

## SUPPORTING STATEMENT

This collection is being submitted as part of the *Connect America Fund; ETC Annual Reports and Certifications*, WC Docket Nos. 10-90 and 14-58, Order, FCC 17-2 (rel. Jan. 26, 2017) to obtain Office of Management and Budget (OMB) approval for new information collection requirements.

**A. Justification:**

1. *Circumstances that make these collections necessary.* Under this information collection, the Commission proposes to collect information to determine whether applicants that were selected in coordination with New York's New NY Broadband Program are technically and financially capable of meeting the terms and conditions of Connect America Phase II support.

The Commission has created the proposed FCC Form 5625 to aid in collecting this information regarding applicants' ability to meet the terms and conditions of Connect America Phase II support.

The Communications Act of 1934, as amended requires the "preservation and advancement of universal service." The information collection requirements reported under this collection are the result of various Commission actions to promote the Act's universal service goals, while minimizing waste, fraud, and abuse.

On January 26, 2017, the Commission released *Connect America Fund; ETC Annual Reports and Certifications*, WC Docket Nos. 10-90 and 14-58, Order, FCC 17-2 (rel. Jan. 26, 2017) (*New York Auction Order*), which granted New York a waiver of the Phase II auction program rules, subject to certain conditions. *See also Connect America Fund; ETC Annual Reports and Certifications; Rural Broadband Experiments*, WC Docket Nos. 10-90, 14-58, 14-259; FCC 16-64, Report and Order and Further Notice of Proposed Rulemaking, 81 FR 44413 (published in the Federal Register on July 7, 2016) (adopting the Phase II auction program rules). Specifically, the Commission made an amount up to the amount of Connect America Phase II model-based support that Verizon declined in New York—\$170.4 million—available to applicants selected in the New NY Broadband Program in accordance with the framework adopted in the *New York Auction Order*.

For each New York winning bid that includes Connect America-eligible areas, the Commission will authorize Connect America support up to the total reserve prices of all of the Connect America Phase II auction eligible census blocks that are included in the bid, provided that New York has committed, at a minimum, the same dollar amount of New York support to the Connect America-eligible areas in that bid. Before Connect America Phase II support is authorized, the Wireline Competition Bureau (Bureau) will closely review the

winning bidders to ensure that they have met the eligibility requirements adopted by the Commission and that they are technically and financially qualified to meet the terms and conditions of Connect America support.

This information collection addresses the eligibility requirements that such New York winning bidders must meet before the Bureau will authorize them to receive Connect America Phase II support.

***New requirements being proposed in this information collection:***

**(a) Long-Form Application (FCC Form 5625)**

Within 10 business days of being announced as winning bidders by New York, winning bidders seeking Connect America Phase II support must submit a long-form application using FCC Form 5625 to the Commission. Applicants may submit the form either by paper or electronically by email. The long-form application must contain the following information:

*FCC Registration Number.* Each winning bidder must provide its FCC Registration Number (FRN). Winning bidders without an FRN must first obtain an FRN. See 47 C.F.R. § 1.8002.

*Ownership Information.* Each winning bidder must provide the ownership information required in section 1.2112(a) of the Commission's rules.

*Eligible Telecommunications Carrier (ETC) Designation Documentation (for Winning Bidders Already Designated as ETCs in the Relevant Areas).* Each winning bidder must submit documentation, including the relevant ETC designation order, demonstrating that it has in fact obtained the necessary ETC designation in the relevant areas. Before New York winning bidders can be authorized to receive Connect America Phase II support, they will be required to obtain designation as an ETC from the New York Public Service Commission or the Federal Communications Commission, as applicable, in the areas where they will be receiving the support. See 47 U.S.C. § 214(e)(2), (6). The approval for the information collection associated with obtaining an ETC designation from the Federal Communications Commission can be found in OMB Control No. 3060-1081.

*Construction Funding Documentation.* Each winning bidder must describe how the required construction will be funded, including financial projections that demonstrate the applicant can cover the necessary debt service payments over the life of the loan, if any.

*Network Design Documentation.* Each winning bidder must describe how the technology and system design it intends to use will deliver voice and broadband service, including a network diagram which must be certified by a professional engineer.

*Certifications.* Each winning bidder must submit to the Commission certain certifications that will provide additional assurance that winning bidders commit to and will be able to meet Connect America obligations. These certifications include:

- i. A certification that the winning bidder is financially and technically qualified to meet the public interest obligations in each area for which it seeks support,
- ii. A certification that the applicant will meet the relevant public interest obligations, including the requirement it will offer service at rates that are equal or lower to the Commission's reasonable comparability benchmarks for fixed wireline services offered in urban areas,
- iii. A certification that the applicant will have available funds for all project costs that exceed the amount of Connect America support authorized by the Commission to be received for the first two years of its support term and that the applicant will comply with all program requirements,
- iv. A certification that the applicant and any party to the application are not subject to a denial of federal benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988, and
- v. A certification that the party submitting the certifications is authorized to do so on behalf of the applicant.

*Audited Financial Statements.* New York requires that bidders submit three years of audited financial statements to participate in the New NY Broadband Program. Nevertheless, New York provides an exception to this requirement for bidders if they can make certain other showings. To the extent a New York bidder takes advantage of this exception, the winning bidder will be required to notify the Commission in its long-form application. Such winning bidders must then submit no later than 180 days after the public notice identifying them as winning bidders financial statements from the prior fiscal year that are audited by a certified public accountant before they will be authorized to receive Connect America Phase II support. Bidders that do not ultimately produce audited financial statements will be subject to a forfeiture.

#### **(b) Other Post-Selection Review Requirements**

*Eligible Telecommunications Carrier Designation Documentation (for Winning Bidders Not Yet Designated as ETCs in the Relevant Areas).* Winning bidders not yet designated as eligible telecommunications carriers in the relevant areas before submission of their long-form applications must submit documentation, including the relevant designation orders and an accompanying letter from the applicant certifying that it has been designated as an ETC in the relevant areas, once designated as such.

*Letter of Credit and Attorney Opinion Letter.* Before the Bureau will authorize New York winning bidders to receive Connect America Phase II support, the winning bidder must submit

an irrevocable stand-by letter of credit from an eligible bank that covers the first year of Connect America Phase support, at a minimum, and a letter of credit opinion letter. These documents must be submitted by the deadline announced by the Bureau.

**(c) Annual Submission of Letter of Credit**

Before the winning bidder can receive its next year's Connect America support, it must modify, renew, or obtain a new letter of credit to ensure that it is valued at a minimum at the total amount of support that has already been disbursed plus the amount of support that is going to be provided in the next year. The recipient will be required to maintain an open and renewed letter of credit until it has certified that its build-out is complete and the Universal Service Administrative Company (USAC) has verified build-out. Any recipient that obtains a new letter of credit, rather than renewing or amending an existing letter of credit, will also need to obtain a new attorney opinion letter accompanying the new letter of credit.

Statutory authority for this information collection is contained in 47 U.S.C. sections 151-154, 214, and 254.

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

2. *Use of information.* The Commission requires the information collected to determine whether winning bidders in the New NY Broadband Program are technically and financially capable to meet the terms and conditions of Connect America Phase II support.
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. Applicants will be permitted to submit the required documentation electronically.
4. *Efforts to identify duplication.* There will be no duplication of information. The information sought is unique to each applicant and similar information is not already available.
5. *Impact on small entities.* The collections of information may affect small entities as well as large entities. In conformance with the Paperwork Reduction Act of 1995, the Commission is making an effort to minimize the burden on all respondents regardless of size.
6. *Consequences if information is not collected.* The information collected from respondents will be used to determine funding eligibility for the Connect America Fund. If the information is not collected, Connect America funds could be authorized to recipients that are not eligible for funding, resulting in a waste of federal funds. Failure to collect the information also would impede authorization of Connect America Phase II support and

would make it difficult for the Commission to uphold its responsibility to ensure that the support is being used for its intended purposes.

7. *Special circumstances.* We do not foresee any special circumstances associated with this information collection.
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 19, 2017, See 82 FR 22997. No comments were received from the public.
9. *Payments or gifts to respondents.* The Commission does not anticipate providing any payment or gifts to respondents.
10. *Assurance of confidentiality.* There are no assurances of confidentiality. However, we intend to keep the information private to the extent permitted by law. Also, respondents may request materials or information submitted to the Commission believed confidential to be withheld from public inspection under 47 C.F.R. § 0.459 of the FCC's rules.
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:

**(a) Long-Form Application (FCC Form 5625)**

- (1) Number of respondents: Approximately 50. We estimate that approximately 50 provisionally selected winning bidders will be authorized to receive Connect America Phase II support.
- (2) Frequency of response: One-time reporting requirement. Parties seeking to be authorized to receive Connect America Phase II support will submit the required information to the Commission upon being announced as a winning bidder in the New NY Broadband Program.
- (3) Total number of responses annually: 1.
- (4) Estimated time per response: 4 hours.
- (5) Total annual hour burden: 200 hours.

4 hours per respondent for approximately 50 recipients filing once. Total annual hour burden is calculated as follows:

50 recipients x 1 submission = 50 responses x 4 hours = **200 total annual hours**.

(6) Total estimate of in-house cost to respondents: \$8,000 (200 hours x \$40/hour).

(7) Explanation of calculation: We estimate that recipients will spend at least 4 hours to compile and submit the required documentation and certifications to the Commission.

50 (responses) x 4 (hours to compile and submit documentation) x \$40/hour = \$8,000.

#### **(b) Other Post-Selection Review Requirements**

(1) Number of respondents: Approximately 50. Each provisionally selected winning bidder will need to submit a letter of credit and attorney opinion letter. Some may also need to submit documentation of their ETC designation in the relevant areas after submission of the long-form application.

(2) Frequency of response: One-time reporting requirement. Parties seeking to be authorized to receive Connect America Phase II support will submit the required documentation to the Commission upon being announced as a winning bidder in the New NY Broadband Program or as soon as the documentation is available.

(3) Total number of responses annually: 1.

(4) Estimated time per response: 4 hours.

(5) Total annual burden hour: 4 hours.

4 hours per respondent for approximately 50 recipients filing once. Total annual hour burden is calculated as follows:

50 recipients x 1 submission = 50 responses x 4 hours = **200 total annual hours**.

(6) Total estimate of in-house cost to respondents: \$8,000 (200 hours x \$40/hour).

(7) Explanation of calculation: We estimate that recipients will spend at least 4 hours to compile and submit the required documentation and certifications to the Commission.

50 (number of responses) x 4 (hours to obtain, compile, and submit documentation) x \$40/hour = \$8,000.

#### **(c) Annual Submission of Letter of Credit**

(1) Number of respondents: Approximately 50. Each recipient of Connect America Phase II support selected through the New NY Broadband Program will need to submit a renewed

letter of credit annually until it has certified that its buildout is complete and the Universal Service Administrative Company has verified the buildout. Recipients that obtain a new letter of credit, rather than renewing or amending an existing letter of credit, will also need to submit a new attorney opinion letter accompanying the new letter of credit.

(2) Frequency of response: Annually.

(3) Total number of responses annually: Approximately 1.

(4) Estimated time per response: 2 hours.

(5) Total annual hour burden: 100 hours.

2 hours per respondent for approximately 50 recipients filing annually. Total annual hour burden is calculated as follows:

50 recipients x 1 submission = 50 responses x 2 hours = **100 total annual hours**.

(6) Total estimate of in-house cost to respondents: \$4,000 (100 hours x \$40/hour).

(7) Explanation of calculation: We estimate that recipients will spend at least 2 hours to compile and submit the required documentation and certifications to the Commission.

50 (responses) x 2 (hours to obtain, compile, and submit documentation) x \$40/hour = \$4,000.

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

<b>Information Collection Requirements</b>	<b>Number of Respondents</b>	<b>Number of Responses Per Year</b>	<b>Estimated Time per Response (hours)</b>	<b>Total Burden Hours</b>	<b>In-house Cost to Respondents</b>
<b><u>a. Long Form Application (FCC Form 5625)</u></b>	50	50	4	200	\$8,000
<b><u>b. Other Post-Selection Review Requirements</u></b>	50	50	4	200	\$8,000
<b><u>c. Annual Submission of Letter of Credit</u></b>	50	50	2	100	\$4,000
<b>TOTAL</b>	50	150	2-4	500	\$20,000

**Total Number of Respondents: 50 unique respondents filing multiple times.**

**Total Number of Responses Annually: 150 responses**

**Total Annual Hourly Burden for requirements: 500 hours**

**Total Annual “In-House” Costs: \$20,000**

13. *Estimates of the cost burden of the collection to respondents.* There are no outside contracting costs for this information collection.
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 adjustment.* This is a new information collection resulting in a program change/increase of 50 respondents, 150 responses and 500 burden hours. These estimates will be added to OMB’s Inventory.
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 an exemption from the requirement to display the OMB expiration date on the form related to this information collection. The Commission will use an edition date on the form in lieu of the OMB expiration date. This will prevent the Commission from having to constantly update the expiration date on the form each time this collection is submitted to OMB for review and approval. The Commission publishes a list of all OMB-approved information collections in 47 C.F.R. § 0.408 of the Commission's rules.
18. *Exception 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.