

SUPPORTING STATEMENT

A. Justification:

The Commission is requesting an extension (no change in the reporting requirements) to obtain the three year clearance from the Office of Management and Budget (OMB). There is no change to the Commission's burden estimates.

1. *Circumstances that make the collections necessary.* In the Communications Act of 1934, as amended by the Telecommunications Act of 1996 (Act), Congress codified the Commission's historical policy of promoting universal service to ensure that consumers in all regions of the nation have access to telecommunications services. Specifically, in section 254 of the Act, Congress instructed the Commission, after consultation with the Federal-State Joint Board on Universal Service (Joint Board), to establish specific, predictable, and sufficient mechanisms to preserve and advance universal service.

To implement section 254 of the Act, the Commission, among other things, adopted processes in which states must certify that all carriers receiving federal universal service funding pursuant to the non-rural high-cost mechanism are using the funds to achieve the goals of the Act. The Commission relies on states to take appropriate steps to account for the use of federal high-cost universal service support by eligible telecommunications carriers. Federal high-cost universal service support to non-rural carriers is intended to enable the reasonable comparability of intrastate rates, and states have primary jurisdiction over intrastate rates. Therefore, the Commission determined that it is most appropriate for states to determine how the support is used by non-rural carriers to advance the goals set out in section 254(e) of the Act, and to ensure and certify to the Commission that the federal support is being applied by non-rural carriers in a manner consistent with section 254 of the Act.

States must also provide information to the Commission regarding the comparability of local rates in rural areas served by non-rural carriers within the state to urban rates nationwide, explain the bases for their conclusions, as well as proposed remedies if rates are not reasonably comparable. States report on rate comparability in one of several ways. If a state's rural local rates are below the safe harbor urban rate benchmark, its rates may be presumed reasonably comparable. Most states certify in this manner and are not required to file any additional explanation or supporting data. A state, however, with rural rates below the safe harbor urban rate benchmark that nevertheless certifies that its rural rates are not reasonably comparable to urban rates nationwide based on its analysis of other relevant factors must fully explain its analysis, its proposed method of identifying and implementing a means of achieving rate comparability, and supporting data that shows the rates paid by its residential consumers in rural areas served by non-rural carriers. In addition, rural rates above the safe harbor urban rate benchmark may be presumed not reasonably comparable, and a state so certifying must explain its proposed course of action to address the failure to achieve reasonable comparability and submit

rate data for the rural areas within the state served by non-rural carriers. A state's consideration of other relevant factors, however, may overcome the presumption that its rural rates are not reasonably comparable to urban rates nationwide. In this case, the state must explain its rate analysis and submit relevant rate data.

Following are the collections of information:

Section 54.313 – State certification of support for non-rural carriers.

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 sections 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. A certification may be filed in the form of a letter and must be filed with both the Office of the Secretary of the Commission and with the Administrator on or before the deadlines set forth in section 54.313(d). 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 the support is intended. A state may file a supplemental certification for carriers not subject to the state's annual certification.

Section 54.316 - Rate comparability review and certification for areas served by non-rural carriers.

(a) *Certification.* Each state is required annually to review the comparability of residential rates in rural areas of the state served by non-rural incumbent local exchange carriers to urban rates nationwide, and to certify to the Commission and the Administrator as to whether the rates are reasonably comparable, for purposes of section 254(b)(3) of the Act. If a state does not rely on the safe harbor described in paragraph (b), or certifies that the rates are not reasonably comparable, the state must fully explain its rate comparability analysis and provide data supporting its certification, including but not limited to residential rate data for rural areas within the state served by non-rural incumbent local exchange carriers. If a state certifies that the rates are not reasonably comparable, it must also explain why the rates are not reasonably comparable and explain what action it intends to take to achieve rate comparability.

(b) *Safe Harbor.* For the purposes of its certification, a state may presume that the residential rates in rural areas served by non-rural incumbent local exchange carriers are reasonably comparable, for the purposes of section 254(b)(3) of the Act, to urban rates nationwide if the rates are below the nationwide urban rate benchmark. The nationwide urban rate benchmark shall equal the nationwide average urban rate plus two weighted standard deviations. The benchmark shall be calculated using the most recent nationwide average urban rate and standard deviation shown in the annual *Reference Book of Rates, Price Indices, and Expenditures for Telephone Service*. For the purposes of this

presumption, rates shall include the access charges and other mandatory monthly rates included in the rate survey published in the most recent annual *Reference Book of Rates, Price Indices, and Expenditures for Telephone Service*. The *Reference Book of Rates, Price Indices, and Expenditures for Telephone Service* is available on the Commission website at www.fcc.gov/wcb/iatd/lec.html.

As noted on the OMB Form 83i, this information collection does not affect individuals or households; thus, there are no impacts under the Privacy Act.

Statutory authority for this collection of information is contained in 47 U.S.C. sections 214 and 254.

(d) *Schedule for Certification*. Annual certifications are required on the schedule set forth in section 54.313(d)(3), beginning October 1, 2004. Certifications due on October 1 of each year shall pertain to rates as of the prior July 1. Certifications filed during the remainder of the schedule set forth in section 54.313(d)(3) shall pertain to the same date as if they had been filed on October 1.

2. *Use of information*. This information is used to verify that the carriers have accounted for receipt of federal support in its rates or otherwise used the support for the “provision, maintenance, and upgrading of facilities and services for which the support is intended” in accordance with section 254(e) of the Act. Further, the information is used to show that rates in rural areas served by non-rural carriers are reasonably comparable to urban rates nationwide.

3. *Technological collection techniques*. Respondents may file responses by electronic means but are not required to do so.

4. *Efforts to identify duplication*. There will be no duplication of information. The information sought is unique to each state and similar information is not already available.

5. *Impact on small entities*. The collections of information are being imposed on state commissions rather than on small business entities.

6. *Consequences if information is not collected*. Failing to collect the information would prevent the Commission from implementing sections 214 and 254 of the Act and may make it difficult for the Commission to ensure that only eligible entities receive universal service support, and effectively induce states to adopt measures to promote reasonable rate comparability.

7. *Special circumstances*. Not applicable.

8. The FCC published a notice in the Federal Register as required by 5 CFR 1320.8. See 75 FR 26959, dated May 13, 2010. No comments were received.

9. *Payments or gifts to respondents.* The Commission does not provide any payments or gifts to respondents.

10. *Assurance of confidentiality.* The Commission is not requesting that respondents submit confidential information to the Commission. If the Commission does request applicants to submit information that the respondents believe is confidential, respondents may request confidential treatment of such information under section 0.459 of the Commission's rules.

11. *Questions of a sensitive nature.* This request does not address matters of a sensitive nature.

12. *Estimates of the hour burden of the collection to respondents.*

a. Section 54.313 – Certification Letter Accounting for Receipt of Federal Support:

(1) Number of respondents: Approximately 51.

(2) Frequency of response: Annually; On occasion. Each state commission must file a letter with the Commission certifying that the non-rural carriers within the state will use the support for the “provision, maintenance, and upgrading of facilities and services for which the support is intended” in accordance with section 254(e) of the Act.

(3) Annual burden per respondent: 3 hours. The total annual hour burden is 153 hours.

(4) Total estimate of annualized cost to respondents for the hour burdens for collection of information: \$7,650

(5) Explanation of calculation: We estimate that each state commission will spend 3 hours drafting a letter to the Commission to certify that the non-rural carriers within the state have accounted for its receipt of federal support. 51 (number of respondents) x 3 (hours to prepare high-cost plan) x \$50 per hour (including administrative staff time and overhead) = \$7,650. The estimates are provided by staff members who are most familiar with the requirements.

Section 54.316 – Rate Comparability Review and Certification

States report on rate comparability in one of several ways. If a state's rural local rates are below the safe harbor urban rate benchmark, its rates may be presumed reasonably comparable. Most states certify in this manner and are not required to file any additional explanation or supporting data. A state, however, with rural rates below the safe harbor urban rate benchmark that nevertheless certifies that its rural rates are not reasonably comparable to urban rates nationwide based on its analysis of other relevant factors must fully explain its analysis, its proposed method of identifying and

implementing a means of achieving rate comparability, and supporting data that show the rates paid by its residential consumers in rural areas served by non-rural carriers. In addition, rural rates above the safe harbor urban rate benchmark may be presumed not reasonably comparable, and a state so certifying must explain its proposed course of action to address the failure to achieve reasonable comparability and submit rate data for the rural areas within the state served by non-rural carriers. A state's consideration of other relevant factors, however, may overcome the presumption that its rural rates are not reasonably comparable to urban rates nationwide. In this case, the state must explain its rate analysis and submit relevant rate data.

b. Certification Letter for rural rates below the safe harbor urban rate benchmark and rates are reasonably comparable:

(1) Number of respondents: Approximately 49.

(2) Frequency of response: Annually; On occasion. Each state commission must file a letter with the Commission certifying that its rates in rural areas served by non-rural carriers within the state to urban rates nationwide are reasonably comparable.

(3) Annual burden per respondent: 3 hours. The total annual hour burden is 147 hours.

(4) Total estimate of annualized cost to respondents for the hour burdens for collection of information: \$7,350.

(5) Explanation of calculation: We estimate that each state commission will spend 3 hours drafting a letter to the Commission certifying that its rates in rural areas served by non-rural carriers within the state to urban rates nationwide are reasonably comparable. 49 (number of respondents) \times 3 (hours to prepare certification) \times $\$50$ per hour (including administrative staff time and overhead) = $\$7,350$. The estimates are provided by staff members who are most familiar with the requirements.

c. Certification Letter for rural rates above the safe harbor urban rate benchmark, and rates not reasonably comparable but state believes rates are reasonable comparable:

(1) Number of respondents: Approximately 2.

(2) Frequency of response: Annually; On occasion. Each state commission must file a letter, along with additional information explaining why it believes its rates are reasonably comparable, with the Commission certifying that its rates in rural areas served by non-rural carriers within the state to urban rates nationwide are reasonably comparable.

(3) Annual burden per respondent: 5 hours. The total annual hour burden is 10 hours.

(4) Total estimate of annualized cost to respondents for the hour burdens for collection of information: \$500.

(5) Explanation of calculation: We estimate that each state commission will spend 5 hours drafting a letter to the Commission certifying that its rates in rural areas served by non-rural carriers within the state to urban rates nationwide are reasonably comparable. 2 (number of respondents) \times 5 (hours to prepare certification and explanation) \times $\$50$ per hour (including administrative staff time and overhead) = $\$500$. The estimates are provided by staff members who are most familiar with the requirements.

d. Certification Letter for rural rates above the safe harbor urban rate benchmark, and rates not reasonably comparable and the state agrees or disagrees:

(1) Number of respondents: Approximately 1.

(2) Frequency of response: Annually; On occasion. Each state commission must file a letter, along with additional information explaining why it believes its rates are not reasonably comparable and what steps it plans to take to achieve rate comparability, with the Commission certifying that its rates in rural areas served by non-rural carriers within the state to urban rates nationwide are not reasonably comparable.

(3) Annual burden per respondent: 5 hours. The total annual hour burden is 5 hours.

(4) Total estimate of annualized cost to respondents for the hour burdens for collection of information: \$250.

(5) Explanation of calculation: We estimate that each state commission will spend 5 hours drafting a letter to the Commission certifying that its rates in rural areas served by non-rural carriers within the state to urban rates nationwide are not reasonably comparable. 1 (number of respondents) \times 5 (hours to prepare certification and explanation) \times $\$50$ per hour (including administrative staff time and overhead) = $\$250$. The estimates are provided by staff members who are most familiar with the requirements.

TOTAL ANNUAL BURDEN HOURS = 153 + 147 + 10 + 5 = 315 annual hours.

13. *Estimates of the cost burden of the collection to respondents.* We estimate that there are no capital or start-up costs for any of these requirements. We do not believe that these requirements necessitate any additional equipment. We estimate that there are no operation, maintenance, or purchase of services cost for these requirements.

14. *Estimates of the cost burden to the Commission.* There will be few, if any costs to the Commission because notice and enforcement requirements are already part of the Commission's duties. Moreover, there will be minimal cost to the Federal government since an outside party (USAC) administers the program.

15. *Program changes or adjustment.* No program changes or adjustments.

16. *Collections of information whose results will be published.* The Commission will make any non-proprietary information publicly available on the Internet as the Commission deems appropriate.

17. *Display of expiration date for OMB approval of information collection.* Not applicable.

18. *Exception to the certification statement for Paperwork Reduction Act submission (Item 19 of the OMB Form 83-1).* There are exceptions to the certification statement. The 60 day notice had an error in the total annual burden hours. With this submission to the OMB, we are not changing the burden estimate. The total annual burden hours remain the same as reported to OMB in 2007.

B. Collections of Information Employing Statistical Methods:

No statistical methods are employed.