

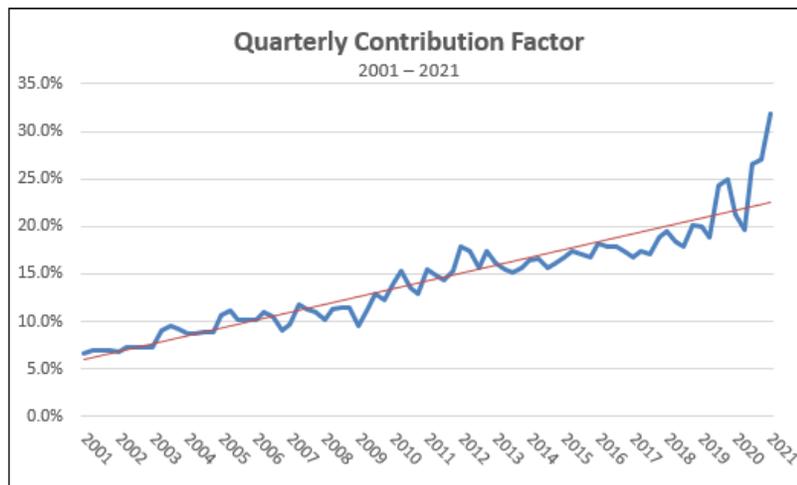
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## Funding Status – FY 2020

Wave 34 for FY 2020 was released on Thursday, December 17<sup>th</sup> for a total of \$43.3 million including \$668 thousand for five North Carolina applicants. Cumulative commitments are \$2.04 billion including \$67.9 million for North Carolina. Nationwide, USAC has now funded 94% of the FY 2020 applications representing 71% of the requested funding

## USF Quarterly Contribution Factor Breaks 30% Barrier

The FCC announced that the Proposed First Quarter 2021 Universal Service Contribution Factor ([DA 20-1480](#)) will be 31.8% — the highest ever and the first time it has been over 30%. As we said when the contribution factor first broke 10%, then 15%, 20%, and 25%, this cannot keep increasing. At some point the FCC, which has been ducking this problem for years, must act.

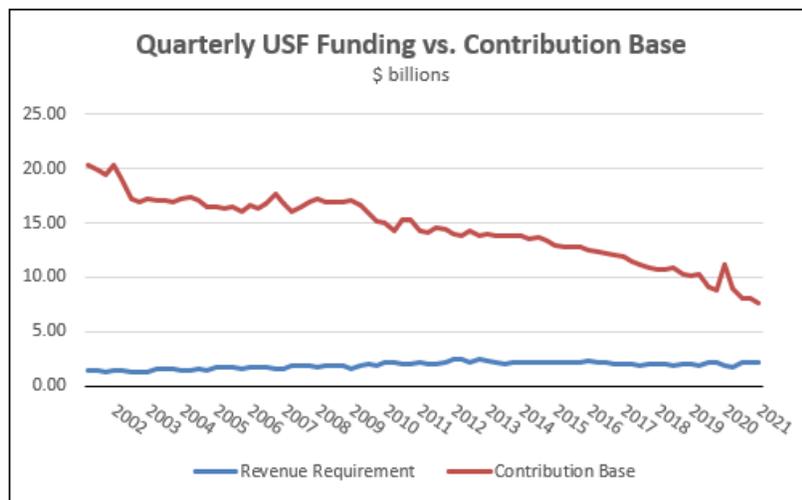


As shown in the chart above, while the upward trend has been bad enough, the last few quarters have been horrendous. The important point to understand is that the recent increases in the contribution factor have less to do with the demand for universal service funds than with a decline

in interstate telecommunications revenue. Here’s how the quarterly contribution factor is calculated:

$$\text{Quarterly Contribution Factor} = \frac{\text{Estimated Requirements}}{\text{Estimated Contribution Base}} \text{ USF}$$

The graph below shows the real problem. The demand on the fund has been relatively flat. E-rate, for example, has only required about \$2 billion in new funds the past few years, roughly half of its authorized total. In contrast, the contribution base, now entirely supported by international telephone revenues, has been steadily declining.



One obvious way to solve this problem is to increase the revenue contribution base. The last serious approach to this solution was proposed in October 2019 when the state members — but not the federal members — of the Federal State Joint Board overseeing the Universal Service Fund recommended expanding the base to include a broader class of services, e.g., broadband internet services (see our [newsletter of October 21, 2019](#)).

There has been a lot of discussion of what the FCC may do in 2021 — including the possibility of making off-campus remote learning eligible for E-rate discounts — when the FCC Commissioner balance is realigned with the new Administration. It is hard to envision any new USF initiatives unless and until the contribution factor is addressed.

### Tracking RFCDL Invoice Deadline Relief

As discussed in last week’s [newsletter of December 14<sup>th</sup>](#), a new FCC Order ([FCC 20-178](#)) will give applicants up to 120 days to submit invoices after the receipt of a Revised Funding Commitment Decision Letter (“RFCDL”). The Order also applies retroactively to invoices that would have been deemed late under the previous invoice deadline rules. The trick for many

applicants and service providers will be to determine what earlier FRNs might be governed by the Order's retroactive provisions and to take corrective action within the window allowed.

It is not yet known whether USAC intends to reach out to applicants and service providers that might benefit from the Order's retroactive provisions. Data on FRNs affected by RFCDLs can be downloaded from USAC's [FRN Status Tool](#) ("FST") but only for FY 2016 forward. USAC's Data Retrieval Tool ("DRT") covers funding years up to FY 2015 but does not include RFCDL data.

Here are a few tips for using the FST to check for possible RFCDL invoice opportunities back to FY 2016:

- Limit the download files by using search criteria: BEN for applicant, CRN for consultants, and SPIN for service providers.
- Separate downloads are required for each funding year. Do three years' worth — FY 2016 to FY 2018. There is plenty of time left (at least until February 25, 2021) to timely invoice for FY 2019 and FY 2020 so there is no need to seek retroactive invoice relief for those years.
- Pay the most attention to the FRNs with the following data characteristics:
  - Funded FRNs as indicated in the "FRN Status" and/or "Current Funding Request Amount" fields.
  - One or more dates in the "Revised FCDL Date" field.
  - Dates in the Last Date to Invoice" field earlier than the "Revised FCDL Date" (and/or, perhaps, invoice deadline dates less than 120 days after the RFCDL dates).
  - Zero or low actual invoice payments as indicated in the "Total Authorized Disbursement" field.
  - Text in the "RFCDL Comment" field to determine the nature of the RFCDL action.

To save you some time and effort, E-Rate Central downloaded and combined the FST's FRN data into an online Excel workbook for [North Carolina](#) data. Here's what we did:

- We download all State FRN data for FY 2016-2018 and extracted all the FRNs that had associated RFCDLs (in some cases, multiple RFCDLs).
- We eliminated all FRNs that had: (a) not been funded; (b) already been fully paid out; and (c), for which the last RFCDL date was more than 120 days before the invoice deadline date. That left the FRNs that are shown in the "Broad List" tab of the attached file. We also color coded cells in Col. T of that spreadsheet to highlight in yellow all FRNs with RFCDL dates later than invoice deadlines (the others are colored light orange).
- We broke out a "Primary Target List" as a separate tab to be looked at first. It:
  - Eliminated the light orange coded FRNs with RFCDL dates prior to the invoice deadline dates, if only by one day.
  - Eliminated all but the \$0 disbursement FRNs.
  - Selectively eliminated FRNs for which the RFCDL comments seemed to indicate that the RFCDLs were for FRN reductions, cancellations, or denials.

## E-Rate Updates and Reminders

### *Upcoming E-Rate Dates:*

December 26	Form 486 deadline for FY 2020 covering funding committed in Wave 17. 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. Upcoming Form 486 deadlines are:
	Wave 18                      12/30/2020
	Wave 20                      01/11/2021    Note: There was no Wave 19
	Wave 21                      01/15/2021
	Wave 22                      01/22/2021

### *FCC Extends Gift Rule Waiver:*

In an Order released last Monday ([DA 20-1479](#)), the FCC extended its gift rule waivers for both the E-rate and the Rural Health Care programs. The E-rate “waiver is limited to offerings provided by service providers and solicited or accepted by E-Rate eligible entities on behalf of students, teachers, or patrons while schools and libraries prepare for extended remote learning and remain fully or partially closed as a direct result of COVID-19.” The gift rule waiver was initially enacted in March to go through September 30 and subsequently extended through December 31 (see our [newsletter of March 23<sup>rd</sup>](#)). With the latest extension overlapping with the peak of the competitive bidding cycle for FY 2021, we caution applicants to avoid linking bid evaluations and donor services.

## **USAC News Brief Dated December 18 – AUP Audits**

[USAC’s Schools and Libraries News Brief of December 18, 2020](#), alerts E-rate participants of an annual “agreed-upon-procedures” review (“AUP”) that USAC undergoes to verify that the balances it reports on specific FRNs match the balances recorded by applicants and/or service providers. Beginning this week, USAC will send requests to a randomly selected number of applicants and service providers seeking confirmation of USAC-reported balances. USAC asks that applicants and service providers add the email address [confirmation@us.PWC.com](mailto:confirmation@us.PWC.com) to their safe sender lists to assure receipt of these requests in the event they are selected.

Last week’s News Brief also notes:

- The FCC’s extension of the gift rule waiver (discussed above).
- Reduced hours of Client Service Bureau (“CSB”) service over the holidays including closure on Christmas Eve, Christmas Day, New Year’s Day, and as of 3:00 EST on New Year’s Eve.
- The annual winter deferral period on PIA responses began Friday, December 18<sup>th</sup>, and will continue through Friday, January 8<sup>th</sup>.

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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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