

SUPPORTING STATEMENT

A. **Justification:**

1. *Circumstances that make the collection necessary.* The Communications Act of 1934, as amended requires the “preservation and advancement of universal service.” The information collection requirements reported under this new collection are the result of Commission actions to promote the Act’s universal service goals.

On March 28, 2016, the Commission adopted significant reforms to place the universal service support program on solid footing for the next decade to preserve and advance voice and broadband service in areas served by rate-of-return carriers. *Connect America Fund; ETC Annual Reports and Certifications; Establishing Just and Reasonable Rates for Local Exchange Carriers; Developing a Unified Inter-carrier Compensation Regime*, WC Docket Nos. 10-90, 14-58, 07-135, 05-337, 03-109; CC Docket Nos. 01-92, Report and Order, Order and Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC 16-33 (*Rate-of-Return Reform Order*).

As part of the *Rate-of-Return Reform Order*, the Commission adopted a voluntary path for rate-of-return carriers to receive model-based support in exchange for making a commitment to deploy broadband-capable networks meeting certain service obligations to a pre-determined number of eligible locations in a state. By creating a voluntary pathway to model-based support, the Commission will spur new broadband deployment in rural areas.

This information collection addresses the requirement that carriers electing model-based support must notify the Commission of that election and their commitment to satisfy the specific service obligations associated with the amount of model support.

In addition, the Commission adopted reforms to the universal service mechanisms used to determine support for rate-of-return carriers not electing model-based support. Among other such reforms, the Commission adopted an operating expense limitation to improve carriers’ incentives to be prudent and efficient in their expenditures, a capital investment allowance to better target support to those areas with less broadband deployment, and broadband deployment obligations to promote “accountability from companies receiving support to ensure that public investment are used wisely to deliver intended results.” This information collection addresses the new burdens associated with those reforms. Other requirements adopted in the *Rate-of-Return Reform Order* will be addressed under other Office of Management and Budget (OMB) control numbers.

New requirement being proposed in this information collection:

Connect America Fund-Alternative Connect America Cost Model (CAF-ACAM) Elections

Rate-of-return carriers are given an opportunity to accept CAF-ACAM support for all areas they serve in a given state, as specified below. A carrier may accept or decline support through its election:

- (a) If a carrier is accepting funding, it must submit a letter signed by an officer of the company confirming that the carrier elects model-based support as specified in the Public Notice that will be released by the Wireline Competition Bureau listing the offer amount for each carrier in a state, and that it commits to satisfy the specific service obligations associated with the amount of model support.

- (b) A carrier may decline funding for a given state by submitting a letter signed by an officer of the company noting that it does not accept model-based funding. If a carrier fails to submit any final election letter by the close of the 90-day election period, it will be deemed to have declines model-based support. For rate-of-return carriers that do not elect to receive CAF-ACAM support, they will continue to be eligible for support based on existing requirements for rate-of-return carriers (approved under OMB control numbers 3060-0986 and 3060-0233).
- (c) If the Wireline Competition Bureau determines that model support of electing carriers would exceed the overall budget for the model path set by the Commission, the Bureau may publish a second Public Notice specifying revised model-based support amounts and revised deployment obligations, available only to those carriers that initially elected model-based support. A carrier must confirm that it is willing to accept the revised final offer within 30 days of release of this second Public Notice; if they fail to do so, they will be deemed to have declined the revised offer.

The submission of an election letter is necessary for the Commission to determine what CAF-ACAM support should be distributed. Requiring the acknowledgement of service obligations will ensure that carriers have affirmative knowledge of what burdens they take on as a result of electing to accept CAF-ACAM support.

Operating Expense Limitation.

For most rate-of-return carriers, the operating expense limitation will be calculated using data already collected for other purposes pursuant to existing OMB control numbers 3060-0233 and 3060-0986. For a small number of carriers that are not members of the National Exchange Carrier Association's (NECA) common line pool, however, the data will not be subject to those collections. Those carriers will be required to file the data separately. This data includes Information origination/termination expenses (Uniform System of Accounts account 32.6310), other property, plant and equipment expenses (account 32.6510), marketing expenses (account 32.6610), and services expenses (account 32.6620).

Currently, it is estimated that fewer than ten carriers will be required to make this filing because the data will be available from other sources. It is expected, however, that more carriers will be required to make this filing in the future, so this submission includes an estimate burden for this collection.

Capital Investment Allowance, Identification of Special Circumstances to Qualify for an Adjustment Pursuant to 47 C.F.R. Section 54.303(k).

The capital investment allowance will be calculated using data collected pursuant to existing OMB control numbers (i.e., 3060-0986 and 3060-0233). However, adjustments will be made to the allowance based on certain special circumstances identified in section 54.303(k) of the Commission's rules. Carriers will be required to make a filing to identify the existence of those special circumstances. These special circumstances include: geographic areas within the carrier's study area where there are currently no existing wireline loop facilities; geographic areas within the carrier's study area where grant funds are used for loop plant investment; geographic areas within the carrier's study area for which loan funds were disbursed for the purposes of loop plant investment before the effective date of this rule; and construction projects for which the carrier, prior to the effective date of this rule, had awarded a contract for a loop plant construction project within the study area.

Broadband Deployment Obligations, Election of Methodology and 2015 Broadband-only Loop Counts

Each carrier's precise broadband deployment obligations will be determined using one of two specified methodologies: the average cost of providing 10/1 Mbps service, based on the actual costs of carriers with similar density that have widely deployed 10/1 service, or the A-CAM's calculation of the cost of providing 10/1 Mbps service in the unserved census blocks in the carrier's study area. Carriers will be required to notify the Universal Service Administrative Company (USAC) which method they select. In addition, to calculate each carrier's deployment obligations, it is necessary for each carrier to provide broadband-only loop counts to the USAC, except that the National Exchange Carrier Association may provide such data to USAC on behalf of carriers for whom it already possesses such data.

Statutory authority for this information collection is contained in 47 U.S.C. sections 151-154, 155, 201-206, 214, 218-220, 251, 252, 254, 256, 303(r), 332, 403, 405, 410, and 1302.

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

2. *Use of information.* The Commission will use the information collections to ensure that Connect America funds are spent in accordance with the rules of the program, to determine what areas should be eligible for CAF-ACAM support, to calculate operating expense limitations for rate-of-return carriers, to identify circumstances requiring adjustment of a rate-of-return carrier's capital investment allowance pursuant to section 54.303(k) of the Commission's rules, to identify which methodology will be used in determining a rate-of-return carrier's broadband deployment obligations, and to calculate each rate-of-return carrier's broadband deployment obligations.

3. *Technological collection techniques.* In an effort to reduce any burden created by these information collection requirements, the Commission requires that all respondents submit their acceptance letters to the Wireline Competition Bureau at ConnectAmerica@fcc.gov.

The information collected for operating expense limitation, capital investment allowance, and deployment obligation methodology will be submitted electronically to the Universal Service Administrative Company.

4. *Efforts to identify duplication.* There will be no duplication of information. The information sought is unique to each carrier and similar information is not already available. To avoid any duplication, some of the requirements in this information collection will be satisfied by information collected under other OMB control numbers (e.g., 3060-0986).

5. *Impact on small entities.* The process has been designed as far as possible to limit the burden on small entities.

6. *Consequences if information is not collected.* The information collected is used to determine which rate-of-return carriers voluntarily elect to receive model-based support in exchange for making a commitment to deploy broadband-capable networks to a pre-determined number of eligible locations. CAF-ACAM elections are necessary to determine which carriers have chosen to receive model-based support.

The operating expense data will be used to compare each carrier's operating expenses per location to a per-location operating expense limitation generated using a regression model based on all carrier's operating expenses. This data is necessary both to input into the regression model so that operating expense limitations can be calculated for all carriers and to determine the amount of the carrier's operating expense reduction, if necessary.

The information collected pursuant to section 54.303(k) will be used to determine whether an adjustment will be made to a carrier's capital investment allowance. If the information is not collected, adjustments to the capital investment allowance cannot be made and the carrier's unadjusted allowance, without recognition of the carrier's special circumstances, would be used instead.

The broadband deployment obligation methodology is used to determine what methodology will be used to determine a carrier's broadband deployment obligations. If the information is not collected the universal service administrator would not know what methodology each carrier prefers to be applied. Without the broadband-only loop count data, the administrator will not be able to properly calculate each carrier's obligations.

7. *Special circumstances.* We do not foresee any special circumstances that would cause an information collection to be conducted under extraordinary circumstances.
8. *Federal Register notice; efforts to consult with persons outside the Commission.* A 60-day notice was published in the *Federal Register* pursuant to 5 C.F.R. § 1320.8(d) on May 27, 2016 (81 FR 33671). No PRA comments were received.
9. *Payments or gifts to respondents.* The Commission does not anticipate providing any payment or gifts to respondents.
10. *Assurances of confidentiality.* The Commission is not requesting respondents to submit confidential information to the Commission.
11. *Questions of a sensitive nature.* There are no questions of a sensitive nature with respect to the information collections described herein.
12. *Estimates of the hour burden of the collection to respondents.* The following represents the hour burden on the collections of information:

New requirement being proposed in this information collection:

Connect America Fund-Connect America Cost Model Support Elections:

- (1) **Number of respondents:** Approximately 100 unique respondents. All rate-of-return carriers are eligible to elect to receive model-based support through a state-level commitment. In general, those carriers for whom the model produces a significant increase in support over legacy support are more likely to elect model support than those who see little increase or a decrease, assuming they view the increase in support as sufficient to meet the associated deployment obligations. At the same time, all carriers for whom model-based support is greater than legacy support are not expected to make the election; some companies may not be prepared to meet the specific defined broadband build-out obligations that come with such support, while others may not be ready at this time to move to incentive regulation for their common line offering.
- (2) **Frequency of response:** One-time for all respondents, and two times for a subset of respondents. Respondents would not file more than twice. Carriers would make an initial election of CAF-ACAM support. If the model support of electing carriers is within the budget for the voluntary model path, the elections are final. If the support amounts are revised, carriers would confirm they are willing to accept the revised final offer.

- (3) Annual hour burden per respondent: 2 hours per respondent for 100 carriers filing the first election, and 2 hours per respondent for 80 carriers confirming the revised election, if applicable. Total annual hour burden is calculated as follows:

100 respondents x 1 certification per respondent + 80 respondents x 1 confirmation = 180 responses x 2 hours = **360 total annual hours.**

- (4) Total estimate of in-house cost to respondents for the hour burden: \$14,400 (360 hours x \$40/hr.).
- (5) Explanation of calculation: We estimate that each potential CAF-ACAM funding recipient will take 2 hours to make and submit its initial election and eighty percent of respondents will confirm the election. 100 (number of initial respondents) + 80 (number of confirmations) x 2 (hours to prepare submission) x \$40/hr. = \$14,400.

Operating Expense Limitation

- (1) Number of respondents: Approximately 10. Currently, there are approximately 10 potential respondents that are not members of the NECA common line pool and will therefore be required to submit data pursuant to this collection.

- (2) Frequency of response: Annually.

- (3) Annual hour burden per respondent: 2 hours per respondent for 10 carriers filing on an annual basis. Total annual hour burden is calculated as follows:

10 respondents x 1 filing per respondent = 10 responses x 2 hours = **20 total annual hours.**

- (4) Total estimate of in-house cost to respondents for the hour burden: \$800. (20 hours x \$40/hr.).

- (5) Explanation of calculation: We estimate that each rate-of-return carrier that is not a member of the common line pool (and has not elected ACAM support) will take 2 hours to make and submit its election. 10 (number of respondents) x 2 (hours to prepare submission) x \$40/hr. = \$800.

Capital Investment Allowance, Identification of Special Circumstances to Qualify for an Adjustment Pursuant to 47 C.F.R. Section 54.303(k)

- (1) Number of respondents: Approximately 300. There are four categories of special circumstances that would permit a response: geographic areas within the carrier's study area where there are currently no existing wireline loop facilities; geographic areas within the carrier's study area where grant funds are used for loop plant investment; geographic areas within the carrier's study for which loan funds were disbursed for the purposes of loop plant investment before the effective date of this rule; and construction projects for which the carrier, prior to the effective date of this rule, had awarded a contract for a loop plant construction project within the study area.

- (2) Frequency of response: One-time. Potential respondents would be able to identify the applicability of a special circumstance at the effective date of this filing and special circumstances are not of a nature that they would arise subsequently.

- (3) Annual hour burden per respondent: 2 hours per respondent for 300 carriers filing on an occasional basis. Total annual hour burden is calculated as follows:

300 respondents x 1 certification per respondent = 300 responses x 2 hours = **600 total annual hours.**

- (4) Total estimate of in-house cost to respondents for the hour burden: \$24,000. (600 hours x \$40/hr.).
- (5) Explanation of calculation: We estimate that each rate-of-return carrier with special circumstances to report will take 2 hours to make and submit its election. 300 (number of respondents) x 2 (hours to prepare submission) x \$40/hr. = \$24,000.

Election of Broadband Deployment Obligation Methodology

- (1) Number of respondents: Approximately 1,000. Each rate-of-return study area that does not elect the voluntary path to model-based support will be required to elect a methodology for determining broadband deployment obligations.
- (2) Frequency of response: One-time.
- (3) Annual hour burden per respondent: 0.5 hours per respondent for 1,000 carriers filing on an occasional basis. Total annual hour burden is calculated as follows:

1,000 respondents x 1 election letter per respondent = 1,000 responses x 0.5 hours = **500 total annual hours.**

- (4) Total estimate of in-house cost to respondents for the hour burden: \$20,000. (500 hours x \$40/hr.).
- (5) Explanation of calculation: We estimate that each rate-of-return carrier not electing ACAM support will take 0.5 hours to make and submit its election. 1,000 (number of respondents) x 0.5 (hours to prepare submission) x \$40/hr. = \$20,000.

Broadband-only Loop Counts

- (1) Number of respondents: Approximately 600. Each rate-of-return study area that does not elect the voluntary path to model-based support and does not otherwise report its broadband-only loop counts to the NECA (because it is an average schedule company or because it does not participate in the NECA DSL tariff) will be required to file its 2015 broadband-only loop counts.
- (2) Frequency of response: One-time.
- (3) Annual hour burden per respondent: 0.5 hours per respondent for 600 carriers filing one-time. Total annual hour burden is calculated as follows:

600 respondents x 1 response per respondent = 600 responses x 0.5 hours = **300 total annual hours.**

- (4) Total estimate of in-house cost to respondents for the hour burden: \$12,000. (300 hours x \$40/hr.).
- (5) Explanation of calculation: We estimate that each rate-of-return carrier for whom this data is required will take .5 hours to make and submit its election. 600 (number of respondents) x 0.5 (hours to prepare submission) x \$40/hr. = \$12,000.

The estimated respondents and responses and burden hours are listed below:

Information Collection Requirements	Number of Unique Respondents	Number of Responses Per Year	Estimated Time per Response (hours)	Total Burden Hours	In-house Office and Overhead Costs
<u>CAF-ACAM State-Level Elections</u>	100	180	2	360	\$14,400
<u>Operating Expense Limitation</u>	10	10	2	20	\$800
<u>Capital Investment Allowance, Identification of Special Circumstances</u>	300	300	2	600	\$24,000
<u>Broadband Deployment Obligations, Election of Methodology</u>	1,000	1,000	.5	500	\$20,000
<u>Broadband-only Loop Counts</u>	600	600	.5	300	\$12,000

Total Number of Respondents: 2,010 Unique Respondents.

Total Number of Responses Annually: 2,090.

Total Annual Hourly Burden for requirements: 1,780 hours.

Total Annual “In House” Costs: \$71,200.

13. *Estimates for the cost burden of the collection to respondents.* There are no outside contracting costs for this information collection. See the last column in the chart in item 12 above for the estimated in-house costs.
14. *Estimates of the cost burden to the Commission.* There will be few, if any, costs to the Commission because ensuring proper use of universal service support is already part of Commission duties. Furthermore, no new systems or programs will be acquired or developed to process the information collection.

15. *Program changes or adjustments.* This is a new information collection resulting in a program change/increase to the total respondents of 2,010, total annual responses and total annual burden hours of 1,780, to carry out the programs set forth in the *Rate-of-Return Reform Order*, as noted in Question 1.
16. *Collections of information whose results will be published.* The Commission plans to make CAF-ACAM elections public through the issue of a public notice.
17. *Display of expiration date for OMB approval of information collection.* There is no form associated with this information collection. The Commission publishes a list of all OMB-approved information collections in 47 C.F.R. § 0.408 of the Commission's rules
18. *Exceptions to certification statement for Paperwork Reduction Act submissions.* There are no exceptions to the certification statement.

B. Collections of Information Employing Statistical Methods:

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