

## What is Special Construction?

The Second E-Rate Modernization Order, also known as E-Rate 2.0 was implemented by the FCC to help streamline the E-Rate program, but it also introduced Special Construction!

**What is Special Construction?** | USAC, the Universal Service Administrative Co. defines Special Construction as the upfront non-recurring cost of deploying or upgrading network facilities to E-Rate eligible entities. E-Rate Special Construction covers the construction of network facilities, design and engineering, and project management. (Note: Special Construction does not cover network equipment.)

### Consider a Special Construction Offering?

**Here's How** | When releasing an RFP for your district's network needs, you must request Special Construction pricing options. That's All! This allows applicable vendors to include Special Construction pricing options in their bids. This is important as your district could obtain a brand new network at a hugely discounted price!

Special Construction is dependent on your district's E-Rate discount. Below is an example of a district with a 90% E-Rate discount.

<b>WANRack™</b>		<b>Leased Lit/ Dark Fiber</b>	
<b>Special Construction</b>		<b>Pre E-Rate</b>	<b>Post E-Rate Cost</b>
		\$1,000,000	\$100,000
<b>Monthly Recurring Cost</b>		<b>Pre E-Rate (ALL SITES)</b>	<b>Post E-Rate Cost (ALL SITES)</b>
Option A	10-Year	\$1,000	\$100
Option B	5-Year	\$1,050	\$105

As you can see, the district's Special Construction charge would be \$1,000,000 Pre E-Rate. But since they are a 90% district, the cost they are responsible for is \$100,000.

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## Can Special Construction be Paired with Additional Funding Opportunities, Such as State Matches?

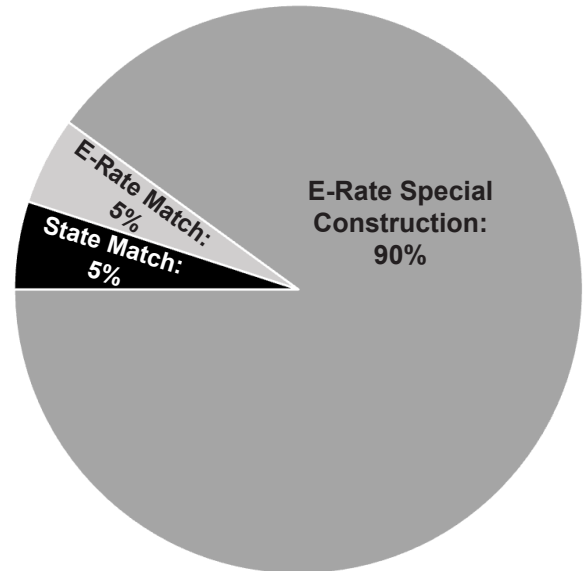
Yes! Absolutely!

### What is a State Match?

Some states have a Special Construction matching fund that can be used toward the deployment of a new broadband network. When a state contributes to a District's Special Construction project, the E-Rate program will match the state's contribution up to 10%. In some cases, District's utilizing these funds could see 100% of the one-time special construction costs covered! (Yay!)

Note: State Match Funds look different depending on your district's location. Here are two of the most popular forms of State Match Funds we have observed over the years!

Here is an example of How State Match funds work in conjunction with special construction!



WANRack™		Leased Lit/ Dark Fiber		
Special Construction	E- Rate Discount	State Match	E-Rate Match	Post E-Rate Cost
\$1,000,000	90%	5%	5%	0%
	\$900,000	\$50,000	\$50,000	\$0
Monthly Recurring Cost	Term Length	Pre E-Rate (ALL SITES)		Post E-Rate Cost (ALL SITES)
Option A	10-Year	\$1,000		\$100
Option B	5-Year	\$1,050		\$105

Districts can utilize State Match funds in conjunction with Special Construction. Using the example from up above, if the district's cost to build a new network is \$1,000,000, but they are a 90% district, meaning that they are only responsible for \$100,000 of the \$1,000,000 the district could then use state match funds, to assist in covering 5% and then E-Rate will then match another 5% totaling the remaining 10%. In this example, this construction project is completely paid for!

## State Match Programs

Here are two of the most popular forms of State Match Funds we have observed over the years!

### 1.) Fund the Gap/ Pay the Balance:

When a District utilizes Special Construction Funds, the state will, in return, contribute 10%, which E-Rate will match, and then the state will pay the remainder. Districts in states with the Fund the Gap State Match method can have their entire network build paid for! (This could be you!)

Districts E-Rate Discount	+	State Contribution	+	E-Rate Match	+	State Additional Contribution	=	Amount Owed By District
90%	+	5%	+	5%	+	N/A	=	\$0
80%	+	10%	+	10%	+	N/A	=	\$0
70%	+	10%	+	10%	+	10%	=	\$0
60%	+	10%	+	10%	+	20%	=	\$0
50%	+	10%	+	10%	+	30%	=	\$0
40%	+	10%	+	10%	+	40%	=	\$0

### 2.) The 10% Match

In this method, when the District utilizes Special Construction Funds, the state will pitch in 10%, and E Rate will match the state's contribution. What's different is the state won't front the additional fee as you see in the Fund the Gap method.

Districts E-Rate Discount	+	State Contribution	+	E-Rate Match	=	Amount Owed By District
90%	+	5%	+	5%	=	\$0
80%	+	10%	+	10%	=	\$0
70%	+	10%	+	10%	=	10%
60%	+	10%	+	10%	=	20%
50%	+	10%	+	10%	=	30%
40%	+	10%	+	10%	=	40%

### How can I utilize my State's Match?

Our team of experts at WANRack will assist you every step of the way since every state's process is a little different!

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