

#### 4. Schools and Libraries Support

Eligible schools and libraries receive telecommunications services, Internet access, and internal connections at discounts ranging from 20 percent to 90 percent. The level of discounts is based on eligibility for the national school lunch program, and on location in a rural area.

Schools and libraries are eligible to receive support for services that qualify as telecommunications services, Internet access, or internal connections. Schools and libraries may not receive discounts for items such as asbestos removal, teacher training, telephone handsets, the costs of tearing down walls to install wiring, repairing carpets, repainting, personal computers, fax machines, or modems.

All eligible applicants must submit three separate forms to the Schools and Libraries Corporation (SLC) in sequential order to participate in the program. First, eligible schools and libraries must file FCC Form 470, which describes the services an applicant intends to purchase. Form 470 is posted to the SLC website to open the competitive bidding period for new services. After selecting a service provider and contracting for new services, applicants must file FCC Form 471, which details services for which a contract has been signed. Finally, applicants must submit FCC Form 486, which confirms that contracted services have begun and that the applicants' technology plan has been approved. Service providers must also complete two forms to receive reimbursement from the Administrator: the FCC Form 473, or Service Provider Annual Certification Form, and the FCC Form 474, or the Service Provider Invoice Form.

The funding year for schools and libraries was recently changed from a calendar year cycle (January 1 - December 31) to a fiscal year cycle that runs from July 1 - June 30. For transition purposes, the first funding period is the 18-month period that runs from January 1, 1998 through June 30, 1999. The second funding cycle will begin on July 1, 1999. Applications submitted during the initial 75-day filing window (January 30, 1998 - April 15, 1998) will be supported through June 30, 1999. Commitment letters for the first funding year are slated for release beginning in the fall of 1998.

For the first funding cycle, the Universal Service Administrative Company (USAC) will collect and disburse only as much money as is required by demand, but in no event more than \$325 million for each of the third and fourth quarters of 1998 and the first and second quarters of 1999 to support the schools and libraries universal service support mechanism. This amounts to a total of no more than \$1.925 billion for the schools and libraries support mechanism during 1998 and the first two quarters of 1999. In the first two quarters of 1998, USAC collected \$522,070,179.21.

The Commission established rules to govern how funding will take place in the situation, like that presented in the first funding period, where the available funding is less than total demand. The rules are designed to ensure that the neediest schools and libraries (i.e., those eligible for an 80 or 90 percent discount) receive priority.

Under the rules of priority, when the filing window closes, SLC shall calculate the total demand for support submitted during the filing window. If total demand exceeds the total support available in that funding year, SLC shall:

- (1) Calculate the demand for telecommunications services and Internet access for **all** discount categories. These services shall receive first priority for the available funding;
- (2) Allocate the remaining funds to the requests for support for internal connections, beginning with the most disadvantaged schools and libraries, as determined by the discount matrix (i.e., schools and libraries eligible for a 90 percent discount shall receive first priority for the remaining funds, and those funds will be applied to their requests for internal connections);
- (3) Commit remaining funds for internal connections to the applicants at each descending discount level until there are no funds remaining.

If the remaining funds are not sufficient to support all of the discount requests that comply with the Commission's rules and eligibility requirements within a particular discount level, SLC shall divide the total amount of remaining support available by the amount of support requested within the particular discount level to produce a pro-rata factor. That is, each of the schools and libraries within that discount level will receive a portion of the support they requested.

Parties seeking support for the second funding year (July 1, 1999 - June 30, 2000) must fully complete and file both Forms 470 and 471 during the "window" period that opens December 1, 1998.