

Eligible Services

What We Do and Why We Do It

Schools and Libraries Division

Washington, DC • Seattle • Denver • Chicago • Newark • Los Angeles • Atlanta

September/October 2008

- Cost Allocation
- 67% Rule and Amortization
- Voice over Internet Protocol (VoIP)
- Leased Wide Area Network Eligibility
- Non-Instructional Facilities and Priority Two Funding
- Draft FY09 ESL

Cost Allocation

Cost Allocation

- Products or services containing ineligible components may be cost allocated so USAC funds only the eligible portion
- Must be based on tangible criteria that provide a realistic result

Cost Allocation Method

- Straight Line method:

$$\frac{\text{Number of eligible functions}}{\text{Number of total functions}} = \text{Eligible \%}$$

- Example: A server is being used for:

1. DHCP (eligible)

2. DNS (eligible)

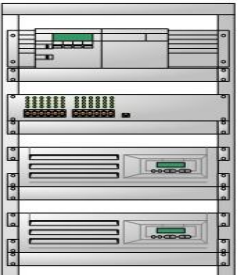
3. Applications (ineligible)

$$\frac{2}{3} = 67\% \text{ Eligible}$$

Cost Allocation Method

- Utilization method:

$$\frac{\text{Use of eligible functions}}{\text{Total use}} = \text{Eligible \%}$$

Eligibility		Product - Function
Eligible		Router – Data Distribution Switch – Data Distribution E-mail Server - Servers DHCP/DNS Server - Servers
Conditionally Eligible *		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

Cost Allocation Support

- Product specification documentation for the Application server

Dimensions and Weight	
Height	433.6mm (17.07 in)
Width	199.6mm (7.86 in)
Depth	467.45mm (18.40 in)
Weight	15.4 kg (34 lbs)
Power Supplies	
Power	530W
Price	
US List Price	\$995-\$2335
Warranty	
Warranty	<ul style="list-style-type: none"> • One Year Next Business Day • HW Coverage Hours: Business Hours • HW Response Times: Next Business Day • Delivery Method: Parts Exchange or Onsite

Cost Allocation Ex. 2

- Utilization method example:
 - If the UPS supports a total of 1800 watts and the application server is using 530 watts
(1800w-530w=1270w)

$$\frac{1270 \text{ watts}}{1800 \text{ watts}} = 71\% \text{ Eligible}$$

67% Rule and Amortization

On-Premise Priority One Equipment Reminders

- In certain limited circumstances, Priority Two equipment may be requested in the Priority One category
- The equipment must be leased by the service provider and meet the [On-premise Priority One equipment](#) conditions

67% Rule for On-Premise Priority One Equipment

- The Installation and Lease of On-Premise Priority One equipment must be < 67% of the total charges

$$\frac{\text{Lease and install of equipment}}{\text{Total Charges}} = < 67\%$$

- Note: Costs for equipment and installation located outside of applicant facilities need not be included

67% Rule Ex. 1

On-Premise Equipment Lease \$7,000	}	\$8,000	<hr/>	= 25.6%
On-Premise Equipment Install \$1,000				
<hr/>				
On-Premise Equipment Lease \$7,000	}	\$31,200	<hr/>	
On-Premise Equipment Install \$1,000				
Off-Site Infrastructure Cabling \$10,000				
Annual Circuits (\$1,000 x 12 mo.) \$12,000				
Annual Maintenance (\$100 x 12 mo.) \$1,200				

On-premise equipment costs are < 67%
Pass, proceed in Priority One

67% Rule Ex. 2

On-Premise Equipment Lease \$10,000	}	\$35,000	<hr/>	= 79%
On-Premise Equipment Install \$25,000				
<hr/>				
On-Premise Equipment Lease \$10,000	}	\$49,200	<hr/>	
On-Premise Equipment Install \$25,000				
Off-Site Infrastructure Cabling \$1,000				
Annual Circuits (\$1,000 x 12 mo.) \$12,000				
Annual Maintenance (\$100 x 12 mo.) \$1,200				

On-premise equipment costs are > 67%
Fail, move to Priority Two

Amortization of Service Provider Capital Investment Costs

- Priority One Services can include service provider equipment costs for capital investments by the service provider
- If the upfront or non-recurring charge of a multi-year contract is \$500,000 or more the total charge must be prorated evenly over a period of at least three years
- Must pass the 67% condition first before amortizing

Amortization Ex. 1

- Example 1: Three year contract for fiber installation and service. Non-recurring charges (NRC) for this installation is \$900,000
 - $\$900,000 / 3 \text{ years} = \$300,000 \text{ NRC/ year}$

Amortization Ex. 2

- Example 2: Five year contract for fiber installation and service. Non-recurring charges for this service are also \$900,000.
 - $\$900,000/5 \text{ years} = \$180,000/\text{year}$
- Alternatively, Example 1's allocation may be applied alternatively: $\$900,000/3 \text{ years} = \$300,000/\text{year}$

Interconnected Voice over Internet Protocol (VoIP)

Interconnected VoIP

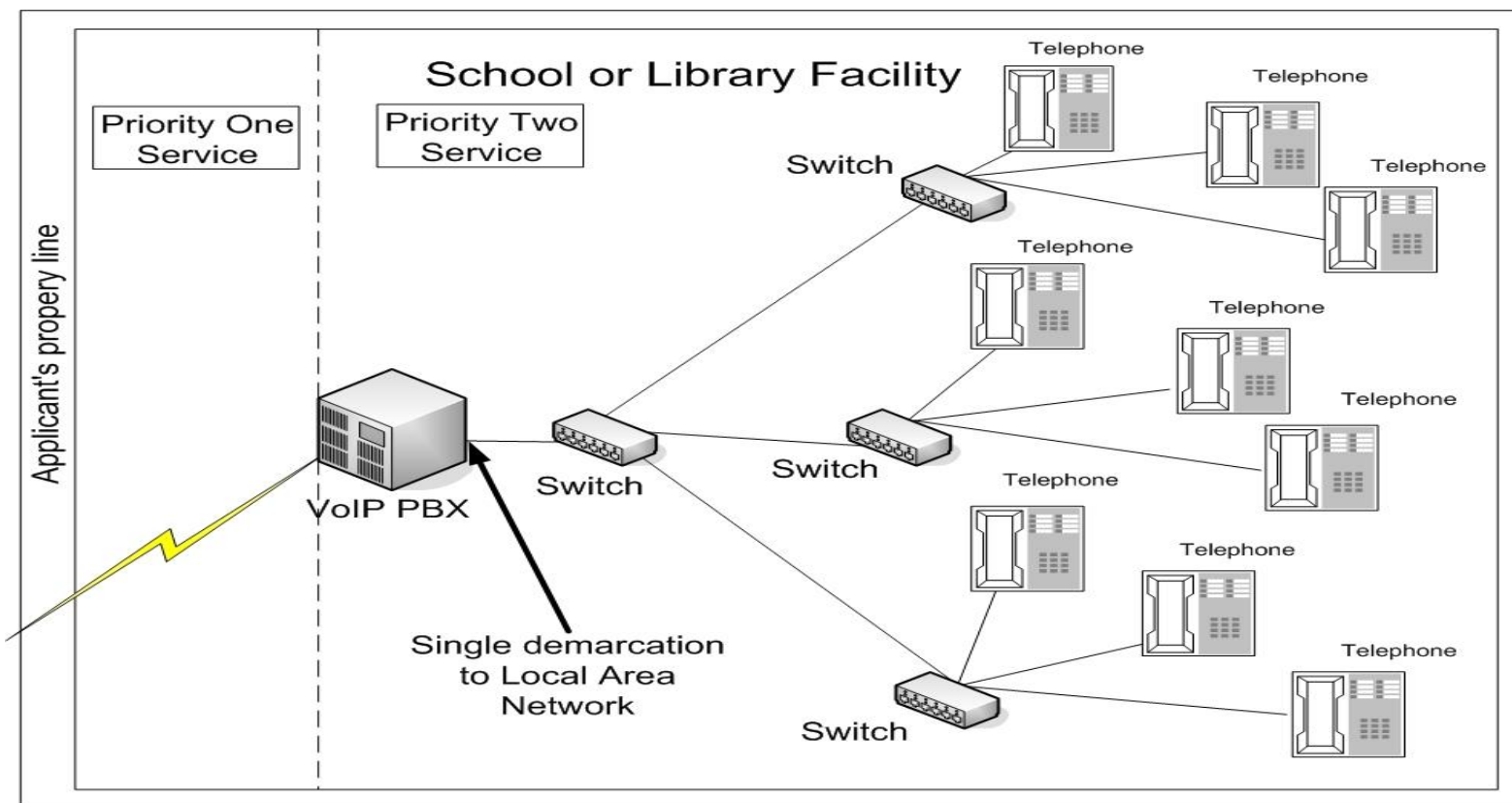
- **Interconnected VoIP**
 - **Requires**
 - A broadband connection from the user's location
 - Internet protocol-compatible customer premises equipment (CPE)
 - **Provides**
 - Real-time, two-way voice communications
 - Allows for calls that originate on the public switched telephone network and to terminate calls to the public switched telephone network.

Interconnected VoIP

- **Priority One Services**
 - An [eligible telecom provider](#) or an ISP with eligible telecom provider status may provide Interconnected VoIP service
 - USAC highly recommends posting in both Telecom and Internet Access on Form 470
 - May be filed on Form 471 in either category if both categories were checked on Form 470

Interconnected VoIP

- Leased VoIP and PBX equipment are NOT eligible for Priority One funding

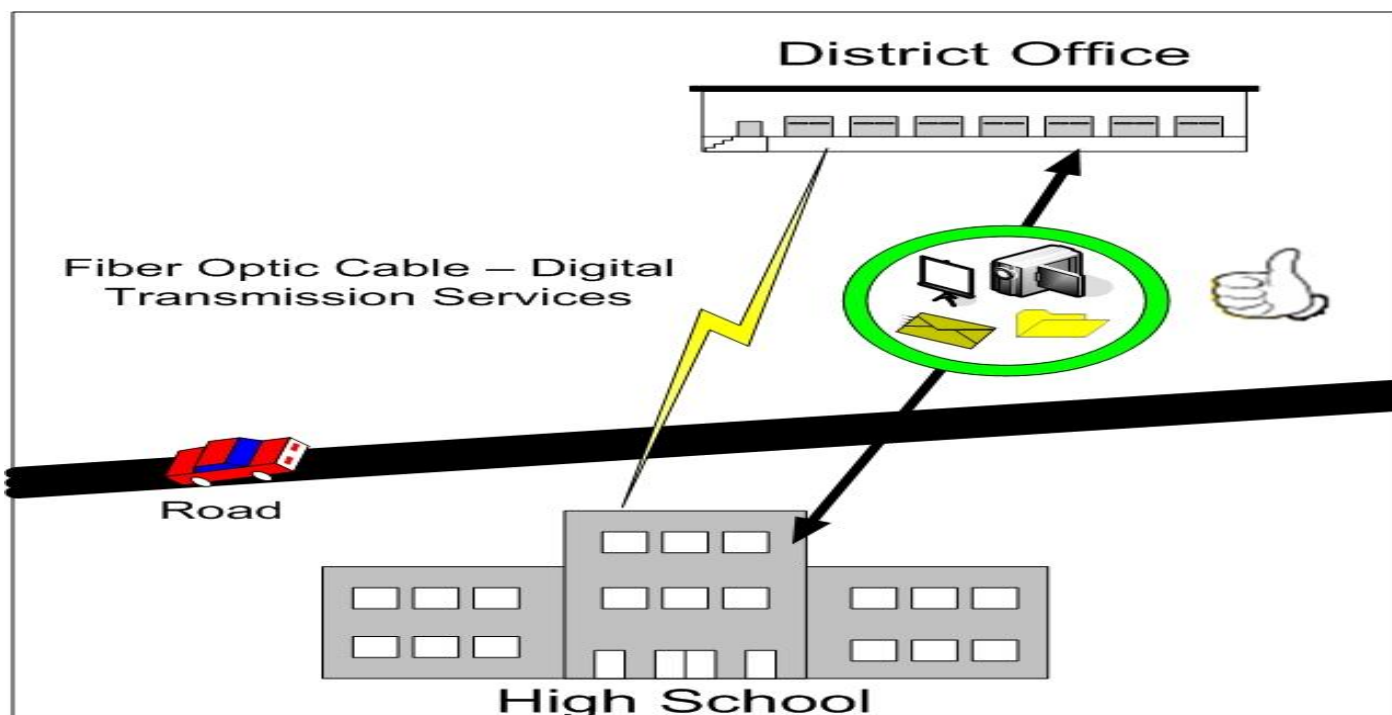


- By removing the VoIP PBX equipment, the local voice network will cease to function. This equipment is eligible ONLY as Internal Connections.

Wide Area Networks Priority One

Telecommunication Wide Area Network

- Digital transmission services used to link Local Area Networks (LANs) into Wide Area Networks (WANs) are eligible as a Telecom service

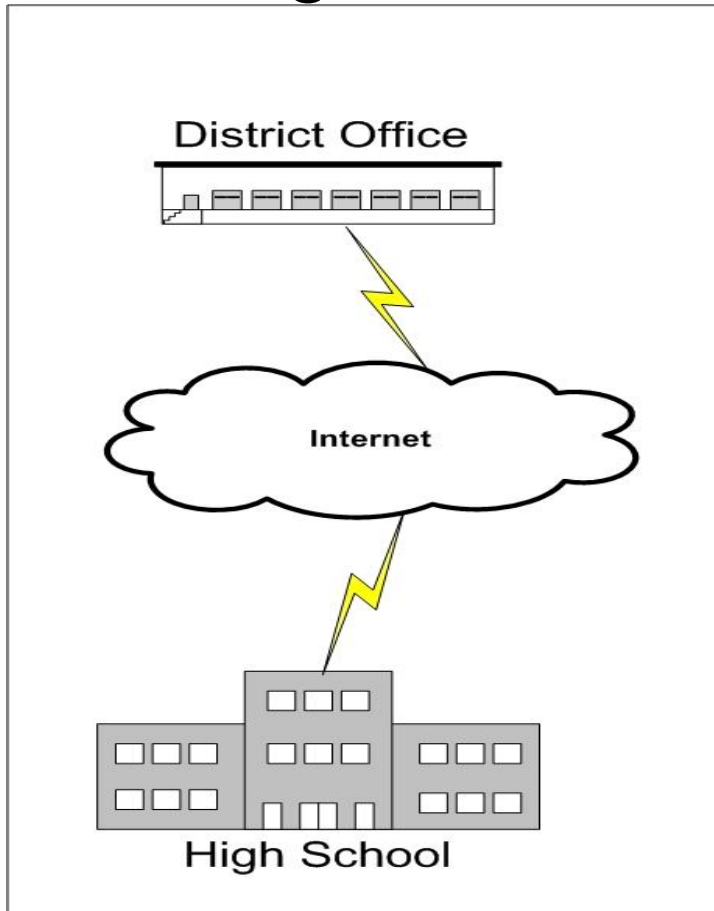


Internet Access Wide Area Network

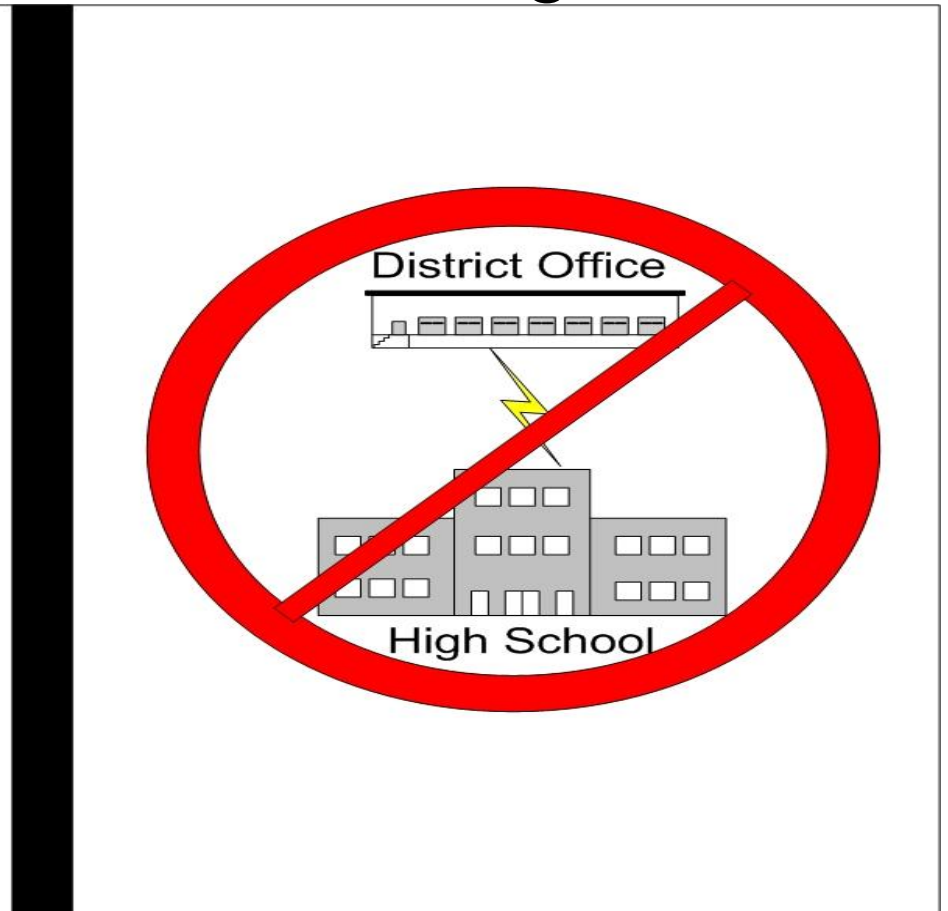
- Eligible if used ONLY for basic conduit access to the Internet
- Must be the most cost-effective means of accessing the Internet
- May not be used to send video, voice or data across your WAN

Internet Access Wide Area Network

Eligible



Ineligible



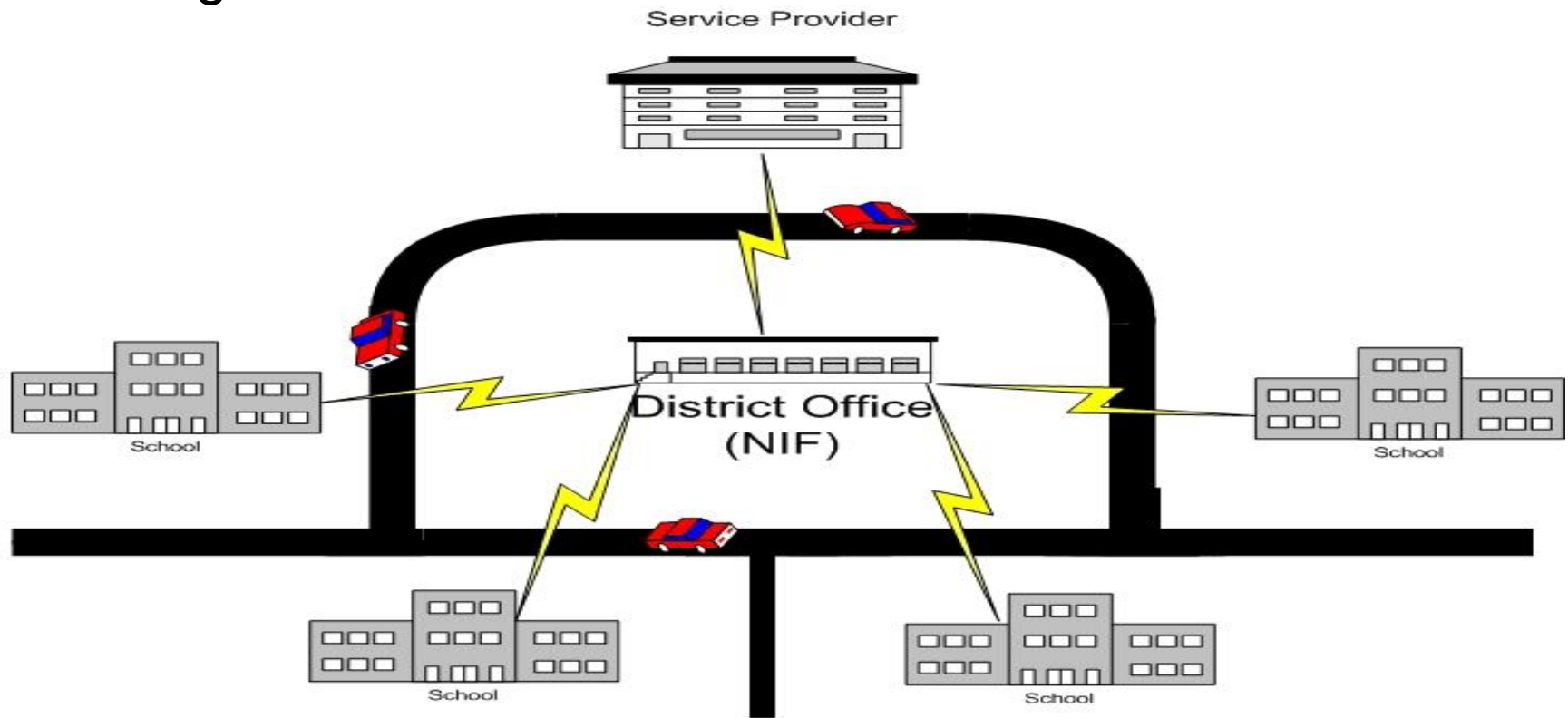
Non-Instructional Facilities and Internal Connections

Non-Instructional Facilities

- Eligible for Priority 1 services
(Telecommunications Services and Internet Access)
- Eligible for Priority 2 services only if the services are essential for the effective transport of data to classrooms or public areas of a library

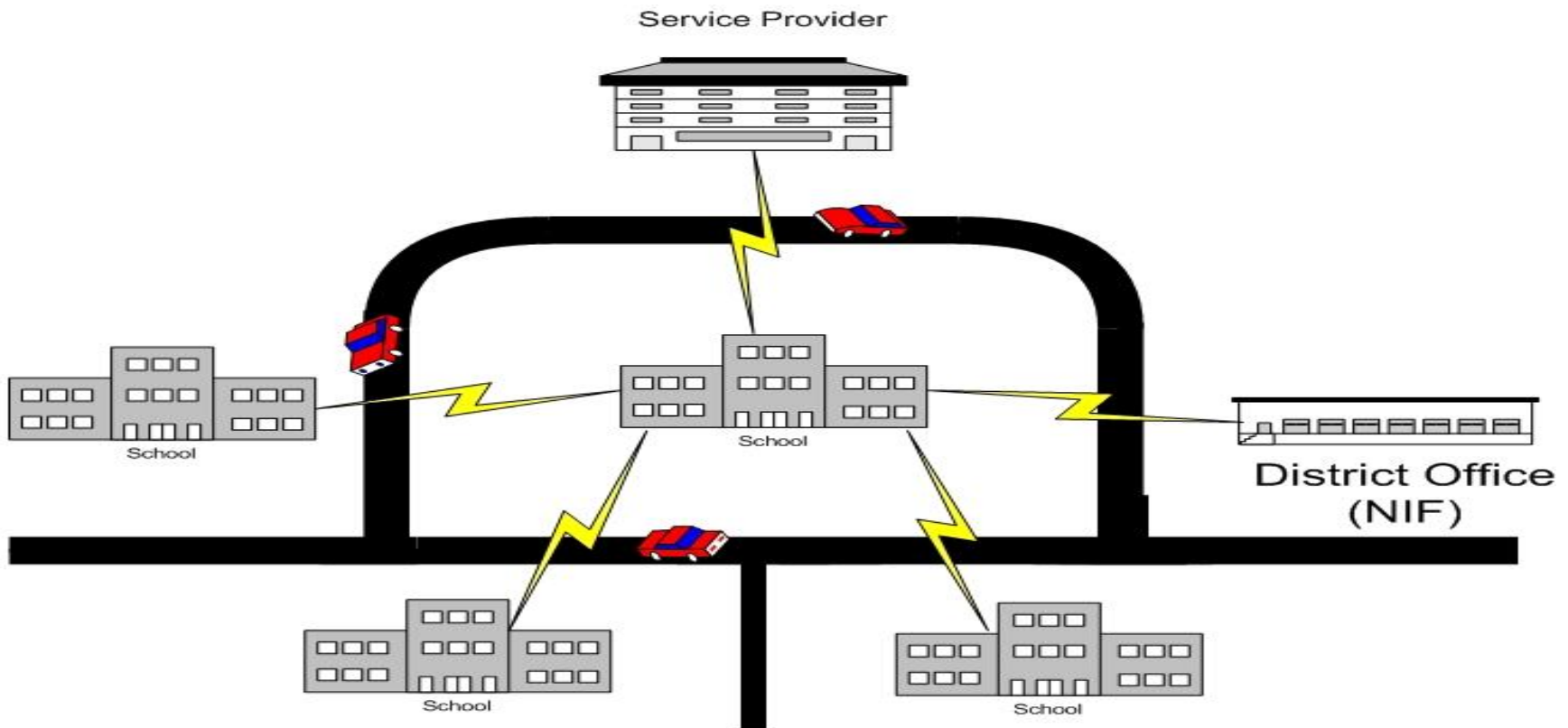
Non-Instructional Facility (NIF)

- Scenario One: NIF as a hub. This NIF is essential for the transport of info to the Schools and is eligible for P2 funding

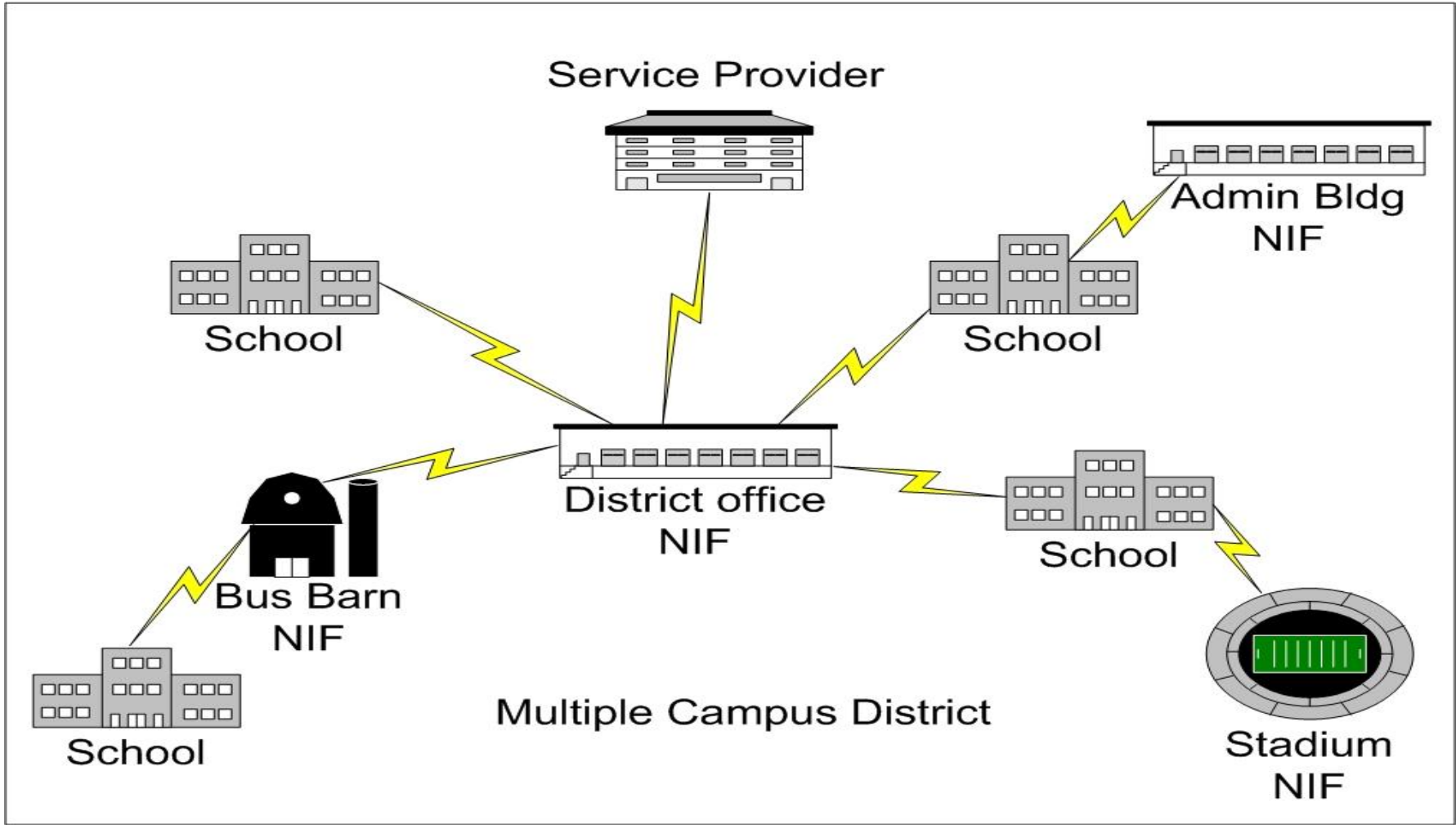


Ineligible for Priority 2 NIF

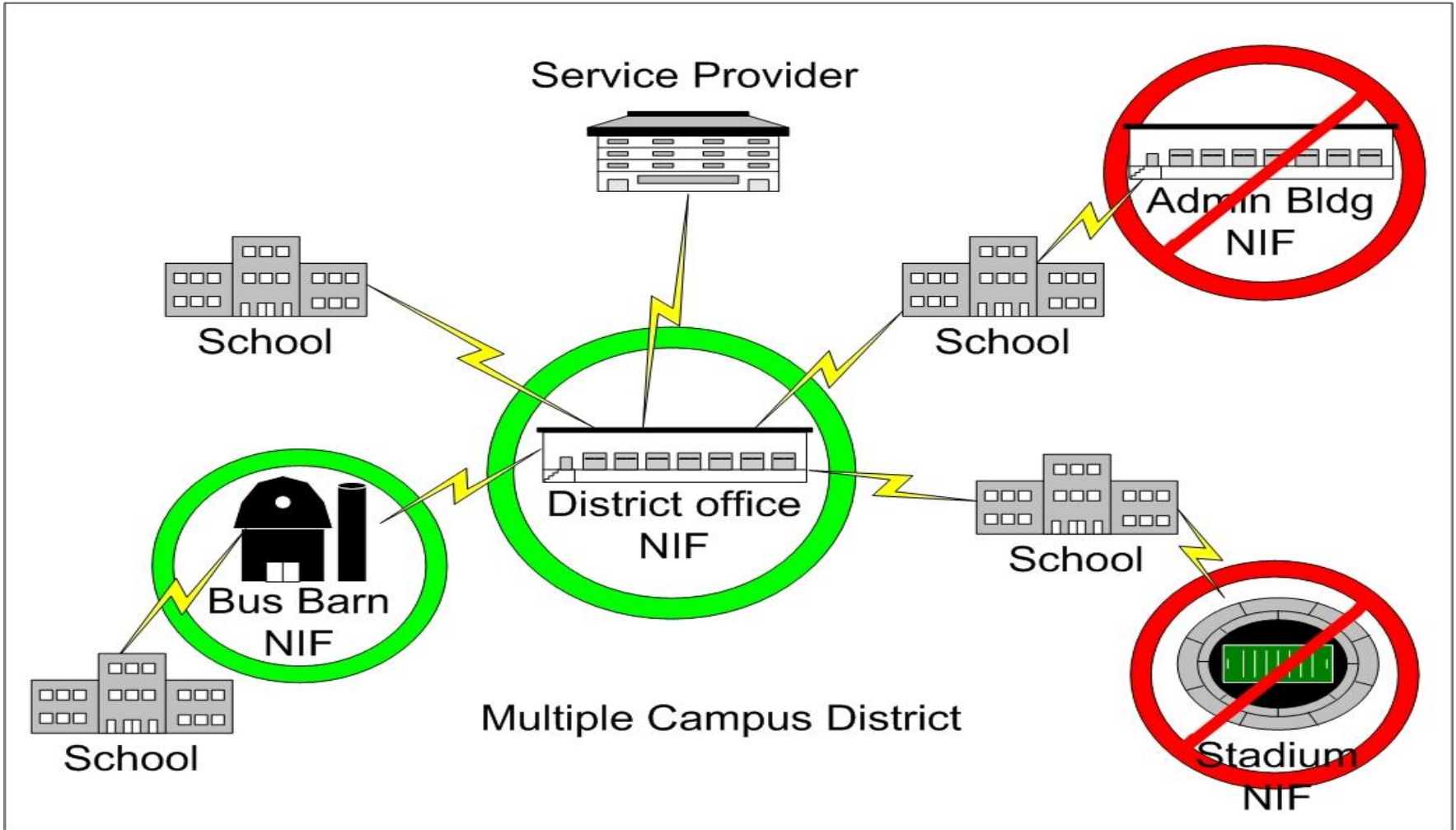
- Scenario Two: NIF as an end-point. The schools would maintain service if the NIF were removed, therefore the NIF is ineligible for P2 support



Identify the Eligible P2 NIF's



Eligible P2 NIF's identified



FY09 Draft ESL updates

- **Eligible:**
 - Ethernet
 - VoIP user licenses
- **Ineligible:**
 - E-mail Archiving
 - Intranet Web Hosting
 - Video-on-Demand Servers
 - Softphones



Questions?