

Before the
Federal Communications Commission
Washington, D.C. 20554

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In the Matter of)
)
Federal-State Joint Board on)
Universal Service)
)
Petition for Reconsideration filed)
by AT&T)
)
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CC Docket No. 96-45

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REPORT AND ORDER AND ORDER ON RECONSIDERATION

Adopted: March 9, 2001

Released: March 14, 2001

By the Commission:

I. INTRODUCTION

1. In this Order, we modify the existing methodology used to assess contributions that carriers make to the federal universal service support mechanisms. Specifically, we modify the existing contribution methodology to reduce the interval between the accrual of revenues and the assessment of universal service contributions based on those revenues. Currently, contributions to the federal universal service support mechanisms are based on carriers' interstate and international end-user telecommunications revenues from the prior year.¹ With this modification, we shorten the interval between the accrual of revenues and assessment based on those revenues by six months.

2. By reducing the interval between the accrual and assessment of revenues for contributions to the universal service fund, the revised methodology will improve upon the existing methodology by basing assessments on revenue data that are more reflective of current market conditions. As a result, the revised contribution methodology will prevent the possibility that certain carriers will be at a competitive disadvantage as market conditions change. By our action today, we ensure that the assessment of contributions to the federal universal service support mechanisms remains competitively neutral, and that the mechanisms continue to meet the statutory requirement of section 254(d) to be specific, predictable, and sufficient.²

¹ See 47 C.F.R. §§ 54.709, 54.711.

² 47 U.S.C. § 254(d).

3. Although the action we take today improves the operation of the current universal service assessment methodology, we believe that more fundamental modifications may be warranted to simplify the way in which carriers contribute to the universal service mechanisms. Accordingly, very shortly we intend to initiate a proceeding to seek comment on whether and how to modify our rules related to carriers' recovery of their universal service contribution obligations to simplify the process for carriers and consumers and ensure that the universal service fund remains sufficient and predictable.

II. BACKGROUND

A. The Act

4. In section 254 of the Communications Act of 1934, as amended by the Telecommunications Act of 1996 (the Act), Congress instructed the Commission and the states to establish support mechanisms with the goal of ensuring the delivery of affordable telecommunications service to all Americans, including consumers in high-cost areas, low-income consumers, eligible schools and libraries, and rural health care providers.³ Section 254(d) requires that "[e]very telecommunications carrier that provides interstate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, to the specific, predictable, and sufficient mechanisms established by the Commission to preserve and advance universal service."⁴

B. The Current Methodology

5. In the *Universal Service Order*, the Commission decided to assess contributions on carriers' end-user telecommunications revenues.⁵ The Commission did so after considering the Recommended Decision of the Federal-State Joint Board on Universal Service (Joint Board) and the record developed at that time.⁶ Specifically, the Commission concluded that assessment based on end-user telecommunications revenues is competitively neutral, easy to administer, and eliminates some economic distortions associated with an assessment based on gross

³ 47 U.S.C. § 254.

⁴ 47 U.S.C. § 254(d). *See also* 47 U.S.C. § 254(b)(4), (5) (Commission policy on universal service shall be based, in part, on the principles that contributions should be equitable and nondiscriminatory, and support mechanisms should be specific, predictable, and sufficient).

⁵ *Federal-State Joint Board on Universal Service*, Report and Order, CC Docket No. 96-45, 12 FCC Rcd 8776, 9206 at para. 844 (1997), as corrected by *Federal-State Joint Board on Universal Service*, Erratum, CC Docket No. 96-45, FCC 97-157 (rel. June 4, 1997) *aff'd in part, rev'd in part, remanded in part sub nom. Texas Office of Public Utility Counsel v. FCC*, 183 F.3d 393 (5th Cir, 1999) *cert. denied* 2000 WL 684656 (U.S. Sup. Ct. May 30, 2000) (*Universal Service Order*). Currently, contributions to the federal universal service support mechanisms are based on carriers' interstate and international end-user telecommunications revenues from the prior year.

⁶ *Federal-State Joint Board on Universal Service*. Recommended Decision, CC Docket No. 96-45, 12 FCC Rcd 87 (1996).

telecommunications revenues.⁷

6. In the *Second Order on Reconsideration*, the Commission set forth the specific method of computation for universal service contributions.⁸ To collect information from contributors about their end-user telecommunications revenues, the Commission requires contributors to submit a Telecommunications Reporting Worksheet (Worksheet) semi annually. The Worksheet explains that contributions are based on billed end-user telecommunications revenues from the prior year.⁹ Therefore, under the existing contribution methodology, the interval between the accrual of revenues by carriers and the assessment of universal service contributions based on those revenues is 12 months.¹⁰

7. On October 12, 2000, the Commission released a *Contribution Further Notice*

⁷ *Universal Service Order*, 12 FCC Rcd at 9206-09, paras. 844-50.

⁸ *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, Report and Order and Second Order on Reconsideration, 12 FCC Rcd 18400 (1997) (*Second Order on Reconsideration*). See also 47 C.F.R. § 54.709. Section 54.709(a) provides, in relevant part, that contributions to the universal service support mechanisms shall be based on contributors' end-user telecommunications revenues and a contribution factor determined quarterly based on information submitted by the Administrator of the fund, the Universal Service Administrative Company (USAC). The quarterly contribution factor is based on the ratio of total projected quarterly expenses of the universal service support mechanisms to total end-user telecommunications revenues. Thus, contributions are the product of a contributor's end-user telecommunications revenues multiplied by a quarterly contribution factor that is equal to the ratio of total projected quarterly expenses of the universal service support mechanisms to total end-user telecommunications revenues.

⁹ *Second Order on Reconsideration*, 12 FCC Rcd 18400, Appendix B. See also 47 C.F.R. 54.711(a). ("Contributions shall be calculated and filed in accordance with the Telecommunications Reporting Worksheet. The Telecommunications Reporting Worksheet sets forth information that the contributor must submit to the Administrator [USAC] on a semi-annual basis. . ."). See *Second Order on Reconsideration*, 12 FCC Rcd at 18424, para. 43, 18442, para. 80, 18501-02, Appendix C. The Commission adopted the Worksheet and attached it as Appendix C to the *Second Reconsideration Order*. Subsequent to its issuance of the *Second Order on Reconsideration*, in an effort to reduce administrative burdens on contributors, the Commission consolidated the reporting requirements for the universal service mechanisms, the Telecommunications Relay Service Fund, the cost recovery mechanism for administration of the North American Numbering Plan, and the cost recovery mechanism for administration of long-term number portability into the FCC Form 499 Telecommunications Reporting Worksheet. *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*, Report and Order, CC Docket 98-171, FCC 99-175 (1999). See also *Common Carrier Bureau Announces Release of September Version of Telecommunications Reporting Worksheet (FCC Form 499-S) for Contributions to the Universal Service Support Mechanisms*, Public Notice, CC Docket No. 98-171, DA 99-1520 (rel. July 30, 1999), see *Common Carrier Bureau Announces Release of Telecommunications Reporting Worksheet (FCC Form 499-A) for April 1, 2000 Filing by All Telecommunications Carriers*, Public Notice, CC Docket No. 98-171, DA 00-471 (rel. Mar. 1, 2000).

¹⁰ Contributions based on carriers' revenues accrued in January through June of one year are assessed on carriers in January through June of the next year.

seeking comment on proposals to modify the universal service contribution methodology.¹¹ In light of significant recent developments in the interstate telecommunications marketplace, the Commission sought comment on whether to modify the existing contribution methodology.¹² Specifically, the Commission noted that the existing contribution methodology may place new entrants into the long distance market, such as the Regional Bell Operating Companies (RBOCs) that have recently entered the interexchange services market under section 271 of the Act, at a competitive advantage as they gain entry into the long distance market.¹³ Similarly, the Commission noted that the existing contribution methodology may place carriers with decreasing interstate revenues at a competitive disadvantage as compared to carriers with stable or increasing interstate revenues.¹⁴

8. The Commission therefore sought comment on the following proposals to modify the existing contribution methodology to ensure that the contribution methodology remains specific, predictable, sufficient, and competitively neutral as markets develop: (1) a methodology for the assessment of universal service contributions based on current revenues;¹⁵ (2) a methodology that would reduce the current interval between the accrual of revenues and the collection of universal service contributions based on those revenues;¹⁶ and (3) other proposals for the assessment and collection of contributions, such as an end-user surcharge.¹⁷

III. DISCUSSION

9. As discussed in greater detail below, we modify the existing contribution methodology to significantly reduce the current interval between the accrual of revenues and the assessment of universal service contributions based on those revenues. Although we continue to believe that the current methodology is competitively neutral and satisfies the requirements of

¹¹ *Federal-State Joint Board on Universal Service; Petition for Forbearance from Enforcement of Sections 54.709 and 54.711 of the Commission's Rules by Operator Communications, Inc. d/b/a Oncor Communications, Inc.*, Further Notice of Proposed Rulemaking and Order, CC Docket No. 96-45, FCC 00-359 (rel. Oct. 12, 2000) (*Contribution Further Notice*). Although we denied Oncor's petition for forbearance, we indicated that the Commission would review, on an industry-wide basis, changes to the universal service contribution methodology in this rulemaking proceeding. See *Federal-State Joint Board on Universal Service; Petition for Forbearance from Enforcement of Sections 54.709 and 54.711 of the Commission's Rules by Operator Communications, Inc. d/b/a Oncor Communications, Inc.*, Memorandum Opinion and Order, CC Docket No. 96-45, FCC 01-51 (rel. Feb. 13, 2001).

¹² *Contribution Further Notice* at para. 1.

¹³ *Contribution Further Notice* at para. 9 (citing Letter of Joel Lubin, AT&T, to Magalie Roman Salas, FCC, dated January 14, 2000).

¹⁴ *Contribution Further Notice* at para. 10.

¹⁵ *Contribution Further Notice* at paras. 14-20.

¹⁶ *Contribution Further Notice* at paras. 21-28.

¹⁷ *Contribution Further Notice* at paras. 29-30.

the Act, we conclude that reducing this interval will be superior to the current methodology by basing assessments on revenue data that are more reflective of current market conditions, without significantly increasing administrative costs for carriers and USAC.¹⁸ The shortened interval will allow contributions to better reflect market trends influencing carriers' revenues, such as the entry of new providers into the interstate marketplace. As a result, the revised methodology will further the Commission's goal of maintaining competitive neutrality.

A. Modified Universal Service Contribution Methodology

10. We adopt, with minor modifications, the contribution methodology proposal set forth in the *Contribution Further Notice* to reduce the interval between the accrual of revenues by carriers and assessment of universal service contributions based on those revenues.¹⁹ This revised methodology will reduce the interval from 12 months to an average interval of six months.

11. The revised contribution methodology will operate in a manner similar to the current methodology with only minor differences. The Commission will continue to set contribution factors on a quarterly basis using the same timeframes as under the current methodology. Carriers will continue to file Form 499-A in April to report their annual revenues from the prior year. Under the revised methodology we adopt today, carriers will also file on a quarterly basis the new Form 499-Q to report their revenues from the prior quarter.²⁰ We direct USAC to provide revenue data to the Commission at least thirty days before the start of each quarter. The Commission and USAC will use the revenue information from a particular quarter to set the contribution factor for the second following quarter. For example, contributions in the third quarter will be assessed based on revenues accrued in the first quarter. Accordingly, the revised methodology reduces to six months the average interval between the accrual of revenues and the assessment of universal service contributions based on those revenues. The specific timelines for implementation and transition are detailed below in section III.B.²¹

12. USAC will use the revenue data provided by carriers in the FCC Form 499-A to perform annual true-ups to the quarterly revenue data submitted by carriers during the prior

¹⁸ Although some commenters express concern regarding the potential administrative burdens, the majority agree that a reduction in the contribution interval between accrual of revenues and their assessment would be a valuable enhancement to the existing methodology. *See, e.g.*, AT&T Comments at 2; Sprint Comments at 2; WorldCom Comments at 2-3.

¹⁹ *Contribution Further Notice* at paras. 21-28.

²⁰ *See* Appendix B. The Form 499-Q will include a box for each of the quarterly filing submissions. Carriers will check the appropriate box to indicate the quarter for which revenue information is being reported. Carriers will no longer file the Form 499-S, which carriers filed in September of each year as the second of the two semi-annual Worksheet filings.

²¹ *See infra* section III.B.

calendar year.²² As necessary, USAC will then refund or collect from carriers any over-payments or under-payments. If the combined quarterly revenues reported by a carrier are greater than those reported on its annual revenue report (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. If the combined quarterly revenues reported by a carrier are less than those reported on its annual revenue report (Form 499-A), then USAC shall collect the difference from the carrier using an average of the two highest contribution factors from that year. We believe this will provide an incentive for carriers to accurately report their quarterly revenues.

13. By reducing the interval between the accrual and assessment of revenues for contribution to the universal service fund, the revised methodology improves upon the existing methodology by basing assessments on revenue data more reflective of current market conditions. As a result, the revised contribution methodology ensures that contributions to the universal service support mechanisms continue to operate in a competitively neutral manner. The shortened interval between accrual of revenues and assessment of contributions will allow the revised methodology to reflect more accurately trends in telecommunications conditions, such as new carriers entering the interexchange market,²³ or declining revenue bases for carriers that are losing market share. We conclude that the shortened interval will constitute a significant enhancement to the current methodology. Because it is similar to the existing contribution methodology, however, the methodology that we adopt herein will also be relatively easy to administer and implement.²⁴ Similarly, we conclude that USAC will be able to continue to monitor carrier submissions to ensure that such submissions are accurate and timely without substantial changes in its auditing authority or the adoption of additional enforcement rules.

14. We decline to adopt at this time the proposal to base contributions on current revenues as set forth in the *Contribution Further Notice* and AT&T's petition for reconsideration.²⁵ Under this proposal, the contribution factor is set using prior-year revenues, but carriers contribute based on application of this contribution factor to their current revenues. This proposal would increase reporting burdens on carriers by requiring carriers to file revenue information 13 times per year within very short timeframes. We agree with the majority of commenters that this proposal would be unduly burdensome on carriers, particularly smaller carriers.²⁶ We also have concerns that the adoption of this proposal might affect the sufficiency of the universal service fund and require the collection of a reserve fund to protect against a fund

²² In addition, carriers will be allowed an opportunity to file a revised Form 499-Q prior to the filing date of the next Form 499.

²³ For example, some RBOCs have recently entered the interexchange services market after receiving approval under section 271 of the Act.

²⁴ USAC Comments at 21.

²⁵ *Contribution Further Notice* at paras. 14-20. See also AT&T Petition for Reconsideration of Federal-State Joint Board on Universal Service, filed March 1, 2000 (AT&T Petition).

²⁶ See, e.g., Qwest Comments at 5; USTA Comments at 3; USAC Comments at 9; WorldCom Comments at 2.

shortfall.²⁷ For these reasons, we decline to adopt this proposal at this time and deny AT&T's petition.

15. We also decline to adopt at this time the alternative contribution methodologies suggested by some commenters in this proceeding, such as having carriers base contributions on projected revenues, or permitting carriers to have the option of using more than one contribution methodology.²⁸ We decline to adopt these proposals at this time because we conclude that the costs they impose would outweigh any potential benefits. We have concerns that these proposals would create incentives for carriers to under-report revenues or otherwise encourage carrier gaming of the contribution system. We also conclude that some of these proposals would unduly increase the costs of administering the universal service mechanisms.²⁹ Accordingly, we decline to adopt these proposals at this time. Moreover, we do not preclude the possibility of adopting at some later date a surcharge methodology to recover contributions to the universal service mechanisms. Such a methodology may satisfy the goals of section 254(d) to be specific, predictable, and sufficient, while protecting consumers from excessive or confusing universal service charges on their telephone bills. We do not, however, have an adequate record at this time to adopt such a proposal. Therefore, we intend to seek further comment on this issue in the very near future.

B. Transition to the Revised Contribution Methodology

16. We direct USAC to begin implementation of the revised contribution methodology effective for the second quarter of 2001 (*i.e.*, April through June of 2001). To ensure a smooth transition for second quarter 2001, during the month of April 2001, certain aspects of the existing contribution methodology will remain unchanged. As currently required under the existing methodology, on April 2, 2001, carriers will file the Form 499-A, reporting revenues billed from January through December 2000.³⁰ Also as required under the existing methodology, carriers' April 2001 contributions will be calculated based on their reported revenues from January through June 2000 (*i.e.*, revenues reported on the 2000 Form 499-S).³¹

17. Beginning in May 2001, for the entire second quarter 2001, USAC shall calculate carriers' contributions based on revenues that approximate the revenues earned in fourth quarter 2000. Specifically, we direct USAC to derive the fourth quarter 2000 revenue by subtracting the revenues reported by carriers in the Form 499-S (January through June 2000) from the revenues

²⁷ See, *e.g.*, Qwest Comments at 7; USAC Comments at 8; Verizon Comments at 5.

²⁸ See, *e.g.*, Oncor Comments at 6; Network Service Operator Comments at 6.

²⁹ USAC Comments at 25-26.

³⁰ We note that Form 499-A would normally be filed on April 1, but because April 1, 2001 is a Sunday, carriers will file on April 2, 2001.

³¹ As discussed further below, individual carrier contributions for April 2001, as determined under the current methodology, will then be trued-up in May and June to reflect the contribution that the carrier would have paid under the revised contribution methodology.

reported in the April 2001 Form 499-A (January through December 2000). USAC must then divide this revenue amount by two, to approximate carrier revenues for the fourth quarter of 2000. We direct USAC to include this revenue information in its quarterly filing due on May 2, 2001. Based on this fourth quarter 2000 revenue information, the Commission will determine whether to modify the contribution factor accordingly.

18. We direct USAC to calculate carriers' contributions for the second quarter 2001 using the fourth quarter 2000 revenue information, as discussed above. For each carrier, USAC shall compare this amount with the amount the carrier would have paid under the existing methodology. USAC shall then make appropriate adjustments to individual carriers' bills in May and June 2001 to: (1) reflect the revised contribution amounts for second quarter, and (2) true-up any amounts that a carrier may have over- or underpaid in the April 2001 bill. For example, if during the second quarter of 2001 Carrier A would have paid \$12,000 using the existing methodology, but would only have paid \$9,000 using the revised methodology, Carrier A would be billed for the second quarter of 2001 in the following manner. For April, Carrier A would pay \$4,000 (*i.e.*, one-third of \$12,000). For May and June, however, Carrier A would pay \$2,500 each month. Under the revised methodology, Carrier A owes \$3,000 per month. But because Carrier A overpaid \$1,000 in April, this amount shall be refunded in equal amounts to Carrier A during May and June (in the form of \$500 credit each month).

19. After this initial transition period, the contribution methodology will operate as follows. Carriers will file Form 499-Q on May 11, 2001,³² reporting revenue data from the first quarter of 2001. On June 1, 2001, USAC shall file revenue data from the first quarter 2001. Using this revenue data and the projected program demand data supplied by USAC in its quarterly filing in May, the Commission will calculate a new contribution factor for the third quarter of 2001.³³ Carriers will be billed in accordance with the new contribution factor for the third quarter. Thereafter, carriers will file Form 499-Q, reporting their revenues for the prior quarter, by the beginning of the second month in each quarter (*i.e.*, February 1, May 1, August 1, and November 1). Carriers will continue to receive annual true-ups when they file their Forms 499-A in April of each year. USAC will file 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.³⁴ The Commission delegates authority under section 54.711(c) to the Common Carrier Bureau to take whatever additional steps are necessary to implement the contribution methodology adopted herein.³⁵

³² During the initial transition period in second quarter of 2001, carriers will file FCC Form 499-Q on May 11, 2001. Thereafter, carriers will report first quarter revenues on Form 499-Q on May 1 of each year.

³³ 47 C.F.R. § 54.709(a).

³⁴ See 47 C.F.R. § 54.709.

³⁵ 47 C.F.R. § 54.711(c).

20. In addition, the Commission directs USAC and the other fund administrators³⁶ to devise an appropriate cost allocation plan for the additional costs for collecting, validating, and distributing the contributor data provided in the Form 499-Q.

IV. PROCEDURAL MATTERS

A. Paperwork Reduction Act

21. The action contained herein has been analyzed with respect to the Paperwork Reduction Act of 1995 (PRA) and found to impose new or modified reporting and/or recordkeeping requirements or burdens on the public. Implementation of these new or modified reporting and/or recordkeeping requirements will be subject to approval by the Office of Management and Budget (OMB) as prescribed by the PRA, and will go into effect upon announcement in the Federal Register of OMB approval.

B. Final Regulatory Flexibility Analysis

22. As required by the Regulatory Flexibility Act (RFA),³⁷ an Initial Regulatory Flexibility Analysis (IRFA) was incorporated into the *Contribution Further Notice*.³⁸ The Commission sought written public comment on the proposals in the *Contribution Further Notice*, including comment on the IRFA. This present Final Regulatory Flexibility Analysis (FRFA) conforms to the RFA.³⁹

1. Need for and Objectives of this Report and Order and the Rules Adopted Herein

23. The Commission issues this Report and Order (Order) as a part of its implementation of the Act's mandate that "[e]very telecommunications carrier that provides interstate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, to the specific, predictable, and sufficient mechanisms established by the Commission to preserve and advance universal service."⁴⁰ In light of significant recent developments in the interstate telecommunications marketplace, such as the entry of Regional Bell Operating Companies (RBOCs) into the interexchange services market under section 271, the Commission

³⁶ These include the administrators of the Telecommunications Relay Service Fund, North American Numbering Plan, and long-term number portability.

³⁷ See 5 U.S.C. § 603. The RFA, see 5 U.S.C. § 601 *et. seq.*, has been amended by the Contract With America Advancement Act of 1996, Pub. L. No. 104-121, 110 Stat. 847 (1996) (CWAAA). Title II of the CWAAA is the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA).

³⁸ See *Contribution Further Notice* at paras. 36-64.

³⁹ See 5 U.S.C. § 604.

⁴⁰ 47 U.S.C. § 254(d). See also 47 U.S.C. §(b)(4),(5) (Commission policy on universal service shall be based, in part, on the principles that contributions should be equitable and nondiscriminatory, and support mechanisms should be specific, predictable, and sufficient).

sought comment on whether the existing contribution methodology provides or will provide a competitive disadvantage to certain carriers in the marketplace.⁴¹ This Order modifies the existing assessment methodology to determine carriers' contributions to the federal universal service support mechanisms. Currently, contributions to the federal universal service mechanisms are based on carriers' interstate and international end-user telecommunications revenues from the prior year. In this Order, we shorten the interval between accrual of revenues and assessment based on those revenues by six months. In so doing, we ensure that assessment of contributions to the federal universal service support mechanisms remains competitively neutral, and that the mechanisms continue to meet the statutory requirement of section 254(d) to be specific, predictable, and sufficient.⁴²

2. Summary of Significant Issues Raised by Public Comments in Response to the IRFA

24. We received no comments directly in response to the IRFA in this proceeding. Some comments generally addressed the potential administrative burdens of the various proposals set forth in the *Contribution Further Notice* to modify the universal service contribution methodology.⁴³ These commenters express concern that the administrative costs associated with increasing the number of revenue filings may outweigh the benefits associated with reducing the contribution interval between the accrual of revenues by carriers and the assessment of contributions to the universal service support mechanisms.

3. Description and Estimate of the Number of Small Entities to Which Rules Will Apply

25. The RFA directs agencies to provide a description of and, where feasible, an estimate of the number of small entities that may be affected by the proposed rules.⁴⁴ The RFA generally defines the term "small entity" as having the same meaning as the terms "small business," "small organization," and "small governmental jurisdiction."⁴⁵ In addition, the term "small business" has the same meaning as the term "small business concern" under the Small Business Act.⁴⁶ A small business concern is one that: (1) is independently owned and operated;

⁴¹ *Contribution Further Notice* at para. 1.

⁴² 47 U.S.C. § 254(d).

⁴³ See, e.g., CTIA Comments at 2-3; Qwest Comments at 5-7; USTA Comments at 3.

⁴⁴ 5 U.S.C. § 603(b)(3).

⁴⁵ 5 U.S.C. § 601(6).

⁴⁶ 5 U.S.C. § 601(3) (incorporating by reference the definition of "small business concern" in 15 U.S.C. § 632). Pursuant to the RFA, the statutory definition of a small business applies "unless an agency, after consultation with the Office of Advocacy of the Small Business Administration and after opportunity for public comment, establishes one or more definitions of such term which are appropriate to the activities of the agency and publishes such definition(s) in the Federal Register." 5 U.S.C. § 601(3).

(2) is not dominant in its field of operation; and (3) satisfies any additional criteria established by the Small Business Administration (SBA).⁴⁷ A small organization is generally “any not-for-profit enterprise which is independently owned and operated and is not dominant in its field.”⁴⁸ Nationwide, as of 1992, there were approximately 275,801 small organizations.⁴⁹ “Small governmental jurisdiction”⁵⁰ generally means “governments of cities, counties, towns, townships, villages, school districts, or special districts, with a population of less than 50,000.”⁵¹ As of 1992, there were approximately 85,006 such jurisdictions in the United States.⁵² This number includes 38,978 counties, cities, and towns; of these, 37,566, or 96 percent, have populations of fewer than 50,000.⁵³ The Census Bureau estimates that this ratio is approximately accurate for all governmental entities. Thus, of the 85,006 governmental entities, we estimate that 81,600 (91 percent) are small entities. In this Order, we stated that the modifications adopted will affect all providers of interstate telecommunications and interstate telecommunications services. Below, we further describe and estimate the number of small business concerns that may be affected by the modifications to the universal service contribution methodology adopted in this Order.

26. The SBA has defined a small business for Standard Industrial Classification (SIC) categories 4812 (Radiotelephone Communications) and 4813 (Telephone Communications, Except Radiotelephone) to be small entities when they have no more than 1,500 employees.⁵⁴ We first discuss the number of small telephone companies falling within these SIC categories, then attempt to refine further those estimates to correspond with the categories of telecommunications companies that are commonly used under our rules.

27. The most reliable source of information regarding the total numbers of common carrier and related providers nationwide, including the numbers of commercial wireless entities, appears to be data the Commission publishes annually in its *Trends in Telephone Service* report.⁵⁵ According to data in the most recent report, there are 4,144 interstate carriers. These

⁴⁷ Small Business Act, 15 U.S.C. § 632.

⁴⁸ 5 U.S.C. § 601(4).

⁴⁹ 1992 Economic Census, U.S. Bureau of the Census, Table 6 (special tabulation of data under contract to Office of Advocacy of the U.S. Small Business Administration).

⁵⁰ 47 C.F.R. § 1.1162.

⁵¹ 5 U.S.C. § 601(5).

⁵² U.S. Dept. of Commerce, Bureau of the Census, “1992 Census of Governments.”

⁵³ *Id.*

⁵⁴ 13 C.F.R. § 121.201. Categories 4812 and 4813 have recently been reclassified as NAICS codes 513321, 513322, 51331, and 51334.

⁵⁵ FCC, Common Carrier Bureau, Industry Analysis Division, *Trends in Telephone Service*, Table 19.3 (March 2000) (*Trends Report*).

carriers include, *inter alia*, incumbent local exchange carriers, competitive local exchange carriers, competitive access providers, interexchange carriers, other wireline carriers and service providers (including shared-tenant service providers and private carriers), operator service providers, pay telephone operators, providers of telephone toll service, wireless carriers and services providers, and resellers.

28. We have included small incumbent LECs in this present RFA analysis. As noted above, a “small business” under the RFA is one that, *inter alia*, meets the pertinent small business size standard (*e.g.*, a telephone communications business having 1,500 or fewer employees), and “is not dominant in its field of operation.”⁵⁶ The SBA's Office of Advocacy contends that, for RFA purposes, small incumbent LECs are not dominant in their field of operation because any such dominance is not “national” in scope.⁵⁷ We have therefore included small incumbent LECs in this RFA analysis, although we emphasize that this RFA action has no effect on Commission analyses and determinations in other, non-RFA contexts.

29. *Total Number of Telephone Companies Affected.* The United States Bureau of the Census (“the Census Bureau”) reports that, at the end of 1992, there were 3,497 firms engaged in providing telephone services, as defined therein, for at least one year.⁵⁸ This number contains a variety of different categories of carriers, including local exchange carriers, interexchange carriers, competitive access providers, cellular carriers, mobile service carriers, operator service providers, pay telephone operators, PCS providers, covered SMR providers, and resellers. It seems certain that some of those 3,497 telephone service firms may not qualify as small entities or small incumbent LECs because they are not “independently owned and operated.”⁵⁹ It seems reasonable to conclude, therefore, that fewer than 3,497 telephone service firms are small entity telephone service firms or small incumbent LECs that may be affected by the decisions and rules adopted in this Order.

30. *Wireline Carriers and Service Providers.* SBA has developed a definition of small entities for telephone communications companies other than radiotelephone companies. The Census Bureau reports that, there were 2,321 such telephone companies in operation for at least one year at the end of 1992.⁶⁰ According to SBA's definition, a small business telephone

⁵⁶ 5 U.S.C. § 601(3).

⁵⁷ Letter from Jere W. Glover, SBA, to Chmn. William E. Kennard, FCC, dated May 27, 1999. The Small Business Act contains a definition of “small business concern,” which the RFA incorporates into its own definition of “small business.” See 15 U.S.C. § 632(a) (Small Business Act); 5 U.S.C. § 601(3) (RFA). SBA regulations interpret “small business concern” to include the concept of dominance on a national basis. 13 C.F.R. § 121.102(b). Since 1996, out of an abundance of caution, the Commission has included small incumbent LECs in its regulatory flexibility analyses. See, *e.g.*, *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-98, First Report and Order, 11 FCC Rcd 15499, 16144-45 (1996).

⁵⁸ United States Department of Commerce, Bureau of the Census, *1992 Census of Transportation, Communications, and Utilities: Establishment and Firm Size*, at Firm Size 1-123 (1995) (“1992 Census”).

⁵⁹ 15 U.S.C. § 632(a)(1).

⁶⁰ 1992 Census, *supra*, at Firm Size 1-123.

company other than a radiotelephone company is one employing no more than 1,500 persons.⁶¹ All but 26 of the 2,321 non-radiotelephone companies listed by the Census Bureau were reported to have fewer than 1,000 employees. Thus, even if all 26 of those companies had more than 1,500 employees, there would still be 2,295 non-radiotelephone companies that might qualify as small entities or small incumbent LECs. Although it seems certain that some of these carriers are not independently owned and operated, we are unable at this time to estimate with greater precision the number of wireline carriers and service providers that would qualify as small business concerns under SBA's definition. Consequently, we estimate that there are fewer than 2,295 small entity telephone communications companies other than radiotelephone companies that may be affected by the decisions and rules adopted in this Order.

31. *Local Exchange Carriers, Interexchange Carriers, Competitive Access Providers, Operator Service Providers, Payphone Providers, and Resellers.* Neither the Commission nor SBA has developed a definition particular to small local exchange carriers (LECs), interexchange carriers (IXCs), competitive access providers (CAPs), operator service providers (OSPs), payphone providers or resellers. The closest applicable definition for these carrier-types under SBA rules is for telephone communications companies other than radiotelephone (wireless) companies.⁶² The most reliable source of information regarding the number of these carriers nationwide of which we are aware appears to be the data that we collect annually in connection with the Telecommunications Relay Service (TRS).⁶³ According to our most recent data, there are 1,395 incumbent LECs, 349 CAPs, 204 IXCs, 21 OSPs, 758 payphone providers and 541 resellers.⁶⁴ Although it seems certain that some of these carriers are not independently owned and operated, or have more than 1,500 employees, we are unable at this time to estimate with greater precision the number of these carriers that would qualify as small business concerns under SBA's definition. Consequently, we estimate that there are fewer than 1,395 incumbent LECs, 349 CAPs, 204 IXCs, 21 OSPs, 758 payphone providers, and 541 resellers that may be affected by the decisions and rules adopted in this Order.

32. *Cellular Licensees.* Neither the Commission nor the SBA has developed a definition of small entities applicable to cellular licensees. The applicable definition of small entity is the definition under the SBA rules applicable to radiotelephone (wireless) companies. This provides that a small entity is a radiotelephone company employing no more than 1,500 persons.⁶⁵ According to the Bureau of the Census, only twelve radiotelephone firms from a total of 1,178 such firms which operated during 1992 had 1,000 or more employees.⁶⁶ Even if all

⁶¹ 13 C.F.R. § 121.201, SIC Code 4813.

⁶² 13 C.F.R. § 121.210, SIC Code 4813.

⁶³ See 47 C.F.R. § 64.601 *et seq.*; *Trends Report* at Table 19.3.

⁶⁴ *Id.* The total for resellers includes both toll resellers and local resellers. The TRS category for CAPs also includes competitive local exchange carriers (CLECs) (total of 129 for both).

⁶⁵ 13 CFR 121.201, SIC code 4812.

⁶⁶ 1992 Census, Series UC92-S-1, at Table 5, SIC code 4812.

twelve of these firms were cellular telephone companies, nearly all cellular carriers were small businesses under the SBA's definition. In addition, we note that there are 1,758 cellular licenses; however, a cellular licensee may own several licenses. According to the most recent *Telecommunications Industry Revenue* data, 808 carriers reported that they were engaged in the provision of either cellular service or Personal Communications Service (PCS) services, which are placed together in the data.⁶⁷ We do not have data specifying the number of these carriers that are not independently owned and operated or have more than 1,500 employees, and are unable at this time to estimate with greater precision the number of cellular service carriers that would qualify as small business concerns under the SBA's definition. We estimate that there are fewer than 808 small cellular service carriers that may be affected by the decisions and rules adopted in this Order.

33. *220 MHz Radio Service -- Phase I Licensees.* The 220 MHz service has both Phase I and Phase II licenses. Phase I licensing was conducted by lotteries in 1992 and 1993. There are approximately 1,515 such non-nationwide licensees and four nationwide licensees currently authorized to operate in the 220 MHz band. The Commission has not developed a definition of small entities specifically applicable to such incumbent 220 MHz Phase I licensees. To estimate the number of such licensees that are small businesses, we apply the definition under the SBA rules applicable to Radiotelephone Communications companies. This definition provides that a small entity is a radiotelephone company employing no more than 1,500 persons.⁶⁸ According to the Bureau of the Census, only 12 radiotelephone firms out of a total of 1,178 such firms which operated during 1992 had 1,000 or more employees.⁶⁹ If this general ratio continues in the context of Phase I 220 MHz licensees, we estimate that nearly all such licensees are small businesses under the SBA's definition.

34. *220 MHz Radio Service -- Phase II Licensees.* The Phase II 220 MHz service is a new service, and is subject to spectrum auctions. In the *220 MHz Third Report and Order*, we adopted criteria for defining small and very small businesses for purposes of determining their eligibility for special provisions such as bidding credits and installment payments.⁷⁰ We have defined a small business as an entity that, together with its affiliates and controlling principals, has average gross revenues not exceeding \$15 million for the preceding three years. A very small business is defined as an entity that, together with its affiliates and controlling principals, has average gross revenues that are not more than \$3 million for the preceding three years.⁷¹ The

⁶⁷ *Trends in Telephone Service*, Table 19.3 (March 2000).

⁶⁸ 13 CFR 121.201, Standard Industrial Classification (SIC) code 4812.

⁶⁹ U.S. Bureau of the Census, U.S. Department of Commerce, 1992 Census of Transportation, Communications, and Utilities, UC92-S-1, Subject Series, Establishment and Firm Size, Table 5, Employment Size of Firms; 1992, SIC code 4812 (issued May 1995).

⁷⁰ 220 MHz Third Report and Order, 12 FCC Rcd 10943, 11068-70, at paras. 291- 295 (1997).

⁷¹ 220 MHz Third Report and Order, 12 FCC Rcd at 11068-69, para. 291.

SBA has approved these definitions.⁷² An auction of Phase II licenses commenced on September 15, 1998, and closed on October 22, 1998.⁷³ Two auctions of Phase II licenses have been conducted. In the first auction, nine hundred and eight (908) licenses were auctioned in 3 different-sized geographic areas: three nationwide licenses, 30 Regional Economic Area Group Licenses, and 875 Economic Area (EA) Licenses. Of the 908 licenses auctioned, 693 were sold. Companies claiming small business status won: one of the Nationwide licenses, 67% of the Regional licenses, and 54% of the EA licenses. The second auction included 225 licenses: 216 EA licenses and 9 EAG licenses. Fourteen companies claiming small business status won 158 licenses.⁷⁴

35. *Private and Common Carrier Paging.* In the *Paging Third Report and Order*, we adopted criteria for defining small businesses and very small businesses for purposes of determining their eligibility for special provisions such as bidding credits and installment payments.⁷⁵ We have defined a small business as an entity that, together with its affiliates and controlling principals, has average gross revenues not exceeding \$15 million for the preceding three years. Additionally, a very small business is defined as an entity that, together with its affiliates and controlling principals, has average gross revenues that are not more than \$3 million for the preceding three years.⁷⁶ The SBA has approved these definitions.⁷⁷ An auction of Metropolitan Economic Area (MEA) licenses commenced on February 24, 2000, and closed on March 2, 2000.⁷⁸ Of the 985 licenses auctioned, 440 were sold. Fifty-seven companies claiming small business status won. At present, there are approximately 24,000 Private-Paging site-specific licenses and 74,000 Common Carrier Paging licenses. According to the most recent *Telecommunications Industry Revenue* data, 172 carriers reported that they were engaged in the provision of either paging or "other mobile" services, which are placed together in the data.⁷⁹ We do not have data specifying the number of these carriers that are not independently owned and operated or have more than 1,500 employees, and therefore are unable at this time to estimate

⁷² See Letter from A. Alvarez, Administrator, SBA, to D. Phythyon, Chief, Wireless Telecommunications Bureau, FCC (Jan. 6, 1998).

⁷³ See generally Public Notice, "220 MHz Service Auction Closes," Report No. WT 98-36 (Wireless Telecommunications Bureau, October 23, 1998).

⁷⁴ Public Notice, "FCC Announces It is Prepared to Grant 654 Phase II 220 MHz Licenses After Final Payment is Made," Report No. AUC-18-H, DA No. 99-229 (Wireless Telecom. Bur. Jan. 22, 1999).

⁷⁵ *220 MHz Third Report and Order*, 12 FCC Rcd 10943, 11068-70, at paragraph 291-295 (1997).

⁷⁶ *220 MHz Third Report and Order*, 12 FCC Rcd 11068-69, at paragraph 291 (1997).

⁷⁷ See Letter from A. Alvarez, Administrator, SBA, to D. Phythyon, Chief, Wireless Telecommunications Bureau, FCC (January 6, 1998).

⁷⁸ See generally Public Notice, "220 MHz Service Auction Closes," Report No. WT 98-36 (Wireless Telecommunications Bureau (October 23, 1998).

⁷⁹ *Trends in Telephone Service*. Table 19.3 (February 19, 1999).

with greater precision the number of paging carriers that would qualify as small business concerns under the SBA's definition. Consequently, we estimate that there are fewer than 172 small paging carriers that may be affected by the decisions and rules adopted in this Order. We estimate that the majority of private and common carrier paging providers would qualify as small entities under the SBA definition.

36. *Broadband Personal Communications Service (PCS)*. The broadband PCS spectrum is divided into six frequency designated A through F, and the Commission has held auctions for each block. The Commission defined "small entity" for Blocks C and F as an entity that has average gross revenues of less than \$40 million in the three previous calendar years.⁸⁰ For Block F, an additional classification for "very small business" was added and is defined as an entity that, together with their affiliates, has average gross revenues of not more than \$15 million for the preceding three calendar years.⁸¹ These regulations defining "small entity" in the context of broadband PCS auctions have been approved by the SBA.⁸² No small businesses within the SBA-approved definition bid successfully for licenses in Blocks A and B. There were 90 winning bidders that qualified as small entities in the Block C auctions. A total of 93 small and very small business bidders won approximately 40% of the 1,479 licenses for Blocks D, E, and F.⁸³ On March 23, 1999, the Commission re-auctioned 347 C, D, E, and F Block licenses; there were 48 small business winning bidders. Based on this information, we conclude that the number of small broadband PCS licensees will include the 90 winning C Block bidders and the 93 qualifying bidders in the D, E, and F blocks, plus the 48 winning bidders in the re-auction, for a total of 231 small entity PCS providers as defined by the SBA and the Commission's auction rules. On January 26, 2001, the Commission completed the auction of 422 C and F Broadband PCS licenses in Auction No. 35. Of the 35 winning bidders in this auction, 29 qualified as small or very small businesses.

37. *Narrowband PCS*. To date, two auctions of narrowband PCs licenses have been conducted. Through these auctions, the Commission has awarded a total of 41 licenses, out of which 11 were obtained by small businesses. For purposes of the two auctions that have already been held, small businesses were defined as entities with average gross revenues for the prior three calendar years of \$40 million or less. To ensure meaningful participation of small business entities in the auctions, the Commission adopted a two-tiered definition of small businesses in

⁸⁰ See Amendment of Parts 20 and 24 of the Commission's Rules – Broadband PCS Competitive Bidding and the Commercial Mobile Radio Service Spectrum Cap, *Report and Order*, FCC 96-278, WT Docket No. 96-59 Sections 57-60 (released June 24, 1996), 61 FR 33859 (July 1, 1996); see also 47 CFR Section 24.720(b).

⁸¹ See Amendment of Parts 20 and 24 of the Commission's Rules – Broadband PCS Competitive Bidding and the Commercial Mobile Radio Service Spectrum Cap, *Report and Order*, FCC 96-278, WT Docket No. 96-59 Sections 60 (released June 24, 1996), 61 FR 33859 (July 1, 1996)

⁸² See, e.g., Implementation of Section 309(j) of the Communications Act – Competitive Bidding, PP Docket No. 93-253, *Fifth Report and Order*, 9 FCC Rcd 5532, 5581-84 (1994).

⁸³ FCC News, *Broadband PCS, D, E and F Block Auction Closes*, No. 71744 (released January 14, 1997).

the *Narrowband PCS Second Report and Order*.⁸⁴ A small business is an entity that, together with affiliates and controlling interests, has average gross revenues for the three preceding years of not more than \$40 million. A very small business is an entity that, together with affiliates and controlling interests, has average gross revenues for the three preceding years of not more than \$15 million. These definitions have been approved by the SBA. In the future, the Commission will auction 459 licenses to serve MTAs and 408 response channel licenses. There is also one megahertz of narrowband PCS spectrum that has been held in reserve and that the Commission has not yet decided to release for licensing. The Commission cannot predict accurately the number of licenses that will be awarded to small entities in future auctions. However, four of the 16 winning bidders in the two previous narrowband PCS auctions were small businesses, as that term was defined under the Commission's Rules. The Commission assumes, for purposes of this IRFA, that a large portion of the remaining narrowband PCS licenses will be awarded to small entities. The Commission also assumes that at least some small businesses will acquire narrowband PCS licenses by means of the Commission's partitioning and disaggregation rules.

38. *Rural Radiotelephone Service*. The Commission has not adopted a definition of small entity specific to the Rural Radiotelephone Service.⁸⁵ A significant subset of the Rural Radiotelephone Service is the Basic Exchange Telephone Radio Systems (BETRS).⁸⁶ We will use the SBA's definition applicable to radiotelephone companies, *i.e.*, an entity employing no more than 1,500 persons.⁸⁷ There are approximately 1,000 licensees in the Rural Radiotelephone Service, and we estimate that almost all of them qualify as small entities under the SBA's definition.

39. *Air-Ground Radiotelephone Service*. The Commission has not adopted a definition of small entity specific to the Air-Ground Radiotelephone Service.⁸⁸ We will use the SBA's definition applicable to radiotelephone companies, *i.e.*, an entity employing no more than 1,500 persons.⁸⁹ There are approximately 100 licensees in the Air-Ground Radiotelephone Service, and we estimate that almost all of them qualify as small under the SBA definition.

40. *Specialized Mobile Radio (SMR)*. Pursuant to 47 CFR Section 90.814(b)(1), the Commission has defined "small business" for purposes of auctioning 900 MHz SMR licenses,

⁸⁴ In the Matter of Amendment of the Commission's Rules to Establish New Personal Communications Services, Narrowband PCS, Docket No. ET 92-100, Docket No. PP 93-253, *Second Report and Order and Second Further Notice of Proposed Rulemaking*, 15 FCC Rcd 10456 (2000).

⁸⁵ The service is defined in § 22.99 of the Commission's Rules, 47 CFR 22.99.

⁸⁶ BETRS is defined in §§ 22.757 and 22.759 of the Commission's Rules, 47 CFR 22.757 and 22.759.

⁸⁷ 13 CFR 121.201, SIC code 4812.

⁸⁸ The service is defined in § 22.99 of the Commission's Rules, 47 CFR 22.99.

⁸⁹ 13 CFR 121.201, SIC code 4812.

800 MHz SMR licenses for the upper 200 channels, and 800 MHz SMR licenses for the lower 230 channels on the 800 MHz band, as a firm that has had average annual gross revenues of \$15 million or less in the three preceding calendar years.⁹⁰ The SBA has approved this small business size standard for the 800 MHz and 900 MHz auctions. Sixty winning bidders for geographic area licenses in the 900 MHz SMR band qualified as small business under the \$15 million size standard. The auction of the 525 800 MHz SMR geographic area licenses for the upper 200 channels began on October 28, 1997, and was completed on December 8, 1997. Ten winning bidders for geographic area licenses for the upper 200 channels in the 800 MHz SMR band qualified as small businesses under the \$15 million size standard. An auction of 800 MHz SMR geographic area licenses for the General Category channels began on August 16, 2000 and was completed on September 1, 2000. Of the 1,050 licenses offered in that auction, 1,030 licenses were sold. Eleven winning bidders for licenses for the General Category channels in the 800 MHz SMR band qualified as small business under the \$15 million size standard. In an auction completed on December 5, 2000, a total of 2,800 EA licenses in the lower 80 channels of the 800 MHz SMR service were sold. Of the 22 winning bidders, 19 claimed small business status. In addition, there are numerous incumbent site-by-site SMR licenses on the 800 and 900 MHz band.

41. We do not know how many firms provide 800 MHz or 900 MHz geographic area SMR service pursuant to extended implementation authorizations, nor how many of these providers have annual revenues of no more than \$15 million. One firm has over \$15 million in revenues. We assume, for purposes of this FRFA, that all of the remaining existing extended implementation authorizations are held by small entities, as that term is defined by the SBA.

42. For geographic area licenses in the 900 MHz SMR band, there are 60 who qualified as small entities. For the 800 MHz SMR's, 38 are small or very small entities.

4. Description of Projected Reporting, Recordkeeping, and Other Compliance Requirements

43. In this Order, we adopt modifications to the federal universal service contribution methodology that will require carriers to report their interstate end-user telecommunications revenues on a quarterly basis.⁹¹ In addition, carriers will continue to file annually FCC Form 499-A reporting total interstate end-user telecommunications revenues from the prior calendar year, as they are currently required to do. Carriers will, however, no longer be required to file FCC Form 499-S. In order to comply with the quarterly filing requirements, it may be necessary for some carriers to adopt additional or accelerated recordkeeping procedures to report their quarterly revenues in a timely and accurate manner.

⁹⁰ 47 CFR Section 90.814(b)(1).

⁹¹ See *supra* section III.A.

5. Steps Taken to Minimize Significant Economic Impact on Small Entities, and Significant Alternatives Considered

44. The Commission has considered a number of proposals, both in the *Contribution Further Notice*, and in response to commenter suggestions for revising the existing universal service contribution methodology. In an effort to minimize the economic impact on all carriers, particularly small carriers, that are required to contribute to the universal service mechanisms, the Commission has taken into consideration the benefits of reducing the contribution interval against any corresponding increase in administrative burdens on carriers.⁹² For example, we rejected an alternative proposal that would have increased the number of filings that carriers are required to file annually to as many as 13 per year. We have concluded that the administrative cost of compliance on carriers, particularly smaller carriers, would outweigh the corresponding benefit of reducing the contribution interval under this proposal.⁹³ We have also taken into consideration alternative proposals that would not have increased the existing reporting requirements. As discussed above, these alternative proposals were rejected because they failed to significantly reduce the contribution interval or impose significant alterations to the existing contribution methodology that would create substantial uncertainty in ensuring the continued predictability and sufficiency of the universal service fund.⁹⁴ Although the revised contribution methodology adopted herein will increase carrier filings from two to five filings per year, the Commission has taken into consideration the corresponding benefit of substantially reducing the contribution interval. As discussed above, we believe that carriers will benefit from a specific, predictable, and sufficient contribution methodology that ensures that all carriers, including small carriers, continue to be assessed contributions in a competitively neutral manner.⁹⁵

6. Report to Congress.

45. The Commission will send a copy of this Order, including this FRFA, in a report to be sent to Congress pursuant to the Small Business Regulatory Enforcement Fairness Act of 1996, *see* 5 U.S.C. § 801(a)(1)(A). In addition, the Commission will send a copy of the Order, including FRFA, to the Chief Counsel for Advocacy of the Small Business Administration. A copy of the Order and FRFA (or summaries thereof) will also be published in the Federal Register. *See* 5 U.S.C. § 604(b).

C. Effective Date of Final Rules

46. Pursuant to 5 U.S.C. § 553(d),⁹⁶ the rule changes adopted herein shall take effect thirty (30) days after publication in the Federal Register.

⁹² *See supra* para. 15.

⁹³ *See supra* para. 14.

⁹⁴ *See supra* paras. 14-15.

⁹⁵ *See supra* para. 13.

⁹⁶ *See* 5 U.S.C. § 553(d).

V. ORDERING CLAUSES

47. Accordingly, IT IS ORDERED that, pursuant to the authority contained in sections 4(i), 4(j), 254, and 303(r) of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 154(j), 254, and 303(r) this REPORT AND ORDER AND ORDER ON RECONSIDERATION IS ADOPTED. The collections of information contained within this Order are contingent upon approval by the Office of Management and Budget. The Commission will publish a notice announcing the effective date of the collections of information.

48. IT IS FURTHER ORDERED that Part 54 of the Commission's rules, 47 C.F.R. Part 54, IS AMENDED as set forth in Appendix A attached hereto, effective thirty (30) days after the publication of this REPORT AND ORDER AND ORDER ON RECONSIDERATION in the Federal Register.

49. IT IS FURTHER ORDERED that the Petition for Reconsideration filed on March 1, 2000 by AT&T IS DENIED.

50. IT IS FURTHER ORDERED that the Commission's Consumer Information Bureau, Reference Information Center SHALL SEND a copy of this Report and Order and Order on Reconsideration to the Chief Counsel for Advocacy of the Small Business Administration.

FEDERAL COMMUNICATIONS COMMISSION



Magalie Roman Salas
Secretary

APPENDIX A –FINAL RULES

Part 54 of Title 47 of the Code of Federal Regulations is amended as follows:

PART 54 – UNIVERSAL SERVICE**Subpart H – Administration**

1. Section 54.709 is amended by revising the fourth sentence of paragraph (a)(3) to read as follows:

§ 54.709 Computations of required contributions to universal service support mechanisms.

(a) * * *

(3) * * * Based on data submitted to the Administrator on the Telecommunications Reporting Worksheets, the Administrator must submit the total contribution base to the Common Carrier Bureau at least thirty (30) days before the start of each quarter. * * *

* * * * *

2. Section 54.711 is amended by revising the second sentence of paragraph (a) to read as follows:

§ 54.711 Contributor reporting requirements.

(a) * * * The Telecommunications Reporting Worksheet sets forth information that the contributor must submit to the Administrator on a quarterly and annual basis. * * *

* * * * *

APPENDIX B – Form 499Q

FCC Form 499-Q Telecommunications Reporting Worksheet

Approval by OMB
3060-0855

>>> Please read instructions before completing <<<

Block 1: Contributor Identification Information		101	Filer 499 ID
102	Legal name of reporting entity		
103	IRS employer identification number		
104	Name telecommunications service provider is doing business as		
105	Holding company (All affiliated companies should show same name here)		
106	FCC Registration Number (FRN)		
107	Complete mailing address of reporting entity's corporate headquarters		

Block 2: Contact Information	
108	Person who completed this worksheet
109	Telephone number of this person () -
110	Fax number of this person () -
111	E-mail of this person
112	Billing address and billing contact person: [Bills for Universal Service contributions will be sent to this address.]

Block 3: Contributor Revenue Information			
113	Year of revenue information		
114	Indicate which quarterly filing this represents:	<input type="checkbox"/> First quarter filing (revenues for January 1 through March 31) due May 1 [Note, however, that the first quarter 2001 filing is due May 11, 2001.] <input type="checkbox"/> Second quarter filing (revenues for April 1 through June 30) due August 1 <input type="checkbox"/> Third quarter filing (revenues for July 1 through September 30) due November 1 <input type="checkbox"/> Fourth quarter filing (revenues for October 1 though December 31) due February 1 of the following calendar year	
	Report billed revenues with no allowance or deductions for uncollectibles. See instructions.	Total Revenues (a)	Interstate Revenues (b)
115	Revenues from telecommunications service provided to other universal service contributors for resale		International Revenues (c)
116	Universal service contribution base revenues		
117	All other revenues	Column (b) and (c) not requested	
118	Gross billed revenues from all sources [sum of above]	for lines 117 and 118	

Block 4: CERTIFICATION: to be signed by an officer of the reporting entity	
119	I certify that the revenue data contained herein is privileged and confidential and that public disclosure of such information would likely cause substantial harm to the competitive position of the company. I request nondisclosure of the revenue information contained herein pursuant to sections 0.459, 52.17, 54.711 and 64.604 of the Commission's Rules. <input type="checkbox"/>
I certify that I am an officer of the above-named reporting entity, that I have examined the foregoing report and to the best of my knowledge, information and belief, all statements of fact contained in this Worksheet are true and that said Worksheet is an accurate statement of the affairs of the above-named company for the previous calendar year.	
120	Signature
121	Printed name of officer
122	Position with reporting entity
123	Date
124	This filing is: <input type="checkbox"/> Original filing <input type="checkbox"/> Revised filing [revisions due by next Form 499 filing date]

Do not mail checks with this form. Send this form to: Form 499 c/o NECA, 80 South Jefferson Road, Whippany, N.J. 07981
 For additional information regarding this worksheet contact: Telecommunications Reporting Worksheet Info: (973) 560-4400 or via e-mail: Form499@neca.org

PERSONS MAKING WILLFUL FALSE STATEMENTS IN THE WORKSHEET CAN BE PUNISHED BY FINE OR IMPRISONMENT UNDER TITLE 18 OF THE UNITED STATES CODE, 18 U.S.C. §1001

FCC Form 499-Q, March 2001

Approved by OMB 3060-0855

Estimated Average Burden Hours Per Response: 6 Hours

Telecommunications Reporting Worksheet, FCC Form 499-Q

Instructions for Completing the Quarterly Worksheet for Filing Contributions to Universal Service Support Mechanisms

* * * * *

NOTICE TO INDIVIDUALS: Sections 54.706, 54.711, and 54.713 of the Federal Communications Commission's rules require all telecommunications carriers providing interstate telecommunications services, providers of interstate telecommunications that offer interstate telecommunications for a fee on a non-common carrier basis, and payphone providers that are aggregators to contribute to universal service and file this Telecommunications Reporting Worksheet (FCC Form 499-Q) on February 1, May 1, August 1, and November 1, each year. 47 C.F.R. §§ 54.706, 54.711, 54.713. This collection of information stems from the Commission's authority under Section 254 of the Communications Act of 1934, as amended, 47 U.S.C. § 254. The data in the Worksheet will be used to calculate contributions to the universal service support mechanisms. Selected information provided in the Worksheet will be made available to the public in a manner consistent with the Commission's rules

We have estimated that each response to this collection of information will take, on average, 6.0 hours. Our estimate includes the time to read the instructions, look through existing records, gather and maintain the required data, and actually complete and review the form or response. If you have any comments on this estimate, or how we can improve the collection and reduce the burden it causes you, please write the Federal Communications Commission, AMD-PERM, Washington, D.C. 20554, Paperwork Reduction Project (3060-0855). We also will accept your comments via the Internet if you send them to jboley@fcc.gov. Please DO NOT SEND COMPLETED WORKSHEETS TO THIS ADDRESS.

Remember -- You are not required to respond to a collection of information sponsored by the Federal government, and the government may not conduct or sponsor this collection, unless it displays a currently valid Office of Management and Budget (OMB) control number. This collection has been assigned an OMB control number of 3060-0855.

The Commission is authorized under the Communications Act of 1934, as amended, to collect the information we request in this form. We will use the information that you provide to determine contribution amounts. If we believe there may be a violation or potential violation of a statute or a Commission regulation, rule, or order, your worksheet may be referred to the Federal, state, or local agency responsible for investigating, prosecuting, enforcing, or implementing the statute, rule, regulation, or order. In certain cases, the information in your worksheet may be disclosed to the Department of Justice, court, or other adjudicative body when (a) the Commission; or (b) any employee of the Commission; or (c) the United States government, is a party to a proceeding before the body or has an interest in the proceeding.

If you owe a past due debt to the federal government, the taxpayer identification number (such as your employer identification number) and other information you provide also may be disclosed to the Department of the Treasury Financial Management Service, other federal agencies, and/or your employer to

offset your salary, IRS tax refund, or other payments to collect that debt. The Commission also may provide this information to those agencies through the matching of computer records where authorized.

With the exception of your employer identification number, if you do not provide the information we request on the worksheet, the Commission may consider you in violation of sections 1.47, 52.17, 52.32, 54.713, and 64.604 of the Commission's rules. 47 C.F.R. §§ 1.47, 52.17, 52.32, 54.713, 64.604, and 64.1195.

The foregoing Notice is required by the Privacy Act of 1974, P.L. 93-579, December 31, 1974, 5 U.S.C. § 552(a)(e)(3), and the Paperwork Reduction Act of 1995, P.L. No. 104-13, 44 U.S.C. § 3501, *et seq.*

* * * * *

Table of Contents

I.	Introduction	3
II.	Filing Requirements and General Instructions	3
	A. Who Must File	3
	1. Universal service exception for <i>de minimis</i> telecommunications providers	4
	2. Exception for government, broadcasters, schools and libraries	6
	3. Exception for systems integrator and self providers	6
	B. Filing by Legal Entity	6
	C. When and Where to File	7
	D. Rounding of Numbers and Negative Numbers	8
	E. Obligation to File Revisions	8
	F. Compliance	8
III.	Specific Instructions	9
	A. Block 1: Contributor Identification Information	9
	B. Block 2: Contact Information	9
	C. Block 3: Contributor Revenue Information	10
	1. Separating revenues from other contributors to the federal universal service support mechanisms from end-user and non-telecommunications revenues information (carrier's carrier vs end user)	10
	2. Column (a) - total revenues	11
	3. Columns (b) and (c) - percent interstate & international	11
	4. Explanation of revenue categories	12
	D. Block 6: Certification	13
V.	Reminders	14
Figure 1:	Table to determine if a contributor meets the <i>de minimis</i> standard for purposes of universal service contribution	6
Figure 2:	Filing schedule	7

I. Introduction

As required under the Communications Act of 1934, as amended,¹ the Commission has established procedures to finance universal service support mechanisms. To accomplish this Congressionally-directed objectives, contributions are collected from telecommunications carriers providing interstate telecommunications and certain other providers of telecommunications. This Worksheet sets forth information that the contributor must submit, so that the administrator of the universal service support mechanisms may calculate and assess contributions.²

II. Filing Requirements and General Instructions

A. Who must file

All providers of telecommunications within the United States,³ with very limited exceptions, must file an FCC Form 499-Q Telecommunications Reporting Worksheet⁴ if their annual contribution to the federal universal service support mechanisms is expected to exceed \$10,000 for the year.

For purposes of determining whether an entity provides telecommunications, please note that the term "telecommunications" means the transmission, between or among points specified by the user, of information of the user's choosing, without change in the form or content of the information as sent and received. For the purpose of filing, the term "interstate telecommunications" includes, but is not limited to, the following types of services: wireless telephony including cellular and personal communications services (PCS); paging and messaging services; dispatch services; mobile radio services; operator services; access to interexchange service; special access; wide area telecommunications services (WATS); subscriber toll-free services; 900 services; message telephone services (MTS); private line; telex; telegraph; video

¹ 47 U.S.C. §§ 254.

² On March 9, 2001, the Commission adopted a rule change so that universal service contributions are based on quarterly Telecommunications Reporting Worksheet filings, with an annual true-up based on an annual Telecommunications Reporting Worksheet. *Federal-State Joint Board on Universal Service; Petition for Reconsideration filed by AT&T*, CC Docket No. 96-45, FCC 01-85 (rel. March 14, 2001). See also *1998 Biennial Regulatory Review -- Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Services, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms*, Report and Order, FCC 99-175, CC Docket No. 98-171 (rel. July 14, 1999) (*Contributor Reporting Requirements Order*).

³ For this purpose, the United States is defined as the contiguous United States, Alaska, Hawaii, American Samoa, Baker Island, Guam, Howland Island, Jarvis Island, Johnston Atoll, Kingman Reef, Midway Island, Navassa Island, the Northern Mariana Islands, Palmyra, Puerto Rico, the U.S. Virgin Islands, and Wake Island.

⁴ Section 254(d) applies not only to "every telecommunications carrier that provides interstate telecommunications services" but also to certain "other provider[s] of interstate telecommunications." 47 U.S.C. § 254(d) (emphasis added). Solely for the purposes of these Instructions, we use the terms "telecommunications services" and "telecommunications" interchangeably, unless otherwise specified. For more information on these terms, see 47 U.S.C. §§ 3(43), (46); *Federal-State Joint Board on Universal Service*, Report and Order, FCC 97-157, CC Docket No. 96-45 (rel. May 8, 1997) (*Universal Service Order*).

services; satellite services; and, resale services. Note, for example, that all incumbent and competitive local exchange carriers provide access services and, therefore, provide interstate telecommunications.

Note also that entities must file this worksheet, and are subject to the universal service contribution requirement, if they offer interstate telecommunications for a fee to the public even if only a narrow or limited class of users could utilize the services. Included are entities that provide interstate telecommunications to entities other than themselves for a fee on a private, contractual basis. In addition, owners of pay telephones, sometimes referred to as "pay telephone aggregators," must file this worksheet.

The following three sections list types of telecommunications providers that are not required to file the Form 499-Q.

1. Universal service exception for *de minimis* telecommunications providers

Section 54.708 of the Commission's rules states that telecommunications carriers and telecommunications providers are not required to contribute directly to the universal service support mechanisms for a given year if their contribution for that year is less than \$10,000. 47 C.F.R. § 54.708. Thus, potential contributors whose contribution to the universal service support mechanisms would be *de minimis* under the universal service rules are not required to file the Worksheet (FCC Form 499-Q) or contribute directly to universal service. Telecommunications carriers and other telecommunications providers should complete the table contained in Figure 1 to determine whether they meet the *de minimis* standard. To complete Figure 1, potential filers and all affiliates must first complete block 3 of the Worksheet and enter the amounts from Line 116(b) and 116(c) in Figure 1.

Telecommunications providers that do not file this worksheet because they are *de minimis* for purposes of universal service contributions should retain Figure 1 and documentation of their contribution base revenues for 3 calendar years after the date each worksheet is due.

Figure 1: Table to determine if a contributor meets the *de minimis* standard for purposes of universal service contribution

1	Interstate contribution base for the quarter for filer (amount reportable on filer's Form 499-Q; Line 116(b))	\$
2	International contribution base for the quarter for filer (amount reportable on filer's Form 499-Q; Line 116(c))	\$
3	Interstate contribution base for the quarter for all affiliates* (total of amounts reportable on Form 499-Q; Line 116(b) for all affiliates of the filer)	\$
4	International contribution base for the quarter for all affiliates (total of amounts reportable on Form 499-Q; Line 116(e) for all affiliates of the filer)	\$
5	Consolidated interstate contribution base: Line (1) + Line (3)	\$
6	Consolidated international contribution base: Line (2) + Line (4)	\$
7	Total potential contribution base for filer and its affiliates: Line (5) + Line (6)	\$
8	Combined interstate contribution base as a percentage of total potential contribution base: Line (5) / Line (7)	%
9	Interstate contribution base for filer from Line(1)	\$
10	If the amount in Line (8) is equal to or greater than 8%, enter into Line (10) the international contribution base for the filer from Line (2). If the amount on Line (8) is less than 8%, enter \$0	\$
11	Contribution base for the filer for the quarter for determining contributions to universal service support mechanisms: Line (9) + Line (10)	\$
12		4
13	Annualized contribution base; Line 11 multiplied by Line 12	
14	Estimation factor for determining whether to file a 499-Q	0.070**
15	Estimated annual contribution: amount in Line (13) multiplied by Line (14)	\$

* An affiliate is a "person that (directly or indirectly) owns or controls, is owned or controlled by, or is under common ownership or control with, another person." See 47 U.S.C. § 153(1).

** The estimation factor is slightly higher than the contribution factor announced for the second quarter of 2001. See Public Notice, DA 01-614. Actual contribution factors for 2001 may increase or decrease depending on quarterly changes in program costs and the contribution base. Filers whose actual contribution requirements total less than \$10,000 for the calendar year will be treated as *de minimis* and will receive refunds, if necessary. Filers whose actual contribution requirements total \$10,000 or more are required to contribute to the universal service support mechanisms and must file this worksheet.

2. Exception for government, broadcasters, schools and libraries

Certain entities are explicitly exempted from contributing directly to the universal service support mechanisms and need not file this worksheet. Government entities that purchase telecommunications services in bulk on behalf of themselves, *e.g.*, state networks for schools and libraries, are not required to file or contribute directly to universal service. Public safety and local governmental entities licensed under Subpart B of Part 90 of the Commission's rules are not required to file or contribute directly to universal service. Similarly, if an entity provides interstate telecommunications exclusively to public safety or government entities and does not offer services to others, that entity is not required to file or contribute directly to universal service. In addition, broadcasters, non-profit schools, non-profit libraries, non-profit colleges, non-profit universities, and non-profit health care providers are not required to file the worksheet or contribute directly to universal service.

3. Exception for systems integrators and self providers

Systems integrators that derive less than five percent of their systems integration revenues from the resale of telecommunications are not required to file or contribute directly to universal service. Systems integrators are providers of integrated packages of services and products that may include the provision of computer capabilities, interstate telecommunications services, remote data processing services, back-office data processing, management of customer relationships with underlying carriers and vendors, provision of telecommunications and computer equipment, equipment maintenance, help desk functions, and other services and products). Entities that provide services only to themselves or to commonly owned affiliates need not file.

B. Filing by Legal Entity

Each legal entity that provides interstate telecommunications service for a fee, including each affiliate or subsidiary of an entity, must complete separately and file a copy of the attached Telecommunications Reporting Worksheet. Entities that have distinct articles of incorporation are separate legal entities. Entities may not file "summary" worksheets for more than one contributor. Each affiliate or subsidiary should identify their ultimate controlling parent or entity on Block 1 Line (105) -- Holding Company.

C. When and Where to File

Figure 2 provides the filing schedule and relevant filing addresses. If February 1, April 1, May 1, August 1, or November 1 is a holiday (as defined in Section 1.4(e)(1) of the Commission's rules), worksheets are due the next business day.

Figure 2: Filing schedule

When to file	What to file	Where to file *
February 1 of each year	Completed Form 499-Q containing revenue information for October 1 through December 31 of the prior calendar year	Form 499 Data Collection Agent Attn: Lori Terraciano 80 South Jefferson Rd. Whippany, NJ 07981
April 1 of each year	Completed Form 499-A containing revenue information for January 1 through December 31 of the prior calendar year	Form 499 Data Collection Agent Attn: Lori Terraciano 80 South Jefferson Rd. Whippany, NJ 07981
May 1 of each year **	Completed Form 499-Q containing revenue information for January 1 through March 31	Form 499 Data Collection Agent Attn: Lori Terraciano 80 South Jefferson Rd. Whippany, NJ 07981
August 1 of each year	Completed Form 499-Q containing revenue information for April 1 through June 30	Form 499 Data Collection Agent Attn: Lori Terraciano 80 South Jefferson Rd. Whippany, NJ 07981
November 1 of each year	Completed Form 499-Q containing revenue information for July 1 through September 30	Form 499 Data Collection Agent Attn: Lori Terraciano 80 South Jefferson Rd. Whippany, NJ 07981
<p>* Do not send universal service contributions with this worksheet or to the above address. The universal service administrator will calculate the amount of contribution due and send a bill to the billing contact person and billing address identified in Line (112) of the Form 499-Q.</p> <p>** The first Form 499-Q filing should contain revenue information for January 1, 2001 through March 31, 2001 and should be filed by May 11, 2001. No extensions will be granted.</p>		

D. Rounding of Numbers and Negative Numbers

All information provided in the worksheet should be neatly printed in ink or typed. Please provide an original officer signature in ink in Line (120).

Dollar Amounts. Reported revenues in Block 3 that are greater than a thousand dollars may be rounded to the nearest thousand dollars. Regardless of rounding, **all dollar amounts must be reported in whole dollars.** For example, \$2,271,881.93 could be reported as \$2,271,882 or as \$2,272,000, but could not be reported as \$2272 thousand, \$2,270,000.00 or \$2.272 million. Please enter \$0 in any line for which the contributor had no revenues for the year.

Negative Numbers. Carriers are directed to provide billed revenues without subtracting any expenses, allowances for uncollectibles or settlement payments and without making out-of-period adjustments. Therefore, do not enter negative numbers on the form.

E. Obligation to File Revisions

Line (124) provides check boxes to show whether the worksheet is the original filing or a revised filing for the quarter. A contributor must file a revised 499-Q worksheet if it discovers an error in the data that it reports, such as would arise if the filer discovered that it omitted or misclassified a major category of revenue. However, revised filings must be made by the filing date for the subsequent 499 filing. In general, the quarterly filings will be based on unaudited books from a point in time. Carriers need not file revisions to the Form 499-Q as a result of ordinary accounting adjustments such as out-of-period adjustments. Revenue information from the Form 499-A will be used to ensure that contributions for the whole year are based on all subject revenues for the year.

Contributors should not file a revised Form 499-Q Telecommunications Reporting Worksheet to reflect mergers, acquisitions, or sales of operating units. In the event that a contributor that filed a Form 499-Q no longer exists, the successor company to the contributor's assets or operations is responsible for continuing to make payments, if any, for the funding period.

F. Compliance

Contributors failing to file the Telecommunications Reporting Worksheet or to pay contributions in a timely fashion may be subject to the enforcement provisions of the Communications Act and any other applicable law. In addition, contributors may be billed by the administrators for reasonable costs, including interest and administrative costs that are caused by late, inaccurate, or untruthful filing of the worksheet or overdue contributions.⁵

⁵ See 47 C.F.R. § 54.713 (universal service); 47 C.F.R. § 64.604(c)(iii)(B) (TRS). See also 47 C.F.R. § 52.17(b) (NANPA); 47 C.F.R. § 52.33(c) (LNPA).

III. Specific Instructions

A. Block 1: Contributor Identification Information

Block 1 of the Telecommunications Reporting Worksheet requires identification information.

Line (101) -- enter the "Filer 499 ID" number for the filing entity. This is a six digit number that formerly was assigned as the Telecommunications Relay Service (TRS) Company Code. The FCC report *Carrier Locator: Interstate Service Providers*, which is available on the Commission's web site at www.fcc.gov/ccb/stats, shows the Filer 499 ID for all entities that filed a Form 499-A in 2000. This code should be entered at the top of each page on the paper version of the worksheet, the cover letter, and on supporting documentation, if any. New filers are assigned Filer 499 ID numbers after a completed Form 499-A Telecommunications Reporting Worksheet is received by the data collection agent.

Line (102) -- enter the legal name of the filer as it appears on articles of incorporation and other legal documents. Each legal entity must file a separate worksheet.

Line (103) -- provide the Internal Revenue Service (IRS) employer identification number (EIN) for the filer. This should be the same EIN that the company uses to file federal excise taxes or income taxes, if the filer offers services subject to those taxes. The EIN is also known as the taxpayer identification number (TIN) or for individuals as the social security number (SSN).

Line (104) -- provide the principal name under which the company conducts telecommunications activities. This would typically be the name that appears on customer bills, or the name used when service representatives answer customer inquiries.

Line (105) -- provide the name of the contributor's holding company or controlling entity, if any. The holding company need not be a common carrier. All reporting affiliates or commonly controlled contributors should have the same name appearing in Line (106). An affiliate is a "person that (directly or indirectly) owns or controls, is owned or controlled by, or is under common ownership or control with, another person." See 47 U.S.C. § 153(1).

Line (106) -- provide the FCC Registration Number (FRN). The FRN is a ten digit number that includes a check-digit. The FRN is used to identify an entity within all Commission Licensing/Filing systems and Ramis (the Commission's Revenue Accounting Management Information System.) This number is assigned by CORES (the Commission Registration System) and can be obtained at <https://gullfoss2.fcc.gov/cores/CoresHome.html>. For assistance, contact the CORES help desk at (877) 480-3201 or by e-mail at CORES@fcc.gov.

Line (107) -- enter the complete mailing address of the corporate headquarters of the reporting entity.

B. Block 2: Contact Information

Lines (108-111) -- enter the name, telephone number, fax number, and e-mail address of the person who filled out the Form 499-Q. This should be a person who can provide clarifications or additional information, and, if necessary, who could serve as the first point of contact in the event that either the Commission or an administrator should choose to verify or audit information provided in the Telecommunications Reporting Worksheet.

Line (112) -- provide a billing contact person name and address for administrators to send billing information for contributions to the universal service fund. Information on establishing electronic fund transfer and bills for universal service will be sent to this address unless other arrangements are made via written request.

C. Block 3: Contributor Revenue Information

Line (113) – enter the year for which revenue information is being filed.

Line (114) – check the appropriate box to indicate the calendar quarter for which revenue information is being reported.

Lines (115-118) contain detailed revenue data.

1. Separating Revenue from Service Provided to Other Universal Service Contributors for Resale [Line (115)] from End-User Telecommunications Revenues [Line (116)] (carrier's carrier vs. end user)

In the Telecommunications Reporting Worksheet, filers must report revenues using two broad categories: (1) Revenues from other contributors to the federal universal service support mechanisms; and, (2) Revenues from all other sources. Taken together, these revenues should include all revenues billed to customers and should include all revenues on the reporting entities' books of account.

For the purposes of this worksheet, revenues from other contributors to the federal universal service support mechanisms are revenues from services provided by underlying carriers to other carriers for resale and are referred to herein as "carrier's carrier revenues" or "revenues from resellers." Revenues from all other sources consist primarily of revenues from services provided to end users, referred to here as "end-user revenues." This category includes non-telecommunications revenues.

For the purpose of completing Line (115), a "reseller" is a telecommunications carrier or telecommunications provider that: 1) incorporates purchased telecommunications services into its own offerings; and 2) can reasonably be expected to contribute to federal universal service support mechanisms based on revenues from those offerings.

Each contributor should have documented procedures to ensure that it reports as "revenues from resellers" only revenues from entities that reasonably would be expected to contribute to support universal service. The procedures should include, but not be limited to maintaining the following information on resellers: legal name; address; name of a contact person; and phone number of the contact person. If the underlying contributor does not have independent reason to know that the entity will, in fact, resell service and contribute to the federal universal service support mechanisms, then the underlying carrier should either obtain a signed statement to that effect or report those revenues as end user revenues.

Note: For the purposes of filling out this worksheet -- and for calculating contributions to the universal service support mechanisms -- certain telecommunications carriers and service providers may be exempt from contribution to the universal service support mechanisms. These exempt entities, including "international only" and "intrastate only" carriers and carriers that meet the *de minimis* universal service threshold, should not be treated as resellers for the purpose of reporting revenues on Line (115). That is, filers that are underlying carriers should report revenues derived from the provision of telecommunications to exempt carriers and providers (including services provided to entities that are *de minimis* for universal

service purposes) on Lines (116). Underlying carriers must contribute to the universal service support mechanisms on the basis of such revenues.

2. Column (a) - total revenues

The reporting entity must report gross revenues from all sources, including nonregulated and non-telecommunications services on Lines (115) through (117) and these must add to total gross revenues as reported on Line (118). Gross revenues should include revenues derived from the provision of interstate, international, and intrastate telecommunications and non-telecommunications services. Gross revenues consist of total revenues billed to customers during the filing period with no allowances for uncollectibles, settlements, or out-of-period adjustments. Gross billed revenues may be distinct from booked revenues. NECA pool companies should report the actual gross billed revenues (CABS Revenues) reported to the NECA pool and not settlement revenues received from the pool.

Where two contributors have merged prior to filing, the successor company should report total revenues for the reporting period for all predecessor operations. The two contributors, however, should continue to report separately if each maintains separate corporate identities and continues to operate. See also Section II-E, above.

Gross revenues also should include any surcharges on telecommunications services that are billed to the customer and either retained by the contributor or remitted to a non-government third party under contract. Gross revenues should exclude taxes and any surcharges that are not recorded on the company books as revenues but which instead are remitted to government bodies. Note that any charge included on the customer bill and represented to recover or collect contributions to federal or state universal service support mechanisms must be included in Line (116). Other surcharges treated as revenue should be included in the revenue categories on which the surcharges were levied.

For international services, gross revenues consist of gross revenues billed by U.S. contributors with no allowances for settlement payments. International settlement receipts for foreign billed service should not be included in revenues.

If you have any revenue for Lines (115) and (116), you may not omit the dollar amounts from column (a) even if 100% of the revenue is for interstate or international service.

3. Column (b) and (c) - interstate & international

Columns (b) and (c) are provided to identify the part of gross revenues that arise from interstate and international service for Lines (115) and (116). Intrastate telecommunications means communications or transmission between points within the same State, Territory, or possession of the United States, or the District of Columbia. Interstate and international telecommunications means communications or transmission between a point in one State, Territory, possession of the United States or the District of Columbia and a point outside that State, Territory, possession of the United States or the District of Columbia.

For example, if a prepaid calling card provider collects a fixed amount of revenue per minute of traffic, and 65 percent of minutes are interstate, then interstate revenues would include 65 percent of the end-user revenue. Similarly, if a LEC bills local measured service charges for calls that originate in one state and terminate in another, these billings should be classified as interstate even though the charges are covered by a state tariff and the revenues are included in a local service account. Note that under the Commission's rules, if over ten percent of the traffic carried over a private or WATS line is interstate, then the revenues

and costs generated by the entire line are classified as interstate.⁶ In general, flat-rated unbundled network access elements should be classified according to the regulatory agency that has primary jurisdiction over the contracts.

In many cases, interstate and international revenues cannot be determined directly from corporate books of account or subsidiary records. Filers that cannot derive interstate and international revenues or that cannot derive the line-by-line revenue breakdowns may provide on the worksheet good faith estimates of these figures. Information supporting good faith estimates must be made available to either the FCC or to the Universal Service Administrator upon request. For convenience, calculated interstate and international revenue amounts that are greater than one thousand dollars may be rounded to the nearest thousand dollars. Please enter zero dollars in column (b) or column (c) if, and only if, there were no interstate or international revenues for the line for the reporting period.

Note that under interim guidelines,⁷ the FCC provides the following safe harbor percentages of interstate revenues associated with Line (115) and Line (116):

- 15% of cellular and broadband PCS telecommunications revenues
- 12% of paging revenues
- 1% of analog SMR dispatch revenues

Wireless telecommunications providers that choose to avail themselves of these safe harbor percentages for interstate revenue may assume that the FCC will not find it necessary to review or question the data underlying their reported percentages.

4. Explanation of revenue categories

The revenue detail provided on Lines (115) through (117) should total to total gross revenue reported on Line (118).

Line (115) -- Revenue from service provided to other universal service contributors for resale. This line should contain revenue from telecommunications services provided to resellers (i.e., telecommunications revenue derived from other universal service contributors). This category comprises what is commonly-referred to as "carrier's carrier revenue." Filers may wish to consult the instructions for Form 499-A, Lines (303) through (314), when calculating this figure.

Line (116) -- Universal service contribution base revenues. This line should contain end-user telecommunications revenue (i.e., telecommunications revenue derived from entities that do not contribute directly to universal service), except for revenue from international calls that both originate and terminate in foreign points. Filers may wish to consult the instructions for Form 499-A, Line (420), when calculating this figure.

Line (117) -- Other revenue that should not be reported in the universal service contribution base. Filers may have revenues on their books that are not derived from telecommunications or telecommunications-related functions that should not be included in the universal service contribution base. For example, this line should contain revenue from international calls that both originate and terminate in foreign points as

⁶ See 47 C.F.R. § 36.154(a).

⁷ *Federal-State Joint Board on Universal Service, Memorandum Opinion and Order and Further Notice of Proposed Rulemaking, CC Docket No. 096-45, 13 FCC Rcd 21252, 21258-60 (Oct. 26, 1998).*

well as other revenues that should not be included in the universal service contribution base. In addition, this line should include information services. Information services, i.e., services offering a capability for generating, acquiring, storing, transforming, processing, retrieving, utilizing, or making available information via telecommunications, are not included in the universal service or other fund contribution bases. Information services do not include any use of any such capability for the management, control, or operation of a telecommunications system or the management of a telecommunications service. Information services also are called enhanced services because they are offered over common carrier transmission facilities used in interstate communications and employ computer processing applications that act on the format, content, code, protocol, or similar aspects of the subscriber's transmitted information; provide the subscriber additional, different, or restructured information; or involve subscriber interaction with stored information. These services are exempt from contribution requirements and should be reported in Line (117). Line (117) should also include Account 5230 -- Directory revenues -- and Account 5270 -- Carrier billing and collection revenue. Line (117) should include revenues from the sale, lease, maintenance, or insurance of customer premises equipment (CPE), inside wiring charges, inside wiring maintenance insurance, and all non-telecommunications service revenues on the reporting entity's books. Line (117) should include revenues from providing open video systems (OVS), cable leased access, and direct broadcast satellite (DBS) services. Filers may wish to consult the instructions for Form 499-A, Lines (412) and (418), when calculating this figure.

Line (118) -- Gross billed revenues from all sources. This line should equal the sum of revenues by type of service reported on Lines (115) through (117).

As noted above, for further detail on the types of revenues that should be reported on Lines (115) through (117), filers may wish to consult the Instructions for the Form 499-A, available at the Commission's web site (www.fcc.gov/formpage.html).

D. Block 4: Certification.

Line (119) -- Filers may use the box in Line (119) to request nondisclosure of the revenue information contained on the Telecommunications Reporting Worksheet. By checking this box, the officer of the company signing the worksheet certifies that the information contained on the worksheet is privileged or confidential commercial or financial information and that disclosure of such information would likely cause substantial harm to the competitive position of the company filing the worksheet. This box may be checked in lieu of submitting a separate request for confidentiality pursuant to section 0.459 of the Commission's rules.⁸ All decisions regarding disclosure of company-specific information will be made by the Commission. The Commission regularly makes publicly available the names (and Block 1 and 2 contact information) of the entities that file the Telecommunications Reporting Worksheet.

Lines (120) through (123) -- An officer of the reporting entity must examine the data provided in the Telecommunications Reporting Worksheet and certify that the information provided therein is accurate. An officer is a person who occupies a position specified in the corporate by-laws (or partnership agreement), and would typically be president, vice president for operations, vice president for finance, comptroller, treasurer, or a comparable position. If the reporting entity is a sole proprietorship, the owner must sign the certification. The signature on Line (120) must be in ink.

⁸ 47 C.F.R. § 0.459. See also *Examination of Current Policy Concerning the Treatment of Confidential Information Submitted to the Commission*, Report and Order, FCC 98-184, GC Docket No. 96-55 (rel. Aug. 1998) (listing the showings required in a request that information be withheld and stating that the Commission may defer action on such requests until a formal request for public inspection has been made).

Line (124) -- Indicate whether this filing is an original filing or a revised filing. See Section II-E.

V. Reminders

- Is the filer affiliated with another telecommunications provider? Each legal entity must file separately. Each affiliate or subsidiary must show the same holding company name on Line (105).
- Provide data for all lines that apply. Show a zero for services for which the contributor had no revenues for the filing period.
- Contributors to universal service support mechanisms must make five FCC Form 499 filings each year. See Figure 2.
- Wherever possible, revenue information should be taken from the contributors' financial records.
- The worksheet must be signed by an officer of the reporting entity. An officer is a person who occupies a position specified in the corporate by laws (or partnership agreement), and would typically be president, vice president for operations, comptroller, treasurer, or a comparable position.
- Do not mail the worksheet to the FCC. See Section II-C for filing instructions.
- Note that Form 499 is one of several forms that telecommunications carriers and other providers of interstate telecommunications may need to file. Information concerning common filing requirements for such providers may be found on the Commission's web site, at www.fcc.gov/ccb/filing.pdf.

If you have questions about the worksheet or the instructions, you may contact:

Form 499 Telecommunications Reporting Worksheet Information	Form499@neca.org (973) 560-4400
Common Carrier Bureau Industry Analysis Division	(202) 418-0940
TTY (Network Services Division)	(202) 418-0484

If you have questions regarding contribution amounts, billing procedures or the mechanisms, you may contact:

Universal Service Administration	(973) 560-4400
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