



# PUBLIC NOTICE

Federal Communications Commission  
445 12<sup>th</sup> 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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## WIRELINE COMPETITION BUREAU PROVIDES GUIDANCE TO THE UNIVERSAL SERVICE ADMINISTRATIVE COMPANY REGARDING THE HIGH-COST UNIVERSAL SERVICE MECHANISM BUDGET

### WC Docket No. 10-90

By this Public Notice, the Wireline Competition Bureau (Bureau) directs the Universal Service Administrative Company (USAC) to retain any excess cash in the high-cost account at the end of 2017, pending further Commission action, and not to take that amount into consideration when determining the contribution factor for the first quarter of 2018.<sup>1</sup> USAC currently projects that it will have approximately \$129 million in excess of funds necessary to cover the prior funding decisions described below in its high-cost cash account at the end of calendar year 2017.<sup>2</sup> Given the Commission's continuing efforts at reforming its high-cost universal service support mechanisms, we find it necessary to retain the excess funds to cover likely expenses in 2018 without causing unnecessary fluctuations in the contribution factor.

In the *USF/ICC Transformation Order*, the Commission adopted an annual high-cost budget of \$4.5 billion.<sup>3</sup> It further directed USAC to forecast total high-cost universal service demand as no less than \$1.125 billion per quarter for the years 2012 through 2017, regardless of the projected quarterly demand for the program, in order to avoid dramatic shifts in the contribution factor while the Connect America Fund was implemented.<sup>4</sup> USAC placed contributions in excess of demand in a reserve account, but the Commission subsequently directed USAC to eliminate the separate reserve account and maintain excess funds in the high-cost account.<sup>5</sup>

<sup>1</sup> See 47 CFR § 54.709(b) (authorizing the Bureau to release a public notice instructing USAC to treat excess contributions in a manner other than by taking into consideration the excess contributions when determining the following quarter's contribution factor).

<sup>2</sup> The actual balance at the end of the quarter will depend on whether actual disbursements match projected disbursements. This amount is net of the approximately \$66 million in accelerated support paid to eligible telecommunications carriers in Puerto Rico and the U.S. Virgin Islands to restore service following Hurricane Maria. See *Connect America Fund*, WC Docket No. 10-90, Order (Oct. 4, 2017).

<sup>3</sup> *Connect America Fund et al.*, WC Docket Nos. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, 17711, paras. 125-26 (2011) *aff'd sub nom.*, *In re: FCC 11-161*, 753 F.3d 1015 (10th Cir. 2014).

<sup>4</sup> *Id.* at 17847, paras. 559-62; 47 CFR § 54.709.

<sup>5</sup> See *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order, Order and Order on Reconsideration and Further Notice of Proposed Rulemaking, 31 FCC Rcd 3087, 3111 n.130 (2016) (*Rate-of-Return Reform Order*).

The Commission previously made several decisions authorizing use of excess funds from the high-cost account.<sup>6</sup> Nothing in this direction to USAC changes or overrules prior Commission decisions regarding the overall CAF budget or how much each mechanism will disburse. This Public Notice will become effective fourteen days after release, absent further Commission action.<sup>7</sup>

*Additional Information.* For additional information on this proceeding, contact Alex Minard of the Wireline Competition Bureau, Telecommunications Access Policy Division, (202) 418-7400.

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<sup>6</sup> Consistent with the following decisions, USAC shall retain in the high-cost account sufficient cash to cover the remaining support to be disbursed. First, the Bureau directed USAC in the *A-CAM Authorization PN* to retain in the high-cost account sufficient cash to cover the net increase in support associated with A-CAM for 2018-2026 (approximately \$1,768,212,010). See *Wireline Competition Bureau Authorizes 182 Rate-of-Return Companies to Receive \$454 Million Annually in Alternative Connect America Cost Model Support to Expand Rural Broadband*, WC Docket No. 10-90, Public Notice, 32 FCC Rcd 842 (WCB 2017) (*A-CAM Authorization PN*); see also *Connect America Fund*, WC Docket No. 10-90, Report and Order and Further Notice of Proposed Rulemaking, 31 FCC Rcd 13775 (2016) (*A-CAM Revised Offer Order*). Second, price cap carriers that elected Phase II model-based support in states where that support is less than their Phase I frozen support will receive approximately \$26.5 million to be disbursed through July 2018. See 47 CFR § 54.310(f); see also *Wireline Competition Bureau Addresses Transition to Model-Based Support for Carriers That Accepted the Offer of Phase II Connect America Fund Support*, WC Docket No. 10-90, Public Notice, 30 FCC Rcd 9780 (WCB 2015). Third, ETCs authorized to receive rural broadband experiment support will receive approximately \$26 million to be disbursed through 2026. See *Wireline Competition Bureau Announces Entities Provisionally Selected for Rural Broadband Experiments; Sets Deadlines for Submission of Additional Information*, WC Docket No. 10-90, Public Notice, 29 FCC Rcd 14684 (WCB 2014); *Wireline Competition Bureau Announces Additional Provisionally Selected Bidders for Rural Broadband Experiments and Sets Deadlines for Submission of Additional Information*, WC Docket Nos. 10-90 and 14-259, Public Notice, 30 FCC Rcd 2045 (WCB 2015). The Bureau has authorized all provisionally selected bidders that successfully met the requirements established by the Commission. Previously, the Bureau directed USAC to de-commit all rural broadband experiment funding not associated with pending or authorized bids and return the funds to the high-cost account. See *Wireline Competition Bureau Announces Rural Broadband Experiments Support for Provisionally Selected Bids Ready to Be Authorized*, Public Notice, WC Docket Nos. 10-90 and 14-259, 31 FCC Rcd 5748, n.1 (WCB 2016). Fourth, Mobility Fund Phase I and Tribal Mobility Fund Phase I support recipients will receive approximately \$36 million remaining to be disbursed. See *Mobility Fund Phase I Support Authorized for 11 Winning Bids Default on 35 Winning Bids Determined*, Public Notice, 31 FCC Rcd 1721 (WTB 2016); *Tribal Mobility Fund Phase I Support Authorized for Final Fifty-One Winning Bids*, Public Notice, 30 FCC Rcd 2226 (WTB 2015).

<sup>7</sup> See 47 CFR § 54.709(b).