

milestone deadline and provide information explaining this expected deficiency. If a support recipient has not made such a notification by March 1 following the third-year service milestone, and has deployed to fewer than 20 percent of the required number of locations by the end of the third year, the recipient will immediately be in default and subject to support recovery. The Tier 4 status six-month grace period as set forth in § 54.320(d)(iv) will not be applicable.

EFFECTIVE DATE NOTE: At 85 FR 13798, Mar. 10, 2020, § 54.806 was added. This section contains information collection and record-keeping requirements and will not become effective until approval has been given by the Office of Management and Budget.

Subpart K—Interstate Common Line Support Mechanism for Rate-of-Return Carriers

SOURCE: 66 FR 59728, Nov. 30, 2001, unless otherwise noted.

§ 54.901 Calculation of Connect America Fund Broadband Loop Support.

(a) Connect America Fund Broadband Loop Support (CAF BLS) available to a rate-of-return carrier shall equal the Interstate Common Line Revenue Requirement per Study Area, plus the Consumer Broadband-Only Revenue Requirement per Study Area as calculated in accordance with part 69 of this chapter, minus:

(1) The study area revenues obtained from end user common line charges at their allowable maximum as determined by § 69.104(n) and (o) of this chapter;

(2) Imputed Consumer Broadband-only Revenues, to be calculated as:

(i) The lesser of \$42 * the number of consumer broadband-only loops * 12 or the Consumer Broadband-Only Revenue Requirement per Study Area; or

(ii) For the purpose of calculating the reconciliation pursuant to § 54.903(b)(3), the greater of the amount determined pursuant to paragraph (a)(2)(i) of this section or the carrier's allowable Consumer Broadband-only rate calculated pursuant to § 69.132 of this chapter * the number of consumer broadband-only loops * 12;

(3) The special access surcharge pursuant to § 69.115 of this chapter; and

(4) The line port costs in excess of basic analog service pursuant to § 69.130 of this chapter.

(b) For the purpose of calculating support pursuant to paragraph (a) of this section, the Interstate Common Line Revenue Requirement and Consumer Broadband-only Revenue Requirement shall be subject to the limitations set forth in § 54.303.

(c) For purposes of calculating the amount of CAF BLS, determined pursuant to paragraph (a) of this section, that a non-price cap carrier may receive, the corporate operations expense allocated to the Common Line Revenue Requirement or the Consumer Broadband-only Loop Revenue Requirement, pursuant to § 69.409 of this chapter, shall be limited to the lesser of:

(1) The actual average monthly per-loop corporate operations expense; or

(2) The portion of the monthly per-loop amount computed pursuant to § 54.1308(a)(4)(ii) that would be allocated to the Interstate Common Line Revenue Requirement or Consumer Broadband-only Loop Revenue Requirement pursuant to § 69.409 of this chapter.

(d) In calculating support pursuant to paragraph (a) of this section for periods prior to when the tariff charge described in § 69.132 of this chapter becomes effective, only Interstate Common Line Revenue Requirement and Interstate Common line revenues shall be included.

(e) To the extent necessary for rate-making purposes, each carrier's CAF BLS shall be attributed as follows:

(1) First, support shall be applied to ensure that the carrier has met its Interstate Common Line Revenue Requirement for the prior period to which true-up payments are currently being applied.

(2) Second, support shall be applied to ensure that the carrier has met its Consumer Broadband-only Loop Revenue Requirement for the prior period to which true-up payments are currently being applied.

(3) Third, support shall be applied to ensure that the carrier will meet, on a

forecasted basis, its Interstate Common Line Revenue Requirement during the current tariff year.

(4) Finally, support shall be applied as available to the Consumer Broadband-only Loop Revenue Requirement during the current tariff year.

(f) CAF BLS Support is subject to a reduction as necessary to meet the overall cap on support established by the Commission for support provided pursuant to this subpart and subpart M of this part. Reductions shall be implemented as follows:

(1) On May 1 of each year, the Administrator will publish a target amount for CAF BLS in the aggregate and the amount of CAF BLS that each study area will receive during the upcoming July 1 to June 30 tariff year. The target amount shall be the forecasted disbursement amount times a reduction factor. The reduction factor shall be the budget amount divided by the total forecasted disbursement amount for both High Cost Loop Support and CAF BLS for recipients in the aggregate. The forecasted disbursement for CAF BLS is the forecasted total disbursements for all recipients of CAF BLS, including both projections and true-ups in the upcoming July 1 to June 30 tariff year.

(2) [Reserved]

(3) The Administrator shall apply a pro rata reduction to CAF BLS for each recipient of CAF BLS as necessary to achieve the target amount.

(4) This paragraph (f) shall not apply to support provided from July 1, 2017 to June 30, 2018.

(g) For purposes of this subpart and consistent with §69.132 of this chapter, a consumer broadband-only loop is a line provided by a rate-of-return incumbent local exchange carrier to a customer without regulated local exchange voice service, for use in connection with fixed Broadband Internet access service, as defined in §8.2 of this chapter.

[81 FR 24342, Apr. 25, 2016, as amended at 82 FR 14340, Mar. 20, 2017; 83 FR 18964, May 1, 2018; 84 FR 4733, Feb. 19, 2019]

§ 54.902 Calculation of CAF BLS Support for transferred exchanges.

(a) In the event that a rate-of-return carrier acquires exchanges from an en-

tity that is also a rate-of-return carrier, CAF BLS for the transferred exchanges shall be distributed as follows:

(1) Each carrier may report its updated line counts to reflect the transfer in the next quarterly line count filing pursuant to §54.903(a)(1) that applies to the period in which the transfer occurred. During a transition period from the filing of the updated line counts until the end of the funding year, the Administrator shall adjust the CAF BLS Support received by each carrier based on the updated line counts and the per-line CAF BLS, categorized by customer class and, if applicable, disaggregation zone, of the selling carrier. If the acquiring carrier does not file a quarterly update of its line counts, it will not receive CAF BLS for those lines during the transition period.

(2) Each carrier's projected data for the following funding year filed pursuant to §54.903(a)(3) shall reflect the transfer of exchanges.

(3) Each carrier's actual data filed pursuant to §54.903(a)(4) shall reflect the transfer of exchanges. All post-transaction CAF BLS shall be subject to true up by the Administrator pursuant to §54.903(b)(3).

(b) In the event that a rate-of-return carrier acquires exchanges from a price-cap carrier, absent further action by the Commission, the exchanges shall receive the same amount of support and be subject to the same public interest obligations as specified in §54.310 or §54.312, as applicable.

(c) In the event that an entity other than a rate-of-return carrier acquires exchanges from a rate-of-return carrier, absent further action by the Commission, the carrier will receive model-based support and be subject to public interest obligations as specified in §54.310.

(d) This section does not alter any Commission rule governing the sale or transfer of exchanges, including the definition of "study area" in part 36 of this chapter.

[81 FR 24343, Apr. 25, 2016]

§ 54.903 Obligations of rate-of-return carriers and the Administrator.

(a) To be eligible for CAF BLS, each rate-of-return carrier shall make the