

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554**

In the Matter of)	
)	
Inquiry Into Disbursement Process For The Universal Service Fund)	WC Docket No. 11-42
Low Income Program)	WC Docket No. 03-109

COMMENTS OF COMPTTEL

COMPTTEL hereby responds to the Commission’s Public Notice seeking comment on the Universal Service Administrative Company’s (“USAC”) proposal for shifting the process for disbursing low income funds to eligible telecommunications carriers (“ETCs”) from one based on projected claims for support to one based on actual claims for support.¹ COMPTTEL supports the Commission’s move to reimburse ETCs for actual support provided to Lifeline customers, but urges the Commission to direct USAC to substantially reduce the average time for processing Lifeline support claims so as not to cause undue financial hardship for ETCs in the transition from projected reimbursement to actual reimbursement.

Under USAC’s current procedures, the amount USAC reimburses an ETC each month is the product of USAC’s projection for the ETC’s prior month support and a true up for support claims filed by the ETC during the prior month. USAC continues to disburse funds to an ETC based on the USAC-generated monthly projections even where the ETC does not file monthly or quarterly Forms 497 documenting actual support claims for up to six months.² After six months,

¹ FCC Public Notice, Inquiry Into Disbursement Process For The Universal Service Fund Low Income Program, WC Docket Nos. 11-42, 03-109, DA 11-1593 (rel. Sept. 23, 2011).

² Public Notice at ¶4; see also Appendix A to Public Notice at n.1.

USAC will notify the ETC that Form 497 must be filed before additional disbursements are made. If the ETC still fails to file, USAC must then recover from the ETC the support payments made for the prior six months.³

USAC's current procedures are neither efficient nor conducive to promoting the Commission's goal of eliminating waste, fraud and abuse in the disbursement of universal service funds. The positive aspects to transitioning to a system that reimburses ETCs for the actual claims for support made on their Forms 497 are that it will ensure that ETCs are appropriately reimbursed for the discounts provided to low income customers; will save USAC the time and money it currently spends on developing monthly projections and preparing true-ups for each ETC; will eliminate the disbursement of universal service low income funds to carriers that do not provide Lifeline service or file Form 497s; and will save USAC the time and money it currently spends on trying to recover support paid to ETCs that do not file Form 497s for up to six months.

The downside of the transition is the financial shortfall that ETCs will suffer during the month that USAC transitions from reimbursing ETCs on the basis of projected claims to reimbursing them on the basis of actual claims. Both the Commission and USAC acknowledge that ETCs will not only receive little or no reimbursement during the transition month, but may even incur a negative reimbursement that will be netted against the next month's payment or invoiced to the ETC.⁴ As explained more fully below, COMPTTEL urges the Commission to ease the transition by directing USAC to shorten the window between receipt of a completed 497 and

³ *Id.*

⁴ Public Notice at ¶¶10-11; Appendix A at ¶¶9-10.

disbursement of payment in order to minimize the adverse financial impact on cash flow that ETCs will endure as a result of the transition.

I. Establishing Filing and Payment Deadlines

The Commission asks for comment on USAC's proposal to establish a monthly due date by which ETCs must submit completed Form 497s in order to receive a payment at the end of the following month.⁵ Under USAC's current procedures, an ETC must file a completed Form 497 by the fifteenth of the month in order to be reimbursed at the end of the following month.⁶ In other words, an ETC would file a Form 497 on November 15th seeking reimbursement for discounts provided to Lifeline customers in October and would be reimbursed for those discounts at the end of December. What this means is that reimbursements to ETCs are delayed a minimum of 45 days after USAC receives the Form 497 and a minimum of 60 days after the Lifeline service for which support is claimed is provided.

The Commission should authorize USAC to establish a due date by which ETCs must submit completed Form 497s, but it should also direct USAC to disburse payments to ETCs far more promptly than it currently does. Doing so will both minimize the adverse financial impact on ETCs and bring the average time for processing payments in the Low Income program more into line with the average time for processing payments in the High Cost, Rural Health Care and Schools and Libraries universal service programs. COMPTTEL suggests that USAC establish a filing deadline on the twentieth of the month following provision of service and authorize the electronic transfer of reimbursement funds to Lifeline ETCs no later than the end of the month in

⁵ Public Notice at ¶7.

⁶ See the deadlines posted on USAC's website, <http://www.usac.org/li/tools/calendar.aspx>

which it receives their Form 497s, whether electronically, by e-mail, by facsimile or by U.S. mail.

There can be no question that USAC is capable of implementing such a reduction in the payment processing time for Lifeline ETCs as evidenced by at least three independent factors. First, once USAC starts paying actual, rather than projected, Lifeline support claims, it will no longer have to generate projections for each ETC or compute true-up amounts for each ETC each month, which should free up considerable staff and administrative time. Second, in its most recent Annual Report, USAC confirmed that in 2010 it had implemented electronic funds transfer (“EFT”) payments for all universal service fund recipients and that EFT allows USAC to “make payments more quickly.”⁷ Finally, a review of the “average time to process payments” in each of the four universal service programs over the last three years demonstrates that USAC takes anywhere from twice to 15 times as long to process payments for Lifeline providers as it does to process payments for High Cost providers, Rural Health care providers and Schools and Libraries providers. A reduction of the discrepancy in processing times is long overdue.

Pursuant to a September 2008 Memorandum of Understanding between the Commission and USAC, USAC is required to submit quarterly reports to the Commission detailing its performance on certain criteria, including the average time to process universal service payments. For the High Cost program, USAC defines the average time to process payments as “the average number of calendar days between the last day a support request by a carrier is entered into USAC’s payment system and the day that each disbursement is authorized during the quarterly reporting period.” Similarly, for the Low Income Program, USAC defines the average time to process payments as “the average number of calendar days between the last day

⁷ USAC 2010 Annual Report at 4, available at <http://www.usac.org/about/governance/annual-reports/2010.html>.

that support claims filed by carriers are entered into USAC’s payment system and the day that each disbursement is authorized during the quarterly reporting period.”⁸ In 2008, the average processing time for High Cost payments was 4 days in the first quarter, 5 days in the second quarter, 2 days in the third quarter and 3 days in the fourth quarter. The average processing time for the Rural Health care payments varied between 11 and 14 days over the four quarters of 2008 and the average time for processing Schools and Libraries payments varied between 6 and 10 days. In contrast, the average processing time for Low Income payments never dropped below 29 days in any of the four quarters.⁹

Average Time To Process Payments In Days 2008

	<u>1st Qtr.</u>	<u>2nd Qtr.</u>	<u>3rd Qtr.</u>	<u>4th Qtr.</u>
High Cost	4	5	2	3
Low Income	29	29	29	29
Rural Health Care	13	14	14	11
Schools & Librs.	6	10	8	10

USAC reported similar incongruities in its payment processing times for the four universal service programs in 2009 and 2010. In 2009, the average processing time for High Cost payments was 3 days in the first quarter, 6 days in the second quarter, 5 days in the third quarter and 4 days in the fourth quarter. The average processing time for the Rural Health care payments varied between 11 and 14 days over the four quarters of 2009 and the average time for processing Schools and Libraries payments varied between 5.5 and 11 days. The average processing time for Low Income payments, however, never dropped below 29 days in any of the

⁸ USAC 2008 Annual Report at 18, available at <http://www.usac.org/about/governance/annual-reports/2008.html>.

⁹ *Id.*

four quarters.¹⁰ And in 2010, the average processing time for High Cost payments was 2 days in the first quarter, 3 days in the second quarter, 2 days in the third quarter and 4 days in the fourth quarter. The average processing time for the Rural Health care payments varied between 12 and 14 days over the four quarters of 2010 and the average time for processing Schools and Libraries payments varied between 5 and 7 days. Yet again, however, the average processing time for Low Income payments never dropped below 29 days in any of the four quarters of 2010.¹¹

Average Time To Process Payments In Days 2009

	<u>1st Qtr.</u>	<u>2nd Qtr.</u>	<u>3rd Qtr.</u>	<u>4th Qtr.</u>
High Cost	3	6	5	4
Low Income	29	29	29	29
Rural Health Care	11	14	12	12
Schools & Librs.	5.5	6	5.5	11

Average Time To Process Payments In Days 2010

	<u>1st Qtr.</u>	<u>2nd Qtr.</u>	<u>3rd Qtr.</u>	<u>4th Qtr.</u>
High Cost	2	3	2	4
Low Income	29	29	29	29
Rural Health Care	13	14	13	12
Schools & Librs.	5	5	6	7

¹⁰ USAC 2009 Annual Report at 14, available at <http://www.usac.org/about/governance/annual-reports/2009.html>.

¹¹ USAC 2010 Annual Report at 22, available at <http://www.usac.org/about/governance/annual-reports/2010.html>.

Now that Lifeline ETCs are able to submit their Form 497s on line and USAC encourages them to do so¹² and now that USAC has capitalized on the efficiencies gained from transferring High Cost and Low Income operations and administration in-house to speed up calculations for payments,¹³ there is no reason that USAC should not be able to substantially shorten the window between receipt of completed Form 497s and authorization of payment to Lifeline ETCs. At the very least, USAC should be directed to shorten the average time for processing Low Income payments to the time it takes to process High Cost payments and in no event more than ten calendar days.

II. Changing The Deadline For Filing Original or Revised Support Claims

The Commission asks for comment on USAC's proposal to reduce the administrative window for filing original or revised support claims from 15 months after the end of each calendar year to 6 months from the current disbursement month.¹⁴ In directing USAC to develop a proposal for disbursing Lifeline support based on verified claims for reimbursement rather than projections, the Commission said nothing about reducing the administrative window for filing original or revised support claims.¹⁵ Nor did USAC explain how reducing the administrative window for filing original or revised support claims will promote greater accuracy in the Lifeline payment process. In the absence of any rationale for a need to reduce the

¹² See <http://www.lifelinesupport.org/li/telecom/step06/form497.aspx> . According to USAC, the online Form 497 “is more efficient . . . , has built-in validations to reduce errors, and allows carriers to bulk upload and bulk certify multiple forms.” USAC 2009 Annual Report at 8, available at <http://www.usac.org/about/governance/annual-reports/2009.html>.

¹³ USAC 2010 Annual Report at 2, available at <http://www.usac.org/about/governance/annual-reports/2010.html>.

¹⁴ Public Notice at ¶9.

¹⁵ See May 13, 2011 Letter from Dana Shaffer to Scott Barash, DA 11-872, 26 FCC Rcd 6810 (2011).

administrative window for filing original or revised support claims to curb waste, fraud or abuse or to promote greater accuracy in payments, or even an explanation for doing so, the Commission should reject USAC's proposal. The existing 15 month window has worked well, allows ETCs the time necessary to reconcile their books and records following the close of the calendar year and should be retained.

III. Transition Date

Because of the negative financial impact on cash flow that ETCs will suffer during the transition month, the Commission should afford ETCs at least six months notice before transitioning from projected to actual payments. Six months is the minimum amount of time ETCs will need to prepare and make allowances for a month of little, no or negative reimbursements for the discounts given to low income consumers. The Commission should also adopt USAC's proposed early transition option¹⁶ to allow ETCs flexibility in adjusting to the new reimbursement procedures.

Conclusion

For the foregoing reasons, the Commission should direct USAC to substantially shorten the average time it takes to process Low Income reimbursements to the time it takes to process High Cost payments and in no event more than 10 calendar days, retain the existing

¹⁶ Public Notice at ¶12; Appendix A at ¶13.

administrative window for filing original or revised claims and provide ETCs at least six months notice before transitioning from projected to actual payments.

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Respectfully submitted,

/s/

Mary C. Albert
COMPTTEL
900 17th Street N.W., Suite 400
Washington, D.C. 20006
(202) 296-6650