

BELLSOUTH

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May 2, 1997

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Mr. William F. Caton
Acting Secretary
Federal Communications Commission
Washington, DC 20554

Re: Ex Parte in CC Dockets 96-45 and 96-262

Dear Mr. Caton:

This is to inform you that on May 2, 1997, Mary Henze, Dave Markey, and the undersigned, all of BellSouth, met with Commissioner Rachelle Chong and Gail McGuire of the Commission regarding the above-referenced proceedings.

The purpose of the meeting was to discuss issues relating to universal service and access reform. The attached charts were discussed during this meeting.

Pursuant to Section 1.1206(a)(2) of the Commission's rules, two copies of this notice are being filed with the FCC. Please associate this notification with the above-referenced proceedings.

Sincerely,

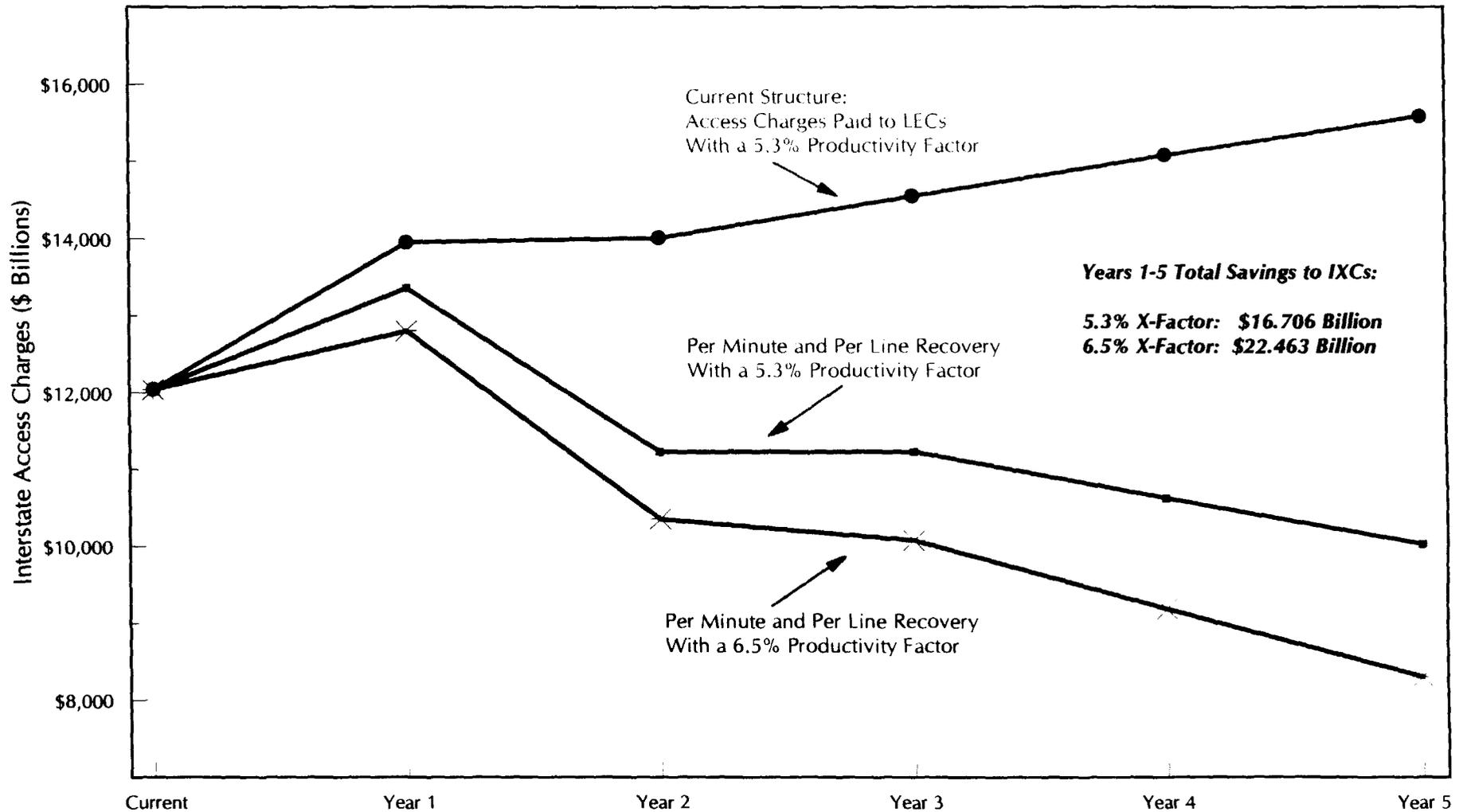


Whit Jordan

Attachments

cc: Commissioner Chong
Gail McGuire

Recovering LECs Non-traffic Sensitive Network Costs Thru Per Line Charges Will Reduce IXCs Access Costs by \$ 16.7 B over the next 5 years



	<u>Education and Healthcare</u>	<u>High Cost</u>
Year 1	\$1.0 B	\$1.85 B
Year 2	\$1.8 B	\$4.35 B
Years 3-5	\$2.65 B	\$4.35 B

Includes SLC, PICC, and usage charges as specified by OPP

Points on BellNyx Education Proposal

Support January 1, 1998 start date; strongly.

- Administrative processes must be developed and tested
- Much better for everyone to take time to ensure program works smoothly
- We have already begun working with NECA and Edlinc to identify issues
- We are committed to working together to develop best processes.

Support collecting fund on pay-as-you-go

- Fund must reflect actual need and demand
- Regular forecasting/review by Administrator necessary

BellNyx plan inconsistent in this regard

- Recommends pay-as-you-go but also identifies specific annual fund sizes.
- Their numbers not linked to any analysis of actual demand
- Not necessary to target specific collection amounts

Strongly oppose BellNyx rollover into what appears to be "IOU Fund"

- If collection less than \$2.25 cap, appears difference would be rolled over as IOU
- Appears IOU Fund could be tapped in unspecified future years in unspecified manner
- In theory, better than collecting funds and then rolling over, but still very problematic

IOU Fund could become very large very quickly

Year	Collection	Rollover	IOU Fund
1	\$.5 B	\$1.75 B	\$1.75 B
2	\$1 B	\$1.25 B	\$3.0 B
3	\$1.5 B	\$.75 B	\$3.75 B
4	\$2.0 B	\$.25 B	\$4.0 B

These are reasonable estimates given:

- Current estimated spending on telecom services of \$750 million
- Reasonable ramp-up of new demand which will be governed by school budgets
- Belief that estimate of only 14% of classrooms now wired is too low and will be even less accurate in January 1, 1998 due to extensive NetDay and other programs

What do you do with a \$4 billion IOU Fund?

- How would it be collected and under what circumstances?
- What if draw on fund levels off at \$2 billion and you never need the IOU Fund?
 - Could limit size up front (i.e., specify that no more than \$1 or \$2 billion could ever be in IOU fund)
 - Could sunset rolled over amounts (annual rollover amounts would sunset after one or two years if not used, i.e., \$1.75 billion rolled over in Year 1 above would expire in 2000)

What is impact of this financial liability on contributing carriers?