

**NANP Fund Budget and Contribution Factor
For July 2011 to June 2012**

To NANC

March 9, 2011

NANP FUND BUDGET AND CONTRIBUTION FACTOR FOR JULY 2011 TO JUNE 2012

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 \$5,857,267 (including a \$750,000 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 \$5,762,323 to the Fund by direct contributions and by reduction in the fund surplus. The International Participants (Canada and Caribbean countries) contribute the remaining \$94,944 of the projected costs. There are three scenarios for consideration set out below.

The first scenario uses the entire anticipated fund surplus at June 30, 2011 of \$1,141,441. The US carriers would be required to fund \$4,620,882 with a funding factor of 0.0000220. This option leaves only the \$750,000 in the surplus account which represents the contingency provision.

The second scenario is designed to reduce the surplus by approximately one-half resulting in a contribution factor of 0.0000247. This scenario reduces the surplus by \$570,720. The total contribution by the US carriers would be \$5,191,603. There would be \$570,721 excess surplus that could be carried forward to subsidize contributions in the future.

The third scenario is designed to leave the surplus in the fund resulting in a contribution factor of 0.0000274. The total contribution by the US carriers would be \$5,762,323. There would be \$1,141,441 excess surplus that could be carried forward to subsidize contributions in the future.

Revenue Contribution Base

The contribution factor was determined by first reviewing the actual 2009 US carrier revenues reported on the April 1, 2010 Form 499A. Given the economic climate this revenue figure was not used. It was decided to use a lower expected revenue figure which is 4% lower than the 2009 revenue reported in April 2010. At the end of April 2011, preliminary revenue figures from the 2011 Form 499A will be analyzed to determine if the revenue assumption needs to be adjusted and consequently the contribution factor.

Basis for Projected Disbursements

The interim NANPA Administration contract in force is for the period January 9, 2011 to July 8, 2011. At the time that this budget was prepared, an RFP had not been issued. The cost for the budget period is based on the same value as for the current interim contract. In addition, \$70,000 was allowed for the renewal of maintenance contracts based on the history over the past two years.

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 other than permanent pANI which is discussed below. Change orders to the contract may arise during the upcoming funding year, should there be any changes to the system.

Interim pANI administration is covered by the 1K Pooling contract. The cost of permanent pANI administration has been proposed via change order #19 at a total cost of \$1,040,906 which would be spread out over the remaining term of the 1K Pooling contract. The 2010-11 budget had already provided for \$200,000 for permanent pANI costs which has already been collected from the carriers. As a result, \$840,906 would be required to be funded over the period July 2011 to August 14, 2012. Of this amount, \$747,472 would be included in the 2011-12 budget and the remaining \$93,434 would be included in the 2012-13 budget.

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

The contract for the Billing & Collection Agent (Welch LLP) expired September 30, 2009. An interim contract has been extended for the period from February 1, 2011 to July 31, 2011 at a cost of \$20,100 per month. The cost for the Billing & Collection Agent is based on the amount provided in the interim contract.

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 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 expense of the Fund as per the new interim contract for the Billing & Collection agent effective April 1, 2010.

Excess cash over \$30,000 is held in a collateralized savings account. An estimate has been provided for interest income earned on this account.

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 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. The contingency allowance has been increased for this year only from \$500,000 to \$750,000 to allow for any variance in two contracts that are being re-competed in 2011. At this time it is not known what the final amount of the awarded contracts will be. The increase in the allowance is to supplement the contingency allowance should there be cost overruns if the contracts are awarded at significantly higher amounts than allowed in the budget.

Discussion Points

- Choice of option 1, 2, or 3

NANPA FUND BUDGET AND CONTRIBUTION FACTOR
July 2011 to June 2012

<u>Projected Disbursements</u>	<u>2011/12</u>	<u>2010/11</u>
NANPA Administration (note 1)		
NANPA Administration (69%per NeuStar)	\$ 1,132,980	\$ 1,150,230
NANPA CO Code Administration (31% per NeuStar)	<u>509,020</u>	<u>516,770</u>
Total NANPA Administration	<u>1,642,000</u>	<u>1,667,000</u>
Less NANPA Administration costs funded by International Participants		
Canada	78,703	80,036
Caribbean countries	<u>16,241</u>	<u>16,403</u>
Total Contributions by International Participants	<u>94,944</u>	<u>96,439</u>
Net total NANPA Administration Costs	1,547,056	1,570,561
1K Block Pooling Administration (note 2)	2,184,995	2,229,082
pANI Administration (note 3)	747,472	200,000
Carrier Audits (note 4)	300,000	700,000
Billing & Collections Agent (note 5)	241,200	238,800
Data Collection Agent (note 6)	59,000	54,000
Annual Operations Audit (note 7)	38,000	36,000
Bank charges (note 8)	21,600	-
Interest income (note 9)	(12,000)	(12,000)
Fee for filing Form 499A late (note 10)	<u>(115,000)</u>	<u>(115,000)</u>
Total projected disbursements for July 2010 to June 2011	5,012,323	4,901,443
Contingency provision - (note 11)	<u>750,000</u>	<u>500,000</u>
Balance to be funded through reduction in surplus and US carrier contributions	<u>\$ 5,762,323</u>	<u>\$ 5,401,443</u>
Portion of projected surplus to be used		<u>(1,366,725)</u>
Net US Carrier Contribution requirement		<u>\$ 4,034,718</u>
Contribution Factor	see next page for options	<u>0.0000181</u>

Assumptions:

- 1) The interim contract for NANPA Administration is for the period January 9, 2011 to July 8, 2011. The cost for NANPA administration is based on the interim contract. In addition, \$70,000 was allowed for renewal of maintenance contracts based on prior history.
- 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 pANI administration is part of the new Pooling contract. The cost of permanent pANI administration has been proposed via change order #19 at a total cost of \$1,040,906 which would be spread out over the remaining term of the 1K Block Pooling Administration
- 4) No audits have been completed since mid 2006 by the FCC. The FCC has indicated that NANP should budget \$300,000 for the upcoming year.
- 5) The interim contract for the Billing & collection Agent is for the period from August 1, 2010 to January 31, 2011. The cost for the Billing & Collection Agent is provided based on this interim 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 on 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.
- 8) Bank fees are an expense to the Fund as per the new interim contract for the Billing and Collection Agent effective April 1, 2010.
- 9) This an estimate of interest income that will be earned over the next funding year on the funds held in the savings account.
- 10) This is an estimate of the fees collected from carriers who file the Form 499A late. The fee is \$100 per late form filed.
- 11) 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. The contingency allowance has been increased for this year only from \$500,000 to \$750,000 to allow for any variance in two contracts that are being re-competed in 2011. At this time it is not known what the final amount of the awarded contracts will be. The increase in the allowance is to supplement the contingency allowance should there be cost overruns if the contracts are awarded at significantly higher amounts than allowed in the budget.

Funding Options

	<u>Option 1</u>	<u>Option 2</u>	<u>Option 3</u>
Balance to be funded	5,762,323	5,762,323	5,762,323
Amount subsidized from prior year surplus	<u>(1,141,441)</u>	<u>(570,720)</u>	<u>-</u>
Net US Carrier Contribution requirement	<u>4,620,882</u>	<u>5,191,603</u>	<u>5,762,323</u>
Contribution Factor	<u>0.0000220</u>	<u>0.0000247</u>	<u>0.0000274</u>
Anticipated surplus at June 30/11 per Jan/11 NANC report	1,141,441	1,141,441	1,141,441
Surplus used to subsidize carrier contributions	<u>(1,141,441)</u>	<u>(570,720)</u>	<u>-</u>
Surplus carried forward to 2011/12 funding year	<u>-</u>	<u>570,721</u>	<u>1,141,441</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 one half of the surplus is used

Option 3 - No subsidization of the funding requirement

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

2008 actual	\$ 237,616,278,701
2009 actual	\$ 236,706,172,127
2010 actual	\$ 219,588,500,604
2011 estimate (per discussions with B&C WG)	\$ 210,000,000,000