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Funding Status – FY 2019

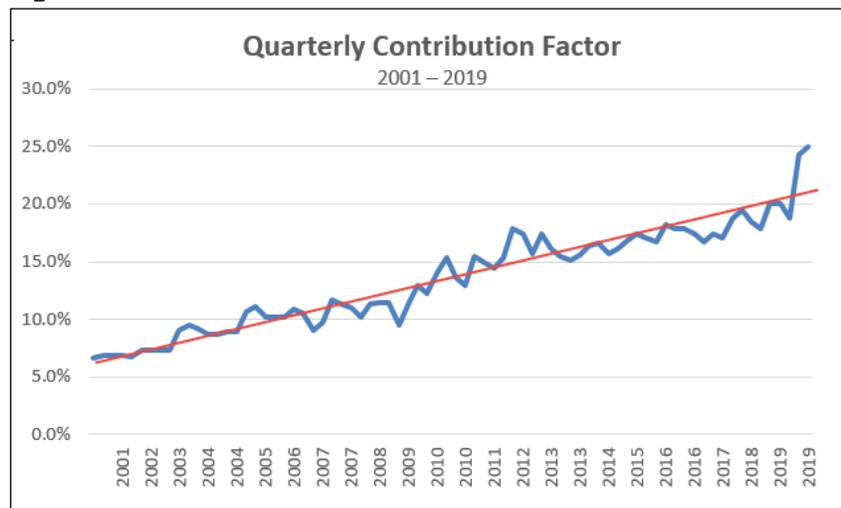
USAC released Wave 29 for FY 2019 on Thursday, October 17th. Funding totaled \$34.1 million including \$262 thousand for one North Carolina applicant. Cumulative commitments through October 17th are \$1.87 billion including \$55.1 million for North Carolina.

Federal State Joint Board Proposes Change in USF Contribution Base

This quarter the USF contribution factor — the percentage of interstate revenue that telecom carriers are required to contribute to the Universal Service Fund (“USF”) — hit 25%, a disturbing all-time high. As discussed in our newsletter of [September 16th](#), the quarterly contribution percentage has ballooned over the past decade with the trend showing no signs of abating.

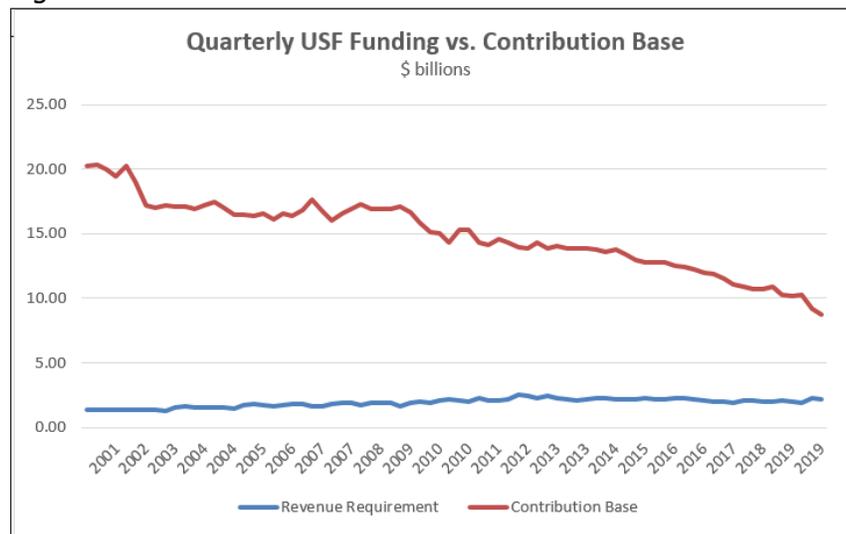
The following two graphs illustrate the nature and cause of the problem. Figure 1 shows the relentless upward trend of the contribution factor. E-rate veterans may remember when 10% was considered a politically dangerous level; we have obviously blown way past that level.

Figure 1



With at least one FCC Commissioner pushing for an overall USF cap, one might be tempted to believe that the increasing contribution factor was being driven by increased USF program expenditures. Those costs have in fact increased over the past decade — albeit they have been relatively flat for the last few years — but they are only a secondary factor. Figure 2 shows the real problem. The contribution base — i.e., the total level of interstate telephone revenues against which contributions are assessed — has been steadily shrinking. This is the result of (a) telephone competition lowering toll rates, (b) the growth of broadband services (including VoIP telephone services, and (c) the explosive use of text messaging. Further, the increasing contribution factor, which is an additional interstate cost, continues to make traditional telephone service a less compelling option for consumers.

Figure 2



Regulators have long realized that this situation is becoming untenable. The FCC’s response to date, most recently as of 2014, was to refer the matter to the Federal State Joint Board, an FCC advisory group that includes state public utility regulators, to study the problem.

Last week, the Federal State Joint Board — more precisely the “State Members” of the Board — released a comprehensive set of [recommendations](#) to the FCC to expand the base of USF contributors. Most importantly, the report recommended that the contribution base be expanded to include a broader class of services that touch the public communications network including Broadband Internet Access Service (“BIAS”). More detailed recommendations included:

- Internet contributions should be assessed using a “hybrid” model by which commercial users would contribute on a traditional revenue percentage basis, whereas residential users would contribute on a per connection basis.
- In addition to Internet services, the expanded base should also encompass the “enterprise” market including virtual private networks, video conferencing, web conferencing, unified communications, and business wireless broadband access services.

- The FCC should set a firm budget for each of the four USF programs (rather than a single cap on all programs). Importantly: “The initial budgets for the rural health, and E-rate programs should be set at their current budget levels.”
- Whatever changes are made in the federal USF mechanism should be compatible with universal service programs maintained by some states.

How, when, and if the FCC responds to the “State Members” recommendations is uncertain. The next logical step would be for the FCC to initiate a public rulemaking as to the soundness of the recommendations as well as to the FCC’s authority to impose USF charges on the broader array of services (an authority that the State Members believe the FCC possesses). Despite these uncertainties, we commend the State Members for taking a much-needed initiative to recommend common sense solutions to a problem that needs to be solved to maintain the integrity of the Universal Service Fund — E-rate and all.

E-Rate Updates and Reminders

Upcoming E-Rate Dates:

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|-----------------------------|---|------------|------------|---------|------------|---------|------------|---------|------------|
| October 22
– November 21 | Remaining USAC 2019 fall applicant/tribal training sessions (see USAC’s 2019 Training webpage for a schedule of the sessions). | | | | | | | | |
| October 28 | Invoice deadline for FY 2018 recurring services. Note: For applicants and service providers unable to submit their invoices by this date, October 28 th is also the deadline for filing 120-day Invoice Deadline Extension Requests (“IDERS”). | | | | | | | | |
| October 28 | Due date for nominations of six positions on the USAC Board of Directors (see DA 19-835) including the slot reserved for a library representative and one of the two slots reserved for school representatives. | | | | | | | | |
| October 29 | First Form 486 deadline for FY 2019, covering funding committed in Waves 1-10. More generally, the Form 486 deadline is 120 days from the FCDL date or the service start date (typically July 1 st), whichever is later. The upcoming Form 486 deadlines are: <table border="0" style="margin-left: 40px;"> <tr> <td>Waves 1-10</td> <td>10/29/2019</td> </tr> <tr> <td>Wave 11</td> <td>11/04/2019</td> </tr> <tr> <td>Wave 12</td> <td>11/08/2019</td> </tr> <tr> <td>Wave 13</td> <td>11/15/2019</td> </tr> </table> | Waves 1-10 | 10/29/2019 | Wave 11 | 11/04/2019 | Wave 12 | 11/08/2019 | Wave 13 | 11/15/2019 |
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| Wave 12 | 11/08/2019 | | | | | | | | |
| Wave 13 | 11/15/2019 | | | | | | | | |
| October 31 | Deadline for submitting initial FCC comments on improving the Form 470 drop-down menus (DA-986). Reply comments are due November 15 th . | | | | | | | | |
| October 31 | Proposed deadline to update the business type for existing Form 498s. (See article below and our newsletter of August 19th .) | | | | | | | | |

USAC Form 498 Update Reminder:

USAC began sending emails to selected applicants last week reminding them that they had only “[15 Days to Update FCC Form 498 with Business Type\(s\)](#)” information, i.e., until October 31st. Although we view October 31st as a “soft” deadline — there are no apparent consequences of not updating a Form 498 by this date — we nevertheless encourage applicants to comply quickly, if only to avoid being nagged repeatedly in the future.

As discussed in our [newsletter of August 19th](#), the Form 498 update request derives from the Digital Accountability and Transparency Act of 2014 (“DATA Act”), requiring federal agencies to publish standardized spending data. Note that updating a Form 498 within EPC is an action that can only be accomplished by the applicant — not a consultant — and, more specifically, that certifying the update can only be done by a School or Library Official.

One thing USAC will not do is provide any guidance as to what business type (or types) an applicant should enter in the new Form 498 business type field. To venture forth where USAC fears — or is not allowed — to tread, we offer the following business type suggestions for E-rate applicants:

Regional ESA, library system, or consortium:	Choose “Regional Organization”
Public school district:	Choose “Independent School District”
Independent or charter school:	If confirmed, choose “Nonprofit with 501C3 IRS Status (Other than an institution of Higher Education),” otherwise choose “Other”
Individual library or branch:	Choose “Other”

USAC News Brief Dated October 18 – October Deadline Reminders

[USAC’s Schools and Libraries News Brief of October 18, 2019](#), reminded applicants of the important invoice and Form 486 deadlines next week. We have been including these deadlines in our E-Rate Updates and Reminders section of this newsletter, but for added emphasis, we are repeating the October 28-29 dates below.

October 28	Invoice deadline for FY 2018 recurring services. Note: For applicants and service providers unable to submit their invoices by this date, October 28 th is also the deadline for filing 120-day Invoice Deadline Extension Requests (“IDERS”).
October 29	First Form 486 deadline for FY 2019, covering funding committed in Waves 1-10. (More generally, the Form 486 deadline is 120 days from the FCDL date or the service start date whichever is later.)

USAC’s News Brief also references the need to complete the new field in the Form 498, preferably by October 31st, as discussed further above.

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.

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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