September 12, 2014

Please continue to check the *[E-rate Modernization Order](#)* web page for links to additional information.

TIP OF THE WEEK: **When you are filing a program form, keep in mind that the response letter from USAC will go to the name and address of the contact person you identify on the form.** For example, USAC will send the Receipt Notification Letter to the contact person at the address entered in Item 6b of the FCC Form 470, the Receipt Acknowledgment Letter to the contact person at the address entered in Item 6b of the FCC Form 471, and so on.

Commitments for Funding Years 2014 and 2012

Funding Year 2014. USAC will release Funding Year (FY) 2014 Wave 19 Funding Commitment Decision Letters (FCDLs) on September 17. This wave includes commitments for approved Priority 1 (Telecommunications Services and Internet Access) requests at all discount levels. As of September 12, FY2014 commitments total just under $1.85 billion.

Funding Year 2012. USAC will release FY2012 Wave 92 FCDLs on September 19. This wave includes commitments for approved Priority 2 (Internal Connections and Basic Maintenance) requests at 90 percent and denials at 89 percent and below. As of September 12, FY2012 commitments total over $2.86 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.

E-rate Modernization Order: Category Two Budgets

The Federal Communications Commission (FCC) adopted the *[E-rate Modernization Order](#)* on July 11, 2014. The Order takes major steps to modernize and streamline the E-rate program and focuses on expanding funding for Wi-Fi networks in eligible elementary and secondary schools and libraries across America.

In [last week's SL News Brief](#), we discussed the designations Category One and Category Two that are new for FY2015. This week we will provide information on Category Two budgets.

What are Category Two budgets?

Each school or library receiving Category Two support in FY2015 or FY2016 will have a five-year, pre-discount budget for those products and services.

- Category Two products and services include eligible internal connections, managed internal broadband services, and basic maintenance of internal connections. Eligible products and services will be included on the final FY2015 Eligible Services List.
- Each school or library can receive E-rate discounts on eligible products and services up to the pre-discount budget amount.

- There is no budget for Category One services.

Which entities have Category Two budgets?

Each individual school and each library outlet/branch has a Category Two budget. School districts and library systems may not average their costs across multiple school or library budgets.

Non-instructional facilities (NIFs) do not have Category Two budgets. If a NIF is essential for the effective transport of information to or within a school or library, the applicant must allocate the cost of the eligible product or service associated with the NIF to one or more of the entities benefiting from the service.

- School NIFs are school buildings or buildings on school property that generally don't contain classrooms – e.g., administrative buildings, school bus barns and garages, cafeteria offices, and facilities associated with athletic activities. However, even school NIFs that contain classrooms do not have Category Two budgets.
- Library NIFs are library buildings or buildings on library property without public areas – e.g., administrative buildings, bookmobile garages, interlibrary loan facilities, and library technology centers.

How do I calculate the Category Two budget for a school?

To calculate the budget for a school, multiply the number of students who attend the school by $150. Because there is a funding floor, if fewer than 62 students attend the school, the budget is set at $9,200.

- Note: If a student attends more than one school (e.g., if the student from one school attends a vocational training school one afternoon a week), both schools can count that student for the purpose of calculating their respective budgets.

How do I calculate the Category Two budget for a library?

To calculate the budget for a library, multiply the total area of the library in square feet – including all areas enclosed by the outer walls of the library and occupied by the library – by $2.30. Because there is a funding floor, if the library's total area is less than 4,000 square feet, the budget is set at $9,200.

What time period does my Category Two budget cover?

Category Two budgets are subject to a five-year cycle beginning with the first funding year in which you receive Category Two support. However, the budgets can be used as needed, and schools and libraries are not required to use one-fifth of the budget each year.

- For example, if your student population or library area in square feet does not change and you use some or all of your budget in FY2015, your available budget for FY2016 would be your original budget for FY2015 less any of that budget you used in FY2015, and so on for the remainder of the five-year period that started with FY2015.
- If you receive funding in FY2015 and/or FY2016, the Two-in-Five rule will not apply. Rather, you can continue to use your Category Two budget for the five-year period that started with FY2015 (or FY2016, if you did not receive a commitment for FY2015).

Can my Category Two budget change from year to year?

Your budget is impacted by commitments featuring your school or library, which could be on an application you file or an application filed on your behalf, such as a consortium application.

- Your budget could increase for FY2016 if your student count increases or you build an addition on your library, or it could decrease if your student count decreases or you downsize the internal area of your library.
- Please note that for existing schools, if you have used your entire budget for FY2015 and your student count for FY2016 decreases, you do not have to repay the Fund for money disbursed in excess of the budget.
- For new schools or new construction, however, if you overestimate your student count and exceed the five-year pre-discount budget the next funding year, you must return any funds in excess of the allowable budget.

How is the cost of services counted against my Category Two budget?

On the FCC Form 471, each applicant will allocate the cost of the Category Two products and services to the entities sharing them. Each amount allocated to a particular school or library will count against the budget for that school or library.

Remember that your Category Two budget is based on the *PRE-DISCOUNT* cost of the products and services allocated to your school or library. A change in your E-rate discount from year to year does not affect the amount of your Category Two budget, only the amount of the cost that USAC will reimburse.

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