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Schools and Libraries News Brief

December 2, 2011

TIP OF THE WEEK: If USAC issued you a Form 486 Urgent Reminder Letter dated November 16, you have until December 6 to complete and certify a Form 486 without penalty. Remember that different FRNs will have different Form 486 deadlines, and USAC continues to issue these reminder letters as these deadlines pass.

Commitments for Funding Years 2011 and 2010

Funding Year 2011. USAC released FY2011 Wave 24 Funding Commitment Decision Letters (FCDLs) December 1 and will release Wave 25 FCDLs December 6. These waves include commitments for approved Priority 2 (Internal Connections and Basic Maintenance) requests at 90%. As of December 2, FY2011 commitments total over \$1.34 billion.

Funding Year 2010. USAC will release FY2010 Wave 77 FCDLs December 7. This wave can include commitments for approved Priority 2 requests at all discount levels. As of December 2, FY2010 commitments total over \$2.90 billion.

On the day the FCDLs are mailed, you can check to see if you have a commitment by using USAC's [Automated Search of Commitments](#) tool.

Revised Instructions for Forms 479 and 486 Approved

On November 25, the FCC announced the approval by the Office of Management and Budget of the revised instructions for Forms 479 and 486. The announcement is featured in Public Notice [DA 11-1943](#).

The revised instructions include a section containing the basic requirements of the Children's Internet Protection Act (Internet Safety Policy, Technology Protection Measure, and Public Notice and Hearing or Meeting) and also feature the new policy update requirement for schools from the Protecting Children in the 21st Century Act. The new language can be found on page 5 of the revised [Form 479 Instructions](#) and pages 12-13 of the revised [Form 486 Instructions](#).

The revised instructions are dated August 2011 and the forms – which have not changed – retain the date of April 2007.

APPLICATION PROCESS: Eligible Services

Each year, before the Form 471 application filing window opens, the Federal Communications Commission (FCC) releases an [Eligible Services List](#) for the upcoming funding year. This list contains a description of the products and services that will be eligible for discounts, together with additional helpful information such as a list of ineligible products for each category of service and a glossary of terms. We suggest that you review this list before you prepare your technology plan – if one is required – and before you file a Form 470 to open your competitive bidding process.

Categories of service

There are five categories of eligible services in two funding priorities:

Priority 1

- Telecommunications Services
- Telecommunications
- Internet Access

Priority 2

- Internal Connections

- Basic Maintenance of Internal Connections

Priority 1 services are funded first. Because funding for the E-rate program is capped, we are generally not able to fund all requests for Priority 2 services. We start issuing commitments for Priority 2 requests at the highest discount level (90%) and continue down one discount level at a time (89%, 88%, and so on) until the remaining funding is insufficient to fund eligible requests at a particular discount level.

- Telecommunications services

Commonly available telecommunications services eligible for discounts include local and long distance wired telephone service; Interconnected Voice over Internet Protocol (VoIP); cellular phone service, and Centrex service. Digital Subscriber Line (DSL), Primary Rate Interface (PRI), T-1, T-3, and satellite services are also eligible.

Telecommunications services must be provided by a [telecommunications carrier](#), that is, a company that offers telecommunications services on a common carriage basis. You can use the [Service Provider Identification Number \(SPIN\) Contact Search Tool](#) to find information about the telecommunications carrier status of a SPIN.

- Telecommunications

Telecommunications was added as a category of service on the Eligible Services List starting in FY2011. Telecommunications covers lit or dark fiber – and certain maintenance and installation costs – not provided by a telecommunications carrier. Dark fiber is eligible if the applicant lights the dark fiber immediately; however, the costs for purchasing modulating electronics necessary to light the dark fiber are not eligible.

Telecommunications does not appear as a separate category of service on program forms. We suggest that interested applicants list these services as both Telecommunications Services and Internet Access (see below) on the Form 470 to maximize the number and type of bids they receive. Applicants would then apply for discounts on the Form 471 as Telecommunications Services if the fiber is provided by a telecommunications carrier and Internet Access if it is not.

- Internet access

Applicants can apply for discounts on basic conduit access to the Internet, but not on content, equipment purchases, or other services beyond basic conduit access. However, selected services that are an integral component part of an Internet Access service – and other services designated as eligible by the FCC – may be eligible, for example: interconnected Voice over Internet Protocol (VoIP), email service, and web hosting.

- Internal Connections

Internal Connections includes products such as routers, switches, hubs, and wiring. Eligible components of Internal Connections are located at the applicant site and must be necessary to transport information to classrooms or publicly accessible rooms of a library. Internal Connections do not include services that extend across a public right-of-way beyond the school or library facility.

Starting with FY2005, under the [Two-in-Five Rule](#), eligible entities can only receive discounts for Internal Connections in two of every five funding years.

- Basic Maintenance of Internal Connections

Basic maintenance services – repair and upkeep of eligible hardware, wire and cable maintenance, basic technical support, and configuration changes – ensure the necessary and continued operation of internal connections components at eligible locations. The components themselves must be eligible for discounts for their associated basic maintenance services to be eligible.

Basic maintenance services must be for actual work performed and parts repaired or replaced. Unbundled warranties or fixed price contracts – other than for software upgrades and patches including bug fixes and security patches, and online and telephone-based technical assistance and tools – are not eligible for reimbursement unless the ineligible portions can be [cost-allocated](#).

Some other eligibility issues to consider

Partial eligibility. If a product or service has both eligible and ineligible uses or components, the eligible portions of the product or service may still be eligible for discounts. We refer to these products or services as partially eligible. For example:

- A file server may be used both as an email server (an eligible use) and an archive server (an ineligible use)
- A phone service may be delivered to a school run by a church (an eligible location) and to the church office (an ineligible location).

To request discounts on the eligible portion of these products and services, you must do a [cost allocation](#). There is not a single approved method to allocate eligible and ineligible costs. The method you use must use tangible criteria to reach a realistic result.

Conditional eligibility. Products and services may be eligible under certain conditions but not others. We refer to these products or services as conditionally eligible. For example:

- Basic maintenance is only eligible if it is for eligible products and services.
- A file server is conditionally eligible based on the tasks being performed. For example, if a server is being used for email, DHCP, or DNS service, the server is eligible. However, if a server is being used for running applications or archiving, the server is ineligible.

The product or service can be eligible for discounts if the appropriate conditions are met.

Ancillary use. If a product or service contains ineligible features on an ancillary basis that are not offered or priced separately, [ancillary use of these ineligible features](#) may not require a cost allocation if they meet certain requirements.

On-premise Priority 1 equipment. Equipment owned by the service provider but located at the applicant site and leased by the applicant can be eligible for discounts as a Priority 1 service if it meets specific conditions. We refer to this equipment, if eligible, as [on-premise Priority 1 equipment](#).

Wide area networks. A [wide area network](#) (WAN) is a voice, data, or video network that provides connections from one or more computers or networks within an eligible school or library to one or more computers or networks that are external to such eligible school or library. Under certain conditions, leased WAN services can be eligible for discounts.

Educational purposes. Services must not only be eligible, but must also be delivered to eligible locations and used for eligible purposes. The customary work activities of school or library employees and customary activities that occur on school or library property are presumed to fall under the definition of [educational purposes](#).

For more information on eligible services, refer to the guidance documents linked to [Step 6: Determine the Eligible Services](#) on the USAC website, including:

- [FY2012 Eligible Services List](#)
- [Eligible Services List archive](#)
- [Cost Allocation Guidelines for Products and Services](#)
- [Educational Purposes](#)
- [On-premise Priority 1 Equipment](#)
- [Ancillary Use of Eligible Components](#)

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