

**Program to Monitor the Impacts of the Universal Service Support Mechanisms, CC Docket Nos. 98-202, 96-45**

**SUPPORTING STATEMENT**

**A. Justification:**

1. Both now and prior to the Telecommunications Act of 1996 (1996 Act)<sup>1</sup> the Commission has taken steps to promote universal access to telephone service.<sup>2</sup> In 1987, the Commission, acting on the recommendation of the Separations Joint Board, adopted a monitoring program to address universal service and separations issues raised in CC Docket No. 80-286.<sup>3</sup> Because that monitoring program (and the Monitoring Reports derived from the program) integrated information from all fifty states, Commission and state staff worked closely to prepare accurate and useful analyses. The Monitoring Reports have been and continue to be widely used by the public, state commissions and industry because they provide valuable information on universal service support in all states.

In the 1996 Act, Congress adopted section 254 of the Communications Act, as amended,<sup>4</sup> and articulated a new statutory basis for federal universal service support mechanisms.

On May 8, 1997, the Commission released a *Report and Order* implementing section 254 of the Communications Act, as amended, and creating a new set of universal service support mechanisms.<sup>5</sup> In the *Universal Service Order*, the Commission decided to create a new program to monitor the universal service support mechanisms and to issue reports documenting the results of that monitoring program at least once a year.<sup>6</sup> The Commission delegated responsibility for creating the monitoring program and for compiling Monitoring Reports to the Common Carrier Bureau<sup>7</sup> (Bureau), in consultation with the state staff of the Universal Service Joint Board.<sup>8</sup>

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<sup>1</sup> Telecommunication Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996 Act), *codified at 47 U.S.C. §§ 151 et seq.*

<sup>2</sup> See *Federal-State Board Joint Board Joint Board on Universal Service, Notice of Proposed Rulemaking and Order Establishing Joint Board*, CC Docket 96-45, FCC 96-93, ¶ 3 (rel. Mar. 8, 1996) (Universal Service NPRM); *Common Carrier Bureau Seeks Comment on Program to Monitor Impacts of Universal Service Support Mechanisms*, Public Notice, DA 98-580, CC Docket No. 96-45, IAD File No. 98-101, at ¶¶ 4-5 (rel. Apr. 24, 1998) (*Monitoring Program Public Notice*).

<sup>3</sup> See *Monitoring Program Public Notice*, at ¶ 5. For a detailed discussion of the Commission's program to monitor those support mechanisms, see the *Monitoring Program Public Notice*, at ¶¶ 4-5.

<sup>4</sup> 47 U.S.C. § 254.

<sup>5</sup> *Federal-State Joint Board on Universal Service*, Report and Order, CC Docket No. 96-45, FCC 97-157, (rel. May 8, 1997) (*Universal Service Order*).

<sup>6</sup> *Universal Service Order*, ¶ 869.

<sup>7</sup> As a result of reorganization in March 2002, the Wireline Competition Bureau now performs Common Carrier Bureau functions described in this supporting statement.

<sup>8</sup> *Federal-State Joint Board on Universal Service*, Order on Reconsideration, CC Docket No. 96-45, FCC 97-246, at ¶ 34 (rel. July 10, 1997) (*Universal Service First Order On Reconsideration*)

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On April 24, 1998, the Bureau released the *Monitoring Program Public Notice* seeking comment on a proposed program to monitor the impacts of the universal service support mechanisms.<sup>9</sup>

The Bureau concluded that the monitoring program should be designed so that the data reported are based, wherever possible, on existing information collections or publicly available information. In addition, the Bureau reviewed all of the items in the Monitoring Reports to make sure that any non-essential data are omitted. Therefore, there is only one item remaining in the monitoring program at this time for which OMB approval is sought.

Information on network usage and growth: This information is generally maintained by all companies in conjunction with billing for access usage. This information is collected by the National Exchange Carriers Association (NECA). NECA acts as the access billing agent for most small companies, and requests the data from the other companies.

Prior to 2002, the data collected were: local, intrastate toll, and interstate dial equipment minutes, interstate dial equipment minute factors, and interstate access minutes. The dial equipment minutes reporting categories were eliminated due to separations reform. Thus, only the interstate access minutes remain to be reported.

We estimate that it should take no more than 40 minutes (0.667 hours) per study area to find and report this one item—the large study area respondents file quarterly reports with NECA. NECA, acting on behalf of the small study area respondents, then reports to the FCC on a quarterly basis—third party disclosure requirement.

This information collection does not affect individuals or households; thus, there are no impacts under the Privacy Act.

Statutory authority is contained in sections 1, 2, 4, 201-205, 215, 218, 220, 229, 254, and 410 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 152, 154, 201-205, 215, 218, 220, 229, 254, 410 and 47 C.F.R. Parts 54 and 36.

2. The monitoring program is necessary for the Commission, the Joint Board, Congress and the general public to assess the impact of the universal service support mechanisms. Failure to maintain the program would make it impossible to determine the impact of these mechanisms and to assure that the implementation of section 254 fulfills the intent of Congress and furthers the public interest. This information collection should be continued because network usage and growth data have proven to be a valuable source of information about the advancement of universal service.
3. All parties are urged, whenever feasible, to use automated technologies to transmit their information. We do not specify any format for providing the data – the format is left to the

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<sup>9</sup> *Monitoring Program Public Notice, supra.*

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discretion of the respondents. However, we receive the information electronically from NECA, and we believe that automated technologies are used to collect and transmit the data.

4. The information is not duplicated elsewhere.
5. The data collection has been designed to minimize the burden on all respondents regardless of size. Most small companies use NECA to provide the data for them.
6. Care has been taken not to request information more frequently than it is needed. The information is only requested on a quarterly basis. Because of the rapidly changing nature of the industry, less frequent collection of information would not enable the monitoring to be done in a timely fashion.
7. No special circumstances are noted. The data collections will not be conducted in a manner inconsistent with the guidelines of 5 C.F.R. § 1320.5.
8. Pursuant to 5 C.F.R. § 1320.8(d), the Commission published a 60-day notice in the *Federal Register* to solicit public comment on the collection. See 78 FR 72883, dated December 4, 2013. No comments were received.
9. The Commission does not anticipate providing any payment or gift to respondents.
10. The data requested are regarded as non-proprietary. However, respondents may request materials or information submitted to the Commission be withheld from public inspection under 47 C.F.R. § 0.459 of the FCC's rules.
11. None of the questions are of a sensitive nature, nor are there any privacy impacts, as noted above.
12. The following represents the estimate of hour burden of the collections of information:

Information on Network Usage and Growth

(1) Number of Respondents: 313 respondents

(a) 312 large study area respondents.

(b) NECA acting as agent for 1,137 small study areas.<sup>10</sup>

Total:  $312 + 1 = 313$  respondents.

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<sup>10</sup> The small study areas have decreased from 1,247 to 1,137. A portion of this decrease is due to companies leaving the NECA pool. The remainder is due to the FCC overstating the number of small study areas in the 2011 submission for future years. The FCC has based its current estimate on the 2009 Minutes of Use data, and most CenturyTel study areas left the NECA pool during 2009. This resulted in these study areas being reported in 2009 by NECA for part of the year and by CenturyTel for the remainder of the year. Though our estimate was accurate for 2009, it was overestimated for future years.

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(2) Frequency of Response: Quarterly reporting requirement; third party disclosure (quarterly).

(3) Total Number of Responses Annually: 1,252

(a) 312 large study area respondents each file quarterly reports with NECA:

312 respondents x 4 reports/annum = 1,248 responses.

(b) NECA files quarterly reports with the FCC (3<sup>rd</sup> party disclosure):

NECA x 4 reports/annum = 4 responses.

Total: 1,248 + 4 = 1,252 responses.

(4) Total Annual Hour Burden: 836 hours

(a) The Commission estimates that the 312 large study area respondents each require approximately 40 minutes (0.667 hours) per study area to file their quarterly network usage and growth data reports with NECA:

312 large study area respondents x 0.667 hours/response x 4 responses/annum = 832 hours.

(b) The Commission also estimates that NECA, acting on behalf of the 1,137 small member study areas and incorporating into its report data from the larger companies, requires approximately one hour to file its quarterly reports with the FCC:

NECA x 1 hour/3<sup>rd</sup> party response x 4 responses/annum = 4 hours.

Total: 832 hours + 4 hours = **836 hours**.

(5) Estimate of annualized cost to respondents for the hour burdens: \$52,546.78

(6) Explanation of calculation: Each of the study area respondents and NECA will file data for each study area in which it operates or acts as collection agent, as required—either quarterly or annually. Thus, assuming that respondents use personnel comparable in pay to a GS-13/5 federal employee, cost to respondent is \$48.35 per study area. The cost to entire industry is:

836 hours x \$62.86 (hourly rate including 30% overhead cost) = \$52,546.78.

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13. The following represents the Commission's estimate of the annual cost burden to respondents or recordkeepers resulting from the collections of information:

- (1) Total capital and start-up component (annualized over its useful life): \$0.
- (2) Total operations and maintenance and purchase of services component: \$0.
- (3) Total annualized cost requested: \$0.

14. The Commission estimates that the cost to government of this program is as follows:

The review of the information submitted to the FCC includes about 40 hours of work by a staff economist for spreadsheet manipulation and word processing.

At the GS 13/5 level (\$62.86 per hour including 30% overhead), this cost amounts to approximately \$2,514.40, plus the cost of printing and distributing the monitoring reports.

Since outside parties (*i.e.*, NECA) will administer the actual data collection, the cost receiving the data will be minimal.

15. The Commission has made the following adjustments to these estimates:

- (a) Total number of respondents is estimated to be 313 respondents, including 312 large study area respondents, and NECA, filing on behalf of 1,137 small study areas (as explained in footnote 10), an increase of 25 respondents from the 288 respondents previously reported. These study areas left the NECA pool which resulted in them having to do their own response. Over the last five years, there has been an increase in the number of companies converting from rate-of-return (in the NECA pool) to price caps (out of the NECA pool).
- (b) Total number of responses annually is estimated to be 1,252 responses, an increase of 100 responses from the 1,152 responses previously reported;
- (c) The total annual hourly burden for the collection of information is estimated to be 836 hours, an increase of 66 hours from the 770 hours previously reported.

16. The information collected is available to the general public and published in monitoring reports on an annual basis. Each report includes all information collected in the year prior to the report.

17. The Commission does not seek OMB approval to not display the expiration date for OMB approval of the information collections.

18. There are no exceptions to the Certification Statement.

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**B. Collections of Information Employing Statistical Methods:**

The Commission does not anticipate that the collections of information will employ statistical methods.