North Carolina E-Rate Forum	Weekly E-Rate Newsletter Vol. 12, No. 50 December 10, 2018

Funding Status – FY 2018 and FY 2019

FY 2018:

USAC issued Wave 35 on Friday, December 7th, for $51.0 million. Cumulative funding as of Wave 35 is $2.00 billion, including $70.0 million for North Carolina.

FY 2019:

The FY 2019 administrative window is open and will remain open until at least January 7th. EPC entity profiles will be locked for the duration of the Form 471 application window (expected to open in mid-January).

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

Elephants in the Room:

At last week's service provider training in Washington, DC, USAC referenced three "elephants in the room" — issues pending resolution by the FCC on which USAC can not yet provide specific guidance. The following is the best information we have currently on the status of these three elephants:

1. Opening and closing dates of the FY 2019 Form 471 application window: USAC had initially suggested target window dates of January 10 – March 20. Opening of the window, however, is constrained by two FCC actions.
   a. The window cannot be opened until at least 60 days after the release of the Eligible Services List for FY 2019. This list was released November 16, 2018 (see DA 18-1773). Unless the 60 days requirement is waived by the FCC, this would mean that the window cannot open before January 15th.
   b. Additionally, the window cannot be opened until the Wireline Competition Bureau ("WCB") provides a report to the Commission on the "sufficiency" of applicant

Category 2 budgets. A date for the release of this report has not yet been announced, but hopefully it will not further delay the opening of the window.

2. Category 2 funding beyond FY 2019: The current rules for Category 2 budgets were established on a five-year trial basis. Absent FCC action to extend and/or revise the existing budget mechanism,[1] internal connections funding will revert back to the previous 2-in-5 rules.[2] For applicants starting their Category 2 budgets in FY 2015, the final budget year is clearly FY 2019. No definitive information has been provided for applicants starting their budgets in FY 2016 (or later) as to whether their budgets will extend a full five years or whether their "5-year" budgets will be truncated in FY 2019 as well. USAC's most recent advice encourages applicants to use their 5-year budgets by FY 2019 for which funding is assured. The WCB Category 2 report, referenced above as a condition for opening the FY 2019 application window, may or may not provide recommendations (or even hints) as to the FCC's plans for Category 2 rules for FY 2020.

3. Multi-Year Amortization for Non-Recurring Construction Costs: Prior to FY 2015, E-rate procedures required WAN network installations of $500,000 or more to be amortized over a period of not less than three years. The Second E-rate Modernization Order (FCC 14-189, Para. 16-21) suspended the amortization requirement for four years. Without FCC action to the contrary, amortization will again be required as of FY 2019. This is of particular concern to applicants seeking funding for large networks hoping to take advantage of extra state matching funds that may be available only for a limited time. We understand that the FCC staff is well aware of the issue and understands that the four-year suspension was implemented to "test the impact" of the change — an impact that has not proved negative. Pending action from the FCC, if any, applicants seeking to build or upgrade large networks need to consider both full and amortized funding models.

While not labeled "elephants," two other significant issues were glossed over by USAC at last week's training, namely:

4. The transition of the Business Processing Outsource ("BPO") contract from Solix to Maximus: E-rate business services, including application, post-commitment requests, and invoice reviews have for many years been largely outsourced under contract to Solix. That contract expires December 31st. Although USAC staff is expected to pick up some of the review load, the new BPO contract has been awarded to Maximus Federal Systems which is just now gearing up to assume most of the program review functions. Despite assurances from USAC that a robust transition plan is in place, E-rate applicants and service providers are concerned — rightly so we believe — of a serious disruption in the processing of currently pending and prospective FY 2019 applications, invoices, and other procedural requests.

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[1] Without FCC action, the eligibility of Basic Maintenance of Internal Connections, Managed Internal Broadband Service, and caching servers are also due to expire as of FY 2020.

[2] Perhaps requiring some clarification to conform with other aspects of the E-rate Modernization Orders.

5. The legitimacy of service provider product demonstrations: In May, without any public announcement, USAC revised a small portion of its Reference section to indicate that onsite product demonstration "loans" would be considered prohibited "gifts" (see our newsletter of July 16th). The change, when noticed, set off cries of alarm by both applicants and service providers who had always considered demos necessary and legitimate business practices to allow the testing of new and/or "equivalent" products. In an August webinar on competitive bidding, USAC revised its website guidance slightly by indicating that demos were allowed if conducted prior to, and completed by, the filing of the applicant's Form 470 for the coming year — still a highly restrictive condition. Last week, in response to a question, USAC clarified that "demos are OK; gifts are not." The clear indication was that longer-term "loans" of equipment would be considered gifts, but shorter-term demos, meant as product trials, were fine. Although USAC would not define a short-term limit, it did suggest that loans for 6-12 month trials would be questionable. While this new guidance is both welcome and reasonable, it should be noted that USAC's Gift Rules have not yet been updated to eliminate the demo prohibition language. Applicants should document any loans of equipment from service providers and be prepared to explain the terms of any demo loans.

E-Rate Updates and Reminders

Upcoming E-Rate Dates:

December 10 — Form 486 deadline for FY 2018 funding committed in Wave 18. More generally, the Form 486 deadline is 120 days from the FCDL date or the service start date (typically July 1st), whichever is later. Other FY 2018 Form 486 deadlines this year are:

Wave 19	12/17/2018
Wave 20	12/24/2018
Wave 21	12/31/2018

Note: Applicants missing any Form 486 deadline should watch carefully for "Form 486 Urgent Reminder Letters" in their EPC News Feed. These Reminder Letters afford applicants 15-day extensions to submit their Form 486s without penalty.

December 12 — USAC webinar on Preparing for the FY 2019 Application Window.

Useful Webinars:

EducationSuperHighway is running a series of webinars on the E-rate process and supported technology. Last week's webinar on Bid Evaulation Do's and Don'ts for E-rate is recorded and available online. This week's webinar covering Form 471 Tips for E-rate Consultants will be held on Wednesday, December 12th, at 1:00 p.m. EST.

A series of webinars for library applicants is available on the New York Library E-rate site. Last week's webinar focusing on the FY 2019 E-rate cycle, conducted by E-Rate Central, will be posted online shortly.

As previously noted, USAC has posted a number of webinars and shorter instructional videos in its [Online Learning Library].

USAC News Brief Dated December 7 – Reminders for the Administrative Window

USAC's Schools and Libraries News Brief of December 7, 2018, reminds applicants to review and update key entity data in their EPC profiles during the current administrative window. As noted above, once this window closes in January applicant access to these profiles will be locked for the duration of the Form 471 application window. In particular:

- All billed entities should verify their FCC Registration Numbers ("FCC RNs") and review entity names, addresses, and contact information.
- Schools and school districts should update student counts (including peak part-time students) and NSLP eligibility data. Districts should verify the parent-child relationships for all their entities.
- Libraries and library systems should review the square footage entries and verify the IMLS locale codes for all their entities.
- Consortia should make sure that their lists of members are accurate and encourage their members to review and update their own entity profiles.

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.

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