

NANP FUND BUDGET AND CONTRIBUTION FACTOR FOR OCTOBER 2018 TO SEPTEMBER 2019

To: FCC Contract Oversight Sub-Committee

The budget has been prepared to determine the funding requirements and the contribution factor for the upcoming funding period. The budget covers a 12 month period running from October 2018 to September 2019. We have determined that the total projected cost before contingency allowance for the NANP Fund is \$4,772,628. Rationale for this level of expenditure is included under the heading Basis for Projected Disbursements. Preliminary revenue figures were provided based on the 2018 499As. We have provided an analysis for funding by the US carriers and contribution factor based on four scenarios for the contingency allowance.

US Carrier Contribution and Contribution Factor

The US carriers are required to contribute \$4,639,875 before contingency allowance to the Fund by direct contributions and by reduction in the fund surplus (anticipated to be \$1,286,143 at September 30, 2018). The International Participants (Canada and Caribbean member countries) contribute the remaining \$132,753 of the projected costs. A range of contribution factors has been set out below for consideration based on a preliminary industry revenue figure of \$132 billion derived from the 2018 Form 499As and four different contingency allowances.

With the uncertainty of various contracts which will not be renegotiated prior to the start of the budget period, we calculated contribution factors using contingency allowances of \$500,000, \$750,000, \$1,000,000 and \$1,500,000. The resulting contribution factors would be 0.0000389, 0.0000408, 0.0000427 and 0.0000465 respectively.

Revenue Contribution Base

The preliminary revenue figure comes from the 2018 Form 499As received to date by USAC. For those carriers who have not yet submitted their 2018 Form 499A, the revenue figure used is that reported in 2017.

Basis for Projected Disbursements

The NANPA Administration contract expired July 8, 2017. The cost for NANPA Administration is provided for in the budget based on the last option year in the expired contract.

The 1K Block Pooling Administration contract expired July 14, 2017. The cost for Pooling Administration is provided for in the budget based on the final option year of the contract.

The cost for the carrier audits have been provided for as directed by the FCC.

The contract for the Billing & Collection Agent (Welch LLP) was awarded at the end of April 2018. The contract is for a 5 year period from May 1, 2018 to April 30, 2023. The cost provided for in the budget is as per the awarded contract.

The cost for the Data Collection Agent has been provided for based on an estimate provided by USAC. If additional work is required due to new FCC initiatives the cost could be higher.

The cost for the annual operations audit for the Fund has been provided for at an estimate based on the prior billing history by Ernst & Young LLP.

Bank fees are an estimate based on prior years' history.

Bad debts are an estimate of uncollectible accounts. This amount is based on prior years' history.

An estimate has been provided for interest income earned from the bank based on prior year history.

Carriers are billed a \$100 fee when they do not file the Form 499A by the due date of April 30th. 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 for based on results from the previous funding years.

The contingency allowance is to provide for additional costs either not included in the budget or additional costs due to change in scope of work as mandated by the FCC. At the April Oversight Sub-Committee meeting, a preliminary decision was made to allow for a \$1M contingency allowance. This decision would be finalized at the May meeting.

NANPA FUND BUDGET AND CONTRIBUTION FACTOR
October 2018 to September 2019

	<u>2018/19</u>	<u>2017/18</u>
NANPA Administration (note 1)		
NANPA Administration (69% per NeuStar)	\$ 1,571,809	\$ 1,670,361
NANPA CO Code Administration (31% per NeuStar)	<u>706,175</u>	<u>750,452</u>
Total NANPA Administration	<u>2,277,984</u>	<u>2,420,813</u>
Less NANPA Administration costs funded by International Participants		
Canada	109,717	116,596
Caribbean countries	<u>23,036</u>	<u>24,429</u>
Total Contributions by International Participants	<u>132,753</u>	<u>141,025</u>
Net total NANPA Administration Costs	2,145,231	2,279,788
1K Block Pooling Administration (note 2)	3,107,867	3,199,475
Pooling Administration - Change Orders	-	741,366
Carrier Audits (note 3)	200,000	200,000
Billing & Collections Agent (note 4)	340,920	340,920
Data Collection Agent (note 5)	78,000	74,844
Annual Operations Audit (note 6)	48,000	47,000
Bank charges (note 7)	38,000	38,000
Bad debts (note 8)	40,000	40,000
Interest income (note 9)	(6,000)	(5,000)
Fee for filing Form 499A late (note 10)	<u>(66,000)</u>	<u>(65,000)</u>
Total projected disbursements for October 2018 to September 2019 before contingency allowance	5,926,018	6,891,393
Anticipated surplus at Sept 30/18 per April 30/18 NANC report	<u>(1,286,143)</u>	<u>(384,920)</u>
Balance to be funded before contingency allowance	<u>4,639,875</u>	<u>6,506,473</u>
Contingency provision - (note 11)	see next page for options	<u>1,000,000</u>
Net US Carrier Contribution requirement	see next page for options	<u>7,506,473</u>
Contribution Factor	see next page for options	<u>0.0000518</u>

See following page for assumptions

Assumptions:

- 1) The NANPA Administration expired July 8, 2017. The cost for NANPA administration is the same amount based on the last option year in the contract.
- 2) The 1K Block Pooling Administration contract expired July 14, 2017. The cost for Pooling Administration is provided for based on the amount provided in the final option year of the contract.
- 3) There have been no audits required by the FCC to be completed since mid 2006. The FCC has indicated that NANP should budget \$200,000 for the upcoming 12 month period.
- 4) The contract for the Billing & Collection Agent (Welch LLP) was awarded in April 2018. The cost of \$28,410 per month is based on the awarded contract.
- 5) The cost for the Data Collection Agent has been provided for based on an estimate provided by USAC.
- 6) This is an estimate based on prior year history of billing from Ernst & Young LLP for an external audit of the fund which is required by the regulations.
- 7) Bank fees are an estimate based on prior years' history.
- 8) Bad debts is an estimate of uncollectible accounts. This amount is based on prior history.
- 9) An estimate has been provided for interest income earned on the bank account based on prior year results.
- 10) Carriers are billed a \$100 fee when they do not file the Form 499A by the due date of April 1st. 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 prior years.
- 11) The contingency allowance is to provide for additional costs either not included in the budget, cost of contracts awarded at amounts higher than provided for in the budget or additional costs due to changes in scope of work as mandated by the FCC.

Contribution Factor

This analysis assumes that the anticipated surplus will subsidize the current funding requirement.

	Based on a contingency allowance of:			
	\$500k	\$750k	\$1M	\$1.5M
Balance to be funded by US carrier contributions before contingency allowance	4,639,875	4,639,875	4,639,875	4,639,875
Contingency allowance	<u>500,000</u>	<u>750,000</u>	<u>1,000,000</u>	<u>1,500,000</u>
Net US Carrier Contribution requirement	<u>5,139,875</u>	<u>5,389,875</u>	<u>5,639,875</u>	<u>6,139,875</u>
Contribution Factor	<u>0.0000389</u>	<u>0.0000408</u>	<u>0.0000427</u>	<u>0.0000465</u>
Prior Year Contribution Factor	<u>0.0000518</u>			

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

2008 actual	\$ 237,616,278,701
2009 actual	\$ 236,706,172,127
2010 actual	\$ 219,588,500,604
2011 actual	\$ 209,009,727,782
2012 actual	\$ 201,642,172,394
2013 actual	\$ 194,881,903,591
2014 actual	\$ 183,925,723,876
2015 actual	\$ 171,278,983,487
2016 actual	\$ 157,184,628,999
2017 actual	\$ 144,585,828,094
2018 estimate	\$ 132,014,000,000