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Funding Status – FY 2018 and FY 2017

FY 2018:

The FY 2018 Form 471 Application Window will close Thursday, March 22, 2018 at 11:59 p.m. EDT. USAC’s Client Service Bureau (“CSB”) is operating under [extended hours](#) to support applicants experiencing end-of-window filing problems. Applicants who have not yet filed should carefully review the questions and answers provided in USAC’s latest News Brief referenced below. Some of the potential filing problems applicants may encounter are not ones they will be able to address on the final day, if not the closing hour, of the Application Window.

FY 2017:

Wave 46 for FY 2017 was released Thursday, March 15th, for a total of \$4.95 million, none for North Carolina. Cumulative national funding through Wave 46 is \$2.24 billion, including \$67.8 million for North Carolina. USAC is scheduled to release Wave 47 on Tuesday, March 20th.

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

Update on Category 2 Budget Factors for FY 2018:

With less than a week to go in the FY 2018 Application Window, it is at best annoying — and perhaps symptomatic of broader problems — that USAC has not confirmed, or cannot confirm, the Category 2 budget caps for the coming funding year. As discussed in our recent newsletters, there are several problems.

1. Based on the FY 2017 precedent, inflation-adjusted Category 2 budget factors should be rounded to the nearest penny. Based on our calculations, using the FCC’s 1.8% inflation adjustment (see [DA 18-163](#)) for FY 2018, the key C2 numbers should be:

Schools	\$156.23 per student
Non-urban libraries	\$2.40 or \$2.39 per square foot (see below)
Urban libraries	\$5.21 per square foot
Minimum	\$9,582.23 per entity

2. USAC’s internal EPC budget tool, available only to authorized applicant users:
 - a. Uses an unrounded FY 2018 inflation adjustment.
 - b. Uses current EPC entity profile data.
 - c. Does not include any FY 2015 Category 2 funding.
3. USAC’s non-EPC [Category Two Budget Tool](#):
 - a. Uses rounded FY 2017 budget caps.
 - b. Uses FY 2017 entity profile data.
 - c. Includes FY 2015 Category 2 funding.

Note that one uncertainty in our calculations is the square-foot factor for non-urban libraries. The one penny difference depends upon how the FCC decides to apply year-over-year inflation adjustments (1.0% in FY 2016, 1.3% in FY 2017, and 1.8% in FY 2018). It is this decision that may be holding up the release of the official Category 2 budget caps. We believe that the two most likely options are as follows:

1. Apply the annual inflation adjustments in a serial (or compounded) manner to the FY 2015 base year budget caps, rounding the resulting figure to the nearest penny. Using the non-urban library example (the only one yielding a one-penny difference for FY 2018), the calculation would be:

$$\$2.30 \times 1.01 \times 1.013 \times 1.018 = \$2.395557, \text{ rounded to } \$2.40 \text{ per square foot}$$
2. Apply the annual inflation adjustment each year to the previous year’s rounded budget cap, again rounding the resulting figure to the nearest penny. For FY 2018, based off the FY 2017 budget cap, this would be:

$$\$2.35 \times 1.018 = \$2.392300, \text{ rounded to } \$2.39 \text{ per square foot}$$

Of the two options, we would expect the FCC to choose the first. Option #1 is consistent with the calculation currently being used for the annual E-rate funding cap. It is also consistent with EPC’s internal calculation (albeit without the final rounding step). The calculation involves additional multiplications (and one more each following year), but really only needs to be done once. Hopefully the FCC will start releasing the final rounded Category 2 budget cap figures, as well as the annual E-rate funding cap, whenever it announces the percentage inflation adjustment for the coming year.

E-Rate Updates and Reminders

Upcoming 2018 E-Rate Dates:

March 19 FY 2017 Form 486 deadline for funding committed in Wave 25. Other upcoming Form 486 deadlines include:

Wave 26	03/22/2018
Wave 27	04/02/2018
Wave 28	01/09/2018
Wave 29	04/16/2018
Wave 30	04/23/2018

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.

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

ESH Reports on Fiber Application Denials and Delays:

EducationSuperHighway (“ESH”), the nonprofit school broadband advocacy group, has created a special [website](#) focusing on all the E-rate applications for special construction fiber projects being denied or delayed. As of last week, the site lists 61 fiber projects which it deems “unfairly” denied, and 38 projects still awaiting funding decisions from last year. In explaining the funding problems, ESH points to:

- ➔ **Excessive scrutiny**
Projects are denied for unjust reasons when they should only be evaluated on these three metrics:
 - Eligible for e-rate funding
 - Followed the competitive bidding rules
 - Selected the most cost-effective option
- ➔ **Inconsistency in application of rules**
Service providers that separate the fiber construction charges from the monthly recurring cost are **more likely** to be denied than those that include those same charges in the monthly cost.
- ➔ **Lack of clarity on process changes**
During the application window, there have been several process changes that confuse applicants and lead to unfair denials.

To correct this situation, ESH calls on the FCC to direct USAC to approve all cost-effective projects, re-evaluate previously denied applications, and prioritize all future fiber applications for review. In a similar vein, Governor Abbott of Texas and Texas’ Commissioner of Education sent a [joint letter](#) to USAC last week requesting expeditious treatment of fiber applications from Texas applicants to take advantage of matching funds available from Texas expiring mid-2019. More broadly, ESH provided a draft letter that concerned applicants and service providers might send to their U.S. Senators calling on the FCC to “fix the issues with the E-rate program’s fiber project approval process.”

Proposed USF Contribution Factor for 2Q18:

The FCC issued a Public Notice ([DA 18-234](#)) announcing the proposed Universal Service Contribution Factor of 18.4% for the second calendar quarter of 2018. The quarterly contribution factor represents the percentage of interstate and international telecommunications revenues to be paid by carriers and other contributors into the Universal Service Fund (“USF”). The USF, in turn, is the funding source for E-rate and the other three Universal Service programs.

The good news about the 2Q18 contribution factor is that is down from the historically high — and politically sensitive — 19.5% of the current quarter. 2Q18 contributions will provide the final quarterly payments covering FY 2017 E-rate requirements. The contribution factor for 3Q18 will depend, in part, on the projected demand for FY 2018 and the availability of carry-forward funding from previous years.

USAC News Brief Dated March 16 – Application Filing Process FAQs

[USAC’s Schools and Libraries News Brief of March 16, 2018](#), provides answers to the following series of common application filing window questions:

- I am a new user and I have not received my email to log in to EPC. What do I do?
- How do I change my account administrator?
- How do I create a contract record?
- Can I update the answers to my connectivity questions even though EPC profiles are locked?
- My urban/rural status is incorrect. How do I fix it?
- I can't change the student counts in my profile. What should I do?
- I exited my FCC Form 471 without completing it. How do I get back to my form?
- Why can't I certify my FCC Form 471?
- How do I correct information on my FCC Form 471 after it is certified?
- What if I miss the March 22 deadline?

The News Brief also provides guidance on addressing USAC questions during invoice reviews.

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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