

extent that intrastate services would be exempt from these charges, the differential charge rates between intrastate services and interstate services might be inequitable or discriminatory.

The interstate revenues option may also produce unacceptably large variations from state to state. In several smaller states, the proportion of interstate revenues to total revenues is higher than in several larger states. This may be because calls placed over comparable distances fall in the interstate jurisdiction if made from small states, but can remain intrastate calls within larger states. A call traversing 400 miles can be an intrastate call in only some states.

For smaller states, therefore, a call of 400 miles in length would contribute to the national universal service pool. In a large state, however, such a call could be an intrastate call, and would be available to support the state universal service program; moreover, the call would not be available to support federal programs, thus requiring a marginally higher national rate. For this reason, the interstate revenues option may be inequitable or discriminatory against smaller states.

In summary, the Act may permit the FCC to select any constitutionally permissible basis for assessing contributions, so long as it assesses only carriers providing interstate services, and so long as the method is equitable and nondiscriminatory. The combined revenues option may meet these standards.

If the FCC adopts the combined revenues option, states that enact their own supplemental programs might be likely to finance those programs by a charge on combined revenues of intrastate carriers.⁶⁹ In these states, carriers that provide both interstate and intrastate services would pay two charges on their combined revenues, one to the FCC's fund administrator and the other to the state.⁷⁰

State levies on interstate and intrastate telecommunications revenues have previously withstood constitutional challenge. In 1989 the United States Supreme Court upheld a state sales tax law that applied to both intrastate and interstate

⁶⁹ This state behavior is assumed in the financial projections below. In the alternative, states might elect to charge only intrastate revenues or only interstate revenues. This last option, however, might raise Commerce Clause issues not raised by other options.

⁷⁰ Of course, carriers providing only interstate service would pay only one charge to the federal program, and carriers providing only intrastate service would pay only one charge to the state program.

telecommunications services.⁷¹ The state sales tax at issue was used for the general support of government. By analogy, state commissions may be permitted to subject both intrastate and interstate revenues to charges with the purpose of supporting universal service.⁷²

The combined revenues option would have additional policy implications. It could simplify the payment process for many carriers. If the states and the FCC were to adopt identical definitions of the services that are subject to universal service charges, carriers⁷³ could use a single accounting system to determine their contributions for universal service. Each service would either be subject to two charges, one federal and one state, or to no charge. Moreover, in calculating the amount due, the carrier would not have to determine whether the service is intrastate or interstate.

The combined revenues option may avoid bypass. To the extent that both intrastate and interstate revenues would be subject to equal charges, carriers would have no incentive to improperly classify services to either category or to create subsidiaries solely to provide interstate services and others to provide intrastate services.

B. Financial Effects

The combined revenue base of interstate carriers, net of payments to other carriers, is approximately \$168 billion per year.

1. Option 2-A: Full Funding at \$20

If the FCC chooses to support high cost funding with combined revenues, it will in all probability do so in order to meet 100 percent of the revenue needs of essential telecommunications carriers. The cost and charge rates necessary for such a program are shown in Table 2-A, assuming a revenue benchmark of \$20 per line per month. State-by-state details of this plan are shown in an Attachment.

⁷¹ *Goldberg v. Sweet*, 109 S.Ct. 582 (1989). In sustaining the Illinois sales tax statute under a Commerce Clause challenge, the Court established some minimal criteria for such taxes. One requirement was that the service subject to the tax must have a significant connection to the state. Second, the state must grant the taxpayer a credit for similar taxes already paid in other states. Therefore, a state imposing a charge on interstate services may need to grant credits to taxpayers who have paid similar universal service charges in other states.

Also, proper legislative authorization may be required, both as a matter of state law, and in order to bring the universal service mechanism under the holding in *Goldberg*.

⁷² The Vermont Universal Service Fund currently operates on a combined revenues basis. Vermont Statutes Annotated, Title 30, § 7521(a).

⁷³ Carriers who provide both interstate and intrastate services.

Table 2-A
High Cost Program
Combined Revenue - Full Funding of Need - Benchmark at \$20

<u>Program Characteristic</u>	<u>BCM2</u>	<u>Hatfield</u>
Dollars Distributed (billion)	\$14.7	\$5.3
FCC Charge Rate	8.9%	3.2%

The results show that if the federal high cost program were to be operated with a \$20 revenue benchmark, and if that funding were derived from a charge on combined services, the resulting charge rate would be less than half of the rate required under option 1-A where only interstate revenues are charged.

For most states, the results are similar to those found in option 1-E above, although the mechanism is different. Options 1-E and 2-A provide identical support to eligible carriers in each state. In most states collections would be similar: under BCM2, option 1-E requires an 8.7 percent average charge on intrastate revenues and a 9.3 percent charge on interstate revenues; option 2-A requires an 8.9 percent charge on all revenues.

2. Option 2-B: Raise the Benchmark to \$30

The cost and charge rates necessary for a program with a benchmark of \$30 are shown in Table 2-B. State-by-state details of this plan are shown in an Attachment.

Table 2-B
High Cost Program
Combined Revenue - Full Funding of Need
Benchmark at \$30

<u>Program Characteristic</u>	<u>BCM2</u>	<u>Hatfield</u>
Dollars Distributed (billion)	\$7.4	\$2.7
FCC Charge Rate	4.5%	1.6%
State charge rate (on combined revenues) for \$20 benchmark: *		
Alaska	5.2%	N.A.
District of Columbia	0.4%	0.0%
minimum rate (excluding D.C.)	2.7%	0.0%
maximum rate (excluding Alaska)	6.9%	4.9%
average rate	4.8%	2.1%

* Note: State charge rate would be cumulative of federal charge rate.

Option 1-B also examined the \$30 revenue benchmark, but with revenues from interstate services only. Compared with option 1-B, this option produces the desired benefit at a lower federal charge rate, but on a broader revenue base.⁷⁴

Under BCM2, if states were to enact supplemental programs to reduce the revenue benchmark to \$20, the variability in local rates (2.7% to 6.9%, excluding Alaska and D.C.) is less than for option 1-B (4.8% to 13.6%).

Consider the effect on a customer who purchases \$20 in interstate services and \$20 in intrastate services in a month, and lives in a state with a supplemental program at the average rate under BCM2 of 4.8 percent. The customer's \$20 payment for interstate service would include \$0.90 that the interstate carrier will pay into the federal fund, plus another \$0.96 to the state fund. The customer's \$20 payment for intrastate service would include an equal amount for both funds. Thus the total included payment for universal service would be \$3.72. This is approximately equal to the \$4.04 calculated for the same customer under the comparable interstate revenue option (option 1-B).⁷⁵

⁷⁴ It is important to note that the rates in option 2-B are cumulative charges on the same combined revenue stream, whereas the rates shown in option 1-B were on separate revenue streams.

⁷⁵ The difference may be due to rounding errors.

3. Option 2-C: Raise the Benchmark to \$40

The cost and charge rates necessary for a program with a benchmark of \$40 are shown in Table 2-C. State-by-state details of this plan are shown in an Attachment.

Table 2-C
 High Cost Program
 Combined Revenue - Full Funding of Need
 Benchmark at \$40

<u>Program Characteristic</u>	<u>BCM2</u>	<u>Hatfield</u>
Dollars Distributed (billion)	\$4.3	\$1.3
FCC Charge Rate	2.6%	0.8%
State charge rate (on combined revenues) for \$20 benchmark: *		
Alaska	8.3%	N.A.
District of Columbia	0.4%	0.0%
minimum rate (excluding D.C.)	3.7%	0.3%
maximum rate (excluding Alaska)	11.9%	8.1%
average rate	7.3%	3.2%

* Note: State charge rate would be cumulative of federal rate.

Option 1-C also examined the \$40 revenue benchmark, but with revenues from interstate services only. Compared with option 1-C, this option produces the desired benefit at a lower federal charge rate, but on a broader revenue base.

Under BCM2, if states were to enact supplemental programs to reduce the revenue benchmark to \$20, the variability in local rates (3.7% to 11.9%, excluding Alaska and D.C.) is less than for option 1-C (6.4% to 23.3%).

C. Summary of Effects

If the FCC is to provide full funding of the revenue need of essential telecommunications carriers, the broader base available from the combined (interstate and intrastate) revenues of interstate carriers would allow use of a lower charge rate. Under Option 2-A, the charge rate on interstate services would be considerably lower than that

required under option 1-A. The availability of a lower charge rate might encourage the FCC to refrain from the program contraction options that were examined in options 1-D and 1-E above.

Similarly the charge rate under option 2-B is lower than under 1-B, and the rate under option 2-C is lower than under 1-C.

States may choose to supplement the federal program and do so by charging combined revenue streams. In that case, states will be able to provide this supplemental funding with less variation in rates from state to state than under comparable interstate revenue options.⁷⁶

Each state commission will want to examine the appendices to determine the degree to which each option achieves the statutory objectives and benefits or harms that state.

⁷⁶ For example, compare option 2-B with option 1-B.

ATTACHMENTS to The Revenue Base for Federal Universal Service Support:

BCM Proxy Model:

1. BCM2 Proxy Model - Distribution by State
2. BCM2 Option 1-A
3. BCM2 Option 1-B
4. BCM2 Option 1-C
5. BCM2 Option 1-D
6. BCM2 Option 1-E
7. BCM2 Option 2-A
8. BCM2 Option 2-B
9. BCM2 Option 2-C
10. Total Revenues - 1995 (Interstate and Intrastate)

Hatfield Proxy Model:

11. Hatfield Proxy Model - Distribution by State
12. Hatfield Option 1-A
13. Hatfield Option 1-B
14. Hatfield Option 1-C
15. Hatfield Option 1-D
16. Hatfield Option 1-E
17. Hatfield Option 2-A
18. Hatfield Option 2-B
19. Hatfield Option 2-C
20. Total Revenues - 1995 (Interstate and Intrastate)

BCM 2 Proxy Model - Distribution by State

(In Thousands) State	Total Lines	Annual Cost Above \$20	Annual Cost Above \$30	Annual Cost Above \$40	Annual Cost Above \$50	Annual Cost Above \$60	Annual Cost Above \$70	Annual Cost Above \$80
AL Alabama	2,422	348,584	198,587	108,270	47,790	18,226	5,986	2,042
AK Alaska	378	57,551	38,994	27,791	21,089	16,209	13,006	10,728
AZ Arizona	2,344	243,043	127,399	86,565	64,898	50,269	39,664	31,798
AR Arkansas	1,418	265,796	175,545	113,800	68,053	37,174	19,732	9,505
CA California	20,252	882,639	281,173	142,589	83,820	54,420	37,955	27,452
CO Colorado	2,317	218,829	111,807	71,898	50,841	36,716	27,241	20,804
CT Connecticut	2,161	167,164	69,893	30,760	14,632	6,051	1,757	274
DE Delaware	491	34,972	13,903	5,477	1,663	338	103	42
DC Washington D.C.	939	3,870	337	11	0	0	0	0
FL Florida	9,067	691,572	238,882	98,309	46,047	20,928	10,654	6,290
GA Georgia	4,306	442,093	225,230	118,726	53,523	20,373	7,204	2,674
HI Hawaii	688	51,292	22,694	12,303	7,805	5,288	3,574	2,334
ID Idaho	609	101,014	67,794	49,048	35,104	25,374	19,134	14,547
IL Illinois	8,054	528,038	228,955	122,421	66,976	30,624	12,715	4,739
IN Indiana	3,515	368,809	185,035	94,865	39,321	9,197	1,764	442
IA Iowa	1,706	253,959	155,772	97,944	57,401	27,794	10,123	2,544
KS Kansas	1,592	216,663	135,529	93,776	65,287	46,106	32,908	23,172
KY Kentucky	2,173	323,873	192,063	109,248	47,334	12,488	3,626	1,295
LA Louisiana	2,454	302,844	159,804	86,405	43,866	18,012	7,178	3,220
ME Maine	766	166,243	119,193	83,274	55,062	34,823	21,521	12,663
MD Maryland	3,352	169,320	57,230	23,252	8,147	2,891	1,379	703
MA Massachusetts	4,167	232,988	86,074	34,184	15,948	8,137	3,580	1,243
MI Michigan	6,108	586,650	273,338	133,039	60,663	23,193	11,115	6,296
MN Minnesota	2,845	329,232	192,789	125,520	79,806	46,192	25,345	12,843
MS Mississippi	1,435	253,972	157,913	92,714	46,046	17,334	6,323	2,545
MO Missouri	3,282	423,818	256,867	175,081	116,476	73,474	44,665	25,139
MT Montana	508	99,430	72,177	55,338	42,501	32,857	25,559	19,796
NE Nebraska	1,035	149,255	99,355	71,446	50,273	34,753	23,592	15,164
NV Nevada	914	83,728	47,575	34,197	26,279	20,902	17,080	14,382
NH New Hampshire	721	106,139	65,434	38,727	22,675	13,045	6,605	2,885
NJ New Jersey	5,535	233,916	60,830	17,363	5,113	1,691	789	362
NM New Mexico	885	135,968	88,829	65,674	50,513	39,387	30,881	23,819
NY New York	12,169	660,026	307,393	166,723	90,257	47,367	27,765	18,078
NC North Carolina	4,261	529,685	282,981	142,022	55,501	13,781	3,961	1,722
ND North Dakota	413	92,077	70,790	57,124	46,762	37,892	30,214	23,362
OH Ohio	6,908	614,541	272,185	128,393	50,987	10,646	1,246	247
OK Oklahoma	1,984	267,610	159,072	101,089	60,569	34,359	20,305	12,331
OR Oregon	1,893	216,926	119,637	77,503	51,729	35,591	25,943	19,245
PA Pennsylvania	8,039	612,784	301,995	163,593	85,405	42,039	20,606	8,092
RI Rhode Island	646	43,928	15,698	6,773	3,363	1,645	580	136
SC South Carolina	2,082	279,168	152,970	81,375	36,459	11,279	2,965	949
SD South Dakota	434	93,631	69,560	52,450	39,313	29,439	21,770	15,422
TN Tennessee	3,111	391,294	214,160	113,375	50,062	18,230	8,344	3,992
TX Texas	10,826	965,509	464,135	272,534	163,276	98,066	60,754	40,039
UT Utah	947	90,499	47,672	32,826	24,331	18,912	15,208	12,253
VT Vermont	368	72,293	51,952	35,859	22,860	13,803	7,718	4,114
VA Virginia	4,315	377,184	188,054	99,619	41,440	12,414	4,863	1,987
WA Washington	3,294	279,459	131,124	76,626	48,367	31,853	22,024	15,321
WV West Virginia	1,075	214,205	145,860	96,502	58,452	32,634	18,613	10,008
WI Wisconsin	3,188	343,209	187,460	107,454	55,616	25,121	11,994	6,188
WY Wyoming	296	50,297	35,530	27,184	21,369	17,280	14,271	11,872
National Results	164,686	14,665,589	7,425,225	4,259,038	2,400,874	1,312,436	792,099	506,898

BCM2 Option 1-A (in 000s)					
Distribution	Revenue Base:				
\$20 Benchmark	Interstate Revenues Only				
Full Funding					
	Federal High Cost Program				
	Paid to	Revenues			Net
	State	Interstate Base	USF Percent	Total	Gain/Loss
			21.35%		
ALABAMA	348,584	1,079,109	21.35%	230,439	118,145
ALASKA	57,551	290,709	21.35%	62,080	(4,529)
ARIZONA	243,043	1,134,915	21.35%	242,356	686
ARKANSAS	265,796	675,314	21.35%	144,211	121,585
CALIFORNIA	882,639	6,351,070	21.35%	1,356,245	(473,606)
COLORADO	216,829	1,190,783	21.35%	254,287	(37,458)
CONNECTICUT	167,164	1,049,348	21.35%	224,084	(56,920)
DELAWARE	34,972	203,454	21.35%	43,447	(8,475)
DISTRICT OF COLUMBIA	3,870	523,233	21.35%	111,734	(107,864)
FLORIDA	691,572	3,799,983	21.35%	811,471	(119,899)
GEORGIA	442,093	2,088,615	21.35%	446,015	(3,922)
HAWAII	51,292	369,384	21.35%	78,880	(27,589)
IDAHO	101,014	390,549	21.35%	83,400	17,614
ILLINOIS	528,038	2,922,068	21.35%	623,996	(95,957)
INDIANA	368,809	1,281,575	21.35%	273,675	95,134
IOWA	253,959	644,651	21.35%	137,663	116,297
KANSAS	216,663	688,664	21.35%	147,061	69,601
KENTUCKY	323,873	888,499	21.35%	189,735	134,138
LOUISIANA	302,844	1,023,644	21.35%	218,595	84,249
MAINE	166,243	372,855	21.35%	79,622	86,622
MARYLAND	169,320	1,261,890	21.35%	269,472	(100,151)
MASSACHUSETTS	232,988	2,244,604	21.35%	479,326	(246,338)
MICHIGAN	586,650	1,871,032	21.35%	399,551	187,099
MINNESOTA	329,232	1,130,318	21.35%	241,375	87,857
MISSISSIPPI	253,972	729,608	21.35%	155,805	98,167
MISSOURI	423,818	2,259,632	21.35%	482,535	(58,717)
MONTANA	99,430	289,388	21.35%	61,798	37,632
NEBRASKA	149,255	492,677	21.35%	105,209	44,046
NEVADA	83,728	421,704	21.35%	90,053	(6,325)
NEW HAMPSHIRE	106,139	490,788	21.35%	104,806	1,333
NEW JERSEY	233,916	2,687,719	21.35%	573,951	(340,036)
NEW MEXICO	135,968	557,254	21.35%	118,999	16,969
NEW YORK	660,026	5,828,972	21.35%	1,244,753	(584,727)
NORTH CAROLINA	529,685	1,719,789	21.35%	367,254	162,431
NORTH DAKOTA	92,077	216,606	21.35%	46,255	45,822
OHIO	614,541	2,112,253	21.35%	451,063	163,478
OKLAHOMA	267,610	907,757	21.35%	193,848	73,762

OREGON	216,926	934,136	21.35%	199,481	17,445
PENNSYLVANIA	612,784	2,663,003	21.35%	568,674	44,110
RHODE ISLAND	43,928	338,449	21.35%	72,274	(28,346)
SOUTH CAROLINA	279,168	924,635	21.35%	197,452	81,716
SOUTH DAKOTA	93,631	262,428	21.35%	56,041	37,591
TENNESSEE	391,294	1,383,269	21.35%	295,391	95,902
TEXAS	965,509	4,272,159	21.35%	912,302	53,207
UTAH	90,499	472,040	21.35%	100,802	(10,303)
VERMONT	72,293	233,816	21.35%	49,931	22,363
VIRGINIA	377,184	1,732,330	21.35%	369,932	7,252
WASHINGTON	279,459	1,433,750	21.35%	306,171	(26,713)
WEST VIRGINIA	214,205	465,251	21.35%	99,352	114,852
WISCONSIN	343,209	1,199,146	21.35%	256,073	87,136
WYOMING	50,297	171,690	21.35%	36,664	13,633
TOTAL	14,665,589	68,676,515		14,665,589	0

BCM2 Option 1-B					
(in 000's)					
Distribution				Revenue Base:	
\$30 Benchmark				Interstate Revenues Only	
Full Funding					
		Federal High Cost Program			
	Paid to	Revenues			Net
	State	Interstate Base	USF Percent	Total	Gain/Loss
			10.81%		
ALABAMA	198,587	1,079,109	10.81%	116,672	81,915
ALASKA	38,994	290,709	10.81%	31,431	7,563
ARIZONA	127,399	1,134,915	10.81%	122,706	4,693
ARKANSAS	175,545	675,314	10.81%	73,014	102,531
CALIFORNIA	281,173	6,351,070	10.81%	686,670	(405,498)
COLORADO	111,807	1,190,783	10.81%	128,746	(16,939)
CONNECTICUT	69,893	1,049,348	10.81%	113,454	(43,561)
DELAWARE	13,903	203,454	10.81%	21,997	(8,095)
DISTRICT OF COLUMBIA	337	523,233	10.81%	56,571	(56,235)
FLORIDA	238,882	3,799,983	10.81%	410,850	(171,967)
GEORGIA	225,230	2,088,615	10.81%	225,819	(589)
HAWAII	22,694	369,384	10.81%	39,937	(17,244)
IDAHO	67,794	390,549	10.81%	42,226	25,568
ILLINOIS	228,955	2,922,068	10.81%	315,931	(86,976)
INDIANA	185,035	1,281,575	10.81%	138,562	46,472
IOWA	155,772	644,651	10.81%	69,699	86,073
KANSAS	135,529	688,664	10.81%	74,458	61,071
KENTUCKY	192,063	888,499	10.81%	96,063	95,999
LOUISIANA	159,804	1,023,644	10.81%	110,675	49,129
MAINE	119,193	372,855	10.81%	40,313	78,880
MARYLAND	57,230	1,261,890	10.81%	136,434	(79,204)
MASSACHUSETTS	86,074	2,244,604	10.81%	242,684	(156,610)
MICHIGAN	273,338	1,871,032	10.81%	202,294	71,044
MINNESOTA	192,789	1,130,318	10.81%	122,209	70,580
MISSISSIPPI	157,913	729,608	10.81%	78,884	79,028
MISSOURI	256,867	2,259,632	10.81%	244,309	12,558
MONTANA	72,177	289,388	10.81%	31,288	40,889
NEBRASKA	99,355	492,677	10.81%	53,268	46,088
NEVADA	47,575	421,704	10.81%	45,594	1,981
NEW HAMPSHIRE	65,434	490,788	10.81%	53,063	12,371
NEW JERSEY	60,830	2,687,719	10.81%	290,593	(229,763)
NEW MEXICO	88,829	557,254	10.81%	60,250	28,579
NEW YORK	307,393	5,828,972	10.81%	630,222	(322,829)
NORTH CAROLINA	282,981	1,719,789	10.81%	185,942	97,039
NORTH DAKOTA	70,790	216,606	10.81%	23,419	47,371
OHIO	272,185	2,112,253	10.81%	228,374	43,811
OKLAHOMA	159,072	907,757	10.81%	98,146	60,926

OREGON	119,637	934,136	10.81%	100,998	18,639
PENNSYLVANIA	301,995	2,663,003	10.81%	287,921	14,074
RHODE ISLAND	15,698	338,449	10.81%	36,593	(20,895)
SOUTH CAROLINA	152,970	924,635	10.81%	99,970	53,000
SOUTH DAKOTA	69,560	262,428	10.81%	28,373	41,187
TENNESSEE	214,160	1,383,269	10.81%	149,557	64,603
TEXAS	464,135	4,272,159	10.81%	461,901	2,234
UTAH	47,672	472,040	10.81%	51,036	(3,364)
VERMONT	51,952	233,816	10.81%	25,280	26,672
VIRGINIA	188,054	1,732,330	10.81%	187,298	757
WASHINGTON	131,124	1,433,750	10.81%	155,015	(23,891)
WEST VIRGINIA	145,860	465,251	10.81%	50,302	95,558
WISCONSIN	187,460	1,199,146	10.81%	129,650	57,810
WYOMING	35,530	171,690	10.81%	18,563	16,967
TOTAL	7,425,225	68,676,515		7,425,225	0
AVERAGE					
Maximum					
Minimum					

	97,289	1,043,129	9.33%
	310,789	4,044,724	7.68%
	28,231	259,005	10.90%
	126,198	1,243,264	10.15%
	24,071	176,801	13.61%
	177,134	1,629,995	10.87%
	501,375	8,111,640	6.18%
	42,827	482,690	8.87%
	20,341	161,734	12.58%
	189,130	2,619,627	7.22%
	148,335	1,997,999	7.42%
	68,344	527,096	12.97%
	155,749	1,591,358	9.79%
	14,767	143,841	10.27%
	7,240,364	95,502,019	
			9.40%
			26.85%
			0.83%

BCM2 Option 1-C (in 000's)					
Distribution	Revenue Base:				
\$40 Benchmark	Interstate Revenues Only				
Full Funding					
	Federal High Cost Program				
	Paid to	Revenues			Net
	State	Interstate Base	USF Percent	Total	Gain/Loss
			6.20%		
ALABAMA	108,270	1,079,109	6.20%	66,922	41,348
ALASKA	27,791	290,709	6.20%	18,029	9,763
ARIZONA	86,565	1,134,915	6.20%	70,383	16,182
ARKANSAS	113,800	675,314	6.20%	41,880	71,920
CALIFORNIA	142,589	6,351,070	6.20%	393,868	(251,279)
COLORADO	71,898	1,190,783	6.20%	73,848	(1,949)
CONNECTICUT	30,760	1,049,348	6.20%	65,076	(34,316)
DELAWARE	5,477	203,454	6.20%	12,617	(7,140)
DISTRICT OF COLUMBIA	11	523,233	6.20%	32,449	(32,438)
FLORIDA	98,309	3,799,983	6.20%	235,659	(137,350)
GEORGIA	118,726	2,088,615	6.20%	129,527	(10,801)
HAWAII	12,303	369,384	6.20%	22,908	(10,604)
IDAHO	49,048	390,549	6.20%	24,220	24,828
ILLINOIS	122,421	2,922,068	6.20%	181,215	(58,793)
INDIANA	94,865	1,281,575	6.20%	79,478	15,387
IOWA	97,944	644,651	6.20%	39,979	57,965
KANSAS	93,776	688,664	6.20%	42,708	51,068
KENTUCKY	109,248	888,499	6.20%	55,101	54,147
LOUISIANA	86,405	1,023,644	6.20%	63,482	22,923
MAINE	83,274	372,855	6.20%	23,123	60,151
MARYLAND	23,252	1,261,890	6.20%	78,257	(55,006)
MASSACHUSETTS	34,184	2,244,604	6.20%	139,201	(105,018)
MICHIGAN	133,039	1,871,032	6.20%	116,034	17,005
MINNESOTA	125,520	1,130,318	6.20%	70,098	55,422
MISSISSIPPI	92,714	729,608	6.20%	45,247	47,466
MISSOURI	175,081	2,259,632	6.20%	140,133	34,948
MONTANA	55,338	289,388	6.20%	17,947	37,392
NEBRASKA	71,446	492,677	6.20%	30,554	40,892
NEVADA	34,197	421,704	6.20%	26,152	8,045
NEW HAMPSHIRE	38,727	490,788	6.20%	30,437	8,291
NEW JERSEY	17,363	2,687,719	6.20%	166,681	(149,319)
NEW MEXICO	65,674	557,254	6.20%	34,559	31,116
NEW YORK	166,723	5,828,972	6.20%	361,489	(194,766)
NORTH CAROLINA	142,022	1,719,789	6.20%	106,654	35,368
NORTH DAKOTA	57,124	216,606	6.20%	13,433	43,691
OHIO	128,393	2,112,253	6.20%	130,993	(2,600)
OKLAHOMA	101,089	907,757	6.20%	56,295	44,793

OREGON	77,503	934,136	6.20%	57,931	19,571	
PENNSYLVANIA	163,593	2,663,003	6.20%	165,149	(1,555)	
RHODE ISLAND	6,773	338,449	6.20%	20,989	(14,216)	
SOUTH CAROLINA	81,375	924,635	6.20%	57,342	24,033	
SOUTH DAKOTA	52,450	262,428	6.20%	16,275	36,175	
TENNESSEE	113,375	1,383,269	6.20%	85,785	27,590	
TEXAS	272,534	4,272,159	6.20%	264,942	7,592	
UTAH	32,826	472,040	6.20%	29,274	3,552	
VERMONT	35,859	233,816	6.20%	14,500	21,359	
VIRGINIA	99,619	1,732,330	6.20%	107,432	(7,813)	
WASHINGTON	76,626	1,433,750	6.20%	88,915	(12,290)	
WEST VIRGINIA	96,502	465,251	6.20%	28,853	67,649	
WISCONSIN	107,454	1,199,146	6.20%	74,366	33,088	
WYOMING	27,184	171,690	6.20%	10,648	16,536	
TOTAL	4,259,038	68,676,515		4,259,038	0	
AVERAGE						
Maximum						
Minimum						

139,423	1,043,129	13.37%
449,191	4,044,724	11.11%
37,155	259,005	14.35%
197,793	1,243,264	15.91%
41,182	176,801	23.29%
277,919	1,629,995	17.05%
692,976	8,111,640	8.54%
57,673	482,690	11.95%
36,434	161,734	22.53%
277,565	2,619,627	10.60%
202,833	1,997,999	10.15%
117,703	527,096	22.33%
235,755	1,591,358	14.81%
23,113	143,841	16.07%
10,406,552	95,502,019	
		14.30%
		43.07%
		0.91%

BCM2 Option 1-D				
(In 000's)				
Distribution			Revenue Base:	
\$20 Benchmark			Interstate Revenues Only	
40% Federal Funding				
			Federal High Cost Progr	
	Revenue	Paid to	Revenues from Sta	
	Need	State (40%	Interstate Base	USF Percent
				8.54%
ALABAMA	348,584	139,434	1,079,109	8.54%
ALASKA	57,551	23,020	290,709	8.54%
ARIZONA	243,043	97,217	1,134,915	8.54%
ARKANSAS	265,796	106,318	675,314	8.54%
CALIFORNIA	882,639	353,056	6,351,070	8.54%
COLORADO	216,829	86,732	1,190,783	8.54%
CONNECTICUT	167,164	66,866	1,049,348	8.54%
DELAWARE	34,972	13,989	203,454	8.54%
DISTRICT OF COLUMBIA	3,870	1,548	523,233	8.54%
FLORIDA	691,572	276,629	3,799,983	8.54%
GEORGIA	442,093	176,837	2,088,615	8.54%
HAWAII	51,292	20,517	369,384	8.54%
IDAHO	101,014	40,406	390,549	8.54%
ILLINOIS	528,038	211,215	2,922,068	8.54%
INDIANA	368,809	147,524	1,281,575	8.54%
IOWA	253,959	101,584	644,651	8.54%
KANSAS	216,663	86,665	688,664	8.54%
KENTUCKY	323,873	129,549	888,499	8.54%
LOUISIANA	302,844	121,138	1,023,644	8.54%
MAINE	166,243	66,497	372,855	8.54%
MARYLAND	169,320	67,728	1,261,890	8.54%
MASSACHUSETTS	232,988	93,195	2,244,604	8.54%
MICHIGAN	586,650	234,660	1,871,032	8.54%
MINNESOTA	329,232	131,693	1,130,318	8.54%
MISSISSIPPI	253,972	101,589	729,608	8.54%
MISSOURI	423,818	169,527	2,259,632	8.54%
MONTANA	99,430	39,772	289,388	8.54%
NEBRASKA	149,255	59,702	492,677	8.54%
NEVADA	83,728	33,491	421,704	8.54%
NEW HAMPSHIRE	106,139	42,455	490,788	8.54%
NEW JERSEY	233,916	93,566	2,687,719	8.54%
NEW MEXICO	135,968	54,387	557,254	8.54%
NEW YORK	660,026	264,010	5,828,972	8.54%
NORTH CAROLINA	529,685	211,874	1,719,789	8.54%
NORTH DAKOTA	92,077	36,831	216,606	8.54%
OHIO	614,541	245,816	2,112,253	8.54%
OKLAHOMA	267,610	107,044	907,757	8.54%

OREGON	216,926	86,770	934,136	8.54%
PENNSYLVANIA	612,784	245,114	2,663,003	8.54%
RHODE ISLAND	43,928	17,571	338,449	8.54%
SOUTH CAROLINA	279,168	111,667	924,635	8.54%
SOUTH DAKOTA	93,631	37,453	262,428	8.54%
TENNESSEE	391,294	156,518	1,383,269	8.54%
TEXAS	965,509	386,204	4,272,159	8.54%
UTAH	90,499	36,200	472,040	8.54%
VERMONT	72,293	28,917	233,816	8.54%
VIRGINIA	377,184	150,874	1,732,330	8.54%
WASHINGTON	279,459	111,783	1,433,750	8.54%
WEST VIRGINIA	214,205	85,682	465,251	8.54%
WISCONSIN	343,209	137,284	1,199,146	8.54%
WYOMING	50,297	20,119	171,690	8.54%
TOTAL	14,665,589	5,866,236	68,676,515	
AVERAGE				
Maximum				
Minimum				

m		Optional State High Cost Program		
Pay In	Net Gain/Loss	State to Raise	Intrastate Rev. Base	Rate Required
92,176	47,258	209,151	1,378,945	15.17%
24,832	(1,811)	34,531	69,102	49.97%
96,943	274	145,826	1,210,615	12.05%
57,684	48,634	159,477	749,199	21.29%
542,498	(189,443)	529,583	11,550,316	4.59%
101,715	(14,983)	130,097	1,465,554	8.88%
89,634	(22,768)	100,298	1,186,121	8.46%
17,379	(3,390)	20,983	191,314	10.97%
44,694	(43,146)	2,322	424,594	0.55%
324,588	(47,960)	414,943	6,270,073	6.62%
178,406	(1,569)	265,256	2,205,402	12.03%
31,552	(11,036)	30,775	465,653	6.61%
33,360	7,046	60,609	315,360	19.22%
249,598	(38,383)	316,823	3,783,874	8.37%
109,470	38,054	221,286	2,168,176	10.21%
55,065	46,519	152,375	825,746	18.45%
58,825	27,841	129,998	853,913	15.22%
75,894	53,655	194,324	1,166,481	16.66%
87,438	33,700	181,707	1,499,838	12.12%
31,849	34,649	99,746	397,206	25.11%
107,789	(40,060)	101,592	1,933,694	5.25%
191,730	(98,535)	139,793	2,171,613	6.44%
159,821	74,840	351,990	3,648,845	9.65%
96,550	35,143	197,539	1,573,440	12.55%
62,322	39,267	152,383	819,094	18.60%
193,014	(23,487)	254,291	2,413,622	10.54%
24,719	15,053	59,658	240,611	24.79%
42,084	17,619	89,553	740,233	12.10%
36,021	(2,530)	50,237	388,175	12.94%
41,922	533	63,683	351,633	18.11%
229,581	(136,014)	140,349	3,170,776	4.43%
47,600	6,788	81,581	512,725	15.91%
497,901	(233,891)	396,015	7,291,162	5.43%
146,902	64,973	317,811	2,935,517	10.83%
18,502	18,329	55,246	196,475	28.12%
180,425	65,391	368,725	3,902,800	9.45%
77,539	29,505	160,566	1,001,215	16.04%

79,792	6,978		130,156	1,043,129	12.48%
227,469	17,644		367,670	4,044,724	9.09%
28,910	(11,338)		26,357	259,005	10.18%
78,981	32,686		167,501	1,243,264	13.47%
22,416	15,036		56,179	176,801	31.78%
118,157	38,361		234,776	1,629,995	14.40%
364,921	21,283		579,306	8,111,640	7.14%
40,321	(4,121)		54,300	482,690	11.25%
19,972	8,945		43,376	161,734	26.82%
147,973	2,901		226,311	2,619,627	8.64%
122,469	(10,685)		167,675	1,997,999	8.39%
39,741	45,941		128,523	527,096	24.38%
102,429	34,855		205,926	1,591,358	12.94%
14,665	5,453		30,178	143,841	20.98%
5,866,236	0		8,799,354	95,502,019	
					14.03%
					49.97%
					0.55%

BCM2				
(In				
<u>Distribution</u>			<u>Revenue Base:</u>	
\$20 Benchmark			Interstate Revenues Only	
Imputed State Program @	8.93%	or less		
Final Federal Rate	9.28%			
			Imputed State High Co	
	Revenue	Combined	Intrastate	Rate
	Need	Revenues	Rev. Base	Required
ALABAMA	348,584	2,458,054	1,378,945	8.93%
ALASKA	57,551	359,811	69,102	8.93%
ARIZONA	243,043	2,345,530	1,210,615	8.93%
ARKANSAS	265,796	1,424,513	749,199	8.93%
CALIFORNIA	882,639	17,901,386	11,550,316	7.64%
COLORADO	216,829	2,656,338	1,465,554	8.93%
CONNECTICUT	167,164	2,235,469	1,186,121	8.93%
DELAWARE	34,972	394,768	191,314	8.93%
DISTRICT OF COLUMBIA	3,870	947,827	424,594	0.91%
FLORIDA	691,572	10,070,057	6,270,073	8.93%
GEORGIA	442,093	4,294,017	2,205,402	8.93%
HAWAII	51,292	835,037	465,653	8.93%
IDAHO	101,014	705,909	315,360	8.93%
ILLINOIS	528,038	6,705,942	3,783,874	8.93%
INDIANA	368,809	3,449,751	2,168,176	8.93%
IOWA	253,959	1,470,397	825,746	8.93%
KANSAS	216,663	1,542,577	853,913	8.93%
KENTUCKY	323,873	2,054,980	1,166,481	8.93%
LOUISIANA	302,844	2,523,482	1,499,838	8.93%
MAINE	166,243	770,061	397,206	8.93%
MARYLAND	169,320	3,195,584	1,933,694	8.76%
MASSACHUSETTS	232,988	4,416,217	2,171,613	8.93%
MICHIGAN	586,650	5,519,877	3,648,845	8.93%
MINNESOTA	329,232	2,703,758	1,573,440	8.93%
MISSISSIPPI	253,972	1,548,702	819,094	8.93%
MISSOURI	423,818	4,673,254	2,413,622	8.93%
MONTANA	99,430	530,000	240,611	8.93%
NEBRASKA	149,255	1,232,910	740,233	8.93%
NEVADA	83,728	809,879	388,175	8.93%
NEW HAMPSHIRE	106,139	842,421	351,633	8.93%
NEW JERSEY	233,916	5,858,495	3,170,776	7.38%
NEW MEXICO	135,968	1,069,979	512,725	8.93%
NEW YORK	660,026	13,120,134	7,291,162	8.93%
NORTH CAROLINA	529,685	4,655,306	2,935,517	8.93%
NORTH DAKOTA	92,077	413,081	196,475	8.93%
OHIO	614,541	6,015,053	3,902,800	8.93%
OKLAHOMA	267,610	1,908,972	1,001,215	8.93%

OREGON	216,926	1,977,265		1,043,129	8.93%
PENNSYLVANIA	612,784	6,707,727		4,044,724	8.93%
RHODE ISLAND	43,928	597,454		259,005	8.93%
SOUTH CAROLINA	279,168	2,167,899		1,243,264	8.93%
SOUTH DAKOTA	93,631	439,229		176,801	8.93%
TENNESSEE	391,294	3,013,264		1,629,995	8.93%
TEXAS	965,509	12,383,799		8,111,640	8.93%
UTAH	90,499	954,730		482,690	8.93%
VERMONT	72,293	395,550		161,734	8.93%
VIRGINIA	377,184	4,351,957		2,619,627	8.93%
WASHINGTON	279,459	3,431,749		1,997,999	8.93%
WEST VIRGINIA	214,205	992,347		527,096	8.93%
WISCONSIN	343,209	2,790,504		1,591,358	8.93%
WYOMING	50,297	315,531		143,841	8.93%
TOTAL	14,665,589	164,178,534		95,502,019	
AVERAGE					8.72%
Maximum					8.93%
Minimum					0.91%
Initial Estimate of Imputed State Rate		8.93%			

Option 1-E						
00's)						
Program	Federal High Cost Program					
State	Paid to	Revenues from State			Net	
Revenues	State	Interstate Base	USF Percent	Pay In	Gain/Loss	
123,177	225,407	1,079,109	9.28%	100,100	125,307	
6,173	51,378	290,709	9.28%	26,967	24,411	
108,141	134,902	1,134,915	9.28%	105,277	29,625	
66,924	198,872	675,314	9.28%	62,644	136,228	
882,639	0	6,351,070	9.28%	589,139	(589,139)	
130,914	85,915	1,190,783	9.28%	110,460	(24,544)	
105,953	61,211	1,049,348	9.28%	97,340	(36,129)	
17,090	17,882	203,454	9.28%	18,873	(991)	
3,870	0	523,233	9.28%	48,536	(48,536)	
560,087	131,485	3,799,983	9.28%	352,494	(221,010)	
197,002	245,091	2,088,615	9.28%	193,744	51,347	
41,595	9,696	369,384	9.28%	34,265	(24,569)	
28,170	72,844	390,549	9.28%	36,228	36,616	
338,002	190,036	2,922,068	9.28%	271,057	(81,021)	
193,677	175,132	1,281,575	9.28%	118,882	56,251	
73,761	180,198	644,651	9.28%	59,799	120,398	
76,278	140,385	688,664	9.28%	63,882	76,503	
104,198	219,675	888,499	9.28%	82,419	137,256	
133,976	168,868	1,023,644	9.28%	94,955	73,913	
35,481	130,762	372,855	9.28%	34,587	96,175	
169,320	0	1,261,890	9.28%	117,056	(117,056)	
193,984	39,004	2,244,604	9.28%	208,214	(169,210)	
325,941	260,710	1,871,032	9.28%	173,561	87,149	
140,551	188,681	1,130,318	9.28%	104,851	83,830	
73,167	180,804	729,608	9.28%	67,680	113,124	
215,602	208,216	2,259,632	9.28%	209,608	(1,392)	
21,493	77,936	289,388	9.28%	26,844	51,092	
66,123	83,133	492,677	9.28%	45,702	37,431	
34,675	49,053	421,704	9.28%	39,118	9,935	
31,410	74,728	490,788	9.28%	45,526	29,202	
233,916	0	2,687,719	9.28%	249,319	(249,319)	
45,800	90,168	557,254	9.28%	51,692	38,476	
651,298	8,727	5,828,972	9.28%	540,708	(531,980)	
262,221	267,464	1,719,789	9.28%	159,531	107,933	
17,551	74,527	216,606	9.28%	20,093	54,434	
348,626	265,915	2,112,253	9.28%	195,937	69,978	
89,436	178,175	907,757	9.28%	84,205	93,969	