In this Public Notice, the Wireline Competition Bureau seeks to further develop the record on several implementation issues regarding the transition from Connect America Phase I to Phase II.

**Timing of Phase II Support Disbursements.** In the *USF/ICC Transformation Order*, the Commission specified that price cap carriers electing to make a state-level commitment would receive five years of model-based support, and it established a process for transitioning support from Connect America Fund Phase I to Phase II in states where model-based support is greater than frozen support. Specifically, for a carrier accepting the state-wide commitment pursuant to Connect America Fund Phase II, “in the first year, the carrier will receive one-half the full amount the carrier will receive under CAF Phase II and one-half the amount the carrier received under CAF Phase I for the previous year (which would be the frozen amount if the carrier declines Phase I or the frozen amount plus the incremental amount if the carrier accepts Phase I); in the second year, each carrier accepting the state-wide commitment will receive the full CAF Phase II amount.”

Several price cap carriers have raised questions regarding how to calculate the five-year funding period in light of the language in paragraph 180 of the *USF/ICC Transformation Order*. We now seek to more fully develop the record on this issue. We seek comment on several alternatives. First, the price cap carrier could receive the remaining half of one year of annual support as a lump sum on the date that is five years after the date of the initial election. Second, the remaining half could be distributed pro-rata on a monthly basis over the third through fifth years. Third, the remaining half year could be provided as a lump sum as soon as the carrier certifies that it has fully met its deployment obligations, which

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1 *Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform—Mobility Fund*; *WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC 17663, 17729, para. 171 (2011) (USF/ICC Transformation Order and/or FNPRM) (“the total model-derived annual support associated with those census blocks, for a period of five years”).

2 *Id.* at 17733, para. 180.

potentially could occur separately from the section 54.313(e)(2) annual report certification that the company is providing the required service to 100 percent of its locations. Fourth, the remaining half year of annual support could be provided as a lump sum after the carrier files its annual report pursuant to section 54.313(e)(2) regarding completion of its deployment obligations for Phase II-funded locations. We seek comment on the relative advantages and disadvantages of each alternative. Are there any other alternatives?

Phase-Down in States with Support Reductions. In the USF/ICC Transformation Order, the Commission concluded that it would be “premature to specify the length of the transition” for carriers that would receive less money from Connect America Phase II than frozen high-cost support, but “there will be an appropriate multi-year transition to the lower amount” which would be addressed in conjunction with the finalization of the cost model.

We now seek to further develop the record regarding the length of the “appropriate multi-year transition.” Consistent with the approach adopted by the Commission for the phase down in support for competitive eligible telecommunications carriers, should the transition for carriers in states where they will receive less funding under Phase II than frozen support occur over a five-year period, with the carrier receiving a 20 percent reduction in frozen support the first year, a 40 percent reduction in the second year, a 60 percent reduction in the third year, an 80 percent reduction in the fourth year, and the full reduction in the fifth year? Alternatively, should the transition period be shorter, such as two or three years? The funding necessary to cover this transition could be drawn from the Connect America broadband reserve, which is designed to ensure that average annual expenditures remain within the $4.5 billion budget over time. We seek comment on these proposals. To the extent commenters suggest alternative approaches, they should provide a detailed description of their proposal.

Procedural Matters

A. Initial Regulatory Flexibility Act Analysis

The USF/ICC Transformation Order and FNPRM included an Initial Regulatory Flexibility Analysis (IRFA) pursuant to 5 U.S.C. § 603, exploring the potential impact on small entities of the

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4 For example, if a carrier made its initial election on December 31, 2014, and completed 100 percent of its deployment obligations in three years, by December 31, 2017, it would receive the remaining half year of support as a lump sum as soon as administratively feasible after confirmation that deployment was completed. It also would continue to receive its regular monthly support amounts in calendar years 2018 and 2019.

5 Under this alternative, if a carrier made its initial election on December 31, 2014, it would receive its remaining half year of support as a lump sum after it filed its July 2020 annual report, which would report completion of deployment by December 31, 2019.


7 For example, under this alternative, a carrier that received $10 million in frozen high-cost support but only $5 million in Phase II support in a particular state would receive $9 million in the first year after the election, $8 million in the second year, $7 million in the third year, $6 million in fourth year, and $5 million in the final year of the five-year term of support.

8 If the transition period were three years, a carrier transitioning from $10 million in frozen high-cost support to $5 million in Phase II support would receive $8.33 million in the first year after the election, $6.67 million in the second year after the election, and $5 million in the third year after the election. It also would receive $5 million in the fourth and the fifth year of the five-year term of support.
Commission’s proposals.9 We invite parties to file comments on the IRFA in light of this additional notice.

B. Initial Paperwork Reduction Act of 1995 Analysis

This document contains proposed new information collection requirements. The Commission, as part of its continuing effort to reduce paperwork burdens, invites the general public and the Office of Management and Budget (OMB) to comment on the information collection requirements contained in this document, as required by the Paperwork Reduction Act of 1995, Public Law 104-13. In addition, pursuant to the Small Business Paperwork Relief Act of 2002,10 we seek specific comment on how we might further reduce the information collection burden for small business concerns with fewer than 25 employees.

C. Filing Requirements

Interested parties may file comments on or before the date indicated on the first page of this document. Comments are to reference WC Docket No. 10-90 and may be filed using the Commission’s Electronic Comment Filing System (ECFS), or by filing paper copies.11

- Electronic Filers: Comments may be filed electronically using the Internet by accessing the ECFS: http://fjallfoss.fcc.gov/ecfs2/.
- Paper Filers: Parties who choose to file by paper must file an original and one copy of each filing. Filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail. All filings must be addressed to the Commission’s Secretary, Office of the Secretary, Federal Communications Commission.
  - All hand-delivered or messenger-delivered paper filings for the Commission’s Secretary must be delivered to FCC Headquarters at 445 12th St., SW, Room TW-A325, Washington, DC 20554. The filing hours are 8:00 a.m. to 7:00 p.m. All hand deliveries must be held together with rubber bands or fasteners. Any envelopes and boxes must be disposed of before entering the building.
  - Commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail) must be sent to 9300 East Hampton Drive, Capitol Heights, MD 20743.
  - U.S. Postal Service first-class, Express, and Priority mail must be addressed to 445 12th Street, SW, Washington, DC 20554.

In addition, we request that one copy of each pleading be sent to each of the following:

(1) Ted Burmeister, Telecommunications Access Policy Division, Wireline Competition Bureau, 445 12th Street, S.W., Room 5-A445, Washington, D.C. 20554; e-mail: Theodore.Burmeister@fcc.gov; and
(2) Charles Tyler, Telecommunications Access Policy Division, Wireline Competition Bureau, 445 12th Street, S.W., Room 5-A452, Washington, D.C. 20554; e-mail: Charles.Tyler@fcc.gov.

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10 Public Law 107-198, see 44 U.S.C. 3506(c)(4).
People with Disabilities: To request materials in accessible formats for people with disabilities (braille, large print, electronic files, audio format), send an e-mail to fcc504@fcc.gov or call the Consumer & Governmental Affairs Bureau at 202-418-0530 (voice), 202-418-0432 (tty).

This matter shall be treated as a “permit-but-disclose” proceeding in accordance with the Commission’s ex parte rules. Persons making ex parte presentations must file a copy of any written presentation or a memorandum summarizing any oral presentation within two business days after the presentation (unless a different deadline applicable to the Sunshine period applies). Persons making oral ex parte presentations are reminded that memorandum summarizing the presentation must (1) list all persons attending or otherwise participating in the meeting at which the ex parte presentation was made, and (2) summarize all data presented and arguments made during the presentation. If the presentation consisted in whole or in part of the presentation of data or arguments already reflected in the presenter’s written comments, memoranda or other filings in the proceeding, the presenter may provide citations to such data or arguments in his or her prior comments, memoranda, or other filings (specifying the relevant page and/or paragraph numbers where such data or arguments can be found) in lieu of summarizing them in the memorandum. Documents shown or given to Commission staff during ex parte meetings are deemed to be written ex parte presentations and must be filed consistent with rule 1.1206(b). In proceedings governed by rule 1.49(f) or for which the Commission has made available a method of electronic filing, written ex parte presentations and memoranda summarizing oral ex parte presentations, and all attachments thereto, must be filed through the electronic comment filing system available for that proceeding, and must be filed in their native format (e.g., .doc, .xml, .ppt, searchable .pdf). Participants in this proceeding should familiarize themselves with the Commission’s ex parte rules.

For further information, please contact Ted Burmeister, Telecommunications Access Policy Division, Wireline Competition Bureau at 202-418-7389, or at TTY (202) 418-0484.

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12 47 C.F.R. §§ 1.1200 et seq.