



# E-Rate Modernization

## Changes Impacting K-12 Customers, Partners & Dell

NOTE: THIS DOCUMENT DOES NOT INCLUDE ALL PROPOSED CHANGES TO E-RATE. PLEASE REFER TO E-RATE MODERNIZATION ORDER & DRAFT ELIGIBILITY SERVICES LIST FOR DETAILS. OVERVIEW BELOW IS BASED ON INFO AVAILABLE AS OF SEPTEMBER 10, 2014. INFORMATION IS SUBJECT TO CHANGE PENDING FINALIZATION OF PROGRAM DETAILS AND ELIGIBLE SERVICES LIST BY FCC.

WHAT'S NEW	HOW DOES IT IMPACT US?
<b>NEW NOMENCLATURE</b> Wi-Fi is Category-2 now. [Previously it was Priority-2]	No impact. Just a name change to indicate Wi-Fi is no longer second priority
<b>THE FINE PRINT</b> \$1B is an annual target not a fixed allocation. \$2B over the next 2 years is available to Category-2 items but funds may be shifted to Category-1 if requests exceed Category-1 budget. This is very similar to previous funding process where Priority-1 (P1) was funded before Priority-2 (P2).	In spite of similar funding practices, changes to what is being funded in Category-1 indicate that Category-2 will get enough funding. Expect several funding requests for Wi-Fi. Ask your customers/prospects TODAY if they are planning to apply for E-rate, and provide guidance. Differentiate Dell against every WLAN vendor in the market that will be competing for the same business.
<b>FASTER RESPONSE</b> Target date for decision letters is Sept. 1 of the funding year. Previously, P1 requests received decisions in July-August, and P2 in November-March.	Customers will enjoy a shorter waiting time. Sales Teams – enjoy a shorter sales cycle!
<b>FUNDING CAP</b> Applicants can only request up to \$150 per student (for Category-2) over 5 years. Libraries limited to \$2.30/ square foot. Previously, there was no cap – only a two-in-five rule that is now eliminated. Two-in-five rule allowed schools to apply only up to 2 years in a 5 year period.	Customers may apply every year as their technology needs change as long as it is under \$150/student.
<b>FRESH START</b> The funding cap will be subject to a 5 year rolling budget starting FY2015.	Customers who may have received funds in recent years, can make a fresh start & still be eligible for more funds. Sales Teams – target recent customer deployments that may be ready to expand... low hanging fruit!
<b>FUNDING FLOOR</b> A minimum of \$9,200 (for Category-2) will be funded per school/library. Example: A 50-student school would be eligible for \$7,500 per the \$150/student funding cap, but will receive \$9,200 per the minimum rule.	Customers with lower student enrollments will get enough money for basic LAN/WLAN. Sales Teams – no impact.

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<b>NEW DISCOUNTING</b> Maximum discount for Category-2 in 85% to free up funds for more applicants. Previously 90%.	Customers receiving 86-90% previously will receive only 85% discount. No impact to customers previously receiving 85% discount or less.  Sales Teams – expect the impacted customers to negotiate harder.
<b>EARLY INSTALLATIONS</b> Category-2 Installations can begin on April 1 of funding year. Previously installations could only start July 1.	Customers can purchase & install as soon as school closes giving them more time.  Sales Teams – expect shorter sales cycle.
<b>PRICING TRANSPARENCY</b> USAC will publish all price & quantities of equipment and services purchased by schools districts.	Customers (& competitors) can see who bought what & at what price.  Sales Teams – should expect customers to negotiate hard, be able to explain volume discounting, and differentiate based on product/service/relationship.
<b>PREFERENCE FOR MASTER CONTRACTS</b> Applicants are encouraged to use Preferred Master Contracts determined by USAC to buy Category-2 equipment (not services) to avoid having to post a Form 470.  USAC is yet to publish the preferred master contract list.	Customers can eliminate the RFP process & choose a pre-negotiated master contract.  Sales Teams– need to ensure that current national contracts (WSCA & PEPPM) are on the preferred master contracts list, and find alternate methods to get visibility into E-rate applications.
<b>HOLD ON TO YOUR PAPERWORK!</b> Document retention for both applicants & service providers extended to 10 years. Previously, it was 5 years.	Customers, partners and Dell (for any direct sales) will have to retain documents for 10 years from date of install.
<b>PRODUCT/SERVICES ELIGIBILITY *</b> Category -2 eligible products include routers, switches, APs, internal cabling, racks, controllers, firewall services, uninterruptable power supply & supporting software. Previously eligible but now eliminated: servers, storage, telephony, video, etc.  *BASED ON DRAFT ELIGIBLE SERVICES LIST (ESL) PUBLISHED ON 08/04/14. SUBJECT TO CHANGE ONCE FINAL ESL IS PUBLISHED.	
<b>CLOUD SERVICES</b> “All related functionalities virtualized in the cloud are eligible.”	Customers may be more inclined to buying Cloud Wi-Fi.  Sales teams should be prepared to sell against cloud offerings.
<b>MANAGED WI-FI</b> Managed Internal Broadband is now eligible & includes Managed Wi-Fi, and operation, management, or monitoring of a LAN or WLAN.  Multi-year contracts can be signed, but multi-year funding will not be available.  Example: A customer can sign up for a 3 year contract, but can request funding for only 1/3 of the total subscription cost every year.	Customers with limited manpower are expected to opt for managed Wi-Fi.  Partners – should evaluate their ability to offer Managed Wi-Fi.
<b>MAINTENANCE</b> Basic maintenance will continue to be eligible, however it will be subject to overall school budget of \$150/student over 5 years.	Customers impact TBD.  Dell & Partners – no impact.

