

Wisconsin DPI E-Rate Modernization Order Highlights

The FCC released its long awaited 2014 E-rate Modernization Order ([FCC 14-99](#)) Wednesday, July 23, 2014. The major provisions of the 2014 E-rate Modernization Order reorients the E-rate program to focus on broadband services TO entities and for increasing connectivity and connectivity speed of internal networks WITHIN an entity.

Performance Goals and Measures for the New Order

Generally, the Order sets forth the following three goals, all of which were announced well in advance of the formal order:

1. **Ensuring affordable access to high-speed broadband sufficient to support digital learning in schools and robust connectivity for all libraries.**
2. **Maximizing the cost-effectiveness of spending for E-rate supported purchases.**
3. **Making the E-rate application process and other E-rate processes fast, simple, and efficient.**

Highlights to the new Order

Changes to P1, P2 and Focus on WI-FI

The old Priority 1 and Priority 2 designations are being replaced with “**Category 1**” and “**Category 2**” to make a clearer distinction and to establish separate funding targets for connectivity to buildings (“**C1**”) and connectivity to devices within buildings (“**C2**”):

- Beginning with FY 2015 (2015-16 School year) , Category 2 will cover only broadband distribution services and equipment including: routers, switches, wireless access points, internal cabling, racks, wireless controller systems, firewall services, uninterruptible power supply, and related software. Managed Wi-Fi, caching, and maintenance will also be eligible, at least for the first two years. **NOTE: Previously eligible P2 services such as servers, telephone switches, and VoIP components will no longer be covered.**
- The FCC is targeting at least \$1 billion per year in C2 discounts over the next five years. To allocate these funds, the FCC plans to replace the existing 2-in-5 restriction with a two-year test of a per-school or per-library budget limitation capping the amount of funding any one applicant can receive.

Eliminating, Phasing-Out, or Narrowly Defining Support for “Legacy” Services

The re-focusing on broadband connectivity both to and within schools and libraries will mean — and to a large extent be funded by — a concurrent phase-out of support for non-broadband or “legacy” services. In particular, as of 2015-16:

- Beginning in FY2015, E-rate support will be completely eliminated for: Paging -- Email -- Web hosting -- Voice mail -- Directory assistance -- Text messaging -- Custom calling features -- Direct inward dialing (“DID”) -- 900/976 call blocking -- Inside wire maintenance plans
- Beginning in FY2015, support for voice telephone services will be phased out over a 4 year period with discount rates for some services cut by 20% per year. Voice services are defined to include: Local and long distance phone service (often referred to as “POTS”) -- 800 service -- Satellite telephone -- Centrex -- Wireless telephone service (including cellular voice services) -- Voice over IP -- Circuits dedicated to providing voice services
- Support for individual cellular data plans will continue to be eligible, but only under narrowly defined conditions in which an applicant can show that a cellular data solution provides a more cost-effective solution for intra-building Wi-Fi coverage than a “robust wireless network.”

Maximizing Cost-Effectiveness

In line with the FCC’s goal to drive down the costs of broadband equipment and services, the Order does the following to make its cost and connectivity data more transparent:

- No more separate Item 21 attachments – now embedded in the FCC Form 471.
- FRN line items list all requested products and services.
- Pricing data will be publicly available
- Placing more emphasis to service providers that bids and pricing must conform to the Lowest Corresponding Price (“LCP”) requirements, and directs the FCC’s Enforcement Bureau to devote additional resources to investigate and enforce LCP.
- Encouraging Consortia Purchasing
- Technology plans will not be required for either Category 1 or Category 2 services.
- Electronic filings by applicants, and applicant notifications by USAC, will be required by FY 2017, but the process will start with FY 2015
- Modernizing USAC’s information technology systems, including the creation of “an online portal with pre-populated information for returning applicants and service providers.”
- Publishing “all non-confidential E-rate data in open, standardized, electronic formats.”
- Adopting “plain language” review correspondence.
- Extending the document retention requirements from five to ten years.

Changes to Discount Calculation and Rural & Urban Designation

Discount rates for districts will be based on the **district-wide percentage eligibility** of students rather than on a **weighted average of individual school discount rates**. For many districts, this will result in either an increase or decrease in their overall discount rate to the nearest “matrix” discount rate. The district discount rate will apply to all funding requests, even if a service is only being provided to a subset of the schools. Consortium discount rates will still be based on the average of their members’ discounts.

Other changes affecting discount rates include:

- The definition of “rural” and “urban” will now be based on U.S. Census data. The rural/urban classification for a district with schools in each category will be determined by the location of the majority of its schools.

- The discount rates for schools participating in the Community Eligibility Provision (“CEP”) program will be calculated using the same multiplier (currently 1.6x) of direct certification percentages used for free meal reimbursements.
- Household income surveys may still be used to identify eligible students, but discount rate extrapolations based on those surveys will no longer be permitted. This is bound to lower the discount rates of schools that have historically relied on the survey method.