

Analysis of FY 2007 Eligible Services

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The FCC has recently released guidance for the eligibility of services and products for support through the E-rate program. This analysis is intended to highlight some of the major changes over last year's list and to clarify terms and definitions found in the eligible services list.

How the Eligible Services List Works

Every year, the FCC updates and approves a list of services for the E-rate program. On October 19, 2006, the FCC released the Eligible Services List (ESL) for E-rate Funding Year 2007. The ESL is meant to describe the product and service types that are eligible for E-rate support in the coming E-rate year. Unless otherwise ordered by the FCC, the addition or deletion of an item from the ESL is not meant to be retroactive to other funding years.

In addition to inclusion on the ESL, a product or service must be used in an eligible manner (e.g. critical for the delivery of voice, video, and/or data to the applicant) by eligible users at eligible locations in order to be considered for E-rate discounts.

Additions to Eligible Services

Interconnected VoIP

The addition of interconnected voice over the Internet protocol (VoIP) is the most remarkable change in eligibility over the last year. The FCC has established four criteria for a service to be an "interconnected VoIP" service. These are the service:

(1) enables real-time, two-way voice communications; (2) requires a broadband connection from the user's location; (3) requires Internet protocol-compatible customer premises equipment (CPE); and (4) permits users generally to receive calls that originate on the public switched telephone network and to terminate calls to the public switched telephone network.

A standard VoIP service could be anything from instant messaging to video conferencing where voice is carried over IP. The distinction between an interconnected and standard VoIP service is that the interconnected service contains the public switched telephone network (PSTN) component.

KVM Switches

The FCC has included Keyboard-Video-Mouse switches as eligible for FY 2007. These KVM switches are eligible insofar as they are used to connect otherwise eligible equipment. They are also only eligible if they are "cost-effective in comparison to the individual components that would otherwise be necessary." Essentially, if it is less expensive to have individual keyboards, mice, and monitors the KVM would not be considered eligible for support.

New Ineligible Services

Universal Service Administration Fees

In reviewing many applicants' phone bills, some include charges listed as "Universal Service Administration Fees" in addition to the standard "Universal Service Fees." These administration fees are being levied by some telecommunications providers to offset the cost to calculate and make their Universal Service Fund contributions to the FCC. The FCC has said that these additional administration fees are not eligible for support.

Clarifications and Changes

Overall Layout – Changed

If you are familiar with previous iterations of the ESL, you will notice that this year's ESL is substantially different in terms of layout. You may wish to take some time to familiarize yourself with the new layout of the document. In this

year's list, there is a glossary which defines many of the terms that are found within the main body of the ESL. This replaces individual descriptions within each entry in the main body of the ESL. The document now includes an index which lists the page(s) on which entries are listed.

Wireless Internet for Mobile Devices – Requirements Changed

The FCC's position on the eligibility of wireless Internet access to portable devices hasn't changed from last year. Wireless Internet services to portable devices have been eligible, provided that they are used for eligible purposes from eligible locations. In the past, the FCC has required that the applicant have an auditable system in place to ensure that the Internet access is used only from eligible locations and for eligible purposes. For the vast majority of applicants, this requirement essentially meant they could not seek reimbursement for these charges. For 2007, the FCC has removed the requirement that an auditable system be in place to ensure that these eligibility requirements are met. Applicants must adhere to these "eligible purposes/eligible locations" requirements if they are to receive discounts on these services.

Training – Requirements Changed

In the past, the eligible services list has indicated that training for system administrators to operate new equipment must take place concurrently with installation in order to be considered eligible for support. The FCC has recognized that in many cases this is neither feasible nor desirable.

The FY 2007 eligible services list now indicates that training must take place within a reasonable amount of time of installation. This modification to the rule to allow for training to occur within a reasonable amount of time provides system administrators to be trained at a more desirable or feasible time in relation to the installation of new equipment. The FCC hasn't specified what a reasonable amount of time is as it relates to installation.

Funds For Learning believes that if this "reasonable time" factor is called into question, it will be considered on a case-by-case basis. Funds For Learning encourages applicants to have training conducted soon after the installation of new equipment.

Redundant Components – Clarification

The FCC clarifies that components that are "installed in standby mode, redundant, not active and online, or otherwise not an essential element in the transmission of information" within the applicant's site are not eligible. This strengthens the language previously used to bring clarity and encourage applicants to review the configuration and purpose of components within the network before requesting funding.

Summary

Funds For Learning encourages all E-rate stakeholders to fully review the Funding year 2007 eligible services list. A searchable version of the 2007 eligible services list is available in the resources section of Funds For Learning's website. The site can be accessed on the internet at www.fundsforlearning.com. To download the complete approved eligible services list, visit: www.universalservice.org/sl/tools/eligible-services-list.aspx.

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About Funds For Learning

Funds For Learning, LLC is the nation's leading E-rate Funding Compliance Services firm specializing in guiding E-rate applicants and service providers through the complex and ever-changing E-rate regulatory process. With over 70 years of combined E-rate experience in providing professional advice and assistance relating to the E-rate program, Funds For Learning exists to provide high-quality solutions for the needs of E-rate stakeholders. The company was established in 1997 and is headquartered in Edmond, Okla. For more information, visit www.fundsforlearning.com, phone 405-341-4140 or Email at communications@fundsforlearning.com.