

**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 2018

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**Universal Service Administrative Company 4Q2018 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 2018**

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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 2018 (4Q2018), 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 4Q2018 Fund Size  
Projections**

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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 operating 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 operating 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 \$52.77 million for 4Q2018. Direct operating and capital costs for all support mechanisms total \$28.54 million and are listed for each mechanism in the chart provided below. Joint and common operating and capital costs (including billing, collection, and disbursement activities) total \$24.23 million and are listed in the chart below based on the allocation methodology on file with the Commission.

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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).

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

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*4Q2018 Administrative Expenses (in millions) – Budgeted*

USF Mechanism	Direct Operating and Capital Costs	USAC Common Operating and Capital Costs	Total
<b>High Cost</b>	\$3.09	\$8.26	\$11.35
<b>Low Income</b>	\$7.81	\$4.50	\$12.31
<b>Rural Health Care</b>	\$1.67	\$1.23	\$2.90
<b>Schools &amp; Libraries</b>	\$15.97	\$10.24	\$26.21
<b>Total</b>	\$28.54	\$24.23	\$52.77

Appendix M01 provides USAC’s administrative expense and capital expenditure budget for 4Q2018. Appendix M02 provides the fund size projections for 4Q2018.

**INTEREST INCOME PROJECTION**

For 4Q2018, USAC projects interest income of approximately \$1.71 million for the High Cost Support Mechanism, \$0.09 million for the Low Income Support Mechanism, \$0.52 million for the Rural Health Care Support Mechanism, and \$3.86 million for the Schools and Libraries Support Mechanism for a total of \$6.18 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 2Q2018, on a cash basis, USAC disbursed to beneficiaries \$1,965.24 million in universal service support as follows: \$1,138.16 million in High Cost support, \$302.24 million in Low Income support, \$462.23 million in Schools and Libraries support, and \$62.61 million in Rural Health Care support. The total cash balance available as of June 30, 2018 to the universal service support mechanisms was \$6,898.30 million. On an accrual basis, USAC had a fund balance of \$7,058.86 million at June 30, 2018.

## Universal Service Administrative Company 4Q2018 Fund Size Projections

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Appendices M03 and M04 provide 2018 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>7</sup> USAC initiated efforts, consistent with its February 28, 2008 letter to the Commission, to identify additional measures to prevent or reduce potential improper payments and to allocate the additional resources needed to implement such measures.<sup>8</sup> Commission staff directed USAC to report its progress in implementing proposed actions to prevent or reduce improper payments and to project the anticipated administrative costs of such actions on a quarterly basis.<sup>9</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 4Q2018, 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 Enterprise Portfolio Management Office (EPMO) continues to develop and update required internal controls documentation. The Corporate Assurance group, housed in the Internal Audit Division (IAD), tests the key controls of USAC’s processes. The EPMO reviews the outcome of the testing and ensures that the USAC internal controls program adheres to best practices consistent with OMB Circular A-123. Findings and

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<sup>7</sup> See Improper Payments Information Act of 2002, Pub. L. No. 107-300, 116 Stat 2350 (2002).

<sup>8</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>9</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 4Q2018 Fund Size Projections

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observations of 2018 internal control testing were presented to USAC Leadership in May 2018. The EP MO tracks the completion of the remediation activities and corrective action plans for all control deficiencies developed in response to Corporate Assurance testing results. The EP MO established a framework for an Enterprise Risk Management (ERM) program at USAC to comply with OMB Circular A-123.<sup>10</sup> The EP MO and Corporate Assurance group meet with USAC Leadership quarterly through the Risk Management Council to report on risk-related functions in the enterprise.

### 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>11</sup> and to assess universal service support mechanism beneficiary compliance with FCC regulations.<sup>12</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 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.

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<sup>10</sup> See OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (July 15, 2016).

<sup>11</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.

<sup>12</sup> Letter from Steven Van Roekel, 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 4Q2018 Fund Size Projections**

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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. The status of BCAP 2014 - 2015 as of June 19, 2018 is as follows:

<b>Program</b>	<b>Planned</b>	<b>Completed</b>	<b>In Process</b>	<b>Will Not Initiate</b>
Contributor Revenue	51	43	0	8
High Cost	100	89	4	7
Low Income	80	77	0	3
Schools & Libraries	145	130	0	15
Rural Health Care	31	27	1	3
<b>Total</b>	<b>407</b>	<b>366</b>	<b>5</b>	<b>36</b>

IAD will not initiate 36 of the 407 planned audits. These 36 planned audits 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 auditees that were selected using risk-based criteria.

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. The plan was finalized in early 2016 and announcements began in 4Q2016. The status of BCAP 2016 as of June 19, 2018 is as follows:

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

<b>Program</b>	<b>Planned</b>	<b>Completed</b>	<b>In Process</b>	<b>Will Not Initiate</b>
Contributor Revenue	22	20	1	1
High Cost	51	28	13	10
Low Income	37	31	5	1
Schools & Libraries	74	64	4	6
Rural Health Care	25	21	4	0
<b>Total</b>	<b>209</b>	<b>164</b>	<b>27</b>	<b>18</b>

IAD did not announce 18 of the audits in the plan noted above for the following reasons:

- One contributor audit was terminated and then later added to the 2018 audit plan.
- Ten High Cost audits related to the *USF/ICC Transformation Order* were performed by the IAD Corporate Assurance team as an internal operational audit.
- One Lifeline audit was not performed because the carrier is no longer in business.
- 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.

BCAP 2016 increased by two audits due to whistleblower activity and an FCC request.

Consistent with prior audit plan development, USAC in coordination with FCC OMD and WCB staff worked together to develop the Fiscal Year 2017 audit plan. The status of BCAP 2017 as of June 19, 2018 is as follows:

<b>Program</b>	<b>Planned</b>	<b>Completed</b>	<b>In Process</b>	<b>Will Not Initiate</b>
Contributor Revenue	20	7	11	2
High Cost	35	0	17	0
Low Income	42	4	33	0
Schools & Libraries	64	8	56	0
Rural Health Care	3	0	2	0
<b>Total</b>	<b>164</b>	<b>19</b>	<b>119</b>	<b>2</b>

**Universal Service Administrative Company 4Q2018 Fund Size Projections**

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Two Contributor Revenue audits were not announced due to redirecting IAD staff to support other IAD work and having one less full time equivalent head count.

As noted above, USAC implemented the PQA Program in 2010 to test improper payments and compliance with FCC regulations. The testing results for the most recent two years are noted below. Using a statistically drawn sample, support mechanism disbursements are selected each month 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 2016 and 2015 disbursements:

Support Mechanism	2016		2015	
	Improper Payment Rate	Estimated Improper Payment Amount ( <i>millions</i> )	Improper Payment Rate	Estimated Improper Payment Amount ( <i>millions</i> )
High Cost	0.05%	\$2.5	0.04%	\$1.1
Low Income	21.93%	\$336.4	2.64%	\$36.6
Schools and Libraries	4.34%	\$103.5	5.70%	\$119.3

Payments made from the Rural Health Program were not tested as the Rural Health Care Program was deemed low risk for calendar years 2016 and 2015. Testing of payments for calendar year 2017 began late 4Q2017 with estimated completion during early 4Q2018.

3. *Improving information technology tools*

USAC has undertaken a systematic review of the capabilities of its current financial systems 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.

## Universal Service Administrative Company 4Q2018 Fund Size Projections

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

In the last quarter, USAC conducted extensive outreach, including:

- Outreach to more than twelve carriers participating in the High Cost Program, to explain the compliance and verification process for the Connect America Fund;
- Outreach to states in the first wave of the National Verifier for the Lifeline Program;
- Outreach to Rural Health Care Program participants regarding funding commitment decisions, a new FCC order, and filing deadlines;
- Outreach to companies that contribute to the USF, to inform them of banking process changes in light of the USF transferring to the U.S. Department of Treasury; and
- Outreach calls to participants in the Schools and Libraries Program: three to Tribal audiences, and nine to applicant and service provider stakeholder groups.

USAC conducted twenty webinars: four webinars for High Cost carriers and consultants, as well as state, local, and Tribal officials; ten webinars for Lifeline carriers; three webinars for Schools and Libraries audiences; and three webinars for USF contributing companies. USAC participated in one professional meeting for Lifeline Program audiences. Lastly, USAC launched fourteen online learning tutorials: five for companies that contribute to the USF, one for the Lifeline Program, and eight for the Schools and Libraries Program.

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## ***FUNDING REQUIREMENTS***

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### **HIGH COST SUPPORT MECHANISM**

Appendix HC01 provides projected High Cost Support by State by Study Area for 4Q2018. HC01 also provides the projected amount of individual company support, and



## **Universal Service Administrative Company 4Q2018 Fund Size Projections**

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projected per-month amounts for the components of High Cost support that each Eligible Telecommunications Carrier (ETC)<sup>13</sup> may be eligible to receive. HC02 provides the total projected amount of annualized High Cost Support for 4Q2018 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>14</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>15</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>16</sup>

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>17</sup> The Commission allocated \$300 million for the second round of Phase I support.<sup>18</sup> If total demand exceeds \$300 million, the Commission will authorize up to an additional \$185 million in funding.<sup>19</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

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<sup>13</sup> See 47 C.F.R. § 54.1310; 47 C.F.R. §§ 54.301-54.303.

<sup>14</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 at 17717, para. 137 (2011) (*USF/ICC Transformation Order*).

<sup>15</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>16</sup> See *USF/ICC Transformation Order*, 26 FCC Rcd at 17717, para. 138.

<sup>17</sup> See *Phase I Order*, 28 FCC Rcd at 7768-71, paras. 7, 11.

<sup>18</sup> *Id.* at 7768, para. 7.

<sup>19</sup> *Id.* at 7768-71, paras. 7, 11.

## Universal Service Administrative Company 4Q2018 Fund Size Projections

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Communications.<sup>20</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>21</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>22</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>23</sup> The Order also permits price cap carriers that decline model-based support to participate in the 2016 competitive bidding process.<sup>24</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>25</sup> The total offer is \$1.675 billion annually, for six calendar years, 2015-2020.<sup>26</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>27</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

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<sup>20</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>21</sup> *Id.*

<sup>22</sup> *Id.*

<sup>23</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*).

<sup>24</sup> *Id.* at 7062-7063, para. 37.

<sup>25</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>26</sup> *Id.*

<sup>27</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).

## **Universal Service Administrative Company 4Q2018 Fund Size Projections**

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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>28</sup>

For 4Q2018, total CAF Phase II projected support is estimated to be \$379.42 million. Total annual 2018 CAF Phase II support is estimated to be \$1,517.68 million.

Appendix HC12 provides projected CAF Phase II Support by state by study area for 4Q2018.

### **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>29</sup> Eligible incumbent carriers may receive additional support through this recovery mechanism.

For 4Q2018, total CAF/ICC Support is estimated to be \$102.33 million and total annual 2018 CAF/ICC Support is estimated to be \$409.32 million. Appendix HC10 provides projected CAF/ICC Support by State by Study Area for 4Q2018.

Per the *2018 CAF/ICC Order*, additional CAF/ICC transition support is available to rate-of-return affiliates of price cap carriers to restore deducted Local Switching Support (LSS)-related amounts, as applicable.<sup>30</sup> Any such support disbursed in 4Q2018 will be paid

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<sup>28</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).

<sup>29</sup> See 47 C.F.R. § 54.304(b).

<sup>30</sup> See *Connect America Fund et al.*, WC Docket Nos. 10-90 et al., Order and Declaratory Ruling, FCC 18-50, paras. 11, 19

## Universal Service Administrative Company 4Q2018 Fund Size Projections

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from funds available in the High Cost account.

### **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>31</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>32</sup> For 4Q2018, total RBE support is estimated to be \$0.83 million, all of which will be paid from cash reserved in the High Cost account; thus, there is no 4Q2018 collection requirement for RBE. Total annual 2018 RBE support is estimated to be \$3.32 million. Appendix HC13 provides projected RBE Support by State by Study Area for 4Q2018.

### **MOBILITY FUND PHASE I**

In accordance with the Public Notice issued by the Wireline Competition Bureau on November 1, 2017, Mobility Fund Phase I support of \$7.50 million for 4Q2018 will be paid with funds available in the High Cost account.<sup>33</sup> Appendix HC11 provides projected Mobility Fund Phase I Support by State by Study Area for 4Q2018.

### **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>34</sup> On March 30, 2016, the FCC released the *Rate-of-Return Reform Order* setting

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(2018) (rel. Apr. 19, 2018) (*2018 CAF/ICC Order*).

<sup>31</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>32</sup> See *id.* at 8772, para. 9.

<sup>33</sup> See *Wireline Competition Bureau Provides Guidance to the Universal Service Administrative Company Regarding the High-Cost Universal Services Mechanism Budget*, WC Docket No. 10-90, Public Notice, 32 FCC Rcd 9243 (WCB 2017).

<sup>34</sup> See *USF/ICC Transformation Order*, 26 FCC Rcd at 17740, para. 206.

## Universal Service Administrative Company 4Q2018 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>35</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>36</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. Appendix HC15 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 (HCL) support (including Safety Net Additive (SNA) and Safety Valve Support (SVS)) and or Connect America Broadband Loops Support (CAF BLS).<sup>37</sup>

In the *2018 Rate-of-Return Reform Order*, the FCC eliminated the effect of the budget control mechanism affecting claims from July 2017 to June 2018 by fully funding claims by legacy rate-of-return carriers during that period.<sup>38</sup> The order directed USAC to work with the FCC to determine an efficient methodology to calculate the amounts withheld as a result of the budget control mechanism and make payments to fully fund support claims to the affected carriers in a lump sum payment in the second full quarter after the effective date of the order (*i.e.*, 4Q2018), drawing first on funds available in USAC's reserve account.

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<sup>35</sup> See generally *Rate-of-Return Reform Order*, 31 FCC Rcd 3087.

<sup>36</sup> See *id.* at 3090-91, para. 4.

<sup>37</sup> See *id.* at 3142-3145, paras. 146-155.

<sup>38</sup> See *Connect America Fund et al.*, WC Docket Nos. 10-90 *et al.*, Report and Order, Third Order on Reconsideration, and Notice of Proposed Rulemaking, FCC 18-29, at 35-36, paras 77-82 (Mar. 23, 2018) (*2018 Rate-of-Return Reform Order*).

## Universal Service Administrative Company 4Q2018 Fund Size Projections

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

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>39</sup> Growth in total HCL support for rural carriers is limited under Section 54.1302 of the Commission's rules to the current level of funding increased yearly by the annual growth in supported rural loops.<sup>40</sup> The *Rural Task Force (RTF) Order* increased HCL support for rural carriers effective July 1, 2001.<sup>41</sup>

Rural HCL support for calendar year 2018 will be less than the level of payments for 2017 because of a rural growth factor of negative 1.1675 percent. Rural HCL support for calendar year 2018, therefore, is capped at \$586.7 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>42</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>43</sup> Pursuant to the *USF/ICC Transformation Order*, SNA was planned to be phased down over a two-year period, and no SNA support will be provided for carriers whose costs are incurred

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<sup>39</sup> Universal Service Fund (USF) 2012 Submission of 2011 Study Results (filed Oct. 1, 2012) (*USF Data Submission*).

<sup>40</sup> 47 C.F.R. § 54.1302(a); *see also* 47 C.F.R. § 54.1303.

<sup>41</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>42</sup> *Id.* at 11276-81, paras. 77-90; *see also* 47 C.F.R. § 54.1304.

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

## **Universal Service Administrative Company 4Q2018 Fund Size Projections**

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after 2009.<sup>44</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>45</sup> Beginning in 1Q2018, SNA support was phased out, thus there is no projected SNA supported.

For 4Q2018, projected HCL support is \$122.70 million, which includes \$0.73 million for SVS. Total annual 2018 HCL support is projected to be \$490.80 million.

Appendix HC05 provides projected monthly HCL support payments by State by Study Area for 4Q2018. Appendix HC06 displays projected SVS payments by State by Study Area for 4Q2018.

### **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 a specified number of locations while meeting certain service obligations.<sup>46</sup>

For 4Q2018, projected Alaska Plan Support is \$32.08 million. Total annual 2018 Alaska Plan Support is projected to be \$128.32 million. Appendix HC04 provides 4Q2018 projections for Alaska Plan Support by State by Study Area.

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

Connect America Broadband Loop Support (CAF BLS) replaces what was previously known as Interstate Common Line Support (ICLS).<sup>47</sup> The FCC made

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<sup>44</sup> See *USF/ICC Transformation Order*, 26 FCC Rcd at 17758, para. 252.

<sup>45</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).

<sup>46</sup> See WC-Docket Nos. 10-90 and 16-271 DA 16-425

<sup>47</sup> See *Rate-of-Return Reform Order*, 31 FCC Rcd at 3091, para. 5.

## **Universal Service Administrative Company 4Q2018 Fund Size Projections**

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modifications to modernize ICLS rules to provide support in situations where the customer no longer subscribes to traditional regulated local exchange voice service.<sup>48</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>49</sup>

For 4Q2018, CAF BLS is projected to be \$184.64 million and total annual 2018 CAF BLS is estimated to be \$738.56 million. For 4Q2018, the remaining legacy ICLS true-up is projected to be \$5.66 million and total annual 2018 ICLS true-up is estimated to be \$11.32 million.

Appendix HC08 provides USAC's 4Q2018 projections of CAF BLS by State by Study Area and Appendix HC09 provides USAC's 4Q2018 projections of CAF BLS by State.

Appendix HC16 provides USAC's 4Q2018 ICLS by State by Study Area 2016 True-Up and Appendix and HC17 provides ICLS 2016 True-Up per Line.

### **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 CAF-BLS and HCL support. The initial November 1, 2016 carrier election led 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

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<sup>48</sup> *Id.*

<sup>49</sup> *Id.*



## **Universal Service Administrative Company 4Q2018 Fund Size Projections**

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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.

On March 23, 2018, the FCC released the *2018 Rate-of-Return Reform Order*, which directed USAC to offer additional A-CAM support up to \$146.10 per location to all carriers that accepted revised offers of model-based support.<sup>50</sup> The FCC estimated this additional support would increase the A-CAM budget by approximately \$36.5 million annually. The FCC directed that USAC must make a one-time lump sum payment from excess cash in its High Cost account to true up support that would have been disbursed in 2017 at the \$146.10 per-location cap support amount.<sup>51</sup>

For 4Q2018, A-CAM is projected to be \$146.24 million, of which \$54.90 million will be paid from funds available in the High Cost account. Appendix HC14 provides Alternative Connect America Cost Model Support Projected by State by Study Area for 4Q2018.

### **PRICE CAP CARRIERS**

For 4Q2018, total frozen high cost support for price cap carriers is estimated to be \$36.74 million and total annual 2018 frozen high cost support for price cap carriers is estimated to be \$146.96 million. Appendix HC07 provides frozen high cost support for price cap carriers by State by Study Area for 4Q2018.

### **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

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<sup>50</sup> See *2018 Rate-of-Return Reform Order*, FCC 18-29, at 31, para. 66.

<sup>51</sup> See *id.* at 32, para. 68.

## Universal Service Administrative Company 4Q2018 Fund Size Projections

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beginning January 1, 2012.<sup>52</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 was lower.<sup>53</sup> That monthly baseline amount was provided from January 1, 2012 to September 30, 2012.<sup>54</sup> Beginning July 1, 2012, each CETC's support was reduced by 20 percent for each July to June time period.<sup>55</sup> However, consistent with FCC rules, since Mobility Fund Phase II was not implemented by September 30, 2014, CETC support was not be subject to an additional 20 percent reduction in support beginning July 2014.<sup>56</sup> The implementation date of Mobility Fund Phase II is yet to be determined.

For 4Q2018, total frozen high cost support for CETCs is \$121.05 million, which includes \$0.15 million for Standing Rock 4Q2018 High Cost Program support. Total annual 2018 frozen high cost support for CETCs, including Standing Rock, is estimated to be \$484.20 million.

Appendix HC07 provides frozen high cost support for CETCs by State by Study Area for 4Q2018. Additionally, Appendix HC03 provides 4Q2018 projections for Standing Rock Support by State by Study Area.

### TRIBAL OPERATING EXPENSE LIMITATION

Per the *Tribal Rate-of-Return Reform Order*, additional support is available to adjust the operating expense limitation for carriers that predominantly serve Tribal lands.<sup>57</sup> Any such support disbursed in 3Q2018 will be paid from funds available in the High Cost account.

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<sup>52</sup> See *id.* at 17830, para. 513.

<sup>53</sup> See *id.* at 17831, para. 515.

<sup>54</sup> See *id.*

<sup>55</sup> See *id.*

<sup>56</sup> *USF/ICC Transformation Order*, 26 FCC Rcd at 17831, para. 515; see also 47 C.F.R. § 54.307.

<sup>57</sup> See *Connect America Fund et al.*, WC Docket Nos. 10-90 et al., Report and Order, FCC 18-37, para. 9 (rel. Apr. 5, 2018) (*Tribal Rate-of-Return Reform Order*).

## **Universal Service Administrative Company 4Q2018 Fund Size Projections**

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### **UNIENDO A PUERTO RICO FUND AND CONNECT USVI FUND**

On May 29, 2018, the FCC released the *Uniendo a Puerto Rico Fund and Connect USVI Fund Order*, which made available \$64.20 million in new funding to bolster the ability of existing carriers to restore their facilities in Puerto Rico and the U.S. Virgin Islands that were damaged by hurricanes.<sup>58</sup>

### **ADDITIONAL COLLECTION REQUIREMENT**

Per the *2018 Rate-of-Return Reform Order*, the FCC instructed USAC to collect \$1,125 million for each quarter in 2018, for a minimum collection of \$4,500 million per year.<sup>59</sup> Further, USAC will true-up collections for 1Q2018 and 2Q2018 to collect the difference between the demand filed and \$1,125 million. The difference will be spread evenly across 3Q2018 and 4Q2018. For 3Q2018 and 4Q2018, this results in an additional collection of \$65.68 million related to trueing-up 1Q2018 and 2Q2018 demand.

### **HIGH COST SUPPORT MECHANISM SUMMARY**

The 4Q2018 High Cost Support Mechanism funding requirements are projected as follows: \$122.70 million for HCL support, \$184.64 million for CAF BLS, \$5.66 million for ICLS true-up, \$36.74 million for frozen Price Cap Carrier Support, \$379.42 million for CAF Phase II, \$121.05 million for frozen CETC Support, \$102.33 million for CAF/ICC Support, \$32.08 million for Alaska Plan Support, \$91.34 million for A-CAM, and \$64.20 million for Puerto Rico and U.S. Virgin Islands support. In addition, \$65.68 million will be collected in 4Q2018 to true up collections for 1Q2018 and 2Q2018 demand. This results in base projected demand of \$1,205.84 million.

The following funding requirements will be paid from funds available in the High

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<sup>58</sup> See *The Uniendo a Puerto Rico Fund and the Connect USVI Fund Connect America Fund ETC Annual Reports and Certifications*, WC Docket No. 18-143 et al., Order and Notice of Proposed Rulemaking, FCC 18-57, para. 13 (rel. May 29, 2018) (*Uniendo a Puerto Rico Fund and Connect USVI Fund Order*).

<sup>59</sup> *2018 Rate-of-Return Reform Order*, FCC 18-29, at para. 71.

## Universal Service Administrative Company 4Q2018 Fund Size Projections

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Cost account: Rural Broadband Experiments (\$0.83 million), Mobility Fund Phase I (\$7.50 million), incremental A-CAM support (\$54.90 million), 4Q2018 disbursements related to CAF/ICC adjustments to rate-of-return affiliates of price cap carriers per the *2018 CAF/ICC Order*, 4Q2018 disbursements related to budget control mechanism adjustments per the *2018 Rate-of-Return Order*, and 4Q2018 disbursements related to the Tribal operating expense limitation adjustments per the *Tribal Rate-of-Return Reform Order*.

The total fund requirement of \$1,205.84 million is adjusted as follows: decreased by prior period adjustments of \$16.06 million,<sup>60</sup> increased by administrative costs of \$11.35 million, and reduced by projected interest income of \$1.71 million; resulting in a total projected 4Q2018 funding requirement for the High Cost Support Mechanism of \$1,199.42 million.

Appendix M02 provides the fund size projections for 4Q2018.

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<sup>60</sup> Prior period adjustments reconcile projections to actual results and include adjustments for billings, disbursements, interest income, bad debt and administrative expenses.

## Universal Service Administrative Company 4Q2018 Fund Size Projections

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### LOW INCOME SUPPORT MECHANISM

#### LIFELINE SUPPORT

ETCs providing Lifeline support are entitled to receive funding for the waiver of charges and reduced rates provided to qualified low-income subscribers.<sup>61</sup> In the *Lifeline Reform Order*, all non-tribal Lifeline support was set to a flat rate of \$9.25 for all subscribers equally, regardless of whether they subscribe to wireline or wireless Lifeline service.<sup>62</sup> As established in the *Tribal Order*, tribal support makes available each month up to an additional \$25 per low-income subscriber to eligible residents of tribal lands.<sup>63</sup> The *2016 Lifeline Order* extended Lifeline support to broadband services and adopted a phase-down of support for voice-only service beginning in 2019.<sup>64</sup>

For 4Q2018, USAC projects \$289.94 million will be required for Lifeline support.

#### LINK-UP SUPPORT

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>65</sup> ETCs may claim a 100 percent reduction 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>66</sup>

For 4Q2018, USAC projects that \$0.04 million will be required for Link-Up support.

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<sup>61</sup> 47 C.F.R. §§ 54.401-54.417.

<sup>62</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 Order*).

<sup>63</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.

<sup>64</sup> See *Lifeline and Link Up Reform and Modernization, et al.*, WC Docket Nos. 11-42, Third Report and Order and Further Report and Order, and Order on Reconsideration, 31 FCC Rcd 3962, 3985-87, paras. 62-66 (2016) (*2016 Lifeline Order*).

<sup>65</sup> See *id.* at 6767, para. 254.

<sup>66</sup> 47 C.F.R. § 54.413(a)(1).

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**LOW INCOME SUPPORT MECHANISM SUMMARY**

The estimated 4Q2018 Low Income Support Mechanism funding requirements are projected as follows: \$289.94 million for Lifeline and \$0.04 million for Link-Up, resulting in total of \$289.98 million.

The total fund requirement of \$289.98 million is adjusted as follows: decreased by prior period adjustment of \$22.95 million,<sup>67</sup> increased for administrative costs of \$12.31 million, and decreased by projected interest income of \$0.09 million; resulting in a total projected 4Q2018 funding requirement for the Low Income Support Mechanism of \$279.25 million.

Appendix LI01 provides projected Low Income support amounts by state and study area for 4Q2018.<sup>68</sup> LI03 provides a list of ETCs for 2Q2018.<sup>69</sup> LI04 provides detail on company specific Low Income disbursement amounts for 2Q2018. LI05 provides detail on annual company-specific Low Income support claimed by state and company for January 2015 through June 2018. LI06 provides historical data of monthly support amounts claimed by ETCs from January 1998 through June 2018. LI07 provides detail on Low Income support claimed by state or jurisdiction for January 2015 through June 2018. LI08 and LI09 provide subscriber and beneficiary information by state or jurisdiction for Lifeline and Link-Up support, respectively, for January 2018 through June 2018.

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<sup>67</sup> Prior period adjustments reconcile projections to actual results and include adjustments for billings, disbursements, interest income, bad debt and administrative expenses.

<sup>68</sup> Companies that are no longer ETCs have been removed from LI01.

<sup>69</sup> Companies that are no longer ETCs have been removed from LI03.

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**RURAL HEALTH CARE SUPPORT MECHANISM**

In the *2018 Rural Health Care Program Funding Cap Order*, the Commission amended its rules to allow unused funds from previous funding years to be carried forward for use in subsequent funding years, beginning in Funding Year 2018.<sup>70</sup> On an annual basis, unused funds will be made available in the second quarter of each calendar year for use in the next full funding year of the Rural Health Care Program.<sup>71</sup>

In the *2018 Rural Health Care Program Funding Cap Order*, the Commission also required USAC to file quarterly estimates of unused funds that will be available for carryover in subsequent funding years.<sup>72</sup> The following is a summary of estimated unused funds as of June 30, 2018 for Funding Years 2008 through 2016. Funding years prior to Funding Year 2008 are closed.

**FUNDING YEAR 2008**

Funding Year 2008 began on July 1, 2008 and ended on June 30, 2009. Balances as of June 30, 2018 are as follows:

<b>Funding Year 2008</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$80.95
Amount Authorized for Disbursement	\$80.95
Reserve for Outstanding Obligations	\$0.00
Reserve for Pending Applications	\$0.00
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	\$0.00
<b>Estimated Remaining Balance</b>	<b>\$0.00</b>

Cumulative payments to service providers through 2Q2018 are listed in Appendix RH03.

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<sup>70</sup> *Promoting Telehealth in Rural America*, WC Docket No. 17-310, Report and Order, FCC 18-82, para. 25 (2018) (*2018 Rural Health Care Program Funding Cap Order*).

<sup>71</sup> *Id.*, para. 27.

<sup>72</sup> *Id.*, para. 26.

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**FUNDING YEAR 2009**

Funding Year 2009 began on July 1, 2009 and ended on June 30, 2010. Balances as of June 30, 2018 are as follows:

<b>Funding Year 2009</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$356.71
Amount Authorized for Disbursement	\$355.82
Reserve for Outstanding Obligations	\$0.32
Reserve for Pending Applications	\$0.00
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	\$0.00
<b>Estimated Remaining Balance</b>	<b>\$0.57</b>

Cumulative payments to service providers through 2Q2018 are listed in Appendix RH06.

**FUNDING YEAR 2010**

Funding Year 2010 began on July 1, 2010 and ended on June 30, 2011. Balances as of June 30, 2018 are as follows:

<b>Funding Year 2010</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$87.39
Amount Authorized for Disbursement	\$87.32
Reserve for Outstanding Obligations	\$0.06
Reserve for Pending Applications	\$0.00
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	\$0.00
<b>Estimated Remaining Balance</b>	<b>\$0.01</b>

Cumulative payments to service providers through 2Q2018 are listed in Appendix RH09.

**FUNDING YEAR 2011**

Funding Year 2011 began on July 1, 2011 and ended on June 30, 2012. Balances as of June 30, 2018 are as follows:



**Universal Service Administrative Company 4Q2018 Fund Size  
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<b>Funding Year 2011</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$101.33
Amount Authorized for Disbursement	\$101.29
Reserve for Outstanding Obligations	\$0.04
Reserve for Pending Applications	\$0.00
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	\$0.00
<b>Estimated Remaining Balance</b>	<b>\$0.00</b>

Cumulative payments to service providers through 2Q2018 are listed in Appendix RH12.

**FUNDING YEAR 2012**

Funding Year 2012 began on July 1, 2012 and ended on June 30, 2013. Balances as of June 30, 2018 are as follows:

<b>Funding Year 2012</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$118.32
Amount Authorized for Disbursement	\$116.90
Reserve for Outstanding Obligations	\$1.29
Reserve for Pending Applications	\$0.00
Reserve for USAC Appeals	\$0.04
Reserve for FCC Appeals	\$0.09
<b>Estimated Remaining Balance</b>	<b>\$0.00</b>

Cumulative payments to service providers through 2Q2018 are listed in Appendix RH15.

**FUNDING YEAR 2013**

Funding Year 2013 began on July 1, 2013 and ended on June 30, 2014. Balances as of June 30, 2018 are as follows:

<b>Funding Year 2013</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$176.75
Amount Authorized for Disbursement	\$175.06
Reserve for Outstanding Obligations	\$1.62
Reserve for Pending Applications	\$0.00
Reserve for USAC Appeals	\$0.03
Reserve for FCC Appeals	\$0.03
<b>Estimated Remaining Balance</b>	<b>\$0.01</b>

Cumulative payments to service providers through 2Q2018 are listed in Appendix RH18.

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

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**FUNDING YEAR 2014**

Funding Year 2014 began on July 1, 2014 and ended on June 30, 2015. Balances as of June 30, 2018 are as follows:

<b>Funding Year 2014</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$231.04
Amount Authorized for Disbursement	\$218.49
Reserve for Outstanding Obligations	\$1.04
Reserve for Pending Applications	\$0.00
Reserve for USAC Appeals	\$5.69
Reserve for FCC Appeals	\$5.82
<b>Estimated Remaining Balance</b>	<b>\$0.00</b>

Authorized funding by applicant during 2Q2018 and cumulative payments to service providers through 2Q2018 are listed in Appendices RH20 and RH21, respectively.

**FUNDING YEAR 2015**

Funding Year 2015 began on July 1, 2015 and ended on June 30, 2016. Balances as of June 30, 2018 are as follows:

<b>Funding Year 2015</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$306.64
Amount Authorized for Disbursement	\$263.85
Reserve for Outstanding Obligations	\$24.88
Reserve for Pending Applications	\$0.00
Reserve for USAC Appeals	\$9.15
Reserve for FCC Appeals	\$8.30
<b>Estimated Remaining Balance</b>	<b>\$0.46</b>

Funding commitments made to applicants during 2Q2018 are included in Appendix RH22.

Authorized funding by applicant during 2Q2018 and cumulative payments to service providers through 2Q2018 are listed in Appendices RH23 and RH24, respectively.

**FUNDING YEAR 2016**

Funding Year 2016 began on July 1, 2016 and ended on June 30, 2017. Balances as of June 30, 2018 are as follows:

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

<b>Funding Year 2016</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$388.86
Amount Authorized for Disbursement	\$265.83
Reserve for Outstanding Obligations	\$65.77
Reserve for Pending Applications	\$5.78
Reserve for USAC Appeals	\$25.34
Reserve for FCC Appeals	\$12.76
Administrative Expenses	\$12.29
<b>Estimated Remaining Balance</b>	<b>\$1.09</b>

Funding commitments made to applicants during 2Q2018 are included in Appendix RH25. Authorized funding by applicant during 2Q2018 and cumulative payments to service providers through 2Q2018 are listed in Appendices RH26 and RH27, respectively.

**FUNDING YEAR 2017**

Funding Year 2017 began on July 1, 2017 and ended on June 30, 2018. In the *2018 Rural Health Care Program Funding Cap Order*, the Commission increased the funding cap for Funding Year 2017 from \$400.00 million to \$571.00 million.<sup>73</sup> The Commission directed USAC to collect additional funds required to fully fund Funding Year 2017 over the next two quarters (*i.e.*, 4Q2018 and 1Q2019).<sup>74</sup> To fully fund Funding Year 2017, USAC will collect an additional \$59.52 million. USAC will collect this amount in two equal payments over the next two quarters: \$29.76 million will be collected in 4Q2018 and in 1Q2019.

Authorized funding by applicant during 2Q2018 and cumulative payments to service providers through 2Q2018 are listed in Appendices RH29 and RH30, respectively.

**FUNDING YEAR 2018**

Funding Year 2018 began on July 1, 2018 and will end on June 30, 2019. In the *2018 Rural Health Care Program Funding Cap Order*, the Commission announced a funding cap for Funding Year 2018 of \$581.28 million.<sup>75</sup> USAC will be collecting funds up to the cap for

<sup>73</sup> *2018 Rural Health Care Program Funding Cap Order*, para. 13.

<sup>74</sup> *Id.*, para. 19.

<sup>75</sup> *2018 Rural Health Care Program Funding Cap Order*, para. 13, note 75.

## **Universal Service Administrative Company 4Q2018 Fund Size Projections**

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Funding Year 2018. Prior to the Commission increasing the Funding Year 2018 funding cap to \$581.28 million, USAC calculated a Funding Year 2018 collection requirement of \$400.00 million. One quarter, or \$100.00 million, of this collection requirement was included in the 3Q2018 demand filing. Thus, the remaining funds to collect for Funding Year 2018 are \$481.28 million, or \$160.43 million for the remaining three quarters in the Funding Year.

All funding requests received during the filing window, which ended on June 29, 2018, are under review and no funding commitments have been issued for Funding Year 2018 as of June 30, 2018.

### **RURAL HEALTH CARE SUPPORT MECHANISM SUMMARY**

The estimated 4Q2018 Rural Health Care Support Mechanism demand requirement is \$190.19 million, which includes amounts for Funding Years 2017 and 2018 for the Telecommunications Program, the Healthcare Connect Fund, and administrative costs.

The total fund requirement of \$190.19 million is adjusted as follows: decreased by the prior period adjustment of \$1.50 million<sup>76</sup> and reduced by projected interest income of \$0.52 million; resulting in a total projected 4Q2018 funding requirement for the Rural Health Care Support Mechanism of \$188.17 million.

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<sup>76</sup> Prior period adjustments reconcile projections to actual results and include adjustments for billings, interest income, bad debt and administrative expenses.

**Universal Service Administrative Company 4Q2018 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>77</sup> and net authorized for payment<sup>78</sup> by Funding Year as of June 30, 2018.

**FUNDING YEAR 1998**

<b>Funding Year 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	36.30%	74.75%
Internet Access	\$ 134.10	7.89%	\$ 94.82	6.78%	70.71%
Internal Connections	\$ 885.78	52.13%	\$ 796.37	56.93%	89.91%
<b>TOTAL</b>	<b>\$ 1,699.12</b>	<b>100.00%</b>	<b>\$1,398.95</b>	<b>100.00%</b>	<b>82.33%</b>
De-obligations due to Expired FRNs	\$ (300.17)				
<b>Net Commitments</b>	<b>\$ 1,398.95</b>				

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

**FUNDING YEAR 1999**

<b>Funding Year 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	66.82%	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>

<sup>77</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>78</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 4Q2018 Fund Size  
Projections**

Deobligations due to Expired FRNs	\$ (497.97)				
<b>Net Commitments</b>	<b>\$ 1,650.02</b>				

No Funding Year 1999 applications remain in the PIA review process.

**FUNDING YEAR 2000**

Funding Year 2000					
	Net Commitments		Net Authorized for Payment		Auth/Com
	Millions of Dollars	% of Total Commitments	Millions of Dollars	% of Total Authorized for Payment	% of Committed Authorized for Payment
Telecommunications	\$ 719.02	34.59%	\$ 481.21	29.22%	66.93%
Internet Access	\$ 218.72	10.52%	\$ 131.92	8.01%	60.32%
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	\$ (431.70)				
<b>Net Commitments</b>	<b>\$ 1,647.06</b>				

No Funding Year 2000 applications remain in the PIA review process.

**FUNDING YEAR 2001**

Funding Year 2001					
	Net Commitments		Net Authorized for Payment		Auth/Com
	Millions of Dollars	% of Total Commitments	Millions of Dollars	% of Total Authorized for Payment	% of Committed Authorized for Payment
Telecommunications	\$ 766.55	35.32%	\$ 540.89	31.90%	70.56%
Internet Access	\$ 224.70	10.35%	\$ 146.93	8.66%	65.39%
Internal Connections	\$ 1,178.99	54.33%	\$ 1,007.88	59.44%	85.49%
<b>TOTAL</b>	<b>\$ 2,170.24</b>	<b>100.00%</b>	<b>\$ 1,695.70</b>	<b>100.00%</b>	<b>78.13%</b>
Deobligations due to Expired FRNs	\$ (474.54)				
<b>Net Commitments</b>	<b>\$ 1,695.70</b>				

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

As of June 30, 2018, two potentially fundable Funding Year 2001 applications remain in the PIA review process. Authorized funding by applicant during 2Q2018 and cumulative payments to service providers through 2Q2018 are listed in Appendices SL01 and SL02, respectively.

**FUNDING YEAR 2002**

<b>Funding Year 2002</b>					
	Net Commitments		Net Authorized for Payment		Auth/Com
	Millions of Dollars	% of Total Commitments	Millions of Dollars	% of Total Authorized for Payment	% of Committed Authorized for Payment
Telecommunications	\$ 848.93	40.15%	\$ 610.67	38.27%	71.93%
Internet Access	\$ 251.03	11.87%	\$ 169.42	10.62%	67.49%
Internal Connections	\$ 1,014.46	47.98%	\$ 815.74	51.12%	80.41%
<b>TOTAL</b>	<b>\$ 2,114.42</b>	<b>100.00%</b>	<b>\$1,595.83</b>	<b>100.00%</b>	<b>75.47%</b>
Deobligations due to Expired FRNs	\$ (518.60)				
<b>Net Commitments</b>	<b>\$ 1,595.82</b>				

As of June 30, 2018, one potentially fundable Funding Year 2002 application remains in the PIA review process. Authorized funding by applicant during 2Q2018 and cumulative payments to service providers through 2Q2018 are listed in Appendices SL03 and SL04, respectively.

**FUNDING YEAR 2003**

<b>Funding Year 2003</b>					
	Net Commitments		Net Authorized for Payment		Auth/Com
	Millions of Dollars	% of Total Commitments	Millions of Dollars	% of Total Authorized for Payment	% of Committed Authorized for Payment
Telecommunications	\$ 899.03	35.65%	\$ 657.50	33.93%	73.13%
Internet Access	\$ 274.79	10.90%	\$ 203.32	10.49%	73.99%
Internal Connections	\$ 1,348.21	53.46%	\$1,076.71	55.57%	79.86%

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

<b>TOTAL</b>	<b>\$ 2,522.03</b>	<b>100.00%</b>	<b>\$1,937.53</b>	<b>100.00%</b>	<b>76.82%</b>
Deobligations due to Expired FRNs	\$ (584.50)				
<b>Net Commitments</b>	<b>\$ 1,937.53</b>				

As of June 30, 2018, two potentially fundable Funding Year 2003 applications remain in the PIA review process.

**FUNDING YEAR 2004**

<b>Funding Year 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	\$ 933.78	45.93%	\$ 689.99	44.94%	73.89%
Internet Access	\$ 245.18	12.06%	\$ 193.35	12.59%	78.86%
Internal Connections	\$ 853.98	42.01%	\$ 651.98	42.47%	76.35%
<b>TOTAL</b>	<b>\$ 2,032.95</b>	<b>100.00%</b>	<b>\$ 1,535.32</b>	<b>100.00%</b>	<b>75.52%</b>
Deobligations due to Expired FRNs	\$ (497.63)				
<b>Net Commitments</b>	<b>\$ 1,535.32</b>				

No Funding Year 2004 applications remain in the PIA review process. Funding commitments made to applicants during 2Q2018 are included in Appendix SL05. Authorized funding by applicant during 2Q2018 and cumulative payments to service providers through 2Q2018 are listed in Appendices SL06 and SL07, respectively.



**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

**FUNDING YEAR 2005**

Funding Year 2005					
	Net Commitments		Net Authorized for Payment		Auth/Com
	Millions of Dollars	% of Total Commitments	Millions of Dollars	% of Total Authorized for Payment	% of Committed Authorized for Payment
Telecommunications	\$ 983.88	49.02%	\$ 778.02	47.92%	79.08%
Internet Access	\$ 259.43	12.92%	\$ 214.37	13.20%	82.63%
Internal Connections	\$ 643.99	32.08%	\$ 539.52	33.23%	83.78%
Basic Maintenance of Internal Connections	\$ 119.97	5.98%	\$ 91.76	5.65%	76.48%
<b>TOTAL</b>	<b>\$ 2,007.27</b>	<b>100.00%</b>	<b>\$ 1,623.67</b>	<b>100.00%</b>	<b>80.89%</b>
Deobligations due to Expired FRNs	\$ (383.60)				
<b>Net Commitments</b>	<b>\$ 1,623.67</b>				

No Funding Year 2005 applications remain in the PIA review process. Funding commitments made to applicants during 2Q2018 are included in Appendix SL08.

**FUNDING YEAR 2006**

Funding Year 2006					
	Net Commitments		Net Authorized for Payment		Auth/Com
	Millions of Dollars	% of Total Commitments	Millions of Dollars	% of Total Authorized for Payment	% of Committed Authorized for Payment
Telecommunications	\$ 1,063.65	54.59%	\$ 849.65	54.24%	79.88%
Internet Access	\$ 290.35	14.90%	\$ 236.52	15.10%	81.46%
Internal Connections	\$ 475.78	24.42%	\$ 394.74	25.20%	82.97%
Basic Maintenance Internal Connections	\$ 118.63	6.09%	\$ 85.60	5.47%	72.17%
<b>TOTAL</b>	<b>\$ 1,948.41</b>	<b>100.00%</b>	<b>\$ 1,566.52</b>	<b>100.00%</b>	<b>80.40%</b>
Deobligations due to Expired FRNs	\$ (381.75)				
<b>Net Commitments</b>	<b>\$ 1,566.66</b>				

**Universal Service Administrative Company 4Q2018 Fund Size Projections**

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No Funding Year 2006 applications remain in the PIA review process. Funding commitments made to applicants during 2Q2018 are included in Appendix SL09. Authorized funding by applicant during 2Q2018 and cumulative payments to service providers through 2Q2018 are listed in Appendices SL10 and SL11, respectively.

**FUNDING YEAR 2007**

<b>Funding Year 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	\$ 1,164.25	49.41%	\$ 947.38	48.50%	81.37%
Internet Access	\$ 309.84	13.15%	\$ 258.90	13.25%	83.56%
Internal Connections	\$ 724.65	30.75%	\$ 627.73	32.14%	86.63%
Basic Maintenance of Internal Connections	\$ 157.58	6.69%	\$ 119.33	6.11%	75.73%
<b>TOTAL</b>	<b>\$ 2,356.32</b>	<b>100.00%</b>	<b>\$ 1,953.34</b>	<b>100.00%</b>	<b>82.90%</b>
Deobligations due to Expired FRNs	\$ (401.99)				
<b>Net Commitments</b>	<b>\$ 1,954.33</b>				

No Funding Year 2007 applications remain in the PIA review process. Funding commitments made to applicants during 2Q2018 are included in Appendix SL12. Authorized funding by applicant during 2Q2018 and cumulative payments to service providers through 2Q2018 are listed in Appendices SL13 and SL14, respectively.

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

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**FUNDING YEAR 2008**

Funding Year 2008					
	Net Commitments		Net Authorized for Payment		Auth/Com
	Millions of Dollars	% of Total Commitments	Millions of Dollars	% of Total Authorized for Payment	% of Committed Authorized for Payment
Telecommunications	\$ 1,292.06	54.39%	\$ 1,047.22	54.44%	81.05%
Internet Access	\$ 332.80	14.01%	\$ 278.65	14.49%	83.73%
Internal Connections	\$ 624.87	26.30%	\$ 505.31	26.27%	80.87%
Basic Maintenance of Internal Connections	\$ 125.75	5.29%	\$ 92.45	4.81%	73.53%
<b>TOTAL</b>	<b>\$ 2,375.48</b>	<b>100.00%</b>	<b>\$ 1,923.64</b>	<b>100.00%</b>	<b>80.98%</b>
Deobligations due to Expired FRNs	\$ (448.81)				
<b>Net Commitments</b>	<b>\$ 1,926.67</b>				

No Funding Year 2008 applications remain in the PIA review process. Authorized funding by applicant during 2Q2018 and cumulative payments to service providers through 2Q2018 are listed in Appendices SL15 and SL16, respectively.

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

**FUNDING YEAR 2009**

Funding Year 2009					
	Net Commitments		Net Authorized for Payment		Auth/Com
	Millions of Dollars	% of Total Commitments	Millions of Dollars	% of Total Authorized for Payment	% of Committed Authorized for Payment
Telecommunications	\$ 1,353.29	48.21%	\$ 1,111.22	47.79%	82.11%
Internet Access	\$ 349.42	12.45%	\$ 292.66	12.59%	83.76%
Internal Connections	\$ 911.81	32.48%	\$ 781.03	33.59%	85.66%
Basic Maintenance of Internal Connections	\$ 192.54	6.86%	\$ 140.37	6.04%	72.91%
<b>TOTAL</b>	<b>\$ 2,807.06</b>	<b>100.00%</b>	<b>\$ 2,325.28</b>	<b>100.00%</b>	<b>82.84%</b>
Deobligations due to Expired FRNs	\$ (470.47)				
<b>Net Commitments</b>	<b>\$ 2,336.59</b>				

No Funding Year 2009 applications remain in the PIA review process. Funding commitments made to applicants during 2Q2018 are included in Appendix SL17.

Authorized funding by applicant during 2Q2018 and cumulative payments to service providers through 2Q2018 are listed in Appendices SL18 and SL19, respectively.

**FUNDING YEAR 2010**

Funding Year 2010					
	Net Commitments		Net Authorized for Payment		Auth/Com
	Millions of Dollars	% of Total Commitments	Millions of Dollars	% of Total Authorized for Payment	% of Committed Authorized for Payment
Telecommunications	\$ 1,430.33	47.69%	\$ 1,176.92	48.21%	82.28%
Internet Access	\$ 392.69	13.09%	\$ 330.26	13.53%	84.10%
Internal Connections	\$ 972.99	32.44%	\$ 786.25	32.20%	80.81%
Basic Maintenance of Internal Connections	\$ 202.96	6.77%	\$ 147.97	6.06%	72.90%
<b>TOTAL</b>	<b>\$ 2,998.98</b>	<b>100.00%</b>	<b>\$ 2,441.40</b>	<b>100.00%</b>	<b>81.41%</b>
Deobligations due to Expired FRNs	\$ (537.60)				

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

<b>Net Commitments</b>	<b>\$ 2,461.39</b>				
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No Funding Year 2010 applications remain in the PIA review process. Funding commitments made to applicants during 2Q2018 are included in Appendix SL20. Authorized funding by applicant during 2Q2018 and cumulative payments to service providers through 2Q2018 are listed in Appendices SL21 and SL22, respectively.

**FUNDING YEAR 2011**

<b>Funding Year 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	\$ 1,468.68	55.02%	\$ 1,188.71	55.45%	80.94%
Internet Access	\$ 466.77	17.49%	\$ 387.69	18.08%	83.06%
Internal Connections	\$ 607.46	22.76%	\$ 491.14	22.91%	80.85%
Basic Maintenance of Internal Connections	\$ 126.47	4.74%	\$ 76.23	3.56%	60.28%
<b>TOTAL</b>	<b>\$ 2,669.38</b>	<b>100.00%</b>	<b>\$ 2,143.77</b>	<b>100.00%</b>	<b>80.31%</b>
Deobligations due to Expired FRNs	\$ (510.23)				
<b>Net Commitments</b>	<b>\$ 2,159.15</b>				

No Funding Year 2011 applications remain in the PIA review process. Funding commitments made to applicants during 2Q2018 are included in Appendix SL23. Authorized funding by applicant during 2Q2018 and cumulative payments to service providers through 2Q2018 are listed in Appendices SL24 and SL25 respectively.

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

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**FUNDING YEAR 2012**

<b>Funding Year 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	\$ 1,515.46	51.33%	\$ 1,220.98	52.63%	80.57%
Internet Access	\$ 556.11	18.84%	\$ 449.47	19.37%	80.82%
Internal Connections	\$ 747.70	25.33%	\$ 570.33	24.58%	76.28%
Basic Maintenance of Internal Connections	\$ 132.91	4.50%	\$ 79.20	3.41%	59.59%
<b>TOTAL</b>	<b>\$ 2,952.18</b>	<b>100.00%</b>	<b>\$ 2,319.98</b>	<b>100.00%</b>	<b>78.59%</b>
Deobligations due to Expired FRNs	\$ (566.20)				
<b>Net Commitments</b>	<b>\$ 2,385.98</b>				

As of June 30, 2018, 10 potentially fundable Funding Year 2012 applications remain in the PIA review process. Funding commitments made to applicants during 2Q2018 are included in Appendix SL26. Authorized funding by applicant during 2Q2018 and cumulative payments to service providers through 2Q2018 are listed in Appendices SL27 and SL28, respectively.

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

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**FUNDING YEAR 2013**

<b>Funding Year 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	\$ 1,563.16	71.07%	\$ 1,240.27	70.73%	79.34%
Internet Access	\$ 636.28	28.93%	\$ 513.16	29.27%	80.65%
Internal Connections	\$ 0.00	0.00%	\$ 0.00	0.00%	0.00%
Basic Maintenance of Internal Connections	\$ 0.00	0.00%	\$ 0.00	0.00%	0.00%
<b>TOTAL</b>	<b>\$ 2,199.44</b>	<b>100.00%</b>	<b>\$ 1,753.43</b>	<b>100.00%</b>	<b>79.72%</b>
Deobligations due to Expired FRNs	\$ (444.65)				
<b>Net Commitments</b>	<b>\$ 1,754.79</b>				

As of June 30, 2018, 41 potentially fundable Funding Year 2013 applications remain in the PIA review process. Funding commitments made to applicants during 2Q2018 are included in Appendix SL29. Authorized funding by applicant during 2Q2018 and cumulative payments to service providers through 2Q2018 are listed in Appendices SL30 and SL31, respectively.

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

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**FUNDING YEAR 2014**

<b>Funding Year 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	\$ 1,630.30	69.50%	\$ 1,274.15	69.06%	78.15%
Internet Access	\$ 715.46	30.50%	\$ 570.91	30.94%	79.80%
Internal Connections	\$ 0.00	0.00%	\$ 0.00	0.00%	0.00%
Basic Maintenance of	\$ 0.00	0.00%	\$ 0.00	0.00%	0.00%
<b>TOTAL</b>	<b>\$ 2,345.77</b>	<b>100.00%</b>	<b>\$ 1,845.05</b>	<b>100.00%</b>	<b>78.65%</b>
Deobligations due to Expired FRNs	\$ (464.06)				
<b>Net Commitments</b>	<b>\$ 1,881.71</b>				

As of June 30, 2018, 24 potentially fundable Funding Year 2014 applications remain in the PIA review process. Funding commitments made to applicants during 2Q2018 are included in Appendix SL32. Authorized funding by applicant during 2Q2018 and cumulative payments to service providers through 2Q2018 are listed in Appendices SL33 and SL34, respectively.



**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

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**FUNDING YEAR 2015**

<b>Funding Year 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	\$ 823.85	25.23%	\$ 672.32	24.62%	81.61%
Internet Access	\$ 724.71	22.19%	\$ 604.29	22.13%	83.38%
Internal Connections	\$ 1,188.18	36.38%	\$ 1,072.55	39.28%	90.27%
Basic Maintenance of Internal Connections	\$ 23.88	0.73%	\$ 17.32	0.63%	72.54%
MIBS	\$ 24.64	0.75%	\$ 13.15	0.48%	53.36%
Voice Services	\$ 480.68	14.72%	\$ 350.76	12.85%	72.97%
<b>TOTAL</b>	<b>\$ 3,265.94</b>	<b>100.00%</b>	<b>\$ 2,730.39</b>	<b>100.00%</b>	<b>83.60%</b>
Deobligations due to Expired FRNs	\$ (423.66)				
<b>Net Commitments</b>	<b>\$ 2,842.28</b>				

As of June 30, 2018, 26 potentially fundable Funding Year 2015 applications remain in the PIA review process. Funding commitments made to applicants during 2Q2018 are included in Appendix SL35. Authorized funding by applicant during 2Q2018 and cumulative payments to service providers through 2Q2018 are listed in Appendices SL36 and SL37, respectively.

**Universal Service Administrative Company 4Q2018 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	\$ 1,723.39	59.64%	\$ 1,299.24	59.28%	75.39%
Internal Connections	\$ 840.26	29.08%	\$ 661.09	30.16%	78.68%
Basic Maintenance of Internal Connections	\$ 28.12	0.97%	\$ 13.53	0.62%	48.10%
MIBS	\$ 23.79	0.82%	\$ 20.47	0.93%	86.03%
Voice Services	\$ 274.18	9.49%	\$ 197.29	9.00%	71.96%
<b>TOTAL</b>	<b>\$ 2,889.74</b>	<b>100.00%</b>	<b>\$ 2,191.62</b>	<b>100.00%</b>	<b>75.84%</b>
Deobligations due to Expired FRNs	\$ (382.54)				
<b>Net Commitments</b>	<b>\$ 2,507.20</b>				

As of June 30, 2018, 170 potentially fundable Funding Year 2016 applications remain in the PIA review process. Funding commitments made to applicants during 2Q2018 are included in Appendix SL38. Authorized funding by applicant during 2Q2018 and cumulative payments to service providers through 2Q2018 are listed in Appendices, SL39 and SL40, respectively.

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

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**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	\$ 1,604.67	69.34%	\$ 689.62	68.56%	42.98%
Internal Connections	\$ 545.86	23.59%	\$ 274.99	27.34%	50.38%
Basic Maintenance of Internal Connections	\$ 26.08	1.13%	\$ 3.81	0.38%	14.59%
MIBS	\$ 19.07	0.82%	\$ 7.67	0.76%	40.21%
Voice Services	\$ 118.56	5.12%	\$ 29.812	2.96%	25.15%
<b>TOTAL</b>	<b>\$ 2,314.24</b>	<b>100.00%</b>	<b>\$ 1,005.91</b>	<b>100.00%</b>	<b>43.47%</b>
Deobligations due to Expired FRNs	\$ (0.00)				
<b>Net Commitments</b>	<b>\$ 2,314.24</b>				

As of June 30, 2018, 435 potentially fundable Funding Year 2017 applications remain in the PIA review process. Funding commitments made to applicants during 2Q2018 are included in Appendix SL41. Authorized funding by applicant during 2Q2018 and cumulative payments to service providers through 2Q2018 are listed in Appendices SL42 and SL43, respectively.

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

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**FUNDING YEAR 2018**

<b>FUNDING YEAR 2018</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	\$958.91	72.65%	\$3.88	38.63%	0.41%
Internal Connections	\$322.19	24.41%	\$6.11	60.78%	1.90%
Internal Connections-Maint	\$14.10	1.07%	\$0.00	0.00%	0.00%
MIBS	\$11.16	0.85%	\$0.04	0.44%	0.40%
Voice	\$13.59	1.03%	\$0.02	0.15%	0.11%
<b>TOTAL</b>	<b>\$1,319.95</b>	<b>100.00%</b>	<b>\$10.05</b>	<b>100.00%</b>	<b>0.76%</b>
Deobligations due to Expired FRNs	\$0.00				
<b>Net Commitments</b>	<b>\$1,319.95</b>				

As of June 30, 2018, 5174 potentially fundable Funding Year 2018 applications remain in the PIA review process. Funding commitments made to applicants during 2Q2018 are included in Appendix SL44.

**FCC DECISIONS AND UNUSED FUNDS**

In a series of actions from December 1999 through December 2002, the Commission used a net total of \$477.16 million of undisbursed Funding Year 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 Funding Years 1999 and 2000 collections were used to

## Universal Service Administrative Company 4Q2018 Fund Size Projections

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stabilize USF contributions and offset collections for 3rd Quarter 2002 (3Q2002), 4th Quarter 2002 (4Q2002), and 1st Quarter 2003 (1Q2003).<sup>79</sup>

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>80</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>81</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, 2019.<sup>82</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

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<sup>79</sup> See *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, First Report and Order, 17 FCC Rcd 11521,11532, para. 22 (2002) (*Schools and Libraries First Report and Order*). See also *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>80</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>81</sup> 31 U.S.C. § 1341.

<sup>82</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 ‘March 31, 2018.’”); 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). H.R. 1625, Pub. L. No. 115-141, 115<sup>th</sup> Cong., Div. P, § 201 (2018).

## Universal Service Administrative Company 4Q2018 Fund Size Projections

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Libraries Support Mechanism demand in 2004. The Commission applied \$200 million of the cash balance in both Second Quarter and Third Quarter 2004, and \$150 million in Fourth Quarter 2004.<sup>83</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>84</sup>

In the *Schools and Libraries Third Report and Order*, the Commission amended its rules to allow unused funds from prior Funding Years to be carried forward on an annual basis in the second quarter of each calendar year for use in the next full Funding Year.<sup>85</sup> The Commission required USAC to file quarterly estimates of unused funds from prior Funding Years 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 Funding Year 2003 and directed USAC to carry-forward \$420 million of unused prior year funds for use in Funding Year 2003.<sup>86</sup> In accordance with the *Schools and Libraries Third Report and Order*, the Commission announced that \$150 million in unused funds from Funding Year 2001 would be carried forward to increase disbursements to schools and libraries in Funding Year 2004.<sup>87</sup>

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<sup>83</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>84</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>85</sup> *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*).

<sup>86</sup> *Id.*; see also 47 C.F.R. § 54.507(a)(3).

<sup>87</sup> *See Carryover of Unused Funds for Funding Year 2004*, CC Docket No. 02-6, Public Notice, 19 FCC Rcd 20420 (2004).

## Universal Service Administrative Company 4Q2018 Fund Size Projections

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On June 11, 2007, the Commission instructed USAC to carry-forward \$650 million in unused funds to Funding Year 2007.<sup>88</sup> The funds were carried forward from Funding Years 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 Funding Year 2008.<sup>89</sup> The funds were carried forward from Funding Years 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 Funding Year 2009.<sup>90</sup> The funds were carried-forward from Funding Years 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 Funding Year 2010.<sup>91</sup> The funds were carried-forward from Funding Years 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 Funding Year 2008 to Funding Year 2010.<sup>92</sup> The total funds carried forward to Funding Year 2010 amount to \$1,150 million. The Commission further instructed USAC to carry-forward \$850 million in unused funds from Funding Years 2003, 2004, 2005, 2006, 2007, 2008, and 2009 to Funding Year 2011.<sup>93</sup> The funds were carried-

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<sup>88</sup> See *Carryover of Unused Federal Universal Service Funds for Funding Year 2007*, CC Docket No. 02-6, Public Notice, 23 FCC Rcd 10795 (2007).

<sup>89</sup> *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Order, 24 FCC Rcd 9960 (2008).

<sup>90</sup> *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Order, 24 FCC Rcd 10164 (WCB 2009)

<sup>91</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>92</sup> *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Order, 26 FCC Rcd 11145 (WCB 2011)

<sup>93</sup> *Id.* at 11150, para. 13.

## Universal Service Administrative Company 4Q2018 Fund Size Projections

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forward from Funding Years 2003, 2004, 2005, 2006, 2007, 2008, and 2009 in the amount of \$20 million, \$50 million, \$120 million, \$115 million, \$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 Funding Year 2012 disbursements in excess of the \$2.34 billion annual cap.<sup>94</sup> The funds were carried-forward from Funding Years 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 Funding Year 2013 disbursements in excess of the \$2.38 billion annual cap.<sup>95</sup> The funds were carried forward from Funding Years 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 Funding Year 2014 disbursements in excess of the \$2.41 billion annual cap.<sup>96</sup> The funds were carried forward from Funding Years 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>97</sup> The Commission calculates this annual increase by using the percentage increase in the gross domestic product

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<sup>94</sup> See *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>95</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>96</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>97</sup> *Schools and Libraries Universal Service Support Mechanism*, CC Docket Nos 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 4Q2018 Fund Size Projections

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chain type price index (GDP-CPI) from the previous year and rounds this to the nearest 0.1 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 Funding Year 2010 to \$2,270,250,000. On August 5, 2011, the Commission set the cap for Funding Year 2011 at \$2,290,682,250.<sup>98</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>99</sup> On May 18, 2012, the Commission set the cap for Funding Year 2012 to \$2,338,786,577.<sup>100</sup> On March 11, 2013, the FCC set the cap for Funding Year 2013 at \$2,380,314,485.<sup>101</sup> On March 28, 2014, the FCC set the cap for Funding Year 2014 at \$2,413,817,693.<sup>102</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>103</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 Funding Year 2015.<sup>104</sup> On December 23, 2014, USAC submitted information to the FCC consistent with that guidance.<sup>105</sup>

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<sup>98</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>99</sup> See *USF/ICC Transformation Order*, 26 FCC Rcd at 17848, para. 567.

<sup>100</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>101</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>102</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>103</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>104</sup> See *Modernizing the E-Rate Program for Schools and Libraries*, WC Docket Nos. 13-184 and 10-90, Second Report and Order and Order on Reconsideration, 29 FCC Rcd 15538 (2014) (*Second 2014 E-rate Order*).

<sup>105</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 4Q2018 Fund Size Projections**

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On May 6, 2015, USAC submitted an estimate of demand for the E-rate program for Funding Year 2015 of \$3.92 billion, which includes estimated demand for Category One services (telecommunications, telecommunications services and Internet access) of \$2.255 billion and 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 Funding Year 2015 disbursements up to the \$3.92 billion demand. The funds were carried-forward from Funding Years 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 Funding Year 2016 (July 1, 2016 to September 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 Funding Year 2016 disbursements up to the \$3.609 billion demand. The funds were carried-forward from Funding Years 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.

## **Universal Service Administrative Company 4Q2018 Fund Size Projections**

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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 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 Funding Years 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 funding year, including adjustments made by the Commission and projections of unused funds as required by Commission rules.

### **Funding Year 1998 True-Up**

As of June 30, 2018, \$1,398.95 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>106</sup> the Commission directed USAC to reserve 100 percent for pending appeals. Given these requirements, USAC estimates no 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>106</sup> Letter from Mark Stephens, Managing Director, FCC to Chris Henderson, Chief Executive Officer, USAC, DA-17-367, at 2 (Apr. 17, 2017) (directing USAC to reverse one hundred percent for pending funding requests that are awaiting a decision from USAC or the Commission) (April 17, 2017 Letter).

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

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<b>Funding Year 1998</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$1,925.00
Amount Authorized for Disbursement	(\$1,398.95)
Administrative Expenses (21 months)	(\$41.79)
Amount Applied to Adjust 2000, 2001, and 2002 Collections	(\$477.16)
Amount Carried Forward / Backward	(\$7.06)
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	(\$0.04)
<b>Estimated Remaining Balance</b>	<b>\$0.00</b>

***Funding Year 1999 True-Up***

As of June 30, 2018, \$1,650.02 million of Funding Year 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 percent for pending appeals.<sup>107</sup> USAC's projection of remaining Funding Year 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 no Funding Year 1999 funds are available to carry-forward. The estimated remaining Funding Year 1999 balance is based on the following:

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<sup>107</sup> See April 17, 2017 Letter, at 2.

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

<b>Funding Year 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	(\$89.93)
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	(\$8.64)
<b>Estimated Remaining Balance</b>	<b>\$0.00</b>

***Funding Year 2000 True-Up***

As of June 30, 2018, \$1,647.00 million of Funding Year 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 percent for pending appeals.<sup>108</sup> USAC's projection of remaining Funding Year 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 that \$0.01 million of Funding Year 2000 funds are available to carry-forward. The estimated remaining Funding Year 2000 balance is based on the following:

<b>Funding Year 2000</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$1,647.00)
Administrative Expenses	(\$32.24)
Amount Applied to Adjust Fourth Quarter 2002 Collections	(\$136.85)
Amount Applied to Adjust First Quarter 2003 Collections	(\$246.18)

<sup>108</sup> See April 17, 2017 Letter, at 2.

**Universal Service Administrative Company 4Q2018 Fund Size  
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Amount Carried Forward / Backward	(\$149.63)
Potential Additional Disbursements on Committed FRNs	(\$0.05)
Reserved for Invoices Awaiting Approval Expired FRNs	\$0.00
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	(\$38.04)
<b>Estimated Remaining Balance</b>	<b>\$0.01</b>

**Funding Year 2001 True-Up**

As of June 30, 2018, \$1,695.70 million of Funding Year 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 percent for pending appeals.<sup>109</sup> USAC's projection of remaining Funding Year 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 \$0.06 million of Funding Year 2001 funds are available to carry forward.

<b>Funding Year 2001</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$1,695.70)
Administrative Expenses	(\$30.56)
Amount Carried Forward / Backward	(\$460.28)
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	(\$8.76)
Reserve for FCC Appeals	(\$34.31)
<b>Estimated Remaining Balance</b>	<b>\$0.06</b>

<sup>109</sup> See April 17, 2017 Letter, at 2.

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

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***Funding Year 2002 True-Up***

As of June 30, 2018, \$1,595.83 million of Funding Year 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 percent for pending appeals.<sup>110</sup> USAC's projection of remaining Funding Year 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 no Funding Year 2002 funds are available to carry-forward. The estimated remaining Funding Year 2002 balance is based on the following:

<b>Funding Year 2002</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$1,595.83)
Administrative Expenses	(\$38.53)
Amount Carried Forward / Backward	(\$595.95)
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	(\$18.76)
<b>Estimated Remaining Balance</b>	<b>\$0.00</b>

***Funding Year 2003 True-Up***

As of June 30, 2018, \$1,937.53 million of Funding Year 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

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<sup>110</sup> See *April 17, 2017 Letter*, at 2.

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

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funds. On April 17, 2017, the Commission directed USAC to reserve 100 percent for pending appeals.<sup>111</sup> USAC's projection of remaining Funding Year 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 no Funding Year 2003 funds are available to carry-forward. The estimated remaining Funding Year 2003 balance is based on the following:

<b>Funding Year 2003</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$1,937.53)
Amount Carried Forward / Backward	(\$638.98)
Amount Received from Rollover	\$420.00
Administrative Expenses	(\$44.19)
Potential Additional Disbursements on Committed FRNs	\$0.00
Reserved for Invoices Awaiting Approval Expired FRNs	\$0.00
Remaining Uncommitted Requests	(\$32.83)
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	(\$16.47)
<b>Estimated Remaining Balance</b>	<b>\$0.00</b>

**Funding Year 2004 True-Up**

As of June 30, 2018, \$1,535.32 million of Funding Year 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 percent for pending appeals.<sup>112</sup> USAC's projection of remaining Funding Year 2004 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a

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<sup>111</sup> See *April 17, 2017 Letter*, at 2.

<sup>112</sup> See *April 17, 2017 Letter*, at 2.



**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

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reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that \$0.03 million of Funding Year 2004 funds are available to carry-forward. The estimated remaining Funding Year 2004 balance is based on the following:

<b>Funding Year 2004</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$1,535.32)
Amount Carried Forward / Backward	(\$723.42)
Amount Received from Rollover	\$150.00
Amount Applied to Adjust Collections	(\$550.00)
Adjustment for Reduction in Collections	\$550.00
Administrative Expenses	(\$55.75)
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	(\$85.48)
<b>Estimated Remaining Balance</b>	<b>\$0.03</b>

**Funding Year 2005 True-Up**

As of June 30, 2018, \$1,623.67 million of Funding Year 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 percent for pending appeals.<sup>113</sup> USAC's projection of remaining Funding Year 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 \$0.79 million of Funding Year 2005 funds are available to carry-forward. The estimated remaining Funding Year 2005 balance is based on the following:

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<sup>113</sup> See April 17, 2017 Letter, at 2.

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<b>Funding Year 2005</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$1,623.67)
Amount Carried Forward / Backward	(\$530.73)
Administrative Expenses	(\$64.99)
Potential Additional Disbursements on Committed FRNs	\$0.00
Reserved for Invoices Awaiting Approval Expired FRNs	\$0.00
Remaining Uncommitted Requests	\$0.00
Reserve for USAC Appeals	(\$0.22)
Reserve for FCC Appeals	(\$29.60)
<b>Estimated Remaining Balance</b>	<b>\$0.79</b>

***Funding Year 2006 True-Up***

As of June 30, 2018, \$1,566.53 million of Funding Year 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 percent for pending appeals.<sup>114</sup> USAC's projection of remaining Funding Year 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 \$0.03 million of Funding Year 2006 funds are available to carry-forward. The estimated remaining Funding Year 2006 balance is based on the following:

<b>Funding Year 2006</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$1,566.52)
Amount Carried Forward / Backward	(\$581.29)
Administrative Expenses	(\$80.74)
Potential Additional Disbursements on Committed FRNs	(\$0.02)
Reserved for Invoices Awaiting Approval Expired FRNs	(\$0.11)
Remaining Uncommitted Requests	\$0.00

<sup>114</sup> See April 17, 2017 Letter, at 2.

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

Reserve for USAC Appeals	(\$1.90)
Reserve for FCC Appeals	(\$19.39)
<b>Estimated Remaining Balance</b>	<b>\$0.03</b>

**Funding Year 2007 True-Up**

As of June 30, 2018, \$1,953.34 million of Funding Year 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 percent for pending appeals.<sup>115</sup> USAC's projection of remaining Funding Year 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 \$0.62 million of Funding Year 2007 funds are available to carry-forward. The estimated remaining Funding Year 2007 balance is based on the following:

<b>Funding Year 2007</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$1,953.34)
Amount Carried Forward / Backward	(\$847.96)
Amount Received from Rollover	\$650.00
Administrative Expenses	(\$81.24)
Potential Additional Disbursements on Committed FRNs	(\$0.99)
Reserved for Invoices Awaiting Approval Expired FRNs	\$0.00
Remaining Uncommitted Requests	\$0.00
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	(\$15.85)
<b>Estimated Remaining Balance</b>	<b>\$0.62</b>

<sup>115</sup> See April 17, 2017 Letter, at 2.

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

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***Funding Year 2008 True-Up***

As of June 30, 2018, \$1,923.6 million of Funding Year 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 percent for pending appeals.<sup>116</sup> USAC's projection of remaining Funding Year 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 \$7.57 million of Funding Year 2008 funds are available to carry-forward. The estimated remaining Funding Year 2008 balance is based on the following:

<b>Funding Year 2008</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$1,923.64)
Amount Carried Forward / Backward	(\$771.63)
Amount Received from Rollover	\$600.00
Administrative Expenses	(\$125.59)
Potential Additional Disbursements on Committed FRNs	(\$0.17)
Reserved for Invoices Awaiting Approval Expired FRNs	(\$2.87)
Remaining Uncommitted Requests	\$0.00
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	(\$18.53)
<b>Estimated Remaining Balance</b>	<b>\$7.57</b>

***Funding Year 2009 True-Up***

As of June 30, 2018, \$2,325.28 million of Funding Year 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

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<sup>116</sup> See April 17, 2017 Letter, at 2.

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

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funds. On April 17, 2017, the Commission directed USAC to reserve 100 percent for pending appeals.<sup>117</sup> USAC's projection of remaining Funding Year 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 \$10.89 million of Funding Year 2009 funds are available to carry-forward. The estimated remaining Funding Year 2009 balance is based on the following:

<b>Funding Year 2009</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$2,325.28)
Amount Carried Forward / Backward	(\$711.60)
Amount Received from Rollover	\$900.00
Administrative Expenses	(\$81.27)
Potential Additional Disbursements on Committed FRNs	(\$9.20)
Reserved for Invoices Awaiting Approval Expired FRNs	(\$2.11)
Remaining Uncommitted Requests	\$0.00
Reserve for USAC Appeals	(\$0.03)
Reserve for FCC Appeals	(\$9.62)
<b>Estimated Remaining Balance</b>	<b>\$10.89</b>

**Funding Year 2010 True-Up**

As of June 30, 2018, \$2,441.39 million of Funding Year 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 percent for pending appeals.<sup>118</sup> USAC's projection of remaining Funding Year 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,

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<sup>117</sup> See *April 17, 2017 Letter*, at 2.

<sup>118</sup> See *April 17, 2017 Letter*, at 2.

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

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USAC estimates that \$10.93 million of Funding Year 2010 funds are available to carry-forward. The estimated remaining Funding Year 2010 balance is based on the following:

<b>Funding Year 2010</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,270.25
Amount Authorized for Disbursement	(\$2,441.40)
Amount Carried Forward / Backward	(\$718.40)
Amount Received from Rollover	\$1,150.00
Amount Applied to Adjust Collections Funding Year 2004	(\$140.00)
Administrative Expenses	(\$75.33)
Potential Additional Disbursements on Committed FRNs	(\$15.77)
Reserved for Invoices Awaiting Approval Expired FRNs	(\$4.22)
Remaining Uncommitted Requests	\$0.00
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	(\$14.20)
<b>Estimated Remaining Balance</b>	<b>\$10.93</b>

***Funding Year 2011 True-Up***

As of June 30, 2018, \$2,143.77 million of Funding Year 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 percent for pending appeals.<sup>119</sup> USAC's projection of remaining Funding Year 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,

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<sup>119</sup> See April 17, 2017 Letter, at 2.

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

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USAC estimates that \$1.21 million of Funding Year 2011 funds are available to carry-forward. The estimated remaining Funding Year 2011 balance is based on the following:

<b>Funding Year 2011</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,290.68
Amount Authorized for Disbursement	(\$2,143.77)
Amount Carried Forward / Backward	(\$643.78)
Amount Received from Rollover	\$850.00
Amount Applied to Adjust Collections Funding Year 2004	(\$250.00)
Administrative Expenses	(\$69.17)
Potential Additional Disbursements on Committed FRNs	(\$15.18)
Reserved for Invoices Awaiting Approval Expired FRNs	(\$0.20)
Remaining Uncommitted Requests	\$0.00
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	(\$17.37)
<b>Estimated Remaining Balance</b>	<b>\$1.21</b>

***Funding Year 2012 True-Up***

As of June 30, 2018, \$2,319.98 million of Funding Year 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 percent for pending appeals.<sup>120</sup> USAC's projection of remaining Funding Year 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,

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<sup>120</sup> See April 17, 2017 Letter, at 2.

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

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USAC estimates that \$2.04 million of Funding Year 2012 funds are available to carry-forward. The estimated remaining Funding Year 2012 balance is based on the following:

<b>Funding Year 2012</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,338.80
Amount Authorized for Disbursement	(\$2,319.98)
Amount Carried Forward / Backward	(\$861.66)
Amount Received from Rollover	\$1,050.00
Amount Applied to Adjust Collections Funding Year 2004	(\$40.00)
Administrative Expenses	(\$67.31)
Potential Additional Disbursements on Committed FRNs	(\$60.33)
Reserved for Invoices Awaiting Approval Expired FRNs	(\$5.67)
Remaining Uncommitted Requests	(\$3.99)
Reserve for USAC Appeals	(\$0.09)
Reserve for FCC Appeals	(\$27.73)
<b>Estimated Remaining Balance</b>	<b>\$2.04</b>

***Funding Year 2013 True-Up***

As of June 30, 2018, \$1,753.43 million of Funding Year 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 percent for pending appeals.<sup>121</sup> USAC's projection of remaining Funding Year 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 \$1.13 million of Funding Year 2013 funds are available to

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<sup>121</sup> See April 17, 2017 Letter, at 2.



**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

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carry-forward. The estimated remaining Funding Year 2013 balance is based on the following:

<b>Funding Year 2013</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,380.30
Amount Authorized for Disbursement	(\$1,753.43)
Amount Carried Forward / Backward	(\$872.88)
Amount Received from Rollover	\$450.00
Amount Applied to Adjust Collections Funding Year 2004	(\$120.00)
Administrative Expenses	(\$62.90)
Potential Additional Disbursements on Committed FRNs	(\$1.25)
Reserved for Invoices Awaiting Approval Expired FRNs	(\$0.39)
Remaining Uncommitted Requests	(\$2.97)
Reserve for USAC Appeals	(\$0.13)
Reserve for FCC Appeals	(\$15.22)
<b>Estimated Remaining Balance</b>	<b>\$1.13</b>

**Funding Year 2014 True-Up**

As of June 30, 2018, \$1,845.05 million of Funding Year 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 percent for pending appeals.<sup>122</sup> USAC's projection of remaining Funding Year 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 (\$4.50) million of Funding Year 2014 funds are available to carry-forward. The estimated remaining Funding Year 2014 balance is based on the following:

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<sup>122</sup> See April 17, 2017 Letter, at 2.

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

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<b>Funding Year 2014</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,413.82
Amount Authorized for Disbursement	(\$1,845.05)
Amount Carried Forward / Backward	(\$635.77)
Amount Received from Rollover	\$200.00
Administrative Expenses	(\$74.94)
Potential Additional Disbursements on Committed FRNs	(\$36.31)
Reserved for Invoices Awaiting Approval Expired FRNs	(\$0.35)
Remaining Uncommitted Requests	(\$2.54)
Reserve for USAC Appeals	(\$6.83)
Reserve for FCC Appeals	(\$16.53)
<b>Estimated Remaining Balance</b>	<b>(\$4.50)</b>

***Funding Year 2015 True-Up***

As of June 30, 2018, \$2,730.39 million of Funding Year 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 percent for pending appeals.<sup>123</sup> USAC's projection of remaining Funding Year 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 \$17.21 million of Funding Year 2015 funds are available to carry-forward. The estimated remaining Funding Year 2015 balance is based on the following:

<b>Funding Year 2015</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$2,730.39)
Amount Carried Forward / Backward	(\$847.39)
Amount Received from Rollover	\$1,575.05
Administrative Expenses	(\$103.04)
Potential Additional Disbursements on Committed FRNs	(\$103.60)

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<sup>123</sup> See April 17, 2017 Letter, at 2.

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

Reserved for Invoices Awaiting Approval Expired FRNs	(\$8.36)
Remaining Uncommitted Requests	(\$1.61)
Reserve for USAC Appeals	(\$3.68)
Reserve for FCC Appeals	(\$9.77)
<b>Estimated Remaining Balance</b>	<b>\$17.21</b>

**Funding Year 2016 True-Up**

As of June 30, 2018, \$2,191.62 million of Funding Year 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 percent for pending appeals.<sup>124</sup> USAC's projection of remaining Funding Year 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 \$40.24 million of Funding Year 2016 funds are available to carry-forward. The estimated remaining Funding Year 2016 balance is based on the following:

<b>Funding Year 2016</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$1,842.25
Amount Authorized for Disbursement	(\$2,191.62)
Amount Carried Forward / Backward	(\$1,020.59)
Amount Received from Rollover	\$1,900.00
Administrative Expenses	(\$120.35)
Potential Additional Disbursements on Committed FRNs	(\$304.37)
Reserved for Invoices Awaiting Approval Expired FRNs	(\$14.79)
Remaining Uncommitted Requests	(\$7.74)
Reserve for USAC Appeals	(\$25.61)
Reserve for FCC Appeals	(\$16.94)
<b>Estimated Remaining Balance</b>	<b>\$40.24</b>

<sup>124</sup> See April 17, 2017 Letter, at 2.

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

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***Funding Year 2017 True-Up***

As of June 30, 2018, \$1,005.91 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 percent for pending appeals.<sup>125</sup> 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 \$39.18 million of Funding Year 2017 funds are available to carry-forward. The estimated remaining Funding Year 2017 balance is based on the following:

<b>Funding Year 2017</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,064.22
Amount Authorized for Disbursement	(\$1,005.91)
Amount Carried Forward / Backward	(\$586.37)
Amount Received from Rollover	\$1,200.24
Administrative Expenses	(\$117.93)
Potential Additional Disbursements on Committed FRNs	(\$1,307.75)
Reserved for Invoices Awaiting Approval Expired FRNs	\$0.00
Remaining Uncommitted Requests	(\$182.00)
Reserve for USAC Appeals	(\$21.89)
Reserve for FCC Appeals	(\$3.43)
<b>Estimated Remaining Balance</b>	<b>\$39.18</b>

**SCHOOLS AND LIBRARIES SUPPORT MECHANISM SUMMARY**

On February 20, 2018, the FCC announced the funding cap for Funding Year 2018 of \$4,062.03 million.<sup>126</sup> This reflects a 1.8 percent inflation-adjusted increase to the

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<sup>125</sup> See *April 17, 2017 Letter*, at 2.

<sup>126</sup> See *Wireline Competition Bureau Announces E-rate Inflation-Based Cap for Funding Year 2018*, CC Docket No. 02-6, Public Notice, 2018 WL 1008330 (2018).

## **Universal Service Administrative Company 4Q2018 Fund Size Projections**

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\$3,990.21 million cap from Funding Year 2017.<sup>127</sup> The filing window for Funding Year 2018 closed on March 22, 2018. Based on applications received within the window, USAC estimates demand for Funding Year 2018 will be \$2,715.40 million (net of projected post window close adjustments).<sup>128</sup> In consultation with the FCC, USAC projects that a total of \$1,200.00 million is available to carry-forward to Funding Year 2018 from prior Funding Years as follows, 1998: \$0.39 million; 2001: \$2.31 million; 2008: \$3.12 million; 2012: \$10.87 million; 2013: \$11.75 million; 2015: \$97.51 million; 2016: \$597.27 million; and 2017: \$476.78 million. Based on the estimated demand of \$2,715.40 million, and funds available for carry forward of \$1,200.00 million, the collections requirement for Funding Year 2018 is \$1,515.40 million. The 4Q2018 collection requirement of \$378.85 million represents one quarter of demand for Funding Year 2018.

The net fund requirement of \$378.85 is adjusted as follows: decreased by the prior period adjustments of \$9.28 million,<sup>129</sup> increased by \$26.21 million for administrative expenses, and reduced by the projected interest income of \$3.86 million; resulting in a total projected 4Q2018 funding requirement for the Schools and Libraries Support Mechanism of \$391.92 million.

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

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At their July 23, 2018 meeting, USAC's High Cost & Low Income, Rural Health Care, and Schools & Libraries Committees adopted resolutions authorizing USAC staff to file with the Commission the 4Q2018 projected support mechanism funding requirements described herein. At its July 24, 2018 meeting, the USAC Board of Directors adopted a

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<sup>127</sup> *Id.*

<sup>128</sup> See Letter from Catriona Ayer, Acting Vice President Schools and Libraries Division, USAC, to Kris Monteith, Bureau Chief, Wireline Competition Bureau, FCC, CC Docket No. 02-6 (Apr. 17, 2018).

<sup>129</sup> Prior period adjustments reconcile projections to actual results and include adjustments for billings, interest income, bad debt, and administrative expenses.

**Universal Service Administrative Company 4Q2018 Fund Size  
Projections**

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resolution authorizing the inclusion of the projected 4Q2018 administrative expenses in this report to the Commission.

Respectfully submitted,

UNIVERSAL SERVICE  
ADMINISTRATIVE COMPANY

//s// Charles Salvator, Vice President of  
Finance and Chief Financial Officer

August 2, 2018