PUBLIC NOTICE

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DA 11- 473
Released: March 10, 2011

Proposed Second Quarter 2011 Universal Service Contribution Factor

CC Docket No. 96-45

In this Public Notice, the Office of Managing Director (OMD) announces that the proposed universal service contribution factor for the second quarter of 2011 will be 0.149 or 14.9 percent.[1]

Rules for Calculating the Contribution Factor

Contributions to the federal universal service support mechanisms are determined using a quarterly contribution factor calculated by the Federal Communications Commission (Commission).[2] 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.[3]

USAC Projections of Demand and Administrative Expenses

Pursuant to section 54.709(a)(3) of the Commission's rules,[4] the Universal Service Administrative Company (USAC) submitted projections of demand and administrative expenses for the second quarter of 2011.[5] Accordingly, the projected demand and expenses are as follows:

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[1] *See* 47 C.F.R. § 54.709(a).

[2] *See id.*

[3] *See* 47 C.F.R. § 54.709(a)(2).

[4] 47 C.F.R. § 54.709(a)(3).

[5] *See* Federal Universal Service Support Mechanisms Fund Size Projections for the Second Quarter 2011, available at <http://www.universalservice.org/overview/ filings> (filed January 31, 2011) (*USAC Filing for Second Quarter 2011 Projections*). *See also* Federal Universal Service Support Mechanisms Quarterly Contribution Base for the Second Quarter 2011, available at <http://www.universalservice.org/overview/ filings> (filed February 25, 2011) (*USAC Filing for Second Quarter 2011 Contribution Base*).

($ millions)

Program Demand	Projected Program Support	Admin. Expenses	Application Of Interest Income	Application of True-Ups & Adjustments	Total Program Collection (Revenue Requirement)
Schools and Libraries	543.30	19.20	(3.97)	16.29	574.82
Rural Health Care	20.29	3.67	(0.58)	(0.48)	22.90
High-Cost	1,098.45	4.46	(0.13)	23.80	1,126.58
Low Income	383.79	2.09	(0.15)	(12.39)	373.34
TOTAL	2,045.83	29.42	(4.83)	27.22	2,097.64

USAC Projections of Industry Revenues

USAC submitted projected collected end-user telecommunications revenues for April through June 2011 based on information contained in the Second Quarter 2011 Telecommunications Reporting Worksheet (FCC Form 499-Q).[6] The amount is as follows:

Total Projected Collected Interstate and International End-User Telecommunications Revenues for Second Quarter 2011: $16.403461 billion.

Adjusted Contribution Base

To determine the quarterly contribution base, we decrease the second quarter 2011 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 2011 is as follows:

Adjusted Quarterly Contribution Base for Universal Service Support Mechanism

Second Quarter 2011 Revenues - Projected Revenue Requirement - 1%

($16.403461 billion – $2.097640 billion) * 0.99

$14.162763 billion.

[6] *USAC Filing for Second Quarter 2011 Contribution Base* at 7.

Unadjusted Contribution Factor

Using the above-described adjusted contribution base and the total program collection (revenue requirement) from the table above, the proposed unadjusted contribution factor for the second quarter of 2011 is as follows:

Contribution Factor for Universal Service Support Mechanisms

Total Program Collection / Adjusted Quarterly Contribution Base

$2.097640 billion / $14.162763 billion

0.148110

Unadjusted 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 unadjusted circularity factor for the second quarter of 2011 is as follows:

Unadjusted Circularity Factor for Universal Service Support Mechanisms

1 - ((Second Quarter 2011 Revenues - Total Program Collection) / Second Quarter 2011 Revenues)

1 – (($16.403461 billion - $2.097640 billion) / $16.403461 billion)

0.127878

Proposed Contribution Factor

The Commission has directed OMD to announce the contribution factor as a percentage rounded up to the nearest tenth of one percent.[7] Accordingly, the proposed contribution factor for the second quarter of 2011 is as follows:

14.9

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[7] *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, 18 FCC Rcd 4818, 4826, para. 22 (2003) (*Second Order on Reconsideration).*

Proposed Circularity Factor

The Commission also has directed OMD to account for contribution factor rounding when calculating the circularity discount factor.[8] Accordingly, the proposed circularity factor for the second quarter of 2011 is as follows:

0.133090[9]

Conclusion

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.[10] USAC shall use the contribution factor to calculate universal service contributions for the second quarter of 2011. USAC will reduce each provider's contribution obligation by a circularity discount approximating the provider's contributions in the upcoming quarter.[11] 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.[12]

We also emphasize that carriers may not mark up federal universal service line-item amounts above the contribution factor.[13] Thus, carriers may not, during the second quarter of 2011, recover through a federal universal service line item an amount that exceeds 14.9 percent of the interstate telecommunications charges on a customer's bill.

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[8] *Id.*

[9] The proposed circularity discount factor = 1 + [(unadjusted circularity discount factor – 1) * (unadjusted contribution factor / proposed contribution factor)]. The proposed circularity discount factor is calculated in a spreadsheet program, which means that internal calculations are made with more than 15 decimal places.

[10] *See* 47 C.F.R. § 54.709(a)(3).

[11] USAC will calculate each individual contributor's contribution in the following manner: (proposed contribution factor * contributor's projected collected revenues) – (proposed circularity discount factor * proposed contribution factor * contributor's projected collected revenues).

[12] *See* 47 C.F.R. § 54.713.

[13] *See* 47 C.F.R. § 54.712.

In addition, under the limited international revenues exception (LIRE) in section 54.706(c) of the Commission's rules, a contributor to the universal service fund whose projected collected interstate end-user telecommunications revenues comprise less than 12 percent of its combined projected collected interstate and international end-user telecommunications revenues shall contribute based only on projected collected interstate end-user telecommunications revenues, net of projected contributions.[14] The rule is intended to exclude from the contribution base the international end-user telecommunications revenues of any entity whose annual contribution, based on the provider's interstate and international end-user telecommunications revenues, would exceed the amount of its interstate end-user revenues.[15] The proposed contribution factor exceeds 12 percent, which we recognize could result in a contributor being required to contribute to the universal service fund an amount that exceeds its interstate end-user telecommunications revenue. Should a contributor face this situation, the contributor may petition the Commission for waiver of the LIRE threshold.[16]

For further information, contact Kim Yee in Financial Operations, Office of Managing Director, at (202) 418-0805, TTY (202) 418-0484.

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[14] 47 C.F.R. § 54.706.

[15] *See Federal-State Joint Board on Universal Service*, Sixteenth Order on Reconsideration, CC Docket No. 96-45, Eighth Report and Order, CC Docket No. 96-45, Sixth Report and Order, Docket No. 96-262, 15 FCC Rcd 1679, 1687-1692, paras. 17-29 (1999) (*Fifth Circuit Remand Order*).

[16] Generally, the Commission's rules may be waived for good cause shown. 47 C.F.R. § 1.3. The Commission may exercise its discretion to waive a rule where the particular facts make strict compliance inconsistent with the public interest. *Northeast Cellular Telephone Co. v. FCC*, 897 F.2d 1164, 1166 (D.C. Cir. 1990) (*Northeast Cellular*). In addition, the Commission may take into account considerations of hardship, equity, or more effective implementation of overall policy on an individual basis. *WAIT Radio v. FCC*, 418 F.2d 1153, 1159 (D.C. Cir. 1969); *Northeast Cellular*, 897 F.2d at 1166. Waiver of the Commission's rules is therefore appropriate only if special circumstances warrant a deviation from the general rule, and such deviation will serve the public interest. *Northeast Cellular*, 897 F.2d at 1166; 47 C.F.R. § 54.802(a).