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## ***E-rate Modernization Order Frequently Asked Questions***

### **Phasing Down Support for Voice and Eliminating Support for Other Legacy Services**

#### **Overview**

**Q: How has the July 2014 *E-Rate Modernization Order* changed E-rate support for voice and other legacy services?**

A: In order to refocus E-rate support on the high-speed broadband needed for digital learning, the *E-rate Modernization Order* phases out support for voice services and circuit capacity dedicated to providing voice services, and eliminates support for other legacy services.

#### **Phasing out support for voice services: discount rates**

**Q: Will the E-rate continue to provide support for voice service in Funding Year 2015 (FY2015) and beyond?**

A: The E-rate program will provide reduced funding for voice service in FY2015, and continue phasing out funding for voice services until it is eliminated entirely by FY2019.

**Q: How is E-rate support for voice being phased out?**

A: The discount rates available to applicants for voice services will be reduced by 20 percentage points every year beginning in FY2015. For FY2015, your discount percentage rate for voice services will be 20 percentage points less than it is for other category one E-rate services. Each subsequent funding year, reductions of 20 additional percentage points will continue until support for voice service is completely phased out.

The following table illustrates the amount of support an entity may receive given its discount level and the fund year.

<b>E-rate Discount % for Other Category One Services</b>	<b>Voice Phase Down Discount %</b>				
	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
90	70	50	30	10	0
80	60	40	20	0	0
70	50	30	10	0	0
60	40	20	0	0	0

50	30	10	0	0	0
40	20	0	0	0	0
30	10	0	0	0	0
25	5	0	0	0	0
20	0	0	0	0	0

Note that rates for consortia and statewide applicants – that may have non-matrix discounts – will follow the same pattern.

**Q: How does this apply? Will your discount rate change from one year to the next?**

A: Yes, your discount rate for voice services will be reduced every year, until you are no longer eligible for support for voice services. In FY2015, if you are eligible for a 90 percent discount on other category one services, you will be eligible for a 70 percent discount on voice services. If you are still eligible for a 90 percent discount on other category one services in FY2016, you will be eligible for a discount rate of 50 percent on voice services.

**Q: If your E-rate discount rate for category one services changes between one funding year and the next, how does that impact your discount rate for voice services?**

A: Your discount rate for voice services is dependent on your discount rate for other category one services. For example, an applicant entitled to a 90 percent discount rate in FY2015 for other category one services will be entitled to a 70 percent discount for voice services. In FY2016, if you are entitled to an 80 percent discount for other category one services, you will be entitled to a 40 percent discount on voice services.

**Phasing out voice: which voice services**

**Q: To which voice services does the phase down apply?**

A: The reduced discount rates for voice services will apply to all costs incurred for the provision of telephone services and circuit capacity dedicated to providing voice services including:

- local phone service,
- long distance service,
- plain old telephone service (POTS)
- PRI lines (primary rate interface),
- radio loop,
- 800 service,
- satellite telephone,
- shared telephone service,
- Centrex,
- wireless telephone service such as cellular, and
- interconnected Voice over Internet Protocol (VoIP). VoIP is treated this way because a VoIP circuit is dedicated to voice.

**Q: Will E-rate still cover at least voice access from every classroom in case of an emergency or in case a teacher needs to take a student somewhere and needs to call for a temporary substitute?**

A: Once the phase out is complete, there will no longer be support for any voice services.

#### **Phased out voice: cost allocation**

**Q: Where a cable voice/data bundle is offered over a cable modem connection, will the voice component need to be cost allocated? Or because cable modem service is eligible, would a voice service just riding over that circuit also be fully eligible? Are only circuits dedicated to voice (such as PRIs (Primary Rate Interface), SIP (Session Initiating Protocol) trunks, etc.) subject to the voice phase-down?**

A: The voice service portion of a cable voice/data bundle must be cost allocated and is subject to the voice phase down. Applicants seeking support for voice service must cost allocate the voice portion of the bundle, and the voice portion is subject to the phase down. Circuits dedicated to voice such as PRIs and SIP trunks are also subject to the phase down.

**Q: When do I have to allocate out for the portion of a circuit dedicated to voice services? What if voice simply runs on a data circuit?**

A: Applicants seeking support for voice service, whether or not it is part of a bundle or package of circuits used for voice and data, must separate out the voice portion in the request and subject it to the phase down. Any portion of a circuit dedicated to voice is subject to the phase down, such as voice channels on a T-1 or bandwidth V-LANed (virtual local area networked) off a broadband circuit to a separate VOIP provider. If the applicant simply has a voice application running over a data circuit with *no portion of the circuit dedicated to providing voice*, then the circuit is not subject to the phase down. The costs of the application, however, and any costs for QoS (quality of service) to prioritize the voice traffic are subject to the phase down.

**Q: How should applicants treat a data circuit/ broadband circuit? Voice packets traveling on the circuit are technically data. Is there any expectation that if a circuit is carrying data, video, and voice, all as data packets on the same circuit, that any of the services would need to be cost allocated?**

A: Same answer as above. If you are seeking support for voice service, whether it is part of a bundle or package of circuits used for voice and data or not, the voice portion must be separated out from the request and subject to the phase down. *Any portion of a circuit dedicated to voice* also would be subject to the phasedown, such as voice channels on a T-1 or bandwidth V-LANed off a broadband circuit to a separate VOIP provider. If the applicant simply has a voice application running over a data circuit with *no portion of the circuit dedicated to providing voice*, the circuit is not subject to the phase down.

**Q: Can eligible managed Wi-Fi expenses include a managed voice service?**

A: No. Managed voice service is not eligible for category two support. If a service provider includes voice service in bundled price with managed Wi-Fi (a/k/a managed internal broadband services which provides the operation, management, and monitoring of a LAN or WLAN), the voice services portion of the bundle must be allocated out and requested under category one in order for the applicant to receive support for those services (subject to the phase down). If category two support is requested for voice as part of a managed Wi-Fi bundle, it will not be eligible.

#### **Services no longer eligible for support**

**Q: What services that were eligible for E-rate funding have been removed from the Eligible Services List (ESL) for funding year 2015 (FY2015)?**

A: Beginning in FY2015, the E-rate program will no longer support:

- components of telephone service, *i.e.*,
  - directory assistance,
  - text messaging,
  - custom calling services,
  - direct inward dialing,
  - 900/976 call blocking,
  - inside wire maintenance plans, and
  - voicemail (whether offered as part of phone service or separately)
- email
- webhosting, and
- paging.

**Q: Are data plans and air cards still eligible?**

A: Data plans and air cards for mobile devices, whether requested separately or as part of a cellular bundle, will continue to be eligible for E-rate support only in instances when the school or library seeking support demonstrates that individual data plans are the most cost-effective option for providing internal broadband access for portable mobile devices at schools and libraries, such as for library bookmobiles or for some schools or libraries serving very small numbers of students or patrons.

**Q: Are phased out services still covered (grandfathered) if they are part of pre-existing multi-year contracts that have previously been funded? How about for any extensions that were explicitly anticipated?**

A: No, you cannot get E-rate support for fully phased out or ineligible services even if they are still under contract.

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