

E-Rate Funding Services Categories and Competitive Bidding Presentation

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Agenda

Registration	9:30 am-10:00 am
Eligible Services List	10:00 am -10:15 am
Category-1 Services	10:15 am-11:00 am
*Break	11:00 am-11:15 am
Category-2 Services	11:15 am-12:00 pm
Miscellaneous Category	12:00 pm -12:15 pm
*Break	12:15 pm-12:30 pm
Competitive Bidding	12:30 pm-1:15 pm
Q &A	1:15 pm – 1:30 pm

The E-Rate Applicant Filing Process





Eligible Services List (ESL)

What is the Eligible Services List (ESL)?

- ❁ This list indicates what specific products or services eligible school and library entities may apply for in order to receive E-rate discounts (funding).
- ❁ The ESL is organized into three main categories established by the Federal Communications Commission (FCC)
- ❁ Funding will only be provided for cost associated with eligible products and services



What is the Eligible Services List (ESL)?

Two Funding Priorities



1

Category – 1 Services

- Telecommunications Services
- Telecommunications
- Internet Access



2

Category – 2 Services

- Broadband Internal Connections
- Managed Internal Broadband Services
- Basic Maintenance

Note: **Miscellaneous Category** items are applicable via all service categories

Eligible Services List

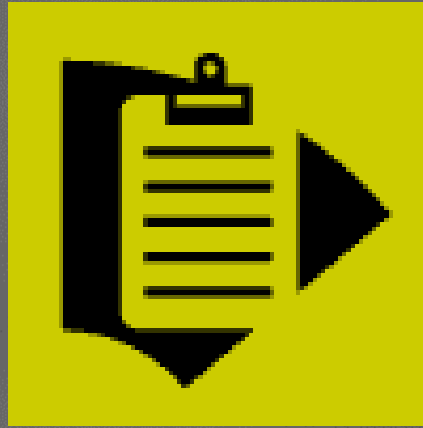
FY 2015 Eligible Service List

- ❖ Final list posted: 10/28/2014 by the FCC
- ❖ Release required a minimum of 60 days prior to the filing window
- ❖ Indicates USAC authority to open filing no earlier than 12/29/2014
- ❖ Provides background information, clarifications, and noted changes
- ❖ Changes based on the FCC's E-Rate Modernization Order
- ❖ Includes a list of equipment and services eligible FY 2014, not FY2015
- ❖ Directs USAC to post an ESL Glossary on its website

**Category-1
Services**

**Category-2
Services**

**Miscellaneous
Category**



Category-1 Services

Category-1 Services

(20 to 90% E-Rate Discount)

Telecommunications services



Telecommunications



Internet Access



Category-1 Services

Digital Transmission Services And Internet Access Service

Digital transmission services and Internet access services are eligible in Category One. These services include:

- Asynchronous Transfer Mode (ATM)
- Broadband over Power Lines
- Cable Modem
- Digital Subscriber Line (DSL)
- DS-1 (T-1), DS-3 (T-3), and Fractional T-1 or T-3
- Ethernet
- Fiber (Lit and Dark)
- Frame Relay
- Integrated Services Digital Network
- Multi-Protocol Label Switching (MPLS)
- OC-1, OC-3, OC-12, OC-n
- Satellite Service
- Switched Multimegabit Data Service
- Telephone dial-up
- Wireless services (e.g., microwave)

Category-1 Services

Important Notices: Eligibility Limitations

Data plans and air cards for mobile devices are eligible only in instances when the school or library seeking support demonstrates that the individual data plans are the most cost-effective option for providing internal broadband access for mobile devices as required in the *E-rate Modernization Order*.

Off-campus use, even if used for an educational purpose, is ineligible for support and must be cost allocated out of any funding request.

Category-1 Services

Important Notices: Eligibility Limitations

Internet access – Eligible Internet access may include features such as basic firewall protection, domain name service, and dynamic host configuration when these features are provided as a standard component of a vendor's Internet access service. Firewall protection may not be provided by a vendor other than the Internet access provider and may not be priced out separately. Examples of items that are ineligible components of Internet access include applications, content, e-mail, and equipment such as computers, laptops, tablets, and all other end-user devices.

Wireless services and wireless Internet access services –Managed internal broadband services, such as managed Wi-Fi, are eligible only for Category Two support.

Category-1 Services

Eligible Voice Services

Eligible voice services are subject to an annual 20 percentage point phase down of E-rate support beginning in funding year 2015, as described in the *E-rate Modernization Order*. The reduced discount rate for voice services will apply to all applicants and all costs for the provision of telephone services and circuit capacity dedicated to providing voice services including:

- Centrex
- Interconnected voice over Internet protocol (VoIP)
- Local, long distance, and 800 service, e.g., a toll-free telephone number for students to contact school regarding questions about homework
- Plain old telephone service (POTS)
- Radio loop
- Satellite telephone service
- Shared telephone service (only the portion of the shared services relating to the eligible use and location may receive discounts)
- Wireless telephone service including cellular voice and excluding data and text messaging

Category-1 Services

Leased Lit and Dark Fiber

Fiber – E-rate support is available for leased lit and dark fiber as described in the *Schools and Libraries Sixth Report and Order* (FCC 10-175) and the subsequent “Frequently Asked Questions” (DA 10-2356).

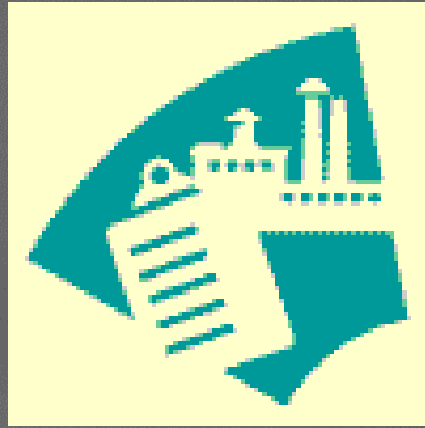
- **Leased Lit Fiber** – Monthly charges, special construction, and maintenance charges are eligible. When lit fiber is leased as a Category One service, modulating electronics can be included as a part of that eligible service.
- **Leased Dark Fiber** – Within the eligible entity’s property line, maintenance and special construction costs to connect the fiber to the eligible entity’s facilities are eligible. Beyond the eligible entity’s property line, special construction charges are not eligible, but monthly charges and maintenance provided as a component of leased dark fiber to maintain reliable operation are eligible. Re-routing of fiber is considered construction, not maintenance. If other customers are served by the leased dark fiber, only the pro rata costs of maintenance incurred by the eligible entity will be eligible for E-rate support. The purchase and ownership of modulating electronics associated with lighting dark fiber and modulating electronics on applicant-leased dark fiber leaving the eligible entity’s premises are not eligible.
- **IRUs** – An Indefeasible Rights of Use (IRU) purchase arrangement will be considered a lease of dark fiber for E-rate program purposes. If the IRU contains significant upfront charges, the charges may need to be amortized.

Category-1 Services

Ineligible Services and Components

Services and telephone components that were listed as eligible in the former Priority One category:

- 900/976 call blocking
- custom calling services
- direct inward dialing
- directory assistance charges
- email
- inside wire maintenance plans
- paging
- text messaging
- voice mail
- web hosting



Category-2 Services

Category-2 Services

(20 to 85% E-Rate Discount)

Broadband Internal Connections



Managed Internal Broadband Services



Basic Maintenance



Category-2 Services

Budget Consideration

- Five-Year, “Pre-Discount” adjustable budget for products and services
 - ❑ “2 and 5 Rule” N/A for FY 2015 & FY 2016
- Individual schools and each library outlet/branch has a budget which can be used as needed
- Non-instructional facilities (NIFs) do not have budgets, if essential for transport of information allocate cost among eligible entities benefiting from the service
- Budget Calculations
 - ✓ Per School: \$150 per student
 - ✓ Per Library: \$2.30 per square foot
 - ✓ Funding Floor: \$9,200 per school/library

Category-2 Services

Eligible Broadband Internal Connections Components

Eligible Broadband Internal Connections Components

- Access points used in a local area network (LAN) or wireless local area network (WLAN) environment (such as wireless access points)
- Antennas, cabling, connectors, and related components used for internal broadband connections
- Caching
- Firewall services and components
- Switches
- Routers
- Racks
- Uninterruptible Power Supply (UPS)/Battery Backup
- Wireless controller systems
- Software supporting each of the components on this list used to distribute high-speed broadband throughout school buildings and libraries

Category-2 Services

Eligible Broadband Internal Connections Components

Notes: (1) Functionalities listed above that can be virtualized in the cloud, and equipment that combines eligible functionalities, like routing and switching, are also eligible.

(2) A manufacturer's multi-year warranty for a period up to three years that is provided as an integral part of an eligible component, without a separately identifiable cost, may be included in the cost of the component.

(3) For funding year 2015, caching is defined as a method that stores recently accessed information. Caching stores information locally so that the information is accessible more quickly than if transmitted across a network from a distance. A caching service or equipment that provides caching, including servers necessary for the provision of caching, is eligible for funding.

Category-2 Services

Eligible Managed Internal Broadband Services

Eligible Managed Internal Broadband Services

- Services provided by a third party for the operation, management, and monitoring of eligible broadband internal connections components are eligible managed internal broadband services (e.g., managed Wi-Fi).
- E-rate support is limited to eligible expenses or portions of expenses that directly support and are necessary for the broadband connectivity within schools and libraries. Eligible expenses include the management and operation of the LAN/WLAN, including installation, activation and initial configuration of eligible components, and on-site training on the use of eligible equipment.
- In some managed services models, the third party manager owns and installs the equipment and school and library applicants lease the equipment as part of the managed services contract. In other cases, the school or library may own the equipment, but have a third party manage it for them.

Category-2 Services

Eligibility Limitations for Managed Internal Broadband Service

Eligibility limitations for managed internal broadband services - The equipment eligible for support as part of a managed internal broadband service may include only equipment listed as a broadband internal connections component above. Upfront charges that are part of a managed service contract are eligible for E-rate support except to the extent that the upfront charges are for any ineligible internal connections components (e.g., servers other than those that are necessary to provide caching) which, if included in the contract, must be cost allocated out of any funding request.

Category-2 Services

Basic Maintenance of Eligible Broadband Internal Connections Components

E-rate support is available for basic maintenance and technical support appropriate to maintain reliable operation when provided for an eligible broadband internal connections component.

The following basic maintenance services are eligible:

- Repair and upkeep of eligible hardware
- Wire and cable maintenance
- Configuration changes
- Basic technical support including online and telephone based technical support
- Software upgrades and patches including bug fixes and security patches

Category-2 Services

Eligibility Limitations for Basic Maintenance

Eligibility limitations for basic maintenance – Basic maintenance is eligible for support only if it is a component of a maintenance agreement or contract for eligible broadband internal connections components. The agreement or contract must specifically identify the eligible components covered, including product name, model number, and location. Support for basic maintenance will be paid for the actual work performed under the agreement or contract. Basic maintenance does not include:

- Services that maintain ineligible equipment
- Upfront estimates that cover the full cost of every piece of eligible equipment
- Services that enhance the utility of equipment beyond the transport of information, or diagnostic services in excess of those necessary to maintain the equipment's ability to transport information
- Network management services, including 24-hour network monitoring
- On-site technical support (i.e., contractor duty station at the applicant site) unless applicants present sufficient evidence of cost-effectiveness
- Unbundled warranties

Category-2 Services

Ineligible Components

Components included in these former Priority Two entries:

- Circuit Cards/Components
- Data Protection (all except for firewall and uninterruptible power supply/battery back-up)
- Interfaces, Gateways, Antennas (other than as specified in this Order)
- Servers (other than servers necessary for caching)
- Software (other than the software that supports eligible broadband internal connections)
- Storage Devices
- Telephone Components
- Video Components
- Voice/video IP components (that had been listed in the Data Distribution entry)



Miscellaneous Category

Miscellaneous Category

Fees

Fees and charges that are a necessary component of an eligible product or service are eligible including:

- Change fees
- Contingency fees are eligible if they are reasonable and a regular business practice of the service provider. Contingency fees will be reimbursed only if the work is performed.
- Freight assurance fees
- Lease fees to rent or lease eligible components
- Per diem and/or travel time costs are eligible only if a contract with a vendor for the eligible product or services specifically provides for these costs
- Shipping charges
- Taxes, surcharges, and other similar, reasonable charges incurred in obtaining an eligible product or service are eligible. This includes customer charges for universal service fees, but does not include additional charges for universal service administration.

Miscellaneous Category

Installation, Activation, and Initial Configuration

Installation, activation, and initial configuration of eligible components are eligible. These services may include:

- Basic design and engineering costs if these services are provided as an integral component of the installation of the relevant services
- Basic project management costs if these services are provided as an integral component of the installation of the relevant services
- On-site training is eligible as a part of installation services but only if it is basic instruction on the use of eligible equipment, directly associated with equipment installation, and is part of the contract or agreement for the equipment. Training must occur coincidentally or within a reasonable time after installation.

Break





Competitive Bidding Process



Gifts

E-Rate Rules vs. SC State Ethics & Procurement Code

Gift prohibitions are applicable year-round, not just during the competitive bidding process.

□ E-Rate Rules

- ❖ 1. Rules apply to everyone participating in the E-rate whether public or private, and whether operating at the local, state or federal level.
- ❖ 2. No more than \$20 value per item, not to exceed \$50 per year (single source).
- ❖ 3. Solicitation or receipt of gifts by applicants from service providers and potential service providers and vice versa is a competitive bidding violation.



Gifts

E-Rate Rules vs. SC State Ethics & Procurement Code

□ State Rules

- ❖ 1.” A public official, public member, or public employee may not, directly or indirectly, knowingly ask, demand, exact, solicit, seek, accept, assign, receive, or agree to receive anything of value for himself or for another person in return....”
- ❖ 2.” ...anything of value worth twenty-five dollars or more in a day and anything of value worth two hundred dollars or more in the aggregate in a calendar year must report..”

Note: You should follow your local county or district/system code if it is stricter than the E-Rate or State rules.



Gifts

❑ E-Rate Gifting Rule Prohibitions

- ❖ Prohibitions including soliciting and receiving any gift or thing of value from an applicant or a service provider participating in, or seeking to participate in the E-Rate program.
- ❖ Service providers may not offer or provide any gifts to applicant personnel involved in the E-Rate program or vice versa.

❑ E-Rate Gifting Rule Exceptions

- ❖ Gifts to family and friends when those gifts are made using personal funds of the donor (without reimbursement from the employer) and are not related to a business transaction or business relationship are exempt.



Gifts

E-Rate Gifting Rule Exceptions (CONT.)

- ❖ Gift rules are not intended to discourage companies from making charitable contributions, as long as those contributions are not directly or indirectly related to an E-rate procurement.

❑ Charitable Contributions

Gift rules are not intended to discourage charitable donations as long as the donations:

- ❖ Are not directly or indirectly related to E-rate procurement activities or decisions, and
- ❖ Are not given with the intention of circumventing competitive bidding or other FCC rules



Gifts

E-Rate Gifting Rule Exceptions (CONT.)

- ❖ **Conferences and Training Sessions**
- ❖ **Raffle tickets, prizes, or door prizes that have a retail value of over \$20 violate the gift rules unless the event is open to the public.**
 - **“Open to the Public” means the event is free of charge and that members of the public at large typically attend.**
 - **“Widely attended gatherings” allow for free attendance and meals or refreshments at that event.**



Giftng

E-Rate Gifting Rule Exceptions (CONT.)

Gathering is widely attended if:.

- ✓ Employee's attendance must be in the interest of the agency (i.e. school or library) and further its programs and operations, and
- ✓ It is expected that a large number of persons will attend, and
- ✓ Persons with a diversity of views or interests will be present



Gifts

“Widely attended gatherings” (CONT.)

❖ Conferences – Permissible Actions

- ✓ Food, refreshments, instruction and documents given to all attendees at Widely Attended Gatherings are permissible.
- ✓ Trainings offered by state, regional or local government bodies or non-profits or trade associations that include those bodies are not considered vendor promotional training.
- ✓ Vendor promotional training means training provided by any person for the purpose of promoting its products or services.



Gifts

Service providers can...



- host, sponsor, or conduct E-rate training, as long as they do not provide any gift that exceeds the gift exceptions

Service providers **cannot**...



- help with preparation or completion of forms, or determining the services listed on the FCC Form 470 and/or RFP



Gifts

Remember...

- ❑ Applicants certify on the Form 471 Item 29 that they

“...have not received anything of value or a promise of anything of value, other than services and equipment sought by means of this form, from the service provider, or any representative or agent thereof or any consultant in connection with this request for services.”

- ❑ To cure a violation...

Promptly return any tangible item to the donor, or pay the donor its market value, or, if perishable, the item may be given to an appropriate charity or shared within the office or destroyed.



Gifts

□ Timelines for Compliance

- ✓ Requirement for fair and open competitive bidding has always been in effect.
- ✓ Rules from 6th Report and Order went into effect January 3, 2011.
- ✓ New applicants, or applicants that are applying for the first time for a category of service, must be in compliance with rules six months prior to the posting of their first FCC Form 470.
- ✓ Dollar limits of \$20/\$50 are calculated per funding year.



Why Do I Need To Perform A Competitive Bidding Process?

The FCC Sixth Report and Order (FCC 10-175) codified its requirement for open and fair bidding process. The Sixth Report and Order explicitly lists gift-giving as one example of prohibitive conduct in the competitive bidding process. According to the Order, applicants must now follow either their own state/local laws regarding gifting or the FCC gift rules, whichever is stricter. A complete summary of federal rules for gifts and links to the set of federal regulations is available online:

http://www.usoge.gov/common_ethics_issues/gifts_outside_sources.aspx

Since state law and most local gift policies are more restrictive the safest course of action is not to accept any gifts at all from participating and/or potential E-rate suppliers. Gift prohibitions are always applicable, not just during the competitive bidding process.



Why Do I Need To Perform A Competitive Bidding Process?

❑ E-Rate Program Compliance

- ❖ “The goal of competitive bidding is to have as many bidders as possible respond to a Form 470, RFP, or other solicitation method so that the applicant can receive better service and lower prices.”
- ❖ “Applicants must ensure an open and fair competitive bidding process to receive Schools and Libraries support.”

❑ To satisfy state, local government or entity requirements



When Do I Need To Do This?

- After bid responses have been collected from Form 470, RFP's or any solicitation method used
- When seeking cheaper rates for a new or existing service (contract or one-time purchase)
- If using a state master contract with multiple vendors (mini-bid)



How Do I Perform A Compliant Bidding Process?

- ❑ After the following conditions have been satisfied.....
 - ✓ Before submitting solicitations you must first decide what form of measurement (Competitive Bidding Matrix) will be used to determine the winning bidder. Regardless of the method used price must be the most heavily weighted factor.
 - ✓ A detailed request for specific services or products has been posted in a “Fair and Open” manner for a defined duration.

Exceptions.....

Low Cost, High Speed Internet Access

“purchase of commercially available, business-class Internet access services that cost \$3,600 or less for a single year.”

- Max cost based on per school or library entity
- Publicly available to non-residential customers
- Service must provide bandwidth speeds of at least 100 Mbps downstream and 10 Mbps upstream.
- Internet Access application and basic conduit access to the Internet at the required minimum speeds



How Do I Perform A Compliant Bidding Process?

- ❑ After the following conditions have been satisfied.....(CONT.)
 - ✓ Notify winning bidder and sign a contract if applicable
 - ✓ Notify losing bidders in writing. Be prepared to provide details regarding the winning bidder if requested. “Why didn’t I win?”
 - ✓ File all documentation regarding this process.

** Note if the winning bidder is eliminated you must chose the next ranked option.*



Example Bid Matrix



Competitive Bidding

Bid Evaluation Matrix (sample)

Factor	Points Available	Vendor 1	Vendor 2	Vendor 3
Price of the ELIGIBLE goods and services	30	15	30	25
Prior experience w/ vendor	20	20	0	20
Prices for ineligible services, products & fees	25	20	15	25
Flexible Invoicing: 472 or 474	15	0	15	15
Environmental objectives	5	5	3	2
Local or in state vendor	5	5	5	5
Total	100	65	68	92



Bid Matrix Example for

Category - 2 Service

Internal Connections: Inside Wiring & Cabling

- Nancy's Library collected bid responses to place inside wiring and cabling for her newly remodeled library.
- She had three vendors that responded to her RFP and Form 470 posting.
- All vendors submitted acceptable responses and were evaluated based on six measures via a 100 point matrix model



These are the results.....

Factor	Points	Joe's Electronics	Best American Communications	Snively's Internet
Price of Eligible goods and services required	40	35	30	#33
Ineligible cost factors (including price of ineligible goods and services, price of changing providers, price for breaking contract, etc.)	25	*25	20	25
Local Vendor	10	8	10	8
Prior Experience	10	10	10	0
Reputation/Recommendation	10	10	10	10
Flexible Invoicing	5	5	3	5
TOTAL	100	93	83	81

***Joe's is willing to run cable across street to library administration building without additional charge. # Snively's price includes 5 years of free maintenance of fiber from road to building**

The overall winner is Joe's Electronic because of its total point value. Snively's had the best price points but the company didn't have the best point value for "Prior Experience" nor "Ineligible cost factors"



Bid Matrix Example For

Category - 2 Services

Internal Connections with Basic Maintenance

- John H. Smith Middle School collected bid responses to upgrade their current Local Area Network (LAN).
- Items requested include new cable, routers, switches and access points with basic maintenance.
- The school had six vendors that responded to their RFP and Form 470 posting.
- Three out of six vendors submitted acceptable responses.
- The unacceptable responses were eliminated.
- The remaining vendors were evaluated via a 100 point matrix model.



These are the results.....

Factor	Points	Professional Computer Services	Partners in Cable	Internet USA
Price	40	38	20	20
Local Vendor	10	8	10	2
Ability to manage project and maintain equipment and connections	35	*15	35	30
Prior Experience	5	0	5	5
Environmental Objectives	5	5	3	0
Flexible Invoicing	5	5	5	0
TOTAL	100	71	78	57

***Professional Services will subcontract maintenance to a company unknown to district with no willingness to provide recommendations nor references.**



The End