

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

**Schools and Libraries Fund
Fund Size Requirements for First Quarter 1998**

I. Introduction

The Schools and Libraries Corporation (SLC) hereby submits this filing¹ in accordance with section 54.709(a)(3) of the Federal Communications Commission's (FCC or Commission) rules.² This filing details fund size requirements for first quarter 1998 for the Schools and Libraries Fund.

Upon approval by the Commission,³ companies that offer eligible discounted services to schools and libraries will receive funds in accordance with the Commission's rules beginning January 1, 1998. The Commission directed the corporation to establish a "window period" for filing Universal Service fund applications during which all applicants will be given equal priority.⁴ The window period will begin on the date that the web site is operational and the Corporation begins to receive applications for support. The Schools and Libraries Corporation has decided that all applications filed during an initial 75-day window will be treated as if simultaneously received. All

¹ SLC has authorized the National Exchange Carrier Association, Inc. (NECA) to file on its behalf.

² 47 C.F.R. § 54.709 (a)(3).

³ Pursuant to Sec. 54.709(a)(3) of the Commission's rules, if the Commission takes no action within 14 days of the date of public notice of the filing, it shall be deemed approved by the Commission. See 47 C.F.R. § 54.709(a)(3).

⁴ Federal-State Joint Board on Universal Service, CC Docket No. 96-45, *Third Report and Order*, 62 Fed. Reg. 56118 (October 29, 1997).

completed applications and funding requests (FCC Forms 470 and 471)⁵ received from the first to the 75th day will be treated equally.⁶ It may take seven additional days to enter forms received towards the end of the window into the system. A 471 form must be received by the 75th day in order to be included in the window. In addition, a 471 form will not be processed unless the corresponding 470 forms have been input to the system for existing services, and have been posted for at least 28 days for new services.

II. Schools and Libraries Fund

The Commission's May 7, 1997 Universal Service Order⁷ outlined a plan to ensure that all eligible schools, libraries⁸ and rural health care providers have affordable connections to the global telecommunications network. The plan created a fund to provide telecommunications services and to wire schools and libraries for access to the Internet. Pursuant to the Commission's rules,⁹ this fund is capped at \$2.25 billion per funding year. The Commission appointed NECA to temporarily

⁵ FCC Form 470, Description of Services Requested and Certification; FCC Form 471, Services Ordered, Certification and Termination; Office of Management and Budget approval pending.

⁶ The funding commitment decision is made based on the information contained in FCC Form 471. Therefore, it is essential that completed requests for funding commitments (FCC Form 471) be received within the seventy-five day window to be considered as simultaneously received.

⁷ Federal-State Joint Board on Universal Service, CC Docket No. 96-45, *Report and Order*, 12 FCC Rcd 8776 (1997) (Universal Service Order).

⁸ The term "school" includes individual schools, school districts, and consortia of schools and/or school districts. The term "library" includes individual library branches, library facilities, library systems, and library consortia.

⁹ See 47 C.F.R. § 54.507(a).

administrate, through an an independent, non-profit subsidiary, billing and collection for support mechanisms which will fund the universal service programs. The Commission ordered NECA to incorporate an independent, non-profit subsidiary to perform these duties, Universal Service Administrative Company (USAC), and two, non-profit, unaffiliated corporations, the Schools and Libraries Corporation (SLC) and the Rural Health Care Corporation (RHCC).

USAC will administer, temporarily, the universal service support mechanisms for high cost areas and low-income consumers, as well as billing, collection and disbursement functions for schools, libraries and rural health care providers. SLC will provide all other schools and libraries functions, such as administering the application process, creating and maintaining a web site to post service applications, and performing outreach and public education functions needed to administer the schools and libraries program. NECA is assisting SLC with initial start-up functions.

Pursuant to the Universal Service Order, the funding requirement is \$300 million for the first quarter of 1998.¹⁰ This amount includes 1997 start-up costs and first quarter 1998 expenses and funding for the schools and libraries program. There will also be a credit offset for interest earned on

¹⁰ Universal Service Order at para. 532. Because there is no historical data to accurately estimate demand for the first year of this program, the Commission directed the administrator to collect \$300 million for the first quarter of 1998 and to adjust future contribution assessments quarterly based on its evaluation of schools and libraries demand for funds, within the limits of the spending caps.

	SLC	RHC	TOTAL		SLC	RHC	TOTAL
Compensation & Benefits	\$3,688	\$2,684	\$6,372				
Personnel Expenses	188	135	323	Personnel Expenses	25	18	43
Travel	143	103	246	Education Reimbursement	113	81	194
Data Systems Consultants	250	250	500	Training & Conferences	50	36	86
Banking Fees	50	50	100	Business Meetings	188	135	323
Board Expenses See USAC	36	32	68	50,000 Cost for one account			
Miscellaneous	275	198	473	2,000 Cost per nonUSAC board member			
Insurance	135	98	233	1000 Cost per USAC board member			
External Audit	40	40	80	four meetings			
Taxes	10	10	20	four meetings *(rlc 2; slc 5)			
Bulk Mailings	120	60	180	D&O 60/23 Other			
Date Entry Outsource	430	215	645	43,000 Level 6 * 33*SLC30RHC15)			
Systems Costs	553	289	842	Cost Allocation worksheet			
Cost Allocation	1,850	1,332	3,182	37,000 Cost per staff			
	\$7,768	\$5,498	\$13,263	Miscellaneous	38	27	65
				Business Organization Fees	38	27	65
				Office Equipment	63	45	108
				Supplies	50	36	86
				Postage	88	63	151
				Printing			

500 Cost per staff excludes temp fee
 2,250 Cost per staff excludes temp fee
 1,000 Cost per staff excludes temp fee

750 Cost per staff excludes temp fee
 750 Cost per staff includes temp fee
 1,250 Cost per staff includes temp fee
 1,000 Cost per staff includes temp fee
 1,750 Cost per staff includes temp fee

funds between collection and contribution dates. Expenses and interest income for the first quarter 1998¹¹ are estimated as follows (amounts in thousands):

1Q 1998 Expenses	\$1,942
Expenses from USAC	\$ 229
1997 Start-up Expenses from NECA	\$ 561
Interest Income ¹²	<u>(\$1,827)</u>
Total	<u>\$ 905</u>

This will provide funding for the program during the first quarter of \$299.1 million. Exhibit 1 shows the detail behind the corporate 1998 budget estimates and the amount reflected in the first quarter. Pursuant to the Commission's rules,¹³ the next filing will be on or before January 30, 1998. That filing will detail fund size requirements for second quarter 1998 for the Schools and Libraries Fund.

Respectfully submitted,

NATIONAL EXCHANGE CARRIER ASSOCIATION
on behalf of the
SCHOOLS AND LIBRARIES CORPORATION

/s/William E. Stern

William E. Stern
100 South Jefferson Road
Whippany, New Jersey 07981

October 31, 1997

¹¹ See Exhibit 1 for Schools and Libraries Corporation 1998 Budget Estimates. These 1998 estimates will be modified as the SLC gains operating experience.

¹² The interest income assumption is based on the quarterly billing and receipt of funds, pursuant to the Commission's rules, from the contributors. See 47 C.F.R. § 54.709(a)(4). The USAC board, based on a recommendation of its High Cost and Low Income Committee, has indicated that it will ask the Commission that monthly rather than quarterly contributions by the service providers be made to fund the various programs. If this change occurs, the interest income will be adjusted as well.

¹³ See 47 C.F.R. § 69.620(b).

Exhibit 1

**Schools & Libraries Corporation
1998 Budget Estimate
(Amounts in thousands)**

Compensation & Benefits	\$3,688
Personnel Expenses	188
Travel	143
Data Systems Consultants	250
Banking Fees	50
Board Expenses	36
Miscellaneous	275
Insurance	135
External Audit	40
Taxes	10
Bulk Mailings	120
Date Entry Outsource	430
System Costs	553
Cost Allocation	<u>1,850</u>
Total	<u>\$7,768</u>

	Annual	1 st Quarter
1998 Expenses SLC	\$7,768	\$1,942
1998 Expenses from USAC	914	229
1997 Start up Expenses from NECA	561	561
1998 Interest Income SLC	<u>(9,749)</u>	<u>(1,827)</u>
Total	<u>(\$506)</u>	<u>\$905</u>

Program Collection	\$300,000
Administration Expense Projection	<u>905</u>
Funds for Program	\$299,095

Schools & Libraries Corporation
 1998 Budget Estimate
 (Amounts in thousands)

Compensation & Benefits	\$3,688
Personnel Expenses	188
Travel	143
Data Systems Consultants	250
Banking Fees	50
Board Expenses	36
Miscellaneous	275
Insurance	135
External Audit	40
Taxes	10
Bulk Mailings	120
Date Entry Outsource	430
Systems Costs	553
Cost Allocation	1,850
	<u>\$7,768</u>

	Annual	1st Quarter
1998 Expenses SLC	\$7,768	\$1,942
1998 Expenses from USAC	914	229
1997 Start up Expenses from NECA	561	561
1998 Interest Income SLC	(9,749)	(1,827)
Total	<u>(\$507)</u>	<u>\$904</u>

Schools & Libraries Corporation
 1998 Staffing Budget
 (Amounts in thousands)

SLCRHC2
 08:27 PM 10/11/97

25,573

Title	Level	Amount	#	Total
CEO	Contract	400	1	\$400
Administrative Assistant	6	43	1	43
Sub Total			2	443
Administration				
Director	14	120	1	120
Managers Process/Review	12	91	9	819
Associate Managers	9	64	32	2,048
Nonexempt	6	43	6	258
Sub Total			48	3,245
Total			50	\$3,688

Rural Health Care Corporation
 1998 Staffing Budget
 (Amounts in thousands)

Lotus: SLCRHC2
 08:27 PM 10/11/97

Title	Level	Amount	#	Total
CEO	Contract	250	1	\$250
Administrative Assistant	6	43	1	43
Sub Total			2	293
Administration				
Director	14	120	1	120
Managers Process/Review	12	91	9	819
Associate Managers	9	64	20	1,280
Nonexempt	6	43	4	172
Sub Total			34	2,391
Total			36	\$2,684