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Funding Status – FY 2020

Wave 6 for FY 2020 was released on Thursday, June 11th for a total of \$52.9 million including \$287 thousand for 9 North Carolina applicants. Cumulative commitments through June 11th are \$909 million including \$22.6 million for North Carolina. Nationwide, USAC has now funded almost 65% of the FY 2020 applications received during the filing window representing over 31% of the requested funding.

FCC Defers Changes to Form 470

Last October, the FCC issued a Public Notice ([DA 19-986](#)) seeking suggestions for improving the Form 470 drop-down menus. As was discussed in our [newsletter of November 4th](#), Form 470 menus, particularly for Category 1 Internet services, have been a source of confusion since FY 2016. The objective of the FCC’s Public Notice was to redesign the Form 470 for FY 2021 to avoid these problems going forward. Last week, bowing to the realities of the COVID-19 pandemic, the FCC issued another Public Notice ([DA 20-598](#)) deferring changes to the Form 470 until FY 2022. This means that the Form 470 for FY 2021, which we expect USAC to make available in EPC effective July 1st, will remain unchanged for another year.

Concurrent with the deferral notice, the FCC released a letter to USAC ([DA 20-597](#)) reaffirming guidance from earlier years and instructing USAC “not to deny any application or issue a commitment adjustment for any application solely because the applicant selected the “Internet Access: ISP Service Only (No Transport Circuit Included)” drop-down menu option and subsequently selected on its FCC Form 471 a service that delivers Internet access to its premises. For those applications, USAC should not find a competitive bidding violation so long as the applicant has otherwise complied with all of the Commission’s competitive bidding rules.” Although this guidance applies specifically to FY 2020 applications, many of which have already been approved, the FCC indicates that it will continue to monitor applicants use of the Form 470 presumably to determine if it will need to reissue similar guidance again next year to cover FY 2021 applications.

USAC’s most recent News Brief, referenced below, summarizes the proper selection of Form 470 options for Internet service that have proven most confusing. Specifically:

- The appropriate drop-down option for an applicant seeking bids for internet access delivered to its premises (i.e., a service that includes data transmission service) is either **Leased Lit Fiber (with or without Internet Access)** or **Internet Access and Transport Bundled (Non-Fiber)**.
- The appropriate drop-down option for an applicant seeking bids on bulk internet, which the applicant is responsible for transporting to its premises, is **Internet Access: ISP Service Only (No Transport Circuit Included)**.

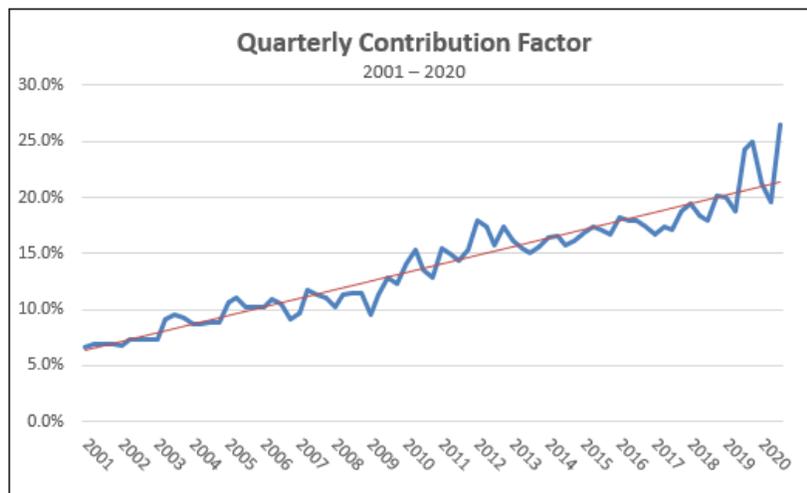
E-Rate Updates and Reminders

Upcoming E-Rate Dates:

- June 30 Extended deadline to calculate Identified Student Percentage (“ISP”) data for use with the Community Eligibility Provision (“CEP”) free school meal option. The deadline for electing the CEP option for the 2020-2021 school year has also been extended to August 31st (see USDA’s [COVID-19: Child Nutrition Response #6](#)).

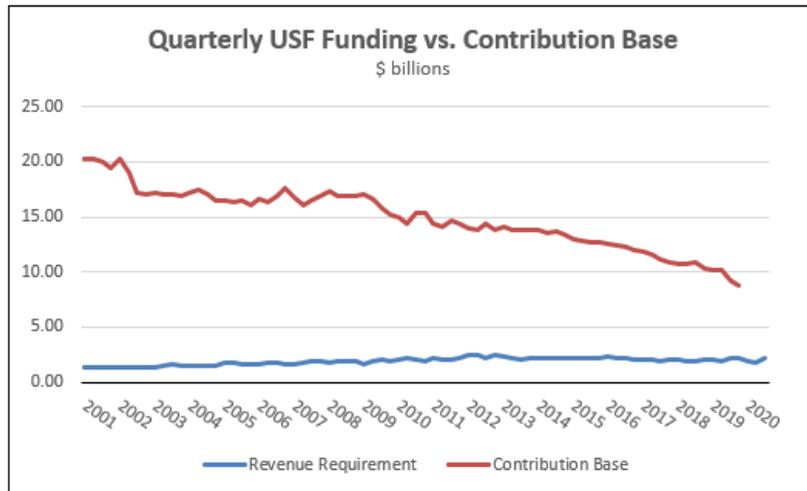
USF Quarterly Contribution Factor Hits New High:

The FCC announced the Proposed Third Quarter 2020 Universal Service Contribution Factor ([DA 20-617](#)) will be 26.5% — the highest ever! As shown below, next quarter’s percentage rate is well above the 20-year trend line — the strongest indication yet that the FCC needs to address the basic funding mechanism for all the Universal Service Fund (“USF”) programs.



The third quarter increase reflects both higher USF expenses and a lower contribution base. In particular:

1. The expense increase is driven primarily by FY 2020 E-rate demand. Although total E-rate demand for FY 2020 is only marginally above FY 2019, it appears that the carry-forward amount for FY 2020, not yet announced by the FCC, will be only \$500-550 million, down from \$1 billion in FY 2019. The difference will effectively increase the new USF funding requirement over the next four quarters.
2. Projected interstate telecommunications revenues, from which USF contributions are derived, continue to decline and are now at the lowest level ever — a decline probably exacerbated by the pandemic. As shown below, the declining contribution base, rather than increased USF program requirements, are the primary cause of the upward trend in the USF contribution factor.



It should be noted that that Congressional proposals to fund remote learning, if adopted, would be based on annual appropriations, not on USF contributions, and thus would not further aggravate the USF funding problem.

Proposed “Remote Learning During COVID-19 Act:”:

A final version of [proposed legislation](#) spearheaded by the Schools, Health & Libraries Broadband (“SHLB”) Coalition, and supported by two thousand individuals and organizations, was sent to Congress last week. The proposal, retitled the “Remote Learning During COVID-19 Act” so as not to focus on E-rate as a necessary implementing mechanism, would (if adopted) appropriate \$5.25 billion to an emergency fund to provide broadband services to the millions of families without Internet at home.

Recent “Create FCC Form 471” Messages:

Late last week, USAC’s EPC system began sending out “Create FCC Form 471” messages and creating new EPC “Tasks” to surprised applicants who correctly knew that the FY 2020 application window had closed last month.

Create FCC Form 471

This task was assigned to you and others on Jun 11, 2020 12:20 AM EDT
The task priority is Normal

VIEW TASK

This message has been sent by EPC

These messages actually referenced Form 471s that had been started in EPC and then apparently abandoned. Presumably, last week's outreach was an attempt by USAC, however confusing, to clean out these incomplete applications. To get rid of an incomplete Form 471, simply log into EPC and do the following:

1. Click on the "Tasks" tab and then the "Create FCC Form 471" link. This will bring up the incomplete Form 471.
2. Click on the "Accept" task button in the upper right-hand corner.
3. Click on the "Discard Form" button in the lower left-hand corner, bring up the following message:

This form will now be canceled. Once you take this step, you will not be able to get it back. Would you like to proceed?

NO

YES

4. Click "Yes" and the incomplete Form 471 — and the "Task" — will disappear. Problem solved!

10th Nationwide E-Rate Survey:

Once again, Funds For Learning is conducting a nationwide survey asking schools and libraries to contribute their opinions and experiences with the E-rate application process. These surveys have become an increasingly important source of information for Congress, the FCC, and USAC to help them evaluate the E-rate program. A copy of the [2019 survey results](#), as provided to the FCC, is worth reviewing to understand the survey's importance.

This is a critical year for the E-rate program, particularly if changes are made to address the need for remote learning. It should take only 10-15 minutes to complete. We encourage all applicants to complete and submit the Funds For Learning [2020 survey](#).

USAC News Brief Dated June 12 – Form 486 Deadlines

[USAC's Schools and Libraries News Brief of June 12, 2020](#), discusses the extension of Form 486 deadlines and indicates that EPC has been updated accordingly. In April, an FCC Order ([DA 20- 364](#)) temporarily waived and extended several E-rate filing and service delivery deadlines as a result of the COVID-19 pandemic. Normally, the deadline for filing a Form 486 is the later of 120 days after (a) the FCDL date approving the funding, or (b) the service start date. Under the FCC's extension Order, Form 486 deadlines that would have fallen in the period March 11th to September 30th this year will be extended an additional 120 days.

An important point to understand — not mentioned in USAC's News Brief — is that **no Form 486 deadline for FY 2020 has been extended** under this FCC Order. Based on the earliest possible service start date for FY 2020, which is July 1, 2020, the earliest possible Form 486 deadline for FY 2020 is October 29, 2020 (i.e., 120 days after July 1st). The FCC's extension Order extends Form 486 deadlines for only a relatively small number of pre-2020 funding requests. Applicants funded in FY 2020 must not be lulled into believing that the FCC has extended their Form 486 deadlines for an additional 120 days.

Last week's News Brief also mentions the deferral of the Form 470 update to FY 2022, as discussed above, and EPC system updates adding a summer/winter deferral status tab and removing the "Save Draft" button.

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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