Exhibit A

ABC Plan Universal Service Budget

ABC PLAN UNIVERSAL SERVICE BUDGET

Transition (Year)	Data in Millions									
	Connect America Fund (CAF) [1]	Adjusted Legacy High Cost Fund [2]	Maximum of CAF or Legacy High Cost Fund [3]	Transitional Access Replacement Mechanism [4]	Advanced Mobility/ Satellite Fund (AMF)	Support for Rate of Return Areas [5]	Adjusted Legacy Competitive ETC Fund [2]	Total Projected Program Expenditures	Total Projected Program Contributions[6]	Cumulative Budget Surplus
	Price Cap Areas Only									
	A	B	C=MAX A,B	D	E	F	G	H=C+D+E+F+G	I	J
Step 1 (2012)	$440	$821	$871	$40	$100	$2,050	$822	$3,883	$4,500	$617
Step 2 (2013)	$880	$616	$1,109	$66	$200	$2,100	$617	$4,092	$4,500	$1,025
Step 3 (2014)	$1,614	$410	$1,638	$55	$300	$2,150	$411	$4,554	$4,500	$970
Step 4 (2015)	$1,908	$205	$1,917	$46	$300	$2,200	$206	$4,669	$4,500	$801
Step 5 (2016)	$2,202	$0	$2,202	$37	$300	$2,250	$0	$4,788	$4,500	$513
Step 6 (2017)	$2,202	$0	$2,202	$51	$300	$2,300	$0	$4,852	$4,500	$161
Total	**$9,245**	**$2,052**	**$9,937**	**$296**	**$1,500**	**$13,050**	**$2,056**	**$26,839**	**$27,000**	**$161**

1. Under this approach, areas served by AT&T and Verizon begin receiving CAF support at Step 3 and transition to the full support amount at Step 5; other Price Cap areas start receiving CAF support at Step 1 and transition to the full support amount at Step 3.

2. Price Cap ETC legacy high-cost funding and all legacy CETC funding phased out in five equal steps starting at Step 1.

3. Carriers to receive *higher of* CAF or legacy high-cost support during transition; carrier-by-carrier analysis (at holding company level) is why Column C does not equal either Column A or Column B.

4. No Transitional Access Replacement Mechanism support for Price Cap companies opting for $0.75 SLC increase limit; analysis assumes largest Price Cap carriers elect $0.75 option.

5. Annual funding target for areas served by Rate of Return carriers is currently at $2 billion; it may increase by up to $50 million per year if necessary (including at Step 1), with a total annual funding target of up to $2.3 billion at Step 6. The annual funding target for Rate of Return carriers includes support for those carriers' access replacement mechanism.

6. This $4.5 billion figure covers the budget period (2012 – 2017) agreed upon in the Consensus Framework with the rural Rate of Return ILEC trade associations. The chart does not account for Verizon Wireless and Sprint CETC funding that has been reserved to date (a measure that currently is being challenged before the D.C. Circuit).

WHAT IS THIS? This chart describes a budget – a per-year amount of no more than $4.5 billion in total annual high-cost universal service support that will be collected from consumers for both legacy voice and new broadband services. The analysis reflected in this chart illustrates how the Commission could implement the universal service reforms called for in the ABC Plan as well as the "Consensus Framework" jointly filed with the rural rate-of-return trade associations. This analysis covers the budget period (2012 – 2017) described in the Consensus Framework and is limited to that period because the Framework proposes a Commission review in 2016 to determine whether the budget for rate-of-return carriers should be continued or modified. Together, these plans would establish a methodology to transition current voice-based high-cost support into a program that provides explicit support for broadband services in areas that would not be served without such support. The goal is to recover no more than $4.5 billion in contributions from consumers each year for high-cost USF support. This is consistent with the current amount of USF support for high-cost programs. The analysis reflected on this chart is illustrative. All numbers are estimates based on several assumptions, which may or may not reflect decisions the Commission ultimately makes in reforming the universal service and intercarrier compensation systems.

HOW DOES IT WORK? Under the approach described in this chart for price-cap carriers, legacy high-cost USF support **(Column B)** would be phased out by 2016, and Connect America Fund broadband support **(Column A)** would be phased in over the same time. The annual funding target for Connect America Fund support, once this program is fully operational, is $2.2 billion per year in areas served by price-cap companies. During the transition from voice to broadband support, price-cap carriers would receive the higher of (at the holding company level) their legacy high-cost fund voice support or their Connect America Fund broadband support **(Column C)**. Additional temporary access charge revenue replacement funding would be available to price-cap carriers that do not accept a larger SLC cap increase of $0.75 **(Column D)**. Recovery from the Transitional Access Replacement Mechanism would not be "dollar-for-dollar" and would phase out entirely, beginning in 2018 and ending in 2020. Legacy high-cost support to competitive eligible telecommunications carriers would also phase out by 2016 **(Column G)**, while CETCs would be eligible to compete for Advanced Mobility/Satellite Fund and Connect America Fund broadband support. In addition, the Commission would distribute up to $300 million annually through a new Advanced Mobility/Satellite Fund program **(Column E)**. In areas served by rate-of-return carriers, the Commission would provide for legacy high-cost support and broadband funding through a revised high-cost program in the Connect America Fund with an annual funding target of up to $2 billion per year, increasing (if necessary) by up to an additional $50 million per year **(Column F)**. Any access revenue replacement funding for rate-of-return carriers must also be accounted for within the annual funding target for areas served by rate-of-return carriers. The total projected expenditures of the high-cost program in each year **(Column H)** are estimated on the chart to be marginally above or below the $4.5 billion annual budget for the total high-cost program in any given year **(Column I)**. In order to ensure that the program is implemented within the budget each year and that contributions from consumers will not exceed $4.5 billion, the Commission may apply a portion of the budget surplus generated in the early years of the Plan to program expenditures in later years of the Plan **(Column J)**.

CAN THE PLAN REALLY COME IN ON BUDGET? Yes. Constraining the high-cost fund to its current level is an essential component of the Plan. The ABC Plan gives the Commission many options to ensure that the high-cost fund is repurposed for broadband without exceeding the current size of the fund. Indeed, many of the assumptions in this budget are conservative. The ABC Plan is based on a forward-looking cost model that distributes new broadband support in high-cost areas on a technology-neutral basis through a mix of competitive bidding and a "right of first refusal" for ILECs that have already made a substantial investment in broadband infrastructure in a particular area. This chart illustrates how the ABC Plan could be

implemented within the proposed budget even if some of the opportunities for savings that may result from the Plan do not actually materialize. For example, the analysis reflected in this chart assumes that the maximum amount of potential support identified by the new model will be distributed in all high-cost areas. However, in many areas – either because an ILEC has not substantially deployed broadband infrastructure already or because an ILEC turns down a right of first refusal – the Plan envisions a competitive bidding procedure that may result in reduced support for the same obligations. In addition, the analysis reflected in this chart assumes that, beginning in Step 3 of the Plan, the entire amount of the proposed Advanced Mobility/Satellite Fund ($300 million) will be awarded every year, but it is possible to structure this funding to provide one-time grants instead of ongoing support. Further, the chart assumes that areas served by rate-of-return carriers will require the full amount of "budget target" funding (starting at up to $2 billion and growing to up to $2.3 billion per year), which may not be the case. Finally, none of the budget figures in the chart have been adjusted to account for inflation.

WHY WOULD FUNDING TO AREAS SERVED BY AT&T AND VERIZON START LATER? To ensure that the ABC Plan does not exceed the annual budget of $4.5 billion in high-cost funding per year, the Commission could defer implementation of the new Connect America Fund for up to two years in those areas served by AT&T and Verizon. This option operates as a safety valve to eliminate any need for the Commission to collect more than the budgeted $4.5 billion from universal service contributors – ultimately from consumers – in any one year. If exercised, under the illustration reflected in this chart, the option would allow the Commission to come in under budget in the first two years of the Plan and to use the savings accrued during those years to offset high-cost funding requirements that may exceed the $4.5 billion budget in later years. It may not be necessary to actually defer Connect America Fund support to areas served by AT&T and Verizon depending on how the Commission implements the ABC Plan and whether the potential savings discussed above materialize.

WHAT IS THE INTERPLAY WITH RATE-OF-RETURN COMPANY FUNDING? The ABC Plan's Connect America Fund proposal operates independently from the plan for new Connect America Fund support in areas served today by rate-of-return carriers. Both the broadband funding *and* the access replacement funding allocated to areas served by rate-of-return carriers are included in the annual funding target for those areas. Details regarding the transition for and distribution of that funding are left to the rate-of-return carrier plan.

WHAT HAPPENS AFTER STEP 6 (2018 AND BEYOND)? The ABC Plan provides that, in areas served by price-cap carriers, Connect America Fund support will continue for ten years from the date on which support is awarded. For example, if $2.2 billion of support is awarded in 2012, then it would expire in 2022. If any of the $2.2 billion of support is awarded later than 2012, then it would continue for ten years, which would extend beyond 2022. The ABC Plan calls for the Commission to complete a proceeding to evaluate whether to create a successor universal service fund. In addition, as discussed above, funding from the Transitional Access Replacement Mechanism will begin to phase out in 2018 and will be eliminated entirely in 2020. The Consensus Framework negotiated with the trade associations representing rural rate-of-return carriers provides that, at Step 5 (2016), the Commission will undertake a proceeding to determine whether the transition for rate-of-return areas should proceed more quickly or more slowly than outlined in the Consensus Framework. If the Commission determines that budget limitations are necessary beyond 2017 (the end point of the budget period), the Commission should, prior to the end of the current budget period, make an affirmative determination of the level of high-cost funding needed after 2017.