

# Category 2 FY2020 and FY2021 and On

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# A Look Back at FY2015 – FY2019

# FY2015-FY2019 Category 2 Rules

Schools are eligible to request E-Rate discounts on costs up to \$150 per student over five funding years (FY2015 – FY2019), while libraries are eligible to request discounts on costs up to \$2.30 or \$5.00 per square foot over the same period, depending on the location of the library

To provide sufficient funding for schools with low student counts and small libraries, a pre-discount funding floor of \$9,200 is utilized

Before the start of each funding year, the budget multipliers and funding floor are adjusted annually for inflation, but are not rounded

FY2019 budget multipliers = \$159.66 per student | \$2.44 or \$5.32 per square foot

FY2019 funding floor = \$9,793.04

Budgets are calculated per-student and per-square foot at the entity level, rather than at the school district or library system level

Applicants may request funding in one or multiple years and may use their budgets over a five-year funding cycle

# The FCC Releases a Reform Order

# Permanency of the Budget Approach

On December 3, 2019 the Federal Communications Commission released a Report and Order with a series of rules solidifying the implementation of Category 2 budgets

The Commission takes important steps in the Order to:

- (1) streamline processes to ensure more equitable, consistent distribution of support for small, rural schools and libraries within the existing E-Rate program budget for Category 2 services
- (2) simplify the Category 2 budgets
- (3) decrease the administrative burden of applying for Category 2 services

# FY2020: A Transition Year

# First Term Extends Through FY2020

The Commission has chosen not to implement the extensive changes that it is making to Category 2 budgets until FY2021 in an effort to not delay the opening of the FY2020 filing window or FY2020 funding commitments

Instead, FY2020 will in effect be treated as a sixth year of the initial five-year budget term (FY2015 – FY2019 → FY2015 – FY2020)

A prorated portion of Category 2 funding will be available to all applicants in FY2020, regardless of whether or not they spent all of their initial five-year budget

There are no significant changes to how applicants should apply for support for Category 2 services in FY2020

Budgets will continue to be school or library building specific for FY2020 (not district-wide or system-wide) and applicants cannot commingle building budgets except for shared central equipment which must be allocated reasonably among building budgets



# FY2020 Budget Formula

All individual FY2015 – FY2019 entity budgets will be increased for FY2020 by adjusting the budget multiplier and funding floor for inflation before calculating a 20% additive

## Formula

budget multiplier \* school building enrollment or square footage, minus any committed C2 funding since FY2015 (pre-discount amounts) for each entity



# Projected FY2020 Budgets

## Projected FY2020 Budget Calculations Adjusted for Inflation with the 20% Additive

|   | Schools<br>(per student)  | Libraries<br>(per square foot)   | Urban Libraries<br>(per square foot)   | Funding<br>Floor |
|---|---|--|--|------------------|
| <b>Projected*<br/>FY2020<br/>Budget</b> | \$195.63 budget multiplier x school building enrollment, less any committed C2 funding beginning in FY2015 (pre-discount amounts) for each school | \$2.99 budget multiplier x library square footage, less any committed C2 funding beginning in FY2015 (pre-discount amounts) for each library | \$6.52 budget multiplier x library square footage, less any committed C2 funding beginning in FY2015 (pre-discount amounts) for each library | \$11,998         |

*\* Unofficial projections based on an estimated 2.1% inflation adjustment*

*This is a one-time bump in available funding. Take advantage of it!*

# Changes Effective FY2021

# Summary of Changes Effective FY2021

- All applicants will begin fixed five-year budget cycles
- All budgets will be reset beginning in FY2021 and at the beginning of each new budget cycle
- Budget calculations will be district-wide and library system-wide rather than at the entity level (school or library)
- The funding floor for FY2021 – FY2025 is increased to \$25,000 and will adjust for inflation for each new five-year cycle
- Budget multipliers for FY2021 – FY2025 have been modified to \$167 per student for schools and \$4.50 per square foot for libraries and will adjust for inflation for each new five-year cycle

# All Budgets Reset in FY2021

All applicant budgets will be reset beginning in FY2021

Unspent funds from the previous six year FY2015 - FY2020 budget term will not rollover into FY2021

# Fixed Five-Year Budget Cycle

All budgets will be on a fixed five-year budget cycle

## Budget Cycles

Cycle 1: FY2021 – FY2025

Cycle 2: FY2026 – FY2030

Cycle 3: FY2031 – FY2035

...

Applicants may submit applications in any funding year during the five-year cycle

Unused funds from a previous five-year budget term will not rollover to the next term

# School District-Wide and Library System-Wide Budgets

School districts and library systems will now have a single district-wide or system-wide budget to administer – budgets are no longer tied to specific schools and libraries

The district or library system will have the flexibility to allocate Category 2 funding among its schools and libraries as it sees fit

# Student Counts

Student counts will be based on full-time enrollment only (not part-time)

Applicants will not be required to provide part-time enrollment numbers



# Updating Counts and Square Footage

Applicants will only be required to provide student counts and library square footage once (calculated at the time that the discount is calculated that funding year) during a five-year funding cycle for the purposes of calculating the budget. Applicants will still need to annually update data for the purposes of calculating their E-Rate discount percentage.

## Required

Applicants **must validate** their student counts or library square footage for each school and library in the district or library system **in the first year** an applicant applies for Category 2 support during the relevant five-year cycle

## Optional

Applicants, if they **choose** to do so, **can update** their student counts or square footage information **in subsequent funding years** to reflect, for example, an increased budget due to increased student enrollment

Applicants are not required to do so, and can instead keep the student count and square footage information for the entire five years of the budget cycle

# Buildings Under Construction

School districts with buildings under construction will no longer be permitted to estimate the number of students for those buildings because those students will otherwise be accounted for in the district-wide budget by the district enrollment numbers

An independent school with its own entity-level budget will be allowed to estimate its enrollment numbers in order to be able to request funding while construction is underway, but if an applicant overestimates the number of students who enroll in that school, it must return to USAC any funding in excess of that which it was entitled based on the actual enrollment by the end of the next funding year

# Non-Instructional Facilities

Non-instructional facilities will continue to be ineligible for Category 2 funding

Applicants requesting funding for equipment to be shared district-wide but housed in a non-instructional facility will need to deduct the cost of the non-instructional facility's use of the shared network equipment

# Funding Floor

The funding floor is increased to a pre-discount level of \$25,000 over the five-year budget cycle beginning in FY2021

A one-time adjustment for inflation will be announced at least 60 days prior to each subsequent five-year cycle

# Budget Multipliers

## Schools

the per-student budget multiplier procedure will continue

**FY2021-FY2025**

Adjusted to \$167 per student

## Libraries

a single budget multiplier will be adopted for all libraries

**FY2021-FY2025**

Adjusted to \$4.50 per square foot

Budget multipliers will remain the same for the entire five-year budget cycle

A one-time adjustment for inflation will be announced at least 60 days prior to each subsequent five-year cycle

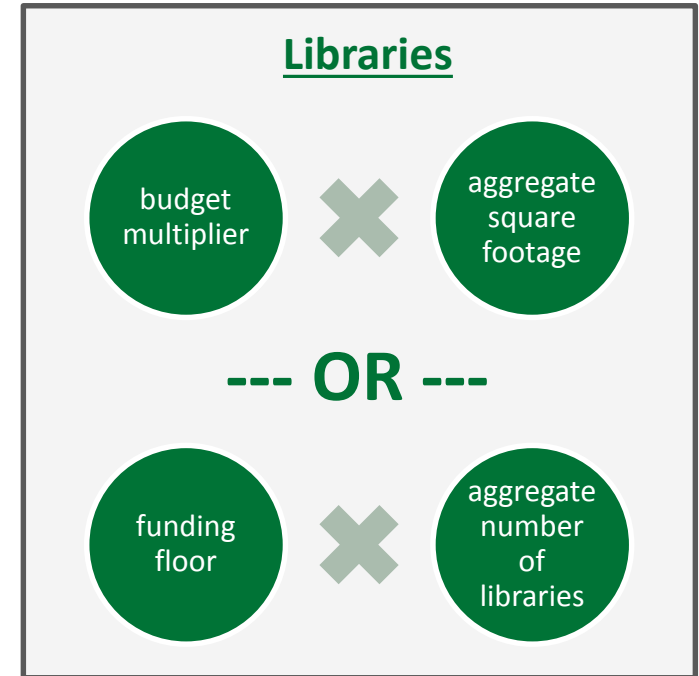
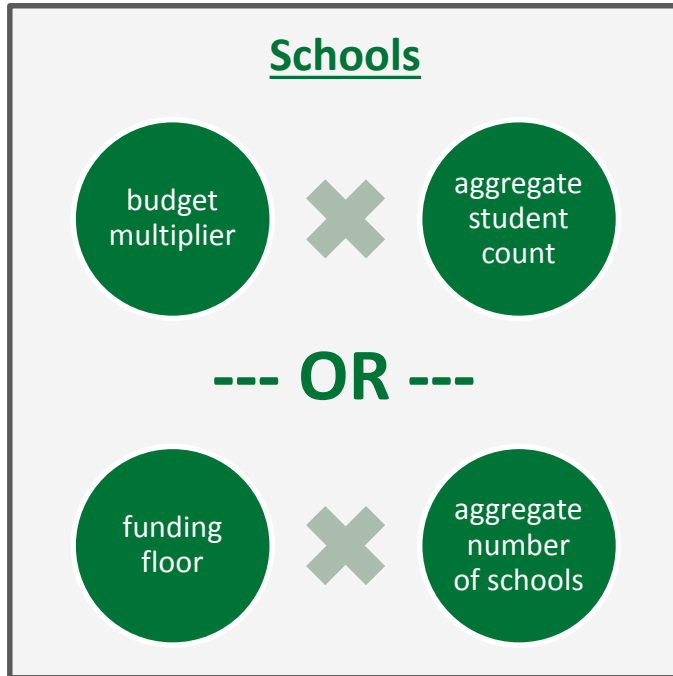
# Calculating Five-Year Category 2 Budgets

# Calculating Your Budget

School districts and library systems will calculate total budgets using their aggregate student count or square footage and the “aggregate funding floor” (the aggregate number of schools or libraries times the funding floor)

A school district or library system need only determine the aggregate number of students or square footage throughout the system as well as the total number of eligible schools and libraries in the system, without detailing the precise number of students or square footage attributable to any individual school or library

# Determine Which Value is Greater



The greater of these two calculations is your five-year school district-wide or library system-wide pre-discount budget



# District Budget Example

## FY2021-FY2025 Budget for School District A

| Aggregate Students | Schools    | Budget Calculation  |
|--------------------|------------|---|
| 10,000 students    | 15 schools | \$167 budget multiplier * 10,000 students<br>= <b>\$1,670,000 AGGREGATE DISTRICT BUDGET</b> |

# District Budget Example

## FY2021-FY2025 Budget for School District B

| Aggregate Students | Schools     | Budget Calculation  |
|--------------------|-------------|---|
| 10,000 students    | 100 schools | aggregate calculated budget:<br>$\$167 \text{ budget multiplier} * 10,000 \text{ students} = \$1,670,000$<br><br>aggregate funding floor:<br>$\$25,000 \text{ funding floor} * 100 \text{ schools} = \$2,500,000$<br><br>the calculated budget is less than the aggregate floor<br><br><b>→ \$2,500,000 DISTRICT BUDGET</b> |

*the funding floor only comes into play if the aggregate budget for the district would fall under the aggregate funding floor for the district*

# Small District and System Exception

An exception is available for small school districts and library systems that have **10 or fewer sites**

Applicants with 10 or fewer sites **have the option** to calculate their budgets on a **per-site basis** by adding together the budgets of each eligible site within the district or library system

This allows applicants to take advantage of the higher amount for each building (the funding floor versus the budget multiplier \* enrollment or square footage)

***This optional exception applies to most but not all Maine school district applicants***

***Count all of the schools that are in your entity list in EPC to determine your eligibility for this hybrid approach***

# Small District Budget Example (10 or fewer entities)

## FY2021-FY2025 Budget for School District C

| School   | Students     | Budget Calculation   |
|----------|--------------|--|
| School 1 | 200 students | \$167 budget multiplier * 200 students = \$33,400  |
| School 2 | 200 students | \$167 budget multiplier * 200 students = \$33,400  |
| School 3 | 200 students | \$167 budget multiplier * 200 students = \$33,400  |
| School 4 | 100 students | \$167 budget multiplier * 100 students = \$16,700<br>→ adjusted to funding floor of \$25,000 |
| School 5 | 100 students | \$167 budget multiplier * 100 students = \$16,700<br>→ adjusted to funding floor of \$25,000 |

$\$33,400 + \$33,400 + \$33,400 + \$25,000 + \$25,000 = \mathbf{\$150,200 \text{ DISTRICT BUDGET}}$

*Schools with fewer than 150 students in a district of 10 or fewer entities would adjust to the funding floor*

# A Typical Maine District Calculation

assuming the district has 10 or fewer entities

## STEP 1

- For schools with fewer than 150 students, multiply number of schools x \$25,000

## STEP 2

- Multiply enrollment of all other schools x \$167

## STEP 3

- Add totals of steps 1 and 2 for district C2 budget



# Independent School Budget Examples

## FY2021-FY2025 Budget for School A

| Students     | Budget Calculation  |
|--------------|---|
| 300 students | $\$167 \text{ budget multiplier} * 300 \text{ students}$<br><b>= \$50,100 SCHOOL BUDGET</b> |

## FY2021-FY2025 Budget for School B

| Students    | Budget Calculation   |
|-------------|--|
| 50 students | calculated budget:<br>$\$167 \text{ budget multiplier} * 50 \text{ students} = \$8,350$<br><br>funding floor:<br>\$25,000 funding floor<br><br>the calculated budget is less than the aggregate floor<br><br><b>→ \$25,000 SCHOOL BUDGET</b> |

# Independent Library Budget Examples

## FY2021-FY2025 Budget for Library A

| Square Footage     | Budget Calculation  |
|--------------------|---|
| 10,000 square feet | $\$4.50 \text{ budget multiplier} * 10,000 \text{ square feet}$<br><b>= \$45,000 LIBRARY BUDGET</b> |

## FY2021-FY2025 Budget for Library B

| Square Footage   | Budget Calculation  |
|------------------|---|
| 1500 square feet | calculated budget:<br>$\$4.50 \text{ budget multiplier} * 1500 \text{ square feet} = \$6,750$<br><br>funding floor:<br>\$25,000 funding floor<br><br>the calculated budget is less than the funding floor<br><br><b>→ \$25,000 LIBRARY BUDGET</b> |

# Other Category 2 Changes



# Eligible Services

Managed internal broadband services, caching, and basic maintenance of internal connections are made permanently eligible beginning with FY2020

# Equipment Transfer Rule

Effective for FY2021, the rules are modified to allow districts and library systems to transfer equipment between schools within a district and libraries within a system

Transferors no longer must notify USAC of the transfer, but both the transferor and recipient must maintain detailed records documenting the transfer and the reason for the transfer for a period of five years as required by the Commission's rules

Applicants are still required to maintain asset and inventory records of equipment purchased and the actual locations of such equipment for a period of 10 years after purchase