

The logo for USAC features the letters "USAC" in a blue, serif font. A yellow arc is positioned above the letters, starting from the top left and curving over the "S" and "A" to end at the top right.

USAC

Universal Service Administrative Company

OVERVIEW OF UNIVERSAL SERVICE

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Universal Service Administrative Company

NARUC

November 11, 2005

One Fund – Four Programs



Universal Service Administrative Company

Overview

◆ Overview of presentation

- What is USAC?
 - USF contributions
 - 2005 Support
 - High Cost
 - History
 - Introduction
 - Detail on each of the components
 - Impact of decreasing ILEC lines and increasing CETC lines
 - Disaggregation
 - Eligibility
 - Carrier data
 - Other Programs
 - Low Income
 - Rural Health Care
 - Schools & Libraries
- One Fund – Four Programs**

- ◆ **February 8, 1996** – Telecommunications Act of 1996 signed into law
- ◆ **May 8, 1997** – The Universal Service Administrative Company (USAC) was created by NECA at the direction of the FCC to collect data from all telecommunications providers to determine the total amount of contributions to be paid into the fund and the disbursements for High Cost and Low Income support

The FCC also adopted rules to create two additional corporations: the Schools and Libraries Corporation (SLC) and the Rural Health Care Corporation (RHCC) to be responsible for administering funds providing support to the Schools and Libraries and Rural Health Care programs

- ◆ **November 20, 1998** – The FCC directed that SLC and RHCC be merged into USAC, effective January 1, 1999
- ◆ **January 1, 1999** – USAC became the permanent administrator of the USF and has been responsible for the administration of the High Cost, Low Income, Schools and Libraries, and Rural Health Care programs

- ◆ Comprised of 3 divisions that administer the 4 universal service support mechanisms
 - High Cost & Low Income Division
 - Rural Health Care Division
 - Schools and Libraries Division
- ◆ Overseen by a 19-member Board of Directors representing both contributors to and beneficiaries of universal service

◆ USAC's Role

– USAC's functions and responsibilities include:

- Administering each of the universal service support mechanisms
- Billing contributors, collecting contributions, and disbursing universal service funds
- Reporting quarterly to the FCC on disbursement of universal service funds

– USAC may **not**:

- Make policy
- Interpret unclear provisions of the statute or rules
- Interpret the intent of Congress
- Advocate policy positions before the FCC or its staff, but may advocate positions on administrative issues relating to the programs

◆ USAC's Vendors

- USAC employs vendors to provide certain administrative support functions
 - Data and application processing
 - Support calculations
 - Certain call center operations
- USAC closely oversees the work of each of its vendors
- USAC's current vendors
 - Telcordia: High Cost and Low Income programs
 - NECA Services, Inc. (NSI): Schools & Libraries and Rural Health Care programs



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USF Contributions

◆ Revenue Data

- All providers of telecommunications are required to contribute to the USF based on their projected collected interstate and international end-user telecommunications revenues, net of projected contributions
- Carriers must make 5 revenue filings per year with USAC
 - February 1: Form 499-Q
 - April 1: Form 499-A (annual true-up data)
 - May 1: Form 499-Q
 - August 1: Form 499-Q
 - November 1: Form 499-Q
- USAC then makes quarterly revenue filings with the FCC

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USF Contributions

◆ Demand Data

- USAC files universal service demand data with the FCC on a quarterly basis
- This includes projected demand for all 4 universal service support programs plus USAC's administrative costs

◆ Contribution Factor

- Based on the quarterly carrier revenue and projected demand data filed by USAC, the FCC calculates the quarterly contribution factor
- USAC bills carriers based on the contribution factor and then disburses support to eligible entities
- For 3Q2005, the contribution factor is 10.2%

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2005 Support

- ◆ Estimated 2005 Support: \$7.1 billion
 - High Cost \$4 billion
 - Schools & Libraries \$2.25 billion
 - Low Income \$794 million
 - Rural Health Care \$44 million

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Overview of High Cost

◆ High Cost Support

- Ensures that telecommunications rates paid by customers that live in high cost areas are reasonably comparable to rates paid in other areas
- The support is provided to the telecommunications carrier to cover a portion of the costs to provide telephone service in high cost areas



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Overview of High Cost

◆ High Cost Support

- Rural is not defined by geographic area, as is the case for the Rural Health Care and Schools and Libraries programs
- Instead, it is based on whether the incumbent local exchange carrier (ILEC) that serves the area is large or small
- The rural or non-rural status of a competitive eligible telecommunications carrier (CETC) is determined by the status of the ILEC in whose study area the CETC serves

History of High Cost

- ◆ High Cost Support has been in existence in some form or another since the 1930's
 - AT&T goal
 - Communications Act of 1934
 - All people in the US shall have access to “rapid, efficient, nationwide...communications services with adequate facilities at reasonable charges”
 - Telecommunications Act of 1996
 - Congress decreed that it is federal policy to provide support for services “essential to education, public health or public safety” and established that all people, regardless of location or income level, should have affordable access to telecommunications and information services



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History of High Cost

- ◆ FCC did not make significant changes to High Cost immediately after the passage of the 1996 Act; however, over time, the FCC has made significant changes
 - Explicit local switching support vs. formula weighting (*May 8th Order*) – effective 1-1-98
 - New method for calculating explicit High Cost support for non-rural companies (*Methodology Order* and *Inputs Order*) - High Cost Model support – effective 1-1-2000
 - New mechanism to provide universal service support for access charges for price cap companies (*CALLS Order*) – Interstate Access Support – effective 7-1-2000
 - New method for calculating explicit support for rural companies (*RTF Order*) – effective 7-1-2001
 - New mechanism to provide universal service support for access charges for rate-of-return companies (*MAG Order*) – Interstate Common Line Support – effective 7-1-2002
 - Merger of LTS and ICLS (*Rate-of-Return Order*) – effective July 1, 2004

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Introduction to High Cost

- ◆ There are five components within the High Cost Support Mechanism:
 - High Cost Loop Support (HCL)
(includes Safety Net Additive support and Safety Valve Support)
 - Local Switching Support (LSS)
 - High Cost Model Support (HCM)
 - Interstate Access Support (IAS)
 - Interstate Common Line Support (ICLS)

* Long Term Support (LTS) merged into ICLS, effective July 1, 2004

One Fund – Four Programs

Introduction to High Cost

◆ Components of High Cost Support

- **High Cost Loop Support** provides intrastate support for the cost of the “last mile” of connection primarily for rural companies in service areas where the cost to provide this service exceeds 115 percent of the national average
- **Local Switching Support** provides intrastate assistance which helps cover the high fixed switching costs for companies that serve 50,000 or fewer access lines



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Introduction to High Cost

◆ Components of High Cost Support

- **High Cost Model Support (Forward-Looking Support for Non-Rural Carriers)** provides intrastate support for the “last mile” of connection in service areas where the cost to provide this service in the state exceeds two standard deviations above the national average cost per line
- **Interstate Access Support** helps offset interstate access charges for price cap carriers
- **Interstate Common Line Support** provides interstate support for rate-of-return carriers, to the extent that subscriber line charge (SLC) caps do not permit them to recover their common line revenue requirements

Introduction to High Cost

◆ Estimated Explicit 2005 Support - \$7.1 Billion

– High Cost

• \$4.0 billion

– Low Income

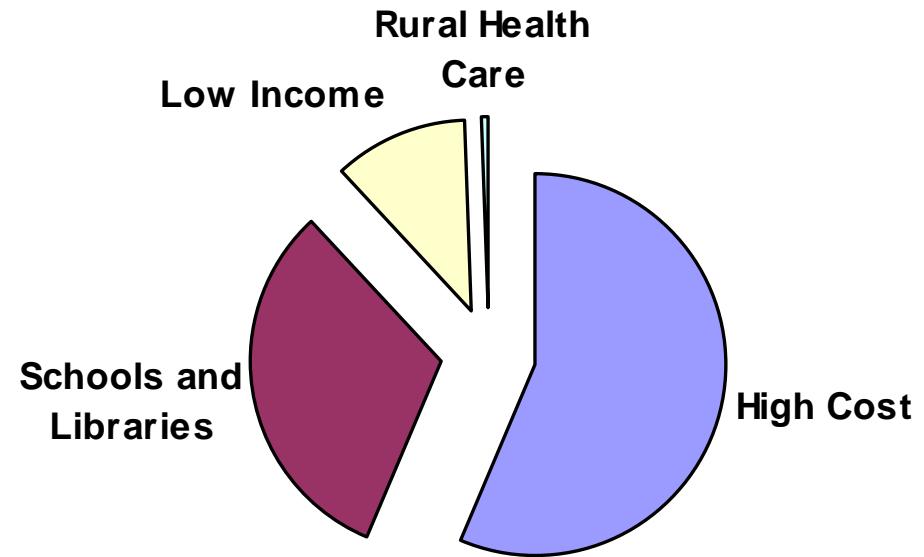
• \$794 million

– Rural Health Care

• \$44 million

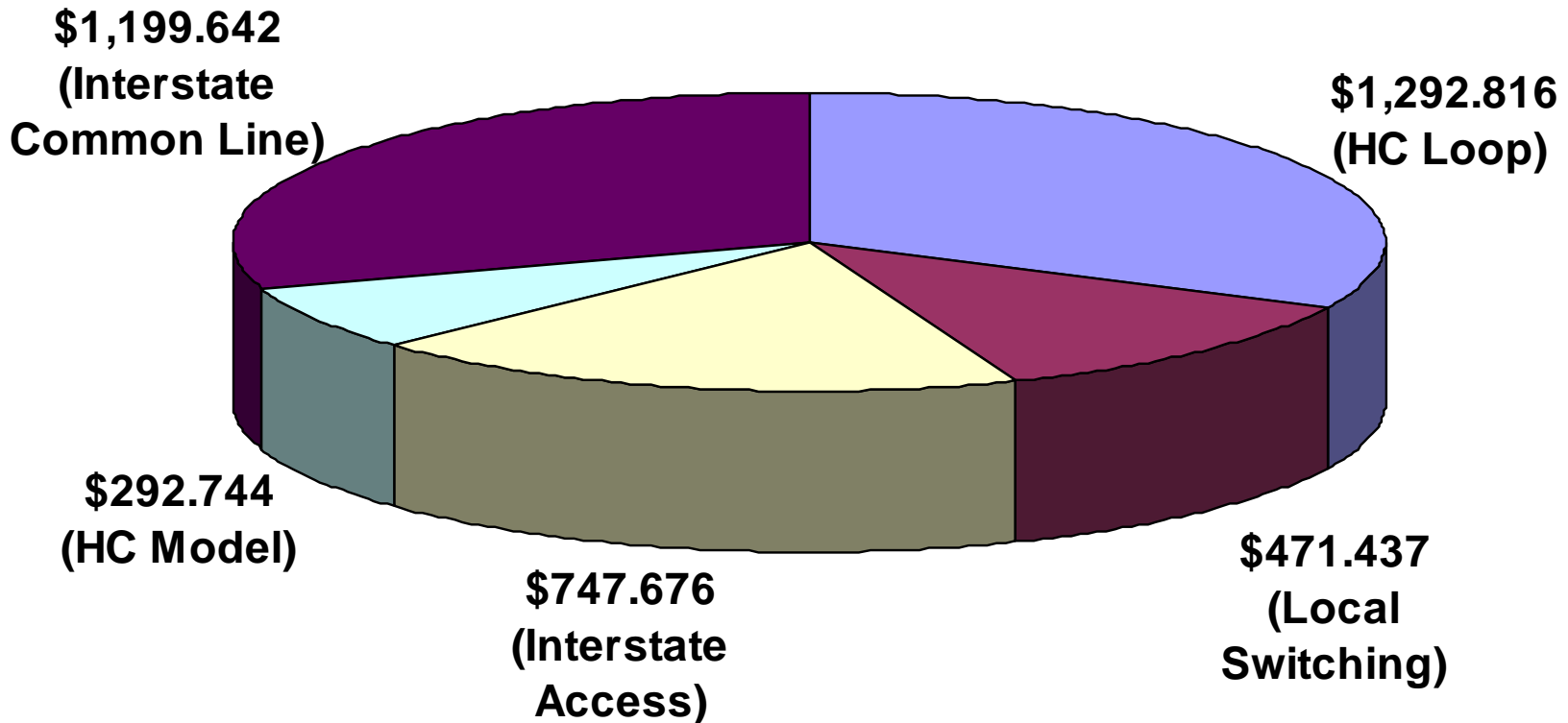
– Schools and Libraries

• \$2.25 billion



Introduction to High Cost

High Cost Support Estimate for 2005 (in millions)



Estimated Total for 2005: \$4 billion

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High Cost Loop Support

◆ Overview of support calculation

- Based on carriers' embedded, or historical, costs
- FCC rules require all incumbent local exchange carriers to submit certain investment, expense, and line count data to NECA, the National Exchange Carrier Association
 - Rural carriers are required to submit data and can update data quarterly on a voluntary basis (updates required if competition exists)
 - Non-rural carriers are required to submit line count data quarterly



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High Cost Loop Support

- High Cost Loop support is subject to an annual indexed cap
 - The indexed cap is based on the prior year's rural High Cost Loop support grown by the rural growth factor
 - The indexed cap for rural carriers was re-based in 2001 and again in 2002, pursuant to FCC orders
 - The rural growth factor is equal to annual increases in the GDP-CPI and growth in the total number of rural ILECs' working loops



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High Cost Loop Support

- With the data submitted, NECA uses an algorithm to develop individual study area and the national average loop cost
- Any rural carrier whose study area cost per loop is greater than 115% of the national average cost per loop (NACPL) is eligible to receive High Cost Loop support
- Support is distributed based on the disaggregation plan submitted by the ILEC
- Like all other components of High Cost, support to CETCs is available to the extent the ILEC in whose study area the CETC serves is eligible for support

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High Cost Loop Support

- Support is calculated differently depending on the number of loops within study areas served by rural carriers
- For study areas with 200,000 or fewer working loops, support is calculated as follows:
 - 65% of costs between 115% and 150% of the NACPL
 - 75% of costs in excess of 150% of the NACPL



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High Cost Loop Support

- For study areas with more than 200,000 working loops, support is calculated as follows:
 - 10% of costs between 115% and 160% of the NACPL
 - 30% of costs between 160% and 200% of the NACPL
 - 60% of costs between 200% and 250% of the NACPL
 - 75% of costs in excess of 250% of the NACPL



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High Cost Loop Support

◆ Safety Net Additive Support

- Additional component of HCL which is calculated over and above the HCL cap
- Available to rural ILECS that invest in their infrastructure
 - Like all other components of High Cost, support to CETCs is available to the extent the ILEC in whose study area the CETC serves is eligible for support
- To qualify, an ILEC must notify USAC that, for a given period, its growth in telecommunications plant in service (TPIS) is at least 14%
- Support is only available in years in which the HCL cap is reached



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High Cost Loop Support

◆ Safety Net Additive Support

- Formula: Safety Net Additive Support = (uncapped HCL support in the qualifying year – uncapped HCL support in the base year) – (capped HCL support in the qualifying year – capped HCL support in the base year)



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High Cost Loop Support

◆ Safety Valve Support

- Additional component of HCL which is calculated over and above the HCL cap
- Available to rural ILECS that acquire exchanges and invest in that infrastructure
 - Like all other components of High Cost, support to CETCs is available to the extent the ILEC in whose study area the CETC serves is eligible for support
- To qualify, an ILEC must notify USAC that it has acquired exchanges that may be eligible for safety valve support
- An ILEC must also provide its index year



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High Cost Loop Support

◆ Safety Valve Support

- The index year is defined as the first year that the acquiring company operates the acquired exchanges
 - For carriers acquiring exchanges after January 10, 2005, the index year is defined as the last year that the selling carrier operated the exchanges
- Safety Valve Support is 50% of the difference between the index year High Cost Loop support amount and the High Cost Loop support amount in subsequent years
- Safety Valve Support is subject to an overall cap of no more than 5% of the rural High Cost Loop fund in any given year

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Local Switching Support

◆ Overview of support calculation

- Available for rural ILECS serving 50,000 or fewer access lines
- Designed to cover some of the switching costs in recognition that companies serving few customers cannot recognize the economies of scale of serving more customers
- Local Switching Support is the product of a carrier's annual unseparated local switching revenue requirement multiplied by its local switching support factor
 - The local switching support factor is defined as the difference between the 1996 weighted interstate Dial Equipment Minute (DEM) factor and the 1996 unweighted DEM factor



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Local Switching Support

- Subject to true-up no later than 15 months after the end of the calendar year for which historical data are submitted
 - For example, 2003 true-up data was submitted on 12/31/04 and the true-up took place in April 2005
 - 2004 true-up data will be submitted on 12/31/05 and the true-up will occur in April 2006
- Like all other components of High Cost, support to CETCs is available to the extent the ILEC in whose study area the CETC serves is eligible for support



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High Cost Model Support

◆ Overview of support calculation

- Beginning January 1, 2000, high cost support for non-rural carriers was based on a forward-looking economic cost model
- The model generates the statewide average cost per line, which is then compared to the national average cost to determine eligibility for forward-looking support
- Differs from support for rural companies in two main ways:
 - Costs supported are forward-looking costs rather than historical embedded costs
 - Support is provided only if the statewide average exceeds the national average



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High Cost Model Support

- If the statewide average cost per line exceeds two standard deviations above the national average cost per line (the national cost benchmark), the state qualifies for support
 - Support is provided for intrastate costs per line that exceed the national benchmark
 - Forward-looking intrastate cost per line equals 76 percent of the forward-looking costs generated by the model
 - Remaining 24 percent is recovered through the interstate jurisdiction
 - Model support is distributed at the wire center level
 - Total support in a state is targeted so that support is only available to carriers serving those wire centers with forward-looking costs that exceed the benchmark

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High Cost Model Support

- Non-rural carriers in 10 states are eligible in 2005 to receive forward-looking support (Alabama, Kentucky, Maine, Mississippi, Montana, Nebraska, South Dakota, Vermont, West Virginia, and Wyoming)
- The FCC last updated line count data and ran the model in 2003
- Like all other components of High Cost, support to CETCs is available to the extent the ILEC in whose study area the CETC serves is eligible for support



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High Cost Model Support

- An interim hold harmless provision ensured that a carrier would receive the greater of the amount of support provided to that carrier under the then-current, embedded mechanism or the amount provided by the forward-looking mechanism
- Hold harmless was designed as an interim measure to protect consumers in high cost areas from potential rate shock as a result of any sudden, significant increases in rates during the shift to the new, forward-looking mechanism
- Comprised of two parts
 - High Cost Loop
 - Long Term Support



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High Cost Model Support

- The Joint Board recommended, and the FCC adopted, a phase-down approach for interim hold harmless, excluding the LTS portion, beginning January 1, 2001
 - \$1.00 reductions in average monthly, per-line support, and every year thereafter until there is no more interim hold harmless
 - With the merger of LTS into ICLS in July 2004, interim hold harmless was completely phased down
 - As a result, there are no longer any carriers eligible for interim hold harmless support



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Interstate Access Support

◆ Overview of support calculation

- \$650M in implicit universal service support removed from access charges of price cap carriers
- \$650M now in explicit, portable Interstate Access Support (IAS) universal service support mechanism
 - Mechanism that allows for the explicit provision and recovery of interstate access universal service support
 - Provides support to carriers serving lines in areas where they are unable to recover their permitted revenues from the revised subscriber line charges (SLCs)

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Interstate Access Support

- Methodology for distributing support consists of a series of mathematical formulas that measure the difference between CMT (common line, marketing, and transport) revenue under price caps and benchmarks based on the new SLC caps
 - Initial \$75 million targeted to study areas where the study area average revenue requirement per-line is above the SLC benchmarks
 - The remaining interstate access support is distributed to carriers serving UNE zones where the UNE zone average CMT revenue per line is above the SLC benchmarks
 - Interstate access universal service support is fixed at a target of \$650 million per year for five years

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Interstate Common Line Support

◆ Overview of support calculation

- Newest component of High Cost support
 - Adopted in FCC's *MAG Order* (released November 8, 2001)
 - Support available beginning July 1, 2002
- Supports interstate common line costs by replacing the carrier common line (CCL) charge with explicit support that is available to all ETCs
- Provides support for rate-of-return carriers to the extent that SLC caps do not permit them to recover their common line revenue requirements



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Interstate Common Line Support

- Support is calculated by subtracting the following revenue categories from each rate-of-return carrier's common line revenue requirement
 - Subscriber line charge (SLC) revenues
 - Revenue from the transitional CCL charge
 - Special access surcharges
 - Line port costs in excess of basic analog service
 - LTS



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Interstate Common Line Support

- ICLS is based on projected data that is submitted March 31 of each year (beginning in 2002) and trued-up with actual data that is submitted December 31 of each year (beginning in 2003)
- Based on carrier's embedded costs
- Not subject to a cap
- Like all other components of High Cost, support to CETCs is available to the extent the ILEC in whose study area the CETC serves is eligible for support

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Disaggregation of Support

◆ Disaggregation paths

- All rural incumbent carriers were required to select a disaggregation path for HCL, LTS, LSS, and ICLS by May 15, 2002
- All non-rural rate-of-return carriers were required to select a disaggregation path for LTS and ICLS by May 15, 2002
- Carriers had the option of choosing Path One (no disaggregation), Path Two (disaggregation with prior regulatory approval), or Path Three (disaggregation with self-certification)



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Disaggregation of Support

◆ Selection of disaggregation paths

– Results of May 15, 2002 filing

- 1048 Path One plans timely filed
- 31 Path Two plans timely filed
- 229 Path Three plans timely filed
- 18 plans filed late
- 48 carriers failed to file plans



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General Eligibility Criteria

- ◆ In order to receive High Cost support, incumbent and competitive carriers must meet certain general eligibility criteria
 - Must be designated as an eligible telecommunications carrier (ETC) by either a state commission or the FCC, if the state lacks jurisdiction
 - Must certify that all High Cost support will be used only for the provision, maintenance, and upgrading of services and facilities eligible for support
 - State certifies for HCL, LSS, and HCM, unless the state lacks jurisdiction (in which case the carrier self-certifies) – October 1st of each year
 - Carrier self-certifies for IAS and ICLS – June 30th of each year



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Specific Eligibility Criteria - Incumbent Carriers

◆ In addition to the general eligibility criteria, incumbent carriers (ILECs) must also comply with certain criteria specific to the individual components of high cost

– HCL

- Must file cost, expense, and investment data, as well as line counts, with NECA on an annual basis (Part 36 of the FCC's rules)
- If a competitive ETC has been designated and is reporting lines in the incumbents' service area, the ILEC must report line counts quarterly
- Must be a rural company



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Specific Eligibility Criteria - Incumbent Carriers

– LSS

- Must file certain cost and expense data, both projected and actual
- Must serve 50,000 or fewer lines
- Must be a rural company



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Specific Eligibility Criteria - Incumbent Carriers

– HCM

- Must file cost, expense, and investment data, as well as line counts
- Line counts are filed on a quarterly basis, cost data on an annual basis
- Must be a non-rural carrier

– IAS

- Must file revenue data on an annual basis
- Must file line counts on a quarterly basis
- Must be a price cap company
- Most price cap companies are non-rural, but a number are rural



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Specific Eligibility Criteria - Incumbent Carriers

– ICLS

- Must file projected revenue requirement data on an annual basis, using FCC Form 508
- Must file actual revenue requirement data on an annual basis, using FCC Form 509
- Must file line counts on an annual basis, using FCC Form 507
- If a competitive ETC has been designated and is reporting lines in the incumbents' service area, the ILEC must report line counts quarterly, using FCC Form 507
- Must be a rate-of-return carrier
 - Most rate-of-return carriers are rural, but a number are non-rural



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Specific Eligibility Criteria - Competitive Carriers

- ◆ While competitive carriers (CETCs) must meet the same general eligibility criteria as ILECs, their specific eligibility requirements differ
 - Qualify for the same components of High Cost as the ILECs in whose service areas the CETCs serve lines
 - Receive the same per-line support as the ILECs in whose service areas the CETC serves lines
 - Must file line counts on a quarterly basis
 - Are not required to file any kind of cost or revenue information



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Impact of Line Changes

◆ The following slides outline the impact of decreasing ILEC lines and increasing CETC lines for each component of High Cost support

- Impact on ILECs
- Impact on CETCs
- Impact on the USF

Impact of Line Changes - HCL

◆ Impact on ILECs

- No impact on ILEC support until new cost and expense data submitted
- HCL support may change if ILEC lines decrease
 - Support may increase if cost and expense data increase
 - Support may decrease if cost and expense data decrease
 - Support may be essentially unchanged if cost and expense data do not change
- If one or more ILECs' costs increase, resulting in an increase in HCL support for those carriers, all ILECs will feel the impact because of the cap



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Impact of Line Changes - HCL

◆ Impact on CETCs

- CETC HCL support is not subject to the cap
- CETCs receive the same per-line support amount as the ILEC for each line served

◆ Impact on USF

- HCL is capped for ILECs
- CETC support is above the cap
 - As CETC lines increase, the fund may grow

Impact of Line Changes - LSS

◆ Impact on ILECs

- No impact on ILEC support until true-up occurs
- Like HCL, if ILEC lines decrease, any changes in LSS will depend on changes in switching cost data
- LSS may increase for ILECs
 - If an ILEC loses a significant number of lines (e.g., 10,000 to 20,000 lines), an alternative LSS factor is used in LSS calculations
 - If an ILEC with over 50,000 lines loses enough lines to fall below 50,000, the ILEC becomes eligible for LSS



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Impact of Line Changes - LSS

◆ Impact on CETCs

- CETCs receive the same per-line support amount as the ILEC for each line served
- CETCs receive LSS even if they serve over 50,000 lines

◆ Impact on USF

- LSS is not capped for either ILECs or CETCs
- Fund may continue to grow as CETC lines continue to increase and ILEC lines and costs change



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Impact of Line Changes - HCM

◆ Impact on ILECs

- Overall support available in eligible states increases as the number of lines increases (ILEC + CETC lines)
- Unlike the other High Cost components, ILEC HCM support may change each quarter as a result of both ILEC and CETC line counts
- If CETC lines are in higher cost wire centers than ILEC lines, ILEC support may decrease
- If a CETC adds more lines than the ILEC, the proportionate share of support allocated to each wire center could change, and the ILEC may receive less support



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Impact of Line Changes - HCM

◆ Impact on CETCs

- CETCs receive the same per-line support amount as the ILEC for each line served
- Per-line HCM support is affected more by where the lines are located, i.e., high cost wire centers versus lower cost wire centers

◆ Impact on USF

- HCM is not capped for either ILECs or CETCs
- Fund may continue to grow if ILEC and/or CETC lines continue to increase



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Impact of Line Changes - IAS

◆ Impact on ILECs

- Contrary to HCM, the presence of competition may decrease IAS per zone
- CETC and ILEC lines factor into the IAS rate calculations done once a year
 - If CETC lines are included in IAS base period rate calculations, rates are lower and IAS is affected
 - If a CETC enters after the annual IAS rate calculation is done and the CETC lines are, therefore, not included in the base period rate calculations, there is no immediate impact on ILEC support
- Each year, as more and more ILEC and CETC lines are included in the rate calculations, rates will continue to decrease



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Impact of Line Changes - IAS

◆ Impact on CETCs

- CETCs receive the same per-line support amount as the ILEC for each line served
- Including CETC line counts in IAS base rate calculations reduces per-line support amounts for both CETCs and ILECs

◆ Impact on USF

- IAS is targeted annually at \$650 million
- Target applies to ILECs and CETCs



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Impact of Line Changes - ICLS

◆ Impact on ILECs

- No impact on ILEC support until true-up occurs
- ICLS may increase due to reduction in lines
 - ICLS is residual amount derived from a carrier's projected revenue requirement minus its projected revenue
 - If a carrier's revenue requirement remains the same but, because of a decrease in lines, its per-line revenue decreases, ICLS will increase



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Impact of Line Changes - ICLS

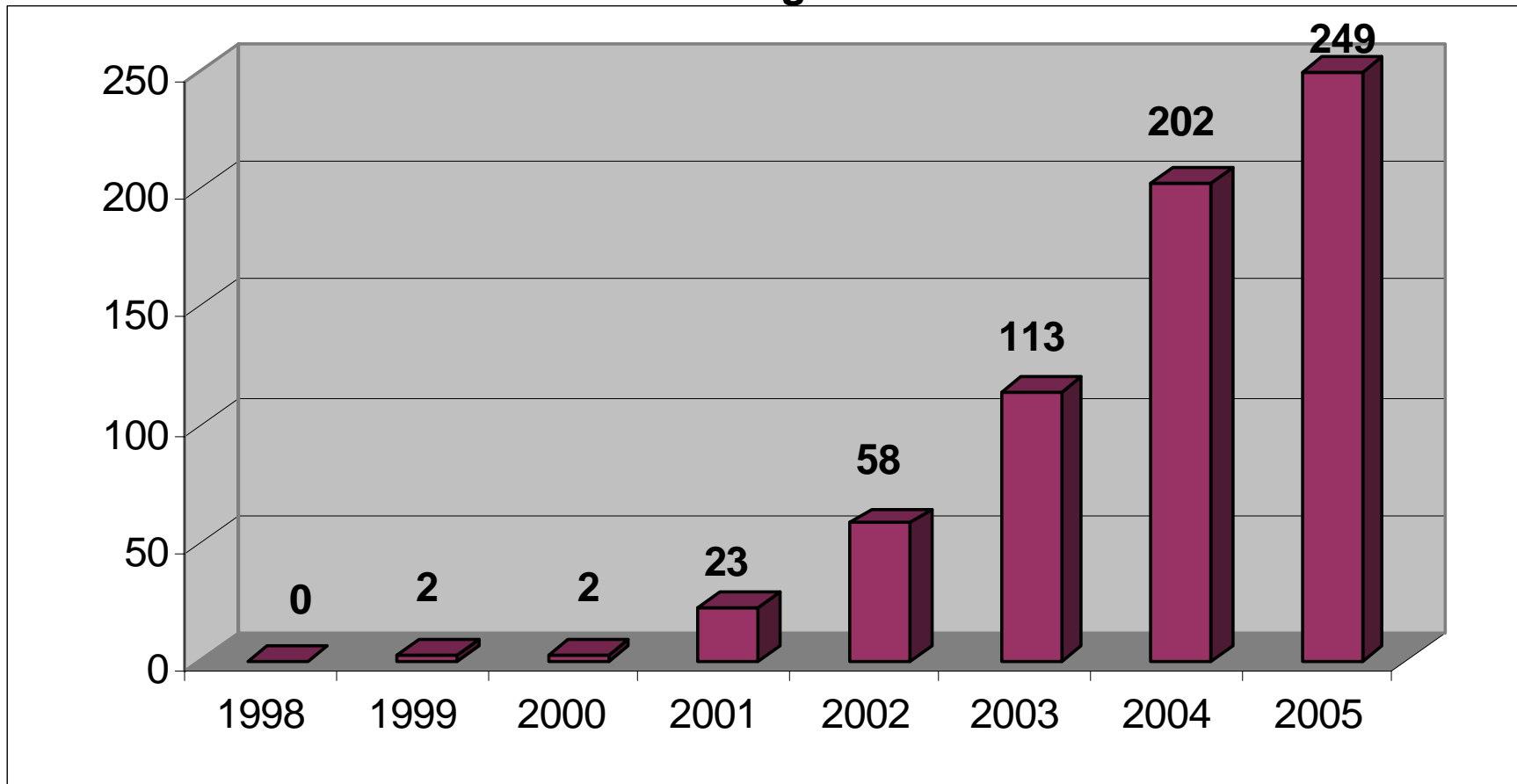
◆ Impact on CETCs

- CETCs receive the same per-line support amount as the ILEC for each line served

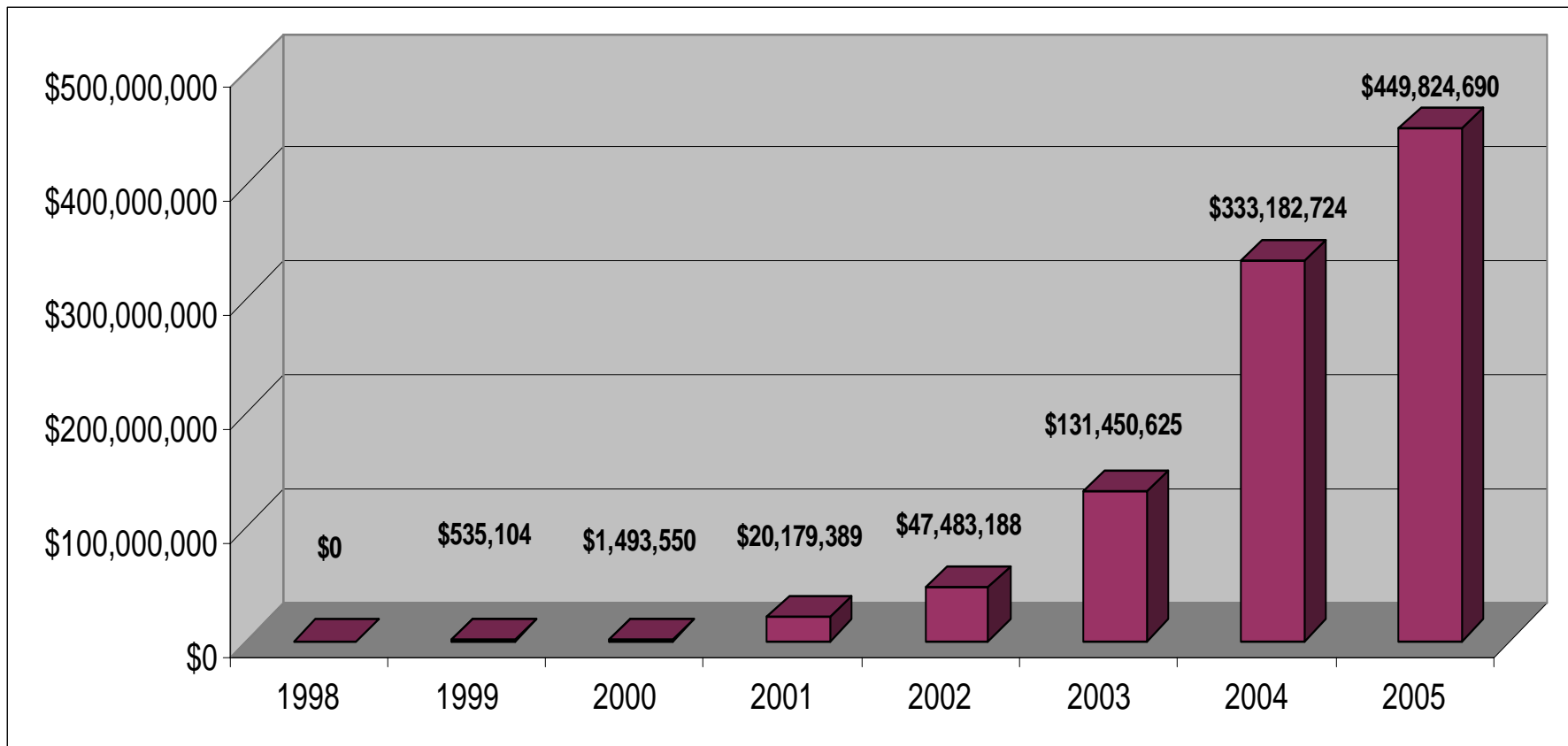
◆ Impact on USF

- ICLS is not capped for either ILECs or CETCs
- USF may continue to grow if ILEC revenue requirements and/or CETC lines increase

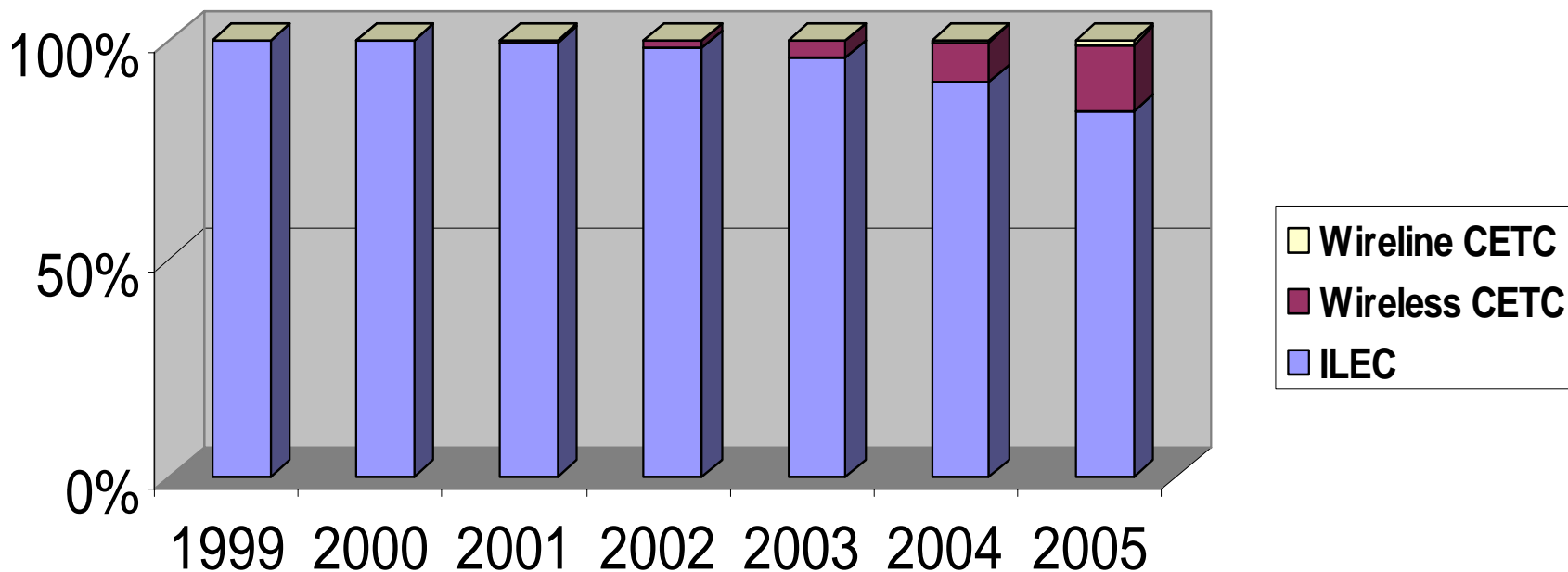
High Cost Support Mechanism Number of CETCs Receiving Support 1998 Through 3Q2005



High Cost Support Mechanism Disbursement to CETCs 1998 Through 3Q2005



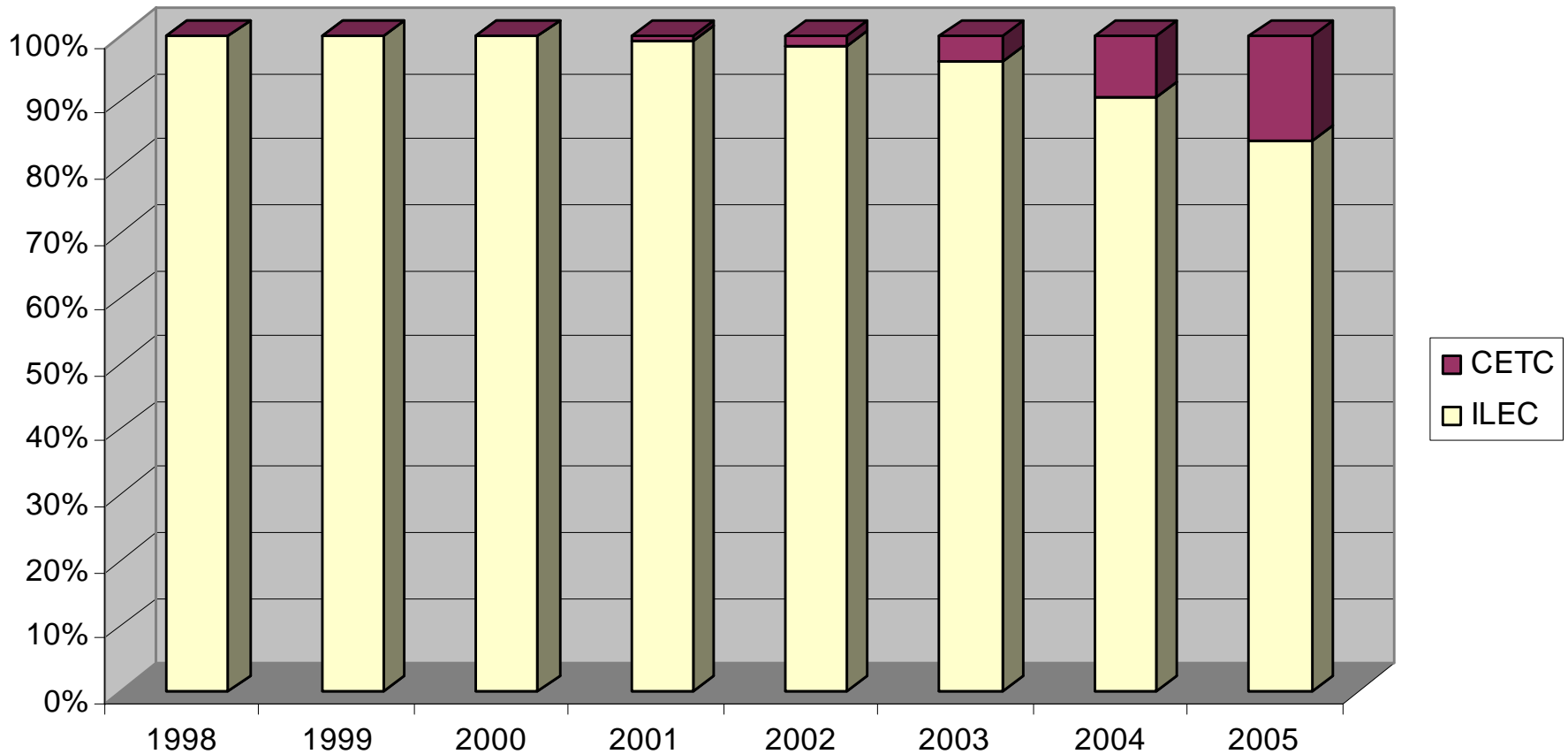
Distribution of HC Support Between Wireline & Wireless Carriers



• There are 170 Wireless CETCs and 79 Wireline CETCs; as of October 24, 2005.

Distribution of High Cost Support between CETC and ILEC

1998 through 3Q2005



One Fund – Four Programs



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Key Differences Among High Cost Components

Support Components	Capped	Disaggregation	True-Up Data Required	Rural v. Non-Rural	Price Cap v. Rate-of-Return
High Cost Loop Support	Yes	Based on carriers' disaggregation plans	No	Rural only	Price cap and rate-of-return
Local Switching Support	No	Based on carriers' disaggregation plans	Yes 12/31 Annually	Rural only	Mostly rate-of-return; few price cap
High Cost Model Support	No	Wire center	No	Non-rural only	Mostly price cap
Interstate Access Support	No	UNE zone	No	Mostly non-rural; some rural	Price cap only
Interstate Common Line Support	No	Based on carriers' disaggregation plans	Yes 12/31 Annually	Mostly rural; few non-rural	Rate-of-return only

One Fund – Four Programs



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Other Programs – Low Income

- Provides discounts that make basic local telephone service affordable for more than 7 million Americans
- Low-income consumers apply for discounts for service or installation through their local companies, which are reimbursed by the USF for providing the discounts
- Almost \$4.5 billion has been disbursed to companies designated as eligible telecommunications carriers since 1998

One Fund – Four Programs



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Other Programs – Low Income

- There are three components within the Low Income program
 - **Lifeline** support helps to pay the costs of monthly telephone service
 - Additional support is available for low-income consumers living on tribal lands
 - **Link Up** support helps to defray the cost of telephone installation and certain other one-time costs
 - Additional support is available for low-income consumers living on tribal lands
 - **Toll Limitation Support** compensates telephone companies for offering no-cost toll limitation service

One Fund – Four Programs



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Other Programs – Low Income

- Maximum Lifeline support available to low-income consumers not living on reservations: \$13.50
 - \$10.00 in federal support
 - \$3.50 in matching state support
- Maximum Lifeline support available to low-income consumers living on reservations: \$38.50
 - \$35.00 in federal support
 - \$3.50 in matching state support

One Fund – Four Programs



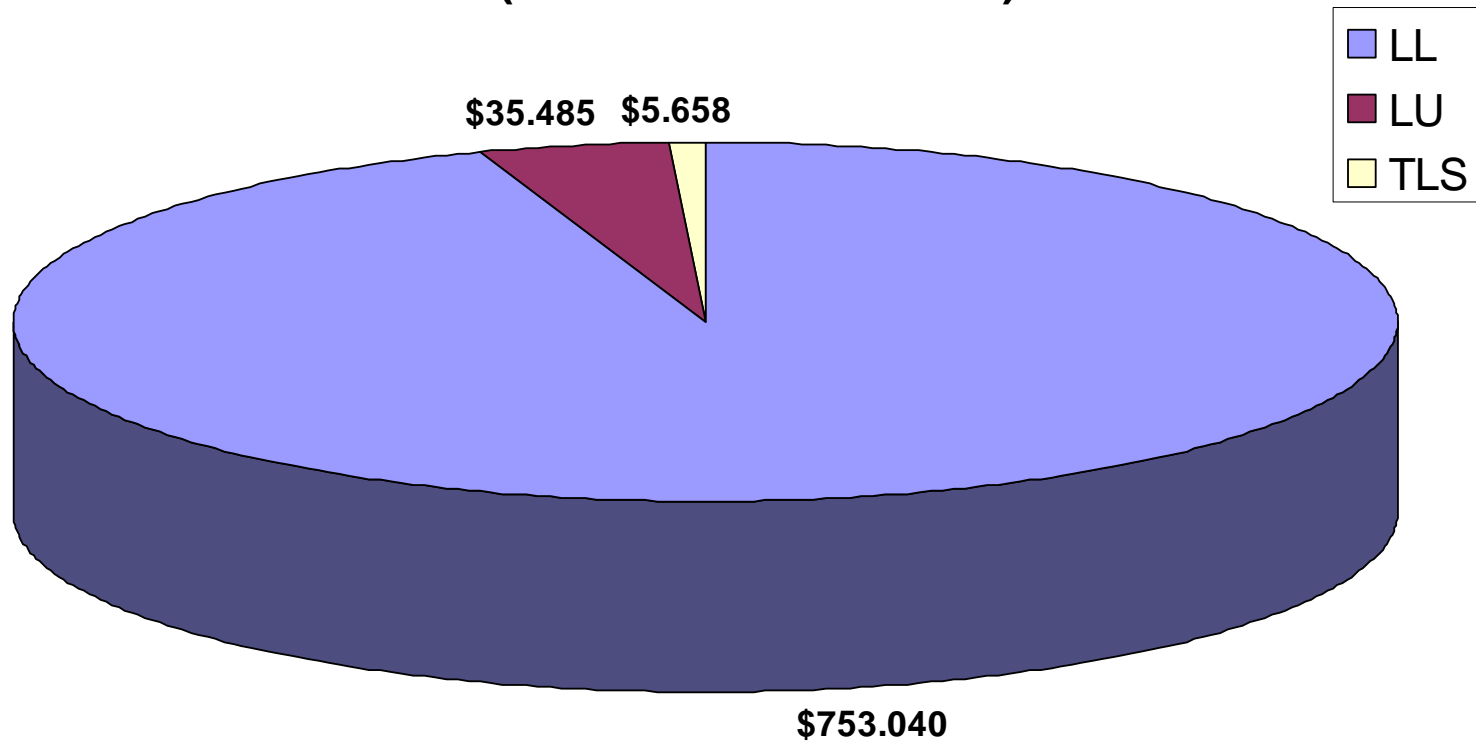
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Other Programs – Low Income

- Maximum Link Up support available to low-income consumers not living on reservations: ½ of the customary telephone connection charge, up to a maximum of \$30.00
- Maximum Link Up Support available to low-income consumers living on reservations: An additional reduction of up to \$70.00, up to a maximum of \$100.00
 - The additional \$70.00 covers 100% of the charges between \$60 and \$130 for commencing service at the subscriber's principal place of residence

Other Programs – Low Income

**Low Income Support Estimate for 2005
(amounts in millions)**



One Fund – Four Programs



Universal Service Administrative Company

Other Programs – Rural Health Care

- Provides reduced rates to rural health care providers for telecommunications and Internet services so they pay no more than their urban counterparts for the same or similar telecommunication services
- Strengthens telemedicine and telehealth networks across the nation, particularly in remote or rural areas
- All eligible telecommunications providers, which includes interexchange carriers, local exchange carriers, competitive local exchange carriers and all other common carriers, may receive support for providing discounted telecommunications service to eligible rural health care providers
- Effective with the 2004 funding year, eligible rural health care providers may also receive support for 25% of monthly Internet service costs
- More than 2,600 facilities have received \$112 million in funding commitments since 1998

New
2004

One Fund – Four Programs



Universal Service Administrative Company

Other Programs – Rural Health Care

- Applicants to the program must be rural and public or non-profit health care providers
 - Post-secondary educational institutions offering health care instruction, teaching hospitals, or medical schools
 - Community health centers or health centers providing health care to migrants
 - Local health departments or agencies, including dedicated emergency departments of rural for-profit hospitals
 - Community mental health centers
 - Not-for-profit hospitals
 - Rural health care clinics including mobile clinics
 - Consortia of health care providers consisting of one or more of the above entities
 - Part-time eligible entities located in otherwise ineligible facilities
 - Dedicated emergency department of a rural for-profit hospital

A yellow starburst graphic with a jagged, sun-like edge. Inside the starburst, the text "New 2004" is written in a yellow, sans-serif font.

New
2004

One Fund – Four Programs



Universal Service Administrative Company

Other Programs – Rural Health Care

Funding Year	Number of Applications	Committed (\$Millions)	Disbursed (\$Millions)
1998	755	\$3.40	\$3.38
1999	896	\$7.12	\$4.30
2000	1,236	\$10.75	\$10.31
2001	1,981	\$19.69	\$18.56
2002	2,571	\$23.37	\$21.38
2003	2,835	\$27.36	\$20.56
2004	2,677	\$26.09	\$11.78
Total	12,951	\$117.78	\$90.27

*As of October 26, 2005

One Fund – Four Programs



Universal Service Administrative Company

Other Programs – Schools and Libraries

- Provides affordable telecommunications and Internet access services to connect classrooms and libraries to the Internet
- Four service categories are funded
 - **Telecommunications Services** - Must be provided by an eligible telecommunications provider, that is, one who provides telecommunications on a common carriage basis
 - **Internet Access** - The provision of “basic conduit access” to the Internet (need not be eligible telecommunications providers)
 - **Internal Connections** - Components located at the applicant site that are necessary to transport information to classrooms, publicly accessible rooms of a library, and to eligible administrative areas or buildings
 - **Basic Maintenance of Internal Connections**- Repair and upkeep of previously purchased eligible hardware, wire and cable maintenance, and basic technical support, including configuration changes



New
2005

One Fund – Four Programs



Universal Service Administrative Company

Other Programs – Schools and Libraries

- Discounts range from 20% to 90% of the cost of eligible services
- Eligible schools, school districts, and libraries may apply individually or as part of a consortium
- Discounts are based on the percent of students eligible for the national school lunch program
- Schools and Libraries must:
 - Have an approved technology plan
 - Competitively bid for services
 - Show they have the resources to use the supported services
 - Apply for discounts every year
- More than \$13 billion in funding commitments have been issued to schools and libraries nationwide since 1998

One Fund – Four Programs



Universal Service Administrative Company

Other Programs – Schools and Libraries

Funding Year	Number of Applications	Committed (\$Billions)	Disbursed (\$Billions)
1998	30,316	\$1.70	\$1.40
1999	34,246	\$2.15	\$1.66
2000	37,391	\$2.08	\$1.65
2001	37,769	\$2.20	\$1.66
2002	37,479	\$2.24	\$1.50
2003	41,850	\$2.68	\$1.68
2004	41,993	\$2.29	\$0.85
2005	41,383	\$0.94	\$0.01
Total	302,427	\$16.28	\$10.41

*As of October 26, 2005

One Fund – Four Programs

The logo for USAC (Universal Service Administrative Company) features the letters "USAC" in a bold, blue, serif font. A yellow arc is positioned above the letters, starting from the top left and curving over the "A" and "C".

USAC

Universal Service Administrative Company

Conclusion

- ◆ For any additional questions, please call Irene Flannery at 202-776-0200 or
- ◆ Visit USAC's website at **www.universalservice.org**