

# PUBLIC NOTICE



FEDERAL COMMUNICATIONS COMMISSION

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## Proposed Second Quarter 2003 Universal Service Contribution Factor

CC Docket No. 96-45

In this Public Notice, the Wireline Competition Bureau announces that the proposed universal service contribution factor for the Second Quarter of 2003 is 0.090044 or 9.0044 percent.<sup>1</sup>

### Rules for Calculating the Contribution Factor

Contributions to the federal universal service support mechanisms are determined using a quarterly contribution factor calculated by the Commission.<sup>2</sup> The Commission recently modified its universal service contribution methodology, which assessed contributions based on providers' historical billed end-user telecommunications revenues, and adopted a system based on projected collected end-user revenues.<sup>3</sup> Accordingly, beginning with this quarter, the Commission calculates the quarterly contribution factor based on the ratio of total projected quarterly costs of the universal service support mechanisms to contributors' total projected collected end-user interstate and international telecommunications revenues, net of projected contributions.<sup>4</sup>

### USAC Projections of Demand and Administrative Expenses

Pursuant to section 54.709(a)(3) of the Commission's rules,<sup>5</sup> the Universal Service

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<sup>1</sup> See 47 C.F.R. § 54.709(a).

<sup>2</sup> See *id.* The Commission applied unused funds from the schools and libraries support mechanism to stabilize the contribution factor for the third and fourth quarters of 2002 and the first quarter of 2003. Beginning second quarter 2003, unused funds from the schools and libraries support mechanism will be carried forward to increase disbursements to schools and libraries. See *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 2-6, First Report and Order, 17 FCC Rcd 11,521 (2002).

<sup>3</sup> See *Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order and Second Further Notice of Proposed Rulemaking, FCC 02-329 (rel. December 13, 2002) (Contribution Methodology Order)*.

<sup>4</sup> See 47 C.F.R. § 54.709(a)(2).

<sup>5</sup> 47 C.F.R. § 54.709(a)(3).

Administrative Company (USAC) submitted the following projections of demand and administrative expenses for the second quarter of 2003:<sup>6</sup>

(\$ millions)

Program	Projected Program Support	Admin. Expenses	Application Of Interest Income	Application of Periodic True-Ups	Total Program Collection
Schools and Libraries	549.648	12.852	(7.018)	2.810	558.292
Rural Health Care	8.855	0.696	(0.033)	0.282	9.800
High-Cost	831.499	3.822	(0.545)	(39.456)	795.320
Low Income	173.315	0.929	(0.193)	(3.388)	170.663
<b>TOTAL</b>	<b>1563.317</b>	<b>18.299</b>	<b>(7.789)</b>	<b>(39.752)</b>	<b>1534.075</b>

### **USAC Projections of Industry Revenues**

USAC submitted projected collected end-user telecommunications revenues for April through June 2003 based on information contained in the Second Quarter 2003 Telecommunications Reporting Worksheet (FCC Form 499-Q).<sup>7</sup> The amount is as follows:

Total Projected Collected Interstate and International End-User Telecommunications Revenues for Second Quarter 2003: \$18.743028 billion

### **Adjusted Contribution Base**

To determine the quarterly contribution base, we decrease the second quarter 2003 estimate of projected collected interstate and international end-user telecommunications revenues by the projected revenue requirement to account for circularity, and decrease the result by one percent to account for uncollectible contributions. Accordingly, the quarterly contribution base for the second quarter of 2003 is as follows:

Adjusted Quarterly Contribution Base for Universal Service Support Mechanism

Second Quarter 2003 Revenues - Projected Revenue Requirement - 1%

(\$18.743028 billion - \$1.534075 billion) \* 0.99

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<sup>6</sup> See Federal Universal Service Support Mechanisms Fund Size Projections for the Second Quarter 2003, available at <<http://www.universalservice.org/overview/filings>> (filed January 31, 2003) (USAC Filing for Second Quarter 2003 Projections). See also Federal Universal Service Support Mechanisms Fund Size Quarterly Contribution Base for the Second Quarter 2003, available at <<http://www.universalservice.org/overview/filings>> (filed February 28, 2003) (USAC Filing for Second Quarter 2003 Contribution Base).

<sup>7</sup> See USAC Filing for Second Quarter 2003 Contribution Base at 4.

\$17.036863 billion

**Proposed Contribution Factor**

Using the above-described adjusted contribution base and the total program collection requirement from the table above, the proposed contribution factor for the second quarter of 2003 is as follows:

Contribution Factor for Universal Service Support Mechanisms

Total Program Collection / Adjusted Quarterly Contribution Base

\$1.534075 billion / \$17.036863 billion

**0.090044**

**Proposed Circularity Factor**

USAC will reduce each provider's contribution obligation by a circularity discount approximating the provider's contributions in the upcoming quarter. Accordingly, the proposed circularity factor for the second quarter of 2003 is as follows:

Circularity Factor for Universal Service Support Mechanisms

1 - ((Second Quarter 2003 Revenues - Total Program Collection) / Second Quarter 2003 Revenues)

1 - ((\$18.743028 billion - \$1.534075 billion) / \$18.743028 billion)

**0.081848**

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.<sup>8</sup> USAC shall use the contribution factor to calculate universal service contributions for the second quarter of 2003. USAC will reduce each provider's contribution obligation by a circularity discount approximating the provider's contributions in the upcoming quarter. USAC includes contribution obligations less the circularity discount 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 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.<sup>9</sup>

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<sup>8</sup> See 47 C.F.R. § 54.709(a)(3).

<sup>9</sup> See 47 C.F.R. § 54.713.

The Telecommunications Reporting Worksheet (FCC Form 499-A), reporting actual collected revenue for January through December, 2002, which USAC will use to perform annual true-ups to the quarterly historical revenue data submitted by contributors during the prior calendar year, must be filed with USAC by **April 1, 2003**. We also emphasize that pursuant to the *Contribution Methodology Order*, carriers may not mark up federal universal service line-item amounts above the contribution factor.<sup>10</sup> Thus, carriers may not, during the second quarter of 2003, recover through a federal universal service line item an amount that exceeds the interstate telecommunications charges on a customer's bill times 9.0044%.

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

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<sup>10</sup> *Contribution Methodology Order* at para. 45.