

E-Rate Central News for the Week of March 26, 2018

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Funding Status – FY 2018 and FY 2017

FY 2018:

The FY 2018 Form 471 Application Window closed Thursday, March 22, 2018.

Within a few weeks, USAC will provide the FCC with a preliminary demand estimate for the next funding year. As of last weekend, USAC’s [FRN Status Tool](#) showed the following total demand figures for FY 2018:

Category 1	\$2.025 billion
Category 2	<u>0.745 billion</u>
Total	\$2.770 billion

These FY 2018 demand estimates are down about 13.5% from USAC’s preliminary demand projections for FY 2017. The number of applications submitted this year also decreased by about the same percentage.

The lower demand has several implications, mostly positive.

- Total demand is well below the \$4 billion E-rate funding cap for FY 2018. This means that all valid requests for both Category 1 and Category 2 will be funded.
- Although the FCC has not yet announced roll-over funding for FY 2018 — that should happen in April this year — the early indication is that this year’s roll-over will be less than the \$1.2 billion carried forward last year. To the extent lower demand matches the roll-over shortfall, there will be less pressure to increase Universal Service Fund contributions.
- The drop in Category 2 demand, reflecting in part to the exhaustion of 5-year budgets by many applicants, may encourage the FCC to increase C2 budget caps for another 5-year cycle.

Many FY 2018 applications have already been reviewed and are currently shown in a “Wave Ready” status. The actual initiation of funding waves is awaiting formal FCC approval of this year’s PIA procedures, USAC’s release of preliminary demand projections, and the FCC’s roll-over funding decision. The first wave for FY 2018 can be expected as early as mid-April. Commitments by July 1st, the beginning of the funding year, may be historically high.

FY 2017:

Wave 47 for FY 2017 was released Tuesday, March 20th. The wave — barely a ripple — included only one approved application for \$11 thousand. Cumulative national funding through Wave 47 is \$2.24 billion, including \$7.3 million for Nevada.

USAC is scheduled to release two funding waves this week. A regular Wave 48 is planned for Thursday, March 29th; a special hurricane-relief Wave 49 is expected to be released Friday, March 30th.

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

Resolution on Category 2 Budget Factors for FY 2018:

Last Friday’s [USAC News Brief](#) revealed the USAC/FCC decision handling the inflation-adjusted Category 2 budgets for FY 2018. This issue had been pending for a month since the FCC announced the 1.8% inflation factor (see [DA 18-163](#)).

USAC (and/or the FCC) will use unrounded budget multipliers at the per student or per square-foot level. Total Category 2 budgets will be rounded (to the penny) at the entity level.

As a practical matter, the use of unrounded budget factors is important only for applicants requesting funding at the budget cap for one or more of their entities. In those cases, requesting even \$0.01 over an entity’s budget cap will presumably flag an inquiry.

In situations requiring this degree of precision, the following calculation is needed:

1. Start with the budget factor from the base year (FY 2015) which was \$150.00 per student for schools or either \$2.30 or \$5.00 per square-foot for libraries.
2. Adjust for three years of inflation — 1.0% in FY 2016, 1.3% in FY 2017, and 1.8% in FY 2018. Mathematically, the adjustment is $1.01 \times 1.013 \times 1.018$. For schools, the resulting per-student budget factor is \$156.231951. The library factors have more digits after the decimal point.¹
3. Multiply by the number by the number of students or square-feet, and round to the nearest cent.

If less precision is needed — e.g., for general Category 2 budget planning purposes — the following approximations can be used:

¹ To avoid the need to multiply each year’s inflation adjustment, which will only become more extensive in future years, schools with 1,000 or less students can simply make note of the first five digits after the decimal point. Libraries, typically dealing with much larger numbers of square feet, must unfortunately use more digits to accurately calculate total Category 2 budget caps.

Schools	\$156.23 per student
Non-urban libraries	\$2.40 per square-foot
Urban libraries	\$5.21 per square-foot

As a point of simplification, we would have much preferred to see USAC adopt these rounded Category 2 budget factors (as was the FCC’s guidance for FY 2017). The choice to use unrounded budget factors, unfortunately, apparently had less to do with E-rate simplification than with the difficulty of reprogramming EPC.

Further Developments on Form 470 Category 1 Pulldown Menu Options:

USAC’s introduction of new Form 470 menu options for Category 1 transport and Internet services has been a source of continued applicant confusion since the new options were adopted last August. As of December, USAC was still answering questions and providing new guidance (see our [newsletter of December 25th](#)). Initially, applicant concern was focused on the proper way to complete Form 470s for FY 2018. Now, with the close of the Form 471 Application Window, concern has shifted to the potential denials of applications citing Form 470s deemed incorrect.

A week ago last Friday, attorneys for the Ohio Information Technology Centers (“Ohio ITCs”) submitted an [ex parte letter](#) to the FCC summarizing a meeting held with the FCC earlier that week discussing the need for formal clarifications of the Form 470 drop down menu. An attachment to the Ohio ITCs’ letter included a detailed timeline showing how, and with much greater clarity, such transport and Internet services had been handled in earlier versions of the Form 470. Ohio ITCs’ letter drew immediate support from several parties, including the State E-Rate Coordinators’ Alliance (“[SECA](#)”), stressing the need to hold applicants harmless with regard to resulting pulldown errors on FY 2018 Form 470s, and to revert to the previous Form 470 menu options for FY 2019.

E-Rate Updates and Reminders

Upcoming 2018 E-Rate Dates:

- April 2 FY 2017 Form 486 deadline for funding committed in Wave 27. Other upcoming Form 486 deadlines include:

Wave 28	01/09/2018
Wave 29	04/16/2018
Wave 30	04/23/2018

Applicants missing these (or earlier) deadlines should watch carefully for “Form 486 Urgent Reminder Letters” in EPC. The Reminders will afford applicants with 15-day extensions to submit their Form 486s without penalty.

- April 5 Two weeks after the close of the regular Form 471 Application Window for FY 2018. In recent years, the FCC has been routinely approving deadline waiver requests for applications submitted within this two-week period.

Special Invoice Deadline Waiver Procedures:

As discussed in our [newsletter of March 5th](#), the FCC adopted an order ([DA 18-188](#)) last month providing applicants (and service providers) with additional invoicing deadline extensions for FY 2016 recurring service FRNs. The FCC initiated this action on its own motion in recognition of the many USAC delays in (a) approving Form 486s, or (b) processing and approving post commitment changes (e.g., SPIN changes and service substitutions).

Last week's News Brief (see below) outlines USAC's procedures for administering these waivers. Note that qualifying FRNs must meet strict conditions for (a) previously extended invoice deadlines for recurring services, and (b) Revised Funding Commitment Decision Letters ("RFCDLs") received (or to be received) on or after October 31, 2017. USAC will begin to send emails to affected applicants and service providers this week. Questions submitted to USAC regarding these waivers should include the prefix "DA 18-188" in the customer service nickname.

USAC News Brief Dated March 23 – Post-Application Window Steps

[USAC's Schools and Libraries News Brief of March 23, 2018](#), suggests that applicants check the following information submitted or referenced in their FY 2018 Form 471 applications and, if necessary, submit RAL modifications:

- Entity profile information
- Form 470 citations
- FCC Registration Numbers
- Costs and cost allocations
- Competitive bidding documentation

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