

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

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Federal Universal Service Support Mechanisms Fund Size
Projections for First Quarter 2019

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**Universal Service Administrative Company 1Q2019 Fund Size
Projections**

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

**FEDERAL UNIVERSAL SERVICE SUPPORT MECHANISMS FUND
SIZE PROJECTIONS FOR FIRST QUARTER 2019**

INTRODUCTION

The Universal Service Administrative Company (USAC) hereby submits the federal Universal Service Support Mechanisms fund size and administrative cost projections for the first quarter of calendar year 2019 (1Q2019), in accordance with Section 54.709 of the Federal Communications Commission's (FCC or Commission) rules.¹

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.² USAC also performs the billing, collection, and disbursement functions for the Support Mechanisms.³

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.⁴

¹ 47 C.F.R. § 54.709(a)(3).

² 47 C.F.R. § 54.701.

³ 47 C.F.R. § 54.702(b)

⁴ 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 1Q2019 Fund Size
Projections**

***ADMINISTRATIVE EXPENSES AND INTEREST INCOME
PROJECTION***

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.⁵ 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.⁶

USAC projects a consolidated operating and capital budget of \$57.05 million for 1Q2019. Direct operating and capital costs for all support mechanisms total \$32.35 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 \$24.70 million and are listed in the chart below based on the allocation methodology on file with the Commission.

⁵ 47 C.F.R. § 54.709(a)(3).

⁶ 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 1Q2019 Fund Size
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1Q2019 Administrative Expenses (in millions) – Budgeted

USF Mechanism	Direct Operating and Capital Costs	USAC Common Operating and Capital Costs	Total
High Cost	\$5.59	\$8.21	\$13.80
Low Income	\$11.10	\$3.91	\$15.01
Rural Health Care	\$2.33	\$1.47	\$3.80
Schools & Libraries	\$13.33	\$11.11	\$24.44
Total	\$32.35	\$24.70	\$57.05

Appendix M01 provides USAC’s administrative expense and capital expenditure budget for 1Q2019. Appendix M02 provides the fund size projections for 1Q2019.

INTEREST INCOME PROJECTION

For 1Q2019, USAC projects interest income of approximately \$1.46 million for the High Cost Support Mechanism, \$0.09 million for the Low Income Support Mechanism, \$0.48 million for the Rural Health Care Support Mechanism, and \$3.36 million for the Schools and Libraries Support Mechanism, for a total of \$5.39 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 3Q2018, on a cash basis, USAC disbursed to beneficiaries \$2,207.74 million in universal service support as follows: \$1,247.85 million in High Cost support, \$282.44 million in Low Income support, \$594.77 million in Schools and Libraries support, and \$82.68 million in Rural Health Care support. The total cash balance available as of September 30, 2018 to the universal service support mechanisms was \$6,632.09 million. On an accrual basis, USAC had a fund balance of \$6,723.10 million at September 30, 2018.

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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).⁷ 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.⁸ 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.⁹

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 1Q2019, 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 Internal Controls team, within the Finance Division, will test the key controls of USAC’s processes beginning fiscal year 2019. This function was formerly conducted by Corporate Assurance team in the Audit and Assurance Division (AAD). The USAC Enterprise Portfolio Management Office (EPMO) reviews the outcome of the testing and ensures that the USAC Internal Controls program adheres to best practices consistent with

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

⁸ 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).

⁹ See Letter from Anthony Dale, FCC Managing Director, to D. Scott Barash, Acting Chief Executive Officer, USAC (Aug. 18, 2008).

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OMB Circular A-123. The EPMO tracks the completion of the remediation activities and corrective action plans for all control deficiencies developed in response to internal and external testing results. The EPMO established a framework for an Enterprise Risk Management (ERM) program at USAC. The EPMO, Internal Controls, and AAD groups 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)¹⁰ and to assess universal service support mechanism beneficiary compliance with FCC regulations.¹¹ 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 Audit and Assurance Division (AAD) internal staff and external audit firm resources, upon approval from OMD.

In mid-2013, AAD 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

¹⁰ 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.

¹¹ 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).

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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 to perform audits in all of the programs and contributor revenue. One of the firms performed contributor revenue audits, however the related contract ended in July 2018 and the contributor revenue audits are now being performed by AAD staff. The charts below reflect audits that are performed both by AAD and the external audit firms. The status of BCAP 2014 - 2015 as of September 30, 2018 is as follows:

Program	Planned	Completed	In Process	Will Not Initiate
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
Total	407	366	5	36

AAD did 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, AAD 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, AAD 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 September 30, 2018 is as follows:

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Program	Planned	Completed	In Process	Will Not Initiate
Contributor Revenue	22	20	1	1
High Cost	51	38	10	3
Low Income	37	32	4	1
Schools & Libraries	74	65	3	6
Rural Health Care	25	22	3	0
Total	209	177	21	11

AAD did not announce 11 of the audits in the plan noted above for the following reasons:

- One contributor audit was terminated from the BCAP 2016 plan then later added to the BCAP 2018 audit plan.
- Three High Cost audits were terminated as the carriers did not receive Connect America Funds.
- 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 were carried forward to the BCAP 2017 audit plan.

Consistent with prior audit plan development, USAC in coordination with FCC OMD and WCB staff worked together to develop the Fiscal Year 2017 and 2018 audit plans. The status of BCAP 2017 as of September 30, 2018 is as follows:

Program	Planned	Completed	In Process	Will Not Initiate
Contributor Revenue	20	11	7	2
High Cost	35	12	17	6
Low Income	42	15	24	3
Schools & Libraries	60	27	33	0
Rural Health Care	3	0	3	0
Total	160	65	84	11

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AAD did not announce 11 of the audits in the plan noted above for the following reasons:

- Two Contributor Revenue audits were not announced due to redirecting AAD staff to support other AAD work and having one less full time equivalent head count.
- Six High Cost audits were not announced. Three audits were terminated as the carriers requested waiver from the FCC to delay their build out obligations. Three audits were carried forward to the BCAP 2018 audit plan.
- Three Low Income audits were not announced.

The status of BCAP 2018 as of September 30, 2018 is as follows:

Program	Planned	Completed	In Process	Will Not Initiate
Contributor Revenue	8	0	4	4
High Cost	3	0	0	3
Low Income	11	0	11	0
Schools & Libraries	21	0	17	4
Rural Health Care	0	0	0	0
Total	43	0	32	11

AAD did not announce 11 of the audits in the plan noted above for the following reasons:

- Four Contributor Revenue audits were not announced due to USAC ending an external audit firm contract early, decreasing the resources to complete the original audit plan.
- Three High Cost audits will be carried forward to the BCAP 2019 audit plan.
- Four Schools and Libraries audits will be carried forward to the BCAP 2019 audit plan.

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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 improper payment amounts for each program for calendar year 2016 and 2015 disbursements:

	2016		2015	
Support Mechanism	Estimated Improper Payment Rate	Estimated Improper Payment Amount (<i>millions</i>)	Estimated Improper Payment Rate	Estimated Improper Payment Amount (<i>millions</i>)
High Cost	0.05%	\$2.50	0.03%	\$1.10
Low Income	21.93%	\$336.39	2.93%	\$40.65
Schools and Libraries	4.34%	\$103.51	5.70%	\$119.36

Payments made from the Rural Health Care Program were not tested as the Rural Health Care Program was deemed low risk for calendar years 2016 and 2015. Testing of calendar year 2017 disbursements will be finalized in 4Q2018. Testing of calendar year 2018 disbursements will begin in 4Q2018 with estimated completion during early 4Q2019.

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.

4. Expanding and enhancing outreach and education

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

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- Outreach to High Cost Program audiences: to state PUCs and tribes to provide state and Tribal access to FCC Form 481 filings by carriers, to carriers on handling confidentiality requests for FCC Form 481 data, to Alaska Plan carriers for the middle mile filing deadline, and team site visits to West Virginia to see CAF-funded networks;
- Outreach to states in the first launch of the National Verifier for the Low Income Program;
- Outreach to Rural Health Care Program participants regarding funding commitment decisions, consortia annual reports, and how to apply to the program;
- 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 ten to applicant and service provider stakeholder groups.

USAC conducted twenty-two webinars: one webinar on High Cost's Mobility Fund II for Tribal officials; three monthly webinars for Lifeline carriers and thirteen training webinars for the National Verifier initial launch states; three webinars for Schools and Libraries audiences; and two webinars for Rural Health Care participants. USAC participated in one professional meeting for Low Income Program audiences and another for High Cost Program audiences. Lastly, USAC launched nine online learning tutorials: two for the Rural Health Care Program, three for the Low Income Program, and four for the Schools and Libraries Program.

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FUNDING REQUIREMENTS

HIGH COST SUPPORT MECHANISM

Appendix HC01 provides projected High Cost Support by State by Study Area for 1Q2019. HC01 also provides the projected amount of individual company support, and projected per-month amounts for the components of High Cost support that each Eligible Telecommunications Carrier (ETC)¹² may be eligible to receive. HC02 provides the total projected amount of annualized High Cost Support for 1Q2019 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.¹³ 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, 2012.¹⁴ 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 \$775.¹⁵

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.¹⁶ The Commission allocated \$300 million for the second round

¹² See 47 C.F.R. § 54.1310; 47 C.F.R. §§ 54.301-54.303.

¹³ 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*).

¹⁴ 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).

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

¹⁶ See *Phase I Order*, 28 FCC Rcd at 7768-71, paras. 7, 11.

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of Phase I support.¹⁷ If total demand exceeds \$300 million, the Commission will authorize up to an additional \$185 million in funding.¹⁸

On March 14, 2014, the Wireline Competition Bureau issued a Public Notice authorizing \$16.7 million in additional Phase I second round incremental support in response to the modified elections of two carriers, AT&T and Windstream Communications.¹⁹ 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.²⁰ Additionally, Windstream was authorized to receive \$11.5 million in incremental support in exchange for a commitment to deploy to 13,273 locations.²¹

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.²² The Order also permits price cap carriers that decline model-based support to participate in the 2016 competitive bidding process.²³ 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.²⁴ The total offer is \$1.675 billion annually, for six calendar years, 2015-2020.²⁵ Next, on June

¹⁷ *Id.* at 7768, para. 7.

¹⁸ *Id.* at 7768-71, paras. 7, 11.

¹⁹ See *Additional 16.7 Million in Connect America Phase I Support Authorized*, WC Docket No. 10-90, Public Notice, 29 FCC Rcd 2824 (2014).

²⁰ *Id.*

²¹ *Id.*

²² 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*).

²³ *Id.* at 7062-7063, para. 37.

²⁴ 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).

²⁵ *Id.*

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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.²⁶ For states where their model-based support is greater than Phase I Frozen support, Frontier elected to receive the lump sum payment associated with prior months that reflects the difference between Phase II model support and Phase I Frozen support. Finally in August 2015, the Bureau released public notices for Consolidated Communications, AT&T, CenturyTel, Inc. dba CenturyLink, Cincinnati Bell, Fairpoint Communications, Inc., Hawaiian Telecom, Inc., Micronesian, and Windstream Corporation for announcement of acceptance of model-based support.²⁷

For 1Q2019, total CAF Phase II projected support is estimated to be \$379.42 million. Total annual 2019 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 1Q2019.

CONNECT AMERICA FUND PHASE II AUCTIONS

The Wireline Competition Bureau released a Public Notice on August 28, 2018 announcing the winners of the Connect America Fund Phase II auction.²⁸ For 1Q2019, total CAF Phase II auction projected support is estimated to be \$37.21 million for 1Q2019. Total annual CAF Phase II auction support is estimated to be \$148.84 million.

²⁶ 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).

²⁷ 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).

²⁸ See *Connect America Fund Phase II Auction (Auction 903) Closes Winning Bidders Announced FCC Form 683 Due October 15, 2018*, WC Docket Nos. 10-90 et al., Public Notice, 29 FCC Rcd 7051 (2018).

Universal Service Administrative Company 1Q2019 Fund Size Projections

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.²⁹ Eligible incumbent carriers may receive additional support through this recovery mechanism.

For 1Q2019, total CAF/ICC Support is estimated to be \$102.37 million and total annual 2019 CAF/ICC Support is estimated to be \$409.48 million. Appendix HC10 provides projected CAF/ICC Support by State by Study Area for 1Q2019.

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.³⁰ Any such support disbursed in 1Q2019 will be paid 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.³¹ 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.³² For 1Q2019, 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 1Q2019 collection requirement for RBE. Total annual 2019 RBE support is estimated to be \$3.32 million. Appendix HC13 provides projected RBE Support

²⁹ See 47 C.F.R. § 54.304(b).

³⁰ See *Connect America Fund et al.*, WC Docket Nos. 10-90 et al., Order and Declaratory Ruling, FCC 18-50, paras. 11, 19 (2018) (rel. Apr. 19, 2018) (*2018 CAF/ICC Order*).

³¹ 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*).

³² See *id.* at 8772, para. 9.

Universal Service Administrative Company 1Q2019 Fund Size Projections

by State by Study Area for 1Q2019.

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 \$23.00 million for 1Q2019 will be paid with funds available in the High Cost account.³³ Appendix HC11 provides projected Mobility Fund Phase I Support by State by Study Area for 1Q2019.

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.³⁴ On March 30, 2016, the FCC released the *Rate-of-Return Reform Order* setting 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.³⁵ 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.³⁶ 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

³³ 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).

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

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

³⁶ See *id.* at 3090-91, para. 4.

Universal Service Administrative Company 1Q2019 Fund Size Projections

(including Safety Net Additive (SNA) and Safety Valve Support (SVS)) and or Connect America Broadband Loops Support (CAF BLS).³⁷

In the *2018 Rate-of-Return Reform Order*, the FCC eliminated the effect of the budget control mechanism affecting claims from July 2017 to September 2018 by fully funding claims by legacy rate-of-return carriers during that period.³⁸ 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.*, 1Q2019), drawing first on funds available in USAC's reserve account.

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, 2013.³⁹ 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.⁴⁰ The *Rural Task Force (RTF) Order* increased HCL support for rural carriers effective July 1, 2001.⁴¹

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

³⁷ See *id.* at 3142-3145, paras. 146-155.

³⁸ 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*).

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

⁴⁰ 47 C.F.R. § 54.1302(a); see also 47 C.F.R. § 54.1303.

⁴¹ *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*).

Universal Service Administrative Company 1Q2019 Fund Size Projections

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.⁴² 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.⁴³ 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 after 2009.⁴⁴ 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.⁴⁵ Beginning in 1Q2018, SNA support was phased out, thus there is no projected SNA supported.

For 1Q2019, projected HCL support is \$122.70 million, which includes \$0.72 million for SVS. Total annual 2019 HCL support is projected to be \$490.81 million.

Appendix HC05 provides projected monthly HCL support payments by State by Study Area for 1Q2019. Appendix HC06 displays projected SVS payments by State by Study Area for 1Q2019.

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

⁴³ *Id.*

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

⁴⁵ *See Connect America Fund et al.*, WC Docket Nos. 10-90 *et al.*, Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, 29 FCC Rcd 7051, 7087-90, paras. 105-115 (2014).

Universal Service Administrative Company 1Q2019 Fund Size Projections

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.⁴⁶

For 1Q2019, projected Alaska Plan Support is \$32.08 million. Total annual 2019 Alaska Plan Support is projected to be \$128.32 million. Appendix HC04 provides 1Q2019 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).⁴⁷ The FCC made modifications to modernize ICLS rules to provide support in situations where the customer no longer subscribes to traditional regulated local exchange voice service.⁴⁸ 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.⁴⁹

For 1Q2019, CAF BLS is projected to be \$183.23 million and total annual 2019 CAF BLS is estimated to be \$732.93 million.

Appendix HC08 provides USAC's 1Q2019 projections of CAF BLS by State by Study Area and Appendix HC09 provides USAC's 1Q2019 projections of CAF BLS by State.

ALTERNATIVE CONNECT AMERICA MODEL (A-CAM)

Alternative Connect America Model (A-CAM) allows carriers the option of electing a

⁴⁶ See WC-Docket Nos. 10-90 and 16-271 DA 16-425

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

⁴⁸ *Id.*

⁴⁹ *Id.*

Universal Service Administrative Company 1Q2019 Fund Size Projections

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 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.⁵⁰ The FCC estimated this additional support would increase the A-CAM budget by approximately \$36.50 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.⁵¹

For 1Q2018, A-CAM is projected to be \$144.39 million, of which \$53.25 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 1Q2019.

PRICE CAP CARRIERS

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

⁵¹ See *id.* at 32, para. 68.

Universal Service Administrative Company 1Q2019 Fund Size Projections

For 1Q2019, total frozen high cost support for price cap carriers is estimated to be \$36.74 million and total annual 2019 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 1Q2019.

COMPETITIVE ELIGIBLE TELECOMMUNICATIONS CARRIERS

The *USF/ICC Transformation Order* transitioned existing Competitive Eligible Telecommunications Carriers (CETCs) support to the CAF over a five-year period beginning January 1, 2012.⁵² 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.⁵³ That monthly baseline amount was provided from January 1, 2012 to September 30, 2012.⁵⁴ Beginning July 1, 2012, each CETC's support was reduced by 20 percent for each July to June time period.⁵⁵ 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 2014.⁵⁶ The implementation date of Mobility Fund Phase II is yet to be determined.

For 1Q201, total frozen high cost support for CETCs is \$119.81 million, which includes \$0.15 million for Standing Rock 1Q2019 High Cost Program support. Total annual 2019 frozen high cost support for CETCs, including Standing Rock, is estimated to be \$479.23 million.

⁵² See *id.* at 17830, para. 513.

⁵³ See *id.* at 17831, para. 515.

⁵⁴ See *id.*

⁵⁵ See *id.*

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

Universal Service Administrative Company 1Q2019 Fund Size Projections

Appendix HC07 provides frozen high cost support for CETCs by State by Study Area for 1Q2019. Additionally, Appendix HC03 provides 1Q2019 projections for Standing Rock Support by State by Study Area.

ADDITIONAL COLLECTION REQUIREMENT

Per the *2018 Rate-of-Return Reform Order*, the FCC instructed USAC to collect \$1,125.00 million for each quarter, for a minimum collection of \$4,500.00 million per year.⁵⁷ This results in an additional \$20.30 million to collect \$1,125.00 million for 1Q2019.

HIGH COST SUPPORT MECHANISM SUMMARY

The 1Q2019 High Cost Support Mechanism funding requirements are projected as follows: \$122.70 million for HCL support, \$183.23 million for CAF BLS, \$36.74 million for frozen Price Cap Carrier Support, \$379.42 million for CAF Phase II, \$37.21 million for CAF Phase II auction, \$119.81 million for frozen CETC Support, \$102.37 million for CAF/ICC Support, \$32.08 million for Alaska Plan Support, and \$91.14 million for A-CAM. In addition, \$20.30 million will be collected to collect \$1,125.00 million for 1Q2019. This results in base projected demand of \$1,125.00 million.

The following funding requirements will be paid from funds available in the High Cost account: Rural Broadband Experiments (\$0.83 million), Mobility Fund Phase I (\$23.00 million), and incremental A-CAM support (\$53.25 million).

The total fund requirement of \$1,125.00 million is adjusted as follows: increased by prior period adjustments of \$10.49 million,⁵⁸ increased by administrative costs of \$13.80 million, and reduced by projected interest income of \$1.46 million; resulting in a total

⁵⁷ *2018 Rate-of-Return Reform Order*, FCC 18-29, at para. 70.

⁵⁸ 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 1Q2019 Fund Size Projections

projected 1Q2019 funding requirement for the High Cost Support Mechanism of \$1,147.83 million.

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.⁵⁹ 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.⁶⁰ 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.⁶¹ The *2016 Lifeline Order* extended Lifeline support to broadband services and adopted a phase-down of support for voice-only service beginning in 2019.⁶²

For 1Q2019, USAC projects \$279.33 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.⁶³ 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.⁶⁴

For 1Q2019, USAC projects that \$0.07 million will be required for Link-Up support.

⁵⁹ 47 C.F.R. §§ 54.401-54.417.

⁶⁰ 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*).

⁶¹ See 47 C.F.R. § 54.400(e); *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.

⁶² 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*).

⁶³ See *id.* at 6767, para. 254.

⁶⁴ 47 C.F.R. § 54.413(a)(1).

Universal Service Administrative Company 1Q2019 Fund Size Projections

LOW INCOME SUPPORT MECHANISM SUMMARY

The estimated 1Q2019 Low Income Support Mechanism funding requirements are projected as follows: \$279.33 million for Lifeline and \$0.07 million for Link-Up, resulting in total of \$279.40 million.

The total fund requirement of \$279.40 million is adjusted as follows: decreased by prior period adjustment of \$15.30 million,⁶⁵ increased for administrative costs of \$15.01 million, and decreased by projected interest income of \$0.09 million; resulting in a total projected 1Q2019 funding requirement for the Low Income Support Mechanism of \$279.02 million.

Appendix LI01 provides projected Low Income support amounts by state and study area for 1Q2019.⁶⁶ LI03 provides a list of ETCs for 3Q2018.⁶⁷ LI04 provides detail on company specific Low Income disbursement amounts for 3Q2018. LI05 provides detail on annual company-specific Low Income support claimed by state and company for January 2015 through September 2018. LI06 provides historical data of monthly support amounts claimed by ETCs from January 1998 through September 2018. LI07 provides detail on Low Income support claimed by state or jurisdiction for January 2015 through September 2018. LI08 and LI09 provide subscriber and beneficiary information by state or jurisdiction for Lifeline and Link-Up support, respectively, for January 2018 through September 2018.

⁶⁵ Prior period adjustments reconcile projections to actual results and include adjustments for billings, disbursements, interest income, bad debt and administrative expenses.

⁶⁶ Companies that are no longer ETCs have been removed from LI01.

⁶⁷ Companies that are no longer ETCs have been removed from LI03.

Universal Service Administrative Company 1Q2019 Fund Size Projections

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 2018.⁶⁸ 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.⁶⁹

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.⁷⁰ The following is a summary of estimated unused funds as of September 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 September 30, 2018 are as follows:

Funding Year 2008	Amounts in Millions
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
Estimated Remaining Balance	\$0.00

Cumulative payments to service providers through 3Q2018 are listed in Appendix RH03.

⁶⁸ *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*).

⁶⁹ *Id.*, para. 27.

⁷⁰ *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 September 30, 2018 are as follows:

Funding Year 2009	Amounts in Millions
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
Estimated Remaining Balance	\$0.57

Cumulative payments to service providers through 3Q2018 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 September 30, 2018 are as follows:

Funding Year 2010	Amounts in Millions
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
Estimated Remaining Balance	\$0.01

Cumulative payments to service providers through 3Q2018 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 September 30, 2018 are as follows:

**Universal Service Administrative Company 1Q2019 Fund Size
Projections**

Funding Year 2011	Amounts in Millions
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
Estimated Remaining Balance	\$0.00

Cumulative payments to service providers through 3Q2018 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 September 30, 2018 are as follows:

Funding Year 2012	Amounts in Millions
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	\$0.00
Reserve for FCC Appeals	(\$0.13)
Estimated Remaining Balance	\$0.00

Cumulative payments to service providers through 3Q2018 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 September 30, 2018 are as follows:

Funding Year 2013	Amounts in Millions
Amount Authorized and Actually Collected	\$176.75
Amount Authorized for Disbursement	(\$175.07)
Reserve for Outstanding Obligations	(\$1.61)
Reserve for Pending Applications	\$0.00
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	(\$0.07)
Estimated Remaining Balance	\$0.00

Cumulative payments to service providers through 3Q2018 are listed in Appendix RH18.

**Universal Service Administrative Company 1Q2019 Fund Size
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FUNDING YEAR 2014

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

Funding Year 2014	Amounts in Millions
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	(\$0.05)
Reserve for FCC Appeals	(\$11.51)
Estimated Remaining Balance	(\$0.05)

Cumulative payments to service providers through 3Q2018 are listed in Appendices RH21.

FUNDING YEAR 2015

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

Funding Year 2015	Amounts in Millions
Amount Authorized and Actually Collected	\$306.64
Amount Authorized for Disbursement	(\$267.10)
Reserve for Outstanding Obligations	(\$21.11)
Reserve for Pending Applications	\$0.00
Reserve for USAC Appeals	(\$0.39)
Reserve for FCC Appeals	(\$17.17)
Estimated Remaining Balance	\$0.87

Authorized funding by applicant during 3Q2018 and cumulative payments to service providers through 3Q2018 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 September 30, 2018 are as follows:

Funding Year 2016	Amounts in Millions
Amount Authorized and Actually Collected	\$388.86
Amount Authorized for Disbursement	(\$270.50)
Reserve for Outstanding Obligations	(\$61.12)
Reserve for Pending Applications	(\$2.99)

**Universal Service Administrative Company 1Q2019 Fund Size
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Reserve for USAC Appeals	(\$15.02)
Reserve for FCC Appeals	(\$20.76)
Administrative Expenses	(\$12.29)
Estimated Remaining Balance	\$6.18

Funding commitments made to applicants during 3Q2018 are included in Appendix RH25. Authorized funding by applicant during 3Q2018 and cumulative payments to service providers through 3Q2018 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 \$570.74 million.⁷¹ 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).⁷² 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.

Funding commitments made to applicants during 3Q2018 are included in Appendix RH28. Authorized funding by applicant during 3Q2018 and cumulative payments to service providers through 3Q2018 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.⁷³ USAC will be collecting funds up to the cap for Funding Year 2018. Prior to the Commission increasing the Funding Year 2018 funding cap

⁷¹ *2018 Rural Health Care Program Funding Cap Order*, para. 13.

⁷² *Id.*, para. 19.

⁷³ *2018 Rural Health Care Program Funding Cap Order*, para. 13, note 75.

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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 September 30, 2018.

RURAL HEALTH CARE SUPPORT MECHANISM SUMMARY

The estimated 1Q2019 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: increased by the prior period adjustment of \$1.50 million⁷⁴ and reduced by projected interest income of \$0.48 million; resulting in a total projected 1Q2019 funding requirement for the Rural Health Care Support Mechanism of \$191.21 million.

⁷⁴ Prior period adjustments reconcile projections to actual results and include adjustments for billings, interest income, bad debt and administrative expenses.

**Universal Service Administrative Company 1Q2019 Fund Size
Projections**

SCHOOLS AND LIBRARIES SUPPORT MECHANISM

Following is a summary of Schools and Libraries Support Mechanism net commitments⁷⁵ and net authorized for payment⁷⁶ by Funding Year as of September 30, 2018.

FUNDING YEAR 1998

Funding Year 1998					
	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	\$ 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%
TOTAL	\$ 1,699.12	100.00%	\$1,398.95	100.00%	82.33%
De-obligations due to Expired FRNs	\$ (300.17)				
Net Commitments	\$ 1,398.95				

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

FUNDING YEAR 1999

Funding Year 1999					
	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	\$ 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%
TOTAL	\$ 2,147.99	100.00%	\$1,650.02	100.00%	76.82%

⁷⁵ 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.

⁷⁶ 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 1Q2019 Fund Size
Projections**

Deobligations due to Expired FRNs	\$ (497.97)				
Net Commitments	\$ 1,650.02				

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%	\$ 1,033.87	62.77%	90.61%
TOTAL	\$ 2,078.76	100.00%	\$ 1,647.00	100.00%	79.23%
Deobligations due to Expired FRNs	\$ (431.76)				
Net Commitments	\$ 1,647.00				

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%
TOTAL	\$ 2,170.24	100.00%	\$ 1,695.70	100.00%	78.13%
Deobligations due to Expired FRNs	\$ (474.54)				
Net Commitments	\$ 1,695.70				

**Universal Service Administrative Company 1Q2019 Fund Size
Projections**

As of September 30, 2018, two potentially fundable Funding Year 2001 applications remain in the PIA review process.

FUNDING YEAR 2002

Funding Year 2002					
	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	40.20%	\$ 610.67	38.27%	71.93%
Internet Access	\$ 251.03	11.89%	\$ 169.42	10.62%	67.49%
Internal Connections	\$ 1,011.70	47.91%	\$ 815.74	51.12%	80.63%
TOTAL	\$ 2,111.66	100.00%	\$1,595.83	100.00%	75.57%
Deobligations due to Expired FRNs	\$ (515.83)				
Net Commitments	\$ 1,595.83				

As of September 30, 2018, one potentially fundable Funding Year 2002 application remains in the PIA review process. Funding commitments made to applicants during 3Q2018 are included in Appendix SL01.

FUNDING YEAR 2003

Funding Year 2003					
	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	\$ 898.77	35.64%	\$ 657.50	33.93%	73.16%
Internet Access	\$ 274.76	10.90%	\$ 203.32	10.49%	74.00%
Internal Connections	\$ 1,348.21	53.46%	\$1,076.71	55.57%	79.86%
TOTAL	\$ 2,521.75	100.00%	\$1,937.53	100.00%	76.83%

**Universal Service Administrative Company 1Q2019 Fund Size
Projections**

Deobligations due to Expired FRNs	\$ (584.22)				
Net Commitments	\$ 1,937.53				

As of September 30, 2018, two potentially fundable Funding Year 2003 applications remain in the PIA review process. Funding commitments made to applicants during 3Q2018 are included in Appendix SL02.

FUNDING YEAR 2004

Funding Year 2004					
	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	\$ 933.66	45.93%	\$ 689.99	44.94%	73.90%
Internet Access	\$ 245.15	12.06%	\$ 193.35	12.59%	78.87%
Internal Connections	\$ 853.98	42.01%	\$ 651.98	42.47%	76.35%
TOTAL	\$ 2,032.79	100.00%	\$ 1,535.32	100.00%	75.53%
Deobligations due to Expired FRNs	\$ (497.47)				
Net Commitments	\$ 1,535.32				

No Funding Year 2004 applications remain in the PIA review process. Funding commitments made to applicants during 3Q2018 are included in Appendix SL03.

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%	\$ 214.35	13.20%	82.63%
Internal Connections	\$ 643.99	32.08%	\$ 539.52	33.23%	83.78%

**Universal Service Administrative Company 1Q2019 Fund Size
Projections**

Basic Maintenance of Internal Connections	\$ 119.97	5.98%	\$ 91.76	5.65%	76.48%
TOTAL	\$ 2,007.27	100.00%	\$ 1,623.65	100.00%	80.89%
Deobligations due to Expired FRNs	\$ (383.62)				
Net Commitments	\$ 1,623.65				

No Funding Year 2005 applications remain in the PIA review process.

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%	\$ 85.61	5.47%	72.17%
TOTAL	\$ 1,948.41	100.00%	\$ 1,566.53	100.00%	80.40%
Deobligations due to Expired FRNs	\$ (381.76)				
Net Commitments	\$ 1,566.65				

No Funding Year 2006 applications remain in the PIA review process.

FUNDING YEAR 2007

Funding Year 2007					
	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	\$ 1,164.25	49.41%	\$ 947.38	48.50%	81.37%
Internet Access	\$ 309.84	13.15%	\$ 258.90	13.25%	83.56%

**Universal Service Administrative Company 1Q2019 Fund Size
Projections**

Funding Year 2007					
	Net Commitments		Net Authorized for Payment		Auth/Com
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%
TOTAL	\$ 2,356.32	100.00%	\$ 1,953.34	100.00%	82.90%
Deobligations due to Expired FRNs	\$ (401.99)				
Net Commitments	\$ 1,954.33				

No Funding Year 2007 applications remain in the PIA review process. Funding commitments made to applicants during 3Q2018 are included in Appendix SL04.

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	54.36%	81.05%
Internet Access	\$ 332.80	14.01%	\$ 278.65	14.46%	83.73%
Internal Connections	\$ 624.87	26.30%	\$ 508.19	26.38%	81.33%
Basic Maintenance of Internal Connections	\$ 125.76	5.29%	\$ 92.46	4.80%	73.53%
TOTAL	\$ 2,375.49	100.00%	\$ 1,926.52	100.00%	81.10%
Deobligations due to Expired FRNs	\$ (448.81)				
Net Commitments	\$ 1,926.68				

No Funding Year 2008 applications remain in the PIA review process. Authorized funding by applicant during 3Q2018 and cumulative payments to service providers through 3Q2018 are listed in Appendices SL05 and SL06, respectively.

**Universal Service Administrative Company 1Q2019 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	47.71%	82.11%
Internet Access	\$ 349.42	12.45%	\$ 292.66	12.57%	83.76%
Internal Connections	\$ 911.81	32.48%	\$ 784.76	33.69%	86.07%
Basic Maintenance of Internal Connections	\$ 192.54	6.86%	\$ 140.37	6.03%	72.91%
TOTAL	\$ 2,807.06	100.00%	\$ 2,329.01	100.00%	82.97%
Deobligations due to Expired FRNs	\$ (458.93)				
Net Commitments	\$ 2,348.13				

No Funding Year 2009 applications remain in the PIA review process. Authorized funding by applicant during 3Q2018 and cumulative payments to service providers through 3Q2018 are listed in Appendices SL07 and SL08, 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	47.67%	\$ 1,176.92	48.21%	82.28%
Internet Access	\$ 392.69	13.09%	\$ 330.26	13.50%	84.10%
Internal Connections	\$ 974.74	32.48%	\$ 790.49	32.32%	81.81%
Basic Maintenance of Internal Connections	\$ 202.96	6.76%	\$ 147.97	6.05%	72.90%
TOTAL	\$ 3000.72	100.00%	\$ 2,445.64	100.00%	81.50%
Deobligations due to Expired FRNs	\$ (539.29)				
Net Commitments	\$ 2,461.43				

**Universal Service Administrative Company 1Q2019 Fund Size
Projections**

No Funding Year 2010 applications remain in the PIA review process. Funding commitments made to applicants during 3Q2018 are included in Appendix SL09.

Authorized funding by applicant during 3Q2018 and cumulative payments to service providers through 3Q2018 are listed in Appendices SL10 and SL11, respectively.

FUNDING YEAR 2011

Funding Year 2011					
	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	\$ 1,468.68	55.02%	\$ 1,188.71	55.43%	80.94%
Internet Access	\$ 466.77	17.49%	\$ 387.68	18.08%	83.06%
Internal Connections	\$ 607.46	22.76%	\$ 492.08	22.94%	81.01%
Basic Maintenance of Internal Connections	\$ 126.47	4.74%	\$ 76.23	3.55%	60.28%
TOTAL	\$ 2,669.38	100.00%	\$ 2,144.70	100.00%	80.34%
Deobligations due to Expired FRNs	\$ (510.24)				
Net Commitments	\$ 2,159.14				

No Funding Year 2011 applications remain in the PIA review process. Authorized funding by applicant during 3Q2018 and cumulative payments to service providers through 3Q2018 are listed in Appendices SL12 and SL13 respectively.

FUNDING YEAR 2012

Funding Year 2012					
	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	\$ 1,515.46	51.34%	\$ 1,220.98	52.54%	80.57%

**Universal Service Administrative Company 1Q2019 Fund Size
Projections**

Internet Access	\$ 556.11	18.84%	\$ 449.44	19.34%	80.82%
Internal Connections	\$ 747.20	25.31%	\$ 574.25	24.71%	76.85%
Basic Maintenance of Internal Connections	\$ 132.91	4.50%	\$ 79.20	3.41%	59.59%
TOTAL	\$ 2,951.68	100.00%	\$ 2,323.87	100.00%	78.73%
Deobligations due to Expired FRNs	\$ (569.52)				
Net Commitments	\$ 2,382.16				

As of September 30, 2018, 10 potentially fundable Funding Year 2012 applications remain in the PIA review process. Funding commitments made to applicants during 3Q2018 are included in Appendix SL14. Authorized funding by applicant during 3Q2018 and cumulative payments to service providers through 3Q2018 are listed in Appendices SL15 and SL16, respectively.

FUNDING YEAR 2013

Funding Year 2013					
	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	\$ 1,563.16	71.07%	\$ 1,241.18	70.75%	79.40%
Internet Access	\$ 636.28	28.93%	\$ 513.16	29.25%	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%
TOTAL	\$ 2,199.44	100.00%	\$ 1,754.34	100.00%	79.76%
Deobligations due to Expired FRNs	\$ (444.78)				
Net Commitments	\$ 1,754.66				

Universal Service Administrative Company 1Q2019 Fund Size Projections

As of September 30, 2018, 40 potentially fundable Funding Year 2013 applications remain in the PIA review process. Authorized funding by applicant during 3Q2018 and cumulative payments to service providers through 3Q2018 are listed in Appendices SL17 and SL18, respectively.

FUNDING YEAR 2014

Funding Year 2014					
	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	\$ 1,629.77	69.50%	\$ 1,274.27	69.06%	78.19%
Internet Access	\$ 715.35	30.50%	\$ 570.97	30.94%	79.82%
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%
TOTAL	\$ 2,345.12	100.00%	\$ 1,845.24	100.00%	78.68%
Deobligations due to Expired FRNs	\$ (464.93)				
Net Commitments	\$ 1,880.19				

As of September 30, 2018, 24 potentially fundable Funding Year 2014 applications remain in the PIA review process. Funding commitments made to applicants during 3Q2018 are included in Appendix SL19. Authorized funding by applicant during 3Q2018 and cumulative payments to service providers through 3Q2018 are listed in Appendices SL20 and SL21, respectively.

**Universal Service Administrative Company 1Q2019 Fund Size
Projections**

FUNDING YEAR 2015

Funding Year 2015					
	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	\$ 823.85	25.29%	\$ 676.00	24.69%	82.05%
Internet Access	\$ 724.53	22.24%	\$ 604.26	22.07%	83.40%
Internal Connections	\$ 1,181.11	36.25%	\$ 1,076.29	39.31%	91.13%
Basic Maintenance of Internal Connections	\$ 23.55	0.72%	\$ 17.32	0.63%	73.56%
MIBS	\$ 24.55	0.75%	\$ 13.15	0.48%	53.55%
Voice Services	\$ 480.66	14.75%	\$ 350.78	12.81%	72.98%
TOTAL	\$ 3,258.25	100.00%	\$ 2,737.80	100.00%	84.03%
Deobligations due to Expired FRNs	\$ (419.60)				
Net Commitments	\$ 2,838.65				

As of September 30, 2018, 26 potentially fundable Funding Year 2015 applications remain in the PIA review process. Funding commitments made to applicants during 3Q2018 are included in Appendix SL22. Authorized funding by applicant during 3Q2018 and cumulative payments to service providers through 3Q2018 are listed in Appendices SL23 and SL24, respectively.

FUNDING YEAR 2016

Funding Year 2016					
	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

**Universal Service Administrative Company 1Q2019 Fund Size
Projections**

Telecommunications	\$ 0.00	0.00%	\$ 0.00	0.00%	0.00%
Internet Access	\$ 1,719.81	60.07%	\$ 1,315.83	58.86%	76.51%
Internal Connections	\$ 820.33	28.65%	\$ 685.35	30.66%	83.55%
Basic Maintenance of Internal Connections	\$ 25.53	0.89%	\$ 14.40	0.64%	56.39%
MIBS	\$ 23.50	0.82%	\$ 20.48	0.92%	87.16%
Voice Services	\$ 273.66	9.56%	\$ 199.41	8.92%	72.87%
TOTAL	\$ 2,862.83	100.00%	\$ 2,235.47	100.00%	78.09%
Deobligations due to Expired FRNs	\$ (392.97)				
Net Commitments	\$ 2,469.86				

As of September 30, 2018, 171 potentially fundable Funding Year 2016 applications remain in the PIA review process. Funding commitments made to applicants during 3Q2018 are included in Appendix SL25. Authorized funding by applicant during 3Q2018 and cumulative payments to service providers through 3Q2018 are listed in Appendices, SL26 and SL27, respectively.

FUNDING YEAR 2017

Funding Year 2017					
	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	\$ 0.00	0.00%	\$ 0.00	0.00%	0.00%
Internet Access	\$ 1,602.80	69.15%	\$ 980.23	70.33%	61.16%
Internal Connections	\$ 545.53	23.53%	\$ 340.77	24.45%	62.47%
Basic Maintenance of Internal Connections	\$ 24.70	1.07%	\$ 5.41	0.39%	21.90%
MIBS	\$ 26.02	1.12%	\$ 9.33	0.67%	35.87%
Voice Services	\$ 118.95	5.13%	\$ 57.98	4.16%	48.75%
TOTAL	\$ 2,318.00	100.00%	\$ 1,393.72	100.00%	60.13%

**Universal Service Administrative Company 1Q2019 Fund Size
Projections**

Deobligations due to Expired FRNs	\$ (0.00)				
Net Commitments	\$ 2,318.00				

As of September 30, 2018, 412 potentially fundable Funding Year 2017 applications remain in the PIA review process. Funding commitments made to applicants during 3Q2018 are included in Appendix SL28. Authorized funding by applicant during 3Q2018 and cumulative payments to service providers through 3Q2018 are listed in Appendices SL29 and SL30, respectively.

FUNDING YEAR 2018

FUNDING YEAR 2018					
	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	\$0.00	0.00%	\$0.00	0.00%	0.00%
Internet Access	\$1256.18	70.37%	\$55.04	40.85%	4.38%
Internal Connections	\$472.72	26.48%	\$78.07	57.95%	16.52%
Internal Connections-Maint	\$21.69	1.21%	\$0.12	0.09%	0.53%
MIBS	\$15.04	0.84%	\$1.17	0.87%	7.78%
Voice	\$19.44	1.09%	\$0.33	0.25%	1.70%
TOTAL	\$1,785.07	100.00%	\$134.73	100.00%	7.55%
Deobligations due to Expired FRNs	\$0.00				
Net Commitments	\$1,785.07				

As of September 30, 2018, 1,785 potentially fundable Funding Year 2018 applications remain in the PIA review process. Funding commitments made to applicants during 3Q2018 are included in Appendix SL31. Authorized funding by applicant during 3Q2018 and cumulative payments to service providers through 3Q2018 are listed in Appendices SL32 and SL33, respectively.

Universal Service Administrative Company 1Q2019 Fund Size Projections

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 stabilize USF contributions and offset collections for 3rd Quarter 2002 (3Q2002), 4th Quarter 2002 (4Q2002), and 1st Quarter 2003 (1Q2003).⁷⁷

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.⁷⁸ 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).⁷⁹ 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, 2019.⁸⁰

⁷⁷ 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).

⁷⁸ 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).

⁷⁹ 31 U.S.C. § 1341.

⁸⁰ 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);

Universal Service Administrative Company 1Q2019 Fund Size Projections

To reduce the USF cash reserve that has accumulated primarily because the structure of the program necessarily results in significant time lags between the commitments and actual disbursements while at the same time retaining the ability of the USF to satisfy all outstanding commitments based on historic disbursement patterns, the Commission applied a total of \$550 million of the undisbursed USF balance from prior years against Schools and Libraries Support Mechanism demand in 2004. The Commission applied \$200 million of the cash balance in both Second Quarter and Third Quarter 2004, and \$150 million in Fourth Quarter 2004.⁸¹

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.⁸²

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.⁸³ 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

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, 115th Cong., Div. P, § 201 (2018).

⁸¹ 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.

⁸² 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).

⁸³ *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*).

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year funds for use in Funding Year 2003.⁸⁴ 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 2004.⁸⁵

On June 11, 2007, the Commission instructed USAC to carry-forward \$650 million in unused funds to Funding Year 2007.⁸⁶ 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 2008.⁸⁷ 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 2009.⁸⁸ 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 2010.⁸⁹ 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

⁸⁴ Id.; see also 47 C.F.R. § 54.507(a)(3).

⁸⁵ See *Carryover of Unused Funds for Funding Year 2004*, CC Docket No. 02-6, Public Notice, 19 FCC Rcd 20420 (2004).

⁸⁶ See *Carryover of Unused Federal Universal Service Funds for Funding Year 2007*, CC Docket No. 02-6, Public Notice, 23 FCC Rcd 10795 (2007).

⁸⁷ *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Order, 24 FCC Rcd 9960 (2008).

⁸⁸ *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Order, 24 FCC Rcd 10164 (WCB 2009).

⁸⁹ 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).

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unused funds from Funding Year 2008 to Funding Year 2010.⁹⁰ 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 2011⁹¹ The funds were carried-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.⁹² 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.⁹³ 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.⁹⁴ The funds were carried forward from Funding Years 2002, 2007,

⁹⁰ *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Order, 26 FCC Rcd 11145 (WCB 2011)

⁹¹ *Id.* at 11150, para. 13.

⁹² 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).

⁹³ 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).

⁹⁴ 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).

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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.⁹⁵ The Commission calculates this annual increase by using the percentage increase in the gross domestic product chain type price index (GDP-CPI) from the previous year and rounds this to the nearest 0.1 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 \$2,290,682,250.⁹⁶ 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.⁹⁷ On May 18, 2012, the Commission set the cap for Funding Year 2012 to \$2,338,786,577.⁹⁸ On March 11, 2013, the FCC set the cap for Funding Year 2013 at \$2,380,314,485.⁹⁹ On March 28, 2014, the FCC set the cap for Funding Year 2014 at \$2,413,817,693.¹⁰⁰

On December 15, 2014, the FCC Managing Director provided guidance to USAC concerning maintenance of cash reserves for meeting funding commitments for the Schools

⁹⁵ *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*).

⁹⁶ *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).

⁹⁷ See *USF/ICC Transformation Order*, 26 FCC Rcd at 17848, para. 567.

⁹⁸ 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).

⁹⁹ 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).

¹⁰⁰ 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).

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and Libraries Support Mechanism.¹⁰¹ 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 2015.¹⁰² On December 23, 2014, USAC submitted information to the FCC consistent with that guidance.¹⁰³

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

¹⁰¹ See Letter from John Wilkins, Managing Director, FCC, to Chris Henderson, Chief Executive Officer, USAC, 29 FCC Rcd 14858 (dated Dec. 15, 2014).

¹⁰² 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*).

¹⁰³ 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).

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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.

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 September 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

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contingency funds to subsequent years in an effort to utilize unused funds. On April 17, 2017,¹⁰⁴ 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:

Funding Year 1998	Amounts in Millions
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)
Estimated Remaining Balance	\$0.00

Funding Year 1999 True-Up

As of September 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.¹⁰⁵ 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 \$4.24 million of Funding Year

¹⁰⁴ 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).

¹⁰⁵ See *April 17, 2017 Letter*, at 2.

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1999 funds are available to carry-forward. The estimated remaining Funding Year 1999 balance is based on the following:

Funding Year 1999	Amounts in Millions
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	(4.40)
Estimated Remaining Balance	\$4.24

Funding Year 2000 True-Up

As of September 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.¹⁰⁶ 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 \$0.06 million of Funding Year 2000 funds are available to carry-forward. The estimated remaining Funding Year 2000 balance is based on the following:

Funding Year 2000	Amounts in Millions
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¹⁰⁶ See April 17, 2017 Letter, at 2.

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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)
Amount Carried Forward / Backward	(\$149.63)
Potential Additional Disbursements on Committed FRNs	\$0.00
Reserved for Invoices Awaiting Approval Expired FRNs	\$0.00
Reserve for USAC Appeals	(\$29.58)
Reserve for FCC Appeals	(\$8.46)
Estimated Remaining Balance	\$0.06

Funding Year 2001 True-Up

As of September 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.¹⁰⁷ 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 \$0.07 million of Funding Year 2001 funds are available to carry forward.

Funding Year 2001	Amounts in Millions
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	(\$8.75)

¹⁰⁷ See April 17, 2017 Letter, at 2.

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Reserve for FCC Appeals	(\$34.31)
Estimated Remaining Balance	\$0.07

Funding Year 2002 True-Up

As of September 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.¹⁰⁸ 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:

Funding Year 2002	Amounts in Millions
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)
Estimated Remaining Balance	\$0.00

Funding Year 2003 True-Up

As of September 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

¹⁰⁸ See April 17, 2017 Letter, at 2.

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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.¹⁰⁹ 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:

Funding Year 2003	Amounts in Millions
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)
Estimated Remaining Balance	\$0.00

Funding Year 2004 True-Up

As of September 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.¹¹⁰ USAC's projection of remaining Funding Year 2004 funds includes an

¹⁰⁹ See *April 17, 2017 Letter*, at 2.

¹¹⁰ See *April 17, 2017 Letter*, at 2.

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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 (\$0.94) million of Funding Year 2004 funds are available to carry-forward. The estimated remaining Funding Year 2004 balance is based on the following:

Funding Year 2004	Amounts in Millions
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	\$(0.58)
Reserve for FCC Appeals	(\$85.87)
Estimated Remaining Balance	(\$0.94)

Funding Year 2005 True-Up

As of September 30, 2018, \$1,623.65 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.¹¹¹ 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,

¹¹¹ See *April 17, 2017 Letter*, at 2.

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USAC estimates that \$0.53 million of Funding Year 2005 funds are available to carry-forward. The estimated remaining Funding Year 2005 balance is based on the following:

Funding Year 2005	Amounts in Millions
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$1,623.65)
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	\$0.00
Reserve for FCC Appeals	(\$30.10)
Estimated Remaining Balance	\$0.53

Funding Year 2006 True-Up

As of September 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.¹¹² 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 \$0.66 million of Funding Year 2006 funds are available to carry-forward. The estimated remaining Funding Year 2006 balance is based on the following:

Funding Year 2006	Amounts in Millions
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$1,566.53)

¹¹² See April 17, 2017 Letter, at 2.

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Amount Carried Forward / Backward	(\$581.29)
Administrative Expenses	(\$80.74)
Potential Additional Disbursements on Committed FRNs	(\$0.01)
Reserved for Invoices Awaiting Approval Expired FRNs	(\$0.11)
Remaining Uncommitted Requests	\$0.00
Reserve for USAC Appeals	(\$1.27)
Reserve for FCC Appeals	(\$19.39)
Estimated Remaining Balance	\$0.66

Funding Year 2007 True-Up

As of September 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.¹¹³ 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:

Funding Year 2007	Amounts in Millions
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)

¹¹³ See April 17, 2017 Letter, at 2.

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Estimated Remaining Balance	\$0.62
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Funding Year 2008 True-Up

As of September 30, 2018, \$1,926.52 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.¹¹⁴ 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:

Funding Year 2008	Amounts in Millions
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$1,926.52)
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	\$0.00
Remaining Uncommitted Requests	\$0.00
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	(\$18.52)
Estimated Remaining Balance	\$7.57

Funding Year 2009 True-Up

As of September 30, 2018, \$2,329.01 million of Funding Year 2009 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to

¹¹⁴ See April 17, 2017 Letter, at 2.

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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.¹¹⁵ 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 (\$0.62) million of Funding Year 2009 funds are available to carry-forward. The estimated remaining Funding Year 2009 balance is based on the following:

Funding Year 2009	Amounts in Millions
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$2,329.01)
Amount Carried Forward / Backward	(\$711.60)
Amount Received from Rollover	\$900.00
Administrative Expenses	(\$81.27)
Potential Additional Disbursements on Committed FRNs	(\$18.97)
Reserved for Invoices Awaiting Approval Expired FRNs	(\$0.15)
Remaining Uncommitted Requests	\$0.00
Reserve for USAC Appeals	(\$0.00)
Reserve for FCC Appeals	(\$9.62)
Estimated Remaining Balance	(\$0.62)

Funding Year 2010 True-Up

As of September 30, 2018, \$2,445.64 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.¹¹⁶ USAC's projection of remaining Funding Year 2010 funds includes an

¹¹⁵ See *April 17, 2017 Letter*, at 2.

¹¹⁶ See *April 17, 2017 Letter*, at 2.

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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 \$10.88 million of Funding Year 2010 funds are available to carry-forward. The estimated remaining Funding Year 2010 balance is based on the following:

Funding Year 2010	Amounts in Millions
Amount Authorized and Actually Collected	\$2,270.25
Amount Authorized for Disbursement	(\$2,445.64)
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	(\$15.79)
Reserved for Invoices Awaiting Approval Expired FRNs	\$0.00
Remaining Uncommitted Requests	\$0.00
Reserve for USAC Appeals	\$0.00
Reserve for FCC Appeals	(\$14.21)
Estimated Remaining Balance	\$10.88

Funding Year 2011 True-Up

As of September 30, 2018, \$2,144.70 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.¹¹⁷ 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,

¹¹⁷ See *April 17, 2017 Letter*, at 2.

**Universal Service Administrative Company 1Q2019 Fund Size
Projections**

USAC estimates that \$1.05 million of Funding Year 2011 funds are available to carry-forward. The estimated remaining Funding Year 2011 balance is based on the following:

Funding Year 2011	Amounts in Millions
Amount Authorized and Actually Collected	\$2,290.68
Amount Authorized for Disbursement	(\$2,144.70)
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	(\$14.24)
Reserved for Invoices Awaiting Approval Expired FRNs	(\$0.12)
Remaining Uncommitted Requests	\$0.00
Reserve for USAC Appeals	(\$0.25)
Reserve for FCC Appeals	(\$17.37)
Estimated Remaining Balance	\$1.05

Funding Year 2012 True-Up

As of September 30, 2018, \$2,323.87 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.¹¹⁸ 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, USAC estimates that \$5.79 million of Funding Year 2012 funds are available to carry-forward. The estimated remaining Funding Year 2012 balance is based on the following:

Funding Year 2012	Amounts in Millions
Amount Authorized and Actually Collected	\$2,338.80

¹¹⁸ See *April 17, 2017 Letter*, at 2.

**Universal Service Administrative Company 1Q2019 Fund Size
Projections**

Amount Authorized for Disbursement	(\$2,323.87)
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	(\$52.61)
Reserved for Invoices Awaiting Approval Expired FRNs	(\$5.68)
Remaining Uncommitted Requests	(\$3.99)
Reserve for USAC Appeals	(\$0.09)
Reserve for FCC Appeals	(\$27.80)
Estimated Remaining Balance	\$5.79

Funding Year 2013 True-Up

As of September 30, 2018, \$1,754.34 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.¹¹⁹ 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 \$1.47 million of Funding Year 2013 funds are available to carry-forward. The estimated remaining Funding Year 2013 balance is based on the following:

Funding Year 2013	Amounts in Millions
Amount Authorized and Actually Collected	\$2,380.30
Amount Authorized for Disbursement	(\$1,754.34)
Amount Carried Forward / Backward	(\$872.88)
Amount Received from Rollover	\$450.00
Amount Applied to Adjust Collections Funding Year 2004	(\$120.00)

¹¹⁹ See April 17, 2017 Letter, at 2.

**Universal Service Administrative Company 1Q2019 Fund Size
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Administrative Expenses	(\$62.90)
Potential Additional Disbursements on Committed FRNs	(\$0.20)
Reserved for Invoices Awaiting Approval Expired FRNs	(\$0.39)
Remaining Uncommitted Requests	(\$2.94)
Reserve for USAC Appeals	(\$0.16)
Reserve for FCC Appeals	(\$15.02)
Estimated Remaining Balance	\$1.47

Funding Year 2014 True-Up

As of September 30, 2018, \$1,845.24 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.¹²⁰ 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 (\$4.62) million of Funding Year 2014 funds are available to carry-forward. The estimated remaining Funding Year 2014 balance is based on the following:

Funding Year 2014	Amounts in Millions
Amount Authorized and Actually Collected	\$2,413.82
Amount Authorized for Disbursement	(\$1,845.24)
Amount Carried Forward / Backward	(\$635.77)
Amount Received from Rollover	\$200.00
Administrative Expenses	(\$74.94)
Potential Additional Disbursements on Committed FRNs	(\$34.52)
Reserved for Invoices Awaiting Approval Expired FRNs	(\$0.42)
Remaining Uncommitted Requests	(\$2.54)
Reserve for USAC Appeals	(\$6.67)
Reserve for FCC Appeals	(\$18.34)

¹²⁰ See April 17, 2017 Letter, at 2.

**Universal Service Administrative Company 1Q2019 Fund Size
Projections**

Estimated Remaining Balance	(\$4.62)
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Funding Year 2015 True-Up

As of September 30, 2018, \$2,737.80 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.¹²¹ 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 \$19.08 million of Funding Year 2015 funds are available to carry-forward. The estimated remaining Funding Year 2015 balance is based on the following:

Funding Year 2015	Amounts in Millions
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(\$2,737.80)
Amount Carried Forward / Backward	(\$847.39)
Amount Received from Rollover	\$1,575.05
Administrative Expenses	(\$103.04)
Potential Additional Disbursements on Committed FRNs	(\$92.81)
Reserved for Invoices Awaiting Approval Expired FRNs	(\$8.14)
Remaining Uncommitted Requests	(\$1.61)
Reserve for USAC Appeals	(\$0.74)
Reserve for FCC Appeals	(\$14.44)
Estimated Remaining Balance	\$19.08

Funding Year 2016 True-Up

As of September 30, 2018, \$2,235.47 million of Funding Year 2016 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to

¹²¹ See April 17, 2017 Letter, at 2.

**Universal Service Administrative Company 1Q2019 Fund Size
Projections**

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.¹²² 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 \$77.32 million of Funding Year 2016 funds are available to carry-forward. The estimated remaining Funding Year 2016 balance is based on the following:

Funding Year 2016	Amounts in Millions
Amount Authorized and Actually Collected	\$1,842.25
Amount Authorized for Disbursement	(\$2,235.47)
Amount Carried Forward / Backward	(\$1,020.59)
Amount Received from Rollover	\$1,900.00
Administrative Expenses	(\$120.35)
Potential Additional Disbursements on Committed FRNs	(\$224.25)
Reserved for Invoices Awaiting Approval Expired FRNs	(\$13.76)
Remaining Uncommitted Requests	(\$8.04)
Reserve for USAC Appeals	(\$22.35)
Reserve for FCC Appeals	(\$20.12)
Estimated Remaining Balance	\$77.32

Funding Year 2017 True-Up

As of September 30, 2018, \$1,393.72 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.¹²³ USAC's projection of remaining Funding Year 2017 funds includes an

¹²² See *April 17, 2017 Letter*, at 2.

¹²³ See *April 17, 2017 Letter*, at 2.

Universal Service Administrative Company 1Q2019 Fund Size Projections

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 \$71.73 million of Funding Year 2017 funds are available to carry-forward. The estimated remaining Funding Year 2017 balance is based on the following:

Funding Year 2017	Amounts in Millions
Amount Authorized and Actually Collected	\$2,064.22
Amount Authorized for Disbursement	(\$1,393.72)
Amount Carried Forward / Backward	(\$586.37)
Amount Received from Rollover	\$1,200.24
Administrative Expenses	(\$110.67)
Potential Additional Disbursements on Committed FRNs	(\$924.35)
Reserved for Invoices Awaiting Approval Expired FRNs	\$0.00
Remaining Uncommitted Requests	(\$160.31)
Reserve for USAC Appeals	(\$10.37)
Reserve for FCC Appeals	(\$6.94)
Estimated Remaining Balance	\$71.73

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.¹²⁴ This reflects a 1.8 percent inflation-adjusted increase to the \$3,990.21 million cap from Funding Year 2017.¹²⁵ 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).¹²⁶ 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

¹²⁴ 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).

¹²⁵ *Id.*

¹²⁶ 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).

Universal Service Administrative Company 1Q2019 Fund Size Projections

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 1Q2019 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: increased by the prior period adjustments of \$6.48 million,¹²⁷ increased by \$24.44 million for administrative expenses, and reduced by the projected interest income of \$3.36 million; resulting in a total projected 1Q2019 funding requirement for the Schools and Libraries Support Mechanism of \$406.41 million.

AUTHORIZATION TO FILE WITH THE COMMISSION

At their October 29, 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 1Q2019 projected support mechanism funding requirements described herein. At its October 30, 2018 meeting, the USAC Board of Directors adopted a resolution authorizing the inclusion of the projected 1Q2019 administrative expenses in this report to the Commission.

Respectfully submitted,

¹²⁷ Prior period adjustments reconcile projections to actual results and include adjustments for billings, interest income, bad debt, and administrative expenses.

**Universal Service Administrative Company 1Q2019 Fund Size
Projections**

UNIVERSAL SERVICE
ADMINISTRATIVE COMPANY

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

November 2, 2018