

ILLINOIS CENTURY NETWORK

E-RATE UPDATE

Submitted for: Information

Summary: This item provides an update regarding the E-rate program.

Action Requested: None

ILLINOIS CENTURY NETWORK

E-RATE UPDATE

As of January 31, 2007, CMS/Illinois Century Network has not received any E-Rate Reimbursements during Fiscal Year 07.

The probability of receiving the Funding Year 4 Request that is under appeal remains minimal. USAC's funding denial (based on a master contract expiration during the funding year) was upheld by both USAC and the FCC. During the summer of 2007, we will do a final follow up and determination for this Funding Year.

The Funding Year 7 Request denial (based on the Letter of Agency issue) remains under appeal with the FCC, with no update. Even if CMS/ICN wins the appeal, the amount potentially received will be significantly reduced due to actual spend being much lower than projected (when contract rates dropped dramatically), as well as unknown adjustments that could occur during the review process.

Reconsideration of the Letter of Agency issue has occurred regarding Funding Year 8, moving the Funding requests out of the "Under Appeal" category. Funding Year 8's Library application has now been approved, and the next steps in the process towards receiving the funds are taking place. The final request amount will be approximately \$206,683 vs. the original request of \$1,346,616, due to actual spend and major changes to the bandwidth percentage allocation. The actual date of the receipt of funds is impossible to predict. The School portion of the application remains under review. The Actual amount received will be approximately 50% less than originally applied for.

The Year 9 Funding request moved to approved status on February 6, 2007 after very intense scrutiny and multiple informational requests from multiple USAC reviewers. The original request of \$2,563,432 has been reduced to \$ 1,394,501 and could potentially be reduced further.

E-Rate Activity

Funding Year	Received	Approved – Not yet received	Applied for Not yet approved	Under Appeal
Year 3 (2000)	\$2,137,765	-0-	-0-	N/A
Year 4 (2001)	\$2,179,728	-0-	-0-	\$2,274,232 ¹
Year 5 (2002)	\$4,996,227	-0-	-0-	N/A
Year 6 (2003)	\$4,644,171	-0-	-0-	N/A
Year 7 (2004)	-0-	N/A	-0-	\$5,868,203 ²
Year 8 (2005)	-0-	\$ 206,683 ³	\$6,118,325 ⁴	N/A
Year 9 (2006)	-0-	\$1,394,501 ⁵	-0-	N/A
Year 10 (2007)	-0-	N/A	\$1,197,231	N/A
Totals	\$13,957,891	\$ 1,601,184	\$7,315,556	\$8,142,435

The E-rate Funding Year 10 application was filed on February 7, 2007. The total funding request for telecommunication and Internet access services is \$1,197,231, showing another significant decrease from prior funding years. These decreases can be attributed to the greatly reduced bandwidth costs across the network due to economies of scale and the changing telecommunications environment, coupled with the integration of state agency traffic, which lowered ICN's E-rate eligible bandwidth percentage to 15.44% in Funding Year 10. This application remains at the initial review status.

CMS/ICN has been undergoing an audit by KPMG for Funding Year 6. The audit is at the request of Universal Service Administrative Company (USAC), the federal entity which administers the E-rate program. Fieldwork began January 8, 2007. The exit conference is scheduled for February 16, 2007.

¹ The probability of receiving this Funding Request is minimal. Denial was based on the expiration of a master contract during the funding year.

² This funding request denial (based on the Letter of Agency issue) remains under appeal with the FCC. A decision by USAC, made after the FCC determined that USAC had misinterpreted rules surrounding required content of the Letter of Agency, has led to the status of the Year 8 funding request appeal to already change. Note: The potential amount received will be significantly lower than original requested. See also footnote #4.

³ The original request of \$ 1,334,788, was reduced to \$206,683 due to actual spend and bandwidth allocation changes.

⁴ After the FCC's determination noted above in Footnote #2, the ICN received an "Administrator's Notification of Reconsideration Letter" from USAC. The letter states that Year 8 funding request denials would enter a re-evaluation process to determine if the E-rate program rules were administered appropriately. Once this process is complete, decisions will be made regarding the Year 8 School funding requests. Due to internal USAC procedures, the Year 7 denial is not affected by the reconsideration even though the basis for denial is identical. Note: The potential amount received will be significantly reduced.

⁵ This Funding request moved to approved status on 2/6/07. The request was reduced from \$ 2,563,432 to \$ 1,394,501 during the review process.