State of Vermont *Agency of Administration*

Department of Libraries

109 State St. Tel: 802-828-3261

Montpelier, VT 05609-0601

**What’s New with E-rate?**

FCC Announces Major Changes to E-Rate Program

On July 11, 2014, the Federal Communications Commission (FCC) released a much anticipated modernization Report and Order to the current E-rate program. The major provisions of the FCC Order will reorient the E-rate program to focus on broadband services in order to secure affordable access to high-speed broadband for all schools and public libraries. The Order focused its restructuring around the following three goals:

1. Ensuring affordable access to high speed broadband to support digital learning in schools and robust connectivity for all libraries.

2. Maximizing the cost-effectiveness of spending for E-rate supported purchases, in particular broadband related services and equipment.

3. Making the E-rate application and other E-rate processes fast, simple and more efficient.

In the upcoming FY15 application year, libraries will be faced with a number of changes in the application process. The old Priority 1 and Priority 2 designations are being replaced with "Category 1" (C1) and "Category 2" (C2) in order to make a clearer distinction and to establish separate funding targets for connectivity. C1 will cover telecommunications and Internet access while C2 will focus on broadband services and equipment needed to deliver broadband inside the library.

Beginning with FY15, C2 will now cover routers, switches, wireless access points, internal cabling, racks, firewall services, uninterruptable power supplies and supporting software for all of these devices. The FCC is targeting at least $1 billion per year for C2 discounts over the next five years. In a further step, the FCC has eliminated the requirement for technology plans for organizations seeking C2 services.

The new Order gradually ends support for basic phone service, starting in 2015. Basic phone service includes local and long distance, plain old telephone service (POTS), Satellite telephone, Centrex, cellular service and VOIP. The phase-out of voice services will be accomplished by reducing an applicant's discount rate for those services by 20% per year. An applicant with an 80% discount rate will receive a 60% discount on voice services in FY15, 50% in FY16, 30% in FY17, 10% in FY18, and nothing for FY19.

Other changes that we can expect to see implemented in the coming year(s) include:

•Multi-year contracts (up to five years) will be reviewed in depth only in the first year.

•Beginning with FY16 Form 472 (BEAR) reimbursements will be made directly to applicants

•Extending the document retention requirements from five to ten years.

•Electronic filings by applicants and applicant notifications by USAC will be required by FY17.

•There will be no need to bid if a library purchases commercially available, business class Internet

•Applicants purchasing off a preferred master contract do not need to file an initial form 470.

An upcoming year of change can be expected as many details still need to be worked out regarding the implementation of the FCC Order.

For any assistance with these changes or any other questions about the E-rate program contact Michael Roche at the Vermont Department of Libraries. He can be reached at (802) 748-3428.