

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Federal Universal Service Support Mechanisms Quarterly
Contribution Base for the Third Quarter 2006

UNIVERSAL SERVICE
ADMINISTRATIVE COMPANY
2000 L STREET N.W., SUITE 200
WASHINGTON, DC 20036
VOICE: 202.776.0200
FAX: 202.776.0080
www.usac.org

June 1, 2006

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**BEFORE THE FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, DC 20554**

**FEDERAL UNIVERSAL SERVICE SUPPORT MECHANISMS FUND
SIZE QUARTERLY CONTRIBUTION BASE FOR THE THIRD
QUARTER 2006**

INTRODUCTION

The Universal Service Administrative Company (USAC) is the not-for-profit corporation responsible for administering the Universal Service Fund (USF) and the four federal universal service programs: High Cost, Low Income, Rural Health Care, and Schools and Libraries.¹ USAC also performs the billing, collection, and disbursement functions for the universal service programs.

USAC submits the contribution base amount to be used for the third quarter of calendar year 2006 (3Q2006) in accordance with Section 54.709 of the Federal Communications Commission's (FCC or Commission) rules.² USAC is filing this contribution base report pursuant to the Commission's order of December 13, 2002, updating the *Contribution Methodology Order* issued on March 14, 2001.³ In the December 13, 2002 order, the Commission changed the universal service contribution base

¹ See Changes to the Board of Directors of the National Exchange Carrier Association, Inc., CC Docket No. 97-21, Federal-State Joint Board on Universal Service, CC Docket No. 96-45, *Fourth Report and Order in CC Docket No. 97-21, Fourth Order on Reconsideration in CC Docket No. 97-21 and Eighth Order on Reconsideration in CC Docket No. 96-45*, FCC 98-306, 63 Fed. Reg. 70564 (rel. Dec. 21, 1998); Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Low-Volume Long Distance Users, Federal-State Joint Board on Universal Service, CC Docket No. 96-262, 94-1, 99-249, 96-45, *Sixth Report and Order in CC Docket Nos. 96-262 and 94-1, Report and Order in CC Docket No. 99-249, Eleventh Report and Order in CC Docket No. 96-45*, FCC 00-103 (rel. May 31, 2000) (*CALLS Order*); Federal-State Joint Board on Universal Service, Promoting Deployment and Subscriberhip in Unserved and Underserved Areas, Including Tribal and Insular Areas, CC Docket No. 96-45, *Twelfth Report and Order and Further Notice of Proposed Rulemaking*, FCC 00-208 (rel. June 8, 2000) (*Tribal Lands Order*); Federal-State Joint Board on Universal Service, Petition for Reconsideration filed by AT&T, CC Docket No. 96-45, *Report and Order and Order on Reconsideration*, FCC 01-85 (March 14, 2001) (*Contribution Methodology Order*).

² See 47 C.F.R. § 54.709(a)(3).

³ See *Contribution Methodology Order* ¶¶ 10-13; 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, NSD File No. L-00-72, *Report and Order and Second Further Notice of Proposed Rulemaking*, FCC 02-329 (rel. Dec. 13, 2002) (*Projected Collected Contribution Methodology Order*).

methodology to projected collected revenue rather than actual contributor revenues billed.⁴ On March 14, 2003, the Commission released an *Order and Second Order on Reconsideration*, which, *inter alia*, directed the Wireline Competition Bureau to announce the universal service contribution factor as a percentage rounded up to the nearest tenth of one percent.⁵ The Commission also directed the Wireline Competition Bureau to account for contribution factor rounding when calculating the “circularity” discount factor.⁶ Consistent with Commission regulations and orders, USAC filed the federal Universal Service Support Mechanisms Fund Size and Administrative Cost Projections for 3Q2006 on May 2, 2006.

Upon approval of the universal service support mechanisms’ quarterly funding requirements, projected administrative expenses, and the contribution base, the Commission will establish a quarterly contribution factor and a circularity factor. USAC will then bill contributors on a monthly basis for their individual obligations based on the approved contribution factor and circularity factor.

⁴ *Projected Contribution Methodology Order* at ¶¶ 1, 29-30.

⁵ 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, *Order and Second Order on Reconsideration*, FCC 03-58, ¶ 22 (rel. Mar. 14, 2003) (*Second Order on Reconsideration*) (“Although the Second Order on Reconsideration has not yet been published in the Federal Register and accordingly has not yet become effective, we expect it will be published before the start of the second quarter of 2003. Absent release of this Public Notice, the six-digit contribution factor announced on March 7, 2003 would be deemed approved by the Commission on March 21, 2003. However, the six-digit contribution factor would be inconsistent with the Second Order on Reconsideration. Therefore, the Bureau takes this limited action today to ensure the implementation of the Second Order on Reconsideration for the second quarter of 2003.”).

⁶ *Id.*

CONTRIBUTION BASE

USAC collects interstate and international projected revenue information from carriers on the FCC Form 499-Q four times each year and submits aggregate information on a quarterly basis to the FCC in March, June, September, and December of each year.⁷

Carriers also file FCC Form 499-A in April of each year to report actual annual revenues from the prior year. USAC uses revenue data provided by carriers on the FCC Form 499-A (Form 499-A) to perform annual true-ups of actual revenue to the quarterly projected revenue data submitted by carriers on FCC Form 499-Q (Form 499-Q) during the prior calendar year.⁸ As necessary, USAC will refund or collect from carriers any over-payments or under-payments. As mandated by the Commission, if the combined quarterly revenues reported by a carrier (on its Form 499-Qs) are greater than those reported on its annual revenue report (Form 499-A), then a refund will be provided to the carrier based on an average of the two lowest contribution factors for the year.⁹ If the combined quarterly revenues reported by a carrier are less than those reported on its annual revenue report (Form 499-A), then USAC will collect the difference from the carrier using an average of the two highest contribution factors from that year.¹⁰

Carriers were required to file the Form 499-Q with 3Q2006 projected collected revenue information on or before May 1, 2006.¹¹ By June 1, 2006, USAC is required to file revenue data with the FCC based on the May 1, 2006 carrier filings.¹² The Commission will use the program demand

⁷ The Form 499-Q includes a box for each of the quarterly filing submissions. Carriers check the appropriate box to indicate the quarter for which revenue information is being reported. Data is due to USAC approximately one month before filing is due to the FCC.

⁸ In addition, carriers may file a revised Form 499-Q within 45 days of the original filing due date for that current quarter. See *Projected Collected Contribution Methodology Order* ¶ 36.

⁹ *Projected Collected Contribution Methodology Order* ¶ 36.

¹⁰ *Id.*

¹¹ See FCC Form 499-Q at <http://www.USAC.org/fund-administration/forms/>. See also, 47 C.F.R. § 54.711(a)(3).

¹² See 47 C.F.R. § 54.709(a).

data and the projected collected revenue to calculate the universal service contribution factor for 3Q2006.¹³ Following is the current Form 499-Q filing schedule:

Due Dates:	Projected Collected Revenue for:	Utilized to meet USF contributions:
August 1, 2006	4Q: October – December 2006	4Q: October – December 2006
November 1, 2006	1Q: January – March 2007	1Q: January – March 2007
February 1, 2007	2Q: April – June 2007	2Q: April – June 2007
May 1, 2007	3Q: July – September 2007	3Q: July – September 2007

Telecommunications providers qualifying for the *de minimis* exemption from contribution requirements do not need to complete the Form 499-Q.¹⁴ However, for providers required to contribute to the universal service support mechanisms, the Form 499-Q must be submitted by the due date for each quarter listed above.¹⁵

***THIRD QUARTER 2006 PROJECTED COLLECTED REVENUE
BASE TO BE USED FOR THIRD QUARTER 2006
CONTRIBUTIONS***

The total projected collected interstate and international end-user revenue base to be used in determining the contribution factor for the Universal Service Support Mechanisms for 3Q2006 is \$18,773.679 million. This amount was derived from approximately 5,687 FCC Form 499-Qs that were distributed to carriers in early April 2006. Interstate telecommunications service providers were required to complete this form reporting July - September 2006 projected collected revenue information, and return it by May 1, 2006. USAC has included complete revenue data from 2,813 carriers (2,303 contributors and 510 *de minimis* carriers).

¹³ *Id.* USAC files projected program demand data at least 60 days prior to the start of a quarter and total contribution base revenue data at least 30 days prior to the start of a quarter.

¹⁴ See 47 C.F.R. § 54.708.

¹⁵ 47 C.F.R. §§ 54.711, 54.713. The USAC Board of Directors adopted a late filing penalty, consistent with 47 C.F.R. § 54.713, at its October 1998 meeting and ratified at its October 26, 1999 meeting applicability of the penalty to the FCC Form 499-Q and 499-A data collections. Companies not submitting their FCC Form 499-Q or 499-A by the due date are subject to a late filing penalty calculated at a rate of .005 percent applied to their total contribution base revenue with a minimum penalty of \$100 and a maximum penalty of \$5,000. This penalty was effective beginning with the March 1, 1999, FCC Form 457 data collection.

The funding base for 3Q2006 is developed from the projected collected revenues for 3Q2006 that were reported by carriers in May 2006. As of May 22, 2006, USAC has yet to receive information from 339 non-*de minimis* telecommunications service providers that had previously submitted information to USAC. For the FCC's review of the 3Q2006 funding base for the support mechanisms, USAC includes estimated revenues based on prior submissions for those carriers that failed to submit a Form 499-Q.¹⁶

Appendix M05 provides a list of non-*de minimis* companies that have or should have filed the May 1, 2006 Form 499-Q data as of May 22, 2006.

On April 25, 2006, USAC's Board of Directors adopted a resolution authorizing the filing of the 3Q2006 contribution base requirement described herein.

Respectfully submitted,

UNIVERSAL SERVICE
ADMINISTRATIVE COMPANY

/s/

D. Scott Barash, Acting Chief Executive Officer
David Capozzi, Acting General Counsel
W.B. Erwin, Vice President of Finance
2000 L Street N.W., Suite 200
Washington, DC 20036-4924
Voice: 202.776.0200
Fax: 202.776.0080

June 1, 2006

¹⁶ See 47 C.F.R. § 54.709(d).