

- Funding Status – FY 2020
- FCC Updates Guidance on Category 2 Budgets
 - Charter Schools
 - Independent Schools with Part-Time Students
 - Closed or Partially Closed School Buildings Due to COVID-19
 - Cost Allocation for Shared Equipment in NIFs
- E-Rate Updates and Reminders
 - Upcoming E-Rate Dates
 - Updated Invoice Decision Codes
 - New FCC Headquarters Address
- USAC News Brief Dated October 16 – FY 2021 Administrative Window

Funding Status – FY 2020

Wave 25 for FY 2020 was released on Thursday, October 15th for a total of \$34.6 million including \$407 thousand for 2 North Carolina districts. Cumulative commitments are \$1.77 billion including \$59.9 million for North Carolina. Nationwide, USAC has now funded 89% of the FY 2020 applications — including some of the applications filed in the second window — representing 63% of the requested funding.

FCC Updates Guidance on Category 2 Budgets

The FCC released a Public Notice ([DA 20-1218](#)) on Category 2 budgets last week clarifying several issues related to Category 2 budgets for FY 2021 and beyond. In part by doing so, the FCC addressed two outstanding Petitions for Reconsideration dealing with part-time students and Category 2 funding for non-instructional facilities (“NIFs”).

Charter Schools:

There has been confusion in some states as to the E-rate status of charter schools that may or may not be considered as component parts of the public school districts in which they are located. This was not a Category 2 issue when budgets were set on a school-by-school basis but becomes potentially problematic going forward when Category 2 budgets are established on a district-wide basis. In such cases, Category 2 funding for individual charter schools would no longer be assured. Fortunately, this is not an issue in North Carolina where charter schools are clearly independent of the public school districts.

The FCC’s longstanding policy in dealing with charter vs. public school control has been to defer to state law. Last week’s guidance was consistent with this policy but provides a means for charter schools to establish a budget that is separate from the school district or entity to which it is chartered.

It is worth noting that a charter school establishing a distinct budget will use its NSLP and enrollment number to determine its discount, as opposed to using district level data. The guidance states:

Specifically, if state law considers a charter school to be part of a school district, the charter school will be presumed to be a part of the district for purposes of calculating the category two budget and discount rate, **unless** the charter school demonstrates financial and administrative independence from the district, in which case it will have its own separate category two budget and discount rate. Evidence of a charter school’s financial and administrative independence may include, but is not limited to, a charter school’s chartering contract, bills and contracts with vendors in the name of the charter school, or a letter from either the State Education Agency or the school’s charter authorizer... [*emphasis added*]

Independent Schools with Part-Time Students:

The FCC’s 2019 decision to reset Category 2 school budgets on a district-wide basis ([FCC 19-117](#)) from FY 2021 onward included a provision indicating that budgets were to be based only on districts’ full-time — not part-time — student enrollments. This restriction made some sense in situations in which a limited number of students floated between schools for a few classes. In other cases, however, it ignored the Category 2 needs of special purpose schools such as career development schools serving predominantly part-time — typically half-day — students. As discussed in our [newsletter of January 27th](#), Infinity Communications (later supported by the State E-Rate Coordinators Alliance (“SECA”)) filed a Petition for Reconsideration asking the FCC to provide support for part-time students.

Last week’s decision clarified that part-time students can be counted for Category 2 budget purposes in some situations, but not in others. Specifically:

1. School districts must count students only once in calculating their Category 2 budgets. Most commonly, this is a setback for large districts such as those in North Carolina, for example, with separate career development schools serving large numbers of part-time students in half-day programs. Category 2 services for such alternative schools must be covered by districtwide budgets established based solely on total district enrollment.
2. Students attending an independent alternative education school on a part-time basis, however, **can** be counted as full-time students twice — once in their home districts and once more at their independent (i.e., not their home district) schools. Typically this situation arises when such alternate education schools are operated by educational service agencies serving students from multiple districts.

In line with this clarification, “part-time” and “peak part-time” fields are being removed from school EPC entity profiles (see additional information in last Friday’s USAC News Brief discussed below).

Closed or Partially Closed School Buildings Due to COVID-19:

Prior to the pandemic, E-rate rules clearly stated that “virtual” students attending virtual schools would not be counted for Category 2 budget purposes. This year, as many traditional “brick and

mortar” schools closed or partially closed and shifted to remote learning, a serious question arose as to whether these newly “remote” students would be considered “virtual” students and thus not counted in the Category 2 calculations of their home schools. To put this concern to rest, last week’s Public Notice clarified that “students enrolled at brick and mortar schools should be counted as full-time students regardless of whether they receive some or all instruction via remote learning during the impact of the COVID-19 pandemic.” Additionally, the FCC indicated that applicants can use full-time enrollment numbers from their funding year 2020 FCC Form 471 applications in funding year 2021.

Cost Allocation for Shared Equipment in NIFs:

The FCC effectively denied a Petition for Reconsideration filed by the State E-rate Coordinators’ Alliance (“SECA”) urging it to remove a relatively immaterial, but burdensome, requirement to cost-allocate out of Category 2 funding requests the cost of any shared network equipment used by a non-instructional facility (“NIF”). The Public Notice simply reminds applicants that NIF cost-allocation remains a requirement.

As usual, the FCC does not specify exactly how cost allocation should be calculated. The standard explanation states only that the allocation “must be based on tangible criteria that reach a reasonable result.” As a hint, we would note that tangible criteria for NIF allocation might be based on measures such as the total number of buildings served, on square-footage, on port or traffic usage, or on occupancy counts.

E-Rate Updates and Reminders

Upcoming E-Rate Dates:

October 22	First in a series of interactive E-rate training sessions conducted by the State Educational Technology Directors Association (“SETDA”). For a full schedule and registration details, see E-Rate Training Series: Ask the State Experts .
------------	--

Updated Invoice Decision Codes:

USAC denial information on invoices are shown via Invoice Decision Codes on BEAR Notification Letters mailed to both applicants and service providers and on electronic SPI remittance statements sent to service providers. Erroneous or improperly formatted line items are identified with invoice decision codes that can be interpreted using USAC’s posted [Invoice Decision Code Table](#). This month USAC successfully updated the table to better explain the decisions in plain English. As shown in a portion of the table reproduced below, the new explanations are clearly better than the pre-October explanations.

Decision Code	Plain Language Decision Explanation	Historical Decision Explanation (Letters issued before October 1, 2020)
225	The services invoiced were not approved on the FRN for one or more recipients of service.	Services delivered to entity not on Worksheet
226	The Shipping Date to Customer is after the Contract Expiration Date or the Service End Date (whichever is earlier).	Customer Shipped Date is more than X1 days after Early FRN Termination Date (Form 486)
228	The Shipping Date to Customer is before the Service Start Date reported on the FCC Form 486.	Customer Shipped Date is more than X3 days prior to the Actual Start Date (Form 486)
229	The Customer Billed Date is before the Service Start Date reported on the FCC Form 486.	If service is not internal connections, customer billed date (invoice) < Actual start Date (486)
232	The discount entered on the invoice line does not match the approved discount on the FRN.	Total (undiscounted) amount x approved discount percentage for that FRN < discount amount
234	Based on the data you supplied, this appears to be a duplicate invoice line item.	"FRN, Date and undiscounted amount duplicate earlier invoice that was paid"

New FCC Headquarters Address:

The FCC released a Public Notice ([DA 20-1223](#)) Thursday announcing the move of its headquarters building to 45 L Street NE, Washington, DC 20554. Although it is easier and more secure to submit FCC filings online using the FCC’s [Electronic Comment Filing System](#) (“ECFS”), material physically mailed to the FCC should now go to the new address.

USAC News Brief Dated October 16 – FY 2021 Administrative Window

In addition to a discussion of the FCC’s new Category 2 budget guidance, discussed in greater detail above, and a reminder that the second FY 2020 application window was closing, [USAC’s Schools and Libraries News Brief of October 16, 2020](#) discusses changes being made to EPC entity profiles for this year’s administrative (“admin”) window.

The admin window, opening today Monday October 19th, is a period of time leading up to the start of the FY 2021 Form 471 application window (expected to open in early January) during which applicants can — and should — update their entity profiles. Once the admin window closes, USAC will lock entity profiles for the duration of the application window. Locking profiles during the application process prevents changes made by any one applicant from affecting the application of another related applicant such as a consortium (relying on its members’ data) or a library (relying on its associated school district’s discount).

With the opening of the admin window, USAC has already updated some entity profiles to reflect changes made during PIA reviews of FY 2020 applications. USAC has also changed the structure and content of EPC entity profiles to reflect the new Category 2 budget rules and to add three new entity subtypes (general-use school, detention center, and swing space).

As a result of the new Category 2 rules, schools will now report student counts in two fields: one for discount rate purposes, which may change every year; and one for Category 2 purposes which may stay the same (unless updated) for the entire five-year budget cycle. Libraries will continue to report square-footage, but the field for IMLS code (which no longer affects library budgets) has been eliminated.

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.

In compliance with federal law, the NC Department of Public Instruction administers all state-operated educational programs, employment activities and admissions without discrimination because of race, religion, national or ethnic origin, color, age, military service, disability, or gender, except where exemption is appropriate and allowed by law.