November 20, 2001

TO: **ALL EDUCATIONAL DISTRIBUTORS – U. S. ONLY**

**SUBJECT: E-RATE UPDATE – APPLICATION WINDOW 11/5/01
            THROUGH 1/17/02**

The application window for Year 5 E-Rate funding of 2.25 billion dollars is now! After January 17, 2002, you will no longer be able to apply for funding that will be dispersed through June of 2003. In general, the E-Rate program stays the same for the 5th year of funding, however, there are some notable changes in items that are eligible for funding.

Year Four Funding Summary - **(July 2001 through June 2002)**

$1.63 Billion of the possible $2.25 billion has been awarded as of 10/30/01. This figure is the total through "wave 7" of funding. There were 23 waves in year three.

Year Four Highlights (to date):

- Over 80% of dollars went to the district level, instead of individual schools.
- Only the 90% discount band (i.e., where 75% or more of the students qualify for the school lunch program) received discounts on "Internal Connections".
- Urban schools received 2/3 of funding dollars (versus Rural schools).

Breakdown of Money Distribution:

- Telecommunications Services: $665 Million.
- Internet Access: $211 Million.
- Internal Connections: $757 Million.

Year Five Funding - (July 2002 through June 2003)

Application Window: 11/5/01 through 1/17/01
Maximum annual funding allowed by law: $2.25 Billion

Below is a table of Rauland-product related components and their respective status with E-Rate eligibility rules. The Schools and Libraries Division updated their rules at the end of October 2001, and this table reflects those changes. This is Rauland's interpretation of what is and is not qualified for e-rate funding. The ultimate decision on eligibility rests with Universal Services' Schools and Libraries Division.

E-rate (Education rate) is a Universal Service Fund created by the FCC Telecommunications Act of 1996. This act established a $2.25 billion annual fund that is to be used to help schools and libraries pay for telephone and Internet access, as well as the internal connections that are needed. The money is supplied by telecommunications companies who are required to place a portion of their revenues into this fund. You may even notice this as an item on your monthly phone bill.

For more information about E-Rate, please visit the website for the Schools and Libraries Division: www.sl.universalservice.org/default.asp

Rauland-Borg's Interpretation of E-Rate Eligible Services and Products

Telecommunication Services

Service	Description	Eligible?
800 Service	1-800 numbers, including 888,877,866, etc.	Yes
911/E911 Trunks	Dedicated lines specifically for connection to a PSAP.	No
Phone Service	Including, POTS, T-1, Centrex, DSL, DID, ISDN, long distance charges, directory assistance, Custom calling services (3-way, call waiting, etc).	Yes
WAN	Wide Area Network, wireless WANs included. Only eligible when services are leased, not purchased. Technologies eligible include ATM, Frame Relay, T-1, ISDN, DSL, and Satellite.	Conditional
Distance Learning Circuits	Eligible if provided as a telecommunication service, not if services include content. Basically, video conferencing services.	Conditional
Interactive TV	The telecommunications circuit that provides "Interactive TV" is eligible, not eligible if the service provides content. Interactive TV is defined as "a means for a viewer to interact with the TV set…", including "…choosing a video film for viewing from a central back of films…". Be careful here – Media Retrieval is still not eligible and this is listed under services!!!	Conditional

Internet Access

Service	Description	Eligible?
Browser		No
Electronic Library	Or online public access catalog systems that charge a fee or any software associated with electronics libraries.	No
VoIP, VPN	Extra-cost services that go beyond basic access to internet. Such as fees for VoIP transport or VPN services.	No

Internal Connections

Service	Description	Eligible?
Bundled Products	Products that contain both eligible and ineligible components may be partially eligible if the manufacturer provides a cost breakdown of the components. Then the eligible components would be "eligible".	Conditional
Client Access Licenses	**THIS IS NEW!!!** **Client access licenses for a network operating system are eligible!!!**	**Conditional**
PBX/Centrex Console	One console with or without DSS qualifies for discount with each eligible PBX.	Conditional
E911 Hardware	Adjunct hardware for a PBX to access E911 service.	No
Electrical System Upgrades	Addition of electrical circuits and outlets to accommodate the addition of hardware. **For example, if a VoIP phone needs a wall power supply, any power rewiring would NOT be covered.**	No
Head-End Equipment	Head-End equipment for CAT/Video – originating point of signal in cable TV systems.	No
Intercom System	Stand-alone, not an integral part of a PBX.	No
LAN	Local Area Network.	Yes
Modems	Eligible if used with eligible components of internal connections.	Conditional
Monitors	One monitor per eligible server can be discounted.	Conditional
Paging Equipment	Amplifiers, speakers, etc.	No
PBX – wired and wireless	PBX and core operating system are eligible. Voice mail, E911, ACD, are not eligible unless they can not be sold separately and then they may be eligible.	Conditional
Racks, Power strips, UPS,	If sold as part of an eligible component.	Conditional
Routers	Eligible when used for an eligible purpose – like a LAN.	Conditional
Servers	Eligible servers: DHCP, Domain Name, Email, Terminal, and **Web Servers**. Ineligible: Firewall server, print server, proxy server, data warehouse server, caching server.	Conditional
Software	Operational software (software required for operation of eligible component) is eligible, not application (word processor, etc.) software.	Conditional
SMDR	Station Message Detail Recording.	No
Switches	A LAN or PBX switch (mechanical or electronic) that switches signal from one side to another.	Yes
Telephones	Digital, VoIP, analog, wireless, speaker phones.	No
Media Retrieval	Defined by the E-Rate people as "equipment used to capture and record video signal, including a computer, controller for record and playback function, and imaging and control software." I am not sure this really defines Media Retrieval…	No
MPEG Video Encoder (CODEC)	Eligible if used in the transport of information to eligible locations (classroom, library, etc.).	Conditional

Video Amplifiers/Channel Modulator	Not sure how this exactly differs from Head-End Equipment (see above), so be careful.	Yes
VPN components	Software and hardware to provide enhanced security features.	No
Voice Mail		No
VoIP	Internal connection components that are otherwise eligible (think LAN equipment – hubs, switches, WAN services). However, additional costs for services that provide VoIP capability are not eligible.	Conditional
Internal Wiring	Copper, fiber, coax, twisted pair, bays, jacks, blocks, panels, and terminals. Electrical wire is not eligible.	Yes

Miscellaneous

Service	**Description**	**Eligible?**
Dark Fiber	Not eligible unless leased by service provider and "lit" by applicant.	Conditional
Professional Services	Design & Engineering, Installation, Maintenance, Project Management, and Training. All of these can be eligible if associated with an eligible product/component or the installation of that product.	Conditional