

FY 2016 E-rate Review and Update

Preparing Arkansas E-rate Applicants for Success

November 2015

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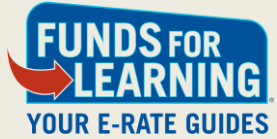
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Agenda

- Pre-commitment 101
 - › Procuring Goods and Services
 - › Applying for Discounts
 - › Navigating Application Review
- Post-commitment 101
 - › Receiving Goods and Services
 - › Requesting the Discount
 - › Preparing for Additional Review
- Q&A (Throughout)

About Funds For Learning



- Focused exclusively on E-rate compliance
- Experience preparing \$1.5 billion requests
- Nationwide client base since 1997
- FFL clients represent over 11,000 sites
 - › FY2015: \$156 million requested; 13,661 detail request lines

Why Does E-rate Matter?

About the E-rate

- Largest single source of ed-tech funding in US for K-12 schools
 - › Public, private, and charter schools (nearly all participate)
 - › Public libraries also qualify
- Annual program cap: ≈ \$3.9 billion (inflation adjusted)
 - › Unused funds may “roll over”
 - › Up to an additional \$1 billion in FY2016 for on-campus Wi-Fi

Arkansas: By the Numbers

- FY2015: \$70.1M requested with just under 1,800 FRNs
 - › \$16.3M committed; \$53.2M pending
- Largest FY2015 total requested: Little Rock SD (\$4.4M)
- Smallest FY2015 total requested: Monroe Co. Library (\$381)

E-rate Funding Supports Ed-tech Networks

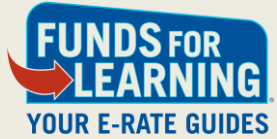


- Provides access to 21st century technologies
 - › Increases opportunities for anytime/anywhere personalized learning
 - › Boosts communication among parents, teachers & admin
 - › Enhances safety and security
- Enhances purchasing power, allows budgets to stretch farther
- Positively impacts students, teachers and parents
- Speeds deployment of IT services
- Assists technology staff

High Stakes Opportunity

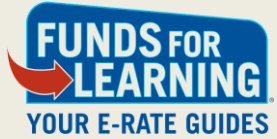
- Stringent bidding rules and procedures
- Many deadlines and forms to complete
- Process ‘improvements’ create new learning curves
- Lengthy timelines to receive funding and keep paperwork
 - › Projects are delayed pending funding award
 - › Payments may be denied or delayed
 - › Recordkeeping stretches over 10+ years
- Failures result in repayment, fines, and/or incarceration

Effective Applicants Preparing Now



- Understand eligible services
- Calculate discount rate for your school or library
- Plan for Category 2 budgets (amount and timing)
- Plan for updated forms, processes, and deadlines

Arkansas State Support for Applicants



- Funds For Learning[®] support for Arkansas applicants
 - › E-rate Manager[®] licenses for all public school applicants
 - › E-rate help desk to answer questions
 - › Online training (live and on-demand)
- Other support
 - › Providing support to state E-rate coordinator
 - › Assisting with statewide funding applications

Support for Arkansas Schools
help@fundsforlearning.com
405-471-0912

Funding Process Overview

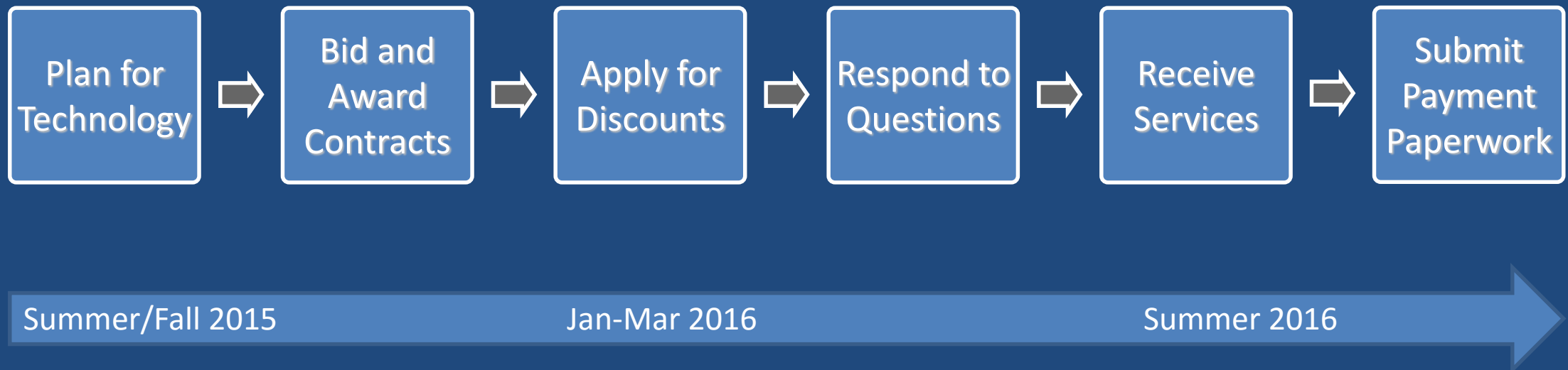
About the E-rate

- Who's in charge?
 - › Federal Communications Commission (FCC)
 - › Universal Service Administrative Company (USAC)
 - › Schools and Libraries Division (SLD)
- Source of funds: Universal Service Fund
 - › Telephone bill surcharge
 - › Not part of federal budget

Discount program

- Not a grant: E-rate is a **discount** program
- Category 1 discounts: 20% - 90%
 - › Telecommunications Services
 - › Internet Access
- Category 2 discounts: 20% - 85% discounts
 - › Internal connections (and maintenance)
 - › Managed internal broadband service (“managed Wi-Fi”)
 - › Subject to 5-year funding cap per site

Applicant Steps



Applicant Requirements

- Comply with Children’s Internet Protection Act
 - › Filtering and monitoring of activities
 - › Acceptable use policy
 - › Education regarding appropriate online behavior
- Budget for portion of service and pay invoices
- Submit all paperwork on time
- Be responsive to USAC inquiries
- Keep good records

Understand the Eligible Services List

Eligible Services List

- Puts E-rate principles to practice
 - › Defines the services categories
 - › Sets goods and services that qualify for support
 - › Focused on broadband **connectivity and infrastructure**
- FY 2016 list finalized on September 11
 - › Subject to annual review and comment period
- Not listed in the ESL? Assume it is not eligible

Eligibility Conditions

- Listed on ESL alone is not enough
 - › Must support educational purposes
 - › Must be used by eligible users, in eligible locations
- Delivered during the proper time frame
 - › Recurring services delivered during funding year
 - › Services align with proper ESL
- Matches description given to USAC
- Ineligible items removed from request

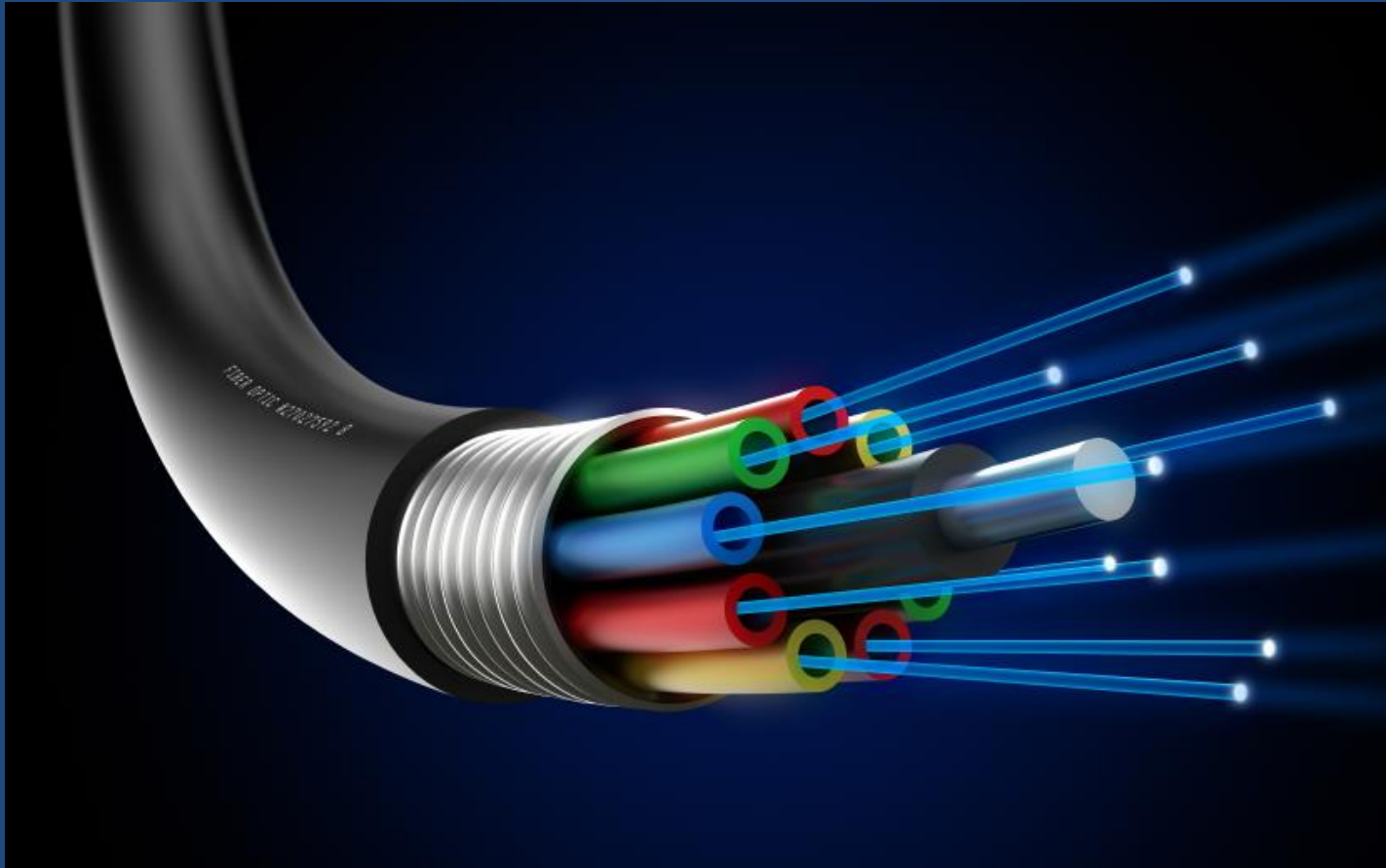
Service Categories

- Two funding categories:
 - › Category 1 (“C1”): *service to the building*
 - Telecommunications and Internet access
 - › Category 2 (“C2”): *service within the building*
 - Internal connections, managed internal broadband and basic maintenance
- Category impacts funding
 - › Category 1 : top discount = 90%, exempt from budgets
 - › Category 2 : top discount = 85%, subject to budgets + priority rules

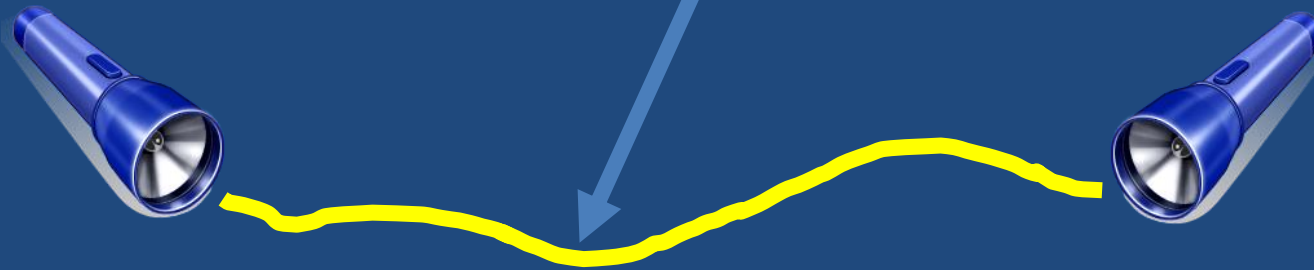
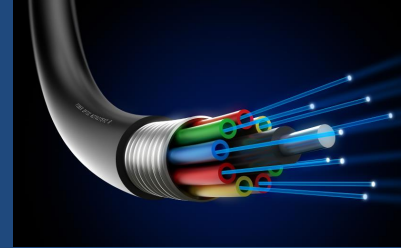
Category 1 Discounts

- Broadband connectivity:
 - › Internet access
 - Transport and bandwidth
 - › Wide area networks
 - Point-to-point connectivity between eligible locations
 - › Transport media can be copper, fiber, satellite, wireless, etc.

Fiber Optics



Fiber Optic Networks



Lit Fiber (or “managed”) Network



All Vendor Owned

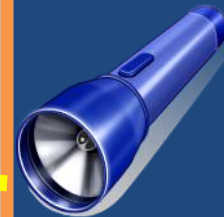
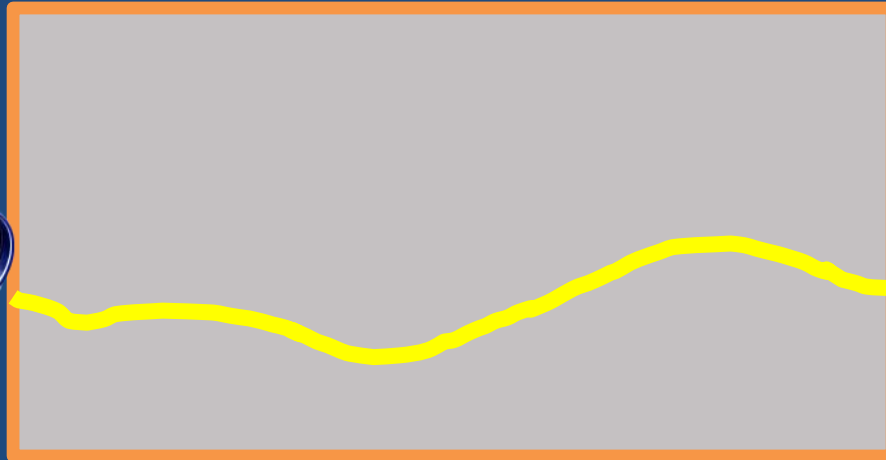
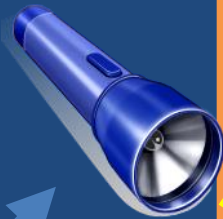


Lit Fiber Eligibility

- Installation, configuration, and “special construction” eligible
- Monthly recurring charges eligible

Dark Fiber Leased Network

Vendor Owned Fiber



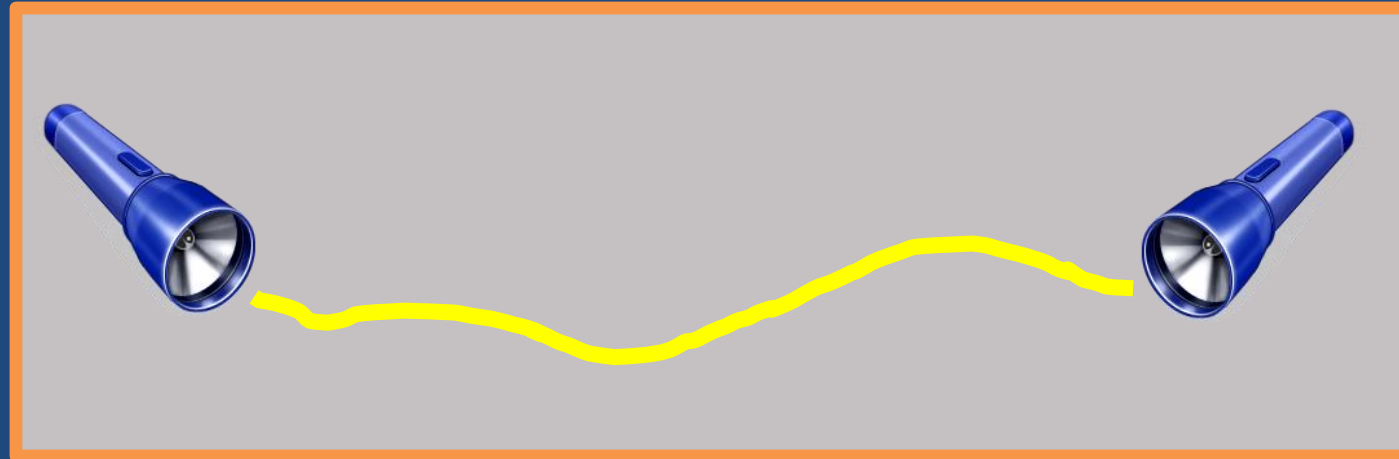
Applicant owned
modulating electronics

Dark Fiber Eligibility

- Beginning FY2016, all aspects of dark fiber are eligible
 - › Modulating electronics can be purchased as Category 1
 - › Charges for special construction eligible if lit same funding year
 - › No funding for recurring services until lit
- Requests for fiber maint and equipment must be on same 471

Self-Constructed Fiber Network

All Applicant Owned



Procuring Dark Fiber or Self-Construction

- Must be most cost-effective option after competitive bidding
 - › Managed (lit) service and dark/self-constructed fiber must be bid
 - › Costs for services are compared
 - › Must be sufficient detail to evaluate cost-effective based on TCO
 - › Bids for dark fiber/self-construction require RFP

Self-Construction of High-Speed Networks



- Beginning FY2016, applicants may build their own networks
 - › Funds can be requested for all or a portion of a network
 - › Network can not be resold
 - › Construction may start as of Jan. 1 (and after contract award)
 - › Network must be lit within FY, but 1-year extension can be requested

Category 1 Construction Charges

- Wide area networks often have large start-up expenses
- Eligible special construction charges:
 - › Construction of network facilities
 - › Design and engineering
 - › Project management
- Limited time: No amortization required (FY2015-FY2018)
 - › After FY2018: \$500K+ upfront fees must be spread over 3+ years
- Vendor can charge all construction expenses upfront

Category 1 Construction Charges

- Can be delivered beginning Jan. 1 prior to funding year start
 - › Cannot start until after ACD and contract award
 - › Category 1 recurring service must depend on the infrastructure
 - › The recurring service starts July 1 or later of the funding year
- If funded, USAC can process payments prior to FY start
- If construction delayed request up to 1-year ext. to light fiber

Construction Charges: Payment Plans

- Payment plan for applicant portion of large upfront costs
 - › Previously required to pay within 90 days of service
 - › Installments can be spread over maximum of 4 years
 - › Arrangement must be specified in service agreement
- Vendors must be notified via Form 470 if requested
- Vendors under no obligation to offer this option
- Interest and other finance charges remain ineligible

Extra Discount for C1 Non-Recurring Fees

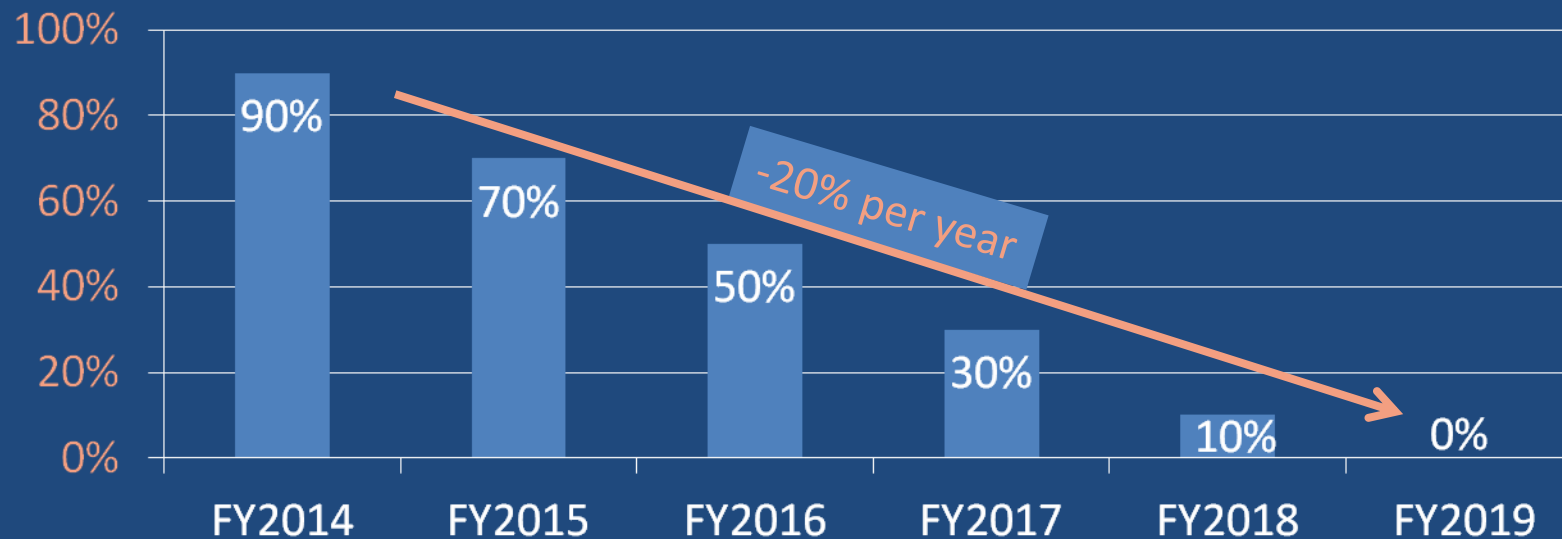
- E-rate matches state contributions up to 10%
 - › Additional contribution must be paid by state government
- Only projects that meet capacity goals of E-rate modernization
 - › Recurring services do not qualify for additional discounts
 - › Buildings ineligible for additional matching support for 15 years
- Example: 60% disc. + state 10% + E-rate addt'l 10% = 80% disc.
- Applicant not required to pay its share if state pays all

Category 1 Discounts: Voice

- Eligible voice services
 - › Analog lines (POTS/Centrex)
 - › Interconnected VoIP
 - › Long distance
 - › Cellular voice
 - › Circuits dedicated to voice (i.e. SIP trunks, PRIs)
- 40 percentage point reduction in FY 2016

Voice Phased out 20%/year

- Standard discount less 40%
- Separate service designation on Form 471
- Requires separate funding request (FRN)



Category 1: Equipment

- C1 funding generally reserved for services only
 - › Exception: modulating electronics for dark or owned fiber
- Customer-premise equipment (CPE):
 - › Allowed if required for C1 service to function
 - › Cannot perform LAN functions
 - › Technical and contractual restrictions
 - › “Tennessee Test”

Category 2 Purchases and Services

- Connectivity within buildings
- Three categories:
 - › Internal Connections
 - › Managed Internal Broadband Service
 - › Basic Maintenance of Internal Connections
- All subject to five-year C2 funding cap

Category 2: Internal Connections

- Basic LAN infrastructure
 - › Switches
 - › Routers
 - › Wireless access points (WAPs) and controllers
- “Cloud” LAN infrastructure
 - › Wireless controllers in the cloud, etc.

Category 2: Internal Connections

- Caching components
 - › “Caching stores information locally so that the information is accessible more quickly than if it must be transmitted across a network from a distance.”
 - › WAN and Internet bandwidth optimization
- “Basic” firewalls
 - › Excludes advanced security features: IPS, anti-X, filtering, NAC, etc.

Category 2: Internal Connections

- Additional infrastructure for eligible equipment
 - › Cable raceways
 - › Equipment racks
 - › Uninterruptible Power Supply (UPS)
- Installation and configuration charges

Category 2: Internal Connections

- Additional charges
 - › Shipping
 - › Taxes
 - › Most fees
 - › Training services (limited to eligible users only)

Category 2: Managed Internal Broadband



- “Managed Wi-Fi” and other managed LAN services
- Vendor manages on-campus network(s)
 - › Applicant-owned or leased equipment, or a combination
 - › Includes 24/7 network monitoring, management, maintenance
- Limited to management of eligible IC equipment only
- Deducted from overall Category 2 budget cap

Category 2: Basic Maintenance

- Repair and upkeep of eligible components
 - › Specify type/location of equipment; keep logs
 - › Break-fix billing preferred
- Basic technical support
 - › Software bug fixes/patches/minor updates
 - › Configuration changes
 - › Online or telephone support
 - › Labor, issue resolution

Category 2: Basic Maintenance

- “Unbundled Warranties” ineligible
 - › Advance hardware replacement ineligible
 - › Hardware repair: break/fix or “per incident” only
- Contracts may be fixed-price (or charged annually)
 - › Must have “proof that work was done”

Eligible Users and Locations

- Products and services must “serve” eligible users
- Category 1 services eligible at all locations
- Category 2 services eligible in “areas of instruction” only
 - › “Hub” sites can house equipment for locations served
 - › Will use part of the C2 budget for each site

Ineligible Services

- Content or applications
 - › Curriculum subscriptions, “cloud” apps, website hosting, e-mail
- Most network monitoring or management services
 - › Exception: managed internal broadband services
- Mobile data plans
 - › Exception: most cost-effective means of access

Ineligible Products

- Voice Hardware
 - › PBX equipment, VoIP systems, Unified Communications
- Servers and storage
 - › Only exception: servers for caching
- Video Hardware
 - › CODEC, conferencing endpoints, MCUs

Ineligible Products

- End-user devices
 - › Telephone handsets, monitors, speakers, cameras, projectors, whiteboards
- End-user workstations
 - › Laptops, desktops, tablets
- End-user applications (cloud or premise)
 - › Learning management systems, social learning systems, student information systems, web conferencing

Ineligible Services

- FCC “Bundling Order” (DA 14-712)
 - › In FY2016, **all** handsets must be cost-allocated
 - › Free or discounted phones with service
 - › If phones are listed at no charge, a value must be determined

Ineligible Products

- Non-critical infrastructure
 - › Wireless tracking
- Advanced network security
 - › IDS/IPS, NAC, anti-virus, anti-spam, deep packet inspection
- Content filtering
 - › Required for CIPA compliance, but not eligible
- Non-LAN components
 - › Surveillance, physical security, gateways, authentication

Cost Allocations

- E-rate discounts available only for eligible goods/services
- Mixed eligible/ineligible use items requires cost split
 - › Must be based on “fair and reasonable” qualitative criteria
- Cost-allocations apply to equipment type and use
 - › No discount for ineligible features

Category 2 – Transfers of Equipment

- Equipment purchased with E-rate discounts must serve originally requested sites for at least **three years** from the date of purchase
 - › Exception: sites which close (temporarily or permanently)
- After 3years, equipment may be moved to **any** eligible location

Category 2 – Disposal of Equipment

- Five years from the date of purchase, discounted equipment is classified as **obsolete**
- Obsolete equipment may be:
 - › Sold or auctioned
 - › Trashed or recycled
 - › Donated
 - › Traded in
- Applicants not required to notify USAC of disposal or financial consideration received, however documentation is optimal

Prepare for Category 2 Budgets

Discounts for On-Campus Networks

- Category 2 funds **will be available** in FY2016
 - › Absent from E-rate program FY2013 and FY2014
- Additional funding from prior year rollover
- FCC uses “budgets” to cap each applicants’ C2 support
 - › Budgets designed to spread out funding

Category 2 Budget Caps

- Calculated on building-by-building basis
 - › Cap is cumulative, applied over 5 years (FY2015 to FY2019)
 - › No sharing of cap between sites
- Pre-discount factor multiplied by discount rate
 - › School @ \$150 / student; library @ \$2.30 or \$5.00 / sq-ft
 - › Minimum of \$9,200 pre-discount per site
- No budget for NIFs
 - › Non-instructional facilities in schools
 - › Library facilities without public areas

Category 2 Budget Caps

- Caps are in effect for **five years**
 - › No more “two-in-five” rule
- Caps adjust annually
 - › Student population increase = cap increase
 - › Decreases can occur (no repayment required)

Category 2 Budget Caps

- Shared infrastructure (hubs):
 - › Cost must be divided among sites served
- Allocation methods:
 - › Per site (total number of sites served)
 - › Student count (enrollment at each site served)
 - › Other 'fair and reasonable' method

Calculating Category 2 Caps

- For each school site:
 1. Determine FY2016 site enrollment
 2. Multiply by discount rate
 3. Subtract approvals from prior years (if applicable)
- Budgets are calculated annually based on enrollment
 - › May increase or decrease

Calculation Examples



Category 2 Prioritization

- Priority system if insufficient funding for Category 2
 - › All C2 applications funded in FY2015
- FRNs prioritized by raw NSLP % (highest first)
- Funding levels dependent on many factors:
 - › Demand for Category 1 and Category 2 discounts
 - › Rollover funds

Competitive Bidding and Vendor Selection

Vendor Selection Process

- **All E-rate discounted services must be competitively bid:**
 - › Submit FCC Form 470 and, if necessary, release RFP
 - › Follow state and local bidding laws and regulations
- Evaluate bids received:
 - › Price must be given top consideration; low-cost bid not a guarantee
 - › Other factors allowed (e.g. experience, solution,...)
- Sign contracts and service agreements

More About the FCC Form 470

- Posted on USAC's website
 - › Describes products and services requested
 - › Includes RFPs and other information
 - › Includes contact information
- Filed at any time during the year
 - › FY2016 Form 470 can be filed now!
 - › Arkansas applicants: 25 Forms 470 filed as of 11/08/2015
 - vs. approximately 680 for FY2014, FY 2015

More About the FCC Form 470

- Bidding period is **28 days** from the date the Form 470 is filed
 - › “Allowable Contract Date” marks end of 28 day period
 - › RFP should also be open for 28 concurrent days
- Document retention
 - › Keep copies of all bids received (even losing bids)
 - › Keep records of communication(s) with bona fide respondents

Low Cost Internet Access 470 Exemption

- “Business Class” service
 - › at least 100Mb down / 10Mb up
- Total cost of less than \$3,600 per site per year
 - › Including installation and one-time charges

Form 470: FY2016

- Applicants **must** use “EPC” portal to prepare and post 470s
 - › RFPs, if prepared, must be uploaded and linked to Form
 - › No paper filing or certification option
- Structure changes:
 - › Old 470: free-form text for “Service/Function” and “Quantity/Cap.”
 - › New 470: pre-defined line items; optional free-form text field

Form 470 Line Items

- Old detail:

Service	Quantity and/or Capacity
Core Router upgrade, including but not limited to shipping, installation, configuration, maintenance, power supply, and other ancillary equipment/services	(See RFP 14-008) At 1 site supporting approx. 24 District sites
Firewall upgrade, including but not limited to shipping, installation, configuration, maintenance, licenses, power supply, and other ancillary equipment/services	(See RFP 14-009) At 1 site supporting approx. 24 District sites
Network Access Switches, including but not limited to shipping, installation, configuration, maintenance and ancillary equipment/services	(See RFP 14-005) Approx. 1-20 switches per site at 4 sites or more

Service	Quantity and/or Capacity
Network electronics including, but not limited to WAPs, switches, routers, and other ancillary networking equipment, plus delivery, configuration, and installation	Approximately 3,727 classroom across approx. 98 sites

Form 470 Line Items

- New detail:

Category Two				
Internal Connections				
Function:	Cabling	Entities:	6	Installation and Initial Configuration? Y
Manufacturer:	No Preference	Quantity:	10000	Maintenance and Technical Support? N
Minimum Capacity:		Unit:	Feet	Associated RFPs: No
Maximum Capacity:				
Internal Connections				
Function:	Caching	Entities:	0	Installation and Initial Configuration? Y
Manufacturer:	No Preference	Quantity:	5	Maintenance and Technical Support? N
Minimum Capacity:		Unit:	Each	Associated RFPs: No
Maximum Capacity:				

Form 470 Line Item Choices

Category One

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)

Category Two

Antennas, Connectors, and Related Components

Cabling

Caching

Firewall Service and Components

Racks

Router

Switches

UPS/Battery Backup

WAP

Wireless Controller

Form 470 Service Descriptions

- E-rate no longer requires technology plans; **but:**
 - › Consider length of potential contracts for purchases
 - › Consider expected growth over contract period
- Dictate how you want pricing broken out on bids
- Prepare for questions from service providers

Competitive Bidding Conduct Important

- Applicants expected to treat all vendors equally
 - › Bid requests may not be vendor-specific
 - › No inside information or special advantages
- “Fair and open” competitive bid process
 - › Vendors should not assist with vendor selection
 - › Vendors should not provide RFP language
 - › Vendors should not assist with Form 470 or RFP preparation

Vendor Communications with Applicants

- USAC guidance: vendors can...
 - › Have pre-bid discussions
 - › Discuss product offerings with applicants
 - › Teach applicants about new products
 - › Present product demonstrations
- Applicants should document activities to prove compliance
 - › Maintain correspondence
 - › Keep copies of promotional materials and RFPs

Gift Giving Limitations

- Strict limitations on gifts given to applicants
- Applies to anything of value
 - › Meals, travel
 - › Event attendance, golf, “swag”
- Each gift must be valued at \$20 or under
- Total gifts per year per school employee: \$50
- Subject to audit and documentation requirements
- Local rules also apply

Charitable Donations

- Must benefit entire school/library
- Cannot influence (or appear to influence) vendor selection
- Cannot reduce or eliminate applicant payments
- Cannot increase demand for vendor's services

Free Services

- No-cost products or services offered within an E-rate project
- Free Services Advisory:
 - › Determine eligibility of free services - ineligibles require allocation

Allowable

- Gifts to any applicant employee under \$20
 - › Meals, swag, handouts, etc.
- Non-technological charitable donations
 - › Donations of books, supplies, etc.
- ‘Paid exchange of services’
 - › Purchase of advertising (billboards, yearbook, etc.)

Lowest Corresponding Price

- “Lowest corresponding price is the lowest price that a service provider charges to nonresidential customers who are similarly situated to a particular school, library, or library consortium for similar services.”
- Vendors must provide LCP, even if applicant does not ask
- “Similarly situated” based on “geographic service area”
- Prices higher than LCP may be requested
 - › “.... face demonstrably and significantly higher costs to serve the school or library seeking service. Factors that could affect the cost of service – volume, mileage from facility, and length of contract.

Evaluating bids

- Cost of **eligible** services must be the highest weighted factor
- Applicant can use other factors as necessary:
 - › Ineligible costs, technical qualifications, etc
- Memorialize the selection in writing:
 - › Scoring worksheets, committee meeting notes, etc – use **dated** docs
- Know and follow state and local bid evaluation rules!

Sample Vendor Evaluation Matrix

Criteria	Available Points
Cost of eligible goods and/or services	30
Cost of ineligible portion	25
Prior experience with vendor	15
In-state preference	10
Compatibility with existing infrastructure	20
	100 possible points

Contracts

- Legally binding agreement required
 - › After 28-day period but prior to funding request (Form 471)
 - › Should include extension/renewal terms
 - › Exception: Month-to-month and tariff services
- Should contain detailed scope of work
 - › Service parameters, equipment make, model and quantity
 - › Billing terms, service logs, etc.
- May be contingent upon funding commitment
- Subject to 10+ year recordkeeping

Contracts

- Applicants may use state contracts
- Multi-year contracts eligible if allowed by state/local rules
 - › Must request funding over multi-year period
 - › Contracts of 5 years or less may have an expedited review process after the first year's review

Consortium Applications Permitted

- Group purchasing encouraged by FCC
- Consortium leads
 - › Submit applications on behalf of group
 - › Authorized for multiple years + no longer need authority to order service
 - › Can select multiple vendors
- FCC rules prioritize review of state/regional consortia

Applying for E-rate Discounts

Funding Applications

- FCC Form 471:
 - › Contact information
 - › Discount rate calculation
 - › For each service:
 - Vendor selected
 - Contract details (length, expiration, etc)
 - Detailed description of service (line items)
 - Contracted and/or anticipated eligible cost of services
 - › Regulatory certifications

Funding Applications

- Forms 471 filed during annual “filing window”
 - › Window typical dates: January – March
 - › FY 2016 window: TBD (estimated open early-mid January)
- USAC publishes all non-confidential data
 - › May opt out for existing contracts; new contracts may NOT opt out
- Be prepared for vendors and others to scrutinize your costs

Calculating the E-rate Discount

- Discount rate calculated based on:
 - › District-wide NSLP eligibility; and
 - › Urban or rural location defined by US Census data
- All district sites receive same discount rate
- Top Category 2 discount rate lowered from 90% to 85%

E-rate Discount Matrix

Percent of Students Eligible for NSLP	Category One Discount Rate		Category Two Discount Rate	
	Urban	Rural	Urban	Rural
Less than 1%	20%	25%	20%	25%
1% - 19%	40%	50%	40%	50%
20% - 34%	50%	60%	50%	60%
35% - 49%	60%	70%	60%	70%
50% - 74%	80%	80%	80%	80%
75% - 100%	90%	90%	85%	85%

Sample Discount Calculation

<i>Ford Indep. School Dist 1</i>	Enrollment	NSLP
Fiesta Elementary	300	250
Focus Elementary	300	200
Mustang Middle School	500	190
Taurus High School	500	160
Total	1,600	800

E-rate Discount Rate = **80%**

$$\frac{800}{1,600} = 50\%$$

NSLP Eligible

Methods to Calculate K-12 NSLP Eligibility



- Actual student participation rates
- Surveys of families
 - › NSLP % based on actual number of returned forms
- Community Eligibility Provision
 - › CEP school districts use same method for E-rate
 - › # of directly certified students * multiplier (1.6 for FY2015)
- One method per site, but different sites can use diff. methods

Filing the FCC Form 471

- In FY2016, all Forms 471 will be filed in EPC
- EPC Form 471 tool still in development/testing
- Data collection on 471 should be roughly similar to FY2015

Receipt Acknowledgement Letter

- RAL received by applicant when a Form 471 is submitted
 - › Should be archived for recordkeeping purposes
- Provides opportunity to correct some types of mistakes
 - › Bishop Perry Order: ministerial and clerical errors are correctable
 - › How did the error occur?
 - › Backup documentation requested during PIA
 - › USAC hopes to move RAL corrections to EPC

PIA: Program Integrity Assurance

- Form 471 application review questions from USAC
- Continues for several weeks, at multiple levels
- Applicant may ask vendor for assistance
 - › Product/service information
 - › Detailed service descriptions
 - › Cost-allocations
- Vendor may not prepare budget or bid response information

Other Potential Reviews

- Selective Review (“SRIR”)
 - › Detailed, applicant-level review
 - › Competitive bidding process
 - › Budget and other resources
- Cost-effectiveness evaluation of goods and services
- Special compliance reviews

Funding Decision Timeline

- September 1, 2016 decision deadline for “workable” form 471s
 - › Filed timely with all information to enable appropriate decision
 - › Applicant/provider/consultant not subject to investigation or audit
 - › Applicant responds over summer
- Decision appeals must be submitted within 60 days
 - › Most decisions appealed directly to USAC
 - › Policy-related decisions sent to FCC

“Unworkable” Applications

- USAC will consider an application as ‘unworkable’ if:
 - › USAC has questions
 - › Request includes cellular data
 - › C2 budget is exceeded
 - › Item 21 data is unclear/missing

Strategic Planning: Best Practices

Effective Planning: Take Inventory

- Review your **contracts** and **applications** from FY2015
 - › What services are under multi-year contracts?
 - › What services must be re-bid?
 - › What changes to services are anticipated?
 - Do we need more bandwidth? Is it time to upgrade network equipment?
- Planning timeline
 - › **July 1, 2016 to June 30, 2017** for Category One
 - › **April 1, 2016 to September 30, 2017** for Category Two

Effective Planning: Know Who's Responsible

- Successful applicants understand inter-departmental needs
 - › Who is involved in the decision-making process?
 - › What is their schedule from now until March?
- Review E-rate retention policies
 - › All records must be kept for at least ten years
- What if you win the lottery?
 - › Consider internal knowledge transfer! Who has your back?

Planning Budgets: Voice Service

- Remember that voice service is being **phased out**
- FY2016 discount on voice: your discount **-40%**
- Voice special features, cellular data/text plans ineligible

Planning Budgets: Discount Rates

- Schools commonly begin looking at October data
 - › Start with data submitted to the state
- What was last year's discount rate?
 - › Fluctuations tend to be less likely due to new calculation method

Reviewing Your Calendar

- Set a target date for filing your Form 471 and work backwards:
 - › Form 471 prep time
 - › Contract negotiation, approval, and signature
 - Board/city approval? Review meeting schedules!
 - › Bid evaluation / scoring proposals
 - › 28 day open bidding process
 - › Form 470 prep time
 - › Strategic planning and determination of needs

Post-Commitment Processes: Service delivery and payment paperwork

Service Delivery and Invoicing

- Steps in getting paid:
 - › File FCC Form 486
 - › Begin service delivery
 - › Collect and review bills and invoices
 - › Prepare BEARs for reimbursement
 - or reconcile discounts/credits on vendor invoices
- **October 28:** Invoice deadline for recurring services
 - › AR: commitments 70% disbursed

Form 486 Filing

- FCC Form 486 indicates that services are starting
- 486 deadline: 120 days from either:
 - › Actual start of services; or
 - › FCDL date, whichever is **later**
 - › Commitments reduced for late 486!
- Also certifies CIPA compliance

Service Delivery

- E-rate services are **recurring** or **non-recurring**
- Each type of service has a specific **delivery timeframe**
 - › **Confirm service start date**
 - › **Confirm last date of service or installation deadline**

Recurring Services

- Services delivered on a recurring basis
 - › Can be billed monthly, quarterly, annually
- Most Category One services, as well as BMIC and MIBS
- Service delivery timeframe: July 1 to June 30
 - › **FY2015:** July 1, 2015 to June 30, 2016

Non-Recurring Services

- One-time purchases
- Most Internal Connections, as well as some C1 setup costs
- Service delivery timeframe:
 - › Internal Connections: April 1 – September 30
 - › Category One: January 1* - September 30
 - › Extensions may be requested

Review Services Delivered

- Keep in sync:
 - › Services described on Form 470 (line items)
 - › Services listed on Form 471 Item 21 (line items)
 - › Services detailed on vendor bills/invoices
- When a mismatch occurs, payment can be denied
 - › Fix Item 21/service delivery mismatches via **service substitution**

Service Substitutions

- Changes to the products and/or services on a funding request
- Four requirements:
 - › Same functionality
 - › Allowed by state and local purchasing rules
 - › Within the scope of original bid/procurement
 - › No increase in ineligible products or services

Service Substitutions

- Substitution process
 - › Applicant sends request letter to USAC
 - › May be submitted any time after the RAL
 - › Provide list of original and replacement parts
 - › Original list should match Item 21 Attachment
 - › Processing time: 45-60 days
- Quantities and prices can fluctuate
 - › Funding amounts will not increase, but can decrease

Getting Paid: Review FRN Status

- Check every funding request:
 - › Check available balance (previous disbursements)
 - › Ensure FCC Form 486 was filed
 - › Check invoice deadlines
- Verify invoicing method (BEAR or SPI)
 - › Confirm preference with service providers
 - › Verify funding commitment
 - › Verify FCC Form 486

Review Bills

- Remember: E-rate is a **discount** program
- Disbursements are based on costs of services incurred
 - › Vendor bills are frequently requested/reviewed by USAC
- Identify ineligible costs

Review Bills

- Check billing and service delivery **addresses**
- Check **dates** that services were performed (or products shipped)
- For BEARs, check that bills were **paid** (or are scheduled to be paid shortly)

Two Payment Methods

- **BEAR: Billed Entity Applicant Reimbursement (FCC Form 472)**
 - › Applicant pays vendor bills in full
 - › FCC Form 472 is filed
 - › Vendor certifies BEAR
 - › USAC issues discount payment to vendor
 - › Vendor remits discount to applicant within 20 days

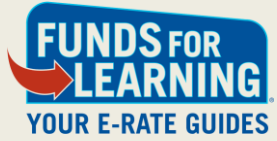
Two Payment Methods

- **SPI: Service Provider Invoice (FCC Form 474)**
 - › Vendor applies discount or credit to applicant invoices
 - › Vendor submits SPI
 - › USAC issues payment of discounted amount to vendor
 - › Optional: service certifications

Form 472 (BEAR) Preparation

- Required information:
 - › Applicant contact information
 - › SPIN of company billing applicant
 - › Line items:
 - Form 471 application number
 - FRN
 - Customer Billed Date or Shipping Date
 - Pre-discount amount of eligible services billed
 - Discount rates
 - › Regulatory Certifications

Form 472 (BEAR) Vendor Certification



- Vendors must complete Block 4 “Service Provider Acknowledgment”
- Check with vendors on lead time

Form 474 (SPI) Best Practices

- Review invoices for ineligible services
- Ensure that discounts/credits are appropriately applied
- Send in service certifications as needed

Invoice Deadlines

- BEARs and SPIs are always due **120 days** from service delivery deadline
 - › Standard invoice deadline for recurring services: October 28
 - › Standard invoice deadline for non-recurring services: January 28
- Extension may be requested
 - › Only one extension allowed (120 days)
 - › Must be requested before original deadline expires

Obligation to Pay

- Applicants must pay the non-discount portion
 - › Applicants must show they have “secured access” to non-discount portion prior to funding request
 - › Non-discount amount cannot be waived/forgiven or remain unbilled by vendor
 - › Failure to demonstrate compliance carries significant consequences

Payment Paperwork Review

- Invoice reviews
 - › USAC asks for copies of vendor bills to confirm charges
- Service certifications to confirm service delivery
- Payment Quality Assurance (PQA) “mini-audits”

E-rate Audits

- Beneficiary and Contributor Audit Program (BCAP)
 - › Several days or weeks of on-site work
 - › Several months of review before USAC approval

Direct Reimbursements Coming July 2016



- Service provider “pass through” going away
- New system will provide direct reimbursement to applicants
 - › Effective July 1, 2016
 - › No overlap with pass through funding
- All payments will be made electronically
- Applicants must submit bank info to USAC to allow e-payment

Document Retention

- Retention requirement:
 - › Ten years **from the last date of service**
- Best practice: prepare document retention **policy**:
 - › Address how and where docs are stored/retrieved
 - › Identify staff responsibility
 - › Consider disaster recovery strategies

Document Retention

- All submitted FCC Forms
- All letters from USAC
 - › Receipt Acknowledgement Letter (RAL)
 - › Funding Commitment Decision Letter (FCDL)
 - › Form 486 Notification Letter, etc.
- Substitutions, extensions, communication with USAC

Document Retention

- Vendor Communication:
 - › Copies of all bid responses
 - › Copies of Forms 470 and RFPs
 - › Communication during bid process
- Contracts and amendments
- Communication at all points during project

Document Retention

- Service delivery:
 - › Purchase orders/requisitions
 - › Shipping documentation
 - › Installation and configuration work orders
 - › Maintenance logs (BMIC requests)
 - › Service substitutions and approvals
- Documentation should be dated and should include location information when applicable

Document Retention

- Payments and invoicing:
 - › FCC Form 472 (BEAR)
 - › Payment record
 - › Vendor invoices to applicant
 - › BEAR reimbursement payments
- Documentation should be dated and identify services purchased

Funding Year 2016: New Procedures

- USAC E-rate Productivity Center (EPC)
 - › Online portal for forms, correspondence with USAC
 - › FY2016 Forms 470 **must** be filed using EPC (no paper forms)
 - › Anticipated: FY2016 Form 471, PIA, and invoicing in EPC as well
- EPC: <http://www.usac.org/sl/tools/e-rate-productivity-center/default.aspx>
- Establish login via e-mail (or via phone at 888-203-8100)
 - › Check SPAM filters for automated e-mail messages

Support for Arkansas Schools

help@fundsforlearning.com

405-471-0912

FY 2016 E-rate Review and Update

Preparing Arkansas E-rate Applicants for Success

November 2015

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