



CASE EXAMPLE 1

Lit fiber with special construction



Form 470 & RFP

School District C is a 10-campus rural district in need of increased bandwidth. Although there are service providers offering lit fiber in the area, three of the district's campuses will require special construction in order to connect them. The district posts an RFP and Form 470 indicating that it is seeking a lit fiber solution.

District C has a **70% E-rate discount and a 10% commitment from the state for matching funds on special construction** and wishes to pay the non-discount share of special construction costs over four years. District C asks for the installment payment option as part of its RFP and Form 470. School District C asks respondents to separate out any special construction/non-recurring costs for fiber that must be newly built to meet the requirements.



Evaluation of Bid Options

School District C receives multiple bids. After evaluating the bids, School District C chooses Vendor Y as its solution. Vendor Y proposes a lit fiber WAN solution with a five-year contract. The vendor determines it must build 8 miles of new fiber to connect District C's outlying schools. Please see breakdown of cost for more details.



Form 471

District C files a 471 indicating it has selected Vendor Y and checks the state match availability box on the 471. The 471 passes the PIA (program integrity assurance) process and District C receives a positive funding commitment from USAC.

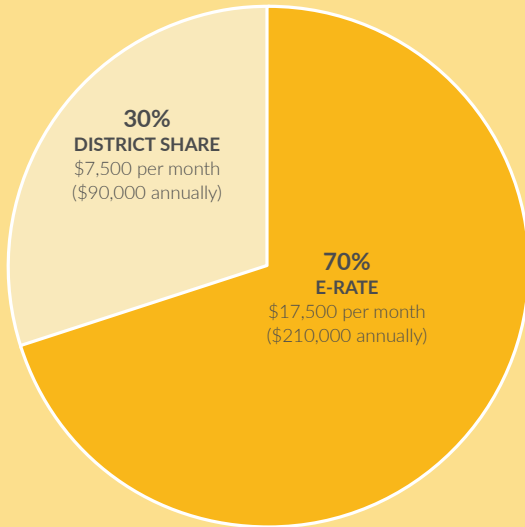
An overview of Vendor Y's solution

SCHOOL DISTRICT C HAS A 70% E-RATE DISCOUNT AND A 10% COMMITMENT FROM THE STATE FOR MATCHING FUNDS

Monthly Recurring Charges (MRC)

$$\begin{matrix} \$2,500 & \times & 10 & = & \$25,000 \\ \text{PER CONNECTION} & & \text{NUMBER OF CAMPUSES} & & \end{matrix}$$

Breakdown of monthly recurring charges

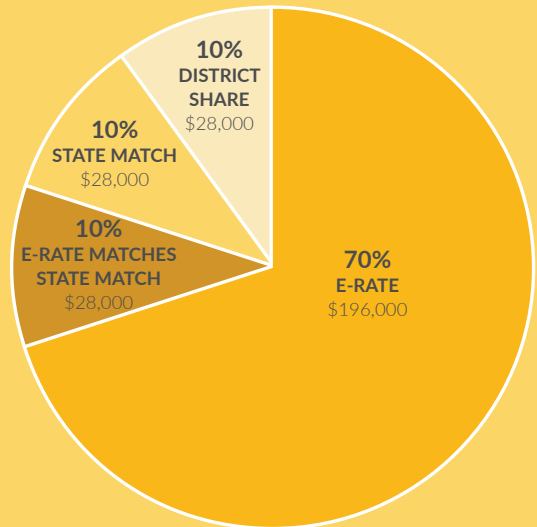


District C needs to apply for this funding each year, as it is a recurring Category One service, but will not be required to go out to bid for the four remaining years of the contract.

Special Construction Cost*

$$\begin{matrix} \$35,500 & \times & 8 & = & \$280,000 \\ \text{PER MILE} & & \text{MILES} & & \end{matrix}$$

Breakdown of special construction costs



Because of the 4-year installment plan** for the district, the district pays \$28,000 in 4 annual installments of \$7,000.

*Special construction projects deploy new fiber or upgraded facilities to E-rate Program eligible locations. Special construction charges are the upfront, non-recurring costs of such installations or upgrades. Special construction consists of three components: (1) construction of network facilities; (2) design and engineering; and (3) project management. Charges for network electronics needed to light the fiber, while eligible for Category One support, are not considered part of special construction.

**The Second E-rate Modernization Order gave applicants the flexibility through the 2018 E-rate cycle to pay the non-discounted portion of special construction costs in monthly or yearly installments over one to four years. Service providers are under no obligation to allow a district to pay the non-discounted portion of the special construction costs in installments.

Overview of District Share

	Year 1	Year 2	Year 3	Year 4	Year 5 Contract up for renewal
MRC	\$7,500 per month (\$90,000 annually)	\$7,500 per month (\$90,000 annually)	\$7,500 per month (\$90,000 annually)	\$7,500 per month (\$90,000 annually)	\$7,500 per month (\$90,000 annually)
Special Construction	\$7,000	\$7,000	\$7,000	\$7,000	—
Total cost for District C annually	\$97,000	\$97,000	\$97,000	\$97,000	\$90,000