



Charles Salvator
Vice President of Finance and
Chief Financial Officer

May 2, 2018

Ms. Marlene H. Dortch
Federal Communications Commission
Office of the Secretary
445 12th Street, SW, Room TW-A325
Washington, DC 20554

Re: USAC Filing of Federal Universal Service Support Mechanisms
Fund Size Projections for the Third Quarter 2018

Dear Ms. Dortch:

Pursuant to 47 C.F.R. §§ 54.702 and 54.715, the Universal Service Administrative Company is hereby filing the Federal Universal Service Support Mechanisms Fund Size Projections for the Third Quarter 2018.

Thank you for your assistance in this matter.

Sincerely,

/s/ Charles Salvator

Charles Salvator
Vice President of Finance and Chief Financial Officer

700 12th St NW, #900
Washington, DC 20005
202.776.0200
universalservice.org

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

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Federal Universal Service Support Mechanisms Fund Size
Projections for Third Quarter 2018

UNIVERSAL SERVICE
ADMINISTRATIVE COMPANY
700 12TH STREET N.W., SUITE 900
WASHINGTON, D.C. 20005
VOICE: 202.776.0200
FAX: 202.776.0080
www.usac.org

May 2, 2018

TABLE OF CONTENTS

| | |
|---|----|
| INTRODUCTION..... | 1 |
| ADMINISTRATIVE EXPENSES AND INTEREST INCOME PROJECTION | 2 |
| ADMINISTRATIVE EXPENSES..... | 2 |
| INTEREST INCOME PROJECTION..... | 3 |
| FINANCIAL STATEMENTS..... | 3 |
| EFFORTS TO PREVENT AND REDUCE IMPROPER PAYMENTS | 4 |
| FUNDING REQUIREMENTS..... | 10 |
| HIGH COST SUPPORT MECHANISM | 10 |
| Funds Reserved Pursuant to the <i>USF/ICC Transformation Order</i> | 10 |
| Connect America Fund Phase I – Incremental Support | 11 |
| Connect America Fund Phase II | 12 |
| Connect America Fund/Intercarrier Compensation Support | 13 |
| Rural Broadband Experiments | 13 |
| Rate-of-Return Carriers | 14 |
| High Cost Loop Support (including Safety Net Additive and Safety Valve Support) | 15 |
| Alaska Plan Support | 17 |
| Connect America Broadband Loop Support..... | 17 |
| <i>Alternative Connect America Model (A-CAM)</i> | 18 |
| Price Cap Carriers | 19 |
| Competitive Eligible Telecommunications Carriers | 19 |
| High Cost Support Mechanism Summary..... | 20 |
| LOW INCOME SUPPORT MECHANISM..... | 21 |
| Lifeline Support | 21 |
| Link-up Support..... | 22 |
| Low Income Support Mechanism Summary | 22 |
| RURAL HEALTH CARE SUPPORT MECHANISM..... | 23 |
| Funding Year 2008 | 23 |
| Funding Year 2009 | 24 |
| Funding Year 2010 | 25 |
| Funding Year 2011 | 25 |
| Funding Year 2012 | 25 |
| Funding Year 2013 | 26 |
| Funding Year 2014 | 26 |
| Funding Year 2015 | 26 |
| Funding Year 2016 | 26 |
| Funding Year 2017 | 27 |
| RURAL HEALTH CARE SUPPORT MECHANISM SUMMARY..... | 28 |
| SCHOOLS AND LIBRARIES SUPPORT MECHANISM..... | 28 |
| Funding Year 1998 | 29 |
| Funding Year 2000 | 30 |
| Funding Year 2001 | 30 |
| Funding Year 2002 | 31 |

TABLE OF CONTENTS

| | |
|--|----|
| Funding Year 2003 | 31 |
| Funding Year 2004 | 32 |
| Funding Year 2005 | 32 |
| Funding Year 2007 | 33 |
| Funding Year 2008 | 34 |
| Funding Year 2009 | 35 |
| Funding Year 2010 | 35 |
| Funding Year 2011 | 36 |
| Funding Year 2012 | 36 |
| Funding Year 2013 | 37 |
| Funding Year 2014 | 38 |
| Funding Year 2015 | 39 |
| Funding Year 2016 | 39 |
| Funding Year 2017 | 40 |
| Schools and Libraries Support Mechanism Summary | 41 |
| <i>3Q2018 Demand Estimate and Contribution Requirement</i> | 68 |
| CONTRIBUTION FACTOR AND BASE..... | 69 |
| AUTHORIZATION TO FILE WITH THE COMMISSION | 71 |

APPENDICES

HIGH COST

| | |
|--|------|
| High Cost Support Projected by State by Study Area – 3Q2018..... | HC01 |
| High Cost Support Projected by State – 3Q2018..... | HC02 |
| Standing Rock Support Projected by State by Study Area – 3Q2018..... | HC03 |
| Alaska Plan Support Projected by State by Study Area – 3Q2018 | HC04 |
| High Cost Loop Support Projected by State by Study Area – 3Q2018..... | HC05 |
| Safety Valve Support Projected by State by Study Area – 3Q2018 | HC06 |
| Frozen High Cost Support Projected by State by Study Area – 3Q2018..... | HC07 |
| Connect America Fund Broadband Loop Support Projected by State by Study Area – 3Q2018 | HC08 |
| Connect America Fund Broadband Loop Support Projected by State – 3Q2018 | HC09 |
| Connect America Fund Intercarrier Compensation Support Projected by State by Study Area – 3Q2018..... | HC10 |
| Mobility Fund Phase I by State by Study Area – 3Q2018..... | HC11 |
| Connect America Fund Phase II Support Projected by State by Study Area – 3Q2018 | HC12 |
| Rural Broadband Experiments Support Projected by State by Study Area – 3Q2018..... | HC13 |
| Alternative Connect America Cost Model Support Projected by State by Study Area – 3Q2018 | HC14 |
| Rate of Return Budget Control Support Projected – 3Q2018..... | HC15 |
| Interstate Common Line Support by State by Study Area – 2016 True – Up – 3Q2018..... | HC16 |
| Interstate Common Line Support by State by Study Area – 2016 True – Up per Line – 3Q2018 | HC17 |

LOW INCOME

| | |
|---|------|
| Low Income Support Projected by State by Study Area – 3Q2018..... | LI01 |
| [RESERVED] | LI02 |
| Eligible Telecommunications Carriers – 1Q2018..... | LI03 |
| Quarterly Low Income Disbursement Amounts by Company – 1Q2018 | LI04 |
| Annual Low Income Support Claimed by State and Company – January 2014 through March 2018 | LI05 |
| Historical Data: Support Claimed by ETCs Each Month – January 1998 through March 2018 | LI06 |
| Low Income Support Claimed by State or Jurisdiction – January 2014 through March 2018..... | LI07 |
| Lifeline Subscribers by State or Jurisdiction – | |

APPENDICES

| | |
|--|------|
| January 2017 through March 2018 | LI08 |
| Link-Up Beneficiaries by State or Jurisdiction – | |
| January 2017 through March 2018 | LI09 |
| [RESERVED] | LI10 |

RURAL HEALTH CARE

| | |
|---|------|
| [RESERVED] | RH01 |
| [RESERVED] | RH02 |
| Funding Year 2008 Disbursements to Service Providers through – 1Q2018 | RH03 |
| [RESERVED] | RH04 |
| [RESERVED] | RH05 |
| Funding Year 2009 Disbursements to Service Providers through – 1Q2018 | RH06 |
| [RESERVED] | RH07 |
| [RESERVED] | RH08 |
| Funding Year 2010 Disbursements to Service Providers through – 1Q2018 | RH09 |
| [RESERVED] | RH10 |
| [RESERVED] | RH11 |
| Funding Year 2011 Disbursements to Service Providers through – 1Q2018 | RH12 |
| [RESERVED] | RH13 |
| [RESERVED] | RH14 |
| Funding Year 2012 Disbursements to Service Providers through – 1Q2018 | RH15 |
| [RESERVED] | RH16 |
| Funding Year 2013 Authorizations – 1Q2018..... | RH17 |
| Funding Year 2013 Disbursements to Service Providers through – 1Q2018 | RH18 |
| [RESERVED] | RH19 |
| Funding Year 2014 Authorizations – 1Q2018..... | RH20 |
| Funding Year 2014 Disbursements to Service Providers through – 1Q2018 | RH21 |
| [RESERVED] | RH22 |
| Funding Year 2015 Authorizations – 1Q2018..... | RH23 |
| Funding Year 2015 Disbursements to Service Providers through – 1Q2018 | RH24 |
| Funding Year 2016 Commitments – 1Q2018 | RH25 |
| Funding Year 2016 Authorizations – 1Q2018..... | RH26 |
| Funding Year 2016 Disbursements to Service Providers through – 1Q2018 | RH27 |
| Funding Year 2017 Commitments – 1Q2018..... | RH28 |
| Funding Year 2017 Authorizations – 1Q2018..... | RH29 |
| Funding Year 2017 Disbursements to Service Providers through – 1Q2018 | RH30 |

SCHOOLS AND LIBRARIES

APPENDICES

| | |
|---|------|
| Funding Year 2003 Authorizations – 1Q2018..... | SL01 |
| Funding Year 2003 Disbursements to Service Providers through – 1Q2018 | SL02 |
| Funding Year 2004 Authorizations – 1Q2018..... | SL03 |
| Funding Year 2004 Disbursements to Service Providers through – 1Q2018 | SL04 |
| Funding Year 2006 Authorizations – 1Q2018..... | SL05 |
| Funding Year 2006 Disbursements to Service Providers through – 1Q2018 | SL06 |
| Funding Year 2007 Authorizations – 1Q2018..... | SL07 |
| Funding Year 2007 Disbursements to Service Providers through – 1Q2018 | SL08 |
| Funding Year 2008 Authorizations – 1Q2018..... | SL09 |
| Funding Year 2008 Disbursements to Service Providers through – 1Q2018 | SL10 |
| Funding Year 2009 Authorizations – 1Q2018..... | SL11 |
| Funding Year 2009 Disbursements to Service Providers through – 1Q2018 | SL12 |
| Funding Year 2010 Authorizations – 1Q2018..... | SL13 |
| Funding Year 2010 Disbursements to Service Providers through – 1Q2018 | SL14 |
| Funding Year 2011 Authorizations – 1Q2018..... | SL11 |
| Funding Year 2011 Disbursements to Service Providers through – 1Q2018 | SL16 |
| Funding Year 2012 Commitments – 1Q2018..... | SL17 |
| Funding Year 2012 Authorizations – 1Q2018..... | SL18 |
| Funding Year 2013 Commitments – 1Q2018..... | SL19 |
| Funding Year 2013 Authorizations – 1Q2018..... | SL20 |
| Funding Year 2013 Disbursements to Service Providers through – 1Q2018 | SL21 |
| Funding Year 2014 Commitments – 1Q2018..... | SL22 |
| Funding Year 2014 Authorizations – 1Q2018..... | SL23 |
| Funding Year 2014 Disbursements to Service Providers through – 1Q2018 | SL24 |
| Funding Year 2015 Commitments – 1Q2018..... | SL25 |
| Funding Year 2015 Authorizations – 1Q2018..... | SL26 |
| Funding Year 2015 Disbursements to Service Providers through – 1Q2018 | SL27 |
| Funding Year 2016 Commitments – 1Q2018..... | SL28 |
| Funding Year 2016 Authorizations – 1Q2018..... | SL29 |
| Funding Year 2016 Disbursements to Service Providers through – 1Q2018 | SL30 |
| Funding Year 2017 Commitments – 1Q2018..... | SL31 |
| Funding Year 2017 Authorizations – 1Q2018..... | SL32 |
| Funding Year 2017 Disbursements to Service Providers through – 1Q2018 | SL33 |

OTHER APPENDICES

| | |
|--|-----|
| Universal Service Administrative Company 3Q2018 Budget..... | M01 |
| Fund Size Projection for 3Q2018 | M02 |
| Schedule of USF Receipts, Interest Income, and Cash Outlays: | |

APPENDICES

| | |
|--|-----|
| January 1 through March 31, 2018 – Cash Basis | M03 |
| January 1 through March 31, 2018 – Accrual Basis | M04 |

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

**BEFORE THE FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C.**

**FEDERAL UNIVERSAL SERVICE SUPPORT MECHANISMS FUND
SIZE PROJECTIONS FOR THIRD QUARTER 2018**

INTRODUCTION

The Universal Service Administrative Company (USAC) hereby submits the federal Universal Service Support Mechanisms fund size and administrative cost projections for the third quarter of calendar year 2018 (3Q2018), in accordance with Section 54.709 of the Federal Communications Commission's (FCC or Commission) rules.¹

USAC is the not-for-profit corporation responsible for administering the federal Universal Service Fund (USF) and the following Universal Service Support Mechanisms (also referred to as "Support Mechanisms" or "Programs"): High Cost, Low Income, Rural Health Care, and Schools and Libraries.² USAC also performs the billing, collection, and disbursement functions for the Support Mechanisms.³

Upon approval of the quarterly funding requirements for the Support Mechanisms, 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.⁴

¹ 47 C.F.R. § 54.709(a)(3).

² 47 C.F.R. § 54.701.

³ 47 C.F.R. § 54.702(b)

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

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

***ADMINISTRATIVE EXPENSES AND INTEREST INCOME
PROJECTION***

ADMINISTRATIVE EXPENSES

Section 54.709(a)(3) of the Commission's rules requires USAC to submit its projected quarterly budget at least 60 days prior to the start of the quarter.⁵ 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 operating 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 operating and capital expenditures of the respective support mechanisms based on USAC's methodology for allocating costs submitted to the Commission.⁶

USAC projects a consolidated operating and capital budget of \$52.39 million for 3Q2018. Direct operating costs for all support mechanisms total \$25.49 million and are listed for each mechanism in the chart provided below. Joint and common operating and capital costs (including billing, collection, and disbursement activities) are projected at \$25.75 million and direct capital expenditures for all support mechanisms are projected at \$1.15 million; both are listed in the chart below based on the allocation methodology on file with the Commission.

⁵ 47 C.F.R. § 54.709(a)(3).

⁶ 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, USAC, to Marlene Dortch, FCC, CC Docket Nos. 97-21 *et al.* (Oct. 3, 2005) (explaining revisions to USAC's method for allocating joint and common administrative costs among the four Universal Service Support Mechanisms).

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

3Q2018 Administrative Expenses (in millions) – Budgeted

| USF Mechanism | Direct Operating Costs | USAC Common Operating and Capital Costs | Direct Capital Costs | Total |
|--------------------------------|-------------------------------|--|-----------------------------|--------------|
| High Cost | \$2.70 | \$8.79 | \$0.07 | \$11.56 |
| Low Income | \$5.40 | \$4.77 | \$1.08 | \$11.25 |
| Rural Health Care | \$1.76 | \$1.30 | \$0.00 | \$3.06 |
| Schools & Libraries | \$15.63 | \$10.89 | \$0.00 | \$26.52 |
| Total | \$25.49 | \$25.75 | \$1.15 | \$52.39 |

Appendix M01 provides USAC’s administrative expense and capital expenditure budget for 3Q2018. Appendix M02 provides the fund size projections for 3Q2018.

INTEREST INCOME PROJECTION

For 3Q2018, USAC projects interest income of approximately \$0.19 million for the High Cost Support Mechanism, \$0.10 million for the Low Income Support Mechanism, \$0.70 million for the Rural Health Care Support Mechanism, and \$5.36 million for the Schools and Libraries Support Mechanism for a total of \$6.35 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 1Q2018, on a cash basis, USAC disbursed to beneficiaries \$2,026.37 million in universal service support as follows: \$1,132.30 million in High Cost support, \$304.33 million in Low Income support, \$569.84 million in Schools and Libraries support, and \$19.90 million in Rural Health Care support. The total cash balance available as of March 31, 2018 to the universal service support mechanisms was \$6,870.93 million. On an accrual basis, USAC had a fund balance of \$7,115.44 million at March 31, 2018.

Universal Service Administrative Company 3Q2018 Fund Size Projections

Appendices M03 and M04 provide 2018 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 (Pub. L. No. 107-300).⁷ USAC is also evaluating additional measures that may help identify or reduce improper payments. USAC initiated efforts, consistent with its February 28, 2008 letter to the Commission, to identify additional measures to prevent or reduce potential improper payments and to allocate the additional resources needed to implement such measures.⁸ Commission staff directed USAC to report its progress in implementing proposed actions to prevent or reduce improper payments and to project the anticipated administrative costs of such actions on a quarterly basis.⁹

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 2Q2018, 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 Enterprise Portfolio Management Office (EPMO) continues to develop and update required internal controls documentation. The Corporate Assurance group, housed in the Internal Audit Division (IAD), tests the key controls of USAC’s processes.

The EPMO reviews the outcome of the testing and ensures that the USAC internal controls

⁷ Improper Payments Information Act of 2002, Pub. L. No. 107-300, 116 Stat 2350 (2002).

⁸ 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).

⁹ See Letter from Anthony Dale, FCC Managing Director, to D. Scott Barash, Acting Chief Executive Officer, USAC (Aug. 18, 2008).

Universal Service Administrative Company 3Q2018 Fund Size Projections

program adheres to best practices consistent with OMB Circular A-123. Preliminary observations of 2018 internal control testing was presented to USAC Leadership in February 2018. The Compliance and Reporting team tracks the completion of the remediation activities and corrective action plans for all control deficiencies developed in response to Corporate Assurance testing results. The EPMO established a framework for an Enterprise Risk Management (ERM) program at USAC to comply with recent changes to OMB Circular A-123.¹⁰ The EPMO and Corporate Assurance group meet with USAC Leadership quarterly through the Risk Management Council to report on risk-related functions in the enterprise.

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 Improvement Act (IPERIA),¹¹ formerly known as the Improper Payments Information Act (IPIA),¹² and to assess universal service support mechanism beneficiary compliance with FCC regulations.¹³ USAC 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

¹⁰ See OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (July 15, 2016).

¹¹ See Improper Payments Elimination and Recovery Improvement Act of 2012, Pub L. No. 112-248, 126 Stat. 2390 (2013). On January 10, 2013, the Improper Payment Elimination and Recovery Improvement Act (IPERIA) was signed into law replacing IPERA.

¹² See Pub. L. No. 107-300, 116 Stat. 2350 (2002); Pub L. No. 111-204, 124 Stat. 2224 (2010).

¹³ Letter from Steven Van Roekel, FCC Managing Director, to Scott Barash, USAC Acting Chief Executive Officer (Feb. 12, 2010) (discussing the implementation of the Improper Payments Information Act of 2002 (IPIA) assessment program and companion audit program). Although not subject to IPERIA, USF contributor compliance with FCC regulations is assessed as part of the Beneficiary and Contributor Audit Program (BCAP).

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

Beneficiary and USF contributor audit program, which is known as BCAP (“Beneficiary and Contributor Audit Program”). Audits occurring under BCAP are performed using USAC’s Internal Audit Division (IAD) internal staff and external audit firm resources, upon approval from OMD.

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. The audit plan was developed to cover audits announced beginning October 1, 2013 through December 31, 2015. In late 2014, the external portion of the BCAP began by issuing contracts to audit firms to perform audits. Contracts were 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 March 16, 2018, the status of the BCAP 2014 - 2015 is as follows:

| Program | Planned | Complete | In Process |
|---------------------|----------------|-----------------|-------------------|
| Contributor Revenue | 51 | 43 | 0 |
| High Cost | 100 | 89 | 4 |
| Low Income | 80 | 77 | 0 |
| Schools & Libraries | 145 | 130 | 0 |
| Rural Health Care | 31 | 27 | 1 |
| Total | 407 | 366 | 5 |

IAD will not initiate 36 of the 407 planned audits. The 36 auditees (Contributor Revenue 8, High Cost 7, Lifeline 3, Schools and Libraries 15, and Rural Health Care 3) were selected using a primarily random selection process. Prior to commencing these audits, IAD moved to a risk-based audit selection mechanism and, thus, decided to direct its limited resources to auditees that were selected using risk-based criteria. Consequently, 36 audits included in the Plan were not announced by September 30, 2015. In mid-2015, IAD staff began working with FCC OMD and Wireline Competition Bureau (WCB) staff on the development of a

Universal Service Administrative Company 3Q2018 Fund Size Projections

new audit plan with an improved ability to detect and deter non-compliance with program rules. The design of this audit program is intended to reduce the burden on lower risk entities and improve the return on investment in audit. As the plan was finalized in early 2016, announcements began in 4Q2016 and the status of those audits as of March 16, 2018 is as follows:

| Program | Planned | Completed | In Process |
|---------------------|----------------|------------------|-------------------|
| Contributor Revenue | 22 | 19 | 2 |
| High Cost | 51 | 28 | 13 |
| Low Income | 37 | 29 | 7 |
| Schools & Libraries | 74 | 63 | 5 |
| Rural Health Care | 25 | 20 | 5 |
| Total | 209 | 159 | 32 |

The FY2016 plan was increased by two audits due to whistleblower activity and an FCC request. IAD did not announce 18 of the audits in the plan noted above (10 High Cost, 1 Lifeline, 1 Contributor, and 6 Schools & Libraries). Ten High Cost audits related to the *USF/ICC Transformation Order* will be performed by the IAD Corporate Assurance team as an internal operational audit. Those audits were scheduled during the first half of 2017. Six Schools and Libraries audits were not announced; one due to flooding in Louisiana because the school was nearly under water and the remaining five audits will be performed under the 2017 audit plan. With regard to Lifeline, one audit was not performed because the carrier is no longer in business. The one contributor audit was terminated and then later added back to the 2018 audit plan.

Consistent with prior audit plan development, USAC in coordination with FCC OMD and WCB staff worked together to develop the FY 2017 audit plan and the audits are outlined as follows:

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

| Program | Planned | Completed | In Process |
|---------------------|----------------|------------------|-------------------|
| Contributor Revenue | 20 | 0 | 18 |
| High Cost | 35 | 0 | 17 |
| Low Income | 42 | 2 | 37 |
| Schools & Libraries | 64 | 5 | 59 |
| Rural Health Care | 3 | 0 | 1 |
| Total | 164 | 7 | 132 |

Two Contributor Revenue audits were not announced due to redirecting IAD staff to support other IAD work and having one less full time equivalent head count. Upon the original audit plan approval, the total number of school audits was later revised to 64 audits due to removing 5 audits from the plan and adding 7 new audits.

As previously reported, the PQA Program has completed seven 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 2016 disbursements compared to Calendar Year 2015:

| Support Mechanism | 2016 | | 2015 | |
|--------------------------|------------------------------|--|------------------------------|--|
| | Improper Payment Rate | Estimated Improper Payment Amount (<i>millions</i>) | Improper Payment Rate | Estimated Improper Payment Amount (<i>millions</i>) |
| High Cost | 0.05% | \$2.5 | 0.04% | \$1.1 |
| Low Income | 21.93% | \$336.4 | 2.64% | \$36.6 |
| Schools and Libraries | 4.34% | \$103.5 | 5.70% | \$119.3 |

Universal Service Administrative Company 3Q2018 Fund Size Projections

The PQA Program collects information from program beneficiaries for the purpose of verifying the accuracy of program disbursements requested and received by the beneficiaries. The PQA team performs payment verification on randomly selected beneficiaries over a calendar year. Payments made from the Rural Health Program were not tested over the past two years as the Rural Health Care Program was deemed low risk for Calendar Years 2015 and 2016. Testing of payments for Calendar Year 2017 began late 4Q2017 with estimated completion during early 4Q2018.

3. *Improving information technology tools*

USAC has undertaken a systematic review of the capabilities of its current financial systems to determine whether additional functionality can be added to improve financial operations, and has made several improvements to its financial systems and is working on other systems enhancement initiatives.

4. *Expanding and enhancing outreach and education*

In 1Q2018, USAC conducted extensive outreach to more than 12 carriers participating in the High Cost Program, in preparation for upcoming filing deadlines, and to states in the first wave of the National Verifier for the Lifeline Program. USAC also conducted sixteen outreach calls for small and large stakeholder groups participating in the Schools and Libraries Program. USAC conducted twelve webinars: one webinar for High Cost carriers and consultants, three webinars for Lifeline carriers, three webinars for Rural Health Care applicants and service providers, and five webinars for USF contributing companies. USAC participated in one professional meeting, for Lifeline Program audiences. Lastly, USAC launched seventeen online learning tutorials: one for companies

Universal Service Administrative Company 3Q2018 Fund Size Projections

that contribute to the USF, four for the Lifeline Program, and twelve for the Schools and Libraries Program.

FUNDING REQUIREMENTS

HIGH COST SUPPORT MECHANISM

FUNDS RESERVED PURSUANT TO THE *USF/ICC TRANSFORMATION ORDER*

On November 18, 2011, the FCC released the *USF/ICC Transformation Order*.¹⁴ In the Order, the FCC set an annual funding target for the High Cost Support Mechanism of no more than \$4.50 billion annually through 2017. Following the termination of this mandate, USAC forecasted contributions in the first quarter of 1Q2018 based on an estimated demand of \$1.06 billion. On March 23, 2018, the FCC released the *2018 Rate-of-Return Order*, which directed USAC to resume forecasting High Cost demand of at least \$4.5 billion annually until further FCC action.¹⁵ The order directed USAC to make up for the reduced forecasted amount in 1Q 2018 by projecting for the final quarters of 2018 a total High Cost demand of at least \$1.125 billion plus the difference between what it projected in 2018 based only on demand and the amount it would have collected had the FCC's prior direction to smooth collections at \$1.125 billion per quarter continued into 2018.¹⁶ Appendix HC01 provides projected High Cost Support by State by Study Area for 3Q2018. 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

¹⁴ See generally *Connect America Fund et al.*, WC Docket Nos. 10-90 *et al.*, GN Docket No. 09-51, CC Docket Nos. 01-92 *et al.*, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (2011) (*USF/ICC Transformation Order*).

¹⁵ See *Connect America Fund et al.*, WC Docket Nos. 10-90 *et al.*, Report and Order, Third Order on Reconsideration, and Notice of Proposed Rulemaking, FCC 18-29, at 32-33, paras. 70-71 (Mar. 23, 2018) (*2018 Rate-of-Return Order*).

¹⁶ See *id.*

Universal Service Administrative Company 3Q2018 Fund Size Projections

Telecommunications Carriers (ETC)¹⁷ may be eligible to receive. HC02 provides the total projected amount of annualized High Cost Support for 3Q2018 for each state.

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.¹⁸ Incremental Support is available to price cap carriers at the holding company level. The Commission determined the amount available for each carrier in a Public Notice released on April 25, 2012.¹⁹ 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 \$775.²⁰

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.²¹ The Commission allocated \$300 million for the second round of Phase I support.²² If total demand exceeds \$300 million, the Commission will authorize up to an additional \$185 million in funding.²³

On March 14, 2014, the Wireline Competition Bureau issued a Public Notice 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.²⁴ AT&T was authorized to receive \$5.3 million in incremental support in

¹⁷ See 47 C.F.R. § 54.1310; 47 C.F.R. §§ 54.301-54.303.

¹⁸ See *USF/ICC Transformation Order*, 26 FCC Rcd at 17717, para. 137.

¹⁹ See *Wireline Competition Bureau Announces Support Amounts for Connect America Fund Phase One Incremental Support*, WC Docket Nos. 10-90 *et al.*, Public Notice, 27 FCC Rcd 4203 (2012).

²⁰ See *USF/ICC Transformation Order*, 26 FCC Rcd at 17717, para. 138.

²¹ See *Phase I Order*, 28 FCC Rcd at 7768-71, paras. 7, 11.

²² *Id.* at 7768, para. 7.

²³ *Id.* at 7768-71, paras. 7, 11.

²⁴ See *Additional 16.7 Million in Connect America Phase I Support Authorized*, WC Docket No. 10-90, Public Notice, 29 FCC Rcd 2824 (2014).

Universal Service Administrative Company 3Q2018 Fund Size Projections

exchange for a commitment to deploy broadband-capable infrastructure to 6,772 locations.²⁵

Additionally, Windstream was authorized to receive \$11.5 million in incremental support in exchange for a commitment to deploy to 13,273 locations.²⁶

CONNECT AMERICA FUND PHASE II

The FCC released an Order on June 10, 2014 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.²⁷ The Order also permits price cap carriers that decline model-based support to participate in the 2016 competitive bidding process.²⁸ On April 29, 2015, the FCC released a Public Notice announcing the offers of model-based Phase II support to price cap carriers to fund voice and broadband-capable networks in their service areas.²⁹ The total offer is \$1.675 billion annually, for six calendar years, 2015-2020.³⁰ Next, on June 16, 2015, the Bureau released a Public Notice announcing acceptance by Frontier Communications of model-based support for each of the 28 states it serves.³¹ 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. Finally in August 2015, the Bureau released public notices for Consolidated Communications, AT&T, CenturyTel, Inc. dba CenturyLink, Cincinnati Bell, Fairpoint Communications, Inc., Hawaiian Telecom, Inc.,

²⁵ *Id.*

²⁶ *Id.*

²⁷ See generally *Connect America Fund Omnibus Order and FNPRM*, WC Docket Nos. 10-90 *et al.*, Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, 29 FCC Rcd 7051 (2014) (*CAF Omnibus Order*).

²⁸ *Id.* at 7062-7063, para. 37.

²⁹ See *Wireline Competition Bureau Announces Connect America Phase II Support Amounts Offered to Price Cap Carriers to Expand Rural Broadband*, WC Docket No. 10-90, Public Notice, 30 FCC Rcd 3905 (2015).

³⁰ *Id.*

³¹ See *Wireline Competition Bureau Authorizes Frontier Communications Corporation to Receive \$283 Million in Connect America Phase II Support to Serve 1.3 Million Rural Americans in 28 States*, WC Docket No. 10-90, Public Notice, 30 FCC Rcd 6310 (2015).

Universal Service Administrative Company 3Q2018 Fund Size Projections

Micronesian, and Windstream Corporation for announcement of acceptance of model-based support.³²

For 3Q2018, total CAF Phase II projected support is estimated to be \$383.20 million, of which \$3.79 million will be paid from cash reserved in the High Cost account, resulting in a 3Q2018 collection requirement of \$379.41 million. Total annual 2018 CAF Phase II support is estimated to be \$1,532.81 million.

Appendix HC12 provides projected CAF Phase II Support by state by study area for 3Q2018.

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.³³ Eligible incumbent carriers may receive additional support through this recovery mechanism.

For 3Q2018, total CAF/ICC Support is estimated to be \$101.18 million and total annual 2018 CAF/ICC Support is estimated to be \$404.73 million. Appendix HC10 provides projected CAF/ICC Support by State by Study Area for 3Q2018.

RURAL BROADBAND EXPERIMENTS

On July 11, 2014, the FCC adopted the *Rural Broadband Experiments (RBE) Order* to advance the deployment of voice and broadband networks in high-cost areas and help

³² See Wireline Competition Bureau Authorizes Windstream to Receive Over \$ 174 Million in Connect America Phase II Support in 17 States, WC Docket No. 10-90, Public Notice, 30 FCC Rcd 8245 (2015); Wireline Competition Bureau Authorizes Fairpoint to Receive Over \$37 Million in Connect America Phase II Support in 14 States, WC Docket No. 10-90, 30 FCC Rcd 8245 (2015); Wireline Competition Bureau Authorizes the Micronesian Telecommunications Corporation to Receive Over \$2.5 Million and Hawaiian Telecom, Inc. to Receive Over \$ 4 Million in Connect America Phase II Support, WC Docket No. 10-90, 30 FCC Rcd 8471 (2015); Wireline Competition Bureau Authorizes Additional Cap Carriers to Receive Almost \$950 Million in Phase II Connect America Support *et al.*, WC Docket No. 10-90, Public Notice, 30 FCC Rcd 8577 (2015).

³³ See 47 C.F.R. § 54.304(b).

Universal Service Administrative Company 3Q2018 Fund Size Projections

design the Phase II competitive bidding process and Remote Areas Fund.³⁴ 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.³⁵ For 3Q2018, total RBE support is estimated to be \$0.83 million, all of which will be paid from cash reserved in the High Cost account; thus, there is no 3Q2018 collection requirement for RBE. Total annual 2018 RBE support is estimated to be \$3.33 million. Appendix HC13 provides projected RBE Support by State by Study Area for 3Q2018.

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 ICC revenues.³⁶ On March 30, 2016, the FCC released the *Rate-of-Return Reform Order* setting forth two distinct paths for rate-of-return carriers: (1) voluntary election of model support or (2) support based on existing mechanisms as modified to include broadband.³⁷ Furthermore, the Order set a budget of \$2 billion per year and up to an additional \$150 million annually from existing high-cost reserves for the voluntary path to the model.³⁸ In order to remain within a \$2 billion budget, USAC will apply the FCC Budget Control Mechanism methodology to reduce support for each carrier. Appendix HC15 provides the rate-of-return budget control projected support amounts due to the budget control mechanism.

Moreover, pursuant to the Order, USAC is required to calculate total support available for distribution to Rate-of-Return carriers. In order to remain within the annual

³⁴ See *Connect America Fund, ETC Annual Reports and Certifications*, WC Docket No. 10-90 *et al.*, Report and Order and Further Notice of Proposed Rulemaking, 29 FCC Rcd 8769 (2014) (*Rural Broadband Experiments Order*).

³⁵ See *id.* at 8772, para. 9.

³⁶ See *USF/ICC Transformation Order*, 26 FCC Rcd at 17740, para. 206.

³⁷ See *generally Rate-of-Return Reform Order*, 31 FCC Rcd 3087.

³⁸ See *id.* at 3090-91, para. 4.

Universal Service Administrative Company 3Q2018 Fund Size Projections

rate of return budget, USAC is required to apply the FCC Budget Control Mechanism methodology to reduce support for carriers subject to High Cost Loop (HCL) support (including Safety Net Additive (SNA) and Safety Valve Support (SVS)) and or Connect America Broadband Loops Support (CAF BLS) support.³⁹

In the *2018 Rate-of-Return Order*, the FCC eliminated the effect of the budget control mechanism affecting claims from July 2017 to June 2018 by fully funding claims by legacy rate-of-return carriers during that period⁴⁰ The order directs USAC to work with the FCC to determine an efficient methodology to calculate the amounts withheld as a result of the budget control mechanism and make payments to fully fund support claims to the affected carriers in a lump sum payment in the second full quarter after the effective date of the order, 3Q 2018⁴¹ drawing first on funds available in USAC's reserve account.

HIGH COST LOOP SUPPORT (INCLUDING SAFETY NET ADDITIVE AND SAFETY VALVE SUPPORT)

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, 2013.⁴² Growth in total HCL support for rural carriers is limited under Section 54.1302 of the Commission's rules to the current level of funding increased yearly by the annual growth in supported rural loops.⁴³ The *Rural Task Force (RTF) Order* increased HCL support for rural carriers effective July 1, 2001.⁴⁴

³⁹ See *id.* at 3142-3145, paras. 146-155.

⁴⁰ *2018 Rate-of-Return Order*, FCC 18-29, at 35-36, paras 77-82.

⁴¹ The *2018 Rate-of-Return Order* will be effective thirty (30) days after publication of the text or summary in the Federal Register, except for those rules and requirements involving Paperwork Reduction Act burdens, which will become effective immediately upon announcement in the Federal Register of Office of Management and Budget approval. As of April 27, 2018, the order was not yet published in the Federal Register; the NPRM attached to the order was published April 25, 2018.

⁴² Universal Service Fund (USF) 2012 Submission of 2011 Study Results (filed Oct. 1, 2012) (*USF Data Submission*).

⁴³ 47 C.F.R. § 54.1302(a); see also 47 C.F.R. § 54.1303.

⁴⁴ *Federal-State Joint Board on Universal Service et al.*, CC Docket Nos. 96-45 *et al.*, Fourteenth Report and Order, Twenty-Second Order on Reconsideration, and Further Notice of Proposed Rulemaking, and Report and Order, 16 FCC Rcd 11244

Universal Service Administrative Company 3Q2018 Fund Size Projections

Rural HCL support for calendar year 2018 will be less than the level of payments for 2017 because of a rural growth factor of negative 1.1675 percent. Rural HCL support for calendar year 2018, therefore, is capped at \$586.7 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 SNA support above the HCL cap for carriers that make significant investment in rural infrastructure in years in which HCL is capped.⁴⁵ 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.⁴⁶ Pursuant to the *USF/ICC Transformation Order*, SNA was planned to be phased down over a two-year period, and no SNA support will be provided for carriers whose costs are incurred after 2009.⁴⁷ 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.⁴⁸ Beginning in 1Q2018, SNA support is phased out, thus there is no projected SNA supported.

For 3Q2018, projected HCL support is \$122.70 million, which includes \$0.73 million for SVS. Total annual 2018 HCL support is projected to be \$490.79 million.

(2001) (*RTF Order*).

⁴⁵ *Id.* at 11276-81, paras. 77-90; *see also* 47 C.F.R. § 54.1304.

⁴⁶ *Id.*

⁴⁷ *See USF/ICC Transformation Order*, 26 FCC Rcd at 17758, para. 252.

⁴⁸ *See Connect America Fund et al.*, WC Docket Nos. 10-90 *et al.*, Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, 29 FCC Rcd 7051, 7087-90, paras. 105-115 (2014).

Universal Service Administrative Company 3Q2018 Fund Size Projections

Appendix HC05 provides projected monthly HCL support payments by State by Study Area for 3Q2018. Appendix HC06 displays projected SVS payments by State by Study Area for 3Q2018.

ALASKA PLAN SUPPORT

In the *Alaska Plan Order*, the FCC approved for Alaska rate-of-return carriers to receive frozen support for 10 years and be obligated to offer voice and broadband services at specified speeds to a specified number of locations while meeting certain service obligations.⁴⁹

For 3Q2018, projected Alaska Plan Support is \$32.08 million. Total annual 2018 Alaska Plan Support is projected to be \$128.31 million. Appendix HC04 provides 3Q2018 projections for Alaska Plan Support by State by Study Area.

CONNECT AMERICA BROADBAND LOOP SUPPORT

Connect America Broadband Loop Support (CAF BLS) replaces what was previously known as Interstate Common Line Support (ICLS).⁵⁰ The FCC made modifications to modernize ICLS rules to provide support in situations where the customer no longer subscribes to traditional regulated local exchange voice service.⁵¹ CAF BLS will provide support for broadband-capable loops, regardless of whether the customer chooses traditional voice, bundle of voice and broadband, or only broadband.⁵²

For 3Q2018, CAF BLS is projected to be \$184.61 million and total annual 2018 CAF BLS is estimated to be \$738.45 million. For 3Q2018, the remaining legacy ICLS true-up is projected to be \$4.80 million and total annual 2018 ICLS true-up is estimated to be \$9.60

⁴⁹ See WC-Docket Nos. 10-90 and 16-271 DA 16-425

⁵⁰ See *Rate-of-Return Reform Order*, 31 FCC Red at 3091, para. 5.

⁵¹ *Id.*

⁵² *Id.*

Universal Service Administrative Company 3Q2018 Fund Size Projections

million.

Appendix HC08 provides USAC's 3Q2018 projections of CAF BLS by State by Study Area and Appendix HC09 provides USAC's 3Q2018 projections of CAF BLS by State.

Appendix HC16 provides USAC's 3Q2018 ICLS by State by Study Area 2016 True-Up and Appendix and HC17 provides ICLS 2016 True-Up per Line.

Alternative Connect America Model (A-CAM)

Alternative Connect America Model (A-CAM) allows carriers the option of electing a set amount of monthly support over 10 years, or remaining with a reformed version of legacy support mechanisms with CAF-BLS and HCL support. The initial November 1, 2016 carrier election led to a high demand for A-CAM support. Thus, additional steps were taken by FCC to address the increased demand.

Those steps included allocating an additional \$50 million annually to the A-CAM budget, and making revised offers to 191 carriers that previously elected A-CAM. The methodology used to calculate the revised offers reduces support by varying percentages based on how many locations in a carrier's eligible service territory still lack access to broadband speeds of 10 megabits per second downstream and 1 megabit per second upstream.

On March 23, 2018, the FCC released the *2018 Rate-of-Return Order*, which directed the FCC to offer additional A-CAM support up to \$146.10 per location to all carriers that accepted revised offers of model-based support.⁵³ To implement the increase, the FCC will release a Public Notice with the revised support amounts and corresponding revised deployment obligations, and carriers will have forty-five (45) days to confirm that they

⁵³ See *2018 Rate-of-Return Order*, FCC 18-29, at 31, para. 66.

Universal Service Administrative Company 3Q2018 Fund Size Projections

accept the revised offer. The FCC estimated this additional support would increase the A-CAM budget by approximately \$36.5 million annually. The FCC directed that after release of a public notice to authorize carriers accepting the revised offers of A-CAM support, USAC must make a one-time lump sum payment from excess cash in its High Cost account to true up support that would have been disbursed in 2017 at the \$146.10 per-location cap support amount.⁵⁴

For 3Q2018, A-CAM is projected to be \$137.11 million, of which \$54.90 million will be paid from cash reserved in the High Cost account, resulting in a 3Q2018 collection requirement of \$82.21 million. Total annual 2018 A-CAM is estimated to be \$548.46 million. Appendix HC14 provides alternative Connect America Cost Model Support Projected by State by Study Area for 3Q2018.

PRICE CAP CARRIERS

For 3Q2018, total frozen high cost support for price cap carriers is estimated to be \$36.74 million and total annual 2018 frozen high cost support for price cap carriers is estimated to be \$146.96 million. Appendix HC07 provides frozen high cost support for price cap carriers by State by Study Area for 3Q2018.

COMPETITIVE ELIGIBLE TELECOMMUNICATIONS CARRIERS

The *USF/ICC Transformation Order* transitioned existing Competitive Eligible Telecommunications Carriers (CETCs) support to the CAF over a five-year period beginning January 1, 2012.⁵⁵ 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

⁵⁴ See *id.* at 32, para. 68.

⁵⁵ See *id.* at 17830, para. 513.

Universal Service Administrative Company 3Q2018 Fund Size Projections

of reported lines as of year-end 2011, whichever was lower.⁵⁶ That monthly baseline amount was provided from January 1, 2012 to September 30, 2012.⁵⁷ Beginning July 1, 2012, each CETC's support was reduced by 20 percent for each July to June time period.⁵⁸ However, consistent with FCC rules, since Mobility Fund Phase II was not implemented by September 30, 2014, CETC support was not be subject to an additional 20 percent reduction in support beginning July 2014.⁵⁹ The implementation date of Mobility Fund Phase II is yet to be determined.

For 3Q2018, total frozen high cost support for CETCs is \$121.73 million, which includes \$0.16 million for Standing Rock 3Q2018 High Cost Program support. Total annual 2018 combined High Cost Program support demand totals for CETCs, including Standing Rock, is estimated to be \$486.94 million.

Appendix HC07 provides frozen high cost support for CETCs by State by Study Area for 3Q2018. Additionally, Appendix HC03 provides 3Q2018 projections for Standing Rock Support by State by Study Area.

HIGH COST SUPPORT MECHANISM SUMMARY

The 3Q2018 High Cost Support Mechanism funding requirements are projected as follows: \$122.70 million for HCL support, \$184.61 million for CAF BLS, \$4.80 million for ICLS true-up, \$36.74 million for frozen Price Cap Carrier Support, \$379.41 million for CAF Phase II, \$121.73 million for frozen CETC Support, \$101.18 million for CAF/ICC Support, \$32.08 million for Alaska Plan Support, and \$82.21 million for A-CAM, resulting in base projected demand of \$1,065.46 million. Demand for Rural Broadband Experiments (\$0.83

⁵⁶ *See id.* at 17831, para. 515.

⁵⁷ *See id.*

⁵⁸ *See id.*

⁵⁹ *USF/ICC Transformation Order*, 26 FCC Rcd at 17831, para. 515; *see also* 47 C.F.R. § 54.307.

Universal Service Administrative Company 3Q2018 Fund Size Projections

million), incremental Alternative Connect America Model support (\$54.90 million), and Connect America Fund Phase II transition support (\$3.79 million) will be paid with cash reserved for this purpose in the High Cost account, resulting in total High Cost Support Mechanism projected demand of \$1,065.46 million.

The total fund requirement of \$1,065.46 million is adjusted as follows: increased by prior period adjustments of \$10.99 million,⁶⁰ increased by administrative costs of \$11.56 million, and reduced by projected interest income of \$0.19 million; resulting in a total projected 3Q2018 funding requirement for the High Cost Support Mechanism of \$1,087.82 million.

Appendix M02 provides the fund size projections for 3Q2018.

LOW INCOME SUPPORT MECHANISM

LIFELINE SUPPORT

ETCs providing Lifeline support are entitled to receive funding for the waiver of charges and reduced rates provided to qualified low-income subscribers.⁶¹ In the *Lifeline Reform Order*, all non-tribal Lifeline support was set to a flat rate of \$9.25 for all subscribers equally, regardless of whether they subscribe to wireline or wireless Lifeline service.⁶² As established in the *Tribal Order*, tribal support makes available each month up to an additional \$25 per low-income subscriber to eligible residents of tribal lands.⁶³ The *2016 Lifeline Order*

⁶⁰ Prior period adjustments reconcile projections to actual results and include adjustments for billings, disbursements, interest income, bad debt and administrative expenses.

⁶¹ 47 C.F.R. §§ 54.401-54.417.

⁶² See *Lifeline and Link Up Reform and Modernization et al.*, WC Docket Nos. 11-42 *et al.*, CC Docket No. 96-45, Report and Order and Further Notice of Proposed Rule Making, 27 FCC Rcd 6656, 6683, para. 58 (2012) (*Lifeline Reform Order*).

⁶³ See 47 C.F.R. § 54.400(e); *Federal-Joint Board on Universal Service et al.*, CC Docket 96-45, Twenty-Fifth Order on Reconsideration, Report and Order, Order, and Further Notice of Proposed Rulemaking, 18 FCC Rcd 10958 (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.

Universal Service Administrative Company 3Q2018 Fund Size Projections

extended Lifeline support to broadband services and adopted a phase-down of support for voice-only service beginning in 2019.⁶⁴

For 3Q2018, USAC projects \$303.15 million will be required for Lifeline support. Based on this projection, total annual 2018 Lifeline support is estimated to be \$1,212.60 million.

LINK-UP SUPPORT

Effective with the April 2012 support claims, Link-Up support was eliminated for all ETCs on non-tribal lands.⁶⁵ Link-Up support is available for ETCs that provide support on tribal lands, but is limited to those ETCs receiving High Cost Program support.⁶⁶ ETCs may claim a 100 percent reduction, or up to \$100, of the customary charge for commencing telephone service for a single telecommunication connection at a subscriber's principal place of residence.⁶⁷

For 3Q2018, USAC projects that \$0.05 million will be required for Link-Up support. Based on this projection, total annual 2018 Link-Up support is estimated to be \$0.20 million.

LOW INCOME SUPPORT MECHANISM SUMMARY

The estimated 3Q2018 Low Income Support Mechanism funding requirements are projected as follows: \$303.15 million for Lifeline and \$0.05 million for Link-Up, resulting in total of \$303.20 million.

The total fund requirement of \$303.20 million is adjusted as follows: decreased by prior period adjustment of \$16.84 million,⁶⁸ increased for administrative costs of \$11.25

⁶⁴ See *Lifeline and Link Up Reform and Modernization, et al.*, WC Docket Nos. 11-42, Third Report and Order and Further Report and Order, and Order on Reconsideration, 31 FCC Rcd 3962, 3985-87, paras. 62-66 (2016) (*2016 Lifeline Order*).

⁶⁵ See *Lifeline Reform Order*, 27 FCC Rcd at 6767, para. 253.

⁶⁶ See *id.* at 6767, para. 254.

⁶⁷ 47 C.F.R. § 54.413(a)(1).

⁶⁸ Prior period adjustments reconcile projections to actual results and include adjustments for billings, disbursements, interest income, bad debt and administrative expenses.

Universal Service Administrative Company 3Q2018 Fund Size Projections

million, and decreased by projected interest income of \$0.10 million; resulting in a total projected 3Q2018 funding requirement for the Low Income Support Mechanism of \$297.51 million.

Appendix LI01 provides projected Low Income support amounts by state and study area for 3Q2018.⁶⁹ LI03 provides a list of ETCs for 1Q2018.⁷⁰ LI04 provides detail on quarterly company specific Low Income disbursement amounts for 1Q2018. LI05 provides detail on annual company-specific Low Income support claimed by state and company for January 2014 through March 2018.⁷¹ LI06 provides historical data of monthly support amounts claimed by ETCs from January 1998 through March 2018. LI07 provides detail on Low Income support claimed by state or jurisdiction for January 2014 through March 2018.⁷² LI08 and LI09 provide subscriber and beneficiary information by state or jurisdiction for Lifeline and Link-Up support, respectively, for January 2017 through March 2018.

RURAL HEALTH CARE SUPPORT MECHANISM

Following is a summary of Rural Health Care (RHC) Support Mechanism commitments and disbursements for Funding Years (FYs) 2008 through 2017 as of March 31, 2018. Funding years prior to FY 2008 are closed.

FUNDING YEAR 2008

FY 2008 began on July 1, 2008 and ended on June 30, 2009. On September 29, 2006, the FCC released an order establishing a new two-year Rural Health Care Support

⁶⁹ Companies that are no longer ETCs have been removed from LI01.

⁷⁰ Companies that are no longer ETCs have been removed from LI03.

⁷¹ For data for years prior to 2009, see LI05 of USAC's 2Q2010 FCC Quarterly Demand Filing.

⁷² For data for years prior to 2009, see LI07 of USAC's 2Q2010 FCC Quarterly Demand Filing.

Universal Service Administrative Company 3Q2018 Fund Size Projections

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.”⁷³ The application window for the Pilot Program opened on March 8, 2007 and closed on May 7, 2007.⁷⁴ 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 2009.⁷⁵ 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 2007,⁷⁶ resulting in \$54.44 million of funds collected for FY 2006 being reallocated to FY 2007.

As of March 31, 2018, USAC estimates that FY 2008 program demand will be \$66.66 million. The Commission previously authorized collection of \$66.66 million for FY 2008.

Cumulative payments to service providers through 1Q2018 are listed in Appendix RH03.

FUNDING YEAR 2009

FY 2009 began on July 1, 2009 and ended on June 30, 2010. In accordance with the instructions in a January 17, 2008 letter from the Chief of the FCC WCB 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 2007 and FY 2008 to FY 2009. USAC has collected \$139.26 million for each of the Pilot Program FYs for a total of \$417.78 million for

⁷³ *Rural Health Care Support Mechanism*, WC Docket No. 02-60, Order, 21 FCC Rcd 11111, 11112, para. 3 (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, 21 FCC Rcd 13125 (2006); *Rural Health Care Support Mechanism*, WC Docket No. 02-60, Order on Reconsideration, 22 FCC Rcd 2555 (2007) (expanding eligibility to include National LambdaRail’s backbone in Rural Health Care Pilot).

⁷⁴ *Wireline Competition Bureau Announces OMB Approval of the Rural Health Care Pilot Program Information Collection Requirements and the Deadline for Filing Applications*, Public Notice, 22 FCC Rcd 4770 (2007).

⁷⁵ *See Rural Health Care Support Mechanism*, WC Docket No. 02-60, Order, 22 FCC Rcd 20360, 20373, para. 34 (2007).

⁷⁶ *Id.*

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

the three years, thus no further collection is necessary. As of March 31, 2018, USAC estimates that the demand for all Pilot Program FYs will be \$299.71 million. . As directed by the FCC, the remaining \$118.07 million in uncommitted Pilot Program dollars has been reallocated for the demand associated with HCF. As of March 31, 2018, USAC estimates that there will be no additional uncommitted Pilot Program funding to be reallocated to the Health Care Connect Fund (HCF).

As of March 31, 2018, USAC estimates FY 2009 program demand will be \$71.76 million. The Commission previously authorized collection of \$71.76 million for FY 2009. Cumulative payments to service providers through 1Q2018 are listed in Appendices RH06.

FUNDING YEAR 2010

FY 2010 began on July 1, 2010 and ended on June 30, 2011. As of March 31, 2018, USAC estimates FY 2010 program demand will be \$87.38 million. The Commission previously authorized collection of \$87.39 million for FY 2010. Therefore, the program funding requirement has decreased by \$0.01 million for FY 2010. Cumulative payments to service providers through 1Q2018 are listed in Appendix RH09.

FUNDING YEAR 2011

FY 2011 began on July 1, 2011 and ended on June 30, 2012. As of March 31, 2018, USAC estimates that FY 2011 program demand will be \$101.33 million. The Commission previously authorized collection of \$101.33 million for FY 2011. Cumulative payments to service providers through 1Q2018 are listed in Appendix RH12.

FUNDING YEAR 2012

FY 2012 began on July 1, 2012 and ended on June 30, 2013. As of March 31, 2018, USAC estimates that FY 2012 program demand will be \$118.32 million. The Commission previously authorized collection of \$118.36 million for FY 2012. Therefore, the program

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

funding requirement has decreased by \$0.04 million for FY 2012. Cumulative payments to service providers through 1Q2018 are listed in Appendix RH15.

FUNDING YEAR 2013

FY 2013 began on July 1, 2013 and ended on June 30, 2014. As of March 31, 2018, USAC estimates that FY 2013 program demand will be \$176.75 million. The Commission previously authorized collection of \$176.76 million for FY 2013. Therefore, the program funding requirement has decreased by \$0.01 million for FY 2013.

Authorized funding by applicant during 1Q2018 and cumulative payments to service providers through 1Q2018 are listed in Appendices RH17 and RH18, respectively.

FUNDING YEAR 2014

FY 2014 began on July 1, 2014 and ended on June 30, 2015. As of March 31, 2018, USAC estimates FY 2014 program demand will be \$231.05 million. The Commission previously authorized collection of \$244.46 million for FY 2014. Therefore, the program funding requirement has decreased by \$13.41 million for FY 2014.

Authorized funding by applicant during 1Q2018 and cumulative payments to service providers through 1Q2018 are listed in Appendices RH20 and RH21, respectively.

FUNDING YEAR 2015

FY 2015 began on July 1, 2015 and ended on June 30, 2016. As of March 31, 2018, USAC estimates FY 2015 program demand will be \$306.66 million. The Commission previously authorized collection of \$308.04 million for FY 2015. Therefore, the program funding requirement has decreased by \$1.38 million for FY 2015.

Authorized funding by applicant during 1Q2018 and cumulative payments to service providers through 1Q2018 are listed in Appendices RH23 and RH24, respectively.

FUNDING YEAR 2016

Universal Service Administrative Company 3Q2018 Fund Size Projections

FY 2016 began on July 1, 2016 and ended on June 30, 2017. As of March 31, 2018, USAC estimates FY 2016 program demand will be \$388.94 million, including administrative expenses in the amount of \$12.29 million. The Commission previously authorized collection of \$395.61 million for FY 2016. Therefore, the program funding requirement has decreased by \$6.67 million for FY 2016.

Funding commitments made to applicants during 1Q2018 are included in Appendix RH25. Authorized funding by applicant during 1Q2018 and cumulative payments to service providers through 1Q2018 are listed in Appendices RH26 and RH27, respectively.

FUNDING YEAR 2017

FY 2017 began on July 1, 2017 and will end on June 30, 2018. As of March 31, 2018, demand for FY 2017 programs exceeds the \$400 million program cap. In December, the FCC issued a Notice of Proposed Rulemaking and Order, which, among other things, waived the \$400 million program cap for FY 2017 to “to permit USAC to commit up to the amount of any unused funds carried forward prior years to the RHC Program funding.”⁷⁷ Pursuant to the order, USAC has applied \$31.35 million of uncommitted funds for a total of \$431.35 million to use for FY 2017.

As of March 31, 2018, USAC estimates FY 2017 program demand will be \$419.57 million and \$11.78 million will be reserved for administrative expenses. The Commission previously authorized a collection of \$400 million for FY 2017 and the application of applied \$31.35 million of unused funds for FY 2017.

⁷⁷ *Promoting Telehealth in Rural America Proposal*, WC Docket No. 17-310, Notice of Proposed Rulemaking and Order, 32 FCC Rcd 10631, 10668, para. 107105 (2017)..

Universal Service Administrative Company 3Q2018 Fund Size Projections

Funding commitments made to applicants during 1Q2018 are included in Appendix RH28. Authorized funding by applicant during 1Q2018 and cumulative payments to service providers through 1Q2018 are listed in Appendices RH29 and RH30, respectively.

RURAL HEALTH CARE SUPPORT MECHANISM SUMMARY

The estimated 3Q2018 Rural Health Care Support Mechanism demand requirement is \$100.00 million, which includes amounts for the Telecom Program, as well as the Healthcare Connect Fund (HCF) and administrative costs.

The total fund requirement of \$100.00 million is adjusted as follows: decreased by the prior period adjustment of \$2.82 million⁷⁸ and reduced by projected interest income of \$0.70 million; resulting in a total projected 3Q2018 funding requirement for the Rural Health Care Support Mechanism of \$96.48 million.

SCHOOLS AND LIBRARIES SUPPORT MECHANISM

Following is a summary of Schools and Libraries Support Mechanism net commitments⁷⁹ and net authorized for payment⁸⁰ by Funding Year (FY) as of March 31, 2018.

⁷⁸ Prior period adjustments reconcile projections to actual results and include adjustments for billings, interest income, bad debt and administrative expenses.

⁷⁹ 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.

⁸⁰ 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 3Q2018 Fund Size
Projections**

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 | 36.30% | 74.75% |
| Internet Access | \$ 134.10 | 7.89% | \$ 94.82 | 6.78% | 70.71% |
| Internal Connections | \$ 885.78 | 52.13% | \$ 796.37 | 56.93% | 89.91% |
| TOTAL | \$ 1,699.12 | 100.00% | \$1,398.95 | 100.00% | 82.33% |
| De-obligations due to Expired FRNs | \$ (300.17) | | | | |
| Net Commitments | \$ 1,398.95 | | | | |

No FY 1998 applications remain in the Program Integrity Assurance (PIA) review process.

Funding Year 1999

| FY 1999 | | | | | |
|-----------------------------------|---------------------|------------------------|----------------------------|-----------------------------------|---------------------------------------|
| | Net Commitments | | Net Authorized for Payment | | Auth/Com |
| | Millions of Dollars | % of Total Commitments | Millions of Dollars | % of Total Authorized for Payment | % of Committed Authorized for Payment |
| Telecommunications | \$ 634.53 | 29.54% | \$ 452.16 | 27.40% | 71.26% |
| Internet Access | \$ 148.68 | 6.92% | \$ 95.40 | 5.78% | 64.16% |
| Internal Connections | \$ 1,364.78 | 63.54% | \$1,102.46 | 66.82% | 80.78% |
| TOTAL | \$ 2,147.99 | 100.00% | \$1,650.02 | 100.00% | 76.82% |
| Deobligations due to Expired FRNs | \$ (497.97) | | | | |
| Net Commitments | \$ 1,650.02 | | | | |

No FY 1999 applications remain in the PIA review process.

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

FUNDING YEAR 2000

| FY 2000 | | | | | |
|-----------------------------------|---------------------|------------------------|----------------------------|-----------------------------------|---------------------------------------|
| | Net Commitments | | Net Authorized for Payment | | Auth/Com |
| | Millions of Dollars | % of Total Commitments | Millions of Dollars | % of Total Authorized for Payment | % of Committed Authorized for Payment |
| Telecommunications | \$ 719.02 | 34.59% | \$ 481.21 | 29.22% | 66.93% |
| Internet Access | \$ 218.72 | 10.52% | \$ 131.92 | 8.01% | 60.32% |
| Internal Connections | \$ 1,141.02 | 54.89% | \$ 1,033.88 | 62.77% | 90.61% |
| TOTAL | \$ 2,078.76 | 100.00% | \$ 1,647.01 | 100.00% | 79.23% |
| Deobligations due to Expired FRNs | \$ (431.70) | | | | |
| Net Commitments | \$ 1,647.06 | | | | |

No FY 2000 applications remain in the PIA review process.

FUNDING YEAR 2001

| FY 2001 | | | | | |
|-----------------------------------|---------------------|------------------------|----------------------------|-----------------------------------|---------------------------------------|
| | Net Commitments | | Net Authorized for Payment | | Auth/Com |
| | Millions of Dollars | % of Total Commitments | Millions of Dollars | % of Total Authorized for Payment | % of Committed Authorized for Payment |
| Telecommunications | \$ 766.55 | 35.32% | \$ 540.88 | 31.90% | 70.56% |
| Internet Access | \$ 224.70 | 10.35% | \$ 146.92 | 8.66% | 65.39% |
| Internal Connections | \$ 1,178.99 | 54.33% | \$ 1,007.88 | 59.44% | 85.49% |
| TOTAL | \$ 2,170.24 | 100.00% | \$ 1,695.68 | 100.00% | 78.13% |
| Deobligations due to Expired FRNs | \$ (474.48) | | | | |
| Net Commitments | \$ 1,695.76 | | | | |

As of March 31, 2018, two potentially fundable FY 2001 applications remain in the PIA review process.

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

FUNDING YEAR 2002

| FY 2002 | | | | | |
|-----------------------------------|---------------------|------------------------|----------------------------|-----------------------------------|---------------------------------------|
| | Net Commitments | | Net Authorized for Payment | | Auth/Com |
| | Millions of Dollars | % of Total Commitments | Millions of Dollars | % of Total Authorized for Payment | % of Committed Authorized for Payment |
| Telecommunications | \$ 848.93 | 40.15% | \$ 610.64 | 38.27% | 71.93% |
| Internet Access | \$ 251.03 | 11.87% | \$ 169.41 | 10.62% | 67.49% |
| Internal Connections | \$ 1,014.46 | 47.98% | \$ 815.74 | 51.12% | 80.41% |
| TOTAL | \$ 2,114.42 | 100.00% | \$1,595.79 | 100.00% | 75.47% |
| Deobligations due to Expired FRNs | \$ (518.59) | | | | |
| Net Commitments | \$ 1,595.83 | | | | |

As of March 31, 2018, one potentially fundable FY 2002 application remains in the PIA review process.

FUNDING YEAR 2003

| FY 2003 | | | | | |
|-----------------------------------|---------------------|------------------------|----------------------------|-----------------------------------|---------------------------------------|
| | Net Commitments | | Net Authorized for Payment | | Auth/Com |
| | Millions of Dollars | % of Total Commitments | Millions of Dollars | % of Total Authorized for Payment | % of Committed Authorized for Payment |
| Telecommunications | \$ 899.03 | 35.65% | \$ 657.50 | 33.93% | 73.13% |
| Internet Access | \$ 274.79 | 10.90% | \$ 203.32 | 10.49% | 73.99% |
| Internal Connections | \$ 1,348.21 | 53.46% | \$1,076.71 | 55.57% | 79.86% |
| TOTAL | \$ 2,522.03 | 100.00% | \$1,937.53 | 100.00% | 76.82% |
| Deobligations due to Expired FRNs | \$ (584.50) | | | | |
| Net Commitments | \$ 1,937.53 | | | | |

As of March 31, 2018, two potentially fundable FY 2003 applications remain in the PIA review process. Authorized funding by applicant during 1Q2018 and cumulative

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

payments to service providers through 1Q2018 are listed in Appendices SL01 and SL02, respectively.

FUNDING YEAR 2004

| FY 2004 | | | | | |
|-----------------------------------|---------------------|------------------------|----------------------------|-----------------------------------|---------------------------------------|
| | Net Commitments | | Net Authorized for Payment | | Auth/Com |
| | Millions of Dollars | % of Total Commitments | Millions of Dollars | % of Total Authorized for Payment | % of Committed Authorized for Payment |
| Telecommunications | \$ 933.79 | 45.91% | \$ 689.99 | 44.94% | 73.89% |
| Internet Access | \$ 245.18 | 12.06% | \$ 193.35 | 12.59% | 78.86% |
| Internal Connections | \$ 854.78 | 42.03% | \$ 651.98 | 42.47% | 76.27% |
| TOTAL | \$ 2,033.75 | 100.00% | \$ 1,535.32 | 100.00% | 75.49% |
| Deobligations due to Expired FRNs | \$ (498.40) | | | | |
| Net Commitments | \$ 1,535.35 | | | | |

No FY 2004 applications remain in the PIA review process. Authorized funding by applicant during 1Q2018 and cumulative payments to service providers through 1Q2018 are listed in Appendices SL03 and SL04, respectively.

FUNDING YEAR 2005

| FY 2005 | | | | | |
|---|---------------------|------------------------|----------------------------|-----------------------------------|---------------------------------------|
| | Net Commitments | | Net Authorized for Payment | | Auth/Com |
| | Millions of Dollars | % of Total Commitments | Millions of Dollars | % of Total Authorized for Payment | % of Committed Authorized for Payment |
| Telecommunications | \$ 983.88 | 49.01% | \$ 778.02 | 47.92% | 79.08% |
| Internet Access | \$ 259.43 | 12.92% | \$ 214.37 | 13.20% | 82.63% |
| Internal Connections | \$ 644.22 | 32.09% | \$ 539.52 | 33.23% | 83.75% |
| Basic Maintenance of Internal Connections | \$ 119.97 | 5.98% | \$ 91.76 | 5.65% | 76.48% |
| TOTAL | \$ 2,007.50 | 100.00% | \$ 1,623.67 | 100.00% | 80.88% |
| Deobligations due to Expired | \$ (383.83) | | | | |

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

| | | | | | |
|------------------------|--------------------|--|--|--|--|
| FRNs | | | | | |
| Net Commitments | \$ 1,623.67 | | | | |

No FY 2005 applications remain in the PIA review process.

Funding Year 2006

| FY 2006 | | | | | |
|--|---------------------|------------------------|----------------------------|-----------------------------------|---------------------------------------|
| | Net Commitments | | Net Authorized for Payment | | Auth/Com |
| | Millions of Dollars | % of Total Commitments | Millions of Dollars | % of Total Authorized for Payment | % of Committed Authorized for Payment |
| Telecommunications | \$ 1,063.65 | 54.59% | \$ 849.65 | 54.24% | 79.88% |
| Internet Access | \$ 290.35 | 14.90% | \$ 236.48 | 15.10% | 81.45% |
| Internal Connections | \$ 475.78 | 24.42% | \$ 394.76 | 25.20% | 82.97% |
| Basic Maintenance Internal Connections | \$ 118.63 | 6.09% | \$ 85.61 | 5.47% | 72.17% |
| TOTAL | \$ 1,948.41 | 100.00% | \$ 1,566.50 | 100.00% | 80.40% |
| Deobligations due to Expired FRNs | \$ (381.73) | | | | |
| Net Commitments | \$ 1,566.68 | | | | |

No FY 2006 applications remain in the PIA review process.

FUNDING YEAR 2007

| FY 2007 | | | | | |
|---|---------------------|------------------------|----------------------------|-----------------------------------|---------------------------------------|
| | Net Commitments | | Net Authorized for Payment | | Auth/Com |
| | Millions of Dollars | % of Total Commitments | Millions of Dollars | % of Total Authorized for Payment | % of Committed Authorized for Payment |
| Telecommunications | \$ 1,164.25 | 49.41% | \$ 947.37 | 48.50% | 81.37% |
| Internet Access | \$ 309.84 | 13.15% | \$ 258.90 | 13.25% | 83.56% |
| Internal Connections | \$ 724.65 | 30.75% | \$ 627.73 | 32.14% | 86.63% |
| Basic Maintenance of Internal Connections | \$ 157.58 | 6.69% | \$ 119.33 | 6.11% | 75.73% |
| TOTAL | \$ 2,356.32 | 100.00% | \$ 1,953.33 | 100.00% | 82.90% |

Universal Service Administrative Company 3Q2018 Fund Size Projections

| FY 2007 | | | | | |
|-----------------------------------|--------------------|--|----------------------------|--|----------|
| | Net Commitments | | Net Authorized for Payment | | Auth/Com |
| Deobligations due to Expired FRNs | \$ (401.99) | | | | |
| Net Commitments | \$ 1,954.33 | | | | |

As of March 31, 2018, one potentially fundable FY 2007 application remains in the PIA review process. Authorized funding by applicant during 1Q2018 and cumulative payments to service providers through 1Q2018 are listed in Appendices SL07 and SL08, respectively.

FUNDING YEAR 2008

| FY 2008 | | | | | |
|---|---------------------|------------------------|----------------------------|-----------------------------------|---------------------------------------|
| | Net Commitments | | Net Authorized for Payment | | Auth/Com |
| | Millions of Dollars | % of Total Commitments | Millions of Dollars | % of Total Authorized for Payment | % of Committed Authorized for Payment |
| Telecommunications | \$ 1,292.07 | 54.39% | \$ 1,047.21 | 54.56% | 81.05% |
| Internet Access | \$ 332.80 | 14.01% | \$ 278.65 | 14.52% | 83.73% |
| Internal Connections | \$ 624.87 | 26.30% | \$ 501.07 | 26.11% | 80.19% |
| Basic Maintenance of Internal Connections | \$ 125.75 | 5.29% | \$ 92.46 | 4.82% | 73.53% |
| TOTAL | \$ 2,375.49 | 100.00% | \$ 1,919.39 | 100.00% | 80.80% |
| Deobligations due to Expired FRNs | \$ (440.47) | | | | |
| Net Commitments | \$ 1,935.02 | | | | |

No Funding Year 2008 applications remain in the PIA review process.

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

FUNDING YEAR 2009

| FY 2009 | | | | | |
|---|---------------------|------------------------|----------------------------|-----------------------------------|---------------------------------------|
| | Net Commitments | | Net Authorized for Payment | | Auth/Com |
| | Millions of Dollars | % of Total Commitments | Millions of Dollars | % of Total Authorized for Payment | % of Committed Authorized for Payment |
| Telecommunications | \$ 1,354.75 | 48.24% | \$ 1,110.60 | 47.90% | 81.98% |
| Internet Access | \$ 349.42 | 12.44% | \$ 292.66 | 12.62% | 83.76% |
| Internal Connections | \$ 911.81 | 32.47% | \$ 774.85 | 33.42% | 84.98% |
| Basic Maintenance of Internal Connections | \$ 192.54 | 6.86% | \$ 140.37 | 6.05% | 72.91% |
| TOTAL | \$ 2,808.52 | 100.00% | \$ 2,318.48 | 100.00% | 82.55% |
| Deobligations due to Expired FRNs | \$ (459.84) | | | | |
| Net Commitments | \$ 2,348.68 | | | | |

No Funding Year 2009 applications remain in the PIA review process. Authorized funding by applicant during 1Q2018 and cumulative payments to service providers through 1Q2018 are listed in Appendices SL011 and SL012, respectively.

FUNDING YEAR 2010

| FY 2010 | | | | | |
|---|---------------------|------------------------|----------------------------|-----------------------------------|---------------------------------------|
| | Net Commitments | | Net Authorized for Payment | | Auth/Com |
| | Millions of Dollars | % of Total Commitments | Millions of Dollars | % of Total Authorized for Payment | % of Committed Authorized for Payment |
| Telecommunications | \$ 1,430.80 | 47.67% | \$ 1,176.89 | 48.26% | 82.25% |
| Internet Access | \$ 392.78 | 13.09% | \$ 330.26 | 13.54% | 84.08% |
| Internal Connections | \$ 974.74 | 32.48% | \$ 783.39 | 32.13% | 80.37% |
| Basic Maintenance of Internal Connections | \$ 203.01 | 6.76% | \$ 147.96 | 6.07% | 72.88% |
| TOTAL | \$ 3,001.33 | 100.00% | \$ 2,438.50 | 100.00% | 81.25% |
| Deobligations due to Expired FRNs | \$ (529.01) | | | | |
| Net Commitments | \$ 2,472.32 | | | | |

Universal Service Administrative Company 3Q2018 Fund Size Projections

No Funding Year 2010 applications remain in the PIA review process. Authorized funding by applicant during 1Q2018 and cumulative payments to service providers through 1Q2018 are listed in Appendices SL13 and SL14, respectively.

FUNDING YEAR 2011

| FY 2011 | | | | | |
|---|---------------------|------------------------|----------------------------|-----------------------------------|---------------------------------------|
| | Net Commitments | | Net Authorized for Payment | | Auth/Com |
| | Millions of Dollars | % of Total Commitments | Millions of Dollars | % of Total Authorized for Payment | % of Committed Authorized for Payment |
| Telecommunications | \$ 1,468.45 | 55.02% | \$ 1,188.71 | 55.50% | 80.95% |
| Internet Access | \$ 466.77 | 17.49% | \$ 387.69 | 18.10% | 83.06% |
| Internal Connections | \$ 607.46 | 22.76% | \$ 489.21 | 22.84% | 80.53% |
| Basic Maintenance of Internal Connections | \$ 126.47 | 4.74% | \$ 76.23 | 3.56% | 60.28% |
| TOTAL | \$ 2,669.15 | 100.00% | \$ 2,141.84 | 100.00% | 80.24% |
| Deobligations due to Expired FRNs | \$ (509.64) | | | | |
| Net Commitments | \$ 2,159.51 | | | | |

As of March 31, 2018, four potentially fundable FY 2011 applications remain in the PIA review process. Authorized funding by applicant during 1Q2018 and cumulative payments to service providers through 1Q2018 are listed in Appendices SL15 and SL16, respectively.

FUNDING YEAR 2012

| FY 2012 | | | | | |
|--------------------|---------------------|------------------------|----------------------------|-----------------------------------|---------------------------------------|
| | Net Commitments | | Net Authorized for Payment | | Auth/Com |
| | Millions of Dollars | % of Total Commitments | Millions of Dollars | % of Total Authorized for Payment | % of Committed Authorized for Payment |
| Telecommunications | \$ 1,515.33 | 51.33% | \$ 1,220.97 | 52.79% | 80.57% |

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

| | | | | | |
|--|--------------------|----------------|--------------------|----------------|---------------|
| Internet Access | \$ 556.11 | 18.84% | \$ 449.47 | 19.43% | 80.82% |
| Internal Connections | \$ 747.76 | 25.33% | \$ 563.43 | 24.36% | 75.35% |
| Basic Maintenance of Internal Connections | \$ 132.91 | 4.50% | \$ 79.20 | 3.42% | 59.59% |
| TOTAL | \$ 2,952.11 | 100.00% | \$ 2,313.07 | 100.00% | 78.35% |
| Deobligations due to Expired FRNs | \$ (564.81) | | | | |
| Net Commitments | \$ 2,387.30 | | | | |

As of March 31, 2018, 10 potentially fundable FY 2012 applications remain in the PIA review process. Authorized funding by applicant during 1Q2018 and cumulative payments to service providers through 1Q2018 are listed in Appendices SL17 and SL18, respectively.

FUNDING YEAR 2013

| FY 2013 | | | | | |
|--|------------------------|---------------------------|-------------------------------|---|--|
| | Net Commitments | | Net Authorized for Payment | | Auth/Com |
| | Millions of Dollars | % of Total Commitments | Millions of Dollars | % of Total Authorized for Payment | % of Committed Authorized for Payment |
| Telecommunications | \$ 1,562.60 | 71.06% | \$ 1,239.95 | 70.73% | 79.35% |
| Internet Access | \$ 636.25 | 28.94% | \$ 513.10 | 29.27% | 80.64% |
| Internal Connections | \$ 0.00 | 0.00% | \$ 0.00 | 0.00% | 0.00% |
| Basic Maintenance of Internal Connections | \$ 0.00 | 0.00% | \$ 0.00 | 0.00% | 0.00% |
| TOTAL | \$ 2,198.85 | 100.00% | \$ 1,753.05 | 100.00% | 79.73% |
| Deobligations due to Expired FRNs | \$ (443.59) | | | | |
| Net Commitments | \$ 1,755.26 | | | | |

Universal Service Administrative Company 3Q2018 Fund Size Projections

As of March 31, 2018, 36 potentially fundable FY 2013 applications remain in the PIA review process. Funding commitments made to applicants during 1Q2018 are included in Appendix SL19. Authorized funding by applicant during 1Q2018 and cumulative payments to service providers through 1Q2018 are listed in Appendices SL20 and SL21, respectively.

FUNDING YEAR 2014

| FY 2014 | | | | | |
|-----------------------------------|---------------------|------------------------|----------------------------|-----------------------------------|---------------------------------------|
| | Net Commitments | | Net Authorized for Payment | | Auth/Com |
| | Millions of Dollars | % of Total Commitments | Millions of Dollars | % of Total Authorized for Payment | % of Committed Authorized for Payment |
| Telecommunications | \$ 1,630.68 | 69.50% | \$ 1,273.92 | 69.05% | 78.12% |
| Internet Access | \$ 715.47 | 30.50% | \$ 570.88 | 30.95% | 79.79% |
| Internal Connections | \$ 0.00 | 0.00% | \$ 0.00 | 0.00% | 0.00% |
| Basic Maintenance of | \$ 0.00 | 0.00% | \$ 0.00 | 0.00% | 0.00% |
| TOTAL | \$ 2,346.15 | 100.00% | \$ 1,844.80 | 100.00% | 78.63% |
| Deobligations due to Expired FRNs | \$ (463.63) | | | | |
| Net Commitments | \$ 1,882.52 | | | | |

As of March 31, 2018, 26 potentially fundable FY 2014 applications remain in the PIA review process. Funding commitments made to applicants during 1Q2018 are included in Appendix SL22. Authorized funding by applicant during 1Q2018 and cumulative payments to service providers through 1Q2018 are listed in Appendices SL23 and SL24, respectively.

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

FUNDING YEAR 2015

| FUNDING YEAR 2015 | | | | | |
|---|----------------------------|-------------------------------|-----------------------------------|--|--|
| | 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 | \$ 793.26 | 24.58% | \$ 672.25 | 24.70% | 84.75% |
| Internet Access | \$ 724.04 | 22.44% | \$ 604.71 | 22.22% | 83.52% |
| Internal Connections | \$ 1,193.13 | 36.98% | \$ 1,063.53 | 39.08% | 89.14% |
| Basic Maintenance of Internal Connections | \$ 24.21 | 0.75% | \$ 17.31 | 0.64% | 71.52% |
| MIBS | 24.74 | 0.77% | \$ 13.14 | 0.48% | 53.12% |
| Voice Services | \$ 467.44 | 14.49% | \$ 350.33 | 12.87% | 74.95% |
| TOTAL | \$3,226.82 | 100.00% | \$2,721.27 | 100.00% | 84.33% |
| Deobligations due to Expired FRNs | (\$414.60) | | | | |
| Net Commitments | \$2,812.22 | | | | |

As of March 31, 2018, 45 potentially fundable FY 2015 applications remain in the PIA review process. Funding commitments made to applicants during 1Q2018 are included in Appendix SL25. Authorized funding by applicant during 1Q2018 and cumulative payments to service providers through 1Q2018 are listed in Appendices SL26 and SL27, respectively.

FUNDING YEAR 2016

| FUNDING YEAR 2016 | | | | | |
|--------------------------|----------------------------|-------------------------------|-----------------------------------|--|--|
| | 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 | \$ 0.00 | 0.00% | \$ 0.00 | 0.00% | 0.00% |
| Internet Access | \$ 1,724.05 | 59.43% | \$ 1,259.56 | 59.47% | 73.06% |
| Internal Connections | \$ 846.48 | 29.18% | \$ 632.20 | 29.85% | 74.69% |
| Basic Maintenance of | \$ 31.91 | 1.10% | \$ 12.18 | 0.58% | 38.18% |

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

| | | | | | |
|-----------------------------------|--------------------|----------------|--------------------|----------------|---------------|
| Internal Connections | | | | | |
| MIBS | \$ 23.97 | 0.83% | \$ 20.06 | 0.95% | 83.69% |
| Voice Services | \$ 274.37 | 9.46% | \$ 194.04 | 9.16% | 70.72% |
| TOTAL | \$ 2,900.78 | 100.00% | \$ 2,118.04 | 100.00% | 73.02% |
| Deobligations due to Expired FRNs | \$ (349.32) | | | | |
| Net Commitments | \$ 2,551.46 | | | | |

As of March 31, 2018, 171 potentially fundable Funding Year 2016 applications remain in the PIA review process. Funding commitments made to applicants during 1Q2018 are included in Appendix 28. Authorized funding by applicant during 1Q2018 and cumulative payments to service providers through 1Q2018 are listed in Appendices, SL29 and SL30, respectively.

FUNDING YEAR 2017

| FUNDING YEAR 2017 | | | | | |
|---|----------------------------|-------------------------------|-----------------------------------|--|--|
| | 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 | \$0.00 | 0.00% | \$0.00 | 0.00% | 0.00% |
| Internet Access | \$1,562.03 | 69.28% | \$405.93 | 65.65% | 25.99% |
| Internal Connections | \$532.47 | 23.62% | \$187.22 | 30.28% | 35.16% |
| Basic Maintenance of Internal Connections | \$26.15 | 1.16% | \$1.80 | 0.29% | 6.87% |
| MIBS | \$15.85 | 0.70% | \$5.13 | 0.83% | 32.34% |
| Voice Services | \$118.04 | 5.24% | \$18.23 | 2.95% | 15.45% |
| TOTAL | \$2,254.54 | 100.00% | \$618.31 | 100.00% | 27.42% |
| Deobligations due to Expired FRNs | (\$0.07) | | | | |
| Net Commitments | \$2,254.47 | | | | |

As of March 31, 2018, 479 potentially fundable Funding Year 2017 applications remain in the PIA review process. Funding commitments made to applicants during

Universal Service Administrative Company 3Q2018 Fund Size Projections

1Q2018 are included in Appendix SL31. Authorized funding by applicant during 1Q2018 and cumulative payments to service providers through 1Q2018 are listed in Appendices, SL32 and SL33, 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 (4Q2002), and 1st Quarter 2003 (1Q2003).⁸¹

On October 1, 2004, as required by the FCC, USAC changed the accounting methodology for the USF to generally accepted accounting principles for federal agencies.⁸² 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 Anti-deficiency Act (ADA).⁸³ The ADA generally requires that sufficient unobligated resources

⁸¹ See *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, First Report and Order, 17 FCC Rcd 11521,11532, para. 22 (2002) (*Schools and Libraries First Report and Order*). See also Application of Generally Accepted Accounting Principles for Federal Agencies and Generally Accepted Government Auditing Standards to the Universal Service Fund et al., CC Docket No. 96-45 et al., Order, 18 FCC Rcd 19911 (2003); see also 47 C.F.R. § 54.702(n).

⁸² See Application of Generally Accepted Accounting Principles for Federal Agencies and Generally Accepted Government Auditing Standards to the Universal Service Fund et al., CC Docket No. 96-45 et al., Order, 18 FCC Rcd 19911 (2003); see also 47 C.F.R. § 54.702(n).

⁸³ See Application of Generally Accepted Accounting Principles for Federal Agencies and Generally Accepted Government Auditing Standards to the Universal Service Fund et al., CC Docket No. 96-45 et al., Order, 18 FCC Rcd 19911 (2003); see also 47 C.F.R. § 54.702(n).

⁸³ 31 U.S.C. § 1341.

Universal Service Administrative Company 3Q2018 Fund Size Projections

be available before an obligation can be incurred. Congress exempted the USF from the requirements of the ADA through December 31, 2019.⁸⁴

To reduce the USF cash reserve that has accumulated primarily because the structure of the program necessarily results in significant time lags between the commitments and actual disbursements while at the same time retaining the ability of the USF to satisfy all outstanding commitments based on historic disbursement patterns, the Commission applied a total of \$550 million of the undisbursed USF balance from prior years against Schools and Libraries Support Mechanism demand in 2004. The Commission applied \$200 million of the cash balance in both Second Quarter and Third Quarter 2004, and \$150 million in Fourth Quarter 2004.⁸⁵

The Commission subsequently authorized the recovery by adjusting subsequent funding years for these changes as follows: 2010: \$140M; 2011: \$250M; 2012: \$40M; and 2013: \$120M.⁸⁶

In the *Schools and Libraries Third Report and Order*, the Commission amended its rules to allow unused funds from prior FYs to be carried forward on an annual basis in the second

⁸⁴ See Consolidated Appropriations Act of 2016, H.R. 2029, 114th Cong. § 501 (2015), became Pub. L. No. 114–113 (“Section 302 of the Universal Service Antideficiency Temporary Suspension Act is amended by striking ‘December 31, 2016’, each place it appears and inserting ‘March 31, 2018.’”); see also H.R. 5419, 108th Cong. § 302 (2004) (Universal Service Antideficiency Temporary Suspension Act) (“During the period beginning on the date of enactment of this Act and ending on December 31, 2005, section 1341 and subchapter II of chapter 15 of title 31, United States Code, do not apply (1) to any amount collected or received as Federal universal service contributions required by section 254 of the Communications Act of 1934 (47 U.S.C. 254), including any interest earned on such contributions; nor (2) to the expenditure or obligation of amounts attributable to such contributions for universal service support programs established pursuant to that section.”); H.R. 2862, 109th Cong. § 633 (2005); H.R.J. Res. 20, 110th Cong. § 20946 (2007); H.R. 2764, 110th Cong. (2007); H.R. 1105, 111th Cong. (2009); H.R. 3288, 111th Cong. (2009); H.R. 3082, 111th Cong. § 155 (2010); H.R. 2055, 112th Cong. (2011); H.R. 2775, 113th Cong. § 128 (2013), H.R. 3547, 113th Cong. (2014); H.R. 83, 113th Cong. (2014). H.R. 1625, Pub. L. No. 115-141, 115th Cong., Div. P, § 201 (2018).

⁸⁵ 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.

⁸⁶ 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. In October of 2014, the Commission authorized the recovery of these funds from subsequent fund years. See *Carryover of Unused Funds for Funding Year 2004*, CC Docket No. 02-6, Public Notice, 19 FCC Rcd 20420 (2004).

Universal Service Administrative Company 3Q2018 Fund Size Projections

quarter of each calendar year for use in the next full FY.⁸⁷ 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 2003.⁸⁸ 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 2004.⁸⁹

On June 11, 2007, the Commission instructed USAC to carry-forward \$650 million in unused funds to FY 2007.⁹⁰ 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 2008.⁹¹ 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 funds to FY 2009.⁹² 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 2010.⁹³ The funds

⁸⁷ *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Third Report and Order and Second Further Notice of Proposed Rulemaking, 18 FCC Rcd 26912, paras. 52-57 (2003) (*Schools and Libraries Third Report and Order*).

⁸⁸ *Id.*; see also 47 C.F.R. § 54.507(a)(3).

⁸⁹ See *Carryover of Unused Funds for Funding Year 2004*, CC Docket No. 02-6, Public Notice, 19 FCC Rcd 20420 (2004).

⁹⁰ See *Carryover of Unused Federal Universal Service Funds for Funding Year 2007*, CC Docket No. 02-6, Public Notice, 23 FCC Rcd 10795 (2007).

⁹¹ *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Order, 24 FCC Rcd 9960 (2008).

⁹² *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Order, 24 FCC Rcd 10164 (WCB 2009).

⁹³ See *Wireline Competition Bureau Announces Carryover of Unused Schools and Libraries Universal Service Funds for Funding Year 2010*,

Universal Service Administrative Company 3Q2018 Fund Size Projections

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 from FY 2008 to FY 2010.⁹⁴ 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 2011⁹⁵ 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.⁹⁶ 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 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.⁹⁷ 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

CC Docket No. 02-6, Public Notice, 25 FCC Rcd 8483 (2010).

⁹⁴ *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Order, 26 FCC Rcd 11145 (WCB 2011)

⁹⁵ *Id.* at 11150, para. 13.

⁹⁶ See *Wireline Competition Bureau Announces Carry-Forward of Unused Schools and Libraries Universal Service Funds for Funding Year 2012*, CC Docket No. 02-6, Public Notice, 27 FCC Rcd 8109 (2012).

⁹⁷ See *Wireline Competition Bureau Announces Carry-Forward of Unused Schools and Libraries Universal Service Funds for Funding Year 2013*, CC Docket No. 02-6, Public Notice 28 FCC Rcd 7239 (2013).

Universal Service Administrative Company 3Q2018 Fund Size Projections

cap.⁹⁸ 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.⁹⁹ 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 \$2,290,682,250.¹⁰⁰ 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.¹⁰¹ On May 18, 2012, the Commission set the cap for FY 2012 to \$2,338,786,577.¹⁰² On March 11, 2013, the FCC set the cap for FY 2013 at \$2,380,314,485.¹⁰³ On March 28, 2014, the FCC set the cap for FY 2014 at \$2,413,817,693.¹⁰⁴

On December 15, 2014, the FCC Managing Director provided guidance to USAC concerning maintenance of cash reserves for meeting funding commitments for the Schools and Libraries Support Mechanism.¹⁰⁵ On December 19, 2014, the FCC released the *Second*

⁹⁸ See *Wireline Competition Bureau Announces Carry-Forward of Unused Schools and Libraries Universal Service Funds for Funding Year 2014*, CC Docket No. 02-6, Public Notice, 29 FCC Rcd 4967 (2014).

⁹⁹ *Schools and Libraries Universal Service Support Mechanism*, CC Docket Nos No. 02-6

et al., Sixth Report and Order, 25 FCC Rcd 18762, 18780-83, paras. 35-40 (2010) (*Schools and Libraries Sixth Report and Order*).

¹⁰⁰ *Wireline Competition Bureau Announces E-Rate Inflation-Based Cap for Funding Year 2011*, CC Docket No. 02-6, Public Notice, 26 FCC Rcd 11097 (2011).

¹⁰¹ See *USF/ICC Transformation Order*, 26 FCC Rcd at 17848, para. 567.

¹⁰² See *Wireline Competition Bureau Announces E-Rate Inflation-Based Cap for Funding Year 2012*, CC Docket No. 02-6, Public Notice, 27 FCC Rcd 5305 (2012).

¹⁰³ See *Wireline Competition Bureau Announces E-Rate Inflation-Based Cap for Funding Year 2013*, CC Docket No. 02-6, Public Notice, 28 FCC Rcd 2318 (2013).

¹⁰⁴ See *Wireline Competition Bureau Announces E-Rate Inflation-Based Cap for Funding Year 2014*, CC Docket No. 02-6, Public Notice, 29 FCC Rcd 3222 (2014).

¹⁰⁵ See Letter from John Wilkins, Managing Director, FCC, to Chris Henderson, Chief Executive Officer, USAC, 29 FCC Rcd 14858 (dated Dec. 15, 2014).

Universal Service Administrative Company 3Q2018 Fund Size Projections

E-rate Modernization Order, adjusting the \$2.41 billion annual cap (after giving effect to inflation adjustments) to \$3.9 billion, effective for FY 2015.¹⁰⁶ On December 23, 2014, USAC submitted information to the FCC consistent with that guidance.¹⁰⁷

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 FY 2015 disbursements up to the \$3.92 billion demand. The funds were carried-forward from FYs 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013 in the 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.

¹⁰⁶ See *Modernizing the E-Rate Program for Schools and Libraries*, WC Docket Nos. 13-184 and 10-90, Second Report and Order and Order on Reconsideration, 29 FCC Rcd 15538 (2014) (*Second 2014 E-rate Order*).

¹⁰⁷ See Letter from Chris Henderson, Chief Executive Officer, USAC, to Marlene H. Dortch, Secretary, FCC (Dec. 23, 2014) (regarding Submission for the Record – WC Docket 13-184 *et al.*, Information on Schools and Support Mechanism Funds Available for Carry-Forward).

Universal Service Administrative Company 3Q2018 Fund Size Projections

On June 6, 2016, USAC submitted an estimate of demand for the E-rate program for FY 2016 (July 1, 2016 to September 30, 2017) of \$3.609 billion, which includes estimated demand for Category One services (i.e., telecommunications, telecommunications services and Internet access) of \$2.330 billion and of \$1.279 billion for Category Two services (i.e., internal connections, basic maintenance of internal connections and managed internal broadband services).

On June 8, 2016, the FCC authorized USAC to carry forward \$1,900 million in unused funds from prior years to fund FY 2016 disbursements up to the \$3.609 billion demand. The funds were carried-forward from FYs 2004, 2006, 2008, 2010, 2011, 2012, 2013, 2014 and 2015 in the amount of \$1.69 million; \$2.00 million; \$7.00 million; \$4.31 million; \$17.00 million; \$540.00 million; \$850.00 million; \$290 million; and \$188.00 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 the unused \$1.90 billion in E-rate funds from prior years, and then using any additional funds needed under the new cap to fully meet demand.

On May 24, 2017, the FCC authorized USAC to carry forward \$1,200.24 million to Funding Year 2017 from prior FYs as follows: 2014: \$215.04 million; 2015: \$561.88 million; and 2016: \$423.32 million.

The FCC directed USAC to fully fund eligible Category One and Category Two requests, using \$1.2 billion in E-rate funds unused from previous years, and any additional funds needed under the current cap to fully meet demand for such services. 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.

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

FY 1998 True-Up

As of March 31, 2018, \$1,398.95 million of FY 1998 support has been disbursed. 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. On April 17, 2017,¹⁰⁸ the Commission directed USAC to reserve 100 percent for pending appeals. Given these requirements, USAC estimates that \$0.39 million of FY 1998 funds are available to carry-forward. The estimated FY 1998 balance is based on the following:

| FY 1998 | Amounts in Millions |
|---|------------------------|
| Amount Authorized and Actually Collected | \$1,925.00 |
| Amount Authorized for Disbursement | (\$1,398.95) |
| Administrative Expenses (21 months) | (\$41.79) |
| Amount Applied to Adjust 2000, 2001, and 2002 Collections | (\$477.16) |
| Amount Carried Forward / Backward | (\$6.67) |
| Potential Additional Disbursements on Committed FRNs | \$0.00 |
| Reserved for Invoices Awaiting Approval Expired FRNs | \$0.00 |
| Reserve for USAC Appeals | \$0.00 |
| Reserve for FCC Appeals | (\$0.04) |
| Estimated Remaining Balance | \$0.39 |

FY 1999 True-Up

As of March 31, 2018, \$1,650.02 million of FY 1999 support had been disbursed. 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. On April 17, 2017, the Commission directed USAC to reserve 100 percent for pending appeals.¹⁰⁹ USAC's

¹⁰⁸ Letter from Mark Stephens, Managing Director, FCC to Chris Henderson, Chief Executive Officer, USAC, DA-17-367, at 2 (Apr. 17, 2017) (directing USAC to reverse one hundred percent for pending funding requests that are awaiting a decision from USAC or the Commission) (April 17, 2017 Letter).

¹⁰⁹ See *April 17, 2017 Letter*, at 2.

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

projection of remaining FY 1999 funds includes an estimate for additional disbursements on committed but undisbursed funding requests, and a reserve for pending appeals. Given these requirements, USAC estimates that (\$3.97) million of FY 1999 funds are available to carry-forward. The estimated remaining FY 1999 balance is based on the following:

| FY 1999 | Amounts in Millions |
|--|--------------------------------|
| Amount Authorized and Actually Collected | \$2,250.00 |
| Amount Authorized for Disbursement | (\$1,650.02) |
| 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 / Backward | (\$93.90) |
| Potential Additional Disbursements on Committed FRNs | \$0.00 |
| Reserved for Invoices Awaiting Approval Expired FRNs | \$0.00 |
| Reserve for USAC Appeals | \$0.00 |
| Reserve for FCC Appeals | (\$8.64) |
| Estimated Remaining Balance | (\$3.97) |

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

FY 2000 True-Up

As of March 31, 2018, \$1,647.01 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. On April 17, 2017, the Commission directed USAC to reserve 100 percent for pending appeals.¹¹⁰ USAC's projection of remaining FY 2000 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests and a reserve for pending appeals. Given these requirements, USAC estimates that (\$3.62) million of FY 2000 funds are available to carry-forward. The estimated remaining FY 2000 balance is based on the following:

¹¹⁰ See *April 17, 2017 Letter*, at 2.

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

| FY 2000 | Amounts in Millions |
|--|--------------------------------|
| Amount Authorized and Actually Collected | \$2,250.00 |
| Amount Authorized for Disbursement | (\$1,647.01) |
| 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 / Backward | (\$153.25) |
| Potential Additional Disbursements on Committed FRNs | (\$0.05) |
| Reserved for Invoices Awaiting Approval Expired FRNs | \$0.00 |
| Reserve for USAC Appeals | \$0.00 |
| Reserve for FCC Appeals | (\$38.04) |
| Estimated Remaining Balance | (\$3.62) |

FY 2001 True-Up

As of March 31, 2018, \$1,695.68 million of FY 2001 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. On April 17, 2017, the Commission directed USAC to reserve 100 percent for pending appeals.¹¹¹ USAC's projection of remaining FY 2001 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications and a reserve for appeals. Given these requirements, USAC estimates that \$2.31 million of FY 2001 funds are available to carry forward.

¹¹¹ See *April 17, 2017 Letter*, at 2.

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

| FY 2001 | Amounts in Millions |
|--|------------------------|
| Amount Authorized and Actually Collected | \$2,250.00 |
| Amount Authorized for Disbursement | (\$1,695.68) |
| Administrative Expenses | (\$30.56) |
| Amount Carried Forward / Backward | (\$457.97) |
| Potential Additional Disbursements on Committed FRNs | (\$0.08) |
| Reserved for Invoices Awaiting Approval Expired FRNs | \$0.00 |
| Remaining Uncommitted Requests | (\$20.33) |
| Reserve for USAC Appeals | (\$8.76) |
| Reserve for FCC Appeals | (\$34.31) |
| Estimated Remaining Balance | \$2.31 |

FY 2002 True-Up

As of March 31, 2018, \$1,595.79 million of FY 2002 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. On April 17, 2017, the Commission directed USAC to reserve 100 percent for pending appeals.¹¹² USAC's projection of remaining FY 2002 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that (\$5.74) million of FY 2002 funds are available to carry-forward. The estimated remaining FY 2002 balance is based on the following:

¹¹² See *April 17, 2017 Letter*, at 2.

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

| FY 2002 | Amounts in Millions |
|--|------------------------|
| Amount Authorized and Actually Collected | \$2,250.00 |
| Amount Authorized for Disbursement | (\$1,595.79) |
| Administrative Expenses | (\$38.53) |
| Amount Carried Forward / Backward | (\$601.69) |
| Potential Additional Disbursements on Committed FRNs | (\$0.04) |
| Reserved for Invoices Awaiting Approval Expired FRNs | \$0.00 |
| Remaining Uncommitted Requests | (\$0.93) |
| Reserve for USAC Appeals | \$0.00 |
| Reserve for FCC Appeals | (\$18.76) |
| Estimated Remaining Balance | (\$5.74) |

FY 2003 True-Up

As of March 31, 2018, \$1,937.53 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. On April 17, 2017, the Commission directed USAC to reserve 100 percent for pending appeals.¹¹³ USAC's projection of remaining FY 2003 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that (\$11.29) million of FY 2003 funds are available to carry-forward. The estimated remaining FY 2003 balance is based on the following:

¹¹³ See *April 17, 2017 Letter*, at 2.

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

| FY 2003 | Amounts in Millions |
|--|------------------------|
| Amount Authorized and Actually Collected | \$2,250.00 |
| Amount Authorized for Disbursement | (\$1,937.53) |
| Amount Carried Forward / Backward | (\$650.27) |
| Amount Received from Rollover | \$420.00 |
| Administrative Expenses | (\$44.19) |
| Potential Additional Disbursements on Committed FRNs | \$0.00 |
| Reserved for Invoices Awaiting Approval Expired FRNs | \$0.00 |
| Remaining Uncommitted Requests | (\$32.83) |
| Reserve for USAC Appeals | \$0.00 |
| Reserve for FCC Appeals | (\$16.47) |
| Estimated Remaining Balance | (\$11.29) |

FY 2004 True-Up

As of March 31, 2018, \$1,535.32 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. On April 17, 2017, the Commission directed USAC to reserve 100 percent for pending appeals.¹¹⁴ USAC's projection of remaining FY 2004 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that (\$52.03) million of FY 2004 funds are available to carry-forward. The estimated remaining FY 2004 balance is based on the following:

¹¹⁴ See *April 17, 2017 Letter*, at 2.

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

| FY 2004 | Amounts in Millions |
|--|------------------------|
| Amount Authorized and Actually Collected | \$2,250.00 |
| Amount Authorized for Disbursement | (\$1,535.32) |
| Amount Carried Forward | (\$(\$775.45)) |
| Amount Received from Roll Forward | \$150.00 |
| Administrative Expenses | (\$55.75) |
| Potential Additional Disbursements on Committed FRNs | (\$0.03) |
| Reserved for Invoices Awaiting Approval Expired FRNs | \$0.00 |
| Reserve for USAC Appeals | \$0.00 |
| Reserve for Appeals | (\$85.48) |
| Estimated Remaining Balance | (\$52.03) |

FY 2005 True-Up

As of March 31, 2018, \$1,623.67 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. On April 17, 2017, the Commission directed USAC to reserve 100 percent for pending appeals.¹¹⁵ USAC's projection of remaining FY 2005 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that (\$14.57) million of FY 2005 funds are available to carry-forward. The estimated remaining FY 2005 balance is based on the following:

¹¹⁵ See *April 17, 2017 Letter*, at 2.

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

| FY 2005 | Amounts in Millions |
|--|------------------------|
| Amount Authorized and Actually Collected | \$2,250.00 |
| Amount Authorized for Disbursement | (\$1,623.67) |
| Amount Carried Forward / Backward | (\$545.31) |
| Administrative Expenses | (\$64.99) |
| Potential Additional Disbursements on Committed FRNs | \$0.01 |
| Reserved for Invoices Awaiting Approval Expired FRNs | \$0.00 |
| Remaining Uncommitted Requests | \$0.00 |
| Reserve for USAC Appeals | (\$0.88) |
| Reserve for FCC Appeals | (\$29.73) |
| Estimated Remaining Balance | (\$14.57) |

FY 2006 True-Up

As of March 31, 2018, \$1,566.50 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. On April 17, 2017, the Commission directed USAC to reserve 100 percent for pending appeals.¹¹⁶ USAC's projection of remaining FY 2006 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that (\$4.05) million of FY 2006 funds are available to carry-forward. The estimated remaining FY 2006 balance is based on the following:

¹¹⁶ See *April 17, 2017 Letter*, at 2.

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

| FY 2006 | Amounts in Millions |
|--|------------------------|
| Amount Authorized and Actually Collected | \$2,250.00 |
| Amount Authorized for Disbursement | (\$1,566.50) |
| Amount Carried Forward / Backward | (\$585.34) |
| Administrative Expenses | (\$80.74) |
| Potential Additional Disbursements on Committed FRNs | (\$0.07) |
| Reserved for Invoices Awaiting Approval Expired FRNs | (\$0.11) |
| Remaining Uncommitted Requests | \$0.00 |
| Reserve for USAC Appeals | (\$1.90) |
| Reserve for FCC Appeals | (\$19.39) |
| Estimated Remaining Balance | (\$4.05) |

FY 2007 True-Up

As of March 31, 2018, \$1,953.33 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. On April 17, 2017, the Commission directed USAC to reserve 100 percent for pending appeals.¹¹⁷ USAC's projection of remaining FY 2007 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that (\$2.08) million of FY 2007 funds are available to carry-forward. The estimated remaining FY 2007 balance is based on the following:

¹¹⁷ See *April 17, 2017 Letter*, at 2.

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

| FY 2007 | Amounts in Millions |
|--|------------------------|
| Amount Authorized and Actually Collected | \$2,250.00 |
| Amount Authorized for Disbursement | (\$1,953.33) |
| Amount Carried Forward / Backward | (\$850.04) |
| Amount Received from Rollover | \$650.00 |
| Administrative Expenses | (\$81.24) |
| Potential Additional Disbursements on Committed FRNs | (\$1.00) |
| Reserved for Invoices Awaiting Approval Expired FRNs | \$0.00 |
| Remaining Uncommitted Requests | (\$1.37) |
| Reserve for USAC Appeals | \$0.00 |
| Reserve for FCC Appeals | (\$15.10) |
| Estimated Remaining Balance | (\$2.08) |

FY 2008 True-Up

As of March 31, 2018, \$1,919.39 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. On April 17, 2017, the Commission directed USAC to reserve 100 percent for pending appeals.¹¹⁸ USAC's projection of remaining FY 2008 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that \$3.12 million of FY 2008 funds are available to carry-forward. The estimated remaining FY 2008 balance is based on the following:

¹¹⁸ See *April 17, 2017 Letter*, at 2.

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

| FY 2008 | Amounts in Millions |
|--|------------------------|
| Amount Authorized and Actually Collected | \$2,250.00 |
| Amount Authorized for Disbursement | (\$1,919.39) |
| Amount Carried Forward / Backward | (\$768.51) |
| Amount Received from Rollover | \$600.00 |
| Administrative Expenses | (\$125.59) |
| Potential Additional Disbursements on Committed FRNs | (\$15.63) |
| Reserved for Invoices Awaiting Approval Expired FRNs | \$0.00 |
| Remaining Uncommitted Requests | \$0.00 |
| Reserve for USAC Appeals | \$0.00 |
| Reserve for FCC Appeals | (\$17.76) |
| Estimated Remaining Balance | \$3.12 |

FY 2009 True-Up

As of March 31, 2018, \$2,318.48 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. On April 17, 2017, the Commission directed USAC to reserve 100 percent for pending appeals.¹¹⁹ USAC's projection of remaining FY 2009 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that (\$2.53) million of FY 2009 funds are available to carry-forward. The estimated remaining FY 2009 balance is based on the following:

¹¹⁹ See *April 17, 2017 Letter*, at 2.

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

| FY 2009 | Amounts in Millions |
|--|------------------------|
| Amount Authorized and Actually Collected | \$2,250.00 |
| Amount Authorized for Disbursement | (\$2,318.48) |
| Amount Carried Forward / Backward | (\$714.13) |
| Amount Received from Rollover | \$900.00 |
| Administrative Expenses | (\$81.27) |
| Potential Additional Disbursements on Committed FRNs | (\$30.05) |
| Reserved for Invoices Awaiting Approval Expired FRNs | (\$0.15) |
| Remaining Uncommitted Requests | \$0.00 |
| Reserve for USAC Appeals | \$0.00 |
| Reserve for FCC Appeals | (\$8.45) |
| Estimated Remaining Balance | (\$2.53) |

FY 2010 True-Up

As of March 31, 2018, \$2,438.50 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. On April 17, 2017, the Commission directed USAC to reserve 100 percent for pending appeals.¹²⁰ USAC's projection of remaining FY 2010 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that (\$4.59) million of FY 2010 funds are available to carry-forward. The estimated remaining FY 2010 balance is based on the following:

¹²⁰ See *April 17, 2017 Letter*, at 2.

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

| FY 2010 | Amounts in Millions |
|--|--------------------------------|
| Amount Authorized and Actually Collected | \$2,270.25 |
| Amount Authorized for Disbursement | (\$2,438.50) |
| Amount Carried Forward / Backward | (\$722.99) |
| Amount Received from Rollover | \$1,150.00 |
| Amount Applied to Adjust Collections FY2004 | (\$140.00) |
| Administrative Expenses | (\$75.33) |
| Potential Additional Disbursements on Committed FRNs | (\$33.79) |
| Reserved for Invoices Awaiting Approval Expired FRNs | (\$0.03) |
| Remaining Uncommitted Requests | \$0.00 |
| Reserve for USAC Appeals | \$0.00 |
| Reserve for FCC Appeals | (\$14.20) |
| Estimated Remaining Balance | (\$4.59) |

FY 2011 True-Up

As of March 31, 2018, \$2,141.84 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. On April 17, 2017, the Commission directed USAC to reserve 100 percent for pending appeals.¹²¹ USAC's projection of remaining FY 2011 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that (\$4.17) million of FY 2011 funds are available to carry-forward. The estimated remaining FY 2011 balance is based on the following:

¹²¹ See *April 17, 2017 Letter*, at 2.

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

| FY 2011 | Amounts in Millions |
|--|------------------------|
| Amount Authorized and Actually Collected | \$2,290.68 |
| Amount Authorized for Disbursement | (\$2,141.84) |
| Amount Carried Forward / Backward | (\$647.95) |
| Amount Received from Rollover | \$850.00 |
| Amount Applied to Adjust Collections FY2004 | (\$250.00) |
| Administrative Expenses | (\$69.17) |
| Potential Additional Disbursements on Committed FRNs | (\$17.47) |
| Reserved for Invoices Awaiting Approval Expired FRNs | (\$0.20) |
| Remaining Uncommitted Requests | (\$0.53) |
| Reserve for USAC Appeals | \$0.00 |
| Reserve for FCC Appeals | (\$17.69) |
| Estimated Remaining Balance | (\$4.17) |

FY 2012 True-Up

As of March 31, 2018, \$2,313.07 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. On April 17, 2017, the Commission directed USAC to reserve 100 percent for pending appeals.¹²² USAC's projection of remaining FY 2012 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that \$10.85 million of FY 2012 funds are available to carry-forward. The estimated remaining FY 2012 balance is based on the following:

¹²² See *April 17, 2017 Letter*, at 2.

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

| FY 2012 | Amounts in Millions |
|--|------------------------|
| Amount Authorized and Actually Collected | \$2,338.80 |
| Amount Authorized for Disbursement | (\$2,313.07) |
| Amount Carried Forward / Backward | (\$850.79) |
| Amount Received from Rollover | \$1,050.00 |
| Amount Applied to Adjust Collections FY2004 | (\$40.00) |
| Administrative Expenses | (\$67.31) |
| Potential Additional Disbursements on Committed FRNs | (\$69.79) |
| Reserved for Invoices Awaiting Approval Expired FRNs | (\$4.44) |
| Remaining Uncommitted Requests | (\$3.98) |
| Reserve for USAC Appeals | (\$0.62) |
| Reserve for FCC Appeals | (\$27.95) |
| Estimated Remaining Balance | \$10.85 |

FY 2013 True-Up

As of March 31, 2018, \$1,753.05 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. On April 17, 2017, the Commission directed USAC to reserve 100 percent for pending appeals.¹²³ USAC's projection of remaining FY 2013 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that an additional \$11.75 million of FY 2013 funds are available to carry-forward. The estimated remaining FY 2013 balance is based on the following:

¹²³ See *April 17, 2017 Letter*, at 2.

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

| FY 2013 | Amounts in Millions |
|--|------------------------|
| Amount Authorized and Actually Collected | \$2,380.30 |
| Amount Authorized for Disbursement | (\$1,753.05) |
| Amount Carried Forward / Backward | (\$861.13) |
| Amount Received from Rollover | \$450.00 |
| Amount Applied to Adjust Collections FY2004 | (\$120.00) |
| Administrative Expenses | (\$62.90) |
| Potential Additional Disbursements on Committed FRNs | (\$1.45) |
| Reserved for Invoices Awaiting Approval Expired FRNs | (\$0.76) |
| Remaining Uncommitted Requests | (\$3.00) |
| Reserve for USAC Appeals | (\$1.05) |
| Reserve for FCC Appeals | (\$15.21) |
| Estimated Remaining Balance | \$11.75 |

FY 2014 True-Up

As of March 31, 2018, \$1,844.80 million of FY 2014 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. On April 17, 2017, the Commission directed USAC to reserve 100 percent for pending appeals.¹²⁴ USAC's projection of remaining FY 2014 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that (\$0.93) million of FY 2014 funds are available to carry-forward. The estimated remaining FY 2014 balance is based on the following:

¹²⁴ See *April 17, 2017 Letter*, at 2.

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

| FY 2014 | Amounts in Millions |
|--|------------------------|
| Amount Authorized and Actually Collected | \$2,413.82 |
| Amount Authorized for Disbursement | (\$1,844.80) |
| Amount Carried Forward / Backward | (\$636.70) |
| Amount Received from Rollover | \$200.00 |
| Administrative Expenses | (\$74.94) |
| Potential Additional Disbursements on Committed FRNs | (\$36.86) |
| Reserved for Invoices Awaiting Approval Expired FRNs | (\$0.86) |
| Remaining Uncommitted Requests | (\$2.57) |
| Reserve for USAC Appeals | (\$1.49) |
| Reserve for FCC Appeals | (\$16.50) |
| Estimated Remaining Balance | (\$0.93) |

FY 2015 True-Up

As of March 31, 2018, \$2,721.27 million of FY 2015 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. On April 17, 2017, the Commission directed USAC to reserve 100 percent for pending appeals.¹²⁵ USAC's projection of remaining FY 2015 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that \$76.16 million of FY 2015 funds are available to carry-forward. The estimated remaining FY 2015 balance is based on the following:

¹²⁵ See *April 17, 2017 Letter*, at 2.

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

| FY 2015 | Amounts in Millions |
|--|------------------------|
| Amount Authorized and Actually Collected | \$2,250.00 |
| Amount Authorized for Disbursement | (\$2,721.27) |
| Amount Carried Forward / Backward | (\$749.88) |
| Amount Received from Rollover | \$1,575.05 |
| Administrative Expenses | (\$103.04) |
| Potential Additional Disbursements on Committed FRNs | (\$80.28) |
| Reserved for Invoices Awaiting Approval Expired FRNs | (\$10.67) |
| Remaining Uncommitted Requests | (\$68.60) |
| Reserve for USAC Appeals | (\$5.81) |
| Reserve for FCC Appeals | (\$9.34) |
| Estimated Remaining Balance | \$76.16 |

FY 2016 True-Up

As of March 31, 2018, \$2,118.04 million of FY 2016 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. On April 17, 2017, the Commission directed USAC to reserve 100 percent for pending appeals.¹²⁶ USAC's projection of remaining FY 2016 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that \$597.27 million of FY 2016 funds are available to carry-forward. The estimated remaining FY 2016 balance is based on the following:

¹²⁶ See *April 17, 2017 Letter*, at 2.

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

| FY 2016 | Amounts in Millions |
|--|------------------------|
| Amount Authorized and Actually Collected | \$1,842.25 |
| Amount Authorized for Disbursement | (\$2,118.04) |
| Amount Carried Forward / Backward | (\$423.32) |
| Amount Received from Rollover | \$1,900.00 |
| Administrative Expenses | (\$120.35) |
| Potential Additional Disbursements on Committed FRNs | (\$402.93) |
| Reserved for Invoices Awaiting Approval Expired FRNs | (\$30.49) |
| Remaining Uncommitted Requests | (\$7.88) |
| Reserve for USAC Appeals | (\$28.24) |
| Reserve for FCC Appeals | (\$13.73) |
| Estimated Remaining Balance | \$597.27 |

FY 2017 True-Up

As of March 31, 2018, \$618.31 million of FY 2017 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. On April 17, 2017, the Commission directed USAC to reserve 100 percent for pending appeals.¹²⁷ USAC's projection of remaining FY 2017 funds includes an estimate to pay additional disbursements on committed but undisbursed funding requests, a reserve for pending applications, and a reserve for appeals. Given these requirements, USAC estimates that \$586.37 million of FY2017 funds are available to carry-forward. The estimated remaining FY 2017 balance is based on the following:

¹²⁷ See *April 17, 2017 Letter*, at 2.

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

| FY 2017 | Amounts in Millions |
|--|------------------------|
| Amount Authorized and Actually Collected | \$2,063.29 |
| Amount Authorized for Disbursement | (\$618.31) |
| Amount Carried Forward / Backward | \$0.00 |
| Amount Received from Rollover | \$1,200.24 |
| Administrative Expenses | (\$117.93) |
| Potential Additional Disbursements on Committed FRNs | (\$1,636.16) |
| Reserved for Invoices Awaiting Approval Expired FRNs | \$0.00 |
| Remaining Uncommitted Requests | (\$251.19) |
| Reserve for USAC Appeals | (\$51.21) |
| Reserve for FCC Appeals | (\$2.36) |
| Estimated Remaining Balance | \$586.37 |

3Q2018 Demand Estimate and Contribution Requirement

On February 20, 2018, the FCC announced the funding cap for FY 2018 of \$4,062.03 million.¹²⁸ This reflects a 1.8 percent inflation-adjusted increase to the \$3,990.21 million cap from FY 2017.¹²⁹ The filing window for FY 2018 closed on March 22, 2018. Based on applications received within the window, USAC estimates demand for FY 2018 will be \$2,715.40 million (net of projected post window close adjustments).¹³⁰ Based on the estimated demand of \$2,715.40 million, and sufficient funds available for carry forward that can be allocated to FY 2018, the collections requirement for FY 2018 is \$1,515.40.75 million. The 3Q2018 collection requirement of \$378.85 million represents one quarter of demand for FY 2018.

¹²⁸ See *Wireline Competition Bureau Announces E-rate Inflation-Based Cap for Funding Year 2018*, CC Docket No. 02-6, Public Notice, 2018 WL 1008330 (2018).

¹²⁹ *Id.*

¹³⁰ See Letter from Catriona Ayer, Acting Vice President Schools and Libraries Division, USAC, to Kris Monteith, Bureau Chief, Wireline Competition Bureau, FCC, CC Docket No. 02-6 (Apr. 17, 2018).

Universal Service Administrative Company 3Q2018 Fund Size Projections

The net fund requirement of \$378.85 is adjusted as follows: decreased by the prior period adjustments of \$16.99 million,¹³¹ increased by \$26.52 million for administrative expenses, and reduced by the projected interest income of \$5.36 million; resulting in a total projected 3Q2018 funding requirement for the Schools and Libraries Support Mechanism of \$383.02 million.

CONTRIBUTION FACTOR AND BASE

USAC collects quarterly interstate and international revenue information from carriers on FCC Form 499-Q four times each year.¹³² USAC uses this information to determine aggregate projected revenue collections, which will be filed with the Commission on March 2, June 1, August 31, and November 30.¹³³ Based on these filings, the Commission establishes the contribution factor for the upcoming quarter.¹³⁴

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 projections of support mechanism demand are detailed in the programmatic sections above. The projected collected revenue 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

¹³¹ Prior period adjustments reconcile projections to actual results and include adjustments for billings, interest income, bad debt, and administrative expenses.

¹³² See 47 C.F.R. § 54.711(a).

¹³³ See 47 C.F.R. § 54.709(a)(3). The FCC Form 499-Q includes a box for each of the quarterly filing submissions. Carriers check the appropriate box to indicate the quarter for which revenue information is being reported. See also 47 C.F.R. §§ 54.706, 54.708, 54.711, 54.713 (discussing contributor reporting requirements).

¹³⁴ See, *e.g.*, *Proposed Fourth Quarter 2016 Universal Service Contribution Factor*, CC Docket No. 96-45, Public Notice, 2016 WL 4762042 (2016).

Universal Service Administrative Company 3Q2018 Fund Size Projections

rule changes or other Commission activity). For these reasons, 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.

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 July to September 2018 projected revenue information, and return it to USAC by May 1, 2018. 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 90 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.¹³⁵ 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

¹³⁵ 47 C.F.R. § 1.1910.

**Universal Service Administrative Company 3Q2018 Fund Size
Projections**

same TIN until the Commission provides information stating that the debt has been satisfied. USAC continues to work closely with the Commission and stakeholders affected by the Red Light Rule implementation.

AUTHORIZATION TO FILE WITH THE COMMISSION

At their April 23, 2018 meeting, USAC's High Cost & Low Income, Rural Health Care, and Schools & Libraries Committees adopted resolutions authorizing USAC staff to file with the Commission the 3Q2018 projected support mechanism funding requirements described herein. At its April 24, 2018 meeting, the USAC Board of Directors adopted a resolution authorizing the inclusion of the projected 3Q2018 administrative expenses in this report to the Commission.

Respectfully submitted,

UNIVERSAL SERVICE
ADMINISTRATIVE COMPANY

//s// Radha Sekar, Chief Executive Officer
Charles Salvator, Vice President of Finance
and Chief Financial Officer

May 2, 2018