

# 1998 High Cost & Low Income Committee Meetings Minutes

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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY  
HIGH COST & LOW INCOME COMMITTEE MEETING**

January 26, 1998

**MINUTES**

The meeting of the High Cost and Low Income Committee of the Universal Service Administrative Company (USAC) was held at the Washington Marriott, 1221 22nd Street, NW, Washington, D.C. on the above date. The meeting was called to order at 9:00 AM by Ms. Heather Burnett Gold, Chair.

<b>Eight Committee members were present, representing a quorum, as follows:</b>	
John Anthony Butler	Kevin Hess
Edwin H. Eichler	Martha Hogerty
Heather Burnett Gold	James Jackson
Frank Gumper	Tom Wheeler
<b>Two members were absent as follows:</b>	
Donald Lynch	Allan Thoms

<b>Others present for various parts of the open meeting:</b>	
<b>Name</b>	<b>Company</b>
Kenneth Levy	NECA
Edward English	NECA
John Ricker	NECA
Lisa Rosenblum	CableVision
Lee Palugyi	CableVision
Lisa Zaina	OPASTCO

Jim Roddy	MCI
Jim Frame	NECA
Dick Lavery	GTE
Emily Hoffner	FCC
Randall Coleman	CTIA
Robert Haga	NECA

1. Ms. Gold welcomed the Committee and asked that the Board approve the Minutes of the October 20, 1997 meeting. On a motion duly made and seconded the Committee approved the Minutes.
2. Mr. John Ricker of NECA reported the results of the carrier eligibility designations. In order to receive funding, exchange carriers needed to be designated eligible by the state commissions before December 31, 1997. Mr. Ricker reported that, as a result of USAC=s outreach efforts, only ten study areas out of 1,500 had not been designated as eligible.
3. Mr. Ricker explained the impact of changes to the contribution mechanism due to FCC rule changes made after the 1st Quarter filing and refinement of amounts reported on the Form 457. He reported that if uncollectibles are kept to a minimum, there should be no funding shortfall for the high cost and low income funds during the 1st quarter. However, he reported there were enough unknowns in the process to result in a future shortfall and recommended that the Committee prepare for the possibility. The Committee discussed the merits of borrowing funds to make up for a shortfall from either the open market or from a sister fund which was experiencing a surplus condition. On a motion duly made and seconded, the Committee resolved to recommend to the Board that USAC obtain credit lines to finance funding shortfalls and that staff seek the authority from the FCC to effect interfund borrowing.
4. Mr. Ricker went over various operational issues with the Committee. On a motion duly made and seconded, the Committee directed USAC to engage NECA to derive an average schedule local switching support formula. The Committee also requested an interpretation by staff of the universal service support for the PICC charge. On a motion duly made and seconded, the Committee authorized staff to obtain clarification from the FCC on the amount of allowable incremental costs for voluntary toll limitation eligible for lifeline support.
5. Mr. Ricker discussed the second quarter of 1998 program estimates and responded to questions from the Committee. On a motion duly made and seconded, the Committee approved the following resolution:

**RESOLVED**, that the High Cost and Low Income Committee (Committee), having reviewed a summary of the second quarter of 1998 program estimates including administrative costs for the Universal Service

Fund, Long Term Support, Local Switching Support and Lifeline Assistance at its meeting on January 26, 1998, hereby directs the NECA staff to proceed with the required January 30, 1998 FCC filing on behalf of the Committee. NECA staff may make adjustments if additional data becomes available or errors are discovered, and to reflect changes required as a result of FCC orders.

6. The Committee discussed the ramifications of the diminimus exemption on the fund and requested that staff do an analysis of the number of carriers who do not contribute, but are recipients from the fund. Several Committee members were concerned that certain exemptions granted to large universities by the FCC resulted in inequitable treatment. Mr. Wheeler asked what issues the Committee and/or USAC deemed appropriate to bring before the FCC. It was decided that it would only be appropriate to bring matters before the FCC which affect the administration of the programs rather than policy issues. The Committee recessed at 10:48 A.M. and reconvened at 11:03 A.M..
  
7. Mr. Ricker reviewed the impact of changes to the average schedule formula on the allocation of high cost funds and explained the process to be followed to implement the Areal time@ low income program in 1998. After receiving OMB approval, the necessary forms will be circulated to carriers for completion and returned to NECA Regional staff for input.

The next meeting is tentatively scheduled for April 20, 1997. There being no further business to come before the Committee, on a motion duly made and seconded, Ms. Gold adjourned the meeting at 11:26 A.M.

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Ed English

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY  
HIGH COST & LOW INCOME COMMITTEE MEETING**

April 20, 1998

**MINUTES**

The meeting of the High Cost and Low Income Committee of the Universal Service Administrative Company (USAC) was held at the Omni Shoreham Hotel 2500 Calvert Street, NW, Washington, D.C. on the above date. The meeting was called to order at 9:00 AM by Ms. Heather Burnett Gold, Chair.

<b>Eight Committee members were present, representing a quorum, as follows:</b>	
John Anthony Butler	Martha Hogerty
Edwin H. Eichler	James Jackson
Heather Burnett Gold	Donald Lynch
Frank Gumper	Allan Thoms
<b>Two members were absent as follows:</b>	
Kevin Hess	Tom Wheeler

<b>Others present for various parts of the open meeting:</b>	
<b>Name</b>	<b>Company</b>
Edward English	NECA
John Ricker	NECA
Bruce Baldwin	NECA
Cherie Kiser	MINTZ, LEVIN et al
Dick Lavery	GTE
Rich Rhyner	NECA

1. Ms. Gold welcomed the Committee and asked that the Committee approve the Minutes of the January 26, 1998 meeting. On a motion duly made and seconded the Committee approved the Minutes.
2. Mr. John Ricker of NECA reported the results of the carrier eligibility designations. In order to receive funding, exchange carriers need to be designated eligible by the state commissions. Mr. Ricker reported that there were three study areas which have not been declared eligible . Even though the carriers have not been receiving funding, the Committee was assured that no service was at risk. Mr. Ricker explained that the FCC and not USAC would be conducting eligibility designations for rural vs. non-rural designations which will impact 1999 funding.
3. Mr. Ricker gave a status report of the high cost and low-income programs by comparing the initial first quarter projections to the most current projections and explaining the reasons for the variances. In the high cost fund, the reductions in local switching support resulted from reporting of individual support requirements by non-NECA TS pool participants. In the low-income fund, gross-up of reported amounts to reflect industry totals yields a projection of approximately \$41 million per month. For both programs, interest income was reduced by the change in the billing and collection mechanism from quarterly to monthly.
4. Mr. Ricker presented a report on support funding for de minimis companies which had been requested by the Committee at the January 26, 1998 meeting. The Committee discussed the report.
5. Mr. Ricker discussed the third quarter of 1998 program estimates and responded to questions from the Committee. The Committee discussed the merits of including allowances for known bankruptcies and incremental costs claimed by carriers to provide toll limitation services. The Committee was concerned about the allowable expenditures for toll limitation and requested that staff seek clarification from the FCC. On a motion duly made and seconded, the Committee approved the following resolution:

**RESOLVED**, that the High Cost and Low Income Committee (Committee), having reviewed a summary of the third quarter of 1998 program estimates including administrative costs for the Universal Service Fund, Long Term Support, Local Switching Support and Lifeline Assistance at its meeting on April 20, 1998, hereby directs the NECA staff to proceed with the required May 1, 1998 filing on behalf of the Committee. NECA 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 next meeting is tentatively scheduled for July 20, 1998. There being no further business to come before the Committee, on a motion duly made and seconded, Ms. Gold adjourned the meeting at 10:30 A.M. \_\_\_\_\_

Ed English

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**  
**HIGH COST & LOW INCOME COMMITTEE MEETING**

June 26, 1998

**MINUTES**

A meeting of the High Cost/Low-income Committee of the Universal Service Administrative Company (USAC) was held at the International Trade Center & Ronald Reagan Building, 1300 Pennsylvania Avenue , Washington, D.C. on the above date. The meeting was called to order at 9:00 A.M. EDT by Heather Gold, Chair. Edward English, acting as Secretary called the roll.

<b>Nine members were present as follows:</b>	
Edwin H. Eichler	Martha Hogerty
Heather Burnett Gold	James Jackson
Frank Gumper	Donald Lynch
Kevin Hess	Allan Thoms
Tom Wheeler	
<b>One member was absent as follows:</b>	
John Anthony Butler	
<b>Others present for the meeting</b>	
Cherie Kiser	John Ricker
Cheryl Parrino	Dick Lavery

1. Ms. Gold welcomed the members of the Committee. The issue for Committee resolution was whether to perform audits of carrier provided data on an exception basis only or to systematically review the data provided by carriers on a routine basis. The Committee would then recommend who would perform the reviews.
2. Mr. Ricker reviewed the premeeting materials with the Committee.
3. Ms. Gold distributed a white paper discussing the options open to the Committee prepared by Ms. Parrino. The memo recommended that the committee approve systematic audits, that the USAC CEO and NECA develop a general audit plan and that an outside audit firm be engaged to perform the work.
4. After discussion on a motion duly made and seconded the Committee unanimously adopted the recommendations put forth by Ms. Parrino.

5. Mr. Ricker reviewed a Public Notice released by the FCC concerning the status of carriers designated as rural by the Commission.
6. There being no further business to attend to, Ms. Gold adjourned the meeting at 9:25 A.M.

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Ed English

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY  
HIGH COST & LOW INCOME COMMITTEE MEETING**

July 20, 1998

**MINUTES**

This meeting of the High Cost/Low-income Committee of the Universal Service Administrative Company (USAC) was held at the Washington Marriott, 1221 22nd Street NW, Washington, D.C. on the above date. The meeting was called to order at 10:00 A.M. EDT by Heather Gold, Chair. Edward English, acting as Secretary, called the roll.

<b>Nine members were present as follows:</b>	
John Anthony Butler	Kevin Hess
Edwin H. Eichler	Martha Hogerty
Heather Burnett Gold	Donald Lynch
Frank Gumper	Allan Thoms
Tom Wheeler	
<b>One member was absent as follows:</b>	
James Jackson	
<b>Others present for the meeting were :</b>	
Cherie Kiser	John Ricker
Cheryl Parrino	Ken Levy
Jim Rodda	Robert Haga
Dick Lavery	

1. Ms. Gold welcomed the members of the Committee. On a motion duly made and seconded the Committee unanimously approved the Minutes of the April 20, 1998 and June 26, 1998 meetings with minor typographic changes.
2. Mr. Ricker reviewed the premeeting materials with the Committee. He reviewed the High Cost Programs Status report. He pointed out that many CLEC's did not appear to be filing for ETC status due to low support amounts. Mr. Ricker reviewed Orders recently released by the Commission. He expressed his concern on the implementation issues around the adoption of a forward-looking cost model for non-rural participants in the high cost program. The forward looking model is now

scheduled to be implemented July 1, 1999. [The schedule established by the Commission did not appear to take into consideration the need for USAC to file 3Q99 requirements on May 1, 1999]. It has not been decided whether the model will be administered by the industry, the FCC or USAC. If USAC were to be designated as administrator of the model, significant systems work and expenditure would be required in a very short time frame. Eligible telecommunications carriers would also have to be redesignated to match the service areas utilized by the model.

3. Mr. Ricker reviewed the status of the low-income programs. He indicated that the FCC was seeking a surrogate on the incremental cost of implementing toll limitation on a per line basis. He also reviewed the audit procedures for the low-income program with the Committee and indicated a separate RFP would be issued to obtain a qualified firm to conduct the audit. The Committee recommended that coordination with states may be helpful and Mr. Thoms volunteered to raise the issue at the upcoming NARUC meeting. Mr. Eichler inquired if there would be an audit of Form 457 submissions or additional information made available to companies to ensure the integrity of the data reported for the universal service programs. Mr. Ricker pointed out that there were industry forums, a FAQs page on the FCC website and many e-mails and phone calls to USAC staff to assist filers with the completion of the forms. Staff further verified the data by checking against the TRS data base, ARMIS and the requirement that the submitter certify to the accuracy of the data submitted.
4. Mr. Ricker discussed the funding levels for the 4th quarter and pointed out that overfunding of the high cost program during the second quarter and overfunding of the low income program during the first quarter would be mitigated by reducing funding requested for the fourth quarter. On a motion duly made and seconded, the Committee unanimously adopted the following resolution:

**RESOLVED**, that the High Cost and Low Income Committee (the Committee), having reviewed a summary of the fourth quarter of 1998 program estimates including administrative costs for the Universal Service Fund, Long Term Support, Local Switching Support and Lifeline Assistance at its meeting on July 20, 1998, hereby directs the USAC staff to proceed with the required July 31, 1998 filing on behalf of the Committee.. 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.

There being no further business to attend to, Ms. Gold adjourned the meeting at 11:00 A.M.

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Ed English

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**  
**HIGH COST & LOW INCOME COMMITTEE MEETING**

October 19, 1998

**MINUTES**

A meeting of the High Cost & Low Income Committee of the Universal Service Administrative Company (USAC) was held at the Ronald Reagan Building/The International Trade Center, 1300 Pennsylvania Avenue, N.W., Washington, D.C., on Monday, October 19, 1998. The meeting was called to order at 1:06 p.m. EDT by Heather Gold, Chair. Ms. Cathy Howard, executive assistant to Cheryl Parrino (CEO of USAC), acting as Secretary to the Committee, called the roll. Eight members were present, representing a quorum, as follows:

Eichler, Edwin H.	Hogerty, Martha
Gold, Heather Burnett	Jackson, James
Gumper, Frank	Lynch, Donald
Hess, Kevin	Wheeler, Tom

Two members were absent as follows:

Butler, John Anthony	Thoms, Allan
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Officers of the Corporation present were as follows:

English, Ed - Secretary/Treasurer	Parrino, Cheryl - CEO
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Others present for the meeting were as follows:

<b>NAME</b>	<b>COMPANY</b>
Garman, Matthew	Arthur Andersen LLP
Haga, Robert	USAC
Harrison, Gina	NECA
Hughes, Fred	NECA
Kiser, Cherie	Mintz, Levin, Cohn, et al.
Levy, Ken	NECA
Perrone, Joseph	Arthur Andersen LLP

Ricker, John	Ricker, John
Rodda, Jim	MCI WorldCom
Smith, Richard P	FCC

1. **Approval of minutes of Monday, July 20, 1998** - On a motion duly made and seconded, the Committee unanimously approved the minutes, as distributed, of the July 20, 1998, Committee meeting.
2. **High Cost Program Status Report** - Mr. Ricker summarized the quarterly status report of the High Cost Program operations. He pointed out that there are no significant changes expected for High Cost Support for 4th Quarter.
3. **Low Income Program Status Report** - Mr. Ricker summarized the quarterly status report of the Low Income Program operations. He informed the Committee that the FCC had approved revised Form 497 included clarifying language in the instructions that will improve the ease of filling out the form. Mr. Ricker reported that the new Low Income Data System was now operational and will improve USAC's operations.
4. **Follow-up to FCC Letter on Treatment of De Minimis Status** - Mr. Ricker recalled for the Committee that the de minimis factor came into play as a result of Section 254(d) of the Telecommunications Acts. The Federal Communications Commission (FCC) can exempt a carrier whose contribution would be de minimis. The FCC defined the de minimis contribution threshold as \$10,000; therefore, any contributor whose annual contribution would be less than \$10,000 would not be required to contribute. An issue arises when a company's de minimis status changes from contributor for the initial six months' submission to de minimis with the calendar year submission. The FCC said that in such cases, refunds should be issued to those companies. In the same vein, a company whose status changes from de minimis to contributor should be billed at a level that accounts for the months in which they did not contribute.

Discussion was then held on how to refund the money. The Committee discussed the resolution included in this agenda item memo that would be going before the USAC Budget and Finance Committee that recommends that the 1st Quarter filing include the funding requirements for these refunds. It further recommends that once the money comes in, refunds should be issued on a monthly basis as the funds are collected during the first quarter of 1999. Committee members were concerned with waiting until 1999 to refund the money. The concern was that if a company falls under de minimis status, then it is probably a smaller company and depends on all its income to stay solvent. A delay in receiving a refund could be detrimental to such a company. The Committee requested Mr. Don Lynch, chair of the Budget and Finance Committee to convey to the Budget and Finance Committee the opinion of the HC/LI Committee that refunds should be given back as soon as possible and suggested that since the FCC allows USAC to transfer monies between funds, monies should be transferred from other funds to cover the refunds.

Ms. Cheryl Parrino pointed out that the FCC is open to suggestions for improving this process if problems continue to arise with the one-year time period for calculation of de minimis status.

5. **Preliminary 1st Quarter 1999 Projections** - Mr. Ricker summarized the agenda item memo. He updated the projected number for the Local Switching Support under the High Cost Program from 105.7 M to 103.7 M bringing the Total to 446.1 M.

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

**RESOLVED**, That the USAC High Cost and Low Income Committee, having reviewed a summary of the 1st Quarter 1999 program estimates, including administrative costs for the Universal Service Fund, Long Term Support, Local Switching Support, and Lifeline Assistance at its meeting on October 19, 1998, hereby directs the staff to proceed with the required November 2, 1998, filing on behalf of the Committee. Staff may make adjustments if additional data becomes available or errors are discovered and to reflect changes required as a result of FCC orders.

6. **Calculation of the Cap on the High Cost Support Fund Using a Split Year for Rural and Nonrural Companies** - The Committee discussed the complications with calculating the cap on the high cost loop portion of the fund given a change in the funding mechanism for nonrural companies on July 1, 1999. Some solutions were suggested. The Committee instructed USAC staff to let the FCC know of any administrative concerns or problems and to seek clarification from the FCC without providing any recommendations.

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

**RESOLVED**, That the USAC High Cost and Low Income Committee recommends that the USAC Board of Directors direct the USAC staff to seek clarification from the Commission on how the split-year capping of the high cost loop portion of the fund should be administered.

7. **Implementation of the New Universal Service Rules** - Ms. Cheryl Parrino said that dialogue has begun on this issue between the FCC and USAC, and that the FCC is aware of the importance of allowing USAC enough time for preparation between receiving the order and implementing the new universal service rules. If the FCC issues a NPRM, USAC should comment regarding administrative implementation issues.

There being no further business to attend to, Ms. Gold adjourned the meeting at 2:12 p.m. EDST.

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Ed English