



Universal Service Administrative Company

George McDonald
USAC Vice President, SLD

April 3, 2003

Mr. William Maher
Chief, Wireline Competition Bureau
Federal Communications Commission
Room 5-C450
445 12th St., SW
Washington, DC 20554

RE: Federal-State Joint Board on Universal Service, CC Docket No. 96-45
Estimate of Demand

Dear Mr. Maher:

USAC's Estimate of Demand for the Schools and Libraries Universal Service Support Mechanism discounts for Funding Year 2003 (July 1, 2003 to June 30, 2004) is \$4.718 billion. This estimate is based on our counting the dollars requested in 41,146 applications received or postmarked by February 6, 2003, the close of the Form 471 filing window. A table showing demand by service type and discount band is enclosed.

The estimated demand has declined about \$1 billion (nearly 18 percent) from the estimated demand for Funding Year 2002, and almost all of that decrease is in the internal connections category. Demand for internal connections funding at 90% discount has declined by \$500 million (19 percent) from Year 2002. Demand for telecommunications service has declined by \$100 million (7 percent), and demand for Internet access has increased by \$27 million (6 percent).

The number of applications increased from Year 2002 by 5,103 (14%). That is likely due to our urging of applicants to submit their internal connections funding requests and their telecommunications/Internet access funding requests on separate Forms 471.

For Funding Year 2003, 92.2 percent of timely applications were filed online—up from 85.7 percent in Funding Year 2002. Further, 95.2 percent of the total post-discount

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demand was included in online-filed applications, compared to 85.8 percent in Funding Year 2002.

Estimated demand for Priority One funds (telecommunications services and Internet access) totals \$1.745 billion. Estimated demand for internal connections at the 90% level is \$2.116 billion. There are, however, several factors that will reduce ultimately the funds requested from the estimated level. First, while efforts have been made to eliminate duplicate requests, inevitably we will discover more duplication as we process these applications. Second, SLD's efforts to assure that applications are substantially complete and that funds are committed only for eligible services, for use by eligible entities with the appropriate discount rate and are otherwise consistent with program rules, will further reduce the demand.

If you or your colleagues have any questions, I would be happy to answer them. Thank you for your consideration as we prepare to launch the Year 2003 commitment process.

Sincerely,

George McDonald
USAC Vice President, Schools and Libraries Division

Enclosure

cc: Ms. Marlene H. Dortch, Secretary, FCC