

PUBLIC NOTICE



FEDERAL COMMUNICATIONS COMMISSION
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DA 00-2065

News media information 202/418-0500 Fax-On-Demand 202/418-2830 Internet: <http://www.fcc.gov> <ftp.fcc.gov>

Released: September 8, 2000

Proposed Fourth Quarter 2000 Universal Service Contribution Factor

CC Docket No. 96-45

In this Public Notice, the Common Carrier Bureau announces the proposed universal service contribution factor for the fourth quarter of 2000.¹

Rules for Calculating the Contribution Factor

Contributions to the federal universal service support mechanisms are determined using a quarterly contribution factor calculated by the Commission. Under section 54.709 of the Commission's rules, the Commission shall calculate the quarterly contribution factor based on the ratio of total projected quarterly costs of the universal service support mechanisms to total end-user interstate and international telecommunications revenues.²

USAC Projections of Demand and Administrative Expenses

Pursuant to section 54.709(a)(3) of the Commission's rules,³ the Universal Service Administrative Company (USAC) submitted the following projections of demand and administrative expenses for the fourth quarter of 2000:⁴

¹ See 47 C.F.R. § 54.709(a).

² See 47 C.F.R. § 54.709(a)(2).

³ 47 C.F.R. § 54.709(a)(3).

⁴ See Federal Universal Service Programs Fund Size Projections & Contribution Base For the Fourth Quarter 2000 (filed by USAC Aug. 2, 2000) (*USAC Filing for Fourth Quarter 2000*). USAC's projected demand and expenses for the high cost universal service support mechanism include the additional demand and expenses resulting from the Commission's new interstate access universal service support mechanism. See *USAC Filing for Fourth Quarter 2000* at 15-16.

(\$ millions)

Program	Projected Program Support	Admin. Expenses	Application of Balance From Prior Period	Application Of Interest Income	Application of Periodic True-Ups	Total Program Collection
Schools and Libraries	552.491	10.009	(169.534)	(16.088)	(3.845)	373.033
Rural Health Care	2.525	1.127	(0.000)	(0.013)	(0.806)	2.833
High-Cost	657.122	1.442	(0.000)	(1.400)	3.226	660.390
Low Income	164.035	0.296	(0.000)	(0.780)	(11.609)	151.942
TOTAL	1376.173	12.874	(169.534)	(18.281)	(13.034)	1188.198

USAC reports that, based on current data, it does not believe that it will need to disburse the full amount of funds that it was authorized to collect for the first year of the schools and libraries program.⁵ Specifically, USAC estimates that the schools and libraries program will have an unused balance of approximately \$170 million.⁶ According to USAC, this remaining balance will occur because: (1) although USAC has made funding commitments to certain schools and libraries, it has received no indication that the services requested have been or will be provided; (2) some schools and libraries ultimately may use only a portion of the funds committed to them; and (3) a portion of the funds reserved to pay for successful appeals of funding denials is not likely to be needed.⁷

We direct USAC to apply all of the estimated unused balance of Year 1 funds to reduce the collection requirement for the schools and libraries program in the fourth quarter of 2000. This action is consistent with Commission rules and precedent directing that unused contributions be credited back to contributors.⁸ Because disbursements for Year 1 of the schools

⁵ See *USAC Filing for Fourth Quarter 2000* at 30.

⁶ USAC projects that the schools and libraries program will have a total balance of approximately \$448 million in unused funds after all disbursements related to the first program year have been made. Some of this amount has already been credited back to contributors in offsets against collections for the first, second and third quarters of 2000. See *Proposed First Quarter 2000 Universal Service Contribution Factor*, CC Docket No. 96-45, Public Notice, DA 99-2780 (rel. Dec. 10, 1999) (applying one-quarter of estimated unused schools and libraries balance to offset projected expenses in the first quarter of 2000); *Proposed Second Quarter 2000 Universal Service Contribution Factor*, CC Docket No. 96-45, Public Notice, DA 00-517 (rel. Mar. 7, 2000) (applying one-quarter of estimated unused schools and libraries balance to offset projected expenses in the second quarter of 2000); *Proposed Third Quarter 2000 Universal Service Contribution Factor*, CC Docket No. 96-45, Public Notice, DA 00-1272 (rel. Jun. 9, 2000) (applying one-half of estimated unused schools and libraries balance to offset projected expenses in the third quarter of 2000). Adjusting for these offsets, USAC estimates that the schools and libraries program will have a total balance of \$169.534 million in unused Year 1 funds. See *USAC Filing for Fourth Quarter 2000* at 29-30.

⁷ See *USAC Filing for Second Quarter 2000* at 27.

⁸ See 47 C.F.R. § 54.507. Specifically, at the end of the fourth quarter of 1998, the rural health care program had a balance of approximately \$86 million because collections accrued faster than actual demand for program support. To ensure that unused collections were credited back to contributors, the Commission directed that the unused balance be applied over two quarters to reduce the contribution factors. See *Proposed First Quarter 1999 Universal*

and libraries support mechanism are nearly final,⁹ we direct USAC to apply the remainder of the unused balance to offset collections for the schools and libraries support mechanism in the fourth quarter of 2000.¹⁰ When USAC files its projections of program demand and administrative expenses for the first quarter of 2001, it shall supply an updated estimate of any remaining balance that may be applied in the future to reduce the collection requirement for the schools and libraries program.

USAC Projections of Industry Revenues

USAC submitted estimated end-user telecommunications revenues for July through December 1999 based on information contained in the April 2000 Telecommunications Reporting Worksheet (FCC Form 499-A).¹¹ The amount is as follows:

Total Interstate and International End-User Telecommunications Revenues
from July 1, 1999 – December 31, 1999: \$42.344228 billion

Contribution Base

To determine the quarterly contribution base, we first divide the six-month estimate of interstate and international end-user telecommunications revenues by two. Then, we decrease the revenue estimate by one percent to account for uncollectible contributions.¹² Accordingly, the quarterly contribution base for the fourth quarter of 2000 is as follows:

Quarterly Contribution Base for Universal Service Support Mechanisms

(Six Month Interstate and International Revenues / 2) - Uncollectibles

(\$42.344228 billion / 2) - 1%

\$20.960393 billion

Service Contribution Factors and Proposed Actions, CC Docket No. 96-45, Public Notice, FCC 98-318 at 3-4 (rel. Dec. 4, 1998).

⁹ USAC reports that only \$0.115 million in additional Year 1 commitments have been made since March 31, 2000, i.e., during the second and third quarters of 2000. See *USAC Filing for Fourth Quarter 2000* at 27-28.

¹⁰ USAC's estimate of \$169.534 million in unused Year 1 funds does not include a separate \$44 million of remaining Year 1 support, a portion of which is subject to the Commission's waiver of the September 30, 1999, Year 1 implementation deadline for certain classes of schools and libraries applicants, and a portion of which is a contingency amount for Year 1 appeals pending before the Commission. See *USAC Filing for Fourth Quarter 2000* at 27-28, 30.

¹¹ See *USAC Filing for Fourth Quarter 2000* at 31-33. Funding bases for the third and fourth quarters of 2000 are determined by subtracting the revenues reported for January through June 1999 (on the September 1999 Worksheet) from the revenues reported for January through December 1999 (on the April 2000 Worksheet).

¹² See *USAC Filing for Fourth Quarter 2000* at 33.

Proposed Contribution Factor

Using this quarterly contribution base, and the total program collection requirement from the table above, the proposed contribution factor for the fourth quarter of 2000 is as follows:

Contribution Factor for Universal Service Support Mechanisms

Total Program Collection / Quarterly Contribution Base

\$1.188198 billion / \$20.960393 billion

0.056688

If the Commission takes no action regarding the proposed contribution factor within the 14-day period following release of this Public Notice, the contribution factor shall be deemed approved by the Commission.¹³ USAC shall then use the contribution factor to calculate universal service contributions for the fourth quarter of 2000.

For further information, contact Praveen Goyal, Accounting Policy Division, Common Carrier Bureau, at (202) 418-7400, TTY (202) 418-0484.

¹³ See 47 C.F.R. § 54.709(a)(3).