

- Funding Status – FY 2016
- 2016 Review – 2017 Preview
 - Key E-Rate Milestones in 2016
 - Anticipated E-Rate Developments in 2017
- Updates on USAC’s E-Rate Productivity Center and Legacy System
 - Form 500s, SPIN Changes, and Service Substitutions
- E-Rate Updates and Reminders
 - Upcoming 2017 E-Rate Deadlines
 - FCC Decision Watch
- USAC News Brief Dated December 30 – New EPC Functionality

Funding Status – FY 2016

Wave 27 for FY 2016 was released last Wednesday, December 28th for a total of approximately \$200 million. Funding for North Carolina was \$14.3 million for 21 applicants. Cumulative national funding through Wave 27 is \$1.64 billion, including \$65 million for North Carolina. Wave 28 is expected to be released this Wednesday, January 4th.

2016 Review – 2017 Preview

At the New Year, it is worthwhile to look back on the old year and to plan ahead for the new one. Here’s our E-rate review of 2016 and a preview of 2017. Additional details on 2016 developments, including links to the various FCC dockets, can be found in our [E-Rate Weekly News Archive](#).

Key E-Rate Milestones in 2016:

- January
 - USAC announced that the FY 2016 application window would open February 3rd, a month later than normal, with a close set for April 29th. In somewhat of an understatement, USAC warned that the 2016 application process, utilizing the new EPC system, would “present many opportunities for learning.”
- February
 - The FCC released its [2016 Broadband Progress Report](#). On the E-rate front, the Report noted that only “59 percent of schools have met the FCC’s short-term goal of purchasing service that delivers at least 100 Mbps per 1,000 users, and a much smaller percent have met the longer-term goal of 1 Gbps/1,000 users.”
 - Eric Flock, previously in charge of the Eligible Services List (“ESL”) at USAC, joined E-Rate Central.

- February marked the 20th anniversary of the Telecommunications Act of 1996, the establishing legislation for the E-rate program.
- March
- The FCC modernized and reformed its Lifeline program to focus it on broadband. This major program change supports subsidized Internet access for low income families, providing a partial answer to the “homework gap” for students.
- April
- Citing applicant difficulties with EPC, USAC extended the regular FY 2016 application window until May 26th, and established a second application deadline of July 21st for consortia and libraries.
 - The Food Research and Action Center (“FRAC”) and the Center on Budget and Policy Priorities (“CBPP”) released an updated report indicating that student enrollment in CEP schools was up 28% nationwide this year. This was good news, not only for the students, but in many cases for the E-rate discount rates of the participating schools.
 - In the first of many subsequent decisions, the FCC denied FY 2014 Invoice Deadline Extension Requests (“IDERS”) submitted by 121 applicants. The decision essentially set a zero-tolerance policy for late-filed IDERS.
- May
- USAC announced that its Appian-based EPC will be completely redone for the FY 2018 application cycle. Indications later in the year suggested that the revised system may not be ready until FY 2019.
 - A new PIA process was implemented to handle Form 471 review questions through EPC.
- June
- The FCC released a draft of the FY 2017 Eligible Services List.
 - USAC released Wave 1 funding for FY 2016 on June 16th.
- July
- As of July 1st, BEAR reimbursement payments began being made electronically directly to applicants. Implementation of the new direct payment process required applicants to complete a new Form 498 to provide the necessary bank accounting and routing information.
- August
- The FCC [announced](#) plans to fine and recover funds from AT&T for alleged violations of the E-rate program’s Lowest Corresponding Price (“LCP”) rule.
 - Craig Davis assumed the position of Vice President of the Schools and Libraries (“E-rate”) Program replacing Mel Blackwell.
- September
- The FCC released the final version of the [Eligible Services List](#) for FY 2017.
 - The FCC requested comment on petitions from Boulder Valley and Microsoft requesting rule changes, clarifications, or waivers to permit limited off-campus use of E-rate supported Internet access to help solve the “homework gap” problem.

- October • Funding Wave 19 for FY 2016 included the first of the approvals for self-provisioned fiber systems.
- November • USAC clarified that the first year of the five-year Category 2 budget cycle for school districts was determined by the funding for any school within the district, i.e., that budgets were not based on a school-by-school schedule.
 - The 2016 election of a Republican Administration will lead to change of leadership at the FCC. Current Chairman Tom Wheeler has already announced his intention to resign in January.
- December • Additional capability was incorporated in EPC to handle Form 500s, SPIN Changes, and Service Substitutions (see discussion below).

Anticipated E-Rate Developments in 2017:

2016 was a difficult year for E-rate. 2017 may be, at best, only slightly easier.

EPC remains a challenge. Specifically:

1. The system is still under development. Adding new features and fixing bugs is somewhat resource limited as USAC is apparently working in parallel on a new user interface for FY 2018 or FY 2019. Every update to EPC tends to introduce new problems needing to be resolved.
2. New features added towards the end of 2016 often support only the applicant input side of the equation. Additional work is needed to allow USAC to process funding changes on the backend. USAC recently indicated that it was beginning to address the backlog in EPC-filed appeals outside of the EPC system. Backend processing of service substitutions and Category 2 budget changes — difficult enough on the applicant input side — is likely to be challenging.
3. The inability of EPC to handle system data from FY 2015 and earlier years creates year-to-year coordination issues. This is a particular problem when dealing with Category 2 budgets tracing to FY 2015. Note also the “paper” workaround solution implemented to deal with pre-FY 2016 Form 500 changes (see below).
4. EPC’s entity structure enforces strict parent-child relationships, many remaining unresolved even after the FY 2016 application cycle. USAC guidance is still needed to deal with Education Service Agencies (“ESAs”) without schools and library systems without libraries, and with numbered entities supposedly being transformed to unnumbered annexes.
5. Consortium and library Form 471 applications are dependent upon entity data embedded in the EPC accounts of their associated schools and school districts, some of whom do not apply for E-rate in their own right and have little incentive to use EPC.

The last two EPC entity problems are expected to delay the FY 2017 application window. An earlier announcement from USAC indicated that the FY 2017 application window will be no

earlier than February-March, but that timetable now appears optimistic. At best, we would envision the following schedule:

1. USAC completes its review of most “workable” FY 2016 applications by the end of this month, at least to the extent that applicant entity data can be validated.
2. USAC uploads validated entity data back into the school and school district EPC profiles. As a part of this process, USAC plans to reach out to those applicants whose profiles may be changed by these updates.
3. Applicants will be given a period of time — most likely at least the month of February — to review and update their school entity profiles.
4. USAC will then “lock down” entity profiles. This is likely to occur roughly coincident with the opening of the FY 2017 application window. Locking down the entity data will permit consortia and libraries to work on their applications independent of changes in the underlying school data. As a result, we expect that a second window close for consortia and libraries will not be needed this year.
5. If USAC can stick to this type of schedule, the application window could likely open for all applicants in early March and close in early May.

Timing is also an issue for applicants seeking discounts on new dark or self-provisioned fiber systems. Although we have seen some approvals and denials on FY 2016 fiber applications, additional decisions on currently pending applications will give everyone more experience on what it takes to competitively bid — successfully — on such systems. Such lessons, even if learned, may come too late for many applicants seeking new fiber system support for FY 2017. The safest strategy at present is to apply for lit fiber.

Applicants who received, or may yet receive, special construction funding for fiber systems in FY 2016 are facing a June 30, 2017, deadline for making those circuits operational. If needed, a twelve month extension of the “lighting” deadline can be requested from USAC. Preferably, although there is currently no such rule, requests for extensions should be made by June 30th.

The biggest unknown for 2017 is the E-rate impact of the reconstituted FCC under the new Republican Administration. At a minimum, this will mean a new FCC Chairman and a three-to-two majority of Republican Commissioners. As noted in our [newsletter of November 14th](#), both current Republican Commissioners had cast dissenting votes on the two 2014 E-rate Modernization Orders. Although we expect E-rate to remain a popular and viable program, the new FCC might decide roll back some of the recent changes, including the yet unused extra funding. As we suggested in our November newsletter, high discount urban applicants in particular may want to accelerate their E-rate projects for FY 2017.

All in all, this should be another interesting and very challenging year for E-rate. We wish all the best for the New Year!

Updates on USAC's E-Rate Productivity Center and Legacy System

Form 500s, SPIN Changes, and Service Substitutions:

Three new features have been added to EPC, all accessed from the top right-hand corner of the applicant's Landing Page.

1. FCC Form 500s
2. SPIN Changes
3. Service Substitutions

My Landing Page



Funding Request Report | FCC Form 470 | FCC Form 471 | FCC Form 486 | FCC Form 500 | Appeal | SPIN Change | Service Substitution | Manage My Organization | USAC Website | Contact Us | Help

The Form 500 appears to have been rushed into production, perhaps because the OMB approval of the previous paper version of the form expired December 31st. We expect to see some changes in the EPC version of the Form 500 early this year. Users of the new Form 500 should note the following:

1. At first glance, the EPC version appears to work only for FY 2016 (and prospectively for FY 2017). Early on in the form creation process you get a question on the use of the Form 500 for FY 2015 or earlier:

Form Details

Is this FCC Form 500 being filed to request a change to an FRN filed for FY 2015 and prior?

Funding Year*

-- Select a Funding Year --

2017

2016

There appears to be no choice of doing anything for FY 2015 because the "Yes" button is grayed out. Although not intuitive, you must first deselect "No" by clicking the green "No" button.

Form Details

Is this FCC Form 500 being filed to request a change to an FRN filed for FY 2015 and prior?

Funding Year*

-- Select a Funding Year --

Now you can click the "Yes" button, bringing up:

Form Details

Is this FCC Form 500 being filed to request a change to an FRN filed for FY 2015 and prior?

Nickname*

To request changes for FRNs filed prior to FY2016, please complete an FCC Form 500 on paper and then upload it here. Download the form from the Apply for E-rate page on the USAC website at www.usac.org/sl.

FCC Form 500 Number*

To make any changes involving FY 2015 or earlier, therefore, you have to complete the OMB-expired paper Form 500, save it as a PDF, and upload the completed form into EPC (perhaps a technical workaround of the OMB expiration problem). A convenient [“type in” version of the Form 500](#) is available in E-Rate Central’s Form Rack.

2. The Form 500 can be used to make a number of changes to approved services. As implemented within EPC, the specific changes must be selected using a series of Yes/No buttons.

Type of Change

I want to change the service start date. ⓘ

I want to change the contract expiration date. ⓘ

This change can only be made if you need more time to install or deliver one-time services. Contracts that only have monthly services cannot be extended. **A**

I want to request more time to get the services delivered and/or installed. ⓘ

All service delivery requests must be submitted on or before September 30 following the close of the funding year for non-recurring services including special construction for fiber and self-provisioned networks. **B**

I want to cancel one or more of the FRNs. ⓘ

All service delivery requests must be submitted on or before September 30 following the close of the funding year. **C**

I want to partially reduce the funding in one or more of the FRNs. ⓘ

I want to notify USAC that I have moved equipment to another location. ⓘ

Unless the original entity is closed or partially closed, the equipment cannot be transferred for three years from the date of purchase. Remember that both the original and receiving entity must maintain details of this transfer for 10 years.

Tip: You must provide responses to each option to proceed to the next screen.

Several of the notations associated with the various choices of purpose do not appear to be correct and may be subject to change. In particular, as flagged above:

- A. Properly bid recurring services contracts may contain provisions for extension.
- B. The critical date for lighting new fiber circuits is June 30th, the end of the funding year, not September 30th, the Last Date to Receive Service for other non-recurring services. USAC has been authorized to grant one year extensions of the June 30th fiber lighting requirement, but we have yet to see any USAC or FCC guidance regarding the due date for requesting such extensions. In the absence of such guidance, we would recommend that such requests be made on or before the end of the funding year on June 30th.
- C. Cancellation of one or more FRNs should be unrelated to the September 30th service delivery deadline.

The new SPIN Change and Service Substitution features are more straight-forward. When starting either process, an early first step is to select the FRN to be changed, either by searching

for a specific FRN or by selecting it from a list of the applicant’s FRNs. Although the search option appears first, an applicant with a short list of FRNs will find it easier to simply select the FRN in question and click the “Add (1) FRNs” button.

Select FRNs

Use the filters below to search and select FRNs to associate.

General Information **Select FRNs** Detailed Info Additional Questions Preview

Submitting Organization Details

BEN: [redacted]
 FCC Registration Number: [redacted]

Filters

Application Number:
 Category of Service:

FRN:

<input type="checkbox"/>	FRN	Application Number	FRN Nickname	Category of Service
<input type="checkbox"/>	[redacted]	[redacted]	[redacted]	Category 1
<input type="checkbox"/>	[redacted]	[redacted]	[redacted]	Category 1
<input checked="" type="checkbox"/>	[redacted]	[redacted]	[redacted]	Category 1
<input type="checkbox"/>	[redacted]	[redacted]	[redacted]	Category 1

E-Rate Updates and Reminders

Upcoming 2017 E-Rate Deadlines:

January 2 Form 486 deadline for FY 2016 funding committed in Wave 11. More generally, the Form 486 deadline is 120 days from the FCDL date or the service start date (often July 1st), whichever is later. This means that Form 486 deadlines for funding commitments received in later waves will follow at roughly one week intervals, including the following January deadlines:

Wave 12	01/09/2017
Wave 13	01/17/2017
Wave 14	01/24/2017
Wave 15	01/31/2017

Applicants missing these (or earlier) deadlines should watch carefully for “Form 486 Urgent Reminder Letters” (actually emails directing the applicants to their EPC News Feed items). The Reminders will afford applicants with 15-day extensions from the date of the emails to submit their

Form 486s without penalty (see [USAC News Brief of November 4th](#)). The first batch of Reminders is expected to be released soon.

January 30 Invoice deadline for FY 2015 non-recurring services. Unless already extended, this is also the deadline for submitting Invoice Deadline Extension Requests (“IDERS”) for these services.

FCC Decision Watch:

The FCC issued two district-specific appeal decisions last week, as well as its regular month end set of streamlined decisions.

The most interesting decision was the denial of a request by Harrisburg CSD ([DA 16-1464](#)) to avoid payment of \$2.89 million, the remaining share of a \$5.05 million E-rate fraud case initially uncovered by the district itself. The case involved payments for services not received. The undisputed fact was that the district’s IT director had been bribed by the service provider to falsely certify the provision of services — a situation subsequently uncovered and reported by the district. As a result of this crime, two individuals were sentenced to prison and, together with a third participant, ordered to pay a total of \$2.16 million in restitution. USAC sought to recover the remaining amount jointly from the district and the service provider. The FCC’s decision:

1. Upheld USAC’s decision to recover the full amount of the restitution shortfall — an amount which the FCC determined had been incorrectly calculated by USAC. To do otherwise, the FCC argued, “...would discourage E-rate applicants from creating internal review systems necessary to prevent waste, fraud, and abuse.”
2. Rejected Harrisburg CSD’s argument that the money should be sought only from the service provider.
3. Noting that full \$2.16 million in restitution had not been paid, the FCC directed USAC to calculate the unpaid portion and to add that to the amount due from the district and the service provider.

The other two decisions ([DA 16-1465](#) and [DA 16-1448](#)) will be reviewed in next week’s newsletter.

USAC News Brief Dated December 30 – New EPC Functionality

USAC’s [Schools and Libraries News Brief of December 30, 2016](#), discusses the new SPIN change, service substitution, and Form 500 functionality now available in EPC (see more detailed discussion above). The News Brief also mentions the new way to contact the USAC Ombudsman (see also our [newsletter of December 26th](#)).

Newsletter information and disclaimer: This newsletter may contain unofficial information on prospective E-rate developments and/or may reflect E-Rate Central's own interpretations of E-rate practices and regulations. Such information is provided for planning and guidance purposes only. It is not meant, in any way, to supplant official announcements and instructions provided by the SLD, FCC, or NCDPI.

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.

For further information, follow E-Rate Central on Twitter, Facebook, and LinkedIn.   

If you have received this newsletter from a colleague and you would like to receive your own copy of the North Carolina E-Rate Forum, send an email to join-ncerate@lists.dpi.state.nc.us. Please include your name, organization, telephone, and e-mail address.

In compliance with federal law, the NC Department of Public Instruction administers all state-operated educational programs, employment activities and admissions without discrimination because of race, religion, national or ethnic origin, color, age, military service, disability, or gender, except where exemption is appropriate and allowed by law.