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Schools and Libraries News Brief

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April 20, 2007

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> **TIP OF THE WEEK:** Consider filing your FY2007 Form 486 early if you are eligible to do so. The requirements for early filing are contained in the Form 486 Instructions.

Commitments for Funding Years 2007 and 2006

Funding Year 2007. USAC will release FY2007 Wave 1 Funding Commitment Decision Letters (FCDLs) April 23. This wave will include over $202 million in commitments for approved Priority 1 requests (Telecommunications Services and Internet Access) for schools and libraries at all discount levels.

Funding Year 2006. USAC will release FY2006 Wave 49 FCDLs April 24. This wave will include commitments for approved Internal Connections and Basic Maintenance funding requests at 86% and above and denials at 84% and below. As of April 20, FY2006 commitments total just under $1.9 billion.

After noon on the date that the FCDLs are mailed, you can check to see if you have a commitment by using USAC's Automated Search of Commitments tool.

Changes in PIA Reviews for FY2007

There will be several changes to the Program Integrity Assurance (PIA) review process for FY2007. Following is a short summary of those changes with some additional information on the process itself. In the near future, USAC will be updating the appropriate guidance material on the website to reflect these changes.

These changes affect the following areas of application review:

- Ministerial and clerical error corrections
- Contracts
- Two-in-Five entity removals
- The 30% Rule
- Mixed bucket funding requests
- Ineligible telecommunications providers
- Contacts and deadlines

Ministerial and clerical error corrections

Applicants can make certain corrections to posted Forms 470 using the process detailed in the Form 470 Receipt Notification Letter (RNL). They can also make corrections to posted Forms 471 using a similar process detailed in the Form 471 Receipt Acknowledgment Letter (RAL).

For FY2006, USAC included ministerial and clerical error correction questions in the PIA review process after reviews had already started. For FY2007, all applicants contacted by PIA will be notified if PIA has detected any correctable errors and will be given 15 days to submit corrections.

Remember that PIA cannot detect all possible errors on your form. For example, if you cite a Form 470 on a Form 471 Block 5 funding request that did not post for the correct category of service, PIA will inform you and give you an opportunity to correct the Form 470 cited. However, if your library system includes 17 branches and you only put 16 of the branches on a Block 4 worksheet associated with a funding request for all of your branches, PIA is unlikely to notice that a branch is missing. If you notice an error that PIA does not identify for you, be sure to inform your PIA reviewer.

Contracts

If your FY2007 funding request is for contracted services, your contract must contain an applicant signature and a date, and it must comply with state contract law. PIA will not request a service provider signature and date. During the review of your application, PIA may ask for a copy of your contract.

The contract award date must be:

- on or after the allowable vendor selection/contract date (in other words, the applicant must have waited at least 28 days after the Form 470 was posted to the USAC website)

- on or before the date the Form 471 was received or postmarked

- on or before the close of the Form 471 application filing window

Remember that applicants and service providers must comply with state contract law in addition to program requirements. So, if your state contract law requires two signatures and two dates, you must comply with that requirement.

Two-in-Five entity removals

Applicants can remove entities from a Block 4 worksheet in order to gain a year of eligibility for those entities under the Two-in-Five Rule. However, if USAC has disbursed funds on the Funding Request Number (FRN) that features that worksheet, the entities listed in the worksheet cannot regain a year. For example:

Six of the eight schools in Blue School District were listed on a single FRN for cabling services. The service provider completed the cabling at one school and invoiced USAC on a Service Provider Invoice (SPI) Form 474. USAC processed the invoice and paid the service provider. All six of the schools listed on the FRN are considered to have used a year under the Two-in-Five Rule.

Because entity removals can be requested during PIA review, the March 30 deadline cited in earlier guidance does not apply.

NOTE: The March 2, 2007 News Brief has been corrected to reflect this guidance. If you print and save copies of the News Briefs, please reprint and replace this issue.

The 30% Rule

The 30% Rule states that if 30% or more of an applicant's funding request is for ineligible products and/or services, USAC will deny the FRN.

During the review of FY2007 applications, PIA will first identify all ineligible products and services before contacting the applicant with questions. The applicant will be given the choice of removing the ineligible products and/or services or allowing some or all of them to remain in the FRN. After PIA finishes its review work, if 30% or more of the products and services still remaining in the FRN are ineligible, PIA will deny the FRN.

As a reminder, the 30% Rule no longer applies to ineligible entities. So, for example, if PIA finds that 40 of the 100 members (40%) of a consortium do not have Letters of Agency, PIA will remove the ineligible entities rather than deny the FRN.

Mixed-bucket funding requests

Each year, some applicants include Priority 2 (Internal Connections and Basic Maintenance) products and services in a Priority 1 (Telecommunications Services and Internet Access) funding request. We refer to such funding requests as "mixed-bucket FRNs."

In general, if your PIA reviewer notices that you have created a mixed-bucket FRN, you will be given the opportunity to create a new FRN and move the Priority 2 products and/or services into that new FRN.

However, keep in mind that:

- The new FRN becomes part of your Form 471 application. It will appear on your FCDL and feature the appropriate portions of the dollar amounts from your original funding request. If it is funded, you must include that new FRN on a Form 486 in order for USAC to pay invoices featuring those products and services.

- Your Form 471 will be considered a mixed-bucket Form 471, which means that USAC's decision on your Priority 1 request may be delayed. In other words, USAC will not be able to issue a decision on your Priority 1 request until we can determine if we can fund the Priority 2 request at your discount level. For this reason, we always encourage applicants not to mix Priority 1 requests with Priority 2 requests on the same Form 471.

- If USAC can issue funding decisions at the discount level of your Priority 2 request (for example, if the original FRN and the new FRN are both at the 90% discount level and USAC has determined that Priority 2 requests at 90% can be funded), USAC may simply issue a funding decision on your mixed-bucket FRN instead of creating a new FRN for the Priority 2 products and services.

Ineligible telecommunications providers

In general, an Operational SPIN Change can be requested only after a funding commitment has been made. However, starting in FY2007, PIA will allow an applicant to request an operational SPIN Change pre-commitment if the chosen service provider is an ineligible telecommunications provider.

Contacts and deadlines

In general, PIA gives applicants 15 days to respond to questions sent by email or fax. Applicants can request an extension of this deadline, but that will delay the processing of their applications.

If you want to request corrections to your Form 471, you should use the process described in the Form 471 Receipt Acknowledgment Letter (RAL) to submit your request. Your deadline for submitting corrections is 20 days (15 days plus five days to allow for mail receipt) from the date of the RAL.

Please note also that, during the FY2007 review process, PIA may contact you more than once with what may appear to be the same or similar questions. This extra review work is being done to verify some or all of the responses that you have provided. In cases where your response may result in a modification or denial of an FRN, this additional contact will provide you with an opportunity to confirm that your original responses are correct.

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