

NANC Meeting June 23, 2021

Welch, LLC Report to the NANC

NANP FUND BUDGET AND CONTRIBUTION FACTOR FOR OCTOBER 2021 TO SEPTEMBER 2022

To: North American Numbering Council

Budget and Contribution Factor

The budget has been prepared to determine the funding requirements and the contribution factor for the upcoming funding period. The budget covers a 12-month period running from October 2021 to September 2022. We have determined that the total projected cost before the provision for contingency allowance and offset of the current year projected surplus is \$7,455,936. The Numbering Administration Oversight Working Group (NAOWG) determined that a \$1,000,000 contingency allowance be allowed for in the budget resulting in a total cost of \$8,455,936. The projected surplus of \$3,492,218 as per the April 2021 NANP report to the NAOWG will be used to offset the total funding requirement. This offset results in a total cost to be borne by US carriers of \$4,963,718. Rationale for this level of expenditure is included under the heading Basis for Projected Disbursements.

Based on the funding requirement discussed above and the projected revenue base of \$92 billion the resulting contribution factor is 0.0000535

Revenue Contribution Base

The revenue base used both for billing purposes and the determination of the contribution factor continues to decline downwards. There was a 12% decrease in the revenue base over last year. The preliminary revenue figure of \$92 billion used for determining the contribution factor comes from the 2021 Form 499As received to date by USAC. For those carriers who have not yet submitted their 2021 Form 499A, the revenue figure used is that reported in 2020.

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Basis for Projected Disbursements

The numbering administration and pooling administration functions were combined into one contract. The contract was awarded to Somos. The contract is a 5-year contract that covers the period from December 1, 2020 to November 30, 2025. The cost for numbering and pooling administration provided in the budget is as per the contract. The International Participants (Canada and Caribbean member countries) will contribute \$179,200 towards numbering administration costs. Since the numbering and pooling administration are no longer separate contracts, Somos calculated that 43% of the total contract cost relates to numbering administration costs. Historically the NANPA costs were allocated 69% to numbering administration and 31% to CO code administration. The International Participants contribute only towards the numbering administration as the member countries perform their own CO code administration. Each member countries' contribution is based on each country's proportionate percentage of the total average estimated population for the years 2020 and 2021. Their contribution is further discounted for numbering administration work done by each respective country (Canada – 25%, Caribbean countries – 66%).

The cost for the carrier audits as required under C.F.R 52.15 (k) and FCC Order FCC 00-42 is provided as directed by the FCC.

The Billing & Collection Agent contract is for a 5-year period from May 1, 2018 to April 30, 2023. The cost provided for in the budget is as per the awarded contract.

The cost for the Data Collection Agent is based on an estimate provided by USAC. If additional work is required due to new FCC initiatives, the cost could be higher.

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The cost for the annual operations audit for the Fund is based on an estimate of the prior years' billing history of Ernst & Young LLP.

Bank fees are an estimate based on prior years' history.

Bad debts are an estimate of uncollectible accounts. This amount is based on prior years' history. The effects of Covid 19 and the ability of carriers to pay is taken into consideration.

An estimate of the interest income earned from the bank is based on prior years' history and current interest rates and cash balances.

Carriers are charged a \$100 fee when they do not file the Form 499A by the due date of April 30th. This fee is over and above the amount they are required to pay NANP to cover the costs of numbering administration. An estimate is based on historical patterns from previous funding years.

The contingency allowance is to provide for unknown additional costs at the time of the preparation of the budget. The following list includes some examples of costs that would be covered by the contingency fund.

- Change orders
- Costs related to change of scope of work of the contractors as mandated by the FCC
- Additional cost due to the uncollectibility of fees due to Covid 19 in excess of the amount provide in the budget in the line item "Bad debts"
- Any other costs not provided for in the budget

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NANP FUND BUDGET AND CONTRIBUTION FACTOR October 2021 to September 2022

	<u>2021/22</u>	<u>2020/21</u>
NANPA and Pooling Administration	6,980,336	7,865,852
Less NANPA Administration costs funded by International Participants		
Canada	150,157	170,243
Caribbean countries	29,043	32,838
Total Contributions by International Participants	<u>179,200</u>	<u>203,081</u>
Net total NANPA Administration and Pooling Costs	6,801,136	7,662,771
Carrier Audits	200,000	200,000
Billing & Collections Agent	340,800	340,800
Data Collection Agent	78,000	78,000
Annual Operations Audit	51,000	50,000
Bank charges	40,000	38,000
Bad debts	40,000	40,000
Interest income	(15,000)	(30,000)
Fees for filing Form 499A late	<u>(80,000)</u>	<u>(80,000)</u>
Total projected disbursements for October 2021 to September 2022 before contingency allowance	7,455,936	8,299,571
Contingency allowance	1,000,000	2,000,000
	<u>8,455,936</u>	<u>10,299,571</u>
Anticipated surplus at September 30, 2021 (per April 2021 NAOWG report)	<u>(3,492,218)</u>	<u>(2,906,234)</u>
Total projected disbursements for October 2021 to September 2022	4,963,718	7,393,337
Creation of Reassigned Numbers Database (RND)	-	6,000,000
Net US Carrier Contribution	<u>4,963,718</u>	<u>13,393,337</u>
Projected revenue base	<u>\$ 92,699,665,000</u>	<u>\$ 105,641,160,000</u>
Contribution Factor	<u>0.0000535</u>	<u>0.0001267</u>
Makeup of Contribution Factor		
NANP Administration	0.0000535	0.0000699
Creation of Reassigned Numbers Database	-	0.0000567
Total Contribution Factor	<u>0.0000535</u>	<u>0.0001266</u>

Budget/Contribution Factor October 2020 – September 2021

The **NAOWG** recommends the proposed **Budget and Contribution Factor**

- The contingency fund was determined based upon consideration of potential change orders.

2020-2021:

Balance to be funded is: \$ 3,963,718

- Net US Carrier Contribution requirement: \$ 4,963,718
 - This includes:
 - \$1M contingency fund

Revenue base (estimate) – \$ 92,699,665,000

Contribution factor – 0.0000535

Prior year (2020-2021):

Revenue base (Actual) – \$ 105,641,159,744

Contribution factor – 0.0001267*

*Note: 2020-2021 Contribution factor includes .0000567 one-time funding of RND

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History of NANP Fund Size and Contribution Factor

	Contribution Factor		Revenue Base	% change over prior year	Per Budget				
	Final/Revised #	Original			** Total budgeted expenditures	International contribution	US contributions	Surplus used	Surplus kept
October 2021 to September 2022 (proposed)	0.0000535	0.0000535	92,699,665,000	-12%	8,635,136	179,200	4,963,718	3,492,218	
October 2020 to September 2021 ***	0.0001267	0.0001267	105,734,168,000	-14%	16,502,652	203,081	13,393,337	2,906,234	-
October 2019 to September 2020	0.0000908	0.0000908	123,540,363,000	-8%	11,436,421	257,618	11,178,803	-	-
October 2018 to September 2019	0.0000427	0.0000427	131,882,809,000	-9%	7,058,771	132,753	5,639,875	1,286,143	
October 2017 to September 2018	0.0000518	0.0000518	144,585,828,000	-8%	8,032,418	141,025	7,506,473	384,920	-
October 2016 to September 2017	0.0000368	0.0000368	157,184,628,000	-8%	6,816,306	141,334	5,775,123	899,849	-
July 2015 to September 2016	0.0000387	0.0000387	171,278,983,000	-7%	8,175,707	161,886	6,653,548	1,360,273	-
July 2014 to June 2015	0.0000365	0.0000365	183,925,723,000	-6%	7,165,926	124,400	6,721,854	319,672	-
July 2013 to June 2014	0.0000302	0.0000302	194,881,903,000	-3%	6,896,444	128,592	6,314,070	453,782	-
July 2012 to June 2013	0.0000254	0.0000254	201,642,172,000	-4%	6,187,045	94,923	5,139,392	952,730	-
July 2011 to June 2012	0.0000220	0.0000220	209,009,727,000	-5%	5,857,267	94,944	4,620,882	1,141,441	-
July 2010 to June 2011	0.0000181	0.0000181	219,588,500,000	-7%	5,497,882	96,439	4,034,718	1,366,725	-
July 2009 to June 2010	0.0000107	0.0000107	236,706,172,000	-0.4%	5,348,089	85,415	2,487,497	2,775,177	-
July 2008 to June 2009	0.0000165	0.0000165	237,616,278,000	2%	5,508,944	82,384	3,895,083	1,531,477	1,198,963
July 2007 to June 2008	0.0000193	0.0000193	233,170,743,000	0.4%	6,605,140	84,821	4,530,185	1,990,084	-
July 2006 to June 2007	0.0000210	0.0000210	232,219,745,000	1%	6,922,608	83,238	4,876,926	1,966,444	-
July 2005 to June 2006	0.0000052	0.0000052	230,362,437,000	-2%	6,903,158	84,050	1,127,108	5,692,000	-
July 2004 to June 2005	0.0000210	0.0000210	234,305,625,000	NA	7,026,013	80,468	4,920,418	2,025,127	4,248,084
July 2003 to June 2004 (revised)	0.0000210	0.0000360	NA	NA	9,821,530	114,205	4,902,967	4,804,358	4,000,000

** includes contingency allowance

*** includes RND creation costs

Final Factor reflects "Revised" factor if different from Original

Source: Factors and amounts compiled by Welch LLP

Council Vote on the
Budget/Contribution Factor
October 2020 – September 2021