

High Cost Support Mechanism
Fund Size Projections for 2Q2014

High Cost Loop Support	\$ 192.05 M
Interstate Common Line Support	216.14 M
Frozen Price Cap Carrier Support	259.18 M
Frozen Competitive ETC Support	153.72 M
Connect America Fund - Intercarrier Compensation Support ¹	108.49 M
Connect America Fund Reserve Pursuant to FCC 11-161 ²	195.42 M
<i>Subtotal High Cost Support Mechanism Program Demand</i>	<i>\$ 1,125.00 M</i>
Prior Period Adjustment ³	20.84 M
USAC Administrative Costs (including Capital Expenditures)	7.24 M
Interest Income	(1.08) M
Total High Cost Support Mechanism Contributions 2Q2014	<u>\$ 1,152.00 M</u>

Low Income Support Mechanism
Fund Size Projections for 2Q2014

Lifeline Assistance	\$ 420.71 M
Link-Up	0.09 M
Broadband Pilot	0.55 M
<i>Subtotal Low Income Support Mechanism Program Demand</i>	<i>\$ 421.35 M</i>
Prior Period Adjustment	9.84 M
USAC Administrative Costs (including Capital Expenditures)	3.98 M
Interest Income	(0.08) M
Total Low Income Support Mechanism Contributions 2Q2014	<u>\$ 435.09 M</u>

Rural Health Care Support Mechanism
Fund Size Projections for 2Q2014

Rural Health Care Support	\$ 57.23
Prior Period Adjustment	1.08
USAC Administrative Costs (including Capital Expenditures)	4.17
Interest Income	(0.25)
Total Rural Health Care Support Mechanism Contributions 2Q2014	<u>\$ 62.23 M</u>

Schools and Libraries Support Mechanism
Fund Size Projections for 2Q2014

Schools and Libraries Support	\$ 562.50 M
Inflation Adjustment ⁴	32.58 M
Prior Period Adjustment	10.53 M
Interest Income	(3.51) M
Total Schools and Libraries Support Mechanism Contributions 2Q2014	<u>\$ 602.10 M</u>

USAC Administrative Costs (including Capital Expenditures)⁵ 21.23 M

1 In the *USF/ICC Transformation Order* (FCC 11-161), the FCC adopted a transitional recovery mechanism with an effective date of July 1, 2012 to facilitate incumbent carriers' gradual transition away from intercarrier compensation (ICC) revenues (para. 847).

2 In an order released on November 18, 2011, the FCC directs USAC to forecast total High Cost Support universal service demand as no less than \$1.125 billion, i.e., one quarter of the annual High Cost budget (See FCC 11-161, para. 560). If actual contributions exceed High Cost demand, the FCC directs USAC to credit excess contributions to a new Connect America Fund (CAF) reserve account.

3 In FCC 11-161 (*USF/ICC Transformation Order*), the FCC amends its rules to add paragraph 54.709(b)(1) to read "The Commission may instruct USAC to treat excess contributions in a manner other than as prescribed in paragraph (b). Specifically, the FCC instructs USAC not to make prior period adjustments related to High Cost Support if actual contributions exceed demand (para. 548).

4 In FCC 11-161 (*USF/ICC Transformation Order*), the FCC directs USAC to include the inflation adjustments to the E-rate cap in the Schools and Library Support Mechanism demand projection.

5 The total annual support for the Schools and Libraries Support Mechanism is limited to \$2.34 billion for Funding Year 2012, which includes administrative expenses (47 C.F.R. § 54.507). Administrative expenses for the other support mechanisms are additive as those mechanisms have not reached a total funding cap.