

# FCC Seventh Report and Order

## *Schools and Libraries Universal Service Support Mechanism, WC Docket No. 13-184, Seventh Report and Order, FCC 14-99 (rel. July 23, 2014).*

### Introduction

The Seventh Report and Order, adopted July 11, 2014, examines the issues listed below in order to increase high-speed broadband access and to streamline and simplify the E-rate application process administered by the Universal Service Administration Company (USAC).

### Discussion and Results

#### *3 Goals for the E-rate Program*

Three main initiatives have been adopted to address increasing high-speed broadband accessibility, maximizing cost effectiveness and streamlining the E-rate process.

- Close the Wi-Fi gap in schools in libraries by ensuring they have access to affordable high-speed broadband.
- Maximize the cost effectiveness of E-rate spending.
- Make the E-rate administration and application processes fast, simple, and efficient.

#### *Target Goals and Measurements*

In order to track progress towards the overarching goals of the modernized E-rate, the following targets and measurements have been established.

- Immediate target goals for Internet Access and Wide Area Network (WAN) connectivity for schools are at least 100 Mbps broadband access per 1,000 students and WAN connections capable of providing dedicated data service scalable to 10 Gbps per 1,000 students.
- Target Internet Access For Libraries – at least 100 Mbps for libraries that serve less than 50,000 patrons and 1 Gbps for libraries that server 50,000 or more
- While the Federal Communications Commission (FCC) recognizes that there is not enough data to establish an official performance measure for libraries connected by a WAN, the Commission will measure the total number of libraries that have a connection capable of providing a data services scalable to 10 Gbps.
- The FCC has set a target goal for USAC to issue funding decisions for all “workable” funding requests by September 1<sup>st</sup> of each funding year.

#### *Funding for Broadband within Schools and Libraries*

Historically, the E-rate program has met the demand for services that provide connectivity to schools and libraries (previously known as priority one services); however, the program has struggled to provide adequate support for internal connections such as Wi-Fi networks (previously known as priority two services). In response, the current priority support system has undergone an overhaul.

- Previously known as Priority Two, internal connections and basic maintenance are now considered Category Two services, while services needed to provide connectivity are now Category One.
- The lowest contribution percentage for applicants will increase from 10% to 15% for Category Two services. This means that for Category Two (C2), the highest discount level is now 85%.
- Managed LAN/WLAN service and network equipment for caching functionality are newly eligible for Category 2 support, whereas equipment for phone systems is no longer eligible for E-rate support.
- C2 funding is now accompanied by 5-year applicant budgets:
  - For schools, the budget is \$150 (pre-discount) per student
  - For libraries, the C2 budget is calculated at \$2.30 (pre-discount) per square foot
- To benefit and protect smaller applicants, the minimum pre-discount budget amount for C2 services is \$9,200 over a 5 year period.
- For applicants that receive C2 support in Funding years 2015 and/or 2016, the 5 year budget cap will replace the current “2-in-5” rule.

$\begin{aligned} & \$150 \times \text{Total Enrollment} \times \text{Discount Rate} \\ & = \text{5-year School C2 Budget} \end{aligned}$
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$\begin{aligned} & \$2.30 \times \text{Square Footage} \times \text{Discount Rate} \\ & = \text{5-year Library C2 Budget} \end{aligned}$
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### *Phasing Out Support for Legacy Services*

In an effort to refocus the E-rate program on high-speed broadband connectivity, the Commission is either phasing-down or completely eliminating support for certain legacy services.

- Voice services, including plain old telephone service, cellular, and VoIP, will be phased down by 20 E-rate discount percentage points each funding year until the service is no longer eligible for E-rate support. Starting in 2015, an applicant who was at 90% will receive support at 70% for voice services, while a 20% applicant would no longer receive support for voice services.
- Support has been eliminated for outdated and non-broadband services such as directory assistance, text messaging, paging, call forwarding/blocking, voicemail, Email and Web Hosting.
- Mobile data plans and air cards will no longer be eligible, unless an applicant can prove that these options are the most cost-effective means for providing internal broadband at its site.

### *Maximizing E-rate Spending*

To maximize the cost-effectiveness of spending for E-rate supported services, the FCC is initiating rule changes to increase pricing transparency and encourage consortia and bulk purchasing.

- USAC will make information available regarding services and equipment purchased by schools and libraries on its website.
- Consortia applications will receive priority to complete the application review process more quickly. Consortium leads may seek bids on behalf of the consortium members, even without having the authority to purchase services.

### *Streamlining and Simplifying Administrative Requirements*

The FCC duly notes the need for more efficient processes to ease the administrative burden for applicants and vendors. With this in mind, a host of programmatic changes have been set in place.

- After the initial review of funding requests referencing a qualifying multi-year contract, applicants can receive expedited reviews of subsequent funding requests referencing the same contract. The contract cannot exceed 5 years and any changes must fall within the scope of the original Form 470.
- A technology plan is no longer required for any services beginning Funding Year 2015.
- Internet access service can be exempt from the competitive bidding process, beginning funding year 2015, if the following requirements are met: (1) it must be commercially available, business class service; (2) service speeds are at least 100 Mbps downstream and 10 Mbps upstream; and (3) the annual pre-discount price is \$3,600 or less, including one-time installation and equipment fees.
- Rather than the previous requirement for a fully-executed contract, now applicants only need to have entered into a binding agreement with a service provider and be able to provide evidence of the agreement to submit a Form 471. For example, supporting documentation could include a signed contract or bids listing terms of conditions with written acceptance of the offer.
- Service providers and applicants will be required to file all documents electronically with USAC. Notifications and correspondence from USAC will be completed electronically as well. This requirement will be implemented gradually over the next three funding years.
- The Commission encourages applicants to file waiver requests to seek E-rate support for direct connections between eligible schools and libraries.

### *Discount Rate Calculations*

In an attempt to simplify the method of calculating discount rates, modifications have been made to the calculation processes.

- Districts will have a single district-wide discount rate.
- Library Systems with branches or outlets in more than one school district will use the address of the central outlet to determine the school district in which it is included, and their corresponding discount rate.
- U.S. Census Bureau data will be used to designate applicant sites as “rural” or “urban”.
- Applicants participating in the Community Eligibility Provision of the National School Lunch Program (NSLP) can utilize the same approach for determining their E-rate discount as for determining their NSLP reimbursement rates.
- Beginning with Funding Year 2015, applicants that determine their discount rate based upon surveys are no longer permitted to use extrapolation to apply surveyed NSLP eligibility percentages to the entire student population. The eligibility percentage must be determined by the actual number of students which indicate NSLP eligibility on their surveys, and the entire student population.

*FCC Report and Order Series, #7. Date of Summary: September 9, 2014, © Funds for Learning, LLC.*

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### *Invoicing and Disbursements*

With increased efficiency for both USAC and E-rate stakeholders in mind, the invoicing and disbursement processes are amended to reflect the streamlining goal.

- Applicants that use the Billed Entity Applicant Reimbursement method, will be directly reimbursed for E-rate discounts by USAC beginning Funding Year 2016.
- The invoicing deadline remains 120 days after the last day to receive services or the FCC Form 486 Notification letter date. However, applicants are now only allowed a single 120-day deadline extension upon request.

### *Tribal Consultation, Training, and Outreach Program*

Recognizing the importance of Tribal participation in the E-rate program, the FCC has spearheaded initiatives to ensure that Tribal schools and libraries are able to effectively take part in the program.

- The Office of Native Affairs and Policy (ONAP), in coordination with WCP and the Office of Managing Director will conduct government-to-government consultation to identify current connectivity levels and determine the demand for E-rate support among Tribal schools and libraries.
- ONAP will provide Tribal-specific E-rate training to targeted Tribal schools and libraries.
- USAC is appointing a Tribal liaison to further assist with Tribal-focused outreach, training, and assistance.

### *Filing Appeals with USAC*

The FCC has identified a trend in which appeals are becoming back-logged as more opt to forgo petitioning USAC and appeal directly to the Commission.

- All appeals relating to actions made by USAC, including E-rate matters, must first be filed with USAC before seeking FCC review.
- Parties seeking a waiver of the FCC's rules must continue to seek relief directly from the FCC.

### *Additional Measures to Improve the Administration of the E-rate Program*

In addition to broadband speed reviews, publicly posting non-confidential E-rate data, and other rule changes, the Commission has taken strides to enable USAC to administer the Program effectively.

- USAC will continue to update its IT systems, including an online portal for E-rate applicants and service providers with pre-populated information for returning users.
- The FCC directs USAC to adopt simple, direct, and user-friendly communication practices.
- Previously held at 5 years, E-rate participants are now required to retain E-rate related documentation for at least 10 years.