

PUBLIC NOTICE



FEDERAL COMMUNICATIONS COMMISSION
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CORRECTED VERSION

Released: March 7, 2000

Proposed Second 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 second 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 second 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 In an order released concurrently with this Public Notice, the Commission waives the quarterly cap on collections and disbursements under the rural health care support mechanism for the first and second quarters of 2000, and waives the quarterly cap on disbursements under the schools and libraries support mechanism for the second quarter of 2000. See *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Order, FCC 00-79 (rel. Mar. 7, 2000). These waivers will ensure that lags between the collection and disbursement of funds in these support mechanisms will not delay the disbursement of support to applicants in the first and second quarters of 2000. These waivers do not affect the *annual* collection and disbursement caps on the rural health care support mechanism and the schools and libraries support mechanism.

(\$ 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	555.231	7.269	(50.438)	(13.909)	(17.221)	480.932
Rural Health Care	3.344	0.861	(0.000)	(0.009)	(0.094)	4.102
High-Cost	487.689	1.359	(0.000)	(0.600)	6.562	495.010
Low Income	125.705	0.346	(0.000)	(0.530)	0.841	126.362
TOTAL	1171.969	9.835	(50.438)	(15.048)	(9.912)	1106.406

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 \$202 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 anticipate that USAC will be able to determine the actual amount of the unused balance at the close of the first quarter 2000.

We direct USAC to apply one-quarter of the estimated unused balance to reduce the collection requirement for the schools and libraries program in the first quarter of 2000. This action is consistent with Commission rules and precedent directing that unused contributions be credited back to contributors.⁸ Because the unused balance projected for the schools and libraries program is an estimate at this time, we find that it would be prudent to apply only one-

⁵ See Federal Universal Service Programs Fund Size Projections & Contribution Base For the Second Quarter 2000 at 27 (filed by USAC Feb. 1, 2000) (*USAC Filing for Second Quarter 2000*).

⁶ USAC estimates that the schools and libraries program will have a total balance of approximately \$259 million in unused funds after all disbursements related to the first program year have been made. See *USAC Filing for Second Quarter 2000* at 27. For the first quarter of 2000, the Common Carrier Bureau directed USAC to apply one quarter of estimated unused schools and libraries support funds, or \$57.250 million, against demand for that quarter. See *Proposed First Quarter 2000 Universal Service Contribution Factor*, CC Docket No. 96-45, Public Notice, DA 99-2780 (rel. Dec. 10, 1999). This yields a difference of approximately \$201.75 million in estimated remaining unused funds.

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

quarter of the estimated unused balance to reduce the contribution factor in the second quarter of 2000.⁹ When USAC files its projections of program demand and administrative expenses for the third quarter of 2000, it shall supply an updated estimate of the remaining balance that may be applied to reduce the collection requirement for the schools and libraries program in subsequent quarters of 2000.

USAC Projections of Industry Revenues

USAC submitted estimated end-user telecommunications revenues for January through June 2000 based on information contained in the September 1999 Telecommunications Reporting Worksheet (FCC Form 499-S).¹⁰ The amount is as follows:

Total Interstate and International End-User Telecommunications Revenues
from January 1, 1999 - June 30, 1999: \$39.216250 billion

Contribution Base

To determine the quarterly contribution base, we first reduce the six-month estimate of interstate and international end-user telecommunications revenues by the projected amount that will be exempted from the contribution base as a result of the limited international exception.¹¹ Next, we estimate quarterly revenues by dividing the six-month revenue estimate by two. Then, we decrease the revenue estimate by one percent to account for uncollectible contributions.¹² Accordingly, the quarterly contribution base for the second quarter of 2000 is as follows:

Quarterly Contribution Base for Universal Service Support Mechanisms

((Interstate and International - International Exception) / 2) - Uncollectibles

(((\$39.216250 billion - \$0.072355 billion) / 2) - 1%

\$19.376228 billion

⁹ See *Proposed First Quarter 2000 Universal Service Contribution Factor*, CC Docket No. 96-45, Public Notice, DA 99-2780 (rel. Dec. 10, 1999) (similarly applying one-quarter of estimated unused schools and libraries funds to offset projected expenses for the first quarter of 2000).

¹⁰ See Letter of Robert Haga, Universal Service Administrative Company, to Magalie R. Salas, FCC, dated February 24, 2000. The revenues on which contributions are assessed in the first and second quarters of 2000 are the revenues reported on the September 1999 Worksheet for the period from January through June 1999.

¹¹ See 47 C.F.R. § 54.706(c). See also *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Access Charge Reform*, CC Docket No. 96-262, Sixteenth Order on Reconsideration in CC Docket No. 96-45, Eighth Report and Order in CC Docket No. 96-45, Sixth Report and Order in CC Docket No. 96-262, FCC 99-290, at paras. 15, 19-29 (rel. Oct. 8, 1999).

¹² See *USAC Filing for Second Quarter 2000* at 29.

Proposed Contribution Factor

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

Contribution Factor for Universal Service Support Mechanisms

Total Program Collection / Quarterly Contribution Base

\$1.106406 billion / \$19.376228 billion

0.057101

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 second 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).