Eligible Services

Training for Success
September – October 2006
Schools and Libraries Division

Washington, DC • Boston • Seattle • St. Louis • Atlanta • Houston • San Diego

Eligible Services

- What products and services are eligible for E-rate discounts?

- What are the high points of the Eligible Services List?

- How can I make my funding requests bullet proof?

Eligible Services

- Service Eligibility High Points
- The Eligible Services List
- The Item 21 Attachment

Service Eligibility

High Points

Service Eligibility High Points

- **Four categories of service**
  - Priority 1
    - Telecommunications services
    - Internet access
  - Priority 2
    - Internal connections
    - Basic maintenance of internal connections

Probability for Priority 2 Funding

- Historically, discounts rates of 85% and above have received Priority 2 funding

- Lowest funded Priority 2 level since 2000 has been 70% in FY2003

- "Past performance is no guarantee of future results"

Service Eligibility High Points

- Each category has its own rules for eligibility
  - Be sure to apply in the correct category of service
- Products and services are "conditionally eligible"
- Telecommunications services must be provided by a telecommunications carrier

Telecommunications Services

- School and libraries have "maximum flexibility" to obtain "commercially available telecommunications services" for meeting their needs

- Examples: landline phone service, cellular phone service, data lines like ISDN and T-1

Internet Access

- **Key differences between E-rate funding for telecom and Internet access**
  - Service providers need not be telecommunications carriers
  - Service is strictly limited to "basic conduit access" to the Internet
  - No direct connectivity between sites (i.e., telecommunications services) is allowed

Internet Access

- **Basic conduit access to the Internet:**
  - Browsing the World Wide Web
  - Internet-based email
- **NOT basic conduit access to the Internet:**
  - Video conferencing between school sites
  - Voice over IP phone services
  - Virtual Private Networking

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Internal Connections

- "Internal Connections" refers to the products and services provided at applicant sites

- This is the only funding category that allows purchases by applicants

- If it crosses a public right of way, it's not Internal Connections

Internal Connections

- To be eligible for funding, the products or service must be "necessary to <u>transport</u> information" to school classrooms or public areas of a library.

- The product or service must be an "essential element" in the <u>transmission</u> of information within the school or library

Internal Connections

- **Eligibility can be complex because it can depend on how a product is used**

- **E.g., network server**
  - Eligible if used as an email server
  - Not eligible if used to store other types of end user files

Internal Connections

- **Remember that the 2-in-5 rule applies to Internal Connections funding requests**
  - Entity-specific
  - Starts with Funding Year 2005

Basic Maintenance of
Internal Connections (BMIC)

- Not subject to the 2-in-5 rule
- Not just any maintenance and support activity will be funded
- Caution: if a contract goes beyond what the FCC defines as basic maintenance, the entire contract will be denied

Basic Maintenance of Internal Connections (BMIC)

- Basic <u>maintenance</u> provides the services necessary so that <u>eligible</u> equipment will "serve its intended purpose with the <u>degree of reliability ordinarily provided in the marketplace</u> to entities receiving such services without e-rate discounts."

Basic Maintenance of Internal Connections (BMIC)

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

Basic Maintenance of Internal Connections (BMIC)

- Example 1: Funding request includes only basic maintenance of eligible components
  - Approved

Basic Maintenance of Internal Connections (BMIC)

- Example 2: Funding request is limited to basic maintenance but also includes service to ineligible components
  - Approved with dollar modification if ineligible services are less than 30% of funding request
  - Denied if ineligible services are 30% or more of funding request

Basic Maintenance of Internal Connections (BMIC)

- Example 3: Funding request goes beyond basic maintenance but is for service only for eligible components
  - Denied

Basic Maintenance of Internal Connections (BMIC)

- Example 4: Funding request goes beyond basic maintenance and includes service to ineligible components
  - Denied

Basic Maintenance of Internal Connections (BMIC)

- Not eligible:
  - Activities that are not maintenance
  - Activities that are not basic
  - 24-hour network monitoring
  - Network management
  - Client access licenses

Basic Maintenance of Internal Connections (BMIC)

- Caution: if a contract goes beyond what the FCC defines as basic maintenance, the entire contract will be denied

- Don't jeopardize your funding request by including components that go beyond basic maintenance

Voice Mail

- FCC has added voice mail to the list of eligible services.

- A voice mail service can be funded in the telecommunications or the Internet access category

- Voice mail equipment can be funded as Internal Connections

  – But answering machines are not eligible (end user equipment)

Determining Eligibility

- **How can applicants and service providers know what is eligible and what is not?**
  - Rely on the FCC's Eligible Services List
  - Also utilize USAC website documents

For More Information...

- Schools & Libraries website
    - www.usac.org/sl
    - Eligible Services Framework
    - Eligible Services List

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2007 Eligible Services List

Eligible Services List (ESL)

- **The process:**
  - USAC submits draft List to FCC by June 30
  - FCC issues Public Notice seeking comments
  - Final List for 2007 issued in the fall
  - 2007 filing window cannot open until final List has been available for at least 60 days

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Key Changes for 2007
([USAC draft](#))

- Principal changes involve the format– the way that information is presented

- Shorter and more straightforward

- No net loss of information

- User-friendly features to access desired information quickly

USAC Schools & Libraries

Eligible Services List
Schools and Libraries Support Mechanism
for Funding Year 2007

Overall Eligibility Requirements for All Categories of Service:

The Eligible Services List indicates whether specific products or services may be able to receive discounts under the Schools and Libraries Support Mechanism.

The List is organized into four sections that represent the four funding categories established by the Federal Communications Commission plus a Miscellaneous section that is applicable to multiple categories:

Telecommunications Services
Internet Access
Internal Connections
Basic Maintenance of Internal Connections
Miscellaneous

In addition, the following sections are provided:

Additional Reference Information
Glossary, providing additional information about the terms used in this Eligible Services List
Index

Products and services are either Conditionally Eligible or Not Eligible. Funding may be provided only for eligible products or services to eligible entities for use at eligible locations for eligible purposes. Further conditions for eligibility are indicated in the specific entries of this Eligible Services List.

The USAC website at www.usac.org/sl contains additional information about eligibility requirements, including the documents Eligible Services Framework (an overview of product and service eligibility), Educational Purposes (providing additional detail about eligible users and locations), and Determine Eligibility (indicating the eligibility requirements for schools and libraries).

USAC Proposed Changes

- Two types of changes in the draft Eligible Services List for 2007
  - Clarifications of existing eligibility information
  - Changes in eligibility

- A Summary of Proposed Changes also is posted on the USAC website

Proposed Clarifications

- If it's not in the List, you should presume that it's not eligible
  - Don't rely on wishful thinking
- Funding requests must be cost effective
- Components that are partially eligible must be cost allocated in order to receive funding

Proposed Clarifications

- **The Children's Internet Protection Act (CIPA) applies to requests for Internet access, even if funded in the telecom category**

- **Non-telecom services used outside of eligible locations are not eligible**
  - Blackberry e-mail
  - Text messaging on cell phones

Proposed Clarifications

- Internet access is limited to only basic conduit access, and not direct connectivity between sites

- Keyboard-video-monitor (KVM) switch is eligible as internal connections

- Standby and redundant components, and components not active and online, are not eligible

Proposed Clarifications

- Basic maintenance services are provided under a contract

- Additional emphasis on FCC criteria for BMIC eligibility—"ordinarily provided" to those not receiving E-rate discounts

Proposed Change

- A separately priced firewall service is not eligible in the Internet access category of service

  - Firewalls are provided as an integral component part of Internet access
  - An additional firewall service goes beyond "basic conduit access"

Misusing the Eligible Services List

- USAC in some cases sees funding requests based on misinterpretations of the ESL

- These mistakes typically involve selective and incomplete reading

- USAC is not able to fund "creative interpretations" that are not based on FCC policies

Eligibility Errors– Selective Reading

- Wrong: "Wide Area Network facilities may be eligible for funding as a part of Internet access…"

- Maybe this means that <u>any</u> use of an Internet access Wide Area Network is okay.

- But the full sentence indicates that service must be limited to basic conduit access to the Internet

Eligibility Errors– Selective Reading

- Wrong: "A wireless Internet access service designed for portable devices may be funded…"

- Maybe this means that Internet access on cell phones outside of an eligible location can be funded.

- But the full ESL entry limits service only to eligible locations

Eligibility Errors– Selective Reading

- Wrong: Maintenance of Internal Connections includes configuration changes.

- Maybe this means that configuration changes of any scope or magnitude will be funded.

- But the ESL entry indicates that funding is provided only for basic maintenance services ordinarily provided to those not receiving E-rate discounts

Eligibility Errors– Selective Reading

- Wrong: Video services are listed as conditionally eligible in the telecommunications category of service

- Maybe this indicates that all parts of a video distance learning service are eligible

- But the ESL entries limit eligibility only to the telecommunications circuits that enable distance learning

USAC Advice for Using the ESL

- Take advantage of E-rate within the limits of program rules to obtain supportable products and services

- Avoid questionable (incorrect) interpretations

- Use the List to provide clear and correct information to USAC

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USAC Advice for Using the ESL

- Remember that the ESL indicates the conditions for eligibility.

- Products and services must be used in certain ways to be eligible for funding

- Think of the List as the "Conditionally Eligible Services List"

Additional Information / Further Details

- The basics of E-rate are reasonably straightforward

- But several areas for special consideration exist

- Extensive information exists on the USAC website

Cost Allocation

- Some products and services provide a combination of eligible and ineligible functions

- USAC can provide funding for the eligible portion if an acceptable cost allocation is provided

- The allocation must be based on tangible information that provides a realistic result

Ancillary Use

- Sometimes an ineligible feature is not a substantial component

- Full funding can be provided if:

  - A price for the ineligible portion cannot be determined

  - The offering is the most cost effective means of obtaining the eligible functionality without regard to the ineligible functionality

- Example: Intercom feature included with a telephone PBX

Wide Area Networks

- Applicants cannot have an ownership interest

- Service provider up-front costs are limited

- Priority 1 equipment located at the applicant site must meet certain conditions

Cost Effectiveness

- Applicants are required to certify that:
  - The most cost effective offering was chosen among the bids received
  - The selected bid is the most cost effective means of meeting educational needs and technology plan goals
  - See SL News Brief of March 31, 2006 for additional information

Cost Effectiveness

- FCC's *Ysleta* Order has this example: "[A] proposal to sell routers at prices two or three times greater than the prices available from commercial vendors would not be cost effective, absent extenuating circumstances."

- FCC does not currently have "bright line" standards for evaluating cost effectiveness

Cost Effectiveness

- USAC will not approve funding requests that have unreasonable costs compared to the marketplace

  – The selected bid must be cost-effective compared to prices available commercially

- Applicants are provided an opportunity to explain why a funding request has higher-than-expected costs

  – USAC questions to applicants are targeted to the issues seen

Internet Access Limits

- USAC has continually cautioned applicants and service providers that Internet access is limited to "basic conduit access"

- Yet USAC continues to receive reports that IA funding is being used for additional purposes

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Internet Access Limits

- **USAC Announcement of February 2005:**
  - "Funding in this category will not be provided for transport of point-to-point connectivity of data, video, or voice applications that are to be provided only by eligible telecommunications carriers"

Internet Access Limits

- **USAC News Brief of July 21, 2006:**
  - A school system CANNOT install Virtual Private Network components to convert a "basic conduit access" service to:
    - A service that provides video distance learning
    - A voice-over-IP telephone service

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Educational Purpose

- **Presumption that activities on school and library grounds are for eligible purposes**

- **However, E-rate funded products and services should not be used for:**

  - Political activity

  - Commercial purposes

  - Non-educational purposes

- **Some <u>telecommunications</u> services can be used off-site, e.g., cell phones for bus drivers**

The Item 21 Attachment

Item 21 Attachment

- Each Funding Request must include an Item 21 Attachment that describes the products and services being requested.

- The Item 21 Attachment is generally:
  - A narrative description of the funding request…
  - And a line-item listing of the products and/or services requested…
  - With associated costs

Block 5 of Form 471

FRN: 993323 **FCDL Date:** 05/01/2003	
11. Category of Service: Internet Access	**12. 470 Application Number:** 580590000434314
13. SPIN: 143004662	**14. Service Provider Name:** Southwestern Bell Telephone Company
15. Contract Number:	**16. Billing Account Number:**
17. Allowable Contract Date: 12/20/2002	**18. Contract Award Date:**
19a. Service Start Date: 07/01/2003	**19b. Service End Date:** 06/30/2004
20. Contract Expiration Date:	
21. Attachment #: SASWB1	**22. Block 4 Entity Number:** 140415
23a. Monthly Charges: $1,019.00	**23b. Ineligible monthly amt.:** $.00
23c. Eligible monthly amt.: $1,019.00	**23d. Number of months of service:** 12
23e. Annual pre-discount amount for eligible recurring charges (23c x 23d): $12,228.00	
23f. Annual non-recurring (one-time) charges: $.00	**23g. Ineligible non-recurring amt.:** $.00
23h. Annual pre-discount amount for eligible non-recurring charges (23f - 23g): $0.00	
23i. Total program year pre-discount amount (23e + 23h): $12,228.00	
23j. % discount (from Block 4): 80	
23k. Funding Commitment Request (23i x 23j): $9,782.40	

Block 5 of Form 471

19a. Service Start Date: 07/01/2003

20. Contract Expiration Date:

21. Attachment #: SASWB1

23a. Monthly Charges: $1,019.00

23c. Eligible monthly amt.: $1,019.00

Item 21 Attachment

Narrative description:					
Quantity	**Product or Service Description**	**Unit Cost**	**Extended Pre-discount Cost**		
			Recurring	**Non-Recurring**	**Total**
Additional Information:					

Item 21 Attachment

- **Other formats are possible**
  - Copy of a representative telephone bill
  - Copy of contract with service provider

- **Service providers can (and should) assist applicants in the preparation of the Item 21 Attachment**

- **Applicants should share the Item 21 Attachment with the service provider**

Item 21 Attachment

- The Item 21 Attachment is an opportunity

- If correct, clear, and complete, USAC review is improved

Item 21 Attachment

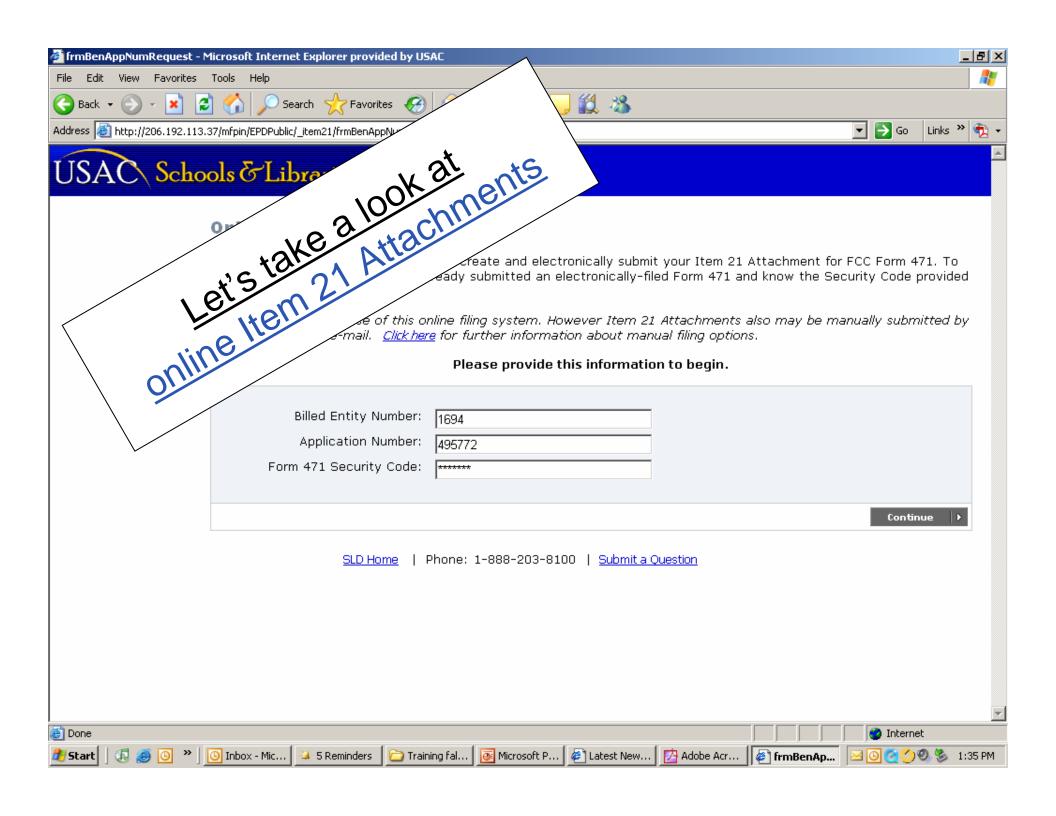- **USAC encourages the use of the online Item 21 Attachment system**
  - Less to go wrong
  - Provides a consistent format for USAC reviewers
- **But currently the online system is best suited for smaller funding requests**

Item 21 Attachment

2006 Applications	39,817
Apps using online Item 21	15,882 (40%)

2006 Funding Requests	123,676
FRNs using online Item 21	41,617 (34%)

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Address http://206.192.113.37/mfpin/EPDPublic/_item21/frmBenAppNu   Go   Links »

USAC Schools & Librar...

Let's take a look at
online Item 21 Attachments

O...

...create and electronically submit your Item 21 Attachment for FCC Form 471. To ...eady submitted an electronically-filed Form 471 and know the Security Code provided

...se of this online filing system. However Item 21 Attachments also may be manually submitted by ...e-mail. *Click here* for further information about manual filing options.

Please provide this information to begin.

Billed Entity Number:	1694
Application Number:	495772
Form 471 Security Code:	*******

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Start | Inbox - Mic... | 5 Reminders | Training fal... | Microsoft P... | Latest New... | Adobe Acr... | frmBenAp...   1:35 PM

Online Item 21 Attachment

- **Tips for speedier reviews:**
  - Specify number of phone or data lines
  - Specify type of high speed line, e.g., DSL, ATM, T-1, etc.
  - For Internal Connections, specify "functions" and "product types"
  - Include component costs for complex funding requests

Online Item 21 Attachment

- Tips for speedier reviews:
  - Match descriptions in Item 21 Attachment to USAC terminology in the Eligible Services List
    - "server" not "device"
    - "switch module" not just "UBS XK-143 w/ dingle"
  - Also, match invoice information to these same descriptions

Concluding Thoughts

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