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## Funding Status – FY 2019

USAC released Wave 34 for FY 2019 on Thursday, November 21<sup>st</sup>. Funding totaled \$24.0 million including \$6.82 million for three North Carolina applicants. Cumulative commitments through November 21<sup>st</sup> are \$1.97 billion including \$62.3 million for North Carolina.

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

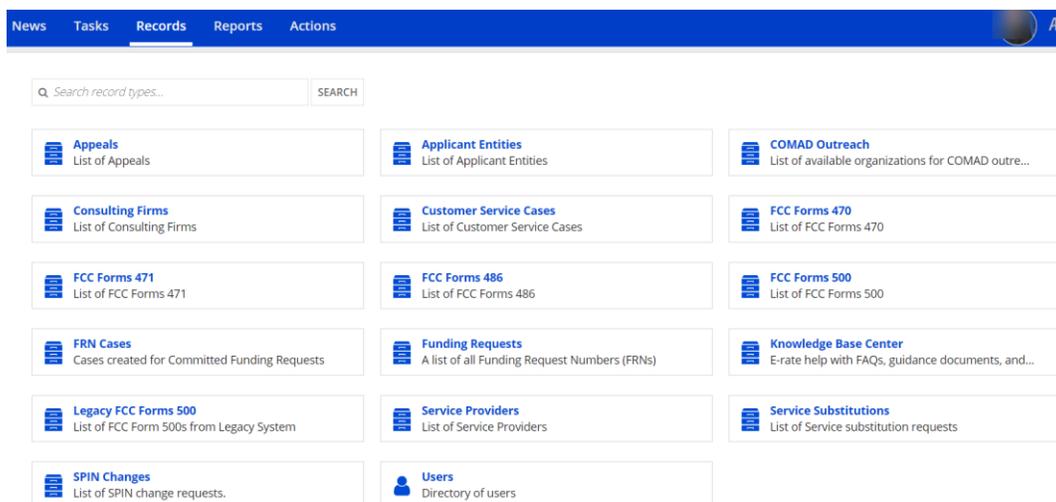
### *Pending Inquiries Grid for Applicants, cont.:*

As announced in USAC’s [November 8<sup>th</sup> News Brief](#) and discussed in our [November 18<sup>th</sup> newsletter](#), USAC added a “Pending Inquiries” grid on applicant EPC Landing Pages. Highlighting pending inquiries is a useful new feature in EPC but appears to be a work in progress. Applicants are reporting that their grids are displaying old inquiries, no longer pending, regarding applications or other requests already approved. We suspect that these are out-of-date inquiries, already “asked and answered,” that were never formally closed within EPC by the reviewers. As displayed, they are a needless distraction.

Although CSB is explaining that “You don’t have to worry about deleting old inquiries,” it would be nice to have the ability to clear them out of the Pending Inquiries grid. In many cases, applicants are finding that they can get rid of extraneous inquiries in their grids by opening and closing them; in other cases when this doesn’t work, it is worth submitting a customer service case to confirm and document that an old inquiry has indeed been satisfied.

### Minor EPC Updates:

Last Friday’s USAC News Brief, referenced below, notes a minor update to the “Records” section. Users clicking the “Records” tab will now see three columns of record types. This provides easier access to a specific record type by eliminating the need to scroll down through a single list.



## E-Rate Updates and Reminders

### Upcoming E-Rate Dates:

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|-------------|---|
| November 29 | Form 486 deadline for FY 2019 funding committed in Wave 15. More generally, the Form 486 deadline is 120 days from the FCDL date or the service start date (typically July 1 <sup>st</sup> ), whichever is later. Other upcoming Form 486 deadlines are:<br>Wave 16 12/06/2019<br>Wave 17 12/13/2019<br>Wave 18 12/20/2019  |
| December 11 | USAC webinar “ <a href="#">Preparing for FY 2020.</a> ”   |
| January 10  | Estimated end date of the administrative window for FY 2020, the period in which applicants can — and should — update entity data in their EPC accounts. Once the administrative window is closed, EPC entity data will be locked for the duration of the FY 2020 application window. For details, see <a href="#">USAC’s Schools and Libraries News Brief of October 11, 2019.</a> |

### LCP Requirements and Category 2:

E-rate rules require that service providers charge applicants no more for their services than they would charge other commercial customers in “similarly situated” situations. Formally, this limits service providers to charging no more than the “Lowest Corresponding Price,” typically abbreviated as “LCP.” Service providers, not applicants, bear the responsibility for complying with the LCP requirement.

Historically, the LCP requirement has been discussed largely with respect to Category 1 telecommunications carrier charges, but the rule has always applied to all E-rate services. Recently there has been an indication that USAC has begun applying the LCP rule to Category 2 pricing as well. Specifically, we understand that USAC has been holding up SPI and BEAR invoices on certain equipment provided by CDW-G (SPIN 143005588) as a result what we believe to be LCP concerns.

CDW-G, to its credit, has begun reaching out to its E-rate customers with the following message:

CDW-G prides itself on offering the highest quality service and highly competitive prices to our E-rate customers. During a review of our pricing to certain E-rate customers, CDW-G discovered a pricing error that caused us to overcharge you for one or more items. If you have not yet been invoiced, your invoice will reflect the correct, lower price. If you have already been invoiced, CDW-G will be issuing you a corrected invoice that identifies the item(s) affected by the error and the amount by which you were overcharged. If you have already paid the affected invoice, you will also receive a refund in the appropriate amount.

We deeply regret this inconvenience to our customers and are committed to making it right.

You may be contacted by the Universal Service Administrative Company (USAC) with regard to this adjustment. We have been working very closely with USAC as we make the adjustments to ensure that our customers' E-rate invoices can be processed as expeditiously as possible.

Should you have any questions about the pricing adjustment, please contact your CDW-G Account Manager. Should you have any questions about USAC correspondence or processing of an invoice submitted to USAC, please contact USAC directly.

Although LCP compliance is a service provider responsibility, non-LCP pricing may affect applicants as well. Consider the following example:

Applicant A, with a 60% discount, buys equipment from vendor B at a cost of \$1,000 and files an E-rate application, initially approved by USAC for a \$600 discount. Normally, invoicing would proceed as follows:

- a) With BEAR invoicing, A pays B \$1,000 and seeks reimbursement from USAC of \$600; or
- b) With SPI invoicing, A pays B \$400, and B invoices USAC for \$600.

Suppose, however, that USAC subsequently determines that the appropriate LCP price of the equipment is really \$900, i.e., 10% less. As a result, USAC processes the BEAR or SPI invoice, but pays out only \$540.

Question #1: How does applicant A make out in this situation? Either:

- a) With BEAR invoicing, A receives a \$540 reimbursement from USAC. A's net non-discounted cost at this point is \$460, not \$400. Assuming the applicant notices the short payment on the BEAR, however, applicant A may seek recovery from vendor B. Ideally, A should recover \$100

from B — the \$60 BEAR reduction and the extra \$40 it would have paid on its non-discounted share.

- b) With SPI invoicing, B receives the \$540 from USAC, but A is not notified. At this point, vendor B has received the \$540 from USAC and the original \$400 from applicant A for a total of \$940 — not the corrected \$900 LCP price. Ideally, B should return \$40 to A.

Question #2: Will USAC step in to make sure that A’s final non-discounted share is only \$360, i.e., 40% of the total \$900 LCP price? That’s unlikely; from USAC’s perspective, its sole administrative responsibility is to pay only the proper discount on the LCP price. Any adjustments to the customer’s original purchase price is deemed a separate vendor-to-applicant issue.

Whatever created the original pricing error, CDW-G’s message indicates that it plans to make its customers whole. In doing so, hopefully CDW-G will have set an industry-wide precedent for dealing with any future E-rate LCP issues. We commend CDW-G for notifying its customers of the problem and explaining the process they will use to make their customers whole.

#### *FCC Adopts USF National Security Rules:*

Last Friday, the FCC adopted an Order barring the use of Universal Service Fund (“USF”) subsidies to fund equipment and services from companies deemed to provide a national security risk. At the outset, the Order would bar funding for Huawei and ZTE equipment (see [FCC News Release-1](#)). The full Order, when released, is expected to track closely with the [draft order](#) circulated late last month. The Order will become effective as of its publication in the *Federal Register*. The FCC also adopted a Further Notice of Proposed Rulemaking requiring carriers to remove and replace existing equipment provided by these “covered” companies.

As discussed in our [newsletter of November 4<sup>th</sup>](#), the prohibition on the use of USF funding for identified services applies to all Universal Service programs, including E-rate. The most substantial impact will be on telecommunications carriers subsidized through the Connect America (or High Cost) program, particularly rural wireless carriers planning to construct new 5G cellular networks.<sup>1</sup> As we have found, there has been only \$2-3 million in Huawei-branded equipment and services funded by E-rate over the past three years. What is not known is the extent to which prohibited components, also covered by the Order, are imbedded in other manufacturers’ equipment. Hopefully, when we see how the Order will be implemented for E-rate purposes, applicants will be able to rely on service provider certifications to ensure compliance.

#### *FCC Proposes New Suspension and Debarment Rules:*

The FCC also initiated a rulemaking last week to adopt “new procedures to provide the agency with broader and more flexible authority to promptly remove bad actors from participation” in the USF

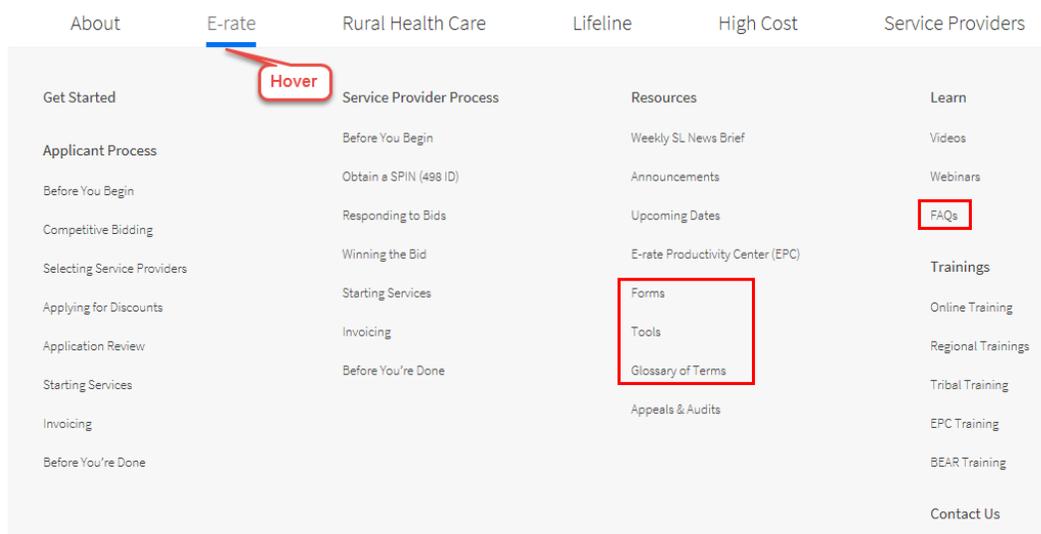
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<sup>1</sup> An informative discussion on the impact of the new Order on telecommunications carriers can be found in a report entitled “[Security Vulnerabilities Within Our Communications Networks](#)” released by FCC Commissioner Carr last week based on a stakeholder workshop he had sponsored in June.

and other FCC programs (see [FCC News Release-2](#)). USF programs currently operate under FCC-specific suspension and debarment rules covering a rather narrow range of conduct effective only in cases of civil judgments or convictions. The proposed new rules would cover a broader range of misconduct and would give the FCC more flexibility to act expeditiously.

## USAC News Brief Dated November 22 – Updated USAC Website, cont.

[USAC’s Schools and Libraries News Brief of November 22, 2019](#) indicates that although most of the content hasn’t changed, a few of the associated resource pages on its website look and function differently than before. A full list of the basic resources can be accessed by hovering the mouse over the “E-rate” tab at the top of the homepage to display what USAC calls the “mega menu.”



The newly functioning resource pages are as follows:

- [Forms](#) provides a list of program forms for applicants and service providers, links to the associated system to file each form, and links to more information about the forms, including user guides.
- [Tools](#) includes links to E-rate Program tools. If you click the "+" sign next to the link, it will provide a description of the tool and available user guides.
- [Glossary of Terms](#) is now a searchable list of key program terms. Use the **Search** box to search by key words or jump to an area of the alphabetized list of terms by using the linked list below the **Search** box.
- [FAQs](#) are now searchable by keywords and by topics. Enter terms in the **Keyword Search** box or select a topic from the **All Topics** drop-down menu.

Last Friday’s News Brief also mentions the minor EPC updates and the December webinar, both mentioned above. USAC will not be issuing a News Brief next Friday, the day after Thanksgiving.

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*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 USAC, the 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](mailto:join-ncerate@lists.dpi.state.nc.us). Please include your name, organization, telephone, and e-mail address.*

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