

# PUBLIC NOTICE



FEDERAL COMMUNICATIONS COMMISSION  
445 12th STREET, S.W.  
WASHINGTON, D.C. 20554

DA 01-1384

News media information 202/418-0500

Fax-On-Demand 202/418-2830

Internet: <http://www.fcc.gov>

<ftp.fcc.gov>

Released: June 8, 2001

## Proposed Third 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 third quarter of 2001.<sup>1</sup>

### 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.<sup>2</sup> On March 14, 2001, the Commission modified the contribution methodology to reduce the interval between the accrual of revenues and the assessment of universal service contributions based on those revenues.<sup>3</sup> Specifically, the Commission reduced the interval from 12 months to an average interval of six months.<sup>4</sup> The contribution factor for the third quarter of 2001 is based on this revised methodology.

### USAC Projections of Demand and Administrative Expenses

Pursuant to section 54.709(a)(3) of the Commission's rules,<sup>5</sup> the Universal Service Administrative Company (USAC) submitted the following projections of demand and

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<sup>1</sup> See 47 C.F.R. § 54.709(a).

<sup>2</sup> See 47 C.F.R. § 54.709(a)(2).

<sup>3</sup> See *Federal-State Joint Board on Universal Service, Petition for Reconsideration Filed by AT&T*, CC Docket No. 96-45, Report and Order and Order on Reconsideration, FCC 01-85 (rel. Mar. 14, 2001).

<sup>4</sup> *Id.*

<sup>5</sup> 47 C.F.R. § 54.709(a)(3).

administrative expenses for the third quarter of 2001:<sup>6</sup>

(\$ millions)

Program	Projected Program Support	Admin. Expenses	Application Of Interest Income	Application of Periodic True-Ups	Total Program Collection
Schools and Libraries	557.362	5.138	(17.834)	(0.772)	543.894
Rural Health Care	2.184	0.600	(0.028)	(0.109)	2.647
High-Cost	694.896	1.803	(1.770)	7.809	702.738
Low Income	156.038	0.418	(1.422)	(29.658)	125.376
<b>TOTAL</b>	<b>1410.48</b>	<b>7.959</b>	<b>(21.054)</b>	<b>(22.73)</b>	<b>1374.655</b>

### **USAC Projections of Industry Revenues**

USAC submitted estimated end-user telecommunications revenues for January through March 2001 based on information contained in the First Quarter 2001 Telecommunications Reporting Worksheet (FCC Form 499-Q).<sup>7</sup> The amount is as follows:

Total Interstate and International End-User Telecommunications Revenues from First Quarter 2001: \$20.141047 billion

### **Contribution Base**

To determine the quarterly contribution base, we decrease the first quarter 2001 estimate of interstate and international end-user telecommunications revenues by one percent to account for uncollectible contributions.<sup>8</sup> Accordingly, the quarterly contribution base for the third

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<sup>6</sup> See Federal Universal Service Support Mechanisms Fund Size Projections for the Third Quarter & Contribution Base For the Second Quarter 2001, available at <<http://www.universalservice.org/overview/filings/default.asp>> (filed by USAC May 2, 2001) (*USAC Filing for Third Quarter 2001 Projections*). See also Federal Universal Service Support Mechanisms Fund Size Quarterly Contribution Base for the Third Quarter 2001, available at <<http://www.universalservice.org/overview/filings/default.asp>> (filed by USAC June 1, 2001) (*USAC Filing for Third Quarter 2001 Contribution Base*). 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 recent Order modifying the high-cost support mechanism for rural telephone companies. See *id.* at 7. See also *Federal-State Joint Board on Universal Service*, Fourteenth Report and Order, Twenty-Second Order on Reconsideration, and Further Notice of Proposed Rulemaking in CC Docket No. 96-45, and *Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, Report and Order in CC Docket No. 00-256, FCC 01-157 (rel. May 23, 2001) (detailing reforms to the high-cost support mechanism for rural telephone companies).

<sup>7</sup> See *USAC Filing for Third Quarter 2001 Contribution Base* at 6. The revenue base on which contributions are assessed in the third quarter of 2001 is derived from the revenues reported on the First Quarter 2001 Worksheet. See *id.*

<sup>8</sup> See *USAC Filing for Third Quarter 2001 Projections* at 29-30.

quarter of 2001 is as follows:

Quarterly Contribution Base for Universal Service Support Mechanisms

First Quarter 2001 Revenues - Uncollectibles

\$20.141047 billion - 1%

\$19.939637 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 third quarter of 2001 is as follows:

Contribution Factor for Universal Service Support Mechanisms

Total Program Collection / Quarterly Contribution Base

\$1.374655 billion / \$19.939637 billion

**0.068941**

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.<sup>9</sup> USAC shall then use the contribution factor to calculate universal service contributions for the third quarter of 2001.

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

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<sup>9</sup> See 47 C.F.R. § 54.709(a)(3).