

# 1999 Board of Directors Meetings Minutes

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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY****BOARD OF DIRECTORS MEETING**

January 25 and 26, 1999

**MINUTES**

A meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held at the Ronald Reagan Building/International Trade Center, 1300 Pennsylvania Avenue, N.W., Washington, D.C., on Monday and Tuesday, January 25 and 26, 1999. Ms. Lisa Rosenblum, Chair of the USAC Board of Directors, called the meeting to order on Monday, January 25, 1999, at 9:08 a.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to Ms. Cheryl Parrino called the roll for Mr. Robert Haga, Acting Secretary.

| <b>Twelve of the sixteen members were present, representing a quorum:</b> |                       |
|---|-----------------------|
| Abramson, David   | Marockie, Dr. Hank    |
| Bryant, Anne  | Ouye, Kathleen        |
| Eichler, Ed   | Rosenblum, Lisa       |
| Gumper, Frank   | Sanders, Dr. Jay      |
| Hess, Kevin   | Talbott, Brian        |
| Hogerty, Martha   | Thoms, Allan          |
| <b>One member arrived while the meeting was in progress:</b>              |                       |
| Gold, Heather   |                       |
| <b>Three members were absent:</b>   |                       |
| Butler, Tony  | Wheeler, Tom          |
| Jackson, Jimmy  |                       |
| <b>Officers of the Corporation present:</b>                               |                       |
| Haga, Robert – Secretary/Treasurer  | Parrino, Cheryl --CEO |
| <b>Others present for the meeting:</b>                                    |                       |
| <b>Name</b>   | <b>Company</b>        |
| Bailey, Lee   | USAC – RHC Division   |
| Blackwell, Mel  | USAC                  |
| Dwyer, Shari  | Thomas Communications |
| Faunce, Donna   | USAC                  |

|                  |  |
|------------------|--|
| Howard, Cathy    | USAC   |
| Kiser, Cherie    | Mintz, Levin, Cohn, et al.                                     |
| Kriete, Debra    | USAC – SL Division   |
| Lavery, Dick     | GTE  |
| Lineberry, Isiah | Rural Health Policy Center – PennState Geisinger Health System |
| Moore, Kate      | USAC – SL Division   |
| Rodda, Jim       | MCI WorldCom   |

## ACTION ITEMS

1. **Annual Election of Officers** – Ms. Parrino explained that the USAC By-laws require that officers be elected as the first order of business in the first Board of Directors meeting of a new calendar year. The Board inquired why they were keeping the "Acting" in front of Mr. Haga's title. Ms. Parrino explained that Mr. Haga is being recommended for re-election as the *Acting* Secretary and Treasurer due to several vacancies in USAC that need to be filled. The filling of these vacancies may affect whether Mr. Haga would continue as the Secretary and Treasurer or if another person would be more appropriate for one or both of the positions. By electing him as *Acting* Secretary and Treasurer, it leaves room for changes in the future.

On a motion duly made and seconded, the Board unanimously adopted the following resolutions:

**RESOLVED,** That the USAC Board of Directors elects Ms. Lisa Rosenblum as Chairperson of the Board of the Universal Service Administrative Company, and

**RESOLVED,** That the USAC Board of Directors elects Dr. Henry Marockie as Vice-Chairperson of the Board of the Universal Service Administrative Company, and

**RESOLVED,** That the USAC Board of Directors elect Ms. Cheryl L. Parrino as CEO of the Universal Service Administrative Company, and

**RESOLVED,** That the USAC Board of Directors elects Mr. Robert Haga as Acting Secretary and Treasurer of the Universal Service Administrative Company.

2. **Election of New Board Members** – Ms. Parrino explained that consistent with the Plan of Reorganization approved by the FCC, the USAC Board should be comprised of nineteen (19) members. There are two unfilled positions on the USAC Board that did not exist prior to the reorganization. For one of these unfilled positions, the Plan states that "the additional rural health care representative on the Rural Health Care Board shall serve on the USAC Board." For the other unfilled position, the Plan proposed to add the CEO of USAC to the Board. The reorganization created Board

positions for both of these positions, and the Board must elect individuals to the two Board positions created by the merger. In addition, another vacancy exists due to the resignation on December 31, 1998, of Mr. Donald Lynch from the USAC Board of Directors. According to USAC By-laws and FCC rules, USAC must notify the FCC of the vacancy so that it can begin the selection process for a successor. The Executive Committee authorized USAC to notify the FCC of the vacancy during its January 14, 1999, conference call. There is no Board action required at this time regarding this vacancy.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors hereby elects Ms. Cheryl Parrino and Mr. Isiah Lineberry to the USAC Board of Directors.

3. **Formation of the Rural Health Care and Schools & Libraries Committees and Reformation of the High Cost & Low Income Committee** – Ms. Parrino explained that as a result of the merger and FCC Order, the USAC Board of Directors must establish a Rural Health Care Committee and a Schools & Libraries Committee to oversee the administration of the Rural Health Care and Schools and Libraries Universal Service Programs. The USAC Board must also adopt changes to the structure of the High Cost & Low Income Committee.

On a motion duly made and seconded, the Board unanimously adopted the following resolutions:

**RESOLVED**, That, consistent with its By-laws, the USAC Board of Directors approves the reformation of the High Cost & Low Income Committee to oversee the administration of the high cost and low income support mechanisms by the High Cost & Low Income Division. The High Cost & Low Income Committee shall have the authority to make decisions concerning: (i) how the Administrator projects demand for the high cost and low income support mechanisms; (ii) development of applications and associated instructions as needed for the high cost and low income support mechanisms; (iii) administration of the application process, including activities to ensure compliance with Federal Communications Commission rules and regulations; (iv) performance of audits of beneficiaries under the high cost and low income support mechanisms; and (v) development and implementation of other functions unique to the high cost and low income support mechanisms, and

**RESOLVED FURTHER**, That the High Cost & Low Income Committee shall consist of the following members of the USAC Board of Directors: (i) one low income representative; (ii) one state telecommunications regulator; (iii) one state consumer advocate; (iv) two incumbent local exchange carrier representatives (one representing rural telephone companies, as that term is defined in 47 USC 153(37) and one representing non-rural telephone companies); (v) one inter-exchange carrier representative; (vi) one competing local exchange carrier representative; (vii) one commercial mobile radio service representative; and (viii) the Chief Executive Officer, and

**RESOLVED FURTHER**, That, consistent with its By-laws, the USAC Board of Directors approves the formation of a Rural Health Care Committee to

oversee the administration of the rural health care support mechanism by the Rural Health Care Division. The Rural Health Care Committee shall have authority to make decisions concerning: (i) how the Administrator projects demand for the rural health care support mechanism; (ii) development of applications and associated instructions as needed for the rural health care support mechanism; (iii) administration of the application process, including activities to ensure compliance with Federal Communications Commission rules and regulations; (iv) calculation of support levels under § 54.609; (v) performance of outreach and education functions; (vi) review of bills for services that are submitted by rural health care providers; (vii) monitoring demand for the purpose of determining when the \$400 million cap has been reached; (viii) performance of audits of beneficiaries under the rural health care support mechanism; and (ix) development and implementation of other functions unique to the rural health care support mechanism, and

**RESOLVED FURTHER,** That the Rural Health Care Committee shall consist of the following members of the USAC Board of Directors: (i) two rural health care representatives; (ii) one service provider representative; (iii) two at-large representatives elected by the Board; (iv) one state telecommunications regulator; (v) one state consumer advocate; and (vi) the Chief Executive Officer, and

**RESOLVED FURTHER,** That, consistent with its By-laws, the USAC Board of Directors approves the formation of a Schools & Libraries Committee to oversee the administration of the schools and libraries support mechanism by the Schools & Libraries Division. The Schools & Libraries Committee shall have the authority to make decisions concerning: (i) how the Administrator projects demand for the schools and libraries support mechanism; (ii) development of applications and associated instructions as needed for the schools and libraries support mechanism; (iii) administration of the application process, including activities to ensure compliance with Federal Communications Commission rules and regulations; (iv) performance of outreach and education functions; (v) review of bills for services that are submitted by schools and libraries; (vi) monitoring demand for the purpose of determining when the \$2 billion trigger has been reached; (vii) implementation of the rules of priority in accordance with § 54.507(g) of this chapter; (viii) review and certification of technology plans when a state agency has indicated that it will not be able to review such plans within a reasonable time; (ix) the classification of schools and libraries as urban or rural and the use of the discount matrix established in § 54.505(c) of this chapter to set the discount rate to be applied to services purchased by eligible schools and libraries; (x) performance of audits of beneficiaries under the schools and libraries support mechanism; and (xi) development and implementation of other functions unique to the schools and libraries support mechanism, and

**RESOLVED FURTHER,** That the Schools & Libraries Committee shall consist of the following members of the USAC Board of Directors: (i) three school representatives; (ii) one library representative; (iii) one service provider representative; (iv) one at-large representative elected by the Board; and (v) the Chief Executive Officer, and

**RESOLVED FURTHER**, That the High Cost & Low Income Committee, Rural Health Care Committee, and Schools & Libraries Committee may act on behalf of the Corporation on issues relating to the programmatic aspects of their respective support mechanisms, unless (i) the action is with respect to Board approval of a budget or the action is presented by the Chief Executive Officer to the Board for review, and (ii) the Board disapproves such action by a two-thirds vote of a quorum of the Board, and

**RESOLVED FURTHER**, That meetings of the High Cost & Low Income Committee, Rural Health Care Committee, and Schools & Libraries Committee shall be open to the public and be held in Washington, D.C.

4. **Appointment of Members to the High Cost & Low Income, Rural Health Care, and Schools & Libraries Committees** – Ms. Parrino explained that Board members must be appointed to serve on the High Cost & Low Income (HCLI) Committee, the Rural Health Care (RHC) Committee, and the Schools & Libraries (SL) Committee consistent with USAC’s By-laws and FCC Rules.

On a motion duly made and seconded, the Board unanimously adopted the following resolutions:

**RESOLVED**, That the USAC Board of Directors hereby appoints the following members of the USAC Board of Directors to the High Cost & Low Income Committee: (i) Mr. John Anthony Butler (representing low income consumers); (ii) Chairman Allan Thoms (representing state telecommunications regulators); (iii) Ms. Martha Hogerty (representing state consumer advocates); (iv) Mr. Edwin H. Eichler (representing rural ILECs), and Mr. Kevin Hess (representing non-rural ILECs); (v) Mr. Jimmy Jackson (representing inter-exchange carriers); (vi) Ms. Heather Burnett Gold (representing CLECs); (vii) Mr. Tom Wheeler (representing CMRS providers); and (viii) Ms. Cheryl L. Parrino (USAC CEO), and

**RESOLVED FURTHER**, That the USAC Board of Directors hereby appoints the following members of the USAC Board of Directors to the Rural Health Care Committee: (i) Mr. Isiah Lineberry and Dr. Jay Sanders (rural health care representatives); (ii) Mr. Kevin Hess (representing telecommunications service providers); (iii) Mr. Jimmy Jackson and Mr. Talbott (at-large representatives); (iv) Chairman Allan Thoms (representing state telecommunications regulators); (v) Ms. Martha Hogerty (representing state consumer advocates); and (vi) Ms. Cheryl L. Parrino (USAC CEO), and

**RESOLVED FURTHER**, That the USAC Board of Directors hereby appoints the following members of the USAC Board of Directors to the Schools & Libraries Committee: (i) Ms. Anne L. Bryant, Dr. Henry Marockie, and Mr. Brian Talbott (representing schools); (ii) Ms. Kathleen G. Ouye (representing libraries); (iii) Mr. Frank Gumper (representing telecommunications service providers); (iv) Mr. David Abramson (at-large representative); and (v) Ms. Cheryl L. Parrino (USAC CEO).

5. **Review of Executive Committee Representation and Selection of Members** – Ms. Parrino explained that at its October 20, 1998, meeting, the USAC Board of Directors approved the formation of an Executive Committee and appointed

members. At that time, the Board agreed to review the Committee representation after the consummation of the merger. The merger has now been consummated. In addition, since the Committee was formed, one of the members has resigned from the USAC Board of Directors.

On a motion duly made and seconded, the Board unanimously adopted the following resolutions:

**RESOLVED,** That the USAC Board of Directors determines that the Executive Committee shall consist of six (6) USAC Board members: the Chairperson of the USAC Board; the Chairperson of the High Cost & Low Income Committee; the Chairperson of the Rural Health Care Committee; the Chairperson of the Schools & Libraries Committee, an at-large representative; and the USAC CEO, and

**RESOLVED FURTHER,** That the USAC Board of Directors makes the following appointments to the Executive Committee: the Chairperson of the USAC Board; the Chairperson of the High Cost & Low Income Committee; the Chairperson of the Rural Health Care Committee; the Chairperson of the Schools & Libraries Committee, Ms. Cheryl Parrino, the USAC CEO; and Mr. Frank Gumper as the at-large representative to the Executive Committee.

Ms. Rosenblum suggested that the Board recess for the purpose of having each of the USAC Committees go into session to select recommendations for Chairs and Vice Chairs of the Committees to forward to the Board. The reason for recessing into Committees at this point is so that once the Committees have made their recommendations, the Board can then reconvene and approve those selections so that Board members will know who should go to the Executive Committee meeting on Tuesday, January 26, 1999, since the Executive Committee consists of the Chairs of each Committee and one at-large representative.

On a motion duly made and seconded, the Board unanimously agreed to recess at 9:24 a.m., subject to the call of the Chair, for the purpose of having each of the USAC Committees go into session to select recommendations for Chairs and Vice Chairs of the Committees.

At 9:34 a.m., the Board reconvened. Ms. Rosenblum called the meeting to order and asked that the roll be taken. Ms. Cathy Howard, executive assistant to Cheryl Parrino (CEO of USAC) called the roll for Mr. Robert Haga, Acting Secretary.

| <b>Fifteen of the eighteen elected members were present, representing a quorum:</b> |                    |
|---|--------------------|
| Abramson, David   | Marockie, Dr. Hank |
| Bryant, Anne  | Ouye, Kathleen     |
| Eichler, Ed   | Parrino, Cheryl    |
| Gold, Heather   | Rosenblum, Lisa    |
| Gumper, Frank   | Sanders, Dr. Jay   |

|   |                            |
|---|----------------------------|
| Hess, Kevin                                 | Talbott, Brian             |
| Hogerty, Martha                             | Thoms, Allan               |
| Lineberry, Isiah                            |                            |
| <b>Three members were absent:</b>           |                            |
| Butler, Tony                                | Wheeler, Tom               |
| Jackson, Jimmy                              |                            |
| <b>Officers of the Corporation present:</b> |                            |
| Haga, Robert – Secretary/Treasurer          |                            |
| <b>Others present for the meeting:</b>      |                            |
| <b>Name</b>                                 | <b>Company</b>             |
| Bailey, Lee                                 | USAC – RHC Division        |
| Blackwell, Mel                              | USAC                       |
| Dwyer, Shari                                | Thomas Communications      |
| Faunce, Donna                               | USAC                       |
| Howard, Cathy                               | USAC                       |
| Kiser, Cherie                               | Mintz, Levin, Cohn, et al. |
| Kriete, Debra                               | USAC – SL Division         |
| Lavery, Dick                                | GTE                        |
| Moore, Kate                                 | USAC – SL Division         |
| Rodda, Jim                                  | MCI WorldCom               |

6. **Election of High Cost & Low Income, Rural Health Care, and Schools & Libraries Committees Chairs and Vice Chairs** – Ms. Parrino explained that the USAC Board of Directors needs to approve the recommendations from the High Cost & Low Income, Rural Health Care, and Schools & Libraries Committees for their Chairs and Vice Chairs, respectively.

On a motion duly made and seconded, the Board unanimously adopted the following resolutions:

**RESOLVED**, That the USAC Board of Directors accepts the recommendation made by the High Cost Low Income Committee to re-elect Ms. Heather Gold as its Committee Chair and Ms. Martha Hogerty as its Vice Chair, and

**RESOLVED FURTHER**, That the USAC Board of Directors accepts the recommendation made by the Rural Health Care Committee to elect Dr. Jay Sanders as its Committee Chair and Mr. Kevin Hess as its Vice Chair, and

**RESOLVED FURTHER**, That the USAC Board of Directors accepts the recommendation made by the Schools & Libraries Committee to re-elect Ms.

Kathleen Ouye as its Committee Chair and Dr. Hank Marockie as its Vice Chair.

On a motion duly made and seconded, the Board unanimously agreed to recess at 9:36 a.m., to reconvene at 9:30 a.m., Tuesday, January 26, 1999.

At 10:05 a.m. on Tuesday, January 26, 1999, the Board reconvened. Ms. Rosenblum called the meeting to order and asked that the roll be taken. Ms. Cathy Howard, executive assistant to Cheryl Parrino (CEO of USAC) called the roll for Mr. Haga, Acting Secretary.

| <b>Fifteen of the eighteen elected members were present, representing a quorum:</b> |                            |
|---|----------------------------|
| Abramson, David   | Marockie, Dr. Hank         |
| Bryant, Anne  | Ouye, Kathleen             |
| Eichler, Ed   | Parrino, Cheryl            |
| Gold, Heather   | Rosenblum, Lisa            |
| Gumper, Frank   | Sanders, Dr. Jay           |
| Hess, Kevin   | Talbott, Brian             |
| Hogerty, Martha   | Thoms, Allan               |
| Lineberry, Isiah  |                            |
| <b>Three members were absent:</b>   |                            |
| Butler, Tony  | Wheeler, Tom               |
| Jackson, Jimmy  |                            |
| <b>Officers of the Corporation present:</b>   |                            |
| Haga, Robert – Secretary/Treasurer  |                            |
| <b>Others present for the meeting:</b>  |                            |
| <b>Name</b>   | <b>Company</b>             |
| Bailey, Lee   | USAC – RHC Division        |
| Blackwell, Mel  | USAC                       |
| Dwyer, Shari  | Thomas Communications      |
| Faunce, Donna   | USAC                       |
| Flannery, Irene   | FCC                        |
| Howard, Cathy   | USAC                       |
| Kiser, Cherie   | Mintz, Levin, Cohn, et al. |
| Kriete, Debra   | USAC – SL Division         |
| Levy, Ken   | NECA                       |

|              |              |
|--------------|--------------|
| Ricker, John | NECA         |
| Rodda, Jim   | MCI WorldCom |
| Zaina, Lisa  | FCC          |

**Election of Executive Committee Chair and Vice Chair** – Ms. Parrino explained that the SAC Board of Directors needs to approve the recommendation from the Executive

Committee for the Executive Committee Chair and Vice Chair.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors accepts the recommendation made by the Executive Committee to elect **Ms. Lisa Rosenblum** as its Committee Chair and **Mr. Frank Gumper** as its Vice Chair.

7. **Approval of minutes of Tuesday, December 15, 1998** – On a motion duly made and seconded, the Board unanimously approved the minutes, as distributed, of the December 15, 1998, USAC Board of Directors’ meeting.
8. **Process for the Selection of Board of Directors’ Terms and the Selection of Directors to Specific Terms** – Ms. Parrino explained that the reorganization created staggered terms for the Directors of USAC. The FCC left to USAC the appointment of specific directors to terms of two, three, and four years. Ms. Rosenblum asked Mr. Haga to organize Board Members and to not take action today on this item. She noted that no Board member has expressed a sense of urgency as all terms run until December of 2000.

Ms. Rosenblum asked the Board whether they were comfortable with the groupings proposed, and asked that Mr. Haga get those groups together to decide terms.

9. **Video Conferencing** – Ms. Parrino reported on the video conferencing information and estimated cost gathered at the Board’s request. The Board discussed the item and noted other avenues could be examined. Ms. Howard said that she would work with Dr. Sanders and Mr. Abramson to get more data for the Board.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors determines not to pursue video conferencing at this time based on the current costs. The Board directs staff to monitor the costs and the change in technology and to bring a recommendation back to the Board when the costs justify the use of the technology.

10. **Resolution Honoring Mr. Donald Lynch** – Mr. Lynch resigned from the USAC Board of Directors effective December 31, 1998.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors hereby expresses its profound appreciation for the service Mr. Donald Lynch has provided to the Universal Service Administrative Company, and wishes him the best in his future endeavors.

The Board directed staff to purchase a plaque on which to ascribe an appropriate expression of thanks and to send it to Mr. Lynch.

11. **Resolution Honoring Mr. Jim Rodda** – Mr. Jim Rodda was responsible for assisting Mr. Lynch in his service on the USAC Board, and made large contributions to USAC operations and the USAC Board in this role.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors hereby extends to Mr. Jim Rodda thanks and appreciation for his hard work provided to the Universal Service Administrative Company.

The Board directed staff to send a letter to Mr. Rodda expressing USAC's thanks and appreciation.

12. **Refunds to Contributors Qualifying for *De Minimis* Status** – Ms. Parrino explained that at its October 20, 1998, Board meeting, the USAC Board of Directors authorized the issuance of refunds for telecommunications service providers that had, based on their first six months of 1997 revenue, contributed to the program, but as a result of reporting their calendar year 1997 revenues, were subsequently determined to be *de minimis* as a result of having an annual contribution of less than \$10,000. The Board had requested that this be done as soon as possible. Mr. Haga stated the total refunded amount included interest and was more than \$1.6 million.
13. **Status Report on the Readiness of USAC Operations for the Year 2000** – Ms. Parrino explained that the Board has requested regular status reports on the readiness of USAC operations for the year 2000. There is essentially no change in Year 2000 readiness since the last report given at the last Board meeting on December 15, 1998. All operational systems are Year 2000 compliant. All systems currently under development incorporate Year 2000 standards and are on target to be fully operational prior to August 1999.
14. **Report on Directors & Officers Insurance and Indemnification** – Mr. Haga reported that USAC's Directors & Officers (D&O) insurance provides greater coverage than the policies maintained by either of the former corporations and has been renewed effective January 1, 1999, at a rate lower than the premium in effect for the Rural Health Care Corporation and the Schools & Libraries Corporation on September 1, 1998. Coverage has been obtained consistent with the Merger Agreement.
15. **List of Telecommunications Carriers Filing FCC Form 457** – At the Board's request, Mr. Haga reported that information regarding carriers that have filed FCC Form 457 has been posted by the FCC on the Internet and provided the Board with the URLs.
16. **Filing of Comments in Public Notice Seeking Comments on Joint Board *Second Recommended Decision* – Implementation Time Needed** – Mr. Haga reported that USAC filed Reply Comments on January 13, 1999, advising the FCC to leave sufficient time to implement any changes that will be required by July 1, 1999.

17. **Site Visits Outside of Washington, DC** – Ms. Kiser reported that the USAC Board of Directors cannot conduct meetings outside of Washington, D.C. that directly relate to the administration of USAC, per FCC order. Site visits outside the parameters of a Board meeting, however, would be permissible, so long as: (1) the visits are *directly* related to the administration of universal service programs, (2) visiting directors receive written consent from all members of the Board or relevant committee, (3) this written consent is filed with the minutes of proceedings of the Board or relevant committee, and (4) USAC details the site visits—and how they directly related to USAC’s administrative goals—in its annual report to Congress and the FCC. As long as the first and second criteria are met, Board members would be entitled to receive reimbursement from USAC for their expenses related to the site visits. Some Board members felt that obtaining the written consent from all Board members would be cumbersome.

The Board directed staff to develop policy and procedures for Board members to use when traveling to give presentations on behalf of USAC and subsequently requesting reimbursement for such travel when the party requesting the presence of the Board member does not cover expenses.

18. **Treasurer’s Report** – Mr. Haga gave the Treasurer’s Report, reporting on investment income earned for the funds in 1998. He reported that the return has been consistent with the federal funds rate and that all investments have been consistent with USAC’s approved guidelines. Mr. Haga also reported on the fund balances as of December 31, 1998, and that it is necessary to reduce Second Quarter Collections to adjust the fund levels to their authorized levels.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**Resolved,** That the USAC Board of Directors, having reviewed a summary of the investment income and statement of changes in fund balance, hereby authorizes the staff to include adjustments for interest earned and over or under collections in the required Quarterly filing with the FCC. Staff may make adjustments is additional data becomes available.

19. **Regulatory Report** – For information only. Mr. Haga provided a written report on regulatory and legislative actions relating to universal service and asked the Board members to contact him if they have any questions.
20. **Report on the Request For Proposal Process for Accounting and Financial Services and National Exchange Carrier Association Contract Revisions** – Ms. Parrino reported that prior to January 1, 1999, the payroll and general accounting processing for the Rural Health Care Program was provided by Deloitte & Touche LLP. The National Exchange Carrier Association (NECA) provided the same professional services for USAC and the Schools & Libraries Division. As of January 1, 1999, all services are being provided by NECA. A Request for Proposal (RFP) was issued on October 30, 1998, requesting consolidation of these functions. Virchow, Krause & Co., LLP was one of eight firms that submitted bids on the RFP and was awarded the contract because it had the lowest price, an outstanding reputation with not-for-profits and municipal utilities, and a staff that was very interested in obtaining USAC’s business. The contract will be effective April 1, 1999.

#### Rural Health Care (RHC) Committee Report Issues: (Items 21-25)

21. **Rural Health Care Program Overview** – For Information Only. Dr. Sanders provided an overview of the program.
22. **Rural Health Care Program Status** – For information only. Dr. Sanders discussed program limitations and the March 1 Report owed to the FCC.
23. **Rural Health Care Program Budget 1999** – Mr. Gumper reported that each division developed separate budgets for 1999—on a stand-alone basis and on a merged basis. The RHC Committee approved the following budget amounts: 1999 direct cost budget of \$2,964,000 for the Rural Health Care program, with \$869,000 for the second quarter, excluding Rural Health Care’s share of general USAC costs.
24. **Rural Health Care Program 2<sup>nd</sup> Quarter 1999 Budget** – See Agenda Item #23.
25. **March 1 Report to the FCC on the Rural Health Care Universal Service Program** – Ms. Parrino reported that the FCC directed USAC to evaluate the Rural Health Care Universal Service Program and to file a report with the FCC on March 1, 1999, with the results of the analysis. Concern was expressed over the fact that a significant amount of the money collected through the RHC Program is for administrative purposes based on current demand. Board members expressed a concern that this will need to be corrected for the good of all of the programs. A Board member suggested that more time may be necessary than the 30 or so days left before the report is due in order to work with staff on finding ways to revise the program in an effort to lower those administrative costs; however, Ms. Parrino pointed out that if USAC asks for more time from the FCC, it will be that much longer before USAC puts recommendations before the FCC and that much longer before the FCC can take action to make changes. Other Board members suggested meeting with members of Congress to let them know of the policy barriers. It was pointed out that USAC is responsible for the administration of the program, not for policy changes. Policy changes should come from the constituency not from USAC. The CEO, with the assistance of the Rural Health Care Committee, needs to find a means for obtaining input from the RHC Program constituents. Dr. Sanders reported that the Western and Southern Governors’ Association is totally committed to the RHC Program using the new telecommunications technology and it may be willing offer some suggestions. Mr. Lineberry reported that he would be willing to gather a group of constituents that he works with who are involved with the RHC Program by teleconference along with USAC’s CEO in order to explore ways of obtaining input from the constituency. The Board directed staff to follow-up on these suggestions.

The Board directed that the Executive Committee should be responsible for the final approval of the March 1 Report; however, USAC should work with the RHC Committee to finalize the report and the full Board should see the report before it goes to the Executive Committee for approval.

#### Schools & Libraries (SL) Committee Report Issues (Items 26-30)

26. **Schools & Libraries Program Overview** – Ms. Ouye, the Chair of the SL Committee, reported on the activities from the SL Committee meeting on January 25, 1999.
  - The SL Committee approved several resolutions. Ms. Ouye asked for clarification on what kind of actions needs the approval of the Board. Ms. Parrino stated that actions concerning programmatic functions do not require Board approval but would be subject to a veto by supermajority if the issue was raised to the full Board by the CEO. All the actions approved by the SL Committee were related to programmatic functions.

- The SL Committee established three subcommittees: Finance, Audit, and Programmatic.
- The SL Committee approved three NECA subcontracts for 1999 with the following vendors for the following work: (1) National Computer systems, Inc., for client service bureau support and data processing support; (2) Spectrum Technology Group, Inc., for system development for the SL Universal Service Support Mechanism; and (3) Vestcom Mid-Atlantic, Inc. for issuance of commitment letters.
- The SL Committee approved the document, "Schools & Libraries Division Policy for Processing Applicant Inquiries and Objections to Funding Commitment Decisions Letters."
- The SL Committee approved the conceptual framework of a Pre-Discount Cost Calculation Worksheet. The SL staff is still in the process of finalizing the form as well as implementation instructions. Staff is strongly recommending to service providers that they use the worksheet in Year 2 in order to become familiar with it, as it will be a required form in Year 3.
- The SL Committee authorized the SL Division to seek reconsideration of the FCC staff decision regarding the state and local bidding process, and if reconsidered, authorizes the use of the procedures as outlined in the document, "SLC POST-COMMITMENT PROCEDURE – Changing Services Within an Approved Funding Request."
- The SL Committee reviewed options for meeting the FCC request to issue all funding commitment decision letters by February 15, 1999.

Mr. Hess stated that he has seen letters to the editor showing up in various newspapers praising the SL Program and how the program is helping schools and libraries. Ms. Ouye said that it is at the incentive of the schools and libraries to have letters and/or press releases printed.

27. **Schools & Libraries Program Status** – Ms. Ouye reported that the SL Division is currently working on Wave 6 of 9 Commitment Letters. Over \$400 million in funding has been committed to date. All applicants will receive funding for telecommunications services and Internet connections that were requested. However, if the discount rate in Wave 6 is below 60 percent, applicants probably will not be funded for internal connections.
28. **Schools & Libraries Division Year 1 Funding Commitment Decision Letter Report** – See Agenda Item #27.
29. **1999 Schools & Libraries Division Goals and Objectives** – Ms. Ouye reported that the SL Committee approved division goals and objectives for 1999. They are a bit ambitious, but doable.
30. **1999 Schools & Libraries Program Budget and 2<sup>nd</sup> Quarter Estimate** – Ms. Ouye reported that the SL Committee approved the following budget amounts: a 1999 budget of \$28,607,000 for the Schools & Libraries program, with \$6,772,000 for the second quarter, including Schools & Libraries' share of general USAC costs.

#### High Cost & Low Income (HCLI) Committee Report Issues (Items 31-36):

31. **High Cost & Low Income Program Overview** – For information only. Ms. Gold gave a brief overview of the HCLI Programs referring to the agenda item memo and attachment. All forms and systems are in place to reach all entities.
32. **High Cost Program Status** – See Agenda Item #31.
33. **Low Income Program Status Report** – See Agenda Item #31.

34. **High Cost & Low Income Program Preliminary 2<sup>nd</sup> quarter 1999 Projections** – See Agenda Item #35.
35. **High Cost & Low Income Program Budget 1999** – For information only. Ms. Gold reported that the High Cost & Low Income Committee approved the following budget amounts: a 1999 budget of \$1,054,700 for the High Cost program, with \$182,900 for the second quarter, and a 1999 budget of \$953,900 for the Low Income program, with \$236,900 for the second quarter.
36. **High Cost & Low Income Program 2<sup>nd</sup> Quarter 1999 Budget** – See Agenda Item #35.

**Executive Committee Report Issues: (Items 37-48):**

37. **Status Report on the Audit of USAC Operations for the Year 1998** – For information only. Ms. Parrino reported on the status of the audit of USAC functions.
38. **Report on Accounts Receivable** – For information only. Mr. Haga reported on the status of the Accounts Receivable.
39. **Report on Collection Efforts of USAC and the FCC** – Mr. Haga referred to the document "USAC Collection Procedures for Delinquent Contributors" included as an attachment to the agenda item memo. These procedures provide guidance on steps that USAC personnel can take for collection activities. USAC continues to work with the FCC in issuing Notices of Apparent Liability.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors accepts the recommendation made by the Executive Committee to adopt the USAC document, "Collection Procedures for Delinquent Contributors."

40. **Common Budget 1999** – Ms. Rosenblum stated that the common budget is a major step forward in setting up the New USAC and building a solid framework. Ms. Parrino explained that the USAC Board of Directors' committees have responsibility over programmatic costs; USAC has responsibility over common costs (e.g., overhead costs, billing and collection, USAC common employees). The Board can veto a programmatic budget by two-thirds vote. The USAC common costs are before the Board today. The Board is also being asked to approve the USAC consolidated budget. Ms. Parrino referred to Attachment F of the agenda item memo, which delineates the pre- versus post- merger budget. It is estimated that USAC could realize a 15 percent reduction in the consolidated budget due to a reduction in outside counsel and other administrative costs, and a reduction in outside contracts and costs for the Schools & Libraries program.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors approves a 1999 Budget of \$37,189,100 for USAC consolidated, with \$8,961,300 for the 2<sup>nd</sup> Quarter. The USAC Board of Directors approves the Common USAC Budget for the year of \$1,999,600, of which \$503,700 is attributable to the 2<sup>nd</sup> Quarter.

41. **Common 2<sup>nd</sup> Quarter Budget** – See Agenda Item #40.
42. **Combined 1999 and 2<sup>nd</sup> Quarter Budget** – See Agenda Item #40.

43. **2<sup>nd</sup> Quarter Revenue Projections and January 29, 1999, Filing with FCC for 2<sup>nd</sup> Quarter of 1999** – The USAC Board of Directors must provide authorization for the staff to proceed with the filing of quarterly Contribution Base information with the FCC due on January 29, 1999.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors, having reviewed a summary of the current status of telecommunications service provider revenues for January through June 1998 at its meeting on January 26, 1999, and based on the recommendation of the Executive Committee, hereby authorizes the staff to proceed with the required January 29, 1999, filing with the FCC on behalf of USAC. Staff may make adjustments if additional data becomes available or errors are discovered and to reflect changes required as a result of FCC orders.

44. **USAC Collection Procedures for Contributors in Bankruptcy** – Mr. Haga referred to the document "USAC Collection Procedures for Contributors in Bankruptcy." He noted that the bankruptcy of companies would be a continual issue; therefore, procedures are needed to establish collection practices regarding bankruptcies. With these procedures in place, it is hoped to at least collect partial payments.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors accepts the recommendation made by the Executive Committee to adopt the USAC document, "Collection Procedures for Contributors in Bankruptcy."

On a motion duly made and seconded, the Board unanimously agreed to recess at 11:25 a.m., subject to the call of the Chair.

At 11:45 a.m., the Board reconvened. Ms. Rosenblum called the meeting to order and asked that the roll be taken. Ms. Cathy Howard, executive assistant to Cheryl Parrino (CEO of USAC) called the roll for Mr. Robert Haga, Acting Secretary.

| <b>Fourteen of the eighteen elected members were present, representing a quorum:</b> |                    |
|--|--------------------|
| Abramson, David  | Marockie, Dr. Hank |
| Bryant, Anne   | Ouye, Kathleen     |
| Eichler, Ed  | Parrino, Cheryl    |
| Gumper, Frank  | Rosenblum, Lisa    |
| Hess, Kevin  | Sanders, Dr. Jay   |
| Hogerty, Martha  | Talbott, Brian     |

|                                  |               |
|----------------------------------|---------------|
| Lineberry, Isiah                 | Thoms, Allan  |
| <b>Four members were absent:</b> |               |
| Butler, Tony                     | Wheeler, Tom  |
| Jackson, Jimmy                   | Gold, Heather |

On a motion duly made and seconded, the Board unanimously agreed to go into *Executive Session* at 11:46 a.m. for purposes of discussing Confidential agenda items.

On a motion duly made and seconded, the Board unanimously agreed to go into Open Session at 12:56 p.m. for purposes of reporting actions taken during *Executive Session*:

45. **Organizational Structure** – Ms. Parrino explained that now that the Universal Service Administrative Company, the Rural Health Care Corporation, and the Schools & Libraries Corporation have merged into one company, the USAC Board of Directors should review salaries and job titles to determine if they are appropriate for the new corporation. USAC should determine whether any additional employees should be designated as officers of the corporation. USAC also needs to establish a procedure for annual adjustments to salary. USAC management is requesting overall guidance on the salary structure and annual adjustment procedures; it is not requesting the Board to determine specific salaries for each employee.

The Board believes there is enough flexibility in the budget for the USAC CEO to make final decisions concerning salaries based on market needs; final approval does not need to come from the Board. The Board further advised the CEO to pay particular attention to appropriate salaries and job descriptions for technology support staff as the salary demands of that area of expertise are increasing. The Board feels it will be necessary to meet those salary demands in order to hire personnel with the type of high caliber skills that the Universal Service programs require in order to function efficiently and effectively.

The Board directed the USAC CEO to individually request specific comments from each of the Board members before bringing the issue to the Executive Committee.

On a motion duly made and seconded, the Board unanimously adopted the following resolutions:

**RESOLVED**, That the USAC Board of Directors, based on the recommendation of the Executive Committee and upon review of supporting documents, endorses the overall approach being taken by the USAC CEO to establish titles and salaries of employees of the Corporation consistent with the reorganized structure of USAC, agrees to keep salary levels at least at the current level for all employees for 1999, and authorizes the CEO to increase the salaries of 6 employees based on an increase in the job classification and function for those positions, with those changes approved effective February 1, 1999; and

**WHEREAS**, this Board has reviewed the resolutions and recommendations of the Executive Committee of the USAC Board of Directors regarding the senior officers of the Corporation and deems it advisable that the Corporation establish three additional senior officer positions, each of which shall report to

the Chief Executive Officer and each of which initially shall be designated as a President; and

**WHEREAS**, this Board wishes to establish the duties and reporting responsibilities of each of such senior officers as well as those of the Chief Executive Officer;

**NOW, THEREFORE, IT IS RESOLVED**, That the Chief Executive Officer is hereby made the chief executive officer of the Corporation, and as such shall be primarily responsible for the implementation of the policies of the Board of Directors and shall have authority over the general management and direction of the business and operations of the Corporation and those of its Committees (including, without limitation, the High Cost & Low Income [HCLI] Committee, the Rural Health Care [RHC] Committee, and the Schools & Libraries [SL] Committee), subject only to the ultimate authority of the Board of Directors. The Chief Executive Officer may sign and execute in the name of the Corporation contracts, share certificates, deeds, mortgages, bonds, and other instruments, except only in cases where the signing and the execution thereof shall be expressly delegated by the Board of Directors or the By-laws of the Corporation to some other officer or agent of the Corporation or shall be required by law otherwise to be signed or executed. In addition, the Chief Executive Officer shall manage and supervise all the personnel of the Corporation and otherwise shall discharge and perform all duties usually and customarily incident to the office of chief executive officer and president of a not-for-profit corporation and such other duties as from time to time may be assigned by the Board of Directors; and

**FURTHER RESOLVED**, That there is hereby established three separate offices of President. The first shall be President of the High Cost & Low Income Division. The second shall be President of the Rural Health Care Division. The third shall be President of the Schools & Libraries Division. Each President shall report to the Chief Executive Officer and shall have such powers and duties as may from time to time be assigned to him or her by the Chief Executive Officer or the Board of Directors (including, for such purposes, the respective Committees of the Board for which they are President). Each President may sign and execute, in the name of the Corporation, contracts, deeds, mortgages, bonds, and other instruments as and when authorized to do so by the Chief Executive Officer or by the Board of Directors, except where the signing and execution thereof shall be expressly designated by the Board of Directors or By-laws to some other officer or agent of the Corporation or shall be required by law otherwise to be signed or executed. Notwithstanding the foregoing, however, none of the Presidents shall, without the specific prior approval of the Chief Executive Officer or the entire Board of Directors, have the authority to (i) retain outside counsel, (ii) make or deliver reports on the operation of the Corporation or any Committee thereof to Congress or the FCC, or (iii) expend any sum, or commit the Corporation or any Committee thereof to expend any sum, in excess of \$50,000.

46. **Employee Benefits** – Mr. Gumper explained that by adopting this resolution, a uniform set of benefits could be put into place for all USAC employees. Ms. Parrino explained that certain existing employment contracts and agreements provide for benefits that appear to be inconsistent with the benefits package approved by the Board in October 1998. The Board needs to determine the timeline and process for

bringing all USAC employees under the benefits package approved in October.

The Board noted that no leave time is allowed for voting purposes. The Board directed the USAC CEO to clarify whether leave for purposes of voting is covered under Federal Law, and if so, to make appropriate changes to the benefit package.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors accepts the recommendation of the USAC Executive committee to agree to provide an exception from the benefits package approved in October 1998 for those employees that have employment contracts and agreements and for those benefits that are specifically spelled out in employment contracts or agreements. The exceptions for those employees with employment agreements will expire on January 1, 2000, and the exceptions for contract employees will expire with the expiration of the contract.

47. **Employee Health, Disability, Life, and Retirement Benefits** – Ms. Parrino explained that the plan of reorganization proposed that, "Common programs for human resource administration, employee health insurance, pension, and compensation benefits are necessary for the combined entity." The FCC did not modify this proposal. All benefits comply with federal laws regarding such matters.

The Board directed that the following resolution be implemented as soon as possible.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors approves the following actions:

1. That the NTCA AA group health insurance plan formerly sponsored by Schools & Libraries Corporation ("SLC") and the Blue-Cross Blue Shield group health insurance plan and the Capital Care group health insurance plan formerly sponsored by Rural Health Care Corporation ("RHCC") for their respective employees (and their dependents) be and hereby are terminated, effective as of the date of this resolution, and that such employees (and dependents who are otherwise eligible) shall be immediately eligible to participate in the NTCA AA group health insurance plan offered by USAC to its employees, and
2. That the NTCA savings plan maintained formerly by SLC shall be and hereby is terminated, effective as of the date of this resolution, in accordance with that plan's provisions and applicable law and that, to the extent permitted under applicable law, the account balances of participants under that plan shall be transferred to the USAC NTCA Savings Plan ("USAC Plan"); and
3. That the RHCC SEP IRA be and hereby is terminated, effective as of the date of this resolution, in accordance with its applicable provisions; and
4. That the otherwise eligible former employees of SLC and RHCC who are as of the date of this resolution employed by USAC be permitted to participate in the USAC Plan in accordance with its terms and that such USAC Plan be and hereby is amended (1) to recognize service credit with either RHCC or SLC for purposes of eligibility and vesting under the USAC Plan, and (2) to permit

such otherwise eligible employees to begin to participate in the USAC Plan as of the date of this resolution, notwithstanding any entry date provided for in the USAC Plan; and

5. That all other insurance programs, including life and disability insurance, sponsored or maintained formerly by either SLC or RHCC shall be terminated and those employees formerly covered under such plans shall become immediately eligible to participate in similar plans sponsored or maintained by USAC.
48. **CEO Contract** – Ms. Rosenblum informed the Board that the contract of USAC’s CEO, Ms. Cheryl Parrino, expires on May 31, 1999. The USAC Board needs to determine whether to renew the contract and if so, to establish the terms of that contract. Ms. Parrino, Mr. Haga, and Ms. Howard left the meeting prior to the Board’s discussion.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors accepts the recommendation of the Executive Committee to seek renewal of the contract of the USAC’s CEO, Ms. Cheryl Parrino, for a period of three years, and

**FURTHER RESOLVED**, That the USAC Board of Directors approves and authorizes payment of the bonus amount included in Ms. Parrino’s contract of May 19, 1998.

49. **Miscellaneous**

- **Current Address List of Directors** – Send any changes to Ms. Cathy Howard at the USAC office in Madison, Wisconsin.
- **Expense Reimbursement Form**

There being no further business to attend to, Ms. Rosenblum adjourned the meeting at 12:59 p.m. Eastern Time.

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Robert W. Haga  
Acting Secretary/Treasurer

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY****BOARD OF DIRECTORS MEETING**

April 20, 1999

**MINUTES**

A meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held at The Westin Grand Hotel, 2350 M Street, N.W., Washington, D.C., on Tuesday, April 20, 1999. Ms. Lisa Rosenblum, Chair of the USAC Board of Directors, called the meeting to order at 10:15 a.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to Ms. Cheryl Parrino called the roll for Mr. Robert Haga, Acting Secretary.

| <b>Fifteen of the eighteen members were present, representing a quorum:</b> |                            |
|---|----------------------------|
| Abramson, David   | Lineberry, Isiah           |
| Bryant, Anne  | Marockie, Dr. Hank         |
| Eichler, Ed   | Ouye, Kathleen             |
| Gold, Heather   | Parrino, Cheryl            |
| Hess, Kevin   | Rosenblum, Lisa            |
| Hogerty, Martha   | Talbott, Brian             |
| Jackson, Jimmy  | Thoms, Allan               |
| Wheeler, Tom  |                            |
| <b>Three members were absent:</b>   |                            |
| Butler, Tony  | Sanders, Dr. Jay           |
| Gumper, Frank   |                            |
| <b>Officers of the Corporation present:</b>                                 |                            |
| Haga, Robert – Secretary/Treasurer  |                            |
| <b>Others present for the meeting:</b>                                      |                            |
| <b>Name</b>   | <b>Company</b>             |
| Bellucci, Vicky   | MCIWorldCom                |
| Harrison, Gina  | NECA                       |
| Howard, Cathy   | USAC                       |
| Kiser, Cherie   | Mintz, Levin, Cohn, et al. |
| Levy, Ken   | NECA                       |
| Mukhoty, Sumita   | FCC – CCB                  |

|                  |             |
|------------------|-------------|
| Rehberger, Wayne | MCIWorldCom |
| Ricker, John     | NECA        |

**ACTION ITEMS:**

1. **Approval of Minutes** – On a motion duly made and seconded, the Board approved the minutes, as distributed, of the Board of Directors’ meeting of Monday and Tuesday, January 25 & 26, 1999.
2. **Election of New Board Member, Mr. Wayne Rehberger, MCIWorldCom** – On a motion duly made and seconded, the Board unanimously adopted the following resolution:  
**RESOLVED**, That the USAC Board of Directors hereby elects **Mr. Wayne Rehberger** to the USAC Board of Directors.
3. **Kevin Hess Representation of Non-Rural Telephone Companies on the High Cost & Low Income Committee** – Ms. Parrino reported that this issue was discussed in the High Cost & Low Income Committee meeting. USAC sought clarification from the FCC on this issue and the FCC responded that it would be more appropriate for Mr. Frank Gumper to represent non-rural ILECs and for either Mr. Kevin Hess or Mr. Ed Eichler to represent rural ILECs. Mr. Hess agreed to step down; however, he stated that he is very interested in attending the Committee meetings as he feels the issues before the Committee are very important. He requested that he be allowed to participate; however, he recognizes that since he is not a member of the Committee, he would not be allowed a vote. The other Committee members were amicable to his request. Mr. Jackson also resigned as a member of the Committee as he felt that the Committee would be better served by representation from a large IXC, specifically by Mr. Wayne Rehberger of MCIWorldCom who will be considered for election to the USAC Board of Directors during these quarterly meetings. Mr. Jackson also is interested in continued participation in the Committee as a non-voting member.

On a motion duly made and seconded, the Board unanimously adopted the following resolutions:

**RESOLVED**, That the USAC Board of Directors accepts the recommendation of the USAC High Cost & Low Income Committee to appoint Mr. Edwin Eichler to the High Cost & Low Income Committee to represent rural ILECs; and

**RESOLVED FURTHER**, That the USAC Board of Directors accepts the recommendation of the USAC High Cost & Low Income Committee to appoint Mr. Frank Gumper to the High Cost and Low Income Committee to represent non-rural ILECs; and

**RESOLVED FURTHER**, That the USAC Board of Directors accepts the recommendation of the USAC High Cost & Low Income Committee to appoint Mr. Wayne Rehberger to the High Cost and Low Income Committee to represent IXCs.

4. **Selection of Board of Directors’ Terms and Selection of Directors to Specific Terms** – Ms. Parrino explained that between the last quarterly Board meeting and this one, the Board had directed Mr. Haga to meet with the different represented

groups and find an amicable way to select the specific term for each Director. That was accomplished for each group except one through mutual agreement. The "Other Service Providers" group has yet to select terms.

On a motion duly made and seconded, the Board unanimously voted to lay the motion concerning the Selection of Board of Directors' Terms and Selection of Directors to Specific Terms on the table until after the first break so that the "Other Service Providers" group could meet and decide on who should fill which term.

5. **Refunds to Contributors Qualifying for *De Minimis* Status and Billings to Previously Qualified *De Minimis* Carriers** – For information only. No discussion took place.
6. **Status Report on the Readiness of USAC Operations for the Year 2000** – For information only. No discussion took place.
7. **Legislative Activity** – For information only. No discussion took place.
8. **Treasurer's Report** – Mr. Haga gave a brief overview of the information contained in the memo. A Board member noted that usually the Treasurer of a corporation is a Board member. Mr. Haga is the Acting Secretary/Treasurer; however, he is not a member of the Board. The Board directed staff to investigate the legal aspects of this issue further and report the findings to the Board.
9. **Regulatory Report** – Mr. Haga distributed a copy of a case before the FCC opposing the universal service contribution requirement. The document is the Memorandum Opinion and Order, CC Docket No. 96-45, of the FCC in which the FCC denies Startec Global Communications Corporation's request to have the universal service contribution requirements waived.
10. **Report on RFP** – Ms. Parrino reported that USAC staff is preparing a Request for Proposal to solicit a more favorable arrangement with NECA or another vendor for High Cost, Low Income, and Billing, Collection, and Disbursement functions. USAC is behind schedule on this, but it is a top priority now.

Rural Health Care (RHC) Committee Report Issues (Items 11-16):

11. **Rural Health Care Program Status** – Mr. Hess reported on the status of the Rural Health Care Program. Total estimated support for the 1998 funding year is \$2.7 million (maximum). Commitment letters are estimated to be ready to send out around May 15, 1999. Outsourcing expenses are being reduced in the following ways: (1) the outreach contracts with the National Telephone Cooperative Association (NTCA), the National Organization of State Offices of Rural Health (NOSORH), and the National Rural Health Resource Center have been suspended pending program modifications; and (2) staff continues to work with PricewaterhouseCoopers (PwC) staff to reduce the monthly expenses associated with that contract.
12. **Engagement of Deloitte and Touche, LLP to Complete the Pre-Disbursement Audit** – For information only. Mr. Hess pointed out the last two sentences of the agenda item memo:

On March 31, 1999, representatives of USAC and DT met with FCC and the parties reached a meeting of the minds on what is expected and what went wrong the first time. DT expects to complete the audit by May 9, 1999.

13. **Status of the Rural Health Care Division Financial Audit** – Mr. Hess reported that this audit is on schedule and should be completed soon.

14. **Revised 2<sup>nd</sup> and 3<sup>rd</sup> Quarter 1999 Programmatic Budgets** – Ms. Parrino reported that there have been several adjustments to the budget since the March 5 Evaluation of the Rural Health Care Program Report to the FCC. The Rural Health Care Committee agreed that the second and third quarter budgets filed in the March 5 report should be modified to reflect the resignation of the President, reductions in the cost of outreach and outsourcing contracts, and the reallocation of USAC common expenses and increases in the allocation method for Billing and Collection, consistent with the method that is currently authorized by the FCC. The Committee directed USAC staff to work with NOSORH regarding NOSORH's outreach contract with the Rural Health Care Program. See the attached revised division budget; changed fields are highlighted.

On a motion duly made and seconded, the Board unanimously adopted the following resolutions:

**RESOLVED**, That the USAC Board of Directors accepts the recommendation made by the Rural Health Care Committee to reduce the second and third quarter budgets filed in the Report to reflect a reallocation of USAC common expenses other than compensation, and

**RESOLVED FURTHER**, That the USAC Board of Directors accepts the recommendation made by the Rural Health Care Committee to increase the third quarter budget filed in the Report to reflect the allocation method for Billing and Collection that is currently authorized by the Commission.

15. **Preliminary 3<sup>rd</sup> Quarter 1999 Projections** – Mr. Hess reported that the total estimated support for the 1998 funding year is \$2.7 million. The Rural Health Care Fund has collected \$53 million. The Rural Health Care Committee is recommending that \$46 million be refunded. Ms. Parrino stated that this action would be consistent with how excess funds are handled in all the other programs. This has not been done with the Rural Health Care Fund up until now, hence the need for a resolution to that effect. The Rural Health Care Committee approved such a resolution at the April 19, 1999, quarterly meeting.
16. **Status of the March 5, 1999, "Report to the FCC, Evaluation of the Rural Health Care Program"** – Mr. Hess stated that the comments and reply comments received by the FCC in response to its Public Notice for comment were relatively supportive of USAC's recommendations. USAC is waiting for final response from the FCC.

Schools and Libraries (SL) Committee Report Issues: (Items 17-20):

17. **Schools & Libraries Program Update** – Ms. Ouye reported on the status of the Schools & Libraries Program: The Schools & Libraries Division (SLD) continues to review and process appeals and hopes to finish in early May. This process takes up a tremendous amount of staff time. Over 400 of the 1,500 appeals have been cleared with both positive and negative results for the applicants.

The Year 2 Forecast is projected at \$2.4 billion (up from Year 1 Forecast of \$2.2 billion). The cap amount is \$2.25 billion. There seems to be plenty of continuing interest in the program. There has also been a slight shift in the type of requests; there is a 2 percent increase from Year 1 for telecommunications and Internet connection requests.

A Year 3 Task Force has been formed to find ways to improve the process and better serve the service providers and clients. Agreement has already been reached on several recommendations (form changes, changes to the windows online, etc.). The Task Force may also recommend moving the funding to the cap.

Some of the schools and libraries report that they are having a difficult time finding eligible service providers. The SLD staff is working on a project to address that issue.

The SL Committee reviewed the implications to the Schools & Libraries Program of any decisions that may come out of the 5<sup>th</sup> Circuit Court review.

18. **SLD Forms Processing Statistics: Program Year One and Program Year Two** (*As of April 7, 1999*) – For information only. No discussion took place.
19. **Status of the Schools and Libraries Division Financial Audit** – Ms. Ouye reported that the SLD took action to complete its 1998 financial audit and expects Arthur Andersen to complete the audit by the end of April. A substantial audit of the procedures and processes of the Schools & Libraries Program is still outstanding.
20. **3<sup>rd</sup> Quarter 1999 Programmatic Budget Schools & Libraries Program** – See Item #21.
21. **Preliminary 3<sup>rd</sup> Quarter 1999 Projections** – Ms. Ouye reported that the Schools & Libraries Program is within the targeted budget; however, staff anticipates that revisions will need to be made to the 4<sup>th</sup> Quarter projections as that is when the SLD plans to step up action on commitment letters which will result in increased programmatic costs.

High Cost & Low Income Committee Report Issues (Items 22-26):

22. **High Cost Program Status Report** – Ms. Gold reported on the status of the High Cost Program. She noted that a "true-up" of the high cost support for the 2<sup>nd</sup> Quarter was calculated as required by the FCC. Adjustments will be reflected in the 2<sup>nd</sup> Quarter Filing.
23. **Low Income Program Status Report** – For information only. No discussion was held.
24. **High Cost Support Payments for Incumbent Carriers Involved in Study Area Ownership Exchanges** – Ms. Gold reiterated what Mr. Haga had explained in the HCLI Committee meeting: USAC has been involved in a dispute between two local exchange carriers over which carrier is entitled to the high cost support for lines that are sold from one carrier to the other. Based on informal input from the Commission, USAC has determined that loop support should continue to be paid to the company that reported the costs as has historically been done. However, the FCC may change this procedure in the future due to the continuous changes in the market as companies merge and consolidate. The Committee discussed the appropriate method for informing carriers of this issue. The Committee also directed the CEO of USAC to notify the FCC of USAC's position.
25. **3<sup>rd</sup> Quarter 1999 Programmatic Budget** – Ms. Gold reported that the only changes in the programmatic budget is how USAC is now allocating overhead—based on fund size rather than total costs of the program.
26. **Preliminary 3<sup>rd</sup> Quarter 1999 Projections** – Ms. Gold reviewed the preliminary 3<sup>rd</sup> Quarter 1999 Projections. She reported that the Committee expressed some concern over the last sentence of the resolution about filing the 3<sup>rd</sup> Quarter Projections with the FCC that was approved by the HCLI Committee, which reads: "Staff may make adjustments if additional data becomes available or errors are discovered and to reflect changes required as a result of FCC orders." The Committee wants to be informed of the variance between the projections approved and the projections that

are actually filed. Mr. Haga had explained that there are approximately ten days between the Committee meeting and the filing date. The final numbers are based on the information USAC receives between the meeting and the filing date. That is why the USAC Committee and Board meetings are scheduled so close to the filing date, so that staff can present numbers to the Board members that are as true as possible. The Committee directed staff to bring back to the next quarterly Committee meeting a history of the variance between approved numbers and actual numbers filed. The Committee will evaluate the variance and determine whether further review is required.

Executive Committee Report Issues (Items 27-38):

27. **The Status of the USAC Financial and Agreed Upon Procedures Audits for the Period September 17, 1997, to December 31, 1998** – Ms. Parrino reviewed the status of the financial audit of USAC being performed by Arthur Andersen. As part of that audit, the FCC recommended that Arthur Andersen do a supplemental audit of a number of carriers' underlying books and records to determine the reliability of the revenue base that is used in setting the contribution factor. Fifteen carriers were chosen. Only \$80,000 was originally budgeted for the audit. Now cost is estimated to be \$100,000. Approval for the additional costs is required in order for the USAC CEO to go forward with the audit. Once a good audited base is established, Ms. Parrino will recommend to the FCC that an audit of carriers books only be conducted once every two years, or if conducted annually, to use a smaller sample.

On a motion duly made and seconded, the Executive Committee unanimously adopted the following resolutions:

**RESOLVED**, That the USAC Board of Directors accepts the recommendation made by the Executive Committee to authorize the CEO to pay for additional costs of the financial and agreed upon procedures audit, up to \$150,000, if actual costs exceed the estimate because of significant additional work with the FCC staff, and

**RESOLVED FURTHER**, That the USAC Board of Directors accepts the recommendation made by the Executive Committee to authorize the CEO to pay for additional costs of the supplemental audit of carriers books, up to \$150,000, if the costs of the supplemental audit exceed \$100,000, and

**RESOLVED FURTHER**, That the USAC Board of Directors accepts the recommendation made by the Executive Committee to increase the budget by \$120,000 to reflect the current estimate of the audits.

28. **Report on Accounts Receivable and Collection Efforts** – Mr. Haga reported that the total outstanding dollars has finally dropped below 1 percent. The staff is working towards achieving a goal of .5 percent. The FCC continues to act quickly to send out letters to the delinquent companies.
29. **Report on FCC Form 457 Late Filing Fee** – Ms. Parrino reported that although there is not much data to work with yet and the letters went out later than anticipated, the late filing fee seems to have had an impact on the carriers that were notified of the penalty if their filings were late.
30. **Seeking Tax Exempt Status for USAC** – Ms. Parrino stated that USAC has evaluated the benefits of filing for tax exempt status. USAC would realize a small

savings in costs by gaining this status. The Board directed staff to seek input from the FCC and NECA and to report their findings at the next quarterly meeting.

31. **Distribution of Excess Netting Credits Procedures** – Mr. Haga explained that these procedures address the providers’ concern that they are required to wait until the fund year-end to receive a distribution of program funds that exceed their Universal Service Fund contribution obligation for the Rural Health Care Program. The procedures also address the issue for any contributing service provider that has elected to net for the Schools & Libraries Program that wants to receive a direct reimbursement of excess support in advance of year-end. Mr. Haga said that USAC should calculate the estimated reimbursement before the fund year-end by using the first quarter contribution numbers to project the total contributions for the entire year. A Board member questioned why the providers have to have eligible telecommunications carrier (ETC) status for the Rural Health Care Program but not for the Schools & Libraries Program. Staff informed the Board that the FCC is reviewing the ETC issue.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors, having reviewed the Distribution of Excess Netting Credits Procedure at its meeting on April 20, 1999, and based on the recommendation of the Executive Committee, hereby directs the staff be authorized to proceed with the implementation of the stated procedures for processing the distribution of excess netting credits to ETCs under the Rural Health Care Program and contributing Service Providers electing to net for the Schools & Libraries Program.

32. **Authorization for Purchase of Computer Equipment** – Mr. Haga explained that when USAC merged, a Request for Proposal (RFP) was issued to solicit computer vendors for a system for the merged entity. Internet Intelligence Group of Maryland was chosen for computer products and helpdesk support based on price and the ability to meet the requirements in the RFP. In an effort to avoid obsolescence of computer equipment, upgrades will be necessary on an ongoing basis. The total cost of computers is now estimated to be above \$100,000, which requires Board authorization. USAC is requesting approval for a capped amount of \$175,000 to cover the entire package and any unexpected additional costs.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED** that, the USAC Board of Directors accepts the recommendation of the Executive Committee to authorize the Chief Executive Officer to approve all expenses or contracts valued at or below a 1999 annual amount of \$175,000 for computer hardware and software.

33. **3<sup>rd</sup> Quarter 1999 USAC Common Budget** – Ms. Parrino reported that the common budget is changing due to the following factors: (1) increase in audit expenditures; (2) reallocation of an employee from the program to the division level; (3) slight increase in rent for the Madison, Wisconsin office; and (4) increase of 4.5 staff positions since the original budget was approved. Despite these modifications, USAC as a whole is on target with the annual budget.

On a motion duly made and seconded, the Board unanimously adopted the following resolutions:

**RESOLVED**, That the USAC Board of Directors accepts the recommendation made by the Rural Health Care Committee and supported by the Executive Committee to reduce the second and third quarter budgets filed in the Report to reflect a reallocation of USAC common expenses other than compensation, and

**RESOLVED FURTHER**, That the USAC Board of Directors accepts the recommendation made by the Rural Health Care Committee and supported by the Executive Committee to increase the third quarter budget filed in the Report to reflect the allocation method for Billing and Collection that is currently authorized by the Commission, and

**RESOLVED FURTHER**, That the USAC Board of Directors accepts the recommendation made by the Executive Committee to approve a 3<sup>rd</sup> Quarter 1999 USAC common budget of \$663,500.

34. **3<sup>rd</sup> Quarter 1999 USAC Consolidated Budget** – Ms. Parrino reported that the actual costs for 1998 were less than the budgeted amount. Referring to Attachment B, Ms. Parrino provided revisions to reflect current amounts as provided by the Rural Health Care Division. Under the "Revised Annual Budget," "Outside Services" increased from \$2,115,600 to \$2,250,600, which changes the "Total Direct Costs" to \$34,168,000 and the "Total Consolidated" to \$37,125,000. Under the "Revised 3<sup>rd</sup> Quarter," "Outside Services" increased from \$388,000 to \$402,000, which changes the "Total Direct Costs" to \$7,841,100 and the "Total Consolidated" to \$8,592,300. USAC also needs to make an adjustment with the next quarterly filing to true up the difference between budgeted administrative costs collected and actual administrative expenses incurred.

On a motion duly made and seconded, the Board unanimously adopted the following resolutions:

**RESOLVED**, That the USAC Board of Directors accepts the recommendation made by the Executive Committee to approve a 3<sup>rd</sup> Quarter 1999 USAC consolidated budget of \$8,592,300, and

**RESOLVED FURTHER**, That the USAC Board of Directors accepts the recommendation by the Executive Committee to direct staff to seek clarification to ensure that the recommended true-up procedure is consistent with the rules.

35. **3<sup>rd</sup> Quarter 1999 Revenue Projection and Resolution on April 30, 1999, Filing with the FCC for the 3<sup>rd</sup> Quarter of 1999** – Ms. Parrino reviewed the information in the agenda item memo. She again referred to the last sentence of the proposed resolution as was brought up during agenda item #26 in which the HCLI Committee members want to be informed of the variance between the projections approved and the actual projections filed. The Board agreed and directed staff to bring back to the next quarterly Board meeting a history of the variance between approved numbers and actual numbers filed. The Board will then evaluate the variance and determine whether further review is required.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors, having reviewed a summary of the current status of telecommunications service provider revenues for calendar year 1998, adjusted for revenues reported for January through June 1998, at its meeting on April 20, 1999, and based on the recommendation of the USAC Executive Committee authorizes staff to proceed with the required April 30, 1999, filing with the FCC on behalf of USAC.

36. **Form 457 Reported Revenue Decreases Greater than 45 Percent** – Mr. Haga explained that this issue stems from a review of the six-month revenues (January – June 1998) as reported on FCC Form 457. While it is normal for revenues to fluctuate from filing to filing, some companies are reporting a decrease in total revenues greater than 45 percent from the same period one year prior. The use of the 45 percent range has no significance other than that it seemed to be where there was a good cutoff point. USAC will be sending letters to the delinquent companies requesting documentation to support the revenues reported. In response to a Board member inquiry, Mr. Haga reported that he did not know for sure if any of these companies are one of the carriers picked for the 457 audit, but that he had requested Arthur Andersen to include one or two in that audit.
37. **Revisions to the Pre-Merger Consolidated Budget** – Ms. Parrino reported that revisions were made to the pre-merger consolidated budget to reflect changes in amounts for the PricewaterhouseCoopers contract with the Rural Health Care Division and for USAC common costs that were allocated in error. She stated, however, that these revisions do not change the estimated annual budget as approved by the Board at the January 1999 quarterly meeting. The revisions only changed the merger savings, which decreased from 15 percent to 13 percent.

On a motion duly made and seconded, the Board unanimously agreed to recess at 11:40 a.m., subject to the call of the Chair.

At 11:55 a.m., the Board reconvened. Ms. Rosenblum called the meeting to order and asked that the roll be taken. Ms. Cathy Howard, Executive Assistant to Cheryl Parrino (CEO of USAC) called the roll for Mr. Robert Haga, Acting Secretary.

| <b>Fifteen of the nineteen elected members were present, representing a quorum:</b> |                    |
|---|--------------------|
| Bryant, Anne  | Marockie, Dr. Hank |
| Eichler, Ed   | Ouye, Kathleen     |
| Gold, Heather   | Parrino, Cheryl    |
| Hess, Kevin   | Rehberger, Wayne   |
| Hogerty, Martha   | Rosenblum, Lisa    |
| Jackson, Jimmy  | Talbott, Brian     |
| Lineberry, Isiah  | Thoms, Allan       |
| Wheeler, Tom  |                    |

**One member joined the meeting in progress:**

Abramson, David

**38. Selection of Board of Directors' Terms and Selection of Directors to Specific Terms** – Mr. Haga reported that during the recess, the "Other Service Providers" group met and decided on who should fill each term.

On a motion duly made and seconded, the Board unanimously agreed to take from the table the motion relating to the Selection of Board of Directors' Terms and Selection of Directors to Specific Terms and unanimously approved the following resolutions:

**RESOLVED,** That the USAC Board of Directors selects the terms of the following representative groups to expire in the year 2000:

- 1 ILEC
- 1 IXC
- 1 School
- 1 Rural Health Care Provider
- 1 Other Service Provider
- 1 Consumer or Public Representative, and

**RESOLVED FURTHER,** That the USAC Board of Directors selects the terms of following representative groups to expire in the year 2001:

- 1 ILEC
- 1 School
- 1 Librarian
- 2 Other Service Providers
- 1 Consumer or Public Representative, and

**RESOLVED FURTHER,** That the USAC Board of Directors selects the terms of the following representative groups to expire in the year 2002:

- 1 ILEC
- 1 IXC
- 1 School
- 1 Rural Health Care Provider
- 1 Other Service Provider
- 1 Consumer or Public Representative, and

**RESOLVED FURTHER,** That the USAC Board of Directors appoints the following directors to terms that expire in the year 2000:

- Kevin Hess** representing an ILEC
- Wayne Rehberger** representing an IXC
- Hank Marockie** representing Schools
- Jay Sanders** representing a Rural Health Care Provider
- David Abramson** representing an Other Service Provider
- Allan Thoms** representing the Consumer or the Public, and

**RESOLVED FURTHER,** That the USAC Board of Directors appoints the following directors to terms that expire in the year 2001:

Frank Gumper representing an ILEC  
Anne Bryant representing Schools  
K. G. Ouye representing Libraries  
Lisa Rosenblum representing an Other Service Provider  
Tom Wheeler representing an Other Service Provider  
Martha Hogerty representing the Consumer or the Public, and

**RESOLVED**, That the USAC Board of Directors appoints the following directors to terms that expire in the year 2002:

Ed Eichler representing an ILEC  
Jimmy Jackson representing an IXC  
Brian Talbott representing Schools  
Isiah Lineberry representing a Rural Health Care Provider  
Heather Gold representing an Other Service Provider  
Tony Butler representing the Consumer or the Public

39. **Organizational Structure** – See report under *Executive Session*.
40. **CEO Contract** – See report under *Executive Session*.
41. **USAC 1999 Timeline and Key Dates** – For information only. No discussion was held.
42. **Permissibility of Board Members to Attend Conferences and Have Associated Expenses Reimbursed** – Ms. Parrino recommended that USAC seek guidance from the FCC. After a lengthy discussion, Board members agreed upon five points:
  - Site visits should not be reimbursable.
  - General training should not be reimbursable.
  - Attendance should be reimbursable if it is directly related to the administration of a particular program.
  - If the FCC approves of reimbursing attendance, all such requests should be forwarded to the CEO of USAC for review.
  - After CEO review, the request should be routed to appropriate Committee or to the Board for written permission.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors directs USAC staff to seek guidance from the FCC on whether attendance at conferences by Board members meets the standards as set forth in the FCC Order.

43. **2000-2001 Board of Directors Quarterly Meeting Schedule** – Ms. Howard explained that it would be very helpful in guaranteeing meeting sites in Washington, D.C. for the quarterly Board and Committee meeting dates for the year 2000 as well as January 2001 if the schedule were set now. The Board requested that staff bring revised dates for the January 2001 meeting back to the Board at the July meeting; the Board recommended that we avoid dates of the Presidential Inauguration.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED** that the USAC Board of Directors schedule the following dates for the quarterly USAC Board of Directors' meetings for the year 2000:  
January 24 & 25, 2000

April 17 & 18, 2000  
July 17 & 18, 2000  
October 23 & 24, 2000

44. **Contingency Planning for 5<sup>th</sup> Circuit Court of Appeals Decision** – Ms. Parrino explained that each Committee discussed the implications to its respective program as a result of any decision that may come out of the 5<sup>th</sup> Circuit Court. The Board directed staff to contact each member when a decision has been rendered.
45. **Resolution Honoring Mr. Lee Bailey** – Ms. Parrino informed the Board that Mr. Lee Bailey, President of the Rural Health Care Division, is resigning as of May 1, 1999.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors thanks Mr. Lee Bailey for his service and dedication to the Rural Health Care Program and wishes him well in all his future endeavors.

On a motion duly made and seconded, the Board voted 14 – 1 to go into *Executive Session* at 12:20 p.m. Eastern Time for purposes of discussing personnel matters. All persons except Board members and USAC's outside counsel representatives were asked to leave the meeting.

On a motion duly made and seconded, the Board unanimously agreed to go into Open Session at 1:10 p.m. Eastern Time for purposes of reporting actions taken during *Executive Session*:

46. **Organizational Structure** – Ms. Rosenblum reported the action taken during *Executive Session*.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors has determined to realign salaries for the new corporate structure over time rather than by realigning all salaries on January 1, 2000. Realignment would occur in either of two ways: (1) by freezing the salaries that are above comparable salaries or above the range for the position level until inflation brings the salary within the appropriate range, or (2) by filling vacancies at the appropriate salary level, and

**RESOLVED FURTHER**, That the USAC Board of Directors approves the proposed position levels and the recommended salary ranges, and

**RESOLVED FURTHER**, That the USAC Board of Directors adopts a policy that pay increases will be awarded based solely on merit, and

**RESOLVED FURTHER**, That the USAC Board of Directors adopts a range of 0-6 percent for increase for 1999, and

**RESOLVED FURTHER**, That the USAC Board of Directors adopts a policy that

allows management to award pay increases as either an increase to the base salary or a lump sum payment.

47. **CEO Contract** – Ms. Rosenblum reported that no action was taken on this issue. Ms. Kiser gave Board members an update on the contract negotiations and will circulate a draft copy of the contract to the Board members when it is ready.

There being no further business to attend to, Ms. Rosenblum adjourned the meeting at 1:12 p.m. Eastern Time.

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Robert W. Haga  
Acting Secretary/Treasurer

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY****BOARD OF DIRECTORS MEETING**

July 27, 1999

**MINUTES**

A meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held at the Ronald Reagan Building/International Trade Center, 1300 Pennsylvania Avenue, N.W., Washington, D.C., on Tuesday, July 26, 1999. Ms. Lisa Rosenblum, Chair of the USAC Board of Directors, called the meeting to order at 8:32 a.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to Ms. Cheryl Parrino called the roll for Mr. Robert Haga, Acting Secretary.

| <b>Fourteen of the nineteen members were present, representing a quorum:</b> |                                       |
|--|---------------------------------------|
| Butler, John (Tony) – <i>by telephone</i>                                    | Eichler, Ed                           |
| Gold, Heather  | Gumper, Frank                         |
| Hess, Kevin  | Hogerty, Martha – <i>by telephone</i> |
| Lineberry, Isiah   | Ouye, Kathleen                        |
| Parrino, Cheryl  | Rehberger, Wayne                      |
| Rosenblum, Lisa  | Sanders, Dr. Jay                      |
| Talbott, Brian   | Wheeler, Tom                          |
| <b>Two members joined the meeting in progress:</b>                           |                                       |
| Abramson, David  | Marockie, Dr. Hank                    |
| <b>Three members were absent:</b>  |                                       |
| Bryant, Anne   | Jackson, Jimmy                        |
| Thoms, Allan   |                                       |
| <b>Officers of the Corporation present:</b>                                  |                                       |
| Haga, Robert – Acting Secretary/Treasurer                                    |                                       |
| <b>Others present for the meeting:</b>                                       |                                       |
| <b>Name</b>  | <b>Company</b>                        |
| Barash, Scott  | USAC                                  |
| Bellucci, Vicky  | MCIWorldCom                           |
| Blackwell, Mel   | USAC                                  |
| Boyle, Hugh  | FCC                                   |

|                      |                            |
|----------------------|----------------------------|
| Harrison, Gina       | NECA                       |
| Hays, John           | FCC                        |
| Hood, Bob            | FCC                        |
| Howard, Cathy        | USAC                       |
| Kiser, Cherie        | Mintz, Levin, Cohn, et al. |
| Levy, Ken            | NECA                       |
| Moore, Kate          | USAC                       |
| Packer-Tursman, Judy | Pittsburgh Post-Gazette    |
| Ricker, John         | NECA                       |

## ACTION ITEMS

1. **Approval of Minutes of Tuesday, April 20, 1999** – On a motion duly made and seconded, the Board approved the minutes, as amended, of the Board of Directors' meeting of Tuesday, July 26, 1999.
2. **Approval of the 1998 Rural Health Care Corporation, Schools and Libraries Corporation, and Universal Service Administrative Company Financial Audit and the Universal Service Administrative Company Agreed Upon Procedures Audit** – Ms. Parrino reviewed the status of the audits and stated that the auditors have given USAC a clean bill of health. The final audit papers should be received and signed in the near future. There are only two things left for USAC to do: (1) let the FCC know about any information in the audit that needs to be kept confidential; and (2) send a response letter to Arthur Andersen expressing USAC's agreement with the outcome of the audit and thanking them for their service. Ms. Parrino said that she has read through the draft audit once and has not found anything that would be considered confidential information, but will have staff review it one more time.

The initial budget for the audits was \$80,000 with an additional \$120,000 approved at the April Board meeting. The financial audit has cost approximately \$90,000 thus far but USAC has not yet been billed for the costs incurred by Arthur Andersen for its work with the FCC which is estimated to cost an additional \$20-30,000. The audit of the carriers is still in progress with an estimated cost of \$100,000.

On a motion duly made and seconded, the Board unanimously adopted the following resolutions:

**RESOLVED**, That the USAC Board of Directors approves the combined and combining 1998 financial audits of the Universal Service Fund and the High Cost, Low Income, Rural Health Care, and Schools and Libraries Programs based on the approval by the RHC Committee of the administrative expenses of the RHCC, the approval by the SL Committee of the administrative expenses of the SLC, and the recommendation of the High Cost and Low Income Committee as it relates to the administrative costs of USAC and NECA, and

**RESOLVED FURTHER**, That the USAC Board of Directors approves the 1998 financial audit of the Universal Service Administrative Company, including the High Cost and Low Income Program based on the approval by the High Cost and Low Income Committee as it relates to the administrative costs of the Program, and

**RESOLVED FURTHER**, That the USAC Board of Directors accepts the recommendation of the High Cost and Low Income Committee to approve the USAC agreed upon procedures audit and directs management to inform the Board when corrective action has been completed regarding the issues identified in the audit, and

**RESOLVED FURTHER**, That the USAC Board of Directors authorizes the CEO to send a management response to Arthur Andersen accepting the financial audits and agreed upon procedures reports and committing to take corrective action to address the minor technical and process issues that were identified in the agreed upon procedures audit.

3. **Authorization to File 1999 Draft Financial and Operational Audit Plans with the FCC** – Ms. Parrino reported that audit plans should be filed with the FCC by August 1, 1999. Arthur Andersen has been chosen for the USAC and HCLI audits. A Request for Proposal will be sent out by August 15, 1999, for operational audits of the Schools and Libraries and the Rural Health Care Programs; the draft audits are due to the FCC by March 1, 2000.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors accepts the recommendation of the High Cost and Low Income Committee to authorize USAC to file with the FCC audit staff the proposed draft USAC financial audit plan and operational audit plan modified to reflect the merger and the change in accounting and payroll contractors.

4. **Board Approval of the Variances between the Quarterly Contribution Base Amounts Approved by the Board and the Contribution Base Amounts Filed with the FCC** – Mr. Haga pointed out that the wrong numbers were listed in the agenda item—only the High Cost & Low Income Program numbers were entered. He will forward an updated agenda item to all members after the meeting. In looking at the history of filed projections versus projections approved by the Board, it has been determined that there is little variance for the Schools & Libraries and the Rural Health Care Programs, but as much as almost 5 percent variance for the High Cost & Low Income Program. The variance is a result of late filings, or modifications to the filings of Form 457 by carriers. The FCC sets the contribution factor:  $\text{Program Demand/Revenue Base} = \text{Contribution}$ , so it is important that the most recent information be filed. The Board amended the resolution to reflect only a dollar variance threshold and to set different dollar thresholds for the two revenue bases.

On a motion duly made and seconded, the Board unanimously adopted the following amended resolutions:

**RESOLVED**, That the USAC Board of Directors, having reviewed a summary of the variances in the reported Contribution Base amounts for the quarterly filings to-date hereby authorizes prior Contribution Base variances in amounts reported to the FCC, and

**RESOLVED FURTHER**, That the USAC Board of Directors authorizes USAC staff to file Contribution Base amounts with variances not exceeding \$5.0 billion for the international, interstate, and intrastate revenue base and \$2.5 billion for the international and interstate revenue base of the Board approved contribution base amounts, and variances at or below the above level are deemed approved by the Board. Any variances above \$5.0 billion for the international, interstate and intrastate revenue base and \$2.5 billion for the international and interstate revenue base must have full Board approval before staff submits the filing to the FCC.

5. **Recommended Deadline for True-up of Form 457** – Ms. Parrino explained that USAC staff recommends setting a deadline for carriers to submit a revised Form 457. There is no deadline right now and it is very costly administratively to continually true up the numbers every time USAC receives a revised form.

On a motion duly made and seconded, the Board unanimously adopted the following resolutions:

**RESOLVED**, That the USAC Board of Directors directs staff to no longer accept carrier initiated requests for changes in revenues reported on prior FCC Form 457 beyond 12 months from the initial submission of the Form in question, and

**RESOLVED FURTHER**, That the USAC Board of Directors directs staff to inform telecommunications service providers of the decision to establish a time limit on carrier initiated changes.

6. **USAC Collection Procedures for Contributors in Bankruptcy** – Ms. Parrino explained that telecommunications carriers that are required to contribute to the Universal Service Fund are increasingly filing bankruptcy. USAC proposes a change in the *USAC Collection Procedures for Contributors in Bankruptcy* to reflect language that will enable staff to write-off late payment charges for companies in Chapter 7 bankruptcy proceedings.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors, having reviewed at its meeting on July 27, 1999, a summary of the current status of the *USAC Collection Procedures for Contributors in Bankruptcy*, hereby directs staff to proceed with the update to the *USAC Collection Procedures for Contributors in Bankruptcy* allowing for Executive Director level approval for waivers of Late Payment Charges up to \$0.5 Million.

7. **Selection of January 2001 Board of Directors Quarterly Meeting Date** – Staff was requested to find different dates for the January 2001 quarterly Board meeting since the suggested dates of January 22 and 23 may conflict with events surrounding the Presidential Inauguration. The Monday and Tuesday of the following week is being suggested with the stipulation that USAC request an extension from the FCC on the quarterly filing date of February 1.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors schedule January 29 and 30, 2001, as the dates for the quarterly USAC Board of Directors' meetings for January 2001.

8. **Consolidation of Data Collection and Authorization to Issue an RFP** – Ms. Parrino explained that the FCC has issued a public notice soliciting comments on consolidating the process of revenue data collection for USAC and the administrators of three other programs. Currently carriers must file four different forms. While the method of allocating costs has been decided, who will collect the data has not. The National Exchange Carrier Association (NECA) is interested as it is already doing the work for two of the programs. USAC is also interested in being responsible for the data collection because it already collects data twice a year, it is the largest of the four programs, and it is a neutral entity.

On a motion duly made and seconded, the Board unanimously adopted the following resolutions:

**RESOLVED**, That the USAC Board of Directors determines that it is interested in being designated as the entity responsible for the data collection and directs staff to inform the FCC, and

**RESOLVED FURTHER**, That the USAC Board of Directors authorizes USAC staff to issue a Request for Proposal to perform the billing, collection, and disbursement activities of the corporation including the data collection.

9. **Criteria for Determining Whether a Financial Interest Constitutes a Conflict of Interest** – Ms. Parrino recalled for the Board that at the October 1998 quarterly Board meeting, the Board approved a Code of Ethics for USAC employees. However, guidelines for determining if a conflict exists for employees who have filed a financial disclosure form indicating that he or she has a financial interest greater than \$5,000 in one of the stakeholders of the programs of USAC have not been established. This action item resolution attempts to do just that.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors accepts the recommendation made by the Executive Committee to approve the proposed guidelines for determining if a conflict of interest exists for employees having a financial interest greater than \$5,000 in one of the stakeholders of the programs that USAC administers.

10. **Establishment of a Training and Education Policy for USAC** – Ms. Parrino explained that USAC does not have a staff training policy or a policy regarding tuition reimbursement for education, although money is currently included in the budget. In developing the policy that is before the Board today, Ms. Parrino reviewed the Training and Education Policies of such entities as the United Way, the State of Wisconsin, and three other not-for-profit organizations. She did not look at the Federal policy. The Board requested that Ms. Parrino review the Federal policy against this USAC policy to determine if there are any inconsistencies. If there are no inconsistencies, the policy can go into effect; if there are major differences, the policy should come back to the Board for approval.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors accepts the recommendation made by the Executive Committee to approve the proposed *Training and Education Policy* for USAC employees provided there are no significant inconsistencies with the Federal guidelines. If there are significant inconsistencies, the policy should be brought back to the Board for further review.

11. **4<sup>th</sup> Quarter 1999 USAC Common and Consolidated Budget** – Ms. Parrino reported that the Executive Committee (EC) discussed the budget in great detail, especially the cost associated with the high cost data collection performed by NECA. The EC recommends that the change in accounting be approved and that the budget clearly indicate that these costs have always been a part of the administrative costs of the program and that these costs are not within USAC's control. Ms. Parrino distributed a revised Attachment B and C of the agenda item, Consolidated Budget spreadsheets, to reflect the changes recommended by the EC. The High Cost & Low Income Committee went a step further and requested that staff communicate with the FCC on how this budgetary item is beyond the control of USAC as a result of an FCC decision and ask them if USAC's proposed change is appropriate.

Ms. Parrino reported that the budget increased 3.5 percent or approximately \$1.2 million due to the significant items listed in Attachment C.

On a motion duly made and seconded, the Board unanimously adopted the following resolutions:

**RESOLVED**, That the USAC Board of Directors approve a 4<sup>th</sup> Quarter 1999 USAC common budget of \$718,500, and

**RESOLVED FURTHER**, That the USAC Board of Directors approves a 4<sup>th</sup> Quarter 1999 USAC consolidated budget of \$9,140,800.

12. **4<sup>th</sup> Quarter 1999 Revenue Projections and Resolutions on July FCC Filing** – Mr. Haga reported that nineteen carriers reported revenues since the original attachments were printed so the numbers on Attachment A need to change as follows: (1) under 4<sup>th</sup> Quarter, Intrastate, Interstate & International Revenues Reported, change \$101,698,769 to **\$101,213,538**; and (2) under 4<sup>th</sup> Quarter, Interstate & International Revenues Reported, change \$38,496,295 to **\$38,203,999**.

Ms. Parrino also recommended that the resolutions be amended to reflect the new language that was added to agenda item #4 in which the Board amended the resolution to reflect only a dollar variance threshold and also to set different dollar thresholds for the two revenue bases.

On a motion duly made and seconded, the Board unanimously adopted the following amended resolutions:

**RESOLVED**, That the USAC Board of Directors, having reviewed at its quarterly meeting on July 27, 1999, a summary of the current status of telecommunications service provider revenues for calendar year 1998, adjusted for revenues reported for

January through June 1998, authorizes staff to proceed with the required July 30, 1999, filing on behalf of USAC, and

**RESOLVED FURTHER,** That the USAC Board of Directors authorizes USAC staff to file Contribution Base amounts with variances not exceeding \$5.0 billion for the international, interstate and intrastate revenue base and \$2.5 billion for the international and interstate revenue base of the Board approved contribution base amounts, and variances at or below the above level are deemed approved by the Board. Any variances above \$5.0 billion for the international, interstate and intrastate revenue base and \$2.5 billion for the international and interstate revenue base must have full Board approval before staff submits the filing to the FCC.

13. **Policy on Board Member Attendance at Board Meetings** – Ms. Parrino stated that as USAC develops and grows, it is necessary to review Board practices and policies and determine if those practices and policies are consistent with other organizations similar to USAC. The USAC Board of Directors does not have a policy on Board member attendance at Board meetings. The experts say that it is good Board practice to have an attendance policy to ensure that the constituency of the Board is being properly represented. The USAC Board does not have the power to remove a member from the Board—that can only be done by the FCC Chairman—but the Board can recommend removal based on policy guidelines in place. If approved, the policy would go into effect immediately, and Board members would contact the USAC Board of Directors’ Chairperson or USAC’s CEO to report the reason for any absences.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED,** That the USAC Board of Directors accepts the recommendation made by the Executive Committee to adopt the following policy regarding Board member attendance at board meetings:

- Directors should not miss more than one-half (1/2) of the number of regular or special Board meetings (either in person or by telephone) held in any twelve (12) month period, unless the USAC Board Chairman provides an exception for illness or other good reason.
  - USAC shall inform the FCC Chairperson if a director misses more than one-half (1/2) of the number of Board meetings in any twelve (12) month period and shall seek his or her guidance.
14. **Criteria for and the Selection of a USAC Secretary and Treasurer** – There was much discussion and Board members were split over the two options included in the issue paper. Ms. Parrino suggested that further discussions one-on-one with Board members might reveal a better consensus.

On a motion duly made and seconded, the Board unanimously agreed to lay the motion on the table.

#### Information Items:

1. **Legislative Activity** – For information only. No discussion held.
2. **Treasurer’s Report** – For information only. No discussion held.
3. **Regulatory Report** – For information only. No discussion held.

4. **Status Report on the Readiness of USAC Operations for the Year 2000** – For information only. No discussion held.
5. **Report on Accounts Receivable and Collection Efforts** – For information only. No discussion held.
6. **Report on Form 457 Late Filing Fee** – For information only. No discussion held.
7. **Form 457 Reported Revenue Decreases Greater than 45 Percent** – For information only. No discussion held.
8. **Status of USAC Clarification Requests at the FCC** – For information only. No discussion held.
9. **Seeking Tax Exempt Status for USAC** – For information only. No discussion held.
10. **Status of Form 457 Audit** – For information only. No discussion held.
11. **Contract Review – Confidential & Proprietary** – See Executive Session below.
12. **Timeline and Key Dates** – For information only. No discussion held.
13. **Miscellaneous** – None.

#### Rural Health Care Program:

1. **Rural Health Care Program Status Report** – For information only. No discussion held.
2. **Status of March 5, 1999, USAC Report to the FCC** – For information only. No discussion held.
3. **4<sup>th</sup> Quarter 1999 Rural Health Care Programmatic Budget** – For information only. No discussion held.
4. **4<sup>th</sup> Quarter 1999 Rural Health Care Projections and Resolution on the July FCC Filing** – For information only. No discussion held.
5. **Miscellaneous** – None.

#### Schools and Libraries Programs:

1. **Schools and Libraries Program Update** – For information only. No discussion held.
2. **Update on Year 3 Improvements** – For information only. No discussion held.
3. **4<sup>th</sup> Quarter 1999 Schools and Libraries Programmatic Budget** – For information only. No discussion held.
4. **4<sup>th</sup> Quarter 1999 Schools and Libraries Projections and Resolution on the July FCC Filing** – For information only. No discussion held.
5. **Miscellaneous** – None.

#### High Cost and Low Income Program:

1. **High Cost Program Status Report** – For information only. No discussion held.
2. **Low Income Program Status Report** – For information only. No discussion held.
3. **Proposed Low Income Process Revision** – For information only. No discussion held.
4. **Report on Low Income Audit** – For information only. No discussion held.
5. **Report on the Implementation of a New High Cost Program for Non-rural Companies** – For information only. No discussion held.
6. **4<sup>th</sup> Quarter 1999 High Cost and Low Income Programmatic Budget** – For information only. No discussion held.
7. **4<sup>th</sup> Quarter 1999 High Cost and Low Income Projections and Resolution on the July FCC Filing** – For information only. No discussion held.

8. **Miscellaneous – USAC Competitive Bidding Policy** – This item will not come back to the Board for Board approval; it is for information purposes only.

On a motion duly made and seconded, the Board unanimously agreed to go into **Executive Session** at 9:58a.m. Eastern Time for the purpose of discussing information agenda item #11, Contract Review. All persons except Board members, USAC’s counsel representatives, and the minute-taker were asked to leave the meeting.

On a motion duly made and seconded, the Board unanimously agreed to go into Open Session at 10:10 a.m. Eastern Time for purposes of reporting actions taken during *Executive Session*:

### **Executive Session**

11. **Contract Review** – Ms. Rosenblum reported that USAC staff informed the Board of the status of USAC’s current contracts with outside vendors. The Board directed staff to bring a plan of action and timetable of contracting dates to the next quarterly Board meeting in October 1999.

There being no further business to attend to, Ms. Rosenblum adjourned the meeting at 10:31 a.m. Eastern Time.

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Robert W. Haga  
Acting Secretary/Treasurer

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**BOARD OF DIRECTORS MEETING**

**August 20, 1999**

**MINUTES**

The Board of Directors of the Universal Service Administrative Company (USAC) took action on Friday, August 20, 1999, on a resolution to change the dates of the October 1999 Quarterly USAC Committee and Board meetings. The Board approved the following resolution by consensus by facsimile sent by Ms. Cathy Howard, Executive Assistant to the CEO, on behalf of Ms. Cheryl Parrino, CEO of USAC. The signed ballots are included as an attachment to these minutes.

**ACTION ITEMS:**

1. **Resolution to Change the dates of the October 1999 USAC Quarterly Committee and Board Meetings** - The USAC Board of Directors approved the following resolution through means of signed ballots:

**RESOLVED**, That the USAC Board of Directors approve changing the October 1999 Quarterly USAC Committee and Board meetings from October 18 and 19, 1999, to **October 25 and 26, 1999**.

Sixteen of the nineteen members of the Board of Directors voted, representing a quorum, with the following results:

**YES = 15 NO = 1**

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Robert Haga  
Acting Secretary & Treasurer

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY****BOARD OF DIRECTORS MEETING**

October 26, 1999

**MINUTES**

A meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held at the Georgetown University Marriott Conference Center, 3800 Reservoir Road, N.W., Washington, D.C., on Tuesday, October 26, 1999. Ms. Lisa Rosenblum, Chair of the USAC Board of Directors, called the meeting to order at 9:04 a.m. Eastern Time. Mr. Robert Haga, Acting Secretary, called the roll.

| <b>Thirteen of the nineteen members were present, representing a quorum:</b> |  |
|--|--|
| Butler, John (Tony)  | Eichler, Ed  |
| Gold, Heather  | Gumper, Frank  |
| Hess, Kevin  | Jackson, Jimmy   |
| Lineberry, Isiah   | Marockie, Dr. Hank   |
| Parrino, Cheryl  | Rehberger, Wayne   |
| Rosenblum, Lisa  | Thoms, Allan   |
| Wheeler, Tom   |  |
| <b>Three members joined the meeting in progress:</b>                         |  |
| Abramson, David  | Hogerty, Martha  |
| Sanders, Dr. Jay   |  |
| <b>Three members were absent:</b>  |  |
| Bryant, Anne   | Ouye, Kathleen   |
| Talbott, Brian   |  |
| <b>Officers of the Corporation present:</b>                                  |  |
| Haga, Robert - Acting Secretary/Treasurer                                    | Moore, Kate - President of USAC Schools & Libraries Division |
| <b>Others present for the meeting:</b>                                       |  |
| <b>Name</b>  | <b>Company</b>   |
| Barash, Scott  | USAC   |
| Bellucci, Vicky  | MCIWorldCom  |
| Blackwell, Mel   | USAC   |

|                |      |
|----------------|------|
| Harrison, Gina | NECA |
| Howard, Cathy  | USAC |
| Ricker, John   | NECA |
| Webber, Sharon | FCC  |

**ACTION ITEM:**

1. **Approval of Minutes.** On a motion duly made and seconded, the Board approved the minutes, as distributed, of the Board of Directors' meetings of Tuesday, July 27, 1999, and Friday, August 20, 1999.
2. **Selection of a USAC Secretary and Treasurer.** Ms. Parrino spoke with each Board member one-on-one before this meeting to determine his or her interest in serving as USAC Secretary or Treasurer. More than one Board member indicated an interest in the positions; therefore, the Executive Committee is recommending that the Board of Directors' Chair appoint a Nominating Committee to bring forth nominations for these two officer positions. Ms. Parrino distributed a revised second page of the issue paper reflecting the amended resolution that the Executive Committee passed on October 21, 1999, in which that Committee directed Ms. Parrino to contact Board members Mr. Wheeler, Mr. Hess, Mr. Lineberry, and Ms. Hogerty to determine his or her interest in serving on a Nominating Committee. They affirmed their interest.

On a motion duly made and seconded, the Board unanimously adopted the following resolutions:

**RESOLVED,** That the USAC Board of Directors accepts the recommendation of the Executive Committee to determine that the position of USAC Treasurer and USAC Secretary will be held by two different Board members and that the positions of USAC Assistant Treasurer and USAC Assistant Secretary will be held by staff members, and

**RESOLVED FURTHER,** That the USAC Board of Directors accepts the recommendation of the Executive Committee to request that the Chair of the Board of Directors appoint a Nominating Committee to bring a recommended slate of candidates or candidate for the position of Secretary and a recommended slate of candidates or candidate for the position of Treasurer to the Board of Directors for its consideration in the election of a Board member to each of the officer positions at its January 25, 2000, Board meeting, and

**RESOLVED FURTHER,** That the USAC Board of Directors accepts the recommendation made by the Executive Committee to request the Nominating Committee to place Mr. D. Scott Barash on the ballot for Assistant Secretary and Mr. Robert Haga on the ballot for Assistant Treasurer of USAC.

Ms. Rosenblum announced that she was appointing Mr. Wheeler, Mr. Hess, Mr. Lineberry, and Ms. Hogerty to the Nominating Committee.

3. **Modification of USAC Investment Guidelines.** Ms. Parrino recommended that USAC's investment guidelines not be changed to exclude companies that participate in the Universal Service Fund (USF) Program, because to avoid all companies that participate in the USF would unduly restrict safe investments for USAC. She further explained that although USAC employees review the performance of our investors, they do not directly invest any of USAC funds at this time. Investment decisions are based on rates of returns and other such factors unrelated to whether a company has any relationship with the USF. The Board briefly discussed how such a change would be impossible to monitor due to the broad range of companies that participate in the Program.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors accepts the recommendation of the Executive Committee to retain the existing USAC investment guidelines, which allow short-term investments in commercial paper issued by fund participants.

4. **Determination of Appropriate Late Filing Fees.** Ms. Parrino said that USAC is presenting this agenda item to the Board members per their request to be kept informed of the impact of the late filing fee approved previously by the Board. Ms. Parrino stated that the fees have had a dramatic effect-companies filing late have decreased by 17 percent. She reported that staff members feel very confident that this fee has had a positive impact and recommend that it be applied to the new Form 499 (which replaces the Form 457).

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors directs staff to continue the implementation of the Late Filing Penalty Schedule as detailed below. The Board directs staff to apply the stated penalty schedule without modification to the FCC Form 499 Data Collection submissions:

Form 499 Late Filing Penalty:

Grace Period of 5 business days

Rate = .00005 applied to total end-user billed revenue

Minimum Late Filing Penalty = \$100

Maximum Late Filing Penalty = \$5,000

Director - Level (staff) approval needed to waive penalty - extenuating circumstances.

5. **Approval of Contracting and Bidding Timeline.** With the consent of the Board, the Chair deferred this item until the end of the Agenda. See **Executive Session**.
6. **Approval of Staff Recommendation Regarding Tax-Exempt Status.** Ms. Parrino recalled that at a previous Board meeting, staff estimated that the cost savings that USAC would enjoy were it to obtain tax-exempt status would be minimal. The Board directed staff to consult with the FCC on the matter. Ms. Parrino reported that the FCC advised USAC that it was a good idea to investigate the possibility, but left it up to staff discretion whether to seek tax-exempt status. Ms. Parrino reported that staff

determined that the cost savings to USAC are not significant enough to warrant going forward and that there is also some uncertainty associated with which exemption USAC would qualify. Moreover, she reported that due to the uncertainty, the legal fees and other costs associated with seeking tax-exempt status could be substantial.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors accepts the recommendation made by the Executive Committee that USAC should not seek tax-exempt status at this time.

7. **Approval of 1<sup>st</sup> Quarter 2000 USAC Common and Consolidated Budget and Information on Estimated 2000 Budget.** Ms. Parrino distributed a revised Attachment C, Consolidated Budget spreadsheet, which now has the explanations fields completed. She also distributed a revised resolution noting the correct consolidated budget amount. Ms. Parrino reported that staff could not bring a final 2000 budget to the Board at this time, because NECA has not yet approved its budget (NECA Board approval is anticipated in December). The contract costs with NECA constitute the largest portion of USAC's budget. The final USAC 2000 budget will be presented to the Board at the January 2000 quarterly meeting. Ms. Rosenblum noted that if USAC is measuring the efficiency of the program, the numbers show that not only is there a decrease in the percentage of administrative costs to the total program costs but a decrease in the actual dollars as well.

On a motion duly made and seconded, the Board unanimously adopted the following amended resolutions:

**RESOLVED**, That the USAC Board of Directors approve a 1<sup>st</sup> Quarter 2000 USAC common budget of \$733,000, and

**RESOLVED FURTHER**, That the USAC Board of Directors approves a 1<sup>st</sup> Quarter 2000 USAC consolidated budget of 11,876,900.

8. **Approval of 1<sup>st</sup> Quarter 2000 Revenue Projections and Resolutions on November 1999 FCC Filing.** Mr. Haga stated that there have been a couple of changes in the filing process. First, for the first time the Form 499 was used to collect the revenue information from carriers. It is anticipated that the consolidated data collection will save all of the programs time and money as well as reduce the burden on carriers. The establishment of the late filing penalty has aided greatly in making the information available to the Board in a timely and much more comprehensive manner. Second, the revisions by the Commission earlier this month will result in a revised contribution base once carriers have had a chance to determine whether they qualify for the international exemption. Since that filing is due at the beginning of December, USAC will have to recalculate the contribution base and will seek the approval of the Executive Committee at that time to file the revised amount with the Commission.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors, having reviewed a summary of the current status of telecommunications service provider revenues for January through June 1999, authorizes staff to proceed with the required November 1, 1999, filing to the FCC on behalf of USAC. If the revenue estimate in the filing varies from the revenue estimate included in Board materials by an amount greater than 5 percent, staff will seek Board approval to file the revised revenue estimate.

9. **Determination of the Decimal Point for Collection Factor.** Ms. Parrino explained that moving the decimal point to six digits from four reduces the margin for error from millions of dollars to thousands.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors directs staff to round numbers to the thousand level or below in filings with the FCC.

10. **Approval of a Statement of Ethical Conduct for Members of the USAC Board of Directors.** Several Board members expressed concerns with the proposed Guidelines. For example, some members felt that the wording is too restrictive as stated for Board members to be able to make any decisions regarding USAC without appearing to favor their constituents. After all, the Board members were appointed to represent certain stakeholder interests. After discussing the matter further, the Board called for the formation of an Ad Hoc Committee to look into the matter further and report to the Board at its next meeting.

On a motion duly made and seconded, the Board adopted the following amended resolution. Mr. Abramson abstained:

**RESOLVED**, That the USAC Board of Directors rejects the recommendation made by the Executive Committee to approve the proposed *Statement of Ethical Conduct for Members of the USAC Board of Directors*, and instead appoints Board members Mr. Wheeler, Mr. Hess, Mr. Lineberry, and Ms. Hogerty to an Ad Hoc Committee to refine the guidelines to more accurately reflect the unique responsibilities of the Board members.

**Information Items:**

1. **Report of Legislative and Media Activity.** For information only. No discussion held.
2. **Treasurer's Report.** For information only. No discussion held.
3. **Regulatory Report.** For information only. No discussion held.
4. **Report on Accounts Receivable and Collection Efforts.** For information only. No discussion held.
5. **Report on Form 457 Reported Revenue Decreases Greater than 45 Percent.** For information only. No discussion held.
6. **Status of Form 457 Audit.** For information only. No discussion held.

7. **Bankruptcy Report.** For information only. No discussion held.
8. **Status of Financial and Operational Audits of USAC.** For information only. No discussion held.
9. **Status of the Consolidation of Data Collection.** For information only. No discussion held.
10. **Draft Outline for USAC Annual Report.** For information only. No discussion held.
11. **Status of USAC Clarification Requests at the FCC.** For information only. No discussion held.
12. **Contract Review.** For information only. With the consent of the Board, the Chair deferred any discussion until the end of the Agenda. See Executive Session.
13. **USAC 1999 Timeline and Key Dates.** For information only. No discussion held.
14. **Miscellaneous.** None.

**Rural Health Care Program:**

15. **Rural Health Care Program Status Report.** For information only. No discussion held.
16. **Status of the March 5, 1999, USAC Report to the FCC and New Program Overview.** For information only. No discussion held.
17. **Review of 1<sup>st</sup> Quarter 2000 Rural Health Care Programmatic Budget and Information on Estimated 2000 Budget.** For information only. No discussion held.
18. **Review of 1<sup>st</sup> Quarter 2000 Rural Health Care Projections and Resolution on the November 1999 FCC Filing.** For information only. No discussion held.
19. **Miscellaneous.** None.

**Schools & Libraries Program:**

20. **Schools and Libraries Program Update.** For information only. No discussion held.
21. **Review of Revised 1999 Schools and Libraries Programmatic Budget.** For information only. No discussion held.
22. **Review of 1<sup>st</sup> Quarter 2000 Schools and Libraries Programmatic Budget and Information on Estimated 2000 Budget.** For information only. No discussion held.
23. **Review of 1<sup>st</sup> Quarter 2000 Schools and Libraries Projections and Resolution on the November 1999 FCC Filing.** For information only. No discussion held.
24. **Miscellaneous.** None.

#### High Cost & Low Income Programs:

25. **High Cost Program Status Report.** For information only. No discussion held.
26. **Low Income Program Status Report.** For information only. No discussion held.
27. **Report on the Implementation of a New High Cost Program for Non-rural Companies.** For information only. No discussion held.
28. **Disaggregation of Federal High Cost Support in Washington State.** For information only. No discussion held.
29. **Review of 1<sup>st</sup> Quarter 2000 High Cost and Low Income Programmatic Budget and Information on Estimated 2000 Budget.** For information only. No discussion held.
30. **Review of 1<sup>st</sup> Quarter 2000 High Cost and Low Income Projections and Resolution on the November 1999 FCC Filing.** For information only. No discussion held.

On a motion duly made and seconded, the Board unanimously agreed at 9:54 a.m. Eastern Time to go into *Executive Session* for the purpose of discussing USAC contracts and timelines. On a motion duly made and seconded, the Board unanimously agreed at 10:31 a.m. Eastern Time to adjourn from *Executive Session* and reconvene in Open Session to report out the discussion and the action of the Board.

Upon reconvening in Open Session, Ms. Rosenblum reported the following action during the *Executive Session*:

#### Executive Session

5. **Approval of Contracting and Bidding Timeline.**
12. **Contract Review.**

Ms. Parrino combined these two items in discussion as the bidding timeline is affected by USAC contracts. She provided a summary of the status and the rationale for the suggested timeline. On a motion duly made and seconded, the Committee unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors accepts the recommendation made by the Executive Committee to approve the contracting and bidding timeframe set forth herein.

After reporting the action taken in *Executive Session*, several miscellaneous action and information items were brought to the floor.

## Action Items:

### 1. Miscellaneous.

#### 1. **Determination of Responsibility for High Cost Data Collection.**

Mr. Wheeler requested that USAC petition the FCC to transfer the responsibility for High Cost Data Collection from the National Exchange Carrier Association, Inc. (NECA) to USAC. He expressed the view, shared by several other Board members, that because this data collection is reported as a USAC expense, USAC should be responsible for selecting the manner in which the data collection is performed.

On a motion duly made and seconded, the Board adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors directs staff to petition the FCC to transfer the responsibility for High Cost Data Collection from the National Exchange Carrier Association, Inc. (NECA) to USAC.

#### 2. **Request for Change in Location of USAC Quarterly Board Meetings.**

Mr. Thoms requested that staff petition the FCC for relief from the requirement that all USAC Board meetings be held in Washington, D.C. Mr. Thoms believes that it would be in the interest of USAC to hold these meetings in different locations around the country in an effort to make USAC more visible to the communities served by the Universal Service Fund. Some members are not sure that that would indeed be the effect, but were supportive for other reasons. All Board members agree that a list of valid reasons for the change should be presented in the request to the FCC.

On a motion duly made and seconded, the Board adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors directs staff to petition the FCC to eliminate or waive the requirement that all USAC Board meetings must be held in Washington, D.C.

#### 3. **Request for a Permanent Slot for USAC on the Agendas of the Annual, Winter, and Summer Meetings of the Committee on Telecommunications of the National Association of Regulatory Utility Commissioners (NARUC).** Mr. Thoms noted that it would be in USAC's interest to request a slot on this NARUC Committee's agendas in order to give regular updates on the programs administered by USAC.

On a motion duly made and seconded, the Board adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors directs staff to request a permanent slot for USAC on the agendas of the Annual, Winter, and Summer Meetings of the Committee on Telecommunications of the National Association of Regulatory Utility Commissioners (NARUC) for the purpose of giving regular updates on the Universal Service Program.

2. **Information Items:**

1. Miscellaneous.
2. **USAC Two Year Report.** Ms. Parrino distributed copies of the final, printed USAC Two Year Report. Board members requested that it be sent to them electronically, as well as posted to the USAC Web site, so that it can be distributed to their constituents.
3. **Letter from Congressman Gekas.** Ms. Parrino informed the Board that she received a letter from Representative George W. Gekas (R-PA), Chairman of the Subcommittee on Commercial and Administrative Law, and Representative J. D. Hayworth (R-AZ) requesting documentation supporting the necessity and the cost-effectiveness of the regional outreach efforts conducted by the Schools & Libraries Division this fall. Ms. Parrino assured the Board that USAC's response clearly stated numerous valid reasons for the seven regional outreach efforts this fall. The correspondence was provided to Board members for their information.

There being no further business to attend to, Ms. Rosenblum adjourned the meeting at 10:45 a.m. Eastern Time.

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Robert W. Haga  
Acting Secretary/Treasurer