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Funding Status – FY 2016

Wave 45 for FY 2016 was released last Thursday, May 4th for a total of \$94.3 million. Funding for North Carolina was \$2.70 million for four applicants. Cumulative national funding through Wave 45 is \$2.59 billion, including \$101 million for North Carolina. Wave 46 is scheduled to be released earlier this week on Tuesday, May 9th.

Special Construction Inquisition, cont.

Our last three newsletters discussed a series of questions sent to applicants who filed for special construction of lit, dark, or self-provisioned fiber. In many cases, the deadline to submit responses to these questions was extended, albeit after the fact, until Monday, May 8, 2017.

Concerns regarding these questions and a request for clarification were formally expressed to FCC Chairman Pai in a [letter dated April 27th](#) from the Schools, Health & Libraries Broadband (“SHLB”) Coalition. The letter reads in part:

The questions ask for information that is irrelevant to determining whether an application meets E-rate requirements and suggests new limitations on funding that were not contained in the 2014 E-rate Modernization Orders, the FCC’s rules, or USAC’s training materials. This new line of inquiry comes after applicants have followed all E-rate procurement rules and guidance, completed the already exhaustive Program Integrity Assurance (PIA) Review process, completed their budgeting processes and, in some cases, already signed contracts and begun to deploy their networks. The request for new and detailed information also adds more delay to an already extremely delayed process. In addition, we are concerned that this latest inquiry may result in attempts—using new guidance previously unknown to applicants—to recoup funds for projects already approved and for projects where the special construction of fiber is already underway.

Suggestion to responders: In managed fiber cases, applicants are unlikely to know how many strands the vendors intend to deploy as a part of end-to-end services, or what the vendors plan to do with excess strands. If service providers are unwilling to provide the requested information, as many larger carriers are, we suggest that applicants notify USAC of the challenges involved in

gathering the vendor information and submit whatever documentation they can. USAC has been reaching out to service providers that are not willing to provide the requested information to the applicants.

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

Random System Bugs:

As USAC continues to update and improve EPC at least weekly, as can occur with a complex system such as EPC, corrections made in parts of the system may result in unforeseen bugs arising in other parts, often of a seemingly random nature. Here are a few examples of bugs reported by users last week:

1. **Disappearing Form 471s.** Some Form 471s in progress disappeared from the users’ Task lists, or were on the lists but could no longer be retrieved. The apparent solution — which will become even more difficult as the window deadline approaches — is to recreate the lost Form 471. Applicants doing so have reported that, although the original Form 471 had apparently disappeared, the original FRNs are available to be copied into the new application, saving at least some work for complicated applications.
2. **Zeros in PDF fields.** Certain PDF versions of draft Form 471s were showing a 0% discount in the FRN calculations and/or zero enrollments in the entity lists. Apparently the EPC applications themselves remained correct but, as a possibly related problem, some certified applications are being listed in the [FRN Status Tool](#) with missing dollars in the Original Funding Amount field.

Tip: If, after completing a funding request the “FRN Calculation” field remains blank (as shown in the following screenshot), try continuing to certification, hitting the back button, and stepping through each FRN to get the FRN Calculation to populate. If this doesn’t work contact the Client Service Bureau to report the issue.

FCC Form 471 - Funding Year 2017

Basic Information Entity Information **Funding Requests** Connectivity Information Certify

This page displays all of the funding requests for this application. From here you can create a new FRN, or edit or delete an existing one.

Funding Requests

>> View Category Two Budget Information

To create or update specific FRN Line Item(s), please click on the FRN number hyperlink.

FRN	Nickname	Number of FRN Line Items	FRN Calculation
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]

Add FRN Edit FRN Remove FRN

FCC Form 471 Help

Show Help

Back Discard Form Save & Share Continue to Certification

3. **Erroneous Form 498 messages.** Some applicants received messages entitled “Why Your 498 ID isn’t Approved Yet,” and explaining what to do next. Many of these applicants reported that their Form 498s had long been approved and, in many cases, had been used to successfully file invoices. Unless it is your first time filing a Form 498, these messages can be safely ignored.

4. Bogus News feed. A News feed popped up in EPC last Thursday indicating that it was the last day to file a Form 470 for FY 2017 and that the window was set to close on June 1. USAC quickly released a Special Edition News Brief acknowledging the error and reconfirming the closing of the application window on May 11th.

Consortium Discount Rate Calculations:

We received questions this past week concerning the consortium discount rates shown in EPC. In one example, EPC showed:

Discount Rate

Category One Discount Rate	Category Two Discount Rate	Voice Discount Rate
71%	70%	13%

The two questions in this example were:

1. Why is the the Category 2 discount rate 1% lower than the Category 1 discount rate?
2. Given the 60% phase-down in discounts for voice services in FY 2017, why is the voice discount rate only 58% below the Category 1 discount rate?

The answer in a word is “mathematics.” The consortium discount rate for any given application is the average of the discount rates for the consortium’s individual members, as calculated by the type of service. Here’s how the math works out for a 10-member consortium shown below:

Member	C1 Discount	C2 Discount	Voice Discount
1	50%	50%	0%
6	50%	50%	0%
2	60%	60%	0%
7	60%	60%	0%
3	70%	70%	10%
4	80%	80%	20%
8	80%	80%	20%
9	80%	80%	20%
5	90%	85%	30%
10	90%	85%	30%
Average	71%	70%	13%

To answer the two questions, note:

1. The maximum discount for Category 2 is 85%, not 90%. Thus the average Category 2 discount for a consortium containing some of the highest discount members will (except for rounding) be lower than the consortium’s Category 1 discount.
2. The voice discount average is affected by the lower discount members of a consortium. Although the nominal discount reduction for FY 2017 is 60%, no member can have a voice discount lower than 0%. Thus the average voice discount for a consortium containing lower discount members will be higher than the consortium’s Category 1 discount minus 60%.

Note: Strategically, consortiums would be wise to file separate applications for voice-only recipients. In the above example, with only the six members eligible for voice services, a separate consortium application would result in a 22% voice discount.

E-Rate Updates and Reminders

USAC CEO Henderson Resigns:

In a surprising [announcement](#), at least with respect to timing, the USAC Board accepted the immediate resignation of Chris Henderson as CEO. The resignation came one week before the close of the FY 2017 E-rate application window and, perhaps more significantly, two weeks before USAC was charged with responding to a [letter from FCC Chairman Pai](#) criticizing USAC's implementation of the EPC system. Ms. Vickie Robinson, VP and General Counsel, was appointed Acting CEO. Craig Davis, VP of the Schools and Libraries Division, remains in direct charge of the E-rate program.

The FCC's reaction to Mr. Henderson's resignation was hardly a bland thank you for his service. Instead, Michael O'Rielly, the other Republican Commissioner and critic of USAC and the current E-rate rules, issued the following statement:

The departure of its CEO presents an opportunity for the Universal Service Administrative Company (USAC) to clean up its act. USAC as it has been managed is not sufficiently accountable to the Commission, and is not meeting the needs of universal service stakeholders or the public, who pay fees to support USAC's operations. Absent significant and timely improvements, I believe that all options should be on the table, including putting USAC's functions out for contract, as the Commission has done in other circumstances.

We suspect that E-rate is about to become more interesting — probably with changes targeted for FY 2019 or later, but potentially as early as FY 2018.

USAC's Fund Size Projections for 3Q17:

USAC released its [Universal Service Fund Size Projections for the Third Quarter of 2017](#). Typically, the FCC uses these third quarter projections to set the carry-forward (or "roll-over") of funds into the next funding year. This year's projections show \$1.264 billion in available funds, down about a third from last year's \$1.9 roll-over. If FY 2017 demand is similar to FY 2016, this would require an increase in USF fee contributions — a sensitive issue for FCC Chairman Pai.

Upcoming 2017 E-Rate Deadlines:

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| May 8 | Extended response deadline for FY 2016 applicants who received questions from USAC regarding extra fiber strands related to special construction charges. Responses to certain questions are best left to the vendors. |
| May 9 | Form 486 deadline for FY 2016 funding committed in Wave 29. 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 deadlines:

Wave 30	05/19/2017
Wave 31	05/30/2017
Wave 32	06/02/2017
Wave 33	06/09/2017

Applicants missing these (or earlier) deadlines should watch carefully for “Form 486 Urgent Reminder Letters” (actually emails directing the applicants to 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.

- May 11 Last day of the Form 471 filing window for FY 2017. The window closes at 11:59 p.m. EDT.
- June 30 Last day to file for a [Special Construction Deadline Extension Request](#) and the last day to receive FY 2016 recurring services.
- July Expected month for USAC’s annual service provider training sessions in Chicago and Dallas. Dates and registration information should be available shortly.

USAC News Brief Dated May 5 – Tips for Last Minute Filers

[USAC’s Schools and Libraries News Brief of May 5, 2017](#), provides the following tips for those applicants who have not yet filed their Form 471 applications for FY 2017:

1. Make sure that you can log into EPC to be able to work on a Form 471.
2. Start your Form 471 even if you are not ready to provide funding request details.
3. Wait the full 28 days after filing your Form 470, even if you filed the Form 470 after April 13th.
4. Review the answers to your connectivity questions.
5. Create a contract record for each new contract or legally binding agreement.
6. Ask CSB to create missing entities, if possible, and attach them to your organization.
7. For questions or problems, create a Customer Service case in EPC to provide detailed information and/or seek written responses from CSB.
8. Use the “interim SPIN” (143666666) if USAC has not yet issued a SPIN to your chosen service provider.
9. Take advantage of CSB’s extended service hours (see News Brief).
10. Do not wait until the last minute to contact CSB with questions or issues.

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.

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