



PUBLIC NOTICE

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DA 05-2454

Released: September 15, 2005

Proposed Fourth Quarter 2005 Universal Service Contribution Factor

CC Docket No. 96-45

In this Public Notice, the Wireline Competition Bureau (Bureau) announces that the proposed universal service contribution factor for the fourth quarter of 2005 will remain at .102 or 10.2 percent.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 Federal Communications Commission (Commission).² The Commission calculates the quarterly contribution factor based on the ratio of total projected quarterly costs of the universal service support mechanisms to contributors' total projected collected end-user interstate and international telecommunications revenues, net of projected contributions.³

USAC Projections of Demand and Administrative Expenses

Pursuant to section 54.709(a)(3) of the Commission's rules,⁴ the Universal Service Administrative Company (USAC) submitted projections of demand and administrative expenses for the fourth quarter of 2005.⁵ Accordingly, the projected demand and expenses are as follows:

¹ See 47 C.F.R. § 54.709(a). See also, *Proposed Third Quarter 2005 Universal Service Contribution Factor*, Public Notice, DA 05-1664 (Wireline Competition Bureau rel. June 14, 2005) (*Third Quarter Public Notice*).

² See *id.*

³ See 47 C.F.R. § 54.709(a)(2).

⁴ 47 C.F.R. § 54.709(a)(3).

⁵ See Federal Universal Service Support Mechanisms Fund Size Projections for the Fourth Quarter 2005, available at <<http://www.universalservice.org/overview/filings>> (filed Aug. 2, 2005) (*USAC Filing for Fourth Quarter 2005 Projections*). See also Federal Universal Service Support Mechanisms Fund Size Quarterly Contribution Base for the Fourth Quarter 2005, available at <<http://www.universalservice.org/overview/filings>> (filed Sept. 1, 2005) (*USAC Filing for Fourth Quarter 2005 Contribution Base*).

(\$ millions)

Program	Projected Program Support	Admin. Expenses	Application Of Interest Income	Application of Periodic True-Ups	Total Program Collection
Schools and Libraries	555.431	7.069	(29.857)	(2.320)	530.323
Rural Health Care	11.638	.411	(0.363)	(.710)	10.976
High-Cost	1,012.883	(8.701)	(2.419)	(112.494)	889.269
Low Income	203.357	(0.752)	(0.544)	0.294	202.355
TOTAL	1,783.309	(1.973)	(33.183)	(115.230)	1,632.923

USAC Projections of Industry Revenues

USAC submitted projected collected end-user telecommunications revenues for October through December 2005 based on information contained in the Fourth Quarter 2005 Telecommunications Reporting Worksheets (FCC Form 499-Q).⁶ We recognize, however, that because these worksheets were submitted before Hurricane Katrina struck the United States' Gulf Coast, USAC's fourth quarter 2005 projection does not contemplate reduction in revenue or increases in program demand caused by this catastrophe.⁷ We therefore have reduced projected collected end-user revenue so that program collection better satisfies demand due to any loss of revenue resulting from Hurricane Katrina.⁸ In doing so, we have lowered the revenue base to keep the contribution factor at 10.2 percent.⁹ We find retaining the same factor used for the third quarter 2005 achieves the above goal and also alleviates administrative burdens (*e.g.*, adjusting tariffs and customer bills to reflect a different factor) for contributors affected by the Hurricane. This amount therefore is adjusted as follows:

Total Projected Collected Interstate and International End-User Telecommunications Revenues for Fourth Quarter 2005: \$ 17.869740 billion.

Adjusted Contribution Base

To determine the quarterly contribution base, we decrease the fourth quarter 2005 estimate of projected collected interstate and international end-user telecommunications revenues by the projected revenue requirement to account for circularity, and decrease the result by one percent to account for uncollectible contributions. Accordingly, the quarterly contribution base for the fourth quarter of 2005 is as follows:

⁶ *USAC Filing for Fourth Quarter 2005 Contribution Base* at 4. USAC's fourth quarter 2005 projected collected interstate and international end-user revenue base is \$18,361.630. *See id.*

⁷ *See* <http://www.fema.gov/news/disasters.fema>.

⁸ *See* 47 C.F.R. § 54.709(a)(c).

⁹ *See Third Quarter Public Notice.*

Adjusted Quarterly Contribution Base for Universal Service Support Mechanism

Fourth Quarter 2005 Revenues - Projected Revenue Requirement - 1%
(\$17.869740 billion – \$ 1.632923 billion) * 0.99

\$ 16.074449 billion.

Unadjusted Contribution Factor

Using the above-described adjusted contribution base and the total program collection requirement from the table above, the proposed unadjusted contribution factor for the fourth quarter of 2005 is as follows:

Contribution Factor for Universal Service Support Mechanisms

Total Program Collection / Adjusted Quarterly Contribution Base

\$ 1.632923 billion / \$ 16.074449 billion

0.101585

Unadjusted Circularity Factor

USAC will reduce each provider's contribution obligation by a circularity discount approximating the provider's contributions in the upcoming quarter. Accordingly, the proposed unadjusted circularity factor for the fourth quarter of 2005 is as follows:

Unadjusted Circularity Factor for Universal Service Support Mechanisms

1 - ((Fourth Quarter 2005 Revenues - Total Program Collection) / Fourth Quarter 2005 Revenues)

1 – ((\$17.869740 - \$ 1.632923) / \$ 17.869740 billion)

0.091379.

Proposed Contribution Factor

The Commission has directed the Bureau to announce the contribution factor as a percentage rounded up to the nearest tenth of a percent.¹⁰ Accordingly, the proposed contribution factor for the fourth quarter of 2005 is as follows:

10.2

¹⁰ See *Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability, Truth-in-Billing and Billing Format*, CC Docket No. 92-237, Order and Second Order on Reconsideration, 18 FCC Rcd 4818, 4826, para. 22 (2003) (*Second Order on Reconsideration*).

Proposed Circularity Factor

The Commission also has directed the Bureau to account for contribution factor rounding when calculating the circularity discount factor.¹¹ Accordingly, the proposed circularity factor for the fourth quarter of 2005 is as follows:

0.095076.¹²

Conclusion

If the Commission takes no action regarding the projections of demand and administrative expenses and the proposed contribution factor within the 14-day period following release of this Public Notice, they shall be deemed approved by the Commission.¹³ USAC shall use the contribution factor to calculate universal service contributions for the fourth quarter of 2005. USAC will reduce each provider's contribution obligation by a circularity discount approximating the provider's contributions in the upcoming quarter.¹⁴ USAC includes contribution obligations less the circularity discount in invoices sent to contributors. Contribution payments are due on the dates shown on the invoice. Contributors will pay interest for each day for which the payments are late. Contributors failing to pay contributions in a timely fashion may be subject to the enforcement provisions of the Communications Act of 1934, as amended, and any other applicable law. In addition, contributors may be billed by USAC for reasonable costs of collecting overdue contributions.¹⁵

We also emphasize that carriers may not mark up federal universal service line-item amounts above the contribution factor.¹⁶ Thus, carriers may not, during the fourth quarter of 2005, recover through a federal universal service line item an amount that exceeds 10.2 percent of the interstate telecommunications charges on a customer's bill.

For further information, contact Thomas Buckley in the Telecommunications Access Policy Division, Wireline Competition Bureau, at (202) 418-7400, TTY (202) 418-0484.

¹¹ *Id.*

¹² The proposed circularity discount factor = $1 + [(unadjusted\ circularity\ discount\ factor - 1) * (unadjusted\ contribution\ factor / proposed\ contribution\ factor)]$. The proposed circularity discount factor is calculated in a spreadsheet program, which means that internal calculations are made with more than 15 decimal places.

¹³ *See* 47 C.F.R. § 54.709(a)(3).

¹⁴ USAC will calculate each individual contributor's contribution in the following manner: (proposed contribution factor * contributor's projected collected revenues) – (proposed circularity discount factor * proposed contribution factor * contributor's proposed collected revenues).

¹⁵ *See* 47 C.F.R. § 54.713.

¹⁶ *See* 47 C.F.R. § 54.712.