

XVII. PROCEDURAL MATTERS**A. Filing Requirements**

690. *Ex Parte Rules.* This Notice will be treated as a “permit-but-disclose” proceeding subject to the “permit-but-disclose” requirements under section 1.1206(b) of the Commission’s rules.¹¹¹⁴ *Ex parte* presentations are permissible if disclosed in accordance with Commission rules, except during the Sunshine Agenda period when presentations, *ex parte* or otherwise, are generally prohibited. Persons making oral *ex parte* presentations are reminded that a memorandum summarizing a presentation must contain a summary of the substance of the presentation and not merely a listing of the subjects discussed. More than a one- or two-sentence description of the views and arguments presented is generally required.¹¹¹⁵ Additional rules pertaining to oral and written presentations are set forth in Section 1.1206(b).

691. *Comments and Reply Comments.* Pursuant to sections 1.415 and 1.419 of the Commission’s rules, interested parties may file comments and reply comments on or before the dates indicated on the first page of this document. All filings should refer to CC Docket No 01-92, WC Docket Nos. 10-90, 07-135, and 05-337 and GN Docket No. 09-51. Comments may be filed using: (1) the Commission’s Electronic Comment Filing System (ECFS), (2) the Federal Government’s eRulemaking Portal, or (3) by filing paper copies.¹¹¹⁶

692. *Electronic Filers:* Comments may be filed electronically using the Internet by accessing the ECFS: <http://fjallfoss.fcc.gov/ecfs2/> or the Federal eRulemaking Portal: <http://www.regulations.gov>.

693. *Paper Filers:* Parties who choose to file by paper must file an original and four copies of each filing. If more than one docket or rulemaking number appears in the caption of this proceeding, filers must submit two additional copies for each additional docket or rulemaking number.

694. Filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail. All filings must be addressed to the Commission’s Secretary, Office of the Secretary, Federal Communications Commission.

695. All hand-delivered or messenger-delivered paper filings for the Commission’s Secretary must be delivered to FCC Headquarters at 445 12th St., SW, Room TW-A325, Washington, DC 20554. The filing hours are 8:00 a.m. to 7:00 p.m. All hand deliveries must be held together with rubber bands or fasteners. Any envelopes must be disposed of before entering the building. Commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail) must be sent to 9300 East Hampton Drive, Capitol Heights, MD 20743. U.S. Postal Service first-class, Express, and Priority mail must be addressed to 445 12th Street, SW, Washington DC 20554.

696. *People with Disabilities:* To request materials in accessible formats for people with disabilities (braille, large print, electronic files, audio format), send an e-mail to fcc504@fcc.gov or call the Consumer & Governmental Affairs Bureau at 202-418-0530 (voice), 202-418-0432 (tty).

697. In addition, parties shall also serve one copy with the Commission’s copy contractor, Best Copy and Printing, Inc. (BCPI), Portals II, 445 12th Street, S.W., Room CY-B402, Washington, D.C. 20554, (202) 488-5300 or via e-mail to fcc@bcpiweb.com.

(Continued from previous page) _____
Order, 6 FCC Rcd 5880, 5907, para. 151 (1991) (giving customers of AT&T 90 days to terminate their contracts without penalty to let them “tak[e] advantage of 800 number portability when it arrives”).

¹¹¹⁴ See 47 C.F.R. § 1.1206(b).

¹¹¹⁵ *Id.*

¹¹¹⁶ 47 C.F.R. §§ 1.415, 1.419. See *Electronic Filing of Documents in Rulemaking Proceedings*, 63 FR 24121 (1998).

698. Further Information: For further information, contact Jennifer Prime at (202) 418-1500 or Patrick Halley at (202) 418-1500, Wireline Competition Bureau.

B. Initial Regulatory Flexibility Analysis

699. As required by the Regulatory Flexibility Act of 1980, as amended,¹¹¹⁷ the Commission has prepared an Initial Regulatory Flexibility Analysis (IRFA) for this Notice, of the possible significant economic impact on small entities of the policies and rules addressed in this document. The IRFA is set forth as Appendix F. Written public comments are requested on this IRFA. Comments must be identified as responses to the IRFA and must be filed by the deadlines for comments on the Notice provided on or before the dates indicated on the first page of this Notice.

C. Paperwork Reduction Act Analysis

700. This document contains proposed modified information collection requirements. The Commission, as part of its continuing effort to reduce paperwork burdens, invites the general public and the Office of Management and Budget (OMB) to comment on the information collection requirements contained in this document, as required by the Paperwork Reduction Act of 1995, Public Law 104-13. In addition, pursuant to the Small Business Paperwork Relief Act of 2002, Public Law 107-198, *see* 44 U.S.C. 3506(c)(4), we seek specific comment on how we might further reduce the information collection burden for small business concerns with fewer than 25 employees.

XVIII. ORDERING CLAUSES

701. Accordingly, IT IS ORDERED that, pursuant to Sections 1, 2, 4(i), 201-206, 214, 218-220, 251, 252, 254, 256, 303(r), 332, 403 and 706 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 152, 154(i), 201-206, 214, 218-220, 251, 252, 254, 256 303(r), 332, 403 and 706 and sections 1.1 and 1.1421 of the Commission's rules, 47 C.F.R. §§ 1.1, 1.421, this Notice and Further Notice of Proposed Rulemaking IS ADOPTED.

702. IT IS FURTHER ORDERED that the Commission's Consumer and Governmental Affairs Bureau, Reference Information Center, SHALL SEND a copy of this Notice and Further Notice of Proposed Rulemaking, including the Initial Regulatory Flexibility Analysis, to the Chief Counsel for Advocacy of the Small Business Administration.

703. IT IS FURTHER ORDERED, pursuant to sections 1.4(b)(1) and 1.103(a) of the Commission's rules, 47 C.F.R. §§ 1.4(b)(1) and 1.103(a), that this Notice and Further Notice of Proposed Rulemaking SHALL BE EFFECTIVE on the date of publication of a summary thereof in the Federal Register.

FEDERAL COMMUNICATIONS COMMISSION

Marlene H. Dortch
Secretary

¹¹¹⁷ 5 U.S.C. § 603.

APPENDIX A

Proposed Universal Service Rules

Part 36 of Title 47 of the Code of Federal Regulations is amended as follows:

PART 36—JURISDICTIONAL SEPARATIONS PROCEDURES; STANDARD PROCEDURES FOR SEPARATING TELECOMMUNICATIONS PROPERTY COSTS, REVENUES, EXPENSES, TAXES AND RESERVES FOR TELECOMMUNICATIONS COMPANIES

F—Universal Service Fund

1. Section 36.605 is amended by revising the first sentence of paragraph (b) and by adding one sentence at the end of paragraph (b) as follows:

§ 36.605 Calculation of safety net additive.

b) *Calculation of safety net additive support:* Until December 31, 2011, safety net additive support is equal to the amount of capped support calculated pursuant to this subpart F in the qualifying year minus the amount of support in the year prior to qualifying for support subtracted from the difference between the uncapped expense adjustment for the study area in the qualifying year minus the uncapped expense adjustment in the year prior to qualifying for support as shown in the following equation: Safety net additive support = (Uncapped support in the qualifying year - Uncapped support in the base year) - (Capped support in the qualifying year - Amount of support received in the base year). For calendar year 2012 payments, the safety net additive shall be 75% of the amount calculated pursuant to this section. For calendar year 2013 payments, the safety net additive shall be 50% of the amount calculated pursuant to this section. For calendar year 2014 payments, the safety net additive shall be 25% of the amount calculated pursuant to this section. Beginning January 1, 2015, no carrier shall receive the safety net additive.

2. Section 36.621 is amended by revising the last sentence of paragraph (a)(4) and adding three additional sentences at the end of paragraph (a)(4) as follows:

§ 36.621 Study area total unseparated loop cost.

(a) ***

(4) *** Total Corporate Operations Expense, for purposes of calculating universal service support payments beginning July 1, 2001 and ending December 31, 2011, shall be limited to the lesser of § 36.621(a)(4)(i) or (ii). For purposes of calculating universal service support payments in calendar year 2012, total corporate operations expense shall be limited to the lesser of § 36.621(a)(4)(i) or (ii) then multiplied by 67%. For purposes of calculating universal service support payments in calendar year 2013, total corporate operations expense shall be limited to the lesser of § 36.621(a)(4)(i) or (ii) then multiplied by 33%. Beginning January 1, 2014, Corporate Operations Expense shall no longer be eligible for purposes of calculating universal service payments.

3. Section 36.631 is amended by revising paragraphs (c)(1) and (c)(2) and by removing paragraph (d) as follows:

§ 36.631 Expense adjustment.

(c) ***

(1) Until December 31, 2011, sixty-five percent of the study area average unseparated loop cost per working loop as calculated pursuant to §36.622(b) in excess of 115 percent of the national average for this cost but not greater than 150 percent of the national average for this cost as calculated pursuant to §36.622(a) multiplied by the number of working loops reported in §36.611(h) for the study area. Beginning January 1, 2012, fifty-five percent of the study area average unseparated loop cost per working loop as calculated pursuant to §36.622(b) in excess of 115 percent of the national average for this cost but not greater than 150 percent of the national average for this cost as calculated pursuant to §36.622(a) multiplied by the number of working loops reported in §36.611(h) for the study area; and

(2) Until December 31, 2011, seventy-five percent of the study area average unseparated loop cost per working loop as calculated pursuant to §36.622(b) in excess of 150 percent of the national average for this cost as calculated pursuant to §36.622(a) multiplied by the number of working loops reported in §36.611(h) for the study area. Beginning, January 1, 2012, sixty-five percent of the study area average unseparated loop cost per working loop as calculated pursuant to §36.622(b) in excess of 150 percent of the national average for this cost as calculated pursuant to §36.622(a) multiplied by the number of working loops reported in §36.611(h) for the study area.

(d) [Remove]

Part 54 of Title 47 of the Code of Federal Regulations is amended as follows:

PART 54—UNIVERSAL SERVICE

Part 54 of Title 47 of the Code of Federal Regulations is amended as follows:

4. The authority citation for Part 54 continues to read as follows:

AUTHORITY: 47 U.S.C. 151, 154(i), 201, 205, 214, 254 unless otherwise noted.

Subpart D—Universal Service Support for High-Cost Areas

5. Section 54.301 is amended by adding three sentences at the end of paragraph (a) and by adding three sentences to the beginning of paragraph (c)(5) as follows:

§ 54.301 Local switching support.

(a) *** Subject to specified exceptions, for calendar year 2012 payments, local switching support shall be 67% of the amount calculated pursuant to this section and for calendar year 2013 payments, local

switching support shall be 33% of the amount calculated pursuant to this section. Beginning January 1, 2014, no carrier shall receive local switching support, subject to specified exceptions.

(b) ***

(c) ***

(5) For calendar year 2012, for purposes of calculating local switching support, the amount of corporate operations expense allocated by this factor shall be multiplied by 67%. For calendar year 2013, for purposes of calculating local switching support, the amount of corporate operations expense allocated by this factor shall be multiplied by 33%. Beginning January 1, 2014, corporate operations expense shall no longer be eligible for purposes of calculating local switching support. ***

6. Section 54.302 is added to Subpart D as follows;

§ 54.302 Annual per-line limit on universal service support.

Subject to specified exceptions, beginning January 1, 2012, each study area in the continental United States shall be limited to \$3,000 per-line annually in universal service support. For purposes of this section, universal service support is defined as the sum of the amounts calculated pursuant to sections 36.605, 36.631, 54.301, 54.305, 54.309, 54.800-808, and 54.901-904 of this chapter. Line counts for purposes of this section shall be as of the most recent line counts reported pursuant to section 36.611(h) of this chapter. The fund administrator, in order to limit support to \$3,000 for affected carriers, shall reduce safety net additive support, high-cost loop support, local switching support, safety valve support, forward-looking support, interstate access support, and interstate common line support in proportion to the relative amounts of each support mechanism to total support the study area would receive absent such limitation.

7. Section 54.305 is amended by adding a sentence at the end of paragraph (a) as follows:

§ 54.305 Sale or transfer of exchanges.

(a) *** Five years after approval of the relevant study area waiver for the sale or transfer of exchanges, the provisions of this section are no longer applicable to acquired exchanges, if the acquired exchanges have more than 30% of housing units unserved by broadband, as indicated on the National Telecommunications and Information Administration's broadband map and/or the Commission's Form 477 data collection.

8. Section 54.307(a) is revised by adding a third sentence as follows:

§ 54.307 Support to a competitive eligible telecommunications carrier.

(a) * * * Subject to specified exceptions beginning January 1, 2016, no competitive eligible telecommunications carrier shall be eligible to receive universal service support on the basis of this section. On or after January 1, 2012, competitive eligible telecommunications carriers shall be eligible to receive universal service support pursuant to subpart L and subpart M of this Part.

9. Section 54.315 is amended by adding a sentence at the end of paragraph (a) as follows:

§ 54.315 Disaggregation and targeting of high-cost support.

(a) *** On or before [60 days from effective date of adoption of order], all rural incumbent local exchange carriers and rate-of-return carriers for which high-cost universal service support pursuant to §§54.301, 54.303, and/or 54.305 of this subpart, subpart K of this part, and/or part 36 subpart F is available, that previously selected the disaggregation path as described in paragraph (b) of this section, must select a disaggregation path as described in paragraphs (c) or (d) of this section.

10. Section 54.807 is revised by adding text as follows:

§ 54.807 Interstate access universal service support.

(a) * * * Subject to specified exceptions, eligible telecommunications carriers shall be eligible to receive Interstate Access Support as follows:

(1) During the 2012 calendar year, the interstate access support available to incumbent local exchange carriers and competitive eligible telecommunications carriers shall be capped at 50 percent of the amount paid in 2011, excluding amounts paid during 2011 for true-ups or revisions for years prior to 2011. Interstate access support payments shall be reduced, if necessary, by multiplying each incumbent local exchange carrier's or competitive eligible telecommunications carrier's support by the percentage factor necessary to reduce the aggregate interstate access support to the capped amounts.

(2) Interstate access support shall be eliminated beginning January 1, 2013, and no eligible telecommunications carrier shall receive interstate access support, except as for true-ups and revisions related to prior periods.

11. Section 54.901 is amended by adding paragraph (c) as follows:

§ 54.901 Calculation of Interstate Common Line Support.

(c) For calendar year 2012, for purposes of calculating Interstate Common Line Support, corporate operations expense allocated to the Common Line Revenue Requirement, pursuant to section 69.409 of this chapter, shall be reduced by multiplying the corporate operations expense allocated by 67%. For calendar year 2013, for purposes of calculating Interstate Common Line Support, corporate operations expense allocated to the Common Line Revenue Requirement, pursuant to section 69.409 of this chapter, shall be reduced by multiplying the corporate operations expense allocated by 33%. Beginning January 1, 2014, corporate operations expense shall no longer be eligible for purposes of calculating Interstate Common Line Support.

12. New Subpart M is added to read as follows:

Part 54 Subpart M – Competitive Bidding Program**§ 54.1001 Purpose**

This subpart sets forth procedures for competitive bidding to determine the recipients of universal service support available through the first phase of the Connect America Fund and the amount(s) of support that they may receive, subject to post-auction procedures established by the Commission.

§ 54.1002 Areas Eligible for Support

- (a) Support may be made available for specific unserved areas identified by the Commission.
- (b) The Commission may assign relative coverage units to each identified geographic area in connection with conducting competitive bidding and disbursing support.

§ 54.1003 Provider Eligibility

- (a) A party applying for support must be designated an Eligible Telecommunications Carrier, or have applied for a designation as an Eligible Telecommunications Carrier, for an area that includes unserved area(s) with respect to which it applies for support.
- (b) A party applying for support must, if specified and required by the Commission, hold any necessary authority or conditional authorization to provide voice service in the unserved area with respect to which it applies for support.

§ 54.1004 Short-Form Applications for Participation in Competitive Bidding to Apply for Support

- (a) *Public Notice of the Application Process.* When conducting competitive bidding pursuant to this subpart, the Commission shall by Public Notice announce the dates and procedures for submitting applications to participate in related competitive bidding.
- (b) *Application Contents.* All parties submitting applications to participate in competitive bidding pursuant to this subpart must provide the following information in their application in a form acceptable to the Commission.
 - (i) The identity of the applicant, *i.e.*, the party seeking support, including any information that the Commission may require regarding parties that have an ownership or other interest in the applicant.
 - (ii) The identities of up to three individuals designated to bid on behalf of the applicant.
 - (iii) The identities of all real parties in interest to any agreements relating to the participation of the applicant in the competitive bidding.
 - (iv) Certification that the application discloses all real parties in interest to any agreements involving the applicant's participation in the competitive bidding.

(v) Certification that the applicant, any party capable of controlling the applicant, and any related party with information regarding the applicant's planned or actual participation in the competitive bidding will not communicate any information regarding the applicant's planned or actual participation in the competitive bidding to any other party with an interest in any other applicant until after the post-auction deadline for winning bidders to submit long-form applications for support, unless the Commission by Public Notice announces a different deadline.

(vi) Certification that the applicant is in compliance with any and all statutory or regulatory requirements for receiving universal service support. The Commission may elect to accept as sufficient the applicant's demonstration in its application that the applicant will be in compliance at a point in time designated by the Commission.

(vii) Such additional information as the Commission may require, including but not limited to applicants certifying its qualifications to receive support, providing its eligible telecommunications carrier designation status and information regarding its authorization to provide service, and specifying the unserved area applicant seeks to provide service to.

(c) *Demonstration of Financial Qualification.* The Commission may require as a prerequisite to participating in competitive bidding pursuant to this subpart that applicants demonstrate their financial qualifications or commitment to provide required services by depositing funds, posting performance bonds, or any other means the Commission considers appropriate.

(d) *Application Processing.*

(i) Commission staff shall review any application submitted during the period for submission and before the deadline for submission for completeness and compliance with the Commission's rules. No applications submitted at any other time shall be reviewed or considered.

(ii) The Commission shall not permit any applicant to participate in competitive bidding pursuant to this subpart to do so if, as of the deadline for submitting applications, the application does not adequately identify the applicant or does not include required certifications.

(iii) The Commission shall not permit any applicant to participate in competitive bidding pursuant to this subpart to do so if, as of the applicable deadline, the applicant has not provided any required demonstration of financial qualifications that the Commission has required.

(iv) The Commission shall not permit applicants to make any major modifications to their applications after the deadline for submitting applications. The Commission shall not permit applicants to participate in the competitive bidding if their applications require major modifications to be made after deadline for submitting applications. Major modifications include but are not limited to any changes to the identity of the applicant or to the certifications required in the application.

(v) The Commission may permit applicants to make minor modifications to their applications after the deadline for submitting applications. The Commission may establish deadlines for making some or all permissible modifications to applications and may permit some or all permissible modifications to be made at any time. Minor modifications include correcting typographical errors in the application and supplying non-material information that was inadvertently omitted or was not available at the time the application was submitted.

(vi) After receipt and review of the applications, the Commission shall by Public Notice identify all applicants that may participate in an auction conducted pursuant to this subpart.

§ 54.1005 Competitive Bidding Process

(a) *Public Notice of Competitive Bidding Procedures.* The Commission shall by Public Notice establish detailed competitive bidding procedures any time it conducts competitive bidding pursuant to this subpart.

(b) *Competitive Bidding Procedures.* The Commission may conduct competitive bidding pursuant to this subpart using any of the procedures described below.

(i) The Commission may establish procedures for limiting the public availability of information regarding applicants, applications, and bids during a period of time covering the competitive bidding process. The Commission may by Public Notice establish procedures for parties to report the receipt of non-public information regarding applicants, applications, and bids during any time the Commission has limited the public availability of the information during the competitive bidding process.

(ii) The Commission may sequence or group multiple items subject to bidding, such as multiple or overlapping self-defined geographic areas eligible for support, and may conduct bidding either sequentially or simultaneously.

(iii) The Commission may establish procedures for bidding on individual items and/or for combinations or packages of items.

(iv) The Commission may establish reserve prices, and/or lowest or maximum acceptable per-unit bid amounts, either for discrete items or combinations or packages of items, which may be made public or kept non-public during a period of time covering the competitive bidding process.

(v) The Commission may prescribe the form and time for submitting bids and may require that bids be submitted remotely, by telephonic or electronic transmission, or in person.

(vi) The Commission may prescribe the number of rounds during which bids may be submitted, whether one or more, and may establish procedures for determining when no more bids will be accepted.

(vii) The Commission may require a minimum level of bidding activity.

(viii) The Commission may establish acceptable bid amounts at the opening of and over the course of bidding.

(ix) The Commission may establish procedures for ranking and comparing bids and specific performance requirements, if any, and comparing and determining the winning bidders that may become recipients of universal service support and the amount(s) of support that they may receive, subject to post-auction procedures established by the Commission.

(x) The Commission may identify winning bidder(s) for any remaining amounts of support by considering bids in order of per-unit bid amount. The Commission may skip bids that would require more support than is available, or at its discretion, not identify winning bidder(s) for the remaining funds and instead offer such funds in a subsequent auction.

(xi) The Commission may permit bidders the limited opportunity to withdraw bids and, if so, establish procedures for doing so.

(xii) The Commission may delay, suspend or cancel bidding before or after bidding begins for any reason that affects the fair and efficient conduct of the bidding, including natural disasters, technical failures, administrative necessity or any other reason.

(c) *Apportioning Package Bids.* If the Commission elects to accept bids for combinations or packages of items, the Commission may provide a methodology for apportioning such bids to discrete items within the combination or package when a discrete bid on an item is required to implement any Commission rule.

(d) *Public Notice of Competitive Bidding Results.* After the conclusion of competitive bidding, the Commission shall by Public Notice identify the winning bidders that may become recipients of universal service support and the amount(s) of support that they may receive, subject to post-auction procedures established by the Commission.

§ 54.1006 Communications Prohibited During the Competitive Bidding Process

(a) *Prohibited Communications.* Each applicant, each party capable of controlling an applicant, and each party related to an applicant with information regarding an applicant's planned or actual participation in the competitive bidding is prohibited from communicating any information regarding the applicant's planned or actual participation in the competitive bidding to any other party with an interest in any other applicant to participate in the competitive bidding from the deadline for submitting applications to participate in the competitive bidding until after the post-auction deadline for winning bidders to submit long-form applications for support, unless the Commission by Public Notice announces a different deadline.

(b) *Duty to Report Potentially Prohibited Communications.* Any applicant or related party receiving communications that may be prohibited under this rule shall report the receipt of such communications to the Commission.

(c) *Procedures for Reporting Potentially Prohibited Communications.* The Commission may by Public Notice establish procedures for parties to report the receipt of communications that may be prohibited under this rule.

§ 54.1007 Long-Form Application Process for Winning Bidders

(a) *Application Deadline.* Unless otherwise provided by Public Notice, winning bidders for support must file a long-form application for support within 10 business days of the Public Notice identifying them as eligible to apply.

(b) *Application Contents.*

(i) Identification of the party seeking the support.

(ii) Information the Commission may require to demonstrate that the applicant is legally, technically and financially qualified to receive support, including but not limited to proof of its designation as an Eligible Telecommunications Carrier for an area that includes the area with respect to which support is requested.

(iii) Disclosure of all parties with a controlling interest in the applicant and any party with a greater than ten percent ownership interest in the applicant, whether held directly or indirectly.

(iv) A detailed project description that identifies the unserved area applicant seeks to serve, describes how the applicant will meet public interest obligations and performance requirements, describes the anticipated network, identifies the proposed technology or technologies, demonstrates that the project is technically feasible, and describes each specific development phase of the project, *e.g.*, network design phase, construction period, deployment and maintenance period.

(v) A detailed project schedule that identifies the following project milestones: start and end date for network design; start and end date for drafting and posting requests for proposal; start and end date for selecting vendors and negotiating contracts; start date for commencing construction; end date for completing construction; and dates by which it will meet applicable requirements to receive the installments of support for which it subsequently qualifies.

(vi) Certifications that the applicant has available funds for all project costs that exceed the amount of support to be received and that the applicant will comply with all program requirements.

(vii) Any guarantee of performance that the Commission may require by Public Notice or other proceedings, including but not limited to, letters of credit, performance bonds, or demonstration of financial resources.

(c) Application Processing.

(i) No application will be considered unless it has been submitted during the period specified by Public Notice. No applications submitted or demonstrations made at any other time shall be accepted or considered.

(ii) The Commission shall deny any application that, as of the submission deadline, either does not adequately identify the party seeking support or does not include required certifications.

(iii) After reviewing applications submitted, the Commission may afford an opportunity for parties to make minor modifications to amend applications or correct defects noted by the applicant, the Commission, or other parties. Minor modifications include changing the individuals authorized to bid for the applicant, correcting typographical errors in the application, and supplying non-material information that was inadvertently omitted or was not available at the time the application was submitted.

(iv) The Commission shall deny all applications to which major modifications are made after the deadline for submitting applications. Major modifications include any changes to the identity of the applicant or to the certifications required in the application.

(v) After receipt and review of the applications, the Commission shall release a Public Notice identifying all applications that have been granted and the parties that are eligible to receive support.

§ 54.1008 Default

Winning bidders that fail to substantially comply with the requirements for filing the post-auction long-form application by the applicable deadline shall be in default on their bids and subject to such measures as the Commission may provide, including but not limited to disqualification from future competitive bidding pursuant to this subpart.

§ 54.1009 Public Interest Obligations

(a) Applicants receiving support under this section must perform the following under their public interest obligations:

(1) *Speed.* Applicants must provide broadband speeds of 4 Mbps downstream (actual) and 1 Mbps upstream (actual), subject to specified exceptions.

(2) *Coverage requirement.* Applicants must comply with the coverage requirement established by the Commission and must comply with all reasonable requests for service from end users in its coverage area.

(3) *Deployment and duration of obligation.* Applicants must complete deployment within three years after receiving support and must fulfill provider obligations under this section for five years upon completion of deployment.

§ 54.1010 Disbursements

(a) Support shall be disbursed to recipients in three stages, as follows:

(i) One-half of the total possible support, if coverage were to be extended to 100 percent of the units in the portion of the geographic area deemed unserved, when a recipient's long-form application for support with respect to a specific area is deemed granted.

(ii) One-quarter of the total possible support with respect to a specific geographic area when a recipient files a report demonstrating coverage of 50 percent of the units in the portion of that area previously deemed unserved.

(iii) The remainder of the total possible support when a recipient files a report demonstrating coverage of 100 percent of the units in the portion of that area previously deemed unserved.

(b) If the Commission concludes for any reason that coverage of 100 percent of the units in the portion of a specific geographic area previously deemed unserved will not be achieved, the Commission instead may provide support based on the final total units covered in that area. In such circumstances, the final disbursement will be the difference between the total amount of support based on the final units covered in that area and any support previously received with respect to that area. Parties accepting a final disbursement for a specific geographic area based on coverage of less than 100 percent of the units in the portions of that area previously deemed uncovered waive any claim for the remainder of support for which they previously were eligible with respect to that area.

§ 54.1011 Oversight

(a) Parties receiving support are subject to random compliance audits and other investigations to ensure compliance with program rules and orders.

(b) Parties receiving support shall submit to the Commission annual reports for eight years after they qualify for support. The annual reports shall include:

(i) Electronic coverage maps illustrating the area reached by new services at a minimum scale of 1:240,000;

(ii) A list of relevant census blocks previously deemed unserved, with total resident population and resident population residing in areas reached by new services (based on 2010 Census Bureau data and estimates);

(iii) A report regarding the services advertised to the population in those areas;

(iv) Data received or used from speed tests analyzing network performance for new broadband services in the area for which support was received.

(c) No later than two months after providing service or two years after receiving support, parties receiving support shall submit to the Commission data from broadband speed tests for areas in which support was received demonstrating broadband performance data to and from the network meeting or exceeding the following:

(i) 4 Mbps downstream (actual) and 1 Mbps upstream (actual).

(d) Parties receiving support and their agents are required to retain any documentation prepared for or in connection with the recipient's support for a period of not less than eight years. All such documents shall be made available upon request to the Commission's Office of Managing Director, Wireless Telecommunications Bureau, Wireline Competition Bureau, Office of Inspector General, and the Universal Service Fund Administrator, and their auditors.

APPENDIX B**Proposed Call Signaling Rules**

Part 64, Subpart P of Title 47 of the Code of Federal Regulations would be amended as follows:

AMENDMENT TO THE CODE OF FEDERAL REGULATIONS

1. The authority citation for Part 64 continues to read as follows:

Authority: 47 U.S.C. 154, 254(k); secs. 403(b) (2) (B),(c), Pub. L. 104–104, 110 Stat. 56. Interpret or apply 47 U.S.C. 201, 218, 222, 225, 226, 228, and 254 (k) unless otherwise noted.

2. Section 64.1601 is amended to read as follows:

§ 64.1601 Delivery requirements and privacy restrictions.

(a) *Delivery.* Except as provided in paragraphs (d) and (e) of this section:

(1) Telecommunications providers and entities providing interconnected voice over Internet protocol services who originate interstate or intrastate traffic on the public switched telephone network, or originate interstate or intrastate traffic that is destined for the public switched telephone network, are required to transmit the telephone number received from, or assigned to or otherwise associated with the calling party to the next provider in the path from the originating provider to the terminating provider, where such transmission is feasible with network technology deployed at the time a call is originated. The scope of this provision includes, but is not limited to, circuit-switched and packetized transmission, such as Internet protocol and any successor technologies. Entities subject to this provision who use Signaling System 7 are required to transmit the calling party number (CPN) associated with every interstate or intrastate call in the SS7 CPN field to interconnecting providers, and are required to transmit the calling party's charge number (CN) in the SS7 CN field to interconnecting providers for any call where CN differs from CPN. Entities subject to this provision who are not capable of using SS7 but who use multifrequency (MF) signaling are required to transmit CPN, or CN if it differs from CPN, associated with every interstate or intrastate call, in the MF signaling automatic numbering information (ANI) field.

(2) Telecommunications providers and entities providing interconnected voice over Internet protocol services who are intermediate providers in an interstate or intrastate call path must pass, unaltered, to subsequent carriers in the call path, all signaling information identifying the telephone number of the calling party, and, if different, of the financially responsible party that is received with a call, unless published industry standards permit or require altering signaling information. This requirement applies to all SS7 information including, but not limited to CPN and CN, and also applies to MF signaling information or other signaling information intermediate providers receive with a call. This requirement also applies to Internet protocol signaling messages, such as calling party identifiers contained in Session Initiation Protocol (SIP) header fields, and to equivalent identifying information as used in successor technologies.

* * * * *

APPENDIX C

Proposed Access Stimulation Rules

Part 61 and Part 69 of the Code of Federal Regulations are amended as follows:

AMENDMENTS TO THE CODE OF FEDERAL REGULATIONS**Part 61 - TARIFFS**

1. The authority citation for Part 61 continues to read as follows:

Authority: Secs. 1, 4(i), 4(j), 201-205 and 403 of the Communications Act of 1934, as amended; 47 U.S.C 151, 154(i), 154(j), 201-205 and 403, unless otherwise noted.

2. Section 61.3 is amended by adding paragraph (aaa) to read as follows:

§ 61.3 Definitions.

* * * * *

(aaa) *Access revenue sharing.* Access revenue sharing occurs when a rate-of-return ILEC or a CLEC enters into an access revenue sharing agreement that will result in a net payment to the other party (including affiliates) to the access revenue sharing agreement, over the course of the agreement. A rate-of-return ILEC or a CLEC meeting this trigger is subject to revised interstate switched access charge rules.

3. Section 61.26 is amended by revising subsections (b), (d) and (e) and adding new paragraph (g) as follows:

§ 61.26 Tariffing of competitive interstate switched exchange access services.

* * * * *

(b) Except as provided in paragraphs (c), (e), and (g) of this section, a CLEC shall not file a tariff for its interstate switched exchange access services that prices those services above the higher of:

(1) The rate charged for such services by the competing ILEC or

(2) The lower of:

(i) The benchmark rate described in paragraph (c) of this section or

(ii) The lowest rate that the CLEC has tariffed for its interstate exchange access services, within the six months preceding June 20, 2001.

* * * * *

(d) Except as provided in paragraph (g) of this section, and notwithstanding paragraphs (b) and (c) of this section, in the event that, after June 20, 2001, a CLEC begins serving end users in a metropolitan statistical area (MSA) where it has not previously served end users, the CLEC shall not file a tariff for its interstate exchange access services in that MSA that prices those services above the rate charged for such services by the competing ILEC.

(e) Rural exemption. Except as provided in paragraph (g) of this section, and notwithstanding paragraphs (b) through (d) of this section, a rural CLEC competing with a non-rural ILEC shall not file a tariff for its interstate exchange access services that prices those services above the rate prescribed in the NECA access tariff, assuming the highest rate band for local switching. In addition to that NECA rate, the rural CLEC may assess a presubscribed interexchange carrier charge if, and only to the extent that, the competing ILEC assesses this charge.

* * * * *

(g) Notwithstanding paragraphs (b)-(e) of this section, a CLEC engaged in access revenue sharing, as that term is defined in section 61.3(aaa) of this Part, shall not file a tariff for its interstate exchange access services that prices those services above the rate prescribed in the access tariff of the RBOC in the state, or, if there is no RBOC in the state, the incumbent LEC with the largest number of access lines in the state.

(1) A CLEC engaging in access revenue sharing, as that term is defined in section 61.3(aaa) of this Part, shall file revised interstate switched access tariffs within forty-five (45) days of commencing access revenue sharing as that term is defined in section 61.3(aaa) of this Part, or within forty-five (45) days of [the effective date of the Order] if the CLEC on that date is engaged in access revenue sharing, as that term is defined in section 61.3(aaa) of this Part.

(2) A CLEC shall file the revised interstate access tariffs required by subparagraph (1) of this paragraph on at least sixteen (16) days' notice.

4. Section 61.39 is amended by revising paragraph (a) and adding new paragraph (g) to read as follows:

61.39 Optional supporting information to be submitted with letters of transmittal for Access Tariff filings effective on or after April 1, 1989, by local exchange carriers serving 50,000 or fewer access lines in a given study area that are described as subset 3 carriers in § 69.602.

(a) Scope. Except as provided in paragraph (g) of this section, this section provides for an optional method of filing for any local exchange carrier that is described as a subset 3 carrier in § 69.602, which elects to issue its own Access Tariff for a period commencing on or after April 1, 1989, and which serves 50,000 or fewer access lines in a study area as determined under § 36.611(a)(8) of this chapter. However, the Commission may require any carrier to submit such information as may be necessary for review of a tariff filing. This section (other than the preceding sentence of this paragraph) shall not apply to tariff filings of local exchange carriers subject to price cap regulation.

* * * * *

(g) A local exchange carrier otherwise eligible to file a tariff pursuant to this section may not do so if it is engaged in access revenue sharing, as that term is defined in section 61.3(aaa) of this Part. A carrier so engaged must file interstate access tariffs in accordance with section 61.38 of this Part and section 69.3(e)(12)(1) of this chapter.

5. Section 61.58 is amended by revising paragraph (a)(2)(i) and adding section a new paragraph (a)(2)(iv) to read as follows:

§ 61.58 Notice requirements.

(a) * * *

(2)(i) Except as provided in paragraph (2)(iv) of this section, local exchange carriers may file tariffs pursuant to the streamlined tariff filing provisions of section 204(a)(3) of the Communications Act. Such a tariff may be filed on 7 days' notice if it proposes only rate decreases. Any other tariff filed pursuant to section 204(a)(3) of the Communications Act, including those that propose a rate increase or any change in terms and conditions, shall be filed on 15 days' notice. Any tariff filing made pursuant to section 204(a)(3) of the Communications Act must comply with the applicable cost support requirements specified in this part.

* * * * *

(iv) A local exchange carrier engaging in access revenue sharing, as that term is defined in section 61.3(aaa) of this Part, that is filing pursuant to the provisions of section 69.3(e)(12)(i) of this chapter shall file revised tariffs on at least 16 days' notice.

PART 69 – ACCESS CHARGES

6. The authority citation for Part 69 continues to read as follows:
Authority: 47 U.S.C. 154, 201, 202, 203, 205, 218, 220, 254, 403.
7. Section 69.3 is amended by revising subparagraphs (e)(6) and (e)(9) and adding new subparagraph (e)(12) to read as follows:

§ 69.3 Filing of access tariffs.

* * * * *

(e) * * *

(6) Except as provided in subparagraph (e)(12) of this paragraph, a telephone company or companies that elect to file such a tariff shall notify the association not later than March 1 of the year the tariff becomes effective, if such company or companies did not file such a tariff in the preceding biennial period or cross-reference association charges in such preceding period that will be cross-referenced in the new tariff. A telephone company or companies that elect to file such a tariff not in the biennial period shall file its tariff to become effective July 1 for a period of one year. Thereafter, such telephone company or companies must file its tariff pursuant to paragraphs (f)(1) or (f)(2) of this section.

* * * * *

(9) Except as provided in subparagraph (e)(12) of this paragraph, a telephone company or group of affiliated telephone companies that elects to file its own Carrier Common Line tariff pursuant to paragraph (a) of this section shall notify the association not later than March 1 of the year the tariff becomes effective that it will no longer participate in the association tariff. A telephone company or group of affiliated telephone companies that elects to file its own Carrier Common Line tariff for one of its study areas shall file its own Carrier Common Line tariff(s) for all of its study areas.

* * * * *

(12)(i) A local exchange carrier, or a group of affiliated carriers in which at least one carrier, is engaging in access revenue sharing, as that term is defined in section 61.3(aaa) of this chapter, shall file its own access tariffs within forty-five (45) days of commencing access revenue sharing, as that

term is defined in section 61.3(aaa) of this chapter, or within forty-five (45) days of [the effective date of the Order] if the local exchange carrier on that date is engaged in access revenue sharing, as that term is defined in section 61.3(aaa) of this chapter.

(ii) Notwithstanding subparagraphs (e)(6) and (e)(9) of this paragraph, a local exchange carrier, or a group of affiliated carriers in which at least one carrier, is engaging in access revenue sharing, as that term is defined in section 61.3(aaa) of this chapter, must withdraw from all interstate access tariffs issued by the association within forty-five (45) days of commencing access revenue sharing, as that term is defined in section 61.3(aaa) of this chapter, or within forty-five (45) days of [the effective date of the Order] if the local exchange carrier on that date is engaged in access revenue sharing, as that term is defined in section 61.3(aaa) of this chapter.

(iii) Any such carrier(s) shall notify the association when it begins access revenue sharing, or on [the effective date of the order] if it is engaged in access revenue sharing, as that term is defined in section 61.3(aaa) of this chapter, on that date, of its intent to leave the association tariffs within forty-five (45) days.

APPENDIX D

Incentive Regulation: A Framework for Calculating Intercarrier Compensation Replacement Payments for Rate-of-Return Carriers

1. This Appendix describes a possible framework for calculating payments from a CAF component that a carrier theoretically could receive to offset, as desired, lost interstate or intrastate switched access revenues in a simple setting (i.e., the maximum payment).¹

2. As discussed in the text,² adjustments to this simple calculation are possible to reflect various policy decisions regarding the nature and extent of such revenue recovery. For purposes of describing the basic framework, the equations below reflect the various elements that theoretically could be a component of revenue recovery as part of intercarrier compensation reform, but does not prejudice the treatment of those issues. Rather, the details of this framework can be calibrated to reflect whatever decisions the Commission ultimately makes regarding those issues (whether to establish a revenue benchmark, whether to modify subscriber line charge caps, etc.).

3. The following notation is helpful in specifying precisely the maximum payment from the CAF component that a carrier might receive under this framework.

Notation

- 0 denotes the initial (pre-reform) period.
- 1 denotes the final (post-reform) period.
- L_t denotes the number of lines the carrier serves in period t .
- s_0 denotes the carrier's monthly subscriber line charge (SLC) in period 0.
- s^{max} denotes the maximum permissible monthly subscriber line charge (SLC) in period 1.
- A_t denotes the average number of minutes of interstate access the carrier supplies each month in period t .
- \underline{A}_t denotes the average number of minutes of intrastate access the carrier supplies each month in period t .
- a_t denotes the carrier's per-minute interstate access charge in period t .
- \underline{a}_t denotes the carrier's per-minute intrastate access charge in period t .
- C denotes the carrier's contribution to the maximum interstate CAF component payment.
- \underline{C} denotes the carrier's contribution to the maximum intrastate CAF component payment.
- r^B denotes a benchmark monthly per-line local service revenue in period 1.
- r_t denotes the carrier's monthly per-line local service revenue in period t .
- r^n denotes the average per-line revenue that carriers derive from the sale of non-regulated services.
- f denotes a specified fraction of the average per-line revenue that carriers derive from the sale of non-regulated services.

¹ As discussed in the Notice, we are seeking comment on the appropriate relationship between any CAF funding designed to offset a portion of reduced intercarrier compensation revenues and the broader CAF proposals being considered. See section XIV.D.

² See section XIV.

α^n denotes the fraction of a carrier's non-regulated revenue contribution that is attributed to interstate operations.

The Maximum Interstate CAF Component Payment:

$$[a_0 A_0 - a_1 A_1] - [s^{max} L_1 - s_0 L_0] - C \quad (1)$$

$$\text{where } C = \alpha^n f^n r^n L_1. \quad (2)$$

The Maximum Intrastate CAF Component Payment:

$$[a_0 A_0 - a_1 A_1] - \underline{C} \quad (3)$$

$$\text{where } \underline{C} = [1 - \alpha^n] f^n r^n L_1 + \text{maximum} \{0, [r^b - r_1] L_1\}. \quad (4)$$

4. *Explaining the Maximum Interstate CAF Component Payment.* The first expression in square brackets [•] in equation (1) reflects the extent to which the reform of interstate access charges reduces the carrier's revenue. The second expression in square brackets [•] represents the increase in the carrier's revenue from any authorized increase in the SLC cap (if any). Together, the first two expressions in equation (1) represent the net reduction in revenue that a carrier will experience from the reform of interstate access charges if it sets the maximum authorized SLC.³

5. The carrier contribution, C , in equation (1) reflects a component of the maximum interstate CAF component payment that a carrier is expected to finance with the revenue it derives from the sale of non-regulated services (if any). So as not to diminish a carrier's incentive to generate non-regulated revenue, the carrier contribution, C , identified in equation (1) and defined in equation (2) might not reflect the non-regulated revenue actually secured by an individual carrier. Instead, it could reflect a fraction of the revenue that all carriers derive from the sale of non-regulated services, on average.⁴

6. The total revenue from non-regulated services that a carrier might be expected to contribute to offset any reduction in its revenue resulting from intercarrier compensation reform is divided between an interstate and an intrastate contribution. As equation (2) indicates, α^n is the fraction of the total non-regulated revenue contribution ($f^n r^n L_1$) that is assigned to the maximum interstate CAF component payment. α^n might be set at 0.25, for example, to be roughly consistent with the prevailing standard separation of loop costs between interstate and intrastate operations.

7. *Explaining the Maximum Intrastate CAF Component Payment.* The second set of equations could be used to the extent that the Commission wishes to provide federal support from the

³ A carrier may choose to set a SLC in period 1 below the maximum authorized SLC (s^{max}). Under this framework, however, the carrier will not receive payments from the CAF component to offset the associated reduction in revenue.

If $s^{max} L_1 - s_0 L_0 > |a_0 A_0 - a_1 A_1|$ so that the proposed maximum SLC increase would generate more revenue for a carrier than it loses from reduced access charges, the carrier would only be permitted to increase its SLC to the level that just offsets the revenue reduction from reduced access charges. (Formally, the maximum SLC the carrier can set in period 1 is the smaller of s^{max} and $[s_0 L_0 + |a_0 A_0 - a_1 A_1|] / L_1$).

⁴ If the average per-line revenue from the sale of non-regulated services differs substantially by carrier size, then different values of r^n (average per-line non-regulated revenue) can be employed for carriers of different size (e.g., small, medium, and large).

CAF component to offset reduced intrastate intercarrier compensation revenues. The expression in square brackets [•] in equation (3) reflects the extent to which the reform of intrastate access charges reduces the carrier's revenue. This reduction is offset by the carrier contribution, C . As equation (4) indicates, this contribution is the sum of two terms: (1) the portion of the carrier's total non-regulated revenue contribution that is not assigned to the maximum intrastate payment from the CAF component ($[1 - \alpha] r^n L_1$); and (2) any shortfall in the carrier's revenue from intrastate ("local") services relative to a benchmark level of local service revenue. To limit the extent to which scarce universal service resources are employed to compensate carriers that choose to set below-benchmark rates for local services, the maximum intrastate payment from the CAF component is reduced by the difference between the relevant benchmark local service revenue ($r^B L_1$) and the carrier's actual local service revenue ($r_1 L_1$), as indicated in equation (4).⁵

8. *Implementation Considerations.* The maximum payments from the CAF component as described in equations (1) – (4) would increase as the number of lines that a carrier serves declines. To encourage carriers to limit customer loss and to avoid discouraging carriers from engaging in service expansion, L_1 in equations (1), (2), and (4) could, for example, be replaced either by L_0 or by $[1 - l] L_0$. $l \in (0,1)$ here can be viewed as an estimate of the fraction of its lines that a carrier is likely to lose even when it acts diligently to limit line loss.

⁵ As the *maximum* { • } term in equation (4) indicates, the maximum intrastate CAF payment is not increased for carriers whose local service revenue exceeds the benchmark local service revenue. Instead, the maximum intrastate CAF payment is only reduced for carriers whose local service revenue is less than the benchmark local service revenue.

APPENDIX E

Initial Regulatory Flexibility Analysis

1. As required by the Regulatory Flexibility Act of 1980, as amended (RFA),¹ the Commission has prepared this Initial Regulatory Flexibility Analysis (IRFA) of the possible significant economic impact on a substantial number of small entities by the policies and rules proposed in this Notice. Written public comments are requested on this IRFA. Comments must be identified as responses to the IRFA and must be filed by the deadlines for comments on the Notice. The Commission will send a copy of the Notice, including this IRFA, to the Chief Counsel for Advocacy of the Small Business Administration (SBA).² In addition, the Notice and IRFA (or summaries thereof) will be published in the Federal Register.³

A. Need for, and Objectives of, the Proposed Rules

2. The Notice and Further Notice (Notice) seeks comment on a variety of issues relating to comprehensive reform of universal service and intercarrier compensation. As discussed in the Notice, the Commission believes that such reform will eliminate waste and inefficiency while modernizing and reorienting these programs on a fiscally responsible path to extending the benefits of broadband throughout America. Bringing robust, affordable broadband to all Americans is the great infrastructure challenge of our time. To meet this challenge, the Notice proposes to fundamentally modernize the Commission's Universal Service Fund (USF) and intercarrier compensation system, eliminating waste and inefficiency.

3. Millions of Americans live in areas where there is no access to any broadband network. Meanwhile, fundamental inefficiencies and waste affect both USF and intercarrier compensation. In many areas of the country, USF provides more support than necessary to achieve our goals, subsidizes a competitor to a voice and broadband provider that is offering service without government assistance, or supports several voice networks in a single area.⁴ Similarly, inefficient intercarrier compensation rules create incentives for wasteful arbitrage opportunities like phantom traffic and access stimulation.⁵ We face these problems because our universal service rules and our intercarrier compensation system, designed for 20th century networks and market dynamics, have not been comprehensively reassessed in more than a decade, even though the communications landscape has changed dramatically.⁶ Due to the interrelationship between USF and intercarrier compensation, and the importance of both to the nation's broadband goals, reform of the two programs must be tackled together.

4. In the Notice, the Commission proposes to transform the existing high-cost program—the component of USF directed toward high-cost, rural, and insular areas—into a new, more efficient, broadband-focused Connect America Fund (CAF).

5. In the first stage of reform, beginning in 2012, the Commission proposes to update the public interest obligations that pertain to current and future recipients.⁷ The Commission also proposes to

¹ See 5 U.S.C. § 603. The RFA, *see* 5 U.S.C. §§ 601–612, has been amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA), Pub. L. No. 104-121, Title II, 110 Stat. 857 (1996).

² See 5 U.S.C. § 603(a).

³ See *id.*

⁴ See *supra* section I.

⁵ See *id.*

⁶ See *id.*

⁷ See *supra* section V.D.

transition funds from less efficient uses to more efficient uses. Over a period of a few years, the Commission proposes to phase out Interstate Access Support (IAS) and funding for competitive eligible telecommunications carriers (ETCs), subject to possible exceptions.⁸ In addition, the Commission seeks comment on a set of proposals to eliminate waste and inefficiency, improve incentives for rational investment and operation by companies operating in rural areas, and set rate-of-return companies on the path to incentive-based regulation. Specifically, the Commission seeks comment on: (a) establishing benchmarks for reimbursable capital and operating costs; (b) modifying high-cost loop support reimbursement percentages and eliminate loop support known as “safety net”; (c) eliminating local switching support as a separate funding mechanism; (d) eliminating the reimbursement of corporate operations expenses; and (e) capping total high-cost support at \$3,000 per line per year for carriers operating in the continental United States.⁹

6. The Commission also proposes to create a CAF program that would immediately make available support for broadband in unserved areas using competitive bidding.¹⁰ The Commission seeks comment on this proposal, including proposed CAF eligibility requirements, the proposed framework for a CAF auction, and post-auction process, administration, and management and oversight of the CAF program.¹¹

7. In the second stage, the Commission proposes to transition all remaining high-cost programs to the CAF, which would provide ongoing support to maintain and advance broadband across the country in areas that are uneconomic to serve absent such support, with voice service ultimately provided as an application over broadband networks.¹² The Commission seeks comment on options for determining support levels under the CAF, including the use of a model and/or competitive bidding. The Commission also seeks comment on an alternative that would limit the full transition to a subset of geographic areas, such as those served by price cap companies, while continuing to provide ongoing support based on reasonable actual investment to smaller, rate-of-return companies.¹³ The Commission also seeks comment on whether USF should support mobile voice and/or mobile broadband service in all areas of the country.¹⁴

8. The Commission further proposes a variety of measures, including establishing performance goals and improving reporting requirements to increase accountability and better track performance of the Fund as a whole.¹⁵

9. The Notice also seeks comment on proposals to comprehensively reform intercarrier compensation in order to bring the benefits of broadband to all Americans. The current intercarrier compensation system’s distorted incentives and wasted resources are a roadblock to a world-leading broadband ecosystem. Reform of the current morass of regulatory distinctions and access charges will help to modernize the Commission’s rules to advance broadband, reduce waste and inefficiency, increase accountability, and lead to market-driven outcomes that promote investment.

⁸ See *supra* sections VI.C - VI.D.

⁹ See *supra* section VI.A.

¹⁰ See *supra* section VI.E.

¹¹ See *id.*

¹² See *supra* section VI.G.

¹³ See *id.*

¹⁴ See *id.*

¹⁵ See *supra* section IX.

10. The Notice seeks comment on the Commission's authority to pursue intercarrier compensation reform, identifies certain goals of intercarrier compensation reform, and seeks comment on how possible intercarrier compensation rate methodologies would advance those goals.¹⁶ The Notice also seeks comment on the appropriate transition away from the current per-minute intercarrier compensation rates, including two possible approaches.¹⁷ One approach relies on the Commission and states to act within their existing roles in regulating intercarrier compensation, and the other follows the federal and state roles established for reciprocal compensation under the 1996 Act. Within these approaches, the Notice identifies a range of possible outcomes for the sequencing of reductions for specific rates and seeks comment on other implementation details, including the timing of any transition.¹⁸ In addition, the Notice seeks comment on how the Commission could provide a recovery mechanism as part of any comprehensive reform and how to structure recovery with the appropriate incentives to accelerate the migration to IP broadband networks.¹⁹

11. The Notice also seeks comment on rules intended to reduce incentives for wasteful arbitrage. First, to address existing uncertainty, the Notice invites comment on the appropriate intercarrier compensation framework for VoIP traffic.²⁰ Second, the Notice seeks comment on: (1) amendments to the Commission's call signaling rules to address phantom traffic; and (2) amendments to the Commission's interstate access rules to address access stimulation and to ensure that rates remain just and reasonable.²¹ Finally, the Notice seeks comment on other issues related to intercarrier compensation reform including network edges and points of interconnection, transiting, and disputes that have arisen over technical issues in intercarrier compensation rules and carrier practices.²²

B. Legal Basis

12. The legal basis for any action that may be taken pursuant to the Notice is contained in Sections 1, 2, 4(i), 201-206, 214, 218-220, 251, 252, 254, 256, 303(r), 332, 403, and 706 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 152, 154(i), 201-206, 214, 218-220, 251, 252, 254, 256 303(r), 332, 403 and 706 and sections 1.1 and 1.1421 of the Commission's rules, 47 C.F.R. §§ 1.1, 1.421.

C. Description and Estimate of the Number of Small Entities to Which the Proposed Rules Will Apply

13. The RFA directs agencies to provide a description of, and where feasible, an estimate of the number of small entities that may be affected by the proposed rules, if adopted.²³ The RFA generally defines the term "small entity" as having the same meaning as the terms "small business," "small organization," and "small governmental jurisdiction."²⁴ In addition, the term "small business" has the

¹⁶ See *supra* sections XI - XII.

¹⁷ See *supra* section XIII.

¹⁸ See *id.*

¹⁹ See *supra* section XIV.

²⁰ See *supra* section XV.A.

²¹ See *supra* sections XV.B - XV.C .

²² See *supra* section XVI.

²³ See 5 U.S.C. § 603(b)(3).

²⁴ See 5 U.S.C. § 601(6).