North Carolina E-Rate Forum

Weekly E-Rate Newsletter
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Funding Status – FY 2018 and FY 2017

FY 2018:

The FY 2018 Form 471 Application Window opened Thursday morning, January 11, 2018. The Window will close Thursday, March 22, 2018 at 11:59 p.m. EDT. PIA review is underway for filed applications.

Last Thursday, February 22nd, was the final day to post a Form 470 that would have had an allowable contract date within the FY 2018 Form 471 Application Window.

FY 2017:

Wave 42 for FY 2017 was released Thursday, February 15th, for a total of $11.1 million, none for North Carolina. Cumulative national funding through Wave 42 is $2.19 billion, including $67.9 million for North Carolina.

USAC is scheduled to release two funding waves this week. A regular Wave 43 is planned for Thursday, March 1st; a special hurricane-relief Wave 44 is expected to be released Friday, March 2nd.

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

FY 2018 Inflation Adjustment and Category 2 Budget Tools:

Last week — roughly a month earlier than last year — the FCC announced a 1.8% inflation adjustment for FY 2018 E-rate funding. The announcement itself (DA 18-163) addresses only the total program cap for the next funding year, raising the cap to $4,062,030,726. The same inflation adjustment, however, will also apply to Category 2 budget factors for FY 2018. By our calculations, yet to be confirmed by USAC, the FY 2018 factors are shown in the table below.

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Inflation-Adjusted Category 2 Budget Caps (Pre-Discount)

	FY 2015 (base year)		FY 2016 (1.0% increase)		FY 2017 (1.3% increase)		FY 2018 (1.8% increase)	
Schools	$ 150.00	per student	$ 151.50	per student	$ 153.47	per student	**$ 156.23**	per student
Non-urban libaries	$ 2.30	per sq.ft.	$ 2.32	per sq.ft.	$ 2.35	per sq.ft.	**$ 2.40**	per sq.ft.
Urban libraries	$ 5.00	per sq.ft.	$ 5.05	per sq.ft.	$ 5.12	per sq.ft.	**$ 5.21**	per sq.ft.
Minimum	$9,200.00		$9,292.00		$9,412.80		**$9,582.23**	

Note: The factors shown above are calculated compounding inflation adjustments from FY 2015, then rounded to the nearest penny (as per FCC guidance in FY 2017).

Shortly after the FCC's announcement, USAC updated EPC to incorporate the additional 1.8% inflation adjustment for FY 2018. As we have discussed in the past, however, the Category 2 budgets shown in EPC do not properly reflect the rounded per-student and per-sq.ft. factors. As a result, EPC will slightly overstate the school and non-urban library budgets, and understate urban library budgets for FY 2018. The error is small, but is potentially significant for applicants applying for funding at their individual entity budget caps. Note also that the EPC budget tool does not reflect any Category 2 funding for FY 2015.

By way of comparison, USAC's non-EPC Category 2 budget status tool does properly round per-student and per-sq.ft. factors to the nearest penny — albeit not yet reflecting the FY 2018 inflation adjustment — and does include FY 2015 funding. However, note that the non-EPC budget tool uses school student counts and library square-foot measures as approved in FY 2017 applications, whereas the EPC budget tool uses potentially updated entity profile data.

Bottom line: Applicants approaching their maximum FY 2018 Category 2 budgets may use USAC's budget tools as guides, but may need to more carefully and precisely calculate their own funding caps.

Recipient of Service ("ROS") Allocation Mismatch Appeals:

Within the last two weeks, USAC has created over 200 self-initiated "appeals" to correct small computational errors — hopefully small — in previously issued Funding Commitment Decision Letters ("FCDLs"). Applicants are being notified of these appeals via emails entitled "ROS Allocation Mismatch." The applicants are rightfully somewhat puzzled, if not concerned, by the text that reads: "USAC discovered that the Recipient of Service (ROS) allocation does not equal the Funding Request Number (FRN) line amounts on your FCC Form 471. Therefore, USAC has created an appeal record on your behalf to review your application. After our review is complete, you will receive a Revised Funding Commitment Decision Letter. There is no action required by you at this time."

Because these appeals are currently being handled internally, it is difficult to fully understand the problem being addressed. The problem, apparently not initially caught by EPC, has occurred in cases where (a) applicants were required by PIA to reduce funding due to exceeding a recipients Category Two budget, and/or (b) PIA identified ineligible Category Two products or services. While there may be additional permutations, we have identified two specific scenarios where there is an ROS issue.

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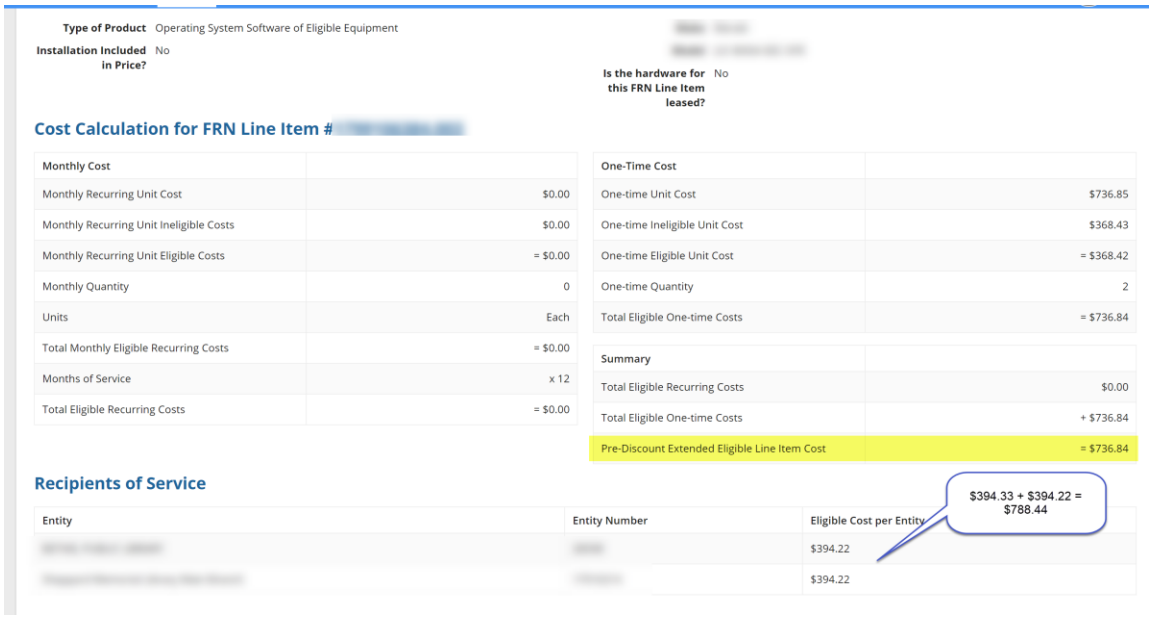
The first, illustrated below, is when the eligible costs attributed to the recipients of service did not match the approved eligible costs amount.



Type of Product Operating System Software of Eligible Equipment
Installation Included in Price? No
Is the hardware for this FRN Line Item leased? No

Cost Calculation for FRN Line Item #

Monthly Cost	
Monthly Recurring Unit Cost	$0.00
Monthly Recurring Unit Ineligible Costs	$0.00
Monthly Recurring Unit Eligible Costs	= $0.00
Monthly Quantity	0
Units	Each
Total Monthly Eligible Recurring Costs	= $0.00
Months of Service	x 12
Total Eligible Recurring Costs	= $0.00

One-Time Cost	
One-time Unit Cost	$736.85
One-time Ineligible Unit Cost	$368.43
One-time Eligible Unit Cost	= $368.42
One-time Quantity	2
Total Eligible One-time Costs	= $736.84

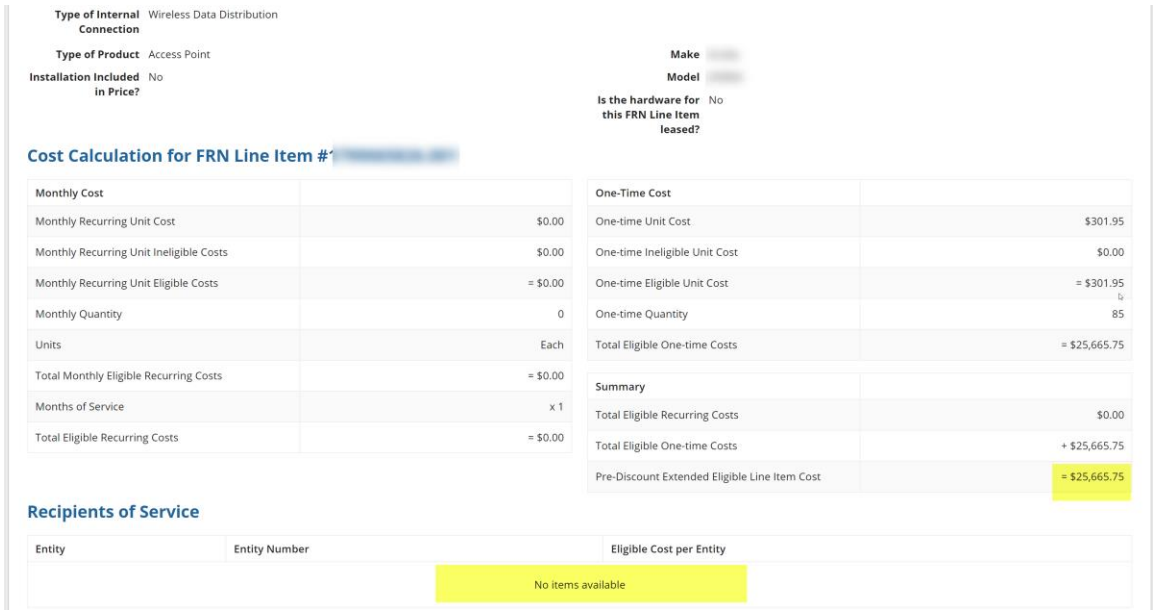
Summary	
Total Eligible Recurring Costs	$0.00
Total Eligible One-time Costs	+ $736.84
Pre-Discount Extended Eligible Line Item Cost	= $736.84

Recipients of Service

Entity	Entity Number	Eligible Cost per Entity
		$394.22
		$394.22

$394.33 + $394.22 = $788.44

The second is when cost-allocation information is missing in its entirety.



Type of Internal Connection Wireless Data Distribution
Type of Product Access Point
Installation Included in Price? No
Make
Model
Is the hardware for this FRN Line Item leased? No

Cost Calculation for FRN Line Item #

Monthly Cost	
Monthly Recurring Unit Cost	$0.00
Monthly Recurring Unit Ineligible Costs	$0.00
Monthly Recurring Unit Eligible Costs	= $0.00
Monthly Quantity	0
Units	Each
Total Monthly Eligible Recurring Costs	= $0.00
Months of Service	x 1
Total Eligible Recurring Costs	= $0.00

One-Time Cost	
One-time Unit Cost	$301.95
One-time Ineligible Unit Cost	$0.00
One-time Eligible Unit Cost	= $301.95
One-time Quantity	85
Total Eligible One-time Costs	= $25,665.75

Summary	
Total Eligible Recurring Costs	$0.00
Total Eligible One-time Costs	+ $25,665.75
Pre-Discount Extended Eligible Line Item Cost	= $25,665.75

Recipients of Service

Entity	Entity Number	Eligible Cost per Entity
No items available		

In both cases the original Form 471 submission properly allocated the costs to each recipient of service which means that these errors occurred during PIA or the FCDL wave process. Note that these issues also appear to impact the reporting of the Category 2 budget tools. Pending resolution of these appeals, applicants who have had an ROS appeal created on their behalf should be careful applying for Category 2 funds in FY2018.

E-Rate Updates and Reminders

Upcoming 2018 E-Rate Dates:

February 26 — FY 2017 Form 486 deadline for funding committed in Wave 22. Other upcoming Form 486 deadlines include:

Wave 23	03/05/2018
Wave 24	03/12/2018
Wave 25	03/19/2018

Applicants missing these (or earlier) deadlines should watch carefully for "Form 486 Urgent Reminder Letters" in EPC. The Reminders will afford applicants with 15-day extensions to submit their Form 486s without penalty.

February 27 — Extended invoice deadline for FY 2016 recurring service FRNs for which extensions were requested and granted for the original October 30, 2017, deadline. See USAC's Schools and Libraries News Brief of February 23, 2018.

Note: The FRN Status Tool shows February 26th as the Last Date to Invoice for this invoice extension. The February 27th deadline, however, is shown in the governing FRN Extension Table.

March 22 — FY 2018 Form 471 Application Window closes at 11:59 p.m. EDT.

E-Rate Audit Lessons:

We were always taught to learn from our own errors. But, being in E-rate, it seems much more cost-effective to learn from others. Particularly good sources are the E-rate audit reports reviewed quarterly by the Schools & Libraries Committee of the USAC Board. The Committee's Briefing Book for the most recent January meeting, now publicly available, contains information on ten internal USAC audits of E-rate beneficiaries. The reports provide useful lessons.

1. Overall, the auditors uncovered "material findings" in six of the ten audits reviewed. Of the almost $21 million in funding audited, 2.7% is currently subject to recovery. Going forward, as more audits become "risk-based," findings may increase in both number and dollar value.
2. Most of the problems involved invoicing discrepancies — failures to remove ineligible charges or inclusion of charges for unrequested services. In one case, involving a transition to an upgraded WAN, invoices had been filed for overlapping "duplicative" service. Billing documentation was a problem in several cases.
3. The second most common problem was the failure to install — or install, but not use — E-rate funded equipment.
4. The most serious problem in terms of its monetary consequences — and a good lesson in the final stages of this year's application cycle — was the failure to consider price as the

most heavily-weighted factor in the bid assessment process. In this case, the applicant included two other factors with the same weight.

Evaluation Criteria	Weighting	Service Provider 1	Service Provider 2
Financial (Price)	30.00	29.84	30.00
Program Plan	30.00	30.00	17.33
Contractor's Capabilities	30.00	30.00	24.67
Reporting	10.00	10.00	7.00
Total	**100.00**	**99.84**	**79.00**

Interestingly, because the pricing was so close, a significantly higher weighting of price would not have changed the selection of Service Provider 1 (a condition that may play to the applicant's advantage in an FCC appeal). But the equal weighting price with two other factors is considered a serious violation of E-rate's competitive bidding rules. In this case, USAC is voiding a funding commitment of $2.7 million on 57 FRNs, and seeking the recovery of almost $1 million in funds already disbursed.

USAC News Brief Dated February 23 – Getting Ready to File a Form 471 for FY 2018

USAC's Schools and Libraries News Brief of February 23, 2018, provides the following reminders for filing a Form 471 for FY 2018:

- Wait a full 28 days after filing your Form 470 before selecting your service provider(s) and certifying your Form 471.
- Make sure that you are set up in EPC to be able to work on a Form 471.
- Start your Form 471 even if you are not ready to provide funding request details.
- Review the answers to your connectivity questions even if you answered them last year.
- Create a contract record for each new contract or legally binding agreement.
- Ask CSB to create missing entities for you and, if possible, attach them to your organization in EPC.
- For any question, create a customer service case in EPC to provide us with detailed information or if you want a written response to your question.
- Do not wait until the last minute to contact CSB with questions or issues.

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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.

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