Federal Communications Commission
Washington, D.C. 20554

July 31, 2012

DA 12-1196

Mel Blackwell
Vice President
Schools and Libraries Division
Universal Service Administrative Company
2000 L Street, NW
Suite 200
Washington, DC 20036

Dear Mr. Blackwell:

The purpose of this letter is to provide the Universal Service Administrative Company (USAC) with guidance on the impact of the United States Department of Agriculture's (USDA) new National School Lunch Program (NSLP) reimbursement mechanism, known as the Community Eligibility Option (CEO), on the universal service E-rate program.[1] Pending further guidance, schools utilizing the CEO may use the NSLP eligibility data that they previously submitted to USAC regarding participation in the NSLP fo the most recent funding year in which such schools did not participate in the CEO to determine discounts on services received under the E-rate program (also known as the schools and libraries universal service support mechanism).

As you know, the E-rate program currently uses USDA's NSLP eligibility, or a federally approved alternative mechanism, as a proxy for poverty when calculating discounts on services received under the E-rate program.[2] Thus, schools are currently required to collect income eligibility applications or surveys from each family whose student attends the school in order to determine a school's poverty level. Libraries' discount percentages are based on the public school district in which they are physically located. The CEO, which the USDA is phasing in over several years, provides a new alternative to NSLP household applications for free and reduced price meals in high poverty local educational agencies and schools. The USDA does not require schools using the CEO to seek individual income eligibility applications from each student but instead derive estimates of the NSLP eligible population from existing data in order to, among other objectives, reduce the burden on students and families. Three states (Kentucky, Michigan, and Illinois) started participating in the CEO for the school year beginning July 1, 2011 and an additional three states (New York, Ohio, and West Virginia) plus the District of Columbia started implementing the CEO for the school year beginning July 1, 2012. We understand that four more states may begin participating beginning July 1, 2013, with the option available nationwide beginning July 1, 2014.

Last year, we provided informal staff guidance to USAC to use funding year 2010 data for schools participating in the CEO program in school year 2011. For funding year 2012, schools participating for a

[1] *See* United States Department of Agriculture, Food and Nutrition Service, Community Eligible Option, available at http://www.fns.usda.gov/cnd/governance/Policy-Memos/2011/SP23-2011_os.pdf (last visited July 30, 2012) for more information regarding the CEO.

[2] *See* 47 U.S.C. § 54.505(b)(1).

second year in the CEO program may continue to use funding year 2010 data. Similarly, we direct USAC to allow the schools from the District of Columbia, New York, Ohio, and West Virginia who are participating in the CEO for school year 2012 for the first time, and any schools from the three initial states (Kentucky, Michigan, and Illinois) that are participating in the CEO for the first time, to use funding year 2011 data. Thus, pending further guidance, schools opting to participate in the CEO will be permitted to use data from the most recent funding year in which they did not participate in the CEO to determine their level of poverty when calculating discounts on services received under the E-rate program.

Thank you for your attention to this matter. Please let us know if you have any questions or concerns.

Sincerely,

Trent B. Harkrader
Chief
Telecommunications Access Policy Division
Wireline Competition Bureau

cc: Cindy Long, Food and Nutrition Service, USDA
Margaret Applebaum, Food and Nutrition Service, USDA

USAC

Discount Matrix

Applicants use the discount matrix to determine the correct discount level for an individual school or library outlet.

An applicant for discounts on eligible services must calculate the percentage discount that it (and the entities it represents) is eligible to receive.

For detailed information on how to calculate the percentage discount for particular types of entities (schools, school districts, library outlet or branch, library system, or consortium), see the Form 471 Instructions.

INCOME Measured by % of students eligible for the National School Lunch Program	URBAN LOCATION Discount	RURAL LOCATION Discount
If the % of students in your school that qualifies for the National School Lunch Program is...	*...and you are in an URBAN area, your discount will be...*	*...and you are in a RURAL area, your discount will be...*
Less than 1%	20%	25%
1% to 19%	40%	50%
20% to 34%	50%	60%
35% to 49%	60%	70%
50% to 74%	80%	80%
75% to 100%	90%	90%