

New Hope Foundation
One Valentine Lane
Chapel Hill, NC 27516

October 14, 2010

VIA ELECTRONIC FILING

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

**Re: Appeal of USAC Decision On Appeal of Notification of Commitment Adjustment in
CC Docket No. 02-6**

Applicant Name:	Johnston County School District
Billed Entity Number:	126867
Funding Year	2006
Form 471 App. Number:	537593
Funding Request Numbers:	1488669

Dear Ms. Dortch:

Johnston County School District of Johnston County, North Carolina (“Johnston County” or “District”), acting through counsel and pursuant to Sections 54.719-54.721 of the Commission’s rules¹, hereby timely files this Request for Review or Waiver (“Appeal”). The Appeal requests Commission review of the adverse decision of the Administrator of the Universal Service Administrative Company (“USAC”) denying the funding request enumerated above for Funding Year 2006 and seeking recovery of previously disbursed E-Rate Program support funds.²

More specifically, on September 16, 2010, USAC’s Schools and Libraries Division (“SLD”) issued a decision denying an appeal filed by Johnston County with USAC. In its decision on appeal USAC held that its previously-issued determination to recover the funds³ was justified based on audit findings that the District failed to properly determine its discount eligibility based on the percentage of the student enrollment that is eligible for a free or reduced price lunch under the national school lunch program or a federally-approved alternative mechanism. See Exhibit 1.

¹ 47 C.F.R. §§ 54.719-54.721.

² Administrator’s Decision on Appeal - Funding Year 2006 – 2007, Johnston County School District (September 16, 2010), attached as Exhibit 1.

³ Notification of Commitment Adjustment Letter, June 8, 2010 (“COMAD”).

Ms. Marlene H. Dortch

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Johnston County is aggrieved by USAC's September 16, 2010 decision and submits that for various reasons outlined in its original July 31, 2010 appeal to USAC and others that the decision is unjustified and in error. Specifically, the decision regarding the District's determination of the applicable discount rate is unwarranted and unjustified under the rules, policies and requirements governing the use of surveys in place at the time that the calculations were made.

Johnston County is filing this Appeal well prior to the 60-day appeal period prescribed by the Commission's rules because on September 17, 2010, the day after denying the District's appeal, USAC issued a Demand Payment Letter requiring payment of the amount sought to be recovered, with such payment due in 30 days (e.g., by October 17, 2010),⁴ even though the period for filing an FCC appeal will not expire until mid-November. In the past USAC staff has informed the undersigned counsel that the only way to forestall the further implementation of USAC's collection process, even though the FCC appeal period had not yet expired, was to file an appeal with the Commission.

Johnston County will supplement this Appeal with a full discussion of the facts, the District's position and supporting arguments.

Respectfully submitted,

JOHNSTON COUNTY SCHOOL DISTRICT



By: John W. Hughes 
Contracted Consultant & Contact for Johnston County School District

⁴ Demand Payment Letter, September 17, 2010. See Exhibit 2 attached hereto.

EXHIBIT 1



Universal Service Administrative Company
Schools & Libraries Division

Administrator's Decision on Appeal – Funding Year 2006-2007

September 16, 2010

John Hughes
New Hope Foundation
One Valentine Lane
Chapel Hill, NC 27516

Re: Applicant Name: JOHNSTON COUNTY SCHOOL DIST
Billed Entity Number: 126867
Form 471 Application Number: 537593
Funding Request Number(s): 1488669
Your Correspondence Dated: July 31, 2010

After thorough review and investigation of all relevant facts, the Schools and Libraries Division (SLD) of the Universal Service Administrative Company (USAC) has made its decision in regard to your appeal of USAC's Funding Year 2006 Commitment Adjustment Letter for the Application Number indicated above. This letter explains the basis of USAC's decision. The date of this letter begins the 60 day time period for appealing this decision to the Federal Communications Commission (FCC). If your Letter of Appeal included more than one Application Number, please note that you will receive a separate letter for each application.

Funding Request Number(s): 1488669
Decision on Appeal: **Denied**
Explanation:

- USAC's review of your Form 471 application determined that your discount eligibility should have been 61%. While you state in your appeal letter of July 31, 2010 on page 6 that "Johnston County for the 2004-2005 and 2005-2006 school years distributed to each student at the beginning of the school year in August a form that could both be used to participate in a family income survey and/or to apply for the NSLP program", and again on page 9 that "As stated earlier, each school in the district sent to each student a combined E-Rate income survey/NSLP free & reduced lunch application along with a letter that made it perfectly clear that a student's family could apply for the NSLP free & reduced lunch program and not participate in the E-Rate income survey by so indicating, they could

participate in the E-Rate income survey and not apply for NSLP free & reduced lunch by so indicating, or do both or neither." These statements do not overturn the condition of Finding No. SL2007BE110_F02 or the TCBA (Auditor) Evaluation of Response. In addition, as stated in the Commitment Adjustment Letter of June 8, 2010, FCC rules indicate that the level of poverty shall be measured by the percentage of the student enrollment that is eligible for a free or reduced price lunch under the national school lunch program or a federally-approved alternative mechanism. During an audit it was determined that the applicant is only eligible to receive a 61 percent discount. This determination was based on a misapplication by the applicant in using the alternative mechanism "survey method" for determining poverty levels. Since you did not demonstrate in your appeal that these findings were incorrect, USAC denies your appeal.

FCC Rules provide that the discount available to an applicant is determined by indicators of poverty and high cost. 47 C.F.R. sec. 54.505(b). The level of poverty is measured by the percentage of students enrolled in a school or school district that are eligible for a free or reduced price lunch under the National School Lunch Program, or a federally-approved alternative mechanism. Alternatively, the level of poverty is measured according to participation in Medicaid, Food Stamps, Supplementary Security Income (SSI), Federal Public Housing Assistance or Section 8, or Low Income Home Energy Assistance Program (LIHEAP). See Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 9045, FCC 97-157 para. 510 n.1334 (rel. May 8, 1997). The high cost determination is made pursuant to FCC Rules that classify a school or library as rural or urban. 47 C.F.R. sec. 54.505(b)(3). An applicant's discount rate is determined by reference to a matrix based upon the level of poverty and whether the entity is classified as rural or urban. 47 C.F.R. sec. 54.505(c)

If your appeal has been approved, but funding has been reduced or denied, you may appeal these decisions to either USAC or the FCC. For appeals that have been denied in full, partially approved, dismissed, or canceled, you may file an appeal with the FCC. You should refer to CC Docket No. 02-6 on the first page of your appeal to the FCC. Your appeal must be received or postmarked within 60 days of the date on this letter. Failure to meet this requirement will result in automatic dismissal of your appeal. If you are submitting your appeal via United States Postal Service, send to: FCC, Office of the Secretary, 445 12th Street SW, Washington, DC 20554. Further information and options for filing an appeal directly with the FCC can be found in the "Appeals Procedure" posted in the Reference Area of the SLD section of the USAC website or by contacting the Client Service Bureau. We strongly recommend that you use the electronic filing options.

We thank you for your continued support, patience and cooperation during the appeal process.

Schools and Libraries Division
Universal Service Administrative Company

cc: Terry Thompson

EXHIBIT 2



Demand Payment Letter
(Funding Year 2006: July 1, 2006 - June 30, 2007)

September 17, 2010

John Hughes
JOHNSTON COUNTY SCHOOL DIST
New Hope Foundation
Chapel Hill, NC 27516

Re: Form 471 Application Number: 537593
Funding Year: 2006
Applicant's Form Identifier: Johnston 2006 P1
Billed Entity Number: 126867
FCC Registration Number: 0011940947
SPIN: 143024051
Service Provider Name: Gaggle.net, Inc.
Service Provider Contact Person: Corey Vail
Payment Due By: 10/17/2010

You were previously sent a Notification of Commitment Adjustment Letter informing you of the need to recover funds for the Funding Request Number(s) (FRNs) listed on the Funding Commitment Adjustment Report (Report) attached to the Notification of Commitment Adjustment Letter. A copy of that Report is attached to this letter.

The balance of this debt is due within 30 days from the date of this letter. Failure to pay the debt within 30 days from the date of this letter could result in interest, late payment fees, administrative charges, and implementation of the "Red Light Rule." The FCC's Red Light Rule requires USAC to dismiss pending FCC Form 471 applications if the entity responsible for paying the outstanding debt has not paid the debt, or otherwise made satisfactory arrangements to pay the debt within 30 days of the notice provided by USAC. For more information on the Red Light Rule, please see "Red Light Frequently Asked Questions (FAQs)" posted on the FCC website at http://www.fcc.gov/debt_collection/faq.html.

If the Universal Service Administrative Company (USAC) has determined that both the applicant and the service provider are responsible for a Program rule violation, then, pursuant to the Order on Reconsideration and Fourth Report and Order (FCC 04-181), USAC will seek recovery of the improperly disbursed amount from BOTH parties and will continue to seek recovery until either or both parties have fully paid the debt. If USAC has determined that both the applicant and the service provider are responsible for a Program rule violation, this was indicated in the Funding Commitment Adjustment Explanation on the Funding Commitment Adjustment Report.

If USAC is attempting to collect all or part of the debt from both the applicant and the service provider, then you should work with your service provider to determine who will be repaying the debt to avoid duplicate payment. Please note, however, that the debt is the responsibility of both the applicant and service provider. Therefore, you are responsible for ensuring that the debt is paid in a timely manner.

Please remit payment for the full "Funds to be Recovered from Applicant" amount shown in the Report. To ensure that your payment is properly credited, please include a copy of the Report with your check. Make your check payable to the Universal Service Administrative Company (USAC).

If sending payment by U. S. Postal Service or major courier service (e.g. Airborne, Federal Express, and UPS) please send check payments to:

Bank of America
c/o Universal Service Administrative Company (105056)
1075 Loop Road
Atlanta, GA 30337
Phone 404-209-6377

If you are located in the Atlanta area and use a local messenger rather than a major courier service, please address and deliver the package to:

Universal Service Administrative Company
P.O. Box 105056
Atlanta, GA 30348-5056
Phone 404-209-6377

Local messenger service should deliver to the Lockbox Receiving Window at the above address.

Payment is due within 30 days from the date of this letter.

Complete Program information is posted to the SLD section of the USAC website at www.usac.org/sl/. You may also contact the SLD Client Service Bureau by email using the "Submit a Question" link on the SLD website, by fax at 1-888-276-8736 or by phone at 1-888-203-8100.

Universal Service Administrative Company
Schools and Libraries Division

cc: Corey Vail
Gaggle.net, Inc.

Funding Commitment Adjustment Report
Form 471 Application Number: 537593

Funding Request Number: 1488669
Services Ordered: INTERNET ACCESS
SPIN: 143024051
Service Provider Name: Gaggle.net, Inc.
Contract Number: N/A
Billing Account Number: 919-934-6031
Site Identifier: 126867
Original Funding Commitment: \$10,752.00
Commitment Adjustment Amount: \$504.00
Adjusted Funding Commitment: \$10,248.00
Funds Disbursed to Date: \$10,752.00
Funds to be Recovered from Applicant: \$504.00

Funding Commitment Adjustment Explanation:

After a thorough review, it was determined that the funding commitment for this request must be reduced by \$504.00. On the original Form 471 the applicant was approved at a 64 percent discount. FCC rules indicate that the level of poverty shall be measured by the percentage of the student enrollment that is eligible for a free or reduced price lunch under the national school lunch program or a federally-approved alternative mechanism. During an audit it was determined that the applicant is only eligible to receive a 61 percent discount. This determination was based on a misapplication by the applicant in using the alternative mechanism "survey method" for determining poverty levels. Accordingly, the commitment has been reduced by \$504.00 (pre-discount commitment amount*(discount percentage approved on the Form 471 less the discount rate the applicant is actually eligible to receive)) and if recovery is required, USAC will seek recovery from the applicant.

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