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August 5, 1999

Ms. Magalie R. Salas
Secretary
Federal Communications Commission
445 12th Street, SW, Room TW-A325
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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Re: Federal-State Joint Board on Universal Service: CC Dkt No. 96-45

Dear Ms. Salas,

On August 4, Mary L. Henze and Mike Stauffer of BellSouth, Ken Cartmell of US West, Jim Lambertson and Erika Hush of Bell Atlantic, Peter Carlson of Ameritech, and Barbara Stoll of Sprint met with Irene Flannery and Elizabeth Valinoti of the Common Carrier Bureau.

The purpose of the meeting was to discuss implementation of the Universal Service program for schools and libraries. The carriers discussed their experience with implementing the discount program in Year 1, addressed several issues associated with providing discounts on bills for Year 2, and offered suggestions for improving Year 3. All materials distributed during the meeting are attached.

This notice is being filed pursuant to Sec. 1.1206(b)(2) of the Commission's rules. If you have any questions concerning this filing, please do not hesitate to contact me.

Sincerely,



Mary L. Henze
Executive Director
Executive & Federal Regulatory Affairs

cc: I. Flannery
E. Valinoti

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Schools and Libraries Implementation

The LEC Perspective An Update

Introduction

Schools and libraries are important LEC customers; probably even more important than prior to implementation of e-rate.

Since 1997, LECs have been working with SLD to ensure discounting and reimbursement process works smoothly for everyone.

Program Year 1

1. Over past year we have met with FCC several times to discuss implementation issues
2. Expressed concern about delays and lack of guidance for service providers
 - SLD launched more industry outreach
 - Started work on service provider manual
 - Earlier access to data via E-RALE
 - Major form changes delayed to Year 3
3. Proposed BEAR reimbursement process
 - BEAR process has worked well
4. Committed to be ready to put discounts on bills
 - LECs have met commitment
5. What it has taken to get there
 - Processes – systems changes, process flows
 - People – new organizations, training
 - Costs - \$8 to \$12 million per LEC per year
 - Coordination with SLD/USAC
6. Significant progress on all fronts, however, improvements could not be made soon enough to keep Program Year 2 trouble-free

Program Year 2

1. Improvements in SLD processing of applications
2. However, FCDL waves did not begin until after start of program year; multiple causes
 - Extension of window
 - Setting of fund size
 - SLD audit, etc.
3. Shift to electronic processes is positive development
 - Initial problems with electronic FCDLs to service providers; first usable E-FCDLs received this week
4. Delay in waves means delay in discounts on bills

Status of Discounts on Bills

1. All represented LECs have the systems and procedures in place to put PY2 discounts on bills
2. But ability to do so is still dependent upon timely receipt of E-FCDL information from SLD
3. E-RALE helped us get head start but a lot of work remains
 - must receive E-FCDL
 - must receive grid information from customers
 - must wait for E-486 approval letters from SLD
4. LECs anticipated handling reasonable amount of retroactive credit via billing adjustments
 - Date and size of last waves will determine what is possible
5. Will take about two months from receipt of E-FCDL for customer to see discounts on their bill

Status of BEAR for Program Year 2

1. We understand that some service providers have requested BEAR for Program Year 2 because they are not ready to put discounts on bills.
2. In response, we understand that FCC is considering allowing BEAR for six months and requiring discounts starting in January 2000
3. Six-month BEAR presents unique problems and concerns
 - Customer confusion
 - PIA and cap management risk
4. Concerned that other service providers will not meet January deadline
 - Implementation is time intensive
 - Y2K is complicating factor
5. What are FCC options then?
 - Enforcement action?
 - Extend BEAR?

Program Year Two

July 1, 1999

Jan. 1, 2000

June 30
2000

BEAR

Discount?

- Jan 15
- receive bill
- fill out BEAR
- authorizing sig
- send to SLD

50 days

March 5

40d.
SPIF acceptance

April 15

true-up?

FY3
opens

FY1
concludes

Discount on bill - $\frac{1}{2}$ of what?
cap management?
PIA research/questions?

Recommendation for Year 2

1. Strongly urge FCC to make decision regarding Year 2 discounts/BEAR before end of August 1999
2. Making a decision in August 1999 will
 - Minimize customer confusion
 - Reduce PIA and cap management risks
3. Recommend that FCC allow both discounts on bills and BEARs for full Program Year 2
4. LECs commit to working with customers to provide them methodology that works for them
 - Some customers prefer discounts and we will provide them as requested
 - Other customers would rather receive a BEAR check than wait for discounts on bills
5. To ensure competitive neutrality all providers need the option of full-year discounting or full-year BEAR

Why Recommendation Makes Sense

1. Avoids customer confusion by maintaining Year 1 process
 - Provides customers with the choice of discounts or familiar BEAR
2. Would require no new processes for SLD or service providers
3. Would accommodate newcomers to the program and ensure their customers receive benefits
4. It is the only competitively neutral solution
 - Full-year BEAR is significantly less expensive to implement
 - Full-year discounting on bills is labor, time, and cost intensive
 - All service providers must have both options to satisfy their customer needs

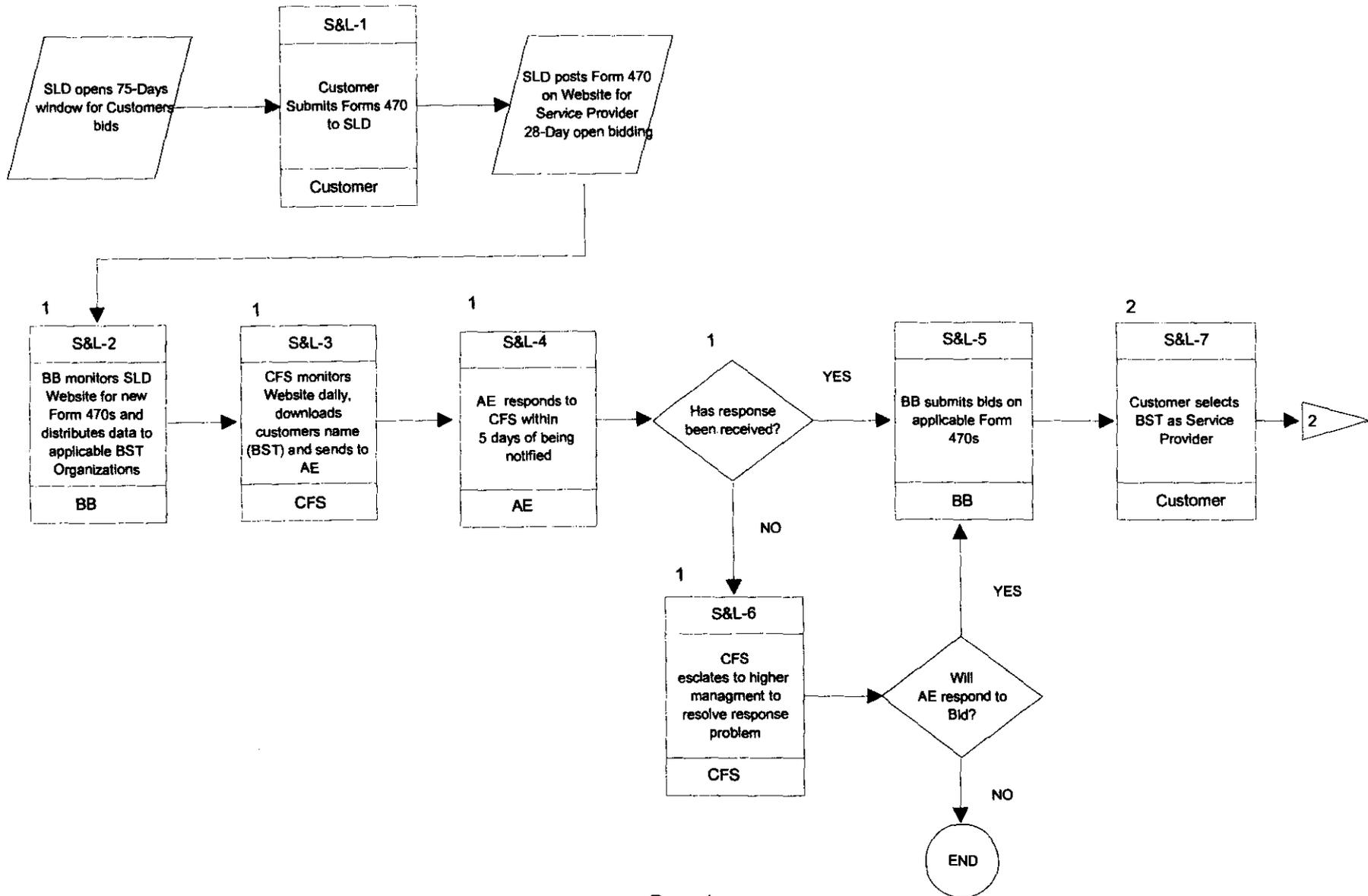
Program Year 3

1. Require discounts on customer bills for Year 3 if all funding letters are released by May 1, 2000.
 - Make sure all service providers are aware and committed
 - Need targeted FCC/SLD mailing to all SPIN holders
2. As in previous years, service provider ability to put discounts on bills in timely manner will ALWAYS be dependent upon the SLD/FCC timeline
3. Applaud SLD for joint PY3 task force
4. Proposed PY3 Forms and process revisions are headed in right direction
5. Rapid approval and launch of PY3 is critical to successful program year; as soon as possible:
 - Finalize forms
 - Open and close window
 - Set fund size
6. If funding letters are not out by May 1, 2000, there will be a BEAR or delay in discounts on bills for Year 3

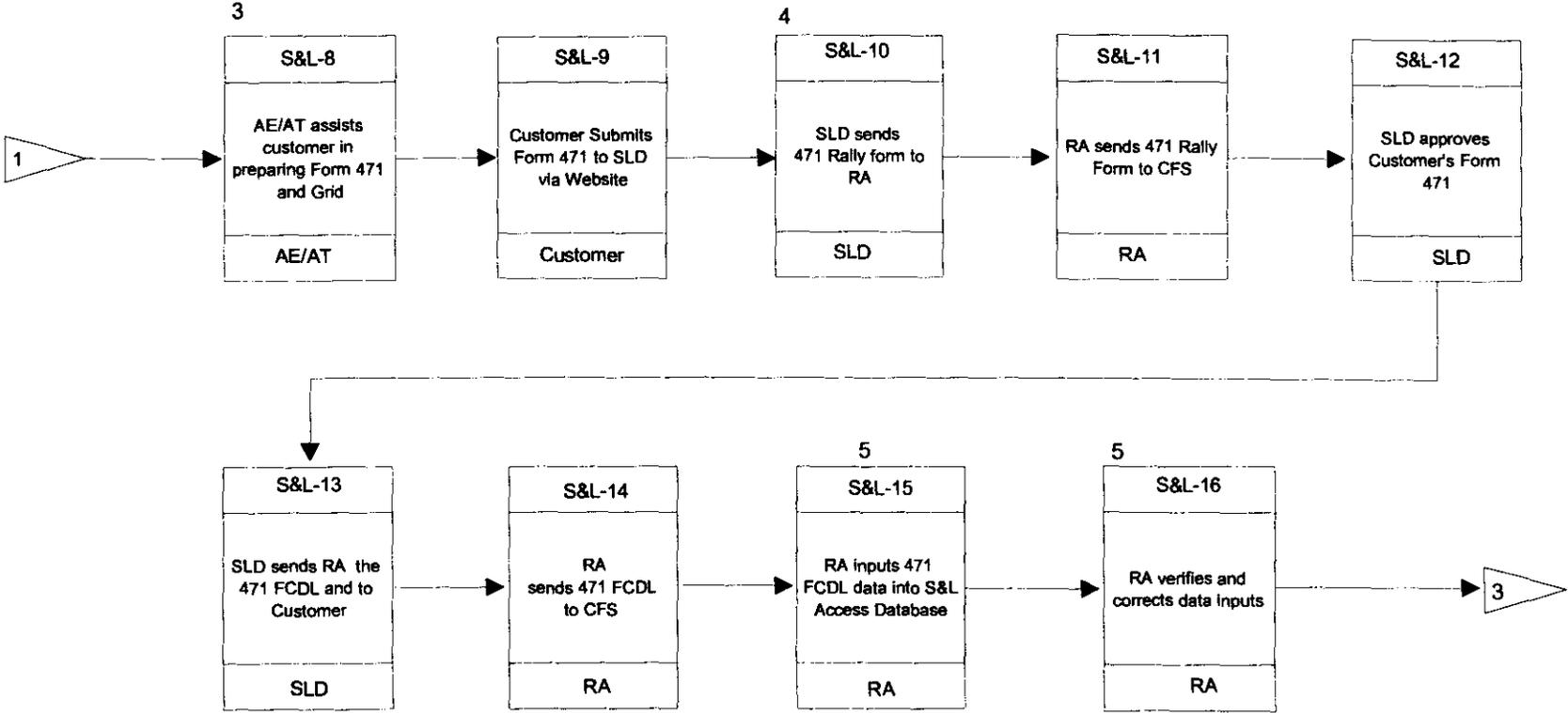
E-RATE PROGRAM YEAR 3

ID	Task Name	Start	Finish	Qtr 3, 1999			Qtr 4, 1999			Qtr 1, 2000			Qtr 2, 2000			
				Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
1	OMB Final Approval by	Wed 9/1/99	Wed 9/1/99		◆ 9/1											
2	FCC announcement of eligibility list by	Wed 9/1/99	Wed 9/1/99		◆ 9/1											
3	Form 470 Window open, with 28 day waiting period before filing Form 471	Wed 9/15/99	Mon 11/15/99													
4	Form 471 Window opens	Fri 10/15/99	Wed 12/15/99													
5	Receipt Acknowledgment Letters sent out	Mon 1/3/00	Fri 3/31/00													
6	Fund set by FCC by	Tue 2/15/00	Tue 2/15/00													
7	Funding letters mailed	Wed 3/1/00	Mon 5/1/00													
8	Schools/Libraries return Form 486	Wed 3/15/00	Mon 5/15/00													
9	Discounts on bills begin by	Mon 7/3/00	Mon 7/3/00													

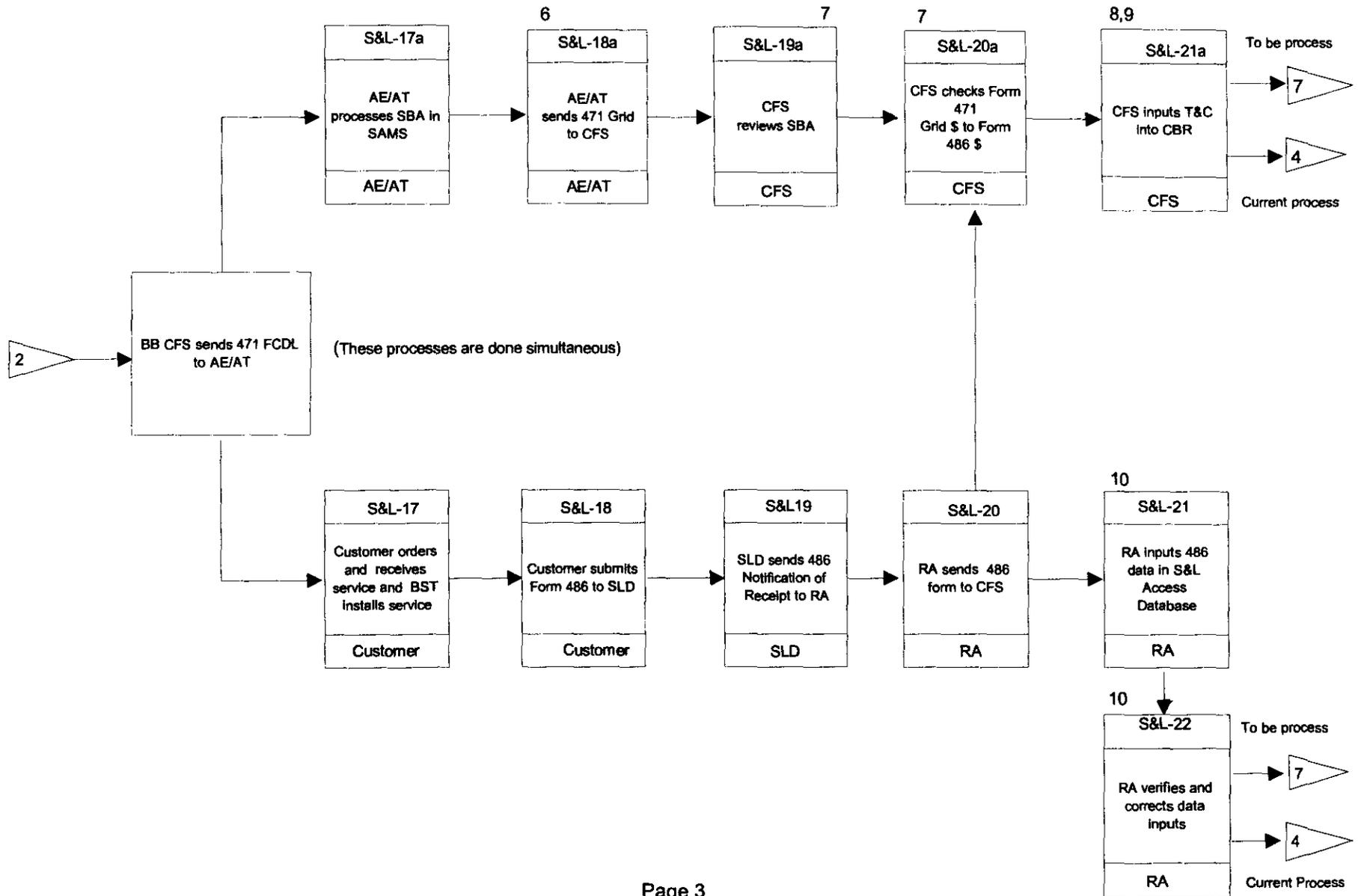
BST SCHOOL AND LIBRARIES PROGRAM PROCESS FLOW



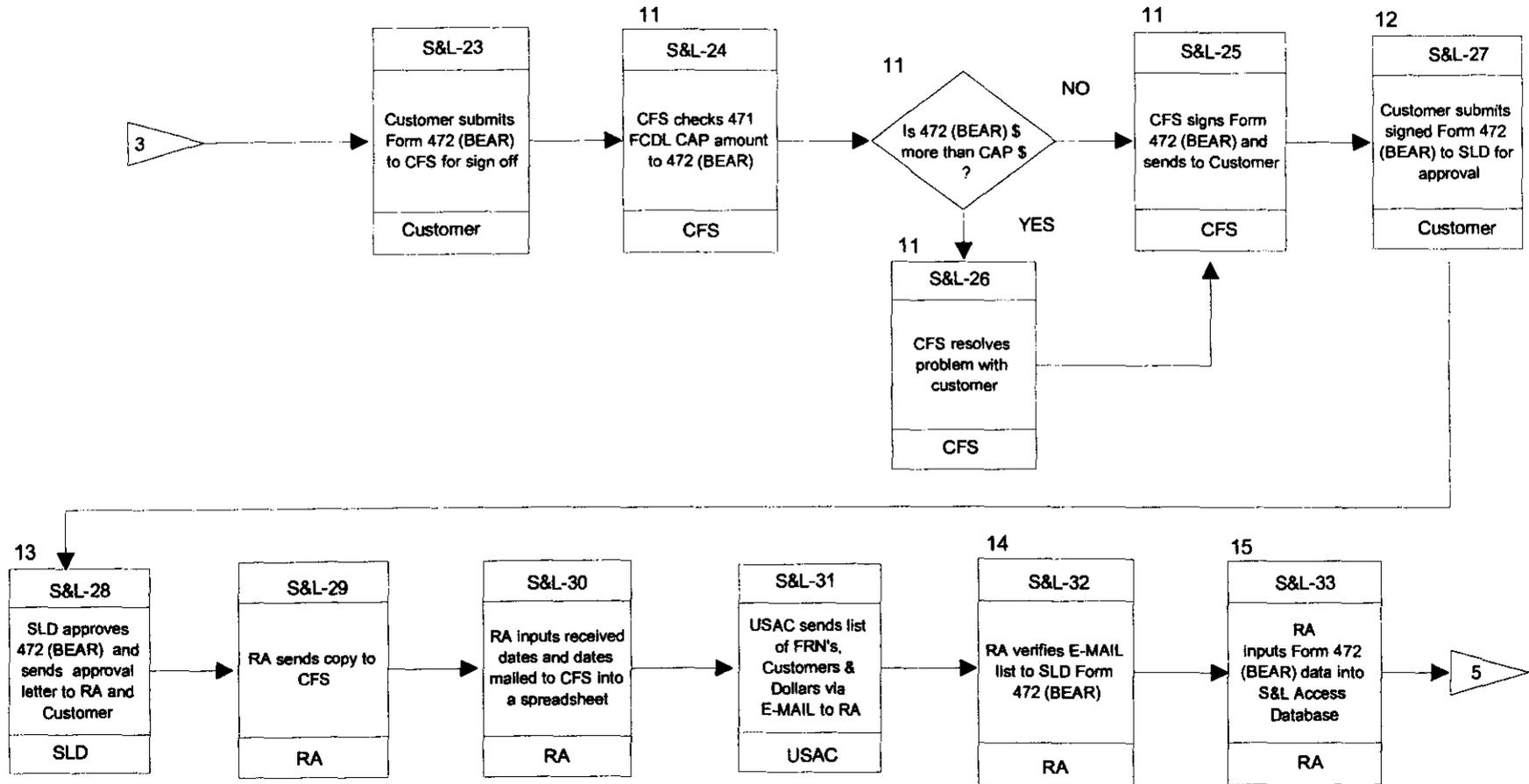
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SCHOOL AND LIBRARIES PROGRAM
PROCESS FLOW**



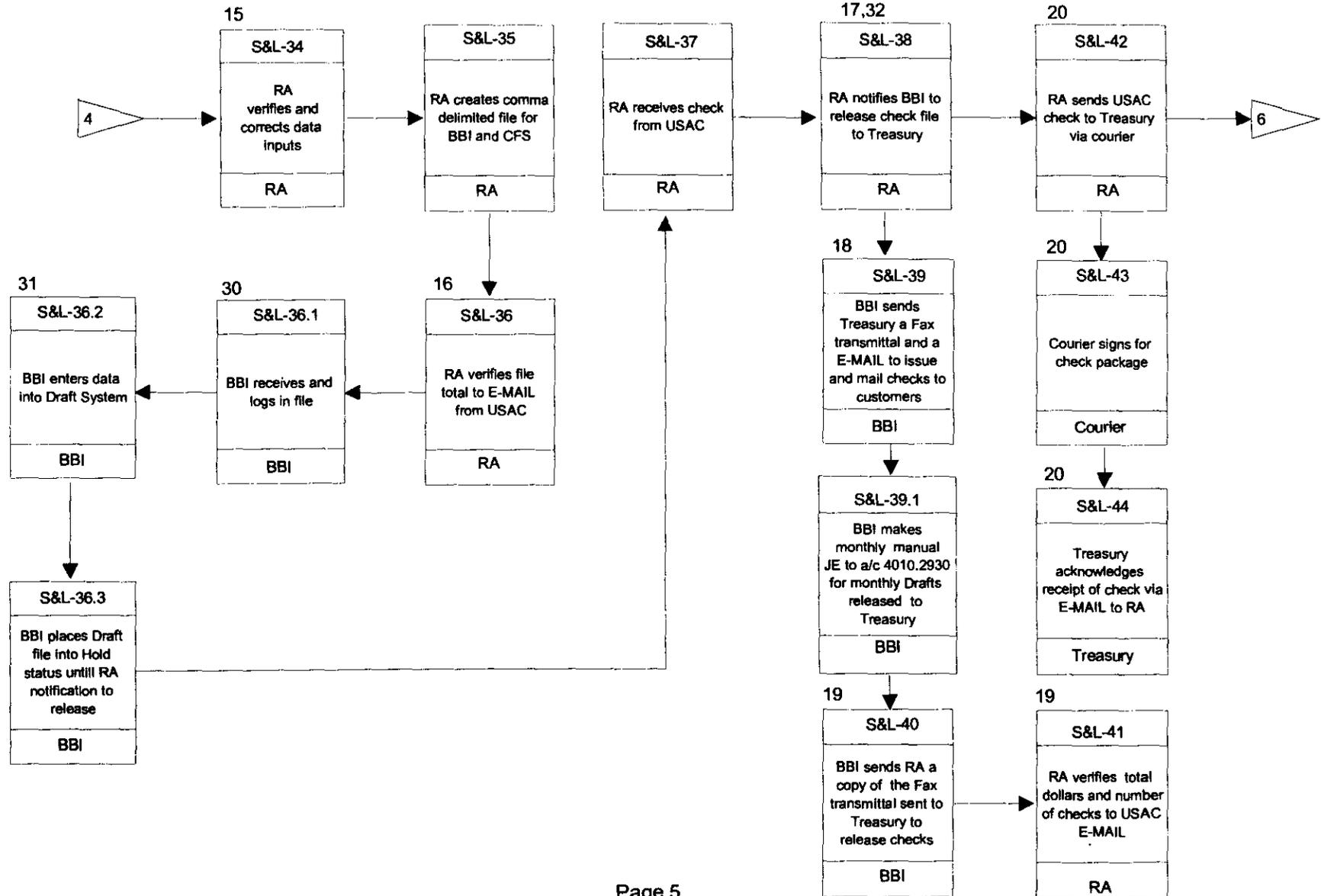
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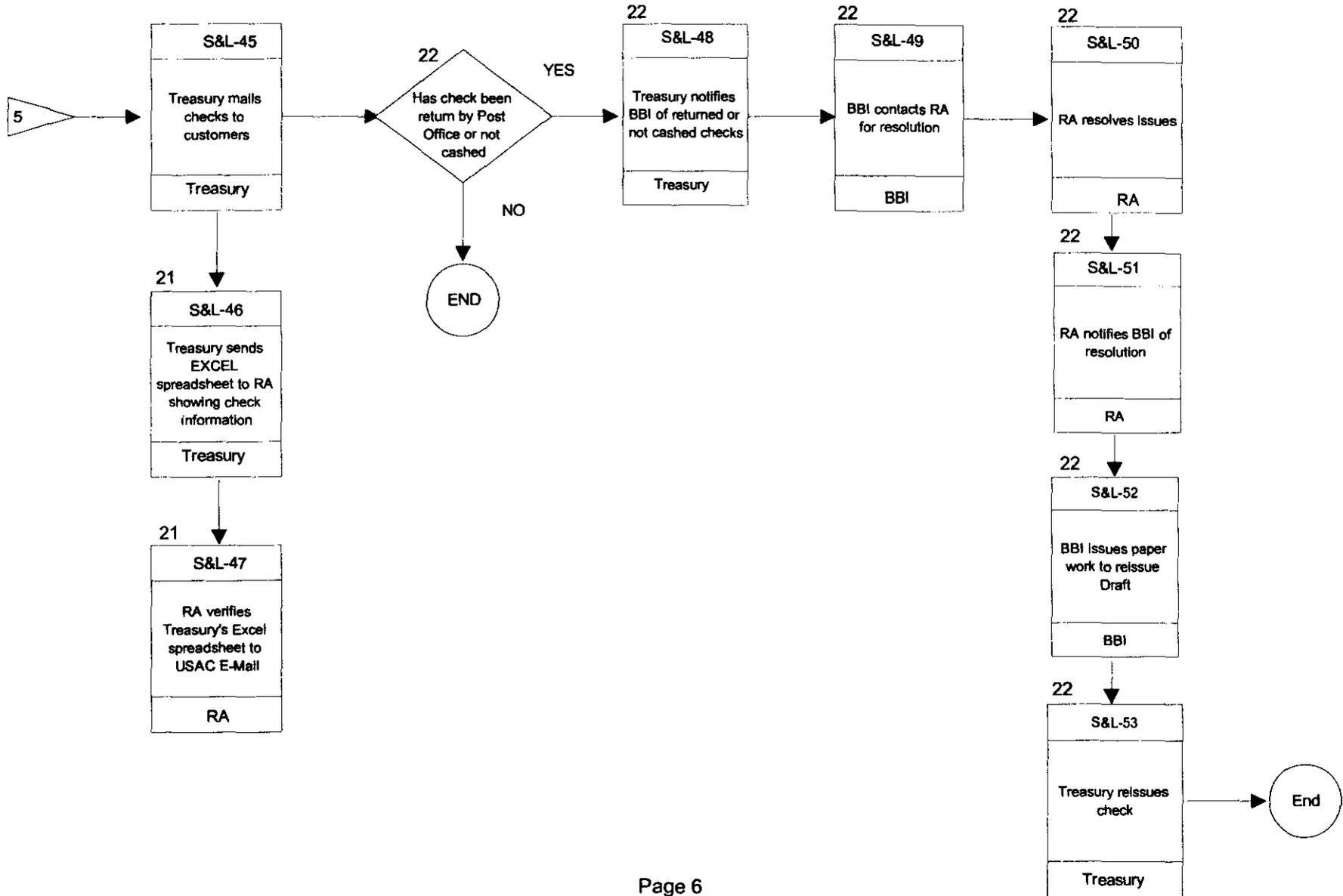
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SCHOOL AND LIBRARIES PROGRAM
PROCESS FLOW
(Interim Process)



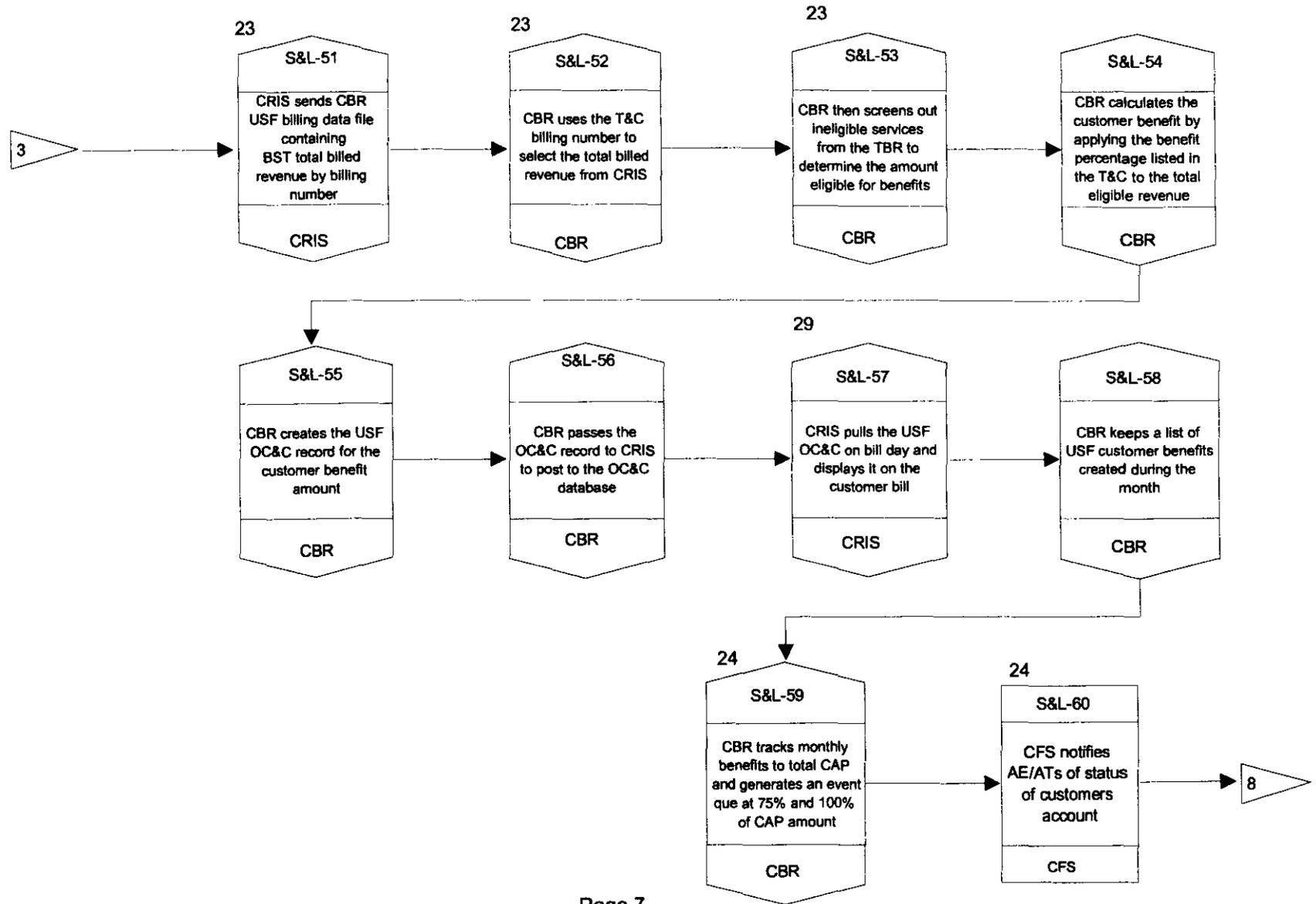
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(Interim Process)**



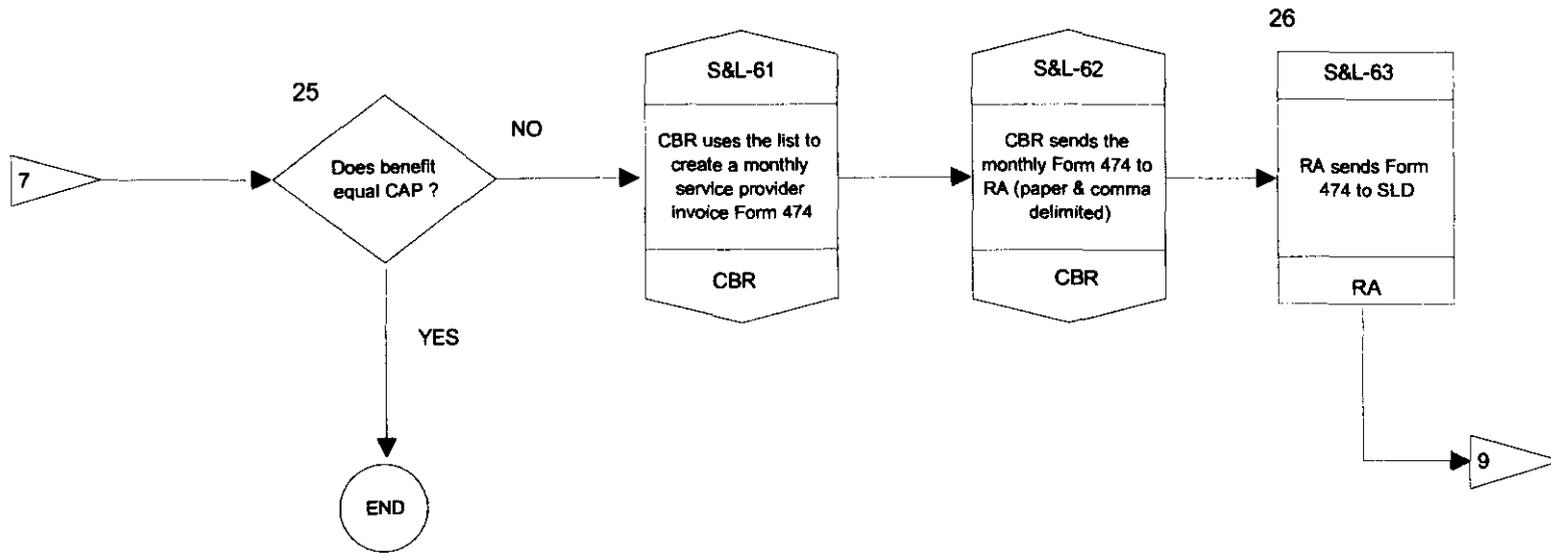
**BST
SCHOOL AND LIBRARIES PROGRAM
PROCESS FLOW
(Interim Process)**



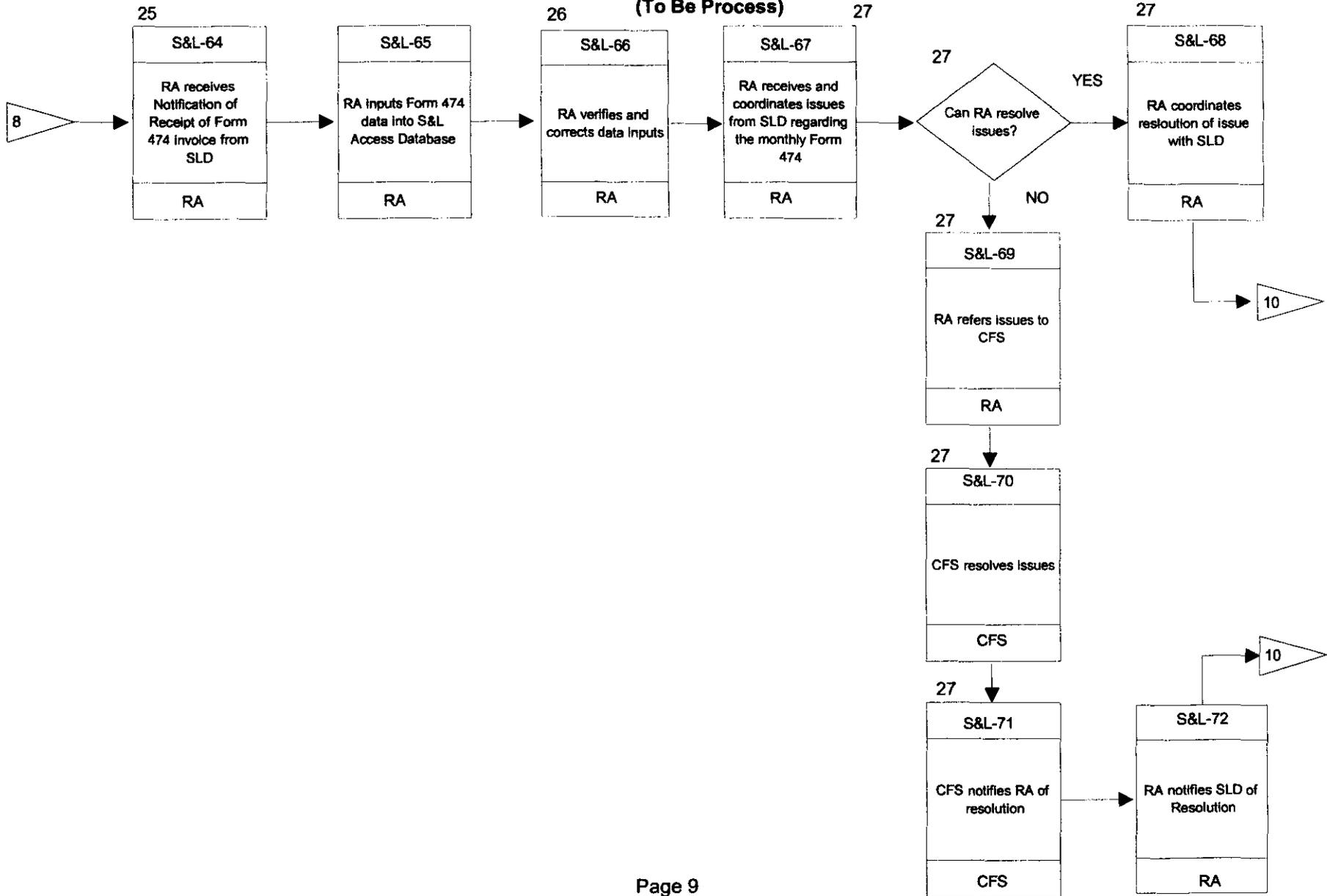
**BST
SCHOOL AND LIBRARIES PROGRAM
PROCESS FLOW
(To Be Process)**



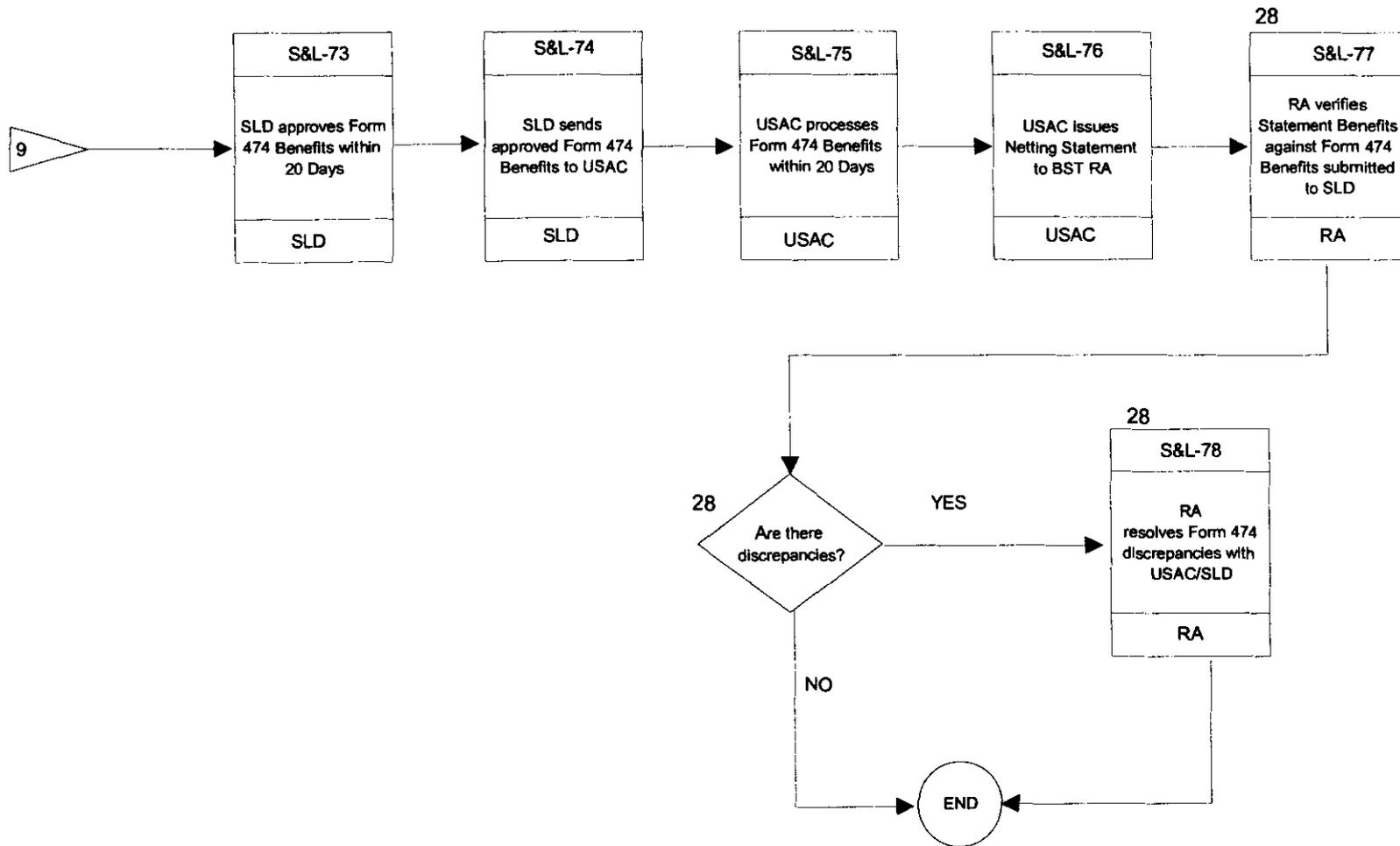
**BST
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PROCESS FLOW
(To Be Process)**



**BST
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PROCESS FLOW
(To Be Process)**



**BST
SCHOOL AND LIBRARIES PROGRAM
PROCESS FLOW
(To Be Process)**



6/7/99

**BST
SCHOOL AND LIBRARIES PROGRAM
CONTROLS**

(THE CONTROL NUMBERS CORRESPOND TO THE NUMBERS ON THE FLOW CHART)

1. **Website monitored daily and download spreadsheet to monitor for AE timeliness and accuracy. Account Exec. must click on website to respond to questions about timing, etc. Responses monitored by CFS; if not done timely escalated to AVP.**
2. **If no other Service Provider bids and customer is a BST customer, responsibility for benefits defaults to BST.**
3. **To ensure completeness and accuracy of data the BST AE/AT assists customer.**
4. **Service Provider Identification Number(SPIN). The SPIN number identifies which Service Provider the customer is using to provide services. If BST is the School/Libraries Service Provider and enters the wrong SPIN #, they would be notified by the other Service Provider and customer would correct situation with SLD.**
5. **Data is input into S&L Access Database. RA verifies completeness and accuracy of data and corrects if necessary.**
6. **CUID, password protected on PC desktops (all AE/ATs). System Administrator has table of valid users. Profiles established as to who can read only, change data, etc.**

After 60 days if password has not been updated System Administrator removes that user from table of valid users.
7. **CFS reviews for completeness and accuracy. Makes corrections, additions, etc., if necessary.**
8. **Cap amount entered and discount percentages entered.**
9. **Quantam edits so that data must be properly formatted, etc., before releasing into CBR. Would recognize services excluded by the S&L program by revenue account code and disallow.**
10. **Completeness and accuracy of the 486 data into S&L access database is verified and corrected if necessary.**

11. **The cap amounts on Form 472 are checked to Form 471 FCDL to ensure that the 472 cap amounts are equal to or less than 471 FCDL amount. Customer contacted and corrections are made if necessary.**
12. **Form 472 approved and authorized by customer.**
13. **Form 472 approved and authorized by SLD.**
14. **RA verifies valid customers, dollar amount and FRN's from USAC's E-mail to Form 472. Refers discrepancies to SLD for correction.**
15. **Completeness and accuracy of the 472 data into the S&L access database is verified and corrected if necessary.**
16. **RA verifies comma delimited file totals to totals received from USAC's E-mail. Corrects if necessary.**
17. **RA authorizes BBI to release check file to Treasury.**
18. **BBI authorizes Treasury to issue checks to customers.**
19. **RA receives copy of Treasury's fax transmittal from BBI. Total dollar amount and total number of checks are verified. RA resolves discrepancies with BBI and makes corrections if necessary.**
20. **RA sends checks to Treasury by courier. Courier signs for receipt of checks. RA retains signed copy from courier. Treasury notifies RA of receipt. If problem arises RA resolves with courier. If no problem in receipt from courier, Treasury confirms with RA receipt of check and proper amount as previously notified. If incorrect, resolves with RA.**
21. **RA verifies each customer and amount of check to the USAC data. Correct any discrepancies.**
22. **Return or non-cashed checks are resolved by RA and BBI. BBI completes Form 6182 to reissue the draft. New check issued accordingly.**
23. **The CRIS billing account number for each school or library is checked to screen out ineligible services. Eligible amount determined.**
24. **CBR will place benefit in event que when school or library reaches 75% and 100% of their CAP amount. CFS reviews messages daily and sends e-mail to AE/ATs of CAP status. AE/ATs informs customer of remaining benefit and finally when CAP has been reached.**

25. **Receipt of Form 474 invoice is confirmed by SLD to RA. RA follows up if confirmation not received.**
26. **Form 474 invoice data verified for completeness and accuracy. Corrected if necessary.**
27. **Form 474 invoice issues with SLD resolved by RA if possible. If not RA refers to CFS for resolution. RA notified of resolution.**
28. **RA verifies Statement Benefit from USAC against 474 benefits submitted to SLD. Resolve any discrepancies.**
29. ******NEW CONTROL**** CFS will check a sample (# of bills?) of the OC&C statements/bills for schools and libraries in the S&L program each month. Data verified to Form 471 FCDL.**
30. **BBI receives and logs in file to check for missing or duplicate files.**
31. **BBI verifies the payee information and amount; balances the total payments to control totals.**
32. **Treasury balances manual and mechanical totals and releases checks.**

SCHOOLS & LIBRARIES PROGRAM

GLOSSARY

1	AE	- Account Executive
2	AE/AT	- Account Executive/Account Team
3	BBI	- BellSouth Billing, Inc.
4	BB	- BellSouth Business
5	CFS	- Contract & Field Support - BellSouth Business
6	CRIS	- Customer Record Information System
7	CBR	- Customer Billing Relations
8	FCDL	- Funding Commitment Decision Letter
9	FRN	- Funding Request Number
10	RA	- Regulatory Accounting
11	OC&C	- Other Charges & Credits
12	SAMS	- Special Assembly Mechanized System
13	SBA	- Special Billing Arrangements
14	S&L	- Schools & Libraries
15	SLD	- School & Libraries Division
16	T&C	- Terms & Conditions
17	TBR	- Total Billed Revenue
18	USAC	- Universal Service Administrative Company
19	Form 470	- Schools & Libraries Universal Service Description of Services Requested and Certification Form
20	Form 471	- Schools & Libraries Universal Service Description of Services Ordered and Certification Form
21	Form 472	- Billed Entity Applicant Reimbursement Form(BEAR)
22	Form 474	- Schools & Libraries Service Provider Invoice
23	Form 486	- Schools & Libraries Receipt of Service Confirmation Form