

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C.**

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

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Federal Universal Service Support Mechanisms Fund Size  
Projections for Fourth Quarter 2017

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**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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**BEFORE THE FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C.**

**FEDERAL UNIVERSAL SERVICE SUPPORT MECHANISMS  
FUND SIZE PROJECTIONS FOR  
FOURTH QUARTER 2017**

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***INTRODUCTION***

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The Universal Service Administrative Company (USAC) hereby submits the federal Universal Service Support Mechanisms fund size and administrative cost projections for the fourth quarter of calendar year 2017 (4Q2017), in accordance with Section 54.709 of the Federal Communications Commission’s (FCC or Commission) rules.<sup>1</sup>

USAC is the not-for-profit corporation responsible for administering the federal Universal Service Fund (USF) and the following Universal Service Support Mechanisms (also referred to as “Support Mechanisms” or “Programs”): High Cost, Low Income, Rural Health Care, and Schools and Libraries.<sup>2</sup> USAC also performs the billing, collection, and disbursement functions for the Support Mechanisms.<sup>3</sup>

Upon approval of the quarterly funding requirements for the Support Mechanisms, the projected administrative expenses, and the submission of the contribution base amount, the Commission will establish a quarterly contribution factor. USAC will bill USF contributors on a monthly basis for their individual obligations based on the approved contribution factor, collect amounts owed from contributors, and distribute funds to eligible recipients based on the schedules filed herein.<sup>4</sup>

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<sup>1</sup> 47 C.F.R. § 54.709(a)(3).

<sup>2</sup> 47 C.F.R. § 54.701.

<sup>3</sup> 47 C.F.R. § 54.702(b)

<sup>4</sup> See 47 C.F.R. §§ 54.709(a)(3), 54.201, 54.203, 54.301-54.307, 54.407, 54.413, 54.515.



**Universal Service Administrative Company 4Q2017 Fund Size  
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***ADMINISTRATIVE EXPENSES AND INTEREST INCOME  
PROJECTION***

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**ADMINISTRATIVE EXPENSES**

Section 54.709(a)(3) of the Commission's rules requires USAC to submit its projected quarterly budget at least 60 days prior to the start of the quarter.<sup>5</sup> USAC includes any costs that can be directly attributed to the High Cost, Low Income, Rural Health Care, and Schools and Libraries Support Mechanisms in the projected administrative expenses and capital expenditures of each mechanism. USAC's remaining joint and common costs including costs associated with the billing, collection, and disbursement of funds are included in the projected administrative expenses and capital expenditures of the respective support mechanisms based on USAC's methodology for allocating costs submitted to the Commission.<sup>6</sup>

USAC projects a consolidated operating and capital budget of \$54.32 million for 4Q2017. Direct operating costs for all support mechanisms total \$26.88 million<sup>7</sup> and are listed for each mechanism in the chart provided below. Joint and common operating and capital costs (including billing, collection, and disbursement activities) are projected at \$24.31 million and direct capital expenditures for all support mechanisms are projected at \$3.13

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<sup>5</sup> 47 C.F.R. § 54.709(a)(3).

<sup>6</sup> On January 1, 2006, USAC implemented a revised methodology for allocating joint and common costs that was filed with the Commission on October 3, 2005. *See* Letter from D. Scott Barash, USAC, to Marlene Dortch, FCC, CC Docket Nos. 97-21 *et al.* (Oct. 3, 2005) (explaining revisions to USAC's method for allocating joint and common administrative costs among the four Universal Service Support Mechanisms).

<sup>7</sup> This amount includes \$0.1 million for High Cost data collection performed by the National Exchange Carrier Association (NECA). *See* 47 C.F.R. §§ 54.1305-1310, 69.603. Although USAC is required to pay for the data collection, it does not have the ability to directly oversee the effort and cannot verify, monitor, or otherwise evaluate the cost of performing the data collection function. Consistent with the fiduciary obligations of its members to safeguard USAC assets and the USF, USAC's Board of Directors has requested clarification from the Commission concerning this matter. *See* Letter from D. Scott Barash, USAC, to Irene Flannery, FCC (Dec. 10, 1999); Comments of the Universal Service Administrative Company, CC Docket No. 96-45 (filed Feb. 26, 2001); Comments of the Universal Service Administrative Company, WC Docket Nos. 05-195 *et al.*, CC Docket Nos. 96-45 *et al.* (filed Oct. 18, 2005); Reply Comments of the Universal Service Administrative Company, WC Docket Nos. 05-195 *et al.*, CC Docket Nos. 96-45 *et al.* (filed Dec. 19, 2005).

**Universal Service Administrative Company 4Q2017 Fund Size  
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million; both are listed in the chart below based on the allocation methodology on file with the Commission.

***4Q2017 Administrative Expenses (in millions) – Budgeted***

<b>USF Mechanism</b>	<b>Direct Operating Costs</b>	<b>USAC Common Operating and Capital Costs</b>	<b>Direct Capital Costs</b>	<b>Total</b>
<b>High Cost</b>	\$3.41	\$7.73	\$0.11	\$11.25
<b>Low Income</b>	\$5.12	\$3.50	\$2.85	\$11.47
<b>Rural Health Care</b>	\$1.70	\$1.35	\$0.00	\$3.05
<b>Schools &amp; Libraries</b>	\$16.65	\$11.73	\$0.17	\$28.55
<b>Total</b>	\$26.88	\$24.31	\$3.13	\$54.32

Appendix M01 provides USAC’s administrative expense and capital expenditure budget for 4Q2017. Appendix M02 provides the fund size projections for 4Q2017.

## **INTEREST INCOME PROJECTION**

For 4Q2017, USAC projects interest income of approximately \$4.74 million for the High Cost Support Mechanism, \$0.28 million for the Low Income Support Mechanism, \$1.17 million for the Rural Health Care Support Mechanism and \$10.33 million for the Schools and Libraries Support Mechanism for a total of \$16.52 million. As in previous quarters, projected interest income is being included as an offset to administrative expenses for each of the support mechanisms and reduces the amount that USAC will be required to collect from carriers for all support mechanisms.

## **FINANCIAL STATEMENTS**

For 2Q2017, on a cash basis, USAC disbursed to beneficiaries \$2,301.03 million in universal service support as follows: \$1,158.49 million in High Cost support, \$314.94 million in Low Income support, \$748.37 million in Schools and Libraries support, and \$79.23 million in Rural Health Care support. The total cash balance available as of June 30,

## Universal Service Administrative Company 4Q2017 Fund Size Projections

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2017 to the universal service support mechanisms was \$7,398.95 million. On an accrual basis, USAC had a fund balance of \$7,583.65 million at June 30, 2017.

Appendices M03 and M04 provide 2017 year-to-date statements of fund activity on a cash and accrual basis.

### **EFFORTS TO PREVENT AND REDUCE IMPROPER PAYMENTS**

USAC has established a foundation of processes, systems, procedures, and outreach activities to prevent or reduce “improper” payments as defined by the Improper Payments Information Act of 2002 (Pub. L. No. 107-300).<sup>8</sup> USAC is also evaluating additional measures that may help to identify or reduce improper payments. USAC has initiated efforts consistent with its February 28, 2008 letter to the Commission identifying additional steps that USAC proposed to take to prevent or reduce potential improper payments and the additional resources needed to implement such measures.<sup>9</sup> Commission staff has directed USAC to report on a quarterly basis its progress in implementing proposed actions to prevent or reduce improper payments and anticipated administrative costs of such actions.<sup>10</sup>

The steps initiated by USAC include additional oversight and managerial controls, strengthened audit and investigative techniques, improved information technology tools, and more effective use of outreach resources. In 4Q2017, USAC will continue efforts identified and initiated during the previous years. These efforts include, but are not limited to:

1. *Assessing and strengthening USAC’s internal controls*

The USAC Compliance and Risk Team (C&R Team) continues to develop and update required internal controls documentation, with testing of key controls performed by

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<sup>8</sup> Improper Payments Information Act of 2002, Pub. L. No. 107-300, 116 Stat 2350 (2002).

<sup>9</sup> See Letter from D. Scott Barash, Acting Chief Executive Officer, USAC, to Anthony Dale, FCC Managing Director (Feb. 28, 2008) (concerning suggested additional steps to reduce or prevent improper payments).

<sup>10</sup> See Letter from Anthony Dale, FCC Managing Director, to D. Scott Barash, Acting Chief Executive Officer, USAC (Aug. 18, 2008).

## Universal Service Administrative Company 4Q2017 Fund Size Projections

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the Internal Audit Division (IAD), to conform the USAC internal controls program to best practices consistent with OMB Circular A-123. Results of the 2016 testing were finalized and presented to USAC Leadership in 2Q2017. During 2Q2017, process owners developed corrective action plans for all control deficiencies, and the C&R Team tracks the completion of the remediation activities. The C&R Team has begun work to establish the framework for Enterprise Risk Management (ERM) program at USAC to comply with recent changes to OMB Circular A-123.<sup>11</sup>

In addition to documentation and testing activities, the C&R Team continues to facilitate review and approval activities for all USAC policy and procedure documents, as well as provide assistance with ad hoc process improvement projects.

### *2. Strengthening audit and investigative techniques.*

The FCC's Office of Managing Director (OMD) directed USAC to implement an assessment program to determine the rate of improper payments made to universal service support mechanism beneficiaries to support the FCC's reporting requirements under the Improper Payments Elimination and Recovery Improvement Act (IPERIA),<sup>12</sup> formerly known as the Improper Payments Information Act (IPIA),<sup>13</sup> and to assess universal service support mechanism beneficiary compliance with FCC regulations.<sup>14</sup> USAC successfully implemented an assessment program, known as the Payment Quality Assurance (PQA) Program, in August 2010.

The FCC also directed USAC to establish a comprehensive support mechanism

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<sup>11</sup> See OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (July 15, 2016).

<sup>12</sup> See Improper Payments Elimination and Recovery Improvement Act of 2012, Pub L. No. 112-248, 126 Stat. 2390 (2013). On January 10, 2013, the Improper Payment Elimination and Recovery Improvement Act (IPERIA) was signed into law replacing IPERA.

<sup>13</sup> See Pub. L. No. 107-300, 116 Stat. 2350 (2002); Pub L. No. 111-204, 124 Stat. 2224 (2010).

<sup>14</sup> Letter from Steven VanRoekel, FCC Managing Director, to Scott Barash, USAC Acting Chief Executive Officer (Feb. 12, 2010) (discussing the implementation of the Improper Payments Information Act of 2002 (IPIA) assessment program and companion audit program). Although not subject to IPERIA, USF contributor compliance with FCC regulations is assessed as part of the Beneficiary and Contributor Audit Program (BCAP).

**Universal Service Administrative Company 4Q2017 Fund Size  
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Beneficiary and USF contributor audit program, which is known as BCAP (“Beneficiary and Contributor Audit Program”). Audits occurring under BCAP are performed using USAC’s Internal Audit Division (IAD) internal staff and external audit firm resources, upon approval from OMD. The specific audits that are being conducted as part of BCAP were designated based on a set of randomly selected beneficiaries and contributors. In addition, non-random audits of beneficiaries and contributors are performed when requested by USAC management to review whether a beneficiary or USF filer is complying with FCC rules.

As previously reported, in mid-2013, IAD and OMD staff began discussions on the development of a new audit plan that would address fiscal years 2014 and 2015. The audit plan was developed to cover audits announced beginning October 1, 2013 through December 31, 2015. In late 2014, the external portion of the BCAP began by issuing contracts to audit firms to perform audits. Contracts were awarded to eight firms, and they are now performing audits in all of the programs and contributor revenue. The chart below reflects audits that are performed both by USAC IAD and the external audit firms. As of the end of 2Q2017, the status of the BCAP 2014 - 2015 is as follows:

<b>Program</b>	<b>Planned</b>	<b>Complete</b>	<b>In Process</b>
Contributor Revenue	51	33	10
High Cost	100	80	13
Low Income	80	76	1
Schools & Libraries	145	129	1
Rural Health Care	31	27	1
<b>Total</b>	<b>407</b>	<b>345</b>	<b>26</b>

IAD will not initiate 36 of the 407 planned audits. The 36 auditees (Contributor Revenue 8, High Cost 7, Lifeline 3, Schools and Libraries 15, and Rural Health Care 3) were selected using a primarily random selection process. Prior to commencing these audits, IAD moved to a risk-based audit selection mechanism and, thus, decided to direct its limited resources to

**Universal Service Administrative Company 4Q2017 Fund Size  
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auditees that were selected using risk-based criteria. Consequently, 36 audits included in the Plan were not announced by September 30, 2015. In mid-2015, IAD staff began working with FCC OMD and Wireline Competition Bureau (WCB) staff on the development of a new audit plan with an improved ability to detect and deter non-compliance with program rules. The design of this audit program is intended to reduce the burden on lower risk entities and improve the return on investment in audit. As the plan was finalized in early 2016, announcements began in 4Q2016 and the status of those audits as of 2Q2017 is as follows:

<b>Program</b>	<b>Planned</b>	<b>Completed</b>	<b>In Process</b>
Contributor Revenue	22	36	14
High Cost	51	17	24
Low Income	37	14	22
Schools & Libraries	74	51	17
Rural Health Care	25	20	5
<b>Total</b>	<b>209</b>	<b>138</b>	<b>82</b>

The FY2016 plan was increased by two audits due to whistleblower activity and an FCC request. IAD did not announce 17 of the audits in the plan noted above (High Cost 10, Lifeline 1, and Schools & Libraries 6). Ten High Cost audits related to the *USF/ICC Transformation Order* will be performed by the IAD Corporate Assurance team as an internal operational audit. Those audits will be scheduled during the first half of 2017. Six Schools and Libraries audits were not announced; one due to flooding in Louisiana because the school was nearly under water and the remaining five audits will be performed under the 2017 audit plan. With regard to Lifeline, one audit was not performed because the carrier is no longer in business and the second audit was not performed at the request of the FCC Office of Inspector General.

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Consistent with prior audit plan development, USAC in coordination with FCC OMD and WCB staff worked together to develop the FY 2017 audit plan and the audits are outlined as follows:

<b>Program</b>	<b>Planned</b>	<b>Completed</b>	<b>In Process</b>
Contributor Revenue	20	0	9
High Cost	35	0	15
Low Income	42	0	7
Schools & Libraries	60	0	35
Rural Health Care	3	0	0
<b>Total</b>	<b>160</b>	<b>0</b>	<b>66</b>

As previously reported, the PQA Program has completed four years of testing payments under this directive, and the most recent two years are noted below. Using a statistically drawn sample, each month support mechanism disbursements are selected and reviewed to verify that payments were made at the correct amount in accordance with FCC rules. The table below summarizes the error rates noted and the projected estimated improper payment amounts for each program for Calendar Year 2015 disbursements compared to Calendar Year 2014:

	<b>2015</b>		<b>2014</b>	
<b>Support Mechanism</b>	<b>Improper Payment Rate</b>	<b>Estimated Improper Payment Amount (<i>millions</i>)</b>	<b>Improper Payment Rate</b>	<b>Estimated Improper Payment Amount (<i>millions</i>)</b>
High Cost	0.04%	\$1.1	0.07%	\$2.8
Low Income	2.64%	\$36.6	0.44%	\$7.5
Schools and Libraries	5.70%	\$119.3	6.31%	\$144.4

The PQA Program collects information from program beneficiaries for the purpose of verifying the accuracy of program disbursements requested and received by the beneficiaries. The PQA team performs payment verification on randomly selected

## **Universal Service Administrative Company 4Q2017 Fund Size Projections**

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beneficiaries over a calendar year. Payments made from the Rural Health Program were not tested over the past two years as the Rural Health Care Program was deemed low risk for Calendar Years 2014 and 2015. Testing of payments for Calendar Year 2016 began in late 4Q2016 with estimated completion during 4Q2017.

### *3. Improving information technology tools.*

USAC has undertaken a systematic review of the capabilities of its current financial systems in order to determine whether additional functionality can be added to improve financial operations, and has made several improvements to its financial systems and is working on other systems enhancement initiatives.

### *4. Expanding and enhancing outreach and education.*

In 2Q2017, USAC conducted 26 outreach calls for large stakeholder groups participating in the Schools and Libraries Program. USAC conducted 30 webinars and five webcasts: one webinar for High Cost, seven webinars for Lifeline carriers, one webcast and five webinars for Rural Health Care applicants, four webcasts and 12 webinars for Schools and Libraries applicants and service providers, and five webinars with stakeholders for the Open Data Pilot Project. USAC participated in two professional meetings involving beneficiary audiences for the Lifeline and Schools and Libraries Programs and launched two online learning tutorials for the Schools and Libraries Program.



## ***FUNDING REQUIREMENTS***

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### **HIGH COST SUPPORT MECHANISM**

#### **FUNDS RESERVED PURSUANT TO THE *USF/ICC TRANSFORMATION ORDER***

On November 18, 2011, the FCC released the *USF/ICC Transformation Order*.<sup>15</sup> In the Order, the FCC set an annual funding target for the High Cost Support Mechanism of no more than \$4.50 billion annually over the next six years. The Order directed USAC to forecast total High Cost Program demand at no less than \$1.125 billion per quarter beginning with 1Q2012.<sup>16</sup> In the Order, the FCC waived section 54.709(b) of its rules and instructed USAC not to make any prior period adjustments related to High Cost Program support. The Order requires that if actual contributions exceed demand, excess contributions are to be credited to a new Connect America Fund (CAF) reserve account to be used to fund future broadband deployment.<sup>17</sup> If actual High Cost Program demand exceeds the quarterly target of \$1.125 billion, no additional funds will accumulate in the reserve account for that quarter.<sup>18</sup> In addition, the *USF/ICC Transformation Order* states that the \$4.50 billion budget includes only disbursements of support and does not include administrative expenses or prior period adjustments for support for prior years.<sup>19</sup>

In the *USF/ICC Transformation Order*, the Commission instructed USAC to wind down the Corr Wireless reserve account and use \$300 million in the account to fund anticipated commitments in 2012 to recipients of the Mobility Fund Phase I.<sup>20</sup> HC12

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<sup>15</sup> See generally *Connect America Fund et al.*, WC Docket Nos. 10-90 *et al.*, GN Docket No. 09-51, CC Docket Nos. 01-92 *et al.*, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (2011) (*USF/ICC Transformation Order*).

<sup>16</sup> See *USF/Transformation Order*, 26 FCC Rcd at 17847, para. 559.

<sup>17</sup> See *id.* at 17847, para. 560.

<sup>18</sup> See *id.* at 17847, para. 560 n.928.

<sup>19</sup> See *id.* at 17712, para. 126 n.198.

<sup>20</sup> See *id.* at 17848, paras. 564-67.

**Universal Service Administrative Company 4Q2017 Fund Size Projections**

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provides the data for Mobility Fund Phase I for 4Q2017 by State by Study Area. The remaining balance was used to fund Phase I of the CAF for price cap carriers in 2012.<sup>21</sup> The Commission also instructed USAC not to use the Corr Wireless reserve account to fund inflation adjustments for the Schools and Libraries program for the current 2011 funding year (FY).<sup>22</sup> On March 30, 2016, the *Rate-of-Return Reform Order* directed USAC to eliminate the CAF reserve account and transfer the funds to the high-cost account.<sup>23</sup> USAC will credit excess contributions to support the high-cost mechanism to the high-cost account.<sup>24</sup> Funds from the high-cost account will be used to reduce the demand to \$1.125 billion in any quarter that would exceed \$1.125 billion.<sup>25</sup>

The following table lists the status of the CAF by support component:

<b>Connect America Fund Activity by Support Component</b>				
<i>(in millions)</i>				
<b>Support Component</b>	<b>Allocated</b>	<b>Accepted</b>	<b>Disbursed</b>	<b>Remaining Disbursements</b>
Incremental Support Round 1	\$300.00	\$114.34	(\$114.34)	\$0.00
Incremental Support Round 2*	386.00	323.95	(323.95)	0.00
Mobility Fund Phase I	300.00	300.00	(145.62)	154.38
Mobility Fund Phase I – Tribal	50.00	50.00	(21.24)	28.76
Rural Broadband Experiment <sup>26</sup>	100.00	37.80	(13.76)	24.04
CAF Phase II Transition	1,089.60	1,089.60	(711.39)	378.21
CAF Phase II Lump Sum <sup>27</sup>	434.18	434.18	(434.18)	0.00
A-CAM <sup>28</sup>	1,500.00	1,500.00	(21.04)	1,478.96

<sup>21</sup> See *id.* at 17848, para. 566.

<sup>22</sup> See *USF/Transformation Order*, 26 FCC Rcd at 17848, para. 567.

<sup>23</sup> See *Connect America Fund et al.*, WC Docket Nos. 10-90 et al., CC Docket No. 01-92, Report and Order, Order and Order on Reconsideration, and Further Notice of Proposed Rulemaking, 31 FCC Rcd 3087 (2016) (*Rate-of-Return Reform Order*).

<sup>24</sup> *Id.* at 3335, n.130.

<sup>25</sup> *Id.*

<sup>26</sup> See *Connect America Fund et al.*, 29 FCC Rcd 8769.

<sup>27</sup> See *Connect America Fund et al.*, 29 FCC Rcd 15644.

<sup>28</sup> See *Rate-of-Return Reform Order*, 31 FCC Rcd 3087, para. 60.

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

<b>Connect America Fund Activity by Support Component</b>				
<b>Total</b>	<b>\$4,159.78</b>	<b>\$3,849.87</b>	<b>(\$1,785.52)</b>	<b>\$2,064.35</b>

\* Total demand of all carriers exceeded the allocated \$300 million. As directed in the *Phase I Order*, the additional \$86 million is taken out of the remainder of Round 1 support and added to the Incremental Support Round 2 allocation of \$300 million.<sup>29</sup>

For 4Q2017, projected support to be reserved pursuant to the *USF/ICC*

*Transformation Order* is (\$12.79) million.

Appendix HC01 provides projected High Cost Support by State by Study Area for 4Q2017. HC01 also provides the projected amount of individual company support, and projected per-month amounts for the components of High Cost support that each Eligible Telecommunications Carriers (ETC)<sup>30</sup> may be eligible to receive. HC02 provides the total projected amount of annualized High Cost Support for 4Q2017 for each state.

**CONNECT AMERICA FUND PHASE I – INCREMENTAL SUPPORT**

Incremental Support is designed to provide an immediate boost to broadband deployment in areas that are unserved by any broadband provider.<sup>31</sup> Incremental Support is available to price cap carriers at the holding company level. The Commission determined the amount available for each carrier in a Public Notice released on April 25, 2012.<sup>32</sup> Carriers had 90 days to accept all, part, or reject the amount available. If a price cap carrier accepts Incremental Support, it is required to deploy broadband to a number of service locations equal to the amount it accepts divided by \$775.<sup>33</sup>

<sup>29</sup> See *Connect America Fund*, WC Docket Nos. 10-90, Report and Order, 28 FCC Rcd 7766, 7770, para. 11 (2013) (*Phase I Order*).

<sup>30</sup> See 47 C.F.R. § 54.1310; 47 C.F.R. §§ 54.301-54.303.

<sup>31</sup> See *USF/ICC Transformation Order*, 26 FCC Rcd at 17717, para. 137.

<sup>32</sup> See *Wireline Competition Bureau Announces Support Amounts for Connect America Fund Phase One Incremental Support*, WC Docket Nos. 10-90 *et al.*, Public Notice, 27 FCC Rcd 4203 (2012).

<sup>33</sup> See *USF/ICC Transformation Order*, 26 FCC Rcd at 17717, para. 138.

## Universal Service Administrative Company 4Q2017 Fund Size Projections

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On May 22, 2013, the Commission announced that a second round of CAF Phase I – Incremental Support funding will be available to promote expansion of broadband to consumers that lack access.<sup>34</sup> The Commission allocated \$300 million for the second round of Phase I support.<sup>35</sup> If total demand exceeds \$300 million, the Commission will authorize up to an additional \$185 million in funding.<sup>36</sup>

On March 14, 2014, the Wireline Competition Bureau issued a Public Notice authorizing \$16.7 million in additional Phase I second round incremental support in response to the modified elections of two carriers, AT&T and Windstream Communications.<sup>37</sup> AT&T was authorized to receive \$5.3 million in incremental support in exchange for a commitment to deploy broadband-capable infrastructure to 6,772 locations.<sup>38</sup> Additionally, Windstream was authorized to receive \$11.5 million in incremental support in exchange for a commitment to deploy to 13,273 locations.<sup>39</sup>

### CONNECT AMERICA FUND PHASE II

The FCC released an Order on June 10, 2014 adopting rules, among other things, to institute the foundation for the award of Phase II (model-based) support through a competitive bidding process in price cap areas where the price cap carrier declines the offer of model-based support.<sup>40</sup> The Order also permits price cap carriers that decline model-based support to participate in the competitive bidding process that is expected to be

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<sup>34</sup> See *Phase I Order*, 28 FCC Rcd at 7768-71, paras. 7, 11.

<sup>35</sup> *Id.* at 7768, para. 7.

<sup>36</sup> *Id.* at 7768-71, paras. 7, 11.

<sup>37</sup> See *Additional 16.7 Million in Connect America Phase I Support Authorized*, WC Docket No. 10-90, Public Notice, 29 FCC Rcd 2824 (2014).

<sup>38</sup> *Id.*

<sup>39</sup> *Id.*

<sup>40</sup> See generally *Connect America Fund Omnibus Order and FNPRM*, WC Docket Nos. 10-90 *et al.*, Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, 29 FCC Rcd 7051 (2014) (*CAF Omnibus Order*).

## Universal Service Administrative Company 4Q2017 Fund Size Projections

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conducted in 2016.<sup>41</sup> On April 29, 2015, the FCC released a Public Notice announcing the offers of model-based Phase II support to price cap carriers to fund voice and broadband-capable networks in their service areas.<sup>42</sup> The total offer is \$1.675 billion annually, for six calendar years, 2015-2020.<sup>43</sup> Next, on June 16, 2015, the Bureau released a Public Notice announcing acceptance by Frontier Communications of model-based support for each of the 28 states it serves.<sup>44</sup> For states where their model-based support is greater than Phase I Frozen support, Frontier elected to receive the lump sum payment associated with prior months that reflects the difference between Phase II model support and Phase I Frozen support. Finally in August 2015, the Bureau released public notices for Consolidated Communications, AT&T, CenturyTel, Inc. dba CenturyLink, Cincinnati Bell, Fairpoint Communications, Inc., Hawaiian Telecom, Inc., Micronesian, and Windstream Corporation for announcement of acceptance of model-based support.<sup>45</sup>

For 4Q2017, total CAF Phase II projected support is estimated to be \$390.78 million and total annual 2017 CAF Phase II support is estimated to be \$1,563.12 million.

Appendix HC13 provides projected CAF Phase II Support by state by study area for 4Q2017.

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<sup>41</sup> *Id.* at 7062-7063, para. 37.

<sup>42</sup> See *Wireline Competition Bureau Announces Connect America Phase II Support Amounts Offered to Price Cap Carriers to Expand Rural Broadband*, WC Docket No. 10-90, Public Notice, 30 FCC Rcd 3905 (2015).

<sup>43</sup> *Id.*

<sup>44</sup> See *Wireline Competition Bureau Authorizes Frontier Communications Corporation to Receive \$283 Million in Connect America Phase II Support to Serve 1.3 Million Rural Americans in 28 States*, WC Docket No. 10-90, Public Notice, 30 FCC Rcd 6310 (2015).

<sup>45</sup> See *Wireline Competition Bureau Authorizes Windstream to Receive Over \$ 174 Million in Connect America Phase II Support in 17 States*, WC Docket No. 10-90, Public Notice, 30 FCC Rcd 8245 (2015); *Wireline Competition Bureau Authorizes Fairpoint to Receive Over \$37 Million in Connect America Phase II Support in 14 States*, WC Docket No. 10-90, 30 FCC Rcd 8245 (2015); *Wireline Competition Bureau Authorizes the Micronesian Telecommunications Corporation to Receive Over \$2.5 Million and Hawaiian Telecom, Inc. to Receive Over \$ 4 Million in Connect America Phase II Support*, WC Docket No. 10-90, 30 FCC Rcd 8471 (2015); *Wireline Competition Bureau Authorizes Additional Cap Carriers to Receive Almost \$950 Million in Phase II Connect America Support et al.*, WC Docket No. 10-90, Public Notice, 30 FCC Rcd 8577 (2015).

## Universal Service Administrative Company 4Q2017 Fund Size Projections

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### CONNECT AMERICA FUND/INTERCARRIER COMPENSATION SUPPORT

In the *USF/ICC Transformation Order*, the FCC adopted a transitional recovery mechanism with an effective date of July 1, 2012 to facilitate incumbent carriers' gradual transition away from intercarrier compensation (ICC) revenues.<sup>46</sup> Eligible incumbent carriers may receive additional support through this recovery mechanism.

For 4Q2017, total CAF/ICC Support is estimated to be \$102.83 million and total annual 2017 CAF/ICC Support is estimated to be \$411.32 million. Appendix HC11 provides projected CAF/ICC Support by State by Study Area for 4Q2017.

### RURAL BROADBAND EXPERIMENTS

On July 11, 2014, the FCC adopted the *Rural Broadband Experiments (RBE) Order* to advance the deployment of voice and broadband networks in high-cost areas and help design the Phase II competitive bidding process and Remote Areas Fund.<sup>47</sup> The FCC established a budget of \$100 million over ten years for funding experiments in price cap areas that are not served by unsubsidized competitors.<sup>48</sup> For 4Q2017, total RBE support is estimated to be \$0.83 million and total annual 2017 RBE support is estimated to be \$3.32 million. Appendix HC14 provides projected RBE Support by State by Study Area for 4Q2017.

### RATE-OF-RETURN CARRIERS

Rate-of-return carriers not affiliated with price cap carriers may continue to receive legacy High Cost Program support and may receive CAF support to offset lost ICC revenues.<sup>49</sup> On March 30, 2016, the FCC released the *Rate-of-Return Reform Order* setting

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<sup>46</sup> See 47 C.F.R. § 54.304(b).

<sup>47</sup> See *Connect America Fund, ETC Annual Reports and Certifications*, WC Docket No. 10-90 *et al.*, Report and Order and Further Notice of Proposed Rulemaking, 29 FCC Rcd 8769 (2014) (*Rural Broadband Experiments Order*).

<sup>48</sup> See *id.* at 8772, para. 9.

<sup>49</sup> See *USF/ICC Transformation Order*, 26 FCC Rcd at 17740, para. 206.

## **Universal Service Administrative Company 4Q2017 Fund Size Projections**

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forth two distinct paths for rate-of-return carriers: (1) voluntary election of model support or (2) support based on existing mechanisms as modified to include broadband.<sup>50</sup>

Furthermore, the Order set a budget of \$2 billion per year and up to an additional \$150 million annually from existing high-cost reserves for the voluntary path to the model.<sup>51</sup> In order to remain within a \$2 billion budget, USAC will apply the FCC Budget Control Mechanism methodology to reduce support for each carrier.<sup>52</sup> Appendix HC15 provides alternative Connect America Cost Model Support Projected by State by Study Area for 4Q2017. Appendix HC16 provides the rate-of-return budget control projected support amounts due to the budget control mechanism.

Moreover, pursuant to the Order, USAC is required to calculate total support available for distribution to Rate-of-Return carriers. In order to remain within the annual rate of return budget, USAC is required to apply the FCC Budget Control Mechanism methodology to reduce support for carriers subject to high cost loop support (HCLS) (including Safety Net Additive (SNA) and Safety Valve Support (SVS)) and or Connect America Broadband Loops Support (CAF BLS) support.<sup>53</sup>

### **HIGH COST LOOP SUPPORT (INCLUDING SAFETY NET ADDITIVE AND SAFETY VALVE SUPPORT)**

High Cost Loop (HCL) Support is calculated based on the results of the annual collection of 2012 incumbent local exchange carrier (LEC) loop cost and expense adjustment data that was submitted to the FCC and USAC on October 1, 2013.<sup>54</sup> Growth in total HCL Support for rural carriers is limited under Section 54.1302 of the Commission's

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<sup>50</sup> See generally *Rate-of-Return Reform Order*, 31 FCC Rcd 3087.

<sup>51</sup> See *id.* at 3090-91, para. 4.

<sup>52</sup> See *id.* at 3144, para.151.

<sup>53</sup> See *id.* at 3142-3145, paras. 146-155.

<sup>54</sup> Universal Service Fund (USF) 2012 Submission of 2011 Study Results (filed Oct. 1, 2012) (*USF Data Submission*).

## Universal Service Administrative Company 4Q2017 Fund Size Projections

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rules to the current level of funding increased yearly by the annual growth in supported rural loops.<sup>55</sup> The *Rural Task Force (RTF) Order* increased HCL support for rural carriers effective July 1, 2001.<sup>56</sup>

Rural HCL Support for calendar year 2017 will be less than the level of payments for 2016 because of a rural growth factor of negative 1.9301 percent. Rural HCL Support for calendar year 2017, therefore, is capped at \$704.8 million. This capped amount reflects reductions pursuant to the *USF/ICC Transformation Order*, which was adjusted by NECA in the first quarter of 2012 to exclude price cap local exchange carriers and their rate-of-return affiliated study areas.

The *RTF Order* provided SNA Support above the HCL cap for carriers that make significant investment in rural infrastructure in years in which HCL is capped.<sup>57</sup> To receive support, a rural carrier must show that growth in telecommunications plant in service (TPIS) per loop is at least 14 percent greater than the study area's TPIS per loop in the prior year.<sup>58</sup> Pursuant to the *USF/ICC Transformation Order*, SNA will be phased down over a two-year period, and no SNA support will be provided for carriers whose costs are incurred after 2009.<sup>59</sup> In June 2014, the Commission issued an order allowing carriers that would have qualified for SNA based on increased investment – an increase of at least 14 percent in their total TPIS in 2010 or 2011 – to receive such support.<sup>60</sup> For 4Q2017, projected SNA support is \$0.87 million.

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<sup>55</sup> 47 C.F.R. § 54.1302(a); *see also* 47 C.F.R. § 54.1303.

<sup>56</sup> *Federal-State Joint Board on Universal Service et al.*, CC Docket Nos. 96-45 *et al.*, Fourteenth Report and Order, Twenty-Second Order on Reconsideration, and Further Notice of Proposed Rulemaking, and Report and Order, 16 FCC Rcd 11244 (2001) (*RTF Order*).

<sup>57</sup> *Id.* at 11276-81, paras. 77-90; *see also* 47 C.F.R. § 54.1304.

<sup>58</sup> *Id.*

<sup>59</sup> *See USF/ICC Transformation Order*, 26 FCC Rcd at 17758, para. 252.

<sup>60</sup> *See Connect America Fund et al.*, WC Docket Nos. 10-90 *et al.*, Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, 29 FCC Rcd 7051, 7087-90, paras. 105-115 (2014).



## **Universal Service Administrative Company 4Q2017 Fund Size Projections**

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For 4Q2017, projected HCL Support is \$125.65 million, which includes \$0.87 million for SNA support and \$0.96 million for SVS. Total annual 2017 HCL Support is projected to be \$502.60 million.

Appendix HC05 provides projected monthly HCL Support payments by State by Study Area for 4Q2017. Appendix HC06 provides projected monthly SNA Support payments by State by Study Area for 4Q2017. Appendix HC07 displays projected SVS payments by State by Study Area for 4Q2017.

### **ALASKA PLAN SUPPORT**

In the *Alaska Plan Order*, the FCC approved for Alaska rate-of-return carriers to receive frozen support for 10 years and be obligated to offer voice and broadband services at specified speeds to specified number of locations while meeting certain service obligations.<sup>61</sup>

Appendix HC04 provides 4Q2017 projections for Alaska Plan Support by State by Study Area. For 4Q2017, projected Alaska Plan Support is \$32.08 million.

### **CONNECT AMERICA BROADBAND LOOP SUPPORT**

Connect America Broadband Loop Support (CAF BLS) replaces what was previously known as interstate common loop support (ICLS).<sup>62</sup> The FCC made modifications to modernize ICLS rules to provide support in situations where the customer no longer subscribes to traditional regulated local exchange voice service.<sup>63</sup> CAF BLS will provide support for broadband-capable loops, regardless of whether the customer chooses traditional voice, bundle of voice and broadband, or only broadband.<sup>64</sup>

For 4Q2017, CAF BLS is projected to be \$186.12 million, and total annual 2017

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<sup>61</sup> See WC-Docket Nos. 10-90 and 16-271 DA 16-425

<sup>62</sup> See *Rate-of-Return Reform Order*, 31 FCC Rcd at 3091, para. 5.

<sup>63</sup> *Id.*

<sup>64</sup> *Id.*

## **Universal Service Administrative Company 4Q2017 Fund Size Projections**

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CAF BLS is estimated to be \$730.38 million.

Appendix HC09 provides USAC's 4Q2017 projections of CAF BLS by State by Study Area and Appendix HC10 provides USAC's 4Q2017 projections of CAF BLS by State, respectively.

Appendices HC17 and HC18 provides USAC's 4Q2017 ICLS by State by Study Area 2015 True-Up and ICLS 2015 True-Up per Line, respectively.

### ***Alternative Connect America Model (A-CAM)***

Alternative Connect America Model (A-CAM) allows carriers the option of electing a set amount of monthly support over 10 years, or remaining with a reformed version of legacy support mechanisms with Connect America Fund Broadband Loop Support (CAF-BLS) and High Cost Loop Support (HCL). The initial November 1, 2016 carrier election lead to a high demand for A-CAM support. Thus, additional steps were taken by FCC to address the increased demand.

Those steps included allocating an additional \$50 million annually to the A-CAM budget, and making revised offers to 191 carriers that previously elected A-CAM. The methodology used to calculate the revised offers reduces support by varying percentages based on how many locations in a carrier's eligible service territory still lack access to broadband speeds of 10 megabits per second downstream and 1 megabit per second upstream. Carriers that accept the revised offer of support must agree to meet the terms of the original A-CAM offer if additional support becomes available in 2017 to fund the original offers. Carriers had until January 19, 2017, to notify the FCC, on a state-by-state basis, whether they elect to receive the revised amount of model-based support.<sup>65</sup>

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<sup>65</sup> See *Wireline Competition Bureau Authorizes 35 Rate-of-Return Companies to Receive More than \$51 Million Annually in Alternative Connect America Cost Model Support and Announces Offers of Revised A-Cam Support Amounts to 191 Rate-of-Return Companies to Expand Rural Broadband*, WC Docket No. 10-90, Public Notice, 2016 WL 7411674 (2016).

## **Universal Service Administrative Company 4Q2017 Fund Size Projections**

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For 4Q2017, A-CAM is projected to be \$138.95 million, and total annual 2017 A-CAM is estimated to be \$555.80 million.

### **PRICE CAP CARRIERS**

ICLS, on a study area basis to the amount of support each carrier received in 2011.<sup>66</sup> For 4Q2017, total frozen high cost support for price cap carriers is estimated to be \$36.75 million and total annual 2017 frozen high cost support is estimated to be \$147.00 million. Appendix HC08 provides frozen high cost support for price cap carriers by State by Study Area for 4Q2017.

### **COMPETITIVE ELIGIBLE TELECOMMUNICATIONS CARRIERS**

The *USF/ICC Transformation Order* transitioned existing Competitive Eligible Telecommunications Carriers (CETCs) support to the CAF over a five-year period beginning January 1, 2012.<sup>67</sup> For the transition, the FCC set each CETC's baseline support at its total 2011 support in a given study area, or an amount equal to 3,000 times the number of reported lines as of year-end 2011, whichever is lower.<sup>68</sup> That monthly baseline amount was provided from January 1, 2012 to September 30, 2012.<sup>69</sup> Beginning July 1, 2012, each CETC's support was reduced by 20 percent for each July to June time period.<sup>70</sup> However, consistent with FCC rules, since Mobility Fund Phase II was not implemented by September 30, 2014, CETC support will not be subject to an additional 20 percent reduction in support beginning July 2014.<sup>71</sup> The implementation date of Mobility Fund Phase II is yet to be determined.

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<sup>66</sup> See *USF/ICC Transformation Order*, 26 FCC Rcd at 17715, para. 133.

<sup>67</sup> See *id.* at 17830, para. 513.

<sup>68</sup> See *id.* at 17831, para. 515.

<sup>69</sup> See *id.*

<sup>70</sup> See *id.*

<sup>71</sup> *USF/ICC Transformation Order*, 26 FCC Rcd at 17831, para. 515; see also 47 C.F.R. § 54.307.

## Universal Service Administrative Company 4Q2017 Fund Size Projections

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For 4Q2017, total frozen High Cost Program support demand for CETCs is \$123.80 million. In addition, Standing Rock, 4Q2017 High Cost Program support is estimated to be \$0.17 million. The combined High Cost Program support demand totals for CETCs, rural Alaska CETCs, and Standing Rock for 2017 is estimated to be \$123.97 million.

Additionally, Appendix HC03 provides 4Q2017 projections for Standing Rock Support by State by Study Area.

### HIGH COST SUPPORT MECHANISM SUMMARY

The 4Q2017 High Cost Support Mechanism funding requirements are projected as follows: \$125.65 million for HCL Support, \$186.12 million for CAF BLS, \$36.75 million for frozen Price Cap Carrier Support, \$390.78 for CAF Phase II, \$0.83 for Rural Broadband Experiments, \$123.80 million for frozen CETC Support,<sup>72</sup> \$102.83 million for CAF/ICC Support, \$32.08 for Alaska Plan Support, \$138.95 for A-CAM, and (\$12.79) million for the High Cost account resulting in total High Cost Support Mechanism projected demand of \$1,125.00 million.

Financial results for 2Q2017 contributed to an under-funded condition for which this filing proposes to adjust the 4Q2017 funding requirements. The total adjustment to the 4Q2017 funding requirement based on actual results will increase the funding requirement by \$15.67 million. The explanation for the adjustment is described in the following table:

Reason for the Prior Period Adjustment	Adjustment in Millions
The 2Q2017 billings were lower than projected	\$26.84
Interest income was higher than projected for 2Q2017	(0.32)
Bad debt expense was lower than projected	(10.85)
<b>Total Prior Period Adjustment</b>	<b>\$15.67</b>

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<sup>72</sup> "CETC Support" includes frozen support, rural Alaska CETC support, and support to the Standing Rock Reservation CETC.

## Universal Service Administrative Company 4Q2017 Fund Size Projections

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The total fund requirement of \$1,125.00 million is adjusted as follows: increased by the prior period adjustments of \$15.67 million, increased by administrative costs of \$10.14 million, and reduced by the projected interest income of \$4.74 million; resulting in a total projected 4Q2017 funding requirement for the High Cost Support Mechanism of \$1,146.07 million.

Appendix M02 provides information on the individual components of the funding requirement for the quarter.

### LOW INCOME SUPPORT MECHANISM

#### LIFELINE SUPPORT

All ETCs must offer Lifeline support to qualified low-income consumers.<sup>73</sup> ETCs providing Lifeline support are entitled to receive funding for the waiver of charges and reduced rates provided to qualified low-income subscribers.<sup>74</sup> In the *Lifeline Reform and Modernization Order*, all non-tribal Lifeline support is set to a flat rate of \$9.25 for all subscribers equally, regardless of whether they subscribe to wireline or wireless Lifeline service.<sup>75</sup> The Order, however, does not make any changes to Tier 4 support available to low-income consumers residing on tribal lands.<sup>76</sup> As established in the *Tribal Order*, Tier Four support makes available each month up to an additional \$25 per low-income subscriber to eligible residents of tribal lands.<sup>77</sup>

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<sup>73</sup> See 47 C.F.R. §§ 54.201, 54.405(a).

<sup>74</sup> 47 C.F.R. §§ 54.401-54.417.

<sup>75</sup> See *Lifeline and Link Up Reform and Modernization et al.*, WC Docket Nos. 11-42 *et al.*, CC Docket No. 96-45, Report and Order and Further Notice of Proposed Rule Making, 27 FCC Rcd 6656, 6683, para. 58 (2012) (*Lifeline Reform and Modernization Order*).

<sup>76</sup> See *id.* at 6683, para. 59.

<sup>77</sup> See 47 C.F.R. § 54.400(c); *Federal-Joint Board on Universal Service et al.*, CC Docket 96-45, Twenty-Fifth Order on Reconsideration, Report and Order, Order, and Further Notice of Proposed Rulemaking, 18 FCC Rcd 10958 (2003) (*Tribal Order*). On August 31, 2000, the FCC stayed the implementation of the federal Lifeline and Link-up rule amendments only to the extent that they apply to qualifying low-income consumers living near reservations.

## **Universal Service Administrative Company 4Q2017 Fund Size Projections**

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For 4Q2017, USAC projects \$319.89 million will be required for Lifeline Support. Based on this projection, total annual 2017 Lifeline Support is estimated to be \$1,285.35 million.

### **LINK-UP SUPPORT**

Effective with the April 2012 support claims, Link-Up support was eliminated for all ETCs on non-tribal lands.<sup>78</sup> Link-Up support is available for ETCs that provide support on tribal lands, but is limited to those ETCs receiving High Cost Program support.<sup>79</sup> Eligible ETCs may claim a 100 percent reduction, or up to \$100, of the customary charge for commencing telephone service for a single telecommunication connection at a subscriber's principal place of residence.<sup>80</sup>

For 4Q2017, USAC projects that \$0.04 million will be required for Link-Up support. Based on this projection, total annual 2017 Link-Up support is estimated to be \$0.18 million.

### **LOW INCOME SUPPORT MECHANISM SUMMARY**

The estimated 4Q2017 Low Income Support Mechanism funding requirements are projected as follows: \$319.85 million for Lifeline and \$0.04 million for Link-Up, resulting in total of \$319.89 million.

Financial results of 2Q2017 contribute to an over-funded condition, for which this filing proposes to adjust the 4Q2017 funding requirement. The total adjustment to the 4Q2017 funding requirement based on actual results will decrease the funding needed by \$44.46 million. The explanation for the adjustment is described in the following table:

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<sup>78</sup> See *Lifeline Reform and Modernization Order*, 27 FCC Rcd at 6767, para. 253.

<sup>79</sup> See *id.* at 6767, para. 254.

<sup>80</sup> 47 C.F.R. § 54.413(a)(1).

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

<b>Reason for the Prior Period Adjustment</b>	<b>Adjustment in Millions</b>
2Q2017 billings were lower than projected.	\$9.34
Low Income Support Mechanism distributions were lower than projected in 2Q2017.	(50.02)
Bad debt expense was lower than anticipated.	(3.44)
Interest income was higher than anticipated.	(0.34)
<b>Total Prior Period Adjustment</b>	<b>\$(44.46)</b>

The total fund requirement of \$319.89 million decreased by the prior period adjustment of \$44.46 million, increased for administrative costs of \$14.69 million (including \$2.74 million for USAC's common costs allocated to the Low Income Support Mechanism), and decreased by allocated projected interest income of \$0.28 million; resulting in a total projected 4Q2017 funding requirement for the Low Income Support Mechanism of \$289.84 million.

Appendix LI01 provides projected Low Income support amounts by state and study area for 4Q2017.<sup>81</sup> LI03 provides a list of ETCs for 2Q2017.<sup>82</sup> LI04 provides detail on quarterly company specific Low Income disbursement amounts for 2Q2017. LI05 provides detail on annual company-specific Low Income support claimed by state and company for January 2014 through June 2017.<sup>83</sup> LI06 provides historical data of monthly support amounts claimed by ETCs from January 1998 through June 2017. LI07 provides detail on Low Income support claimed by state or jurisdiction for January 2014 through June 2017.<sup>84</sup> LI08 and LI09 provide subscriber and beneficiary information by state or jurisdiction for Lifeline and Link-Up support, respectively, for January 2017 through June 2017.

<sup>81</sup> Companies that are no longer ETCs have been removed from LI01.

<sup>82</sup> Companies that are no longer ETCs have been removed from LI03.

<sup>83</sup> For data for years prior to 2009, see LI05 of USAC's 2Q2010 FCC Quarterly Demand Filing.

<sup>84</sup> For data for years prior to 2009, see LI07 of USAC's 2Q2010 FCC Quarterly Demand Filing.

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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**RURAL HEALTH CARE SUPPORT MECHANISM**

Following is a summary of Rural Health Care (RHC) Support Mechanism commitments and disbursements for FYs 2008 through 2016 as of June 30, 2017. Prior FYs are closed.

**FUNDING YEAR 2008**

FY 2008 began on July 1, 2008 and ended on June 30, 2009. The window for FY 2008 opened on April 8, 2008. As of June 30, 2017, a total of 3,563 Form 465s were posted and 7,046 funding requests were received.

On September 29, 2006, the FCC released an order establishing a new two-year Rural Health Care Support Mechanism Pilot Program for FYs 2006 and 2007 to cover “up to 85 percent of an applicant’s costs of deploying a dedicated broadband network.”<sup>85</sup> The application window for the Pilot Program opened on March 8, 2007 and closed on May 7, 2007.<sup>86</sup> On November 19, 2007, the FCC released an order increasing the number of FYs to three for the Pilot Program and awarding \$417.78 million in support to 69 applications over FYs 2007, 2008 and 2009.<sup>87</sup> Support under the Pilot Program is capped at \$139.26 million in each of the three FYs. The Commission stated that monies collected in FY 2006 for the Pilot Program should be applied to FY 2007,<sup>88</sup> resulting in \$54.44 million of funds collected for FY 2006 being reallocated to FY 2007.

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<sup>85</sup> *Rural Health Care Support Mechanism*, WC Docket No. 02-60, Order, 21 FCC Rcd 11111, 11112, para. 3 (2006); *see also Wireline Competition Bureau Seeks Comment on the Petition for Reconsideration or, in the Alternative, Clarification Filed by National LambdaRail, Inc.*, WC Docket No. 02-60, Public Notice, 21 FCC Rcd 13125 (2006); *Rural Health Care Support Mechanism*, WC Docket No. 02-60, Order on Reconsideration, 22 FCC Rcd 2555 (2007) (expanding eligibility to include National LambdaRail’s backbone in Rural Health Care Pilot).

<sup>86</sup> *Wireline Competition Bureau Announces OMB Approval of the Rural Health Care Pilot Program Information Collection Requirements and the Deadline for Filing Applications*, Public Notice, 22 FCC Rcd 4770 (2007).

<sup>87</sup> *See Rural Health Care Support Mechanism*, WC Docket No. 02-60, Order, 22 FCC Rcd 20360, 20373, para. 34 (2007).

<sup>88</sup> *Id.*



## **Universal Service Administrative Company 4Q2017 Fund Size Projections**

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As of June 30, 2017, Pilot Program funding commitments have been issued totaling \$14.29 million for FY 2008. Based on information provided by applicants, USAC now estimates FY 2008 Pilot Program demand will be \$14.29 million. In accordance with the instructions in a January 17, 2008 letter from the Chief of the FCC WCB allowing Pilot Program participants to roll forward support not used in one year to a subsequent FY, USAC carried forward funds not used in FY 2008 to FY 2009. USAC has collected \$139.26 million for each of the Pilot Program FYs, thus no further collection is necessary.

As of June 30 2017, Telecommunications (Telecom) Program funding commitments have been issued totaling \$66.66 million. Based on information provided by applicants, USAC estimates FY 2008 Telecom Program demand will be \$66.66 million. The Commission previously authorized collection of \$66.66 for FY 2008.

Cumulative payments to service providers through 2Q2017 are listed in Appendix RH03.

### **FUNDING YEAR 2009**

FY 2009 began on July 1, 2009 and ended on June 30, 2010. The window for FY 2009 opened on April 9, 2009. As of June 30, 2017, a total of 3,942 Form 465s were posted and 7,720 funding requests were received.

As of June 30, 2017, Pilot Program funding commitments have been issued totaling \$310.18 million for FY 2009. Based on information provided by applicants, USAC now estimates FY 2009 Pilot Program demand will be \$310.18 million. In accordance with the instructions in a January 17, 2008 letter from the Chief of the FCC WCB allowing Pilot Program participants to roll forward support not used in one year to a subsequent FY, USAC has previously carried forward funds not used in FY 2007 and FY 2008 to FY 2009.

## **Universal Service Administrative Company 4Q2017 Fund Size Projections**

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As of June 30, 2017, Telecom Program funding commitments have been issued totaling \$71.76 million. Based on information provided by applicants, USAC now estimates FY 2009 Telecom Program demand will be \$71.76 million. The Commission previously authorized collection of \$71.76 million for FY 2009.

Authorized funding by applicant during 2Q2017 and cumulative payments to service providers through 2Q2017 are listed in Appendices RH05 and RH06, respectively.

### **FUNDING YEAR 2010**

FY 2010 began on July 1, 2010 and ended on June 30, 2011. The window for FY 2010 opened on March 15, 2010. As of June 30, 2017, a total of 4,283 Form 465s were posted and 9,403 funding requests were received.

As of June 30, 2017, Telecom Program funding commitments have been issued totaling \$87.39 million. Based on information provided by applicants, USAC now estimates FY 2010 Telecom Program demand will be \$87.39 million. The Commission previously authorized collection of \$87.39 million for FY 2010.

Cumulative payments to service providers through 2Q2017 are listed in Appendix RH09.

### **FUNDING YEAR 2011**

FY 2011 began on July 1, 2011 and ended on June 30, 2012. The window for FY 2011 opened on April 4, 2011. As of June 30, 2017, a total of 4,793 Form 465s were posted and 11,675 funding requests were received.

As of June 30, 2017, Telecom Program funding commitments have been issued totaling \$101.33 million. Based on information provided by applicants, USAC now estimates FY 2011 Telecom Program demand will be \$101.33 million. The Commission previously authorized collection of \$101.33 million for FY 2011.

## **Universal Service Administrative Company 4Q2017 Fund Size Projections**

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Cumulative payments to service providers through 2Q2017 are listed in Appendix RH12.

### **FUNDING YEAR 2012**

FY 2012 began on July 1, 2012 and ended on June 30, 2013. The window for FY 2012 opened on April 16, 2012. As of June 30, 2017, a total of 5,334 Form 465s were posted and 11,815 funding requests were received.

As of June 30, 2017, Telecom Program funding commitments have been issued totaling \$118.23 million. Based on information provided by applicants, USAC now estimates FY 2012 Telecom Program demand will be \$118.23 million. The Commission previously authorized collection of \$118.23 million for FY 2012.

Cumulative payments to service providers through 2Q2017 are listed in Appendix RH15.

### **FUNDING YEAR 2013**

FY 2013 began on July 1, 2013 and ended on June 30, 2014. The window for FY 2013 opened on April 16, 2013. As of June 30, 2017, a total of 5,438 Form 465s were posted and 11,538 funding requests were received.

As of June 30, 2017, Telecom Program funding commitments have been issued totaling \$130.28 million. Based on information provided by applicants, USAC now estimates FY 2013 Telecom Program demand will be \$130.28 million. The Commission previously authorized collection of \$130.28 million for FY 2013.

As of June 30, 2017, Healthcare Connect Fund (HCF) Program commitments have been issued totaling \$49.99 million. Based on information provided by applicants, USAC now estimates FY 2013 HCF Program demand will be \$49.99 million. The commission previously authorized collection of \$49.99 million for FY 2013.

## **Universal Service Administrative Company 4Q2017 Fund Size Projections**

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Authorized funding by applicant during 2Q2017 and cumulative payments to service providers through 2Q2017 are listed in Appendices RH17 and RH18, respectively.

### **FUNDING YEAR 2014**

FY 2014 began on July 1, 2014 and ended on June 30, 2015. As of June 30, 2017, a total of 4,097 Form 465s were posted and 6,462 funding requests were received.

As of June 30, 2017, Telecom Program funding commitments have been issued totaling \$136.29 million. Based on information provided by applicants, USAC now estimates FY 2014 Telecom Program demand will be \$136.29 million. The Commission previously authorized collection of \$136.29 million for FY 2014.

As of June 30, 2017, HCF Program commitments have been issued totaling \$102.18 million. Based on information provided by applicants, USAC now estimates FY 2014 HCF Program demand will be \$102.18 million. The commission previously authorized collection of \$102.16 million for FY 2014. Considering the HCF Program demand estimate for FY 2014, USAC recommends the Commission increase collections for FY 2014 for the HCF Program by \$0.02 million in 4Q2017.

Authorized funding by applicant during 2Q2017 and cumulative payments to service providers through 2Q2017 are listed in Appendices RH20 and RH21, respectively.

### **FUNDING YEAR 2015**

FY 2015 began on July 1, 2015 and ended on June 30, 2016. As of June 30, 2017, a total of 4,504 Form 465s were posted and 7,481 funding requests were received.

As of June 30, 2017, Telecom Program funding commitments have been issued totaling \$180.85 million. Based on information provided by applicants, USAC estimates FY 2015 Telecom Program demand will be \$189.86 million. The Commission previously authorized collection of \$181.19 million for FY 2015. Considering the Telecom Program

## **Universal Service Administrative Company 4Q2017 Fund Size Projections**

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demand estimate for FY 2015, USAC recommends the Commission increase collections for FY 2015 for the Telecom Program by \$8.67 million in 4Q2017.

As of June 30, 2017, HCF Program commitments have been issued totaling \$117.64 million. Based on information provided by applicants, USAC now estimates FY 2015 HCF Program demand will be \$117.81 million. The commission previously authorized collection of \$116.14 million for FY 2015. Considering the HCF Program demand estimate for FY 2015, USAC recommends the Commission increase collections for FY 2015 for the HCF Program by \$1.67 million in 4Q2017.

Authorized funding by applicant during 2Q2017 and cumulative payments to service providers through 2Q2017 are listed in Appendices RH23 and RH24, respectively.

### **FUNDING YEAR 2016**

FY 2016 began on July 1, 2016 and will end on June 30, 2017. As of June 30, 2017, a total of 4,747 Form 465s were posted and 6,410 funding requests were received.

As of June 30, 2017, Telecom Program funding commitments have been issued totaling \$194.93 million. Based on information provided by applicants, USAC estimates FY 2016 Telecom Program demand will be \$228.95 million. The Commission previously authorized collection of \$232.19 million for FY 2016. Considering the Telecom Program demand estimate for FY 2016, USAC recommends the Commission decrease collections for FY 2016 for the Telecom Program by \$3.24 million in 4Q2017.

As of June 30, 2017, HCF Program commitments have been issued totaling \$152.08 million. Based on information provided by applicants, USAC now estimates FY 2016 HCF Program demand will be \$154.14 million. The Commission previously authorized collection of \$153.97 million for FY 2016. Considering the HCF Program demand estimate for FY

## **Universal Service Administrative Company 4Q2017 Fund Size Projections**

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2016, USAC recommends the Commission increase collections for FY 2016 for the HCF Program by \$0.17 million in 4Q2017.

Funding commitments made during 2Q2017 are included in Appendix RH25. Authorized funding by applicant during 2Q2017 and cumulative payments to service providers through 2Q2017 are listed in Appendices RH26 and RH27, respectively.

### **FUNDING YEAR 2017**

FY 2017 will begin on July 1, 2017 and will end on June 30, 2018. As of June 30, 2017, a total of 5,315 Form 465s were posted and 7,330 funding requests were received.

As of June 30, 2017, no Telecom Program funding commitments have been issued. Based on information provided by applicants and demand for the HCF Program below, USAC estimates FY 2017 Telecom Program demand will be \$296.00 million. The Commission previously authorized the collection of \$74.00 million for the Telecom Program. Considering the Telecom Program demand estimate for FY 2016, USAC recommends the Commission increase collections for FY 2017 for the Telecom Program by \$74.00 million in 4Q2017.

As of June 30, 2017, no HCF funding commitments have been issued. USAC estimates FY 2017 HCF Program demand will be \$104.00 million, pursuant to the FCC's *Healthcare Connect Fund Order*<sup>89</sup>. The Commission previously authorized the collection of \$26.00 million for the HCF Program. Considering the HCF Program demand estimate for FY 2016, USAC recommends the Commission increase collections for FY 2017 for the HCF Program by \$26.00 million in 4Q2017.

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<sup>89</sup>

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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**RURAL HEALTH CARE SUPPORT MECHANISM SUMMARY**

The estimated 4Q2017 Rural Health Care Support Mechanism demand requirement is \$107.28 million, which includes amounts for the Telecom Program, as well as the Healthcare Connect Fund (HCF). Projected 4Q2017 Telecom Program demand requirements are \$81.28 million. Pursuant to the *HCF Order*, the FCC was directed to work with USAC to project the amounts to be collected for the early period of the new program until historical data provides an adequate basis for projecting demand.<sup>90</sup> USAC projects \$26 million for 4Q2017 demand associated with the HCF.<sup>91</sup> The results of 2Q2017 contributed to an under-funded condition for which this filing proposes to adjust the 4Q2017 funding requirements. The total adjustment to the 4Q2017 funding requirement based on actual results will increase the funding requirement by \$1.69 million. The explanation for the adjustment is provided in the following table:

<b>Reason for the Prior Period Adjustment</b>	<b>Adjustment in Millions</b>
2Q2017 billings were lower than projected	\$2.72
Interest income was higher than projected 2Q2017	(0.06)
Bad debt expense was lower than anticipated	(0.97)
<b>Total Prior Period Adjustment</b>	<b>\$1.69</b>

The total fund requirement of \$107.28 million is adjusted as follows: increased by the prior period adjustment of \$1.69 million, and reduced by projected interest income of \$1.17 million; resulting in a total projected 4Q2017 funding requirement for the Rural Health Care Support Mechanism of \$107.80 million. Because the demand has reached the \$400 million cap, administrative expense must be paid within the \$400 million program cap.

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<sup>90</sup> *Rural Health Care Support Mechanism*, WC Docket 02-60, Report and Order, 27 FCCRcd 16678, 16823, para. 368 (2012).

<sup>91</sup> *Id.*

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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**SCHOOLS AND LIBRARIES SUPPORT MECHANISM**

Following is a summary of Schools and Libraries Support Mechanism net commitments<sup>92</sup> and net authorized for payment<sup>93</sup> by FY as of June 30, 2017.

**FUNDING YEAR 1998**

<b>FY 1998</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 679.24	39.98%	\$ 507.76	36.29%	74.75%
Internet Access	\$ 134.10	7.89%	\$ 94.82	6.78%	70.71%
Internal Connections	\$ 885.78	52.13%	\$ 796.48	56.93%	89.92%
<b>TOTAL</b>	<b>\$ 1,699.12</b>	<b>100.00%</b>	<b>\$1,399.06</b>	<b>100.00%</b>	<b>82.34%</b>
De-obligations due to Expired FRNs	\$ (300.05)				
<b>Net Commitments</b>	<b>\$ 1,399.07</b>				

No FY 1998 applications remain in the Program Integrity Assurance (PIA) review process.

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<sup>92</sup> Net Commitments are the amount of total funding commitments (including appeals, less funding commitment adjustments (COMADs) and other recaptures) reduced by the remaining dollar amount of commitments that had not been fully disbursed by their invoicing deadline.

<sup>93</sup> Net authorized for payment is the amount of total approved invoices less any returned funds. Authorized payments may be greater than net commitments due to recoveries in the process of collection.



**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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**FUNDING YEAR 1999**

<b>FY 1999</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 634.53	29.54%	\$ 452.16	27.40%	71.26%
Internet Access	\$ 148.68	6.92%	\$ 95.40	5.78%	64.16%
Internal Connections	\$ 1,364.78	63.54%	\$1,102.46	66.81%	80.78%
<b>TOTAL</b>	<b>\$ 2,147.99</b>	<b>100.00%</b>	<b>\$1,650.02</b>	<b>100.00%</b>	<b>76.82%</b>
Deobligations due to Expired FRNs	\$ (497.97)				
<b>Net Commitments</b>	<b>\$ 1,650.02</b>				

No FY 1999 applications remain in the PIA review process.

**FUNDING YEAR 2000**

<b>FY 2000</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 719.02	34.59%	\$ 481.21	29.22%	66.93%
Internet Access	\$ 218.72	10.52%	\$ 131.92	8.01%	60.31%
Internal Connections	\$ 1,141.02	54.89%	\$ 1,033.88	62.77%	90.61%
<b>TOTAL</b>	<b>\$ 2,078.76</b>	<b>100.00%</b>	<b>\$ 1,647.01</b>	<b>100.00%</b>	<b>79.23%</b>
Deobligations due to Expired FRNs	\$ (431.75)				
<b>Net Commitments</b>	<b>\$ 1,647.01</b>				

No FY 2000 applications remain in the PIA review process.

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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**FUNDING YEAR 2001**

<b>FY 2001</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 766.52	35.22%	\$ 540.78	31.89%	70.55%
Internet Access	\$ 224.70	10.32%	\$ 146.91	8.66%	65.38%
Internal Connections	\$ 1,185.14	54.46%	\$ 1,007.92	59.44%	85.05%
<b>TOTAL</b>	<b>\$ 2,176.36</b>	<b>100.00%</b>	<b>\$ 1,695.61</b>	<b>100.00%</b>	<b>77.91%</b>
Deobligations due to Expired FRNs	\$ (480.75)				
<b>Net Commitments</b>	<b>\$ 1,695.61</b>				

As of June 30, 2017, two potentially fundable FY 2001 applications remain in the PIA review process.

**FUNDING YEAR 2002**

<b>FY 2002</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 849.08	40.15%	\$ 613.39	38.37%	72.24%
Internet Access	\$ 251.01	11.87%	\$ 169.41	10.60%	67.49%
Internal Connections	\$ 1,014.44	47.97%	\$ 815.78	51.03%	80.42%
<b>TOTAL</b>	<b>\$ 2,114.53</b>	<b>100.00%</b>	<b>\$1,598.58</b>	<b>100.00%</b>	<b>75.60%</b>
Deobligations due to Expired FRNs	\$ (515.96)				
<b>Net Commitments</b>	<b>\$ 1,598.57</b>				

As of June 30, 2017, one potentially fundable FY 2002 application remains in the PIA review process.

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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Authorized funding by applicant during 2Q2017 and cumulative payments to service providers through 2Q2017 are listed in Appendices SL01 and SL02, respectively.

**FUNDING YEAR 2003**

<b>FY 2003</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 899.08	35.65%	\$ 659.90	34.01%	73.40%
Internet Access	\$ 274.78	10.89%	\$ 203.31	10.48%	73.99%
Internal Connections	\$ 1,348.24	53.46%	\$1,076.91	55.51%	79.88%
<b>TOTAL</b>	<b>\$ 2,522.10</b>	<b>100.00%</b>	<b>\$1,940.12</b>	<b>100.00%</b>	<b>76.92%</b>
Deobligations due to Expired FRNs	\$ (581.93)				
<b>Net Commitments</b>	<b>\$ 1, 940.17</b>				

As of June 30, 2017, two potentially fundable FY 2003 applications remain in the PIA review process. Authorized funding by applicant during 2Q2017 and cumulative payments to service providers through 2Q2017 are listed in Appendices SL03 and SL04, respectively.

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

**FUNDING YEAR 2004**

<b>FY 2004</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 933.70	45.92%	\$ 691.31	44.99%	74.04%
Internet Access	\$ 245.17	12.06%	\$ 193.32	12.58%	78.85%
Internal Connections	\$ 854.59	42.03%	\$ 651.84	42.42%	76.28%
<b>TOTAL</b>	<b>\$ 2,033.46</b>	<b>100.00%</b>	<b>\$ 1,536.47</b>	<b>100.00%</b>	<b>75.56%</b>
Deobligations due to Expired FRNs	\$ (495.87)				
<b>Net Commitments</b>	<b>\$ 1,537.59</b>				

No FY 2004 applications remain in the PIA review process. Authorized funding by applicant during 2Q2017 and cumulative payments to service providers through 2Q2017 are listed in Appendices SL05 and SL06, respectively.

**FUNDING YEAR 2005**

<b>FY 2005</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 983.29	49.00%	\$ 780.73	48.01%	79.40%
Internet Access	\$ 259.18	12.92%	\$ 214.37	13.18%	82.71%
Internal Connections	\$ 644.45	32.12%	\$ 539.38	33.17%	83.70%
Internal Connections-Maint	\$ 119.63	5.96%	\$ 91.79	5.64%	76.73%
<b>TOTAL</b>	<b>\$ 2,006.55</b>	<b>100.00%</b>	<b>\$ 1,626.27</b>	<b>100.00%</b>	<b>81.05%</b>
Deobligations due to Expired FRNs	\$ (379.99)				
<b>Net Commitments</b>	<b>\$ 1,626.56</b>				

As of June 30, 2017, two potentially fundable FY 2005 applications remain in the PIA review process.

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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**FUNDING YEAR 2006**

<b>FY 2006</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 1,063.50	54.60%	\$ 852.10	54.31%	80.12%
Internet Access	\$ 290.49	14.91%	\$ 236.48	15.07%	81.41%
Internal Connections	\$ 475.34	24.40%	\$ 394.82	25.16%	83.06%
Internal Connections-Maint	\$ 118.58	6.09%	\$ 85.61	5.46%	72.20%
<b>TOTAL</b>	<b>\$ 1,947.91</b>	<b>100.00%</b>	<b>\$ 1,569.01</b>	<b>100.00%</b>	<b>80.55%</b>
Deobligations due to Expired FRNs	\$ (378.61)				
<b>Net Commitments</b>	<b>\$ 1,569.30</b>				

As of June 30, 2017, one potentially fundable FY 2006 application remains in the PIA review process. Authorized funding by applicant during 2Q2017 and cumulative payments to service providers through 2Q2017 are listed in Appendices SL07 and SL08, respectively.

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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**FUNDING YEAR 2007**

<b>FY 2007</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 1,163.99	49.42%	\$ 949.97	48.57%	81.61%
Internet Access	\$ 309.21	13.13%	\$ 258.90	13.24%	83.73%
Internal Connections	\$ 724.65	30.76%	\$ 627.53	32.09%	86.60%
Internal Connections-Maint	\$ 157.60	6.69%	\$ 119.43	6.11%	75.78%
<b>TOTAL</b>	<b>\$ 2,355.45</b>	<b>100.00%</b>	<b>\$ 1,955.83</b>	<b>100.00%</b>	<b>83.03%</b>
Deobligations due to Expired FRNs	\$ (398.21)				
<b>Net Commitments</b>	<b>\$ 1,957.24</b>				

As of June 30, 2017, one potentially fundable FY 2007 application remains in the PIA review process.

Funding commitments made to applicants during 2Q2017 are included in Appendix SL09. Authorized funding by applicant during 2Q2017 and cumulative payments to service providers through 2Q2017 are listed in Appendices SL10 and SL11, respectively.

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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**FUNDING YEAR 2008**

<b>FY 2008</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 1,291.91	54.41%	\$ 1,049.93	54.68%	81.27%
Internet Access	\$ 331.69	13.97%	\$ 278.65	14.51%	84.01%
Internal Connections	\$ 624.95	26.32%	\$ 499.11	25.99%	79.86%
Internal Connections-Maint	\$ 125.65	5.29%	\$ 92.49	4.82%	73.61%
<b>TOTAL</b>	<b>\$ 2,374.20</b>	<b>100.00%</b>	<b>\$ 1,920.18</b>	<b>100.00%</b>	<b>80.88%</b>
Deobligations due to Expired FRNs	\$ (435.16)				
<b>Net Commitments</b>	<b>\$ 1,939.04</b>				

As of June 30, 2017, no potentially fundable FY 2008 applications remain in the PIA review process. Funding commitments made to applicants during 2Q2017 are included in Appendix SL12. Authorized funding by applicant during 2Q2017 and cumulative payments to service providers through 2Q2017 are listed in Appendices SL13 and SL14, respectively.

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

**FUNDING YEAR 2009**

<b>FY 2009</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 1,354.10	48.14%	\$ 1,110.55	48.04%	82.01%
Internet Access	\$ 354.33	12.60%	\$ 292.66	12.66%	82.60%
Internal Connections	\$ 911.79	32.42%	\$ 768.20	33.23%	84.25%
Internal Connections-Maint	\$ 192.63	6.85%	\$ 140.43	6.07%	72.90%
<b>TOTAL</b>	<b>\$ 2,812.85</b>	<b>100.00%</b>	<b>\$ 2,311.84</b>	<b>100.00%</b>	<b>82.19%</b>
Deobligations due to Expired FRNs	\$ (464.21)				
<b>Net Commitments</b>	<b>\$ 2,348.64</b>				

As of June 30, 2017, no potentially fundable FY 2009 applications remain in the PIA review process. Funding commitments made to applicants during 2Q2017 are included in Appendix SL15. Authorized funding by applicant during 2Q2017 and cumulative payments to service providers through 2Q2017 are listed in Appendices SL16 and SL17, respectively.

**FUNDING YEAR 2010**

<b>FY 2010</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 1,429.83	47.57%	\$ 1,175.67	48.31%	82.22%
Internet Access	\$ 397.91	13.24%	\$ 330.26	13.57%	83.00%
Internal Connections	\$ 974.97	32.44%	\$ 779.81	32.04%	79.98%
Internal Connections-Maint	\$ 203.11	6.76%	\$ 147.96	6.08%	72.85%
<b>TOTAL</b>	<b>\$ 3,005.82</b>	<b>100.00%</b>	<b>\$ 2,433.70</b>	<b>100.00%</b>	<b>80.97%</b>
Deobligations due to Expired FRNs	\$ (529.84)				
<b>Net Commitments</b>	<b>\$ 2,475.98</b>				



**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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As of June 30, 2017, no potentially fundable FY 2010 applications remain in the PIA review process. Funding commitments made to applicants during 2Q2017 are included in Appendix SL18. Authorized funding by applicant during 2Q2017 and cumulative payments to service providers through 2Q2017 are listed in Appendices SL19 and SL20, respectively.

**FUNDING YEAR 2011**

<b>FY 2011</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 1,468.38	54.85%	\$ 1,188.64	55.75%	80.95%
Internet Access	\$ 473.40	17.68%	\$ 387.64	18.18%	81.88%
Internal Connections	\$ 608.58	22.73%	\$ 479.46	22.49%	78.78%
Internal Connections-Maint	\$ 126.64	4.73%	\$ 76.23	3.58%	60.19%
<b>TOTAL</b>	<b>\$ 2,677.00</b>	<b>100.00%</b>	<b>\$ 2,131.97</b>	<b>100.00%</b>	<b>79.64%</b>
Deobligations due to Expired FRNs	\$ (517.39)				
<b>Net Commitments</b>	<b>\$ 2,159.61</b>				

As of June 30, 2017, four potentially fundable FY 2011 applications remain in the PIA review process. Authorized funding by applicant during 2Q2017 and cumulative payments to service providers through 2Q2017 are listed in Appendices SL21 and SL22, respectively.

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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**FUNDING YEAR 2012**

<b>FY 2012</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 1,515.84	51.18%	\$ 1,220.79	53.18%	80.54%
Internet Access	\$ 564.22	19.05%	\$ 448.85	19.55%	79.55%
Internal Connections	\$ 748.05	25.26%	\$ 546.62	23.81%	73.07%
Internal Connections-Maint	\$ 133.39	4.50%	\$ 79.20	3.45%	59.37%
<b>TOTAL</b>	<b>\$ 2,961.50</b>	<b>100.00%</b>	<b>\$ 2,295.46</b>	<b>100.00%</b>	<b>77.51%</b>
Deobligations due to Expired FRNs	\$ (567.90)				
<b>Net Commitments</b>	<b>\$ 2,393.60</b>				

As of June 30, 2017, 12 potentially fundable FY 2012 applications remain in the PIA review process. Funding commitments made to applicants during 2Q2017 are included in Appendix SL23. Authorized funding by applicant during 2Q2017 and cumulative payments to service providers through 2Q2017 are listed in Appendices SL24 and SL25, respectively.

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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**FUNDING YEAR 2013**

<b>FY 2013</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 1,563.84	71.10%	\$ 1,236.98	70.93%	79.10%
Internet Access	\$ 635.73	28.90%	\$ 506.92	29.07%	79.74%
Internal Connections	\$ 0.00	0.00%	\$ 0.00	0.00%	0.00%
Internal Connections-Maint	\$ 0.00	0.00%	\$ 0.00	0.00%	0.00%
<b>TOTAL</b>	<b>\$ 2,199.57</b>	<b>100.00%</b>	<b>\$ 1,743.90</b>	<b>100.00%</b>	<b>79.28%</b>
Deobligations due to Expired FRNs	\$ (440.11)				
<b>Net Commitments</b>	<b>\$ 1,759.46</b>				

As of June 30, 2017, 50 potentially fundable FY 2013 applications remain in the PIA review process. Funding commitments made to applicants during 2Q2017 are included in Appendix SL26.

Authorized funding by applicant during 2Q2017 and cumulative payments to service providers through 2Q2017 are listed in Appendices SL27 and SL28, respectively.

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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**FUNDING YEAR 2014**

<b>FY 2014</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 1,597.12	69.10%	\$ 1,262.15	68.95%	79.03%
Internet Access	\$ 714.08	30.90%	\$ 568.35	31.05%	79.59%
Internal Connections	\$ 0.00	0.00%	\$ 0.00	0.00%	0.00%
Internal Connections-Maint	\$ 0.00	0.00%	\$ 0.00	0.00%	0.00%
<b>TOTAL</b>	<b>\$ 2,311.20</b>	<b>100.00%</b>	<b>\$ 1,830.50</b>	<b>100.00%</b>	<b>79.20%</b>
Deobligations due to Expired FRNs	\$ (448.59)				
<b>Net Commitments</b>	<b>\$ 1,862.61</b>				

As of June 30, 2017, 40 potentially fundable FY 2014 applications remain in the PIA review process. Funding commitments made to applicants during 2Q2017 are included in Appendix SL29. Authorized funding by applicant during 2Q2017 and cumulative payments to service providers through 2Q2017 are listed in Appendices SL30 and SL31, respectively.

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

**FUNDING YEAR 2015**

<b>FY 2015</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 796.92	24.40%	\$ 667.82	25.13%	83.80%
Internet Access	\$ 723.85	22.16%	\$ 602.13	22.66%	83.18%
Internal Connections	\$ 1,226.12	37.54%	\$ 1,011.18	38.06%	82.47%
Internal Connections-Maint	\$ 26.37	0.81%	\$ 17.30	0.65 %	65.60%
MIBS	\$ 24.92	0.76%	\$ 13.15	0.49 %	52.77%
Voice	\$ 468.06	14.33%	\$ 345.44	13.00 %	73.80%
<b>TOTAL</b>	<b>\$ 3,266.24</b>	<b>100.00%</b>	<b>\$ 2,657.02</b>	<b>100.00%</b>	<b>81.35%</b>
Deobligations due to Expired FRNs	\$ (403.26)				
<b>Net Commitments</b>	<b>\$ 2,862.98</b>				

As of June 30, 2017, 58 potentially fundable FY 2015 applications remain in the PIA review process. Funding commitments made to applicants during 2Q2017 are included in Appendix SL32. Authorized funding by applicant during 2Q2017 and cumulative payments to service providers through 2Q2017 are listed in Appendices SL33 and SL34, respectively.

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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**FUNDING YEAR 2016**

<b>FUNDING YEAR 2016</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 0.00	0.00%	\$ 0.00	0.00%	0.00%
Internet Access	\$ 1,580.61	57.06%	\$ 602.59	58.09%	38.12%
Internal Connections	\$ 869.06	31.37%	\$ 352.86	34.01%	40.60%
Internal Connections-Maint	\$ 29.59	1.07%	\$ 5.14	0.50%	17.37%
MIBS	\$ 24.74	0.89%	\$ 9.49	0.91%	38.36%
Voice	\$ 266.15	9.61%	\$ 67.32	6.49%	25.29%
<b>TOTAL</b>	<b>\$ 2,770.15</b>	<b>100.00%</b>	<b>\$ 1,037.40</b>	<b>100.00%</b>	<b>37.45%</b>
Deobligations due to Expired FRNs	\$ -				
<b>Net Commitments</b>	<b>\$ 2,770.15</b>				

As of June 30, 2017, 660 potentially fundable Funding Year 2016 applications remain in the PIA review process. Funding commitments made to applicants during 2Q2017 are included in Appendix SL35. Authorized funding by applicant during 2Q2017 and cumulative payments to service providers through 2Q2017 are listed in Appendices, SL36 and SL37, respectively.

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

**FUNDING YEAR 2017**

<b>FUNDING YEAR 2017</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$0.00	0.00%	\$0.00	0.00%	0.00%
Internet Access	\$252.35	91.36%	\$0.00	0.00%	0.00%
Internal Connections	\$0.07	0.02%	\$0.00	0.00%	0.00%
Internal Connections-Maint	\$0.01	0.00%	\$0.00	0.00%	0.00%
MIBS	\$0.00	0.00%	\$0.00	0.00%	0.00%
Voice	\$23.77	8.61%	\$0.00	0.00%	0.00%
<b>TOTAL</b>	<b>\$276.20</b>	<b>100.00%</b>	<b>\$0.00</b>	<b>0.00%</b>	<b>0.00%</b>
Deobligations due to Expired FRNs	\$0.00				
<b>Net Commitments</b>	<b>\$276.20</b>				

As of June, 30, 2017, 72,161 potentially fundable Funding Year 2017 applications remain in the PIA review process.

**SCHOOLS AND LIBRARIES SUPPORT MECHANISM SUMMARY**

In a series of actions from December 1999 through December 2002, the Commission used a net total of \$477.16 million of undisbursed FY 1998 Schools and Libraries Support Mechanism funds to reduce USF collection requirements. Consistent with the Commission's direction in the *Schools and Libraries First Report and Order*, a total of \$852.12 million of undisbursed FYs 1999 and 2000 collections were used to stabilize USF contributions and offset collections for 3rd Quarter 2002 (3Q2002), 4th Quarter 2002 (4Q2002), and 1st Quarter 2003 (1Q2003).<sup>94</sup>

<sup>94</sup> See *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, First Report and Order, 17 FCC Red 11521,11532, para. 22 (2002) (*Schools and Libraries First Report and Order*). See Application of Generally Accepted Accounting Principles for Federal Agencies and Generally Accepted Government Auditing Standards to the Universal Service Fund et

## Universal Service Administrative Company 4Q2017 Fund Size Projections

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On October 1, 2004, as required by the FCC, USAC changed the accounting methodology for the USF to generally accepted accounting principles for federal agencies.<sup>95</sup> Commission staff subsequently determined that Funding Commitment Decision Letters (FCDLs) for the Schools and Libraries Support Mechanism are to be treated as “obligations” for federal budgetary accounting purposes and subject to the requirements of the Anti-deficiency Act (ADA).<sup>96</sup> The ADA generally requires that sufficient unobligated resources be available before an obligation can be incurred. Congress exempted the USF from the requirements of the ADA through December 31, 2017.<sup>97</sup>

To reduce the USF cash reserve that has accumulated primarily because the structure of the program necessarily results in significant time lags between the commitments and actual disbursements while at the same time retaining the ability of the USF to satisfy all outstanding commitments based on historic disbursement patterns, the Commission applied a total of \$550 million of the undisbursed USF balance from prior years against Schools and Libraries Support Mechanism demand in 2004. The Commission applied \$200 million of

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al., CC Docket No. 96-45 et al., Order, 18 FCC Rcd 19911 (2003); see also 47 C.F.R. § 54.702(n).

<sup>98</sup> See Application of Generally Accepted Accounting Principles for Federal Agencies and Generally Accepted Government Auditing Standards to the Universal Service Fund et al., CC Docket No. 96-45 et al., Order, 18 FCC Rcd 19911 (2003); see also 47 C.F.R. § 54.702(n).

<sup>99</sup> 31 U.S.C. § 1341.

<sup>100</sup> See Consolidated Appropriations Act of 2016, H.R. 2029, 114th Cong. § 501 (2015), became Pub. L. No. 114-113 (“Section 302 of the Universal Service Antideficiency Temporary Suspension Act is amended by striking ‘December 31, 2016’, each place it appears and inserting ‘December 31, 2017.’”); see also H.R. 5419, 108th Cong. § 302 (2004) (Universal Service Antideficiency Temporary Suspension Act) (“During the period beginning on the date of enactment of this Act and ending on December 31, 2005, section 1341 and subchapter II of chapter 15 of title 31, United States Code, do not apply (1) to any amount collected or received as Federal universal service contributions required by section 254 of the Communications Act of 1934 (47 U.S.C. 254), including any interest earned on such contributions; nor (2) to the expenditure or obligation of amounts attributable to such contributions for universal service support programs established pursuant to that section.”); H.R. 2862, 109th Cong. § 633 (2005); H.R.J. Res. 20, 110th Cong. § 20946 (2007); H.R. 2764, 110th Cong. (2007); H.R. 1105, 111th Cong. (2009); H.R. 3288, 111th Cong. (2009); H.R. 3082, 111th Cong. § 155 (2010); H.R. 2055, 112th Cong. (2011); H.R. 2775, 113th Cong. § 128 (2013), H.R. 3547, 113th Cong. (2014); H.R. 83, 113th Cong. (2014).



## Universal Service Administrative Company 4Q2017 Fund Size Projections

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the cash balance in both Second Quarter and Third Quarter 2004, and \$150 million in Fourth Quarter 2004.<sup>98</sup>

The Commission subsequently authorized the recovery by adjusting subsequent funding years for these changes as follows: 2010: \$140M; 2011: \$250M; 2012: \$40M; and 2013: \$120M.<sup>99</sup>

In the *Schools and Libraries Third Report and Order*, the Commission amended its rules to allow unused funds from prior FYs to be carried forward on an annual basis in the second quarter of each calendar year for use in the next full FY.<sup>100</sup> The Commission required USAC to file quarterly estimates of unused funds from prior FYs in submitting its projection of Schools and Libraries Support Mechanism demand for the upcoming quarter. The Commission modified the schedule to implement the process for FY 2003 and directed USAC to carry-forward \$420 million of unused prior year funds for use in FY 2003.<sup>101</sup> In accordance with the *Schools and Libraries Third Report and Order*, the Commission announced that \$150 million in unused funds from FY 2001 would be carried forward to increase disbursements to schools and libraries in FY 2004.<sup>102</sup>

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<sup>101</sup> As stated in its January 31, 2004 Federal Universal Service Support Mechanisms Fund Size Projections for the Second Quarter 2005, and in its subsequent quarterly filings, USAC will continue to consult with the Commission as appropriate concerning the necessity and timing of any recovery of this \$550 million.

<sup>102</sup> As stated in its January 31, 2004, Federal Universal Service Support Mechanisms Fund Size Projections for the Second Quarter 2005, and in its subsequent quarterly filings, USAC will continue to consult with the Commission as appropriate concerning the necessity and timing of any recovery of this \$550 million. In October of 2014, the Commission authorized the recovery of these funds from subsequent fund years. *See Carryover of Unused Funds for Funding Year 2004*, CC Docket No. 02-6, Public Notice, 19 FCC Rcd 20420 (2004).

<sup>103</sup> *See* Schools and Libraries Universal Service Support Mechanism, CC Docket No. 02-6, Third Report and Order and Second Further Notice of Proposed Rulemaking, 18 FCC Rcd 26912, paras. 52-57 (2003) (Schools and Libraries Third Report and Order and Second Further Notice of Proposed Rulemaking).

<sup>104</sup> *Id.*; see also 47 C.F.R. § 54.507(a)(3).

## Universal Service Administrative Company 4Q2017 Fund Size Projections

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On June 11, 2007, the Commission instructed USAC to carry-forward \$650 million in unused funds to FY 2007.<sup>103</sup> The funds were carried forward from FYs 2001, 2002, 2003, and 2004 in the amount of \$50 million, \$300 million, \$150 million, and \$150 million, respectively. On June 23, 2008, the Commission instructed USAC to carry-forward \$600 million in unused funds to FY 2008.<sup>104</sup> The funds were carried forward from FYs 2002, 2003, and 2004 in the amount of \$150 million, \$200 million, and \$250 million, respectively. On July 31, 2009, the Commission instructed USAC to carry-forward \$900 million in unused funds to FY 2009.<sup>105</sup> The funds were carried-forward from FYs 1999, 2001, 2002, 2003, 2004, 2005, and 2006 in the amount of \$25 million, \$60 million, \$60 million, \$210 million, \$275 million, \$200 million, and \$70 million, respectively. On July 1, 2010, the Commission instructed USAC to carry-forward \$900 million in unused funds to FY 2010.<sup>106</sup> The funds were carried-forward from FYs 2002, 2005, 2006, 2007, and 2008 in the amount of \$25 million, \$100 million, \$300 million, \$375 million, and \$100 million, respectively. On August 22, 2011, the Commission instructed USAC to carry-forward an additional \$250 million in unused funds from FY 2008 to FY 2010.<sup>107</sup> The total funds carried forward to FY 2010 amount to \$1,150 million. The Commission further instructed USAC to carry-forward \$850 million in unused funds from FYs 2003, 2004, 2005, 2006, 2007, 2008, and 2009 to FY 2011.<sup>108</sup> The funds were carried-forward from FYs 2003, 2004, 2005, 2006, 2007, 2008, and 2009 in the amount of \$20 million, \$50 million, \$120 million, \$115 million,

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<sup>103</sup> See *Wireline Competition Bureau Announces Carryover of Unused Funds for Funding Year 2007*, CC Docket No. 02-6, Public Notice, 22 FCC Rcd 10795 (2007).

<sup>104</sup> *Carryover of Unused Federal Universal Service Funds for Funding Year 2008*, CC Docket No. 02-6, Public Notice, 23 FCC Rcd 9960 (2008).

<sup>105</sup> See *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Order, 24 FCC Rcd 10164 (2009).

<sup>106</sup> See *Wireline Competition Bureau Announces Carryover of Unused Schools and Libraries Universal Service Funds for Funding Year 2010*, CC Docket No. 02-6, Public Notice, 25 FCC Rcd 8483 (2010).

<sup>107</sup> See *School and Libraries Universal Service Support Mechanism, Funds for Learning, LLC Petition to Reject the Administrator's Discount Threshold Recommendation for Funding Year 2010*, CC Docket No. 02-6, Order, 26 FCC Rcd 11145 (2011).

<sup>108</sup> *Id.* at 11150, para. 13.

## Universal Service Administrative Company 4Q2017 Fund Size Projections

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\$275 million, \$140 million, and \$130 million, respectively. On July 18, 2012, the FCC authorized USAC to carry-forward \$1,050 million in unused funds from prior years to increase FY 2012 disbursements in excess of the \$2.34 billion annual cap.<sup>109</sup> The funds were carried-forward from FYs 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, and 2010 in the amount of \$5 million, \$15 million, \$20 million, \$25 million, \$15 million, \$55 million, \$60 million, \$120 million, \$80 million, \$140 million, \$115 million, \$300 million, and \$100 million, respectively. On May 16, 2013, the FCC authorized USAC to carry-forward \$450 million in unused funds from prior years to increase FY 2013 disbursements in excess of the \$2.38 billion annual cap.<sup>110</sup> The funds were carried forward from FYs 2007, 2008, 2009 and 2010 in the amount of \$20 million, \$150 million, \$150 million and \$130 million, respectively. On May 2, 2014, the FCC authorized USAC to carry-forward \$200 million in unused funds from prior years to increase FY 2014 disbursements in excess of the \$2.41 billion annual cap.<sup>111</sup> The funds were carried forward from FYs 2002, 2007, 2009 and 2010 in the amount of \$40 million, \$30 million, \$70 million and \$60 million, respectively.

In the *Schools and Libraries Sixth Report and Order*, the Commission amended its rules to increase the cap on program funding by indexing the cap to inflation.<sup>112</sup> The Commission calculates this annual increase by using the percentage increase in the gross domestic product chain type price index (GDP-CPI) from the previous year and rounds this to the nearest 0.1

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<sup>109</sup> *Wireline Competition Bureau Announces Carry-Forward of Unused Schools and Libraries Universal Service Funds for Funding Year 2012*, CC Docket No. 02-6, Public Notice, 27 FCC Rcd 8109 (2012).

<sup>110</sup> *See Wireline Competition Bureau Announces Carry-Forward of Unused Schools and Libraries Universal Service Funds for Funding Year 2013*, CC Docket No. 02-6, Public Notice 28 FCC Rcd 7239 (2013).

<sup>111</sup> *See Wireline Competition Bureau Announces Carry-Forward of Unused Schools and Libraries Universal Service Funds for Funding Year 2014*, CC Docket No. 02-6, Public Notice, 29 FCC Rcd 4967 (2014).

<sup>112</sup> *See Schools and Libraries Universal Service Support Mechanism, A National Broadband Plan For Our Future*, CC Docket No. 02-6 *et al.*, Sixth Report and Order, 25 FCC Rcd 18762, 18780-83, paras. 35-40 (2010) (*Schools and Libraries Sixth Report and Order*).

## Universal Service Administrative Company 4Q2017 Fund Size Projections

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percent. The Commission found that the GDP-CPI increased 0.9 percent between 2008 and 2009. Using this analysis, the Commission set the cap for FY 2010 to \$2,270,250,000. On August 5, 2011, the Commission set the cap for FY 2011 at \$2,290,682,250.<sup>113</sup> On November 18, 2011, the FCC ordered USAC to include the inflation adjustments to the E-rate cap in the Schools and Libraries Support Mechanism demand projection.<sup>114</sup> On May 18, 2012, the Commission set the cap for FY 2012 to \$2,338,786,577.<sup>115</sup> On March 11, 2013, the FCC set the cap for FY 2013 at \$2,380,314,485.<sup>116</sup> On March 28, 2014, the FCC set the cap for FY 2014 at \$2,413,817,693.<sup>117</sup>

On December 15, 2014, the FCC Managing Director provided guidance to USAC concerning maintenance of cash reserves for meeting funding commitments for the Schools and Libraries Support Mechanism.<sup>118</sup> On December 19, 2014, the FCC released the *Second E-rate Modernization Order*, adjusting the \$2.41 billion annual cap (after giving effect to inflation adjustments) to \$3.9 billion, effective for FY 2015.<sup>119</sup> On December 23, 2014, USAC submitted information to the FCC consistent with that guidance.<sup>120</sup>

On May 6, 2015, USAC submitted an estimate of demand for the E-rate program for FY 2015 of \$3.92 billion, which includes estimated demand for Category One services (telecommunications, telecommunications services and Internet access) of \$2.255 billion and

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<sup>113</sup> *Wireline Competition Bureau Announces E-Rate Inflation-Based Cap for Funding Year 2011*, CC Docket No. 02-6, Public Notice, 26 FCC Rcd 11097 (2011).

<sup>114</sup> See *USF/ICC Transformation Order*, 26 FCC Rcd at 17848, para. 567.

<sup>115</sup> See *Wireline Competition Bureau Announces E-Rate Inflation-Based Cap for Funding Year 2012*, CC Docket No. 02-6, Public Notice, 27 FCC Rcd 5305 (2012).

<sup>116</sup> See *Wireline Competition Bureau Announces E-Rate Inflation-Based Cap for Funding Year 2013*, CC Docket No. 02-6, Public Notice, 28 FCC Rcd 2318 (2013).

<sup>117</sup> See *Wireline Competition Bureau Announces E-Rate Inflation-Based Cap for Funding Year 2014*, CC Docket No. 02-6, Public Notice, 29 FCC Rcd 3222 (2014).

<sup>118</sup> See Letter from John Wilkins, Managing Director, FCC, to Chris Henderson, Chief Executive Officer, USAC, 29 FCC Rcd 14858 (dated Dec. 15, 2014).

<sup>119</sup> See *Modernizing the E-Rate Program for Schools and Libraries; Connect America Fund*, WC Docket Nos. 13-184 and 10-90, Second Report and Order and Order on Reconsideration, 29 FCC Rcd 15538 (2014) (*Second E-rate Modernization Order*).

<sup>120</sup> See Letter from Chris Henderson, Chief Executive Officer, USAC, to Marlene H. Dortch, Secretary, FCC (Dec. 23, 2014) (regarding Submission for the Record – WC Docket 13-184 *et al.*, Information on Schools and Support Mechanism Funds Available for Carry-Forward).

## **Universal Service Administrative Company 4Q2017 Fund Size Projections**

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of \$1.665 billion for category two services (internal connections, basic maintenance of internal connections and managed internal broadband services).

On May 8, 2015, the FCC authorized USAC to carry-forward \$1,575 million in unused funds from prior years to fund FY 2015 disbursements up to the \$3.92 billion demand. The funds were carried-forward from FYs 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013 in the amount of \$4.99 million; \$8.44 million; \$7.70 million; \$27.70 million; \$15.20 million; \$43.83 million; \$20.95 million; \$18.62 million; \$31.80 million; \$19.49 million; \$18.46 million; \$70.37 million; \$378.57 million; \$595.81 million; \$295.12 million; and \$18 million, respectively.

On June 6, 2016, USAC submitted an estimate of demand for the E-rate program for FY 2016 (July 1, 2016 to June 30, 2017) of \$3.609 billion, which includes estimated demand for category one services (i.e., telecommunications, telecommunications services and Internet access) of \$2.330 billion and of \$1.279 billion for category two services (i.e., internal connections, basic maintenance of internal connections and managed internal broadband services).

On June 8, 2016, the FCC authorized USAC to carry forward \$1,900 million in unused funds from prior years to fund FY 2016 disbursements up to the \$3.609 billion demand. The funds were carried-forward from FYs 2004, 2006, 2008, 2010, 2011, 2012, 2013, 2014 and 2015 in the amount of \$1.69 million; \$2.00 million; \$7.00 million; \$4.31 million; \$17.00 million; \$540.00 million; \$850.00 million; \$290 million; and \$188.00 million, respectively.

The FCC directed USAC to fully fund eligible category one services under the new cap. The FCC also directed USAC to fully fund eligible Category Two services, first using

## Universal Service Administrative Company 4Q2017 Fund Size Projections

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the unused \$1.90 billion in E-rate funds from prior years, and then using any additional funds needed under the new cap to fully meet demand.

On May 24, 2017, the FCC authorized USAC to carry forward \$1,200.24 million to Funding Year 2017 from prior FYs as follows: 2014: \$215.04 million; 2015: \$561.88 million; and 2016: \$423.32 million.

The FCC directed USAC to fully fund eligible category one and category two requests, using \$1.2 billion in E-rate funds unused from previous years, and any additional funds needed under the current cap to fully meet demand for such services. The following sections provide information regarding the use of funds for each FY, including adjustments made by the Commission and projections of unused funds as required by Commission rules.

### **FY 1998 True-Up**

As of June 30, 2017, \$1,399.06 million of Funding Year 1998 support has been disbursed. The Commission, in a series of actions, has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. On April 17, 2017,<sup>121</sup> the Commission directed USAC to reserve 100% for pending appeals. Given these requirements, USAC estimates that \$0.05 million of Funding Year 1998 funds are available to carry-forward. The estimated Funding Year 1998 balance is based on the following:

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<sup>121</sup> *Schools and Libraries Universal Service Support Mechanism – Reserve Funding, Letter to Chris Henderson from Mark Stephens, DA-17-367.A1 (rel. Apr. 17, 2017)*

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

<b>FY 1998</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$1,925.00
Amount Authorized for Disbursement	(\$1,399.06)
Administrative Expenses (21 months)	(\$41.79)
Amount Applied to Adjust 2000, 2001, and 2002 Collections	(\$477.16)
Amount Carried Forward / Backward	(\$9.99)
Amount Received from Rollover	\$3.32
Potential Additional Disbursements on Committed FRNs	\$0.00
Reserved for Invoices Awaiting Approval Expired FRNs	\$0.00
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	(\$0.27)
<b>Estimated Remaining Balance</b>	<b>\$0.05</b>

**FY 1999 True-Up**

As of June 30, 2017, \$1,650.02 million of FY 1999 support had been disbursed. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. On April 17, 2017, the Commission directed USAC to reserve 100% for pending appeals. USAC's projection of remaining FY 1999 funds includes an estimate for additional disbursements on committed but undisbursed funding requests, and a reserve for pending appeals. Given these requirements, USAC estimates that no FY 1999 funds are available to carry-forward. The estimated remaining FY 1999 balance is based on the following:

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

<b>FY 1999</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$1,650.02)
Administrative Expenses	(\$32.32)
Amount Applied to Adjust Third Quarter 2002 Collections	(\$256.16)
Amount Applied to Adjust Fourth Quarter 2002 Collections	(\$212.93)
Amount Carried Forward / Backward	(\$98.44)
Amount Received from Rollover	\$4.54
Potential Additional Disbursements on Committed FRNs	\$0.00
Reserved for Invoices Awaiting Approval Expired FRNs	\$0.00
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	(\$4.67)
<b>Estimated Remaining Balance</b>	<b>(\$0.00)</b>

**FY 2000 True-Up**

As of June 30, 2017, \$1,647.01 million of FY 2000 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. On April 17, 2017, the Commission directed USAC to reserve 100% for pending appeals. USAC's projection of remaining FY 2000 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests and a reserve for pending appeals. Given these requirements, USAC estimates no FY 2000 funds are available to carry-forward. The estimated remaining FY 2000 balance is based on the following:



**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

<b>FY 2000</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$1,647.01)
Administrative Expenses	(\$32.24)
Amount Applied to Adjust Fourth Quarter 2002 Collections	(\$136.85)
Amount Applied to Adjust First Quarter 2003 Collections	(\$246.18)
Amount Carried Forward / Backward	(\$187.70)
Amount Received from Rollover	\$34.45
Potential Additional Disbursements on Committed FRNs	\$0.00
Reserved for Invoices Awaiting Approval Expired FRNs	\$0.00
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	(\$34.47)
<b>Estimated Remaining Balance</b>	<b>(\$0.00)</b>

**FY 2001 True-Up**

As of June 30, 2017, \$1,695.61 million of FY 2001 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. On April 17, 2017, the Commission directed USAC to reserve 100% for pending appeals. USAC's projection of remaining FY 2001 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications and a reserve for appeals. Given these requirements, USAC estimates that no FY 2001 funds are available to carry forward.

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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<b>FY 2001</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$1,695.61)
Administrative Expenses	(\$30.56)
Amount Carried Forward / Backward	(\$522.70)
Amount Received from Rollover	\$64.73
Potential Additional Disbursements on Committed FRNs	\$0.00
Reserved for Invoices Awaiting Approval Expired FRNs	\$0.00
Remaining Uncommitted Requests	(\$20.33)
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	(\$45.53)
<b>Estimated Remaining Balance</b>	<b>\$0.00</b>

**FY 2002 True-Up**

As of June 30, 2017, \$1,598.58 million of FY 2002 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. On April 17, 2017, the Commission directed USAC to reserve 100% for pending appeals. USAC's projection of remaining FY 2002 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that \$0.09 million of FY 2002 funds are available to carry-forward. The estimated remaining FY 2002 balance is based on the following:

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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<b>FY 2002</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$1,598.58)
Administrative Expenses	(\$38.53)
Amount Carried Forward / Backward	(\$605.20)
Amount Received from Rollover	\$3.51
Potential Additional Disbursements on Committed FRNs	\$0.00
Reserved for Invoices Awaiting Approval Expired FRNs	\$0.00
Remaining Uncommitted Requests	(\$0.93)
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	(\$10.18)
<b>Estimated Remaining Balance</b>	<b>\$0.09</b>

**FY 2003 True-Up**

As of June 30, 2017, \$1,940.12 million of FY 2003 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. On April 17, 2017, the Commission directed USAC to reserve 100% for pending appeals. USAC's projection of remaining FY 2003 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that no FY 2003 funds are available to carry-forward. The estimated remaining FY 2003 balance is based on the following:

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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<b>FY 2003</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$1,940.12)
Amount Carried Forward / Backward	(\$678.83)
Amount Received from Rollover	\$448.56
Administrative Expenses	(\$44.19)
Potential Additional Disbursements on Committed FRNs	(\$0.05)
Reserved for Invoices Awaiting Approval Expired FRNs	\$0.00
Remaining Uncommitted Requests	(\$32.83)
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	(\$2.54)
<b>Estimated Remaining Balance</b>	<b>\$0.00</b>

**FY 2004 True-Up**

As of June 30, 2017, \$1,536.47 million of FY 2004 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. On April 17, 2017, the Commission directed USAC to reserve 100% for pending appeals. USAC's projection of remaining FY 2004 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that \$0.02 million in FY 2004 funds are available to carry-forward. The estimated remaining FY 2004 balance is based on the following:

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Projections**

<b>FY 2004</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$1,536.47)
Amount Carried Forward	(\$807.64)
Amount Received from Carry Forward/Carry Back	\$182.19
Amount Applied to Adjust Collections	(\$550.00)
Adjustment for Reduction in Collections	\$550.00
Administrative Expenses	(\$55.75)
Potential Additional Disbursements on Committed FRNs	(\$1.11)
Reserve for Appeals	(\$31.20)
<b>Estimated Remaining Balance</b>	<b>\$0.02</b>

**FY 2005 True-Up**

As of June 30, 2017, \$1,626.27 million of FY 2005 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. On April 17, 2017, the Commission directed USAC to reserve 100% for pending appeals. USAC's projection of remaining FY 2005 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that \$0.90 million of FY 2005 funds are available to carry-forward. The estimated remaining FY 2005 balance is based on the following:

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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<b>FY 2005</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$1,626.27)
Amount Carried Forward / Backward	(\$558.62)
Amount Received from Rollover	\$13.31
Administrative Expenses	(\$64.99)
Potential Additional Disbursements on Committed FRNs	(\$0.10)
Reserved for Invoices Awaiting Approval Expired FRNs	(\$0.18)
Remaining Uncommitted Requests	(\$0.34)
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	(\$11.91)
<b>Estimated Remaining Balance</b>	<b>\$0.90</b>

**FY 2006 True-Up**

As of June 30, 2017, \$1,569.01 million of FY 2006 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. On April 17, 2017, the Commission directed USAC to reserve 100% for pending appeals. USAC's projection of remaining FY 2006 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that \$0.30 million of FY 2006 funds are available to carry-forward. The estimated remaining FY 2006 balance is based on the following:

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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<b>FY 2006</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$1,569.01)
Amount Carried Forward / Backward	(\$598.80)
Amount Received from Rollover	\$13.46
Administrative Expenses	(\$80.74)
Potential Additional Disbursements on Committed FRNs	(\$0.18)
Reserved for Invoices Awaiting Approval Expired FRNs	(\$0.11)
Remaining Uncommitted Requests	(\$0.62)
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	(\$13.70)
<b>Estimated Remaining Balance</b>	<b>\$0.30</b>

**FY 2007 True-Up**

As of June 30, 2017, \$1,955.83 million of FY 2007 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. On April 17, 2017, the Commission directed USAC to reserve 100% for pending appeals. USAC's projection of remaining FY 2007 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that \$0.29 million of FY 2007 funds are available to carry-forward. The estimated remaining FY 2007 balance is based on the following:

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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<b>FY 2007</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$1,955.83)
Amount Carried Forward / Backward	(\$859.49)
Amount Received from Rollover	\$659.45
Administrative Expenses	(\$81.24)
Potential Additional Disbursements on Committed FRNs	(\$1.39)
Reserved for Invoices Awaiting Approval Expired FRNs	\$0.00
Remaining Uncommitted Requests	(\$1.37)
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	(\$9.84)
<b>Estimated Remaining Balance</b>	<b>\$0.29</b>

**FY 2008 True-Up**

As of June 30, 2017, \$1,920.18 million of FY 2008 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. On April 17, 2017, the Commission directed USAC to reserve 100% for pending appeals. USAC's projection of remaining FY 2008 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that \$0.15 million of FY 2008 funds are available to carry-forward. The estimated remaining FY 2008 balance is based on the following:



**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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<b>FY 2008</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$1,920.18)
Amount Carried Forward / Backward	(\$780.46)
Amount Received from Rollover	\$611.95
Administrative Expenses	(\$125.59)
Potential Additional Disbursements on Committed FRNs	(\$18.85)
Reserved for Invoices Awaiting Approval Expired FRNs	\$0.00
Remaining Uncommitted Requests	\$0.00
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	(\$16.72)
<b>Estimated Remaining Balance</b>	<b>\$0.15</b>

**FY 2009 True-Up**

As of June 30, 2017, \$2,311.84 million of FY 2009 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. On April 17, 2017, the Commission directed USAC to reserve 100% for pending appeals. USAC's projection of remaining FY 2009 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that \$1.53 million of FY 2009 funds are available to carry-forward. The estimated remaining FY 2009 balance is based on the following:

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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<b>FY 2009</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$2,311.84)
Amount Carried Forward / Backward	(\$720.37)
Amount Received from Rollover	\$906.24
Administrative Expenses	(\$81.27)
Potential Additional Disbursements on Committed FRNs	(\$36.57)
Reserved for Invoices Awaiting Approval Expired FRNs	(\$0.22)
Remaining Uncommitted Requests	\$0.00
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	(\$4.44)
<b>Estimated Remaining Balance</b>	<b>\$1.53</b>

**FY 2010 True-Up**

As of June 30, 2017, \$2,433.70 million of FY 2010 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. On April 17, 2017, the Commission directed USAC to reserve 100% for pending appeals. USAC's projection of remaining FY 2010 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that \$0.33 million of FY 2010 funds are available to carry-forward. The estimated remaining FY 2010 balance is based on the following:

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Projections**

<b>FY 2010</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$2,433.70)
Amount Carried Forward / Backward	(\$722.99)
Amount Received from Rollover	\$1,150.00
Amount Applied to Adjust Collections FY2004	(\$140.00)
Amount Authorized by FCC Inflation Increment	\$20.25
Administrative Expenses	(\$75.33)
Potential Additional Disbursements on Committed FRNs	(\$42.19)
Reserved for Invoices Awaiting Approval Expired FRNs	(\$0.08)
Remaining Uncommitted Requests	\$0.00
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	(\$5.63)
<b>Estimated Remaining Balance</b>	<b>\$0.33</b>

**FY 2011 True-Up**

As of June 30, 2017, \$2,131.97 million of FY 2011 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. On April 17, 2017, the Commission directed USAC to reserve 100% for pending appeals. USAC's projection of remaining FY 2011 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that \$4.72 million of FY 2011 funds are available to carry-forward. The estimated remaining FY 2011 balance is based on the following:

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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<b>FY 2011</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$2,131.97)
Amount Carried Forward / Backward	(\$647.95)
Amount Received from Rollover	\$850.00
Amount Applied to Adjust Collections FY2004	(\$250.00)
Amount Authorized by FCC Inflation Increment	\$40.68
Administrative Expenses	(\$69.17)
Potential Additional Disbursements on Committed FRNs	(\$24.06)
Reserved for Invoices Awaiting Approval Expired FRNs	(\$3.59)
Remaining Uncommitted Requests	(\$0.53)
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	(\$8.69)
<b>Estimated Remaining Balance</b>	<b>\$4.72</b>

**FY 2012 True-Up**

As of June 30, 2017, \$2,295.46 million of FY 2012 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. On April 17, 2017, the Commission directed USAC to reserve 100% for pending appeals. USAC's projection of remaining FY 2012 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that \$3.31 million of FY 2012 funds are available to carry-forward. The estimated remaining FY 2012 balance is based on the following:

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Projections**

<b>FY 2012</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$2,295.46)
Amount Carried Forward / Backward	(\$850.79)
Amount Received from Rollover	\$1,050.00
Amount Applied to Adjust Collections FY2004	(\$40.00)
Amount Authorized by FCC Inflation Increment	\$88.79
Administrative Expenses	(\$67.31)
Potential Additional Disbursements on Committed FRNs	(\$91.57)
Reserved for Invoices Awaiting Approval Expired FRNs	(\$6.57)
Remaining Uncommitted Requests	(\$4.41)
Reserve for USAC Appeals	(\$1.93)
Reserve for FCC Appeals	(\$27.44)
<b>Estimated Remaining Balance</b>	<b>\$3.31</b>

**FY 2013 True-Up**

As of June 30, 2017, \$1,743.90 million of FY 2013 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. On April 17, 2017, the Commission directed USAC to reserve 100% for pending appeals. USAC's projection of remaining FY 2013 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that an additional \$0.15 million may be required for FY 2013 and no FY 2013 funds are available to carry-forward. The estimated remaining FY 2013 balance is based on the following:

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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<b>FY 2013</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$1,743.90)
Amount Carried Forward / Backward	(\$868.00)
Amount Received from Rollover	\$456.87
Amount Applied to Adjust Collections FY2004	(\$120.00)
Amount Authorized by FCC Inflation Increment	\$130.31
Administrative Expenses	(\$62.90)
Potential Additional Disbursements on Committed FRNs	(\$15.06)
Reserved for Invoices Awaiting Approval Expired FRNs	(\$0.51)
Remaining Uncommitted Requests	(\$4.83)
Reserve for USAC Appeals	(\$10.49)
Reserve for FCC Appeals	(\$11.64)
<b>Estimated Remaining Balance</b>	<b>(\$0.15)</b>

**FY 2014 True-Up**

As of June 30, 2017, \$1,830.50 million of FY 2014 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. On April 17, 2017, the Commission directed USAC to reserve 100% for pending appeals. USAC's projection of remaining FY 2014 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. . Given these requirements, USAC estimates that \$2.63 million of FY 2014 funds are available to carry-forward. The estimated remaining FY 2014 balance is based on the following:

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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<b>FY 2014</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$1,830.50)
Amount Carried Forward / Backward	(\$636.70)
Amount Received from Rollover	\$200.00
Amount Authorized by FCC Inflation Increment	\$163.82
Administrative Expenses	(\$70.00)
Potential Additional Disbursements on Committed FRNs	(\$31.22)
Reserved for Invoices Awaiting Approval Expired FRNs	(\$0.90)
Remaining Uncommitted Requests	(\$19.62)
Reserve for USAC Appeals	(\$12.61)
Reserve for FCC Appeals	(\$9.64)
<b>Estimated Remaining Balance</b>	<b>\$2.63</b>

**FY 2015 True-Up**

As of June 30, 2017, \$2,657.02 million of FY 2015 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. On April 17, 2017, the Commission directed USAC to reserve 100% for pending appeals. USAC's projection of remaining FY 2015 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that \$63.37 million of FY 2015 funds are available to carry-forward. The estimated remaining FY 2015 balance is based on the following:

**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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<b>FY 2015</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$2,657.02)
Amount Carried Forward / Backward	(\$749.88)
Amount Received from Rollover	\$1,575.05
Amount Authorized by FCC Inflation Increment	\$0.00
Administrative Expenses	(\$70.00)
Potential Additional Disbursements on Committed FRNs	(\$198.86)
Reserved for Invoices Awaiting Approval Expired FRNs	(\$7.11)
Remaining Uncommitted Requests	(\$70.30)
Reserve for USAC Appeals	(\$2.78)
Reserve for FCC Appeals	(\$5.73)
<b>Estimated Remaining Balance</b>	<b>\$63.37</b>

**FY 2016 True-Up**

As of June 30, 2017, \$1,037.40 million of FY 2016 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. On April 17, 2017, the Commission directed USAC to reserve 100% for pending appeals. USAC's projection of remaining FY 2016 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that \$264.99 million of FY 2016 funds are available to carry-forward. The estimated remaining FY 2016 balance is based on the following:



**Universal Service Administrative Company 4Q2017 Fund Size  
Projections**

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<b>FY 2016</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$1,842.25
Amount Authorized for Disbursement	(\$1,037.40)
Amount Carried Forward / Backward	(\$423.32)
Amount Received from Rollover	\$1,900.00
Administrative Expenses	(\$71.39)
Potential Additional Disbursements on Committed FRNs	(\$1,732.74)
Reserved for Invoices Awaiting Approval Expired FRNs	\$0.00
Remaining Uncommitted Requests	(\$104.78)
Reserve for USAC Appeals	(\$107.04)
Reserve for FCC Appeals	(\$0.59)
<b>Estimated Remaining Balance</b>	<b>\$264.99</b>

**FY 2017 True-Up**

As of June 30, 2017, \$0.00 million of Funding Year 2017 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. On April 17, 2017, the Commission directed USAC to reserve 100% for pending appeals. USAC's projection of remaining Funding Year 2017 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that \$0.00 million of Funding Year 2017 funds are available to carry-forward. The estimated remaining Funding Year 2017 balance is based on the following:

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<b>FY 2017</b>	<b>Amounts in Millions</b>
Amount Authorized to be collected	\$2,063.29
Amount Authorized for Disbursement	\$0.00
Amount Carried Forward / Backward	\$0.00
Amount Received from Rollover	\$1,200.24
Administrative Expenses	(\$117.00)
Potential Additional Disbursements on Committed FRNs	(\$276.21)
Reserved for Invoices Awaiting Approval Expired FRNs	
Remaining Uncommitted Requests	(\$2,870.32)
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	\$0.00
<b>Estimated Remaining Balance</b>	<b>\$0.00</b>

***4Q2017 Demand Estimate and Contribution Requirement***

Funding Year 2017 began on July 1, 2017. The funding cap for FY 2017 is \$3.990 billion. This reflects a 1.3 percent inflation-adjusted increase in the \$3.939 billion cap from FY 2016. The filing window for FY 2017 closed on May 11, 2017. Based on applications received within the window, we estimate demand for FY 2017 will be \$3,146.53 million (net of projected post window close adjustments).<sup>122</sup> Based on the estimated demand of \$3,146.53 million, and sufficient funds available for carry forward that can be allocated to FY 2017, the collections requirement for FY 2017 is \$1,946.29 million. The third quarter collection requirement of \$486.57 million represents one fourth of the estimated annual collection requirement.

The results of 2Q2017 contributed to an under-funded condition for which this filing proposes to adjust the 4Q2017 funding requirements. The total adjustment to the

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<sup>122</sup> See May 17, 2017 Letter to Kris Monteith from Craig Davis in the Matter of Schools and Libraries Universal Service Support Mechanism, CC Docket No. 02-6, Estimate of Demand for Funding Year 2017 (in which USAC reported total gross demand of \$3.2 billion).

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4Q2017 funding requirement based on actual results will increase the funding requirement by \$5.77 million. The explanation for the adjustment is provided in the following table:

Reason for the Prior Period Adjustment	Adjustment in Millions
2Q2017 billings were lower than projected.	\$10.37
Interest earned was higher than projected.	(0.74)
Bad debt expense was lower than anticipated	(3.86)
<b>Total Prior Period Adjustment</b>	<b>\$5.77</b>

The net fund requirement of \$486.57 is adjusted as follows: increased by \$17.46 million for administrative expenses (including allocated administrative expenses of \$7.83 million), increased by the prior period adjustments of \$5.77 million, and reduced by projected interest income of \$10.33 million; resulting in a total projected 4Q2017 funding requirement for the Schools and Libraries Support Mechanism of \$499.47 million.

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### ***CONTRIBUTION BASE***

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USAC collects quarterly interstate and international revenue information from carriers on FCC Form 499-Q four times each year.<sup>123</sup> USAC uses this information to determine aggregate projected revenue collections, which will be filed with the Commission on March 2, May 31, August 30, and November 30.<sup>124</sup> Based on these filings, the Commission establishes the contribution factor for the upcoming quarter.<sup>125</sup>

The quarterly USF contribution factor established by the Commission is derived from projections of support mechanism demand calculated by USAC and projected

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<sup>123</sup> See 47 C.F.R. § 54.711(a).

<sup>124</sup> See 47 C.F.R. § 54.709(a)(3). The FCC Form 499-Q includes a box for each of the quarterly filing submissions. Carriers check the appropriate box to indicate the quarter for which revenue information is being reported. See also 47 C.F.R. §§ 54.706, 54.708, 54.711, 54.713 (discussing contributor reporting requirements).

<sup>125</sup> See, e.g., *Proposed Fourth Quarter 2016 Universal Service Contribution Factor*, CC Docket No. 96-45, Public Notice, 2016 WL 4762042 (2016).

## **Universal Service Administrative Company 4Q2017 Fund Size Projections**

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collected revenue submitted by USF contributors on FCC Form 499-Q and aggregated by USAC. The total USF funding requirement is based on many inputs and is the result of the manner in which the support mechanisms operate pursuant to Commission rules. Inputs include actual support mechanism demand, which changes quarterly, adjustments resulting from events that occur in prior periods but are reported to USAC in the current period, and reconciliation of projections from prior periods to actual results reported by USF contributors and support mechanism beneficiaries (i.e., prior period adjustments). Other inputs include USAC administrative expenses and capital expenditures, and the impact of interest income earned on USF funds USAC invests in United States Treasury securities. The USF contribution base is different each quarter due to changes in carrier revenue projections, which among other things are subject to changing business cycles, and changes to requirements concerning the revenue to which the USF assessment applies (e.g., adding or subtracting certain types of services to the contribution base due to rule changes or other Commission activity). Because of the combined influence of these many factors, nearly all of which change each quarter based on the manner in which the Commission rules operate and the programs are administered, the quarterly contribution factor established by the Commission derived from these USAC-submitted inputs can fluctuate substantially from quarter to quarter. Thus, comparisons to preceding or prior year quarters should be made with caution and predicting trends based on such comparisons may not provide a basis for meaningful analysis.

USAC invoices and receives contributions from more than 3,000 telecommunications companies each month. Interstate telecommunications service providers are required to complete the 499-Q form, reporting October to December 2017 projected revenue information, and return it to USAC by August 1, 2017. USAC continues

## **Universal Service Administrative Company 4Q2017 Fund Size Projections**

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to assist the Commission in its USF collection enforcement efforts, including providing documentation on a quarterly basis to assist the Commission in issuing Notices of Apparent Liability (NALs) and forfeiture orders against delinquent contributors and companies failing to file required forms. Pursuant to a directive issued by the FCC on March 27, 2012, USAC transfers monies that are 90 days delinquent to the U.S. Treasury after USAC has provided the delinquent carrier with the notice required under FCC and Debt Collection Improvement Act (DCIA) requirements.

USAC implemented the Red Light Rule on November 1, 2004 for contributor debts to the USF.<sup>126</sup> If a contributor is delinquent to the USF, USAC performs administrative offsets to resolve the delinquency by netting any pending service provider disbursements where the Service Provider Identification Number (SPIN) shares the same Taxpayer Identification Number (TIN) as the delinquent contributor. If an entity is delinquent on a debt owed to the Commission or the Telecommunications Relay Service, North American Numbering Plan or Local Portability funds, USAC places administrative holds on any disbursements for SPINs that share the same TIN until the Commission provides information stating that the debt has been satisfied. USAC continues to work closely with the Commission and stakeholders affected by the Red Light Rule implementation.

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### ***AUTHORIZATION TO FILE WITH THE COMMISSION***

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At their July 24, 2017 and July 25, 2017 meetings, USAC's High Cost & Low Income, Rural Health Care and Schools & Libraries Committees adopted resolutions authorizing USAC staff to file with the Commission the 4Q2017 projected support mechanism funding requirements described herein. At its July 25, 2017 meeting, the USAC

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<sup>126</sup> 47 C.F.R. § 1.1910.

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Board of Directors adopted a resolution authorizing the inclusion of the projected 4Q2017 administrative expenses in this report to the Commission.

Respectfully submitted,

UNIVERSAL SERVICE  
ADMINISTRATIVE COMPANY

//s// Vickie Robinson, Acting Chief  
Executive Officer and General Counsel  
Charles Salvator, Vice President of Finance  
and Chief Financial Officer

August 2, 2017