

SUPPORTING STATEMENT

A. Justification:

The Federal Communications Commission (“the Commission”) is seeking approval for a three-year time period from Office of Management and Budget (OMB) approval for this new information collection. We are submitting this collection to the OMB in order to obtain the full three-year clearance.

1. *Circumstances that make these collections necessary.* On November 18, 2011, the Commission released the *USF/ICC Transformation Order and Further Notice of Proposed Rulemaking*, WC Docket No. 10-90 et al., FCC 11-161, which comprehensively reformed and modernized the high-cost program within the universal service fund to focus support on networks capable of providing voice and broadband services. The Commission created the Connect America Fund (CAF) and concluded that support in price cap areas would be provided through a combination of “a new forward-looking model of the cost of constructing modern multi-purpose networks” and a competitive bidding process (the CAF II auction). The Commission also sought comment on proposed rules governing the CAF II auction, including options regarding basic auction design and the application process.

In the CAF II auction, service providers will compete to receive support of up to \$1.98 billion to offer voice and broadband service in unserved high-cost areas. To implement reform and conduct the CAF II auction, the Commission adopted new rules for the CAF II auction which include new information collections. In the *April 2014 Connect America Order*, WC Docket No. 10-90 et al., FCC 14-54, the Commission adopted certain rules regarding participation in the CAF II auction, the term of support, and the ETC designation process. In the *Phase II Auction Order*, WC Docket No. 10-90 et al., FCC 16-64, the Commission adopted rules to implement the CAF II auction, including the adoption of a two-stage application process. Based on the Commission’s experience with auctions and consistent with the record, this two-stage collection of information balances the need to collect information essential to conduct a successful auction with administrative efficiency.

The Commission is seeking approval by the OMB under the Paperwork Reduction Act (PRA) of the information collection requirements contained in the new rules. The Commission plans to submit at a later date additional revisions or new collections for OMB review to address other reforms adopted in the Orders.

The Commission estimates that approximately 500 parties may submit applications to participate in the CAF II auction. The number of applicants will vary, depending on the number of providers interested in serving the eligible areas.

The following are the new collections of information that will be used to determine the recipients of CAF II support:

Application to Participate in Connect America Fund Phase II Auction, FCC Form 183

- a. *Application to Participate in Competitive Bidding for CAF II Auction Support* (FCC Form 183). Section 54.315(a) of the Commission's rules states the specific requirements for the information that will be collected in applications to participate in competitive bidding for CAF II support, 47 CFR § 54.315(a). Specifically, applicants must submit in their applications:
- 1) Information specified in existing section 1.21001(b) of the Commission's rules, which, as discussed below, applies generally to all applicants seeking to participate in competitive bidding for universal service support, 47 CFR § 54.315(a);
 - 2) Ownership information as set forth in section 1.2112(a) of the Commission's rules, 47 CFR §§ 1.2112(a), 54.315(a)(1);
 - 3) Certification that the applicant is financially and technically qualified to meet the public interest obligations for each relevant performance tier and latency combination and in each area for which the applicant seeks support, 47 CFR §§ 54.310(e), 54.315(a)(2);
 - 4) The applicant's status as an eligible telecommunications carrier (ETC) and a certification that the applicant acknowledges that it must be designated as an ETC for the area in which it will receive support prior to being authorized to receive support, 47 CFR § 54.315(a)(3);
 - 5) The tier of bids that the applicant plans to make and a description of the technology or technologies that will be used to provide service for each tier of bid, 47 CFR § 54.315(a)(4);
 - 6) Any information required to establish eligibility for any bidding weights adopted by the Commission, 47 CFR § 54.315(a)(5);
 - 7) If the applicant plans to use spectrum to offer its voice and broadband services, a demonstration that it has the proper authorizations, if applicable, and access to operate on the spectrum it intends to use, and that the spectrum resources will be sufficient to cover peak network usage and deliver the minimum performance requirements to serve all of the fixed locations in eligible areas, and certify that it will retain its access to the spectrum for at least 10 years from the date of the funding authorization, 47 CFR § 54.315(a)(6);
 - 8) Specified operational and financial information, 47 CFR § 54.315(a)(7)
 - i) Certification that the applicant has provided voice, broadband, and/or electric distribution or transmission services for at least two years (or is the wholly-owned subsidiary of an entity that meets these requirements) and specify the number of years it or its parent company has been operating.

If the applicant provided voice or broadband services for at least two years, it must certify that it has filed FCC Form 477s as required during that time period. If the applicant operated an electric distribution or transmission network for at least two years, it must submit qualified operating or financial reports for the relevant time period that it has filed with the relevant financial institution along with a certification that the submission is a true and accurate copy of the forms that were submitted to the

relevant financial institution, 47 CFR § 54.315(a)(7)(i)(A), (B)

Applicants that meet these requirements must also submit audited financial statements from the prior fiscal year, including balance sheets, net income, and cash flow that have been audited by an independent certified public accountant. If such an applicant is not audited in the ordinary course of business, it may instead certify that it will submit the prior fiscal year's audited financial statements by the deadline during the long-form application review process, 47 CFR § 54.315(a)(7)(i). The Commission will be seeking OMB approval for the information that will be collected during the long-form application review process under a separate control number.

ii) In the alternative, an applicant that cannot meet the requirements in 47 CFR § 54.315(a)(7)(i) may instead submit audited financial statements from the three most recent consecutive fiscal years, including balance sheets, net income, and cash flow, and a letter of interest from a qualified bank with terms acceptable to the Commission that the bank would provide a letter of credit to the bidder if the bidder were selected for bids of a certain dollar magnitude, 47 CFR § 54.315(a)(7)(ii)

9) Any other information required by the Commission, 47 CFR § 54.315(a)

b. *Universal Service Competitive Bidding Application Contents.* As noted above, applicants are required to provide information in an acceptable form under existing section 1.21001(b) of the Commission's rules, which governs the general information that must be provided by applicants for universal service support through competitive bidding. The approval for the information collection in section 1.21001(b) can be found under OMB control number 3060-1166.

Statutory authority for this information collection is contained in 47 U.S.C. sections 154(i), 214, 254, and 303(r).

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

2. *Use of Information.* The Commission needs to use the information collected to determine whether applicants are qualified to participate in competitive bidding for CAF II support. The FCC Form 183 will be used by entities applying to participate in auctions for CAF II support. Commission staff will review the information collected prior to each auction. Commission staff will determine whether an applicant seeking to participate in an auction for CAF II support meets the requirements and is eligible to participate.
3. *Technological collection techniques.* The Commission is committed to meeting the requirements of the E-Government Act, which requires Government agencies to provide the general public the option of submitting information or transacting business electronically to the maximum extent possible. The forms associated with these collections will be available electronically through the Internet. Electronic filing will be required.

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4. *Efforts to identify duplication.* There will be no duplicative information collected. Each application submitted will be for a new project and for new purposes.
5. *Impact on small entities.* The collections of information may affect small entities as well as large entities. In conformance with the PRA, the Commission is making an effort to minimize the burden on all respondents regardless of size. The Commission has limited the information requirement to that which is necessary for evaluating and processing the application and to deter possible abuses of the Commission's processes.
6. *Consequences if information is not collected.* The submission of the short-form application is a prerequisite for participating in the CAF II auction. There are no consequences for entities that choose not to participate in the CAF II auction and do not file a FCC Form 183. The respondents will determine whether to participate in the CAF II auction. Thus, the frequency of filing is generally determined by the applicant.

The Commission needs to use the information collected to determine whether applicants are legally, technically, and financially qualified to participate in a Commission auction for CAF II support. The CAF II auction, including the collection of information to determine applicants' qualifications to participate pursuant to Commission rules and requirements, is designed to limit the competitive bidding to qualified applicants; to deter possible abuse of the bidding process; and to enhance the use of competitive bidding to distribute Universal Service Fund support in furtherance of the public interest. Thus, the information is being collected to meet the objectives of the Universal Service Fund program.

7. *Special circumstances.* We do not foresee any special circumstances with this information collection.
8. *Notice required by 5 CFR § 1320.8(d).* The Commission published a 60-day notice on June 20, 2017, (82 FR 28062). No PRA comments were received as a result of this notice.
9. *Payments or gifts to respondents.* Respondents will not receive any payments or gifts aside from CAF II support if they become winning bidders.
10. *Assurance of confidentiality.* Although most information collected in FCC Form 183 will be made available for public inspection, the Commission will withhold certain information collected in FCC Form 183 from routine public inspection. Specifically, the Commission will treat certain technical information submitted in FCC Form 183 as confidential and as though the applicant has requested that this information be treated as confidential trade secrets and/or commercial information. In addition, an applicant may use the abbreviated process under 47 CFR § 0.459(a)(4) to request confidential treatment of certain financial information contained in its FCC Form 183 application. However, if a request for public inspection for this technical or financial information is made under 47 CFR § 0.461, and the applicant has any objections to disclosure, the applicant will be notified and will be required to justify continued confidential treatment of its request. To the extent that a respondent seeks to have other information collected in FCC Form 183 withheld from public inspection, the respondent may request confidential treatment pursuant to 47 CFR § 0.459.

11. *Questions of a sensitive nature.* This information collection does not address any private matters of a sensitive nature.

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

(1) Number of respondents: **Approximately 500.**

(2) Number of Responses: **500.**

(3) Frequency of response: On occasion reporting requirement.

(4) Annual burden per response and Annual Burden Hours: On average 7 hours per response.

The total annual burden hours are calculated as follows:

500 responses x 7 hours/response = 3,500 hours. Therefore, the total annual hour burden are on average **3,500 annual hours.**

(5) Annual “in-house” cost to respondents: **\$212,905.**

The Commission estimates that applicants will use staff equivalent to a GS-14/Step 5 (\$60.83/hour) Federal employee to complete and submit the application.

Total: 3,500 hours x 60.83/hour = \$212,905

TOTAL NUMBER OF RESPONDENTS: 500.

TOTAL NUMBER OF ANNUAL RESPONSES: 500.

TOTAL ANNUAL BURDEN HOURS: 3,500 HOURS.

TOTAL ANNUAL “IN-HOUSE” COST to RESPONDENT: \$212,905.

13. *Estimates of the cost burden of the collection to respondents.* There is no external cost burden to the respondents. Applicants should not incur capital and start-up costs or operation and maintenance of purchase of services in connection with responding to the information collection in FCC Form 183. The information collected in FCC Form 183 should be collected and maintained as part of the customary and usual business or private practice of the applicant.

TOTAL CAPITAL AND START-UP COSTS OR OPERATION AND MAINTENANCE (O&M) = \$0.

14. *Estimates of the cost burden to the Commission.* There will be few, if any, costs to the Commission beyond normal labor costs because ensuring proper use of universal service support is already part of Commission duties.

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15. *Program changes or adjustment.* This is a new information collection resulting in program change increases of 500 total respondents, 500 total annual responses, and 3,500 total annual burden hours as of the result of the information collection requirements adopted in FCC 16-64.
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.* The Commission seeks approval to not display the OMB expiration date on FCC Form 183. This will prevent the Commission from having to change the OMB expiration date whenever we re-submit this information collection for approval. The Commission will use an edition date on the form instead of the OMB expiration date. The Commission will publish the OMB control number and OMB expiration date and title in the Code of Federal Regulations. See 47 CFR § 0.408.
18. *Exception to certification statement for Paperwork Reduction Act submissions.* In the 60-day notice that was published on June 20, 2017 (82 FR 28062), the Commission indicated that information collected in FCC Form 183 will be made available for public inspection and that the Commission is not requesting that respondents submit confidential information to the Commission as part of the pre-auction application process. However, after consideration of the record, the Commission has determined that certain technical and financial information that will be collected may be considered confidential trade secrets and/or commercial information that will be withheld from routine public inspection as described in item 10 above.

B. Collections of Information Employing Statistical Methods:

No statistical methods are employed.