Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C.

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Revised Federal Universal Service Support Mechanisms Quarterly Contribution Base for the Third Quarter 2016[1]

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[1] USAC initially submitted the federal Universal Service Support Mechanisms quarterly contribution base filing for the third quarter of 2016 to the FCC on June 1, 2016. Subsequent to submitting the filing, USAC discovered that the total projected collected interstate and international end-user revenue base to be used in determining the contribution factor for the third quarter of 2016 should have been reported as $14,555,854,986, rather than $14,556,193,831 (a difference of $338,845). This revised filing reflects the correct amount.

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BEFORE THE FEDERAL COMMUNICATIONS COMMISSION WASHINGTON, D.C.

FEDERAL UNIVERSAL SERVICE SUPPORT MECHANISMS FUND SIZE QUARTERLY CONTRIBUTION BASE FOR THE THIRD QUARTER 2016

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.[2] USAC hereby submits the contribution base amount to be used for the third quarter of calendar year 2016 (3Q2016) in accordance with Section 54.709 of the Commission's rules.[3] USAC is filing this contribution base report pursuant to the Commission's order of December 13, 2002, updating the *Contribution Methodology Order* issued on March 14, 2001.[4] 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.[5] On March 14, 2003, the Commission released an *Order and Second Order on Reconsideration*, which, *inter alia*,

[2] *See* 47 C.F.R. § 54.701(a)*; see also Changes to the Board of Directors of the National Exchange Carrier Association, Inc. et al.,* CC Docket Nos. 97-21 *et al.*, Third Report and Order, Fourth Order on Reconsideration and Eighth Order on Reconsideration, 13 FCC Rcd 25058 (1998); *Access Charge Reform et al.*, CC Docket Nos. 96-262 *et al.*, Sixth Report and Order, Report and Order, Eleventh Report and Order, 15 FCC Rcd 12962 (2000) (*CALLS Order*); *Federal-State Joint Board on Universal Service et al.*, CC Docket No. 96-45, 16 FCC Rcd 5748 (2001) (*Contribution Methodology Order*).
[3] *See* 47 C.F.R. § 54.709(a)(3).
[4] *See Contribution Methodology Order*, 16 FCC Rcd at 5752-53, paras. 10-13; *Federal-State Joint Board on Universal Service et al.*, CC Docket Nos. 96-45 *et al.*, Report and Order and Second Further Notice of Proposed Rulemaking, 17 FCC Rcd 24952 (2002) (*Projected Collected Contribution Methodology Order*).
[5] *Projected Collected Contribution Methodology Order*, 17 FCC Rcd at 24952, 24969, paras. 1, 29-30.

directed the Wireline Competition Bureau to announce the universal service contribution factor as a percentage rounded up to the nearest tenth of one percent.[6] The Commission also directed the Wireline Competition Bureau to account for contribution factor rounding when calculating the "circularity" discount factor.[7]

Consistent with Commission regulations and orders, USAC filed the Federal Universal Service Support Mechanisms Fund Size and Administrative Cost Projections for 3Q2016 on May 2, 2016.

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.[8] 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.[9]

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. [10]

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[6] *See Federal-State Joint Board on Universal Service et al.*, CC Docket Nos. 96-45 *et al.*, Order and Second Order on Reconsideration, 18 FCC Rcd 4818, 4826, para. 22 (2003) *(Second Order on Reconsideration*); *see also Revised Second Quarter 2003 Universal Service Contribution Factor*, CC Docket No. 96-45, Public Notice, 18 FCC Rcd 5097, 5097 n.3 (Wireline Comp. Bur. 2003) ("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.").

[7] *Second Order on Reconsideration*, 18 FCC Rcd at 4826, para. 22.

[8] *See Amendment of Part 54 of the Commission's Rules*, Order, 21 FCC Rcd 7422, 7423, para. 4 (2006).

[9] *Id.*

[10] *See* 47 C.F.R. § 54.709(a)(3).

USAC will then bill contributors on a monthly basis for their individual obligations based on the approved contribution factor and circularity factor.[11]

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.[12]

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 prior calendar year.[13] 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.[14] 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.[15]

[11] *Id.*
[12] The FCC 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 the filing is due to the FCC.
[13] 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.
[14] *Id.*
[15] *Id.*

Carriers were required to file the Form 499-Q with 3Q2016 projected collected revenue information on or before May 2, 2016.[16] By June 1, 2016, USAC is required to file revenue data with the FCC based on the May 2, 2016 carrier filings.[17] The Commission will use the program demand data and the projected collected revenue to calculate the universal service contribution factor for 3Q2016.[18] Following is the current Form 499-Q filing schedule:

Due Dates	Projected Collected Revenue for USF contributions
May 2, 2016	3Q: July – September 2016
August 1, 2016	4Q: October – December 2016
November 1, 2016	1Q: January – March 2017
February 1, 2017	2Q: April – June 2017

Telecommunications providers qualifying for the *de minimis* exemption from contribution requirements are not required to complete the Form 499-Q.[19] 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.[20]

THIRD QUARTER 2016 PROJECTED COLLECTED REVENUE BASE TO BE USED FOR THIRD QUARTER 2016 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 3Q2016 is: $14,555,854,986. This amount was derived using the projected collected revenue reported on the FCC Form 499-Q submissions. Interstate

[16] *See* FCC Form 499-Q, *available at* https://www.usac.org/cont/tools/forms/default.aspx; *see also* 47 C.F.R. § 54.711.
[17] *See* 47 C.F.R. § 54.709(a).
[18] *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.
[19] *See* 47 C.F.R. § 54.708.
[20] 47 C.F.R. §§ 54.711, 54.713.

telecommunications service providers were required to complete this form reporting July to September 2016 projected collected revenue information and return it by May 2, 2016.[21] USAC has included complete revenue data reported by 2,933 carriers.

As of May 20, 2016, USAC had yet to receive information from 142 non-*de minimis* telecommunications service providers that had previously submitted information to USAC. For the FCC's review of the 3Q2016 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.[22]

Appendix M05 provides a list of non-*de minimis* companies that have or should have filed the May 2, 2016 Form 499-Q data as of May 20, 2016.

Respectfully submitted,

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[21] 47 C.F.R. § 54.711(a).
[22] *See* 47 C.F.R. § 54.709(d).