Accounting Bulletin #1999-04

SUBJECT: Accounting for E-Rate Discounts

Effective Immediately

Date: June 16, 1999
Partial Text Update on March 1, 2023

This bulletin provides guidance concerning proper Annual Financial Report (AFR) accounting for the Schools and Libraries E-Rate Discounts. The advice is applicable to all LEAs and should be part of your normal accounting operations.

The schools and libraries universal service support program, commonly known as the E-Rate program, helps eligible schools and libraries to obtain affordable broadband services, internal connections, and maintenance of internal connections. The E-Rate program was authorized by Congress as part of the Telecommunications Act of 1996 (the Telecommunications Act) and created by the Federal Communications Commission (FCC or Commission) in 1997 to, among other things, enhance, to the extent technically feasible and economically reasonable, access to advanced telecommunications and information services for all public and nonprofit elementary and secondary schools and libraries.

The Telecommunications Act provides subsidies to suppliers of telecommunications supplies and services so they may pass along E-Rate discounts in the form of discounted billings for qualifying, approved expenditures. The amount billed to you by the vendor is normally the discounted rate resulting in a lower expenditure amount. The E-rate discount is NOT a revenue to your school. The qualifying expenditures should be accounted for like any other expenditure using the appropriate fund, sub-function, object, instructional organization, and funding source code.

If you receive a check from the supplier or directly from the Federal government for the discount, accounting for this receipt should be handled using the same guidelines that are applied to other refund of expenditures. Detailed information regarding the accounting for Refunding of Prior Year Expenditures, including examples of accounting entries for different types of refunds, can be found in Accounting Bulletin 1999-01 - Accounting for Refunds of Expenditures, located on the PDE Website. This guidance can be summarized as follows:

- If the receipt was for current year expenditures, the amount received should be credited to the appropriate expenditure account to reduce the original expenditure and debited to a cash account.
Refunds relating to prior year expenditures should be accounted for in one of two ways:

1. Establish the materiality of the funds. If the amount is immaterial, credit the amount against the current year's expenditure,

2. If the receipt was for prior year expenditures of a significant amount, the amount should be credited to Revenue from Local Sources, account #6991-Refund of Prior Year Expenditures.

Remember that if the refund covers more than one reporting year the refund must be allocated to the appropriate years.

Questions regarding this bulletin may be directed to the School Finance staff within the Office of Comptroller Operations at Ra-Schlfin@state.pa.us.