



E-Rate Modernization (E-Rate 2.0)

Virginia Department of Education
Office of Digital Innovations and Outreach





Virtual Housekeeping

Phone conference information:

- 866-842-5779
- Conference code 5669268525

Refer to Supts. Memo for link to live webinar and AT&T
Connect chat during Q&A

Mute your line with *6; we will unmute all for Q&A

Presentation, supporting materials, and modernization details to
be posted to DOE E-Rate page

Summary of Modernization Order on DOE E-Rate page now





- Passage & Purpose of Order
- Goals
- Overview of changes
- Practical advice and examples for implementation
- Questions & Answers

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Passage & Purpose

Adopted and Released – July 2014 with a FNPRM

Expand WiFi networks in schools and libraries and support for 21st century technologies

Transition away for legacy, outdated technologies

Greater program efficiency and use of funds

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Goals

1. Maximizing the Cost-Effectiveness of E-rate Spending
2. Making the E-rate Application Process and Other E-rate Processes Fast, Simple and Efficient
3. Affordable Access to High-Speed Broadband in Schools and Libraries

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Overview of Changes

Maximizing the Cost-Effectiveness of E-rate Spending

1. Pricing Transparency
2. Preferred Master Contracts & Encouraging Consortia

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Overview of Changes

Making the E-rate Application Process and Other E-rate Processes Fast, Simple and Efficient

1. Simplifying the Application Process
 - a) Multi-year contracts, signed contracts, electronic docs
2. Simplifying Discount Rate Calculations
3. Simplifying the Invoicing and Disbursement Processes
4. Extending E-rate Document Retention and Inspection Requirements





Overview of Changes

Making the E-rate Application Process and Other E-rate Processes Fast, Simple and Efficient

5. Tribal Consultation
6. Training, and Outreach Program
7. Requiring the Filing of Appeals with USAC
8. Additional Measures to Improve the Administration of the E-rate Program



Overview of Changes

Affordable Access to High-Speed Broadband in Schools and Libraries

1. Internet Access – Bandwidth Targets
2. WAN/Last-Mile – Connectivity Target
3. Internal Connections – Funding, Contribution Rate, Priority Two now Category Two, Budget, Eligible Services, Phase Down of Legacy Services



Form 470 and competitive bidding

Wait 28 days

Price is the primary consideration

Consider all responses

No gifts or conflicts of interest

Form 471 Contracts in place or vendor selected

File within the window

Apply for only eligible expenses

CIPA Compliance

Deadlines!

Document Retention: Keep everything!



Ineligible Category 1 Services for FY 2015:

Paging, email, text messaging, voice mail, and web hosting

Telephone service components - directory assistance charges, custom calling services, direct inward dialing, 900/976 call blocking, and inside wire maintenance plans

Multi-year contracts will **not** be “grandfathered” for newly ineligible services

Voice Service Phase-Out

Applies to **all** voice services: Local phone service, long distance service, plain old telephone service (POTS), 800 service, satellite telephone, shared telephone service, Centrex, cellular voice, and interconnected VoIP

Phase out schedule: 20 percentage points will be deducted from the eligible discount percentage each year beginning with FY 2015:

Example: For a 60% discount applicant, FRNs for any voice service will be reduced 20 points to 40% in FY 2015, to 20% in FY 2016, and to zero in FY 2017, **PLUS the newly ineligible telephone components.**



Voice Service Phase-Out (But there's more)

Cellular service Data Plans are no longer eligible

“Safe Harbor” discussions between vendors and FCC

Example:

Cell phone bill is \$1,000 per month including data. New regulations cell phone MAY be 50 percent eligible at phased out discount (division overall discount is 60 so cell phone eligibility is 40 percent).

Cell phone eligible funding for 2015 is \$200 per month.

So, What IS Eligible??

Internet Access and Broadband Telecommunications will
Remain eligible for E-Rate discounts at full discount rates:

Dark and lit fiber

Cable Modem

Frame Relay

Ethernet

ISDN

MPLS

Microwave Broadband

All WAN service

Discount Rate Calculations

Each school or group of schools in a district will use the single district-wide “matrix” discount rate in **all** funding requests

Libraries will continue to use the discount percentage of the district where library is located

Consortia applicants must average each member’s district-wide discount

Urban/Rural determination still undecided – Urban Clusters



Discount Rate Calculations (cont'd)

Technical and special education schools are allowed to double-count students attending part-time with “snap-shot” counts

Private and charter schools responsible for their own administration and finances calculate their own discounts including all schools under same administration

Survey Method cannot extrapolate results. Only returned surveys may be used to determine NSLP eligibility.

Discount Rate Calculations (cont'd)

	Category one schools and libraries discount matrix		Category two schools and libraries discount matrix	
	Discount level		Discount level	
% of students eligible for National School Lunch Program	Urban discount	Rural discount	Urban discount	Rural discount
< 1.....	20	25	20	25
1-19.....	40	50	40	50
20-34.....	50	60	50	60
35-49.....	60	70	60	70
50-74.....	80	80	80	80
75-100.....	90	90	85	85

Community Eligibility Provision (CEP)

Districts and schools participating in the CEP will determine their discount percentage by using the same approach as that for NSLP eligibility under CEP – number of direct certified children times the CEP Multiplier – presently 1.6 – not to exceed 100% student eligibility

CEP discount percentage - direct cert x 1.6 – may be used for up to 4 years. If applicant adjusts calculation of CEP, change must apply to E-rate discount

Cannot combine CEP eligibility with any other method to increase NSLP percentage, e.g. Surveys, sibling match, etc.

Category 2 Equipment & Services

- Basic: Cabling, routers, switches, wireless access points
- At least for FY 2015 and FY 2016:
 - Maintenance
 - Managed Wi-Fi
 - Caching servers
- Category 2 services may be purchased as of April 1st of the preceding funding year

Category 2 Budgets

Each eligible school shall be eligible for support for Category 2 services up to a pre-discount price of \$150 per student over a five-year funding cycle

New schools may estimate the number of students, but must repay any support provided in excess of the maximum budget based on student enrollment the following funding year

Library Category 2 funds limited to \$2.30 per square foot

Minimum pre-discount funding per school or library is \$9,200

Local Issues

- Loss of Category 1 Funding over the next 5 years
- Change in Discount Rate Calculations
- Category 2 Funding by School
- Limit of Category 2 Funding to \$ 150 per student
- Rural/Urban division



Category 1 Budget Analysis

Each eligible School District should perform a financial analysis of how the new rules will effect local E-Rate funding.

In your estimates you will need to:

- a) eliminate ineligible components
- b) use the reduced percentage for cell services
- c) calculate your new discount rate
- d) reduce your discount rate for phone services by 20%
per year until 0%
- e) using your current 471's, calculate your 5-year funding





	2014		E-Rate					
Service	Rate	Requested	Funding	YR 2015	YR 2016	YR 2017	YR 2018	YR 2019
Web Hosting	0.72	\$7,345.21	\$5,288.55	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Internet	0.72	\$59,787.00	\$43,046.64	\$41,850.90	\$41,850.90	\$41,850.90	\$41,850.90	\$41,850.90
Cell - Data	0.72	\$519.88	\$374.31	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
WAN	0.72	\$142,448.64	\$102,563.02	\$99,714.05	\$99,714.05	\$99,714.05	\$99,714.05	\$99,714.05
Long Distance	0.72	\$2,400.00	\$1,728.00	\$1,200.00	\$720.00	\$240.00	\$0.00	\$0.00
VOIP	0.72	\$139,674.24	\$100,565.45	\$69,837.12	\$41,902.27	\$13,967.42	\$0.00	\$0.00
Voice PIPs	0.72	\$33,855.83	\$24,376.20	\$16,927.92	\$10,156.75	\$3,385.58	\$0.00	\$0.00
Cellular	0.72	\$26,616.72	\$19,164.04	\$6,654.18	\$3,992.51	\$1,330.84	\$0.00	\$0.00
WAN	0.72	\$74,880.00	\$53,913.60	\$52,416.00	\$52,416.00	\$52,416.00	\$52,416.00	\$52,416.00
POTS	0.72	\$36,203.40	\$26,066.45	\$18,101.70	\$10,861.02	\$3,620.34	\$0.00	\$0.00
	Total	\$523,730.92	\$377,086.26	\$306,701.86	\$261,613.50	\$216,525.13	\$193,980.95	\$193,980.95
		Loss in Cat 1 Funding by Year		\$70,384.40	\$115,472.76	\$160,561.13	\$183,105.31	\$183,105.31





Category 2 Budget Estimate

Each eligible School District should perform a budget estimate of possible Category 2 E-Rate funding over the 5-year period

In your estimates you will need to:

- a) calculate your new District discount rate
- b) the highest rate for Category 2 is 85%
- c) the District discount rate is used for each school
- d) funding is by school
- e) the gross amount is based on \$150 per student, before the e-rate grant amount is calculated





Sample Category 2 Funding 5-years Estimates

	Students	Per Student	5-Year	E-Rate DSC	Funding
High School	1415	\$150.00	\$212,250.00	0.7	\$148,575.00
Middle School	1105	\$150.00	\$165,750.00	0.7	\$116,025.00
Elem 1	604	\$150.00	\$90,600.00	0.7	\$63,420.00
Elem 2	724	\$150.00	\$108,600.00	0.7	\$76,020.00
Elem 3	569	\$150.00	\$85,350.00	0.7	\$59,745.00
Elem 4	445	\$150.00	\$66,750.00	0.7	\$46,725.00
Totals	4862		\$729,300.00		\$510,510.00





School District 1 Rural 4860 students 2014 Discount Rate 72%

	2014 E-Rate	2015 E-Rate	2016 E-Rate	2017 E-Rate	2018 E-Rate	2019 E-Rate	Years 1 - 5
	Funding	Funding Est.					
Category 1	\$377,086.00	\$306,701.86	\$261,613.50	\$216,525.13	\$193,980.95	\$193,980.95	\$1,172,802.39
							Loss Cat 1 Funding
Loss in Cat 1 Funding		\$70,384.14	\$115,472.50	\$160,560.87	\$183,105.05	\$183,105.05	\$712,627.61
			Funding		Est Cat 2		
Possible Category 2	Students	Per Student	Basis	Disc. Rate	Funding		
Funding over 5 years	4860	\$150.00	\$729,000.00	0.7	\$510,300.00		

School District 2 Urban 24200 students 2014 Discount Rate 84%

	2014 E-Rate	2015 E-Rate	2016 E-Rate	2017 E-Rate	2018 E-Rate	2019 E-Rate	Years 1 - 5
	Funding	Funding Est.					
Category 1	\$1,869,025.00	\$1,681,132.90	\$1,512,993.27	\$1,344,853.64	\$1,176,714.01	\$1,134,679.11	\$6,850,372.92
							Loss Cat 1 Funding
Loss in Cat 1 Funding		\$187,892.10	\$356,031.73	\$524,171.36	\$692,310.99	\$734,345.89	\$2,494,752.08
			Funding		Est Cat 2		
Possible Category 2	Students	Per Student	Basis	Disc. Rate	Funding		
Funding over 5 years	24200	\$150.00	\$3,630,000.00	0.85	\$3,085,500.00		





School District 3 Urban 13400 students 2014 Discount Rate 52%

	2014 E-Rate	2015 E-Rate	2016 E-Rate	2017 E-Rate	2018 E-Rate	2019 E-Rate	Years 1 - 5
	Funding	Funding Est.	Funding Est.	Funding Est.	Funding Est.	Funding Est.	Funding Est.
Category 1	\$285,817.00	\$220,460.20	\$184,556.20	\$163,013.80	\$163,013.80	\$163,013.80	\$894,057.80
							Loss Cat 1 Funding
Loss in Cat 1 Funding		\$65,356.80	\$101,260.80	\$122,803.20	\$122,803.20	\$122,803.20	\$535,027.20
			Funding		Est Cat 2		
Possible Category 2	Students	Per Student	Basis	Disc. Rate	Funding		
Funding over 5 years	13400	\$150.00	\$2,010,000.00	0.5	\$1,005,000.00		

School District 4 Rural 1675 students 2014 Discount Rate 86%

	2014 E-Rate	2015 E-Rate	2016 E-Rate	2017 E-Rate	2018 E-Rate	2019 E-Rate	Years 1 - 5
	Funding	Funding Est.					
Category 1	\$301,527.00	\$251,666.18	\$217,113.47	\$182,926.58	\$148,764.04	\$139,936.86	\$940,407.15
							Loss Cat 1 Funding
Loss in Cat 1 Funding		\$49,860.82	\$84,413.53	\$118,600.42	\$152,762.96	\$161,590.14	\$567,227.85
			Funding		Est Cat 2		
Possible Category 2	Students	Per Student	Basis	Disc. Rate	Funding		
Funding over 5 years	1675	\$150.00	\$251,250.00	0.85	\$213,562.50		



Issues to Think About

- The loss of Category 1 funding on your budget.
- Pro-active Planning for Category 2 Funding by School.
- Matching funds for Category 2 purchases.
- How can you reduce telecommunications cost? (SIP anyone?)
- The cost of future increases in bandwidth for Internet & WAN.





Any Questions?



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