Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C.

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Federal Universal Service Support Mechanisms Quarterly Contribution Base for the Second Quarter 2015

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BEFORE THE FEDERAL COMMUNICATIONS COMMISSION WASHINGTON, D.C.

FEDERAL UNIVERSAL SERVICE SUPPORT MECHANISMS FUND SIZE QUARTERLY CONTRIBUTION BASE FOR THE SECOND QUARTER 2015

INTRODUCTION

The Universal Service Administrative Company (USAC) is the not-for-profit corporation appointed by the Federal Communications Commission (FCC or Commission) to administer the federal Universal Service Fund (USF) and the four federal Universal Service Support Mechanisms: High Cost, Lifeline, Rural Health Care, and Schools and Libraries.[1] USAC hereby submits the contribution base amount to be used for the second quarter of calendar year 2015 (2Q2015) in accordance with Section 54.709 of the Commission's rules.[2] USAC is filing this contribution base report pursuant to the Commission's order of December 13, 2002, updating the *Contribution Methodology*

[1] *See* 47 C.F.R. § 54.701(a). *See also, Changes to the Board of Directors of the National Exchange Carrier Association, Inc., CC Docket No. 97-21, Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Fourth Report and Order in CC Docket No. 97-21, Fourth Order on Reconsideration in CC Docket No. 97-21 and Eighth Order on Reconsideration in CC Docket No. 96-45*, FCC 98-306, 63 Fed. Reg. 70564 (rel. Dec. 21, 1998); *Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Low-Volume Long Distance Users, Federal-State Joint Board on Universal Service*, CC Docket No. 96-262, 94-1, 99-249, 96-45, *Sixth Report and Order in CC Docket Nos. 96-262 and 94-1, Report and Order in CC Docket No. 99-249, Eleventh Report and Order in CC Docket No. 96-45*, FCC 00-103 (rel. May 31, 2000) (*CALLS Order*); *Federal-State Joint Board on Universal Service, Promoting Deployment and Subscribership in Unserved and Underserved Areas, Including Tribal and Insular Areas*, CC Docket No. 96-45, *Twelfth Report and Order and Further Notice of Proposed Rulemaking*, FCC 00-208 (rel. June 8, 2000) (*Tribal Lands Order*); *Federal-State Joint Board on Universal Service, Petition for Reconsideration filed by AT&T*, CC Docket No. 96-45, *Report and Order and Order on Reconsideration*, FCC 01-85 (March 14, 2001) (*Contribution Methodology Order*).

[2] *See* 47 C.F.R. § 54.709(a)(3).

Order issued on March 14, 2001.[3] In the December 13, 2002 order, the Commission changed the universal service contribution base methodology to projected collected revenues rather than actual contributor revenues billed.[4] On March 14, 2003, the Commission released an *Order and Second Order on Reconsideration*, which, *inter alia*, directed the Wireline Competition Bureau to announce the universal service contribution factor as a percentage rounded up to the nearest tenth of one percent.[5] The Commission also directed the Wireline Competition Bureau to account for contribution factor rounding when calculating the "circularity" discount factor.[6]

Consistent with Commission regulations and orders, USAC filed the Federal Universal Service Support Mechanisms Fund Size and Administrative Cost Projections for 2Q2015 on January 30, 2015.

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[3] *See Contribution Methodology Order* ¶¶ 10-13; *Federal-State Joint Board on Universal Service, 1998 Biennial Regulatory Review–Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability, Truth-in-Billing and Billing Format*, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, NSD File No. L-00-72, *Report and Order and Second Further Notice of Proposed Rulemaking*, FCC 02-329, 17 FCC Rcd 24952 (2002) (*Projected Collected Contribution Methodology Order*).

[4] *Projected Contribution Methodology Order* at ¶¶ 1, 29-30.

[5] *See Federal-State Joint Board on Universal Service, 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability, Truth-in-Billing and Billing Format*, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, *Order and Second Order on Reconsideration, FCC 03-58,* ¶ 22 (rel. Mar. 14, 2003) *(Second Order on Reconsideration*) ("Although the Second Order on Reconsideration has not yet been published in the Federal Register and accordingly has not yet become effective, we expect it will be published before the start of the second quarter of 2003. Absent release of this Public Notice, the six-digit contribution factor announced on March 7, 2003 would be deemed approved by the Commission on March 21, 2003. However, the six-digit contribution factor would be inconsistent with the Second Order on Reconsideration. Therefore, the Bureau takes this limited action today to ensure the implementation of the Second Order on Reconsideration for the second quarter of 2003.").

[6] *Id.*

On June 23, 2006, the Commission issued an order realigning oversight responsibilities within the FCC for the USF, the universal service support mechanisms and USAC.[7] Pursuant to that order, the FCC Office of the Managing Director is now responsible for calculating the quarterly contribution factor and issuing related public notices.[8]

Upon approval of the universal service support mechanisms quarterly funding requirements, projected administrative expenses, and the contribution base, the Commission will establish a quarterly contribution factor and a circularity factor.[9] USAC will then bill contributors on a monthly basis for their individual obligations based on the approved contribution factor and circularity factor.[10]

CONTRIBUTION BASE

USAC collects interstate and international projected revenue information from carriers on the FCC Form 499-Q (Form 499-Q) four times each year and submits aggregate information on a quarterly basis to the FCC.[11]

Carriers also file the FCC Form 499-A (Form 499-A) in April of each year to report actual annual revenues from the prior year. USAC uses revenue data provided by carriers on the FCC Form 499-A to perform annual true-ups of actual revenue to the quarterly projected revenue data submitted by carriers on FCC Form 499-Q during the

[7] *See In the Matter of Amendment of Part 54 of the Commission's Rules*, FCC 06-89, ¶ 4, released June 23, 2006.
[8] *Id.*
[9] *See* 47 C.F.R. § 54.709(a)(3).
[10] *Id.*
[11] The Form 499-Q includes a box for each of the quarterly filing submissions. Carriers check the appropriate box to indicate the quarter for which revenue information is being reported. Data is due to USAC approximately one month before filing is due to the FCC.

prior calendar year.[12] As necessary, USAC will refund or collect from carriers any over-payments or under-payments. As mandated by the Commission, if the combined quarterly revenues reported by a carrier on its Forms 499-Q are greater than those reported on its annual revenue report on Form 499-A, then a refund will be provided to the carrier based on an average of the two lowest contribution factors for the year.[13] If the combined quarterly revenues reported by a carrier are less than those reported on its annual revenue report on Form 499-A, then USAC will collect the difference from the carrier using an average of the two highest contribution factors from that year.[14]

Carriers were required to file the Form 499-Q with 2Q2015 projected collected revenue information on or before February 2, 2015.[15] By March 2, 2015, USAC is required to file revenue data with the FCC based on the February 2, 2015 carrier filings.[16] The Commission will use the program demand data and the projected collected revenue to calculate the universal service contribution factor for 2Q2015.[17] Following is the current Form 499-Q filing schedule:

Due Dates	**Projected Collected Revenue for USF contributions**
February 2, 2015	2Q: April – June 2015
May 1, 2015	3Q: July – September 2015
August 3, 2015	4Q: October – December 2015
December 2, 2015	1Q: January – March 2016

[12] In addition, carriers may file a revised Form 499-Q within 45 days of the original filing due date for that current quarter. *See Projected Collected Contribution Methodology Order* at ¶ 36.
[13] *Projected Collected Contribution Methodology Order* at ¶ 36.
[14] *Id.*
[15] *See* FCC Form 499-Q at http://www.usac.org/cont/tools/forms/default.aspx. *See also*, 47 C.F.R. § 54.711.
[16] *See* 47 C.F.R. § 54.709(a).
[17] *Id.* USAC files projected program demand data at least 60 days prior to the start of a quarter and total contribution base revenue data at least 30 days prior to the start of a quarter.

Telecommunications providers qualifying for the *de minimis* exemption from contribution requirements are not required to complete the Form 499-Q.[18] However, for providers required to contribute to the Universal Service Support Mechanisms, the Form 499-Q must be submitted by the due date for each quarter listed above.[19]

SECOND QUARTER 2015 PROJECTED COLLECTED REVENUE BASE TO BE USED FOR SECOND QUARTER 2015 CONTRIBUTIONS

The total projected collected interstate and international end-user revenue base to be used in determining the contribution factor for the Universal Service Support Mechanisms for 2Q2015 is: $15,148,440,570.71. This amount was derived using the projected collected revenue reported on the FCC Form 499-Q submissions. Interstate telecommunications service providers were required to complete this form reporting April – June 2015 projected collected revenue information and return it by February 2, 2015.[20] USAC has included complete revenue data from 3,924 carriers (2,876 contributors and 1,048 *de minimis* carriers).

The funding base for 2Q2015 is developed from the projected collected revenues for 2Q2015 that were reported by carriers in February 2015. As of February 18, 2015, USAC has yet to receive information from 187 non-*de minimis* telecommunications service providers that had previously submitted information to USAC. For the FCC's review of the 2Q2015 funding base for the Support Mechanisms, USAC includes estimated revenues based on prior submissions for those carriers that failed to submit a Form 499-Q.[21]

[18] *See* 47 C.F.R. § 54.708.
[19] 47 C.F.R. §§ 54.711, 54.713.
[20] 47 C.F.R. § 54.711(a).
[21] *See* 47 C.F.R. § 54.709(d).

Appendix M05 provides a list of non-*de minimis* companies that have or should have filed the February 2, 2015 Form 499-Q data as of February 18, 2015.

Respectfully submitted,

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