

Before the Federal Communications Commission  
Washington DC

In the matter of:

Proposed Third Quarter 2000 Universal     )  
Service Contribution Factor             )   DA 00-1272  
  )  
  )  
Federal State Joint Board on Universal     )  
Service                                    ) CC Docket No 96-45  
  )

PETITION FOR RECONSIDERATION

I petition the Federal Communications Commission this day on behalf of schools and libraries throughout the nation that have applied for Universal Service E-Rate discounts in funding years two and three of the program. I ask the Commission to reconsider using unspent year one schools and libraries funds to reduce contributions during the third quarter 2000.

In its third quarter 2000 contribution release, the Common Carrier Bureau (CCB) orders that \$170 million of unused year one schools and libraries funds be used to reduce carrier contributions. The \$170 million represents one half of \$340 million year one carryover funds, which had been reduced in the first two quarters 2000 from \$448 million the Universal Service Administrative Company (USAC) estimated as total unused year one schools and libraries funds.

The CCB cites 47 C.F.R. 54.507, and the fact that the rural health care program had year one unspent funds as justification for releasing unspent schools and libraries funds to contributors. As pointed out in my petition for reconsideration of the first quarter contribution factor, the rural health program carryover is not analogous to the schools and libraries carryover. Specifically, Demand for rural health care funds did not nearly match contributions naturally resulting in a balance of funds at the end of the year. With the schools and libraries program, initial demand seemed to far exceed available funds, so much so that funding for internal connections was cut-off before all requests were funded. The fact that funds remained after disbursements were made was an unfortunate consequence of inexperience with initial administration of this program.

The CCB in citing 54.507 to justify returning unused funds to carriers is also in error. 54.507 (a) sets annual collection and disbursement amounts. Collections of \$1.9 billion were authorized in year one; however, only \$1.7 billion was committed. The remaining funds were held in reserve to fund successful appeals and for administrative expenses. Collections for year two are on a \$2.25 billion schedule; however, somewhat less than \$2.25 billion

will be committed. Again because of appeal contingencies. Another source of=20 the year one carryover is committed-but-unspent funds. This situation appear= s=20 to remain during year two, but the extent is unknown.

54.507 (a) states that =93...support for schools and libraries shall be=20 \$2.25 billion per funding year, and all funding authority for a given fundin= g=20 year shall be carried forward...=94 Because of contingency funds, and the=20 unknown committed-but-unspent funds, the funding limit was not met in year=20 one, and does not appear on track for year two.=20

Year one unspent funds should be used to fully fund \$2.25 billion=20 commitments to schools and libraries for year two and three. Appeal=20 contingency funds should not be counted as part of the \$2.25 billion, as=20 those applications have already been denied, and funding for successful=20 appeals typically does not reach applicants until the following year.=20 Administrative expenses should also not be a factor as those costs appear to= =20 be covered by interest payments on the substantial amount of money in USAC=20 accounts. Additional year two and three collections should be used to fund=20 contingency accounts. 54.507 (a) (1) has been waived, is irrelevant, and=20 should be eliminated. Committed-but-unspent funds should be estimated by=20 actuaries or accountants contracted by the Commission. Based on these=20 estimates, additional funding should be committed during or after the fundin= g=20 year - typically for internal connections. Year one carryover funds should b= e=20 used to cover these activities.

Respectfully Submitted

Greg Weisiger =20