and circuit capacity dedicated to providing voice services including VoIP
- Support eliminated for telephone features, outdated services and non-broadband services
 - Data plans and air cards for mobile devices will remain eligible for support only if a school or library can demonstrate that individual data plans are the most cost effective option



July 2014 Order Summary

- Goal 2: Maximizing the Cost Effectiveness of E-rate Spending
- Increasing Pricing Transparency
 - USAC to make publicly available on its website information regarding services and equipment purchased by schools and libraries
- Encouraging Consortia and Bulk Purchasing
 - FCC may designate preferred master contracts for category two equipment, which will exempt FCC form 470 filing requirements
- Offering the Lowest Corresponding Price
 - The LCP rule prohibits an E-rate provider from charging E-rate applicants a price higher than the lowest price that provider charges to non-residential customers who are similarly situated to a particular school or library
 - If the price charged is higher than the LCP, the provider is required to have demonstrably higher costs to serve a particular school or library





July 2014 Order Summary

- Goal 3: Making the E-rate Administration and Application Processes Fast, Simple and Efficient
 - Streamlining the application process for multi-year contracts
 - Eliminating the technology plan requirements
 - Exempting certain commercially available high speed broadband services from competitive bidding
 - Easing the signed contract requirement
 - Requiring electronic filing of documents
 - Enabling direct connections between schools and libraries
 - Simplifying Discount Rate Calculations
 - Adopting district wide discount rates
 - Updating the definition of “Rural”
 - NSLP Community Eligibility Provision
 - Modifying the requirement for using school-wide income surveys



July 2014 Order Summary

- Goal 3: Making the E-rate Administration and Application Processes Fast, Simple and Efficient
 - Simplifying the invoicing and disbursement processes
 - Extending E-rate document retention and inspection requirements
 - Tribal Consultation, training and outreach program
 - Requiring the filing of appeals with USAC



December 2014 Order Summary

- The December 2014 rules focused on closing the high speed broadband gap to schools and libraries, particularly in rural areas
 - USAC's multi year amortization policy for non recurring construction costs is suspended
 - Applicants allowed to pay the non-discounted portion of non-recurring construction costs over multiple years
 - Treatment of lit and dark fiber equalized
 - Self construction of high speed broadband networks permitted
 - Additional discount available if the state matches funds for high speed broadband construction
 - High Cost Universal service fund recipients required to respond to posted E-rate form 470's
 - E-rate cap is adjusted



December 2014 Order Summary

- USAC's multi year amortization policy for non recurring construction costs is suspended
 - No longer need to amortize over multiple years construction costs greater than \$500,000.
 - This was a problem because there was no guarantee of a funding commitment in subsequent years
 - Note that this rule is suspended for four years. May be made permanent based on analysis (number and cost of special construction projects funded during suspension)

- Note that this is a suspension of the policy. No guarantee it will become permanent. Thus have until and including funding year 2018



December 2014 Order Summary

- Allow applicants to pay the non-discounted portion of non-recurring construction costs over multiple years – up to 4
 - This rule allows applicants to pay the non-discounted portion of special construction in installments for no more than 4 years
 - Finance charges are not E-rate eligible
 - Applicants must request desire to pay via installments on the E-rate form 470
 - Service providers are under no obligation to offer an installment payment option to applicants



December 2014 Order Summary

- Treatment of Lit and Dark fiber Equalized
 - Applicants now able to purchase dark fiber beyond the property line
 - Special construction for dark fiber eligible beyond property line
 - Modulating electronics to light dark fiber is now eligible
 - If applicant desires dark fiber the applicant must also request lit service and must select the most cost effective solution
 - An RFP will be required (not just a form 470)



December 2014 Order Summary

- Self Construction of High Speed Broadband Networks permitted
 - Applicants now able to construct their own high speed broadband networks and have this subsidized by E-rate
 - Must also request lit service and applicant must select the most cost effective option
 - An RFP will be required (not just a form 470)

- Excess fiber capacity cost for E-rate cost allocation purposes is the incremental cost of the additional strands

- USAC are assisting applicants prepare self construction bids for funding year 2016.



December 2014 Order Summary

- Additional discount available if the state matches funds for high speed broadband construction
 - FCC will match a state contribution on a \$1 - \$1 basis, up to an additional 10% discount rate
 - For example, if standard E-rate discount is 80%, and state contributes 10%, then the FCC will contribute an additional 10%
 - Maximum additional discount the FCC will match is 10%; a state may contribute more than 10%, but the FCC will only match the first 10% on a \$1 - \$1 basis



December 2014 Order Summary

- High Cost Universal service fund recipients required to respond to posted E-rate form 470's
 - High cost universal service fund recipients required to respond to a posted form 470 for schools and libraries located in the geographic area where the provider receives high cost support
 - Response to the form 470 must be at rates reasonably comparable to similar services in urban areas



December 2014 Order Summary

- E-rate Cap is adjusted
 - E-rate cap is adjusted to \$3.9B from \$2.4B and continues to be indexed to inflation
 - Target support for category 2 equipment is \$1B per year

- Note that for funding year 2015, the funding year from July 1st 2015 to June 30th 2016, all category 1 and category 2 requests, if E-rate rules followed, are approved



Special Construction - Definition

- New E-rate rules were introduced giving distinct benefit to Special Construction charges. These rules do not apply to upfront charges that are not Special Construction. Thus, it is important to understand the charges that can be considered Special Construction
- Special Construction charges relate to the actual construction of network, including the engineering, design, project management and physical construction
- Dark fiber Indefeasible Rights of Use (IRU), where there has been no new construction, are not eligible for the Special Construction benefits – however are valid category 1 charges. Hence, the FCC is promoting actual build of network



Self versus Special Construction

- Self provisioning or Self construction are terms used when the school self constructs a fiber network. Self provisioning and self construction should not be confused with the term “Special Construction”
- Note that a service provider may respond with “Special construction” even if you just request lit service. If a service provider responds with a “Special Construction” component, you can pay your portion of the Special Construction in installments over up to 4 years, if you have selected this option on the Form 470.
- Paying for construction upfront should be more cost effective in the long term for both the school and the FCC.



E-rate Subsidy of Network OA&M

- Once you have self constructed or self provisioned a network E-rate can subsidize the operations and maintenance of the constructed network.
- The operations and maintenance function should be competitively bid per standard E-rate rules.
- Hence, if you want E-rate subsidy to help with the operation and maintenance of the network, the functions have to be outsourced. E-rate will not subsidize school staff wages or time



School Owned Networks

- If you have already purchased your fiber network or have already self constructed in prior years – you can still request E-rate support for operations and maintenance and the electronics. These components have to be competitively bid per standard E-rate rules.
- Please see page 5 of the Funding Year 2016 Eligible Services List at the following link
http://www.usac.org/_res/documents/sl/pdf/ESL_archive/EligibleServicesList-2016.pdf

“Applicants that currently own a self-provisioned broadband network or lease dark fiber may apply for Category One support for new modulating electronics and other equipment necessary to make the broadband service functional as well as for maintenance and operating costs of those existing networks.”



Form 470

- When completing your Form 470 ensure you select one or more service types for maximum flexibility

Transport Only - No ISP Service Included
Cellular Data Plan/Air Card Service
Cellular Voice
Dark Fiber
Internet Access & Transport Bundled
Internet Access: ISP Service Only
Lit Fiber Service
Other
Self-provisioning
Voice Service (Analog, Digital, Interconnected VOIP, etc)

- ICN requires that the form 470 states Internet Only, except where ICN has a fiber connection to your location, in which case transport/internet bundled or Lit Fiber Service is good



Use of E-rate Consultants

- Check what your E-rate consultant is doing and how they are completing the Form 470
- Check they have accounted for the rule changes in E-rate modernization
- Ensure they are providing you maximum flexibility for the current funding year and not just re-entering data from the last funding year
 - For example the installment payment option
 - Correctly selecting the “service type” on the Form 470
 - Bandwidth requested



Next Steps

- If you do not have a scalable high speed broadband connection (fiber) to your location check if you are close to the ICN network
- ICN are looking to build to nearby school locations, taking advantage of the E-rate modernization rules
- Help is available from Education Superhighway to look at high speed broadband connectivity options in your area.



Questions?

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