

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of
Modernizing the E-Rate Program for Schools and Libraries
WC Docket No. 13-184

ORDER

Adopted: December 9, 2019

Released: December 9, 2019

By the Chief, Wireline Competition Bureau:

I. INTRODUCTION

1. In this Order, the Wireline Competition Bureau (Bureau) adopts the final eligible services list for funding year 2020 for the schools and libraries universal service support program (more commonly referred to as the E-Rate program). Specifically, we adopt the proposed eligible services list attached to the Bureau’s Public Notice seeking comment on the proposed eligible services for funding year 2020, with limited changes further discussed below. In addition, we authorize the Universal Service Administrative Company (USAC) to open the annual application filing window within 45 days after release of this Order.

II. FUNDING YEAR 2020 ELIGIBLE SERVICES LIST

A. Background

2. Sections 254(c)(1), (c)(3), (h)(1)(B), and (h)(2) of the Communications Act collectively grant the Commission authority to specify the services that will be supported for eligible schools and libraries and to design the specific mechanisms for support. Pursuant to this authority, the Commission delegated responsibility to the Bureau to annually seek public comment on the proposed eligible services list.

1 The final funding year 2020 eligible services list can be found in Appendix A hereto. The Bureau annually updates the eligible services list, which specifies the services and products that are eligible for E-Rate funding each funding year. See 47 CFR § 54.502(a) (“[a]ll supported services are listed in the Eligible Services List as updated annually in accordance with paragraph (d) of this section); see also 47 CFR § 54.502(d) (detailing the procedures for seeking comment on the draft eligible services list).

2 Wireline Competition Bureau Seeks Comment on Proposed Eligible Services List for the E-Rate Program, WC Docket No. 13-184, Public Notice, DA 19-738, 1 (WCB 2019) (Funding Year 2020 Eligible Services List Public Notice).

3 See Modernizing the E-Rate Program for Schools and Libraries, WC Docket No. 13-184, Report and Order, FCC 19-117, para. 62 (rel. Dec. 3, 2019) (Category Two Report and Order) (waiving the 60-day requirement in 47 CFR § 54.502(d), which stipulates that the final eligible services list must be released at least 60 days prior to the opening of the application filing window).

4 47 U.S.C. §§ 254(c)(1), (c)(3), (h)(1)(B), (h)(2).

5 See 47 CFR § 54.502(d).

3. In the *Funding Year 2020 Eligible Services List Public Notice*, we sought comment on the proposed eligible services list for funding year 2020.⁶ While we did not propose substantive changes from the funding year 2019 eligible services list, we proposed adding language to explain the then conditional eligibility of three category two services⁷—managed internal broadband services, caching, and basic maintenance of internal connections.⁸ As we explained in the *Funding Year 2020 Eligible Services List Public Notice*, these services were, at the time, only eligible for support for certain applicants through funding year 2019.⁹ As such, we noted that if the Commission did not act on its proposal in the *Category Two Notice of Proposed Rulemaking* to extend the eligibility of these services before adoption of the funding year 2020 eligible services list, funding for managed internal broadband services, caching, and basic maintenance of internal connections would only be available to entities still operating under their five-year category two budget cycles in funding year 2020.¹⁰ The comment cycle for the *Funding Year 2020 Eligible Services List Public Notice* closed on September 18, 2019.¹¹

B. Discussion

4. Having considered the record, as well as the Commission’s recent decision to make permanent the eligibility of certain category two services for E-Rate program support,¹² we update the eligible services list for funding year 2020, which is attached as Appendix A to this Order. We remove the change proposed in the *Funding Year 2020 Eligible Services List Public Notice* regarding the conditional eligibility of managed internal broadband services, caching, and basic maintenance of internal connections. In addition, we decline to make any further changes to the eligible services list for the reasons discussed below.

5. First, we remove the explanatory language included in the proposed funding year 2020 eligible services list under the section titled “Eligibility Limitations for Category Two.” In the recently adopted *Category Two Report and Order*, the Commission made these services permanently eligible beginning in funding year 2020.¹³ As a result, the proposed explanatory language regarding their conditional eligibility is no longer necessary.

6. Second, we address a request for clarification regarding the eligibility of virtualized equivalents of eligible services or equipment.¹⁴ In 2014, the Commission recognized that some category two functionalities can be virtualized in the cloud and perform the same functions as eligible internal connections equipment, and stated that such services are eligible for E-Rate funding.¹⁵ Accordingly, only

⁶ *Funding Year 2020 Eligible Services List Public Notice* at 1.

⁷ Category two services provide connectivity within schools and libraries. *Category Two Report and Order*, para. 3.

⁸ *Funding Year 2020 Eligible Services List Public Notice* at 1.

⁹ *Id.* (citing *Modernizing the E-Rate Program for Schools and Libraries*, WC Docket No. 13-184, Report and Order and Further Notice of Proposed Rulemaking, 29 FCC Rcd 8870, 8918-20, paras. 123-30 (2014) (*2014 First E-Rate Order*)).

¹⁰ *Id.* (citing *Modernizing the E-Rate Program for Schools and Libraries*, Notice of Proposed Rulemaking, FCC 19-58, 6-7, para. 18, n.48 (2019) (*Category Two Notice of Proposed Rulemaking*)).

¹¹ *Id.* The Bureau received five comments and four reply comments in response to the *Funding Year 2020 Eligible Services List Public Notice*.

¹² *Category Two Report and Order*, paras. 18, 45.

¹³ We note that the eligibility of these services is effective upon Federal Register Publication of the *Category Two Report and Order*. *Category Two Report and Order*, para. 61.

¹⁴ Cox Reply Comments at 3-4; NCTA Reply Comments at 2.

¹⁵ *2014 First E-Rate Order*, 29 FCC Rcd at 8917, para. 119; see also *Modernizing the E-Rate Program for Schools and Libraries*, 30 FCC Rcd 9923, 9929-30, para. 19 (WCB 2015).

virtualized solutions that perform the functions of eligible broadband internal connections are eligible for E-Rate funding.

7. Third, we decline several requests that are beyond the scope of this proceeding. We remind applicants that the eligible services list process “is limited to determining what services are eligible under the Commission’s current rules and is generally not intended to be a vehicle for changing any eligibility rules.”¹⁶ Accordingly, we decline to address comments requesting that we add services to the eligible services list or modify the category of service under which a specific service is eligible.¹⁷ And we decline to address comments that recommended changes to program forms,¹⁸ which are the subject of a separate, on-going proceeding.¹⁹

III. ORDERING CLAUSE

8. ACCORDINGLY, IT IS ORDERED, that pursuant to the authority contained in sections 1 through 4, 254, 303(r), and 403 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151-154, 254, 303(r), and 403, sections 0.91 and 54.502 of the Commission’s rules, 47 CFR §§ 0.91 and 54.502, this Order is ADOPTED.

FEDERAL COMMUNICATIONS COMMISSION

Kris Anne Monteith
Chief
Wireline Competition Bureau

¹⁶ See, e.g., *Comment Sought on Draft Eligible Services List for Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Public Notice, 24 FCC Rcd 7422, 7423 (2009); *Wireline Competition Bureau Seeks Comment on Draft Eligible Services List for Schools and Libraries Universal Service Program*, CC Docket No. 02-6, Public Notice, 26 FCC Rcd 8714, 8718 (WCB 2011); *In the Matter of Schools and Libraries Universal Service Support Mechanism, A National Broadband Plan for our Future*, CC Docket No. 02-6, Order, 28 FCC Rcd 14583, 14588, para. 13 & n.37 (WCB 2013).

¹⁷ See, e.g., Cox Reply Comments at 1-4; NCTA Reply Comments at 1-2; National Rural Electric Cooperative Association (NRECA) Reply Comments at 3-4; State E-rate Coordinator’s Alliance (SECA) Comments at 6; Tim Jones Comment at 1; ApplianSys Comments at 1-3; NRECA Reply Comments at 4; SECA Comments at 9-10.

¹⁸ See, e.g., Funds for Learning Comments at 1-2; NRECA Reply Comments at 3-4; SECA Comments at 1-5.

¹⁹ See generally *Wireline Competition Bureau and Office of the Managing Director Seek Comment on Improving FCC Form 470 Drop-Down Menu*, WC Docket No. 13-184, Public Notice, DA 19-986 (WCB 2019).

APPENDIX A

**Eligible Services List for Funding Year 2020
Schools and Libraries Universal Service Support Mechanism**

WC Docket No. 13-184

The Federal Communications Commission's (FCC) rules provide that all services that are eligible to receive discounts under the Schools and Libraries Universal Service Support Mechanism (otherwise known as the E-Rate program or E-Rate) are listed in this Eligible Services List (ESL). 47 CFR § 54.502(a). The E-Rate program is administered by the Universal Service Administrative Company (USAC). 47 CFR § 54.5. Eligible schools and libraries may seek E-Rate support for eligible Category One telecommunications services, telecommunications, and Internet access, and Category Two internal connections, basic maintenance, and managed internal broadband services as identified herein. 47 CFR §§ 54.500 *et seq.*

Additional guidance from USAC about the E-Rate application process and about eligible services, including a glossary of terms, is available at USAC's website at <https://www.usac.org/e-rate/resources/glossary-of-terms/>. The documents on USAC's website are not incorporated by reference into the ESL and do not bind the Commission. Thus, they will not be used to determine whether a service or product is eligible. Applicants and service providers may refer to those documents, but they should do so only for informal guidance. This ESL applies to funding requests for Funding Year (FY) 2020.

Category One

The first category of supported services, Category One, includes the services needed to support broadband connectivity to schools and libraries. Eligible Category One services are listed in the entries for data transmission and/or Internet access. This category consists of the services that provide broadband to eligible locations including data links that connect multiple points, services used to connect eligible locations to the Internet, and services that provide basic conduit access to the Internet. With the exception of leased dark fiber and self-provisioned broadband networks, maintenance and technical support appropriate to maintain reliable operation are only eligible for support when provided as a component of these services.

Data Transmission and/or Internet Access

Data transmission and/or Internet access services are eligible in Category One. These services include:

- Asynchronous Transfer Mode (ATM)
- Broadband over Power Lines
- Cable Modem
- Digital Subscriber Line (DSL)
- DS-1 (T-1), DS-3 (T-3), and Fractional T-1 or T-3
- Ethernet
- Integrated Services Digital Network (ISDN)
 - *Note:* Dedicated voice channels on an ISDN circuit are no longer eligible.
- Leased Lit Fiber
- Leased Dark Fiber (including dark fiber infeasible rights of use (IRUs) for a set term)
- Self-Provisioned Broadband Networks (applicant owned and operated networks)
- Frame Relay
- Multi-Protocol Label Switching (MPLS)
- OC-1, OC-3, OC-12, OC-n
- Satellite
- Switched Multimegabit Data Service

- Telephone dial-up
- Wireless (e.g., microwave)

Notes: (1) Eligible costs include monthly charges, special construction, installation and activation charges, modulating electronics and other equipment necessary to make a Category One broadband service functional (“Network Equipment”), and maintenance and operation charges. Network Equipment and maintenance and operation costs for existing networks are eligible. All equipment and services, including maintenance and operation, must be competitively bid.

(2) Applicants that seek bids for leased dark fiber must also seek bids for leased lit fiber service and fully consider all responsive bids. Similarly, applicants that seek bids for self-provisioned broadband networks must also seek bids for the needed connectivity via services provided over third-party networks, and fully consider all responsive bids.

(3) Applicants may seek special construction funding for the upfront, non-recurring costs for the deployment of new or upgraded facilities. The eligible components of special construction are construction of network facilities, design and engineering, and project management.

(4) Staff salaries and labor costs for personnel of the applicant or underlying beneficiary are not E-Rate eligible.

Category Two

The second category of equipment and services eligible for E-Rate support, Category Two, includes the internal connections needed for broadband connectivity within schools and libraries. Support is limited to the internal connections necessary to bring broadband into, and provide it throughout, schools and libraries. These are broadband connections used for educational purposes within, between, or among instructional buildings that comprise a school campus (as defined below in the section titled “Eligibility Explanations for Certain Category One and Category Two Services”) or library branch, and basic maintenance of these connections, as well as services that manage and operate owned or leased broadband internal connections (e.g., managed internal broadband services or managed Wi-Fi). Category Two support is subject to per-school or per-library budgets as set forth in 47 CFR § 54.502. The eligible components and services in Category Two are:

Eligible Broadband Internal Connections

- Antennas, connectors, and related components used for internal broadband connections
- Cabling
- Caching
- Firewall services and firewall components separate from basic firewall protection provided as a standard component of a vendor’s Internet access service
- Racks
- Routers
- Switches
- Uninterruptible Power Supply (UPS)/Battery Backup
- Access points used in a local area network (LAN) or wireless local area network (WLAN) environment (such as wireless access points)
- Wireless controller systems
- Software supporting the components on this list used to distribute high-speed broadband throughout school buildings and libraries (applicants should request software in the same category as the associated service being obtained or installed)

Notes: (1) Functionalities listed above that can be virtualized in the cloud, and equipment that combines eligible functionalities, like routing and switching, are also eligible.

(2) A manufacturer’s multi-year warranty for a period up to three years that is provided as an integral part of an eligible component, without a separately identifiable cost, may be included in the cost of the component.

(3) Caching is defined as a method that stores recently accessed information. Caching stores information locally so that the information is accessible more quickly than if transmitted across a network from a distance. A caching service or equipment that provides caching, including servers necessary for the provision of caching, is eligible for funding.

Eligible Managed Internal Broadband Services

- Services provided by a third party for the operation, management, and monitoring of eligible broadband internal connections are eligible managed internal broadband services (e.g., managed Wi-Fi).
- E-Rate support is limited to eligible expenses or portions of expenses that directly support and are necessary for the broadband connectivity within schools and libraries. Eligible expenses include the management and operation of the LAN/WLAN, including installation, activation, and initial configuration of eligible components and on-site training on the use of eligible equipment.
- In some eligible managed internal broadband services models, the third-party manager owns and installs the equipment and school and library applicants lease the equipment as part of the managed services contract. In other cases, the school or library may own the equipment, but have a third party manage the equipment for it.

Basic Maintenance of Eligible Broadband Internal Connections

E-Rate support is available for basic maintenance and technical support appropriate to maintain reliable operation when provided for eligible broadband internal connections.

The following basic maintenance services are eligible:

- Repair and upkeep of eligible hardware
- Wire and cable maintenance
- Configuration changes
- Basic technical support including online and telephone-based technical support
- Software upgrades and patches including bug fixes and security patches

Eligibility Limitations for Category Two Services

Eligibility limitations for managed internal broadband services – The equipment eligible for support as part of a managed internal broadband service may include only equipment listed above as broadband internal connections. Upfront charges that are part of a managed service contract are eligible for E-Rate support except to the extent that the upfront charges are for any ineligible internal connections (e.g., servers other than those that are necessary to provide caching), which, if included in the contract, must be cost allocated out of any funding request.

Eligibility limitations for basic maintenance – Basic maintenance is eligible for support only if it is a component of a maintenance agreement or contract for eligible broadband internal connections. The agreement or contract must specifically identify the eligible internal connections covered, including product name, model number, and location. Support for basic maintenance will be paid for the actual work performed under the agreement or contract. Support for bug fixes, security patches, and technical support is not subject to this limitation.

Basic maintenance does not include:

- Services that maintain ineligible equipment
- Upfront estimates that cover the full cost of every piece of eligible equipment
- Services that enhance the utility of equipment beyond the transport of information, or diagnostic services in excess of those necessary to maintain the equipment's ability to transport information
- Network management services, including 24-hour network monitoring
- On-site technical support (i.e., contractor duty station at the applicant site), unless applicants present sufficient evidence of cost-effectiveness
- Unbundled warranties

Eligibility Explanations for Certain Category One and Category Two Services

Internet access/ISP service – Eligible Internet access services may include features such as basic firewall protection, domain name service, and dynamic host configuration when these features are provided as a standard component of a vendor’s Internet access service. Firewall protection that is provided by a vendor other than the Internet access service provider or priced out separately will be considered a Category Two internal connections component. Examples of items that are ineligible components of Internet access services include applications, content, e-mail, and end-user devices and equipment such as computers, laptops, and tablets.

Wireless services and wireless Internet access – As clarified in the *2014 Second E-Rate Order* (FCC 14-189), data plans and air cards for mobile devices are eligible only in instances when the school or library seeking support demonstrates that the individual data plans are the most cost-effective option for providing internal broadband access for mobile devices at schools and libraries. Applicants should compare the cost of data plans or air cards for mobile devices to the total cost of all components necessary to deliver connectivity to the end user device, including the cost of data transmission and/or Internet access to the school or library. Seeking support for data plans or air cards for mobile devices for use in a school or library with an existing broadband connection and WLAN implicates the E-Rate program’s prohibition on requests for duplicative services.

Off-campus use, even if used for an educational purpose, is ineligible for support and must be cost allocated out of any funding request.

Managed internal broadband services, such as managed Wi-Fi, are eligible only for Category Two support.

Connections between buildings of a single school – The classification of connections between multiple buildings of a single school is determined by whether the buildings are located on the same campus. A “campus” is defined as the geographically contiguous grounds where the instructional buildings of a single eligible school are located. A single school may have multiple campuses if it has instructional buildings located on grounds that are not geographically contiguous. Different schools located on the same grounds do not comprise a single campus. The portion of the grounds occupied by the instructional buildings for each school is a campus for that school.

- Connections between buildings on different campuses of a single school are considered to be Category One data transmission services.
- Connections between different schools with campuses located on the same property (e.g., an elementary school and middle school located on the same property) are considered to be Category One data transmission services, unless they share the same building.
- Connections between buildings of a single school on the same campus are considered to be Category Two internal connections.

Network equipment with mixed eligibility – On-premises equipment that connects to a Category Two-eligible LAN is eligible for Category One support if it is necessary to make a Category One broadband service functional. If the price for components that enable the LAN can be isolated from the price of the components that enable the Category One service, those costs should be cost-allocated out of the Category One funding request.

Miscellaneous

As described below, various miscellaneous services associated with Category One or Category Two are eligible for support. Applicants should request eligible miscellaneous services in the same category as the associated service being obtained or installed.

Fees

Fees and charges that are a necessary component of an eligible product or service are eligible, including:

- Change fees
- Contingency fees are eligible if they are reasonable and a regular business practice of the service provider. Contingency fees will be reimbursed only if the work is performed.
- Freight assurance fees
- Lease or rental fees on eligible equipment
- Per diem and/or travel time costs are eligible only if a contract with a vendor for the eligible product or services specifically provides for these costs.
- Shipping charges
- Taxes, surcharges, and other similar, reasonable charges incurred in obtaining an eligible product or service are eligible. These types of charges include customer charges for universal service fees, but do not include additional charges for universal service administration.

Installation, Activation, and Initial Configuration

Installation, activation, and initial configuration of eligible components are eligible. These services may include:

- Design and engineering costs if these services are provided as an integral component of the installation of the relevant services
- Project management costs if these services are provided as an integral component of the installation of the relevant services
- On-site training is eligible as a part of installation services but only if it is basic instruction on the use of eligible equipment, directly associated with equipment installation, and is part of the contract or agreement for the equipment. Training must occur coincidentally or within a reasonable time after installation.