

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Federal Universal Service Support Mechanisms Fund Size
Projections for First Quarter 2013

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

**FEDERAL UNIVERSAL SERVICE SUPPORT MECHANISMS
FUND SIZE PROJECTIONS FOR
FIRST QUARTER 2013**

INTRODUCTION

The Universal Service Administrative Company (USAC) hereby submits the federal Universal Service Support Mechanisms fund size and administrative cost projections for the first quarter of calendar year 2013(1Q2013), in accordance with Section 54.709 of the Federal Communications Commission's (FCC or Commission) rules.¹

USAC is the not-for-profit corporation responsible for administering the federal Universal Service Fund (USF) and the universal service support mechanisms (also referred to as "programs" below): High Cost, Low Income, Rural Health Care, and Schools and Libraries.² USAC also performs the billing, collection, and disbursement functions for the universal service support mechanisms.

Upon approval of the quarterly funding requirements for the universal service support mechanisms and the projected administrative expenses, and the submission of the contribution base amount, the Commission will establish a quarterly contribution factor. USAC will bill USF contributors on a monthly basis for their individual obligations based on the approved contribution factor, collect amounts owed from contributors, and distribute funds to eligible recipients based on the schedules filed herein.³

¹ 47 C.F.R. § 54.709(a)(3).

² 47 C.F.R. § 54.701.

³ See 47 C.F.R. §§ 54.709(a)(4), 54.201, 54.203, 54.515, 54.517, 54.301-54.307, 54.407, 54.413, 54.515 and 54.611.

ADMINISTRATIVE EXPENSES AND INTEREST INCOME PROJECTION

ADMINISTRATIVE EXPENSES

Section 54.709(a)(3) of the Commission's rules requires USAC to submit its projected quarterly budget at least 60 days prior to the start of the quarter.⁴ USAC includes any costs that can be directly attributed to the High Cost, Low Income, Rural Health Care, and Schools and Libraries Support Mechanisms in the projected administrative expenses of each mechanism. USAC's remaining joint and common costs including costs associated with the billing, collection, and disbursement of funds are included in the projected administrative expenses of the respective support mechanisms based on USAC's methodology for allocating costs submitted to the Commission.⁵

USAC projects a consolidated budget of \$38.30 million for 1Q2013. Direct costs for all support mechanisms total \$20.80 million⁶ and are listed for each mechanism in the chart provided below. Joint and common costs (including billing, collection, and disbursement activities) are projected at \$11.10 million and capital expenditures are projected at \$6.40 million, both are allocated to each support mechanism as described in the chart below based on the allocation methodology on file with the Commission.

⁴ 47 C.F.R. § 54.709(a)(3).

⁵ On January 1, 2006, USAC implemented a revised methodology for allocating joint and common costs that was filed with the Commission on October 3, 2005. *See* Letter from D. Scott Barash to Marlene H. Dortch regarding Revisions to the Method for Allocating Costs Among the Four Universal Service Support Mechanisms, CC Docket Nos. 97-21 and 96-45 (Oct. 3, 2005).

⁶ This amount includes \$0.4 million for High Cost data collection performed by the National Exchange Carrier Association (NECA)—an independent entity not affiliated with USAC. *See* 47 C.F.R. §§ 36.611-13 and 69.603. Although USAC is required to pay for the data collection, it does not have the ability to directly oversee the effort and cannot verify, monitor, or otherwise evaluate the cost of performing the data collection function. Consistent with the fiduciary obligations of its members to safeguard USAC assets and the USF, USAC's Board of Directors has requested clarification from the Commission concerning this matter. *See* letter from D. Scott Barash, USAC, to Irene Flannery, FCC (Dec. 10, 1999), Comments of the Universal Service Administrative Company to the *Further Notice of Proposed Rulemaking* in CC Docket No. 96-45, FCC 01-8 (Feb. 26, 2001). *See also*, Comments of the Universal Service Administrative Company to the *Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking* in CC Docket No. 05-195, FCC 05-124 (June 14, 2005); and *Reply Comments of the Universal Service Administrative Company* (Dec. 19, 2005).

Universal Service Administrative Company 1Q2013 Fund Size Projections

1Q2013 Administrative Expenses (in millions) – Budgeted

USF Mechanism	Direct Costs	USAC Common	Capital	Total
High Cost	\$4.60	\$3.00	\$0.20	\$7.80
Low Income	1.80	1.70	2.50	6.00
Rural Health Care	2.00	0.90	0.00	2.90
Schools & Libraries	12.40	5.50	3.70	21.60
Total	\$20.80	\$11.10	\$6.40	\$38.30

Appendix M01 provides USAC’s administrative expense budget for 1Q2013.

Appendix M02 provides the fund size projections for 1Q2013.

INTEREST INCOME PROJECTION

For 1Q2013, USAC projects interest income of approximately \$0.87 million for the High Cost Support Mechanism, \$0.17 million for the Low Income Support Mechanism, \$0.31 million for the Rural Health Care Support Mechanism, and \$4.33 million for the Schools and Libraries Support Mechanism. USAC projects total interest income of \$5.68 million. As in previous quarters, projected interest income is being included as an offset to administrative expenses for each of the support mechanisms and reduces the amount that USAC will be required to collect from carriers for those support mechanisms that are funded at caps established by the Commission.

FINANCIAL STATEMENTS

For the nine months ended September 30, 2012, on a cash basis, USAC disbursed to beneficiaries \$6,378.70 million in universal service support as follows: \$3,061.30 million in High Cost support, \$1,582.85 million in Low Income support, \$1,607.77 million in Schools and Libraries support, and \$126.78 million in Rural Health Care support. On a cash basis, the total cash balance available as of September 30, 2012 to the universal service support mechanisms was \$6,555.63 million. On an accrual basis, USAC had a fund balance of

Universal Service Administrative Company 1Q2013 Fund Size Projections

\$6,683.67 million at September 30, 2012.

Appendices M03 and M04 provide 2012 year-to-date statements of fund activity on a cash and accrual basis.

EFFORTS TO PREVENT AND REDUCE IMPROPER PAYMENTS

USAC has established a foundation of processes, systems, procedures, and outreach activities to prevent or reduce “improper” payments as defined by the Improper Payments Information Act of 2002 (P.L. 107-300). USAC is also evaluating additional measures that may help to identify or reduce improper payments. USAC has initiated efforts consistent with its February 28, 2008 letter to the Commission identifying additional steps that USAC proposed to take to prevent or reduce potential improper payments and the additional resources needed to implement such measures.⁷ Commission staff has directed USAC to report on a quarterly basis its progress in implementing proposed actions to prevent or reduce improper payments and anticipated administrative costs of such actions.⁸

The steps initiated by USAC include additional oversight and managerial controls, strengthened audit and investigative techniques, improved information technology tools, and more effective use of outreach resources. In 1Q2013, USAC will continue efforts identified and initiated during the previous years. These efforts include, but are not limited to:

1. *Assessing and strengthening USAC’s internal controls.*

The USAC internal controls team continues to develop and update required internal controls documentation and perform testing of key controls to conform the USAC internal controls program to best practices consistent with OMB Circular A-123. The USAC internal controls team is wrapping up documentation and testing of the USF Financial Reporting,

⁷ See Letter from D. Scott Barash, Acting Chief Executive Officer, USAC, to Anthony Dale, FCC Managing Director (Feb. 28, 2008), concerning suggested additional steps to reduce or prevent improper payments.

⁸ See Letter from Anthony Dale, FCC Managing Director, to D. Scott Barash, Acting Chief Executive Officer, USAC (Aug. 18, 2008).

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Schools and Libraries, Contributors, Investments, and Budget processes. The team is currently documenting and testing the Human Resources and Payroll, Low Income, Disbursements, and High Cost processes. In the final two months of the year, the team will complete documentation and testing of USAC Accounting processes, specifically USAC Financial Reporting, Accounts Payable, and Fixed Assets. As control deficiencies and process improvements are identified, the team communicates the weaknesses to management and works with them on remediation activities.

In addition to documentation and testing activities, the USAC internal controls team continues to facilitate review and approval activities for all USAC policy and procedure documents and assist finance management with ad hoc process improvement projects.

2. Strengthening audit and investigative techniques.

(a) In February 2010, the FCC directed USAC to implement an assessment program to determine the rate of improper payments made to universal service support mechanism beneficiaries to support the FCC's reporting requirements under the Improper Payments Elimination and Recovery Act (IPERA),⁹ formerly known as the Improper Payments Information Act (IPIA),¹⁰ and to assess universal service support mechanism beneficiary and USF contributor compliance with FCC regulations.¹¹ USAC successfully implemented this assessment program, known as the Payment Quality Assurance (PQA) Program, in August 2010 (see paragraph b below).

⁹ See The Improper Payments Elimination and Recovery Act of 2010, Pub L. No. 111-204, July 22, 2010.

¹⁰ See 31 U.S.C. § 3122; Public Law 107-300, Stat. 2350, Nov. 26, 2002.

¹¹ Letter from Steven Van Roekel, FCC Managing Director, to Scott Barash, USAC Acting Chief Executive Officer, re: "Implementation of the Improper Payments Information Act of 2002 (IPIA) Assessment Program and Companion Audit Program," Feb. 12, 2010.

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The FCC also directed USAC to establish a comprehensive support mechanism beneficiary and USF contributor audit program, which is known as BCAP. USAC originally planned to conduct the initial round of 343 BCAP audits using a combination of USAC Internal Audit Division (IAD) staff and external audit firms. Earlier this year, IAD began working with FCC staff to develop a new audit sample to be performed by USAC IAD staff and outside audit firms. IAD developed the audit sample based on existing staff levels that concentrates on larger and more complex audits when compared to the audits completed in 2010 and 2011. Overall, USAC recommends a reduction in the total number of audits as originally planned from 343 to 267 (including targeted). This is primarily driven by a reduction in the number of High Cost Program beneficiary audits. Our original proposal of 100 High Cost Program audits was based upon preliminary error rates reported by the FCC OIG that were ultimately found to be significantly inflated.

USAC also recommends reducing the number of Low Income Program beneficiary audits from 50 to 29. USAC continues to work with FCC Office of Managing Director and Office of General Counsel staff on the procurement process and documents for soliciting bids from professional service firms to perform audits under BCAP.

As of the October 2012 quarterly USAC Board of Directors meeting, 108 audits were completed in calendar year 2012 and 55 are in progress. In addition to completing the audits from the random sample, the audit team is also conducting unplanned audits as requested by USAC management, which are included in the numbers below. The status of the BCAP audits as of 3rd Quarter 2012 is as follows:

Universal Service Administrative Company 1Q2013 Fund Size Projections

Program	Planned	Board Approved	% Complete	In Progress	Pending Board Approval
Contributor Revenue	33	3	10%	22	6
High Cost	25	6	24%	8	7
Low Income	29	2	7%	12	9
Schools & Libraries	25	7	28%	12	9
Rural Health Care	15	0	0	1	0
Total	127	18	14%	55	31

(b) As previously reported, the PQA Program has completed the first year of testing payments under this directive. Using a statistically drawn sample, each month support mechanism disbursements are selected and reviewed to verify that payments were made at the correct amount in accordance with FCC rules. The table below summarizes the error rates noted and the projected estimated improper payment amounts for each program for Calendar Year 2011 disbursements and compares to Calendar Year 2010:

Support Mechanism	2011		2010	
	Improper Payment Rate	Estimated Improper Payment Amount (<i>millions</i>)	Improper Payment Rate	Estimated Improper Payment Amount (<i>millions</i>)
High Cost	0.30%	\$12.6	0.11%	\$5.1
Low Income	0.09%	\$1.6	0.23%	\$3.0
Schools and Libraries	1.91%	\$43.4	0.94%	\$21.9
Rural Health Care	0.92%	\$0.7	1.68%	\$1.4

The PQA Program collects information from program beneficiaries for the purpose of verifying the accuracy of program disbursements requested and received by the beneficiaries. The PQA team performs payment verification on randomly selected beneficiaries over a calendar year. Payments for Calendar Year 2012 are now getting underway, and additional detail will be provided in future reports.

Universal Service Administrative Company 1Q2013 Fund Size Projections

3. Improving information technology tools.

USAC prepared a request for proposals (RFP) for the software procurement and systems integration of the USAC and USF financial systems modernization (FSM) project. The goals of FSM are to provide a more robust, flexible infrastructure to support all aspects of USAC operations. USAC has submitted relevant procurement documents to the FCC for approval prior to initiating procurement activities. Concurrently, USAC has undertaken a systematic review of the capabilities of its current financial system in order to determine whether additional functionality can be added to improve financial operations rather than incur the substantial expense associated with the FSM project.

4. Expanding and enhancing outreach and education.

In 3rd Quarter 2012 (3Q2012), USAC provided individual outreach to 115 Schools and Libraries applicants. USAC conducted one online training, addressing changes to the Lifeline Program disbursement process. USAC participated in eight professional meetings, involving beneficiary audiences for the High Cost and Rural Health Care Programs. USAC launched a new version of the consumer-focused lifelinesupport.org website.

FUNDING REQUIREMENTS

HIGH COST SUPPORT MECHANISM

FUNDS RESERVED PURSUANT TO THE USF/ICC TRANSFORMATION ORDER (FCC 11-161)

On November 18, 2011, the FCC released the *USF/ICC Transformation Order* (FCC 11-161).¹² In the order, the FCC set an annual funding target for the High Cost Support Mechanism of no more than \$4.5 billion annually over the next six years. The *Order* directed

¹² *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, ¶¶ 564-567 (rel. November 18, 2011) (USF/ICC Transformation Order).*

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USAC to forecast total High Cost Program demand at no less than \$1.125 billion per quarter beginning with 1Q2012.¹³ In the order, the FCC waived section 54.709(b) of its rules and instructed USAC not to make any prior period adjustments related to High Cost Program support. The *Order* requires that if actual contributions exceed demand, excess contributions are to be credited to a new Connect America Fund (CAF) reserve account, to be used to fund future broadband deployment.¹⁴ If actual High Cost Program demand exceeds the quarterly target of \$1.125 billion, no additional funds will accumulate in the reserve account for that quarter.¹⁵ In addition, the *USF/ICC Transformation Order* 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.¹⁶

The *Order* also requires the wind-down of the *Corr Wireless* reserve account, and directs USAC to reserve \$300 million from the *Corr Wireless* reserve to fund anticipated commitments in 2012 to recipients of Mobility Fund Phase I support.¹⁷ The remaining balance will be used to fund Phase I of the Connect America Fund for price cap carriers in 2012.¹⁸ The chart below reflects the Connect America Fund reserve as of September 30, 2012.

¹³ See *USF/Transformation Order*, ¶¶ 559-560.

¹⁴ See *Id.*, ¶ 560.

¹⁵ See *Id.*, ¶ 928.

¹⁶ See *Id.*, ¶ 198.

¹⁷ See *USF/ICC Transformation Order*, ¶ 564-567.

¹⁸ *Id.*, ¶ 566.

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Connect America Fund Reserve	
<i>As of September 30, 2012</i>	
	Funds Reserved (in millions)
Transfer from Corr Wireless Reserve	\$524.32
1st Q2012 CAF Additions	65.99
1st Q2012 Demand Collected in 3Q2012 via Prior Period Adjustment	27.96
2nd Q2012 CAF Additions	147.94
3rd Q2012 CAF Additions	115.52
Total Reserved	881.73
Less Disbursements from Reserve (see chart below)	(76.51)
Total Remaining Reserve	805.22

The following table depicts the status of the Connect America Fund Reserve by support component.

Reserve	Allocated (in millions)	Accepted (in millions)	Disbursed (in millions)
CAF Phase I - Incremental Support	\$300.00	\$114.76	\$76.51
Mobility Phase 1	\$350.00	\$0.00	\$0.00
Mobility Phase II	\$500.00	\$0.00	\$0.00

For 1Q2013, projected support to be reserved pursuant to the *USF/ICC Transformation Order* is \$160.71 million. Any excess contributions are to be credited to a new Connect America Fund reserve account.¹⁹

Appendix HC01 provides projected High Cost Support by state, by study area, for 1Q2013. HC01 also provides the projected amount of individual company support, and projected per-month amounts for the components of High Cost support that each ETC²⁰ may be eligible to receive. HC02 provides the total projected amount of annualized High Cost Support for 1Q2013 for each state and territory.

¹⁹ *Id.*, ¶ 560-561.

²⁰ See 47 C.F.R. § 36.631 and 47 C.F.R. §§ 54.301-54.303.

CONNECT AMERICA FUND PHASE I – INCREMENTAL SUPPORT

Incremental Support is designed to provide an immediate boost to broadband deployment in areas that are unserved by any broadband provider.²¹ Incremental Support is available to price cap carriers at holding company level. The Commission determined the amount available for each carrier, which it published in DA 12-639 on April 25, 2012.²² Carriers had 90 days to accept all, part, or reject the amount available. If a price cap carrier accepts Incremental Support, it is required to deploy broadband to a number of service locations equal to the amount it accepts divided by \$775.²³ Information regarding whether Connect America Fund Phase II support will be available in 2013 has not yet been determined.

CONNECT AMERICA FUND/INTERCARRIER COMPENSATION SUPPORT

In the *USF/ICC Transformation Order*, the FCC adopted a transitional recovery mechanism with an effective date of July 1, 2012 to facilitate incumbent carriers' gradual transition away from intercarrier compensation (ICC) revenues.²⁴ Eligible incumbent carriers may receive additional support through this recovery mechanism.

For 1Q2013, total Connect America Fund/Intercarrier Compensation Support is estimated to be \$107.18 million and total annual 2013 Connect America Fund/Intercarrier Compensation Support is estimated to be \$428.72 million.

Appendix HC12 provides projected Connect America Fund/Intercarrier Compensation Support payments by state by study area for 1Q2013.

²¹ See *USF/ICC Transformation Order*, ¶137.

²² See *Public Notice – Wireline Competition Bureau Announces Support Amounts for Connect America Fund Phase One Incremental Support*, WC Docket Nos. 10-90, 05-337, DA 12-639, rel. Apr. 25, 2012.

²³ See *USF/ICC Transformation Order*, ¶138.

²⁴ See 47 C.F.R. § 54.304(b).

RATE-OF-RETURN CARRIERS

Rate-of-return carriers not affiliated with price cap carriers may continue to receive legacy High Cost Program support and may receive Connect America Fund support to offset lost inter-carrier compensation (ICC) revenues.²⁵

High Cost Loop Support (including Safety Net Additive and Safety Valve Support)

High Cost Loop (HCL) Support is calculated based on the results of the annual collection of 2011 incumbent local exchange carrier (LEC) loop cost and expense adjustment data that was submitted to the FCC and USAC on October 1, 2012.²⁶ Growth in total HCL Support for rural LECs is limited under Section 36.603(a) of the Commission's rules to the current level of funding increased yearly by the annual growth in supported rural loops.²⁷ The *RTF Order*²⁸ increased HCL Support for rural LECs effective July 1, 2001.

Rural HCL Support for calendar year 2013 will be less than the level of payments for 2012 because of a rural growth factor of negative 2.5527 percent. Rural HCL Support for calendar year 2013, therefore, is capped at \$774.85 million.

The *RTF Order* provided Safety Net Additive (SNA) Support above the HCL cap for carriers that make significant investment in rural infrastructure in years in which HCL is capped.²⁹ To receive support, a rural carrier must show that growth in telecommunications plant in service (TPIS) per loop is at least 14 percent greater than the study area's TPIS per loop in the prior year. Pursuant to the *USF/ICC Transformation Order*, SNA will be phased

²⁵ See *USF/ICC Transformation Order*, ¶ 206.

²⁶ Universal Service Fund (USF) 2012 Submission of 2011 Study Results (filed Oct. 1, 2012) (*USF Data Submission*).

²⁷ 47 C.F.R. § 36.603(a).

²⁸ *Federal-State Joint Board on Universal Service, Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, CC Docket Nos. 96-45, 00-256, Fourteenth Report and Order, Twenty-Second Order on Reconsideration, and Further Notice of Proposed Rulemaking in CC Docket No. 96-45, and Report and Order in CC Docket No. 00-256, FCC 01-157, 16 F.C.C. Rcd 11244 (2001) (*RTF Order*).

²⁹ *RTF Order* at ¶¶ 77-90.

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down over a two year period, and no SNA support will be provided for carriers whose costs are incurred after 2009.³⁰ For 1Q2013, projected SNA support is \$4.86 million.

For 1Q2013, projected HCL Support is \$198.14 million, which includes \$4.86 million for SNA support and \$1.47 million for Safety Valve Support. Total annual 2013 HCL Support is projected to be \$792.56 million.

Appendix HC05 provides projected uncapped monthly HCL Support payments by state by study area for 1Q2013. Appendix HC06 provides projected monthly SNA Support payments by state by study area for 1Q2013. Appendix HC07 displays projected SVS Support payments by state by study area for 1Q2013.

Local Switching Support

ETC study areas having 50,000 or fewer access lines are eligible to receive support for local switching costs.³¹ LSS is the product of a carrier's annual unseparated local switching revenue requirement multiplied by its local switching support factor.³² Pursuant to the *USF/ICC Transformation Order*, LSS was eliminated as a separate support mechanism effective July 1, 2012.³³

Interstate Common Line Support

Interstate Common Line Support (ICLS) is designed to permit each rate-of-return carrier to recover its common line revenue requirement, while ensuring that its subscriber line charges (SLCs) remain affordable to its customers.³⁴

For 1Q2013, ICLS is projected as follows to be \$199.58 million and total annual

³⁰ See *USF/ICC Transformation Order*, ¶ 252.

³¹ See 47 C.F.R. § 54.301.

³² The LSS factor is defined as the difference between the 1996 weighted interstate Dial Equipment Minute (DEM) factor and the 1996 unweighted DEM factor.

³³ See *USF/ICC Transformation Order*, ¶ 257.

³⁴ See *Multi-Association Group (MAG) Plan for Regulation of Interstate Services of non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, Federal-State Joint Board on Universal Service, Access Charge Reform for Incumbent Local Exchange Carriers Subject to Rate-of-Return Regulation, Prescribing the Authorized Rate of Return for Interstate Services of Local Exchange Carriers*, CC Docket Nos. 00-256, 96-45, 98-77, 98-166, Second Report and Order and Further Notice of Proposed Rulemaking in CC Docket No. 00-256, Fifteenth Report and Order in CC Docket No. 96-45, and Report and Order in CC Docket Nos. 98-77 and 98-166, FCC 01-304, 16 FCC (rel. Nov. 8, 2001)) (*MAG Order*).

Universal Service Administrative Company 1Q2013 Fund Size Projections

2013 ICLS is estimated to be \$841.28 million.

Appendices HC09, HC10, and HC11 provide USAC's 1Q2013 projections of ICLS by study area, per line and by state, respectively. HC13 and HC14 provide the revised projected 2011 to 2012 program year ICLS by study area and per line. HC15 and HC16 provide the revised projected 2012 to 2013 Program Year ICLS by study area and per line.

PRICE CAP CARRIERS

In the *USF/ICC Transformation Order*, the FCC directs USAC to freeze all support under existing high-cost support mechanisms for price cap carriers and their rate-of-return affiliates for HCL, HCM, SVS, LSS, IAS, and ICLS, on a study area basis to the amount of support each carrier received in 2011.³⁵ For 1Q2013, total frozen high cost support for price cap carriers for 1Q2013 is estimated to be \$258.58 million and total annual 2013 frozen high cost support is estimated to be \$1,034.32 million. Appendix HC08 provides frozen high cost support for price cap carriers by state by study area for 1Q2013.

COMPETITIVE ELIGIBLE TELECOMMUNICATIONS CARRIERS

The *USF/ICC Transformation Order* transitioned existing CETC support to the Connect America Fund over a five-year period beginning in January 1, 2012.³⁶ For the purposes of this transition, the FCC sets each CETC's baseline support at its total 2011 support in a given study area, or an amount equal to \$3,000 times the number of reported lines as of year-end 2011, whichever is lower.³⁷ That monthly baseline amount will be provided from January 1, 2012 to June, 2012.³⁸ Beginning July 1, 2012, each CETC's support was reduced by 20 percent for each July to June time period.³⁹

³⁵ See *USF/ICC Transformation Order*, ¶ 133.

³⁶ See *Id.*, ¶ 513.

³⁷ See *Id.*, ¶ 515.

³⁸ See *Id.*, ¶ 515.

³⁹ See *Id.*

Universal Service Administrative Company 1Q2013 Fund Size Projections

For 1Q2013, total frozen High Cost Program Support demand for CETCs is \$181.25 million. In addition, rural Alaska CETCs and the Standing Rock High Cost Program support are estimated to be \$19.56 million for 1Q2013. The combined High Cost Program support demand totals for CETCs, rural Alaska CETCs, and Standing Rock are estimated to be \$200.81 million for 1Q2013.

Appendix HC08 provides frozen high cost support for CETCs by state by study area for 1Q2013. Additionally, Appendix HC03 provides 1Q2013 projections for Rural Alaska and Standing Rock Support by study area. Appendix HC04 provides 1Q2013 per line projections for Rural Alaska and Standing Rock Support.

HIGH COST SUPPORT MECHANISM SUMMARY

The 1Q2013 High Cost Support Mechanism funding requirements are projected as follows: \$198.14 million for HCL Support (including SNA and SVS), \$199.58 million for ICLS, \$258.58 million for frozen Price Cap Carrier Support, \$200.81 million for frozen CETC Support,⁴⁰ \$107.18 million for Connect America Fund/Intercarrier Compensation Support, and \$160.71 million for the Connect America Fund reserve account resulting in total High Cost Support Mechanism projected demand of \$1,125.00 million.

Financial results for 3Q2012 contributed to an under-funded condition for which this filing proposes to adjust the 1Q2013 funding requirements. The total adjustment to the 1Q2013 funding requirement based on actual results will increase the funding needed by \$6.92 million. The explanation for the adjustment is described in the following table:

⁴⁰ "CETC Support" includes frozen support, rural Alaska CETC support, and support to the Standing Rock Reservation CETC.

Universal Service Administrative Company 1Q2013 Fund Size Projections

Reason for the Prior Period Adjustment	Adjustment in Millions
3Q2012 billings were lower than the projected revenues reported by USF contributors in their quarterly revenue projections due to the annual actuals/quarterly revenue estimate true-up that is performed during the 3rd quarter.	\$6.49
Interest income was higher than estimated for 3Q2012.	(0.03)
Bad debt expense was higher than anticipated.	1.14
2011 administrative expenses true-up. ⁴¹	(0.68)
Total Prior Period Adjustment	\$6.92

The total fund requirement of \$1,125.00 million is adjusted as follows: increased by the prior period adjustments of \$6.92 million, increased by administrative costs of \$7.80 million (including planned capital expenditures of \$0.20 million), and reduced by the projected interest income of \$0.87 million; resulting in a total projected 1Q2013 funding requirement for the High Cost Support Mechanism of \$1,138.85 million.

Appendix M02 provides information on the individual components of the funding requirement for the quarter.

LOW INCOME SUPPORT MECHANISM

LIFELINE SUPPORT

All ETCs must offer Lifeline support to qualified low-income consumers.⁴² ETCs providing Lifeline support are entitled to receive funding for the waiver of charges and reduced rates provided to qualified low-income subscribers.⁴³ In the *Lifeline Modernization Order*, all non-tribal Lifeline support is set to a flat rate of \$9.25 for all subscribers equally, regardless of whether they subscribe to wireline or wireless Lifeline service.⁴⁴ The *Order*,

⁴¹ USAC performs an annual true-up of actual administrative expenses in its July or November Fund Size Projections Filing submitted to the Commission, depending on when the USAC Board of Directors approves the USAC annual financial audit. This true-up excludes the Schools and Libraries Support Mechanism because that program's administrative expenses are included in its annual funding cap.

⁴² See 47 C.F.R. § 54.201.

⁴³ 47 C.F.R. §§ 54.401 - 54.417.

⁴⁴ See *In the Matter of Lifeline and Link Up Reform and Modernization Lifeline and Link Up Federal-State Joint Board on Universal Service Advancing Broadband Availability Through Digital Literacy Training*, WC Docket Nos. 11-42, 03-109, 12-23, CC Docket No. 96-45, Report and Order and Further Notice of Proposed Rule Making, FCC 12-11, ¶58 (rel. Feb. 6, 2012) (*Lifeline Modernization Order*).

Universal Service Administrative Company 1Q2013 Fund Size Projections

however, does not make any changes to Tier 4 support available to low-income consumers residing on tribal lands.⁴⁵ As established in the *Tribal Order*, Tier Four support makes available each month up to an additional \$25 per low-income subscriber to eligible residents of tribal lands.⁴⁶

For 1Q2013, USAC projects \$545.68 million will be required for Lifeline Support. Based on this projection, total annual 2013 Lifeline Support is estimated to be \$2.18 billion.

LINK UP SUPPORT

Effective with the April 2012 support claims, Link-Up support was eliminated for all ETCs on non-tribal lands. Link-Up support is available for ETCs that provide support on tribal lands, but is limited to those ETCs receiving High Cost Program support.⁴⁷ Eligible ETCs may claim a 100 percent reduction, up to \$100, of the customary charge for commencing telephone service for a single telecommunication connection at a subscribers principal place of residence.⁴⁸

For 1Q2013, USAC projects that \$0.05 million will be required for Link-Up support. Based on this projection, total annual 2013 Link-Up support is estimated to be \$0.20 million.

TOLL LIMITATION SUPPORT

Toll Limitation Support (TLS) compensates ETCs for providing voluntary toll-limitation service based on the carrier's incremental cost of providing toll-limitation services. The Commission has defined these costs as the costs that carriers otherwise would not incur if they did not provide toll-limitation service to a given customer.⁴⁹ Toll limitation consists

⁴⁵ See *Lifeline Modernization Order*, ¶59.

⁴⁶ 47 C.F.R. § 54.400(e); see also, *Twenty-Fifth Order on Reconsideration, Report and Order, Order, and Further Notice of Proposed Rulemaking*, CC Docket 96-45, 18 FCC Rcd. 10,958 (2003) (*Tribal Order*). On August 31, 2000, the FCC stayed the implementation of the federal Lifeline and Link Up rule amendments only to the extent that they apply to qualifying low-income consumers living near reservations.

⁴⁷ See *Lifeline Modernization Order*, ¶ 253.

⁴⁸ 47 C.F.R. § 54.413(a)(i)

⁴⁹ See *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776 (1997) at ¶ 386 (*First Report and Order*) (subsequent history omitted).

Universal Service Administrative Company 1Q2013 Fund Size Projections

of toll blocking, which permits consumers to elect not to allow the completion of outgoing toll calls, and toll control, which allows consumers to specify a certain amount of toll usage that may be incurred per month or per billing cycle.⁵⁰

The *Lifeline Modernization Order* phases out TLS over a period of time by capping the maximum amount that an ETC may claim. As of April 2012 through the remainder of 2012, TLS was capped at \$3.00 per month per TLS subscriber. TLS is reduced to \$2.00 in 2013, and eliminated and unavailable at the beginning of 2014.⁵¹

For 1Q2013, USAC projects that \$0.99 million will be required for TLS. Based on this projection, total annual 2013 TLS is estimated to be \$3.96 million.

BROADBAND PILOT

The *Lifeline Modernization Order* established a Broadband Pilot Program for low-income consumers to test the impact of broadband adoption with variations in the monthly discount for broadband services. The broadband discounts will be provided over a 12-month period with no more than \$25 million to be disbursed.⁵² USAC projects that \$1.50 million will be required for the Broadband Pilot Program in 1Q2013.

LOW INCOME SUPPORT MECHANISM SUMMARY

The estimated 1Q2013 Low Income Support Mechanism funding requirement is \$548.22 million, which includes \$545.68 million for Lifeline, \$0.05 million for Link-Up, \$0.99 million for Toll Limitation Service, and \$1.50 million for Broadband Pilot.

Financial results of 3Q2012 contribute to an over-condition, for which this filing proposes to adjust the 1Q2013 funding requirement. The total adjustment to the 1Q2013 funding requirement based on actual results will decrease the funding needed by \$51.03 million. The explanation for the adjustment is described in the following table:

⁵⁰ 47 C.F.R. §§ 54.400(b) and (c).

⁵¹ See *Lifeline Modernization Order*, ¶ 234.

⁵² See *Lifeline Modernization Order*, ¶¶ 324-325.

Universal Service Administrative Company 1Q2013 Fund Size Projections

Reason for the Prior Period Adjustment	Adjustment in Millions
3Q2012 billings were lower than the projected revenues reported by USF contributors in their quarterly revenue projections due to the annual actuals/quarterly revenue estimate true-up that is performed during the 3rd quarter.	\$4.09
Low Income Support Mechanism distributions were lower than projected in 3Q2012.	(53.75)
Interest income was as estimated for 3Q2012.	0.00
Bad debt expense was higher than anticipated.	0.42
2011 administrative expenses true-up. ⁵³	(1.79)
Total Prior Period Adjustment	(\$51.03)

The total fund requirement of \$548.22 million decreased by the prior period adjustment of \$51.03 million, increased for administrative costs of \$6.00 million (including planned capital expenditures of \$2.50 million), and reduced by projected interest income of \$0.17 million, results in a total projected funding requirement for the Low Income Support Mechanism for 1Q2013 of \$503.02 million.

Appendix LI01 provides projected Low Income support amounts by state and study area for 1Q2013.⁵⁴ LI02 provides detail on Low Income funding amounts available in each of the states and territories for 1Q2013. LI03 provides a list of ETCs for 3Q2012.⁵⁵ LI04 provides detail on quarterly company specific Low Income support disbursement amounts for 3Q2012. LI05 provides detail on annual company-specific Low Income support amounts for 2009 through 2Q2012.⁵⁶ LI06 provides historical data of monthly support amounts claimed by ETCs from January 1998 through September 30, 2012. LI07 provides detail on Low Income support distributed by state for 2009 through 2Q2012.⁵⁷ LI08 and LI09 provide subscriber information by state and jurisdiction for Lifeline and Link Up

⁵³ See *supra* note 41.

⁵⁴ Companies that are no longer ETCs have been removed from LI01.

⁵⁵ Companies that are no longer ETCs have been removed from LI03.

⁵⁶ For data for years prior to 2009 see LI05 of USAC's 2Q2010 FCC Quarterly Demand Filing.

⁵⁷ For data for years prior to 2009 see LI07 of USAC's 2Q2010 FCC Quarterly Demand Filing.

support, respectively. LI10 shows the Tier 1 amounts reported by all companies during 2Q2012.

RURAL HEALTH CARE SUPPORT MECHANISM

Following is a summary of Rural Health Care Support Mechanism commitments and disbursements for Funding Years 2008-12 as of September 30, 2012. Prior funding years are closed.

FUNDING YEAR 2008

Funding Year 2008 began on July 1, 2008 and ended on June 30, 2009. The window for Funding Year 2008 opened on April 8, 2008. As of September 30, 2012, a total of 3,563 Form 465s were posted and 7,431 packets were received.

On September 29, 2006, the FCC released an order establishing a new two-year Rural Health Care Support Mechanism Pilot Program for Funding Years 2006 and 2007 to cover “up to 85 percent of an applicant’s costs of deploying a dedicated broadband network.”⁵⁸ The application window for the Pilot Program opened on March 8, 2007 and closed on May 7, 2007.⁵⁹ On November 19, 2007, the FCC released an order increasing the number of funding years to three for the Pilot Program and awarding \$417.78 million in support to 69 applications over funding years 2007, 2008 and 2009.⁶⁰ Support under the Pilot Program is capped at \$139.26 million in each of the three funding years. The Commission stated that monies collected in funding year 2006 for the Pilot Program should

⁵⁸ *In the Matter of the Rural Health Care Support Mechanism*, FCC 06-144, 2006 WL 2819579 (F.C.C.) (rel. Sept. 29, 2006). See also, *Wireline Competition Bureau Seeks Comment on the Petition for Reconsideration or, in the Alternative, Clarification Filed by National LambdaRail, Inc.*, WC 02-60, DA 06-2279 (rel. Nov. 6, 2006); *FCC Expands Eligibility to Include National LambdaRail’s Backbone in Rural Health Care Pilot*, FCC 07-6 (rel. Feb. 7, 2007).

⁵⁹ *Wireline Competition Bureau Announces OMB Approval of the Rural Health Care Pilot Program Information Collection Requirements and the Deadline for Filing Applications*, DA 07-1188 (rel. Mar. 9, 2007).

⁶⁰ See *In the Matter of the Rural Health Care Support Mechanism*, FCC 07-198 (rel. Nov. 19, 2007).

Universal Service Administrative Company 1Q2013 Fund Size Projections

be applied to Funding Year 2007,⁶¹ resulting in \$54.44 million of funds collected for Funding Year 2006 being reallocated to Funding Year 2007.

As of September 30, 2012, Pilot Program funding commitments have been issued totaling \$16.75 million for Funding Year 2008. Based on information provided by applicants, USAC now estimates Funding Year 2008 Pilot Program demand will be \$16.30 million. In accordance with the instructions in a January 17, 2008 letter from the Chief of the FCC Wireline Competition Bureau allowing Pilot Program participants to roll forward support not used in one year to a subsequent funding year, USAC carried forward funds not used in Funding Year 2008 to Funding Year 2009. USAC has collected \$139.26 million for each of the Pilot Program Funding Years, thus no further collection is necessary.

As of September 30, 2012, Primary Program funding commitments have been issued totaling \$66.75 million. Based on information provided by applicants USAC estimates Funding Year 2008 Primary Program demand will be \$66.71 million. The Commission previously authorized collection of \$66.72 for Funding Year 2008. Considering the revised Primary Program demand estimate for Funding Year 2008, USAC recommends the Commission decrease collections for Funding Year 2008 of the Primary Program by \$0.01 million in 1Q2013.

Authorized funding by applicant during 3Q2012 and disbursements made to service providers during 3Q2012 are listed in Appendices RHC01 and RHC02, respectively.

FUNDING YEAR 2009

Funding Year 2009 began on July 1, 2009 and ended on June 30, 2010. The window for Funding Year 2009 opened on April 9, 2009. As of September 30, 2012, a total of 3,942 Form 465s were posted and 8,031 packets were received.

⁶¹ *Id.*

Universal Service Administrative Company 1Q2013 Fund Size Projections

As of September 30, 2012, Pilot Program funding commitments have been issued totaling \$288.54 million for Funding Year 2009. In accordance with the instructions in a January 17, 2008 letter from the Chief of the FCC Wireline Competition Bureau allowing Pilot Program participants to roll forward support not used in one year to a subsequent funding year, USAC has previously carried forward funds not used in Funding Year 2007 and Funding Year 2008 to Funding Year 2009. Based on information provided by applicants, USAC now estimates Funding Year 2009 Pilot Program demand will be \$401.48 million. USAC has collected \$139.26 million for each of the Pilot Program Funding Years, thus no further collection is necessary.

As of September 30, 2012, Primary Program funding commitments have been issued totaling \$73.48 million. Based on information provided by applicants, USAC now estimates Funding Year 2009 Primary Program demand will be \$71.36 million. The Commission previously authorized collection of \$71.45 million for Funding Year 2009. Considering the revised Primary Program demand estimate for Funding Year 2009, USAC recommends the Commission decrease collections for Funding Year 2009 of the Primary Program by \$0.09 million in 1Q2013.

Funding commitments made during 3Q2012 are included in Appendix RHC03. Authorized funding by applicant during 3Q2012 and disbursements made to service providers during 3Q2012 are listed in Appendices RHC04 and RHC05, respectively.

FUNDING YEAR 2010

Funding Year 2010 began on July 1, 2010 and ended on June 30, 2011. The window for Funding Year 2010 opened on March 15, 2010. As of September 30, 2012, a total of 4,283 Form 465s were posted and 9,688 packets were received.

Universal Service Administrative Company 1Q2013 Fund Size Projections

As of September 30, 2012, Primary Program funding commitments have been issued totaling \$92.45 million. Based on information provided by applicants, USAC now estimates Funding Year 2010 Primary Program demand will be \$87.23 million. The Commission previously authorized collection of \$87.42 million for Funding Year 2010. Considering the revised Primary Program demand estimate for Funding Year 2010, USAC recommends the Commission decrease collections for Funding Year 2010 of the Primary Program by \$0.19 million in 1Q2013.

Funding commitments made during 3Q2012 are included in Appendix RHC06. Authorized funding by applicant during 3Q2012 and disbursements made to service providers during 3Q2012 are listed in Appendices RHC07 and RHC08, respectively.

FUNDING YEAR 2011

Funding Year 2011 began on July 1, 2011 and ended on June 30, 2012. The window for Funding Year 2011 opened on April 4, 2011. As of September 30, 2012, a total of 4,793 Form 465s were posted and 11,805 packets were received.

As of September 30, 2012, Primary Program funding commitments have been issued totaling \$83.12 million. Based on information provided by applicants, USAC now estimates Funding Year 2011 Primary Program demand will be \$97.83 million. The Commission previously authorized collection of \$98.60 million for Funding Year 2011. Considering the revised Primary Program demand estimate for Funding Year 2011, USAC recommends the Commission decrease collections for Funding Year 2011 of the Primary Program by \$0.77 million in 2Q2013.

Funding commitments made during 3Q2012 are included in Appendix RHC09. Authorized funding by applicant during 3Q2012 and disbursements made to service providers during 3Q2012 are listed in Appendices RHC10 and RHC11, respectively.

Universal Service Administrative Company 1Q2013 Fund Size Projections

FUNDING YEAR 2012

Funding Year 2012 began on July 1, 2012 and will end on June 30, 2013. The window for Funding Year 2012 opened on April 16, 2012. As of September 30, 2012, a total of 4,610 Form 465s were posted.

USAC recommends the Commission authorize collections for Funding Year 2012 of one-quarter of the estimated Primary Program demand, or \$30.03 million, in 1Q2013.

RURAL HEALTH CARE SUPPORT MECHANISM SUMMARY

The estimated 1Q2013 Rural Health Care Support Mechanism demand requirement is \$28.97 million (\$30.03 million for Funding Year 2012, minus \$0.77 million for Funding Year 2011, minus \$0.19 million for Funding Year 2010, minus \$0.09 million for Funding Year 2009, minus \$0.01 million for Funding Year 2008).

The results of 3Q2012 contributed to an over-funded condition for which this filing proposes to adjust the 1Q2013 funding requirements. The total adjustment to the 1Q2013 funding requirement based on actual results will decrease the funding needed by \$1.35 million. The explanation for the adjustment is provided in the following table:

Reason for the Prior Period Adjustment	Adjustment in Millions
3Q2012 billings were lower than the projected revenues reported by USF contributors in their quarterly revenue projections due to the annual actuals/quarterly revenue estimate true-up that is performed during the 3rd quarter.	\$0.05
Interest income was higher than estimated for 3Q2012.	(0.02)
Bad debt expense was higher than anticipated.	0.07
2011 administrative expenses true-up. ⁶²	(1.45)
Total Prior Period Adjustment	(\$1.35)

The total fund requirement of \$28.97 million, decreased by the prior-period adjustment of \$1.35 million, increased for administrative costs of \$2.90 million, and decreased by the projected interest income of \$0.31 million, results in a total projected

⁶² See *supra* note 41.

Universal Service Administrative Company 1Q2013 Fund Size Projections

funding requirement for the Rural Health Care Support Mechanism for 1Q2013 of \$30.21 million.

SCHOOLS AND LIBRARIES SUPPORT MECHANISM

Following is a summary of Schools and Libraries Support Mechanism net commitments⁶³ and net authorized for payment⁶⁴ by funding year as of September 30, 2012.

FUNDING YEAR 1998

FUNDING YEAR 1998					
	Net Commitments		Net Authorized for Payment		Auth/Com
	Millions of Dollars	% of Total Commitments	Millions of Dollars	% of Total Authorized for Payment	% of Committed Authorized for Payment
Telecommunications	\$ 674.74	39.82%	\$ 507.57	36.28%	75.22%
Internet Access	\$ 134.13	7.91%	\$ 94.82	6.78%	70.69%
Internal Connections	\$ 885.82	52.27%	\$ 796.54	56.94%	89.92%
TOTAL	\$ 1,694.69	100.00%	\$1,398.93	100.00%	82.55%
Deobligations due to Expired FRNs	\$ (295.76)				
Net Commitments	\$ 1,398.93				

No Funding Year 1998 applications remained in the Program Integrity Assurance (PIA) review process. Funding Year 1998 began on January 1, 1998 and ended on June 30, 1999. No payments were made to service providers during 3Q2012 for Funding Year 1998.

⁶³ Net Commitments are the amount of total funding commitments (including appeals, less funding commitment adjustments (COMADs) and other recaptures) reduced by the remaining dollar amount of commitments that had not been fully disbursed by their invoicing deadline.

⁶⁴ Net authorized for payment is the amount of total approved invoices less any returned funds. Authorized payments may be greater than net commitments due to recoveries in the process of collection.

Universal Service Administrative Company 1Q2013 Fund Size Projections

FUNDING YEAR 1999

FUNDING YEAR 1999					
	Net Commitments		Net Authorized for Payment		Auth/Com
	Millions of Dollars	% of Total Commitments	Millions of Dollars	% of Total Authorized for Payment	% of Committed Authorized for Payment
Telecommunications	\$ 633.46	29.50%	\$ 452.99	27.39%	71.51%
Internet Access	\$ 148.69	6.93%	\$ 95.50	5.77%	64.23%
Internal Connections	\$ 1,364.70	63.57%	\$1,105.49	66.84%	81.01%
TOTAL	\$ 2,146.85	100.00%	\$1,653.98	100.00%	77.04%
Deobligations due to Expired FRNs	\$ (492.86)				
Net Commitments	\$ 1,653.99				

No Funding Year 1999 applications remained in the PIA review process. Funding Year 1999 began on July 1, 1999 and ended on June 30, 2000. No payments were made to service providers during 3Q2012 for Funding Year 1999.

FUNDING YEAR 2000

FUNDING YEAR 2000					
	Net Commitments		Net Authorized for Payment		Auth/Com
	Millions of Dollars	% of Total Commitments	Millions of Dollars	% of Total Authorized for Payment	% of Committed Authorized for Payment
Telecommunications	\$ 719.20	34.60%	\$ 481.15	29.16%	66.90%
Internet Access	\$ 218.74	10.52%	\$ 133.46	8.09%	61.01%
Internal Connections	\$ 1,140.59	54.88%	\$1,035.18	62.75%	90.76%
TOTAL	\$ 2,078.53	100.00%	\$1,649.79	100.00%	79.37%
Deobligations due to Expired FRNs	\$ (428.27)				
Net Commitments	\$ 1,650.26				

Universal Service Administrative Company 1Q2013 Fund Size Projections

No Funding Year 2000 applications remained in the PIA review process. Funding Year 2000 began on July 1, 2000 and ended on June 30, 2001. No payments were made to service providers during 3Q2012 for Funding Year 2000.

FUNDING YEAR 2001

FUNDING YEAR 2001					
	Net Commitments		Net Authorized for Payment		Auth/Com
	Millions of Dollars	% of Total Commitments	Millions of Dollars	% of Total Authorized for Payment	% of Committed Authorized for Payment
Telecommunications	\$ 776.83	35.55%	\$ 540.79	31.85%	69.61%
Internet Access	\$ 224.79	10.29%	\$ 149.54	8.81%	66.52%
Internal Connections	\$ 1,183.61	54.16%	\$1,007.69	59.34%	85.14%
TOTAL	\$ 2,185.23	100.00%	\$1,698.02	100.00%	77.70%
Deobligations due to Expired FRNs	\$ (487.18)				
Net Commitments	\$ 1,698.05				

As of September 30, 2012, two potentially fundable Funding Year 2001 applications remained in the PIA review process. Funding Year 2001 began on July 1, 2001 and ended on June 30, 2002. No payments were made to service providers during 3Q2012 for Funding Year 2001.

Universal Service Administrative Company 1Q2013 Fund Size Projections

FUNDING YEAR 2002

FUNDING YEAR 2002					
	Net Commitments		Net Authorized for Payment		Auth/Com
	Millions of Dollars	% of Total Commitments	Millions of Dollars	% of Total Authorized for Payment	% of Committed Authorized for Payment
Telecommunications	\$ 859.59	39.18%	\$ 613.26	38.47%	71.34%
Internet Access	\$ 249.84	11.39%	\$ 171.01	10.73%	68.45%
Internal Connections	\$ 1,084.41	49.43%	\$ 809.99	50.80%	74.69%
TOTAL	\$ 2,193.84	100.00%	\$1,594.26	100.00%	72.67%
Deobligations due to Expired FRNs	\$ (575.65)				
Net Commitments	\$ 1,618.19				

As of September 30, 2012, one potentially fundable Funding Year 2002 application remained in the PIA review process. Funding Year 2002 began on July 1, 2002 and ended on June 30, 2003. Authorized funding by applicant during 3Q2012 and cumulative payments to service providers through 3Q2012 are listed in Appendices SL01 and SL02, respectively.

Universal Service Administrative Company 1Q2013 Fund Size Projections

FUNDING YEAR 2003

FUNDING YEAR 2003					
	Net Commitments		Net Authorized for Payment		Auth/Com
	Millions of Dollars	% of Total Commitments	Millions of Dollars	% of Total Authorized for Payment	% of Committed Authorized for Payment
Telecommunications	\$ 906.98	34.38%	\$ 660.13	34.07%	72.78%
Internet Access	\$ 276.00	10.46%	\$ 203.69	10.51%	73.80%
Internal Connections	\$ 1,455.23	55.16%	\$1,074.01	55.42%	73.80%
TOTAL	\$ 2,638.21	100.00%	\$1,937.83	100.00%	73.45%
Deobligations due to Expired FRNs	\$ (688.74)				
Net Commitments	\$ 1,949.47				

As of September 30, 2012, two potentially fundable Funding Year 2003 applications remained in the PIA review process. Funding Year 2003 began on July 1, 2003 and ended on June 30, 2004. No payments were made to service providers during 3Q2012 for Funding Year 2003.

FUNDING YEAR 2004

FUNDING YEAR 2004					
	Net Commitments		Net Authorized for Payment		Auth/Com
	Millions of Dollars	% of Total Commitments	Millions of Dollars	% of Total Authorized for Payment	% of Committed Authorized for Payment
Telecommunications	\$ 950.31	43.36%	\$ 688.77	44.96%	72.48%
Internet Access	\$ 245.96	11.22%	\$ 192.95	12.59%	78.45%
Internal Connections	\$ 995.32	45.42%	\$ 650.47	42.45%	65.35%
TOTAL	\$ 2,191.59	100.00%	\$1,532.19	100.00%	69.91%
Deobligations due to Expired FRNs	\$ (637.88)				
Net Commitments	\$ 1,553.71				

Universal Service Administrative Company 1Q2013 Fund Size Projections

No Funding Year 2004 applications remained in the PIA review process. Funding Year 2004 began on July 1, 2004 and ended on June 30, 2005. Authorized funding by applicant during 3Q2012 and cumulative payments to service providers through 3Q2012 are listed in Appendices SL03 and SL04, respectively.

FUNDING YEAR 2005

FUNDING YEAR 2005					
	Net Commitments		Net Authorized for Payment		Auth/Com
	Millions of Dollars	% of Total Commitments	Millions of Dollars	% of Total Authorized for Payment	% of Committed Authorized for Payment
Telecommunications	\$ 989.18	46.34%	\$ 774.37	47.85%	78.28%
Internet Access	\$ 259.89	12.17%	\$ 214.51	13.25%	82.54%
Internal Connections	\$ 750.71	35.17%	\$ 537.72	33.22%	71.63%
Internal Connections-Maint	\$ 134.91	6.32%	\$ 91.88	5.68%	68.10%
TOTAL	\$ 2,134.69	100.00%	\$1,618.48	100.00%	75.82%
Deobligations due to Expired FRNs	\$ (500.36)				
Net Commitments	\$ 1,634.33				

As of September 30, 2012, five potentially fundable Funding Year 2005 applications remained in the PIA review process. Funding Year 2005 began on July 1, 2005 and ended on June 30, 2006. Authorized funding by applicant during 3Q2012 and cumulative payments to service providers through 3Q2012 are listed in Appendices SL05 and SL06, respectively.

Universal Service Administrative Company 1Q2013 Fund Size Projections

FUNDING YEAR 2006

FUNDING YEAR 2006					
	Net Commitments		Net Authorized for Payment		Auth/Com
	Millions of Dollars	% of Total Commitments	Millions of Dollars	% of Total Authorized for Payment	% of Committed Authorized for Payment
Telecommunications	\$ 1,073.02	54.02%	\$ 851.83	54.72%	79.39%
Internet Access	\$ 290.71	14.64%	\$ 236.53	15.19%	81.36%
Internal Connections	\$ 496.59	25.00%	\$ 382.66	24.58%	77.06%
Internal Connections-Maint	\$ 125.83	6.34%	\$ 85.72	5.51%	68.12%
TOTAL	\$ 1,986.15	100.00%	\$1,556.74	100.00%	78.38%
Deobligations due to Expired FRNs	\$ (386.96)				
Net Commitments	\$ 1,599.19				

As of September 30, 2012, four potentially fundable Funding Year 2006 applications remained in the PIA review process. Funding Year 2006 began on July 1, 2006 and ended on June 30, 2007. Funding commitments made to applicants during 3Q2012 are included in Appendix SL07. Authorized funding by applicant during 3Q2012 and cumulative payments to service providers through 3Q2012 are listed in Appendices SL08 and SL09, respectively.

Universal Service Administrative Company 1Q2013 Fund Size Projections

FUNDING YEAR 2007

FUNDING YEAR 2007					
	Net Commitments		Net Authorized for Payment		Auth/Com
	Millions of Dollars	% of Total Commitments	Millions of Dollars	% of Total Authorized for Payment	% of Committed Authorized for Payment
Telecommunications	\$ 1,185.76	48.49%	\$ 945.76	48.61%	79.76%
Internet Access	\$ 308.96	12.63%	\$ 258.83	13.30%	83.77%
Internal Connections	\$ 787.67	32.21%	\$ 622.17	31.97%	78.99%
Internal Connections-Maint	\$ 162.94	6.67%	\$ 119.05	6.12%	73.06%
TOTAL	\$ 2,445.33	100.00%	\$1,945.81	100.00%	79.57%
Deobligations due to Expired FRNs	\$ (471.54)				
Net Commitments	\$ 1,973.79				

As of September 30, 2012, 30 potentially fundable Funding Year 2007 applications remained in the PIA review process. Funding Year 2007 began on July 1, 2007 and ended on June 30, 2008. Funding commitments made to applicants during 3Q2012 are included in Appendix SL10. Authorized funding by applicant during 3Q2012 and cumulative payments to service providers through 3Q2012 are listed in Appendices SL11 and SL12, respectively.

Universal Service Administrative Company 1Q2013 Fund Size Projections

FUNDING YEAR 2008

FUNDING YEAR 2008					
	Net Commitments		Net Authorized for Payment		Auth/Com
	Millions of Dollars	% of Total Commitments	Millions of Dollars	% of Total Authorized for Payment	% of Committed Authorized for Payment
Telecommunications	\$ 1,298.52	51.03%	\$1,042.24	55.30%	80.26%
Internet Access	\$ 338.14	13.29%	\$ 276.91	14.69%	81.89%
Internal Connections	\$ 773.73	30.40%	\$ 473.14	25.11%	61.15%
Internal Connections-Maint	\$ 134.33	5.28%	\$ 92.25	4.90%	68.67%
TOTAL	\$ 2,544.72	100.00%	\$1,884.54	100.00%	74.06%
Deobligations due to Expired FRNs	\$ (606.63)				
Net Commitments	\$ 1,938.09				

As of September 30, 2012, 41 potentially fundable Funding Year 2008 applications remained in the PIA review process. Funding Year 2008 began on July 1, 2008 and ended on June 30, 2009. Funding commitments made to applicants during 3Q2012 are included in Appendix SL13. Authorized funding by applicant during 3Q2012 and cumulative payments to service providers through 3Q2012 are listed in Appendices SL14 and SL15, respectively.

Universal Service Administrative Company 1Q2013 Fund Size Projections

FUNDING YEAR 2009

FUNDING YEAR 2009					
	Net Commitments		Net Authorized for Payment		Auth/Com
	Millions of Dollars	% of Total Commitments	Millions of Dollars	% of Total Authorized for Payment	% of Committed Authorized for Payment
Telecommunications	\$ 1,363.84	47.63%	\$ 1,093.33	49.40%	80.17%
Internet Access	\$ 354.70	12.39%	\$ 286.73	12.96%	80.84%
Internal Connections	\$ 940.88	32.86%	\$ 695.14	31.41%	73.88%
Internal Connections-Maint	\$ 203.96	7.12%	\$ 137.83	6.23%	67.58%
TOTAL	\$ 2,863.38	100.00%	\$ 2,213.03	100.00%	77.29%
Deobligations due to Expired FRNs	\$ (501.44)				
Net Commitments	\$ 2,361.94				

As of September 30, 2012, 70 potentially fundable Funding Year 2009 applications remained in the PIA review process. Funding Year 2009 began on July 1, 2009 and ended on June 30, 2010. Funding commitments made to applicants during 3Q2012 are included in Appendix SL16. Authorized funding by applicant during 3Q2012 and cumulative payments to service providers through 3Q2012 are listed in Appendices SL17 and SL18, respectively.

Universal Service Administrative Company 1Q2013 Fund Size Projections

FUNDING YEAR 2010

FUNDING YEAR 2010					
	Net Commitments		Net Authorized for Payment		Auth/Com
	Millions of Dollars	% of Total Commitments	Millions of Dollars	% of Total Authorized for Payment	% of Committed Authorized for Payment
Telecommunications	\$ 1,453.42	47.35%	\$1,136.87	53.62%	78.22%
Internet Access	\$ 401.12	13.07%	\$ 322.33	15.20%	80.36%
Internal Connections	\$ 995.56	32.44%	\$ 518.10	24.44%	52.04%
Internal Connections-Maint	\$ 219.01	7.14%	\$ 142.84	6.74%	65.22%
TOTAL	\$ 3,069.11	100.00%	\$ 2,120.14	100.00%	69.08%
Deobligations due to Expired FRNs	\$ (423.27)				
Net Commitments	\$ 2,645.84				

As of September 30, 2012, 200 potentially fundable Funding Year 2010 applications remained in the PIA review process. Funding Year 2010 began on July 1, 2010 and ended on June 30, 2011. Funding commitments made to applicants during 3Q2012 are included in Appendix SL19. Authorized funding by applicant during 3Q2012 and cumulative payments to service providers through 3Q2012 are listed in Appendices SL20 and SL21, respectively.

Universal Service Administrative Company 1Q2013 Fund Size Projections

FUNDING YEAR 2011

FUNDING YEAR 2011					
	Net Commitments		Net Authorized for Payment		Auth/Com
	Millions of Dollars	% of Total Commitments	Millions of Dollars	% of Total Authorized for Payment	% of Committed Authorized for Payment
Telecommunications	\$ 1,407.99	59.31%	\$ 783.41	62.09%	55.64%
Internet Access	\$ 459.14	19.34%	\$ 295.48	23.42%	64.36%
Internal Connections	\$ 406.17	17.11%	\$ 134.58	10.67%	33.13%
Internal Connections-Maint	\$ 100.51	4.24%	\$ 48.20	3.82%	47.96%
TOTAL	\$ 2,373.81	100.00%	\$1,261.67	100.00%	53.15%
Deobligations due to Expired FRNs	\$ -				
Net Commitments	\$ 2,373.81				

As of September 30, 2012, 1,340 potentially fundable Funding Year 2011 applications remained in the PIA review process. Funding Year 2011 began on July 1, 2011 and ended on June 30, 2012. Funding commitments made to applicants during 3Q2012 are included in Appendix SL22. Authorized funding by applicant during 3Q2012 and cumulative payments to service providers through 3Q2012 are listed in Appendices SL23 and SL24, respectively.

Universal Service Administrative Company 1Q2013 Fund Size Projections

FUNDING YEAR 2012

FUNDING YEAR 2012					
	Net Commitments		Net Authorized for Payment		Auth/Com
	Millions of Dollars	% of Total Commitments	Millions of Dollars	% of Total Authorized for Payment	% of Committed Authorized for Payment
Telecommunications	\$ 813.27	68.02%	\$ 14.74	44.95%	1.81%
Internet Access	\$ 352.23	29.45%	\$ 18.02	54.96%	5.12%
Internal Connections	\$ 27.94	2.34%	\$ 0.00	0.00%	0.00%
Internal Connections-Maint	\$ 2.22	0.19%	\$ 0.03	0.09%	1.35%
TOTAL	\$ 1,195.66	100.00%	\$ 32.79	100.00%	2.74%
Deobligations due to Expired FRNs	\$ -				
Net Commitments	\$ 1,195.66				

As of September 30, 2012, 9,432 potentially fundable Funding Year 2012 applications remain in the PIA review process. Funding Year 2012 began on July 1, 2012 and will end on June 30, 2013. Funding commitments made to applicants during 3Q2012 are included in Appendix SL25. Authorized funding by applicant during 3Q2012 and cumulative payments to service providers through 3Q2012 are listed in Appendices SL26 and SL27, respectively.

SCHOOLS AND LIBRARIES SUPPORT MECHANISM SUMMARY

In a series of actions from December 1999 through December 2002, the Commission used a net total of \$477.16 million of undisbursed Funding Year 1998 Schools and Libraries Support Mechanism funds to reduce USF collection requirements. Consistent with the Commission's direction in the Schools and Libraries First Report and Order, a total of \$852.12 million of undisbursed Funding Years 1999 and 2000 collections were used to stabilize USF contributions and offset collections for 3rd Quarter 2002 (3Q2002), 4th

Universal Service Administrative Company 1Q2013 Fund Size Projections

Quarter 2002 (4Q2002), and 1st Quarter 2003 (1Q2003).⁶⁵

In the *Schools and Libraries Third Report and Order and Second Further Notice of Proposed Rulemaking*, the Commission amended its rules to allow unused funds from prior funding years to be carried forward on an annual basis in the second quarter of each calendar year for use in the next full funding year.⁶⁶ The Commission required USAC to file quarterly estimates of unused funds from prior funding years in submitting its projection of Schools and Libraries Support Mechanism demand for the upcoming quarter. The Commission modified the schedule to implement the process for Funding Year 2003 and directed USAC to carry forward \$420 million of unused prior year funds for use in Funding Year 2003.⁶⁷ In accordance with the *Schools and Libraries Third Report and Order*, the Commission announced that \$150 million in unused funds from Funding Year 2001 would be carried forward to increase disbursements to schools and libraries in Funding Year 2004.⁶⁸

On June 11, 2007, the Commission instructed USAC to carry forward \$650 million in unused funds to Funding Year 2007.⁶⁹ The funds were carried forward from Funding Years 2001, 2002, 2003, and 2004 in the amount of \$50 million, \$300 million, \$150 million, and \$150 million, respectively. On June 23, 2008, the Commission instructed USAC to carry forward \$600 million in unused funds to Funding Year 2008.⁷⁰ The funds were carried forward from Funding Years 2002, 2003, and 2004 in the amount of \$150 million, \$200 million, and \$250 million, respectively. On July 31, 2009, the Commission instructed USAC

⁶⁵ See *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, First Report and Order, FCC 02-175 (June 13, 2002) (*Schools and Libraries First Report and Order*).

⁶⁶ See *Schools and Libraries Universal Service Support Mechanism*, CC Docket 02-6, Third Report and Order and Second Further Notice of Proposed Rulemaking, FCC 03-323 (Dec. 23, 2003) (*Schools and Libraries Third Report and Order*).

⁶⁷ *Id.*

⁶⁸ See *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, *Carryover of Unused Funds for Funding Year 2004*, DA 04-1848 (rel. June 28, 2004).

⁶⁹ See *Schools and Libraries Universal Support Mechanism*, CC Docket No. 02-06, *Wireline Competition Bureau Announces Carryover of Unused Funds for Funding Year 2007*, DA 07-2470 (rel. June 1, 2007).

⁷⁰ See *Schools and Libraries Universal Support Mechanism*, CC Docket No. 02-06, *Carryover of Unused Federal Universal Service Funds for Funding Year 2008*, DA 08-1470 (rel. June 23, 2008).

Universal Service Administrative Company 1Q2013 Fund Size Projections

to carry-forward \$900 million in unused funds to Funding Year 2009.⁷¹ The funds were carried-forward from Funding Years 1999, 2001, 2002, 2003, 2004, 2005, and 2006 in the amount of \$25 million, \$60 million, \$60 million, \$210 million, \$275 million, \$200 million, and \$70 million, respectively. On July 1, 2010, the Commission instructed USAC to carry forward \$900 million in unused funds to Funding Year 2010.⁷² The funds were carried-forward from Funding Years 2002, 2005, 2006, 2007, and 2008 in the amount of \$25 million, \$100 million, \$300 million, \$375 million, and \$100 million, respectively. On August 22, 2011, the Commission instructed USAC to carry forward an additional \$250 million in unused funds to Funding Year 2010.⁷³ The total funds carried forward to Funding Year 2010 amount to \$1,150 million. The Commission further instructed USAC to carry forward \$850 million in unused funds from Funding Years 2003, 2004, 2005, 2006, 2007, 2008, and 2009 to Funding Year 2011.⁷⁴ The funds were carried-forward from Funding Years 2003, 2004, 2005, 2006, 2007, 2008, and 2009 in the amount of \$20 million, \$50 million, \$120 million, \$115 million, \$275 million, \$390 million, and \$130 million, respectively. On July 18, 2012, the FCC authorized USAC to carry forward \$1,050 million in unused funds from prior years to increase Funding Year 2012 disbursements in excess of the \$2.34 billion annual cap.⁷⁵ The funds were carried-forward from Funding Years 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009 and 2010 in the amount of \$5 million, \$15 million, \$20 million, \$25 million, \$15 million, \$55 million, \$60 million, \$120 million, \$80 million, \$140 million, \$115 million, \$300 million and \$100 million, respectively.

⁷¹ See *Schools and Libraries Universal Support Mechanism*, CC Docket No. 02-06, *Carryover of Unused Federal Universal Service Funds for Funding Year 2009*, DA 09-1734 (rel. July 31, 2009).

⁷² See *Wireline Competition Bureau Announces Carryover of Unused Schools and Libraries Universal Service Funds for Funding Year 2010*, DA 10-1243 (rel. July 1, 2010).

⁷³ See *School and Libraries Universal Service Support Mechanism/Funds for Learning, LLC Petition to Reject the Administrator's Discount Threshold Recommendation for Funding Year 2010*, DA 11-1354 (rel. Aug. 22, 2011).

⁷⁴ *Id.*

⁷⁵ See *Wireline Competition Bureau Announces Carry-Forward of Unused Schools and Libraries Universal Service Funds for Funding Year 2012*, DA 12-1148 (rel. July 18, 2012).

Universal Service Administrative Company 1Q2013 Fund Size Projections

In the *Schools and Libraries Sixth Report and Order*, the Commission amended its rules to increase the cap on program funding by indexing the cap to inflation.⁷⁶ The Commission calculates this annual increase by using the percentage increase in the gross domestic product chain – type price index (GDP-CPI) from the previous year and rounds this to the nearest 0.1 percent. The Commission found that the GDP-CPI increased 0.9 percent between 2008 and 2009. Using this analysis, the Commission set the cap for Funding Year 2010 to \$2,270,250,000. On August 5, 2011, the Commission set the cap for Funding Year 2011 at \$2,290,682,250.⁷⁷ On November 18, 2011, the FCC ordered USAC to include the inflation adjustments to the E-rate cap in the Schools and Libraries Support Mechanism demand projection.⁷⁸ On May 18, 2012, the Commission set the cap for Funding Year 2012 to \$2,338,786,577.⁷⁹

In consultation with FCC staff, USAC estimates that \$100 million is available to carry forward from funding years as follows: 2008: \$50 million; and 2009: \$50 million. The following sections provide information regarding the use of funds for each funding year, including adjustments made by the Commission and projections of unused funds as required by Commission rules.

Funding Year 1998 True-Up

As of September 30, 2012, \$1,398.93 million of Funding Year 1998 support had been authorized for disbursement. USAC estimates that a contingency amount of \$5.12 million should be reserved to pay appeals pending at the Commission and to pay invoices on Funding Year 1998 funding requests that may be granted extended invoice deadlines

⁷⁶ See *Schools and Libraries Universal Service Support Mechanism, CC Docket No. 02-6, Sixth Report and Order*, FCC 10-175 (rel. Sep. 28, 2010) (*Schools and Libraries Sixth Report and Order*).

⁷⁷ *Wireline Competition Bureau Announces E-Rate Inflation-Based Cap for Funding Year 2011*, DA 11-1345 (rel. Aug. 5, 2011).

⁷⁸ *Connect America Fund Order*, ¶ 567.

⁷⁹ See *Wireline Competition Bureau Announces E-Rate Inflation-Based Cap for Funding Year 2012*, DA 12-791 (rel. May 18, 2012).

Universal Service Administrative Company 1Q2013 Fund Size Projections

pursuant to Commission orders. Given these requirements and to preserve the contingency amount, USAC estimates that no Funding Year 1998 funds are available to carry forward.

The estimated remaining Funding Year 1998 balance is based on the following:

FUNDING YEAR 1998	Amounts in Millions
Amount Authorized and Actually Collected	\$1,925.00
Amount Authorized for Disbursement	(1,398.93)
Administrative Expenses (21 months)	(41.79)
Amount Applied to Adjust 2000, 2001, and 2002 Collections	(477.16)
Amount Carried-forward to Funding Year 2012	(5.00)
Amount Carried Back to Fund Retroactive Appeals	3.00
Potential Additional Disbursements on Committed FRNs	(0.00)
Contingency Amount for Pending Appeals and Invoice Deadline Extension Requests	(5.12)
Estimated Remaining Balance	\$0.00

Funding Year 1999 True-Up

As of September 30, 2012, \$1,653.98 million of Funding Year 1999 support had been authorized for disbursement. USAC's projection of the remaining Funding Year 1999 funds includes an estimate of funds needed to pay additional disbursements on committed funding requests and a contingency reserve to pay pending appeals and make disbursements on Funding Year 1999 funding requests that may be granted extended invoice deadlines pursuant to Commission orders. Given these requirements and to preserve the contingency amount, USAC estimates that no Funding Year 1999 funds are available to carry forward.

The estimated remaining Funding Year 1999 balance is based on the following:

Universal Service Administrative Company 1Q2013 Fund Size Projections

FUNDING YEAR 1999	Amounts in Millions
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(1,653.98)
Administrative Expenses	(32.32)
Amount Applied to Adjust Third Quarter 2002 Collections	(256.16)
Amount Applied to Adjust Fourth Quarter 2002 Collections	(212.93)
Amount Carried-forward to Funding Year 2003	(50.00)
Amount Carried-forward to Funding Year 2009	(25.00)
Amount Carried-forward to Funding Year 2012	(15.00)
Potential Additional Disbursements on Committed FRNs	(0.01)
Contingency Amount for Pending Appeals and Invoice Deadline Extension Requests	(4.60)
Estimated Remaining Balance	\$0.00

Funding Year 2000 True-Up

As of September 30, 2012, \$1,649.79 million of Funding Year 2000 support had been authorized for disbursement. USAC's projection of the remaining Funding Year 2000 funds includes estimates of funds needed to pay additional disbursements on committed funding requests and disbursements on remaining requests that have not received funding commitments, as well as a contingency reserve to pay pending appeals and make disbursements on Funding Year 2000 funding requests that may be granted extended invoice deadlines pursuant to Commission orders. Given these requirements and to preserve the contingency amount, USAC estimates that no Funding Year 2000 funds are available to carry forward. The estimated remaining Funding Year 2000 balance is based on the following:

FUNDING YEAR 2000	Amounts in Millions
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(1,649.79)
Administrative Expenses	(32.24)
Amount Applied to Adjust Fourth Quarter 2002 Collections	(136.85)
Amount Applied to Adjust First Quarter 2003 Collections	(246.18)
Amount Carried-forward to Funding Year 2003	(160.00)
Amount Carried-forward to Funding Year 2012	(20.00)
Potential Additional Disbursements on Committed FRNs	(0.47)
Contingency Amount for Pending Appeals and Invoice Deadline Extension Requests	(4.47)
Estimated Remaining Balance	\$0.00

Universal Service Administrative Company 1Q2013 Fund Size Projections

Funding Year 2001 True-Up

As of September 30, 2012, \$1,698.02 million of Funding Year 2001 support had been authorized for disbursement. USAC's projection of the remaining Funding Year 2001 funds includes estimates of funds needed to pay additional disbursements on committed funding requests and disbursements on remaining requests that have not yet received funding commitments, as well as a contingency reserve to pay pending appeals and make disbursements on Funding Year 2001 funding requests that may be granted extended invoice deadlines pursuant to Commission orders. Given these requirements, USAC estimates that no Funding Year 2001 funds are available to carry forward. The estimated remaining Funding Year 2001 balance is based on the following:

FUNDING YEAR 2001	Amounts in Millions
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(1,698.02)
Administrative Expenses	(30.56)
Amount Carried-forward to Funding Year 2003	(210.00)
Amount Carried-forward to Funding Year 2004	(150.00)
Amount Carried-forward to Funding Year 2007	(50.00)
Amount Carried-forward to Funding Year 2009	(60.00)
Amount Carried-forward to Funding Year 2012	(25.00)
Potential Additional Disbursements on Committed FRNs	(0.03)
Remaining Uncommitted Requests	(20.33)
Contingency Amount for Pending Appeals and Invoice Deadline Extension Requests	(6.06)
Estimated Remaining Balance	\$0.00

Funding Year 2002 True-Up

As of September 30, 2012, \$1,594.26 million of Funding Year 2002 support had been authorized for disbursement. USAC's projection of the remaining Funding Year 2002 funds includes estimates of funds needed to pay additional disbursements on committed funding requests and disbursements on requests that have not yet received funding commitments, as well as a contingency reserve to pay pending appeals and make disbursements on Funding

Universal Service Administrative Company 1Q2013 Fund Size Projections

Year 2002 funding requests that may be granted extended invoice deadlines pursuant to Commission orders. Given these requirements, USAC estimates that no Funding Year 2002 funds are available to carry forward. The estimated remaining Funding Year 2002 balance is based on the following:

FUNDING YEAR 2002	Amounts in Millions
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(1,594.26)
Administrative Expenses	(38.53)
Amount Carried-forward to Funding Year 2007	(300.00)
Amount Carried-forward to Funding Year 2008	(150.00)
Amount Carried-forward to Funding Year 2009	(60.00)
Amount Carried-forward to Funding Year 2010	(25.00)
Amount Carried-forward to Funding Year 2012	(15.00)
Potential Additional Disbursements on Committed FRNs	(23.94)
Remaining Uncommitted Requests	(0.93)
Contingency Amount for Pending Appeals and Invoice Deadline Extension Requests	(42.34)
Estimated Remaining Balance	\$0.00

Funding Year 2003 True-Up

As of September 30, 2012, \$1,937.83 million of Funding Year 2003 support had been authorized for disbursement. USAC's projection of the remaining Funding Year 2003 funds includes estimates of funds needed to pay additional disbursements on committed funding requests and disbursements on requests that have not yet received funding commitments, as well as a contingency reserve to pay pending appeals and to make disbursements on Funding Year 2003 funding requests that may be granted extended invoice deadlines pursuant to Commission orders. Given these requirements, USAC estimates that no Funding Year 2003 funds are available to carry forward. The estimated remaining Funding Year 2003 balance is based on the following:

Universal Service Administrative Company 1Q2013 Fund Size Projections

FUNDING YEAR 2003	Amounts in Millions
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(1,937.83)
Amount Carried-forward from Funding Years 1999, 2000 and 2001	420.00
Amount Carried-forward to Funding Year 2007	(150.00)
Amount Carried-forward to Funding Year 2008	(200.00)
Amount Carried-forward to Funding Year 2009	(210.00)
Amount Carried-forward to Funding Year 2011	(20.00)
Amount Carried-forward to Funding Year 2012	(55.00)
Administrative Expenses	(44.19)
Potential Additional Disbursements on Committed FRNs	(11.65)
Remaining Uncommitted Requests	(32.83)
Contingency Amount for Pending Appeals and Invoice Deadline Extension Requests	(8.50)
Estimated Remaining Balance	\$0.00

Funding Year 2004 True-Up

As of September 30, 2012, \$1,532.19 million of Funding Year 2004 support had been authorized for disbursement. USAC's projection of the remaining Funding Year 2004 funds includes estimates of funds needed to pay additional disbursements on committed funding requests and disbursements on requests that have not yet received funding commitments, as well as a contingency reserve to pay pending appeals and to make disbursements on Funding Year 2004 funding requests that may be granted extended invoice deadlines pursuant to Commission orders. Given these requirements, USAC estimates that no Funding Year 2004 funds are available to carry forward. The estimated remaining Funding Year 2004 balance is based on the following:

Universal Service Administrative Company 1Q2013 Fund Size Projections

FUNDING YEAR 2004	Amounts in Millions
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(1,532.19)
Amount Carried-forward from Funding Year 2001	150.00
Amount Carried-forward to Funding Year 2007	(150.00)
Amount Carried-forward to Funding Year 2008	(250.00)
Amount Carried-forward to Funding Year 2009	(275.00)
Amount Carried-forward to Funding Year 2011	(50.00)
Amount Carried-forward to Funding Year 2012	(60.00)
Administrative Expenses	(55.75)
Potential Additional Disbursements on Committed FRNs	(21.51)
Contingency Amount for Pending Appeals and Invoice Deadline Extension Requests	(5.55)
Estimated Remaining Balance	\$0.00

Funding Year 2005 True-Up

As of September 30, 2012, \$1,618.48 million of Funding Year 2005 support had been authorized for disbursement. USAC's projection of the remaining Funding Year 2005 funds includes estimates of funds needed to pay additional disbursements on committed funding requests and disbursements on requests that have not yet received funding commitments, as well as a contingency reserve to pay pending appeals and to make disbursements on Funding Year 2005 funding requests that may be granted extended invoice deadlines pursuant to Commission orders. Given these requirements and to preserve the contingency amounts, USAC estimates that no Funding Year 2005 funds are available to carry forward. The estimated remaining Funding Year 2005 balance is based on the following:

Universal Service Administrative Company 1Q2013 Fund Size Projections

FUNDING YEAR 2005	Amounts in Millions
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(1,618.48)
Amount Carried-forward to Funding Year 2009	(200.00)
Amount Carried forward to Funding Year 2010	(100.00)
Amount Carried forward to Funding Year 2011	(120.00)
Amount Carried-forward to Funding Year 2012	(120.00)
Administrative Expenses	(64.99)
Potential Additional Disbursements on Committed FRNs	(15.86)
Remaining Uncommitted Requests	(4.81)
Contingency Amount for Pending Appeals and Invoice Deadline Extension Requests	(5.86)
Estimated Remaining Balance	\$0.00

Funding Year 2006 True-Up

As of September 30, 2012, \$1,556.74 million of Funding Year 2006 support had been authorized for disbursement. USAC's projection of the remaining Funding Year 2006 funds includes estimates of funds needed to pay additional disbursements on committed funding requests and disbursements on requests that have not yet received funding commitments, as well as a contingency reserve to pay pending appeals and to make disbursements on Funding Year 2006 funding requests that may be granted extended invoice deadlines pursuant to Commission orders. Given these requirements and to preserve the contingency amounts, USAC estimates that no Funding Year 2006 funds are available to carry forward. The estimated remaining Funding Year 2006 balance is based on the following:

Universal Service Administrative Company 1Q2013 Fund Size Projections

FUNDING YEAR 2006	Amounts in Millions
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(1,556.74)
Amount Carried-forward to Funding Year 2009	(70.00)
Amount Carried-forward to Funding Year 2010	(300.00)
Amount Carried-forward to Funding Year 2011	(115.00)
Amount Carried-forward to Funding Year 2012	(80.00)
Administrative Expenses	(80.74)
Potential Additional Disbursements on Committed FRNs	(42.45)
Remaining Uncommitted Requests	(1.69)
Contingency Amount for Pending Appeals and Invoice Deadline Extension Requests	(3.38)
Estimated Remaining Balance	\$0.00

Funding Year 2007 True-Up

As of September 30, 2012, \$1,945.81 million of Funding Year 2007 support had been authorized for disbursement. USAC's projection of remaining Funding Year 2007 funds includes estimates of funds needed to pay additional disbursements on committed funding requests and disbursements on requests that have not yet received funding commitments, as well as a contingency reserve to pay pending appeals and to make disbursements on funding requests that may be granted extended invoice deadlines pursuant to Commission orders. Given these requirements and to preserve the contingency amount, USAC estimates that no Funding Year 2007 funds are available to carry forward. The estimated remaining Funding Year 2007 balance is based on the following:

Universal Service Administrative Company 1Q2013 Fund Size Projections

FUNDING YEAR 2007	Amounts in Millions
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(1,945.81)
Amount Carried-forward from Funding Years 2001, 2002, 2003 and 2004	650.00
Amount Carried-forward to Funding Year 2010	(375.00)
Amount Carried-forward to Funding Year 2011	(275.00)
Amount Carried-forward to Funding Year 2012	(140.00)
Administrative Expenses	(81.24)
Potential Additional Disbursements on Committed FRNs	(27.97)
Remaining Uncommitted Requests	(15.24)
Contingency Amount for Pending Appeals and Invoice Deadline Extension Requests	(39.74)
Estimated Remaining Balance	\$0.00

Funding Year 2008 True-Up

As of September 30, 2012, \$1,884.54 million of Funding Year 2008 support had been authorized for disbursement. USAC's projection of remaining Funding Year 2008 funds includes estimates of funds needed to pay additional disbursements on committed funding requests and disbursements on requests that have not yet received funding commitments, as well as a contingency reserve to pay pending appeals and to make disbursements on funding requests that may be granted extended invoice deadlines pursuant to Commission orders. Given these requirements and to preserve the contingency amount, USAC estimates that \$50 million of Funding Year 2008 funds are available to carry forward. The estimated remaining Funding Year 2008 balance is based on the following:

Universal Service Administrative Company 1Q2013 Fund Size Projections

FUNDING YEAR 2008	Amounts in Millions
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(1,884.54)
Amount Carried-forward from Funding Years 2002, 2003, and 2004	600.00
Amount Carried-forward to Funding Year 2010	(350.00)
Amount Carried-forward to Funding Year 2011	(140.00)
Amount Carried-forward to Funding Year 2012	(115.00)
Amount Carried Back to Funding Year 1998 to Fund Appeals	(3.00)
Administrative Expenses	(81.44)
Potential Additional Disbursements on Committed FRNs	(53.54)
Remaining Uncommitted Requests	(51.83)
Contingency Amount for Pending Appeals and Invoice Deadline Extension Requests	(120.65)
Estimated Remaining Balance	\$50.00

Funding Year 2009 True-Up

As of September 30, 2012, \$2,213.03 million of Funding Year 2009 support had been authorized for disbursement. USAC's projection of remaining Funding Year 2009 funds includes estimates of funds needed to pay additional disbursements on committed funding requests and disbursements on requests that have not yet received funding commitments, as well as a contingency reserve to pay pending appeals and to make disbursements on funding requests that may be granted extended invoice deadlines pursuant to Commission orders. Given these requirements and to preserve the contingency amount, USAC estimates that \$50 million of Funding Year 2009 funds are available to carry forward. The estimated remaining Funding Year 2009 balance is based on the following:

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FUNDING YEAR 2009	Amounts in Millions
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(2,213.03)
Amount Carried-forward from Funding Years 1999, 2001, 2002, 2003, 2004, 2005, and 2006	900.00
Amount Carried-forward to Funding Year 2011	(130.00)
Amount Carried-forward to Funding Year 2012	(300.00)
Administrative Expenses	(81.27)
Potential Additional Disbursements on Committed FRNs	(148.91)
Remaining Uncommitted Requests	(104.30)
Contingency Amount for Pending Appeals and Invoice Deadline Extensions	(122.49)
Estimated Remaining Balance	\$50.00

Funding Year 2010 True-Up

As of September 30, 2012, \$2,120.14 million of Funding Year 2010 support had been authorized for disbursement. USAC's projection of remaining Funding Year 2010 funds includes estimates of funds needed to pay additional disbursements on committed funding requests and disbursements on requests that have not yet received funding commitments, as well as a contingency reserve to pay pending appeals and to make disbursements on funding requests that may be granted extended invoice deadlines pursuant to Commission orders. Given these requirements and to preserve the contingency amount, USAC estimates that no Funding Year 2010 funds are available to carry forward. The estimated remaining Funding Year 2010 balance is based on the following:

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FUNDING YEAR 2010	Amounts in Millions
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(2,120.14)
Amount Carried-forward from Funding Years 2002, 2005, 2006, 2007, 2008, and 2009	1,150.00
Amount Carried-forward to Funding Year 2012	(100.00)
Amount Authorized by FCC Inflation Increment	20.25
Administrative Expenses	(75.33)
Potential Additional Disbursements on Committed FRNs	(525.71)
Remaining Uncommitted Requests	(284.66)
Contingency Amount for Pending Appeals and Invoice Deadline Extensions	(314.41)
Estimated Remaining Balance	\$0.00

Funding Year 2011 True-Up

As of September 30, 2012, \$1,261.67 million of Funding Year 2011 support had been authorized for disbursement. USAC's projection of remaining Funding Year 2011 funds includes estimates of funds needed to pay additional disbursements on committed funding requests and disbursements on requests that have not yet received funding commitments, as well as a contingency reserve to pay pending appeals and make disbursements on funding requests that may be granted extended invoice deadlines pursuant to Commission orders. Given these requirements and to preserve the contingency amount, USAC estimates that no Funding Year 2011 funds are available to carry forward. The estimated remaining Funding Year 2011 balance is based on the following:

FUNDING YEAR 2011	Amounts in Millions
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(1,261.67)
Amount Carried-forward from Funding Years 2003, 2004, 2005, 2006, 2007, and 2008	850.00
Amount Authorized by FCC Inflation Increment	40.68
Administrative Expenses	(85.00)
Potential Additional Disbursements on Committed FRNs	(1,112.14)
Remaining Uncommitted Requests and Contingency Amount for Pending Appeals	(681.87)
Estimated Remaining Balance	\$0.00

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Funding Year 2012 True-Up

As of September 30, 2012, \$32.79 million of Funding Year 2012 support had been authorized for disbursement. USAC's projection of remaining Funding Year 2012 funds includes estimates of funds needed to pay additional disbursements on committed funding requests and disbursements on requests that have not yet received funding commitments, as well as a contingency reserve to pay pending appeals and to make disbursements on funding requests that may be granted extended invoice deadlines pursuant to Commission orders. Given these requirements and to preserve the contingency amount, USAC estimates that no Funding Year 2012 funds are available to carry-forward. The estimated remaining Funding Year 2012 balance is based on the following:

FUNDING YEAR 2012	Amounts in Millions
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(32.79)
Amount Carried-forward from Funding Years 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009 and 2010	1,050.00
Amount Authorized by FCC Inflation Increment	88.79
Administrative Expenses	(70.00)
Potential Additional Disbursements on Committed FRNs	(1,162.87)
Remaining Uncommitted Requests and Contingency Amount for Pending Appeals	(2,123.13)
Estimated Remaining Balance	\$0.00

1Q2013 Demand Estimate and Contribution Requirement

USAC changed the accounting methodology for the USF to generally accepted accounting principles for federal agencies on October 1, 2004 to comply with the Commission's Order of October 3, 2003.⁸⁰ Commission staff subsequently determined that Funding Commitment Decision Letters (FCDLs) for the Schools and Libraries Support Mechanism are to be treated as "obligations" for federal budgetary accounting purposes and

⁸⁰ See *In re Application of Generally Accepted Accounting Principles for Federal Agencies and Generally Accepted Government Auditing Standards to the Universal Service Fund*, CC Docket No. 96-45, Order, FCC 03-232, 18 FCC Rcd 19911 (2003).

Universal Service Administrative Company 1Q2013 Fund Size Projections

subject to the requirements of the Antideficiency Act (ADA).⁸¹ The ADA generally requires that sufficient unobligated resources be available before an obligation can be incurred.

Congress exempted the USF from the requirements of the ADA through December 31, 2013.⁸²

To reduce the USF cash reserve that has accumulated primarily because the structure of the program necessarily results in significant time lags between the commitments and actual disbursements while at the same time retaining the ability of the USF to satisfy all outstanding commitments based on historic disbursement patterns, the Commission applied a total of \$550 million of the undisbursed USF balance from prior years against Schools and Libraries Support Mechanism demand in 2004. The Commission applied \$200 million of the cash balance in both Second Quarter and Third Quarter 2004, and \$150 million in Fourth Quarter 2004.⁸³

Based on the level of applicant demand in Funding Year 2012, which exceeds the annual funding cap, USAC requests authority to collect an amount to provide \$586.99 million in funding for 1Q2013, which is one-quarter of the \$2.25 billion annual funding cap, increased by an inflation factor of \$24.49 million, an amount equal to one-third of the projected annual inflation adjustment of \$88.77 million less the \$15.32 million estimate

⁸¹ 31 U.S.C. § 1341.

⁸² See HR 2055 (signed by the President Dec. 23, 2011), Sec. 510 (“Section 302 of the Universal Service Antideficiency Temporary Suspension Act is amended by striking ‘December 31, 2010’ each place it appears and inserting ‘December 31, 2011.’”); HR 3082, Sec. 155 (“Section 302 of the Universal Service Antideficiency Temporary Suspension Act is amended by striking ‘December 31, 2010’ each place it appears and inserting ‘December 31, 2011.’”); HR 3288, Omnibus Appropriations Act, 2009 (Public Law 111-117), § 501 (“Section 302 of the Universal Service Antideficiency Temporary Suspension Act is amended by striking ‘December 31, 2009’, each place it appears and inserting ‘December 31, 2010.’”). See also, H.R. 5419, 108th Cong 2d Sess., § 302, Universal Service Antideficiency Temporary Suspension Act (effective Dec. 23, 2004) and H.R. 2862, 109th Cong 1st Sess., § 633, Science, State, Justice, Commerce, and Related Agencies Appropriations Act, 2006 (effective Nov. 22, 2005); H.J. 20 (effective Jan. 1, 2007); Consolidated Appropriations Act of 2008, H.R. 2764, Division D—Financial Services and General Government Appropriations Act, 2008, Title V—Independent Agencies at 61; Consolidated Appropriations Act, 2010 (Public Law 111-117) (signed December 16, 2009; effective Oct. 1, 2009).

⁸³ As stated in its January 31, 2004, Federal Universal Service Support Mechanisms Fund Size Projections for the Second Quarter 2005, and in its subsequent quarterly filings, USAC will continue to consult with the Commission as appropriate concerning the necessity and timing of any recovery of this \$550 million.

Universal Service Administrative Company 1Q2013 Fund Size Projections

collected in 3Q2012.⁸⁴ Results for 3Q2012 contribute to an under-funded condition for which this filing proposes to adjust the 1Q2013 funding requirement. The total adjustment to the 1Q2013 fund requirement based on actual results will increase the funding needed by \$3.82 million. The explanation for the adjustment is provided below.

Reason for the Prior Period Adjustment	Adjustment in Millions
3Q2012 billings were lower than the projected revenues reported by USF contributors in their quarterly revenue projections due to the annual actuals/quarterly revenue estimate true-up that is performed during the 3rd quarter.	\$3.34
Interest income was higher than estimated for 3Q2012.	(0.11)
Bad debt expense was higher than anticipated.	0.59
Total Prior Period Adjustment	\$3.82

The total fund requirement of \$562.50 million, which includes administrative expenses of \$21.60 million (including planned capital expenditures of \$3.70 million), increased by the inflation increment of \$24.49 million, increased by the prior-period adjustment of \$3.82 million, and reduced by the projected interest income of \$4.33 million, results in a total projected collection requirement of \$586.48 million for the Schools and Libraries Support Mechanism for 1Q2013.

CONTRIBUTION BASE

USAC collects quarterly interstate and international revenue information from carriers on FCC Form 499-Q four times each year. USAC uses this information to determine aggregate projected revenue collections, which are filed with the Commission on March 2, June 1, September 1, and December 2 each year.⁸⁵ Based on these filings, the Commission establishes the contribution factor for the upcoming quarter.

⁸⁴ 47 C.F.R. § 54.507(a).

⁸⁵ See 47 C.F.R. § 54.709(a)(3). 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. See also, 47 C.F.R. §§54.706, .708, .711 and .713 for contributor reporting requirements.

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The quarterly USF contribution factor established by the Commission is derived from projections of support mechanism demand calculated by USAC and projected collected revenue submitted by USF contributors on FCC Form 499-Q and aggregated by USAC. The total USF funding requirement is based on many inputs and is the result of the manner in which the support mechanisms operate pursuant to Commission rules. Inputs include actual support mechanism demand, which changes quarterly, adjustments resulting from events that occur in prior periods but are reported to USAC in the current period, and reconciliation of projections from prior periods to actual results reported by USF contributors and support mechanism beneficiaries (i.e., prior period adjustments). Other inputs include USAC administrative expenses and the impact of interest income earned on USF funds USAC invests in United States Treasury securities. The USF contribution base is different each quarter due to changes in carrier revenue projections, which among other things are subject to changing business cycles, and changes to requirements concerning the revenue to which the USF assessment applies (e.g., adding or subtracting certain types of services to the contribution base due to rule changes or other Commission activity). Because of the combined influence of these many factors, nearly all of which change each quarter based on the manner in which the Commission rules operate and the programs are administered, the quarterly contribution factor established by the Commission derived from these USAC-submitted inputs can fluctuate substantially from quarter to quarter. Thus, comparisons to preceding or prior year quarters should be made with caution and predicting trends based on such comparisons may not provide a basis for meaningful analysis.

A total of 6,245 FCC Form 499-Q notifications were distributed to carriers in early October 2012. Interstate telecommunications service providers are required to complete this form, reporting January – March 2013 projected revenue information, and return it to USAC

Universal Service Administrative Company 1Q2013 Fund Size Projections

by November 1, 2012. USAC invoices and receives contributions from nearly 3,000 telecommunications companies each month.

USAC continues to assist the Commission in its USF collection enforcement efforts, including providing documentation on a monthly basis to assist the Commission in issuing Notices of Apparent Liability (NALs) and forfeiture orders against delinquent contributors and companies failing to file required forms. Pursuant to a directive issued by the FCC on March 27, 2012, USAC transfers monies that are 120 days delinquent to the U.S. Treasury after USAC has provided the delinquent carrier with the notice required under FCC and Debt Collection Improvement Act (DCIA) requirements.

USAC implemented the Red Light Rule on November 1, 2004 for contributor debts to the USF.⁸⁶ If a contributor is delinquent to the USF, USAC performs administrative offsets to resolve the delinquency by netting any pending service provider disbursements where the Service Provider Identification Number (SPIN) shares the same Taxpayer Identification Number (TIN) as the delinquent contributor. If an entity is delinquent on a debt owed to the Commission, USAC places administrative holds on any disbursements for SPINs that share the same TIN until the Commission provides information stating that the debt has been satisfied. USAC continues to work closely with the Commission and stakeholders affected by the Red Light Rule implementation.

AUTHORIZATION TO FILE WITH THE COMMISSION

At their October 29, 2012 meetings, USAC's High Cost & Low Income, Rural Health Care and Schools & Libraries Committees adopted resolutions authorizing USAC staff to file with the Commission the 1Q2013 projected support mechanism funding requirements described herein. At its October 30, 2012 meeting, the USAC Board of

⁸⁶ 47 C.F.R. § 1.910.

Universal Service Administrative Company 1Q2013 Fund Size Projections

Directors adopted a resolution authorizing the inclusion of the projected 1Q2013 administrative expenses in this report to the Commission.

Respectfully submitted,

UNIVERSAL SERVICE
ADMINISTRATIVE COMPANY

/s/ D. Scott Barash

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

November 2, 2012