

## E-Rate Central News for the Week of May 20, 2019

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### Funding Status – FY 2019

USAC released Wave 4 for FY 2019 on Thursday, May 16<sup>th</sup>. Funding totaled \$45.6 million including \$43.9 thousand for Nevada. Cumulative funding as of Wave 4 is \$716 million including \$2.4 million for Nevada.

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

*“+Add Document” Failures on PIA Inquiries:*

At the bottom of EPC-generated PIA inquiries there is a link to “+Add Document.”



When the link is selected — and working properly — the inquiry screen changes to add a “File Upload” box into which a file may be dragged and dropped (and a “Corresponding Question” field to indicate which question in the inquiry is associated with the uploaded file).



In some circumstances, however, the “+Add Document” link does not work. Clicking on the link does nothing. This condition appears to arise whenever a PIA inquiry does not request responses in text or drop-down menu fields. This can occur, for example, on a PIA “Modification Notification.” In such a case, the PIA reviewer will indicate the proposed change, adding the following proviso:

If the modifications listed above should not be performed and you have alternative information, please provide your supporting documentation. If you would like to provide any additional explanation to support your position, type your explanation and attach the explanation and/or documentation into your response by using the Add Document button. If you agree with the proposed action, click the "Submit" button to clear this item from your Pending Inquiries.

If the applicant agrees with the change, the "Submit" button works perfectly. But if the applicant wishes to accept the PIA reviewer's invitation to provide additional information to support a contrary position — and the "+Add Document" link does not work — there's a problem. Until EPC fixes the upload feature, a temporary solution is to email an explanation to the PIA reviewer attaching additional documentation as necessary. If that resolves the issue, the reviewer can then retract the pending inquiry.

## **E-Rate Updates and Reminders**

### *Upcoming E-Rate Dates:*

May 27	Form 486 deadline for FY 2018 funding committed in Wave 42. 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. Other upcoming Form 486 deadlines are:
	Wave 43                      05/31/2019
	Wave 44                      06/07/2019
	Wave 45                      06/17/2019

Note: Applicants missing any Form 486 deadline should watch carefully for "Form 486 Urgent Reminder Letters" in their EPC News Feed. These Reminder Letters afford applicants 15-day extensions to submit their Form 486s without penalty.

### *Potential Tariff-Related Price Increases on Category 2 Equipment:*

New saber-rattling on international tariffs is again raising concerns on flow-through price increases on networking products or components imported from China. Higher tariffs could mean higher prices on Category 2 equipment requested in FY 2019 applications.

Last fall, the U.S. imposed a 10% tariff on telecommunications and network equipment from China resulting in modest price increases by U.S. suppliers on certain Category 2 equipment. Aruba, for example, instituted a flat 5% increase while warning of further increases if tariffs moved to 25% as threatened. One concern at the time was the impact on applicants applying for FY 2019 funding if price increases rose after contracts had been signed (see our newsletters of [October 1<sup>st</sup>](#) and [October 15<sup>th</sup>](#)).

Now that the 25% tariff is a reality, there is some renewed concern. Fortunately, it appears that there will be little short-term impact on product pricing associated with FY 2019 funding. Cisco, a market price leader in network equipment, has indicated that it will honor all quotes on past E-rate submissions. Cisco management indicated that it had been prepared for the action, that a reduction in its manufacturing in China was "built in to our guidance," and that price increases would be "relatively immaterial at this point." Hopefully, short-term pricing changes from other suppliers will also be modest.

Longer-term, if the China trade war continues, the impact may grow. Just last week, President Trump signed an executive order declaring a national emergency and barring U.S. companies from using telecommunications equipment made by any firms posing a national security risk. Under the order the Secretary of Commerce is to issue implementing regulations within the next 150 days.

In this regard, the FCC appears to be ahead of the curve. In April last year, the FCC issued an NPRM, designated [FCC 18-42](#), entitled “Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs.” The proposed rules would prohibit USF payments, presumably directly or indirectly, to any communications equipment and/or service provider deemed to be posing a national security risk. Two Chinese companies, Huawei and ZTE, were prominently mentioned in the NPRM.

We plan to revisit Category 2 trade war pricing risks again as the competitive bidding cycle begins to heat up for FY 2020.

#### *Continued Problems with the Form 470 Internet Drop-Down Menus:*

For several years, applicants have been confused by the service type descriptions embodied in the Form 470 drop-down menus. In FY 2018, following continued problems with mismatches between Internet service types posted in Form 470s and actual funding requested in Form 471s, the FCC [instructed USAC](#) not to deny applications based on good faith requests for fiber or non-fiber based Internet services. The FCC also asked USAC to revise the Form 470 menus to avoid future confusion.

As discussed in our [newsletter of July 2, 2018](#), the resulting Form 470 for FY 2019 was better, but still problematic. Despite outreach efforts by USAC and many state E-rate coordinators, smaller applicants seeking non-fiber Internet service remained confused. The most common mistake was to request “Internet Access – ISP Service Only (No Transport Circuit Included)” when most of these services necessarily included transport. What these applicants should have requested was “Internet Access & Transport Bundled (Non-Fiber).” Requesting Internet-only on a Form 470, then subsequently seeking funding for a bundled Internet service, raises serious competitive bidding issues.

Now that the FY 2019 application window has closed, it is clear that a number of applicants had indeed filed incorrectly. A recent FCC filing by [Funds For Learning \(“FFL”\)](#) estimates that almost 700 applicants may have incorrectly filed Form 471s for Internet-only service. FFL estimates that these filings represent almost \$24 million in funding requests — funding that would be denied if USAC strictly matches services requested with services received. Both FFL and the [State E-Rate Coordinators’ Alliance \(“SECA”\)](#) have already filed *ex parte* comments asking “the Commission to again direct the administrator [USAC] to not deny funding for FY 2019 Internet funding requests as long as the applicant requested one of the choices for Internet on their underlying Form 470 application.”

One disturbing aspect of this year’s continuing Internet filing problem is that it appears that over 500 of these potentially problematic Form 471s have been already approved by USAC without formal guidance from the FCC. It is not yet clear whether these commitments were made in error

or with tacit FCC approval. If the former, we can only hope that the FCC is close to issuing guidance again making the issue moot for FY 2019.

One can also hope, come the July 1<sup>st</sup> targeted release date for FY 2020's Form 470, that we'll finally see the clarifications so desperately needed in the service type drop-down menus. The confusion has gone on entirely too long.

## USAC News Brief Dated May 17 – Special Construction Completion Deadline

[USAC's Schools and Libraries News Brief of May 17, 2019](#), reminds applicants funded for special construction projects that the deadline for lighting/using their new networks is June 30, 2019. The News Brief discusses the basis for requesting a one-year extension of the special construction deadline if needed. Note that the method of seeking an extension for FY 2018 projects depends upon whether or not an FCDL approving the funding has already been issued. In either case, extension requests must be filed by June 30<sup>th</sup>, the date of the original deadline.

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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 the SLD, FCC, or OSIT.*

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