



Universal Service  
Administrative Co.

# E-rate Program Applicant Training

---

# **E-rate Fundamentals**

September – November 2016

## Overview

- General information
- E-rate Productivity Center
- Requesting services (FCC Form 470)
- Competitive bidding process
- Ordering services (FCC Form 471)
- Application review and funding commitments
- Begin receiving services (FCC Form 486)
- Invoicing USAC (FCC Form 472 and FCC Form 474)
- Document retention

## E-rate Background

- Federal Communications Commission (FCC), an independent U.S. government agency, established and oversees the E-rate program.
- Universal Service Administrative Company (USAC), a not-for-profit, administers the E-rate program along with three other programs.
- Schools and Libraries Division (SLD) is the part of USAC with responsibility for E-rate.

## E-rate Rules, Policies, and Procedures

- Congress directed the FCC to establish the E-rate program in 1996.
- The FCC sets rules and policies through orders.
- USAC develops procedures for specific actions, such as how to process applications.
  - USAC's procedures are reviewed and approved each year by the FCC.

## E-rate Timeline

- Commitments for E-rate are made by funding year (FY), which runs from July 1 through the following June 30.
- USAC refers to the funding year as the year in which most services will begin, e.g., Funding Year (FY) 2017 is July 1, 2017 to June 30, 2018.

## E-rate Budget

- E-rate funding is capped at \$3.9 billion per year, adjusted annually for inflation.
- Once a year, the FCC may direct USAC to roll over funds that are collected but unused from one or more prior funding years to the next full funding year.

## E-rate Eligibility

- Elementary and secondary schools and school districts
  - Non-traditional facilities (conditionally by state)
- Libraries and library systems
- Consortia – groups of eligible entities that band together to aggregate demand and negotiate lower prices
  - Consortia can also include ineligible entities under limited circumstances and subject to cost allocation requirements.

## E-rate Service Types

- Category One
  - Voice Services – subject to a phasedown of 20 percentage points per year that started in FY2015
  - Data Transmission and/or Internet Access
- Category Two
  - Internal Connections
  - Managed Internal Broadband Services
  - Basic Maintenance of Internal Connections



## Eligible Services List

- Each year, the FCC publishes a list of products and services that are eligible for E-rate discounts for the upcoming funding year.
  - FCC issues a draft eligible services list and solicits comments and reply comments.
  - FCC reviews comments and reply comments received, then prepares and issues the final list.
  - That eligible services list governs the eligibility of products and services for that funding year.
- The FY2017 ESL was released 9/12/2016.

## E-rate Discounts

- Discounts range from 20-90 percent of eligible costs (20-85 percent for Category Two services, up to 30 percent for voice in FY2017).
- Discounts are calculated for the school district or the library system (not for individual schools or library branches).
- Discount level depends on:
  - Percentage of students who are eligible for National School Lunch Program (NSLP) in the appropriate school district.
    - For a library, this is the public school district in which the main branch of the library is located.
  - Urban or rural status.
- Discount level for a consortium is the simple average of the discounts of the consortium members.

## Discount Matrix

INCOME <i>% of students eligible for NSLP</i>	Category One Discount Levels		Category Two Discount Levels	
	URBAN DISCOUNT	RURAL DISCOUNT	URBAN DISCOUNT	RURAL DISCOUNT
Less than 1%	20%	25%	20%	25%
1% to 19%	40%	50%	40%	50%
20% to 34%	50%	60%	50%	60%
35% to 49%	60%	70%	60%	70%
50% to 74%	80%	80%	80%	80%
75% to 100%	90%	<b>90%</b>	85%	<b>85%</b>



# General E-rate Information

## Voice Services – Phasedown for FY2017

INCOME <i>% of students eligible for NSLP</i>	Category One Discount Levels	
	URBAN DISCOUNT	RURAL DISCOUNT
Less than 1%	0%	0%
1% to 19%	0%	0%
20% to 34%	0%	0%
35% to 49%	0%	10%
50% to 74%	20%	20%
75% to 100%	30%	30%

## Category Two Budgets

- Starting with FY2015, USAC calculates a Category Two (C2) budget for each school or library.
  - The school or library can receive discounts on the cost of C2 services up to its C2 budget amount.
  - The C2 budget covers a five-year period starting with the first funding year USAC makes a C2 commitment.

## Category Two Budgets

- Budget calculation
  - School calculation -  $\$150 \times$  the maximum number of full- and part-time students using the services.
  - Library calculation:
    - $\$2.30 \times$  the total internal square footage of the library
    - For urban libraries,  $\$5.00 \times$  the total internal square footage of the library - urban libraries have an Institute of Museum and Library Services (IMLS) locale code of 11, 12, or 21.
  - Floor: If the budget calculation for a school or library results in a value less than  $\$9,200$ , the school or library's pre-discount budget is set at  $\$9,200$ .

## E-rate Productivity Center (EPC)

- EPC is the E-rate customer portal for applicants, service providers, and consultants. In EPC, you can:
  - File most program forms.
  - Maintain a list of your related entities (individual schools for school districts, library branches for library systems, consortium members for consortia).
  - Update your entity information (e.g., addresses and phone numbers, entity information such as student counts and library square footage).
  - Create additional users on your organization's account and assign them rights (permissions).

## FCC Form 470

- Opens your competitive bidding process.
- Notifies potential bidders of the types and quantities of services that you need.
- Must be posted on the USAC website at least 28 days before filing the FCC Form 471.

**Note:** Request for Proposals (RFPs) or other supplemental documents may be issued in addition to describe specific needs and circumstances.



## RFPs

- If you issue an RFP or RFP document, both the FCC Form 470 and the RFP document(s) must be available for at least 28 days.
  - We use “RFP” and “RFP document” generically to refer to any bidding document that describes the project and requested services in more detail than that provided in the entry fields on the FCC Form 470.
  - RFPs and RFP documents must be attached to the FCC Form 470 in EPC, whether they are issued before or after the form is posted to the USAC website.

## Response Letter

- FCC Form 470 Receipt Notification Letter (RNL): a letter issued by USAC to the applicant that summarizes the information provided in the FCC Form 470.
- USAC posts this letter in your EPC account (News feed).
- If you notice mistakes, use the RNL modification process in EPC to submit allowable corrections or to attach an RFP document issued after the form was certified.
  - Navigate to the specific form in EPC, then choose “Related Actions” to make a modification.

## Competitive Bidding Requirements

- No one other than the applicant or an authorized representative of the applicant should prepare, sign or submit the FCC Form 470 or certification.
- The FCC Form 470 and/or the RFP must describe the desired products and services with sufficient specificity to enable interested parties to submit bid responses.
- All potential bidders must have access to your FCC Form 470, RFP (or other supplemental documents describing the procurement, if you have them).
- You must evaluate the incoming bids fairly and equally, and select the most cost-effective bid using price as the primary factor.

## Sample Evaluation Matrix

- The price of the eligible products and services must be the most heavily weighted factor in your evaluation of bids.

Factor	Points Available	Vendor 1	Vendor 2	Vendor 3
<b>Price of the ELIGIBLE products and services</b>	30	15	30	25
Prior experience w/ vendor	20	20	0	20
Prices for ineligible services, products and fees	25	20	15	25
Flexible Invoicing: 472 or 474	15	0	15	15
Local or in-state vendor	10	10	8	7
<b>Total</b>	<b>100</b>	<b>65</b>	<b>68</b>	<b>92</b>



## Competitive Bidding Process

- After waiting at least 28 days, you can:
  1. Choose your service provider(s).
  2. Sign a contract (if applicable).
  3. Submit an FCC Form 471.

## FCC Form 471

- Identifies the service providers and eligible services you have chosen on funding requests.
- Identifies the eligible schools and libraries that will receive services.
- Calculates how much support you seek for the funding year using your discount calculation information.
- Must be completed and certified during the application filing window (which generally opens in January and extends for about 75 days) for that funding year.
  - The window dates for FY2017 will be announced on the USAC website and through the SL News Brief when they have been set.

## Response Letter

- FCC Form 471 Receipt Acknowledgment Letter (RAL): a letter issued by USAC to the applicant and the service provider that summarizes the information provided in the FCC Form 471, which you should carefully review.
- USAC posts this letter in your EPC account (News feed).
- If you notice mistakes, use the RAL modification process in EPC to submit allowable corrections.
  - Navigate to the form, choose “Related Actions” and then “Submit Modification Request (RAL).”
- USAC processes allowable corrections during the review of your application.



## Program Integrity Assurance (PIA) Review

- Program Integrity Assurance (PIA) is the USAC group that reviews and makes funding decisions on program applications:
  - Verifies eligibility of the schools and libraries entities, entity discount levels, and the services requested.
  - Gives you an opportunity to make allowable corrections to your form.
  - In some cases, asks for additional verification of your compliance with program rules.
    - Navigate to the specific form in EPC, then choose “Related Actions” and “Respond to Inquiries” to locate any PIA questions.



## Decision Letter

- Funding Commitment Decision Letter (FCDL): Following application review, USAC issues this letter to both the applicant and the service provider. It contains decisions on approved or denied funding requests and next steps.
- You can generate this notification from the Notifications section of your EPC account. It will then show up in your News feed.

## FCC Form 486

- Notifies USAC that your eligible services have started or been delivered and invoices for those services can be processed and paid.
- Provides the name of the technology plan approver TPA that approved your technology plan (if applicable).
  - Technology plans are no longer required, but this form may be filed for any funding year.
- Reports your status of compliance with Children’s Internet Protection Act (CIPA)—a law with specific requirements on Internet safety policies.
- FCC Form 486 must be filed before USAC can pay invoices.



## Response Letter

- FCC Form 486 Notification Letter: a letter issued by USAC to the applicant and service provider after an FCC Form 486 has been processed.



## FCC Form 486 Deadline

- The deadline for submitting FCC Form 486 is 120 days after the first day to receive service or 120 days after the date of the Funding Commitment Decision Letter (FCDL), whichever is later.



## Before Invoicing USAC

- Applicants and service providers must have received an FCDL from USAC with a positive commitment for the services being invoiced.
- Applicants must certify an FCC Form 486 and receive an FCC 486 Notification Letter.
- Service providers must file a Service Provider Annual Certification (SPAC) FCC Form 473 for that funding year.
- If applicants want to be reimbursed for services for which they have paid in full, they must file an FCC Form 498 to provide their banking information.



## Two Methods of Invoicing

- 1) Billed Entity Applicant Reimbursement (BEAR) FCC Form 472: *filed by applicant* after services have been paid in full
- OR**
- 2) Service Provider Invoice (SPI) FCC Form 474: *filed by service provider* after the applicant has been billed for the non-discount portion of eligible services.

**Note:** Applicants can choose their method of invoicing; service providers cannot force applicants to use a particular method.



## Invoice Deadlines

- The deadline for submitting invoices – BEAR Forms and SPI Forms – is 120 days after the last day to receive service or 120 days after the date of the FCC Form 486 Notification Letter, whichever is later.
- For most applicants and service providers, the deadlines are:
  - October 28 following the close of the funding year (recurring services).
  - January 28 following the close of the funding year (non-recurring services).

## Invoice Deadline Extensions

- Applicants and service providers can request and receive one 120-day extension of the invoice deadline.
  - The request must be received or postmarked by the invoice deadline (generally October 28 or January 28).
  - You do not need to provide a reason for the request.
  - We suggest using [Submit a Question](#) to submit your request
    - Choose “Invoice Deadline Extension Request” from the Topic Inquiry menu and provide the appropriate Funding Request Number(s).
  - USAC cannot process requests that are not timely filed.





## Filing FCC Form 498

- Before you [file FCC Form 498 in EPC](#):
  - Set up permissions for (1) school or library official and (2) general financial contact.
  - Find or obtain the following numbers:
    - Federal Employer Identification Number (EIN) or Tax Identification Number (Tax ID)
    - DUNS Number
    - FCC Registration Number (FCC RN)
    - Bank routing number
    - Bank account number

## Filing FCC Form 472 (BEAR Form)

- Applicants [file FCC Form 472 in the legacy system.](#)
  - If you have a Personal Identification Number (PIN), continue to use that PIN to log in to the legacy BEAR Form.
  - If you do not have a PIN, call our Client Service Bureau at (888) 203-8100 and request a PIN.
  - BEAR Forms no longer require service provider review or approval.

## Response Letters

- **BEAR Notification Letter:** a letter issued by USAC to the applicant with a copy to the service provider after a BEAR is processed.
- **Quarterly Disbursement Report:** a letter issued to the applicant detailing all invoicing activity (BEARs and SPIs) during the previous quarter.

## Ten-year Document Retention Requirement

- All applicants and service providers are required to retain receipt and delivery records relating to pre-bidding, bidding, contracts, application process, invoices, provision of services, and other matters relating to the administration of universal service for a period of at least ten years after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request.



## Documents to Retain

- Refer to the [E-rate Program Binder](#) for a complete list of documents to retain.
- Documents can be retained in hard or soft copy.
- Label and store documents so that you or your successor can easily find and produce them upon request.

## Where to Go for Help

- Client Service Bureau
  - Call (888) 203-8100 between 8:00 am and 8:00 pm ET weekdays.
  - If you have an EPC account, create a customer service case (Actions tab > Contact Us)
- [USAC website](#)
  - [Apply for E-rate](#) – links to file forms
  - [Applicant Process](#) – step-by-step program information
  - [Search Tools](#) – tools to search for program data



# Questions?



# Thank You!