

PUBLIC NOTICE



FEDERAL COMMUNICATIONS COMMISSION
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Proposed First Quarter 2001 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 first quarter of 2001.¹

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 first quarter of 2001:⁴

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 Support Mechanisms Fund Size Projections & Contribution Base For the First Quarter 2001 (filed by USAC Nov. 2, 2000) (*USAC Filing for First Quarter 2001*). 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 First Quarter 2001* at 14.

(\$ millions)

Program	Projected Program Support	Admin. Expenses	Application Of Interest Income	Application of Periodic True-Ups	Total Program Collection
Schools and Libraries	553.229	9.271	(23.848)	(11.917)	526.735
Rural Health Care	2.425	0.706	(0.029)	(1.287)	1.815
High-Cost	667.223	1.488	(1.400)	(6.431)	660.880
Low Income	168.607	0.361	(0.800)	(3.803)	164.365
TOTAL	1391.484	11.826	(26.077)	(23.438)	1353.795

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 and second year of the rural health care program.⁵ Specifically, USAC estimates that the schools and libraries program will have an unused balance of approximately \$0.620 million.⁶ In addition, USAC estimates that the rural health care program will have an unused balance of approximately \$1.2 million.⁷ Unused funds from prior periods that are applied to reduce the collection requirement are reflected in the “Application of Periodic True-Ups” column of the above chart.

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 first quarter of 2001. In addition, we direct USAC to apply all of the estimated unused balance of Year 2 of the rural health care program to the collection requirement for the rural health care program in the first

⁵ See *USAC Filing for First Quarter 2001* at 22, 27-28.

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. Almost all of this amount has already been credited back to contributors in offsets against collections for the first, second, third, and fourth 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); *Proposed Fourth Quarter 2000 Universal Service Contribution Factor*, CC Docket No. 96-45, Public Notice, DA 00-2065 (rel. Sept. 8, 2000) (applying all of the unused balance, based on then-available estimates, to reduce the collection requirement for the schools and libraries program in the fourth quarter of 2000). Adjusting for these offsets, USAC estimates that the schools and libraries program will have a total balance of \$0.620 million in unused Year 1 funds. See *USAC Filing for First Quarter 2001* at 27-28. USAC’s estimate of \$0.620 million in unused Year 1 funds does not include a separate \$43.379 million reserve of Year 1 support, which has been set aside to: (a) fund the Commission’s waiver of the September 30, 1999, Year 1 implementation deadline for certain classes of schools and libraries applicants; and, (b) provide contingency funding for Year 1 appeals pending before the Commission. See *USAC Filing for First Quarter 2001* at 28.

⁷ See *USAC Filing for First Quarter 2001* at 22.

quarter of 2001. This action is consistent with Commission rules and precedent directing that unused contributions be credited back to contributors.⁸

USAC Projections of Industry Revenues

USAC submitted estimated end-user telecommunications revenues for January through June 2000 based on information contained in the September 2000 Telecommunications Reporting Worksheet (FCC Form 499-S).⁹ The amount is as follows:

Total Interstate and International End-User Telecommunications Revenues
from January 1, 2000 – June 30, 2000: \$40.925433 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.¹⁰ Accordingly, the quarterly contribution base for the first quarter of 2001 is as follows:

Quarterly Contribution Base for Universal Service Support Mechanisms

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

(\$40.925433 billion / 2) - 1%

\$20.258089 billion

Proposed Contribution Factor

Using this quarterly contribution base, and the total program collection requirement from the table above, the proposed contribution factor for the first quarter of 2001 is as follows:

Contribution Factor for Universal Service Support Mechanisms

Total Program Collection / Quarterly Contribution Base

\$1.353795 billion / \$20.258089 billion

0.066827

⁸ See 47 C.F.R. § 54.507. See also *Proposed Fourth Quarter 1999 Universal Service Contribution Factors and Proposed Actions*, CC Docket No. 96-45, Public Notice, DA 00-2065 at 2-3 (rel. Sept. 8, 2000).

⁹ See *USAC Filing for First Quarter 2001* at 29-30. The revenues on which contributions are assessed in the first quarter of 2001 are the revenues reported on the September 2000 Worksheet for the period from January through June 2000.

¹⁰ See *USAC Filing for First Quarter 2001* at 31-32.

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.¹¹ USAC shall then use the contribution factor to calculate universal service contributions for the first quarter of 2001.

For further information, contact Richard D. Smith or Anita Cheng, Accounting Policy Division, Common Carrier Bureau, at (202) 418-7400, TTY (202) 418-0484.

¹¹ See 47 C.F.R. § 54.709(a)(3).