the independent auditor wishes to make to the response.
(c) Within 10 days after receiving the response of the Bell operating company, the independent auditor shall make available for public inspection the final audit report by filing it with the Commission and the state regulatory agencies participating on the joint audit team.
(d) Interested parties may file comments with the Commission within 60 days after the audit report is made available for public inspection.

(62 FR 2927, Jan. 21, 1997)

Subpart D—Manufacturing by Bell Operating Companies
§ 53.301 [Reserved]

Subpart E—Electronic Publishing by Bell Operating Companies
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Subpart F—Alarm Monitoring Services
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PART 54—UNIVERSAL SERVICE

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§ 54.1 Basis and purpose.
(a) Basis. These rules are issued pursuant to the Communications Act of 1934, as amended.
(b) Purpose. The purpose of these rules is to implement section 254 of the Communications Act of 1934, as amended, 47 U.S.C. 254.

§ 54.5 Terms and definitions.
Terms used in this part have the following meanings:
Act. The term “Act” refers to the Communications Act of 1934, as amended.
Administrator. The term “Administrator” shall refer to the Universal Service Administrative Company that is an independent subsidiary of the National Exchange Carrier Association, Inc., and that has been appointed the permanent Administrator of the federal universal service support mechanisms.
Competitive eligible telecommunications carrier. A “competitive eligible telecommunications carrier” is a carrier that meets the definition of an “eligible telecommunications carrier” below and does not meet the definition of an “incumbent local exchange carrier” in §51.5 of this chapter.
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Contributor. The term “contributor” shall refer to an entity required to contribute to the universal service support mechanisms pursuant to § 54.703.

Eligible telecommunications carrier. “Eligible telecommunications carrier” means a carrier designated as such by a state commission pursuant to § 54.201.

Incumbent local exchange carrier. “Incumbent local exchange carrier” or “ILEC” has the same meaning as that term is defined in § 51.5 of this chapter.

Information service. “Information service” is the offering of a capability for generating, acquiring, storing, transforming, processing, retrieving, utilizing, or making available information via telecommunications, and includes electronic publishing, but does not include any use of any such capability for the management, control, or operation of a telecommunications system or the management of a telecommunications service.

Internet access. “Internet access” includes the following elements:

1. The transmission of information as common carriage;
2. The transmission of information as part of a gateway to an information service, when that transmission does not involve the generation or alteration of the content of information, but may include data transmission, addressing translation, protocol conversion, billing, management, introductory information content, and navigational systems that enable users to access information services, and that do not affect the presentation of such information to users; and
3. Electronic mail services (e-mail).

Interstate telecommunication. “Interstate telecommunication” is a communication or transmission:

1. From any State, Territory, or possession of the United States (other than the Canal Zone), to any other State, Territory, or possession of the United States, or the District of Columbia.
2. From or to the United States to or from the Canal Zone, insofar as such communication or transmission takes place within the United States;
3. Between points within the United States but through a foreign country.
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Technically feasible. “Technically feasible” means capable of accomplishment as evidenced by prior success under similar circumstances. For example, preexisting access at a particular point evidences the technical feasibility of access at substantially similar points. A determination of technical feasibility does not consider economic, accounting, billing, space or site except that space and site may be considered if there is no possibility of expanding available space.

Telecommunications. “Telecommunications” is the transmission, between or among points specified by the user, of information of the user’s choosing, without change in the form or content of the information as sent and received.

Telecommunications carrier. A “telecommunications carrier” is any provider of telecommunications services, except that such term does not include aggregators of telecommunications services as defined in section 226 of the Act. A telecommunications carrier shall be treated as a common carrier under the Act only to the extent that it is engaged in providing telecommunications services, except that the Commission shall determine whether the provision of fixed and mobile satellite service shall be treated as common carriage. This definition includes cellular mobile radio service (CMRS) providers, interexchange carriers (IXCs) and, to the extent they are acting as telecommunications carriers, companies that provide both telecommunications and information services. Private mobile radio service (PMRS) providers are telecommunications carriers to the extent they provide domestic or international telecommunications for a fee directly to the public.

Telecommunications channel. “Telecommunications channel” means a telephone line, or, in the case of wireless communications, a transmittal line or cell site.

Telecommunications service. “Telecommunications service” is the offering of telecommunications for a fee directly to the public, or to such classes of users as to be effectively available directly to the public, regardless of the facilities used.

Website. The term “website” shall refer to any websites operated by the Administrator in connection with the schools and libraries support mechanism, the rural health care support mechanism, the high cost mechanism, and the low income mechanism.

Wire center. A wire center is the location of a local switching facility containing one or more central offices, as defined in the Appendix to part 36 of this chapter. The wire center boundaries define the area in which all customers served by a given wire center are located.


§ 54.7 Intended use of federal universal service support.

A carrier that receives federal universal service support shall use that support only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.

Subpart B—Services Designated for Support

§ 54.101 Supported services for rural, insular and high cost areas.

(a) Services designated for support. The following services or functionalities shall be supported by federal universal service support mechanisms:

(1) Voice grade access to the public switched network. “Voice grade access” is defined as a functionality that enables a user of telecommunications services to transmit voice communications, including signalling the network that the caller wishes to place a call, and to receive voice communications, including receiving a signal indicating there is an incoming call. For the purposes of this part, bandwidth for voice grade access should be, at a minimum, 300 to 3,000 Hertz;

(2) Local usage. “Local usage” means an amount of minutes of use of exchange service, prescribed by the Commission, provided free of charge to end users;

(3) Dual tone multi-frequency signaling or its functional equivalent. “Dual tone multi-frequency” (DTMF) is a method
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of signaling that facilitates the transportation of signaling through the network, shortening call set-up time;

(4) Single-party service or its functional equivalent. “Single-party service” is telecommunications service that permits users to have exclusive use of a wireline subscriber loop or access line for each call placed, or, in the case of wireless telecommunications carriers, which use spectrum shared among users to provide service, a dedicated message path for the length of a user’s particular transmission;

(5) Access to emergency services. “Access to emergency services” includes access to services, such as 911 and enhanced 911, provided by local governments or other public safety organizations. 911 is defined as a service that permits a telecommunications user, by dialing the three-digit code “911,” to call emergency services through a Public Service Access Point (PSAP) operated by the local government. “Enhanced 911” is defined as 911 service that includes the ability to provide automatic numbering information (ANI), which enables the PSAP to call back if the call is disconnected, and automatic location information (ALI), which permits emergency service providers to identify the geographic location of the calling party. “Access to emergency services” includes access to 911 and enhanced 911 services to the extent the local government in an eligible carrier’s service area has implemented 911 or enhanced 911 systems;

(6) Access to operator services. “Access to operator services” is defined as access to any automatic or live assistance to a consumer to arrange for billing or completion, or both, of a telephone call;

(7) Access to interexchange service. “Access to interexchange service” is defined as the use of the loop, as well as that portion of the switch that is paid for by the end user, or the functional equivalent of these network elements in the case of a wireless carrier, necessary to access an interexchange carrier’s network;

(8) Access to directory assistance. “Access to directory assistance” is defined as access to a service that includes, but is not limited to, making available to customers, upon request, information contained in directory listings; and

(9) Toll limitation for qualifying low-income consumers. Toll limitation for qualifying low-income consumers is described in subpart E of this part.

(b) Requirement to offer all designated services. An eligible telecommunications carrier must offer each of the services set forth in paragraph (a) of this section in order to receive federal universal service support.

(c) Additional time to complete network upgrades. A state commission may grant the petition of a telecommunications carrier that is otherwise eligible to receive universal service support under §54.201 requesting additional time to complete the network upgrades needed to provide single-party service, access to enhanced 911 service, or toll limitation. If such petition is granted, the otherwise eligible telecommunications carrier will be permitted to receive universal service support for the duration of the period designated by the state commission. State commissions should grant such a request only upon a finding that exceptional circumstances prevent an otherwise eligible telecommunications carrier from providing single-party service, access to enhanced 911 service, or toll limitation. If such petition is granted, the otherwise eligible telecommunications carrier will be permitted to receive universal service support for the duration of the period designated by the state commission. State commissions should grant such a request only upon a finding that exceptional circumstances prevent an otherwise eligible telecommunications carrier from providing single-party service, access to enhanced 911 service, or toll limitation. The period should extend only as long as the relevant state commission finds that exceptional circumstances exist and should not extend beyond the time that the state commission deems necessary for that eligible telecommunications carrier to complete network upgrades. An otherwise eligible telecommunications carrier that is incapable of offering one or more of these three specific universal services must demonstrate to the state commission that exceptional circumstances exist with respect to each service for which the carrier desires a grant of additional time to complete network upgrades.

Subpart C—Carriers Eligible for Universal Service Support

§ 54.201 Definition of eligible telecommunications carriers, generally.

(a) Carriers eligible to receive support.

(1) Beginning January 1, 1998, only eligible telecommunications carriers designated under paragraphs (b) through (d) of this section shall receive universal service support distributed pursuant to part 36 and part 69 of this chapter, and subparts D and E of this part.

(2) A state commission that is unable to designate as an eligible telecommunications carrier, by January 1, 1998, a carrier that sought such designation before January 1, 1998, may, once it has designated such carrier, file with the Commission a petition for waiver of paragraph (a)(1) of this section requesting that the carrier receive universal service support retroactive to January 1, 1998. The state commission must explain why it did not designate such carrier as eligible by January 1, 1998, and provide a justification for why providing support retroactive to January 1, 1998, serves the public interest.

(3) This paragraph does not apply to offset or reimbursement support distributed pursuant to subpart G of this part.

(4) This paragraph does not apply to support distributed pursuant to subpart F of this part.

(b) A state commission shall upon its own motion or upon request designate a common carrier that meets the requirements of paragraph (d) of this section as an eligible telecommunications carrier, by January 1, 1998, a carrier that sought such designation before January 1, 1998, may, once it has designated such carrier, file with the Commission a petition for waiver of paragraph (a)(1) of this section requesting that the carrier receive universal service support retroactive to January 1, 1998. The state commission must explain why it did not designate such carrier as eligible by January 1, 1998, and provide a justification for why providing support retroactive to January 1, 1998, serves the public interest.

(c) Upon request and consistent with the public interest, convenience, and necessity, the state commission may, in the case of an area served by a rural telephone company, and shall, in the case of all other areas, designate more than one common carrier as an eligible telecommunications carrier for a service area designated by the state commission, so long as each additional requesting carrier meets the requirements of paragraph (d) of this section. Before designating an additional eligible telecommunications carrier for an area served by a rural telephone company, the state commission shall find that the designation is in the public interest.

(d) A common carrier designated as an eligible telecommunications carrier under this section shall be eligible to receive universal service support in accordance with section 254 of the Act and shall, throughout the service area for which the designation is received:

(1) Offer the services that are supported by federal universal service support mechanisms under subpart B of this part and section 254(c) of the Act, either using its own facilities or a combination of its own facilities and resale of another carrier’s services (including the services offered by another eligible telecommunications carrier); and

(2) Advertise the availability of such services and the charges therefore using media of general distribution.

(e) For the purposes of this section, the term facilities means any physical components of the telecommunications network that are used in the transmission or routing of the services that are designated for support pursuant to subpart B of this part.

(f) For the purposes of this section, the term “own facilities” includes, but is not limited to, facilities obtained as unbundled network elements pursuant to part 51 of this chapter, provided that such facilities meet the definition of the term “facilities” under this subpart.

(g) A state commission shall not require a common carrier, in order to satisfy the requirements of paragraph (d)(1) of this section, to use facilities that are located within the relevant service area, as long as the carrier uses facilities to provide the services designated for support pursuant to subpart B of this part within the service area.

(h) A state commission shall designate a common carrier that meets the requirements of this section as an eligible telecommunications carrier irrespective of the technology used by such carrier.

(i) A state commission shall not designate as an eligible telecommunications carrier a telecommunications
carrier that offers the services supported by federal universal service support mechanisms exclusively through the resale of another carrier’s services.

§ 54.203 Designation of eligible telecommunications carriers for unserved areas.

(a) If no common carrier will provide the services that are supported by federal universal service support mechanisms under section 254(c) of the Act and subpart B of this part to an unserved community or any portion thereof that requests such service, the Commission, with respect to interstate services, or a state commission, with respect to intrastate services, shall determine which common carrier or carriers are best able to provide such service to the requesting unserved community or portion thereof and shall order such carrier or carriers to provide such service for that unserved community or portion thereof.

(b) Any carrier or carriers ordered to provide such service under this section shall meet the requirements of section 54.201(d) and shall be designated as an eligible telecommunications carrier for that community or portion thereof.

§ 54.205 Relinquishment of universal service.

(a) A state commission shall permit an eligible telecommunications carrier to relinquish its designation as such a carrier in any area served by more than one eligible telecommunications carrier. An eligible telecommunications carrier that seeks to relinquish its eligible telecommunications carrier designation for an area served by more than one eligible telecommunications carrier shall give advance notice to the state commission of such relinquishment.

(b) Prior to permitting a telecommunications carrier designated as an eligible telecommunications carrier to cease providing universal service in an area served by more than one eligible telecommunications carrier, the state commission shall require the remaining eligible telecommunications carrier or carriers to ensure that all customers served by the relinquishing carrier will continue to be served, and shall require sufficient notice to permit the purchase or construction of adequate facilities by any remaining eligible telecommunications carrier. The state commission shall establish a time, not to exceed one year after the state commission approves such relinquishment under this section, within which such purchase or construction shall be completed.

§ 54.207 Service areas.

(a) The term service area means a geographic area established by a state commission for the purpose of determining universal service obligations and support mechanisms. A service area defines the overall area for which the carrier shall receive support from federal universal service support mechanisms.

(b) In the case of a service area served by a rural telephone company, service area means such company’s “study area” unless and until the Commission and the states, after taking into account recommendations of a Federal-State Joint Board instituted under section 410(c) of the Act, establish a different definition of service area for such company.

(c) If a state commission proposes to define a service area served by a rural telephone company to be other than such company’s study area, the Commission will consider that proposed definition in accordance with the procedures set forth in this paragraph.

(1) A state commission or other party seeking the Commission’s agreement in redefining a service area served by a rural telephone company shall submit a petition to the Commission. The petition shall contain:

(i) The definition proposed by the state commission; and

(ii) The state commission’s ruling or other official statement presenting the state commission’s reasons for adopting its proposed definition, including an analysis that takes into account the recommendations of any Federal-State Joint Board convened to provide recommendations with respect to the definition of a service area served by a rural telephone company.
§ 54.301 Local switching support.

(a) Calculation of local switching support. (1) Beginning January 1, 1998, an incumbent local exchange carrier that has been designated an eligible telecommunications carrier and that serves a study area with 50,000 or fewer access lines shall receive support for local switching costs using the following formula: the carrier’s projected annual unseparated local switching revenue requirement, calculated pursuant to paragraph (d) of this section, shall be multiplied by the local switching support factor. For purposes of this section, local switching costs shall be defined as Category 3 local switching costs under part 36 of this chapter.

(2) Local switching support factor. (i) The local switching support factor shall be defined as the difference between the 1996 weighted interstate DEM factor, calculated pursuant to §36.125(f) of this chapter, and the 1996 unweighted interstate DEM factor.

(ii) If the number of a study area’s access lines increases such that, under §36.125(f) of this chapter, the weighted interstate DEM factor for 1997 or any successive year would be reduced, that lower weighted interstate DEM factor shall be applied to the carrier’s 1996 unweighted interstate DEM factor to derive a new local switching support factor.

(3) Beginning January 1, 1998, the sum of the unweighted interstate DEM factor, as defined in §36.125(a)(5) of this chapter, and the local switching support factor shall not exceed 0.85. If the sum of those two factors would exceed 0.85, the local switching support factor shall be reduced to a level that would reduce the sum of the factors to 0.85.

(b) Submission of data to the Administrator. Each incumbent local exchange carrier that has been designated an eligible telecommunications carrier and that serves a study area with 50,000 or fewer access lines shall, for each study
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area, provide the Administrator with the projected total unseparated dollar amount assigned to each account listed below for the calendar year following each filing. This information must be provided to the Administrator no later than October 1 of each year. The Administrator shall use this information to calculate the projected annual unseparated local switching revenue requirement pursuant to paragraph (d) of this section.

| I | Telecommunications Plant in Service (TPIS) | Account 2001 |
| I | Telecommunications Plant—Other | Accounts 2002, 2003, 2005 |
| I | General Support Assets | Account 2110 |
| I | Central Office Assets | Accounts 2210, 2220, 2230 |
| I | Central Office—switching, Category 3 (local switching) | Account 2210, Category 3 |
| I | Information Origination/Termination Assets | Account 2310 |
| I | Cable and Wire Facilities Assets | Account 2410 |
| I | Amortizable Tangible Assets | Account 2680 |
| I | Intangibles | Account 2690 |

| II | Rural Telephone Bank (RTB) Stock | Included in Account 1402 |
| II | Materials and Supplies | Account 1220.1 |
| II | Cash Working Capital | Defined in 47 CFR 65.820(d) |

| III | Accumulated Depreciation | Account 3100 |
| III | Accumulated Amortization | Accounts 3400, 3500, 3600 |
| III | Net Deferred Operating Income Taxes | Accounts 4100, 4340 |
| III | Network Support Expenses | Account 6110 |
| III | General Support Expenses | Account 6120 |
| III | Central Office Switching, Operator Systems, and Central Office Transmission Expenses | Accounts 6210, 6220, 6230 |
| III | Information Origination/Termination Expenses | Account 6310 |
| III | Cable and Wire Facilities Expenses | Account 6410 |
| III | Other Property, Plant and Equipment Expenses | Account 6510 |
| III | Network Operations Expenses | Account 6530 |
| III | Access Expense | Account 6540 |
| III | Depreciation and Amortization Expense | Account 6560 |
| III | Marketing Expense | Account 6610 |
| III | Services Expense | Account 6620 |
| III | Corporate Operations Expense | Accounts 6720, 6730 |
| III | Operating Taxes | Accounts 7230, 7240 |
| III | Federal Investment Tax Credits | Accounts 7210 |
| III | Provision for Deferred Operating Income Taxes—Net | Accounts 7250 |
| III | Allowance for Funds Used During Construction | Account 7340 |
| III | Charitable Contributions | Included in Account 7370 |
| III | Interest and Related Items | Account 7500 |

| IV | Other Non-Current Assets | Account 1410 |
| IV | Deferred Maintenance and Retirements | Account 1438 |
| IV | Deferred Charges | Account 1439 |
| IV | Other Jurisdictional Assets and Liabilities | Accounts 1500, 4370 |
| IV | Customer Deposits | Account 4040 |
| IV | Other Long-Term Liabilities | Account 4310 |

(c) Allocation of accounts to switching. The Administrator shall allocate to local switching, the accounts reported pursuant to paragraph (b) of this section as prescribed in this paragraph.

1. General Support Assets (Account 2110); Amortizable Tangible Assets (Account 2680); Intangibles (Account 2690); and General Support Expenses (Account 6120) shall be allocated according to the following factor:

   Account 2210 Category-3 (Account 2210 + Account 2220 + Account 2230 + Account 2310 + Account 2410).

2. Telecommunications Plant—Other (Accounts 2002, 2003, 2005); Rural
Telephone Bank (RTB) Stock (included in Account 1402); Materials and Supplies (Account 1220.1); Cash Working Capital (§ 65.820(d) of this chapter); Accumulated Amortization (Accounts 3400, 3500, 3600); Net Deferred Operating Income Taxes (Accounts 4100, 4340); Network Support Expenses (Account 6110); Other Property, Plant and Equipment Expenses (Account 6510); Network Operations Expenses (Account 6530); Marketing Expense (Account 6630); Operating Taxes (Accounts 7230, 7240); Federal Investment Tax Credits (Accounts 7210); Provision for Deferred Operating Income Taxes—Net (Account 7250); Interest and Related Items (Account 7500); Allowance for Funds Used During Construction (Account 7340); Charitable Contributions (included in Account 7370); Other Non-current Assets (Account 1410); Other Jurisdictional Assets and Liabilities (Accounts 1500, 4370); Customer Deposits (Account 4040); Other Long-term Liabilities (Account 4310); Deferred Maintenance and Retirements (Account 1438) shall be allocated according to the following factor:


(3) Accumulated Depreciation for Central Office—switching (Account 3100 associated with Account 2210) and Depreciation and Amortization Expense for Central Office—switching (Account 6560 associated with Account 2210) shall be allocated according to the following factor:

Account 2210 Category 3 ÷ Account 2210.

(4) Accumulated Depreciation for General Support Assets (Account 3100 associated with Account 2110) and Depreciation and Amortization Expense for General Support Assets (Account 6560 associated with Account 2110) shall be allocated according to the following factor:

Account 2210 Category 3 ÷ Account 2110.

(5) Corporate Operations Expenses (Accounts 6710, 6720) shall be allocated according to the following factor:

\[
\left(\frac{\text{Account 2210 Category 3 ÷ Account 2210}}{\text{Account 2001}}\right) \times \left(\frac{\text{Account 2210 + Account 2220 + Account 2230}}{\text{Account 6210 + Account 6220 + Account 6230}}\right) \times \left(\frac{\text{Account 6530 + Account 6610 + Account 6620}}{\text{Account 7210 + Account 7370 + Account 7500}}\right)
\]

(6) Central Office Switching, Operator Systems, and Central Office Transmission Expenses (Account 6210, Account 6220, Account 6230) shall be allocated according to the following factor:

Account 2210 Category 3 ÷ (Accounts 2210 + 2220 + 2230).

(d) Calculation of the projected annual unseparated local switching revenue requirement. The Administrator shall calculate the projected annual unseparated local switching revenue requirement by summing the components listed in this paragraph.

(1) Return on Investment attributable to COE Category 3 shall be obtained by multiplying the average projected unseparated local switching net investment by the authorized interstate rate of return. Projected unseparated local switching net investment shall be calculated as of each December 31 by deducting the accumulated reserves, deferrals and customer deposits attributable to the COE Category 3 investment from the gross investment attributable to COE Category 3. The average projected unseparated local switching net investment shall be calculated by summing the projected unseparated local switching net investment as of December 31 of the calendar year following the filing year and such investment as of December 31 of the filing year and dividing by 2.

(2) Depreciation expense attributable to COE Category 3 investment, allocated pursuant to paragraph (c) of this section.

(3) All expenses, excluding depreciation expense, collected in paragraph (b) of this section, allocated pursuant to paragraph (c) of this section.

(4) Federal income tax attributable to COE Category 3 shall be calculated using the following formula; the accounts listed shall be allocated pursuant to paragraph (c) of this section:

\[
\left(\frac{\text{Return on Investment attributable to COE Category 3}}{\text{Account 7340 - Account 7500 - Account 7210}}\right) \times
\]

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§ 54.301 Local switching support.

(f) Calculation of the local switching revenue requirement for average schedule companies. (1) The local switching revenue requirement for average schedule companies, as defined in §69.605(c) of this chapter, shall be calculated in accordance with a formula approved or modified by the Commission. The Administrator shall submit to the Commission and the Common Carrier Bureau for review and approval a formula that simulates the disbursements that would be received pursuant to this section by a company that is representative of average schedule companies. For each annual period, the Administrator shall submit the formula, any proposed revisions of such formula, or a certification that no revisions to the formula are warranted on or before December 31 of each year.

(2) The Commission delegates its authority to review, modify, and approve the formula submitted by the Administrator pursuant to this paragraph to the Chief, Wireline Competition Bureau.


EFFECTIVE DATE NOTE: At 67 FR 5701, Feb. 6, 2002, §54.301 was amended by revising the table in paragraph (b), and paragraphs (c)(2), (c)(5), and (d)(4), effective Aug. 6, 2002. At 67 FR 20052, Apr. 24, 2002, the effective date was delayed until Jan. 1, 2003. For the convenience of the user the revised text is set forth as follows:

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(b) * * *
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III

Accumulated Depreciation ........................................... Account 3100
Accumulated Amortization ........................................... Included in Accounts 2005, 2680, 2690, 3410
Net Deferred Operating Income Taxes ......................... Accounts 4100, 4340
Network Support Expenses ........................................... Account 6110
General Support Expenses .......................................... Account 6120
Central Office Switching, Operator Systems, and Central Office Transmission Expenses.
Information Origination/Termination Expenses ............... Account 6310
Cable and Wire Facilities Expenses ............................. Account 6410
Other Property, Plant and Equipment Expenses ............. Account 6510
Network Operations Expenses ..................................... Account 6530
Access Expense ....................................................... Account 6540
Depreciation and Amortization Expense ....................... Account 6550
Marketing Expense .................................................. Account 6610
Services Expense ..................................................... Account 6620
Corporate Operations Expense .................................. Account 6720
Operating Taxes ..................................................... Accounts 7230, 7240
Federal Investment Tax Credits ................................. Account 7210
Provision for Deferred Operating Income Taxes—Net. Allowance for Funds Used During Construction .... Included in Account 7300
Charitable Contributions ........................................... Included in Account 7300
Interest and Related Items ........................................ Account 7500

IV

Other Non-Current Assets ........................................... Included in Account 1410
Deferred Charges ..................................................... Included in Account 1438
Other Jurisdictional Assets and Liabilities ................ Accounts 1500, 4370
Customers’ Deposits ................................................. Account 4040
Other Long-Term Liabilities ....................................... Included in Account 4300

(c) * * *

(2) Telecommunications Plant—Other (Accounts 2002, 2003, 2006); Rural Telephone Bank (RTB) Stock (included in Account 1410); Materials and Supplies (Account 1220.1); Cash Working Capital (Sec. 65.820(d) of this chapter); Accumulated Amortization (Included in Accounts 2005, 2680, 2690, 3410); Net Deferred Operating Income Taxes (Accounts 4100, 4340); Network Support Expenses (Account 6110); Other Property, Plant and Equipment Expenses (Account 6510); Network Operations Expenses (Account 6530); Marketing Expense (Account 6610); Services Expense (Account 6620); Operating Taxes (Accounts 7230, 7240); Federal Investment Tax Credits (Accounts 7210); Provision for Deferred Operating Income Taxes—Net (Account 7250); Interest and Related Items (Account 7500); Allowance for Funds Used During Construction (Included in Account 7300); Charitable Contributions (Included in Account 7300); Other Non-current Assets (Included in Account 1410); Other Jurisdictional Assets and Liabilities (Accounts 1500, 4370); Customer Deposits (Account 4040); Other Long-term Liabilities (Included in Account 4300); and Deferred Maintenance and Retirement

(d) * * *

(4) Federal income tax attributable to COE Category 3 shall be calculated using the following formula; the accounts listed shall be allocated pursuant to paragraph (c) of this section:
§ 54.303 Long term support.

(a) Beginning January 1, 1998, an eligible telecommunications carrier that participates in the association Common Line pool shall receive Long Term Support.

(b) Long Term Support shall be calculated as prescribed in this paragraph.

(1) To calculate the unadjusted base-level of Long Term Support for 1998, the Administrator shall calculate the difference between the projected Common Line revenue requirement of association Common Line tariff participants projected to be recovered in 1997 and the sum of end user common line charges and the 1997 projected revenue recovered by the association Carrier Common Line charge as calculated pursuant to § 69.105(b)(2) of this chapter.

(2) To calculate Long Term Support for calendar year 1998, the Administrator shall adjust the base-level of Long Term Support calculated in paragraph (b)(1) of this section to reflect the annual percentage change in the actual nationwide average unseparated loop cost per working loop as filed by the Administrator in the previous calendar year, pursuant to § 36.622 of this chapter.

(3) To calculate Long Term Support for calendar year 1999, the Administrator shall adjust the level of support calculated in paragraph (b)(2) of this section to reflect the annual percentage change in the actual nationwide average unseparated loop cost per working loop as filed by the Administrator in the previous calendar year, pursuant to § 36.622 of this chapter.

(4) Beginning January 1, 2000, the Administrator shall calculate Long Term Support annually by adjusting the previous year’s level of support to reflect the annual percentage change in the Department of Commerce’s Gross Domestic Product-Consumer Price Index (GDP–CPI).

(5)(i) Beginning July 1, 2002, each carrier will be eligible to receive LTS equal to the lesser of:

(A) The LTS for which the carrier would be eligible pursuant to paragraph (b)(4) of this section, or

(B) Its common line revenue requirement as calculated in accordance with part 69 of this chapter, minus:

(1) The study area revenues obtained from end-user common line charges at their allowable maximum as determined by §§ 69.104(n) and 69.104(o) of this chapter;

(2) The carrier common line charge revenues to be phased out pursuant to § 69.105 of this chapter;

(3) The special access surcharges pursuant to § 69.114 of this chapter; and

(4) The line port costs in excess of basic analog service pursuant to § 69.130 of this chapter.

(ii) Under no circumstance shall a carrier have LTS that is less than zero.

(iii) In calculating an LTS amount pursuant to paragraph (b)(5)(i)(B) of this section, the Administrator shall use data filed pursuant to § 54.903 of this chapter.


§ 54.305 Sale or transfer of exchanges.

(a) A carrier that acquires telephone exchanges from an unaffiliated carrier shall receive universal service support for the acquired exchanges at the same per-line support levels for which those exchanges were eligible prior to the transfer of the exchanges. A carrier that has entered into a binding commitment to buy exchanges prior to May 7, 1997 will receive support for the newly acquired lines based upon the average cost of all of its lines, both those newly acquired and those it had prior to execution of the sales agreement.

(b) Transferred exchanges in study areas operated by rural telephone companies that are subject to the limitations on the transfer of high-cost universal service support in paragraph (a) of this section may be eligible for a safety valve loop cost expense adjustment based on the difference between a rural incumbent local exchange carrier’s index year expense adjustment and subsequent year expense adjustments for the acquired exchanges.
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Safety valve loop cost expense adjustments shall only be available to rural incumbent local exchange carriers that, in the absence of restrictions on the transfer of high-cost support in §54.305(a), would qualify for high-cost loop support for acquired exchanges under §36.631 of this chapter.

(c) The index year expense adjustment for acquired exchange(s) shall be equal to the rural incumbent local exchange carrier’s high-cost loop cost expense adjustment for acquired exchanges calculated at the end of the company’s first year operating the acquired exchange(s). The index year expense adjustment for the acquired exchange(s) shall be established through cost data submitted in accordance with §§36.611 and 36.612 of this chapter and shall be calculated in accordance with §36.631 of this chapter. For carriers establishing an index year for acquired exchanges pursuant to §36.611 of this chapter, the index year for the acquired exchange(s) shall commence at the beginning of the next calendar year after the transfer of said exchanges. For carriers establishing an index year for acquired exchanges pursuant to §36.612 of this chapter, the index year for the acquired exchange(s) shall commence at the beginning of the next calendar quarter after the transfer of said exchanges. The index year expense adjustment for rural telephone companies that have operated exchanges subject to this section for more than a full year on the effective date of this paragraph shall be based on loop cost data submitted in accordance with §36.612 of this chapter for the year ending on the nearest calendar quarter following the effective date of this paragraph. At the end of each subsequent year, a loop cost expense adjustment for the acquired exchanges will be calculated pursuant to §36.631 of this chapter and will be compared to the index year expense adjustment. A rural incumbent local exchange carrier’s subsequent year expense adjustments shall shall end on the same calendar quarter as its index year expense adjustment. If acquired exchanges are incorporated into an existing rural incumbent local exchange carrier study area, the rural incumbent local exchange carrier shall exclude costs associated with the acquired exchanges from the costs associated with its pre-acquisition study area in its universal service data submissions filed in accordance with §§36.611 and 36.612 of this chapter. Such excluded costs shall be used to calculate the rural incumbent local exchange carrier’s safety valve loop cost expense adjustment.

(d) Up to fifty (50) percent of any positive difference between the subsequent year loop cost expense adjustment and the index year expense adjustment will be designated as the study area’s safety valve loop cost expense adjustment and will be available in addition to the amounts available to the study area under §54.305. In no event shall a study area’s safety valve loop cost expense adjustment exceed the difference between the carrier’s uncapped study area loop cost expense adjustment calculated pursuant to §36.631 of this chapter and transferred support amounts available to the acquired exchange(s) under paragraph (a) of this section. Safety valve support shall not transfer with acquired exchanges.

(e) The sum of the safety valve loop cost expense adjustment for all eligible study areas operated by rural telephone companies shall not exceed five (5) percent of the total rural incumbent local exchange carrier portion of the annual nationwide loop cost expense adjustment calculated pursuant to §36.603 of this chapter. The five (5) percent cap on the safety valve mechanism shall be based on the lesser of the rural incumbent local exchange carrier portion of the annual nationwide loop cost expense adjustment calculated pursuant to §36.603 of this chapter or the sum of rural incumbent local exchange carrier expense adjustments calculated pursuant to §36.631 of this chapter. The percentage multiplier used to derive study area safety valve loop cost expense adjustments for rural telephone companies shall be the lesser of fifty (50) percent or a percentage calculated to produce the maximum total safety valve loop cost expense adjustment for all eligible study areas pursuant to this paragraph. The safety valve
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§ 54.307 Support to a competitive eligible telecommunications carrier.

(a) Calculation of support. A competitive eligible telecommunications carrier shall receive universal service support to the extent that the competitive eligible telecommunications carrier captures the subscriber lines of an incumbent local exchange carrier (LEC) or serves new subscriber lines in the incumbent LEC’s service area.

(1) A competitive eligible telecommunications carrier serving loops in the service area of a rural incumbent local exchange carrier, as that term is defined in §54.5 of this chapter, shall receive support for each line it serves in a particular service area based on the support the incumbent LEC would receive for each such line, disaggregated by cost zone if disaggregation zones have been established within the service area pursuant to §54.315 of this subpart. A competitive eligible telecommunications carrier serving loops in the service area of a non-rural incumbent local exchange carrier shall receive support for each line it serves in a particular service area. A competitive eligible telecommunications carrier serving loops in the service area of a rate-of-return carrier shall be eligible to receive Interstate Common Line Support for each line it serves in the service area in accordance with the formula in §54.901.

(2) A competitive eligible telecommunications carrier that uses switching purchased as unbundled network elements pursuant to §51.307 of this chapter to provide the supported services shall receive the lesser of the unbundled network element price for switching or the per-line DEM support of the incumbent LEC, if any. A competitive eligible telecommunications carrier that uses loops purchased as unbundled network elements pursuant to §51.307 of this chapter to provide the supported services shall receive the lesser of the unbundled network element price for the loop or the incumbent LEC’s per-line payment from the high-cost loop support and LTS, if any. The incumbent LEC providing non-discriminatory access to unbundled network elements to such competitive eligible telecommunications carrier shall receive the difference between the level of universal service support provided to the competitive eligible telecommunications carrier and the per-customer level of support that the incumbent LEC would have received.

(3) A competitive eligible telecommunications carrier that provides the supported services using neither unbundled network elements purchased pursuant to §51.307 of this chapter nor wholesale service purchased pursuant to section 251(c)(4) of the Act will receive the full amount of universal service support that the incumbent LEC would have received for that customer.

(4) A competitive eligible telecommunications carrier that provides the supported services using neither unbundled network elements purchased pursuant to §51.307 of this chapter nor wholesale service purchased pursuant to section 251(c)(4) of the Act will receive the full amount of universal service support previously provided to the incumbent local exchange carrier for that customer. The amount of universal service support provided to such incumbent local exchange carrier shall be reduced by an amount equal to the amount provided to such competitive eligible telecommunications carrier.

(b) In order to receive support pursuant to this subpart, a competitive eligible telecommunications carrier must
§ 54.309 Report to the Administrator the number of working loops it serves in a service area pursuant to the schedule set forth in paragraph (c) of this section. For a competitive eligible telecommunications carrier serving loops in the service area of a rural incumbent local exchange carrier, as that term is defined in §54.5, the carrier must report, by customer class, the number of working loops it serves in the service area, disaggregated by cost zone if disaggregation zones have been established within the service area pursuant to §54.315. For a competitive eligible telecommunications carrier serving loops in the service area of a non-rural telephone company, the carrier must report the number of working loops it serves in the service area, by customer class if the non-rural telephone company receives Interstate Common Line Support pursuant to §54.901 and by disaggregation zone if disaggregation zones have been established within the service area pursuant to §54.315 of this subpart, and the number of working loops it serves in each wire center in the service area. For universal service support purposes, working loops are defined as the number of working Exchange Line C&WF loops used jointly for exchange and message telecommunications service, including C&WF subscriber lines associated with pay telephones in C&WF Category 1, but excluding WATS closed end access and TWX service. Competitive eligible telecommunications carriers providing mobile wireless service in an incumbent LEC’s service area shall use the customer’s billing address for purposes of identifying the service location of a mobile wireless customer in a service area.

(c) A competitive eligible telecommunications carrier must submit the data required pursuant to paragraph (b) of this section according to the schedule:
1. No later than July 31st of each year, submit data as of December 31st of the previous calendar year;
2. No later than September 30th of each year, submit data as of March 31st of the existing calendar year;
3. No later than December 30th of each year, submit data as of June 30th of the existing calendar year;
4. No later than March 30th of each year, submit data as of September 30th of the previous calendar year.

§ 54.309 Calculation and distribution of forward-looking support for non-rural carriers.

(a) Calculation of total support available per state. Beginning January 1, 2000, non-rural incumbent local exchange carriers, and eligible telecommunications carriers serving lines in the service areas of non-rural incumbent exchange carriers, shall receive universal service support for the forward-looking economic costs of providing supported services in high-cost areas, provided that the State in which the lines served by the carrier are located has complied with the certification requirements in §54.313. The total amount of forward-looking support available in each State shall be determined according to the following methodology:

1. For each State, the Commission’s cost model shall determine the statewide average forward-looking economic cost (FLEC) per line of providing the supported services. The statewide average FLEC per line shall equal the total FLEC for non-rural carriers to provide the supported services in the State, divided by the number of switched lines used in the Commission’s cost model. The total FLEC shall equal average FLEC multiplied by the number of switched lines used in the Commission’s cost model.

2. The Commission’s cost model shall determine the national average FLEC per line of providing the supported services. The national average FLEC per line shall equal the total FLEC for non-rural carriers to provide the supported services in all States, divided by the total number of switched lines used in all States used in the Commission’s cost model.

3. The national cost benchmark shall equal 135 percent of the national average FLEC per line.

4. Support calculated pursuant to this section shall be provided to non-rural carriers in each State where the
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statewide average FLEC per line exceeds the national cost benchmark. The total amount of support provided to non-rural carriers in each State where the statewide average FLEC per line exceeds the national cost benchmark shall equal 76 percent of the amount of the statewide average FLEC per line that exceeds the national cost benchmark, multiplied by the number of lines reported pursuant to §36.611, §36.612, and §54.307 of this chapter.

(5) In the event that a State’s statewide average FLEC per line does not exceed the national cost benchmark, non-rural carriers in such State shall be eligible for support pursuant to §54.311. In the event that a State’s statewide average FLEC per line exceeds the national cost benchmark, the amount of support otherwise provided to a non-rural carrier in that State pursuant to this section is less than the amount that would be provided pursuant to §54.311, the carrier shall be eligible for support pursuant to §54.311.

(b) Distribution of total support available per state. The total amount of support available per State calculated pursuant to paragraph (a) of this section shall be distributed to non-rural incumbent local exchange carriers, and eligible telecommunications carriers serving lines in the service areas of non-rural incumbent local exchange carriers, in the following manner:

(1) The Commission’s cost model shall determine the percentage of the total amount of support available in the State for each wire center by calculating the ratio of the wire center’s FLEC above the national cost benchmark to the total FLEC above the national cost benchmark of all wire centers within the State. A wire center’s FLEC above the national cost benchmark shall be equal to the wire center’s average FLEC per line above the national cost benchmark, multiplied by the number of switched lines in the wire center used in the Commission’s cost model;

(2) The total amount of support distributed to each wire center shall be equal to the percentage calculated for the wire center pursuant to paragraph (b)(1) of this section multiplied by the total amount of support available in the state;

(3) The total amount of support for each wire center pursuant to paragraph (b)(2) of this section shall be divided by the number of lines in the wire center reported pursuant to §36.611, §36.612, and §54.307 of this chapter to determine the per-line amount of forward-looking support for that wire center;

(4) The per-line amount of support for each wire center pursuant to paragraph (b)(3) of this section shall be multiplied by the number of lines served by a non-rural incumbent local exchange carrier in that wire center, or by an eligible telecommunications carrier in that wire center, as reported pursuant to §36.611, §36.612, and §54.307 of this chapter, to determine the amount of forward-looking support to be provided to that carrier.

(5) The total amount of support calculated for each wire center pursuant to paragraph (b)(4) of this section shall be divided by the number of lines served by a non-rural incumbent local exchange carrier in that wire center, or by an eligible telecommunications carrier in that wire center, to determine the amount of forward-looking support to be provided to that carrier.

(c) Petition for waiver. Pursuant to section 1.3 of this chapter, any State may file a petition for waiver of paragraph (b) of this section, asking the Commission to distribute support calculated pursuant to paragraph (a) of this section to a geographic area different from the wire center. Such petition must contain a description of the particular geographic level to which the State desires support to be distributed, and an explanation of how waiver of paragraph (b) of this section will further the preservation and advancement of universal service within the State.

§ 54.311  Interim hold-harmless support for non-rural carriers.

(a) Interim hold-harmless support. The total amount of interim hold-harmless support provided to a non-rural incumbent local exchange carrier shall equal the amount of support calculated for that carrier pursuant to part 36 of this chapter. The total amount of interim hold-harmless support provided to a non-rural incumbent local exchange carrier shall also include Long Term Support provided pursuant to §54.303, to the extent that the carrier would otherwise be eligible for such support. Beginning on January 1, 2000, in the event that a State’s statewide average FLEC per line, calculated pursuant to §54.309(a), does not exceed the national cost benchmark, non-rural incumbent local exchange carriers in such State shall receive interim hold-harmless support calculated pursuant to part 36, and, if applicable, §54.303. In the event that a State’s statewide average FLEC per line, calculated pursuant to §54.309(a), exceeds the national cost benchmark, but the amount of support that would be provided to a non-rural incumbent local exchange carrier in such State pursuant to §54.309(b) is less than the amount that would be provided pursuant to part 36 and, if applicable, §54.303, the carrier shall be eligible for support pursuant to part 36 and, if applicable, §54.303. To the extent that an eligible telecommunications carrier serves lines in the service area of a non-rural incumbent local exchange carrier receiving interim hold-harmless support, the eligible telecommunications carrier shall also be entitled to interim hold-harmless support in an amount per line equal to the amount per line provided to the non-rural incumbent local exchange carrier pursuant to paragraph (b) of this section.

(b) Distribution of Interim Hold-Harmless Support Amounts. Until the third quarter of 2000, interim hold-harmless support shall be distributed pursuant to part 36 and, if applicable, §54.303 of this subpart. Beginning in the third quarter of 2000, the total amount of interim hold-harmless support provided to each non-rural incumbent local exchange carrier shall be distributed first to the carrier’s wire center with the highest wire center average FLEC per line until that wire center’s average FLEC per line, net of support, equals the average FLEC per line in the second most high-cost wire center. Support shall then be distributed to the carrier’s wire center with the highest and second highest wire center average FLEC per line until those wire center’s average FLECs per line, net of support, equal the average FLEC per line in the third most high-cost wire center. This process shall continue in a cascading fashion until all of the interim hold-harmless support provided to the carrier has been exhausted.

(c) Petition for waiver. Pursuant to section 1.3 of this chapter, a State may file a petition for waiver of paragraph (b) of this section, asking the Commission to distribute interim hold-harmless support to a geographic area different than the wire center. Such petition must contain a description of the particular geographic level to which the State desires interim hold-harmless support to be distributed, and an explanation of how waiver of paragraph (b) of this section will further the preservation and advancement of universal service within the State.

(d) Phase down of interim hold-harmless support. Beginning January 1, 2001, the interim hold-harmless support for which a non-rural incumbent local exchange carrier qualifies under paragraph (a) of this section, excluding Long Term Support, shall be phased down through annual $1.00 reductions in average monthly, per-line support. Applicable annual reductions shall be subtracted from the total amount of interim hold-harmless support that a non-rural incumbent local exchange carrier otherwise would be eligible to receive on an ongoing, quarterly basis. The provisions of paragraph (b) of this section shall apply to the total amount of phased-down interim hold-harmless support provided to each non-rural incumbent local exchange carrier.

(1) Interim hold-harmless support for a wire center transferred to a carrier that does not meet the definition of rural telephone company in §51.5 of this chapter shall be phased down following the transfer over the same time...
§ 54.313 State certification of support for non-rural carriers.

(a) Certification. States that desire non-rural incumbent local exchange carriers and/or eligible telecommunications carriers serving lines in the service area of a non-rural incumbent local exchange carrier within their jurisdiction to receive support pursuant to §§ 54.309 and/or 54.311 must file an annual certification with the Administrator and the Commission stating that all federal high-cost support provided to such carriers within that State will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. Support provided pursuant to §§ 54.309 and/or 54.311 shall only be provided to the extent that the State has filed the requisite certification pursuant to this section.

(b) Carriers not subject to State jurisdiction. A non-rural incumbent local exchange carrier not subject to the jurisdiction of a state or an eligible telecommunications carrier not subject to the jurisdiction of a state serving lines in the service area of a non-rural incumbent local exchange carrier that desires to receive support pursuant to §§ 54.309 and/or 54.311 of this subpart must file an annual certification with the Administrator and the Commission stating that all federal high-cost support provided to such carriers will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. Support provided pursuant to §§ 54.309 and/or 54.311 of this subpart shall only be provided to the extent that the carrier has filed the requisite certification pursuant to this section.

(c) Certification format. A certification pursuant to this section may be filed in the form of a letter from the appropriate regulatory authority for the State, and must be filed with both the Office of the Secretary of the Commission clearly referencing CC Docket No. 96-45, and with the Administrator of the high-cost universal service support mechanism, on or before the deadlines set forth in paragraph (d) of this section. If provided by the appropriate regulatory authority for the state, the annual certification must identify which carriers in the State are eligible to receive federal support during the applicable 12-month period, and must certify that those carriers will only use support for the provision, maintenance, and upgrading of facilities and services for which support is intended. A State may file a supplemental certification for carriers not subject to the State’s annual certification. All certificates filed by a State pursuant to this section shall become part of the public record maintained by the Commission.

Non-rural incumbent local exchange carriers not subject to the jurisdiction of a state or eligible telecommunications carrier not subject to the jurisdiction of a state serving lines in the service area of a non-rural incumbent local exchange carrier, shall file a sworn affidavit executed by a corporate officer attesting to the use of the support for the provision, maintenance, and upgrading of facilities and services for which support is intended. The affidavit must be filed with both the Office of the Secretary of the Commission clearly referencing CC Docket No. 96-45, and with the Administrator of the high-cost universal service support mechanism, on or before the deadlines set forth in paragraph (d) of this section. All affidavits filed pursuant to this section shall become part of the public record maintained by the Commission.

(d) Filing deadlines. In order for a non-rural incumbent local exchange carrier in a particular State, and/or an eligible telecommunications carrier serving lines in the service area of a non-rural incumbent local exchange carrier, to receive federal high-cost support, the State must file an annual certification, as described in paragraph...
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(c) of this section, with both the Administrator and the Commission. Support shall be provided in accordance with the following schedule:

(1) First program year (January 1, 2000–December 31, 2000). During the first program year (January 1, 2000–December 31, 2000), a carrier in a particular State shall receive support pursuant to §54.311. If a State files the certification described in this section during the first program year, carriers eligible for support pursuant to §54.309 shall receive such support pursuant to the following schedule:

(i) Certifications filed on or before April 1, 2000. Carriers subject to certifications that apply to the first and second quarters of 2000, and are filed on or before April 1, 2000, shall receive support pursuant to §54.309 for the first and third quarters of 2000 in the third quarter of 2000, and support for the second and fourth quarters of 2000 in the fourth quarter of 2000. Such support shall be net of any support provided pursuant to section 54.311 for the first or second quarters of 2000.

(ii) Certifications filed on or before July 1, 2000. Carriers subject to certifications filed on or before July 1, 2000, shall receive support pursuant to §54.309 for the fourth quarter of 2000.

(iii) Certifications filed after July 1, 2000. Carriers subject to certifications filed after July 1, 2000, shall not receive support pursuant to §54.309 in 2000.

(2) Second program year (January 1–December 31, 2001). During the second program year (January 1, 2001–December 31, 2001), a carrier in a particular State shall not receive support pursuant to §§54.309 or 54.311 until such time as the State files the certification described in this section. Upon the filing of the certification described in this section, support shall be provided pursuant to the following schedule:

(i) Certifications filed on or before October 1, 2000. Carriers subject to certifications filed on or before October 1, 2000 shall receive support pursuant to §§54.309 or 54.311, whichever is applicable, in the first, second, third, and fourth quarters of 2001.

(ii) Certifications filed on or before January 1, 2001. Carriers subject to certifications filed on or before January 1, 2001 shall receive support pursuant to §§54.309 or 54.311, whichever is applicable, in the second, third, and fourth quarters of 2001. Such carriers shall not receive support pursuant to §§54.309 or 54.311, whichever is applicable, in the first quarter of 2001.

(iii) Certifications filed on or before April 1, 2001. Carriers subject to certifications filed on or before April 1, 2001 shall receive support pursuant to §§54.309 or 54.311, whichever is applicable, in the third and fourth quarters of 2001. Such carriers shall not receive support pursuant to §§54.309 or 54.311, whichever is applicable, in the first or second quarters of 2001.

(iv) Certifications filed on or before July 1, 2001. Carriers subject to certifications filed on or before July 1, 2001 shall receive support pursuant to §§54.309 or 54.311, whichever is applicable, in the fourth quarter of 2001.

(v) Certifications filed after July 1, 2001. Carriers subject to certifications filed after July 1, 2001 shall not receive support pursuant to §§54.309 or 54.311, whichever is applicable, in 2001.

(3) Subsequent program years (January 1–December 31). During the program years subsequent to the second program year (January 1, 2001–December 31, 2001), a carrier in a particular State shall not receive support pursuant to §§54.309 or 54.311 until such time as the State files the certification described in this section. Upon the filing of the certification described in this section, support shall be provided pursuant to the following schedule:

(i) Certifications filed on or before October 1. Carriers subject to certifications filed on or before October 1 shall receive support pursuant to §§54.309 or 54.311, whichever is applicable, in the first, second, third, and fourth quarters of the succeeding year.

(ii) Certifications filed on or before January 1. Carriers subject to certifications filed on or before January 1 shall receive support pursuant to §§54.309 or 54.311, whichever is applicable, in the second, third, and fourth quarters of that year. Such carriers shall not receive support pursuant to
§ 54.309 or §54.311, whichever is applicable, in the first quarter of that year.

(iii) Certifications filed on or before April 1. Carriers subject to certifications filed on or before April 1 shall receive support pursuant to §54.309 or §54.311, whichever is applicable, in the third and fourth quarters of that year. Such carriers shall not receive support pursuant to §54.309 or §54.311, whichever is applicable, in the first or second quarters of that year.

(iv) Certifications filed on or before July 1. Carriers subject to certifications filed on or before July 1 shall receive support pursuant to §54.309 or §54.311, whichever is applicable, beginning in the fourth quarter of that year. Such carriers shall not receive support pursuant to §54.309 or §54.311, whichever is applicable, in the first, second, or third quarters of that year.

(v) Certifications filed after July 1. Carriers subject to certifications filed after July 1 shall not receive support pursuant to §54.309 or §54.311, whichever is applicable, in that year.

§ 54.309 or §54.311, whichever is applicable, in the first quarter of that year.

§§ 54.301, 54.305, and/or 54.307 and/or part 36, subpart F of this chapter shall file an annual certification with the Administrator and the Commission stating that all federal high-cost support provided to such carriers will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. Support provided pursuant to §§54.301, 54.305, and/or 54.307 and/or part 36, subpart F of this chapter shall only be provided to the extent that the carrier has filed the requisite certification pursuant to this section.

(c) Certification format. A certification pursuant to this section may be filed in the form of a letter from the appropriate regulatory authority for the State, and shall be filed with both the Office of the Secretary of the Commission clearly referencing CC Docket No. 96-45, and with the Administrator of the high-cost universal service support mechanism, on or before the deadlines set forth in paragraph (d) of this section. If provided by the appropriate regulatory authority for the State, the annual certification must identify which carriers in the State are eligible to receive federal support during the applicable 12-month period, and must certify that those carriers will only use support for the provision, maintenance, and upgrading of facilities and services for which support is intended. A State may file a supplemental certification for carriers not subject to the State’s annual certification. All certificates filed by a State pursuant to this section shall become part of the public record maintained by the Commission. Rural incumbent local exchange carriers not subject to the jurisdiction of a state or eligible telecommunications carriers not subject to the jurisdiction of a state serving lines in the service area of a rural incumbent local exchange carrier, shall file a sworn affidavit executed by a corporate officer attesting to the use of the support for the provision, maintenance, and upgrading of facilities and services for which support is intended. The affidavit must be filed with both the Office.
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of the Secretary of the Commission clearly referencing CC Docket No. 96–45, and with the Administrator of the high-cost universal service support mechanism, on or before the deadlines set forth in paragraph (d) of this section. All affidavits filed pursuant to this section shall become part of the public record maintained by the Commission.

(d) **Filing deadlines.** Upon the filing of the certification described in paragraph (c) of this section, support shall be provided pursuant to the following schedule:

(1) **Certifications filed on or before October 1.** Carriers for which certifications are filed on or before October 1 shall receive support pursuant to §§54.301, 54.305, and/or 54.307 and/or part 36, subpart F of this chapter, in the first, second, third, and fourth quarters of the succeeding year.

(2) **Certifications filed on or before January 1.** Carriers for which certifications are filed on or before January 1 shall receive support pursuant to §§54.301, 54.305, and/or 54.307 and/or part 36, subpart F of this chapter, in the second, third, and fourth quarters of that year. Such carriers shall not receive support pursuant to §§54.301, 54.305, and/or 54.307 and/or part 36, subpart F of this chapter in the first quarter of that year.

(3) **Certifications filed on or before April 1.** Carriers for which certifications are filed on or before April 1 shall receive support pursuant to §§54.301, 54.305, and/or 54.307 and/or part 36, subpart F of this chapter, in the third and fourth quarters of that year. Such carriers shall not receive support pursuant to §§54.301, 54.305, and/or 54.307 and/or part 36, subpart F of this chapter in the first and second quarters of that year.

(4) **Certifications filed on or before July 1.** Carriers for which certifications are filed on or before July 1 shall receive support pursuant to §§54.301, 54.305, and/or 54.307 and/or part 36, subpart F of this chapter, in the fourth quarter of that year. Such carriers shall not receive support pursuant to §§54.301, 54.305, and/or 54.307 and/or part 36, subpart F of this chapter, in the first, second, or third quarters of that year.

(5) **Certifications filed after July 1.** Carriers for which certifications are filed after July 1 shall not receive support pursuant to §§54.301, 54.305, and/or 54.307 and/or part 36, subpart F of this chapter, in that year.

[66 FR 30088, June 5, 2001]

§ 54.315. **Disaggregation and targeting of high-cost support.**

(a) On or before May 15, 2002, all rural incumbent local exchange carriers and rate-of-return carriers for which high-cost universal service support pursuant to §§54.301, 54.303, and/or 54.305 of this subpart, subpart K of this part, and/or part 36 subpart F is available must select a disaggregation path as described in paragraphs (b), (c), or (d) of this section. In study areas in which a competitive carrier was designated as a competitive or eligible telecommunications carrier prior to June 19, 2001, the rural incumbent local exchange carrier or rate-of-return carrier may only disaggregate support pursuant to paragraphs (b), (c), or (d)(1)(ii) of this section. A rural incumbent local exchange carrier or rate-of-return carrier failing to select a disaggregation path as described in paragraphs (b), (c), or (d) of this section by May 15, 2002, will not be permitted to disaggregate and target federal high-cost support unless ordered to do so by a state commission as that term is defined in §54.5.

(b) **Path 1: Carriers Not Disaggregating and Targeting High-Cost Support:**

(1) A carrier may certify to the state commission that it will not disaggregate and target high-cost universal service support.

(2) A carrier’s election of this path becomes effective upon certification by the carrier to the state commission.

(3) This path shall remain in place for such carrier for at least four years from the date of certification to the state commission except as provided in paragraph (b)(4) of this section.

(4) A state commission may require, on its own motion, upon petition by an interested party, or upon petition by the rural incumbent local exchange carrier or rate-of-return carrier, the disaggregation and targeting of support under paragraphs (c) or (d) of this section.

(5) A carrier not subject to the jurisdiction of a state, e.g., certain tribally
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owned carriers, may select Path 1, but must certify to the Federal Communications Commission as described in paragraphs (1) through (4) of this section.

(c) Path 2: Carriers Seeking Prior Regulatory Approval for the Disaggregation and Targeting of Support:

(1) A carrier electing to disaggregate and target support under this paragraph must file a disaggregation and targeting plan with the state commission.

(2) Under this paragraph a carrier may propose any method of disaggregation and targeting of support consistent with the general requirements detailed in paragraph (e) of this section.

(3) A disaggregation and targeting plan under this paragraph becomes effective upon approval by the state commission.

(4) A carrier shall disaggregate and target support under this path for at least four years from the date of approval by the state commission except as provided in paragraph (c)(5) of this section.

(5) A state commission may require, on its own motion, upon petition by an interested party, or upon petition by the rural incumbent local exchange carrier or rate-of-return carrier, the disaggregation and targeting of support in a different manner.

(6) A carrier not subject to the jurisdiction of a state, e.g., certain tribally owned carriers, may select Path 2, but must seek approval from the Federal Communications Commission as described in paragraphs (c)(1) through (5) of this section.

(d) Path 3: Self-Certification of the Disaggregation and Targeting of Support:

(1) A carrier may file a disaggregation and targeting plan with the state commission along with a statement certifying each of the following:

(i) It has disaggregated support to the wire center level; or

(ii) It has disaggregated support into no more than two cost zones per wire center; or

(iii) That the carrier’s disaggregation plan complies with a prior regulatory determination made by the state commission.

(2) Any disaggregation plan submitted pursuant to this paragraph must meet the following requirements:

(i) The plan must be supported by a description of the rationale used, including the methods and data relied upon to develop the disaggregation zones, and a discussion of how the plan complies with the requirements of this paragraph. Such filing must provide information sufficient for interested parties to make a meaningful analysis of how the carrier derived its disaggregation plan.

(ii) The plan must be reasonably related to the cost of providing service for each disaggregation zone within each disaggregated category of support.

(iii) The plan must clearly specify the per-line level of support for each category of high-cost universal service support provided pursuant to §§54.301, 54.303, and/or 54.305 and/or part 36, subpart F of this chapter in each disaggregation zone.

(iv) If the plan uses a benchmark, the carrier must provide detailed information explaining what the benchmark is and how it was determined. The benchmark must be generally consistent with how the total study area level of support for each category of costs is derived to enable a competitive eligible telecommunications carrier to compare the disaggregated costs used to determine support for each cost zone.

(3) A carrier’s election of this path becomes effective upon certification by the carrier to the state commission.

(4) A carrier shall disaggregate and target support under this path for at least four years from the date of certification to the state commission except as provided in paragraph (d)(5) of this section.

(5) A state commission may require, on its own motion, upon petition by an interested party, or upon petition by the rural incumbent local exchange carrier, modification to the disaggregation and targeting of support selected under this path.

(6) A carrier not subject to the jurisdiction of a state, e.g., certain tribally owned carriers, may select Path 3, but
must certify to the Federal Communications Commission as described in paragraphs (d)(1) through (5) of this section.

(e) Additional Procedures Governing the Operation of Path 2 and Path 3: Disaggregation and targeting plan adopted under paragraphs (c) or (d) of this section shall be subject to the following general requirements:

(1) Support available to the carrier’s study area under its disaggregation plan shall equal the total support available to the study area without disaggregation.

(2) The ratio of per-line support between disaggregation zones for each disaggregated category of support shall remain fixed over time, except as changes are allowed pursuant to paragraph (c) and (d) of this section.

(3) The ratio of per-line support shall be publicly available.

(4) Per-line support amounts for each disaggregation zone shall be recalculated whenever the carrier’s total annual support amount changes using the changed support amount and lines at that point in time.

(5) Per-line support for each category of support in each disaggregation zone shall be determined such that the ratio of support between disaggregation zones is maintained and that the product of all of the carrier’s lines for each disaggregation zone multiplied by the per-line support for those zones when added together equals the sum of the carrier’s total support.

(6) Until a competitive eligible telecommunications carrier is certified in a study area, monthly payments to the incumbent carrier will be made based on total annual amounts for its study area divided by 12.

(7) When a competitive eligible telecommunications carrier is certified in a study area, per-line amounts used to determine the competitive eligible telecommunications carrier’s disaggregated support shall be based on the incumbent carrier’s then-current total support levels, lines, disaggregated support relationships, and, in the case of support calculated under subpart K of this part, customer classes.

(f) Submission of Information to the Administrator:

(1) A carrier certifying under paragraph (b) of this section that it will not disaggregate and target high-cost universal service support shall submit to the Administrator a copy of the certification submitted to the state commission, or the Federal Communications Commission, when not subject to state jurisdiction.

(2) A carrier electing to disaggregate and target support under paragraph (c) of this section shall submit to the Administrator a copy of the order approving the disaggregation and targeting plan submitted by the carrier to the state commission, or the Federal Communications Commission, when not subject to state jurisdiction, and a copy of the disaggregation and targeting plan approved by the state commission or the Federal Communications Commission.

(3) A carrier electing to disaggregate and target support under paragraph (d) of this section shall submit to the Administrator a copy of the self-certification plan including the information submitted to the state commission pursuant to paragraphs (d)(2)(i) and (d)(2)(iv) of this section or the Federal Communications Commission.

(4) A carrier electing to disaggregate and target support under paragraph (c) or (d) of this section must submit to the Administrator maps which precisely identify the boundaries of the designated disaggregation zones of support within the carrier’s study area.


Subpart E—Universal Service Support for Low-Income Consumers

§ 54.400 Terms and definitions.

As used in this subpart, the following terms shall be defined as follows:

(a) Qualifying low-income consumer. A “qualifying low-income consumer” is a consumer who meets the qualifications for Lifeline, as specified in §54.409.

(b) Toll blocking. “Toll blocking” is a service provided by carriers that lets consumers elect not to allow the completion of outgoing toll calls from their telecommunications channel.
§ 54.403 \textbf{Lifeline support amount.}

(a) The Federal Lifeline support amount for all eligible telecommunications carriers shall equal:

(1) \textit{Tier One.} The tariffed rate in effect for the primary residential End User Common Line charge of the incumbent local exchange carrier serving the area in which the qualifying low-income consumer receives service, as determined in accordance with §69.104 or §§69.152(d)(1) and 69.152(q) of this chapter, whichever is applicable;

(2) \textit{Tier Two.} Additional federal Lifeline support in the amount of $1.75 per month will be made available to the eligible telecommunications carrier providing Lifeline service to the qualifying low-income consumer, if that carrier certifies to the Administrator that it will pass through the full amount of Tier-Two support to its qualifying, low-income consumers and that it has received any non-federal regulatory approvals necessary to implement the required rate reduction.

(3) \textit{Tier Three.} Additional federal Lifeline support in an amount equal to one-half the amount of any state-mandated Lifeline support or Lifeline support otherwise provided by the carrier, up to a maximum of $1.75 per month in federal support, will be made available to the carrier providing Lifeline service to a qualifying low-income consumer if the carrier certifies to the Administrator that it will pass through...
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Carrier obligation to offer Lifeline.

All eligible telecommunications carriers shall:

(a) Make available Lifeline service, as defined in §54.401, to qualifying low-income consumers, and

(b) Publicize the availability of Lifeline service in a manner reasonably designed to reach those likely to qualify for the service.

[65 FR 47905, Aug. 4, 2000]

§ 54.407 Reimbursement for offering Lifeline.

(a) Universal service support for providing Lifeline shall be provided directly to the eligible telecommunications carrier, based on the number of qualifying low-income consumers it serves, under administrative procedures determined by the Administrator.

(b) The eligible telecommunications carrier may receive universal service support reimbursement for each qualifying low-income consumer served. For each consumer receiving Lifeline service, the reimbursement amount shall equal the federal support amount, including the support amount described in §54.403(c). The eligible telecommunications carrier’s universal service support reimbursement shall not exceed the carrier’s standard, non-Lifeline rate.

(c) In order to receive universal service support reimbursement, the eligible telecommunications carrier must keep accurate records of the revenues it forgoes in providing Lifeline in conformity with §54.401. Such records shall

§ 54.405

Carrier obligation to offer Lifeline.

All eligible telecommunications carriers shall:

(a) Make available Lifeline service, as defined in §54.401, to qualifying low-income consumers, and

(b) Publicize the availability of Lifeline service in a manner reasonably designed to reach those likely to qualify for the service.

[65 FR 47905, Aug. 4, 2000]
§ 54.409 Consumer qualification for Lifeline.

(a) To qualify to receive Lifeline service in a state that mandates state Lifeline support, a consumer must meet the eligibility criteria established by the state commission for such support. The state commission shall establish narrowly targeted qualification criteria that are based solely on income or factors directly related to income. A state containing geographic areas included in the definition of “reservation” and “near reservation,” as defined in 25 CFR 20.1(r) and 20.1(v), must ensure that its qualification criteria are reasonably designed to apply to low-income individuals living in such areas.

(b) To qualify to receive Lifeline service in a state that does not mandate state Lifeline support, a consumer must participate in one of the following federal assistance programs: Medicaid; food stamps; Supplemental Security Income; federal public housing assistance; and Low-Income Home Energy Assistance Program. In a state that does not mandate state Lifeline support, each eligible telecommunications carrier providing Lifeline service to a qualifying, low-income consumer must obtain that consumer’s signature on a document certifying under penalty of perjury that the consumer receives benefits from one of the programs listed in this paragraph and identifying the program or programs from which that consumer receives benefits. On the same document, a qualifying low-income consumer also must agree to notify the carrier if that consumer ceases to participate in the program or programs.

[65 FR 47905, Aug. 4, 2000]

§ 54.411 Link Up program defined.

(a) For purposes of this subpart, the term “Link Up” shall describe the following assistance program for qualifying low-income consumers, which an eligible telecommunications carrier shall offer as part of its obligation set forth in §§54.101(a)(9) and 54.101(b):

(1) A reduction in the carrier’s customary charge for commencing telecommunications service for a single telecommunications connection at a consumer’s principal place of residence. The reduction shall be half of the customary charge or $30.00, whichever is less; and

(2) A deferred schedule for payment of the charges assessed for commencing service, for which the consumer does not pay interest. The interest charges not assessed to the consumer shall be for connection charges of up to $200.00 that are deferred for a period not to exceed one year. Charges assessed for commencing service include any assistance; Tribally administered Temporary Assistance for Needy Families; Head Start (only those meeting its income qualifying standard); or National School Lunch Program’s free lunch program. Such qualifying low-income consumer shall also qualify for Tier Three Lifeline support, if the carrier offering the Lifeline service is not subject to the regulation of the state and provides carrier-matching funds, as described in §54.403(a)(3). To receive Lifeline support under this paragraph for the eligible resident of Tribal lands, the eligible telecommunications carrier offering the Lifeline service to such consumer must obtain the consumer’s signature on a document certifying under penalty of perjury that the consumer receives benefits from at least one of the programs mentioned in this paragraph or paragraph (b) of this section, and lives on or near a reservation, as defined in 25 CFR 20.1(r) and 20.1(v). In addition to identifying in that document the program or programs from which that consumer receives benefits, an eligible resident of Tribal lands also must agree to notify the carrier if that consumer ceases to participate in the program or programs.
§ 54.413 Reimbursement for revenue forgone in offering a Link Up program.

(a) Eligible telecommunications carriers may receive universal service support reimbursement for the revenue they forgo in reducing their customary charge for commencing telecommunications service and for providing a deferred schedule for payment of the charges assessed for commencing service for which the consumer does not pay interest, in conformity with §54.411.

(b) In order to receive universal service support reimbursement for providing Link Up, eligible telecommunications carriers must keep accurate records of the revenues they forgo in reducing their customary charge for commencing telecommunications service and for providing a deferred schedule for payment of the charges assessed for commencing service for which the consumer does not pay interest, in conformity with §54.411. Such records shall be kept in the form directed by the Administrator and provided to the Administrator at intervals as directed by the Administrator or as provided in this subpart. The forgone revenues for which the eligible telecommunications carrier may receive reimbursement shall include only the difference between the carrier’s customary connection or interest charges and the charges actually assessed to the participating low-income consumer.

§ 54.415 Consumer qualification for Link Up.

(a) In a state that mandates state Lifeline support, the consumer qualification criteria for Link Up shall be the same as the criteria that the state established for Lifeline qualification in accord with §54.409(a).

(b) In a state that does not mandate state Lifeline support, the consumer qualification criteria for Link Up shall be the criteria set forth in §54.409(b).

(c) Notwithstanding paragraphs (a) and (b) of this section, an eligible resident of Tribal lands, as defined in §54.400(e), shall qualify to receive Link Up support.

§ 54.500 Terms and definitions.

(a) Billed entity. A “billed entity” is the entity that remits payment to service providers for services rendered to eligible schools and libraries.

(b) Elementary school. An “elementary school” is a non-profit institutional day or residential school that provides elementary education, as determined under state law.
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(c) Library. A “library” includes:
(1) A public library;
(2) A public elementary school or secondary school library;
(3) An academic library;
(4) A research library, which for the purpose of this section means a library that:
   (i) Makes publicly available library services and materials suitable for scholarly research and not otherwise available to the public; and
   (ii) Is not an integral part of an institution of higher education; and
(5) A private library, but only if the state in which such private library is located determines that the library should be considered a library for the purposes of this definition.

(d) Library consortium. A “library consortium” is any local, statewide, regional, or interstate cooperative association of libraries that provides for the systematic and effective coordination of the resources of schools, public, academic, and special libraries and information centers, for improving services to the clientele of such libraries. For the purposes of these rules, references to library will also refer to library consortium.

(e) Lowest corresponding price. “Lowest corresponding price” is the lowest price that a service provider charges to non-residential customers who are similarly situated to a particular school, library, or library consortium for similar services.

(f) Master contract. A “master contract” is a contract negotiated with a service provider by a third party, the terms and conditions of which are then made available to an eligible school, library, rural health care provider, or consortium that purchases directly from the service provider.

(g) Minor contract modification. A “minor contract modification” is a change to a universal service contract that is within the scope of the original contract and has no effect or merely a negligible effect on price, quantity, quality, or delivery under the original contract.

(h) National school lunch program. The “national school lunch program” is a program administered by the U.S. Department of Agriculture and state agencies that provides free or reduced price lunches to economically disadvantaged children. A child whose family income is between 130 percent and 185 percent of applicable family size income levels contained in the nonfarm poverty guidelines prescribed by the Office of Management and Budget is eligible for a reduced price lunch. A child whose family income is 130 percent or less of applicable family size income levels contained in the nonfarm income poverty guidelines prescribed by the Office of Management and Budget is eligible for a free lunch.

(i) Pre-discount price. The “pre-discount price” means, in this subpart, the price the service provider agrees to accept as total payment for its telecommunications or information services. This amount is the sum of the amount the service provider expects to receive from the eligible school or library and the amount it expects to receive as reimbursement from the universal service support mechanisms for the discounts provided under this subpart.

(j) Secondary school. A “secondary school” is a non-profit institutional day or residential school that provides secondary education, as determined under state law. A secondary school does not offer education beyond grade 12.

(k) State telecommunications network. A “state telecommunications network” is a state government entity that procures, among other things, telecommunications offerings from multiple service providers and bundles such offerings into packages available to schools, libraries, or rural health care providers that are eligible for universal service support, or a state government entity that provides, using its own facilities, such telecommunications offerings to such schools, libraries, and rural health care providers.

(l) Wide area network. For purposes of this subpart, a “wide area network” is a voice or data network that provides connections from one or more computers within an eligible school or library to one or more computers or networks that are external to such eligible school or library. Excluded from this definition is a voice or data network that provides connections between or
§ 54.501 Eligibility for services provided by telecommunications carriers.

(a) Telecommunications carriers shall be eligible for universal service support under this subpart for providing supported services to eligible schools, libraries, and consortia including those entities.

(b) Schools. (1) Only schools meeting the statutory definitions of “elementary school,” as defined in 20 U.S.C. 8801(14), or “secondary school,” as defined in 20 U.S.C. 8801(25), and not excluded under paragraphs (b)(2) or (b)(3) of this section shall be eligible for discounts on telecommunications and other supported services under this subpart.

(2) Schools operating as for-profit businesses shall not be eligible for discounts under this subpart.

(3) Schools with endowments exceeding $50,000,000 shall not be eligible for discounts under this subpart.

(c) Libraries. (1) Only libraries eligible for assistance from a State library administrative agency under the Library Services and Technology Act (Public Law 104–208) and not excluded under paragraphs (c)(2) or (c)(3) of this section shall be eligible for discounts on telecommunications and other supported services under this subpart.

(2) A library’s eligibility for universal service funding shall depend on its funding as an independent entity. Only libraries whose budgets are completely separate from any schools (including, but not limited to, elementary and secondary schools, colleges, and universities) shall be eligible for discounts as libraries under this subpart.

(3) Libraries operating as for-profit businesses shall not be eligible for discounts under this subpart.

(d) Consortia. (1) For purposes of seeking competitive bids for telecommunications services, schools and libraries eligible for support under this subpart may form consortia with other eligible schools and libraries, with health care providers eligible under subpart G, and with public sector (governmental) entities, including, but not limited to, state colleges and state universities, state educational broadcasters, counties, and municipalities, when ordering telecommunications and other supported services under this subpart. With one exception, eligible schools and libraries participating in consortia with ineligible private sector members shall not be eligible for discounts for interstate services under this subpart. A consortium may include ineligible private sector entities if the pre-discount prices of any services that such consortium receives from ILECs are generally tariffed rates.

(2) For consortia, discounts under this subpart shall apply only to the portion of eligible telecommunications and other supported services used by eligible schools and libraries—on their own or as part of a consortium. Such records shall be available for public inspection.


§ 54.502 Supported telecommunications services.

For purposes of this subpart, supported telecommunications services provided by telecommunications carriers include all commercially available telecommunications services in addition to all reasonable charges that are incurred by taking such services, such as state and federal taxes. Charges for termination liability, penalty surcharges, and other charges not included in the cost of taking such service shall not be covered by the universal service support mechanisms.

[63 FR 2129, Jan. 13, 1998]

§ 54.503 Other supported special services.

For the purposes of this subpart, other supported special services provided by telecommunications carriers include Internet access and installation and maintenance of internal connections in addition to all reasonable charges that are incurred by taking such services, such as state and federal
taxes. Charges for termination liability, penalty surcharges, and other charges not included in the cost of taking such services shall not be covered by the universal service support mechanisms.

§ 54.504 Requests for services.

(a) Competitive bid requirements. Except as provided in §54.511(c), an eligible school, library, or consortium that includes an eligible school or library shall seek competitive bids, pursuant to the requirements established in this subpart, for all services eligible for support under §§54.502 and 54.503. These competitive bid requirements apply in addition to state and local competitive bid requirements and are not intended to preempt such state or local requirements.

(b) Posting of FCC Form 470. (1) An eligible school, library, or consortium that includes an eligible school or library seeking to receive discounts for eligible services under this subpart, shall submit a completed FCC Form 470 to the Administrator. FCC Form 470 shall include, at a minimum, the following information, to the extent applicable with respect to the services requested:

(i) The computer equipment currently available or budgeted for purchase for the current, next, or future academic years, as well as whether the computers have modems and, if so, what speed modems;

(ii) The internal connections, if any, that the school or library has in place or has budgeted to install in the current, next, or future academic years, as well as whether the computer networks have modems and, if so, what speed modems;

(iii) The computer software necessary to communicate with other computers over an internal network and over the public telecommunications network currently available or budgeted for purchase for the current, next, or future academic years;

(iv) The experience of, and training received by, the relevant staff in the use of the equipment to be connected to the telecommunications network and training programs for which funds are committed for the current, next, or future academic years;

(v) Existing or budgeted maintenance contracts to maintain computers; and

(vi) The capacity of the school’s or library’s electrical system in terms of how many computers can be operated simultaneously without creating a fire hazard.

(2) FCC Form 470 shall be signed by the person authorized to order telecommunications and other supported services for the eligible school, library, or consortium and shall include that person’s certification under oath that:

(i) The school or library is an eligible entity under §§254(h)(4) and 254(h)(5) of the Act and the rules adopted under this subpart;

(ii) The services requested will be used solely for educational purposes;

(iii) The services will not be sold, resold, or transferred in consideration for money or any other thing of value;

(iv) If the services are being purchased as part of an aggregated purchase with other entities, the request identifies all co-purchasers and the services or portion of the services being purchased by the school or library;

(v) All of the necessary funding in the current funding year has been budgeted and approved to pay for the “non-discount” portion of requested connections and services as well as any necessary hardware or software, and to undertake the necessary staff training required to use the services effectively;

(vi) The school, library, or consortium including those entities has complied with all applicable state and local procurement processes; and

(vii) The school, library, or consortium including those entities has a technology plan that has been certified by its state, the Administrator, or an independent entity approved by the Commission.

(3) The Administrator shall post each FCC Form 470 that it receives from an eligible school, library, or consortium that includes an eligible school or library on its website designated for this purpose.

(4) After posting on the Administrator’s website an eligible school’s, library’s, or consortium’s FCC Form 470,
§ 54.505 Discounts.

(a) Discount mechanism. Discounts for eligible schools and libraries shall be set as a percentage discount from the pre-discount price.

(b) Discount percentages. The discounts available to eligible schools and libraries shall range from 20 percent to 90 percent of the pre-discount price for all eligible services provided by eligible providers, as defined in this subpart. The discounts available to a particular school, library, or consortium of only such entities shall be determined by indicators of poverty and high cost.

(1) For schools and school districts, the level of poverty shall be measured by the percentage of their student enrollment that is eligible for a free or reduced price lunch under the national school lunch program or a federally-approved alternative mechanism. School districts applying for eligible services on behalf of their individual schools may calculate the district-wide percentage of eligible students using a weighted average. For example, a school district would divide the total number of students in the district eligible for the national school lunch program by the total number of students in the district to compute the district-wide percentage of eligible students. Alternatively, the district could apply on behalf of individual schools and use the respective percentage discounts for which the individual schools are eligible.

(2) For libraries and library consortia, the level of poverty shall be based on the percentage of the student enrollment that is eligible for a free or reduced price lunch under the national school lunch program or a federally-approved alternative mechanism in the public school district in which they are located. If the library is not in a school district then its level of poverty shall be based on an average of the percentage of students eligible for the national school lunch program in each of the school districts that children living in the library's location attend. Library systems applying for discounted services on behalf of their individual branches shall calculate the system-wide percentage of eligible families using an unweighted average based on the percentage of the student enrollment that is eligible for a free or reduced price lunch under the national school lunch program in each of the school districts that children living in the library’s location attend. Library systems applying for discounted services on behalf of their individual branches shall calculate the system-wide percentage of eligible families using an unweighted average based on the percentage of the student enrollment that is eligible for a free or reduced price lunch under the national school lunch program in each of the school districts that children living in the library's location attend. Library systems applying for discounted services on behalf of their individual branches shall calculate the system-wide percentage of eligible families using an unweighted average based on the percentage of the student enrollment that is eligible for a free or reduced price lunch under the national school lunch program in each of the school districts that children living in the library’s location attend. Library systems applying for discounted services on behalf of their individual branches shall calculate the system-wide percentage of eligible families using an unweighted average based on the percentage of the student enrollment that is eligible for a free or reduced price lunch under the national school lunch program in each of the school districts that children living in the library’s location attend.
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§ 54.506 Internal connections.

A service is eligible for support as a component of an institution's internal connections if such service is necessary to transport information within one or more instructional buildings of a single school campus or within one or more non-administrative buildings that comprise a single library branch. Discounts are not available for internal connections in non-instructional buildings of

d [Reserved]

e Interstate and intrastate services. Federal universal service support for schools and libraries shall be provided for both interstate and intrastate services.

(1) Federal universal service support under this subpart for eligible schools and libraries in a state is contingent upon the establishment of intrastate discounts no less than the discounts applicable for interstate services.

(2) A state may, however, secure a temporary waiver of this latter requirement based on unusually compelling conditions.

(f) State support. Federal universal service discounts shall be based on the applicable discounts of all member schools and libraries. School districts, library systems, or other billed entities shall ensure that, for each year in which an eligible school or library is included for purposes of calculating the aggregate discount rate, that eligible school or library shall receive a proportionate share of the applicable discounts for which support is sought. For schools, the average discount shall be a weighted average of the applicable discounts of all schools sharing a portion of the shared services, with the weighting based on the number of students in each school. For libraries, the average discount shall be a simple average of the applicable discounts to which the libraries sharing a portion of the shared services are entitled.

c Matrix. The Administrator shall use the following matrix to set a discount rate to be applied to eligible interstate services purchased by eligible schools, school districts, libraries, or library consortia based on the institution’s level of poverty and location in an "urban" or "rural" area.

<table>
<thead>
<tr>
<th>Schools and Libraries discount matrix</th>
<th>Discount level</th>
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<tbody>
<tr>
<td>% of students eligible for national school lunch program</td>
<td>Urban discount</td>
</tr>
<tr>
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<td>20</td>
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<tr>
<td>1–19%</td>
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<tr>
<td>75–100%</td>
<td>90</td>
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(d) [Reserved]


§ 54.506 Internal connections.

A service is eligible for support as a component of an institution’s internal connections if such service is necessary to transport information within one or more instructional buildings of a single school campus or within one or more non-administrative buildings that comprise a single library branch. Discounts are not available for internal connections in non-instructional buildings of

or rural area, according to the following designations.

(i) Schools and libraries located in metropolitan counties, as measured by the Office of Management and Budget’s Metropolitan Statistical Area method, shall be designated as urban, except for those schools and libraries located within metropolitan counties identified by census block or tract in the Goldsmith Modification.

(ii) Schools and libraries located in non-metropolitan counties, as measured by the Office of Management and Budget’s Metropolitan Statistical Area method, shall be designated as rural. Schools and libraries located in rural areas within metropolitan counties identified by census block or tract in the Goldsmith Modification shall also be designated as rural.

(4) School districts, library systems, or other billed entities shall calculate discounts on supported services described in §54.502 or other supported special services described in §54.503 that are shared by two or more of their schools, libraries, or consortia members by calculating an average based on the applicable discounts of all member schools and libraries. School districts, library systems, or other billed entities shall ensure that, for each year in which an eligible school or library is included for purposes of calculating the aggregate discount rate, that eligible school or library shall receive a proportionate share of the shared services for which support is sought. For schools, the average discount shall be a weighted average of the applicable discount of all schools sharing a portion of the shared services, with the weighting based on the number of students in each school. For libraries, the average discount shall be a simple average of the applicable discounts to which the libraries sharing a portion of the shared services are entitled.

(c) Matrix. The Administrator shall use the following matrix to set a discount rate to be applied to eligible interstate services purchased by eligible schools, school districts, libraries, or library consortia based on the institution’s level of poverty and location in an “urban” or “rural” area.

(d) [Reserved]
§ 54.507 Cap.

(a) Amount of the annual cap. The annual funding cap on federal universal service support for schools and libraries shall be $2.25 billion per funding year. All funding authority for a given funding year that is unused in that funding year shall be carried forward into subsequent funding years for use in accordance with demand. All funds collected that are unused shall be applied to stabilize universal service contributions in accordance with the public interest and consistent with §54.709(b) for no more than three quarters, beginning with third quarter 2002. Beginning no later than second quarter 2003, all funds collected that are unused shall be carried forward into subsequent funding years for use in the schools and libraries support mechanism in accordance with the public interest and notwithstanding the annual cap.

(b) A funding year for purposes of the schools and libraries cap shall be the period July 1 through June 30. For the initiation of the mechanism only, the eighteen month period from January 1, 1998 to June 30, 1999 shall be considered a funding year. For the 1998–99 funding year:

(1) Schools and libraries filing applications within the initial 75-day filing window, and receiving approval for discounts on recurring services, may receive those nonrecurring services subject to the approved discount amounts through September 30, 1999.

(c) Requests. Funds shall be available to fund discounts for eligible schools and libraries and consortia of such eligible entities on a first-come-first-served basis, with requests accepted beginning on the first of July prior to each funding year. The Administrator shall maintain on the Administrator’s website a running tally of the funds already committed for the existing funding year. The Administrator shall implement an initial filing period that treats all schools and libraries filing within that period as if their applications were simultaneously received. The initial filing period shall begin on the date that the Administrator begins to receive applications for support, and shall conclude on a date to be determined by the Administrator. The Administrator may implement such additional filing periods as it deems necessary.

(d) Annual filing requirement. Schools and libraries, and consortia of such eligible entities shall file new funding requests for each funding year no sooner than the July 1 prior to the start of that funding year. Schools, libraries, and eligible consortia must use recurring services for which discounts have been committed by the Administrator within the funding year for which the discounts were sought. The deadline for implementation of non-recurring services will be September 30 following the close of the funding year. An applicant may request and receive from the Administrator an extension of the implementation deadline for non-recurring services if it satisfies one of the following criteria:

(1) The applicant’s funding commitment decision letter is issued by the Administrator on or after March 1 of the funding year for which discounts are authorized;

(2) The applicant receives a service provider change authorization or service substitution authorization from the Administrator on or after March 1 of the funding year for which discounts are authorized;
(3) The applicant’s service provider is unable to complete implementation for reasons beyond the service provider’s control; or

(4) The applicant’s service provider is unwilling to complete installation because funding disbursements are delayed while the Administrator investigates their application for program compliance.

(e) Long term contracts. If schools and libraries enter into long term contracts for eligible services, the Administrator shall only commit funds to cover the pro rata portion of such a long term contract scheduled to be delivered during the funding year for which universal service support is sought.

(f) Date services must be supplied. The Administrator shall not approve funding for services received by a school or library before January 1, 1998.

(g) Rules of priority. Administrator shall act in accordance with paragraph (g)(1) of this section with respect to applicants that file a Form 471, as described in §54.504(c) of this part, when a filing period described in paragraph (c) of this section is in effect. Administrator shall act in accordance with paragraph (g)(2) of this section with respect to applicants that file a Form 471, as described in §54.504(c) of this part, at all times other than within a filing period described in paragraph (c) of this section.

(i) When the filing period described in paragraph (c) of this section closes, Administrator shall calculate the total demand for support submitted by applicants during the filing period. If total demand exceeds the total support available for that funding year, Administrator shall take the following steps:

(ii) Schools and Libraries Corporation shall first calculate the demand for telecommunications services and Internet access for all discount categories, as determined by the schools and libraries discount matrix in §54.505(c) of this part. Those services shall receive first priority for the available funding.

(ii) Schools and Libraries Corporation shall then calculate the amount of available funding remaining after providing support for all telecommunications services and Internet access for all discount categories. Schools and Libraries Corporation shall allocate the remaining funds to the requests for support for internal connections, beginning with the most economically disadvantaged schools and libraries, as determined by the schools and libraries discount matrix in §54.505(c) of this part. Schools and libraries eligible for a 90 percent discount shall receive first priority for the remaining funds, and those funds will be applied to their requests for internal connections.

(iii) To the extent that funds remain after the allocation described in §54.507(g)(1) (i) and (ii), Schools and Libraries Corporation shall next allocate funds toward the requests for internal connections submitted by schools and libraries eligible for an 80 percent discount, then for a 70 percent discount, and shall continue committing funding for internal connections in the same manner to the applicants at each descending discount level until there are no funds remaining.

NOTE TO PARAGRAPH (g)(1)(iii): To the extent that there are single discount percentage levels associated with “shared services” under §54.505(b)(4), the Administrator shall allocate funds for internal connections beginning at the ninety percent discount level, then for the eighty-nine percent discount, then for the eighty-eight percent discount, and shall continue committing funds for internal connections in the same manner to the applicants at each descending discount level until there are no funds remaining.

(iv) If the remaining funds are not sufficient to support all of the funding requests within a particular discount level, Schools and Libraries Corporation shall divide the total amount of remaining support available by the amount of support requested within the particular discount level to produce a pro-rata factor. Schools and Libraries Corporation shall reduce the support level for each applicant within the particular discount level, by multiplying each applicant’s requested amount of support by the pro-rata factor.

(v) Schools and Libraries Corporation shall commit funds to all applicants consistent with the calculations described herein.

(2) Rules of priority. When expenditures in any funding year reach the level where only $250 million remains before the cap will be reached, funds
§ 54.509 Adjustments to the discount matrix.

(a) Estimating future spending requests. When submitting their requests for specific amounts of funding for a funding year, schools, libraries, library consortia, and consortia including such entities shall also estimate their funding requests for the following funding year to enable the Administrator, to estimate funding demand for the following year.

(b) Reduction in percentage discounts. If the estimates schools and libraries make of their future funding needs lead the Administrator to predict that total funding requests for a funding year will exceed the available funding, the Administrator shall calculate the percentage reduction to all schools and libraries, except those in the two most disadvantaged categories, necessary to permit all requests in the next funding year to be fully funded.

(c) Remaining funds. If funds remain under the cap at the end of the funding year in which discounts have been reduced below those set in the matrices, the Administrator shall consult with the Commission to establish the best way to distribute those funds.

§ 54.511 Ordering services.

(a) Selecting a provider of eligible services. In selecting a provider of eligible services, schools, libraries, library consortia, and consortia including any of those entities shall carefully consider all bids submitted and may consider relevant factors other than the pre-discount prices submitted by providers.

(b) Lowest corresponding price. Providers of eligible services shall not
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§ 54.515 Distributing support.

(a) A telecommunications carrier providing services eligible for support under this subpart to eligible schools and libraries may, at the election of the carrier, treat the amount eligible for support under this subpart as an offset against the carrier's universal service contribution obligation for the year in which the costs for providing eligible services were incurred or receive a direct reimbursement from the Administrator for that amount. Carriers shall elect in January of each year the method by which they will be reimbursed and shall remain subject to that method for the duration of the calendar year. Any support amount that is owed a carrier that fails to

§ 54.513 Resale.

(a) Prohibition on resale. Eligible services purchased at a discount under this subpart shall not be sold, resold, or transferred in consideration of money or any other thing of value.

(b) Permissible fees. This prohibition on resale shall not bar schools, school districts, libraries, and library consortia from charging either computer lab fees or fees for classes in how to navigate over the Internet. There is no prohibition on the resale of services that are not purchased pursuant to the discounts provided in this subpart.
§ 54.516 Auditing.

(a) Recordkeeping requirements. Schools and libraries shall be required to maintain for their purchases of telecommunications and other supported services at discounted rates the kind of procurement records that they maintain for other purchases.

(b) Production of records. Schools and libraries shall produce such records at the request of any auditor appointed by a state education department, the Administrator, or any state or federal agency with jurisdiction.

(c) Random audits. Schools and libraries shall be subject to random compliance audits to evaluate what services they are purchasing and how such services are being used.


§ 54.517 Services provided by non-telecommunications carriers.

(a) Non-telecommunications carriers shall be eligible for universal service support under this subpart for providing the supported services described in paragraph (b) of this section for eligible schools, libraries, and consortia including those entities.

(b) Supported services. Non-telecommunications carriers shall be eligible for universal service support under this subpart for providing Internet access and installation and maintenance of internal connections.

(c) Requirements. Such services provided by non-telecommunications carriers shall be subject to all the provisions of this subpart, except §§ 54.501(a), 54.502, 54.503, 54.515.


§ 54.518 Support for wide area networks.

To the extent that states, schools, or libraries build or purchase a wide area network to provide telecommunications services, the cost of such wide area networks shall not be eligible for universal service discounts provided under this subpart.

[63 FR 2131, Jan. 13, 1998]

§ 54.519 State telecommunications networks.

(a) Telecommunications services. State telecommunications networks may secure discounts under the universal service support mechanisms on supported telecommunications services (as described in § 54.502) on behalf of eligible schools and libraries (as described in § 54.501) or consortia that include an eligible school or library. Such state telecommunications networks shall pass on such discounts to eligible schools and libraries and shall:

(1) Maintain records listing each eligible school and library and showing the basis for each eligibility determination;

(2) Maintain records demonstrating the discount amount to which each eligible school and library is entitled and the basis for such determination;
§ 54.520 Children’s Internet Protection Act certifications required from recipients of discounts under the federal universal service support mechanism for schools and libraries.

(a) Definitions.

(1) School. For the purposes of the certification requirements of this rule, school means school, school district, local education agency or other authority responsible for administration of a school.

(2) Library. For the purposes of the certification requirements of this rule, library means library, library board or authority responsible for administration of a library.

(3) Billed entity. Billed entity is defined in §54.500. In the case of a consortium, the billed entity is the lead member of the consortium.

(4) Statutory definitions. The terms “minor,” “obscene,” “child pornography,” “harmful to minors” and “technology protection measure” as used in this section, are defined in the Children’s Internet Protection Act section 1721(c).

(b) Who is required to make certifications? (1) A school or library that receives discounts for Internet access and internal connections services under the federal universal service support mechanism for schools and libraries, must make such certifications as described in paragraph (c) of this section. The certifications required and described in paragraph (c) of this section must be made in each funding year.

(2) Schools and libraries that only receive discounts for telecommunications services under the federal universal service support mechanism for schools and libraries are not subject to the requirements 47 U.S.C. 254(h) and (l), but must indicate, pursuant to the certification requirements in paragraph (c) of this section, that they only receive discounts for telecommunications services.

(c) Certifications required under 47 U.S.C. 254(h) and (l)—(1) Schools. The billed entity for a school that receives discounts for Internet access or internal connections must certify on FCC Form 486 that an Internet safety policy is being enforced. If the school is an eligible member of a consortium but is not the billed entity for the consortium, the school must certify instead on FCC Form 479 (“Certification to Consortium Leader of Compliance with the Children’s Internet Protection Act”) that an Internet safety policy is being enforced.

(i) The Internet safety policy adopted and enforced pursuant to 47 U.S.C. 254(h) must include a technology protection measure that protects against Internet access by both adults and minors to visual depictions that are obscene, child pornography, or, with respect to use of the computers by minors, harmful to minors. This Internet safety policy must also include monitoring the online activities of minors.

(ii) The Internet safety policy adopted and enforced pursuant to 47 U.S.C. 254(l) must address all of the following issues:

(A) Access by minors to inappropriate matter on the Internet and World Wide Web.

(B) The safety and security of minors when using electronic mail, chat rooms, and other forms of direct electronic communications,
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(C) Unauthorized access, including so-called “hacking,” and other unlawful activities by minors online;

(D) Unauthorized disclosure, use, and dissemination of personal information regarding minors; and

(E) Measures designed to restrict minors’ access to materials harmful to minors.

(iii) A school must satisfy its obligations to make certifications by making one of the following certifications required by paragraph (c)(1) of this section on FCC Form 486:

(A) The recipient(s) of service represented in the Funding Request Number(s) on this Form 486 has (have) complied with the requirements of the Children’s Internet Protection Act, as codified at 47 U.S.C. 254(h) and (l).

(B) Pursuant to the Children’s Internet Protection Act, as codified at 47 U.S.C. 254(h) and (l), the recipient(s) of service represented in the Funding Request Number(s) on this Form 486 is (are) undertaking such actions, including any necessary procurement procedures, to comply with the requirements of CIPA for the next funding year, but has (have) not completed all requirements of CIPA for this funding year.

(C) The Children’s Internet Protection Act, as codified at 47 U.S.C. 254(h) and (l), does not apply because the recipient(s) of service represented in the Funding Request Number(s) on this Form 486 is (are) receiving discount services only for telecommunications services.

(2) Libraries. The billed entity for a library that receives discounts for Internet access and internal connections must certify, on FCC Form 486, that an Internet safety policy is being enforced. If the library is an eligible member of a consortium but is not the billed entity for the consortium, the library must instead certify on FCC Form 479 (“Certification to Consortium Leader of Compliance with the Children’s Internet Protection Act”) that an Internet safety policy is being enforced.

(i) The Internet safety policy adopted and enforced pursuant to 47 U.S.C. 254 (h) must include a technology protection measure that protects against Internet access by both adults and minors to visual depictions that are obscene, child pornography, or, with respect to use of the computers by minors, harmful to minors.

(ii) The Internet safety policy adopted and enforced pursuant to 47 U.S.C. 254(l) must address all of the following issues:

(A) Access by minors to inappropriate matter on the Internet and World Wide Web;

(B) The safety and security of minors when using electronic mail, chat rooms, and other forms of direct electronic communications;

(C) Unauthorized access, including so-called “hacking,” and other unlawful activities by minors online;

(D) Unauthorized disclosure, use, and dissemination of personal information regarding minors; and

(E) Measures designed to restrict minors’ access to materials harmful to minors.

(iii) A library must satisfy its obligations to make certifications by making one of the following certifications required by paragraph (c)(2) of this section on FCC Form 486:

(A) The recipient(s) of service represented in the Funding Request Number(s) on this Form 486 has (have) complied with the requirements of the Children’s Internet Protection Act, as codified at 47 U.S.C. 254(h) and (l).

(B) Pursuant to the Children’s Internet Protection Act (CIPA), as codified at 47 U.S.C. 254(h) and (l), the recipient(s) of service represented in the Funding Request Number(s) on this Form 486 is (are) undertaking such actions, including any necessary procurement procedures, to comply with the requirements of CIPA for the next funding year, but has (have) not completed all requirements of CIPA for this funding year.

(C) The Children’s Internet Protection Act, as codified at 47 U.S.C. 254(h) and (l), does not apply because the recipient(s) of service represented in the Funding Request Number(s) on this Form 486 is (are) receiving discount services only for telecommunications services.

(3) Certifications required from consortia members and billed entities for consortia. (i) The billed entity of a consortium, as defined in paragraph (a)(3) of this section, other than one requesting
only discounts on telecommunications services for consortium members, must collect from the authority for each of its school and library members, one of the following signed certifications on FCC Form 479 ("Certification to Consortium Leader of Compliance with the Children’s Internet Protection Act"), which must be submitted to the billed entity consistent with paragraph (c)(1) or paragraph (c)(2) of this section:

(A) The recipient(s) of service under my administrative authority and represented in the Funding Request Number(s) for which you have requested or received Funding Commitments has (have) complied with the requirements of the Children’s Internet Protection Act, as codified at 47 U.S.C. 254(h) and (l).

(B) Pursuant to the Children’s Internet Protection Act, as codified at 47 U.S.C. 254(h) and (l), the recipient(s) of service under my administrative authority and represented in the Funding Request Number(s) for which you have requested or received Funding Commitments is (are) undertaking such actions, including any necessary procurement procedures, to comply with the requirements of CIPA for the next funding year, but has (have) not completed all requirements of CIPA for this funding year.

(C) The Children’s Internet Protection Act, as codified at 47 U.S.C. 254(h) and (l), does not apply because the recipient(s) of service under my administrative authority and represented in the Funding Request Number(s) for which you have requested or received Funding Commitments is (are) receiving discount services only for telecommunications services; and

(iii) The billed entity for a consortium, as defined in paragraph (a)(3) of this section, who filed an FCC Form 471 as a “consortium application” and who is also a recipient of services as a member of that consortium must select one of the certifications under paragraph (c)(3)(i) of this section on FCC Form 486.

(d) Failure to provide certifications—(1) Schools and libraries. A school or library that knowingly fails to submit certifications as required by this section, shall not be eligible for discount services under the federal universal service support mechanism for schools and libraries until such certifications are submitted.

(2) Consortia. A billed entity’s knowing failure to collect the required certifications from its eligible school and library members or knowing failure to certify that it collected the required certifications shall render the entire consortium ineligible for discounts under the federal universal service support mechanism for school and libraries.

(3) Reestablishing eligibility. At any time, a school or library deemed ineligible for discount services under the federal universal service support mechanism for schools and libraries because of failure to submit certifications required by this section, may reestablish eligibility for discounts by providing the required certifications to the Administrator and the Commission.

(e) Failure to comply with the certifications—(1) Schools and libraries. A school or library that knowingly fails to ensure the use of computers in accordance with the certifications required by this section, must reimburse any funds and discounts received under the federal universal service support mechanism for schools and libraries for the period in which there was non-compliance.

(2) Consortia. In the case of consortium applications, the eligibility for discounts of consortium members who
ensure the use of computers in accordance with the certification requirements of this section shall not be affected by the failure of other school or library consortium members to ensure the use of computers in accordance with such requirements.

(3) Reestablishing compliance. At any time, a school or library deemed ineligible for discounts under the federal universal service support mechanism for schools and libraries for failure to ensure the use of computers in accordance with the certification requirements of this section and that has been directed to reimburse the program for discounts received during the period of noncompliance, may reestablish compliance by ensuring the use of its computers in accordance with the certification requirements under this section. Upon submittal to the Commission of a certification or other appropriate evidence of such remedy, the school or library shall be eligible for discounts under the universal service mechanism.

(f) Waivers based on state or local procurement rules and regulations and competitive bidding requirements. Waivers shall be granted to schools and libraries when the authority responsible for making the certifications required by this section, cannot make the required certifications because its state or local procurement rules or regulations or competitive bidding requirements, prevent the making of the certification otherwise required. The waiver shall be granted upon the provision, by the authority responsible for making the certifications on behalf of schools or libraries, that the schools or libraries will be brought into compliance with the requirements of this section, before the start of the third program year after April 20, 2001 in which the school or library is applying for funds under this title.

(g) Funding year certification deadlines—(1) Funding Year 4. For Funding Year 4, billed entities shall provide one of the certifications required under paragraph (c)(1), (c)(2) or (c)(3) of this section to the Administrator on an FCC Form 486 postmarked no later than October 28, 2001.

(2) Funding Year 5 and subsequent funding years. For Funding Year 5 and for subsequent funding years, billed entities shall provide one of the certifications required under paragraph (c)(1), (c)(2) or (c)(3) of this section in accordance with the existing program guidelines established by the Administrator.

NOTE TO §54.520: Enforcement of paragraphs (c)(2)(i) and (iii), (c)(3), (d), and (g)(1), as they apply to all libraries and to the extent that they require any library to filter or to certify to such filtering under 47 U.S.C. 204(b)(6), is suspended as of August 5, 2002.

(b) Consortia. (1) An eligible health care provider may join a consortium with other eligible health care providers; with schools, libraries, and library consortia eligible under Subpart F; and with public sector (governmental) entities to order telecommunications services. With one exception, eligible health care providers participating in consortia with ineligible private sector members shall not be eligible for supported services under this subpart. A consortium may include ineligible private sector entities if such consortium is only receiving services at tariffed rates or at market rates from those providers who do not file tariffs.

(2) For consortia, universal service support under this subpart shall apply only to the portion of eligible services used by an eligible health care provider.

(3) Telecommunications carriers, health care providers, and consortia of health care providers shall carefully maintain complete records of how they allocate the costs of shared facilities among consortium participants in order to charge eligible health care providers the correct amounts. Such records shall be available for public inspection.

(4) Telecommunications carriers, health care providers, and consortia of health care providers shall calculate and justify with supporting documentation the amount of support for which each member of a consortium is eligible.

(c) Services.

(1) Any telecommunications service that is the subject of a properly completed bona fide request by a rural health care provider shall be eligible for universal service support, subject to the limitations described in this paragraph. The length of a supported telecommunications service may not exceed the distance between the health care provider and the point farthest from that provider on the jurisdictional boundary of the nearest large city as defined in §54.605(c).

(2) Limited toll-free access to an Internet service provider shall be eligible for universal service support under §54.621.

§ 54.603 Competitive bid requirements.

(a) Competitive bidding requirement. To select the telecommunications carriers that will provide services eligible for universal service support to it under this subpart, each eligible health care provider shall participate in a competitive bidding process pursuant to the requirements established in this subpart and any additional and applicable state, local, or other procurement requirements.

(b) Posting of FCC Form 465. (1) An eligible health care provider seeking to receive telecommunications services eligible for universal service support under this subpart shall submit a completed FCC Form 465 to the Rural Health Care Corporation. FCC Form 465 shall be signed by the person authorized to order telecommunications services for the health care provider and shall include, at a minimum, that person’s certification under oath that:

(i) The requester is a public or nonprofit entity that falls within one of the seven categories set forth in the definition of health care provider, listed in §54.601(a);

(ii) The requester is physically located in a rural area, unless the health care provider is requesting services provided under §54.621;

(iii) If the health care provider is requesting services provided under §54.621, that the requester cannot obtain toll-free access to an Internet service provider;

(iv) The requested service or services will be used solely for purposes reasonably related to the provision of health care services or instruction that the health care provider is legally authorized to provide under the law in the state in which such health care services or instruction are provided;

(v) The requested service or services will not be sold, resold or transferred in consideration of money or any other thing of value; and

(vi) If the service or services are being purchased as part of an aggregated purchase with other entities or individuals, the full details of any such
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arrangement, including the identities of all co-purchasers and the portion of the service or services being purchased by the health care provider.

(2) The Rural Health Care Corporation shall post each FCC Form 465 that it receives from an eligible health care provider on its website designated for this purpose.

(3) After posting an eligible health care providers FCC Form 465 on the Rural Health Care Corporation website, the Rural Health Care Corporation shall send confirmation of the posting to the entity requesting services. The health care provider shall wait at least 28 days from the date on which its FCC Form 465 is posted on the website before making commitments with the selected telecommunications carrier(s).

(4) After selecting a telecommunications carrier, the health care provider shall certify to the Rural Health Care Corporation that the provider is selecting the most cost-effective method of providing the requested service or services, where the most cost-effective method of providing a service is defined as the method that costs the least after consideration of the features, quality of transmission, reliability, and other factors that the health care provider deems relevant to choosing a method of providing the required health care services. The health care provider shall submit to the Administrator paper copies of the responses or bids received in response to the requested services.

(5) The confirmation from the Rural Health Care Corporation shall include the date after which the requester may sign a contract with its chosen telecommunications carrier(s).

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Determining the urban rate.

(a) If a rural health care provider requests an eligible service to be provided over a distance that is less than or equal to the “standard urban distance,” as defined in paragraph (d) of


EDITORIAL NOTE: At 63 FR 70572, Dec. 21, 1998, §54.603(a)(1) through (5) was amended by changing the words “Rural Health Care Corporation” to “Administrator”, however, (a)(1) through (5) did not exist in the 1998 edition of this volume.

§ 54.604 Existing contracts.

(a) Existing contracts. A signed contract for services eligible for support pursuant to this subpart between an eligible health care provider as defined under §54.601 and a telecommunications carrier shall be exempt from the competitive bid requirements set forth in §54.603(a) as follows:

(1) A contract signed on or before July 10, 1997 is exempt from the competitive bid requirement for the life of the contract; or

(2) A contract signed after July 10, 1997 but before the date on which the universal service competitive bid system described in §54.603 is operational is exempt from the competitive bid requirements only with respect to services that will be provided under such contract between January 1, 1998 and December 31, 1998.

(b) For rural health care providers that take service under or pursuant to a master contract, as defined in §54.500(f), the date of execution of that master contract represents the applicable date for purposes of determining whether and to what extent the rural health care provider is exempt from the competitive bid requirements.

(c) The competitive bid system will be deemed to be operational when the Administrator is ready to accept and post FCC Form 465 from rural health care providers on a website and that website is available for use by telecommunications carriers.

(d) The exemption from competitive bid requirements set forth in paragraph (a) of this section shall not apply to voluntary extensions or renewals of existing contracts, except to the extent that an eligible rural health care provider as defined in §54.601 or consortium that includes an eligible health care provider, and that filed an application within the 75-day initial filing window for 1998 (May 1, 1998—July 14, 1998), may voluntarily extend or renew, to a date no later than June 30, 1999, an existing contract that otherwise would terminate between July 14, 1998 and June 30, 1999.

§ 54.609 Calculating support.

(a) Except with regard to services provided under §54.621 and subject to the limitations set forth in this subpart, the amount of universal service support for an eligible service provided to a rural health care provider shall be the difference, if any, between the

§ 54.607 Determining the rural rate.

(a) The rural rate shall be the average of the rates actually being charged to commercial customers, other than health care providers, for identical or similar services provided by the telecommunications carrier providing the service in the rural area in which the health care provider is located. The rates included in this average shall be for services provided over the same distance as the eligible service. The rates averaged to calculate the rural rate must not include any rates reduced by universal service support mechanisms. The “rural rate” shall be used as described in this subpart to determine the credit or reimbursement due to a telecommunications carrier that provides eligible telecommunications services to eligible health care providers.

(b) If the telecommunications carrier serving the health care provider is not providing any identical or similar services in the rural area, then the rural rate shall be the average of the rates charged to a commercial customer for a similar service provided over the standard urban distance in the nearest large city in the state, calculated as if the service were provided between two points within the city.

(c) The “nearest large city” is the city located in the eligible health care provider’s state, with a population of at least 50,000, that is nearest to the health care provider’s location, measured point to point, from the health care provider’s location to the point on that city’s jurisdictional boundary closest to the health care provider’s location.

(d) The “standard urban distance” for a state is the average of the longest diameters of all cities with a population of 50,000 or more within the state.

(e) The Administrator shall calculate the “standard urban distance” and shall post the “standard urban distance” and the maximum supported distance for each state on its website.

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§ 54.611 Distributing support.

(a) A telecommunications carrier providing services eligible for support under this subpart to eligible health care providers shall treat the amount eligible for support under this subpart as an offset against the carrier’s universal service support obligation for

(b) Absent documentation justifying the amount of universal service support requested for health care providers participating in a consortium, the Administrator shall not allow telecommunications carriers to offset, or receive reimbursement for, the amount eligible for universal service support.

(c) The universal service support mechanisms shall provide support for intrastate telecommunications services, as set forth in § 54.101 paragraph (a), provided to rural health care providers as well as interstate telecommunications services.
the year in which the costs for providing eligible services were incurred.

(b) If the total amount of support owed to a carrier, as set forth in paragraph (a) of this section, exceeds its universal service obligation, calculated on an annual basis, the carrier may receive a direct reimbursement in the amount of the difference.

(c) Any reimbursement due a carrier shall be made after the offset is credited against that carrier's universal service obligation.

(d) Any reimbursement due a carrier shall be submitted to that carrier no later than the end of the first quarter of the calendar year following the year in which the costs were incurred and the offset against the carrier's universal service obligation was applied.

§54.613 Limitations on supported services for rural health care providers.

(a) Upon submitting a bona fide request to a telecommunications carrier, each eligible rural health care provider is entitled to receive the most cost-effective, commercially-available telecommunications service at a rate no higher than the highest urban rate, as defined in this paragraph, at a distance not to exceed the distance between the eligible health care provider's site and the farthest point from that site that is on the jurisdictional boundary of the nearest large city, as defined in §54.605(c).

(b) This section shall not affect a rural health care provider's ability to obtain supported services under §54.621.

[64 FR 67877, Nov. 30, 1999]

§54.615 Obtaining services.

(a) Selecting a provider. In selecting a telecommunications carrier, a health care provider shall consider all bids submitted and select the most cost-effective alternative.

(b) Receiving supported rate. Except with regard to services provided under §54.621, upon receiving a bona fide request for an eligible service from an eligible health care provider, as set forth in paragraph (c) of this section, a telecommunications carrier shall provide the service at a rate no higher than the urban rate, as defined in §54.605, subject to the limitations set forth in this Subpart.

(c) Bona fide request. In order to receive services eligible for universal service support under this subpart, an eligible health care provider must submit a request for services to the telecommunications carrier. Signed by an authorized officer of the health care provider, and shall include that person's certification under oath that:

(1) The requester is a public or non-profit entity that falls within one of the seven categories set forth in the definition of health care provider, listed in §54.601(a);

(2) The requester is physically located in a rural area, unless the health care provider is requesting services provided under §54.621;

(3) If the health care provider is requesting services provided under §54.621, that the requester cannot obtain toll-free access to an Internet service provider;

(4) The requested service or services will be used solely for purposes reasonably related to the provision of health care services or instruction that the health care provider is legally authorized to provide under the law in the state in which such health care services or instruction are provided;

(5) The requested service or services will not be sold, resold or transferred in consideration of money or any other thing of value;

(6) If the service or services are being purchased as part of an aggregated purchase with other entities or individuals, the full details of any such arrangement, including the identities of all co-purchasers and the portion of the service or services being purchased by the health care provider; and

(7) The requester is selecting the most cost-effective method of providing the requested service or services, where the most cost-effective method of providing a service is defined as the method that costs the least after consideration of the features, quality of transmission, reliability, and other factors that the health care provider deems relevant to choosing a method of providing the required health care services.
§ 54.617
(d) Annual renewal. The certification set forth in paragraph (c) of this section shall be renewed annually.

§ 54.617 Resale.
(a) Prohibition on resale. Services purchased pursuant to universal service support mechanisms under this subpart shall not be sold, resold, or transferred in consideration for money or any other thing of value.
(b) Permissible fees. The prohibition on resale set forth in paragraph (a) of this section shall not prohibit a health care provider from charging normal fees for health care services, including instruction related to such services rendered via telecommunications services purchased under this subpart.

§ 54.619 Audit program.
(a) Recordkeeping requirements. Health care providers shall maintain for their purchases of services supported under this subpart the same kind of procurement records that they maintain for other purchases.
(b) Production of records. Health care providers shall produce such records at the request of any auditor appointed by the Administrator or any other state or federal agency with jurisdiction.
(c) Random audits. Health care providers shall be subject to random compliance audits to ensure that requesters are complying with the certification requirements set forth in §54.615(c) and are otherwise eligible to receive universal service support and that rates charged comply with the statute and regulations.
(d) Annual report. The Administrator shall use the information obtained under paragraph (a) of this section to evaluate the effects of the regulations adopted in this subpart and shall report its findings to the Commission on the first business day in May of each year.

§ 54.621 Access to advanced telecommunications and information services.
Each eligible health care provider that cannot obtain toll-free access to an Internet service provider shall be entitled to receive the lesser of the toll charges incurred for 30 hours of access per month to an Internet service provider or $180 per month in toll charge credits for toll charges imposed for connecting to an Internet service provider.

§ 54.623 Cap.
(a) Amount of the annual cap. The annual cap on federal universal service support for health care providers shall be $400 million per funding year, with the following exceptions. No more than $3 million shall be collected or spent per quarter for the third and fourth quarters of 1999 and the first and second quarters of 2000 for the rural health care universal service support mechanism. No more than $12 million shall be committed or disbursed during the twelve month period from July 1, 1999 through June 30, 2000.
(b) Funding year. A funding year for purposes of the health care providers cap shall be the period July 1 through June 30. For the initiation of the mechanism only, the eighteen month period from January 1, 1998 to June 30, 1999 shall be considered a funding year. Eligible health care providers filing applications within the initial 75-day filing window shall receive funding for requested services through June 30, 1999.
(c) Requests. Funds shall be available as follows:
(1) Generally, funds shall be available to eligible health care providers on a first-come-first-served basis, with requests accepted beginning on the first of January prior to each funding year.
(2) For the initial funding year, the Administrator shall implement an initial filing period that treats all health care providers filing within that period as if they were simultaneously received. The initial filing period shall begin on the date that the Administrator begins to receive applications for support, and shall conclude on a date to be determined by the Administrator.
(3) For the second funding year, which will begin on July 1, 1999, the Administrator shall implement a filing period that treats all health care providers filing within that period as if they were simultaneously received.
The initial filing period shall begin on the date that the Administrator begins to receive applications for support, and shall conclude on a date to be determined by the Administrator.

(ii) The Administrator may implement such additional filing periods as it deems necessary.

(d) **Annual filing requirement.** Health care providers shall file new funding requests for each funding year.

(e) **Long term contracts.** If health care providers enter into long term contracts for eligible services, the Administrator shall only commit funds to cover the portion of such a long term contract scheduled to be delivered during the funding year for which universal service support is sought.

(f) **Pro-rata reductions.** Administrator shall act in accordance with this paragraph when a filing period described in paragraph (c) of this section is in effect. When a filing period described in paragraph (c) of this section closes, Administrator shall calculate the total demand for support submitted by all applicants during the filing window. If the total demand exceeds the total support available for the funding year, Administrator shall take the following steps:

1. Administrator shall divide the total funds available for the funding year by the total amount of support requested to produce a pro-rata factor.
2. Administrator shall calculate the amount of support requested by each applicant that has filed during the filing window.
3. Administrator shall multiply the pro-rata factor by the total dollar amount requested by each applicant consistent with this calculation.

§ 54.625 **Support for services beyond the maximum supported distance for rural health care providers.**

(a) The maximum support distance is the distance from the health care provider to the farthest point on the boundary of the nearest large city, as calculated by the Administrator.

(b) An eligible rural health care provider may purchase an eligible telecommunications service, as defined in §54.601(c)(1) through (c)(2), that is provided over a distance that exceeds the maximum supported distance.

(c) If an eligible rural health care provider purchases an eligible telecommunications service, as defined in §54.601(c)(1) through (c)(2), that exceeds the maximum supported distance, the health care provider must pay the applicable rural rate for the distance that such service is carried beyond the maximum supported distance.

§ 54.701 **Administrator of universal service support mechanisms.**

(a) The Universal Service Administrative Company is appointed the permanent Administrator of the federal universal service support mechanisms, subject to a review after one year by the Federal Communications Commission to determine that the Administrator is administering the universal service support mechanisms in an efficient, effective, and competitively neutral manner.

(b) The Schools and Libraries Corporation and the Rural Health Care Corporation shall merge into the Universal Service Administrative Company by January 1, 1999; provided, however, that the merger shall not take place until the Common Carrier Bureau, acting pursuant to delegated authority, has approved the merger documents, the amended by-laws, and the amended articles of incorporation, as set forth in paragraphs (c) and (d) of this section.

(c) By December 1, 1998, the Schools and Libraries Corporation, the Rural Health Care Corporation and the Universal Service Administrative Company shall file with the Federal Communications Commission draft copies of all documents necessary to effectuate the merger.
§ 54.702 Administrator’s functions and responsibilities.

(a) The Administrator, and the divisions therein, shall be responsible for administering the schools and libraries support mechanism, the rural health care support mechanism, the high cost support mechanism, the low income support mechanism, the interstate access universal service support mechanism described in subpart J of this part, and the interstate common line support mechanism described in subpart K of this part.

(b) The Administrator shall be responsible for billing contributors, collecting contributions to the universal service support mechanisms, and disbursing universal service support funds.

(c) The Administrator may not make policy, interpret unclear provisions of the statute or rules, or interpret the intent of Congress. Where the Act or the Commission’s rules are unclear, or do not address a particular situation, the Administrator shall seek guidance from the Commission.

(d) The Administrator may advocate positions before the Commission and its staff only on administrative matters relating to the universal service support mechanisms.

(e) The Administrator shall maintain books of account separate from those of the National Exchange Carrier Association, of which the Administrator is an independent subsidiary. The Administrator’s books of account shall be

(d) By December 1, 1998, the Universal Service Administrative Company shall file with the Federal Communications Commission draft copies of amended by-laws and amended articles of incorporation.

(e) Upon consummation of the merger of the Schools and Libraries Corporation and the Rural Health Care Corporation into the Universal Service Administrative Company, the Schools and Libraries Corporation and the Rural Health Care Corporation shall take all steps necessary to dissolve such corporations.

(f) The Administrator shall establish a nineteen (19) member Board of Directors, as set forth in §54.703. The Administrator’s Board of Directors shall establish three Committees of the Board of Directors, as set forth in §54.705: (1) the Schools and Libraries Committee, which shall oversee the schools and libraries support mechanism; (2) the Rural Health Care Committee, which shall oversee the rural health care support mechanism; and (3) the High Cost and Low Income Committee, which shall oversee the high cost and low income support mechanism. The Board of Directors shall not modify substantially the power or authority of the Committees of the Board without prior approval from the Federal Communications Commission.

(g) (1) The Administrator shall establish three divisions:

(i) The Schools and Libraries Division, which shall perform duties and functions in connection with the schools and libraries support mechanism under the direction of the Schools and Libraries Committee of the Board, as set forth in §54.705(a);

(ii) The Rural Health Care Division, which shall perform duties and functions in connection with the rural health care support mechanism under the direction of the Rural Health Care Committee of the Board, as set forth in §54.705(b); and

(iii) The High Cost and Low Income Division, which shall perform duties and functions in connection with the high cost and low income support mechanism, the interstate access universal service support mechanism for rate-of-return carriers described in subpart K of this part, under the direction of the High Cost and Low Income Committee of the Board, as set forth in §54.705(c).

(2) As directed by the Committees of the Board set forth in §54.705, these divisions shall perform the duties and functions unique to their respective support mechanisms.

(h) The Administrator shall be managed by a Chief Executive Officer, as set forth in §54.704. The Chief Executive Officer shall serve on the Committees of the Board established in §54.705.

maintained in accordance with generally accepted accounting principles. The Administrator may borrow start up funds from the National Exchange Carrier Association. Such funds may not be drawn from the Telecommunications Relay Services (TRS) fund or TRS administrative expense accounts.

(f) The Administrator shall create and maintain a website, as defined in §54.5, on which applications for services will be posted on behalf of schools, libraries and rural health care providers.

(g) The Administrator shall file with the Commission and Congress an annual report by March 31 of each year. The report shall detail the Administrator’s operations, activities, and accomplishments for the prior year, including information about participation in each of the universal service support mechanisms and administrative action intended to prevent waste, fraud, and abuse. The report also shall include an assessment of subcontractors’ performance, and an itemization of monthly administrative costs that shall include all expenses, receipts, and payments associated with the administration of the universal service support programs. The Administrator shall consult each year with Commission staff to determine the scope and content of the annual report.

(h) The Administrator shall report quarterly to the Commission on the disbursement of universal service support program funds. The Administrator shall keep separate accounts for the amounts of money collected and disbursed for eligible schools and libraries, rural health care providers, low-income consumers, interstate access support, interstate common line support, and high-cost and insular areas.

(i) Information based on the Administrator’s reports will be made public by the Commission at least once a year as part of a Monitoring Report.

(j) The Administrator shall provide the Commission full access to the data collected pursuant to the administration of the universal service support programs.

(k) Pursuant to §64.903 of this chapter, the Administrator shall file with the Commission a cost allocation manual (CAM) that describes the accounts and procedures the Administrator will use to allocate the shared costs of administering the universal service support mechanisms and its other operations.

(l) The Administrator shall make available to whoever the Commission directs, free of charge, any and all intellectual property, including, but not limited to, all records and information generated by or resulting from its role in administering the support mechanisms, if its participation in administering the universal service support mechanisms ends.

(m) If its participation in administering the universal service support mechanisms ends, the Administrator shall be subject to close-out audits at the end of its term.


§54.703 The Administrator’s Board of Directors.

(a) The Administrator shall have a Board of Directors separate from the Board of Directors of the National Exchange Carrier Association. The National Exchange Carrier Association’s Board of Directors shall be prohibited from participating in the functions of the Administrator.

(b) Board composition. The independent subsidiary’s Board of Directors shall consist of nineteen (19) directors:

(1) Three directors shall represent incumbent local exchange carriers, with one director representing the Bell Operating Companies and GTE, one director representing ILECs (other than the Bell Operating Companies) with annual operating revenues in excess of $40 million, and one director representing ILECs (other than the Bell Operating Companies) with annual operating revenues of $40 million or less;

(2) Two directors shall represent interexchange carriers, with one director representing interexchange carriers with more than $3 billion in annual operating revenues and one director representing interexchange carriers with annual operating revenues of $3 billion or less;
(3) One director shall represent commercial mobile radio service (CMRS) providers;
(4) One director shall represent competitive local exchange carriers;
(5) One director shall represent cable operators;
(6) One director shall represent information service providers;
(7) Three directors shall represent schools that are eligible to receive discounts pursuant to §54.501;
(8) One director shall represent libraries that are eligible to receive discounts pursuant to §54.501;
(9) Two directors shall represent rural health care providers that are eligible to receive supported services pursuant to §54.601;
(10) One director shall represent low-income consumers;
(11) One director shall represent state telecommunications regulators;
(12) One director shall represent state consumer advocates; and
(13) The Chief Executive Officer of the Administrator.

(c) Selection process for board of directors. (1) Sixty (60) days prior to the expiration of a director’s term, the industry or non-industry group that is represented by such director on the Administrator’s Board of Directors, as specified in paragraph (b) of this section, shall nominate by consensus a new director. The industry or non-industry group shall submit the name of its nominee for a seat on the Administrator’s Board of Directors along with relevant professional and biographical information about the nominee, to the Chairman of the Federal Communications Commission. Only members of the industry or non-industry group that a Board member will represent may submit a nomination for that position.

(2) The name of an industry or non-industry group’s nominee shall be filed with the Office of the Secretary of the Federal Communications Commission in accordance with part 1 of this chapter. The document nominating a candidate shall be captioned “In the matter of: Nomination for Universal Service Administrator’s Board of Directors” and shall reference FCC Docket Nos. 97–21 and 96–45. Each nomination shall specify the position on the Board of Directors for which such nomination is submitted. Two copies of the document nominating a candidate shall be submitted to the Wireline Competition Bureau’s Telecommunications Access Policy Division.

(3) The Chairman of the Federal Communications Commission shall review the nominations submitted by industry and non-industry groups and select each director of the Administrator’s Board of Directors, as each director’s term expires pursuant to paragraph (d) of this section. If an industry or non-industry group does not reach consensus on a nominee or fails to submit a nomination for a position on the Administrator’s Board of Directors, the Chairman of the Federal Communications Commission shall select an individual to represent such group on the Administrator’s Board of Directors.

(d) Board member terms. The directors of the Administrator’s Board shall be appointed for three-year terms, except that the Chief Executive Officer shall be a permanent member of the Board. Board member terms shall run from January 1 of the first year of the term to December 31 of the third year of the term, except that, for purposes of the term beginning on January 1, 1999, the terms of the six directors shall expire on December 31, 2000, the terms of another six directors on December 31, 2001, and the terms of the remaining six directors on December 31, 2002. Directors may be reappointed for subsequent terms pursuant to the initial nomination and appointment process described in paragraph (c) of this section. If a Board member vacates his or her seat prior to the completion of his or her term, the Administrator will notify the Wireline Competition Bureau of such vacancy, and a successor will be chosen pursuant to the nomination and appointment process described in paragraph (c) of this section.

(e) All meetings of the Administrator’s Board of Directors shall be open to the public and held in Washington, D.C.

(f) Each member of the Administrator’s Board of Directors shall be entitled to receive reimbursement for expenses directly incurred as a result of
his or her participation on the Administrator’s Board of Directors.

EFFECTIVE DATE NOTE: At 63 FR 70573, Dec. 21, 1998, §54.703 was revised. Paragraph (c) contains modified information collection requirements and will not become effective until approved by the Office of Management and Budget.

§ 54.704 The Administrator’s Chief Executive Officer.

(a) Chief Executive Officer’s functions.
(1) The Chief Executive Officer shall have management responsibility for the administration of the federal universal service support mechanisms.
(2) The Chief Executive Officer shall have management responsibility for all employees of the Universal Service Administrative Company. The Chief Executive Officer may delegate such responsibility to heads of the divisions established in §54.701(g).
(3) The Chief Executive Officer shall serve on the Administrator’s Board of Directors as set forth in §54.703(b) and on the Committees of the Board established under §54.705.

(b) Selection process for the Chief Executive Officer. (1) The members of the Board of Directors of the Administrator shall nominate by consensus a Chief Executive Officer. The Board of Directors shall submit the name of its nominee for Chief Executive Officer, along with relevant professional and biographical information about the nominee, to the Chairman of the Federal Communications Commission.
(2) The Chairman of the Federal Communications Commission shall review the nomination submitted by the Administrator’s Board of Directors. Subject to the Chairman’s approval, the nominee shall be appointed as the Administrator’s Chief Executive Officer.
(3) If the Board of Directors does not reach consensus on a nominee or fails to submit a nomination for the Chief Executive Officer, the Chairman of the Federal Communications Commission shall select a Chief Executive Officer.

§ 54.705 Committees of the Administrator’s Board of Directors.

(a) Schools and Libraries Committee.—
(1) Committee functions. The Schools and Libraries Committee shall oversee the administration of the schools and libraries support mechanism by the Schools and Libraries Division. The Schools and Libraries Committee shall have the authority to make decisions concerning:
(i) How the Administrator projects demand for the schools and libraries support mechanism;
(ii) Development of applications and associated instructions as needed for the schools and libraries support mechanism;
(iii) Administration of the application process, including activities to ensure compliance with Federal Communications Commission rules and regulations;
(iv) Performance of outreach and education functions;
(v) Review of bills for services that are submitted by schools and libraries;
(vi) Monitoring demand for the purpose of determining when the $2 billion trigger has been reached;
(vii) Implementation of the rules of priority in accordance with §54.507(g) of this chapter;
(viii) Review and certification of technology plans when a state agency has indicated that it will not be able to review such plans within a reasonable time;
(ix) The classification of schools and libraries as urban or rural and the use of the discount matrix established in §54.505(c) of this chapter to set the discount rate to be applied to services purchased by eligible schools and libraries;
(x) Performance of audits of beneficiaries under the schools and libraries support mechanism; and
(xi) Development and implementation of other functions unique to the schools and libraries support mechanism.
(2) Committee composition. The Schools and Libraries Committee shall consist of the following members of the Administrator’s Board of Directors:
(i) Three school representatives;
(ii) One library representative;
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(iii) One service provider representative;  
(iv) One at-large representative elected by the Administrator’s Board of Directors; and  
(v) The Administrator’s Chief Executive Officer.  

(b) Rural Health Care Committee.—(1) Committee functions. The Rural Health Care Committee shall oversee the administration of the rural health care support mechanism by the Rural Health Care Division. The Rural Health Care Committee shall have authority to make decisions concerning:  
(i) How the Administrator projects demand for the rural health care support mechanism;  
(ii) Development of applications and associated instructions as needed for the rural health care support mechanism;  
(iii) Administration of the application process, including activities to ensure compliance with Federal Communications Commission rules and regulations;  
(iv) Calculation of support levels under §54.609;  
(v) Performance of outreach and education functions;  
(vi) Review of bills for services that are submitted by rural health care providers;  
(vii) Monitoring demand for the purpose of determining when the $400 million cap has been reached;  
(viii) Performance of audits of beneficiaries under the rural health care support mechanism; and  
(ix) Development and implementation of other functions unique to the rural health care support mechanism.  

(2) Committee composition. The Rural Health Care Committee shall consist of the following members of the Administrator’s Board of Directors:  
(i) Two rural health care representatives;  
(ii) One service provider representative;  
(iii) Two at-large representatives elected by the Administrator’s Board of Directors;  
(iv) One State telecommunications regulator, one state consumer advocate; and  
(v) The Administrator’s Chief Executive Officer.  

(c) High Cost and Low Income Committee.—(1) Committee functions. The High Cost and Low Income Committee shall oversee the administration of the high cost and low income support mechanisms, the interstate access universal service support mechanism for price cap carriers described in subpart J of this part, and the interstate common line support mechanism for rate-of-return carriers described in subpart K of this part by the High Cost and Low Income Division. The High Cost and Low Income Committee shall have the authority to make decisions concerning:  
(i) How the Administrator projects demand for the high cost, low income, interstate access universal service, and interstate common line support mechanisms;  
(ii) Development of applications and associated instructions as needed for the high cost, low income, interstate access universal service, and interstate common line support mechanisms;  
(iii) Administration of the application process, including activities to ensure compliance with Federal Communications Commission rules and regulations;  
(iv) Performance of audits of beneficiaries under the high cost, low income, interstate access universal service and interstate common line support mechanisms; and  
(v) Development and implementation of other functions unique to the high cost, low income, interstate access universal service and interstate common line support mechanisms.  

(d) Binding Authority of Committees of the Board.  

(1) Any action taken by the Committees of the Board established in paragraphs (a) through (c) of this section shall be binding on the Board of Directors of the Administrator, unless such action is presented for review to the Board by the Administrator’s Chief Executive Officer and the Board disapproves of such action by a two-thirds vote of a quorum of directors, as defined in the Administrator’s by-laws.  

(2) The budgets prepared by each Committee shall be subject to Board review as part of the Administrator’s combined budget. The Board shall not modify the budgets prepared by the
Federal Communications Commission

§ 54.707 Audit controls.

The Administrator shall have authority to audit contributors and carriers reporting data to the administrator. The Administrator shall establish procedures to verify discounts, offsets, and support amounts provided by the universal service support programs, and may suspend or delay discounts, offsets, and support amounts provided to a carrier if the carrier fails to provide adequate verification of discounts, offsets, or support amounts provided upon reasonable request, or if directed by the Commission to do so. The Administrator shall not provide reimbursements, offsets or support amounts pursuant to part 36 and §69.116 through 69.117 of this chapter, and subparts D, E, and G of this part to a carrier until the carrier has provided to the Administrator a true and correct copy of the decision of a state commission designating that carrier as an eligible telecommunications carrier in accordance with §54.201.
§ 54.708 De minimis exemption.

If a contributor’s contribution to universal service in any given year is less than $10,000 that contributor will not be required to submit a contribution or Telecommunications Reporting Worksheet for that year unless it is required to do so by our rules governing Telecommunications Relay Service (47 CFR 64.601 et seq. of this chapter), numbering administration (47 CFR 52.1 et seq. of this chapter), or shared costs of local number portability (47 CFR 52.21 et seq. of this chapter). If a contributor improperly claims exemption from the contribution requirement, it will subject to the criminal provisions of sections 220(d) and (e) of the Act regarding willful false submissions and will be required to pay the amounts withheld plus interest.

[64 FR 41331, July 30, 1999]

§ 54.709 Computations of required contributions to universal service support mechanisms.

(a) Contributions to the universal service support mechanisms shall be based on contributors’ end-user telecommunications revenues and a contribution factor determined quarterly by the Commission.

(1) For funding the federal universal service support mechanisms, the subject revenues will be contributors’ interstate and international revenues derived from domestic end users for telecommunications or telecommunications services, net of prior period actual contributions.

(2) The quarterly universal service contribution factor shall be determined by the Commission based on the ratio of total projected quarterly expenses of the universal service support mechanisms to the total end-user interstate and international telecommunications revenues, net of prior period actual contributions. The Commission shall approve the Administrator’s quarterly projected costs of the universal service support mechanisms, taking into account demand for support and administrative expenses. The total subject revenues shall be compiled by the Administrator based on information contained in the Telecommunications Reporting Worksheets described in §54.711(a).

(3) Total projected expenses for the federal universal service support mechanisms for each quarter must be approved by the Commission before they are used to calculate the quarterly contribution factor and individual contributions. For each quarter, the Administrator must submit its projections of demand for the federal universal service support mechanisms for high-cost areas, low-income consumers, schools and libraries, and rural health care providers, respectively, and the basis for those projections, to the Commission and the Wireline Competition Bureau at least sixty (60) calendar days prior to the start of that quarter. For each quarter, the Administrator must submit its projections of administrative expenses for the high-cost mechanism, the low-income mechanism, the schools and libraries mechanism and the rural health care mechanism and the basis for those projections, to the Commission and the Wireline Competition Bureau at least sixty (60) calendar days prior to the start of that quarter. Based on data submitted to the Administrator on the Telecommunications Reporting Worksheets, the Administrator must submit the total contribution base to the Wireline Competition Bureau at least sixty (60) days before the start of each quarter. The projections of demand and administrative expenses and the contribution factor shall be announced by the Commission in a public notice and shall be made available on the Commission’s website. The Commission reserves the right to set projections of demand and administrative expenses at amounts that the Commission determines will serve the public interest at any time within the fourteen-day period following release of the Commission’s public notice. If the Commission takes no action within fourteen (14) days of the date of release of the public notice announcing the projections of demand and administrative expenses, the projections of demand and administrative expenses, and the contribution factor shall be deemed approved by the Commission. Except as provided in §54.706(c), the Administrator shall
apply the quarterly contribution factor, once approved by the Commission, to contributor’s interstate and international end-user telecommunications revenues to calculate the amount of individual contributions.

(b) If the contributions received by the Administrator in a quarter exceed the amount of universal service support program contributions and administrative costs for that quarter, the excess payments will be carried forward to the following quarter. The contribution factors for the following quarter will take into consideration the projected costs of the support mechanisms for that quarter and the excess contributions carried over from the previous quarter.

(c) If the contributions received by the Administrator in a quarter are inadequate to meet the amount of universal service support program payments and administrative costs for that quarter, the Administrator shall request authority from the Commission to borrow funds commercially, with such debt secured by future contributions. Subsequent contribution factors will take into consideration the projected costs of the support mechanisms and the additional costs associated with borrowing funds.

(d) If a contributor fails to file a Telecommunications Reporting Worksheet by the date on which it is due, the Administrator shall bill that contributor based on whatever relevant data the Administrator has available, including, but not limited to, the number of lines presubscribed to the contributor and data from previous years, taking into consideration any estimated changes in such data.


§ 54.711 Contributor reporting requirements.

(a) Contributions shall be calculated and filed in accordance with the Telecommunications Reporting Worksheet, which shall be published in the FEDERAL REGISTER. The Telecommunications Reporting Worksheet sets forth information that the contributor must submit to the Administrator on a quarterly and annual basis. The Commission shall announce by Public Notice published in the FEDERAL REGISTER and on its website the manner of payment and dates by which payments must be made. An officer of the contributor must certify to the truth and accuracy of the Telecommunications Reporting Worksheet, and the Commission or the Administrator may verify any information contained in the Telecommunications Reporting Worksheet at the discretion of the Commission. Inaccurate or untruthful information contained in the Telecommunications Reporting Worksheet may lead to prosecution under the criminal provisions of Title 18 of the United States Code. The Administrator shall advise the Commission of any enforcement issues that arise and provide any suggested response.

(b) The Commission shall have access to all data reported to the Administrator. Contributors may make requests for Commission nondisclosure of company-specific revenue information under § 0.459 of this chapter by so indicating on the Telecommunications Reporting Worksheet at the time that the subject data are submitted. The Commission shall make all decisions regarding nondisclosure of company-specific information. The Administrator shall keep confidential all data obtained from contributors, shall not use such data except for purposes of administering the universal service support programs, and shall not disclose such data in company-specific form unless directed to do so by the Commission. Subject to any restrictions imposed by the Chief of the Wireline Competition Bureau, the Universal Service Administrator may share data obtained from contributors with the administrators of the North American Numbering Plan administration cost recovery (See 47 CFR 52.16 of this chapter), the local number portability cost recovery (See 47 CFR 52.32 of this chapter), and the TRS Fund (See 47 CFR 64.604(c)(4)(iii)(H) of this chapter). The Administrator shall keep confidential
§ 54.713 Contributors’ failure to report or to contribute.

A contributor that fails to file a Telecommunications Reporting Worksheet and subsequently is billed by the Administrator shall pay the amount for which it is billed. The Administrator may bill a contributor a separate assessment for reasonable costs incurred because of that contributor’s filing of an untruthful or inaccurate Telecommunications Reporting Worksheet, failure to file the Telecommunications Reporting Worksheet, or late payment of contributions. Failure to file the Telecommunications Reporting Worksheet or to submit required quarterly contributions may subject the contributor to the enforcement provisions of the Act and any other applicable law. The Administrator shall advise the Commission of any enforcement issues that arise and provide any suggested response. Once a contributor complies with the Telecommunications Reporting Worksheet filing requirements, the Administrator may refund any overpayments made by the contributor, less any fees, interest, or costs.

[64 FR 41332, July 30, 1999]

§ 54.715 Administrative expenses of the Administrator.

(a) The annual administrative expenses of the Administrator should be commensurate with the administrative expenses of programs of similar size, with the exception of the salary levels for officers and employees of the Administrator described in paragraph (b) of this section. The annual administrative expenses may include, but are not limited to, salaries of officers and operations personnel, the costs of borrowing funds, equipment costs, operating expenses, directors’ expenses, and costs associated with auditing contributors of support recipients.

(b) All officers and employees of the Administrator may be compensated at an annual rate of pay, including any non-regular payments, bonuses, or other compensation, in an amount not to exceed the rate of basic pay in effect for Level I of the Executive Schedule under 5 U.S.C. 5312.

(c) The Administrator shall submit to the Commission projected quarterly budgets at least sixty (60) days prior to the start of every quarter. The Commission must approve the projected quarterly budgets before the Administrator disburses funds under the federal universal service support mechanisms. The administrative expenses incurred by the Administrator in connection with the schools and libraries support mechanism, the rural health care support mechanism, the high cost support mechanism, the low income support mechanism, the interstate access universal service support mechanism, and the interstate common line support mechanism shall be deducted from the annual funding of each respective support mechanism. The expenses deducted from the annual funding for each support mechanism also shall include the Administrator’s joint and common costs allocated to each support mechanism pursuant to the cost allocation manual filed by the Administrator under §64.903 of this chapter.


§ 54.717 Audits of the Administrator.

The Administrator shall obtain and pay for an annual audit conducted by an independent auditor to examine its operations and books of account to determine, among other things, whether the Administrator is properly administering the universal service support mechanisms to prevent fraud, waste, and abuse:

(a) Before selecting an independent auditor, the Administrator shall submit preliminary audit requirements, including the proposed scope of the
§ 54.717 Audit

(a) The extent of compliance and substantive testing, to the Wireline Competition Bureau.

(b) The Wireline Competition Bureau shall review the preliminary audit requirements to determine whether they are adequate to meet the audit objectives. The Wireline Competition Bureau shall prescribe modifications that shall be incorporated into the final audit requirements.

(c) After the audit requirements have been approved by the Wireline Competition Bureau, the Administrator shall engage within thirty (30) calendar days an independent auditor to conduct the annual audit required by this paragraph. In making its selection, the Administrator shall not engage any independent auditor who has been involved in designing any of the accounting or reporting systems under review in the audit.

(d) The independent auditor selected by the Administrator to conduct the annual audit shall be instructed by the Administrator to develop a detailed audit program based on the final audit requirements and shall be instructed by the Administrator to submit the audit program to the Wireline Competition Bureau. The Wireline Competition Bureau shall review the audit program and make modifications, as needed, that shall be incorporated into the final audit program. During the course of the audit, the Wireline Competition Bureau may direct the Administrator to direct the independent auditor to take any actions necessary to ensure compliance with the audit requirements.

(e) During the course of the audit, the Administrator shall instruct the independent auditor to:

1. Inform the Wireline Competition Bureau of any revisions to the final audit program or to the scope of the audit;

2. Notify the Wireline Competition Bureau of any meetings with the Administrator in which audit findings are discussed; and

3. Submit to the Chief of the Wireline Competition Bureau any accounting or rule interpretations necessary to complete the audit.

(f) Within sixty (60) calendar days after the end of the audit period, but prior to discussing the audit findings with the Administrator, the independent auditor shall be instructed by the Administrator to submit a draft of the audit report to the Wireline Competition Bureau.

(g) The Wireline Competition Bureau shall review the audit findings and audit workpapers and offer its recommendations concerning the conduct of the audit or the audit findings to the independent auditor. Exceptions of the Wireline Competition Bureau to the findings and conclusions of the independent auditor that remain unresolved shall be included in the final audit report.

(h) Within fifteen (15) calendar days after receiving the Wireline Competition Bureau’s recommendations and making any revisions to the audit report, the Administrator shall instruct the independent auditor to submit the audit report to the Administrator for its response to the audit findings. At this time the auditor also must send copies of its audit findings to the Wireline Competition Bureau. The Administrator shall provide the independent auditor time to perform additional audit work recommended by the Wireline Competition Bureau.

(i) Within thirty (30) calendar days after receiving the audit report, the Administrator shall respond to the audit findings and send copies of its response to the Wireline Competition Bureau. The Administrator shall instruct the independent auditor that any reply that the independent auditor wishes to make to the Administrator’s responses shall be sent to the Wireline Competition Bureau as well as the Administrator. The Administrator’s response and the independent auditor’s replies shall be included in the final audit report.

(j) Within ten (10) calendar days after receiving the response of the Administrator, the independent auditor shall file with the Commission the final audit report.

(k) Based on the final audit report, the Chief of the Wireline Competition Bureau may take any action necessary to ensure that the universal service support mechanisms operate in a manner consistent with the requirements.
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of this Part, as well as such other action as is deemed necessary and in the public interest.

[67 FR 13277, Mar. 21, 2002]

Subpart I—Review of Decisions

Issued by the Administrator

§ 54.719 Parties permitted to seek review of Administrator decisions.

(a) Any person aggrieved by an action taken by a division of the Administrator, as defined in § 54.701(g), may seek review from the appropriate Committee of the Board, as defined in § 54.705.

(b) Any person aggrieved by an action taken by the Administrator pertaining to a billing, collection or disbursement matter that falls outside the jurisdiction of the Committees of the Board may seek review from the Board of Directors of the Administrator, as defined in § 54.703.

(c) Any person aggrieved by an action taken by a division of the Administrator, as defined in § 54.701(g), a Committee of the Board of the Administrator, as defined in § 54.705, or the Board of Directors of the Administrator, as defined in § 54.703, may seek review from the Federal Communications Commission, as set forth in § 54.722.

[83 FR 70577, Dec. 21, 1998]

§ 54.720 Filing deadlines.

(a) An affected party requesting review of an Administrator decision by the Commission pursuant to § 54.719(c), shall file such request within thirty (30) days of the issuance of the decision by a division or Committee of the Board of the Administrator.

(b) An affected party requesting review of a division decision by a Committee of the Board pursuant to § 54.719(a), shall file such request within thirty (30) days of issuance of the decision by the division.

(c) An affected party requesting review by the Board of Directors pursuant to § 54.719(b) regarding a billing, collection, or disbursement matter that falls outside the jurisdiction of the Committees of the Board shall file such request within thirty (30) days of issuance of the Administrator’s decision.

(d) The filing of a request for review with a Committee of the Board under § 54.719(a) or with the full Board under § 54.703, shall toll the time period for seeking review from the Federal Communications Commission. Where the time for filing an appeal has been tolled, the party that filed the request for review from a Committee of the Board or the full Board shall have thirty (30) days from the date the Committee or the Board issues a decision to file an appeal with the Commission.

(e) Parties shall adhere to the time periods for filing oppositions and replies set forth in 47 CFR 1.45.

[63 FR 70577, Dec. 21, 1998]

§ 54.721 General filing requirements.

(a) Except as otherwise provided herein, a request for review of an Administrator decision by the Federal Communications Commission shall be filed with the Federal Communications Commission’s Office of the Secretary in accordance with the general requirements set forth in part 1 of this chapter. The request for review shall be captioned “In the matter of: Request for Review by (name of party seeking review) of Decision of Universal Service Administrator” and shall reference FCC Docket Nos. 97-21 and 96-45.

(b) A request for review pursuant to § 54.719(a) through (c) shall contain: (1) a statement setting forth the party’s interest in the matter presented for review; (2) a full statement of relevant, material facts with supporting affidavits and documentation; (3) the question presented for review, with reference, where appropriate, to the relevant Federal Communications Commission rule, Commission order, or statutory provision; (4) a statement of the relief sought and the relevant statutory or regulatory provision pursuant to which such relief is sought.

(c) A copy of a request for review that is submitted to the Federal Communications Commission shall be served on the Administrator consistent with the requirement for service of documents set forth in § 1.47 of this chapter.

(d) If a request for review filed pursuant to § 54.720(a) through (c) alleges
§ 54.725 Time periods for Commission approval of Administrator decisions.

(a) The Wireline Competition Bureau shall, within ninety (90) days, take action in response to a request for review of an Administrator decision that is properly before it. The Wireline Competition Bureau may extend the time period for taking action on a request for review of an Administrator decision for a period of up to ninety days. The Commission may also at any time, extend the time period for taking action of a request for review of an Administrator decision pending before the Wireline Competition Bureau.

(b) The Commission shall issue a written decision in response to a request for review of an Administrator decision that involves novel questions of fact, law, or policy within ninety (90) days. The Commission may extend the time period for taking action on the request for review of an Administrator decision. The Wireline Competition Bureau also may extend action on a request for review of an Administrator decision for a period of up to ninety days.

§ 54.726 Universal service disbursements during pendency of a request for review and Administrator decision.

(a) When a party has sought review of an Administrator decision under §54.719(a) through (c) in connection with the schools and libraries support mechanism or the rural health care support mechanism, the Administrator shall not reimburse a service provider for the provision of discounted services until a final decision has been issued either by the Administrator or by the Federal Communications Commission, provided, however, that the Administrator may disburse funds for any amount of support that is not the subject of an appeal.

(b) When a party has sought review of an Administrator decision under §54.719(a) through (c) in connection with the high cost and low income support mechanisms, the Administrator shall not disburse support to a service provider until a final decision has been issued either by the Administrator or
§ 54.800
by the Federal Communications Commission; provided, however, that the Administrator may disburse funds for any amount of support that is not the subject of an appeal.

Subpart J—Interstate Access Universal Service Support Mechanism

§ 54.800 Terms and definitions.

(a) Average Price Cap CMT Revenue Per Line Month in a Study Area has the same meaning as that term is defined in § 61.3(d) of this chapter, except that it includes exogenous changes in effect prior to the effective date of a calculation made pursuant to § 54.808 and exogenous changes not yet effective related to the sale or acquisition of exchanges, but excludes any other exogenous changes or other changes made pursuant to § 61.45(i)(4) of this chapter that are not yet effective.

(b) Base Period Lines. For purposes of calculations pursuant to this subpart, Base Period Lines are the number of lines for a given study area or zone as of the end of the quarter ending 6 months prior to the effective date of a calculation pursuant to § 54.808.

(c) Interstate Access Universal Service Support Benchmark shall mean, for residential and single-line business lines, $7.00, and for multi-line business lines, $9.20.

(d) Minimum Adjustment Amount (MAA) is defined in § 54.806(f).

(e) MAA Phase In Percentage is:
50% as of July 1, 2000.
75% as of July 1, 2001.
100% as of July 1, 2002.

(f) Minimum Delta (MD) is defined in § 54.806(d).

(g) Minimum Support Requirement (MSR) is defined in § 54.806(g).

(h) Nationwide Total Above Benchmark Revenues is defined in § 54.806(b).

(i) Price Cap Local Exchange Carrier is defined in § 61.3(aa) of this chapter.

(j) Preliminary Minimum Access Universal Service Support for a Study Area is the amount calculated pursuant to § 54.804.

(k) Preliminary Study Area Universal Service Support (PSAUS) is defined in § 54.806(c).

(l) Study Area Above Benchmark Revenues is the sum of all Zone Above Benchmark Revenues for all zones in the study area.

(m) Study Area Access Universal Service Support (SAAUS) is defined in § 54.806 (i) and (j).

(n) Total National Minimum Delta (TNMD) is the nationwide sum of all study area Minimum Deltas.

(o) Total National Minimum Support Requirement (TNMSR) is the sum of the MSR for all price cap local exchange carrier area study areas.

(p) Zone Above Benchmark Revenues is defined in § 54.805(a)(2).

(q) Zone Average Revenue per Line. The amount calculated as follows:
Zone Average Revenue Per Line = (25% * (Loop + Port)) + U (Uniform revenue per line adjustment)
Where:
Loop = the price for unbundled loops in a UNE zone.
Port = the price for switch ports in that UNE zone.
U = [(Average Price Cap CMT Revenue per Line month in a study area * price cap local exchange carrier Base Period Lines) / (Average Price Cap CMT Revenue per Line month in a UNE zone * price cap local exchange carrier Base Period Lines in a study area)] * 25%

[65 FR 38690, June 21, 2000; 65 FR 57739, Sept. 26, 2000]

§ 54.801 General.

(a) The total amount of universal service support under this subpart, excluding administrative expenses, for areas served by price cap local exchange carriers as of June 30, 2000, is targeted to be $650 million per year, if no exchanges, other than those offered for sale prior to January 1, 2000, are sold to non-price-cap local exchange carriers or purchased from non-price cap local exchange carriers by price cap local exchange carriers.

(b) In the event that all or a portion of a study area served by a price cap local exchange carrier is sold to an entity other than a price cap local exchange carrier, and the study area or portion thereof was not offered for sale prior to January 1, 2000, then the support that would otherwise be provided under this subpart, had such study area or portion thereof not been sold, will
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Obligations of local exchange carriers and the Administrator.

(a) Each Eligible Telecommunications Carrier that is providing service within an area served by a price cap local exchange carrier shall submit to the Administrator, on a quarterly basis on the last business day of March, June, September, and December of each year line count data showing the number of lines it serves for the period ending three months prior to the reporting date, within each price cap local exchange carrier study area disaggregated by UNE Zone if UNE Zones have been established within that study area, showing residential/single-line business and multi-line business line counts separately. For purposes of this report, and for purposes of computing support under this subpart, the aggregated residential/single-line business class lines reported include single and non-primary residential lines, single-line business lines, ISDN BRI and other related residential class lines. Similarly, the multi-line business class lines reported include multi-line business, centrex, ISDN PRI and other related business class lines.

(b) In addition to the information submitted pursuant to paragraph (a) of this section, each price cap local exchange carrier must submit to the Administrator, on June 30, 2000, October 15, 2000, and April 16, 2001 and annually thereafter or as determined by the Administrator according to § 54.808:

(1)(i) Average Price Cap CMT Revenue per Line month in a study area for each of its study areas;

(2) Provided, however, that after the June 30, 2000 filing, if there have been no changes since its previous filing a company may submit a statement that there have been no changes in lieu of such information, and further provided that, for study areas in which UNE Zones have been newly established since the last filing pursuant to this paragraph, the price cap local exchange
§ 54.803 Carrier shall also report the information required by paragraphs (b)(1)(ii) and (b)(1)(iii) of this section to the Administrator on July 15, 2000, or January 15, 2001, as required.

(c) An eligible telecommunications carrier shall be eligible for support pursuant to this subpart only after it has filed all of the information required by paragraphs (a) through (c) of this section, where applicable. An eligible telecommunications carrier shall receive payment of support pursuant to this subpart only for such months the carrier is actually providing service to the end user. The Administrator shall ensure that there is periodic reconciliation of support payments.

(d) Upon receiving the information required to be filed in paragraphs (a) and (b) of this section, the Administrator shall:

1. Perform the calculations described in §§ 54.804 through 54.807 of this subpart;

2. Publish the results of these calculations showing Interstate Access Universal Service Support Per Line available in each price cap local exchange carrier study area, by UNE Zone and customer class;

3. Collect the funds necessary to provide support pursuant to this subpart in accordance with subpart H;

4. Distribute support calculated pursuant to the rules contained in this subpart; and

5. Report quarterly to the Commission on the collection and distribution of funds under this subpart as described in §54.701(g). Fund distribution reporting will be by state and by eligible telecommunications carrier within the state.

[65 FR 38690, June 21, 2000; 65 FR 57740, Sept. 26, 2000]

§ 54.804 Preliminary minimum access universal service support for a study area calculated by the Administrator.

(a) If Average Price Cap CMT Revenue per Line month is greater than $9.20 then: Preliminary Minimum Access Universal Service Support (for a study area) = Average Price Cap CMT Revenue per Line month in a study area * price cap local exchange carrier Base Period Lines * 12) + ($7.00 * price cap local exchange carrier Base Period Residential and Single-Line Business Lines * 12) + ($9.20 * price cap local exchange carrier Base Period Multi-line Business Lines * 12).

(b) If Average Price Cap CMT Revenue per Line month in a study area is greater than $7.00 but less than $9.20 then: Preliminary Minimum Access Universal Service Support (for a study area) = Average Price Cap CMT Revenue per Line month in a study area * price cap local exchange carrier Base Period Residential and Single-Line Business Lines * 12).

(c) If Average Price Cap CMT Revenue per Line month in a study area is less than $7.00 then the Preliminary

§ 54.803 Universal service zones.

(a) The zones used for determining interstate access universal service support shall be the same zones that would be used for End User Common Line (EUCM) charge deaveraging as described in §69.152(q)(2) of this chapter.

(b) In a price cap study area where the price cap local exchange carrier has not established state-approved prices for UNE loops by zone, the Administrator shall develop an estimate of the local exchange carrier’s Zone Above Benchmark Revenues for transitional purposes, in order to reserve a portion of the fund for that study area. This estimate will be included by the Administrator in the Nationwide Study Area Above Benchmark Revenues calculated pursuant to §54.806.

1. For the purpose of developing this transitional estimate, the loop and port costs estimated by the FCC cost model, or other substitute method if no model is available, shall be used.

2. For the purpose of developing this transitional estimate, the administrator shall construct three zones. Wire centers within the study area will be grouped into these zones in such a way that each zone is assigned approximately one third of local exchange carrier base period lines in the study area, with the lowest cost wire centers assigned to Zone 1, the highest cost wire centers assigned to Zone 3, and the remainder to Zone 2.

[65 FR 38690, June 21, 2000; 65 FR 57740, Sept. 26, 2000]
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§ 54.805 Zone and study area above benchmark revenues calculated by the Administrator.

(a) The following steps shall be performed by the Administrator to determine Zone Above Benchmark Revenues for each price cap local exchange carrier.

(1) Calculate Zone Average Revenue Per Line.

(2) Calculate Zone Above Benchmark Revenues. Zone Above Benchmark Revenues is the sum of Zone Above Benchmark Revenues for Residential and Single-Line Business Lines and Zone Above Benchmark Revenues for Multi-Line Business Lines. Zone Above Benchmark Revenues for Residential and Single-Line Business Lines is, within each zone, (Zone Average Revenue Per Line minus $7.00) multiplied by all eligible telecommunications carrier Base Period Residential and Single-Line Business Lines times 12. If negative, the Zone Above Benchmark Revenues for Multi-line Business Lines is, within each zone, (Zone Average Revenue Per Line minus $9.20) multiplied by all eligible telecommunications carrier zone Base Period Multi-line Business Lines times 12. If negative, the Zone Above Benchmark Revenues for Multi-line Business Lines for the zone is zero.

(b) Study Area Above Benchmark Revenues is the sum of Zone Above Benchmark Revenues for all zones in the study area.

§ 54.806 Calculation by the Administrator of interstate access universal service support for areas served by price cap local exchange carriers.

(a) The Administrator, based on the calculations performed in §§54.804 and 54.805, shall calculate the Interstate Access Universal Service Support for areas served by price cap local exchange carriers according to the following methodology:

(b) Calculate Nationwide Total Above Benchmark Revenues. Nationwide Total Above Benchmark Revenues is the sum of all Study Area Above Benchmark Revenues for all study areas served by local exchange carriers.

(c) Calculate Preliminary Study Area Universal Service Support (PSAUSS).

(1) If the Nationwide Total Above Benchmark Revenues is greater than $650 million, then the Preliminary Study Area Universal Service Support (PSAUSS) equals the Study Area Above Benchmark Revenues multiplied by the ratio of $650 million to Nationwide Total Above Benchmark Revenues (i.e., Preliminary Study Area Universal Service Support = Study Area Above Benchmark Revenues * $650 Million/Nationwide Total Above Benchmark Revenues).

(2) If the Nationwide Total Above Benchmark Revenues is not greater than $650 million, PSAUSS equals the Study Area Above Benchmark Revenues.

(d) Calculate the Minimum Delta (MD) by study area. Within each study area the Minimum Delta will be equal to the Preliminary Minimum Access Universal Service Support less the PSAUSS, if the difference is greater than zero. If the difference is less than or equal to zero, the MD is equal to zero.

(e) Calculate the Total National Minimum Delta (TNMD) by summing all study area Minimum Deltas nationwide.

(f) Calculate the Minimum Adjustment Amount (MAA). (1) If the TNMD is greater than $75 million, then the Minimum Adjustment Amount (MAA) equals the MAA Phase In Percentage times the MD by study area times the ratio of $75 million to TNMD.

(2) If the TNMD is less than $75 million, then the MAA equals the product of the MAA Phase In Percentage and the MD by study area.

(g) Calculate the Minimum Support Requirement (MSR). The Minimum Support Requirement for a study area equals the PSAUSS plus the MAA.

(h) Calculate the Total National Minimum Support Requirement (TNMSR), which equals the sum of the MSR for
§ 54.807 Interstate access universal service support.

(a) Each Eligible Telecommunications Carrier (ETC) that provides supported service within the study area of a price cap local exchange carrier shall receive Interstate Access Universal Service Support for each line that it serves within that study area.

(b) In any study area within which the price cap local exchange carrier has not established state approved geographically deaveraged rates for UNE loops, the Administrator shall calculate the Interstate Access Universal Service Support Per Line by dividing Study Area Access Universal Service Support by twelve times all eligible telecommunications carriers’ base period lines in that study area adjusted for growth during the relevant support period based on the average nationwide annual growth in eligible lines during the three previous years. For the purpose of calculating growth, the Administrator shall use a simple average of annual growth rates for total switched access lines for the three most recent years as reported in the Common Carrier Bureau Report, Statistics of Communications Common Carriers, Table 6.10—Selected Operating Statistics. Interested parties may obtain this report from the U.S. Government Printing Office or by downloading it from the Federal Communication Commission’s website http://www.fcc.gov/ccb/stats.

(c) In any study area within which the price cap local exchange carrier has established state approved geographically deaveraged rates for UNE loops, the Administrator shall calculate the Interstate Access Universal Service Support Per Line for each customer class and zone using all eligible telecommunications carriers’ base period lines by customer class and zone adjusted for growth during the relevant support period based on the average nationwide annual growth in eligible lines during the three previous years. For the purpose of calculating growth, the Administrator shall use a simple average of annual growth rates for total switched access lines for the three most recent years as reported in the Common Carrier Bureau Report, Statistics of Communications Common Carriers, Table 6.10—Selected Operating Statistics.
total switched access lines for the three most recent years as reported in the Wireline Competition Bureau Report, Statistics of Communications Common Carriers, Table 6.10—Selected Operating Statistics. Support shall be allocated to lines in the highest cost UNE zone first, and will “cascade” to lines in lower cost UNE zones to the extent that sufficient funding is available. Beginning with the zone with the highest Zone Average Revenue Per Line, support will be applied in the following order of priority:

1. To all lines in the highest zone, to eliminate the amount per line by which Zone Average Revenue Per Line exceeds $9.20 or the Average Revenue Per Line in the next highest zone;

2. If the Zone Average Revenue Per Line in the next highest zone is greater than $9.20, then to all lines in both zones to eliminate the amount per line by which Zone Average Revenue Per Line exceeds $9.20 or the Zone Average Revenue Per Line in the third highest zone. This application of support will continue to additional zones in the same fashion until the amount per line by which Zone Average Revenue Per Line exceeds $9.20 has been eliminated in all zones, or until the available support has been exhausted;

3. To all residential and single-line business lines in the highest zone, to eliminate the remaining amount per line that Zone Average Revenue Per Line for these lines exceeds the higher of $7.00 or Zone Average Revenue Per Line in the next highest zone;

4. If the Zone Average Revenue Per Line in the next highest zone is greater than $7.00, then to all residential and single-line business lines in both zones to eliminate the remaining amount per line by which Zone Average Revenue Per Line exceeds $7.00. This application of support will continue to additional zones in the same fashion until the difference between Zone Average Revenue Per Line and $7.00 has been eliminated in all zones, or until the available support has been exhausted.

(d) Notwithstanding the provisions of §54.307(a)(2), the per-line support amount determined within each zone by applicable customer class under paragraph (b) or (c) of this section is portable among all eligible telecommunications carriers providing service within that zone.


§ 54.808 Transition provisions and periodic calculation.

Study Area Access Universal Service Support amounts for the area served by each price cap local exchange carrier will be calculated as of July 1, 2000, January 1, 2001, July 1, 2001 and thereafter as determined by the Administrator, but at least annually.

[65 FR 38690, June 21, 2000; 65 FR 57740, Sept. 26, 2000]

§ 54.809 Carrier certification.

(a) Certification. Carriers that desire to receive support pursuant to §54.807 must file a certification with the Administrator and the Commission stating that all interstate access universal service support provided to such carrier will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. Support provided pursuant to §54.807 shall only be provided to the extent that the carrier has filed the requisite certification pursuant to this section.

(b) Certification format. A certification pursuant to this section may be filed in the form of a letter from an authorized representative for the carrier, and must be filed with both the Office of the Secretary of the Commission clearly referencing CC Docket No. 96–45, and with the Administrator of the interstate access universal service support mechanism, on or before the filing deadlines set forth in paragraph (c) of this section. All of the certifications filed by carriers pursuant to this section shall become part of the public record maintained by the Commission.

(c) Filing deadlines. In order for a price cap local exchange carrier, and/or an eligible telecommunications carrier serving lines in the service area of a price cap local exchange carrier, to receive interstate access universal service support, such carrier must file an annual certification, as described in paragraph (b) of this section, on the
§ 54.901 Calculation of Interstate Common Line Support.

(a) Interstate Common Line Support available to a rate-of-return carrier shall equal the Common Line Revenue Requirement per Study Area as calculated in accordance with part 69 of this chapter minus: (1) The study area revenues obtained from end user common line charges at their allowable maximum as determined by §§69.104(n) and 69.104(o) of this chapter; (2) The carrier common line charge revenues to be phased out pursuant to §69.105 of this chapter; (3) The special access surcharge pursuant to §69.114 of this chapter; (4) The line port costs in excess of basic analog service pursuant to §69.130 of this chapter; and (5) Any Long Term Support for which the carrier is eligible or, if the carrier ceased participation in the NECA common line pool after October 11, 2001, any Long Term Support for which the carrier would have been eligible if it had not ceased its participation in the pool.

(b) The per-line Interstate Common Line Support available to a competitive eligible telecommunications carrier serving lines in a study area served by a rate-of-return carrier shall be calculated by the Administrator as follows:

(1) If the rate-of-return carrier has disaggregated the support it receives in the study area pursuant to §54.315, the Administrator shall calculate the amount of Interstate Common Line Support targeted to each disaggregation zone by the rate-of-return carrier (targeted Interstate Common Line Support). If the rate-of-return carrier has chosen not to disaggregate its support for a study area pursuant to §54.315, then the entirety of its Interstate Common Line Support for the study area shall be considered targeted Interstate Common Line Support for purposes of performing the calculations in this section.

(2) In each disaggregation zone or undisaggregated study area, the Administrator shall calculate the Average Interstate Common Line Support by dividing the rate-of-return carrier’s targeted Interstate Common Line Support by its total lines served.

(3) The Administrator shall then calculate the Interstate Common Line Support available to the competitive eligible telecommunications carrier for each line it serves for each customer class in a disaggregation zone or undisaggregated study area by the following formula:

(i) If the Average Interstate Common Line Support is greater than $2.70 multiplied by the number of residential and single-line business lines served by the rate-of-return carrier in the disaggregation zone or undisaggregated study area, then:

(A) Interstate Common Line Support per Multi-Line Business Line = (Average Interstate Common Line Support ÷ $2.70 × residential and single-line business lines served by the rate-of-return carrier) ÷ (total lines served by the rate-of-return carrier); and

(B) Interstate Common Line Support per Residential and Single-Line Business Line = Average Interstate Common Line Support ÷ residential and single line business lines served by the rate-of-return carrier.

(ii) If the Average Interstate Common Line Support is less than or equal to $2.70 multiplied by residential and single-line business lines served by the rate-of-return carrier in the disaggregation zone or undisaggregated study area, but greater than $0, then:

(A) Interstate Common Line Support per Multi-Line Business Line = $0; and

(B) Interstate Common Line Support per Residential and Single-Line Business Line = Average Interstate Common Line Support + residential and single line business lines served by the rate-of-return carrier.

Subpart K—Interstate Common Line Support Mechanism for Rate-of-Return Carriers

Source: 66 FR 59728, Nov. 30, 2001, unless otherwise noted.
§ 54.902 Calculation of Interstate Common Line Support for transferred exchanges.

(a) In the event that a rate-of-return carrier acquires exchanges from an entity that is also a rate-of-return carrier, Interstate Common Line Support for the transferred exchanges shall be distributed as follows.

(1) Each carrier may report its updated line counts to reflect the transfer in the next quarterly line count filing pursuant to §54.903(a) that applies to the period in which the transfer occurred. During a transition period from the filing of the updated line counts until the end of the funding year, the Administrator shall adjust the Interstate Common Line Support for the study area served by the acquiring carrier based on the updated line counts and the per-line amounts Interstate Common Line Support for the study area served by the acquiring carrier. If the acquiring carrier does not file a quarterly update of its line counts, it will not receive Interstate Common Line Support for those lines during the transition period.

(2) Each carrier’s projected data for the following funding year filed pursuant to §54.903(c) shall reflect the transfer of exchanges.

(3) Each carrier’s actual data filed pursuant to §54.903(d) shall reflect the transfer of exchanges. All post-transaction Interstate Common Line Support shall be subject to true up by the Administrator pursuant to §54.903(e).

(b) In the event that a rate-of-return carrier acquires exchanges from a price cap carrier that are not incorporated into one of the rate-of-return carrier’s existing study areas, Interstate Common Line Support for the transferred exchanges shall be distributed as follows.

(1) The acquiring carrier may report its updated line counts for the study area into which the acquired lines are incorporated in the next quarterly line count filing pursuant to §54.903(a) that applies to the period in which the transfer occurred. During a transition period from the filing of the updated line counts until the end of the funding year, the Administrator shall adjust the Interstate Common Line Support for the study area served by the acquiring carrier. If the acquiring carrier does not file a projected Interstate Common Line Revenue Requirement for the acquired exchanges for the remainder of the funding year in the next quarterly report to the Administrator, the Administrator shall distribute Interstate Common Line Support pursuant to the partial year projected Interstate Common Line Revenue Requirement for the remainder of the funding year. If the acquirer does not file a projected Interstate Common Line Revenue Requirement, it will not receive Interstate Common Line Support for those exchanges during the transition period.

(2) The acquiring carrier’s projected data for the following funding year filed pursuant to §54.903(b) shall reflect the transfer of exchanges.
§ 54.903 filed pursuant to §54.903(c) shall reflect the transfer of exchanges.

(3) The acquiring carrier’s actual data filed pursuant to §54.903(d) shall reflect the transfer of exchanges. All post-transaction Interstate Common Line Support shall be subject to true up by the Administrator pursuant to §54.903(e).

(d) In the event that an entity other than a rate-of-return carrier acquires exchanges from a rate-of-return carrier, per-line Interstate Common Line Support will not transfer.

(e) This section does not alter any Commission rule governing the sale or transfer of exchanges, including the definition of “study area” in part 36.

§ 54.903 Obligations of rate-of-return carriers and the Administrator.

(a) To be eligible for Interstate Common Line Support, each rate-of-return carrier shall make the following filings with the Administrator.

(1) On April 18, 2002, each rate-of-return carrier shall submit to the Administrator the number of lines it serves as of September 30, 2001, within each rate-of-return carrier study area, by disaggregation zone if disaggregation zones have been established within that study area pursuant to §54.315, showing residential and single-line business line counts and multi-line business line counts separately. For purposes of this report, and for purposes of computing support under this subpart, the residential and single-line business class lines reported include lines assessed the residential and single-line End User Common Line charge pursuant to §69.104 of this chapter, and the multi-line business class lines reported include lines assessed the multi-line business End User Common Line charge pursuant to §69.104 of this chapter. For purposes of this report, and for purposes of computing support under this subpart, lines served using resale of the rate-of-return local exchange carrier’s service pursuant to section 251(c)(4) of the Communications Act of 1934, as amended, shall be considered lines served by the rate-of-return carrier only and must be reported accordingly. Beginning July 31, 2002, each rate-of-return carrier shall submit the information described in this paragraph in accordance with the schedule in §36.611 of this chapter.

(2) Each rate-of-return carrier in service areas where a competitive eligible telecommunications carrier has initiated service and reported line count data pursuant to §54.307(c) shall submit the information in paragraph (a) of this section in accordance with the schedule in §36.612 of this chapter. A rate-of-return carrier may submit the information in paragraph (a) of this section in accordance with the schedule in §36.612 of this chapter, even if it is not required to do so. If a rate-of-return carrier makes a filing under this paragraph, it shall separately indicate any lines that it has acquired from another carrier that it has not previously reported pursuant to paragraph (a) of this section, identified by customer class and the carrier from which the lines were acquired.

(3) Each rate-of-return carrier shall submit to the Administrator, on April 18, 2002, and annually thereafter on March 31st information needed to calculate the Projected Annual Common Line Revenue Requirement for each of its study areas in the upcoming funding year. A rate-of-return carrier’s Projected Annual Common Line Revenue Requirement shall be calculated in accordance with part 69 of this chapter. The funding year shall be July 1st of the current year through June 30th of the next year. Rate-of-return carriers will be permitted to submit corrections to their projected Annual Common Line Revenue Requirement until April 10, 2002, and annually thereafter until April 10th.

(4) Each rate-of-return carrier shall submit to the Administrator, on July 31, 2003, and annually thereafter on July 31st, the carrier’s common line costs as defined in part 69 of this chapter for each study area in which it operates for the previous calendar year. Such data shall be used by the Administrator to make adjustments to monthly per-line Interstate Common Line Support amounts in the following calendar year to the extent of any difference between the carrier’s Projected Annual Common Line Revenue Requirement and the carrier’s actual costs during the relevant period. A
rate-of-return carrier may update the information submitted on July 31st one or more times quarterly on a rolling year basis according to the schedule in §36.612 of this chapter.

(b) Upon receiving the information required to be filed in paragraph (a) of this section, the Administrator shall:

(1) Perform the calculations described in §54.901;

(2) Publish the results of these calculations showing Interstate Common Line Support Per Line available in each rate-of-return carrier study area, by Disaggregation Zone and customer class;

(3) Perform periodic reconciliation of projected common line revenue requirements based on data provided by carriers pursuant to paragraph (a)(3) of this section and actual common line revenue requirements based on data provided by carriers pursuant to paragraph (a)(4) of this section;

(4) Collect the funds necessary to provide support pursuant to this subpart in accordance with subpart H of this part;

(5) Distribute support calculated pursuant to the rules contained in this subpart; and

(6) Report quarterly to the Commission on the collection and distribution of funds under this subpart as described in §54.702(i). Fund distribution reporting will be by state and by eligible telecommunications carrier within the state.

§54.904 Carrier certification.

(a) Certification. Carriers that desire to receive support pursuant to this subpart shall file a certification with the Administrator and the Federal Communications Commission stating that all Interstate Common Line Support provided to such carrier will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. Support provided pursuant to this subpart shall only be provided to the extent that the carrier has filed the requisite certification pursuant to this section.

(b) Certification format. A certification pursuant to this section may be filed in the form of a letter from an authorized representative for the carrier, and must be filed with both the Administrator and the Office of the Secretary of the Federal Communication Commission clearly referencing CC Docket No. 96-45, on or before the filing deadlines set forth in paragraph (d) of this section.

(c) All of the certifications filed by carriers pursuant to this section shall become part of the public record maintained by the Commission.

(d) Filing deadlines. In order for a rate-of-return carrier, and/or an eligible telecommunications carrier serving lines in the service area of a rate-of-return carrier, to receive Interstate Common Line Support, such carrier must file an annual certification, as described in paragraph (b) of this section, on the date that it first files its line count information pursuant to §54.903, and thereafter on June 30th of each year.

PART 59—INFRASTRUCTURE SHARING

§59.1 General duty.

Incumbent local exchange carriers (as defined in 47 U.S.C. section 251(h)) shall make available to any qualifying carrier such public switched network infrastructure, technology, information, and telecommunications facilities and functions as may be requested by such qualifying carrier for the purpose of enabling such qualifying carrier to provide telecommunications services, or to provide access to information services, in the service area in which such qualifying carrier has obtained designation as an eligible telecommunications carrier under section 214(e) of 47 U.S.C.