

34. Section 95.630 is revised to read as follows:

§ 95.630 WMTS Transmitter frequencies.

WMTS transmitters may operate in the frequency bands specified as follows:

608–614 MHz
1395–1400 MHz
1427–1432 MHz

35. Section 95.1113 is amended by adding paragraphs (b)(5) and (b)(6) to read as follows:

§ 95.1113 Frequency coordinator.

* * * * *

(b) * * *

(5) Notify licensees—who are operating in accordance with § 90.259(b)—of the need to comply with the field strength limit of § 90.259(b)(11) prior to initial activation of WMTS equipment in the 1427–1432 MHz band.

(6) Notify licensees—who are operating in 1392–1395 MHz band in accordance with subpart I of part 27—of the need to comply with the field strength limit of § 27.804 prior to initial activation of WMTS equipment in the 1395–1400 MHz band.

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FEDERAL COMMUNICATIONS COMMISSION

47 CFR Part 54

[CC Docket No. 02–6; FCC 02–175]

Schools and Libraries Universal Service Support Mechanism

AGENCY: Federal Communications Commission.

ACTION: Final rule.

SUMMARY: In this document, the Commission adopts a framework for the treatment of funds collected for the schools and libraries support mechanism that have, through the normal operation of the program, not been disbursed. In taking this action, the Commission balances the statutory requirements of providing eligible schools and libraries with access to discounted telecommunications services and of ensuring that the universal service support mechanisms are specific and predictable.

DATES: Effective June 20, 2002.

FOR FURTHER INFORMATION CONTACT: Diane Law Hsu or Kathy Tofigh, Attorney, Wireline Competition Bureau, Telecommunications Access Policy Division, (202) 418–7400.

SUPPLEMENTARY INFORMATION: This is a summary of the Commission's First Report and Order in CC Docket No. 02–6 released on June 13, 2002. The full text of this document is available for public inspection during regular business hours in the FCC Reference Center, Room CY–A257, 445 Twelfth Street, SW., Washington, DC, 20554.

I. Introduction

1. In this Order, we adopt a framework for the treatment of funds collected for the schools and libraries support mechanism that have, through the normal operation of the program, not been disbursed. In taking this action today, we balance the statutory requirements in section 254 of providing eligible schools and libraries with access to discounted telecommunications services and of ensuring that the universal service support mechanisms are specific and predictable. This, in turn, will allow contributions to universal service to remain predictable for carriers and, ultimately, will inure to the benefit of their customers. We are committed to ensuring that eligible schools and libraries have access to sufficient universal service support consistent with the statute and therefore adopt a rule to ensure that unused schools and libraries funds are carried forward for disbursement in subsequent funding years. At the same time, we find that the public interest is best served by our action to stabilize contributions to universal service for the immediate future, while we consider fundamental reform to the way in which universal service contributions are assessed on contributors and recovered from consumers. As we explained in the *Contribution FNPRM*, 67 FR 11268, March 13, 2002, numerous changes in the marketplace and the operation of the current assessment system have contributed to broad fluctuations in the contribution base of the universal service support mechanisms since our adoption of the current assessment methodology. These fluctuations require us to consider reform to ensure stability of the universal service fund, which should help ensure predictability in that fund. We conclude that our actions today strike an appropriate balance by helping to minimize and stabilize the contribution factor for the immediate future, while maintaining an appropriate level of support for all universal service support mechanisms, including the schools and libraries program.

2. Consistent with the congressional mandate in section 254 that carriers contribute to the “specific [and]

predictable” universal service support mechanisms, the Commission has endeavored to ensure that universal service contribution obligations remain predictable so that carriers anticipate their payments appropriately. Over the past several years, however, we have witnessed increasing upward pressure on contributions caused by a variety of events, including declining interstate revenues coupled with increased demand for universal service support. For example, consistent with section 254(e) of the Act, the Commission recently took steps to replace implicit subsidies in interstate access charges with explicit universal service support. Implementation of these statutory requirements coupled with changes in the telecommunications marketplace have led to broad fluctuations in the contribution base and rising contribution obligations. For these reasons, we recently sought comment on whether and how to change the existing contribution methodology.

3. While we are examining whether more fundamental reform of the basis for assessing universal service contributions is warranted, we believe it is important at this time to stabilize universal service contributions and maintain predictability for the universal service support mechanisms for the immediate future. This, in turn, will allow contributions to remain predictable for carriers, and, ultimately, benefit consumers. We therefore conclude that, in order to maintain fund predictability for the immediate future, unused funds from the schools and libraries support mechanism shall, in accordance with the public interest, be applied to stabilize or reduce the amount of contributions to the universal service fund for no more than the next three quarters, which should provide us sufficient time to complete our review of the contribution methodology and implement any changes adopted in that proceeding. Specifically, we shall apply unused funds to reduce the contribution factors for the third and fourth quarters of 2002, and first quarter 2003, if necessary. We intend to complete our examination of the issues in the contribution methodology proceeding and implement appropriate rules no later than first quarter 2003. We will endeavor, however, to complete the proceeding at an earlier date. In that event, such unused funds from the schools and libraries support mechanism would be carried forward for use by eligible schools and libraries in subsequent funding years. Consistent with the requirement that carriers contribute to a specific and predictable

universal service support mechanism, we expect any changes to the contribution methodology that are ultimately adopted to address these concerns regarding the current contribution assessment system.

4. We take this action today with careful consideration of the effect of our decision on the schools and libraries support mechanism. For the last five years, the schools and libraries support mechanism has provided discounts that have enabled millions of school children and library patrons to obtain access to modern telecommunications and information services. In fact, as of May 2002, schools and libraries have received over \$8.25 billion in funding commitments. Although the successes of this program are impressive, we have been unable to fulfill the demands from all of the Nation's schools and libraries. For example, in order to fully fund current demand for Funding Year 5, we would have to more than double the existing \$2.25 billion funding cap on the schools and libraries mechanism.

5. In light of this high demand for discounts, we believe that, at the close of this period for the Commission to consider the reforms that should be implemented to address carriers' contribution obligations, it is appropriate to carry forward unused funds to increase disbursements to schools and libraries program in subsequent funding years. Specifically, we direct that, effective no later than second quarter 2003, any unused funds from the schools and libraries support mechanism in any given year shall, consistent with the public interest, be carried forward for disbursement in subsequent funding years of the schools and libraries support mechanism. Such action would ensure that the funds that are unused by schools and libraries from prior years, through normal operation of the program, are available to schools and libraries in future years. We intend to develop specific rules implementing this policy not later than second quarter 2003 in order to maximize the availability of these funds for schools and libraries. We also will continue to explore procedural and programmatic changes to the schools and libraries support mechanism that may help reduce the amount of funds that are not disbursed. These actions together will help us to most effectively implement the goals of section 254(h) by providing for discounts as close as possible to the level of the annual \$2.25 billion cap.

II. Discussion

6. After consideration of the two proposals relating to the treatment of unused funds collected for the schools

and libraries mechanism, we conclude that unused funds from the schools and libraries support mechanism shall, consistent with the public interest, be applied to stabilize the universal service contribution factor for a period not to exceed the next three quarters, beginning with third quarter 2002, while the Commission considers reform of the contribution system. We direct the Wireline Competition Bureau and USAC to apply such unused funds to stabilize or reduce universal service contributions in accordance with the public interest for the third and fourth quarters of 2002, and first quarter 2003, in a manner consistent with the Commission's prior treatment of unused funds from Funding Year 1. Thereafter, we find that any unused funds from the schools and libraries support mechanism shall be carried forward to increase disbursements to schools and libraries in subsequent years. We find that such action is consistent with section 254 and the public interest by ensuring that contributions to universal service remain predictable, without jeopardizing the sufficiency of any of the universal service support mechanisms. Accordingly, we amend § 54.507 of our rules.

7. We find that this framework will benefit contributors, and ultimately their customers, by stabilizing the contribution factor in the short term, while also maintaining an appropriate level of support for all of the universal service support mechanisms, including the schools and libraries support mechanism. When considering issues relating to funding for the schools and libraries support mechanism, we must also consider the funding requirements of the other universal service programs and their cumulative impact on contributors and consumers. We conclude that the framework adopted today reflects a careful balance between providing sufficient support for all the universal service support mechanisms and keeping contributions at a predictable level for the immediate future, while we consider the need for reform of our contribution assessment methodology.

8. Over the last four years, overall demand on the universal service fund has grown considerably, in large part as a result of implementation of the statute's requirements to ensure that support is explicit and sufficient. In 1997, about \$1.9 billion was disbursed from the universal service fund. We estimate that approximately \$5.5 billion will be disbursed from the universal service fund in 2002. At the same time, the universal service revenue base has become smaller, and interstate revenues

have declined for interexchange carriers. Several factors may be responsible for the diminishing revenue base, including the migration of traditional long distance services to new technologies, bundled wireless service packages, and price competition due to Bell entry into the long distance marketplace. Accordingly, the contribution factor and therefore carrier contribution obligations have increased, and carriers have generally passed through much of these increases to consumers. In light of these changes in the market and their impact on carrier contributions and consumers, we recently sought comment on whether and how to modify the current contribution assessment methodology. We recognized there that these changes in the marketplace, coupled with our current contribution methodology, have caused broad fluctuations in the contribution base. This, in turn, raises the issue of stability and predictability of the universal service fund. Thus, until we complete our assessment of the current contribution methodology, we believe that it is appropriate to stabilize or lower the contributions to universal service. In this way, we will be better able to ensure in the near term that the fund remains predictable for contributors and consumers.

9. Some commenters argue that using unused funds to reduce the contribution factor would not necessarily benefit consumers by reducing the line-items on consumers' bills. While carriers currently have the flexibility to recover from their customers the contributions to universal service, contributors may not shift more than an equitable share of their contributions to any customer or group of customers, and must provide accurate, truthful, and complete information regarding the nature of the charge. We would therefore expect that our efforts to stabilize the contribution factor would be reflected in any charges passed through to consumers. Several large contributors to universal service indicate in their comments to the Commission that a reduction in the contribution factor would be passed on to consumers. Therefore, we find that it is reasonable to conclude that consumers will ultimately benefit from actions that stabilize the steady growth in the contribution factor.

10. In addition, we do not agree with commenters that suggest that our actions in the short term would contravene the intent of the schools and libraries support mechanism. Indeed, as of May 2002, schools and libraries have received over \$8.25 billion in funding commitments. Our action to utilize unused funds for a period not longer

than the next three quarters does not alter the \$2.25 billion cap in any way, and such funds will continue to be made available annually to schools and libraries in a manner that is consistent with section 254 of the Act.

11. Although we believe our actions strike an appropriate balance today, Commission action in the contribution methodology proceeding will need to address concerns regarding fund predictability. We intend to take action in the contribution methodology proceeding and implement any changes adopted in that proceeding no later than April 1, 2003. Thus, once this window for action closes, we conclude it will serve the public interest to carry forward unused funds from the schools and libraries support mechanism for use by eligible schools and libraries in subsequent funding years.

12. We recognize that the current demand for discounts in Funding Year 5 significantly exceeds the \$2.25 billion funding cap. In fact, in order to fully fund current demand for Funding Year 5, we would have to more than double the existing cap on the schools and libraries mechanism. In light of this high demand for discounts and based on the record, we believe that, not later than second quarter of 2003, unused schools and libraries funds should be carried forward to increase disbursements to schools and libraries program in subsequent years.

13. Furthermore, because unused funds remain, as a result of normal program operation and, at least partially, for reasons out of applicants' control, we conclude that it will be appropriate in the future to carry forward unused funds from the schools and libraries mechanism for use in subsequent years. To that end, in conjunction with seeking comment as to the treatment of unused funds in the *Further Notice*, 67 FR 7327, February 19, 2002, we also sought comment on why applicants and providers may fail to fully use committed funds and whether other operational changes could be made to reduce the amount of unused funds. We are considering the record and the types of program changes that may decrease the amount of unused funds from the schools and libraries support program in the future. In addition, we note that USAC recently developed, in coordination with the Commission staff, new procedures for service provider changes that increase the amount of funds disbursed each year and a new Form 500 that allows applicants to reduce or cancel funding commitments so that those funds can be made available to applicants during the same funding year. This action, in

combination with our decision to carry forward unused funds in the schools and libraries support mechanism in the future, will help us to ensure that schools and libraries make maximum use of the funding available under \$2.25 billion annual cap.

III. Effective Date of the Rules

14. We revise § 54.507(a) of the Commission's rules to provide that unused funds from the schools and libraries support mechanism may be applied to stabilize or reduce the amount of such contributions to the universal service fund for no more than the next three quarters, beginning third quarter 2002. We conclude that the amendments to our rules adopted herein shall be effective June 20, 2002. The final rules must take effect prior to 30 days after publication in the **Federal Register** in order for the Wireline Competition Bureau to announce the contribution factor for third quarter 2002. Such action will serve the public interest because the final rules allow for stabilization or reductions in the contribution factor. Accordingly, pursuant to the Administrative Procedure Act, we find good cause to depart from the general requirement that final rules take effect not less than 30 days after their publication in the **Federal Register**.

IV. Procedural Matters

A. Paperwork Reduction Act Analysis

15. This Report and Order does not contain any new or modified information collection(s) subject to the PRA of 1995, Public Law 104-13.

B. Final Regulatory Flexibility Analysis

16. As required by the Regulatory Flexibility Act of 1980, as amended (RFA), an Initial Regulatory Flexibility Analysis (IRFA) was incorporated in the Notice of Proposed Rule Making and Order (*Further Notice*). The Commission sought written public comment on the proposals in the *Further Notice*, including comment on the IRFA. This present Final Regulatory Flexibility Analysis (FRFA) conforms to the RFA.

1. Need for, and Objectives of, the First Report and Order

17. The Commission recently initiated a review of our rules governing the schools and libraries universal service support mechanism. Among other things, the Commission sought comment on whether it should amend its rules regarding the treatment of unused funds from the schools and libraries mechanism. In this Order, we revise § 54.507(a) of the Commission's rules to provide that unused funds from

the schools and libraries support mechanism may be applied to stabilize or reduce the amount of contributions to the universal service fund for no more than the next three quarters, beginning with the third quarter 2002. Thereafter, unused funds from the schools and libraries mechanism shall be carried forward for use in subsequent funding years of the schools and libraries program. Our actions today strike an appropriate balance by helping to minimize and stabilize the contribution factor for the immediate future, while maintaining support for the schools and libraries program.

2. Summary of Significant Issues Raised by Public Comments in Response to the IRFA

18. There were no comments filed that specifically addressed the rules and policies presented in the IRFA.

3. Description and Estimate of the Number of Small Entities to Which Rules Will Apply

19. The RFA directs agencies to provide a description of, and where feasible, an estimate of the number of small entities that may be affected by the proposed rules, if adopted herein. The RFA generally defines the term "small entity" as having the same meaning as the terms "small business," "small organization," and "small governmental jurisdiction." In addition, the term "small business" has the same meaning as the term "small business concern" under the Small Business Act. A "small business concern" is one which: (1) Is independently owned and operated; (2) is not dominant in its field of operation; and (3) satisfies any additional criteria established by the Small Business Administration (SBA). A small organization is generally "any not-for-profit enterprise which is independently owned and operated and is not dominant in its field."

20. Nationwide, as of 1992, there were approximately 275,801 small organizations. The term "small governmental jurisdiction" is defined as "governments of cities, counties, towns, townships, villages, school districts, or special districts, with a population of less than fifty thousand." As of 1997, there were approximately 87,453 government jurisdictions in the United States. This number includes 39,044 counties, municipal governments, and townships, of which 27,546 have populations of fewer than 50,000 and 11,498 counties, municipal governments, and townships have populations of 50,000 or more. Thus, we estimate that the number of small government jurisdictions must be

75,955 or fewer. Many such small government jurisdictions contain and administer programs and funds for schools and libraries. Small entities potentially affected by the proposals herein include eligible schools and libraries and the eligible service providers offering them discounted services, including telecommunications service providers, Internet Service Providers (ISPs) and vendors of internal connections.

a. Schools and Libraries

21. Under the schools and libraries universal service support mechanism, which provides support for elementary and secondary schools and libraries, an elementary school is generally "a non-profit institutional day or residential school that provides elementary education, as determined under state law." A secondary school is generally defined as "a non-profit institutional day or residential school that provides secondary education, as determined under state law," and not offering education beyond grade 12. For-profit schools and libraries, and schools and libraries with endowments in excess of \$50,000,000, are not eligible to receive discounts under the program, nor are libraries whose budgets are not completely separate from any schools. Certain other statutory definitions apply as well. The SBA has defined as small entities elementary and secondary schools and libraries having \$6 million or less in annual receipts. In funding year 2 (July 1, 1999 to June 20, 2000) approximately 83,700 schools and 9,000 libraries received funding under the schools and libraries universal service mechanism. Although we are unable to estimate with precision the number of these entities that would qualify as small entities under SBA's definition, we estimate that fewer than 83,700 schools and 9,000 libraries would be affected annually by the rules adopted in this Order, under current operation of the program.

b. Telecommunications Service Providers

22. We have included small incumbent local exchange carriers in this present RFA analysis. As noted above, a "small business" under the RFA is one that, *inter alia*, meets the pertinent small business size standard (e.g., a telephone communications business having 1,500 or fewer employees), and "is not dominant in its field of operation." The SBA's Office of Advocacy contends that, for RFA purposes, small incumbent local exchange carriers are not dominant in their field of operation because any such

dominance is not "national" in scope. We have therefore included small incumbent local exchange carriers in this RFA analysis, although we emphasize that this RFA action has no effect on Commission analyses and determinations in other, non-RFA contexts.

23. *Local Exchange Carriers.* Neither the Commission nor the SBA has developed a definition for small providers of local exchange services. The closest applicable definition under the SBA rules is for wired telecommunications carriers. This provides that a wired telecommunications carrier is a small entity if it employs no more than 1,500 employees. According to our most recent data report, 1,335 carriers classified themselves as incumbent local exchange carriers. We do not have data specifying the number of these carriers that are either dominant in their field of operations, are not independently owned and operated, or have more than 1,500 employees, and thus are unable at this time to estimate with greater precision the number of local exchange carriers that would qualify as small business concerns under the SBA's definition. Of the 1,335 incumbent carriers, 13 entities are price cap carriers that are not subject to these rules. Consequently, we estimate that fewer than 1,322 providers of local exchange service are small entities or small incumbent local exchange carriers that may be affected by the decisions adopted in this Order.

24. *Interexchange Carriers.* Neither the Commission nor the SBA has developed a definition of small entities specifically applicable to providers of interexchange services (IXCs). The closest applicable definition under the SBA rules is for wired telecommunications carriers. This provides that a wired telecommunications carrier is a small entity if it employs no more than 1,500 employees. According to the most recent Trends Report, 204 companies reported that they were engaged in the provision of interexchange services. As some of these carriers have more than 1,500 employees, we are unable at this time to estimate with greater precision the number of IXCs that would qualify as small business concerns under the SBA's definition. Consequently, we estimate that there are fewer than 204 small entity IXCs that may be affected by the decisions adopted in this Order.

25. *Competitive Access Providers.* Neither the Commission nor the SBA has developed a definition of small entities specifically applicable to competitive access services providers

(CAPs). The closest applicable definition under the SBA rules is for wired telecommunications carriers. This provides that a wired telecommunications carrier is a small entity if it employs no more than 1,500 employees. According to our most recent data, there are 349 CAPs. We do not have data specifying the number of these carriers that are not independently owned and operated, or have more than 1,500 employees, and thus are unable at this time to estimate with greater precision the number of CAPs that would qualify as small business concerns under the SBA's definition. Consequently, we estimate that there are less than 349 small entity CAPs that may be affected by the decisions adopted in this Order.

26. *Cellular and Wireless Telephony.* Neither the Commission nor the SBA has developed a definition of small entities specifically for wireless telephony. The closest definition is the SBA definition for cellular and other wireless telecommunications or paging. Under that SBA definition, such a business is small if it has 1,500 or fewer employees. According to the Commission's most recent Telephone Trends Report data, 1,495 companies reported that they were engaged in the provision of wireless service. Of these 1,495 companies, 989 reported that they have 1,500 or fewer employees and 506 reported that, alone or in combination with affiliates, they have more than 1,500 employees. We do not have data specifying the number of these carriers that are not independently owned and operated, and thus are unable at this time to estimate with greater precision the number of wireless service providers that would qualify as small business concerns under the SBA's definition. Consequently, we estimate that there are 989 or fewer small wireless service providers that may be affected by the decisions adopted in this Order.

27. *Other Wireless Services.* Neither the Commission nor the SBA has developed a definition of small entities specifically applicable to wireless services other than wireless telephony. The closest applicable definition under the SBA rules is again that of cellular and other wireless telecommunications, under which a service provider is a small entity if it employs no more than 1,500 employees. According to the most recent Trends Report, 477 providers classified themselves as paging services, wireless data carriers or other mobile service providers. We do not have data specifying the number of these carriers that are not independently owned and operated or have more than 1,500 employees, and thus are unable at this

time to estimate with greater precision the number of wireless service providers that would qualify as small business concerns under the SBA's definition. Consequently, we estimate that there are fewer than 477 wireless service providers that may be affected by the decisions adopted in this Order.

c. Internet Service Providers

28. Under the new NAICS codes, SBA has developed a small business size standard for "On-line Information Services," NAICS Code 514191. According to SBA regulations, a small business under this category is one having annual receipts of \$21 million or less. According to SBA's most recent data, there are a total of 2,829 firms with annual receipts of \$9,999,999 or less, and an additional 111 firms with annual receipts of \$10,000,000 or more. Thus, the number of On-line Information Services firms that are small under the SBA's \$21 million size standard is between 2,829 and 2,940. Further, some of these Internet Service Providers (ISPs) might not be independently owned and operated. Consequently, we estimate that there are fewer than 2,940 small entity ISPs that may be affected by the decisions and rules of the present action.

d. Vendors of Internal Connections

29. The Commission has not developed a definition of small entities applicable to the manufacturers of internal network connections. The most applicable definitions of these kinds of small entities are the definitions under the SBA rules applicable to manufacturers of "Radio and Television Broadcasting and Communications Equipment" (RTB) and "Other Communications Equipment." According to the SBA's regulations, manufacturers of RTB or other communications equipment must have 750 or fewer employees in order to qualify as a small business. The most recent available Census Bureau data indicates that there are 1,187 companies with fewer than 1,000 employees in the United States that manufacture radio and television broadcasting and communications equipment, and 271 companies with less than 1,000 employees that manufacture other communications equipment. Some of these manufacturers might not be independently owned and operated. Consequently, we estimate that there are fewer than 1,458 small entity internal connections manufacturers that may be affected by the decisions in this Order.

4. Description of Projected Reporting, Recordkeeping, and Other Compliance Requirements for Small Entities

30. There are no additional reporting or other new compliance requirements relating directly to the decisions in this Order. Additional reporting or compliance requirements relating to the implementation of the carryover of unused funds from the schools and libraries mechanism will be addressed at the time such implementation procedures are adopted.

5. Steps Taken To Minimize the Significant Economic Impact on Small Entities, and Significant Alternatives Considered

31. The RFA requires an agency to describe any significant alternatives that it has considered in developing its approach, which may include the following four alternatives (among others: "(1) Establishment of differing compliance or reporting requirements or timetables that take into account the resources available to small entities; (2) the clarification, consolidation, or simplification of compliance and reporting requirements under the rule for such small entities; (3) the use of performance rather than design standards; and (4) an exemption from coverage of the rule, or any part thereof, for such small entities.")

32. In each funding year of the schools and libraries mechanism, a portion of the \$2.25 billion available under the program cap has gone unused, largely because some applicants do not fully use the funds committed to them in the same funding year. In this Order, we revise section 54.507(a) of the Commission's rules to provide that unused funds from the schools and libraries support mechanism may be applied to stabilize or reduce the amount of such contributions by carriers to the universal service fund for no more than the next three quarters, beginning with third quarter 2002. We believe that applying unused funds from the schools and libraries mechanism to stabilize or reduce contributions has the same impact on both small and large entities. In addition, we believe that the action that we take today will be beneficial for both large and small entities that contribute to the universal service fund by stabilizing or reducing contribution requirements. Furthermore, we believe that the carryover of unused funds from the schools and libraries mechanism will be beneficial to both small and large entities by providing additional funds that may be committed to schools and libraries pursuant to the schools and libraries support

mechanism. There are no reporting or other compliance requirements resulting from our action, and no possible exemptions that might assist small entities.

33. *Report to Congress:* The Commission will send a copy of the First Report and Order, including this FRFA, in a report to be sent to Congress pursuant to the Congressional Review Act, *see* 5 U.S.C. 801(a)(1)(A). In addition, the Commission will send a copy of the First Report and Order, including the FRFA, to the Chief Counsel for Advocacy of the Small Business Administration. A copy of the First Report and Order and FRFA (or summaries thereof) will also be published in the **Federal Register**.

V. Ordering Clauses

34. Pursuant to the authority contained in sections 1–4, 254, and 303(r) of the Communications Act of 1934, as amended, 47 U.S.C. 151–154, 254, 303(r), this First Report and Order in CC Docket No. 02–6 is adopted.

35. Pursuant to section 553(d) of Administrative Procedure Act, 5 U.S.C. 553(d), that this order is effective June 20, 2002.

36. The Commission's Consumer and Governmental Affairs Bureau, Reference Information Center, shall send a copy of this Report and Order, including the Final Regulatory Flexibility Analysis, to the Chief Counsel for Advocacy of the Small Business Administration.

List of Subjects 47 CFR Part 54

Reporting and recordkeeping requirements, Telecommunications, Telephone.

Federal Communications Commission.

Marlene H. Dortch,
Secretary.

Rule Change

For the reasons discussed in the preamble, the Federal Communications Commission amends 47 CFR part 54 as follows:

PART 54—UNIVERSAL SERVICE

Subpart F—Universal Service Support for Schools and Libraries

1. The authority citation for part 54 continues to read as follows:

Authority: 47 U.S.C. 1, 4(i), 201, 205, 214 and 254 unless otherwise noted.

2. Section 54.507 is amended by revising paragraph (a) to read as follows:

§ 54.507 Cap.

(a) *Amount of the annual cap.* The annual funding cap on federal universal service support for schools and libraries

shall be \$2.25 billion per funding year. All funding authority for a given funding year that is unused in that funding year shall be carried forward into subsequent funding years for use in accordance with demand. All funds collected that are unused shall be applied to stabilize universal service

contributions in accordance with the public interest and consistent with § 54.709(b) for no more than three quarters, beginning with third quarter 2002. Beginning no later than second quarter 2003, all funds collected that are unused shall be carried forward into subsequent funding years for use in the

schools and libraries support mechanism in accordance with the public interest and notwithstanding the annual cap.
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