E-rate Update and Category 2 Webinar on December 18, 2014

Ground Rules

- Information subject to change
- New Order released last week
- ISL will continue to provide updates as they become available
- Questions at the end of the session
  - Please note slide #s if possible
E-rate Update and Category 2 Webinar on December 18, 2014

Slide 3

E-rate “2.1” Update

Indiana State Library
December 18, 2014
Presented by Aleck Johnson, EdTech Strategies, LLC

12/11/14 “E-rate 2.1” Order

- Text of order not yet available
- Information is based entirely on public statements
  - Details will be important
  - Check back with ISL for confirmation once order text is available

Slide 4
E-rate 2.1: Budget Changes

- 2 year pilot on C2 extended to a 5 year pilot
  - Could well end up being permanent
- Expanded funding available
  - Permanent increase of $1.5B/yr. to the E-rate program
  - Appears to be in addition to the temporary infusion of $1B/yr. for FY2015 and FY2016
  - Approx. $4.9B in FY2015 and FY2016, $3.9B afterwards

Available Funding (estimated)
E-rate 2.1: Rural Definitions

- Rural definitions updated:
  - Census areas with under 25,000 people to be rural
  - Census areas with 25,000 or more people are urban

Fiber Eligibility

- 12/11/14 Order contains language equalizing treatment between dark and lit fiber
- Order text not yet available so details are somewhat lacking
- E-rate will add up to 10% additional funding if state funds 10% of the cost of fiber construction
  - Entirely new so unclear what will happen in IN, but worth watching/considering
- Some changes in 2015, some in 2016 – updates as the order becomes available
Category 2: Budgets, MIBS, and Procurement

Indiana State Library
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The New Category 2

- Priority 2 (P2) renamed Category 2 (C2)
- C2 will be funded after all Category 1 (C1) is funded
- C2 funding will start with the highest discount entities and work its way down (90% first, then 80%, etc.)
- Unlikely all C2 will be funded but significantly increased available funding should mean funding will reach more entities
- Eligible services refocused on data transmission
- NIFs are not eligible for C2
- All C2 services now linked to entity-specific budgets (more on this later!)
E-Rate Update and Category 2 Webinar on December 18, 2014

Slide 11

The Old Priority 2
What services were eligible under the old Priority 2 system?

<table>
<thead>
<tr>
<th>Before E-rate 2.0: Priority 2 (simplified)</th>
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<tbody>
<tr>
<td>Routers</td>
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<td>Wireless Access Points</td>
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<td>Software</td>
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</tbody>
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Slide 12

The New Category 2
What services are eligible under the new Category 2 system?

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<td>Basic Maintenance*</td>
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<tr>
<td>Caching</td>
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Category 2: Eliminated Services

- What are the services that were eliminated?
  - Elimination of voice-related devices, such as PBXs
  - Elimination of video-related devices, such as PVBXs and Video Components
  - Elimination of servers (except for caching)

Category 2: New Services

- What are the new services that are eligible?
  - Caching – little detail released, but caching servers and devices appear to be eligible
  - Managed Internal Broadband Services
    - FCC invented term and category
    - Grows out of the “managed wi-fi” services offered by many companies
    - Extends to all network components
Slide 15

**Understanding Category 2 Budgets**

- New budget system applies *only* to Category 2 services (Internal Connections and Basic Maintenance of Internal Connections)
- Replaces the old 2 in 5 rule (at least for the next 5 years)
- Five year budget based on the size of the library outlet (for schools, based on enrollment)
  - $2.30/sq. ft. over five years *pre-discount*
  - Minimum budget for a library is $9,200
  - Library outlets of 4,000 sq. ft. or less use the minimum
  - Some urban libraries will have a $5.00/sq. ft. over five years pre-discount budget (details TBD, appears to affect libraries serving over 250,000 people only)

Slide 16

**Understanding Category 2 Budgets**

- Budgets cover a rolling five year period and are recalculated annually based on enrollment and square footage and can go up or down
- Funding commitments in FY2015 count against the budget for the next four years
- Products or services ordered in excess of budget will not be funded
- Initially presented as a two year pilot program, extended for 5 years by 12/11/14 Order
Understanding Category 2 Budgets

- Category 2 budgets are calculated on an outlet or branch basis rather than a system basis
- Non-instructional facilities (NIFs) – including administrative buildings – do not get Category 2 budgets
  - If equipment shared by library branches is located in a NIF, the branches can allocate some of their funding toward the NIF for that equipment
  - Services for the NIF itself should be allocated out as ineligible
- Library systems cannot average or join budgets across multiple outlets, and unused funds cannot be rolled from one outlet to another

Calculating Budgets

- Library budgets are calculated by multiplying the square footage of the library (inside the walls) by $2.30 (or $5.00 for some large urban libraries)
  - Minimum budget is $9,200
  - Square footage available from IMLS at http://www.imls.gov/research/public_libraries_in_the_united_states_survey.aspx
    - This data may be incorrect!
    - Can use other sources, just document it for your files
Calculating Budgets

- Example 1: Library A is a 6,000 sq. ft. library
  - C2 budget is $13,800 over five years
- Example 2: Library B is a 2,500 sq. ft. library
  - C2 budget would be $5,750.
  - HOWEVER, this is under the minimum, so budget is $9,200.
- Remember that these budgets are pre-discount

Slide 20

Documenting Budgets

- USAC expected to have a tool available to track budgets starting in FY2016
- Item 21 attachment will allow allocation of budget between multiple entities
  - Straight line (all entities share equally)
  - Proportional (based on sq. footage)
  - Specific (each entity has a specified share)
- For now, be sure to keep your own records of how (and why) budgets are allocated
- When budgets are allocated between entities, allocation must be based on tangible criteria leading to a reasonable result
Budget Purchasing Example

- Library A (pre-discount budget $13,800) qualifies for a 70% discount and wants to purchase $10,000 in wireless access points in FY2015
  - Once approved, Library A has $3,800 remaining for the next four funding years
  - Library A receives $7,000 in E-rate discounts/reimbursements on the purchase of the APs ($10,000 x 70%) and has an “out of pocket” expense of $3,000
  - $10,000 is restored to Library A’s C2 pre-discount budget in FY2020

Library B (pre-discount budget $9,200) qualifies for a 70% discount and wants to purchase $10,000 in wireless access points.

- Once approved, Library B has $0 remaining for the next four funding years
- Library B receives $6,440 in E-rate discounts/reimbursements on the purchase of the APs ($9,200 x 70%) and has an “out of pocket” expense of $3,560
- $9,200 is restored to Library B’s C2 pre-discount budget in FY2020
Budgeting Shared Services

Library A (6,000 sq. feet) and Library B (2,500 sq. feet) apply to share a $1,000 wireless controller.

<table>
<thead>
<tr>
<th>Straight Line</th>
<th>Proportional (Sq. Ft.)</th>
<th>Specific</th>
</tr>
</thead>
<tbody>
<tr>
<td>A = $500</td>
<td>A = 6,000/8,500 x $1,000 = $705.88</td>
<td>A = 80% = $800</td>
</tr>
<tr>
<td>B = $500</td>
<td>B = 2,500/8,500 x $1,000 = $194.12</td>
<td>B = 20% = $200</td>
</tr>
<tr>
<td>TOTAL: $1,000</td>
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FCC has given applicants the flexibility to choose the method that works best for the specific applicant. Must be able to justify the method selected!

Budgets in Future Years

- Budgets are five year rolling budgets
  - Funds are “restored” five years after the funding year in question
  - Funds are removed from the budget when they are committed (not when they are spent!)
  - Funds can be returned to the budget using the Form 500 to reduce or cancel and funding commitment
Managed Internal Broadband Services

- “A service is eligible for support as managed internal broadband services” if provided by a third party for the operation, management, and/or monitoring of the eligible components of a school or library local area network (LAN) and wireless LAN.

Managed Internal Broadband Services

- MIBS is subject to the budget constraints of all Category 2 services
- MIBS primarily focusing today on managed wi-fi
  - Expect lots of vendor interest on managed wi-fi today and managed network components in the near future
  - Pricing appears to be remarkably close to the budgets proposed
    - Some exceptions when procured in volume

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Category 2: Managed Wi-Fi vs. Traditional Wi-Fi

- **Traditional Wi-Fi**
  - Library owns and manages the access points on the library network
  - Management typically done through a wireless controller
- **Managed Wi-Fi**
  - Two major purchasing models: either library owns the access points and pays for management separately or service provider owns the APs and bundles the cost of APs and management
  - Management done through a virtual controller located offsite
- In both cases Wi-Fi typically shares the library’s Internet bandwidth

Category 2: Managed Wi-Fi vs. Traditional Wi-Fi

- **Traditional Wi-Fi**
  - One time capital expense
  - Sometimes an ongoing expense for warranties/updates
- **Managed Wi-Fi**
  - Possible one time expense
  - Sometimes an ongoing expense for warranties/updates
  - Ongoing management expenses
Slide 29

Major Vendors of MIBS and Traditional Wi-Fi

- Cisco
  - Meraki
- Aruba
- Aerohive
- Ruckus
- Meru
  - …and lots (and lots) of others

Slide 30

Category 2: Managed Wi-Fi

Procurement Guidance

- Prior to procurement, conduct a site survey if possible
  - Allows you much better information regarding what your Wi-Fi needs will be
- Can issue an RFP for greater control
  - Useful if there are existing infrastructure concerns
  - Also useful if needs are not easily described in Form 470
  - RFPs generally strongly recommended
E-Rate Update and Category 2 Webinar on December 18, 2014

Slide 31

Category 2: Managed Wi-Fi

Procurement Guidance

- RFPs may be required
- IC 5-22-7 requires the purchasing agent to bid public purchases unless another purchasing method is required or authorized, as follows:
  - IC 5-22-8-3 If the purchase is expected to be at least $50,000 but less than $150,000, the purchasing agent may invite quotes from at least three persons known to deal in the line or classes of supplies to be purchased.
  - IC 5-22-8-2 If the purchase is expected to be less than $50,000, the purchasing agent may make a purchase under the small purchases policies established or rules adopted by the library.
  - IC 5-22-9-1 The purchasing agent may award a contract using the request for proposal process in accordance with the purchasing policies of the library. No statutory dollar threshold is associated with this method.
- Each of these methods have certain statutory procedures which must be followed. In addition, the library should have its own purchasing policy which may supplement IC 5-22 and not be inconsistent with IC 5-22
- Consult Karen and/or your attorney for more information

Slide 32

Category 2: Managed Wi-Fi

Procurement Guidance

- RFP Benefits
  - Greater control of process
  - Greater specificity on services sought
  - Greater control over conditions/bid response formats
  - Easier to control flow of information to vendors
- RFP Drawbacks
  - Requires planning
  - Board approval of RFP
  - Additional time (e.g. Q&A)
  - Lots of extra work if little or no competition
Category 2: Managed Wi-Fi Procurement Guidance

- FCC 14-99: “We encourage districts to request bids in technologically neutral ways and compare the cost-effectiveness of bids for self-provisioned networks with those for managed Wi-Fi contracts. We also encourage schools and libraries considering managed Wi-Fi to evaluate the value of joining a consortium of schools and libraries to increase their buying power and drive down costs.”

E-rate Requirements for Internal Connections and MIBS

- Applicants can/should provide as much information as possible regarding requirements
  ◦ Services sought
  ◦ Infrastructure upgrades
- Pre-work beneficial (site survey, etc.)
- Seek bids on both managed and unmanaged
  ◦ PIA questions likely to reflect need to evaluate both
  ◦ Compare apples to apples to get most cost effective service
Category 2: Managed Wi-Fi

Procurement Guidance

- If not using an RFP…
  - Speak to your needs
  - Be as specific as possible
  - Leave yourself some flexibility

Example:*"
**Bid Evaluation Hints**

- Must use a bid evaluation matrix
- Price of eligible goods and services must be the most heavily weighted factor
  - Other factors can include (and are not limited to)
    - Compatibility with existing infrastructure
    - Price of ineligible goods and services (training, power, etc.)
    - Reputation of vendor
  - Use bid evaluation criteria to determine the most cost effective service for meeting your needs
- Not required to purchase low bid
- Document, document, document

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**State Master Contracts and Preferred Master Contracts**

- There are no current state master contracts covering MIBS so not available for FY2015
- FCC working on developing “preferred master contracts” for FY2016
- These master contracts will likely require a mini-bid evaluation process
- You have no control over a master contract and potential violations, so you may want to file your own 470 just to be safe
Questions?