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Schools and Libraries News Brief

October 23, 2009

TIP OF THE WEEK: If you are having trouble completing all of your invoices (BEAR Forms 472 or SPI Forms 474) for FY2008 recurring services, consider filing an invoice deadline extension request now. The volume of requests will increase significantly after the October 28 invoicing deadline.

Commitments for Funding Years 2009 and 2008

Funding Year 2009. USAC will release FY2009 Wave 25 Funding Commitment Decision Letters (FCDLs) October 27. This wave includes commitments for approved Priority 2 requests (Internal Connections and Basic Maintenance of Internal Connections) at 85% and above. As of October 23, FY2009 commitments total just under \$1.15 billion.

Funding Year 2008. USAC will release FY2008 Wave 71 FCDLs October 28. This wave includes commitments for approved Priority 2 requests at 88% and above and denials at 86% and below. As of October 23, FY2008 commitments total just under \$2.35 billion.

On the day the FCDLs are mailed, you can check to see if you have a commitment by using USAC's [Automated Search of Commitments](#) tool.

Equipment Transfers

Equipment purchased with E-rate discounts cannot be sold, resold, or transferred for money or any other thing of value. There are two exceptions to the transfer of equipment:

- If a school or library is temporarily or permanently closed, equipment purchased with E-rate funds can be transferred to another eligible entity as long as no money or any other thing of value is exchanged. You must notify USAC of the transfer if the date of purchase of the equipment is less than three years ago.
- After three years from the date of purchase, equipment purchased with E-rate funds can be transferred to another eligible entity as long as no money or any other thing of value is exchanged. You are not required to notify USAC of the transfer.

Below we discuss each of these situations in more detail.

Transfers due to school or library closings

Equipment can be transferred from the original entity to another eligible entity less than three years after the date the equipment was purchased — even if the receiving entity is at a lower discount level — if the original entity is temporarily or permanently closed. This includes equipment serving part of a facility, such as equipment serving individual classrooms, if that part of the facility is temporarily or permanently closing. You may not transfer the equipment for money or any other thing of value.

If such a transfer occurs, USAC must be notified of the transfer. To do this, mail, fax, or email a letter to USAC that contains entity and contact information for both the original and the receiving entity and the date and reason for the transfer. You can find a complete list of the information you must include in the letter in the [Transfers of Equipment](#) guidance document on the USAC website.

- Note that moving equipment is not necessarily the same as a transfer. For example, a school district with an elementary school, a junior high school, and a high school purchases a router with E-rate funding to serve all three schools and installs it in the elementary school. After a year, the district decides that the router should be moved to the high school to better serve those three schools. As long as the router continues to serve the same recipients of service, no transfer has taken place.

Transfers after three years

Starting three years after the date of purchase of E-rate funded equipment, an entity may transfer that equipment to another eligible entity as long as no money or any other thing of value is exchanged. The receiving entity can be at a lower discount level, and it does not have to appear on the Block 4 worksheet associated with the funding request. For example, a school at a 90% discount level can, after three years, transfer a piece of E-rate funded equipment to a library at a 20% discount level that has never before applied for Internal Connections.

If the transferred equipment was purchased at least three years ago, you do not have to notify USAC of the transfer.

Transfers of equipment and the Two-in-Five Rule

When you submit a Form 471 Block 5 funding request for a shared service, you identify the entity or entities that will be receiving the service in Item 22 of the funding request. If USAC makes a commitment on an Internal Connections funding request, the entity or entities identified in Item 22 of that funding request are considered to have used a year under the [Two-in-Five Rule](#). (This rule limits the receipt of Internal Connections to two years in any five-year period, starting with FY2005.)

If an entity transfers equipment to another entity, the receiving entity is not considered to have used a year under the Two-in-Five Rule. The original entity, however, retains its status under the Two-in-Five Rule – that is, USAC still considers it to have used a year of Internal Connections even though it no longer has the equipment.

Record retention requirements

When equipment is transferred from one entity to another, both the transferor and the recipient must maintain complete records of the transfer - including the notification to USAC of an equipment transfer due to the closing of a facility - and retain these records for at least five years after the last date to receive service on the associated Funding Request Number (FRN). In particular, the asset registers or other inventory tracking mechanisms of both entities should feature information on the transfer of the equipment and reflect the new location of the equipment.

Disposal or trade-in of equipment

As indicated above, equipment purchased with E-rate funds cannot be sold, resold, or transferred for money or any other thing of value. Outdated equipment and equipment that is no longer being used are still subject to this requirement.

- You can dispose of outdated equipment or equipment that is no longer being used. We suggest that you do so in an environmentally responsible way. However, remember that – even though the equipment may be considered salvage – you cannot accept money or any other thing of value for that equipment.
- You can, however, trade in equipment. If the equipment was purchased with E-rate funds, the trade-in amount is applied to the purchase of new eligible equipment and the pre-discount amount on the Form 471 funding request for the new equipment is reduced by the trade-in amount. Note that the trade-in amount must be a reasonable estimate of the value of the equipment. Applicants interested in trade-ins should review the [Free Services Advisory](#) and the "Transfer or Trade-in of Components" section of the [Frequently Asked Questions About Eligibility of Products and Services](#) posted on the USAC website.

As with other changes in status, disposal or trade-in of equipment should be carefully recorded on your asset register and inventory tracking documents. Any documentation related to the disposal or trade-in should also be retained.

See [Transfers of Equipment](#) for more detailed guidance on equipment transfers.

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