



Universal Service Administrative Company
Schools & Libraries Division

Mel Blackwell
Acting Vice President

March 20, 2006

Mr. Thomas J. Navin
Chief, Wireline Competition Bureau
Federal Communications Commission
445 12th St., SW
Washington, DC 20554

RE: In the Matter of Schools and Libraries Universal Service Support Mechanism,
CC Docket No. 02-6, Estimate of Demand for Funding Year 2006

Dear Mr. Navin:

USAC's estimate of demand for Schools and Libraries Universal Support Mechanism discounts for Funding Year 2006 (July 1, 2006 to June 30, 2007) is \$3.55 billion. This estimate is based on total funds requested in 39,416 applications received or postmarked on or before February 16, 2006, the close of the Form 471 filing window. A table showing demand by service type and discount band is attached to this letter.

The total estimated demand for Funding Year 2006 decreased approximately \$98 million (2.7 percent) from the estimated demand for Funding Year 2005 of \$3.65 billion. Estimated demand for Priority One funding (telecommunications services and Internet access) is \$1.69 billion, an increase of 7.7 percent, while estimated demand for Priority Two funding (internal connections other than basic maintenance and basic maintenance of internal connections) is \$1.86 billion, a decrease of 10.5 percent. Estimated demand for Priority 2 services at the 90 percent discount rate increased by \$14 million (1.9 percent), to a total of \$755 million.

For Funding Year 2006, 98.0 percent of timely applications were filed online, up from 96.2 percent in Funding Year 2005 and 94.5 percent in Funding Year 2004. Further, 95.4 percent of the total post-discount funding demand was included in online-filed applications, up from 86.5 percent in Funding Year 2005 and 85.7 percent in Funding Year 2004. For Funding Year 2006, 75.4 percent of Form 471 certifications and 54.5 percent of Form 470 certifications were filed online, both significant increases from Funding Year 2005.

USAC's reviews will ultimately reduce the Funding Year 2006 demand from the estimated level. First, while USAC has made every effort to eliminate duplicate funding requests from this estimate, inevitably we will discover more duplication as we process these applications. Second, USAC's efforts to assure that funds are committed only for

Mr. Thomas Navin
Page 2
March 20, 2006

eligible services for use by eligible entities with the appropriate discount rate and otherwise consistent with program rules will further reduce the demand.

The FCC's order extending the Funding Year 2006 filing window for applicants directly affected by Hurricane Katrina until September 30, 2006, will result in additional demand that is unknown at this time.

I would be happy to answer any questions you may have regarding this information. Thank you for your consideration as USAC prepares to launch the Funding Year 2006 commitment process.

Sincerely,

A handwritten signature in dark ink that reads "Mel Blackwell". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mel Blackwell
Acting Vice President

Attachment

cc: Marlene H. Dortch, Secretary, FCC
Anthony Dale, Office of the Managing Director, FCC