



# USAC Financial Operations

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# **2014 USF Contributions**

March 2014

## Housekeeping

- Use the “Audio” section of your control panel to select an audio source and connect to sound
  - Turn on your computer’s speaker, or
  - Use the call-in instructions in your confirmation email
- All participants are on mute
- Submit questions at any time using the “Questions” box
- Where to find presentation slides

## Today's Speakers

- **Fred Theobald**  
Senior Manager of Finance
- **Tracey Pilsch**  
Senior Telecom Industry Analyst



# USAC Financial Operations

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# **2014 USF Contributions**

March 2014

- Filing online
- What's new for 2014 FCC Forms 499-A/499-Q?
- 2014 FCC Forms 499-A/Q true up process
- Mergers, sales, and deactivations
- Questions and answers

# 2014 USF Contributions

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# Filing Online

## First, log in to E-File (<https://forms.universalservice.org>)

- Click “Create New Form” (top left hand corner)
- Select “499-A for April 2014”
- Type in your Filer ID
- Click “Submit”
- 2014 FCC Form 499-A will open

## What are the benefits?

- Simpler, easier data entry
- Increased accuracy with error validations, checks, and auto-correction
- Can save and come back to it later
- Instant confirmation of successful certification
- No paper, no mail, no fuss



**QUESTIONS?**

# 2014 USF Contributions

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## **What's new in 2014?**

## FCC Forms and instructions

- **October 29, 2013:** FCC issued a Public Notice [WC Docket No. 06-122; DA 13-2090] for comment on FCC Forms 499-A, 499-Q, and instructions proposed changes
- **December 27, 2013:** Notice published in Federal Register for comments on changes by January 11, 2014
- **January 31, 2014:** FCC issued a Public Notice [WC Docket No. 06-122; DA 14-119] releasing the 2014 Telecommunications Reporting Worksheets and Accompanying instructions

## Mergers, Sales, and Deactivations

- Termination of Service, Page 6 of 2014 FCC Form 499-A was revised to direct filers to the website of USAC.
- Carriers that cease providing telecommunications services must submit a letter with termination date and information on its successor, if any
- Details regarding the documentation to be provided to the Form 499 Data Collection Agent can be found at [www.usac.org](http://www.usac.org).
- These carriers must also update their CORES registration

## Identification Numbers

- Page 10 of the FCC Form 499-A instructions
- Page 10 of the FCC Form 499-Q instructions
- Revised to instruct filers that lack Internal Revenue Service (IRS) employer identification numbers (EIN) to contact USAC for an alternative identification number

## Identification Numbers: Official Language

- Enter the Internal Revenue Service (IRS) employer identification number (EIN) for the filer, which should be the same EIN that the company uses to file any federal taxes, if the filer offers services subject to such taxes. **Do not use individual social security numbers** for the federal EIN. If a filer lacks an EIN (*i.e.* has no taxpayer identification number to provide other than an individual social security number), it should contact USAC (see section V.B for contact information) so that it can be assigned an alternative **identification number**. Consolidated filers must provide the EIN of the holding company. 2014 FCC Form 499-A instructions, Pg. 10
- This also includes Foreign Entities that do not have a EIN

## Affiliate Identifier

- Page 10 of the FCC Form 499-A instructions
- Pages 10-11 of the FCC Form 499-Q instructions
- Revised to emphasize that **all “affiliated” filers should enter a common identifier**
- The term “holding company” is replaced by **“Affiliated Filers Name/Holding Company Name”** where appropriate

## Affiliate Identifier: Official Language

- Enter a common identifier for all affiliated filers (the “Affiliated Filers Name”). This is typically the name of the filer’s holding company or controlling entity, if any. **Amongst a large group of affiliates, this may be the name of the predominant commonly owned or controlled entity.**
- All reporting affiliates or commonly owned entities should have the same Affiliated Filers Name appearing on Line 106.1 and 106.2.
- **For those entities also required to file FCC Form 477, use the same single name that is used in the FCC Form 477 to indicate common ownership or control.**



## Trade Names: Official Language

- Enter all names by which the filer would be known to customers, government bodies, creditors, the press, etc.
- Consolidated filers should provide all names used by all telecommunications affiliates covered by the filing.
- The list must include the filer's billing agents if those parties, rather than the filer, are identified on customer bills.
- Also include names (with their Filer ID) of predecessor companies that contributed in prior years

2014 FCC Form 499-A instructions, Pg. 10-11

## ITSP Contact Information: Official Language

- Line 208.1. — An FCC Interstate Telecommunications Service Providers (ITSP) regulatory fee bill, if due, will be sent to the email address specified on Line 208.1. **FCC inquiries regarding ITSP regulatory fees will also be sent to this email address. Carrier questions regarding ITSP regulatory fee bills should be directed to the FCC Financial Operations Help Desk, 877-480-3201.**

2014 FCC Form 499-A instructions, Pg. 11

## DC Agent Designation

- Page 11 of the FCC Form 499-A instructions was revised to clarify that **only common carriers are required** to designate an agent in the District of Columbia
- **Official Language:** Section 413 of the Act **requires each common carrier** “to designate in writing an agent in the District of Columbia” upon whom all notices, process, orders, and decisions made by the Commission may be served on behalf of that carrier in any proceeding pending before the Commission. The Commission has also extended this requirement to interconnected and non-interconnected VoIP providers.

## Lifeline Program Assistance

- Deleted from FCC Form 499-A instructions, page 18:
  - “Line 308 should include as revenues Lifeline Assistance reimbursement for the waived portion of subscriber line or presubscribed interexchange carrier charges from the Low Income or High Cost universal service support mechanism.”
- **Line 308 is still** only for reporting support **for Lifeline or High Cost programs** – E-rate or Rural Health Care program support still reported as Block 4 end user revenue

## Reseller Certifications

- FCC Form 499-A instructions revised the sample reseller certification language (pages 22-26) to fully reflect the clarifications provided in the 2012 Wholesaler-Reseller Clarification Order.
- Filers (and their reseller customers) should carefully read the revisions to Section III.C.2
- Filers should note any modifications that may need to be made to existing reseller certifications in order to take advantage of the “safe harbor” described in the 2012 Wholesaler-Reseller Clarification Order

## Reseller Certifications – Definition of a reseller:

Telecommunications carrier or provider that:

(1) incorporates purchased telecommunications into its own offerings;

**and**

(2) can reasonably be expected to contribute to federal universal service support mechanisms based on revenues from those offerings. Specifically, a customer is a reseller if it incorporates purchased wholesale service into an offering that is, at least in part, assessable telecommunications and can be reasonably expected to contribute to the federal universal service support mechanisms for that portion of the offering.

2014 FCC Form 499-A Instructions, Pg. 22-23

## Reseller Example:

If a customer purchases a DS1 line and incorporates that service into an offering of **both telephone service and broadband Internet access service**, the customer may **certify that it is a reseller for purposes of that purchased service** so long as it contributes to universal service on the assessable revenues from the telephone service.

2014 FCC Form 499-A instructions - footnote 56

## Reseller “Reasonable Expectation” Standard

- Pursuant to the 2012 Wholesaler-Reseller Clarification Order, a filer may demonstrate that it has a “**reasonable expectation**” that a customer contributes to universal service based on revenues from the customer’s offerings by following the guidance in these instructions or by submitting other reliable proof.

2014 FCC Form 499-A instructions, Pg. 23



## Reseller “Reasonable Expectation” Standard

- Filers that comply with the procedures specified in this section of the instructions will be afforded a “safe harbor”- i.e., that filer **will be deemed to have demonstrated a reasonable expectation.**

2014 FCC Form 499-A instructions, Pg. 23

## Safe Harbor Procedures for Meeting “Reasonable Expectation”

- Documented procedures required to ensure only revenues from entities that meet the definition of reseller are reported
- Procedures must include this reseller information:
  - Filer 499 ID;
  - Legal name;
  - Legal address;
  - Name of a contact person;
  - Phone number of the contact person; and,
  - Annual certification by reseller regarding its reseller status

## Reseller “Reasonable Expectation” Standard

- If a wholesale provider follows **procedures that deviate in any way** from the guidance in this section, the wholesale provider will have to **demonstrate a reasonable expectation via “other reliable proof.”**
- USAC shall evaluate the use of “other reliable proof” to demonstrate a “reasonable expectation” on a case-by-case basis, based on the reasonableness of the utilized method or proof

2014 FCC Form 499-A instructions, Pg. 22-23

## Reseller “Reasonable Expectation” Standard

- Filers that do not comply with the safe harbor procedures or that do not otherwise meet the reasonable expectation standard **will be responsible** for any additional universal service assessments that result if their revenues must be reclassified as end user revenues.

2014 FCC Form 499-A instructions, Pg. 22-23

## Reseller “Reasonable Expectation” Standard

If a wholesale provider’s customer (or another entity in the downstream chain of resellers) **actually contributed** to the federal universal service support mechanisms for the relevant calendar year on offerings that incorporate purchased wholesale services, **the wholesale provider will not be obligated to contribute on revenues for the wholesale services**, even if the wholesale provider cannot demonstrate that it had a reasonable expectation that its customer would contribute when it filed its Form 499-A for the relevant calendar year.

2014 FCC Form 499-A instructions, Pg. 22-23

## Reseller Certifications (Prior to January 1, 2014)

Filers may demonstrate a reasonable expectation through December 31, 2013, that particular customers were resellers by relying on certificates consistent with language included in the 2012 FCC Form 499-A instructions:

I certify under penalty of perjury that the company is purchasing service for resale in the form of U.S. telecommunications or interconnected Voice over Internet Protocol service. I also certify under penalty of perjury that either the company contributes directly to the federal universal support mechanisms, or that each entity to which the company provides resold telecommunications is itself an FCC Form 499 worksheet filer and a direct contributor to the federal universal service support mechanisms.

## Reseller Certifications (Beginning January 1, 2014)

A filer may demonstrate that it had and has a reasonable expectation that a particular customer is a reseller with respect to purchased service(s) by providing a certificate signed each calendar year by the customer that:

- (1) **specifies which services** the customer is or is not purchasing for resale pursuant to the certificate; **and**
- (2) is consistent with the following sample language...

I certify under penalty of perjury that the company is purchasing service(s) for resale, **at least in part**, and that **the company is incorporating the purchased services into its own offerings which are, at least in part, assessable** U.S. telecommunications or interconnected Voice over Internet Protocol services. I also certify under penalty of perjury that the company either directly contributes **or has a reasonable expectation that another entity in the downstream chain of resellers** directly contributes to the federal universal service support mechanisms **on the assessable portion of revenues** from offerings that incorporate the purchased services.



## Reseller Certifications

At the filer's discretion, the filer may, for example, rely on certificates that specify any of the following:

- (1) that all services purchased by the customer are or will be purchased for resale pursuant to the certificate;
- (2) that all services associated with a particular billing account, the account number for which the customer shall specify, are or will be purchased for resale pursuant to the certificate;
- (3) that individual services specified by the customer are or will be purchased for resale pursuant to certification; or
- (4) that all services except those specified either individually or as associated with a particular billing account, the account number(s) for which the customer shall specify, are or will be purchased for resale pursuant to the certificate.

## Reseller Certifications

- A customer may certify that additional services will be purchased for resale pursuant to the certificate if the customer (or another entity in the downstream chain of resellers) will contribute to the universal service on revenues attributed to such services for the relevant calendar year.
- In some instances, reselling carriers are themselves selling the underlying service to another (non-contributing) reseller, which then sells the same service to another (non-contributing) reseller, and so on until the service is ultimately sold to an entity that is a contributing “reseller.” In these instances, an underlying carrier also may include as carrier’s carrier revenue any revenues received from service ultimately provided to entities that meet the definition of “reseller” for purposes of the FCC Form 499-A.

2014 FCC Form 499-A instructions, Pg. 24 Footnote 62

## Services Purchased After Date of Annual Certification

If the annual certificate does not cover those additional services, the filer may demonstrate a reasonable expectation that a customer is a reseller with respect to additional service by relying on either:

- (1) a verifiable notification from the customer that the customer is purchasing the service for resale consistent with the valid, previously signed annual certificate, **or**
- (2) a subsequent certificate covering the purchased service signed by the customer.

## International Switched Service Revenue

An underlying carrier also may include as carrier's carrier revenues any international switched service revenues received from another U.S. reselling carrier where that reselling carrier is using the underlying carrier's service to **re-file the foreign-billed traffic** of a foreign telephone operator. In this case, **the reselling carrier must certify to the underlying carrier that it is using the resold international switched service to handle traffic that both originates and terminates in foreign points.**

2014 FCC Form 499-A instructions, Pg. 24

## Intercarrier Compensation

Categories of revenue **not end-user revenue** and is reported in Block 3  
– filer **not required** to retain Filer ID info or **verify customer is a reseller**

- Per-minute switched access charges and reciprocal compensation (Line 304)
- Revenues received from carriers as payphone compensation for originating toll calls (Line 306)
- Charges for physical collocation of equipment pursuant to 47 U.S.C. Section 251(c)(6) (Line 307)
- Revenues that filers receive as universal service support from either states or the federal government (Line 308)
- Revenues received from another U.S. carrier for roaming service provided to customers of that carrier (Line 309)

## Exempt Entities

- Certain telecommunication providers may be exempt from contribution to universal service support.
- Exempt entities include:
  - “international only” providers
  - “intrastate only” providers
  - providers that are *de minimis*
- Exempt providers should **not be treated as resellers** for the purpose of reporting revenues in Block 3

## Exempt Entities

- Revenue should be reported derived from the provision of telecommunications to exempt carriers on Lines 403–417 of Block 4 of the Telecommunications Reporting Worksheet, as appropriate
- Underlying carriers must contribute to universal service on the basis of such revenues

2014 FCC Form 499-A instructions, Pg. 26

## Intrastate Language

Total revenues entered in column (a) include revenues billed for intrastate service even though intrastate revenues are not reported separately on the FCC Form 499-A

2014 FCC Form 499-A instructions, pg.26



**QUESTIONS?**

# 2014 USF Contributions

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# True Up Process

	<b>Interstate Revenue (Line 423D)</b>		<b>International Revenue (Line 423E)</b>		<b>Contribution Base</b>
2014 FCC Form 499-A	\$2,377,064	+	\$19,218	=	\$2,396,282
	Interstate Revenue (Line 120B)		International Revenue (Line 120C)		Contribution Base
Nov 12 FCC Form 499-Q	\$621,080	+	\$7,495	=	\$628,575
Feb 13 FCC Form 499-Q	\$603,005	+	\$4,978	=	\$607,983
May 13 FCC Form 499-Q	\$623,264	+	\$4,627	=	\$627,891
Aug 13 FCC Form 499-Q	\$639,772	+	\$4,211	=	\$643,983
2013 FCC Form 499-Q Contribution Base	\$2,487,121	+	\$21,311	=	\$2,508,432

## 2013 Average Contribution & Circularity Factors

Avg. of 2 highest FCC contribution Factors	.158500
Avg. of 2 lowest FCC Contribution Factors	.153000
Avg. of 2 FCC Circularity Factors associated with 2 high FCC Contribution Factors	.137209
Avg. of 2 FCC Circularity Factors associated with 2 low FCC Contribution Factors	.133757
Avg. of all FCC Contribution Factors	.155750
Avg. of all FCC Circularity Factors	.135483

## The Process

### Step 1:

Determine whether a company is *de minimis* for purposes of the FCC Forms 499-A/Q true up using the following formula:

$$(499-A * .155750) - (499-A * .155750 * .135483)$$

**NOTE:** For calendar year 2013, Interstate Revenues greater than \$74,267.43 are not *de minimis*.

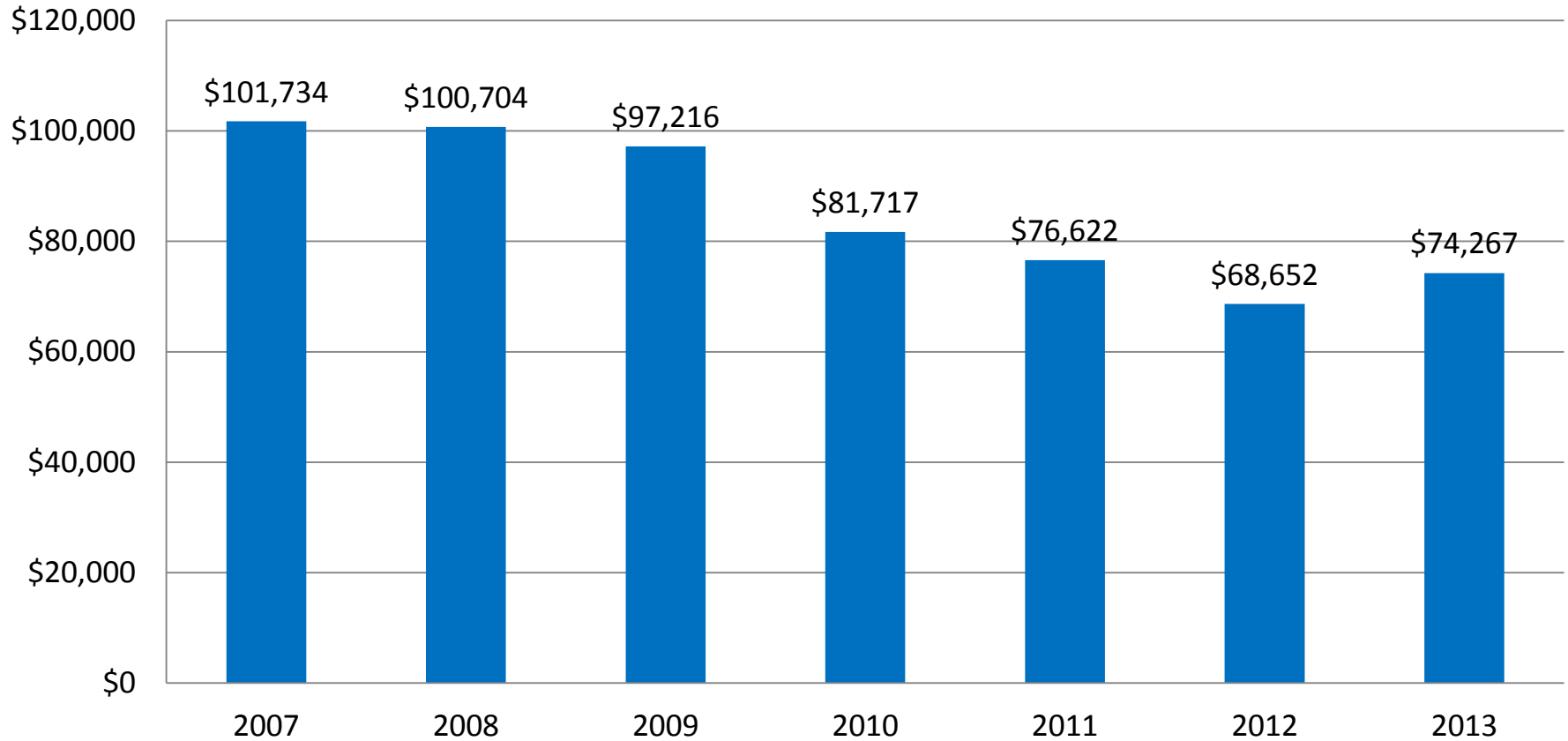
## The Process

- If result is  $< \$10,000$ , contributor is *de minimis*, and the January – December 2013 charges will be reversed on the contributor's July 2014 invoice
- If result is  $>$  or  $= \$10,000$ , contributor is NOT *de minimis*; continue to step 2.

**Example:**  $(\$2,396,282 * .155750) - (\$2,396,282 * .155750 * .135483) = \$322,655.83$

$\$322,655.83 > \$10,000 =$  **Not *De Minimis***

## Minimum Interstate Revenue for Contributors



## The Process

### Step 2:

- Determine which FCC contribution factor, and associated FCC Circularity factor, to use in true up calculation
- It will be used to replace the “Average FCC Contribution Factor” in step 3

## The Process

- Average of 2 highest FCC Contribution Factors and associated average FCC Circularity Factor should be used if  $(499-A) > (Q1 + Q2 + Q3 + Q4)$
- Average of 2 lowest FCC Contribution Factors and associated average FCC Circularity Factor should be used if  $(499-A) < (Q1 + Q2 + Q3 + Q4)$
- Average of all 4 FCC Contribution Factors and associated average FCC Circularity Factor should be used if  $(499-A) = (Q1 + Q2 + Q3 + Q4)$



## The Process

### Example:

$$(\$2,396,282) < (\$628,575 + \$607,983 + \$627,891 + \$643,983)$$

Average of 2 lowest FCC Contribution Factors and associated average FCC Circularity Factor should be used

## The Process

### Step 3:

True Up formula for calculating credits or adjustments is:

$(499-A) - (Q1 + Q2 + Q3 + Q4) = \text{True Up Base}$

$(\text{True Up Base} * \text{Average FCC Contribution Factor}) - (\text{True Up Base} * \text{Average FCC Contribution Factor} * \text{Average FCC Circularity Factor}) = \text{Quarterly Credit or Adjustment}$

$\text{Quarterly Credit or Adjustment} / 3 = \text{Monthly Credit or Adjustment}$

## The Process

### Example:

$$(\$2,396,282) - (\$628,575 + \$607,983 + \$627,891 + \$643,983) = -\$112,150$$

$$(-\$112,150 * .153000) - (-\$112,150 * .153000 * .133757) = -\$14,863.82$$

$$-\$14,863.82 / 3 = -\$4954.61$$

Company will receive three -\$4954.61 credits on July – September 2014 invoices

# QUESTIONS?

## 2014 USF Contributions

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# Mergers, Sales, and Deactivations

## Why should I deactivate?

- By deactivating a Filer ID, the filer can avoid:
  - Late filing fees
  - Interest charges
  - Penalties

## Deactivating Your Filer ID

- Complete and return Filer ID deactivation form to USAC with all supporting documentation
  - Available deactivation types are: Sales, Merger, Consolidation, Out of Business, Bankruptcy, No Longer Providing Telecommunications
- Be sure you have updated your [CORES ID information](#)
  - To do this, visit the database <http://fjallfoss.fcc.gov/coresWeb/publicHome.do> and click on "Update Your Registration Information"

## What happens after I submit my request?

- USAC reviews filer's account to find outstanding issues
  - USAC will not deactivate until all required FCC Form 499 filings are submitted and all issues are resolved
- USAC reviews filer's documentation (appropriate deactivation form and any required supporting documentation)
  - For sales, mergers, and consolidations, USAC will not deactivate a Filer ID until the new filer has obtained a Filer ID.



## What happens after I submit my request?

- USAC deactivates the Filer ID
  - Filer's access to E-File will be removed
  - Notification sent to administrators of TRS, NANPA, and LNP to include: Date of Deactivation, Reason of Deactivation, and for Sales, Mergers, and Consolidations the new Filer's Filer ID.

## If operations ceased during previous calendar year:

- **Successor company's responsibility** to ensure revenues for both companies for the previous calendar year are accounted for
- Entity that ceased operations can file an FCC Form 499-A for its portion of the prior calendar year's revenue, **and if not...**
  - Successor company must report all revenues for the purchased entity on its own FCC Form 499-A
  - **USAC will use combined revenues of both companies** when calculating the purchasing company's 499A true up

## Inactive Account Reconciliation

- USAC reverses all Support Mechanism Charges (SMC), related interest, and penalties from the date the company became inactivated
- **Example:** Company goes out of business on 6/31/2007, USAC will
  - Reverse SMC, related interest, and penalties billed to the company after 6/15/2007 invoice
  - Reverse late filing fees, related interest, and penalties for filings due after 6/31/2007
  - Consider remaining SMC and fees as outstanding debt subject to FCC 07-150 and DCIA
- USAC only reverses 499-A true up charges that resulted from USAC generated estimated 499-A created after the company was inactivated

**QUESTIONS?**

## Thank You!

- Thanks for joining us at today's webinar
- Sign up for 498/499 Spotlight quarterly newsletter
  - Go to [www.usac.org](http://www.usac.org) and click "subscribe" in the upper-right corner
- For questions about universal service contributions, email [Form499@usac.org](mailto:Form499@usac.org) or call (888) 641-8722

