

## **NANP FUND BUDGET AND CONTRIBUTION FACTOR FOR JULY 2007 TO JUNE 2008**

### **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 \$7,430,374 (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 \$7,345,503 to the Fund by direct contributions and by reduction in the fund surplus. The International Participants (Canada and Caribbean countries) contribute the remaining \$84,871 of the projected costs. Below are three scenarios for consideration.

The first scenario uses up the entire anticipated fund surplus at June 30, 2007 of \$1,576,965. The US carriers would be required to fund \$5,768,538 with a funding factor of 0.0000246. 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 exactly 0.0000250 as projected two years ago. This scenario reduces the surplus by \$1,481,955 and the total contribution by the US carriers would be \$5,863,549. There would be \$95,010 excess surplus that could be carried forward to subsidize contributions in the future.

The third scenario is calculated not to use any of the surplus of \$1,576,965. The surplus could be used in future years. The projected costs would be fully funded by contributions during the current year. This would result in a contribution factor of 0.0000313.

### **Revenue Contribution Base**

The contribution factor was determined using an estimate for the 2007 US carrier revenue. In particular, revenues were estimated to be 1% higher than the 2006 actual revenues.

### **Basis for Projected Disbursements**

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. Change orders to the contract may arise during the upcoming funding year, should there be any changes to the system.

The 1K Pooling contract expired on June 14, 2006. The FCC issued an interim bridge contract to Neustar which expires in April 2007. The RFP for the contract has been released but nothing has been awarded as of the beginning of February 2007. The existing contractor and the FCC would not speculate on the future pricing. For budget purposes, the cost is based on the amount allowed per month by the interim bridge contract. In addition to that amount there are two contemplated changes orders that would be issued once the new contract is in place. The amount provided is based on a preliminary change order issued by Neustar. The FCC indicated that this would not be the final figure but would not speculate as to what the figure would be.

**As of February 9, 2007, the figure allowed for in the budget may change to figure based on actual costs incurred in the previous year. If the contract is awarded prior to the finalization of the budget, the actual contract value will be used.**

pANI is a new cost to NANP. At the time of last year's budget the FCC was not sure whether this item would have its own contract or be part of the new Pooling contract. The FCC now indicates that this will be part of the new pooling contract. The amount allowed in the budget is the same as last year. If the Pooling contract is awarded prior to the release of this budget, this line item will be incorporated into the Pooling amount.

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 & Company 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 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 provide a scope of work for the external auditors.

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 2007 to June 2008**

<u>Projected Disbursements</u>	<u>2007/08</u>	<u>2006/07</u>
<b>NANPA Administration (note 1)</b>		
NANPA Administration (69% per NeuStar)	\$ 1,000,735	\$ 980,812
NANPA CO Code Administration (31% per NeuStar)	<u>449,605</u>	<u>440,655</u>
<b>Total NANPA Administration</b>	<u>1,450,340</u>	<u>1,421,467</u>
<b>Less NANPA Administration costs funded by International Participants</b>		
Canada	70,922	69,495
Caribbean countries	<u>13,949</u>	<u>13,743</u>
<b>Total Contributions by International Participants</b>	<u>84,871</u>	<u>83,238</u>
<b>Net total NANPA Administration Costs</b>	1,365,469	1,338,229
<b>1K Block Pooling Administration (note 2)</b>	<u>4,100,234</u>	<u>3,501,341</u>
<b>pANI Administration (note 3)</b>	150,000	150,000
<b>Carrier Audits (note 4)</b>	700,000	700,000
<b>Billing &amp; Collections Agent (note 1)</b>	238,800	238,800
<b>Data Collection Agent (note 5)</b>	56,000	65,000
<b>Annual Operations Audit (note 6)</b>	30,000	30,000
<b>Interest income (note 7)</b>	(180,000)	(180,000)
<b>Fee for filing Form 499A late (note 8)</b>	<u>(115,000)</u>	<u>-</u>
<b>Total projected disbursements for July 2007 to June 2008</b>	<b>6,345,503</b>	<b>5,843,370</b>
<b>Desired contingency provision (note 9)</b>	<u>1,000,000</u>	<u>1,000,000</u>
<b>Balance to be funded through reduction in surplus and US carrier contributions</b>	<u>\$ 7,345,503</u>	6,843,370
<b>Portion of projected surplus to be used</b>		<u>(1,966,444)</u>
<b>Net US Carrier Contribution requirement</b>		<u>\$ 4,876,926</u>
<b>Contribution Factor</b>	<b>see next page for options</b>	<b><u>0.000021</u></b>

**Assumptions:**

- 1) The costs for NANPA Administration and the Billing & Collection Agent are provided for as per existing contracts in place.
  - 2) The cost for the 1K Block Pooling Administration is based on the interim bridge contract which allows for \$296,419 per month for a total of \$3,557,028. The contract expired June 14/06. The RFP has been released but nothing has been awarded as of January 2007. Discussions with the FCC indicates that the new contract will be a fixed price contract. The FCC could not speculate at this time the cost for the new contract. In addition to the above, another \$543,206 has been allowed for change orders #48 & 51 which will be in addition to the new pooling contract. The \$543,206 is based on estimates provided by Neustar, however the FCC has not approved this amount yet. This matter will be decided once the new Pooling administrator is selected.
- As of February 9, 2007, the figure allowed for in the budget may change to a figure based on actual costs incurred in the previous year. If the contract is awarded prior to the finalization of the budget, the actual contract value will be used.
- 3) At the time this budget was being prepared, the FCC indicated that pANI would be part of the new Pooling contract. For this budget it is shown separately until the Pooling contract has been awarded. The FCC is currently looking at the cost of administering the pANI but could not provide with any estimates. The same amount as last year's budget is being used.
  - 4) The FCC has indicated that all the audits for 2006/07 are completed. The cost of these audits has been taken into account. No further audits have been completed since mid 2006 as the FCC is reviewing the process of awarding contracts for carrier audits. This should be in place sometime in 2007. The FCC has indicated that NANP should budget \$700,000 for the upcoming year.
  - 5) 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.
  - 6) This is an estimate of the cost of an external audit of the fund that is required by the regulations.
  - 7) This is 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.
  - 8) This is an estimate of the fees collected from carriers who file the Form 499A late. The fee is \$100 per late form filed. Although Welch has always collected this fee, this is the first year we have had enough data to accurately estimate the amount of revenue from this source.
  - 9) 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 NANPA contract, bad debt write-offs and differences between the awarded cost of the Pooling 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	7,345,503	7,345,503	7,345,503
Amount subsidized from prior year surplus	<u>(1,576,965)</u>	<u>1,481,955</u>	<u>-</u>
Net US Carrier Contribution requirement	<u>5,768,538</u>	<u>5,863,549</u>	<u>7,345,503</u>
<b>Contribution Factor</b>	<u><b>0.0000246</b></u>	<u><b>0.0000250</b></u>	<u><b>0.0000313</b></u>
Anticipated surplus at June 30/07 per Jan/07 NANC report	1,576,965	1,576,965	1,576,965
Surplus used to subsidize carrier contributions	<u>(1,576,965)</u>	<u>(1,481,955)</u>	<u>-</u>
Surplus carried forward to 2007/08 funding year	<u>-</u>	<u>95,010</u>	<u>1,576,965</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 0.000025 is achieved

**Option 3** - Fully funded by current contributions, no subsidization from the surplus

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

2005 actual	\$ 230,362,437,565
2006 actual	\$ 232,219,745,898
2007 estimate based on 1% increase over 2006	\$ <del>234,541,943,356</del>

**CALCULATION OF CANADIAN AND CARIBBEAN CONTRIBUTIONS**

FRN Code	Country	2006 Population	2007 Population	Average Population	Percentage of Total	Adjust Factor	NANP Admin	Billing Amount	Optional Monthly Payment
<b>United States &amp; Possessions</b>									
	United States	298,444,215	301,139,947	299,792,081	85.2123%				
	Puerto Rico	3,928,447	3,944,259	3,936,353	1.1189%				
	US Virgin Islands	108,605	108,448	108,527	0.0308%				
	Guam	171,019	173,456	172,238	0.0490%				
	Northern Marianas	82,459	84,546	83,503	0.0237%				
	American Samoa	57,794	57,663	57,729	0.0164%				
		<u>302,792,539</u>	<u>305,508,319</u>	<u>304,150,429</u>	<u>86.4511%</u>				
<b>Canada</b>									
817588	Canada	<u>33,098,932</u>	<u>33,390,141</u>	<u>33,244,537</u>	<u>9.4494%</u>	0.75	1,000,735	<u>70,922.28</u>	5,910.19
<b>Carribean Countries</b>									
899900	Anguilla	13,477	13,677	13,577	0.0039%	0.34	1,000,735	13.13	
899902	Antigua & Barbuda	69,108	69,481	69,295	0.0197%	0.34	1,000,735	67.02	
899904	Bahamas	303,770	305,655	304,713	0.0866%	0.34	1,000,735	294.69	
899906	Barbados	279,912	280,946	280,429	0.0797%	0.34	1,000,735	271.21	
899908	Bermuda	65,773	66,163	65,968	0.0188%	0.34	1,000,735	63.80	
899910	British Virgin Islands			-	0.0000%	0.34	1,000,735	-	
899912	Cayman Islands	45,436	46,600	46,018	0.0131%	0.34	1,000,735	44.50	
899914	Dominica	68,910	68,925	68,918	0.0196%	0.34	1,000,735	66.65	
899916	Dominican Republic	9,226,157	9,365,818	9,295,988	2.6423%	0.34	1,000,735	8,990.33	
899918	Grenada	89,703	89,971	89,837	0.0255%	0.34	1,000,735	86.88	
899920	Jamaica	2,758,124	2,780,132	2,769,128	0.7871%	0.34	1,000,735	2,678.08	
899922	Montserrat	9,439	9,538	9,489	0.0027%	0.34	1,000,735	9.18	
899924	St. Kitts & Nevis	39,129	39,349	39,239	0.0112%	0.34	1,000,735	37.95	
899926	St. Lucia	168,458	170,649	169,554	0.0482%	0.34	1,000,735	163.98	
899928	St. Vincent & The Grenadines	117,848	118,149	117,999	0.0335%	0.34	1,000,735	114.12	
899930	Trinidad & Tobago	1,065,842	1,056,608	1,061,225	0.3016%	0.34	1,000,735	1,026.33	
899932	Turks & Caicos Islands	21,152	21,746	21,449	0.0061%	0.34	1,000,735	20.74	
		<u>14,342,238</u>	<u>14,503,407</u>	<u>14,422,823</u>	<u>4.0995%</u>			<u>13,948.59</u>	
<b>Total Population</b>		<u>350,233,709</u>	<u>353,401,867</u>	<u>351,817,788</u>	<u>100.0000%</u>			<u>84,870.87</u>	