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To: TechMIS Subscribers

From: Charles Blaschke

Subj: Funding Alert: E-Rate Funding Commitment Letters (FCL) Previously Frozen
Now Being Sent to Some E-Rate Applicants and List of Districts Receiving FCL
Prior to August

Halted on August 4 due to various changes in USAC/SLD accounting procedures, Funding Commitment Decision Letters have begun flowing to some E-Rate applicants during the week of November 8 (see October Washington Update). Because of the change in accounting procedures, the E-Rate became subject to the Anti-Deficiency Act which requires Federal agencies to wait until funds are in hand before obligating or encumbering such funds. In the case of the E-Rate, the funds are provided to USAC in the form of fee contributions from telecommunications carriers, which they, in turn, collect in monthly telephone bills. As a result, market paralysis had set in among many districts for purchasing any type of technology product or service.

According to the USAC/SLD, the first priorities in terms of newly-sent funding commitment letters will be appeals and applications prior to the 2004 applications. Many of the meritorious appeals will likely go through the BEAR process whereby the applicant will request a check for the E-Rate discount refund if the applicant had paid the pre-discount cost. As noted below, this, in turn, will free up money for noneligible E-Rate services such as training and instructional software. Once the backlog is taken care of, the most likely applicants to receive early funding commitment letters for 2004 will be those that only requested priority one services, which include telecommunication and Internet fees. Wiring and connectivity is a priority two service. Because the window for 2005 applications opens December 14 and will close February 17, 2005, many districts requesting E-Rate discounts will have to wait until the very last moment before the window closes to file their 2005 applications as they might not have known what requests in 2004 applications have been approved.

A major lobbying effort through EdLINC, which has more than 20 organizations under its wing, is hoping to get Congress to provide a waiver or exemption from the Anti-Deficiency Act for the E-Rate program as has been the case with the National Highway Trust Fund. According to an article in e School News (November 9), FCC Chairman Michael Powell supports creating an exemption for the E-Rate. Without such an exemption, the E-Rate application and notification process ending with invoices or going through the BEAR process could be as long as 12-18 months. This was the pattern in 1998 and 1999 when the E-Rate first began.

Also enclosed is a list of districts receiving E-Rate funding commitment letters for prior years which may offer TechMIS subscribers opportunities for purchases of non-eligible E-Rate products and services such as software, staff development, and computers. The 2003 year commitments might have been a result of appeals made over the last two years or even earlier which have been found to be “meritorious” by the SLD. In these cases, the E-Rate applicants may have paid the pre-discount rate for eligible products and services and hence, could request a check in lieu of a credit for the discount amount, if it went through the Form 472 BEAR reimbursement process. If a potential customer is interested in purchasing a product but does not have adequate funding, these potential customers should be advised to contact the district E-Rate office to determine whether the Form 472 BEAR process has been used to request a check in lieu of a credit and, if so, to explore the possibility of such discount reimbursements to be used to purchase the product. We wish to emphasize that, in some cases, the district may have waited until the results of the appeal were known before purchasing the product and obviously would not have paid the prediscount price and be eligible to proceed with the BEAR process.

The attached list presents commitments of E-Rate funds to school districts and libraries that did not fall within the regular funding waves. Only commitments in excess of \$50,000 have been listed. The list represents commitments made in the third quarter of the School and Libraries Division’s year (which corresponds to the calendar year) -- July through September 2004. These commitments cover funds from 2003 and include E-Rate reimbursements that were not committed during the regular funding waves because of late applications, appeals, etc.

For more information go to www.sl.universalservice.org/whatsnew/2004/112004.asp.