

# USF Factor to Rise to 17.9%, Will This Finally Lead to Contribution Reform?

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This is starting to sound like a broken record. Once again, the USF contribution factor is poised to make a big jump upward to a new record high. Once again, we wonder here whether this will **finally** be the time that the FCC moves forward to reform the contribution side of the USF. With the volatility and high rates, one must wonder whether the current mechanism can satisfy the requirement that the USF fund be "[specific, predictable and sufficient](#)."

Here's the bad news: according to a prominent USF analyst, the FCC will soon announce a first quarter 2012 contribution factor of **17.9%**. This is an increase of over 2.5% from the [current factor](#) and by far is the highest that the USF rate has ever been.

As usual, our calculations come courtesy of telecommunications consultant Billy Jack Gregg, of Universal Consulting. Mr. Gregg notes that overall demand for the funds increased by \$298 million over the fourth quarter of 2011, with every fund showing a net increase in demand. The Low Income fund has more than doubled since 2008, with more eligible persons receiving service from wireless ETCs.

On the contribution side, Mr. Gregg notes that the interstate telecommunications revenue base continues to decline, with projected revenues approximately \$72 million less than in the fourth quarter.

The new record high contribution factor creates even more compliance, litigation and reporting issues for telecommunications carriers. Carriers should closely review their methodologies for reporting USF revenues on the Form 499-A and for recovering USF contributions from end users. At an 18% contribution factor, the costs of over or under reporting USF are significant. In addition, the 18% contribution factor will bring more previously *de minimis* carriers into the fund and will exacerbate the consequences of exceeding the LIRE threshold for international carriers. These carriers should review their calculations to be sure they are not subject to USF contributions.

REMINDER: You can track the official USF contribution factor through the links in our Resource Center. Go to "Universal Service Links" on the right hand side of the page.