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PUBLIC NOTICE

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LISTING OF CHANGES ADOPTED IN THE MAY 8 UNIVERSAL SERVICE ORDER THAT WILL TAKE EFFECT JANUARY 1, 1998

CC Docket 96-45

To aid the public in understanding the changes that will occur as a result of the Commission's Universal Service Order, FCC 97-157 (rel. May 8, 1997), including its Order on Reconsideration, FCC 97-246 (rel. July 10, 1997), the Commission provides the following list of changes that will take effect on January 1, 1998.[1] This Public Notice also lists some of the actions state commissions and eligible carriers must take prior to January 1, 1998 in order to implement these changes to the federal universal service mechanisms. Additional changes will take place both before and after January 1, 1998. This document is being released for informational purposes only. It does not supersede any Commission rule or order.

Contributions to Federal Universal Service Support Mechanisms
Beginning January 1, 1998:

- All interstate telecommunications carriers and providers of interstate telecommunications, including payphone aggregators and private network operators that offer service to others for a fee on a non-common carrier basis, will contribute toward the provision of universal service (¶ 777). The following entities will not be required to contribute: government entities that purchase, for their own use, telecommunications services in bulk; public safety and local government entities licensed under Subpart B or Part 90 of the Commission's rules; providers that supply interstate telecommunications solely to public safety or government entities (¶ 800); entities that serve only their own internal needs (¶ 799); and any entity whose contribution would be less than $100.00 per year (¶ 803).

- Contributions for schools, libraries, and rural health care support will be based on end-user interstate and intrastate telecommunications revenues (¶ 837). Contributions for high cost and low-income support will be based on end-user interstate telecommunications revenues only (¶ 831). Interstate end-user telecommunications

[1] Unless indicated, all citations are to the Universal Service Order. Cites are intended for general reference purposes only; other portions of the Order and Commission rules may also apply.

revenues will include revenues from telecommunications service provided between the United States and a foreign point that are billed to domestic end users (¶ 779).

- Carriers making Long Term Support (LTS) payments will cease to make those payments (¶ 769).

- Incumbent LECs regulated by the Commission's price cap rules will be permitted to treat their contributions as an exogenous cost change. Incumbent LECs not subject to federal price cap regulation will be permitted to recover their contributions by increasing their carrier common line revenue requirement (¶ 830).

Eligibility to Receive Federal Universal Service Support
By January 1, 1998:

- State commissions must designate eligible carriers pursuant to 47 C.F.R. § 54.201-.203 (¶ 135).

- State commissions must designate service areas consistent with 47 C.F.R. § 54.207 (¶ 184).

Beginning January 1, 1998:

- Only eligible telecommunications carriers designated by state commissions pursuant to the criteria in section 214(e) of the Communications Act will be eligible to receive high cost, low income, and most rural health care universal service support (¶ 130).

- Eligible telecommunications carriers and other service providers not designated as eligible telecommunications carriers by a state commission will be eligible for support for providing telecommunications services and eligible non-telecommunications services to schools and libraries (¶ 449). Non-telecommunications carriers will be eligible for support for providing eligible non-telecommunications services to schools and libraries (¶ 590).

- Eligible telecommunications carriers and other service providers not designated as eligible telecommunications carriers by a state commission will be eligible for support for providing, to a rural health care provider, toll-free access to an Internet service provider in accordance with 47 C.F.R. § 54.621 (¶ 628).

Support for High Cost Areas
Beginning January 1, 1998:

- Support previously supplied under LTS, DEM weighting, and the expense adjustment for high cost loops will be funded and administered through Part 54 of the Commission's rules (Order on Reconsideration at ¶ 24).

<u>Corporate Operations Expense</u>
Beginning January 1, 1998:

- Total Corporate Operations Expense shall be limited to the lesser of: (1) the actual average monthly per-line Corporate Operations Expense, or (2) a per-line amount computed according to a newly adopted formula (defined in 47 C.F.R. § 36.621(a)(4)) (¶ 283; Order on Reconsideration at ¶ 20).

<u>Local Switching Support (DEM Weighting)</u>
Beginning January 1, 1998:

- Category 3 local switching investment for study areas with fewer than 50,000 access lines will be apportioned to the interstate jurisdiction by the application of an interstate allocation factor. This interstate allocation factor will equal the lesser of either .85 or the sum of the unweighted interstate DEM factor (defined in 47 C.F.R. § 36.125(a)(5)) and the local switching support factor (defined in 47 C.F.R. § 54.301). The local switching support factor will equal the difference between the 1996 weighted interstate DEM factor (defined in 47 C.F.R. § 36.125(f)) and the 1996 unweighted interstate DEM factor. If, however, the number of a study area's access lines increases, such that, under 47 C.F.R. § 36.125(f), the weighted interstate DEM factor for 1997 or any successive year would be reduced, the local switching support factor will be derived by multiplying such lower weighted interstate DEM factor by the carrier's 1996 unweighted interstate DEM factor (¶ 304).

- Eligible rural telecommunications carriers with study areas of fewer than 50,000 lines shall receive support for Category 3 local switching investment by multiplying the carrier's annual unseparated local switching revenue by the local switching support factor (¶ 304).

<u>Carrier Common Line Revenue Support (Long Term Support)</u>
Beginning January 1, 1998:

- Eligible telecommunications carriers that participate in the NECA Carrier Common Line (CCL) pool and competitive eligible telecommunications carriers that serve customers formerly served by carriers that participate in the NECA CCL pool will receive LTS from the new federal universal service support mechanisms (¶¶ 287, 757).

- LTS funding shall equal the difference between the projected CCL revenue requirement of NECA pool participants and the projected revenue recovered by NECA through CCL charges (¶ 306).

- For calendar year 1998, the LTS for each eligible service area shall be adjusted to reflect the annual percentage change in the actual nationwide average loop cost as filed by the Universal Service Administrator in the previous calendar year (¶ 306).

Support for Low Income Customers
Beginning January 1, 1998:

- Parts 36 and 69 will no longer govern the Lifeline and Link Up programs. Part 54 will govern the Lifeline and Link Up programs (¶ 367).

- All eligible telecommunications carriers designated by state commissions pursuant to section 214(e) of the Communications Act must offer Lifeline and Link Up (¶ 347).

- Lifeline and Link Up will be available in all states, the District of Columbia, and all territories and possessions of the United States (¶ 348).

<u>Lifeline</u>
By January 1, 1998:

- State commissions shall file, or require eligible telecommunications carriers to file, information with the Universal Service Administrator demonstrating that each carrier's Lifeline plan meets the criteria set forth in 47 C.F.R. § 54.400-.417. Such information shall include the number of qualifying low-income consumers and the amount of state assistance. Lifeline assistance shall be made available to qualifying low-income consumers as soon as the Universal Service Administrator certifies that the carrier's Lifeline plan satisfies the criteria set forth in 47 C.F.R. § 54.400-.417 (§ 54.401(d); ¶ 368).

Beginning January 1, 1998:

- A baseline federal support amount of $3.50 will be available in all states, the District of Columbia, and all territories and possessions, regardless of whether the state, district, territory, or possession provides intrastate Lifeline support (¶ 351).

- The baseline amount of federal support will increase from $3.50 to $5.25, provided the state approves the additional support. Federal universal service mechanisms will also provide additional Lifeline support equal to one-half of any intrastate support, up to an additional $1.75 (¶ 351).

- Carriers providing Lifeline support must:

    - supply to Lifeline customers the services identified by the Commission pursuant to 47 U.S.C. § 254(c) (¶ 384);
    - offer toll limitation services to customers (¶ 385);
    - not disconnect local service if a customer fails to pay toll charges, unless the carriers have received a waiver from the relevant state commission (¶ 390); and
    - not collect service deposits from customers who select toll blocking (¶ 398).

- In states that do not provide matching funds, a consumer's eligibility for federal Lifeline support shall be based on that consumer's participation in Medicaid, food stamps, Supplementary Security Income, federal public housing assistance or Section 8 programs, or Low Income Home Energy Assistance Program (¶ 374). In such states, each participating carrier must obtain a customer's signature, given under penalty of perjury, on a document certifying: (1) that the customer is receiving benefits from one of these programs; (2) the name of the program from which the customer receives benefits; and (3) that the customer agrees to notify the carrier if the customer ceases to participate in the program identified in the certification (¶ 377).

- In states that provide matching funds, state commissions will determine the eligibility criteria for Lifeline customers, but such criteria must be based on income or factors directly related to income (¶ 375).

Link Up
Beginning January 1, 1998:

- Eligible customers will continue to receive connection charges reduced by one-half of the carrier's customary connection charge or $30.00, whichever is less, for a primary residential connection, but this charge no longer will be required to be filed in a state tariff (¶ 380).

- The same consumer eligibility criteria, including verification standards, that apply to Lifeline in each state shall apply to Link Up in that state (¶ 381).

- States will be prohibited from limiting the number of connections per year for which a single customer who relocates may receive Link Up support (¶ 382).

Support for Schools, Libraries, and Rural Health Care Providers
By January 1, 1998:

- States must establish intrastate discounts at least equal to the discounts on interstate services (¶ 550).

For further information, contact: Sheryl Todd, Common Carrier Bureau, 418-7400.

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