

VOICE OVER INTERNET PROTOCOL (VOIP)

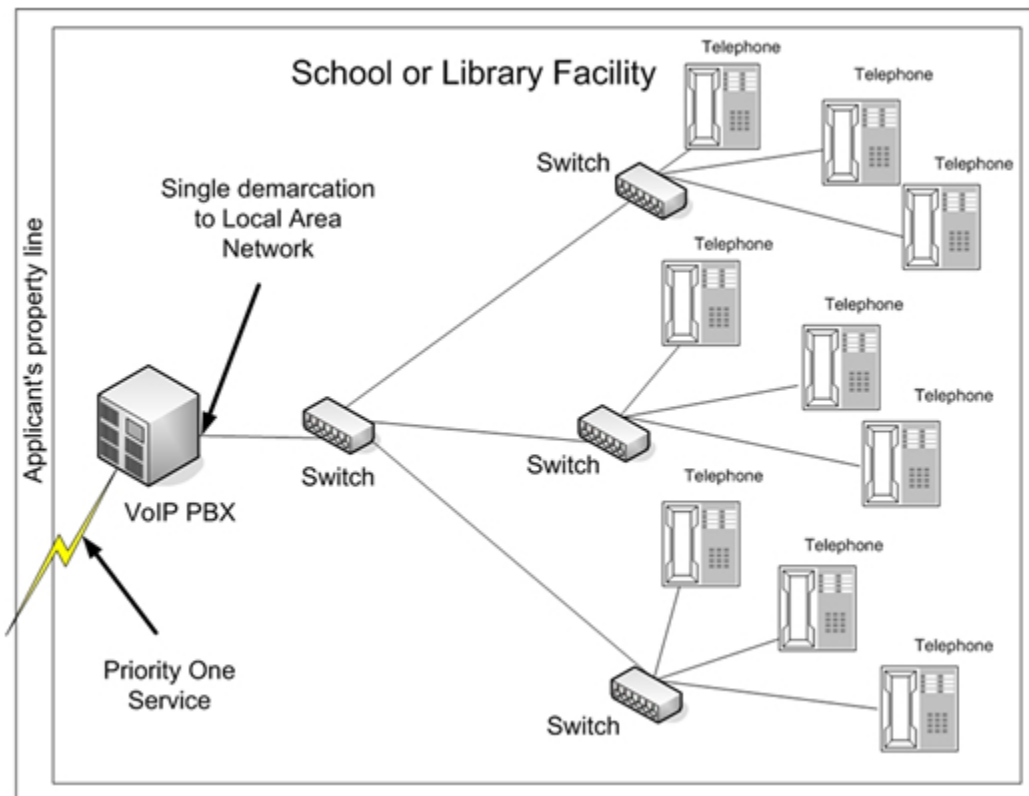
Voice over Internet Protocol (VoIP) is a technology that allows users to make phone calls using the same line as an Internet connection. This technology can replace your traditional phone service while providing the same calling features such as call waiting, three-way calling, caller ID, voicemail, etc.

The Federal Communications Commission (FCC) defines Interconnected VoIP as a service that (1) enables real-time, two-way voice communication; (2) requires a broadband connection from the user's location; (3) requires Internet protocol-compatible customer premises equipment (CPE); and (4) permits users generally to receive calls that originate on the public switched telephone network and to terminate calls to the public switched telephone network.

VoIP service can be eligible as Priority 1 Telecommunications Services or Internet Access. Eligible VoIP services include the costs for making phone calls and can also include features such as three-way calling, caller ID, and voicemail.

ELIGIBILITY OF VOIP

The purchase of a VoIP phone system is eligible as Priority 2 internal connections only. Purchased VoIP equipment, as with all internal connections, is only eligible as Priority 2, not Priority 1. The lease of an on-premise VoIP phone system (the "brains" of this service) is not eligible as Priority 1, but is eligible as Priority 2 (See sample diagram below).



A leased on-premise VoIP phone system is ineligible as Priority 1 because the internal communications network (in this case, the voice network) must remain functional without dependence on the leased equipment. If the on-

premise VoIP phone system were removed, the school or library would lose its ability to route calls within the building or campus, but would still maintain its access to the public switched telephone network, which is why it is eligible as Priority 2. For more information, refer to the Tennessee Order ([FCC 99-216](#), released August 11, 1999).

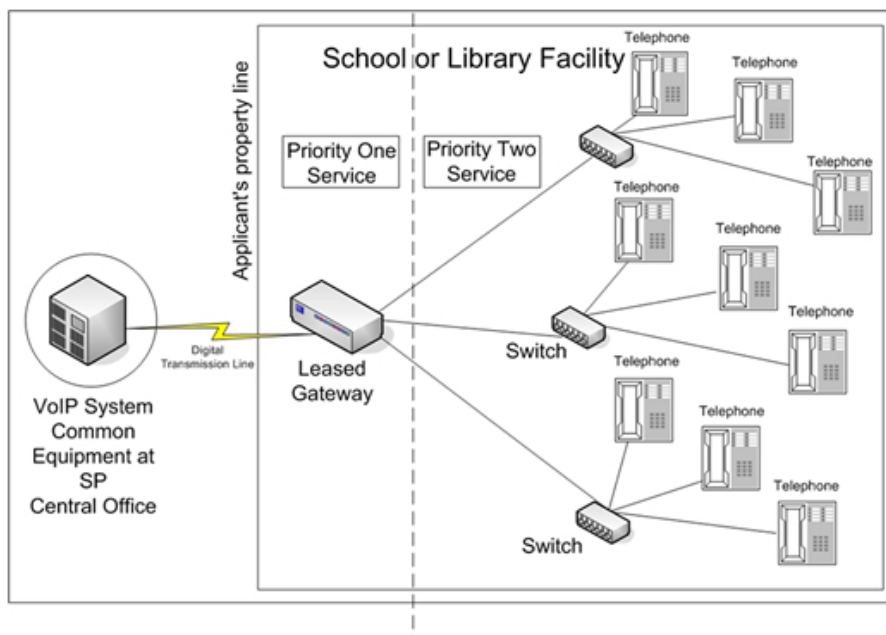
Beginning with Funding Year 2010, applicants requesting only VoIP services in the telecommunications services or Internet access categories are not required to prepare a technology plan, and the Children's Internet Protection Act (CIPA) does not apply to those services. However, applicants requesting bundled services such as Internet access with VoIP are still required to prepare a technology plan and to be compliant with CIPA.

VOIP GATEWAY ELIGIBILITY

Only the lease of a single basic terminating component is eligible as Priority 1. As established in the Third Report and Order ([FCC 03-323](#), released December 23, 2003), "...to the extent an applicant seeks to lease multiple terminating components, one would be deemed eligible for funding as a Priority One service and the remainder would be eligible for funding as Priority Two Internal Connections. Further, if an applicant seeks to purchase a single basic terminating component, it will be eligible for a discount only as Priority Two Internal Connections." Equipment such as channel service unit/data service units (CSU/DSUs), network interface devices, cable modems, and gateways are considered basic terminating components.

A gateway device located on the applicant premise may be included as part of an eligible Priority 1 service as a single basic terminating component. A gateway device is analogous to a CSU/DSU or a network interface device (NID) in that it functions as the termination point for a Priority 1 service. The internal communications network would fail if the gateway were removed and the gateway is necessary to access the public switched telephone network, so the gateway is considered a necessary component of end-to-end access to telecommunications service.

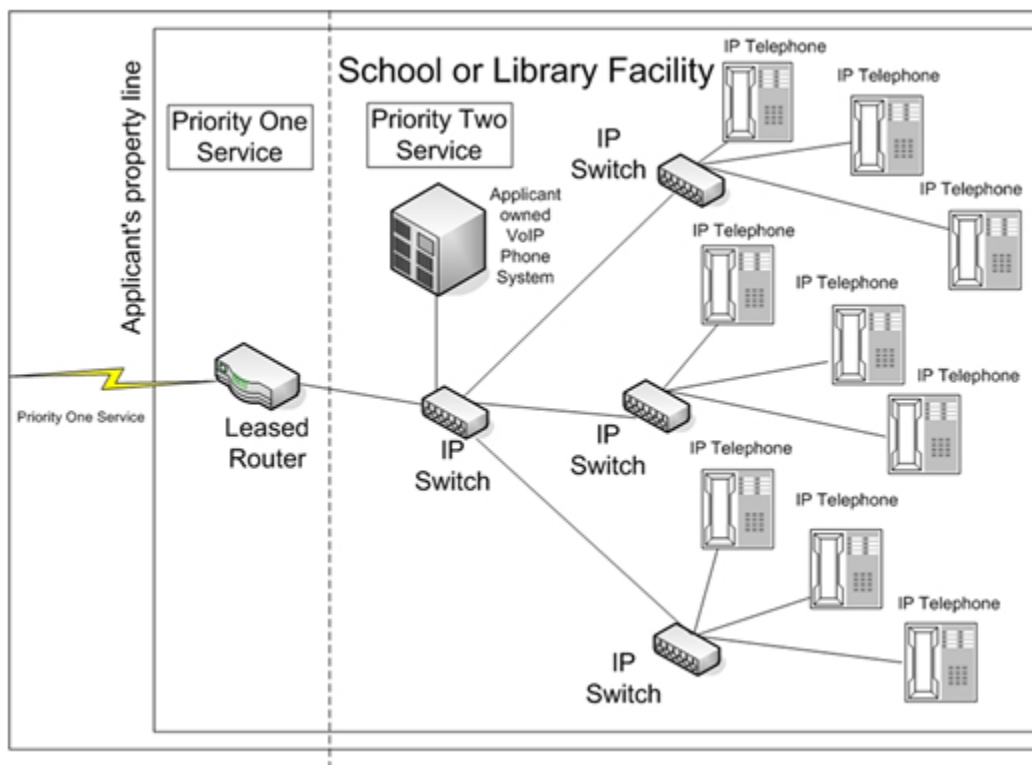
As an example, the diagram below shows the "brains" of the service located in the service provider's central office. This differs from other examples as here the VoIP phone system is located on the applicant's premise. In this diagram the gateway is eligible as Priority 1.



LEASED ROUTER ELIGIBILITY

Hubs, routers, and switches are not considered basic terminating components and are subject to the on-premise Priority 1 equipment conditions set forth in the Tennessee Order. If all of these conditions are not met, the equipment would be considered Priority 2 internal connections.

The diagram below is an example of a leased router that meets the on-premise Priority 1 condition that the voice network remains functional without dependence on the leased router. In the diagram, the VoIP phone system is owned by the applicant and not leased from the service provider. This configuration can be eligible as Priority 1 assuming the other conditions for on-premise Priority 1 equipment are satisfied.



END-USER EQUIPMENT

End-user handsets (telephone sets) and soft phones, leased or purchased, are not eligible for discounts as either Priority 1 or Priority 2. A soft phone is a piece of end-user application software that allows phone calls to be made using a personal computer microphone and speakers in place of a physical end-user telephone.