



PUBLIC NOTICE

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WIRELINE COMPETITION BUREAU ANNOUNCES NO CHANGE IN THIRD QUARTER 2002 UNIVERSAL SERVICE CONTRIBUTION FACTOR

CC Docket No. 96-45

In this Public Notice, the Wireline Competition Bureau announces that the second quarter 2002 universal service contribution factor of 0.072805 that was proposed on March 8, 2002 and became effective on March 22, 2001 for the second quarter of 2002¹ will remain unchanged for the third quarter of 2002.²

Today, the Commission released the *First Report and Order* in CC Docket No. 02-6, concluding that unused funds from the schools and libraries support mechanism will be applied to stabilize the collection requirement for universal service for no more than the next three quarters, beginning with third quarter 2002.³ Thereafter, unused funds from the schools and libraries support mechanism will be carried forward to increase disbursements to schools and libraries in subsequent years. The Commission's action will help ensure the predictability of contribution obligations and reduce contributions to universal service by contributors and their customers, without jeopardizing the sufficiency of the universal service support mechanisms.

¹ *Proposed Second Quarter 2002 Universal Service Contribution Factor*, CC Docket No. 96-45, Public Notice, DA 02-562 (rel. Mar. 8, 2002).

² We note that the third quarter 2002 contribution factor implements the Commission's modified contribution methodology rules to eliminate prior-period contributions from the contribution base. This action was designed to reduce the disparity between the contribution factor and carriers' universal service line items. See *Federal-State Joint Board on Universal Service, 1998 Biennial Regulatory Review - Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans With Disabilities Act of 1990, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability, Truth-in-Billing and Billing Format*, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, Further Notice of Proposed Rulemaking and Report and Order, FCC 02-43, paras. 113-115 (rel. Feb. 26, 2002).

³ See *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, First Report and Order, FCC 02-XXX (rel. June 13, 2002).

Under section 54.709 of the Commission's rules, the quarterly contribution factor is based on the ratio of total projected quarterly costs of the universal service support mechanisms to total end-user interstate and international telecommunications revenues, net of prior period actual contributions.

Pursuant to section 54.709(a)(3) of the Commission's rules, the Universal Service Administrative Company (USAC) has projected that program demand and administrative expenses for the third quarter of 2002 will be approximately \$1.505370 billion.⁴ USAC also has submitted estimated end-user telecommunications revenues of \$18.683892 for January through March 2002 based on information contained in the First Quarter 2002 Telecommunications Reporting Worksheet.⁵ Taking into account USAC's estimate of \$1.352348 in actual contributions in the first quarter of 2002 as well as uncollectible contributions of one percent, we project a contribution base of \$17.158229 billion.⁶ If these inputs are applied to the formula in section 54.709(a)(2) of the Commission's rules, a third quarter 2002 contribution factor of 0.087735 results. This is a significant and unanticipated increase from the second quarter contribution factor of 0.072805. In fact, this would represent the single largest quarterly increase in the contribution factor since the current revenue-based contribution methodology was adopted.

However, because of the actions taken today, we are able to announce no change in the contribution factor for third quarter 2002. Thus, the third quarter 2002 contribution factor will remain 0.072805. Consistent with the *First Report and Order*, we direct USAC to apply sufficient unused funds from Funding Year 2 of the schools and libraries support mechanism to maintain the third quarter contribution factor at 0.072805. When USAC files its projections of program demand and administrative expenses for the fourth quarter of 2002, it shall supply an updated estimate of the remaining balance that may be applied to stabilize the collection requirement as necessary for fourth quarter 2002 and first quarter 2003.

If the Commission takes no action regarding the projections of demand and administrative expenses and the proposed contribution factor within the 14-day period following release of this Public Notice, they shall be deemed approved by the Commission.⁷ USAC shall use the contribution factor to calculate universal service contributions for the third quarter of 2002. USAC includes these amounts in invoices sent to contributors. Contribution payments are due on the dates shown on the invoice. Contributors will pay interest for each day for which the

⁴ See Federal Universal Service Support Mechanisms Fund Size Projections for the Third Quarter 2002, available at <<http://www.universalservice.org/overview/filings>> (filed May 31, 2002) (*USAC Filing for Third Quarter 2002 Projections*). See also Federal Universal Service Support Mechanisms Fund Size Quarterly Contribution Base for the Third Quarter 2002, available at <<http://www.universalservice.org/overview/filings>> (filed May 2, 2002) (*USAC Filing for Third Quarter 2002 Contribution Base*).

⁵ See *USAC Filing for Third Quarter 2002 Contribution Base* at 4. The revenue base on which contributions are assessed in the third quarter of 2002 is derived from the revenues reported on the First Quarter 2002 Telecommunications Reporting Worksheet. See *id.*

⁶ See *id.* at 5.

⁷ See 47 C.F.R. § 54.709(a)(3).

payments are late. Contributors failing to pay contributions in a timely fashion may be subject to the enforcement provisions of the Communications Act of 1934, as amended, and any other applicable law. In addition, contributors may be billed by USAC for reasonable costs of collecting overdue contributions.⁸

For further information, contact Diane Law Hsu, Telecommunications Access Policy Division, Wireline Competition Bureau, at (202) 418-7400, TTY (202) 418-0484.

⁸ See 47 C.F.R. §54.713.