

## **NANP FUND BUDGET AND CONTRIBUTION FACTOR FOR JULY 2008 TO JUNE 2009**

### **To: Billing & Collection Working Group**

The budget has been prepared to determine the funding requirements and the contribution factor for the upcoming funding year. We have determined that the total projected cost for the NANP Fund is \$5,508,944 (including a \$1,000,000 contingency provision). Rationale for this level of expenditure is included under the heading Basis for Projected Disbursements. We provided three scenarios for funding by the US carriers utilizing some or all of the projected surplus and the associated contribution factors for discussion by NANC.

### **US Carrier Contribution and Contribution Factor**

The US carriers are required to contribute \$5,426,560 to the Fund by direct contributions and by reduction in the fund surplus. The International Participants (Canada and Caribbean countries) contribute the remaining \$82,384 of the projected costs. Below are three scenarios for consideration.

The first scenario uses up the entire anticipated fund surplus at June 30, 2008 of \$2,730,440. The US carriers would be required to fund \$2,696,120 with a funding factor of 0.0000114. This option leaves only the \$1,000,000 in the surplus account which is the contingency provision.

The second scenario is designed to arrive at a contribution factor of 0.000020. This scenario reduces the surplus by \$705,247. The total contribution by the US carriers would be \$4,721,314. There would be \$2,025,193 excess surplus that could be carried forward to subsidize contributions in the future.

The third scenario is designed to arrive at a contribution factor of 0.000021. This scenario reduces the surplus by \$469,181. The total contribution by the US carriers would be \$4,957,379. There would be \$2,261,259 excess surplus that could be carried forward to subsidize contributions in the future.

### **Revenue Contribution Base**

The contribution factor was determined using an estimate for the 2007 US carrier revenue. In particular, revenues were estimated to be 0.5% higher than the 2006 actual revenues. In addition, VOIP carrier revenues were included based on the 2006 revenues reported in 2007. This is a new requirement by the FCC.

### **Basis for Projected Disbursements**

The NANPA Administration contract expires at the end of June 2008. The FCC has not started the RFP process at the time that this budget was prepared. The cost for the NeuStar contract for NANPA Administration has been provided for as per the existing contract in place. At the time the budget was prepared, NeuStar did not anticipate any additional costs over the contract value for any proposed change orders at the FCC that would impact upon the budget.

The 1K Pooling contract was awarded in 2007. It is a fixed price contract that covers the period from August 15, 2007 to August 14, 2012. The cost for 1K Pooling has been provided for as per the contract. At the time the budget was prepared, NeuStar did not anticipate any additional costs over the contract value for any proposed change orders at the FCC that would impact upon the budget. Change orders to the contract may arise during the upcoming funding year, should there be any changes to the system.

Interim p-ANI administration is covered by the 1K Pooling contract. The FCC is currently in the process of determining a permanent p-ANI solution. It has been indicated that once a solution

has been determined, it will be included as part of the 1K Pooling contract by way of a change order. An amount has been provided in the budget based on a change order for the interim work Neustar provided as interim p-ANI Administrator up to August 14, 2007.

The cost for the carrier audits have been provided for at the same amount as last year. The FCC is anticipating spending \$700,000 on carrier audits in the upcoming year.

The cost for the Billing & Collection Agent (Welch LLP) has been provided for as per the contract. Additional costs are not anticipated.

The cost for the Data Collection Agent has been provided for based on an estimate provided by USAC. The projected cost is in line with the past year's cost. If additional work is required due to new FCC initiatives the cost could be higher. The Fund is charged 8% of the monthly cost that the Data Collection Agent incurs with respect to data collection.

The cost for the annual operation audit for the Fund has been estimated at the same rate as last year. The Billing & Collection Agent is waiting for the FCC to approve the appointment of an auditor.

The excess cash over \$50,000 is invested in the Dreyfus Cash Plus Money Market Fund. An estimate has been provided for interest income earned on the excess cash of NANP.

Carriers are billed a \$100 fee whenever they do not file the Form 499A on time. This fee is over and above the amount they are required to pay NANP to cover the costs of numbering. An estimate has been provided based on results from the previous funding year.

A contingency provision of \$1,000,000 has been allowed for based on the decision made by NANC. Its purpose is to cover uncollectible debts, change orders and other potential cost overruns should the 1K Pooling and the pANI contract be awarded at a higher amount than provided in the budget.

### **Discussion Points**

- Choice of option 1, 2, or 3

**NANPA FUND BUDGET AND CONTRIBUTION FACTOR**  
**July 2008 to June 2009**

**Projected Disbursements**

	<b>2008/09</b>	<b>2007/08</b>
<b>NANPA Administration (note 1)</b>		
NANPA Administration (69% per NeuStar)	\$ 971,976	\$ 1,000,735
NANPA CO Code Administration (31% per NeuStar)	436,685	449,605
<b>Total NANPA Administration</b>	<b>1,408,661</b>	<b>1,450,340</b>
<b>Less NANPA Administration costs funded by International Participants</b>		
Canada	68,795	70,830
Caribbean countries	13,589	13,991
<b>Total Contributions by International Participants</b>	<b>82,384</b>	<b>84,821</b>
<b>Net total NANPA Administration Costs</b>	1,326,277	1,365,519
<b>1K Block Pooling Administration (note 2)</b>	2,272,483	3,200,000
<b>p-ANI Administration (note 3)</b>	100,000	225,000
<b>Carrier Audits (note 4)</b>	700,000	700,000
<b>Billing &amp; Collections Agent (note 5)</b>	238,800	238,800
<b>Data Collection Agent (note 6)</b>	54,000	56,000
<b>Annual Operations Audit (note 7)</b>	30,000	30,000
<b>Interest income (note 8)</b>	(180,000)	(180,000)
<b>Fee for filing Form 499A late (note 9)</b>	(115,000)	(115,000)
<b>Total projected disbursements for July 2008 to June 2009</b>	<b>4,426,560</b>	<b>5,520,319</b>
<b>Desired contingency provision (note 10)</b>	1,000,000	1,000,000
<b>Balance to be funded through reduction in surplus and US carrier contributions</b>	\$ 5,426,560	6,520,319
<b>Portion of projected surplus to be used</b>		(1,990,084)
<b>Net US Carrier Contribution requirement</b>		<b>\$ 4,530,235</b>
<b>Contribution Factor</b>	<b>see next page for options</b>	<b>0.0000193</b>

**Assumptions:**

- 1) The contract for NANPA Administration expires on July 8, 2008. At the time this budget was prepared, the FCC had not started the RFP process. If a bridge contract was to be implemented it would likely be at the amount of the current fixed price contract. The cost provided for in the budget is at the current fixed price of the NANP Administration contract excluding the cost of transition.
- 2) The cost for the 1K Block Pooling Administration is based the contract awarded to NeuStar in 2007. It is a fixed price contract. It includes the cost of interim pANI administration.
- 3) Interim p-ANI administration is now part of the new Pooling contract. The cost of permanent pANI administration has not been determined. An estimate has been provided in the budget based on the change order that was approved by FCC for interim work done up to August 2007
- 4) No audits have been completed since mid 2006 as the FCC is still reviewing the process of awarding contracts for carrier audits. The FCC has indicated that NANP should budget \$700,000 for the upcoming year.
- 5) The cost for the Billing & Collection Agent is provided for as per the existing contract.
- 6) The costs for the Data Collection agent are provided for based on estimate provided by USAC. This costs represents 8% allocation per non-USF fund. Based on fees billed in the past two years, the estimate is reasonable.
- 7) This is an estimate of the cost of an external audit of the fund that is required by the regulations.
- 8) This an estimate of interest income that will be earned over the next funding year on the funds invested in the Dreyfus Cash Plus Money Market Fund.
- 9) This is an estimate of the fees collected from carriers who file the Form 499A late. The fee is \$100 per late form filed.
- 10) A contingency allowance is provided for any additional costs that may occur during the year. This would include additional work by NeuStar that is not covered by the Pooling or the NANP Administration contract, bad debt write-offs and differences between the awarded cost of the NANP Administration contract and what has been estimated in the budget above.

## Funding Options

	<u>Option 1</u>	<u>Option 2</u>	<u>Option 3</u>
Balance to be funded	5,426,560	5,426,560	5,426,560
Amount subsidized from prior year surplus	<u>(2,730,440)</u>	<u>(1,531,477)</u>	<u>(870,493)</u>
Net US Carrier Contribution requirement	<u>2,696,120</u>	<u>3,895,084</u>	<u>4,556,068</u>
<b>Contribution Factor</b>	<b><u>0.0000114</u></b>	<b><u>0.0000165</u></b>	<b><u>0.0000193</u></b>
Anticipated surplus at June 30/08 per Feb/08 NANC report	2,730,440	2,730,440	2,730,440
Surplus used to subsidize carrier contributions	<u>(2,730,440)</u>	<u>(1,531,477)</u>	<u>(870,493)</u>
Surplus carried forward to 2008/09 funding year	<u>-</u>	<u>1,198,963</u>	<u>1,859,947</u>

**Notes:**

**Option 1** - Subsidize funding requirement by using up all of the surplus fund balance

**Option 2** - Subsidize funding requirement by reducing the surplus to extent that a contribution factor of 0.0000165 is achieved

**Option 3** - Subsidize funding requirement by reducing the surplus to extent that a contribution factor of 0.0000193 is achieved - same as prior year

The contribution base consisting of end user revenues for the past two years is as follows:

2006 actual	\$ 232,219,745,898
2007 actual	\$ 233,170,743,712
2008 estimate based on 0.5% increase over 2007 plus estimated VOIP revenue	\$ 236,065,676,984

The estimated 2008 includes anticipated VOIP revenues for the interconnected VOIP carriers who will be required to contribute to NANP starting in 2008.

The estimate was based on figures obtained from the Form 499A reporting 2006 revenues as provided by USAC.