



PUBLIC NOTICE

Federal Communications Commission
445 12th St., S.W.
Washington, D.C. 20554

News Media Information 202 / 418-0500
Internet: <http://www.fcc.gov>
TTY: 1-888-835-5322

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Proposed Fourth Quarter 2006 Universal Service Contribution Factor

CC Docket No. 96-45

In this Public Notice, the Office of Managing Director (OMD) announces that the proposed universal service contribution factor for the fourth quarter of 2006 will decrease to 0.091 or 9.1 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 2006.⁵ Accordingly, the projected demand and expenses are as follows:

¹ See 47 C.F.R. § 54.709(a).

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 2006, available at <<http://www.universalservice.org/overview/filings>> (filed August 2, 2006) (*USAC Filing for Fourth Quarter 2006 Projections*). See also Federal Universal Service Support Mechanisms Quarterly Contribution Base for the Fourth Quarter 2006, available at <<http://www.universalservice.org/overview/filings>> (filed September 1, 2006) (*USAC Filing for Fourth Quarter 2006 Contribution Base*).

(\$ millions)

Program Demand	Projected Program Support	Admin. Expenses	Application Of Interest Income	Application of Periodic True-Ups	Total Program Collection
Schools and Libraries	543.032	19.468	(40.111)	(41.416)	480.973
Rural Health Care	11.552	0.959	(0.560)	1.030	12.981
High-Cost	1,044.888	3.598	(4.287)	(121.855)	922.344
Low Income	200.107	1.242	(2.466)	(27.548)	171.335
TOTAL	1,799.579	25.267	(47.424)	(189.789)	1,587.633

USAC Projections of Industry Revenues

USAC submitted projected collected end-user telecommunications revenues for October through December 2006 based on information contained in the Fourth Quarter 2006 Telecommunications Reporting Worksheet (FCC Form 499-Q).⁶ The amount is as follows:

Total Projected Collected Interstate and International End-User Telecommunications Revenues for Fourth Quarter 2006: \$19.362701 billion.

Adjusted Contribution Base

To determine the quarterly contribution base, we decrease the fourth quarter 2006 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 2006 is as follows:

Adjusted Quarterly Contribution Base for Universal Service Support Mechanism

Fourth Quarter 2006 Revenues - Projected Revenue Requirement - 1%
(\$19.362701 billion – \$1.587633 billion) * 0.99

\$17.597317 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 2006 is as follows:

⁶ USAC Filing for Fourth Quarter 2006 Contribution Base at 4.

Contribution Factor for Universal Service Support Mechanisms

Total Program Collection / Adjusted Quarterly Contribution Base

\$1.587633 billion / \$17.597317 billion

0.090220

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 2006 is as follows:

Unadjusted Circularity Factor for Universal Service Support Mechanisms

1 - ((Fourth Quarter 2006 Revenues - Total Program Collection) / Fourth Quarter 2006 Revenues)

1 - ((\$19.362701 - \$1.587633) / \$19.362701 billion)

0.081994.

Proposed Contribution Factor

The Commission has directed OMD to announce the contribution factor as a percentage rounded to the nearest tenth of one percent.⁷ Accordingly, the proposed contribution factor for the fourth quarter of 2006 is as follows:

9.1

⁷ See *Federal-State Joint Board on Universal Service, 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, 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 Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, 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 OMD to account for contribution factor rounding when calculating the circularity discount factor.⁸ Accordingly, the proposed circularity factor for the fourth quarter of 2006 is as follows:

0.089861⁹

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.¹⁰ USAC shall use the contribution factor to calculate universal service contributions for the fourth quarter of 2006. USAC will reduce each provider's contribution obligation by a circularity discount approximating the provider's contributions in the upcoming quarter.¹¹ 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.¹²

We also emphasize that carriers may not mark up federal universal service line-item amounts above the contribution factor.¹³ Thus, carriers may not, during the fourth quarter of 2006, recover through a federal universal service line item an amount that exceeds 9.1 percent of the interstate telecommunications charges on a customer's bill.

For further information, contact Kim Yee in Financial Operations, Office of Managing Director, at (202) 418-0805, TTY (202) 418-0484.

⁸ *Id.*

⁹ The proposed circularity discount factor = $1 + [(\text{unadjusted circularity discount factor} - 1) * (\text{unadjusted contribution factor} / \text{proposed contribution factor})]$. The proposed circularity discount factor is calculated in a spreadsheet program, which means that internal calculations are made with more than 15 decimal places.

¹⁰ *See* 47 C.F.R. § 54.709(a)(3).

¹¹ 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 projected collected revenues).

¹² *See* 47 C.F.R. § 54.713.

¹³ *See* 47 C.F.R. § 54.712.