Schools and Libraries (E-rate) Program
Category Two Budget Tool User Guide

TABLE OF CONTENTS

SCHOOLS AND LIBRARIES (E-RATE) PROGRAM

Category Two (C2) Budget Tool

Background

Starting in Funding Year (FY) 2015, requests for category two (C2) products and services – that is, internal connections, managed internal broadband services, and basic maintenance of internal connections – are limited to a pre-discount five-year budget for each school or library based on the number of students in the school or the number of square feet in the library.

A school or library can spend all of its C2 budget in one year or spread it out over any or all of the five years. Also, the school or library can use its C2 budget for products and/or services under one, two, or all three C2 service types.

C2 budgets are pre-discount. That is, the pre-discount cost of the products and/or services approved for E-rate discounts is charged against the C2 budget. C2 budgets are not based on the committed amount.

C2 budget calculations can change from funding year to funding year, as student counts go up or down or libraries expand or downsize. When reviewing applications, USAC compares the C2 budget calculated for the current funding year against commitments made for ALL funding years in the five-year budget period.

Here is an example of what could happen over an entity's first three funding years. Red School applies for C2 equipment with a pre-discount cost of $5,000 in FY2015, C2 equipment with a pre-discount cost of $10,000 in FY2016, and C2 equipment with a pre-discount cost of $5,000 in FY2017.

Funding Year	Student Count	C2 Budget Calculation	Comments
FY2015	100	100 x $150 = $15,000	USAC can approve Red's School's request for $5,000 in pre-discount costs for C2 equipment because that amount is less than the calculated C2 budget for FY2015.
FY2016	120	120 x $151.50 = $18,180	USAC can approve Red School's request for $10,000 in pre-discount costs for C2 equipment because that amount is less than the calculated C2 budget for FY2016 ($18,180) minus the $5,000 approved in FY2015.

FY2017	110	110 x $153.47 = $16,881.70	USAC can only approve $1,881.70 in pre-discount costs for C2 equipment in FY2017 because Red School has already used $15,000 of its five-year C2 budget ($5,000 in FY2015 and $10,000 in FY2016).

Determining the First Year of the Five-Year Budget

NOTE: FY2015 is the earliest funding year for which entities have C2 budgets. Approved pre-discount amounts for funding years before FY2015 do not affect C2 budgets.

For an **independent school** or **independent library**, the first year of the C2 budget is the first year in which the school or library receives a positive commitment from USAC on a C2 funding request.

For a **school district**, the first year of the C2 budget for ALL of the individual schools in the school district is the first year in which ANY individual school in the school district receives a positive commitment from USAC on a C2 funding request.

For a **library system**, the first year of the C2 budget for ALL of the individual library branches in the library system is the first year in which ANY library branch in the library system receives a positive commitment from USAC on a C2 funding request.

Consortia do not have C2 budgets. The five-year C2 budgets for individual consortium members may start in the same or in different funding years.

Non-instructional facilities (NIFs) – including NIFs with classrooms – do not have C2 budgets.

- If a NIF houses a piece of shared equipment that is essential to connecting schools or libraries to the Internet, the cost of that equipment can be allocated among the budgets of the individual schools or libraries that are sharing that piece of equipment.
- If the equipment is also used by the NIF itself, then an appropriate portion of the cost must be allocated to the ineligible NIF usage and removed from the funding request.

Residential facilities are not eligible for a separate C2 budget. However, if the residential facility is eligible for E-rate funding because it serves unique populations as set out in the FCC's Sixth Report and Order, the cost of the C2 products and/or services for the residential facility can come from the associated school's C2 budget.

Calculating C2 budgets

To calculate the C2 budget, the number of students in a school or the number of square feet in a library is multiplied by a specific dollar figure, which is adjusted each year for inflation.

If the C2 budget calculation results in a dollar figure below the budget floor for the funding year, the budget floor becomes the C2 budget amount for that funding year.

Entity Type	FY2015 Pre-Discount C2 Budget Calculation	FY2016 Pre-Discount C2 Budget Calculation	FY2017 Pre-Discount C2 Budget Calculation
Schools	(Total number of students) x $150.00	(Total number of students) x $151.50	(Total number of students) x $153.47
Libraries with IMLS Locale Codes 11, 12, or 21	(Total square feet) x $5.00	(Total square feet) x $5.05	(Total square feet) x $5.12
All Other Libraries	(Total square feet) x $2.30	(Total square feet) x $2.32	(Total square feet) x $2.35

Budget Floor	$9,200.00	$9,292.00	$9,412.80

All of the examples below use the values for FY2017.

Calculating the C2 Budget for a School

In FY2017, the C2 budget for an individual school is calculated by multiplying the total number of students by $153.47. If this calculation would result in a C2 budget of less than $9,412.80, the five-year budget for that school is set at $9,412.80.

The total number of students is the total of the number of full-time students and the maximum number of part-time students ("peak part-time students") at the same time during the school day. Students attending after-school activities or after-school events and students who attend a virtual class that originates at a school but who are not on the school premises cannot be included in the student counts.

Calculating the C2 Budget for a Library

First, determine the square footage of the library by totaling the square footage for all floors occupied by the library and enclosed by the outer walls of the library, including non-public

areas. Do not include patios or other outdoor spaces such as parking lots unless they are enclosed by the outer walls of the library.

- In FY2017, the C2 budget for more urbanized libraries is calculated by multiplying the total square footage of the library by $5.12. Libraries eligible for this higher budget per square foot have an Institute of Museum and Library Services (IMLS) locale code of 11, 12, or 21.
- The C2 budget for all other libraries (libraries with all other IMLS codes) is calculated by multiplying the total square footage of the library by $2.35.
- If the calculation for the library would result in a C2 budget of less than $9,412.80, the budget for that library is set at $9,412.80.

Allocating C2 budget Amounts for Shared Products and Services

Applicants should indicate the schools and/or libraries that share the products and services in a C2 Funding Request Number (FRN) line item and allocate the share of the cost for each entity. C2 funds must be spent for the specific school or library for which they are allotted. These funds cannot be shifted or averaged across a school district or library system.

Applicants can file an FCC Form 500 to return unused C2 funds. Unless funding is returned via an FCC Form 500, USAC will assume that the applicant is using the funding.

Important Notes about the C2 Budget Tool

- The C2 Budget Tool does not currently calculate the entity's remaining balance for FY2017. Applicants may calculate the remaining balance for an entity by determining the FY2017 pre-discount C2 budget and subtracting the total pre-discount amount that is displayed in the tool.
- The C2 Budget Tool is designed to assist applicants in determining the dollars remaining in an entity's C2 budget. It does not capture all data points at this time; however, PIA reviewers do have access to that information. For instance:
  o The tool will only subtract pre-discount dollars for committed FRNs from the C2 budget. Therefore, if an FRN is still pending from a prior funding year, the pending amount is not reflected in the remaining balance.
  o If you have an appeal pending for a denied FRN, the dollar value of the appeal appears in the Requested Pre-discount column but it is not subtracted from the C2 budget.
  o If you have filed an FCC Form 500 that is pending and that returns committed funds for an entity, the pre-discount amount is not added to the C2 budget.

Specific Instructions

1. In the **Entity Number** field, enter one or more Billed Entity Numbers (BENs) separated by commas. Then click **Lookup C2 Budget Status**.

You will see an error message if the BEN does not have a C2 budget (because it is the BEN for a school district, library system, consortium, or NIF), if the BEN is not found, or if the BEN's profile does not have sufficient information to calculate a C2 budget.

2. In the **Category 2 Budget Status** section, you will see your successful search results. When you click the plus sign ("+") to the left of an entity number, the C2 budget calculation for FY2015 and FY2016, the total approved pre-discount amount committed to date in FY2015 and/or FY2016, and the remaining balance in the C2 budget will appear for each funding year.

The C2 budget is calculated using the student counts and square footage from the most recently committed FCC Form 471. If there are no committed forms for a funding year, the student counts and square footage will be taken from the entity's profile in the E-rate Productivity Center (EPC). NOTE: Because there were no entity profiles in FY2015, the C2 budget line for FY2015 will be blank if no FCC Forms 471 were filed for FY2015.

C2 budget for FY2017. To calculate the amount remaining in your C2 budget for FY2017, calculate your C2 budget for FY2017 as described above, and then subtract the amount already committed (the amount labeled "Approved Pre-Discount" in the center of the budget line). NOTE: the amount already committed for previous funding years can change as a result of appeals, updated student counts, COMADs, and other adjustments made in those years.

3. To see the detail of the approved pre-discount amount charged against the C2 budget, click the plus sign ("+") below the budget summary. You will see the application number and the BEN that filed each FCC Form 471, followed by the individual allocations for that entity on the FRN line items from that form.

The first few digits of the FCC Form 471 application number identify the funding year:

- FY2015 forms start at "99" and go through "105."
- FY2016 forms always start with "161."
- FY2017 forms always start with "171."

Each FRN line item that features an allocation for the entity will appear and include the following information:

- **Requested pre-discount** is the pre-discount amount requested on the FCC Form 471 FRN line item for that entity.
- **Approved pre-discount** is the pre-discount amount approved by USAC on the FCC Form 471 FRN line item for that entity. If this amount is zero, check the FRN status.
- The **FRN Status** is Approved (for FY2015 only, Approved is displayed as Committed - full), Pending, Denied, or Canceled.