E-Rate News for the Week of 10/28/02 – 11/01/2002

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The E-Rate News for the Week, prepared by E-Rate Central, is sponsored by the Council of Chief State School Officers ("CCSSO") and made possible by a grant from the AT&T Foundation. Official SLD news is in the "What's New!" section of the SLD's Web site (http://www.sl.universalservice.org). Additional information is on the State Education Telecommunications Alliance's ("SETA") Web site (http://www.e-ratecentral.com).

- Wave 15 Funding for FY 2002: None for Florida on Wave 15

  Wave 15 of Funding Year 2002 will be released on Tuesday, November 5. Total funding in this Wave is approximately $27 million for 495 applications. The cumulative total for FY 2002 is now $1.42 billion for over 27,300 applications.

  Internal Connection funding is being provided for applicants at the 90% discount rate. No Internal Connection funding is available below 80%. The availability of Internal Connection funding for discounts in the 80-89% range cannot yet be projected, but requests for funding in this range are currently being reviewed by the SLD.

- FY 2003 Filing Window Opens November 4

  The Form 471 application window for FY 2003 will open at noon E.S.T. on Monday, November 4, 2002. The online filing system will become operational at that time. Paper applications received by mail before November 4 will be returned and will have to be resubmitted.

  The Form 471 window will close at 11:59 p.m. E.S.T. on Thursday, January 16, 2002. Applications mailed or completed online after that time are unlikely to be funded. Please do not wait until the last minute to file.

  Applicants, who have not yet filed Form 470s for FY 2003, should do so now. The Form 470s must be posted on the SLD Web site for a minimum of 28 days before vendors are selected, contracts are signed, or Form 471s are signed and submitted.

- New Version of Form 471 Available

  A new version of Form 471, dated October 2002, is now available on the SLD Web site (http://www.sl.universalservice.org/form/). As was the case with the new Form 486, the major visual change in the new Form 471 is to make many of the fields scannable so as to reduce SLD data entry workload for forms submitted by mail. Applicants filing online will use a visually equivalent version of the new Form 471.

  Although the SLD prefers that applicants use the new Form 471 for manual submission, they will continue to accept applications submitted on the older, October 2000, version. Applicants wishing to type or computerize their Form 471s may find the older version, without the new scanning hash marks, easier to use. As with the Form 486, the older, non-scannable, versions of the form are no longer available on the SLD Web site. The Forms Rack section of the E-Rate Central Web site, however, includes all valid versions.

  The instructions for the new Form 471 contains key information that should be reviewed prior to filing. Several points of particular note include the following:

  (1) The SLD recommends that applicants file separate Form 471s, one for Priority 1 services and one for Priority 2 services. Separating the two applications, particularly for higher discount applicants, permits the SLD to process and approve the requests for Priority 1 services earlier in the funding cycle before a final determination can be made on the availability of funds for Priority 2 services.

  (2) The methodology for calculating library discounts has changed (see below).

  (3) Additional warnings have been included in the Form 471 instructions regarding the Item 25 certification regarding technology planning and the payment of both eligible and ineligible costs.

- New Methodology for Library Discount Rate Calculations

  Although the new Form 471 looks quite different from the older version, the only substantive change is the calculation of discount rates for libraries. In the past, an individual library site used the aggregate discount rate of the school district in which it was located (i.e., the weighted average of the discount rates of the individual school discount rates in that district).

Now, using a revised version of Block 4: Worksheet B, the same library would calculate its discount rate directly off the discount rate matrix based on the percentage of the total number of district students eligible for the National School Lunch Program ("NSLP"). In this way, an individual urban library, for example, would always have a "multiple of 10" discount rate (i.e., 20, 40, 50, 60, 80, or 90%) rather than some possible aggregate mid-band rate (e.g., 57%).

To determine the impact of this change, we did a preliminary discount rate analysis for over 50 libraries located in one New York State county using last year's NSLP data. The majority of the county's districts had consistent discount rates among their individual schools, so the districts themselves had "multiple of 10" aggregate rates. As expected, the new methodology resulted in no change for the associated libraries.

However, about 35% of the 19 districts did not have "multiple of 10" aggregate rates. Using the new calculation method, the discount rates for the associated libraries all changed to higher or lower "multiple of 10" rates. About half went up and half went down. As a general (but not perfect) rule, if the district's aggregate rate was more than halfway to the next highest "multiple of 10," the library's rate went up to that multiple -- and vice versa.

The most significant swings were near the top and the bottom of the discount rate range. One library in a 32% district dropped to 20% – a drop in E-rate benefits of more than one-third. On the other hand, libraries in districts with aggregate rates in the mid- to upper-80s could go up to 90% – an important difference if Internal Connection services are funded at 90% but not at mid-80% levels.

- <u>SPIN Change Clarification – Need for Vendor Caution</u>

  When the SLD approves a mid-year SPIN change, after some funds have been authorized for disbursement to the original service provider, only the remaining funds will be available for disbursement to the new provider. Quite logically, total funding to both suppliers cannot exceed the original committed amount.

  Unfortunately, the SLD's system of notifying a new vendor of a successful SPIN change apparently does not show a reduction in the committed amount to reflect previous disbursements. A recent SPIN change confirmation notice indicated the following:

"The new Service provider will receive a Funding Commitment Decision Letter (FCDL). PLEASE NOTE: While this FCDL will contain more detailed information on the FRN listed above, it will show the ORIGINAL COMMITMENT amount, rather than the amount that remains undisbursed for this FRN."

New vendors – particularly those discounting their customers' bills – should be careful not to approve discounts in excess of the remaining commitments so as to avoid the need for future billing adjustments. Vendors can check remaining commitments on specific FRNs by contacting the SLD's invoicing group or by using the Data Request database capability on the SLD's Web site.

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