



Via Electronic Filing

December 29, 2011

Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, DC 20554

Re: Revised First Quarter 2012 Federal Universal Service High Cost Support Mechanism Funding Requirement, WC Docket Nos. 05-337 and 06-122

Dear Ms. Dortch:

On November 2, 2011, USAC filed the First Quarter 2012 (1Q2012) federal Universal Service High Cost Support Mechanism funding requirement. Consistent with the requirements of the *Connect America Fund Order* (FCC 11-161), released on November 18, 2011, USAC is filing through this correspondence a revised 1Q2012 High Cost Support Mechanism funding requirement.¹ Also enclosed with this correspondence is a revised Schedule M02.

The *Connect America Fund Order* sets an annual funding target of no more than \$4.5 billion over the next six years for the High Cost Support Mechanism and directs USAC to forecast total high cost universal service demand at no less than \$1.125 billion per quarter (i.e., one quarter of the annual high cost budget) beginning with 1Q2012.² The *Connect America Fund Order* further states that the \$4.5 billion budget includes only disbursement of support and does not include administrative expenses or prior period adjustments for support for prior years.³

Based on the new annual funding target of no more than \$4.5 billion, the revised High Cost Support Mechanism funding requirement is \$1,226.22 million, which is \$27.96 million higher than the 1Q2012 High Cost Support Mechanism funding requirement

¹See *In the Matter of Connect America Fund A National Broadband Plan for Our Future Establishing Just and Reasonable rates for Local Exchange Carriers High-Cost Universal Service Support Developing an Unified Intercarrier Compensation Regime Federal-State Joint Board on Universal Service Lifeline and Link-Up Universal Service Reform – Mobility Fund*, WC Docket Nos. 10-92, 07-135,05-337,03-109, GN Docket No. 09-51,CC Docket Nos. 01-92,86-45, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rule Making, FCC 11-161, ¶¶ 559-560, n.927 (rel. November 18, 2011) (*Connect America Fund Order*).

²*Id.* at ¶¶ 559-560.

³*Id.* at n.198.

Marlene Dortch
Federal Communications Commission
December 29, 2011
Page 2 of 2

included in the November 2 filing. In the updated funding requirement, forecasts for each of the separate High Cost Support Mechanism components remain the same. The only difference is the elimination of \$77 million for the CETC reserve, pursuant to FCC 10-155, and the addition of \$104.96 million for the Connect America Fund reserve, pursuant to the *Connect America Fund Order*, ¶ 561, resulting in a \$27.96 million increased funding requirement for the High Cost Support Mechanism.

The total High Cost Support Mechanism funding requirement, including funds reserved pursuant the *Connect America Fund Order*, ¶¶ 121-126, is \$1,125.00 million, adjusted as follows: increased by a prior period adjustment of \$98.67 million, increased by administrative costs of \$4.60 million and reduced by projected interest income of \$2.04 million, resulting in a total projected 1Q2012 High Cost Support Mechanism funding requirement of \$1,226.22 million.

On December 14, 2011, the FCC issued a public notice (DA 11-2020) announcing the proposed 1Q2012 universal service contribution factor. The revised High Cost Support Mechanism funding requirement set forth in this correspondence was not included in the proposed 1Q2012 universal service contribution factor announced by the FCC. Consistent with section 54.709(b) of the Commission's rules (47 C.F.R. § 54.709(b)), USAC will invoice and collect additional universal service contributions required for the revised 1Q2012 High Cost Support Mechanism funding requirement specified herein through a prior period adjustment to be included in the Third Quarter 2012 High Cost Support Mechanism funding requirement filing.

Respectfully submitted,

//s// D. Scott Barash, Acting Chief Executive Officer
David M. Case, Chief Financial Officer and Vice President of Finance