North Carolina E-Rate Forum

Weekly E-Rate Newsletter
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Introduction

The North Carolina E-Rate Forum ("NCEF"), a complementary weekly newsletter provided by E-Rate Central in cooperation with the North Carolina Department of Public Instruction.

FY 2008 – FY 2010 Funding Status

Wave 75 for FY 2008 is scheduled for release on December 16th for $1.9 million — none for North Carolina. Cumulative FY 2008 funding currently stands at $2.44 billion. The Priority 2 funding threshold for FY 2008 has been finalized at 87%.

Wave 32 for FY 2009 is scheduled for release on December 15th for $149 million, including almost $3 million for nine North Carolina applicants. This brings cumulative FY 2009 funding to $1.83 billion, including $44.6 million for North Carolina. Priority 2 funding for this year is currently being approved at 80% and above, and denied at 54% and below.

The Form 471 application window for FY 2010 was opened on December 3rd and will close at 11:59 p.m. EST on Thursday, February 11, 2010. Although valid Form 470s for FY 2010 may be posted as late as January 14, 2010, we strongly advise applicants to file them this week or next so as to provide adequate time, after waiting the required 28 days, to select vendors, sign contracts, and file Form 471s.

A few words about E-rate deadlines: When asked about closing time, Disneyworld employees are instructed to respond "the park will remain open until 8 p.m.," not to say that "the park closes at 8 p.m." The subtle distinction is meant to convey an invitation to stay and have fun until the very last minute. USAC would do well to try reverse psychology. Too many applicants wait until the last minute to file and, as a result, make silly errors, encounter system problems, and/or miss the deadline entirely. Disneyworld employees, if retrained by USAC, might be instructed to say: "The park closes at 8 p.m. (or 11:59 p.m. EST in the E-rate case) but, if you wait until then, it will take you forever to get out of the parking lot — and you may very well spoil an otherwise wonderful day."

Invoicing and Funds Disbursements — Part 2

This is the second in a multi-part series of articles focusing on BEAR and SPI invoicing review, problem identification, and correction. Part 1 of the series[1] reviewed the difference between service provider invoices ("SPIs") for discounted services and applicant BEAR reimbursement invoices for undiscounted services. It also reviewed the use of E-Rate Central's Funding Quick Search tool to track invoice submission and approval. Part 2 discusses the two polar cases of 0% and 100% disbursements.

0% Utilization:

Unless an invoice has yet to be filed or is still under review by USAC, the only time a funded FRN should show a zero disbursement is when the associated service is never actually used. If this is the case, the applicant should consider one of the two following options:

1. If a similar service from a second provider was also funded, it may be possible to obtain a SPIN change on the first provider's FRN to cover the excess usage on the second service. As an example, an applicant may file two funding requests for cellular service with different carriers, but end up using only one (with total charges exceeding the initial estimate). Note that SPIN change requests must be filed before the invoice deadline. If the need for a SPIN change is identified after the deadline (e.g., for FY 2008 recurring services), an invoice deadline extension request must first be filed and approved before the SPIN change request is submitted.
2. If awarded funding is simply not needed, in whole or in part, the applicant should file a Form 500 to cancel or reduce the funding on that FRN. This will free up funding that may be needed to fund other applicants. (Note that if an FRN is canceled with a Form 500, the funding history will indicate that the FRN was "Not Funded," with no reason shown.)

In all other cases, zero funding indicates a problem. Two specific situations should be noted:

1. Neither the applicant nor the service provider filed an invoice. Most typically this occurs when an applicant incorrectly assumes the service provider was discounting its bills and, as a result, fails to file a BEAR for discount reimbursement. This is indeed an unfortunate situation — one that we see all too frequently. It means that an applicant has successfully gone through the entire application process, was awarded funding, but ultimately failed to receive any benefit at all. This situation can be identified in an applicant's funding history by looking at the disbursed amount, which will be "0," and at the payment mode, which will indicate "Not Set" (i.e., neither "SPI" nor "BEAR"). Assuming the invoicing deadline is past, the only way to recover from this situation is to request an invoice deadline extension.
2. If the disbursed amount, instead of being "0," indicates "$0.00," it means that the SPI or BEAR invoice for that FRN was denied. This is a situation that USAC refers to as "Pass

[1] See http://www.e-ratecentral.com/archive/News/News2009/weekly_news_2009_1130.asp#b2.

Zero." Often the invoice denial is for a problem that can be easily corrected — but only if the applicant or service provider notices the denial. An applicant receiving a BEAR notification letter should carefully check to make sure that the authorized disbursement amount is not $0.00. An invoice so denied can be corrected and resubmitted (but often only after requesting an invoice deadline extension).

100% Utilization:

A common misunderstanding regarding E-rate funding is that 100% disbursements are good, and that anything less is bad. This is not always the case. Indeed, it is only the case when actual service charges match the originally approved or adjusted pre-discount amount.

For fixed price service contracts, fully utilized over the course of a year, 100% disbursements are the norm. But for services whose charges vary with actual usage (e.g., monthly telephone or cellular services), such is not the case. In these situations, it would be highly coincidental if actual usage exactly matched originally estimated and funded usage. 100% utilization can be indicative of either of the following problems:

1. The applicant underestimated actual usage in its original application. Consider, for example, a 60% discount applicant who had estimated $1,000 in annual usage and had been awarded a discount for the entire $600, but who had actually used $1,500 of service. Since discounts are capped by the awarded amount, the applicant would have received only $600 in discounts. That would show up as a 100% disbursement, but actually would have meant the loss of $300 in potential discounts on the extra $500 of usage. This is not to suggest that applicants should routinely inflate their funding requests, but that a modest margin for growth is appropriate. For variably priced services, we view utilization rates in the neighborhood of 90% to represent an effective use of E-rate.
2. In some cases — hopefully few and far between — 100% disbursements represent a fundamental misunderstanding of the E-rate discount process. E-rate is a discount program, not a grant program. An applicant is entitled to a discount, up to its awarded amount, but only on services actually used. It is improper to invoice USAC for 100% funding simply because that amount was awarded.

If full funding is not utilized to any significant degree, applicants are strongly urged to file Form 500s to reduce funding to the level of actual usage. In addition to being good for the program, this will have the effect increasing reported utilization rates to 100% — perhaps avoiding the need to explain less than 100% utilization to those unfamiliar with the E-rate program.

E-Rate Updates and Reminders

SLD Issues First RALs for FY 2010:

The first batch of Receipt Acknowledgment Letters ("RALs") for early-filed FY 2010 applications was issued on December 10th. These letters give applicants an opportunity to make corrections to many items of their Form 471 applications. Corrections are due 20 days after the RAL release date which, in this case, is December 30th. Note that the application filing deadline is six weeks after this date, which means any items that cannot be corrected through the RAL process can be re-filed in a new application.

FCC Reply Comments on Broadband and E-Rate:

Last Friday was the deadline for filing reply comments to the FCC's inquiry on E-rate, education, and the National Broadband Plan. One point of almost universal agreement is that the E-rate funding cap needs to be raised. Some of the more important and interesting reply comments were filed by:

- AT&T[2]
- Bill & Melinda Gates Foundation[3]
- E-Rate Central[4]
- State E-Rate Coordinators' Alliance[5]
- National Association of Telecommunications Officers and Advisors [6]

This inquiry was one of eighteen initiated by the FCC as a part of its development of a National Broadband Plan. We do not expect any formal FCC reaction to these E-rate comments until the Plan is submitted to Congress on February 17, 2010.

Invoice Deadline Extensions:

Late last week, the SLD approved a number of invoice deadline extension requests for FY 2008 recurring services. The approvals extend the original deadline of October 28, 2009, until April 12, 2010 (120 days, plus the weekend, after the extension approval date). More extension approvals are expected shortly. The new invoice deadlines are posted on an FRN-by-FRN basis in the SLD's FRN Extension Status table.[7] Both applicants and service providers are also being be notified directly.

Schools and Libraries News Brief dated December 11th — Entity Numbers (2)

The SLD News Brief for December 11, 2009,[8] is Part 2 of a series discussing entity numbers. The first part provided a general overview and provided guidance on finding an existing entity

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[2] See http://fjallfoss.fcc.gov/ecfs/document/view?id=7020352662.

[3] See http://fjallfoss.fcc.gov/ecfs/document/view?id=7020352268.

[4] See http://fjallfoss.fcc.gov/ecfs/document/view?id=7020352379.

[5] See http://fjallfoss.fcc.gov/ecfs/document/view?id=7020352670.

[6] See http://fjallfoss.fcc.gov/ecfs/document/view?id=7020352637

[7] See http://www.sl.universalservice.org/utilities/FRN_CurFundExt.asp.

[8] See http://www.universalservice.org/sl/tools/news-briefs/preview.aspx?id=271.

number, correcting entity information, or applying for a new entity number. This second part discusses the following entity types:

- Buildings located on the same campus
- School or library buildings under construction
- Non-instructional facilities
- Single entities with multiple locations

For the most part, information on the first three types is a review. The subsection on the fourth type, however, provides the most detailed information on multi-location schools that has been made available to applicants aside from a short discussion during this fall's SLD training sessions.

A multi-location school is one that is operated out of two or more sites but is considered a single school by its state's department of education. A K-12 school, for example, might have primary students in one location, secondary students in a second, and an administrative office in a third. Often these are non-public schools, but other examples might include an annex (not on the same campus) to one district school or, at least potentially, a separate library building. There have long been questions about how to calculate the discount for a multi-location school, how to validate the eligibility of the various locations, and how to apply the 2-in-5 Rule for Internal Connections.

This subsection of the News Brief addresses the first of these issues. In brief, the multi-location school's discount rate will be based on the school's total student enrollment and total student eligibility. In the past, many such schools filed as "districts," calculating discount rates for each location, and averaging them for an aggregate school discount rate. Under the new guidance, there will be one student eligibility percentage and one matrix discount rate for the entire school.

For purposes of the Block 4, each site will be listed with its own entity number, but total student counts will be shown only for the "main" location. The other entity entries in the Block 4 will show zero students, use the same discount rate as the main location, and indicate that the rate is based on a non-matrix discount. The News Brief provides slightly different guidance for the following scenarios:

1. Single entity ("school" would be a better term) with multiple locations;
2. Single entity, multiple locations, when the main location does not have classrooms; and
3. Single entity, multiple locations, when the main location is partially eligible (e.g., a non-profit agency that runs Head Start facilities and also conducts other charitable activities) as a NIF.

Last week's News Brief does not address the entity validation and 2-in-5 Rule issues, but hopefully these will be addressed shortly. In the interim, we offer the following guidance:

1. The SLD's new guidance implicitly recognizes the eligibility of multi-location classrooms sites in what a state designates as a single school, but does not indicate how it will attempt to validate these sites as eligible, instructional entities. This is potentially

problematic because the states do not always have information on the additional sites. Ultimately, the SLD may ask the schools to self-certify these sites, much like it does for non-instructional facilities ("NIFs"). In the meantime, state coordinators may be asked to validate multi-location school sites.

2. The applicability of the 2-in-5 Rule to multi-location schools has not been addressed. In response to a question during the fall training, the SLD suggested that the 2-in-5 Rule would apply to the school in its entirety (i.e., Internal Connections work done at any one site would count as a year's worth of eligibility for the school as a whole). It is not clear, however, how the SLD's 2-in-5 tracking system, based on individual entity numbers, would apply in this case (much less retroactively). Absent further guidance, we recommend that applicants undertaking work in only one site reference only that site's entity number in its Block 5 funding request(s).

Additional North Carolina specific E-rate information is available through our Web site — http://www.e-ratecentral.com/us/stateInformation.asp?state=NC. Note that this site provides easy access to formatted North Carolina applicant E-rate histories via the Billed Entity Number ("BEN") search mechanism in the upper left-hand corner. Detailed information can be obtained by "drilling down" using the links for specific funding years and individual FRNs.

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