In the Matter of

Requests for Review of Decisions of the
Universal Service Administrator by

Schools and Libraries Universal Service) CC Docket No. 02-6
Support Mechanism)

ORDER

Adopted: December 12, 2007 Released: December 12, 2007

By the Chief, Telecommunications Access Policy Division, Wireline Competition Bureau:

I. INTRODUCTION

1. In this Order, we grant 13 appeals of decisions by the Universal Service Administrative Company (USAC) denying requests for funding under the schools and libraries universal service support mechanism, also known as the E-rate program.¹ Petitioners seek review of USAC decisions finding that consortia leaders did not provide evidence of their authority to represent their respective consortium members. As discussed below, we find that Petitioners have provided evidence of authority, and we therefore remand the underlying applications to USAC for further action consistent with this Order. To ensure that the underlying applications are resolved expeditiously, we direct USAC to complete its review of the applications and issue decisions based on a complete review and analysis no later than 90 calendar days from release of this Order.²

II. BACKGROUND

2. Under the schools and libraries universal service support mechanism, also known as the E-rate program, eligible schools, libraries, and consortia that include eligible schools and libraries may apply for discounts for eligible telecommunications services, Internet access, and internal connection services.³ In accordance with the Commission’s rules, an applicant must file with USAC, for posting to

¹ A list of the entities that filed Requests for Review is attached as the Appendix. Section 54.719(c) of the Commission’s rules provides that any person aggrieved by an action taken by a division of USAC may seek review from the Commission. 47 C.F.R. § 54.719(c).

² Although we grant the appeals addressed herein, we make no finding as to the ultimate eligibility of the applicants, consortia members, or the requested services.

USAC’s website, an FCC Form 470 requesting discounted services. After an applicant has entered into agreements for eligible services with one or more service providers, it must file an FCC Form 471 with USAC.

3. The Commission’s rules allow schools and libraries to form consortia for purposes of seeking competitive bids on their service requests. Because discounts are restricted by statute to “bona fide request[s]” for services, a consortium application may only be submitted on behalf of schools and libraries that have actually authorized the consortium to make the request. By signing the FCC Form 471, the applicant is certifying that it is authorized to submit and certify to the accuracy of the application on behalf of all consortium members. In *Project Interconnect*, the Wireline Competition Bureau (the Bureau) affirmed USAC’s requirement that an applicant applying as a consortium must submit a letter of agency (LOA) from each of its members expressly authorizing the applicant to submit an application on its behalf. USAC requires an LOA to contain the following five elements: the name of the person filing the application; the name of the person authorizing the filing of the application; the specific time frame the LOA covers; the signature, date, and title of an official who is an employee of the entity authorizing the filing of the application; and the type of services covered by the LOA. In lieu of an LOA, according to USAC’s guidelines, “other documentation may be accepted as proof of authorization.”

4. In Funding Year 2005, USAC began requiring applicants to obtain proof of representation from each consortium member prior to the certification date of their FCC Form 471. In the *South Carolina CIO Order*, the Bureau found that USAC had not provided sufficient notice for consortia applicants to comply with the new policy in Funding Year 2005, and therefore should not have denied the

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4 The applicant must wait 28 days before entering into an agreement with a service provider for the requested services. 47 C.F.R. § 54.504(b); see also Schools and Libraries Universal Service, Description of Services Requested and Certification Form, OMB 3060-0806 (October 2004) (Funding Year 2006 FCC Form 470).

5 The FCC Form 471 notifies USAC of the services that have been ordered, the service providers with which the applicant has entered into an agreement, and an estimate of funds needed to cover the discounts to be given for eligible services. 47 C.F.R. § 54.504(c); see also Schools and Libraries Universal Service, Services Ordered and Certification Form, OMB 3060-0806 (November 2004) (Funding Year 2006 FCC Form 471).

6 47 C.F.R. § 54.501(d)(1).


10 See LOA Guidance.

11 See LOA Guidance.

consortium’s application for failing to comply with the new procedure. USAC has also denied consortium applications for which a substantial number of the consortium’s members either did not submit an LOA or submitted a deficient LOA. In an order issued in 2006 resolving an appeal filed by the Kan-ed consortium, the Commission found that to deny an entire application in those situations would unfairly penalize the entire consortium. In the Kan-ed Order, therefore, the Commission directed USAC to remove from the application those entities for which the applicant could not provide LOAs and adjust the funding requests accordingly, rather than deny the entire application.

5. Requests for Review. The Commission has under consideration 13 appeals filed by 12 consortia requesting review of decisions issued by USAC. The decisions at issue involve the consortia’s failure to submit LOAs signed and dated prior to the certification of the FCC Form 471 or their failure to submit completed LOAs with all five required elements. Specifically, (1) some petitioners obtained signed LOAs after the certification date of their FCC Form 471s; (2) other petitioners’ LOAs did not specify the timeframe covered by the LOAs or did not state the specific services for which the consortia were authorized to apply; and (3) two consortia each did not have signed LOAs from one member. Petitioners seek reversal of USAC’s denial of their funding due to deficiencies with their LOAs.

13 Request for Waiver of the Decision of the Universal Service Administrator by South Carolina Division of the Chief Information Officer, CC Docket No. 02-6, Order, 21 FCC Rcd 5987, 5990-91, para. 8 (Wireline Comp. Bur. 2006) (South Carolina CIO Order).


15 Id. at 13661, para. 8.

16 Id. at 13662, para. 9.

17 See Appendix.


III. DISCUSSION

6. Based on the record before us, we grant the 13 appeals filed by 12 applicants. Specifically, we find that Petitioners have provided evidence to the Commission on appeal demonstrating that each consortia member knew it was represented, and consented to its representation, on the applications.\(^{21}\) We consider the appeals in three groups below.

7. **LOAs Dated After FCC Form 471 Certification Date.** For five petitioners, consistent with our reasoning in the *South Carolina CIO Order*, we find that USAC should not have denied the requests for E-rate funding for failure to comply with USAC’s new procedure for Funding Year 2005 because USAC did not provide sufficient notice for consortia applicants to comply with the new policy.\(^{22}\) In Funding Year 2005, USAC began requiring applicants to obtain signed LOAs from each consortium member prior to the certification date of their FCC Form 471.\(^{23}\) USAC did not post its revised LOA requirements for Funding Year 2005 until approximately halfway through the filing window period.\(^{24}\) For instance, had a consortium filed its FCC Form 471 between December 14, 2004, when the window opened, and January 10, 2005, when USAC updated the LOA instructions on its website, it would have been impossible for that consortium to comply with USAC’s new policy, even though its application may have been valid in all other respects.\(^{25}\) We therefore find that USAC should not have denied these applications for failure to comply with the new USAC procedure for Funding Year 2005.

8. **Deficient LOAs Remedied by Evidence on Appeal.** For four petitioners – Luzerne, Minnesota Office of Enterprise Technology, Monterey, and Union Baker – we find that evidence submitted on appeal either remedies any deficiencies in their LOAs or is consistent with USAC’s guidance that documentation other than LOAs may be accepted as proof of authorization.\(^{26}\) Specifically, Luzerne provided documents on appeal that prove each consortium member knew it was represented, and consented to its representation, on the application.\(^{27}\) Luzerne provided WAN Service Agreements that include the information that must be provided to USAC: the name of the person filing the application; the

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\(^{21}\) The Wireline Competition Bureau must conduct a *de novo* review of requests for review of decision issued by the Administrator. 47 C.F.R. § 54.723.

\(^{22}\) See AES Request for Review at 2; Grand River Request for Review at 1; Midwestern Intermediate Request for Review at 1; and YCS Request for Review at 2; see also *South Carolina CIO Order*, 21 FCC Rcd at 5990-91, para. 8. USAC also denied the application of Illinois Century Network because its LOAs were dated after its FCC Form 471 certification date, even though its application was for Funding Year 2004, prior to USAC’s adoption of that procedure. We therefore grant Illinois Century Network’s appeal in this category, and find that USAC should not have denied its application because its requirement was not yet in effect. See Illinois Century Request for Review at 3.

\(^{23}\) See LOA Guidance. The LOA instructions were updated on USAC’s website on January 10, 2005, and a revised sample of an LOA was made available on February 1, 2005. See FCC Form 471, Item 33, Block 6 (content was last modified on January 10, 2005); February 2005 Announcements, Sample Letter of Agency (LOA) available (2/1/05), at http://www.universalservice.org/sl/tools/news-archive/2005/022005.asp#020105a (retrieved Dec. 10, 2007).


\(^{25}\) See *supra* n.12. In addition, applicants would not have known to check USAC’s website for a change made during the funding window.

\(^{26}\) See Luzerne Intermediate Request for Review at 5.

\(^{27}\) Luzerne Intermediate Request for Review, Exhibit B.
name of the person authorizing the filing of the application; the specific time frame covered; the
signature, date, and title of an official who is an employee of the entity authorizing the filing of the
application; and the type of services covered. Because the WAN Service Agreements contained all of
the same information as an LOA, we find that it is sufficient authorization. On appeal to the Commission,
the Monterey County Office of Education (Monterey) submitted the signed LOAs for the current funding
year that it had failed to provide to USAC. When LOAs were requested by USAC, Monterey had
mistakenly provided its Funding Year 2005 LOAs to USAC. We find, therefore, that Monterey had
signed LOAs from its members for the relevant funding year.

9. The Minnesota Office of Enterprise Technology (Minnesota OET) submitted to the
Commission on appeal a signed LOA for application 460616 that had been unsigned when submitted to
USAC and an LOA for application 476307 that included specific services for which consortium leader
was authorized to apply. We find that these errors have been corrected with the information submitted
to the Commission by the Minnesota OET on appeal. Finally, the Union Baker Education Service
District (Union Baker) consortium held a meeting with all the superintendents of its member school
districts during which they agreed to apply for E-rate funding and signed their LOAs. One
superintendent missed the meeting, but was informed later and agreed; however, he neglected to submit
an LOA with Union Baker prior to the filing of its FCC Form 471. Additionally, when USAC requested
copies of Union Baker’s LOAs, the consortium leader could not locate the original copies for some
members, and so had those members execute new LOAs, which USAC rejected because those letters
were signed after the FCC Form 471 certification date. On appeal, Union Baker provided a letter from
its member superintendents of districts with deficient LOAs certifying to knowledge their districts were
represented, and consenting to representation, on the application based on attendance at consortium

28 See Luzerne Intermediate Request for Review, Exhibit B; see also LOA Guidance. We note that USAC requested
Luzerne’s LOAs during consortium review. We caution that applicants must work with USAC to provide the
necessary information for USAC to process their applications. USAC’s letter to Luzerne clearly stated “[o]ther
vehicles to establish this authorization could be a project agreement, a contract, a letter agreement, or other similar
document.” See Letter from Harold Kastenbaum, Schools and Libraries Division, Universal Service Administrative
Company, to Michael F. Garzella, Luzerne Intermediate Unit 18, dated Apr. 6, 2006 at 1-2. USAC’s guidance
regarding LOAs clearly states that LOAs must be signed and dated on or before the postmark date of the FCC Form
471 certification or the date the form was submitted online. See LOA Guidance. While we grant Luzerne’s appeal,
we note that Luzerne should have provided USAC with the documents during consortium review.

29 See Monterey Request for Review at 1.

30 Id.

31 See Minnesota OET Application 460616 Request for Review, Attachment 1 (signed Glencoe-Silver LOA);
Minnesota OET Application 476307 Request for Review, Attachment 1 (amended Forest Lake Area Schools LOA).
Although the LOA referenced the services for which the consortium leader was authorized to apply, USAC found
that LOA did not provide enough specific detail regarding the services. Minnesota OET Application 476307
Request for Review at 1.

32 Letter from Cheryle Zollman, Union Baker Education Service District, to Schools and Libraries Division,

33 Id. at 2

34 Id.
meeting prior to filing of FCC Form 471 and on the original, lost LOAs. We find that Baker Union has provided evidence of its authorization to represent its consortium members.

10. **LOAs Without Timeframe.** Finally, for three petitioners, we find that the failure to specify the timeframe covered by the LOA is not sufficient to deny the entire application in these instances. For each of these three petitioners, the LOAs were signed in late 2005 or early 2006 in preparation for submitting a Funding Year 2006 application. We find that the lack of a specified timeframe on the LOA is not a fatal mistake because the members clearly knew that the consortia were applying for funding on their behalf in Funding Year 2006. We therefore direct USAC to accept, in these instances, the LOAs submitted by these 12 petitioners as sufficient to establish authority for the consortia to apply on behalf of their members.

11. Accordingly, we remand the underlying applications to USAC for further processing consistent with our actions in this Order. To ensure that the underlying applications are processed expeditiously, we direct USAC to complete its review of the applications and issue a decision based on a complete review and analysis no later than 90 calendar days from release of this Order. We emphasize the limited nature of this decision. Our action here does not eliminate USAC’s procedure requiring that an applicant applying for funding on behalf of a consortium have signed LOAs in place prior to submitting an FCC Form 471 or demonstrate its authority through alternative means, such as state statute

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35 Id. At 4-7. In addition, for Union Baker, we find good cause to waive section 54.720 of the Commission’s rules, which establishes a 60-day deadline for affected parties to seek review of decisions issued by USAC. 47 C.F.R. § 54.720. Union Baker could not appeal USAC’s decision until it received the certified letter as proof its superintendents knew of the application from the superintendent of a small rural district in a remote location. That district’s superintendent had planned to be in the area of Union Baker, but when those plans fell through he had to mail the document to Union Baker, causing the delay. See Union Baker Request for Review at 1. Union Baker was only five days late in filing its appeal and has demonstrated that it was making a good-faith effort to comply with the E-rate program’s procedures. We therefore find good cause to waive the filing deadline from section 54.720 of the Commission’s rules in this instance. See, e.g., Request for Review of Benavides Independent School District, CC Docket No. 02-6, Order, 21 FCC Rcd 12910 (Wireline Comp. Bur. 2006) (granting a waiver request when applicant did not receive notice of the requirements for filing an appeal in accordance with Commission rules); Request for Waiver by Greenfield Public School District, CC Docket No. 02-6, Order, 21 FCC Rcd 2122 (Wireline Comp. Bur. 2006) (granting a waiver where the district’s technology coordinator was unexpectedly called to active military duty in a time of war).

36 See Alliance for College-Ready Public Schools Request for Review at 2; Broome-Tioga Request for Review at 1; and Educational Service Unit #8 Request for Review at 1.

37 See Alliance for College-Ready Public Schools LOAs; Broome-Tioga LOAs; Educational Service Unit #8 LOAs. These petitioners also submitted additional evidence further establishing that members were aware of the application at issue. See Alliance for College-Ready Public Schools Request for Review at 2 (consortium leader was owner/operator of member charter schools); Brooms-Tioga Request for Review at Appx. F (concurrently signed contracts); Educational Service Unit #8 Request for Review at Ex. B (certifications by members submitted on appeal).

38 However, for example, had the LOAs been signed in 2004 for a Funding Year 2006 application, we would have been concerned that members may not have known the consortia were applying for funding on their behalf years after the LOAs were signed, absent other evidence. Therefore, we remind consortia members that each of the five elements of an LOA is an important piece of evidence in establishing knowledge of representation, and consent to representation, on an E-rate application. In this case, including the timeframe covered by an LOA establishes that members are aware of the current application.

39 Nothing in this order is intended to authorize or require payment of any claim that has previously been released by a service provider or applicant, including in a civil settlement or criminal plea agreement with the United States.
or regulation. We continue to require E-rate applicants to submit complete and timely information to USAC as part of the application review process. In the future, however, we direct USAC to reach out to consortia when there are ministerial errors on their LOAs. Furthermore, we emphasize that our actions taken in this Order should have minimal effect on the overall federal Universal Service Fund, because the monies needed to fund this appeal has already been collected and held in reserve.

12. We emphasize that the Commission is committed to guarding against waste, fraud, and abuse and ensuring that funds disbursed through the E-rate program are used for appropriate purposes. Although we grant the appeals addressed here, the Commission reserves the right to conduct audits and investigations to determine compliance with the E-rate program rules and requirements. Because audits and investigations may provide information showing that a beneficiary or service provider failed to comply with the statute or Commission rules, such proceedings can reveal instances in which universal service funds were improperly disbursed or in a manner inconsistent with the statute or the Commission’s rules. To the extent the Commission finds that funds were not used properly, the Commission will require USAC to recover such funds through its normal processes. We emphasize that the Commission retains the discretion to evaluate the uses of monies disbursed through the E-rate program and to determine on a case-by-case basis that waste, fraud, or abuse of program funds occurred and that recovery is warranted. The Commission remains committed to ensuring the integrity of the program and will continue to aggressively pursue instances of waste, fraud, or abuse under the Commission’s procedures and in cooperation with law enforcement agencies.

IV. ORDERING CLAUSES

13. ACCORDINGLY, IT IS ORDERED that, pursuant to the authority contained in sections 1-4 and 254 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151-154 and 254, and pursuant to the authority delegated in sections 0.91, 0.291, and 54.722(a) of the Commission’s rules, 47 C.F.R. §§ 0.91, 0.291, and 54.722(a), that the Requests for Review as listed in the Appendix ARE GRANTED and REMANDED to USAC for further consideration in accordance with the terms of this Order.

14. IT IS FURTHER ORDERED that, pursuant to the authority contained in sections 1-4 and 254 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151-154 and 254, and pursuant to the authority delegated in sections 0.91 and 0.291 of the Commission’s rules, 47 C.F.R. §§ 0.91 and 0.291, USAC SHALL COMPLETE its review of each remanded application listed in the Appendix and ISSUE an award or a denial based on a complete review and analysis no later than 90 calendar days from release of this Order.

15. IT IS FURTHER ORDERED that, pursuant to the authority contained in sections 1-4 and 254 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151-154 and 254, and pursuant to the authority delegated in sections 0.91 and 0.291 of the Commission’s rules, 47 C.F.R. §§ 0.91 and 0.291,

40 See supra para. 3; see also LOA Guidance.

41 For example, Minnesota OET submitted an LOA initially that did not provide enough detail regarding the services for which the consortium leader was authorized to apply. See Minnesota OET Application 476307 Request for Review at 1. USAC could have allowed the applicant to remedy that ministerial error, rather than denying the application.

42 We note that USAC has already reserved sufficient funds to address outstanding appeals. See, e.g., Universal Service Administrative Company, Federal Universal Service Support Mechanisms Fund Size Projections for the First Quarter 2008 (Nov. 2, 2007). Thus, we determine that the action we take today should have minimal impact on the Universal Service Fund as a whole.
that Section 54.720 of the Commission’s rules, 47 C.F.R. § 54.720, IS WAIVED to the limited extent described herein in the case of the appeal of Union Baker Education Service District, Island City, Oregon.

16. IT IS FURTHER ORDERED that, pursuant to authority delegated under sections 0.91, 0.291, and 1.102 of the Commission’s rules, 47 C.F.R. §§ 0.91, 0.291, and 1.102, this Order SHALL BE EFFECTIVE upon release.

FEDERAL COMMUNICATIONS COMMISSION

Jeremy D. Marcus
Chief
Telecommunications Access Policy Division
Wireline Competition Bureau
## APPENDIX

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