

figures, USAC estimates that no Funding Year 2002 funds are available to carry forward to increase disbursements to schools and libraries in Funding Year 2004.

***3Q2004 Demand Estimate and Contribution Requirement***

Based on the level of applicant demand in Funding Year 2004, USAC requests authority to collect an amount to provide \$562.500 million for 3Q2004, which is one-quarter of the \$2.250 billion annual cap on federal universal service support for schools and libraries. Results for 1Q2004 contribute to an under-funded condition for which the instant filing proposes to adjust the 3Q2004 requirements. The total adjustment to the 3Q2004 fund requirement based on actual results will increase the funding needed by \$10.670 million. The explanations for the adjustment are described below:

<b>Reason for the Prior Period Adjustment</b>	<b>Adjustment in Millions</b>
1Q2004 billings were lower due to lower revenues reported by contributors in the quarterly projection and annual true up filings.	\$ 5.162 M
1Q2004 collections were lower due to uncollectible amounts billed to carriers in bankruptcy.	\$ 6.394 M
Interest earned was lower than projected.	\$ 3.583 M
Bad debt expense was lower than anticipated.	(\$ 4.469) M
<b>TOTAL PRIOR PERIOD ADJUSTMENT</b>	<b>\$ 10.670 M</b>

The total fund requirement of \$562.500 million, which includes administrative expenses of \$13.217 million, increased by the prior-period adjustment of \$10.670 million, and reduced by the projected interest of \$6.112 million, results in a total projected collection requirement of \$567.058 million for the Schools and Libraries Support Mechanism for 3Q2004.

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***CONTRIBUTION BASE***

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USAC collects quarterly interstate and international revenue information from carriers on the FCC Form 499-Q four times each year and submits aggregate information on a quarterly basis to