

Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
Washington, DC

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

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Federal Universal Service Support Mechanisms Fund Size  
Projections for First Quarter 2016

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**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

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

**FEDERAL UNIVERSAL SERVICE SUPPORT MECHANISMS  
FUND SIZE PROJECTIONS FOR  
FIRST QUARTER 2016**

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***INTRODUCTION***

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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 2016 (1Q2016), in accordance with Section 54.709 of the Federal Communications Commission's (FCC or Commission) rules.<sup>1</sup>

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 "Support Mechanisms" or "Programs" below): High Cost, Low Income, Rural Health Care, and Schools and Libraries.<sup>2</sup> USAC also performs the billing, collection, and disbursement functions for the Support Mechanisms.<sup>3</sup>

Upon approval of the quarterly funding requirements for the 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.<sup>4</sup>

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<sup>1</sup> 47 C.F.R. § 54.709(a)(3).

<sup>2</sup> 47 C.F.R. § 54.701.

<sup>3</sup> 47 C.F.R. § 54.702(b)

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

**Universal Service Administrative Company 1Q2016 Fund Size  
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***ADMINISTRATIVE EXPENSES AND INTEREST INCOME  
PROJECTION***

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**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.<sup>5</sup> 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 and capital expenditures 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 and capital expenditures of the respective support mechanisms based on USAC’s methodology for allocating costs submitted to the Commission.<sup>6</sup>

USAC projects a consolidated budget of \$43.94 million for 1Q2016. Direct operating costs for all support mechanisms total \$21.69 million<sup>7</sup> and are listed for each mechanism in the chart provided below. Joint and common costs (including billing, collection, and disbursement activities) are projected at \$15.58 million and capital

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<sup>5</sup> 47 C.F.R. § 54.709(a)(3).

<sup>6</sup> 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).

<sup>7</sup> This amount includes \$0.1 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 1Q2016 Fund Size  
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expenditures are projected at \$6.67 million; both are listed in the chart below based on the allocation methodology on file with the Commission.

*1Q2016 Administrative Expenses (in millions) – Budgeted*

<b>USF Mechanism</b>	<b>Direct Costs</b>	<b>USAC Common</b>	<b>Capital Costs</b>	<b>Total</b>
<b>High Cost</b>	\$4.27	\$4.80	\$1.51	\$10.58
<b>Low Income</b>	\$2.84	\$2.29	\$0.47	\$5.60
<b>Rural Health Care</b>	\$2.02	\$0.96	\$0.12	\$3.10
<b>Schools &amp; Libraries</b>	\$12.56	\$7.53	\$4.57	\$24.66
<b>Total</b>	\$21.69	\$15.58	\$6.67	\$43.94

Appendix M01 provides USAC’s administrative expense and capital expenditure budget for 1Q2016. Appendix M02 provides the fund size projections for 1Q2016.

**INTEREST INCOME PROJECTION**

For 1Q2016, USAC projects interest income of approximately \$2.65 million for the High Cost Support Mechanism, \$0.16 million for the Low Income Support Mechanism, \$0.42 million for the Rural Health Care Support Mechanism and \$6.00 million for the Schools and Libraries Support Mechanism. USAC projects total interest income of \$9.23 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 all support mechanisms.

**FINANCIAL STATEMENTS**

For 3Q2015, on a cash basis, USAC disbursed to beneficiaries \$2,430.25 million in universal service support as follows: \$1,457.43 million in High Cost support, \$378.32 million in Low Income support, \$512.40 million in Schools and Libraries support, and \$82.10 million in Rural Health Care support. The total cash balance available as of September 30, 2015 to the universal service support mechanisms was \$8,175.31 million. On

## **Universal Service Administrative Company 1Q2016 Fund Size Projections**

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an accrual basis, USAC had a fund balance of \$8,290.86 million at September 30, 2015.

Appendices M03 and M04 provide 2015 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).<sup>8</sup> 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.<sup>9</sup> 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.<sup>10</sup>

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 1Q2016, 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 (IC 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.

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<sup>8</sup> Improper Payments Information Act of 2002, PL 107-300, November 26, 2002, 116 Stat 2350.

<sup>9</sup> 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.

<sup>10</sup> See Letter from Anthony Dale, FCC Managing Director, to D. Scott Barash, Acting Chief Executive Officer, USAC (Aug. 18, 2008).

## Universal Service Administrative Company 1Q2016 Fund Size Projections

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In 4th Quarter 2015 (4Q2015), the IC Team will complete process and entity-level risk assessments in compliance with the GAO Green Book Standards for Internal Control in the Federal Government. The IC Team will complete internal control testing of the following processes in 4Q2015: Human Resources/Payroll, USF Collections, USF Disbursements and USAC Accounts Payable. In conjunction with process testing, the IC team will review systems containing sensitive personally identifiable information (PII) to determine whether controls are in compliance with National Institute of Standards and Technology (NIST) requirements. Additionally, the IC team will conduct a review of user access permissions for financial applications. In 1Q2016, the IC Team will test the controls surrounding Budgetary Accounting, Healthcare Connect Fund, High Cost, Fixed Assets and USF Billing.

In addition to documentation and testing activities, the IC team continues to facilitate review and approval activities for all USAC policy and procedure documents as well as providing assistance with ad hoc process improvement projects.

### 2. *Strengthening audit and investigative techniques.*

The FCC's Office of Managing Director (OMD) 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)<sup>11</sup>, formerly known as the Improper Payments Information Act (IPIA)<sup>12</sup>, and to assess universal service support mechanism beneficiary and USF contributor compliance with FCC regulations.<sup>13</sup> USAC

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<sup>11</sup> See The Improper Payments Elimination and Recovery Act of 2010, Pub L. No. 111-204, July 22, 2010.

<sup>12</sup> See 31 U.S.C. § 3122; Public Law 107-300, Stat. 2350, Nov. 26, 2002.

<sup>13</sup> 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. On January 10, 2013, the Improper Payment Elimination and Recovery Improvement Act

## Universal Service Administrative Company 1Q2016 Fund Size Projections

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successfully implemented an assessment program, known as the Payment Quality Assurance (PQA) Program, in August 2010.

The FCC also directed USAC to establish a comprehensive support mechanism beneficiary and USF contributor audit program, which is known as BCAP. Audits occurring under BCAP are performed using USAC IAD internal staff and external audit firm resources, upon approval from OMD. The specific audits that are being conducted as part of BCAP were designated based on a set of randomly selected beneficiaries and contributors. In addition, non-random audits of beneficiaries and contributors are performed when requested by USAC management to review whether a beneficiary or USF filer is complying with FCC rules.

As previously reported, in mid-2013, IAD and OMD staff began discussions on the development of a new audit plan that would address fiscal years 2014 and 2015. In late 2014, the external portion of the BCAP began by issuing contracts to audit firms to perform audits. Contracts have been awarded to eight firms and they are now performing audits in all of the programs and contributor revenue. The chart below reflects audits that are performed both by USAC IAD and the external audit firms. As of the 3rd quarter, the status of the BCAP 2014 - 2015 is as follows:

<b>Program</b>	<b>Planned</b>	<b>Board Approved</b>	<b>% Complete</b>	<b>In Progress</b>
Contributor Revenue	51	12	23%	31
High Cost	100	27	27%	66
Low Income	80	35	43%	42
Schools & Libraries	145	38	26%	89
Rural Health Care	31	10	32%	16

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(IPERIA) was signed into law replacing IPERA (*see* The Improper Payments Elimination and Recovery Improvement Act of 2012, Pub L. No. 112-248, January 10, 2013).

**Universal Service Administrative Company 1Q2016 Fund Size  
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<b>Program</b>	<b>Planned</b>	<b>Board Approved</b>	<b>% Complete</b>	<b>In Progress</b>
<b>Total</b>	<b>407</b>	<b>122</b>	<b>30%</b>	<b>244</b>

As previously reported, the PQA Program has completed four years of testing payments under this directive, and the most recent two years are noted below. 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 2014 disbursements compared to Calendar Year 2013:

<b>Support Mechanism</b>	<b>2014</b>		<b>2013</b>	
	<b>Improper Payment Rate</b>	<b>Estimated Improper Payment Amount (<i>millions</i>)</b>	<b>Improper Payment Rate</b>	<b>Estimated Improper Payment Amount (<i>millions</i>)</b>
High Cost	0.07%	\$2.8	0.06%	\$2.6
Low Income	0.44%	\$7.5	0.32%	\$5.9
Schools and Libraries	6.31%	\$144.4	3.88%	\$77.1
Rural Health Care	0%	\$0	0.06%	\$0.05

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. Testing of payments for Calendar Year 2014 will begin in late 4th Quarter 2015 with an estimated completion during 3rd Quarter 2016.

3. *Improving information technology tools.*

USAC has undertaken a systematic review of the capabilities of its current financial systems in order to determine whether additional functionality can be added to improve financial operations, and has made several improvements to its financial systems and is

## Universal Service Administrative Company 1Q2016 Fund Size Projections

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working on other systems enhancement initiatives.

4. *Expanding and enhancing outreach and education.*

In 3Q2015, USAC provided individual outreach to ten Schools and Libraries applicants (in the form of HATS visits) and 1,236 contributors. USAC conducted 11 webinars: four for Lifeline Program beneficiaries, four for Rural Health Care Program applicants, and three for Schools and Libraries Program applicants and service providers. USAC participated in 10 professional meetings involving beneficiary audiences for the Schools and Libraries Program and Rural Health Care Program. USAC posted 12 online learning tools, including videos for the Schools and Libraries and High Cost programs, and our Contributors audience.

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### *FUNDING REQUIREMENTS*

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#### **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).<sup>14</sup> In the Order, the FCC set an annual funding target for the High Cost Support Mechanism of no more than \$4.50 billion annually over the next six years. The Order directed USAC to forecast total High Cost Program demand at no less than \$1.125 billion per quarter beginning with 1Q2012.<sup>15</sup> 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

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<sup>14</sup> *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. 10-90, 07-135, 05-337, 03-109, GN Docket No. 09-51, CC Docket Nos. 01-92, 96-45; WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161, 26 FCC Red. 17663 (rel. November 18, 2011) (*USF/ICC Transformation Order*).

<sup>15</sup> See *USF/Transformation Order* at ¶ 559.

**Universal Service Administrative Company 1Q2016 Fund Size Projections**

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contributions are to be credited to a new Connect America Fund (CAF) reserve account, to be used to fund future broadband deployment.<sup>16</sup> 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.<sup>17</sup> In addition, the *USF/ICC Transformation Order* states that the \$4.50 billion budget includes only disbursement of support and does not include administrative expenses or prior period adjustments for support for prior years.<sup>18</sup>

In the *USF/ICC Transformation Order*, the Commission instructed USAC to wind down the Corr Wireless reserve account and use \$300 million in the account to fund anticipated commitments in 2012 to recipients of the Mobility Fund Phase I.<sup>19</sup> HC13 provides the data for Mobility Fund Phase I for 1Q2016 by state by study area. The remaining balance was used to fund Phase I of the CAF for price cap carriers in 2012.<sup>20</sup> The Commission also instructed USAC not to use the Corr Wireless reserve account to fund inflation adjustments for the Schools and Libraries program for the current 2011 funding year (FY).<sup>21</sup> The chart below reflects the CAF reserve as of September 30, 2015.

<b>Connect America Fund Reserve</b>				
<b>as of September 30, 2015</b>				
<i>(in millions)</i>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disbursements</b>	<b>Ending Balance</b>
Calendar Year 2012*	524.32	\$467.70	(\$105.20)	886.82
Calendar Year 2013	886.82	680.56	(365.06)	1,202.32
1 <sup>st</sup> Q2014	1,202.32	195.17	(37.24)	1,360.25
2 <sup>nd</sup> Q2014	1,360.25	206.59	0.26	1,567.10
3 <sup>rd</sup> Q2014	1,567.10	177.56	0.32	1,744.98
4 <sup>th</sup> Q2014	1,744.98	201.58	1.86	1,948.42
1 <sup>st</sup> Q2015	1,948.42	205.24	(15.57)	2,138.09

<sup>16</sup> See *id.* at ¶ 560.

<sup>17</sup> See *id.* at ¶ 560 n.928.

<sup>18</sup> See *id.* at ¶ 126 n.198.

<sup>19</sup> See *id.* at ¶ 564-567.

<sup>20</sup> See *id.* at ¶ 566.

<sup>21</sup> See *id.* at ¶ 567.

**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

<b>Connect America Fund Reserve</b>				
<b>as of September 30, 2015</b>				
<i>(in millions)</i>				
2 <sup>nd</sup> Q2015	2,138.09	204.17		2,342.26
3 <sup>rd</sup> Q2015	2,342.26	101.99	(436.21)	2,008.04
Projected 4 <sup>th</sup> Q2015	2,008.04	194.10		2,202.14
Projected 1 <sup>st</sup> Q2016	<u>2,202.14</u>	<u>7.26</u>		<u>2,209.40</u>
Net Activity		\$2,641.92	(\$956.84)	

\* Additions include \$27.96 million collected in 3Q2012 via a prior period adjustment for 1Q2012 demand.

\*\* Lump sum payment (Jan-May 2015) for Connect America Fund Phase II – Frontier Communications.

The following table lists the status of the CAF Reserve by support component.

<b>Connect America Fund Reserve by Support Component</b>				
<i>(in millions)</i>				
<b>Support Component</b>	<b>Allocated</b>	<b>Accepted</b>	<b>Disbursed</b>	<b>Remaining</b>
Incremental Support Round 1	\$300.00	\$114.34	(\$114.34)	\$0.00
Incremental Support Round 2 <sup>*</sup>	386.00	323.95	(323.95)	0.00
Mobility Phase I –	300.00	300.00	(66.08)	233.92
Mobility Phase I – Tribal	50.00	50.00	(16.60)	33.40
Mobility Phase II	500.00	0.00	0.00	500.00
Rural Broadband Experiment <sup>**</sup>	100.00	36.71	(2.31)	34.40
CAF Phase II Lump Sum	0.00	433.56	(433.56)	0.00
Remote Area Fund	100.00	0.00	0.00	100.00
<b>Total</b>	<b>\$1,736.00</b>	<b>\$1,258.56</b>	<b>(\$956.84)</b>	<b>\$901.72</b>

\* Total demand of all carriers exceeded the allocated \$300 million. As directed in FCC 13-73, ¶ 11, the additional \$86 million is taken out of the remainder of Round 1 support and added to the Incremental Support Round 2 allocation of \$300 million.<sup>23</sup>

\*\* Rural Broadband accepted amounts per FCC order DA-15-635 (CAF PN as of May 2015).

For 1Q2016, projected support to be reserved pursuant to the *USF/ICC*

*Transformation Order* is \$7.26 million. Any excess contributions will be credited to the CAF reserve account.<sup>22</sup>

Appendix HC01 provides projected High Cost Support by state, by study area, for 1Q2016. HC01 also provides the projected amount of individual company support, and projected per-month amounts for the components of High Cost support that each Eligible

<sup>22</sup> See *USF/Transformation Order* at ¶ 560-561.



## **Universal Service Administrative Company 1Q2016 Fund Size Projections**

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Telecommunications Carriers (ETC)<sup>23</sup> may be eligible to receive. HC02 provides the total projected amount of annualized High Cost Support for 1Q2016 for each state and territory.

### **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.<sup>24</sup> Incremental Support is available to price cap carriers at the holding company level. The Commission determined the amount available for each carrier, which it published in DA 12-639, released on April 25, 2012.<sup>25</sup> 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.<sup>26</sup>

On May 22, 2013, the Commission announced that a second round of CAF Phase I – Incremental Support funding will be available to promote expansion of broadband to consumers that lack access. The Commission allocated \$300 million for the second round of Phase I support. If total demand exceeds \$300 million, the Commission will authorize up to an additional \$185 million in funding.<sup>27</sup>

On March 14, 2014, the Wireline Competition Bureau issued Public Notice DA 14-353 authorizing \$16.7 million in additional Phase I second round incremental support in response to the modified elections of two carriers, AT&T and Windstream Communications. AT&T was authorized to receive \$5.3 million in incremental support in exchange for a commitment to deploy broadband-capable infrastructure to 6,772 locations.

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<sup>23</sup> See 47 C.F.R. § 36.631 and 47 C.F.R. §§ 54.301-54.303.

<sup>24</sup> See *USF/ICC Transformation Order* at ¶137.

<sup>25</sup> See *In the Matter of Connect America Fund, High-Cost Universal Service Support*, WC Docket Nos. 10-90, 05-337, Public Notice, *Wireline Competition Bureau Announces Support Amounts for Connect America Fund Phase One Incremental Support*, DA 12-639 (rel. Apr. 25, 2012).

<sup>26</sup> See *USF/ICC Transformation Order* at ¶138.

<sup>27</sup> See *In the Matter of Connect America Fund*, WC Docket No. 10-90, Report and Order, FCC 13-73, 28 FCC Rcd. 7766, ¶¶ 7, 11 (rel. May 22, 2013).

## **Universal Service Administrative Company 1Q2016 Fund Size Projections**

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Additionally, Windstream was authorized to receive \$11.5 million in incremental support in exchange for a commitment to deploy to 13,273 locations.

### **CONNECT AMERICA FUND PHASE II**

The FCC released a Report and Order on June 10, 2014<sup>28</sup> adopting rules, among other things, to institute the foundation for the award of Phase II (model-based) support through a competitive bidding process in price cap areas where the price cap carrier declines the offer of model-based support. The Order also permits price cap carriers that decline model-based support to participate in the competitive bidding process that is expected to be conducted in 2016. On April 29, 2015, the FCC released order DA 15-509 announcing the offers of model-based Phase II support to price cap carriers to fund voice and broadband-capable networks in their service areas. The total offer is \$1.675 billion annually, for six calendar years, 2015-2020. On June 16, 2015, the Bureau released Public Notice DA 15-707 announcing acceptance by Frontier Communications of model-based support for each of the 28 states it serves. For states where their model-based support is greater than Phase I Frozen support, Frontier elected to receive the lump sum payment associated with prior months that reflects the difference between Phase II model support and Phase I Frozen support.

For 1Q2016, total CAF Phase II projected support is estimated to be \$396.40 million and total annual 2016 CAF Phase II support is estimated to be \$1,585.60 million.

Appendix HC14 provides projected CAF Phase II Support by State by Study Area for 1Q2016.

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<sup>28</sup> *In the Matter of Connect America Fund, et al.*, WC Docket Nos. 10-90, 14-58, 07-135; WT Docket No. 10-208; CC Docket No. 01-92, Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC 14-54, 29 FCC Rcd. 7051, (rel. June 10, 2014).

## **Universal Service Administrative Company 1Q2016 Fund Size Projections**

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### **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.<sup>29</sup> Eligible incumbent carriers may receive additional support through this recovery mechanism.

For 1Q2016, total CAF/ICC Support is estimated to be \$106.35 million and total annual 2015 CAF/ICC Support is estimated to be \$425.40 million. Appendix HC12 provides projected CAF/ICC Support by state by study area for 1Q2016.

### **Rural Broadband Experiments**

On July 11, 2014, the FCC adopted the Rural Broadband Experiments (RBE) order (FCC 14-98) to advance the deployment of voice and broadband networks in high-cost areas and help design the Phase II competitive bidding process and Remote Areas Fund. The FCC established a budget of \$100 million over ten years for funding experiments in price cap areas that are not served by unsubsidized competitors. For 1Q2016, total RBE support is estimated to be \$0.28 million and total annual 2016 RBE support is estimated to be \$1.12 million. Appendix HC15 provides projected RBE Support by State by Study Area for 1Q2016.

### **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 CAF support to offset lost inter-carrier compensation (ICC) revenues.<sup>30</sup>

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<sup>29</sup> See 47 C.F.R. § 54.304(b).

<sup>30</sup> See *USF/ICC Transformation Order* at ¶ 206.

**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

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***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 2012 incumbent local exchange carrier (LEC) loop cost and expense adjustment data that was submitted to the FCC and USAC on October 1, 2013.<sup>31</sup> Growth in total HCL Support for rural carriers 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.<sup>32</sup> The *Rural Task Force (RTF) Order*<sup>33</sup> increased HCL support for rural carriers effective July 1, 2001.

Rural HCL Support for calendar year 2016 will be less than the level of payments for 2015 because of a rural growth factor of negative 2.2401 percent. Rural HCL Support for calendar year 2016, therefore, is capped at \$718.70 million. This capped amount reflects reductions pursuant to the *USF/ICC Transformation Order*, which was adjusted by NECA in the first quarter of 2012 to exclude price cap local exchange carriers and their rate-of-return affiliated study areas.

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.<sup>34</sup> 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 down over a two year period, and no SNA support will be provided for carriers whose costs

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<sup>31</sup> Universal Service Fund (USF) 2012 Submission of 2011 Study Results (filed Oct. 1, 2012) (*USF Data Submission*).

<sup>32</sup> 47 C.F.R. § 36.603(a).

<sup>33</sup> *In the Matter of 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 FCC Red. 11244 (rel. May 23, 2001) (*RTF Order*).

<sup>34</sup> *RTF Order* at ¶¶ 77-90.

## **Universal Service Administrative Company 1Q2016 Fund Size Projections**

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are incurred after 2009.<sup>35</sup> In June 2014, the Commission issued an order allowing carriers that would have qualified for SNA based on increased investment – an increase of at least 14 percent in their total TPIS in 2010 or 2011 – to receive such support.<sup>36</sup> For 1Q2016, projected SNA support is \$3.09 million.

For 1Q2016, projected HCL Support is \$181.57 million, which includes \$3.09 million for SNA support and \$1.08 million for Safety Valve Support (SVS). Total annual 2016 HCL Support is projected to be \$726.28 million.

Appendix HC05 provides projected uncapped monthly HCL Support payments by state by study area for 1Q2016. Appendix HC06 provides projected monthly SNA Support payments by state by study area for 1Q2016. Appendix HC07 displays projected SVS payments by state by study area for 1Q2016.

### ***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 for its customers.<sup>37</sup>

For 1Q2016, ICLS is projected to be \$241.00 million and total annual 2016 ICLS is estimated to be \$953.44 million.

Appendices HC09, HC10, and HC11 provide USAC's 1Q2016 projections of ICLS

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<sup>35</sup> See *USF/ICC Transformation Order* at ¶ 252.

<sup>36</sup> See *In the Matter of Connect America Fund, Universal Service Reform – Mobility Fund, ETC Annual Reports and Certifications, Establishing Just and Reasonable Rates for Local Exchange Carriers, Developing an Unified Inter-carrier Compensation Regime*, WC Docket Nos. 10-90, 14-58, 07-135, WT Docket No. 10-208, and CC Docket No. 01-92, Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC 14-54, 29 FCC Rcd. 7051, ¶¶ 105-15 (rel. June 10, 2014).

<sup>37</sup> See *In the Matter of 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 Rcd. 19613 (rel. Nov. 8, 2001) (*MAG Order*).

## **Universal Service Administrative Company 1Q2016 Fund Size Projections**

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by state by study area, per line and by state, respectively. Appendices HC16 and HC17 provide ICLS by state by study area and per line revised projected 2014 to 2015, respectively. In addition, Appendices HC18 and HC19 provide ICLS by state by study area and per line revised projected 2015 to 2016, respectively.

### **PRICE CAP CARRIERS**

In the *USF/ICC Transformation Order*, the FCC directed USAC to freeze all support 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.<sup>38</sup>

For 1Q2016, total frozen high cost support for price cap carriers is estimated to be \$43.54 million and total annual 2016 frozen high cost support is estimated to be \$174.16 million. Appendix HC08 provides frozen high cost support for price cap carriers by state by study area for 1Q2016.

### **COMPETITIVE ELIGIBLE TELECOMMUNICATIONS CARRIERS**

The *USF/ICC Transformation Order* transitioned existing Competitive Eligible Telecommunications Carriers (CETC) support to the CAF over a five-year period beginning January 1, 2012.<sup>39</sup> For the transition, the FCC set 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.<sup>40</sup> That monthly baseline amount was provided from January 1, 2012 to June 30, 2012.<sup>41</sup> Beginning July 1, 2012, each CETC's support was reduced by 20 percent for each July to June time period.<sup>42</sup> However, consistent with FCC rules, CETC support will not be subject to an additional 20 percent reduction in

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<sup>38</sup> See *USF/ICC Transformation Order* at ¶ 133.

<sup>39</sup> See *id.* at ¶ 513.

<sup>40</sup> See *id.* at ¶ 515.

<sup>41</sup> See *id.* at ¶ 515.hcl

<sup>42</sup> See *id.*

## **Universal Service Administrative Company 1Q2016 Fund Size Projections**

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support beginning July 2014 because Mobility Fund Phase II was not implemented by June 30, 2014.<sup>43</sup> The implementation date of Mobility Fund Phase II is yet to be determined.

For 1Q2016, total frozen High Cost Program support demand for CETCs is \$129.04 million. In addition, for rural Alaska CETCs and Standing Rock, 1Q2016 High Cost Program support is estimated to be \$19.56 million. The combined High Cost Program support demand totals for CETCs, rural Alaska CETCs, and Standing Rock for 2016 is estimated to be \$148.60 million.

Appendix HC08 provides frozen high cost support for CETCs by state by study area for 1Q2016. Additionally, Appendix HC03 provides 1Q2016 projections for Rural Alaska and Standing Rock Support by state by study area. Appendix HC04 provides 1Q2016 per line projections for Rural Alaska and Standing Rock Support.

### **HIGH COST SUPPORT MECHANISM SUMMARY**

The 1Q2016 High Cost Support Mechanism funding requirements are projected as follows: \$181.57 million for HCL Support, \$241.00 million for ICLS, \$43.54 million for frozen Price Cap Carrier Support, \$396.40 for CAF Phase II, \$0.28 for Rural Broadband Experiments, \$148.60 million for frozen CETC Support,<sup>44</sup> \$106.35 million for CAF/ICC Support, and \$7.26 million for the CAF reserve account resulting in total High Cost Support Mechanism projected demand of \$1,125.00 million.

Financial results for 3Q2015 contributed to an under-funded condition for which this filing proposes to adjust the 1Q2016 funding requirements. The total adjustment to the 1Q2016 funding requirement based on actual results will increase the funding requirement by \$27.06 million. The explanation for the adjustment is described in the following table:

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<sup>43</sup> *Id.*

<sup>44</sup> "CETC Support" includes frozen support, rural Alaska CETC support, and support to the Standing Rock Reservation CETC.

**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

Reason for the Prior Period Adjustment	Adjustment in Millions
3Q2015 billings were lower than projected.	\$43.69
Interest income was lower than projected for 3Q2015.	0.12
Bad debt expense was lower than projected.	(12.43)
Annual Administrative True-Up	(4.32)
<b>Total Prior Period Adjustment</b>	<b>\$27.06</b>

The total fund requirement of \$1,125.00 million is adjusted as follows: increased by the prior period adjustments of \$27.06 million, increased by administrative costs of \$10.58 million, and reduced by the projected interest income of \$2.65 million; resulting in a total projected 1Q2016 funding requirement for the High Cost Support Mechanism of \$1,159.99 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.<sup>45</sup> ETCs providing Lifeline support are entitled to receive funding for the waiver of charges and reduced rates provided to qualified low-income subscribers.<sup>46</sup> In the *Lifeline Reform and 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.<sup>47</sup> The Order, however, does not make any changes to Tier 4 support available to low-income consumers residing on tribal lands.<sup>48</sup> As established in the *Tribal Order*, Tier

<sup>45</sup> See 47 C.F.R. § 54.201.

<sup>46</sup> 47 C.F.R. §§ 54.401 - 54.417.

<sup>47</sup> 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, 27 FCC Rcd. 6656, ¶ 58 (rel. Feb. 6, 2012) (*Lifeline Modernization Order*).

<sup>48</sup> See *Lifeline Modernization Order* at ¶ 59.



## **Universal Service Administrative Company 1Q2016 Fund Size Projections**

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Four support makes available each month up to an additional \$25 per low-income subscriber to eligible residents of tribal lands.<sup>49</sup>

For 1Q2016, USAC projects \$395.46 million will be required for Lifeline Support. Based on this projection, total annual 2016 Lifeline Support is estimated to be \$1,581.84 million.

### **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.<sup>50</sup> 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 subscriber's principal place of residence.<sup>51</sup>

For 1Q2016, USAC projects that \$0.11 million will be required for Link-Up support. Based on this projection, total annual 2016 Link-Up support is estimated to be \$0.44 million.

### **LOW INCOME SUPPORT MECHANISM SUMMARY**

The estimated 1Q2016 Low Income Support Mechanism funding requirements are projected as follows: \$395.46 million for Lifeline and \$0.11 million for Link-Up, resulting in total of \$395.57 million.

Financial results of 3Q2015 contribute to an over-funded condition, for which this filing proposes to adjust the 1Q2016 funding requirement. The total adjustment to the

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<sup>49</sup> 47 C.F.R. § 54.400(e); *see also*, *In the Matter of Federal-Joint Board on Universal Service, Promoting Deployment and Subscribership in Unserved and Underserved Areas, et al.*, Twenty-Fifth Order on Reconsideration, Report and Order, Order, and Further Notice of Proposed Rulemaking, CC Docket 96-45, FCC 03-115, 18 FCC Rcd. 10958 (rel. May 21, 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.

<sup>50</sup> *See Lifeline Modernization Order* at ¶ 253.

<sup>51</sup> 47 C.F.R. § 54.413(a)(1).

## Universal Service Administrative Company 1Q2016 Fund Size Projections

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1Q2016 funding requirement based on actual results will decrease the funding needed by \$0.26 million. The explanation for the adjustment is described in the following table:

Reason for the Prior Period Adjustment	Adjustment in Millions
3Q2015 billings were higher than projected.	\$13.09
Low Income Support Mechanism distributions were lower than projected in 3Q2015.	(8.00)
Bad debt expense was lower than anticipated.	(3.61)
Annual Admin True-Up	(1.74)
<b>Total Prior Period Adjustment</b>	<b>\$(0.26)</b>

The total fund requirement of \$395.57 million decreased by the prior period adjustment of \$0.26 million, increased for administrative costs of \$5.60 million (including \$2.58 million for USAC's common costs allocated to the Low Income Support Mechanism), and decreased by allocated projected interest income of \$0.16 million, resulting in a total projected funding requirement for the Low Income Support Mechanism for 1Q2016 of \$400.79 million.

Appendix LI01 provides projected Low Income support amounts by state and study area for 1Q2016.<sup>52</sup> LI03 provides a list of ETCs for 3Q2015.<sup>53</sup> LI04 provides detail on quarterly company specific Low Income disbursement amounts for 3Q2015. LI05 provides detail on annual company-specific Low Income support amounts for January 2012 through September 2015.<sup>54</sup> LI06 provides historical data of monthly support amounts claimed by ETCs from January 1998 through September 2015. LI07 provides detail on Low Income support claimed by state for January 2012 through September 2015.<sup>55</sup> LI08 and LI09 provide subscriber and beneficiary information by state or jurisdiction for Lifeline and Link-up support, respectively, for January 2015 through September 2015.

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<sup>52</sup> Companies that are no longer ETCs have been removed from LI01.

<sup>53</sup> Companies that are no longer ETCs have been removed from LI03.

<sup>54</sup> For data for years prior to 2009 see LI05 of USAC's 2Q2010 FCC Quarterly Demand Filing.

<sup>55</sup> For data for years prior to 2009 see LI07 of USAC's 2Q2010 FCC Quarterly Demand Filing.

**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

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**RURAL HEALTH CARE SUPPORT MECHANISM**

Following is a summary of Rural Health Care Support Mechanism commitments and disbursements for FYs 2008-14 as of September 30, 2015. Prior FYs are closed.

**FUNDING YEAR 2008**

FY 2008 began on July 1, 2008 and ended on June 30, 2009. The window for FY 2008 opened on April 8, 2008. As of September 30, 2015, a total of 3,563 Form 465s were posted and 7,046 funding requests were received.

On September 29, 2006, the FCC released an order establishing a new two-year Rural Health Care Support Mechanism Pilot Program for FYs 2006 and 2007 to cover “up to 85 percent of an applicant’s costs of deploying a dedicated broadband network.”<sup>56</sup> The application window for the Pilot Program opened on March 8, 2007 and closed on May 7, 2007.<sup>57</sup> On November 19, 2007, the FCC released an order increasing the number of FYs to three for the Pilot Program and awarding \$417.78 million in support to 69 applications over FYs 2007, 2008 and 2009.<sup>58</sup> Support under the Pilot Program is capped at \$139.26 million in each of the three FYs. The Commission stated that monies collected in FY 2006 for the Pilot Program should be applied to FY 2007,<sup>59</sup> resulting in \$54.44 million of funds collected for FY 2006 being reallocated to FY 2007.

As of September 30, 2015, Pilot Program funding commitments have been issued totaling \$14.72 million for FY 2008. Based on information provided by applicants, USAC now estimates FY 2008 Pilot Program demand will be \$16.30 million. In accordance with

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<sup>56</sup> *In the Matter of the Rural Health Care Support Mechanism*, WC Docket No. 02-60, Order, FCC 06-144, 21 FCC Rcd. 11111 (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 Docket No. 02-60, Public Notice, DA 06-2279 (rel. Nov. 6, 2006); *FCC Expands Eligibility to Include National LambdaRail’s Backbone in Rural Health Care Pilot*, News Release, FCC 07-6 (rel. Feb. 7, 2007).

<sup>57</sup> *Wireline Competition Bureau Announces OMB Approval of the Rural Health Care Pilot Program Information Collection Requirements and the Deadline for Filing Applications*, Public Notice, DA 07-1188 (rel. Mar. 9, 2007).

<sup>58</sup> See *In the Matter of the Rural Health Care Support Mechanism*, WC Docket No. 02-60, Order, FCC 07-198 (rel. Nov. 19, 2007).

<sup>59</sup> *Id.*

## **Universal Service Administrative Company 1Q2016 Fund Size Projections**

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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 FY, USAC carried forward funds not used in FY 2008 to FY 2009. USAC has collected \$139.26 million for each of the Pilot Program FYs, thus no further collection is necessary.

As of September 30, 2015, Primary Program funding commitments have been issued totaling \$66.66 million. Based on information provided by applicants USAC estimates FY 2008 Primary Program demand will be \$66.66 million. The Commission previously authorized collection of \$66.66 for FY 2008.

Cumulative payments to service providers through 3Q2015 are listed in Appendix RH03.

### **FUNDING YEAR 2009**

FY 2009 began on July 1, 2009 and ended on June 30, 2010. The window for FY 2009 opened on April 9, 2009. As of September 30, 2015, a total of 3,942 Form 465s were posted and 7,710 funding requests were received.

As of September 30, 2015, Pilot Program funding commitments have been issued totaling \$351.02 million for FY 2009. Based on information provided by applicants, USAC now estimates FY 2009 Pilot Program demand will be \$401.48 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 FY, USAC has previously carried forward funds not used in FY 2007 and FY 2008 to FY 2009. USAC has collected \$139.26 million for each of the Pilot Program FYs, thus no further collection is necessary.

## **Universal Service Administrative Company 1Q2016 Fund Size Projections**

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As of September 30, 2015, Primary Program funding commitments have been issued totaling \$71.35 million. Based on information provided by applicants, USAC now estimates FY 2009 Primary Program demand will be \$72.26 million. The Commission previously authorized collection of \$71.31 million for FY 2009. Considering the revised Primary Program demand estimate for FY 2009, USAC recommends the Commission increase collections for FY 2009 for the Primary Program by \$0.95 million in 1Q2016. The Commission granted several FY 2009 appeals that may affect FY 2009 Primary Program demand.

Authorized funding by applicant during 3Q2015 and cumulative payments to service providers through 3Q2015 are listed in Appendices RH05 and RH06, respectively.

### **FUNDING YEAR 2010**

FY 2010 began on July 1, 2010 and ended on June 30, 2011. The window for FY 2010 opened on March 15, 2010. As of September 30, 2015, a total of 4,283 Form 465s were posted and 9,689 funding requests were received.

As of September 30, 2015, Primary Program funding commitments have been issued totaling \$87.00 million. Based on information provided by applicants, USAC now estimates FY 2010 Primary Program demand will be \$87.19 million. The Commission previously authorized collection of \$87.00 million for FY 2010. Considering the revised Primary Program demand estimate for FY 2010, USAC recommends the Commission increase collections for FY 2010 for the Primary Program by \$0.19 million in 1Q2016. The Commission granted several FY 2010 appeals that may affect FY 2009 Primary Program demand.

Cumulative payments to service providers through 3Q2015 are listed in Appendix RH09.

## **Universal Service Administrative Company 1Q2016 Fund Size Projections**

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### **FUNDING YEAR 2011**

FY 2011 began on July 1, 2011 and ended on June 30, 2012. The window for FY 2011 opened on April 4, 2011. As of September 30, 2015, a total of 4,793 Form 465s were posted and 11,556 funding requests were received.

As of September 30, 2015, Primary Program funding commitments have been issued totaling \$100.81 million. Based on information provided by applicants, USAC now estimates FY 2011 Primary Program demand will be \$101.43 million. The Commission previously authorized collection of \$100.81 million for FY 2011. Considering the revised Primary Program demand estimate for FY 2011, USAC recommends the Commission increase collections for FY 2011 for the Primary Program by \$0.62 million in 1Q2016. The Commission granted several FY 2010 appeals that may affect FY 2010 Primary Program demand.

Cumulative payments to service providers through 3Q2015 are listed in Appendix RH12.

### **FUNDING YEAR 2012**

FY 2012 began on July 1, 2012 and ended on June 30, 2013. The window for FY 2012 opened on April 16, 2012. As of September 30, 2015, a total of 5,334 Form 465s were posted and 11,811 funding requests were received.

As of September 30, 2015, Primary Program funding commitments have been issued totaling \$117.79 million. Based on information provided by applicants, USAC now estimates FY 2012 Primary Program demand will be \$117.79 million. The Commission previously authorized collection of \$117.83 million for FY 2012. Considering the revised Primary Program demand estimate for FY 2012, USAC recommends the Commission decrease collections for FY 2012 for the Primary Program by \$0.04 million in 1Q2016.

## **Universal Service Administrative Company 1Q2016 Fund Size Projections**

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Funding commitments made during 3Q2015 are included in Appendix RH13. Authorized funding by applicant during 3Q2015 and cumulative payments to service providers through 3Q2015 are listed in Appendices RH14 and RH15, respectively.

### **FUNDING YEAR 2013**

FY 2013 began on July 1, 2013 and ends on June 30, 2014. The window for FY 2013 opened on April 16, 2013. As of September 30, 2015, a total of 5,438 Form 465s were posted and 11,533 funding requests were received.

As of September 30, 2015, Primary Program funding commitments have been issued totaling \$129.88 million. Based on information provided by applicants, USAC now estimates FY 2013 Primary Program demand will be \$129.88 million. The Commission previously authorized collection of \$129.85 million for FY 2013. Considering the revised Primary Program demand estimate for FY 2013, USAC recommends the Commission increase collections for FY 2013 for the Primary Program by \$0.03 million in 1Q2016.

Funding commitments made during 3Q2015 are included in Appendix RH16. Authorized funding by applicant during 3Q2015 and cumulative payments to service providers through 3Q2015 are listed in Appendices RH17 and RH18, respectively.

### **FUNDING YEAR 2014**

FY 2014 began on July 1, 2014 and ends on September 30, 2015. As of September 30, 2015, a total of 4,097 Form 465s were posted and 6,442 funding requests were received.

As of September 30, 2015, Primary Program funding commitments have been issued totaling \$144.95 million. Based on information provided by applicants, USAC now estimates FY 2014 Primary Program demand will be \$144.95 million. The Commission previously authorized collection of \$145.35 million for FY 2014. Considering the revised

**Universal Service Administrative Company 1Q2016 Fund Size  
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Primary Program demand estimate for FY 2014, USAC recommends the Commission decrease collections for FY 2014 for the Primary Program by \$0.40 million in 1Q2016.

Funding commitments made during 3Q2015 are included in Appendix RH19. Authorized funding by applicant during 3Q2015 and cumulative payments to service providers through 3Q2015 are listed in Appendices RH20 and RH21, respectively.

**FUNDING YEAR 2015**

FY 2015 will begin on July 1, 2015 and end on June 30, 2016. As of September 30, 2015, a total of 3,442 Form 465s were posted and 592 funding requests were received.

As of September 30, 2015, Primary Program funding commitments have been issued totaling \$59.50 million. Based on information provided by applicants, USAC estimates FY 2015 Primary Program demand will be \$121.76 million. The Commission previously authorized collection of \$76.31 million for FY 2015. Considering the Primary Program demand estimate for FY 2015, USAC recommends the Commission increase collections for FY 2015 for the Primary Program by \$45.45 million in 1Q2016.

Funding commitments made during 3Q2015 are included in Appendix RH22. Authorized funding by applicant during 3Q2015 and cumulative payments to service providers through 3Q2015 are listed in Appendices RH23 and RH24, respectively.

**RURAL HEALTH CARE SUPPORT MECHANISM SUMMARY**

The estimated 1Q2016 Rural Health Care Support Mechanism demand requirement is \$72.79 million which includes amounts for the Telecommunications program as well as the Healthcare Connect Fund (HCF). Projected 1Q2016 Telecommunications programs requirements are \$46.79 million. Pursuant to the HCF Order, the FCC was directed to work with USAC to project the amounts to be collected for the early period of the new program



**Universal Service Administrative Company 1Q2016 Fund Size Projections**

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until historical data provides an adequate basis for projecting demand.<sup>60</sup> Pursuant to FCC instruction, USAC projects \$26 million for 1Q2016 demand associated with the HCF.

The following table lists amounts collected for the Healthcare Connect Fund:

<b>Healthcare Connect Fund Reserve</b>				
<b>as of September 30, 2015</b>				
<i>(in millions)</i>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disbursements</b>	<b>Ending Balance</b>
Calendar 2013	\$52.36 <sup>61</sup>	\$43.33		\$95.69
Calendar 2014	95.69	104.00	\$(10.00)	189.69
1st Q2015	189.69	26.00	(10.98)	204.71
2nd Q2015	204.71	26.00	(7.01)	223.71
3rd Q2015	223.71	26.00	(24.70)	225.01
Projected 4th Q2015	225.01	26.00		251.01
Projected 1st Q2016	251.01	26.00		277.01
<b>Net Activity</b>		<b>\$277.33</b>	<b>\$(52.68)</b>	

The FCC has further directed USAC to use uncommitted Pilot Program dollars for the demand associated with the HCF. As of September 30, 2015, USAC estimates that there will be \$52.36 million in uncommitted Pilot Program dollars available for commitment through the HCF in 1Q2016. Total estimated HCF funds available for commitment in 1Q2016 will be \$169.95 million.

The results of 3Q2015 contributed to an under-funded condition for which this filing proposes to adjust the 1Q2016 funding requirements. The total adjustment to the 1Q2016 funding requirement based on actual results will increase the funding requirement by \$1.14 million. The explanation for the adjustment is provided in the following table:

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<sup>60</sup> *In the Matter of Rural Health Care Support Mechanism*, WC Docket 02-60, Report and Order, FCC 12-150, 27 FCC Red 16678, ¶368 (rel. Dec. 21, 2012).

<sup>61</sup> The beginning balance represents the adjusted amount transferred from the Pilot Program.

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Reason for the Prior Period Adjustment	Adjustment in Millions
3Q2015 billings were lower than projected	\$2.68
Interest income was lower than projected	0.02
Bad debt expense was higher than anticipated	(0.76)
Annual Administrative expense true-up	(0.80)
<b>Total Prior Period Adjustment</b>	<b>\$1.14</b>

The total fund requirement of \$72.79 million is adjusted as follows: increased by the prior-period adjustment of \$1.14 million, increased for administrative costs of \$3.10 million, and reduced by the projected interest income of \$0.42 million, resulting in a total projected funding requirement for the Rural Health Care Support Mechanism for 1Q2016 of \$76.61 million.

**SCHOOLS AND LIBRARIES SUPPORT MECHANISM**

Following is a summary of Schools and Libraries Support Mechanism net commitments<sup>62</sup> and net authorized for payment<sup>63</sup> by FY as of September 30, 2015.

**FUNDING YEAR 1998**

FY 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	\$ 679.24	39.98%	\$ 507.76	36.29%	74.75%
Internet Access	\$ 134.10	7.89%	\$ 94.82	6.78%	70.71%
Internal Connections	\$ 885.78	52.13%	\$ 796.48	56.93%	89.92%
<b>TOTAL</b>	<b>\$ 1,699.12</b>	<b>100.00%</b>	<b>\$1,399.06</b>	<b>100.00%</b>	<b>82.34%</b>
De-obligations due to Expired FRNs	\$ (300.06)				
<b>Net Commitments</b>	<b>\$ 1,399.06</b>				

<sup>62</sup> 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.

<sup>63</sup> 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 1Q2016 Fund Size  
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No FY 1998 applications remained in the Program Integrity Assurance (PIA) review process. The FY 1998 began on July 1, 1998 and ended on June 30, 1999.

**FUNDING YEAR 1999**

<b>FY 1999</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 634.54	29.54%	\$ 452.16	27.40%	71.26%
Internet Access	\$ 148.68	6.92%	\$ 95.40	5.78%	64.16%
Internal Connections	\$ 1,364.67	63.54%	\$1,102.59	66.82%	80.80%
<b>TOTAL</b>	<b>\$ 2,147.89</b>	<b>100.00%</b>	<b>\$1,650.15</b>	<b>100.00%</b>	<b>76.83%</b>
Deobligations due to Expired FRNs	\$ (497.75)				
<b>Net Commitments</b>	<b>\$ 1,650.14</b>				

No FY 1999 applications remained in the PIA review process. The FY 1999 began on July 1, 1999 and ended on June 30, 2000.

**FUNDING YEAR 2000**

<b>FY 2000</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 719.03	34.59%	\$ 481.21	29.22%	66.92%
Internet Access	\$ 218.73	10.52%	\$ 131.92	8.01%	60.31%
Internal Connections	\$ 1,141.02	54.89%	\$1,033.89	62.77%	90.61%
<b>TOTAL</b>	<b>\$ 2,078.78</b>	<b>100.00%</b>	<b>\$1,647.02</b>	<b>100.00%</b>	<b>79.23%</b>
Deobligations due to Expired FRNs	\$ (431.75)				
<b>Net Commitments</b>	<b>\$ 1,647.03</b>				

**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

No FY 2000 applications remained in the PIA review process. The FY 2000 began on July 1, 2000 and ended on June 30, 2001.

**FUNDING YEAR 2001**

<b>FY 2001</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 766.61	35.22%	\$ 540.78	31.89%	70.54%
Internet Access	\$ 224.78	10.33%	\$ 147.05	8.67%	65.42%
Internal Connections	\$ 1,185.14	54.45%	\$1,007.93	59.44%	85.05%
<b>TOTAL</b>	<b>\$ 2,176.53</b>	<b>100.00%</b>	<b>\$1,695.76</b>	<b>100.00%</b>	<b>77.91%</b>
Deobligations due to Expired FRNs	\$ (479.81)				
<b>Net Commitments</b>	<b>\$ 1,696.72</b>				

As of September 30, 2015, two potentially fundable FY 2001 applications remained in the PIA review process. The FY 2001 began on July 1, 2001 and ended on June 30, 2002.

**FUNDING YEAR 2002**

<b>FY 2002</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 860.69	39.10%	\$ 613.39	38.38%	71.27%
Internet Access	\$ 251.47	11.43%	\$ 169.42	10.60%	67.37%
Internal Connections	\$ 1,088.87	49.47%	\$ 815.40	51.02%	74.88%
<b>TOTAL</b>	<b>\$ 2,201.03</b>	<b>100.00%</b>	<b>\$1,598.21</b>	<b>100.00%</b>	<b>72.61%</b>
Deobligations due to Expired FRNs	\$ (594.57)				
<b>Net Commitments</b>	<b>\$ 1,606.46</b>				

As of September 30, 2015, one potentially fundable FY 2002 application remained in the PIA review process. The FY 2002 began on July 1, 2002 and ended on June 30, 2003.

**Universal Service Administrative Company 1Q2016 Fund Size  
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**FUNDING YEAR 2003**

<b>FY 2003</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 906.63	34.36%	\$ 659.94	34.01%	72.79%
Internet Access	\$ 276.05	10.46%	\$ 203.31	10.48%	73.65%
Internal Connections	\$ 1,456.01	55.18%	\$1,076.92	55.51%	73.96%
<b>TOTAL</b>	<b>\$ 2,638.69</b>	<b>100.00%</b>	<b>\$1,940.17</b>	<b>100.00%</b>	<b>73.53%</b>
Deobligations due to Expired FRNs	\$ (691.72)				
<b>Net Commitments</b>	<b>\$ 1,946.97</b>				

As of September 30, 2015, two potentially fundable FY 2003 applications remained in the PIA review process. The FY 2003 began on July 1, 2003 and ended on June 30, 2004.

**FUNDING YEAR 2004**

<b>FY 2004</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 950.44	43.31%	\$ 691.31	45.00%	72.74%
Internet Access	\$ 246.13	11.22%	\$ 193.32	12.58%	78.54%
Internal Connections	\$ 997.94	45.47%	\$ 651.79	42.42%	65.31%
<b>TOTAL</b>	<b>\$ 2,194.51</b>	<b>100.00%</b>	<b>\$1,536.42</b>	<b>100.00%</b>	<b>70.01%</b>
Deobligations due to Expired FRNs	\$ (657.90)				
<b>Net Commitments</b>	<b>\$ 1,536.61</b>				

No FY 2004 applications remain in the PIA review process. The FY 2004 began on July 1, 2004 and ended on June 30, 2005.

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Projections**

**FUNDING YEAR 2005**

<b>FY 2005</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 992.05	46.49%	\$ 780.16	47.99%	78.64%
Internet Access	\$ 259.79	12.17%	\$ 214.42	13.19%	82.54%
Internal Connections	\$ 748.37	35.07%	\$ 539.20	33.17%	72.05%
Internal Connections-Maint	\$ 133.73	6.27%	\$ 91.87	5.65%	68.70%
<b>TOTAL</b>	<b>\$ 2,133.94</b>	<b>100.00%</b>	<b>\$1,625.65</b>	<b>100.00%</b>	<b>76.18%</b>
Deobligations due to Expired FRNs	\$ (507.96)				
<b>Net Commitments</b>	<b>\$ 1,625.98</b>				

As of September 30, 2015, two potentially fundable FY 2005 applications remained in the PIA review process. The FY 2005 began on July 1, 2005 and ended on June 30, 2006. Authorized funding by applicant during 3Q2015 and cumulative payments to service providers through 3Q2015 are listed in Appendices, SL01 and SL02, respectively.

**FUNDING YEAR 2006**

<b>FY 2006</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 1,071.69	54.19%	\$ 852.10	54.31%	79.51%
Internet Access	\$ 291.10	14.72%	\$ 236.48	15.08%	81.24%
Internal Connections	\$ 490.81	24.81%	\$ 394.61	25.15%	80.40%
Internal Connections-Maint	\$ 124.19	6.28%	\$ 85.68	5.46%	68.99%
<b>TOTAL</b>	<b>\$ 1,977.79</b>	<b>100.00%</b>	<b>\$1,568.87</b>	<b>100.00%</b>	<b>79.32%</b>
Deobligations due to Expired FRNs	\$ (408.25)				
<b>Net Commitments</b>	<b>\$ 1,569.54</b>				

**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

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As of September 30, 2015, three potentially fundable FY 2006 applications remained in the PIA review process. The FY 2006 began on July 1, 2006 and ended on June 30, 2007. Authorized funding by applicant during 3Q2015 and cumulative payments to service providers through 3Q2015 are listed in Appendices, SL03 and SL04, respectively.

**FUNDING YEAR 2007**

<b>FY 2007</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 1,189.74	48.77%	\$ 949.98	48.58%	79.85%
Internet Access	\$ 310.13	12.71%	\$ 258.88	13.24%	83.47%
Internal Connections	\$ 777.40	31.87%	\$ 627.38	32.07%	80.70%
Internal Connections-Maint	\$ 162.31	6.65%	\$ 119.43	6.11%	73.58%
<b>TOTAL</b>	<b>\$ 2,439.58</b>	<b>100.00%</b>	<b>\$1,955.67</b>	<b>100.00%</b>	<b>80.16%</b>
Deobligations due to Expired FRNs	\$ (482.74)				
<b>Net Commitments</b>	<b>\$ 1,956.84</b>				

As of September 30, 2015, seven potentially fundable FY 2007 applications remained in the PIA review process. FY 2007 began on July 1, 2007 and ended on June 30, 2008. Authorized funding by applicant during 3Q2015 and cumulative payments to service providers through 3Q2015 are listed in Appendices, SL05 and SL06, respectively.

**FUNDING YEAR 2008**

<b>FY 2008</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 1,300.41	50.72%	\$1,049.72	54.87%	80.72%

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Internet Access	\$ 339.20	13.23%	\$ 278.41	14.56%	82.08%
Internal Connections	\$ 790.61	30.84%	\$ 492.39	25.74%	62.28%
Internal Connections-Maint	\$ 133.63	5.21%	\$ 92.49	4.83%	69.21%
<b>TOTAL</b>	<b>\$ 2,563.85</b>	<b>100.00%</b>	<b>\$1,913.01</b>	<b>100.00%</b>	<b>74.61%</b>
Deobligations due to Expired FRNs	\$ (626.80)				
<b>Net Commitments</b>	<b>\$ 1,937.05</b>				

As of September 30, 2015, 13 potentially fundable FY 2008 applications remained in the PIA review process. The FY 2008 began on July 1, 2008 and ended on June 30, 2009. Authorized funding by applicant during 3Q2015 and cumulative payments to service providers through 3Q2015 are listed in Appendices SL07 and SL08, respectively.

**FUNDING YEAR 2009**

<b>FY 2009</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 1,364.89	47.41%	\$ 1,110.51	48.35%	81.36%
Internet Access	\$ 355.29	12.34%	\$ 291.93	12.71%	82.17%
Internal Connections	\$ 956.44	33.23%	\$ 753.84	32.83%	78.82%
Internal Connections-Maint	\$ 202.15	7.02%	\$ 140.44	6.11%	69.47%
<b>TOTAL</b>	<b>\$ 2,878.77</b>	<b>100.00%</b>	<b>\$ 2,296.72</b>	<b>100.00%</b>	<b>79.78%</b>
Deobligations due to Expired FRNs	\$ (541.02)				
<b>Net Commitments</b>	<b>\$ 2,337.75</b>				

As of September 30, 2015, nine potentially fundable FY 2009 applications remained in the PIA review process. The FY 2009 began on July 1, 2009 and ended on June 30, 2010. Authorized funding by applicant during 3Q2015 and cumulative payments to service providers through 3Q2015 are listed in Appendices SL09 and SL10, respectively.



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**FUNDING YEAR 2010**

<b>FY 2010</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 1,453.24	46.54%	\$1,175.27	48.76%	80.87%
Internet Access	\$ 397.53	12.73%	\$ 329.59	13.67%	82.91%
Internal Connections	\$ 1,049.70	33.62%	\$ 757.77	31.44%	72.19%
Internal Connections-Maint	\$ 221.93	7.11%	\$ 147.86	6.13%	66.62%
<b>TOTAL</b>	<b>\$ 3,122.40</b>	<b>100.00%</b>	<b>\$ 2,410.49</b>	<b>100.00%</b>	<b>77.20%</b>
Deobligations due to Expired FRNs	\$ (589.63)				
<b>Net Commitments</b>	<b>\$ 2,532.77</b>				

As of September 30, 2015, 12 potentially fundable FY 2010 applications remained in the PIA review process. The FY 2010 began on July 1, 2010 and ended on June 30, 2011. Funding commitments made to applicants during 3Q2015 are included in Appendix SL11. Authorized funding by applicant during 3Q2015 and cumulative payments to service providers through 3Q2015 are listed in Appendices SL12 and SL13, respectively.

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Projections**

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**FUNDING YEAR 2011**

<b>FY 2011</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 1,470.25	54.99%	\$1,186.86	56.38%	80.73%
Internet Access	\$ 473.12	17.70%	\$ 386.97	18.38%	81.79%
Internal Connections	\$ 603.63	22.58%	\$ 455.78	21.65%	75.57%
Internal Connections-Maint	\$ 126.65	4.73%	\$ 75.54	3.59%	59.64%
<b>TOTAL</b>	<b>\$ 2,673.65</b>	<b>100.00%</b>	<b>\$2,105.15</b>	<b>100.00%</b>	<b>78.74%</b>
Deobligations due to Expired FRNs	\$ (485.31)				
<b>Net Commitments</b>	<b>\$ 2,188.34</b>				

As of September 30, 2015, 31 potentially fundable FY 2011 applications remained in the PIA review process. The FY 2011 began on July 1, 2011 and ended on June 30, 2012. Funding commitments made to applicants during 3Q2015 are included in Appendix SL14. Authorized funding by applicant during 3Q2015 and cumulative payments to service providers through 3Q2015 are listed in Appendices SL15 and SL16, respectively.

**Universal Service Administrative Company 1Q2016 Fund Size  
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**FUNDING YEAR 2012**

<b>FY 2012</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 1,515.60	51.18%	\$ 1,208.82	54.99%	79.76%
Internet Access	\$ 563.25	19.02%	\$ 445.32	20.26%	79.06%
Internal Connections	\$ 748.94	25.29%	\$ 470.16	21.39%	62.78%
Internal Connections-Maint	\$ 133.65	4.51%	\$ 73.90	3.36%	55.29%
<b>TOTAL</b>	<b>\$ 2,961.44</b>	<b>100.00%</b>	<b>\$ 2,198.20</b>	<b>100.00%</b>	<b>74.23%</b>
Deobligations due to Expired FRNs	\$ (518.75)				
<b>Net Commitments</b>	<b>\$ 2,442.69</b>				

As of September 30, 2015, 67 potentially fundable FY 2012 applications remained in the PIA review process. The FY 2012 began on July 1, 2012 and ended on June 30, 2013. Funding commitments made to applicants during 3Q2015 are included in Appendix SL17. Authorized funding by applicant during 3Q2015 and cumulative payments to service providers through 3Q2015 are listed in Appendices SL18 and SL19, respectively.

**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

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**FUNDING YEAR 2013**

<b>FY 2013</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 1,558.24	71.72%	\$ 1,208.02	71.40%	77.52%
Internet Access	\$ 614.39	28.28%	\$ 483.97	28.60%	78.77%
Internal Connections	\$ -	0.00%	\$ -	0.00%	0.00%
Internal Connections-Maint	\$ -	0.00%	\$ -	0.00%	0.00%
<b>TOTAL</b>	<b>\$ 2,172.63</b>	<b>100.00%</b>	<b>\$ 1,691.99</b>	<b>100.00%</b>	<b>77.88%</b>
Deobligations due to Expired FRNs	\$ (414.00)				
<b>Net Commitments</b>	<b>\$ 1,758.63</b>				

As of September 30, 2015, 327 potentially fundable FY 2013 applications remained in the PIA review process. The FY 2013 began on July 1, 2013 and ended on June 30, 2014. Funding commitments made to applicants during 3Q2015 are included in Appendix SL20. Authorized funding by applicant during 3Q2015 and cumulative payments to service providers through 3Q2015 are listed in Appendices SL21 and SL22, respectively.

**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

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**FUNDING YEAR 2014**

<b>FY 2014</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 1,586.21	69.77%	\$ 887.28	64.49%	55.94%
Internet Access	\$ 687.16	30.23%	\$ 427.35	32.51%	62.19%
Internal Connections	\$ -	0.00%	\$ -	0.00%	0.00%
Internal Connections-Maint	\$ -	0.00%	\$ -	0.00%	0.00%
<b>TOTAL</b>	<b>\$ 2,273.37</b>	<b>100.00%</b>	<b>\$ 1,314.63</b>	<b>100.00%</b>	<b>57.83%</b>
Deobligations due to Expired FRNs	\$ -				
<b>Net Commitments</b>	<b>\$ 2,273.37</b>				

As of September 30, 2015, 524 potentially fundable FY 2014 applications remained in the PIA review process. The FY 2014 began on July 1, 2014 and will end on September 30, 2015. Funding commitments made to applicants during 3Q2015 are included in Appendix SL23. Authorized funding by applicant during 3Q2015 and cumulative payments to service providers through 3Q2015 are listed in Appendices SL24 and SL25, respectively.

**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

**FUNDING YEAR 2015**

<b>FY 2015</b>					
	<b>Net Commitments</b>		<b>Net Authorized for Payment</b>		<b>Auth/Com</b>
	<b>Millions of Dollars</b>	<b>% of Total Commitments</b>	<b>Millions of Dollars</b>	<b>% of Total Authorized for Payment</b>	<b>% of Committed Authorized for Payment</b>
Telecommunications	\$ 489.29	24.57%	\$ 12.87	25.19%	2.63%
Internet Access	\$ 488.18	24.52%	\$ 12.17	23.82%	2.49%
Internal Connections	\$ 661.28	33.21%	\$ 22.25	43.55%	3.36%
Internal Connections-Maint	\$ 16.40	0.82%	\$ 0.27	0.53%	1.65%
MIBS	\$ 10.52	0.53%	\$ 0.20	0.39%	1.90%
Voice	\$ 325.47	16.35%	\$ 3.33	6.52%	1.02%
<b>TOTAL</b>	<b>\$ 1,991.14</b>	<b>100.00%</b>	<b>\$ 51.09</b>	<b>100.00%</b>	<b>2.57%</b>
Deobligations due to Expired FRNs	\$ -				
<b>Net Commitments</b>	<b>\$ 1,991.14</b>				

As of September 30, 2015, 6,932 potentially fundable FY 2015 applications remained in the PIA review process. The FY 2015 began on July 1, 2015 and will end on June 30, 2016. Funding commitments made to applicants during 3Q2015 are included in Appendix SL26. Authorized funding by applicant during 3Q2015 and cumulative payments to service providers through 3Q2015 are listed in Appendices SL27 and SL28, 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 FY 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 FYs 1999 and 2000 collections were used to stabilize USF contributions and offset collections for 3rd Quarter 2002 (3Q2002), 4th Quarter 2002

## Universal Service Administrative Company 1Q2016 Fund Size Projections

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(4Q2002), and 1st Quarter 2003 (1Q2003).<sup>64</sup>

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 FYs to be carried forward on an annual basis in the second quarter of each calendar year for use in the next full FY.<sup>65</sup> The Commission required USAC to file quarterly estimates of unused funds from prior FYs 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 FY 2003 and directed USAC to carry-forward \$420 million of unused prior year funds for use in FY 2003.<sup>66</sup> In accordance with the *Schools and Libraries Third Report and Order*, the Commission announced that \$150 million in unused funds from FY 2001 would be carried forward to increase disbursements to schools and libraries in FY 2004.<sup>67</sup>

On June 11, 2007, the Commission instructed USAC to carry-forward \$650 million in unused funds to FY 2007.<sup>68</sup> The funds were carried forward from FYs 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 FY 2008.<sup>69</sup> The funds were carried forward from FYs 2002, 2003, and 2004 in the amount of \$150 million, \$200 million, and \$250 million, respectively. On July 31, 2009, the Commission instructed USAC to carry-forward \$900 million in unused

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<sup>64</sup> See *In the Matter of Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, First Report and Order, FCC 02-175 (rel. June 13, 2002) (*Schools and Libraries First Report and Order*).

<sup>65</sup> See *In the Matter of 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 (rel. Dec. 23, 2003) (*Schools and Libraries Third Report and Order*).

<sup>66</sup> *Id.*

<sup>67</sup> See *In the Matter of Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Public Notice, Carryover of Unused Funds for FY 2004, DA 04-1848 (rel. June 28, 2004).

<sup>68</sup> See *In the Matter of Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Public Notice, *Wireline Competition Bureau Announces Carryover of Unused Funds for FY 2007*, DA 07-2470 (rel. June 1, 2007).

<sup>69</sup> See *In the Matter of Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Public Notice, *Carryover of Unused Federal Universal Service Funds for FY 2008*, DA 08-1470 (rel. June 23, 2008).

## Universal Service Administrative Company 1Q2016 Fund Size Projections

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funds to FY 2009.<sup>70</sup> The funds were carried-forward from FYs 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 FY 2010.<sup>71</sup> The funds were carried-forward from FYs 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 FY 2010.<sup>72</sup> The funds were carried forward from FY 2008. The total funds carried forward to FY 2010 amount to \$1,150 million. The Commission further instructed USAC to carry-forward \$850 million in unused funds from FYs 2003, 2004, 2005, 2006, 2007, 2008, and 2009 to FY 2011.<sup>73</sup> The funds were carried-forward from FYs 2003, 2004, 2005, 2006, 2007, 2008, and 2009 in the amount of \$20 million, \$50 million, \$120 million, \$115 million, \$275 million, \$140 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 FY 2012 disbursements in excess of the \$2.34 billion annual cap.<sup>74</sup> The funds were carried-forward from FYs 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. On May 16, 2013, the FCC authorized

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<sup>70</sup> See *In the Matter of Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Order, DA 09-1734 (rel. July 31, 2009).

<sup>71</sup> See *In the Matter of Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Public Notice, *Wireline Competition Bureau Announces Carryover of Unused Schools and Libraries Universal Service Funds for FY 2010*, DA 10-1243 (rel. July 1, 2010).

<sup>72</sup> See *In the Matter of School and Libraries Universal Service Support Mechanism, Funds for Learning, LLC Petition to Reject the Administrator's Discount Threshold Recommendation for FY 2010*, CC Docket No. 02-6, Order, DA 11-1354 (rel. Aug. 22, 2011).

<sup>73</sup> *Id.*

<sup>74</sup> See *In the Matter of Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Public Notice, CC Docket No. 02-6, Public Notice, *Wireline Competition Bureau Announces Carry-Forward of Unused Schools and Libraries Universal Service Funds for FY 2012*, DA 12-1148 (rel. July 18, 2012).



## Universal Service Administrative Company 1Q2016 Fund Size Projections

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USAC to carry-forward \$450 million in unused funds from prior years to increase FY 2013 disbursements in excess of the \$2.38 billion annual cap.<sup>75</sup> The funds were carried forward from FYs 2007, 2008, 2009 and 2010 in the amount of \$20 million, \$150 million, \$150 million and \$130 million, respectively. On May 2, 2014, the FCC authorized USAC to carry-forward \$200 million in unused funds from prior years to increase FY 2014 disbursements in excess of the \$2.41 billion annual cap.<sup>76</sup> The funds were carried forward from FYs 2002, 2007, 2009 and 2010 in the amount of \$40 million, \$30 million, \$70 million and \$60 million, respectively.

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.<sup>77</sup> 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 FY 2010 to \$2,270,250,000. On August 5, 2011, the Commission set the cap for FY 2011 at \$2,290,682,250.<sup>78</sup> 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.<sup>79</sup> On May 18,

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<sup>75</sup> See *In the Matter of Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Public Notice, *Wireline Competition Bureau Announces Carry-Forward of Unused Schools and Libraries Universal Service Funds for FY 2013*, DA 13-1119 (rel. May 16, 2013).

<sup>76</sup> See *In the Matter of Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Public Notice, *Wireline Competition Bureau Announces Carry-Forward of Unused Schools and Libraries Universal Service Funds for FY 2014*, DA 14-609 (rel. May 2, 2014).

<sup>77</sup> See *In the Matter of Schools and Libraries Universal Service Support Mechanism, A National Broadband Plan For Our Future*, CC Docket No. 02-6, GN Docket No. 09-51, Sixth Report and Order, FCC 10-175 (rel. Sep. 28, 2010) (*Schools and Libraries Sixth Report and Order*).

<sup>78</sup> *In the Matter of Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Public Notice, *Wireline Competition Bureau Announces E-Rate Inflation-Based Cap for FY 2011*, DA 11-1345 (rel. Aug. 5, 2011).

<sup>79</sup> See *USF/ICC Transformation Order* at ¶ 567.

## Universal Service Administrative Company 1Q2016 Fund Size Projections

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2012, the Commission set the cap for FY 2012 to \$2,338,786,577.<sup>80</sup> On March 11, 2013, the FCC set the cap for FY 2013 at \$2,380,314,485.<sup>81</sup> On March 28, 2014, the FCC set the cap for FY 2014 at \$2,413,817,693.<sup>82</sup>

On December 15, 2014, the FCC Managing Director provided guidance (see DA 14-1820) to USAC concerning maintenance of cash reserves for meeting funding commitments for the Schools and Libraries Support Mechanism. On December 19, 2014, the FCC released the *Second Report and Order on Reconsideration*, FCC 14-189, also known as the *Second E-rate Modernization Order*, adjusting the \$2.41 billion annual cap (after giving effect to inflation adjustments) to \$3.9 billion, effective for FY 2015. On December 23, 2014, USAC submitted information to the FCC consistent with that guidance (see Submission for the Record. WC Docket 13-184, CC Docket 02-6, Information on Schools and Support Mechanism Funds Available for Carry-Forward (submitted. December 23, 2014).

On May 6, 2015, USAC submitted an estimate of demand for the E-rate program for FY 2015 of \$3.92 billion, which includes estimated demand for Category One services (telecommunications, telecommunications services and Internet access) of \$2.255 billion and of \$1.665 billion for category two services (internal connections, basic maintenance of internal connections and managed internal broadband services).

On May 8, 2015, the FCC authorized USAC to carry forward \$1,575 million in unused funds from prior years to fund Funding Year 2015 disbursements up to the \$3.92 billion demand. The funds were carried-forward from Funding Years 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013 in the

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<sup>80</sup> See *In the Matter of Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Public Notice, *Wireline Competition Bureau Announces E-Rate Inflation-Based Cap for FY 2012*, DA 12-791 (rel. May 18, 2012).

<sup>81</sup> See *In the Matter of Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Public Notice, *Wireline Competition Bureau Announces E-Rate Inflation-Based Cap for FY 2012*, DA 13-382 (rel. Mar. 11, 2013).

<sup>82</sup> See *In the Matter of Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Public Notice, *Wireline Competition Bureau Announces E-Rate Inflation -Based Cap for FY 2014*, DA 14-426 (rel. Mar. 28, 2014).

**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

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amount of \$4.99 million; \$8.44 million; \$7.70 million; \$27.70 million; \$15.20 million; \$43.83 million; \$20.95 million; \$18.62 million; \$31.80 million; \$19.49 million; \$18.46 million; \$70.37 million; \$378.57 million; \$595.81 million; \$295.12 million; and \$18 million, respectively.

The FCC directed USAC to fully fund eligible category one services under the new cap. The FCC also directed USAC to fully fund eligible Category Two services, first using as much as \$1.575 billion in E-rate funds unused from previous years, and then using any additional funds needed under the new cap to fully meet demand.

In consultation with the FCC, USAC projects a total of \$500 million is currently available to carry-forward from prior FYs as follows: 2004: \$1.69 million; 2006: \$1.91 million; 2011: \$18.98 million; and 2012: \$477.42 million.

The following sections provide information regarding the use of funds for each FY, 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, 2015, \$1,399.06 million of FY 1998 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. In response to this direction, USAC estimates that no contingency amount should be reserved to pay appeals pending at the Commission and to pay invoices on funding requests that may be granted extended invoice deadlines pursuant to Commission orders. Pursuant to the *Second Report and Order* issued on April 30, 2003 and in consultation with the Commission, \$3 million of needed funds for successful appeals were transferred from available funds in FY 2008. Given these requirements, USAC estimates no FY 1998 funds are available to carry forward. The estimated FY 1998 balance is based on the following:

**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

<b>FY 1998</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$1,925.00
Amount Authorized for Disbursement	(1,399.06)
Administrative Expenses (21 months)	(41.79)
Amount Applied to Adjust 2000, 2001, and 2002 Collections	(477.16)
Amount Carried-forward to FY 2012	(5.00)
Amount Carried-forward to FY 2015	(4.99)
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	0.00
<b>Estimated Remaining Balance</b>	<b>\$0.00</b>

*Funding Year 1999 True-Up*

As of September 30, 2015, \$1,650.15 million of FY 1999 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. In response to this direction, USAC estimates that no contingency amount should be reserved to pay appeals pending at the Commission and to pay invoices on funding requests that may be granted extended invoice deadlines pursuant to Commission orders. Given these requirements, USAC estimates no FY 1999 funds are available to carry forward. The estimated remaining FY 1999 balance is based on the following:

**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

<b>FY 1999</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(1,650.15)
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 FY 2003	(50.00)
Amount Carried-forward to FY 2009	(25.00)
Amount Carried-forward to FY 2012	(15.00)
Amount Carried-forward to FY 2015	(8.44)
Potential Additional Disbursements on Committed FRNs	(0.00)
Contingency Amount for Pending Appeals and Invoice Deadline Extension Requests	0.00
<b>Estimated Remaining Balance</b>	<b>\$0.00</b>

*Funding Year 2000 True-Up*

As of September 30, 2015, \$1,647.02 million of FY 2000 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. In response to this direction, USAC's projection of remaining Funding Year 2000 funds includes estimates of funds needed to pay additional disbursements on committed funding requests, and no disbursements on remaining requests that have not received funding commitments, as well as no 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, USAC estimates no FY 2000 funds are available to carry forward. The estimated remaining FY 2000 balance is based on the following:

**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

<b>FY YEAR 2000</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(1,647.02)
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 FY 2003	(160.00)
Amount Carried-forward to FY 2012	(20.00)
Amount Carried-forward to FY 2015	(7.70)
Potential Additional Disbursements on Committed FRNs	(0.00)
Contingency Amount for Pending Appeals and Invoice Deadline Extension Requests	(0.01)
<b>Estimated Remaining Balance</b>	<b>\$0.00</b>

*Funding Year 2001 True-Up*

As of September 30, 2015, \$1,695.76 million of FY 2001 support had been authorized for disbursement. USAC's projection of remaining Funding Year 2001 funds includes estimates of funds needed to pay additional disbursements on committed funding requests and no disbursements on requests that have not yet received funding commitments, as well as no 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, USAC estimates that no FY 2001 funds are available to carry-forward. The estimated remaining FY 2001 balance is based on the following:

**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

<b>FY 2001</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(1,695.76)
Administrative Expenses	(30.56)
Amount Carried-forward to FY 2003	(210.00)
Amount Carried-forward to FY 2004	(150.00)
Amount Carried-forward to FY 2007	(50.00)
Amount Carried-forward to FY 2009	(60.00)
Amount Carried-forward to FY 2012	(25.00)
Amount Carried-forward to FY 2015	(27.70)
Potential Additional Disbursements on Committed FRNs	(0.96)
Remaining Uncommitted Requests	0.00
Contingency Amount for Pending Appeals and Invoice Deadline Extension Requests	(0.02)
<b>Estimated Remaining Balance</b>	<b>\$0.00</b>

*Funding Year 2002 True-Up*

As of September 30, 2015, \$1,598.21 million of FY 2002 support had been authorized for disbursement. USAC's projection of remaining Funding Year 2002 funds includes estimates of funds needed to pay additional disbursements on committed funding requests and no disbursements on requests that have not yet received funding commitments, as well as no 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, USAC estimates that no FY 2002 funds are available to carry-forward. The estimated remaining FY 2002 balance is based on the following:

<b>FY 2002</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(1,598.21)
Administrative Expenses	(38.53)
Amount Carried-forward to FY 2007	(300.00)
Amount Carried-forward to FY 2008	(150.00)
Amount Carried-forward to FY 2009	(60.00)
Amount Carried-forward to FY 2010	(25.00)
Amount Carried-forward to FY 2012	(15.00)
Amount Carried-forward to FY 2014	(40.00)

**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

<b>FY 2002</b>	<b>Amounts in Millions</b>
Amount Carried-forward to FY 2015	(15.20)
Potential Additional Disbursements on Committed FRNs	(8.25)
Remaining Uncommitted Requests	0.00
Contingency Amount for Pending Appeals and Invoice Deadline Extension Requests	0.19
<b>Estimated Remaining Balance</b>	<b>\$0.00</b>

*Funding Year 2003 True-Up*

As of September 30, 2015, \$1,940.17 million of FY 2003 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. In response to this direction, USAC's projection of remaining Funding Year 2003 funds includes estimates of funds needed to pay additional disbursements on committed funding requests and no disbursements on requests that have not yet received funding commitments, as well as no 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 FY 2003 funds are available to carry-forward. The estimated remaining FY 2003 balance is based on the following:



**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

<b>FY 2003</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(1,940.17)
Amount Carried-forward from FYs 1999, 2000 and 2001	420.00
Amount Carried-forward to FY 2007	(150.00)
Amount Carried-forward to FY 2008	(200.00)
Amount Carried-forward to FY 2009	(210.00)
Amount Carried-forward to FY 2011	(20.00)
Amount Carried-forward to FY 2012	(55.00)
Amount Carried-forward to FY 2015	(43.83)
Administrative Expenses	(44.19)
Potential Additional Disbursements on Committed FRNs	(6.80)
Remaining Uncommitted Requests	0.00
Contingency Amount for Pending Appeals and Invoice Deadline Extension Requests	(0.01)
<b>Estimated Remaining Balance</b>	<b>\$0.00</b>

*Funding Year 2004 True-Up*

As of September 30, 2015, \$1,536.42 million of FY 2004 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. In response to this direction, USAC's projection of remaining Funding Year 2004 funds includes estimates of funds needed to pay additional disbursements on committed funding requests and no disbursements on requests that have not yet received funding commitments, as well as no 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, USAC estimates that \$1.69 million of FY 2004 funds are available to carry-forward. The estimated remaining FY 2004 balance is based on the following:

**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

<b>FY 2004</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(1,536.42)
Amount Carried-forward from FY 2001	150.00
Amount Carried-forward to FY 2007	(150.00)
Amount Carried-forward to FY 2008	(250.00)
Amount Carried-forward to FY 2009	(275.00)
Amount Carried-forward to FY 2011	(50.00)
Amount Carried-forward to FY 2012	(60.00)
Amount Carried-forward to FY 2015	(20.95)
Amount Applied to Adjust Collections	(550.00)
Adjustment for Reduction in Collections	550.00
Administrative Expenses	(55.75)
Potential Additional Disbursements on Committed FRNs	(0.19)
Remaining Uncommitted Requests	(0.00)
Contingency Amount for Pending Appeals and Invoice Deadline Extension Requests	(0.00)
<b>Estimated Remaining Balance</b>	<b>\$1.69</b>

*Funding Year 2005 True-Up*

As of September 30, 2015, \$1,625.65 million of FY 2005 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. In response to this direction, USAC's projection of remaining Funding Year 2005 funds includes estimates of funds needed to pay additional disbursements on committed funding requests and no disbursements on requests that have not yet received funding commitments, as well as no 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, USAC estimates that no FY 2005 funds are available to carry-forward. The estimated remaining FY 2005 balance is based on the following:

**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

<b>FY 2005</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(1,625.65)
Amount Carried-forward to FY 2009	(200.00)
Amount Carried forward to FY 2010	(100.00)
Amount Carried forward to FY 2011	(120.00)
Amount Carried-forward to FY 2012	(120.00)
Amount Carried-forward to FY 2015	(18.62)
Administrative Expenses	(64.99)
Potential Additional Disbursements on Committed FRNs	(0.33)
Remaining Uncommitted Requests	0.00
Contingency Amount for Pending Appeals and Invoice Deadline Extension Requests	(0.41)
<b>Estimated Remaining Balance</b>	<b>\$0.00</b>

*Funding Year 2006 True-Up*

As of September 30, 2015, \$1,568.87 million of FY 2006 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. In response to this direction, USAC's projection of remaining Funding Year 2006 funds includes estimates of funds needed to pay additional disbursements on committed funding requests and no disbursements on requests that have not yet received funding commitments, as well as no 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, USAC estimates that \$1.91 million of FY 2006 funds are available to carry-forward. The estimated remaining FY 2006 balance is based on the following:

**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

<b>FY 2006</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(1,568.87)
Amount Carried-forward to FY 2009	(70.00)
Amount Carried-forward to FY 2010	(300.00)
Amount Carried-forward to FY 2011	(115.00)
Amount Carried-forward to FY 2012	(80.00)
Amount Carried-forward to FY 2015	(31.80)
Administrative Expenses	(80.74)
Potential Additional Disbursements on Committed FRNs	(0.68)
Remaining Uncommitted Requests	0.00
Contingency Amount for Pending Appeals and Invoice Deadline Extension Requests	(1.00)
<b>Estimated Remaining Balance</b>	<b>\$1.91</b>

*Funding Year 2007 True-Up*

As of September 30, 2015, \$1,955.67 million of FY 2007 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. In response to this direction, USAC's projection of remaining Funding Year 2007 funds includes estimates of funds needed to pay additional disbursements on committed funding requests and no disbursements on requests that have not yet received funding commitments, as well as no 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, USAC estimates no FY 2007 funds are available to carry-forward. The estimated remaining FY 2007 balance is based on the following:

**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

<b>FY 2007</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(1,955.67)
Amount Carried-forward from FYs 2001, 2002, 2003 and 2004	650.00
Amount Carried-forward to FY 2010	(375.00)
Amount Carried-forward to FY 2011	(275.00)
Amount Carried-forward to FY 2012	(140.00)
Amount Carried-forward to FY 2013	(20.00)
Amount Carried-forward to FY 2014	(30.00)
Amount Carried-forward to FY 2015	(19.49)
Administrative Expenses	(81.24)
Potential Additional Disbursements on Committed FRNs	(1.16)
Remaining Uncommitted Requests	0.00
Contingency Amount for Pending Appeals and Invoice Deadline Extension Requests	(2.44)
<b>Estimated Remaining Balance</b>	<b>\$0.00</b>

***Funding Year 2008 True-Up***

As of September 30, 2015, \$1,913.01 million of FY 2008 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. In response to this direction, USAC's projection of remaining Funding Year 2008 funds includes estimates of funds needed to pay additional disbursements on committed funding requests and no disbursements on requests that have not yet received funding commitments, as well as no 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, USAC estimates that no FY 2008 funds are available to carry-forward. The estimated remaining FY 2008 balance is based on the following:

**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

<b>FY 2008</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(1,913.01)
Amount Carried-forward from FYs 2002, 2003, and 2004	600.00
Amount Carried-forward to FY 2010	(350.00)
Amount Carried-forward to FY 2011	(140.00)
Amount Carried-forward to FY 2012	(115.00)
Amount Carried-forward to FY 2013	(150.00)
Amount Carried-forward to FY 2015	(18.46)
Amount Carried Back to FY 1998 to Fund Appeals	(3.00)
Administrative Expenses	(125.59)
Potential Additional Disbursements on Committed FRNs	(24.04)
Remaining Uncommitted Requests	0.00
Contingency Amount for Pending Appeals and Invoice Deadline Extension Requests	(10.90)
<b>Estimated Remaining Balance</b>	<b>\$0.00</b>

***Funding Year 2009 True-Up***

As of September 30, 2015, \$2,296.72 million of FY 2009 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. In response to this direction, USAC's projection of remaining Funding Year 2009 funds includes estimates of funds needed to pay additional disbursements on committed funding requests and no disbursements on requests that have not yet received funding commitments, as well as no 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 FY 2009 funds are available to carry-forward. The estimated remaining FY 2009 balance is based on the following:

**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

<b>FY 2009</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(2,296.72)
Amount Carried-forward from FYs 1999, 2001, 2002, 2003, 2004, 2005, and 2006	900.00
Amount Carried-forward to FY 2011	(130.00)
Amount Carried-forward to FY 2012	(300.00)
Amount Carried-forward to FY 2013	(150.00)
Amount Carried-forward to FY 2014	(70.00)
Amount Carried-forward to FY 2015	(70.37)
Administrative Expenses	(81.27)
Potential Additional Disbursements on Committed FRNs	(41.04)
Remaining Uncommitted Requests	0.00
Contingency Amount for Pending Appeals and Invoice Deadline Extensions	(10.60)
<b>Estimated Remaining Balance</b>	<b>\$0.00</b>

*Funding Year 2010 True-Up*

As of September 30, 2015, \$2,410.49 million of FY 2010 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. In response to this direction, USAC's projection of remaining Funding Year 2010 funds includes estimates of funds needed to pay additional disbursements on committed funding requests and no disbursements on requests that have not yet received funding commitments, as well as no 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, USAC estimates that no FY 2010 funds are available to carry-forward. The estimated remaining FY 2010 balance is based on the following:

**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

<b>FY 2010</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(2,410.49)
Amount Carried-forward from FYs 2002, 2005, 2006, 2007, 2008, and 2009	1,150.00
Amount Carried-forward to FY 2012	(100.00)
Amount Carried-forward to FY 2013	(130.00)
Amount Carried-forward to FY 2014	(60.00)
Amount Carried-forward to FY 2015	(378.57)
Amount Applied to Adjust Collections FY 2004	(140.00)
Amount Authorized by FCC Inflation Increment	20.25
Administrative Expenses	(75.33)
Potential Additional Disbursements on Committed FRNs	(122.28)
Remaining Uncommitted Requests	0.00
Contingency Amount for Pending Appeals and Invoice Deadline Extensions	(3.58)
<b>Estimated Remaining Balance</b>	<b>\$0.00</b>

*Funding Year 2011 True-Up*

As of September 30, 2015, \$2,105.15 million of FY 2011 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. In response to this direction, USAC's projection of remaining Funding Year 2011 funds includes estimates of funds needed to pay additional disbursements on committed funding requests and no disbursements on requests that have not yet received funding commitments, as well as no 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, USAC estimates that \$18.98 million of FY 2011 funds are available to carry-forward. The estimated remaining FY 2011 balance is based on the following:



**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

<b>FY 2011</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(2,105.15)
Amount Carried-forward from FYs 2003, 2004, 2005, 2006, 2007, 2008 and 2009	850.00
Amount Carried-forward to FY 2015	(595.81)
Amount Applied to Adjust Collections FY 2004	(250.00)
Amount Authorized by FCC Inflation Increment	40.68
Administrative Expenses	(85.00)
Potential Additional Disbursements on Committed FRNs	(83.18)
Remaining Uncommitted Requests	0.00
Contingency Amount for Pending Appeals and Invoice Deadline Extensions	(2.56)
<b>Estimated Remaining Balance</b>	<b>\$18.98</b>

*Funding Year 2012 True-Up*

As of September 30, 2015, \$2,198.20 million of FY 2012 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. In response to this direction, 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 no 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, USAC estimates that \$477.42 million of FY 2012 funds are available to carry-forward. The estimated remaining FY 2012 balance is based on the following:

**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

<b>FY 2012</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(2,198.20)
Amount Carried-forward from FYs 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009 and 2010	1,050.00
Amount Carried-forward to FY 2015	(295.12)
Amount Applied to Adjust Collections FY 2004	(40.00)
Amount Authorized by FCC Inflation Increment	88.79
Administrative Expenses	(70.00)
Potential Additional Disbursements on Committed FRNs	(244.48)
Remaining Uncommitted Requests	(0.00)
Contingency Amount for Pending Appeals and Invoice Deadline Extensions	(63.57)
<b>Estimated Remaining Balance</b>	<b>\$477.42</b>

*Funding Year 2013 True-Up*

As of September 30, 2015, \$1,691.99 million of FY 2013 support had been authorized for disbursement. The Commission in a series of actions has directed USAC to move outstanding contingency funds to subsequent years in an effort to utilize unused funds. In response to this direction, USAC's projection of remaining Funding Year 2013 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 no 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 FY 2013 funds are available to carry-forward. The estimated remaining FY 2013 balance is based on the following:

**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

<b>FY 2013</b>	<b>Amounts in Millions</b>
Amount Authorized for Collections	\$2,250.00
Amount Authorized for Disbursement	(1,691.99)
Amount Carried-forward from FYs 2007, 2008, 2009 and 2010	450.00
Amount Carried-forward to FY 2015	(18.00)
Amount Applied to Adjust Collections FY 2004	(120.00)
Amount Authorized by FCC Inflation Increment	130.31
Administrative Expenses	(70.00)
Potential Additional Disbursements on Committed FRNs	(66.64)
Remaining Uncommitted Requests	(284.06)
Contingency Amount for Pending Appeals and Invoice Deadline Extensions	(579.62)
<b>Estimated Remaining Balance</b>	<b>\$0.00</b>

*Funding Year 2014 True-Up*

As of September 30, 2015, \$1,314.63 million of FY 2014 support had been authorized for disbursement. USAC's projection of remaining FY 2014 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 FY 2014 funds are available to carry-forward. The estimated remaining FY 2014 balance is based on the following:

**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

<b>FY 2014</b>	<b>Amounts in Millions</b>
Amount Authorized and Actually Collected	\$2,250.00
Amount Authorized for Disbursement	(1,314.63)
Amount Carried-forward from FYs 2002, 2007, 2009 and 2010	200.00
Amount Authorized by FCC Inflation Increment	163.82
Administrative Expenses	(70.00)
Potential Additional Disbursements on Committed FRNs	(958.74)
Remaining Uncommitted Requests	(169.41)
Contingency Amount for Pending Appeals and Invoice Deadline Extensions	(101.04)
<b>Estimated Remaining Balance</b>	<b>\$0.00</b>

*Funding Year 2015 True-Up*

As of September 30, 2015, \$51.09 million of FY 2015 support had been authorized for disbursement. USAC's projection of remaining FY 2015 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 FY 2015 funds are available to carry-forward. The estimated remaining FY 2015 balance is based on the following:

<b>FY 2015</b>	<b>Amounts in Millions</b>
Amount Authorized for Collections	\$2,250.00
Amount Authorized for Disbursement	(51.09)
Amount Carried-forward from FY 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013	1,575.05
Amount Authorized by FCC Inflation Increment	0.00
Administrative Expenses	(70.00)
Potential Additional Disbursements on Committed FRNs	(1,940.04)
Remaining Uncommitted Requests and Contingency Amount for Pending Appeals	(1,763.92)
<b>Estimated Remaining Balance</b>	<b>\$0.00</b>

## Universal Service Administrative Company 1Q2016 Fund Size Projections

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### *1Q2016 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.<sup>83</sup> 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 subject to the requirements of the Antideficiency Act (ADA).<sup>84</sup> 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, 2016.<sup>85</sup>

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

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<sup>83</sup> 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, CG Docket No. 03-123, Order, FCC 03-232, 18 FCC Red. 19911 (rel. October 3, 2003).

<sup>84</sup> 31 U.S.C. § 1341.

<sup>85</sup> See HR 83 Sec. 501 ("Section 302 of the Universal Service Antideficiency Temporary Suspension Act is amended by striking 'December 31, 2015', each place it appears and inserting 'December 31, 2016'."); HR 3547 Sec. 510 ("Section 302 of the Universal Service Antideficiency Temporary Suspension Act is amended by striking 'January 15, 2014' each place it appears and inserting 'December 31, 2015'."); See also, 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).

**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

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the cash balance in both Second Quarter and Third Quarter 2004, and \$150 million in Fourth Quarter 2004.<sup>86</sup>

Results for 3Q2015 contribute to an under-funded condition for which this filing proposes to adjust the 1Q2016 requirements. The total adjustment to the 1Q2016 fund requirements based on actual results will increase the funding needed by \$17.17 million. The explanation for the adjustment is provided below:

<b>Reason for the Prior Period Adjustment</b>	<b>Adjustment in Millions</b>
3Q2015 billings were lower than projected.	\$23.72
Interest earned was lower than projected.	0.33
Bad debt expense was lower than anticipated.	(6.88)
<b>Total Prior Period Adjustment</b>	<b>\$17.17</b>

The total fund requirement of \$603.45 million increased by the administrative expenses of \$24.83 million, increased by the prior-period adjustment of \$17.17 million, and reduced by the projected interest income of \$6.00 million, results in a total projected collection requirement of \$639.45 million for the Schools and Libraries Support Mechanism for 1Q2016.

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***CONTRIBUTION BASE***

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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.<sup>87</sup> Based on these filings, the Commission establishes the contribution factor for the upcoming quarter.

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<sup>86</sup> 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.

<sup>87</sup> 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

## **Universal Service Administrative Company 1Q2016 Fund Size Projections**

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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 capital expenditures, 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.

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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.

## **Universal Service Administrative Company 1Q2016 Fund Size Projections**

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USAC invoices and receives contributions from more than 3,000 telecommunications companies each month. Interstate telecommunications service providers are required to complete the 499-Q form, reporting January – March 2016 projected revenue information, and return it to USAC by November 2, 2015.

USAC continues to assist the Commission in its USF collection enforcement efforts, including providing documentation on a quarterly 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.<sup>88</sup> 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 or the Telecommunications Relay Service, North American Numbering Plan or Local Portability funds, 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.

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<sup>88</sup> 47 C.F.R. § 1.1910.



**Universal Service Administrative Company 1Q2016 Fund Size  
Projections**

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***AUTHORIZATION TO FILE WITH THE COMMISSION***

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At their October 26, 2015 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 1Q2016 projected support mechanism funding requirements described herein. At its October 27, 2015 meeting, the USAC Board of Directors adopted a resolution authorizing the inclusion of the projected 1Q2016 administrative expenses in this report to the Commission.

Respectfully submitted,

UNIVERSAL SERVICE  
ADMINISTRATIVE COMPANY

//s// Chris Henderson, Chief Executive Officer  
David M. Case, Chief Financial Officer and  
Vice President of Finance

November 2, 2015