



PUBLIC NOTICE

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COMMON CARRIER BUREAU ANNOUNCES NO CHANGE IN SECOND QUARTER 2001 UNIVERSAL SERVICE CONTRIBUTION FACTOR

CC Docket No. 96-45

In this Public Notice, the Common Carrier Bureau announces that the second quarter 2001 universal service contribution factor of 0.068823 that was proposed on March 9, 2001 and became effective on March 23, 2001¹ will remain unchanged for the duration of the second quarter.

On March 14, 2001, the Commission released the *Contribution Interval Order* which modified the methodology used to assess contributions that carriers make to the federal universal service support mechanism.² Specifically, the Commission modified the contribution methodology to reduce from 12 months to six months the interval between the accrual of revenues and the assessment of contributions based on those revenues. The Commission accomplished this reduction by requiring carriers to submit revenue data on a quarterly basis, rather than on the semi-annual basis provided under the prior rules.³ The Commission took such action to ensure that carrier contributions would more closely reflect current market conditions.

In order to implement this revised methodology for the second quarter 2001, the Commission recognized the possibility that it would need to make a one-time adjustment to the contribution factor in the second quarter of 2001. Specifically, the Commission did not yet have carrier revenue data for the fourth quarter of 2000 when it calculated the second quarter 2001 contribution factor. Therefore, the Commission provided that, when such revenue data became

¹ *Proposed Second Quarter 2001 Universal Service Contribution Factor*, CC Docket No. 96-45, Public Notice, DA 01-614 (rel. Mar. 9, 2001).

² *Federal State-Joint Board on Universal Service and Petition for Reconsideration Filed By AT&T*, CC Docket No. 96-45, Report and Order and Order on Reconsideration, FCC 01-85 at para. 2 (rel. Mar. 14, 2001) (*Contribution Interval Order*).

³ *Id.*

available from the Universal Service Administrative Company (USAC) in May 2001, the contribution factor would be modified if necessary.⁴

On May 2, 2001, USAC submitted a revised estimate of the revenue base for the fourth quarter of 2000.⁵ The revenue base for the fourth quarter of 2000 is \$852.91 million lower than the revenue base used to calculate the second quarter 2001 contribution factor. USAC reports, however, that sufficient funds are available so that no adjustment is necessary in the second quarter 2001 contribution factor. Specifically, through their normal operation, several of the universal service support mechanisms have accrued unused funds that are not necessary to meet program demand. These unused funds total \$49.62 million.⁶ By applying these unused funds to offset the collection requirement for the second quarter of 2001, the existing contribution factor of 0.068823 will be sufficient to meet estimated program demand in the second quarter of 2001.

We therefore direct USAC to apply the unused funds described above to offset the collection requirements for these programs in the second quarter of 2001. This action is consistent with Commission rules and precedent directing that unused funds be credited back to contributors.⁷

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

⁴ *Id.* at para. 17.

⁵ See Federal Universal Service Support Mechanisms Fund Size Projections for the Third Quarter and Contribution Base for the Second Quarter 2001, available at <<http://www.universalservice.org>> (filed May 2, 2001).

⁶ USAC has collected funds that were not disbursed in the third quarter of 2000 for the High Cost Interstate Access mechanism (\$22.55 million), the fourth quarter of 2000 for the Low Income mechanism (\$14.97 million), and the first quarter of 2001 for the High Cost mechanism (\$9.39 million) and the Rural Health Care mechanism (\$2.71 million).

⁷ 47 C.F.R. § 54.709(b); *Proposed First Quarter 1999 Universal Service Contribution Factors and Proposed Actions*, CC Docket No. 96-45, Public Notice, FCC 98-318 (1998).