

**ATTACHMENT 1**

**§ 54.401 Lifeline defined.**

\* \* \*

(e) With respect to a reportable end user interstate or international connection, as defined in §54.706(c)(1), used by a qualifying low-income consumer paying reduced charges as a result of application of the Lifeline support amount described in §54.403 to receive those services, an eligible telecommunications carriers shall not collect a fee to recover contributions made pursuant to §§ 54.706-54.709.

**§ 54.706 Contributions.**

(a) Entities that provide interstate telecommunications to the public, or to such classes of users as to be effectively available to the public, for a fee will be considered telecommunications carriers providing interstate telecommunications services and must contribute to the universal service support programs as set forth in sections 54.709 - 54.713. Interstate telecommunications include, but are not limited to:

- (1) Cellular telephone and paging services;
- (2) Mobile radio services;
- (3) Operator services;
- (4) Personal communications services (PCS);
- (5) Access to interexchange service (without regard to underlying technology);
- (6) Special access service;
- (7) WATS;
- (8) Toll-free service;
- (9) 900 service;
- (10) Message telephone service (MTS);
- (11) Private line service;
- (12) Telex;
- (13) Telegraph;
- (14) Video services;
- (15) Satellite service;
- (16) Resale of interstate services; and
- (17) Payphone services.

(b) ~~Except as provided in paragraph (c) of this section, e~~Every telecommunications carrier that provides interstate telecommunications services, and every provider of interstate telecommunications that offers telecommunications for a fee on a non-common carrier basis, and every payphone provider that is an aggregator shall contribute to the federal universal service support mechanisms on the basis of the number of its interstate and international end-user telecommunications revenues, net of prior period actual contributions. reportable end-user interstate or international connections to a public network.

(c) For purposes of sections 54.706-54.713:

(1) A "reportable end user interstate or international connection" is an end user connection that is:

(A) capable of originating or terminating interstate or international telecommunications; and

(B) provided by the contributor to a domestic end user.

(2) An "end user connection" is a telecommunications facility that:

(A) a contributor uses to connect an end user's premises to a public network, regardless of whether that connection is circuit-switched, packet-switched, a leased line, or uses radiofrequency transmissions;

(B) is provided by the contributor for use with a telecommunications service, or private carrier telecommunications, for which the contributor obtains a fee; and

(C) provides the end user with independent access to that public network.

Example 1, the local loop connecting the customer's premises to a local exchange carrier's end office is a connection, regardless of the technology used to provision the loop (e.g. copper pair, coaxial cable, or radiofrequency transmissions). Example 2, the use of radiofrequencies to transmit a mobile telephone call from a mobile telephone to the mobile telephone company's mobile telephone switching office is a connection. Example 3, a special access line that connects a customer's premises to an interexchange carrier's point of presence is a connection.

(3) The number of end user connections to a cellular telephone, paging, and other mobile radio service shall be based on the number of activated handsets in service.

(4) A "public network" is a network used by a private or common carrier to provide interstate or international telecommunications services or telecommunications for a fee to third parties.

(5) A contributor "provides" an end user connection when the contributor is obligated by tariff or contract to provide the end user connection to the end user, regardless of whether the contributor uses its own facilities to provide that connection, or does so by reselling the facility of another telecommunications carrier or private carrier. A common or private carrier does not "provide" an end user connection if it sells a telecommunications facility or service to another carrier that uses that facility or service to provide the connection to the end user.

(6) A connection provides "independent access" to a public network when that connection does not require the presence of any other activated end user connection to provide access to a public network. Example 4, two voice-grade lines provisioned over the same loop facilities are two independent connections.

(7) The number and capacity of connection(s) shall be determined according to the services sold to the end user, rather than according to the facility used by a contributor to

provision a service. Example 5, if an end user orders seven multiline business lines, but the carrier uses a T-1 facility to provision those lines, the carrier is providing seven multiline business connections, and not a single T-1 connection.

(d) Interim treatment of residential high speed internet access connections pending resolution of In re Appropriate Framework for Broadband Access to the Internet over Wireline Facilities; Universal Service Obligations of Broadband Providers, Notice of Proposed Rulemaking, CC Docket No. 02-33. Notwithstanding subsection (c), the portion of an end user connection that is used to provide residential high speed internet access to that end user shall not be deemed to a reportable end user interstate or international connection; provided, however, that the portion of the end user connection that is not used to provide high speed internet access to that end user may still be considered a reportable connection if it meets the requirements of subsection (c). This subsection does not apply to an end user connection that connects an Information Service Provider's premises to a public network.

~~(b) Except as provided in paragraph (c) of this section, every telecommunications carrier that provides interstate telecommunications services, every provider of interstate telecommunications that offers telecommunications for a fee on a non-common carrier basis, and every payphone provider that is an aggregator shall contribute to the federal universal service support mechanisms on the basis of its interstate and international end-user telecommunications revenues.~~

~~(c) Any entity required to contribute to the federal universal service support mechanisms whose interstate end-user telecommunications revenues comprise less than 12 percent of its combined~~

~~interstate and international end-user telecommunications revenues shall contribute to the federal universal service support mechanisms for high cost areas, low income consumers, schools and libraries, and rural health care providers based only on such entity's interstate end-user telecommunications revenues, net of prior period actual contributions. For purposes of this paragraph, an "entity" shall refer to the entity that is subject to the universal service reporting requirements in 47 CFR 54.711 and shall include all of that entity's affiliated providers of telecommunications services.~~

(ed) Entities providing open video systems (OVS), cable leased access, or direct broadcast satellite (DBS) services are not required to contribute on the basis of ~~revenues derived from~~connections to those services, except to the extent those connections are used to provide interstate or international telecommunications services, or are used to offer interstate or international telecommunications for a fee on a non-common carrier basis. The following entities will not be required to contribute to universal service: non-profit health care providers; broadcasters; systems integrators that derive less than five percent of their systems integration revenues from the resale of telecommunications.

**§ 54.709 Computations of required contributions to universal service support mechanisms (effective July 1, 2003).**

(a) A contributor's monthly contributions to the universal service support mechanisms shall be the sum of the following, and shall be reported to the Administrator in accordance with section 54.711: based on contributors' end-user telecommunications revenues and a contribution factor determined quarterly by the Commission.

(1) The gross number of Lifeline connections (reportable end user interstate or international connections for which the contributor receives Lifeline support pursuant to section 54.403), for which no assessment is due;

(2) The gross number of Category A connections (reportable end user interstate or international connections to residences and single line businesses, and all reportable end user interstate or international non-paging CMRS connections, excluding Lifeline connections) billed during the month, reduced by an historically-based uncollectibles factor or percentage for that contributor, times the Category A assessment rate;

(3) The gross number of Category B connections (reportable end user interstate or international connections for paging services) billed during the month, reduced by an historically-based uncollectibles factor or percentage for that contributor, times the Category B assessment rate;

(4) The gross number of Tier 1-equivalents for Category C connections (all other reportable end user interstate or international connections, with each Centrex connection treated as one-ninth of a Tier 1 connection) billed during the month, reduced by an historically-based uncollectibles factor or percentage for that contributor, times the Category C assessment rate.

~~(1) For funding the federal universal service support mechanisms, the subject revenues will be contributors' interstate and international revenues derived from domestic end users for telecommunications or telecommunications services, net of prior period actual contributions.~~

(b2) ~~The quarterly universal service contribution factor~~ assessment rates by Category shall be determined by the Commission as follows:

(1) For the quarter beginning July 1, 2003, the universal service assessment rates will be --

(A) Categories A and B -- The adjusted assessment rates for these Categories for the upcoming quarter are calculated pursuant to section 54.709A(b)(2), as if that section remained effective, using the most recently reported connections and revenues to determine the adjustment factor (F) and adjusted Category A and B assessment rates.

(B) Category C -- An amount per Tier 1 equivalent, which is calculated by taking the total projected expenses for the quarter less (Category A adjusted assessment rate for the upcoming quarter times the most recently reported total Category A monthly billed connections for all contributors, adjusted for uncollectibles, times 3) less (Category B adjusted assessment rate for the upcoming quarter times the most recently reported total Category B monthly billed connections for all contributors, adjusted for estimated uncollectibles, times 3), all divided by (the total number of Tier 1 equivalents for reported Category C monthly billed connections for all contributors, adjusted for estimated uncollectibles, times 3).

(2) The Commission shall adjust the Category assessment rates at least once every twelve months. The Commission delegates to the Chief, Wireline Competition Bureau, the authority to determine whether such adjustments shall be made more frequently, at the start of a quarter. Prior to the first day of the quarter in which adjusted assessment rates are to become effective, the Commission shall adopt and publish adjusted assessment rates for each Category to be used by contributors to calculate and remit contributions during the upcoming quarter. Adjustments to the universal service assessment rates for each category shall be based on the ratio of total projected quarterly expenses of the universal service support mechanisms to the total anticipated contributions that would be collected using the current assessment rates and the most recently reported total number of connections for each Category by all contributors, adjusted for uncollectibles. If total anticipated contributions differs from the total projected expenses, the Administrator will calculate an adjustment factor (F) by dividing the projected quarterly USF expenses by the aggregate total anticipated assessment revenues that would be generated at existing assessment rates using the most recently reported total number of connections for each Category by all contributors, adjusted for uncollectibles. That adjustment factor (F) would be applied to all of the then-current assessment rates for each Category to calculate the adjusted assessment rates for the upcoming quarter. The following generic formula are applied:

$$\text{Adjustment Factor (F)} = \frac{\text{Projected USF Expenses Requirement for Quarter}}{\text{Total Projected Contributions}_{(\text{Current Assessment Rates})}}$$

$$\text{Total Projected Contributions} = (\text{Category A Assessment Rates} * (\text{Most Recently Reported Monthly Number of Category A Connections} * (1 - \text{Uncollectibles Percentage})) * 3) + (\text{Category B Assessment Rates} * (\text{Most Recently Reported Monthly Number of Category B Connections} * (1 - \text{Uncollectibles Percentage})) * 3) + (\text{Category C Assessment Rates} * (\text{Most Recently Reported Monthly Number of Category C Tier 1 Equivalents} * (1 - \text{Uncollectibles Percentage})) * 3)$$

For each Category, the Adjusted Assessment Rate = Current Assessment Rate \* F.

~~end-user interstate and international telecommunications revenues, net of prior period actual contributions. The Commission shall approve the Administrator's quarterly projected costs of the universal service support mechanisms, taking into account demand for support and administrative expenses. The total subject revenues shall be compiled by the Administrator based on information contained in the Telecommunications Reporting Worksheets described in § 54.711(a).~~

(c3) Total projected expenses for the federal universal service support mechanisms for each quarter must be approved by the Commission before they are used to calculate the quarterly assessment rates for each Category~~contribution factor~~ and individual contributions. For each quarter, the Administrator must submit its projections of demand for the federal universal service support mechanisms for high-cost areas, low-income consumers, schools and libraries, and rural health care providers, respectively, and the basis for those projections, to the Commission and the Common Carrier Bureau at least sixty (60) calendar days prior to the start of that quarter. For each quarter, the Administrator must submit its projections of administrative expenses for the high-cost mechanism, the low-income mechanism, the schools and libraries mechanism and the rural health care mechanism and the basis for those projections to the Commission and the Common Carrier Bureau at least sixty (60) calendar days prior to the start of that quarter. For any quarter for which the Commission is considering adjusting assessment rates, based on data submitted to the Administrator on the Telecommunications Reporting Worksheets, the Administrator must submit the most recent monthly total of reportable end user interstate and international connections by Category and Tier~~contribution base~~ and Category assessment rates

to be applicable for the upcoming quarter, calculated pursuant to subsection (b), to the Common Carrier Bureau at least ~~twenty~~thirty (320) days before the start of each quarter. The projections of demand and administrative expenses and, when changed, the contribution factorCategory assessment rates shall be announced by the Commission in a public notice and shall be made available on the Commission's website. The Commission reserves the right to set projections of demand and administrative expenses at amounts that the Commission determines will serve the public interest at any time within the fourteen-day period following release of the Commission's public notice. If the Commission takes no action within fourteen (14) days of the date of release of the public notice announcing the projections of demand and administrative expenses, the projections of demand and administrative expenses, and the Category assessment rates~~contribution factor~~ shall be deemed approved by the Commission.

(d) ~~Except as provided in § 54.706(e), the Administrator shall apply the quarterly contribution factor, once approved by the Commission, to contributors' interstate and international end-user telecommunications revenues to calculate the amount of individual contributions.~~For each calendar month, each contributor shall calculate the amount of universal service contribution due pursuant to subsection (a), and shall submit its remittance and the monthly Telecommunications Reporting Worksheet within thirty (30) days of the end of that calendar month. The applicable assessment rate will be the rate that was in effect during the calendar month in which service was billed.

(e) If the contributions received by the Administrator in a quarter exceed the amount of universal service support program contributions and administrative costs for that quarter, the

excess payments will be carried forward to the following quarter. The ~~contribution factors~~ assessment rates for the following quarter will take into consideration the projected costs of the support mechanisms for that quarter and the excess contributions carried over from the previous quarter.

(fe) If the contributions received by the Administrator in a quarter are inadequate to meet the amount of universal service support program payments and administrative costs for that quarter, the Administrator shall request authority from the Commission to borrow funds commercially, with such debt secured by future contributions. Subsequent ~~contribution factors~~ Category assessment rates shall ~~will~~ take into consideration the projected costs of the support mechanisms and the additional costs associated with borrowing funds.

(gd) If a contributor fails to file a Telecommunications Reporting Worksheet by the date on which it is due, the Administrator shall bill that contributor based on whatever relevant data the Administrator has available, including, but not limited to, the number of ~~lines subscribed~~ reportable end user interstate or international connections to the contributor and data from previous years, taking into consideration any estimated changes in such data.

(h) Definitions -- For the purposes of this section:

(1) "Tier 1 connections" are Category C connections with a capacity of less than 1.5 Mbps, except that each Centrex connection is counted as one-ninth of a Tier 1 connection;

(2) "Tier 2 connections" are Category C connections with a capacity of 1.5 Mbps or greater, but less than 45 Mbps;

(3) "Tier 3 connections" are Category C connections with a capacity of at least 45

Mbps;

- (4) "Tier 1 equivalents" are the sum of --
- (A) The number of Tier 1 connections;
  - (B) Tier 2 connections times 5;
  - (C) Tier 3 connections times 40.

**§ 54.709A Computations of required contributions to universal service support mechanisms -- Transition (effective July 1, 2002 to June 30, 2003).**

(a) A contributor's monthly contributions to the universal service support mechanisms shall be the sum of the following, and shall be reported to the Administrator in accordance with section 54.711: based on contributors' end-user telecommunications revenues and a contribution factor determined quarterly by the Commission.

(1) The gross number of Lifeline connections (reportable end user interstate or international connections for which the contributor receives Lifeline support pursuant to section 54.403), for which no assessment is due;

(2) The gross number of Category A connections (reportable end user interstate or international connections to residences and single line businesses, and all reportable end user interstate or international non-paging CMRS connections, excluding connections for which the contributor receives Lifeline support pursuant to section 54.403) billed during the month, reduced by a historically-based uncollectibles factor or percentage for that contributor, times the Category A assessment rate;

(2) The gross number of Category B connections (reportable end user interstate or international connections for paging services) billed during the month, reduced by an historically-based uncollectibles factor or percentage for that contributor, times the Category B assessment rate;

(3) The gross number of Category C connections (reportable end user interstate or international connections providing switched access to multiline businesses, with each Centrex connection counted as one-ninth of a switched multiline business connection) billed during the month, reduced by an historically-based uncollectibles factor or percentage for that contributor,

times the Category C assessment rate;

(4) The gross amount of a contributor's end user interstate or international telecommunications revenues derived from the provision of Category D connections (all other reportable end user interstate or international connections, excluding connections for which the contributor receives Lifeline support pursuant to section 54.403) billed during the month, adjusted by an historically-based uncollectibles factor or percentage for that contributor, times the assessment percentage for Category D revenues.

~~(1) For funding the federal universal service support mechanisms, the subject revenues will be contributors' interstate and international revenues derived from domestic end users for telecommunications or telecommunications services, net of prior period actual contributions.~~

(b2) ~~The quarterly universal service contribution factor~~assessment rates by Category shall be determined by the Commission as follows:

(1) For the quarter beginning July 1, 2002, the universal service assessment rates will be --

(A) Category A -- \$1.00 per connection per month.

(B) Category B -- \$0.25 per connection per month.

(C) Category C -- Total projected expenses for the quarter less (Category A assessment rate times most recently reported Category A monthly billed connections, adjusted for uncollectibles, times 3) less (Category B assessment rate times most recently reported Category B monthly billed connections adjusted for uncollectibles, times 3) less (Category D revenues for the most

recently reported 3 months,<sup>1</sup> adjusted for uncollectibles, times 7.28%), all divided by (the estimated number of estimated Category C monthly billed connections, adjusted for uncollectibles, times 3).

(D) Category D -- 7.28%.

(2) Prior to the first day of the each succeeding quarter, the Commission shall adopt and publish adjusted assessment rates for each Category to be used by Contributors to calculate and remit contributions during the upcoming quarter. Adjustments to the universal service assessment rates for each category shall be based on the ratio of total projected quarterly expenses of the universal service support mechanisms to the total anticipated contributions that would be collected using the current assessment rates and the most recently reported total reported number of connections or revenues for each Category by all contributors, adjusted for uncollectibles. If total anticipated contributions differs from the projected expenses, the Administrator will calculate an adjustment factor (F) by dividing the projected quarterly USF expenses by the aggregate total anticipated contributions that would be generated at existing assessment rates using the most recently reported total number of connections or revenues reported for each Category by all contributors, adjusted for uncollectibles. That adjustment factor (F) would be applied to all of the then-current assessment rates for each Category – including the per-connection assessment rates and the percentage assessment rate on Category D revenues – to calculate the adjusted assessment rates for the upcoming quarter. The following generic formula are applied:

Adjustment Factor (F) = Projected USF Expenses Requirement for Quarter ÷ Total Projected Contributions<sub>(Current Assessment Rates)</sub>

Total Projected Contributions = (Category A Assessment Rates \* (Most Recently Reported Monthly Number of Category A Connections \* (1 - Uncollectibles

---

<sup>1</sup> If using a modified Form 499-Q to report these revenues, this should be "quarter."

Percentage)) \* 3) + (Category B Assessment Rates \* (Most Recently Reported Monthly Number of Category B Connections \* (1 - Uncollectibles Percentage)) \* 3) + (Category C Assessment Rates \* (Most Recently Reported Monthly Number of Category C Connections \* (1 - Uncollectibles Percentage)) \* 3) + (Connection 4 Assessment Rates \* (Category D Revenues for the Most Recent 3 Months<sup>2</sup> \* (1 - Uncollectibles Percentage))).

For each Category, the Adjusted Assessment Rate = Current Assessment Rate x

F.

~~end-user interstate and international telecommunications revenues, net of prior period actual contributions. The Commission shall approve the Administrator's quarterly projected costs of the universal service support mechanisms, taking into account demand for support and administrative expenses. The total subject revenues shall be compiled by the Administrator based on information contained in the Telecommunications Reporting Worksheets described in § 54.711(a).~~

(c3) Total projected expenses for the federal universal service support mechanisms for each quarter must be approved by the Commission before they are used to calculate the quarterly assessment rates for each ~~Category~~ contribution factor and individual contributions. For each quarter, the Administrator must submit its projections of demand for the federal universal service support mechanisms for high-cost areas, low-income consumers, schools and libraries, and rural health care providers, respectively, and the basis for those projections, to the Commission and the Common Carrier Bureau at least sixty (60) calendar days prior to the start of that quarter. For each quarter, the Administrator must submit its projections of administrative expenses for the high-cost mechanism, the low-income mechanism, the schools and libraries mechanism and the rural health care mechanism and the basis for those projections to the Commission and the

<sup>2</sup> If using a modified Form 499-Q to report these revenues, this should be the "Most Recently Reported Quarterly Category D Revenues."

Common Carrier Bureau at least sixty (60) calendar days prior to the start of that quarter. Based on data submitted to the Administrator on the Telecommunications Reporting Worksheets, the Administrator must submit the most recent monthly total of reportable end user interstate and international connections by Category for Categories A-C, the amount of Category D revenues for the most recent 3 months, total contribution base and Category assessment rates to be applicable for the upcoming quarter, calculated pursuant to subsection (b), to the Common Carrier Bureau at least ~~twenty~~<sup>thirty</sup> (30) days before the start of each quarter. The projections of demand and administrative expenses and the ~~contribution factor~~Category assessment rates shall be announced by the Commission in a public notice and shall be made available on the Commission's website. The Commission reserves the right to set projections of demand and administrative expenses at amounts that the Commission determines will serve the public interest at any time within the fourteen-day period following release of the Commission's public notice. If the Commission takes no action within fourteen (14) days of the date of release of the public notice announcing the projections of demand and administrative expenses, the projections of demand and administrative expenses, and the Category assessment rates~~contribution factor~~ shall be deemed approved by the Commission.

(d) ~~Except as provided in § 54.706(c), the Administrator shall apply the quarterly contribution factor, once approved by the Commission, to contributors' interstate and international end-user telecommunications revenues to calculate the amount of individual contributions.~~For each calendar month, each contributor shall calculate the amount of universal service contribution due pursuant to subsection (a), and shall submit its remittance and the monthly Telecommunications Reporting Worksheet within thirty (30) days of the end of that

calendar month. The applicable assessment rate will be the rate that was in effect during the calendar month in which service was billed.

(~~eb~~) If the contributions received by the Administrator in a quarter exceed the amount of universal service support program contributions and administrative costs for that quarter, the excess payments will be carried forward to the following quarter. The ~~contribution~~ assessment rates for the following quarter will take into consideration the projected costs of the support mechanisms for that quarter and the excess contributions carried over from the previous quarter.

(~~fe~~) If the contributions received by the Administrator in a quarter are inadequate to meet the amount of universal service support program payments and administrative costs for that quarter, the Administrator shall request authority from the Commission to borrow funds commercially, with such debt secured by future contributions. Subsequent ~~contribution factors~~ assessment rates ~~shall~~ will take into consideration the projected costs of the support mechanisms and the additional costs associated with borrowing funds.

(~~gd~~) If a contributor fails to file a Telecommunications Reporting Worksheet by the date on which it is due, the Administrator shall bill that contributor based on whatever relevant data the Administrator has available, including, but not limited to, the number of ~~lines subscribed~~ reportable end user interstate or international connections to the contributor and data from previous years, taking into consideration any estimated changes in such data.

**§ 54.711 Contributor reporting requirements.**

(a) Contributions shall be calculated and filed in accordance with the Telecommunications Reporting Worksheet which shall be published in the Federal Register. The Telecommunications Reporting Worksheet sets forth information that the contributor must submit to the Administrator on a monthly, [quarterly]<sup>1</sup> and annual basis. The Commission shall announce by Public Notice published in the Federal Register and on its website the manner of payment and dates by which payments must be made. Contributors shall submit the monthly Worksheet to the Administrator in conjunction with their remittance of that month's contributions. An officer of the contributor must certify to the truth and accuracy of the Telecommunications Reporting Worksheet, and the Commission or the Administrator may verify any information contained in the Telecommunications Reporting Worksheet at the discretion of the Commission. Inaccurate or untruthful information contained in the Telecommunications Reporting Worksheet may lead to prosecution under the criminal provisions of Title 18 of the United States Code. The Administrator shall advise the Commission of any enforcement issues that arise and provide any suggested response.

(b) The Commission shall have access to all data reported to the Administrator. Contributors may make requests for Commission nondisclosure of company-specific ~~revenue~~ information under § 0.459 of this chapter by so indicating on the Telecommunications Reporting Worksheet at the time that the subject data are submitted. The Commission shall make all decisions regarding nondisclosure of company-specific information. The Administrator shall keep confidential all data obtained from contributors, shall not use such data except for purposes of

administering the universal service support programs, and shall not disclose such data in company-specific form unless directed to do so by the Commission. Subject to any restrictions imposed by the Chief of the Wireline Competition~~Common Carrier~~ Bureau, the Universal Service Administrator may share data obtained from contributors with the administrators of the North American Numbering Plan administration cost recovery (See 47 CFR 52.16 of this chapter), the local number portability cost recovery (See 47 CFR 52.32 of this chapter), and the TRS Fund (See 47 CFR 64.604(c)(4)(iii)(H) of this chapter). The Administrator shall keep confidential all data obtained from other administrators and shall not use such data except for purposes of administering the universal service support mechanisms.

(c) The Bureau may waive, reduce, modify, or eliminate contributor reporting requirements that prove unnecessary and require additional reporting requirements that the Bureau deems necessary to the sound and efficient administration of the universal service support mechanisms.

---

<sup>1</sup> "Quarterly" should be retained only if the Commission decides to use a modified Form 499-Q to collect special access and private line information.