

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Federal Universal Service Support Mechanisms Quarterly
Contribution Base for the Second Quarter 2002

UNIVERSAL SERVICE
ADMINISTRATIVE COMPANY
2120 L STREET N.W., SUITE 600
WASHINGTON, DC 20037
VOICE: 202.776.0200
FAX: 202.776.0080
www.universalservice.org

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**BEFORE THE FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, DC 20554**

**FEDERAL UNIVERSAL SERVICE SUPPORT MECHANISMS
FUND SIZE QUARTERLY CONTRIBUTION BASE FOR THE
SECOND QUARTER 2002**

INTRODUCTION

The Universal Service Administrative Company (USAC) is the not-for-profit corporation responsible for administering the federal universal service support mechanisms: High Cost, Low Income, Rural Health Care, and Schools and Libraries Universal Service Support Mechanisms.¹ USAC also performs the billing, collection, and disbursement functions for all of these universal service support mechanisms.

USAC submits the contribution base amount to be used for the second quarter of calendar year 2002 (2Q2002), in accordance with Section 54.709 of the Federal Communications Commission's (FCC or Commission) rules.² USAC is filing this contribution base under the Commission's new *Contribution Methodology Order* issued on March 14, 2001.³ Consistent with that order, USAC filed the Federal Universal Service Support Mechanisms fund size and administrative cost projections for 2Q2002 on January 31, 2002.

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

² 47 C.F.R. § 54.709(a)(3); see also *Contribution Methodology Order* ¶¶ 10-13.

³ *Id.*

Upon approval of the universal service support mechanisms' quarterly funding requirements, projected administrative expenses, and contribution base, the Commission will establish a quarterly contribution factor. USAC will then bill contributors on a monthly basis for their individual obligations based on the approved contribution factor. USAC will collect and distribute the funds to eligible recipients based on the schedules included in the January 31, 2002, filing.

CONTRIBUTION BASE

USAC currently collects quarterly interstate and international revenue information from carriers on the FCC Form 499-Q⁴ four times each year and submits aggregate information on a quarterly basis to the FCC (March 2, June 1, September 1, and December 2). Based on these filings, the FCC will establish contribution factors for the upcoming quarter.

Carriers also file FCC Form 499-A in April of each year to report their annual revenues from the prior year. 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 on FCC Form 499-Q during the prior calendar year.⁵ 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 (on its Form 499-Qs) 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.⁶

⁴ The Form 499-Q includes a box for each of the quarterly filing submissions. Carriers check the appropriate box to indicate the quarter for which revenue information is being reported.

⁵ 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.

⁶ *Contribution Methodology Order* ¶ 12.

Carriers filed the Form 499-Q with fourth quarter 2001 revenue information on February 1, 2002. By March 1, 2002,⁷ USAC is required to file revenue data based on the February carrier filings. Using this revenue data and the projected program demand data supplied by USAC in its January 31, 2002 quarterly report to the FCC, the Commission will calculate a contribution factor for 2Q2002.⁸

Form due dates, revenue data that is required to be reported, and the invoicing time period for the next year are summarized below:

FCC Form 499-Q Due Date:	Revenue Reported on Form:	Utilized to meet USF contributions:
April 1, 2002	Annual: January – December 2001	July 2002 True-up
May 1, 2002	1Q: January – March 2002	July – September 2002
August 1, 2002	2Q: April – June 2002	October – December 2002
November 1, 2002	3Q: July – September 2002	January – March 2003
February 1, 2003	4Q: October – December 2002	April – June 2003

Telecommunications providers qualifying for the *de minimis* exemption from contribution requirements do not need to complete the Form 499-Q.⁹ However, for providers required to contribute to the universal service support mechanisms, the Form 499-Q must be submitted by the beginning of the second month in each quarter.

FOURTH QUARTER 2001 REVENUE BASE TO BE USED FOR SECOND QUARTER 2002 CONTRIBUTIONS

Approximately 5,600 FCC Forms 499-Q were distributed to carriers in early January 2002. Interstate telecommunications service providers were required to complete this form, reporting

⁷ See 47 C.F.R. § 54.709.

⁸ 47 C.F.R. § 54.709(a). USAC is required to 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.

⁹ See 47 C.F.R. § 54.708.

October - December 2001 revenue information, and return it by February 1, 2002. USAC has received complete revenue data from 2,152 (1,938 contributors, 214 *de minimis*) carriers.¹⁰

The funding base for 2Q2002 will be developed from the revenues for the fourth quarter 2001 that will be reported by carriers in February 2002. For the FCC's review of the 2Q2002 funding base for the support mechanisms, USAC will include estimated revenues based on prior submissions for those carriers that fail to submit a Form 499-Q.¹¹

The funding base for 2Q2002 is developed from the revenues for fourth quarter 2001 that were reported by carriers in February 2001. As of February 26, 2001, USAC has yet to receive information from 214 telecommunications service providers that had previously submitted information to USAC. For the FCC's review of the 2Q2002 funding base for the support mechanisms, USAC includes estimated revenues based on prior submissions for those carriers that failed to submit a Form 499-Q.¹² The total interstate and international end-user revenue base to be used in determining the contribution factor for the Universal Service Support Mechanisms for 1Q2002 is \$19,219.015 million.

The Commission has requested that, along with the funding base for 2Q2002, USAC submit information on what the funding base would be if the 12% international revenue threshold had not

¹⁰ Approximately 2,417 carriers identified themselves as *de minimis* on the April 2, 2001 Form 499-A, those carriers are not included in the revenue base calculation. The USAC Board of Directors adopted a late filing penalty, consistent with 47 C.F.R. § 54.713, at its October 1998 meeting and ratified at its October 26, 1999, meeting to be applicable to the FCC Form 499-Q and 499-A data collections. Companies not submitting their FCC Form 499-Q or 499-A by the due date are subject to a late filing penalty calculated at a rate of .005 percent applied to their total contribution base revenue with a minimum penalty of \$100 and a maximum penalty of \$5,000. This penalty was effective beginning with the March 1, 1999, FCC Form 457 data collection. Through March 31, 2001, USAC has assessed \$314,749.36 in late filing penalties.

¹¹ 47 C.F.R. § 54.709(d).

¹² 47 C.F.R. § 54.709(d).

been adopted.¹³ Because many of the carriers that provide information about their international revenues on the 499-A are *de minimis*, they will not file the 499-Q. USAC is thus not able to determine the contribution base had the international revenues for those companies been included (i.e., where interstate revenue of all of the entities in a corporation are less than 12% of its total interstate and international revenue). USAC will only be able to provide this information on an annual basis going forward.

Appendix M5 provides a list of companies that have filed the February 1, 2002, Form 499Q data collection as of February 26, 2002.

¹³ The FCC recently changed the LIRE exemption to 12% from 8% effective with the second quarter of 2002. *See* Federal-State Joint Board on Universal Service, CC Docket No. 96-45, 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, CC Docket No. 98-171, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, CC Docket No. 90-571, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, CC Docket No. 92-237, NSD File No. L-00-72, Number Resource Optimization, CC Docket No. 99-200, Telephone Number Portability, CC Docket No. 95-116, Truth-in-Billing and Billing Format, CC Docket No. 98-170, *Further Notice of Proposed Rulemaking and Report and Order*, FCC 02-43 (rel. Feb. 26, 2002). An additional \$5.216 million would have been included in the revenue base had the exemption remained at 8%.

CONCLUSION

On March 1, 2002, the Executive Committee of USAC's Board of Directors passed a resolution authorizing the 2Q2002 contribution base requirement described herein.

Respectfully submitted,

UNIVERSAL SERVICE
ADMINISTRATIVE COMPANY

Cheryl L. Parrino
Chief Executive Officer
D. Scott Barash
Vice President and General Counsel
Robert Haga
Vice President, Operations
2120 L Street N.W., Suite 600
Washington, DC 20037
Voice: 202.776.0200
Fax: 202.776.0080

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