

Part 54 – Rate-of-Return Carrier Universal Service Reporting Requirements

3060-0233

May 2020

SUPPORTING STATEMENT

This information collection is being submitted to seek approval from the Office of Management and Budget (OMB) for revised information collection requirements. This revision is being made as a result of a recent Commission order as explained below, which requires rate-of-return carriers that receive high-cost universal service support pursuant to Alternative Connect America Model (A-CAM) I, A-CAM II, or the Alaska Plan to file line count data on FCC Form 507.

A. Justification:

1. *Circumstances that make the collection necessary.*

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

In order to determine which carriers are entitled to universal service support, all rate-of-return regulated (rate-of-return) incumbent local exchange carriers (LECs) must provide the National Exchange Carrier Association (NECA) with the loop cost and loop count data required by section 54.1305 for each of its study areas and, if applicable, for each wire center as that term is defined in 47 C.F.R. Part 54. See 47 C.F.R. §§ 54.1305 and 54.5. The loop cost and loop count information is to be filed annually with NECA by July 31st of each year, and may be updated occasionally pursuant to section 54.1306. See 47 C.F.R. § 54.1306. Pursuant to section 54.1307, the information filed on July 31st of each year will be used to calculate universal service support for each study area and is filed by NECA with the Commission on October 1 of each year. See 47 C.F.R. § 54.1307. An incumbent LEC is defined as a carrier that meets the definition of “incumbent local exchange carrier” in section 51.5 of the Commission’s rules. See 47 C.F.R. § 51.5.

In March 2016, the Commission adopted the *Rate-of-Return Reform Order* to continue modernizing the universal service support mechanisms for rate-of-return carriers. The *Rate-of-Return Reform Order* replaced the Interstate Common Line Support (ICLS) mechanism with the Connect America Fund—Broadband Loop Support (CAF-BLS) mechanism. While ICLS supported only lines used to provide traditional voice service (including voice service bundled with broadband

service), CAF-BLS also supports consumer broadband-only loops. For the purposes of calculating and monitoring CAF-BLS, rate-of-return carriers that receive CAF-BLS must file common line and consumer broadband-only loop counts on FCC Form 507, forecasted common line and consumer broadband-only loop costs and revenues on FCC Form 508, and actual common line and consumer broadband-only loop costs and revenues on FCC Form 509. See 47 C.F.R. § 54.903(a).

In December 2018, the Commission adopted the *December 2018 Rate-of-Return Reform Order* to require rate-of-return carriers that receive Alternative Connect American Model (A-CAM) or Alaska Plan support to file line count data on FCC Form 507 as a condition of high-cost support. Historically, all rate-of-return carriers received CAF BLS or, prior to that, ICLS, and were required to file line count data on FCC Form 507 as a condition of that support. In recent years, some rate-of-return carriers have elected to receive A-CAM I, A-CAM II, or Alaska Plan instead, and those carriers were not required to file line count data because the requirement to file applied only to rate-of-return carriers receiving CAF BLS. In order to restore a data set that the Commission relied on to evaluate the effectiveness of its high-cost universal service programs, the Commission revised its rules in that Order to require all rate-of-return carriers to file that data. While carriers receiving CAF-BLS must file the line count data on March 31 for line counts as of the prior December 31, the A-CAM I, A-CAM II, and Alaska Plan carriers will be required to file on July 1 of each year to coincide with other existing requirements in OMB Control No. 3060-0986. *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order, Further Notice of Proposed Rulemaking and Order on Reconsideration, 33 FCC Rcd 11893 (2018) (*2018 Rate-of-Return Reform Order*). See also 47 CFR § 54.313(f)(5).

This collection is being revised to implement this requirement.

Modified requirement for which we are seeking OMB approval:

(1) Line Counts (See 12.a).

Rate-of-return carriers that receive CAF-BLS are required to file FCC Form 507, Connect America Fund-Broadband Loop Support Mechanism Line Count Report, to report their line counts for voice lines, by disaggregation zone and customer class, including line counts for consumer broadband-only lines. See 47 C.F.R. §§ 54.903(a)(1)-(2). The collection of line counts for broadband only lines allows the Commission to monitor the provision of services supported by CAF-BLS. This data is collected annually, on March 31. Carriers may also voluntarily file line count data on a quarterly basis.

A carrier must also certify that the line count data are accurate to the best of the carrier's knowledge and ability. If a carrier elects to have an agent for the carrier perform the filing on its behalf, the carrier must authorize the agent to make the

filing and certify that it has provided accurate data to the agent for the purpose of performing the filing. The agent must then also certify that the line count data are accurate to the best of its knowledge and ability. This requirement is being revised to include recipients of A-CAM and Alaska Plan support as part of the respondents subject to this requirement.

Currently approved requirements in this information collection (no changes to requirements):

(2) Unseparated Loop Cost Data Annual Collection (See 12.b).

Rate-of-return carriers are required to file unseparated loop cost data to the National Exchange Carrier Association (NECA), which uses the data to calculate the nationwide average cost per loop, each carrier's average cost per loop, and each eligible carrier's High-Cost Loop Support (HCLS). See 47 C.F.R. § 54.1305.

(3) Unseparated Loop Cost Data Optional Quarterly Updates (See 12.c).

Rate-of-return carriers are permitted to file updated unseparated loop cost data to NECA, which uses the data to calculate mid-year adjustments to the carrier's HCLS. See 47 C.F.R. § 54.1306.

(4) Validation of CAF-BLS Cost and Revenue Data (See 12.d).

Rate-of-return carriers receiving CAF-BLS may be required to file additional data or records to validate the cost and revenue data the carriers have filed for the purpose of calculating CAF-BLS (see 12.e, 12.f, 12.g, and 12.h). This validation is necessary to ensure that the correct amount of CAF-BLS is provided to each carrier and to prevent waste, fraud, and abuse in the universal service program. See 47 C.F.R. § 54.320.

(5) Projected Cost and Revenue Data (See 12.e and 12.f).

FCC Form 508, Connect America Fund-Broadband Loop Support Mechanism Projected Cost and Revenue, collects projected consumer broadband-only loop cost and revenue data, in addition to the common line cost and revenue data, as necessary to implement the CAF-BLS mechanism. Carriers file forecasted data covering the upcoming July 1 to June 30 funding year on March 31 each year. See 47 C.F.R. § 54.903(a)(3).

The Universal Service Administrative Company (USAC) uses this data to calculate a "provisional" ICLS amount for each carrier, which is later trued-up based on actual cost and revenue data filed on FCC Form 509. Consistent with their average schedule status, average schedule companies are required to submit information necessary in order for the Administrator to calculate common line

revenue requirements for average schedule companies.

In accordance with 47 C.F.R. § 54.705, the Administrator has the authority to perform audits of beneficiaries of the CAF-BLS (formerly known as ICLS) mechanism to ensure the accuracy of data submitted.

A carrier must also certify that the projected data are accurate to the best of the carrier's knowledge and ability and that the cost data are compliant with the Commission's cost allocation rules and do not reflect duplicative assignment of costs to the consumer broadband-only loop and special access categories. If a carrier elects to have an agent perform the filing on its behalf, the carrier must authorize the agent to make the filing and certify that it has provided accurate data to the agent for the purpose of performing the filing. The agent must then also certify that the projected data are accurate to the best of its knowledge and ability. Carriers must file the data by March 31 for the following July 1 to June 30 funding year. Carriers are no longer permitted to file updates to the data prior to June 30 due to the requirement that the Administrator calculate and publish forecasted CAF-BLS to be used in setting tariff rates.

(6) Actual Cost and Revenue Data (See 12.g and 12.h).

FCC Form 509, Connect America Fund-Broadband Loop Support Actual Cost and Revenue Data, is used to collect actual consumer broadband-only loop cost and revenue data, in addition to common line cost and revenue data, as necessary to implement the new CAF-BLS mechanism. On December 31 each year, carriers file actual data covering the prior calendar year. See 47 C.F.R. § 54.903(a)(4).

The Administrator uses the data to calculate final ICLS amounts, which are reconciled against the ICLS provided previously based on forecasted data collected on FCC Form 508. Consistent with their average schedule status, average schedule companies are required to submit information necessary for the Administrator to calculate common line revenue requirements for average schedule companies.

In accordance with 47 C.F.R. § 54.705, the Administrator has the authority to perform audits of beneficiaries of the CAF-BLS (formerly known as ICLS) mechanism to ensure the accuracy of data submitted.

A carrier must also certify that the actual data are accurate to the best of the carrier's knowledge and ability and that the cost data is compliant with the Commission's cost allocation rules and does not reflect duplicative assignment of costs to the consumer broadband-only loop and special access categories. If a carrier elects to have an agent perform the filing on its behalf, the carrier must authorize the agent to make the filing and certify that it has provided accurate data to the agent for the purpose of performing the filing. The agent must then also certify that the projected data are accurate to the best of its knowledge and ability.

This submission is being made pursuant to statutory authority contained in sections: 47 U.S.C. 151-154, 214, 218-220, 221(c), 254, and 303(r).

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

2. *Use of information.* The requirements contained herein are necessary to implement the congressional mandate for universal service. The reporting requirements are necessary to verify that non-rural and rural LECs are eligible to receive universal service support. Information filed with NECA pursuant to section 54.1305 is used to calculate universal service support payments to eligible carriers. Without this information, NECA and USAC would not be able to calculate such payments to eligible carriers. The reporting requirements associated with line counts, forecasted cost and revenue, and actual cost and revenue data associated with consumer broadband-only loops are necessary for the calculation of CAF-BLS.
3. *Technological collection techniques.* There is currently no improved technology to reduce the burden of collection. Nothing in Part 54 precludes the use of improved information technology.
4. *Efforts to identify duplication.* There will be no duplication of information filed. There is no similar information already available.
5. *Impact on small entities.* The burden has been minimized for all respondents as much as possible. Section 254 (b) of the Communications Act directs the Commission to base policies for the preservation and advancement of universal service on six principles. A fair and reasonable application of those principles including our adoption of the additional principle of competitive neutrality will favorably impact all business entities, including smaller entities. The collections of information may affect small entities as well as large entities.
6. *Consequences if information is not collected.* Failing to collect the information, or collecting it less frequently, would prevent the Commission from carrying out its mandate. Sections 54.1305 and 54.1306 require the submission of data by the local telephone companies to NECA and USAC. If the data submissions were collected less frequently, the fund administrator would not be able to calculate universal service payments, and the Commission would not be able to evaluate the effectiveness of its programs.
7. *Special circumstances.* There are no such special circumstances with this collection of information

8. *Federal Register Notice.* A 60-day notice was published in the Federal Register pursuant to 5 C.F.R. § 1320.8 (d). See 85 FR 12558, dated March 3, 2020. No PRA comments were received.
9. *Payments or gifts to respondents.* The Commission does not anticipate providing any payment or gift to respondents.
10. *Assurances of confidentiality.* No assurance of confidentiality has been given regarding the information. 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. *Questions of a sensitive nature.* There are no questions of a sensitive nature with respect to the information being collected.
12. *Estimates of the hour burden of the collection to respondents.* The following represents the estimates of our burden of the collection of information:

a. **CAF-BLS Line Counts (FCC Form 507) (revising to increase the number of respondents due to rule change):**

(1) Number of respondents: Approximately 1,095 Rate-of-Return carriers.

(2) Frequency of response: Annual reporting requirement.

The Commission estimates that each carrier must file one line count data submission with the Administrator annually.

(3) Total number of responses per respondent: Approximately 1.

(4) Estimated time per response: 6 hours.

(5) Total annual hour burden: 6,570 hours.

6 hours per respondent for 1,095 carriers that are filing on an annual basis. Total annual hour burden is calculated as follows:

1,095 respondents x 1 submission per respondent = 1,095 responses x 6 hours = **6,570 total annual hours.**

(6) Total estimate of in-house cost to respondents: \$262,800. (6,570 hours x \$40/hour).

(7) Explanation of calculation: We estimate that time to comply with the requirement will be 1,095 (number of responses) x 6 (hours to prepare and submit line count data) x \$40/hour = \$262,800.

b. Submission of Information to the National Exchange Carrier Association (NECA) (no revisions):

- (1) Number of respondents: Approximately 1,095 Rate-of-Return carriers.
- (2) Frequency of response: Annual reporting requirement.
- (3) Total annual responses per respondent: Approximately 1. The Commission estimates that respondents will make one submission annually.
- (4) Estimated time per response: 22 hours.
- (5) Total annual hour burden: 24,090 hours.

22 hours per respondent for 1,095 respondents that file on an annual basis.
Total annual hour burden is calculated as follows:

1,095 respondents x 1 submission per respondent = 1,095 responses x 22 hours = **24,090 total annual hours**.

- (6) Total estimate of in-house cost to respondents: \$963,600 (24,090 hours x \$40/hour).
- (7) Explanation of calculation: We estimate that the time to comply with the requirement will be 1,095 (number of responses) x 24,090 (hours to prepare and submit information) x \$40/hour = \$963,600.

c. Updating Information submitted to the National Exchange Carrier Association (NECA) (no revisions):

- (1) Number of respondents: Approximately 140 Rate-of-Return carriers (this is the number of unique respondents, i.e., carriers that file both annual and on occasion filings are not counted twice).
- (2) Frequency of response: On occasion.
- (3) Total annual responses per respondent: Approximately 3. The Commission estimates that respondents will make three submissions a year.
- (4) Estimated time per response: 22 hours.
- (5) Total annual burden: 9,240 hours.

22 hours per respondent for 140 respondents filing on occasion. Total annual hour burden is calculated as follows:

140 respondents x 3 submissions/year per respondent = 420 responses x 22 hours = **9,240 total annual hours.**

(6) Total estimate of in-house cost to respondents: \$369,600. (9,240 hours x \$40/hour).

(7) Explanation of calculation: We estimate that the time to comply with the requirement will be 420 (responses) x 9,240 (hours to prepare and submit data) x \$40/hour = \$369,600.

d. Validation of CAF-BLS Cost and Revenue, filed in response to the Administrator's request for further validation (no revisions):

(1) Number of respondents: Approximately 100 Rate-of-Return carriers.

(2) Frequency of response: Annual reporting requirement.

(3) Total annual responses per respondent: Approximately 1. The Commission estimates that respondents make one submission annually.

(4) Estimated time per response: 4 hours.

(5) Total annual hour burden: 400 hours.

4 hours per respondent for 100 respondents that file on an annual basis. Total annual hour burden is calculated as follows:

100 respondents x 1 submission per respondent = 100 responses x 4 hours = **400 total annual hours.**

(6) Total estimate of in-house cost to respondents: \$16,000. (400 hours x \$40/hour).

(7) Explanation of calculation: We estimate that time to comply with the requirement will be 100 (responses) x 4 (hours to prepare and submit data) x \$40/hour = \$16,000.

e. Projected CAF-BLS Cost and Revenue Data (Rate-of-Return Carriers) (FCC Form 508) (no revisions):

(1) Number of respondents: Approximately 501 Rate-of-Return carriers.

(2) Frequency of response: Annual reporting requirement.

The Commission estimates that the Rate-of-Return carriers report to the Administrator their projected common line cost and revenue data and projected consumer broadband-only loop cost and revenue data for each study area in which they operate.

(3) Total number of responses per respondent: Approximately 1.

(4) Estimated time per response: 2 hours.

(5) Total annual hour burden: 1,002 hours.

2 hours per respondent for 501 carriers that file on an annual basis.

501 respondents x 1 report per respondent = 501 responses x 2 hours = **1,002 total annual hours**.

(6) Total Estimate of in-house cost to respondents: \$40,080. (1,002 hours x \$40/hour).

(7) Explanation of calculation: We estimate that time to comply with the requirement will be 501 (responses) x 2 (hours to prepare and report data) x \$40/hour = \$40,080.

f. Projected CAF-BLS Cost and Revenue Data (Average Schedule Carriers) (FCC Form 508) (no revisions):

(1) Number of Respondents: Approximately 166 carriers.

(2) Frequency of response: Annual reporting requirement.

The Commission estimates that the average schedule carriers are required to submit information annually that is necessary for the Administrator to calculate common line and consumer broadband-only cost and revenue data for average schedule companies.

(3) Total number of responses per respondent: Approximately 1.

(4) Estimated time per response: 1 hour.

(5) Total annual hour burden: 166 hours.

1 hour per respondent for 166 carriers that file on an annual basis. Total annual hour burden is calculated as follows:

166 respondents x 1 submission per respondent = 166 responses x 1 hour = **166 total annual hours**.

(6) Total estimate of in-house cost to respondents: \$6,640. (166 hours x \$40/hour).

(7) Explanation of calculation: We estimate that time to comply with the requirement will be 166 (responses) x 1 (hour to prepare and submit their information) x \$40/hour = \$6,640.

g. CAF-BLS Actual Cost and Revenue Data (Annually) (FCC Form 509) (no revisions):

(1) Number of respondents: Approximately 501 Rate-of-Return carriers.

(2) Frequency of response: Annual reporting requirement.

Rate-of-Return carriers must report on December 31st of each year, to the Administrator, their actual interstate common line and consumer broadband-only loop cost and revenue data.

(3) Total number of responses per respondent: Approximately 1.

(4) Estimated time per response: 4 hours.

(5) Total annual hour burden: 2,004 hours.

4 hours per respondent for 501 carriers that file on an annual basis. Total annual hour burden is calculated as follows:

501 respondents x 1 response per respondent = 501 responses x 4 hours = **2,004 total annual hours**.

(6) Total estimate of in-house cost to respondents: \$80,160. (2,004 hours x \$40/hour).

(7) Explanation of calculation: We estimate that time to comply with the requirement will be 501 (responses) x 4 (hours to prepare and submit cost and revenue data) x \$40/hour = \$80,160.

h. CAF-BLS True Ups (Average Schedule Carriers) (FCC Form 509) (no revisions):

(1) Number of respondents: Approximately 166 average schedule carriers.

(2) Frequency of response: Annual reporting requirement.

The Commission estimates that each average schedule carrier makes one information report annually.

(3) Total responses per respondent: Approximately 1.

(4) Estimated time per response: 1 hour.

(5) Total annual hour burden: 166 hours.

1 hour per respondent for 166 carriers that are filing on an annual basis. Total annual hour burden is calculated as follows:

166 respondents x 1 report per respondent = 166 responses x 1 hour = **166 total annual hours**.

(6) Total estimate of in-house cost to respondents: \$6,640. (166 hours x \$40/hour).

(7) Explanation of calculation: We estimate that time to comply with the requirement will be 166 (number of responses) x 1 (hour to report and submit information) x \$40/hour = \$6,640.

The hour burden for each carrier is not expected to vary widely because of differences in activity, size, or complexity.

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

Information Collection Requirements	Number of Respondents	Number of Responses Per Year	Estimated Time per Response (hours)	Total Burden Hours	In-house Cost to Respondents
<u>a. CAF-BLS Line Counts (FCC Form 507) (revising to reflect additional respondents)</u>	1,095	1	6	6,570	\$262,800
<u>b. Submission of Information to the National Exchange Carrier Association (NECA) (Currently Approved)</u>	1,095	1	22	24,090	\$963,000

<u>c. Updating Information submitted to the National Exchange Carrier Association (NECA) (Currently approved)</u>	140	3	22	9,240	\$369,600
<u>d. Validation of CAF-BLS Cost and Revenue, filed in response to the Administrator's request for further validation (currently approved)</u>	100	1	4	400	\$16,000
<u>e. Projected CAF-BLS Cost and Revenue Data (Rate-of-Return Carriers) (FCC Form 508) (currently approved)</u>	501	1	2	1,002	\$40,080
<u>f. Projected CAF-BLS Cost and Revenue Data (Average Schedule Carriers) (FCC Form 508) (currently approved)</u>	166	1	1	166	\$6,640
<u>g. CAF-BLS Actual Cost and Revenue Data (Annually) (FCC Form 509) (currently approved)</u>	501	1	4	2,004	\$80,160

<u>h. CAF-BLS True-Ups (Average Schedule Carriers) (FCC Form 509) (currently approved)</u>	166	1	1	166	\$6,640
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Total Number of Respondents: 1,095 unique respondents filing multiple times.

Total Number of Responses Annually: 4,044.

Total Annual Hourly Burden for requirements: 43,638 hours.

Total Annual In-house Costs to respondents: \$1,744,920.

13. *Estimates for 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 an outside party administers the program and review and oversight are already part of the Commission's duties. Staff will evaluate data submitted by the fund administrator once received. The Commission will utilize its current staff to examine the plans.
15. *Program changes or adjustments.* The Commission is reporting program changes to this information collection as a result of requiring additional carriers to file line counts on FCC Form 507. The total number of unique respondents subject to this collection stayed the same at 1,095, the total annual responses increased from 3,616 to 4044 (+428) and the total annual burden hours increased from 41,070 to 43,638 (+2,568).
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 continued approval to not display the OMB expiration date on FCC Form 507, FCC Form 508 and FCC Form 509. The Commission will use an edition date in lieu of an OMB expiration date. This will prevent the Commission from having to repeatedly update the expiration date on the forms each time this collection is submitted to OMB for review and approval. The Commission publishes a list of all OMB-approved information collections, including this one, in 47 C.F.R. § 0.408.

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.