

PUBLIC NOTICE

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Proposed Fourth Quarter 2001 Universal Service Contribution Factor

CC Docket No. 96-45 /

In this Public Notice, the Common Carrier Bureau announces the proposed universal service contribution factor for the fourth quarter of 2001.¹

Rules for Calculating the Contribution Factor

Contributions to the federal universal service support mechanisms are determined using a quarterly contribution factor calculated by the Commission. Under section 54.709 of the Commission's rules, the Commission shall calculate the quarterly contribution factor based on the ratio of total projected quarterly costs of the universal service support mechanisms to total end-user interstate and international telecommunications revenues.² On March 14, 2001, the Commission modified the contribution methodology to reduce the interval between the accrual of revenues and the assessment of universal service contributions based on those revenues.³ Specifically, the Commission reduced the interval from 12 months to an average interval of six months.⁴ The contribution factor for the fourth quarter of 2001 is based on this revised methodology.

USAC Projections of Demand and Administrative Expenses

Pursuant to section 54.709(a)(3) of the Commission's rules,⁵ the Universal Service Administrative Company (USAC) submitted the following projections of demand and

¹ See 47 C.F.R. § 54.709(a).

² See 47 C.F.R. § 54.709(a)(2).

³ See *Federal-State Joint Board on Universal Service, Petition for Reconsideration Filed by AT&T*, CC Docket No. 96-45, *Report and Order and Order on Reconsideration*, 16 FCC Rcd. 5748 (2001).

⁴ *Id.*

⁵ 47 C.F.R. § 54.709(a)(3).

administrative expenses for the fourth quarter of 2001:⁶

(\$ millions)

Program	Projected Program Support	Admin. Expenses	Application Of Interest Income	Application of Periodic True-Ups	Total Program Collection
Schools and Libraries	554.416	8.084	(17.357)	(23.166)	521.977
Rural Health Care	3.877	0.586	(0.049)	(0.117)	4.297
High-Cost	714.217	1.963	(1.109)	(16.521)	698.550
Low Income	149.393	0.458	(0.935)	(31.445)	117.471
TOTAL	1421.903	11.091	(19.45)	(71.249)	1342.295

USAC reports that, based on current data, it will not need to disburse the full amount of funds that it was authorized to collect for the first year of the Schools and Libraries program.⁷ Specifically, USAC estimates that there is approximately \$37.678 million remaining in unused funds from the first year of the Schools and Libraries program.⁸ Unused funds from prior periods that are applied to reduce the collection requirement are reflected in the "Application of Periodic True-Ups" column of the above chart.

We direct USAC to apply all of the estimated unused balance of Year 1 funds to reduce the collection requirement for the schools and libraries program in the fourth quarter of 2001. This action is consistent with Commission rules and precedent directing that unused contributions be credited back to contributors.⁹

USAC Projections of Industry Revenues

⁶ See Federal Universal Service Support Mechanisms Fund Size Projections for the Fourth Quarter, available at <<http://www.universalservice.org/overview/filings/default.asp>> (filed by USAC Aug. 2, 2001) (*USAC Filing for Fourth Quarter 2001 Projections*). See also Federal Universal Service Support Mechanisms Fund Size Quarterly Contribution Base for the Fourth Quarter 2001, available at <<http://www.universalservice.org/overview/filings/default.asp>> (filed by USAC Aug. 31, 2001) (*USAC Filing for Fourth Quarter 2001 Contribution Base*). USAC's projected demand and expenses for the high-cost universal service support mechanism include the additional demand and expenses resulting from the Commission's Order modifying the high-cost support mechanism for rural telephone companies. See *USAC Filing for Fourth Quarter 2001 Projections* at 9. See also *Federal-State Joint Board on Universal Service*, Fourteenth Report and Order, Twenty-Second Order on Reconsideration, and Further Notice of Proposed Rulemaking in CC Docket No. 96-45, and *Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, Report and Order in CC Docket No. 00-256, 16 FCC Rcd. 11244 (rel. May 23, 2001) (detailing reforms to the high-cost support mechanism for rural telephone companies).

⁷ *USAC Filing for Fourth Quarter 2001 Projections* at 23.

⁸ *Id.*

⁹ See 47 C.F.R. § 54.507. See e.g. *Proposed First Quarter 2001 Universal Service Contribution Factor*, CC Docket No. 96-45, Public Notice, DA 00-2764 (rel. Dec. 8, 2000).

USAC submitted estimated end-user telecommunications revenues for April through June 2001 based on information contained in the Second Quarter 2001 Telecommunications Reporting Worksheet (FCC Form 499-Q).¹⁰ The amount is as follows:

Total Interstate and International End-User Telecommunications Revenues
from Second Quarter 2001: \$19.597023 billion

Contribution Base

To determine the quarterly contribution base, we decrease the second quarter 2001 estimate of interstate and international end-user telecommunications revenues by one percent to account for uncollectible contributions.¹¹ Accordingly, the quarterly contribution base for the fourth quarter of 2001 is as follows:

Quarterly Contribution Base for Universal Service Support Mechanisms

Second Quarter 2001 Revenues - Uncollectibles

\$19.597023 billion - 1%

\$19.401053 billion

Proposed Contribution Factor

Using this quarterly contribution base, and the total program collection requirement from the table above, the proposed contribution factor for the fourth quarter of 2001 is as follows:

Contribution Factor for Universal Service Support Mechanisms

Total Program Collection / Quarterly Contribution Base

\$1.342295 billion / \$19.401053 billion

0.069187

If the Commission takes no action regarding the proposed contribution factor within the 14-day period following release of this Public Notice, the contribution factor shall be deemed approved by the Commission.¹² USAC shall then use the contribution factor to calculate

¹⁰ See *USAC Filing for Fourth Quarter 2001 Contribution Base* at 4. The revenue base on which contributions are assessed in the fourth quarter of 2001 is derived from the revenues reported on the Second Quarter 2001 Telecommunications Reporting Worksheet. See *id.*

¹¹ See *USAC Filing for Fourth Quarter 2001 Projection* at 24-25.

¹² See 47 C.F.R. § 54.709(a)(3).

universal service contributions for the fourth quarter of 2001. USAC includes these amounts in invoices sent to contributors. Contribution payments are due on the dates shown on the invoice. Contributors will pay interest for each day for which the payments are late. Contributors failing to pay contributions in a timely fashion may be subject to the enforcement provisions of the Communications Act of 1934, as amended, and any other applicable law. In addition, contributors may be billed by USAC for reasonable costs of collecting overdue contributions.¹³

For further information, contact Gregory W. Guice or Anita Cheng, Accounting Policy Division, Common Carrier Bureau, at (202) 418-7400, TTY (202) 418-0484.

¹³ See 47 C.F.R. §54.713.