



PUBLIC NOTICE

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**Federal Communications Commission
1919 M St., N.W.
Washington, D.C. 20554**

Released: June 12, 1998
DA 98-1130

Third Quarter 1998 Universal Service Contribution Factors Revised and Approved CC Docket No. 96-45

In this Public Notice, the Common Carrier Bureau (Bureau) revises and approves the final universal service contribution factors for the third quarter of 1998.¹

On May 13, 1998, using information submitted on May 1, 1998 by the Universal Service Administrative Company (USAC), Schools and Libraries Corporation (SLC), and Rural Health Care Corporation (RHCC), the Accounting Policy Division (Division) of the Bureau announced the proposed universal service contribution factors for the third quarter of 1998.² The proposed factors were published in the Federal Register on May 26, 1998.³ Pursuant to the Commission's rules, if the Commission had taken no action by June 9, 1998, the proposed third quarter contribution factors would have been deemed approved.⁴ On June 8, 1998, the Division extended until 11:59 p.m. on June 12, 1998 the time period during which the Commission could modify the proposed third quarter 1998 universal service contribution factors.⁵

Also on May 13, 1998, the Bureau released a Public Notice seeking comment on whether to reduce the

¹ 47 C.F.R. § 54.709(a).

² Proposed Third Quarter Universal Service Contribution Factors Announced, *Public Notice*, DA 98-856 (rel. May 13, 1998) (May 13th Public Notice). On May 22, 1998, the Cellular Telecommunications Industry Association (CTIA) and Comcast filed comments on the May 13th Public Notice.

³ Proposed Third Quarter 1998 Universal Service Contribution Factors Announced, CC Docket No. 96-45, 63 Fed. Reg. 28,510 (May 26, 1998).

⁴ 47 C.F.R. § 54.709(a)(3).

⁵ Extended Review Period for Third Quarter 1998 Universal Service Contribution Factors, *Public Notice*, DA 98-1094 (rel. June 8, 1998), *Erratum* (Comm. Carr. Bur., Acct. Policy Div., rel. June 9, 1998).

1998 collection amounts for the schools and libraries and rural health care universal service support mechanisms.⁶ In an Order adopted today, the Commission, among other things, adjusts the 1998 collection amounts for the schools and libraries and rural health care universal service support mechanisms.⁷ Specifically, the Commission directs USAC to collect only as much as required by demand, but in no event more than \$325 million per quarter for the third and fourth quarters of 1998 and the first and second quarters of 1999 to support the schools and libraries universal service support mechanism.⁸ With respect to the rural health care universal service support mechanism, the Commission directs USAC to collect only as much as required by demand, but in no event more than \$25 million per quarter for the third and fourth quarters of 1998.⁹ The adjustments to the collection amounts for the third quarter of 1998 are reflected in the table below under the "total program costs" column. We note that, because the demand for funds exceeds the maximum amount that will be collected for the schools and libraries support mechanism in the third quarter of 1998, the "total program costs" for the third quarter (i.e., \$325 million) is less than the demand that SLC projected.

⁶ Common Carrier Bureau Seeks Comment on Proposed Revision of 1998 Collection Amounts for Schools and Libraries and Rural Health Care Universal Service Support Mechanisms, CC Docket No. 96-45, DA 98-872, *Public Notice* (rel. May 13, 1998).

⁷ *See* FCC Reforms Universal Service Support Mechanism for Schools and Libraries, *News Release*, CC Docket No. 96-45, (rel. June 12, 1998).

⁸ *Id.* The Commission further directs SLC to commit to applicants no more than \$1.925 billion for disbursement during 1998 and the first half of 1999. *Id.*

⁹ *Id.*

Third Quarter 1998 -- (\$ millions)

Program	Program Demand	Administrative Expenses	Interest Income ¹⁰	Total Program Costs
Schools and Libraries	690.0 ¹¹	4.4	(0.0) ¹²	325.0
Rural Health Care	24.3	1.2	(0.5)	25.0
Subtotal	714.3	5.6	(0.5)	350.0
High Cost	414.1	0.8	(0.7)	414.2
Low Income	125.3	0.4	(1.0)	124.7
Subtotal	539.4	1.2	(1.7)	538.9
TOTAL	1,253.7	6.8	(2.2)	888.9

Based on information contained in the Universal Service Worksheets, FCC Form 457, USAC submitted on user telecommunications revenues for the 1997 calendar year. On May 14, 1998, USAC submitted revised end-user telecommunications revenues for the 1997 calendar year.¹³ Funding bases for the third and fourth quarters are determined by subtracting the revenues reported for January through June 1997 (on the September Worksheet) from the 1997 calendar year reported on the March Worksheet. The amounts are as follows:

Total Interstate, Intrastate, and International End-User Telecommunications Revenues from July 1, 1997 - December 31, 1997: \$94.066 billion

Total Interstate and International End-User Telecommunications Revenues from July 1, 1997 - December 31, 1997: \$94.066 billion.

To account for uncollectible contributions, we decrease by one percent the revenue estimates listed above. It has been

¹⁰ Because this table lists expenses, positive income flows are denoted with parentheses.

¹¹ In a letter dated May 11, 1998, SLC projected that the funding demand for the schools and libraries program for the third quarter of 1998 would be \$690 million. See Letter from Ira Fishman, SLC, to Magalie Roman Salas, FCC, dated May 11, 1998.

¹² SLC made the conservative assumption that interest income would be zero for the third quarter, to reflect the possibility that all funds would be disbursed during the third quarter. See Schools and Libraries Corporation Fund Size Requirements for Third Quarter 1998, CC Docket Nos. 96-45, 97-21, May 1, 1998, at 3, n.5.

¹³ Letter from Ed English, USAC, to Magalie Roman Salas, FCC, dated May 14, 1998 (USAC May 14 letter). USAC revised the figures based on information contained in Universal Service Worksheets that were submitted after USAC submitted its May 1st filing. USAC reported in its May 1st filing that, because several carriers had not yet submitted their Universal Service Worksheet, approximately 18 percent of the end-user telecommunications revenues were based on estimates by USAC. According to USAC, the percent of industry revenues that continues to be based on estimates by USAC is 4.2 percent. *Id.*

that several carriers subject to the universal service contribution obligation have failed to meet this obligation.¹⁴ To integrity of the universal service support mechanisms, pending enforcement of this obligation, we determine that we uncollectible contributions at a rate of one percent. This is consistent with USAC's estimated rate of uncollectible c. Additionally, because each quarter is three months long, we estimate quarterly revenues by dividing by two the six- estimates.

Based on the revised end-user telecommunications revenues submitted by USAC, SLC, and RHCC,¹⁶ percent reduction in the revenue estimates to account for uncollectible contributions, and consistent with the collection amounts for the schools and libraries and rural health care support mechanisms adopted today, the contribution factors for the third quarter of 1998 are as follows:

Contribution factor for the schools and libraries and rural health care support mechanisms:

Total Program Costs / Contribution Base (Interstate, International, and Intrastate) \$0.350 billion / (\$93.125 billion / 2) = **0.0075**

Contribution factor for the high cost and low income support mechanisms:

Total Program Costs / Contribution Base (Interstate and International) = \$0.539 billion / (\$34.372 billion / 2) = **0.0314**

These factors are the approved third quarter 1998 universal service contribution factors that USAC shall calculate third quarter universal service contributions. USAC will bill and collect these contributions on a basis.¹⁷

For further information, contact Lori Wright, Accounting Policy Division, Common Carrier Bureau, 418-7400.

-- Action by the Acting Chief, Common Carrier Bureau --

¹⁴ Letter from Lisa Rosenblum, USAC, to Magalie Roman Salas, FCC, dated March 18, 1998 (USAC March 18 letter). *See also* Letter from Robert Haga, USAC, to Magalie Roman Salas, FCC, dated June 12, 1998 (USAC June 12 letter).

¹⁵ *See* USAC June 12 letter.

¹⁶ *See* USAC May 14 letter.

¹⁷ 47 C.F.R. § 54.709(a)(4).