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Funding Status – FY 2019

USAC released Wave 37 for FY 2019 on Thursday, December 12th. Funding totaled \$18.8 million, including \$16 thousand for one North Carolina applicant. Cumulative commitments through December 12th are \$2.04 billion including \$75.0 million for North Carolina.

FCC Releases FY 2020 Eligible Services List

The FCC released the final version of the Eligible Services List (“ESL”) for FY 2020. As expected, following the release of the Category 2 Order ([FCC 19-117](#)) the previous week, there were no surprises. In fact the actual ESL, included as an attachment to the ESL Order ([DA 19-1249](#)), was exactly the same as the FY 2019 ESL. Specifically:

1. Language in the draft ESL indicating the conditional eligibility of Basic Maintenance of Internal Connections (“BMIC”), Managed Internal Broadband Services (“MIBS”), and caching servers was removed after these services were deemed permanently eligible in the Category 2 Order.
2. The FCC clarified that “virtualized equivalents” of eligible services and equipment — i.e., those available in the cloud that can provide the same functions as locally installed internal connections equipment — are eligible for E-rate funding.
3. The FCC declined requests to make any new equipment or services eligible for FY 2020. As it had in past years, the FCC deemed such requests to be “beyond the scope” of the ESL proceeding.

Given the pressing need for network security and resiliency, the FCC’s reluctance to expand the ESL accordingly for FY 2020 is disappointing. On the positive side, however, bipartisan support for future changes of this nature was expressed by two of the five Commissioners in the Category 2 Order, namely:

From Commissioner Michael O'Rielly:

Further, I acknowledge that some commenters in this proceeding supported the inclusion of network security features and products within the Eligible Services List. While that request won't be fulfilled in the current item, I am open to discussing the possibility of including such services in the future. My willingness to consider such inclusion, however, does not mean I favor vast new laundry lists of permissible expenditures. Instead, it reflects the simple recognition that without proper diligence, these systems could be extremely vulnerable to mischief, causing extensive harm to users and others while wasting our investments in the process.

From Commissioner Jessica Rosenworcel:

Finally, it is important to note that we need to keep a close watch on emerging cyber vulnerabilities affecting schools and libraries. The sad truth is that civic institutions nationwide have become targets for attack. Over the last four years, there have been over 700 reported K-12 cyber incidents. These include an attack earlier this year in Louisiana on multiple school districts, forcing the governor to issue a declaration of emergency. In Houston County, Alabama, a cyberattack was purportedly the reason for a delay in the start of the school year. As these problems grow more common, it is appropriate to consider what practices can help prevent school and library networks avoid the inconvenience and harm that follows in the wake of these attacks. So I am pleased that my colleagues agree that the agency should be open to learning more about these challenges. I hope this will help inform policies that across the board will ensure that school and library networks remain strong and secure in the future.

To move this forward, we'd be looking for the FCC to develop and release a Notice of Proposed Rulemaking ("NPRM") to explore the eligibility of both Category 1 and Category 2 network security equipment and services. Any school or library that is subject to a cyber-attack should consider filing comments to help the FCC understand the breadth of the problem.

E-Rate Updates and Reminders

Upcoming E-Rate Dates:

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| December 20 | Form 486 deadline for FY 2019 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 1 st), whichever is later. Other upcoming Form 486 deadlines are:
Wave 19 12/27/2019
Wave 20 12/30/2019 |
| 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 USAC's Schools and Libraries News Brief of October 11, 2019 . |

USF Quarterly Contribution Factor Declines:

Last Friday, the FCC announced the [Proposed First Quarter 2020](#) Universal Service Contribution Factor of 21.2%. As shown in the following table, the first quarter percentage is a welcome drop

from last quarter's all time high of 25.0% but is still on the high side when compared with the previous eight quarters. The drop from 25% is primarily the result of lower projected expenses in the High-Cost and Lifeline programs that are down 16%, and a modest 1% increase in the interstate telephone contribution base.

Proposed Contribution Factor by Calendar Year

	2018	2019	2020
1st Quarter	19.5%	20.0%	21.2%
2nd Quarter	18.4%	18.8%	
3rd Quarter	17.9%	24.3%	
4th Quarter	20.1%	25.0%	

The longer-term solution to high contribution factors will require the expansion of the contribution base probably along the lines of the Federal State Joint Board proposal released last October (see our [newsletter of October 21st](#)).

USAC News Brief Dated December 13 – Category 2 Budgets for FY 2020

[USAC's Schools and Libraries News Brief of December 13, 2019](#) summarizes the FY 2020 budget rules of the FCC's recent Category 2 Order ([FCC 19-117](#)) indicating that:

- FY 2020 is a transition year — a prelude to a reset of five-year budgets for FY 2021-2025.
- All applicants will have a prorated portion of Category 2 funding available for FY 2020.
 Note: For many applicants, who have yet to use any Category 2 funding, this transitional year can provide more funding than will be available in the subsequent five years.
- Applicants will not be able to carryover unused Category 2 funding from FY 2020 into FY 2021.

For a more detailed discussion of the new Category 2 rules, see our [newsletter of December 9th](#).

USAC's News Brief also:

- References the FCC's release of the Eligible Services List for FY 2020 discussed above.
- Provides instructions for applicants wishing to update their EPC account administrators.

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. Please include your name, organization, telephone, and e-mail address.

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