

# 1999 High Cost & Low Income Committee Meetings Minutes

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

January 25, 1999

**MINUTES**

A meeting of the High Cost & Low Income (HCLI) Committee 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, January 25, 1999. Ms. Lisa Rosenblum, Chair of UASC Board of Directors, called the meeting to order at 9:25 a.m. Eastern Time. Ms. Cathy Howard, executive assistant to Cheryl Parrino (CEO of USAC) called the roll for Mr. Robert Haga, Acting Secretary.

<b>Six of the nine members were present, representing a quorum:</b>	
Eichler, Edwin H.	Hogerty, Martha
Gold, Heather Burnett	Parrino, Cheryl
Hess, Kevin	Thoms, Allan
<b>Three members were absent:</b>	
Butler, John Anthony	Wheeler, Tom
Jackson, Jimmy	
<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>
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

- 1. Election of HCLI Committee Chair and Vice Chair** – Nominations were opened for the positions of Chair and Vice Chair. Ms. Heather Gold was re-nominated for Chair. Ms. Martha Hogerty was nominated for Vice Chair.

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

**RESOLVED**, That the High Cost & Low Income Committee recommends that the USAC Board of Directors re-elect Ms. Heather Gold as the High Cost & Low Income Committee Chair and elect Ms. Martha Hogerty as the High Cost & Low Income Committee Vice Chair.

On a motion duly made and seconded, the Committee was recessed at 9:27 a.m., subject to the call of the Chair, until 3:45 p.m.

At 4:00 p.m., the Committee reconvened. Ms. Heather Gold, Chair of the High Cost & Low Income Committee 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>Six of the nine members were present, representing a quorum:</b>	
Eichler, Edwin H.	Hogerty, Martha
Gold, Heather Burnett	Parrino, Cheryl
Hess, Kevin	Thoms, Allan
<b>Three members were absent:</b>	
Butler, John Anthony	Wheeler, Tom
Jackson, Jimmy	
<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>
Brown, Craig	FCC – Common Carrier Bureau
Dwyer, Shari	Thomas Communications
Harrison, Gina	NECA

Howard, Cathy	USAC
Kiser, Cherie	Mintz, Levin, Cohn, et al.
Krzos, Joe	USAC Consultant
Lavery, Dick	GTE
Levy, Ken	NECA
Prisbrey, Jeff	FCC – Common Carrier Bureau
Ricker, John	NECA
Rodda, Jim	MCI WorldCom
Sharkey, Bill	FCC – Common Carrier Bureau

2. **Approval of minutes of Monday, October 19, 1998** – On a motion duly made and seconded, the Committee unanimously approved the minutes, as distributed, of the October 19, 1998, High Cost & Low Income Committee meeting.
3. **Program Status** – For information only. No action or discussion took place on this item.
4. **High Cost Program Status Report** – Mr. Ricker summarized the quarterly status report of the High Cost Program operations. He reported that only one incumbent local exchange carrier (LEC) (TelHawaii) had yet to receive eligible telecommunications carrier (ETC) designation. He reported that there is no further information on the waiver request to the Federal Communications Commission (FCC) from Centennial Cellular that encompasses two of the four competitive local exchange carriers that have requested support beginning January 1, 1999. Centennial Cellular requested a waiver because they filed late. Mr. Haga reported that Centennial Cellular had not explained to the FCC why its filing was late.

Mr. Ricker noted that the projection of High Cost Support for 2<sup>nd</sup> Quarter 1999 includes a one-time "true-up" of 1997 Long Term Support amounts for both 1998 and the 1<sup>st</sup> Quarter of 1999 per FCC rules governing Long Term Support.

5. **Low Income Program Status Report** Mr. Ricker summarized the quarterly status report of the Low Income Program operations. He reported that since the initial designations of ETCs as provided by the state commissions in January 1998, the only way that any new ETC is identified is by the ETC itself when it requests support. There is no process in place by which the state commissions inform USAC or the FCC of newly designated ETCs. Ms. Gold suggested that the state commissions could be informed of this problem at the National Association of Regulatory Utility Commissioners' (NARUC) Communications Committee meetings. She volunteered to contact the Chair of NARUC and request some time on the agenda of that committee at their summer meeting in July 1999. Mr. Thoms, a member of that committee, offered his assistance in this endeavor.

Mr. Ricker reported no significant changes in the 1<sup>st</sup> Quarter projections; current data for the 1<sup>st</sup> Quarter has not yet been collected.

6. **Demonstration of the Universal Service Cost Model** – A verbal overview of the Universal Service Cost Model was given by Mr. Craig Brown, Mr. Jeff Prisbrey, and Mr. Bill Sharkey of the Common Carrier Bureau of the FCC. The USAC Board of Directors

requested the FCC to come and demonstrate the model to USAC since USAC will eventually be responsible for administering it. The USAC Board of Directors designated budgetary and administrative resources of the company toward administering the model at the October 1998 board meeting. Members of the committee were invited to stay after the meeting to view an online demonstration of the model.

- 7. Portability of High Cost Support** – Mr. Ricker explained that there needs to be clarification regarding the calculation of portable support amounts for competitive eligible telecommunications carriers (CETC) and the corresponding reduction of support for incumbent local exchange carriers (ILEC). There are two issues: (1) the timing of when lines are reported by CETCs and ILECs, and (2) the definition of the word "captured" as used in Section 54.307. A problem could occur when a CETC and an ILEC submit their line count for purposes of calculating per line support amounts because the "captured" customers are not included in the loop count of the ILEC, yet the ILEC's support is to be reduced as if they were. Mr. Ricker pointed out that although this is not a problem for 1999, the situation could arise in the future; therefore, clarification on how to calculate the portable support amounts should be sought.

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

**RESOLVED**, That the USAC High Cost & Low Income Committee, having reviewed the issue, authorizes staff to seek FCC clarification of Section 54.307 regarding the calculation of high cost support.

- 8. Clarification of Eligibility for Long Term Support** – Mr. Ricker explained that because the long term support (LTS) calculation is based on pool member historical common line cost and revenue relationships, Section 54.303 appears to preclude newly established local exchange carriers (e.g., Sandwich Isles Telephone Company) from receiving long term support. Likewise, if a new company is formed as a result of the purchase of lines from a company that had not been a NECA common line pool participant, the new entrant, even though it has joined the NECA common line pool, would not appear to be eligible to receive LTS. With Sandwich Isles having recently obtained ETC status, there is an immediate need for clarification regarding LTS availability.

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

**RESOLVED**, That the USAC High Cost & Low Income Committee, having reviewed the issue, authorizes staff to seek FCC clarification of Section 54.303 regarding the eligibility of new entrants for long term support.

- 9. Preliminary 2<sup>nd</sup> Quarter 1999 Projections** – Mr. Ricker updated some of the 2<sup>nd</sup> Quarter projected numbers for the High Cost Program due to adjustments as follows:
- USF From \$216.6 M to \$217.1 M
  - Long Term Support From \$118.2 M to \$118.3 M
  - Prior Period Adjustments From \$1.5 M to \$2.9 M  
(*This was due to a bankrupt reseller that was actually 16 companies within one.*)
  - Total From \$435.9 M to \$437.7 M

Mr. Ricker updated the 2<sup>nd</sup> Quarter projected numbers for the Low Income Program due to adjustments as follows:

- Prior Period Adjustments From (\$5.7 M) to (\$5.3 M)  
*(This was largely due to a bankrupt reseller that was actually 16 companies within one.)*
- Total From \$114.4 M to \$114.8 M

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

**RESOLVED**, That the USAC High Cost & Low Income Committee, having reviewed at its meeting on January 25, 1999, a summary of the 2<sup>nd</sup> Quarter 1999 program estimates, including administrative costs for the Universal Service Fund, Long Term Support, Local Switching Support, and Lifeline Assistance, hereby directs the staff to proceed with the required January 29, 1999, 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.

**10. 2<sup>nd</sup> Quarter 1999 Budget** – See Agenda Item #11.

**11. Budget 1999** – Ms. Parrino explained that the USAC Board of Director committees have responsibility over programmatic costs; USAC has responsibility over common costs (e.g., overhead costs, billing and collection, USAC employees prior to the merger).

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

**RESOLVED**, That the USAC High Cost & Low Income Committee approves 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.

**12. Miscellaneous** – A member of the Committee asked if the HCLI Committee needs to submit a report to the FCC by March 1, 1999, regarding the status of the High Cost & Low Income programs as the Rural Health Care Committee is required to do. Ms. Parrino responded that there was no such requirement for the HCLI Committee. USAC has an obligation to report to the FCC and the Congress on the status of all four programs—High Cost, Low Income, Rural Health Care, and Schools and Libraries—by March 1, 2000.

There being no further business to attend to, Ms. Gold adjourned the meeting at 5:13 p.m. Eastern Time.

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Robert Haga  
Acting Secretary & Treasurer

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

April 19, 1999

**MINUTES**

A meeting of the High Cost & Low Income (HCLI) Committee of the Universal Service Administrative Company (USAC) was held at The Westin Grand Hotel, 2350 M Street, N.W., Washington, D.C., on Monday, April 19, 1999. Ms. Heather Gold, Chair of the Committee, called the meeting to order at 1:16 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to Cheryl Parrino (CEO of USAC) called the roll for Mr. Robert Haga, Acting Secretary.

<b>Eight of the nine members were present, representing a quorum:</b>	
Eichler, Edwin H.	Jackson, Jimmy
Gold, Heather Burnett	Parrino, Cheryl
Hess, Kevin	Thoms, Allan
Hogerty, Martha	Wheeler, Tom
<b>One member was absent:</b>	
Butler, John Anthony	
<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>
Bellucci, Vicky	MCIWorldCom
Harrison, Gina	NECA
Howard, Cathy	USAC
Kiser, Cherie	Mintz, Levin, Cohn, et al.
Levy, Ken	NECA
Mukhoty, Sumita	FCC – CCB
Ricker, John	NECA

1. **Approval of minutes of Monday, January 25, 1999** – On a motion duly made and seconded, the Committee unanimously approved the minutes, as distributed, of the Monday, January 25, 1999, High Cost & Low Income Committee meeting.
2. **High Cost Program Status Report** – Mr. Ricker reviewed the report:
  - TelHawaii, an incumbent local exchange carrier (ILEC), has not been granted ETC status by the FCC yet.
  - The FCC granted Centennial Cellular's request for waiver for participation in the Universal Service program after the July 31, 1998, filing date. The FCC's Public Notice and the listings of Rural and Non-Rural Carriers can be found on the Internet at the following location: [http://www.fcc.gov/ccb/universal\\_service/](http://www.fcc.gov/ccb/universal_service/).
  - The High Cost System Modification is on schedule and user acceptance testing has begun.
  - No significant changes to the High Cost Support for 1<sup>st</sup> and 2<sup>nd</sup> Quarters. A "true-up" of High Cost Support was done for the 2<sup>nd</sup> Quarter.
3. **FCC Clarification of High Cost Issues: Long-Term Support Eligibility and Support Portability** – Mr. Haga reported on the status of two issues that USAC has submitted to the FCC for clarification. The FCC has not replied to either issue formally yet, but informal conversations have taken place. In the matter of Long-Term Support Eligibility, comments from the FCC indicate that if an applicant is not in NECA's Common Line Pool by January 1, 1998, then the entity is not eligible for support unless granted a waiver of this requirement by the FCC. In the matter of Support Portability, the FCC understood that the wording for "capturing" lines may be unclear and hopes to provide some clarification soon. Mr. Haga also indicated that he had received informal clarification on the other support portability issue raised in the letter, i.e., deduction of high cost support for a competitive ETC from the incumbent's support. Mr. Haga said that Commission staff indicated that this deduction of support was only to apply when an updated line count is provided such as with a quarterly update, and that they hope to clarify the issue shortly.
4. **Kevin Hess Representation of Non-Rural Telephone Companies on the High Cost & Low Income Committee** – Mr. Haga reported that USAC sought clarification from the FCC on whether Mr. Kevin Hess could represent non-rural telephone companies on the Committee. 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 to the companies he represents. He requested that he be allowed to continue to participate and 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 is also interested in continued participation in the Committee as a non-voting member.

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

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

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

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

5. **High Cost Support Payments for Incumbent Carriers Involved in Study Area Ownership Exchanges** – Mr. Haga explained that 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, Mr. Haga reported further that 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 flag this issue for further discussion with the FCC at the appropriate time.

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 the issue, directs staff to make payments to companies consistent with the operation of the Part 36 Rules, absent a waiver of the rules. Staff will notify the FCC of this action.

6. **Implementation of New Universal Service Rules** – Mr. Haga gave an overview of how the change in the high cost support mechanism for non-rural carriers will affect the non-rural carriers as well as the rural carriers that will remain on the existing mechanism. Non-rural carriers will not receive support under the current mechanism as of July 1, 1999. Informal discussions with the FCC have taken place on this issue. The Committee agreed that once the final rules are established, not only should the carriers be notified of this change, but the state utility commissions as well.
7. **Local Switching Support Calculation** – Mr. Ricker explained the issues regarding the calculation of Local Switching Support (LSS). There are no specific directions in the rules on how to calculate the LSS for local exchange carriers whose growth in access lines results in an access line threshold change. Should the calculation be based on the end-of-the-year-weighting factor or on a monthly basis factor?

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 the issue, authorizes staff to seek FCC clarification of Section 54.301 regarding the calculation of Local Switching Support.

8. **Low Income Program Status Report** – Mr. Ricker reviewed the report:
  - In the last report, it was noted that 21 competitive local exchange carriers (CLEC) had been designated as ETCs. Since then, two of the CLECs have asked for that designation to be rescinded; their reasoning for doing so is unknown.
  - The 1998 results are in but not yet final.
  - There are no significant changes to the 2<sup>nd</sup> Quarter projections of disbursements.
9. **Toll Limitation Clarification** – Mr. Ricker explained that USAC has received clarification from the FCC on allowable toll limitation expenses and that staff is now clear on how to determine allowable toll limitation expenses.
10. **3<sup>rd</sup> Quarter 1999 Programmatic Budget** – Ms. Parrino gave an overview of the budget. She referenced Attachment B and explained that the changes in the drivers and costs are coming from USAC Common Costs. There has been a reallocation of personnel and USAC Common Costs. The costs were being allocated based on direct dollars expended on the program; the costs are now allocated based on the size of the funds of each program. The most significant increases in USAC Common Costs are audit costs and compensation costs. In answer to a question from the Committee, Mr. Ricker explained that the NECA Low Income costs are higher than the NECA High Cost costs because USAC procedures permit monthly reporting for the Low Income Program. The Committee directed staff to bring back a cost-benefit analysis to the next Committee meeting on possible ways to cut those administrative costs, such as requiring Low Income data reported on a quarterly rather than monthly basis.

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

**RESOLVED**, That the USAC High Cost and Low Income Committee approves a 3<sup>rd</sup> Quarter 1999 High Cost Programmatic Budget of \$370,400; and

**RESOLVED FURTHER**, That the USAC High Cost and Low Income Committee approves a 3<sup>rd</sup> Quarter 1999 Low Income Programmatic Budget of \$418,500.

11. **Preliminary 3<sup>rd</sup> Quarter 1999 Projections** – Mr. Ricker explained that the High Cost Program 3<sup>rd</sup> Quarter 1999 Projections are based on two assumptions: (1) beginning July 1, 1999, high cost support for non-rural carriers will be based on the forward-looking model; and (2) all results have been reported for this 3<sup>rd</sup> Quarter projection. Mr. Ricker corrected the total amount of the High Cost projection to reflect the \$300,000 that was approved for the programmatic budget under Agenda Item #10. The total amount should be: \$425.3 M.

The Committee expressed some concern over the last sentence of the proposed resolution:

"Staff may make adjustments if additional data becomes available or errors are discovered and to reflect changes required as a result of FCC orders."

Mr. Haga 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. The USAC Committee and Board

meetings are scheduled close to the filing date so that staff can present numbers to the Board members that are as true as possible. The Committee wants to be informed of the variance between the projections approved and the projections that are actually filed. 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.

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 third 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 April 19, 1999, hereby directs the staff to proceed with the required April 30, 1999, 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.

12. **Timeline and Key Dates** – Ms. Parrino explained that staff put together a timeline of key dates for activities and events for the High Cost & Low Income Programs as a reference document for the Committee members.
13. **Contingency Planning for 5<sup>th</sup> Circuit Court of Appeals Decision** – After a brief discussion, the Committee decided that this issue should be discussed in open session as opposed to executive session as noted on the agenda and the agenda item memo. Mr. Haga explained that this appeal before the 5<sup>th</sup> Circuit Court in which the FCC's 1997 Universal Order is being challenged has been pending a long time. A decision is likely to be made by June or July since the court will probably want to make the decision before the changeover of clerks this summer. This agenda item memo describes contingency plans specific to the High Cost and Low Income Programs as a result of possible outcomes to the case providing for worst case scenarios. The Committee directed the staff to seek legal guidance regarding the status of USAC under some of these scenarios.

There being no further business to attend to, Ms. Gold adjourned the meeting at 5:13 p.m. Eastern Time.

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Robert W. Haga  
Acting Secretary/Treasurer

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**HIGH COST & LOW INCOME COMMITTEE MEETING**

**June 25, 1999**

**MINUTES**

The High Cost & Low Income (HCLI) Committee of the Universal Service Administrative Company (USAC) took action on Friday, June 25, 1999, on a resolution concerning the proposed revisions to the 3<sup>rd</sup> Quarter 1999 High Cost Loop Program estimates. The Committee members approved the following resolution by consensus through electronic mail from Ms. Heather Gold, Chair of the Committee, and subsequently, by signing a ballot confirming each of their votes. The signed ballots are included as an attachment to these minutes.

1. **Revised 3<sup>rd</sup> Quarter 1999 Filing** – The 3<sup>rd</sup> Quarter High Cost projection presented to the Committee for its approval on April 19, 1999, utilized FCC Rules that were in place at the time of filing and scheduled to go into effect on July 1, 1999, which assumed that the forward-looking model for calculation of high cost support for non-rural carriers would become effective on July 1, 1999, as scheduled. Consequently, the loop cost support for rural carriers was calculated using the methodology detailed in § 36.601(c) of the Commission's rules. On May 27, 1999, the Commission adopted an Order on Reconsideration in CC Docket No. 96-45 which delayed implementation of the forward-looking model until January 1, 2000, and continued use of the current rules until that time. On June 4, 1999, the Commission proposed contribution factors for the third quarter that incorporated an additional \$9 million in funding requirement based on the estimate included in the April 28 filing.

Now that the Commission has determined that the current rules will remain in effect for the balance of 1999, staff computed actual 3<sup>rd</sup> quarter high cost funding requirements for each carrier eligible to receive support under the rules, taking into account quarterly updates, amounts paid in the first and second quarters, and the overall cap on funding for calendar year 1999. The contribution factor proposed by the FCC (0.0294) is not affected by the revised information, as inclusion of either the estimated amount or the revised amount in the funding base produces the same factor. Finally, because the payments for the first and second quarters decrease as a result of higher 3<sup>rd</sup> quarter payment levels, sufficient funds will be available.

In that the high cost loop support information placed on the record in the April 28, 1999 filing is not consistent with the rules that will be in effect for the balance of 1999, staff recommends that revised high cost loop and total high cost support information be filed with the Commission for each eligible recipient.

The High Cost and Low Income Committee unanimously approved the following resolution through means of signed ballots:

**RESOLVED**, That the USAC High Cost and Low Income Committee, having reviewed the proposed revisions to the 3<sup>rd</sup> Quarter 1999 High Cost Loop Program estimates, hereby directs the staff to proceed with filing the revisions with the FCC on behalf of the Committee.

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Robert Haga  
Acting Secretary & Treasurer

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

July 26, 1999

**MINUTES**

A meeting of the High Cost & Low Income (HCLI) Committee 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, July 26, 1999. Ms. Heather Gold, Chair of the Committee, called the meeting to order at 1:02 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to Cheryl Parrino (CEO of USAC) called the roll for Mr. Robert Haga, Acting Secretary.

<b>Seven of the nine members were present, representing a quorum:</b>	
Butler, John (Tony) – <i>by telephone</i>	Eichler, Edwin H.
Gold, Heather Burnett	Gumper, Frank
Parrino, Cheryl	Rehberger, Wayne
Wheeler, Tom	
<b>One member joined the meeting in progress:</b>	
Hogerty, Martha – <i>by telephone</i>	
<b>One member was absent:</b>	
Thoms, Allan	
<b>Other Board members present:</b>	
Hess, Kevin	Jackson, Jimmy – <i>by telephone</i>
<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
Fullaro, Gene	FCC
Harrison, Gina	NECA
Howard, Cathy	USAC
Lineberry, Isiah	USAC Board Member
Ricker, John	NECA

**Action Items:**

1. **Approval of minutes of Monday, April 19, 1999, and Friday, June 25, 1999** – On a motion duly made and seconded, the Committee unanimously approved the minutes, as distributed, of the Monday, April 19, 1999, and Friday, June 25, 1999, High Cost & Low Income Committee meetings. Mr. Gumper abstained from the vote for the April 19, 1999, minutes, as he was not a member of the committee for that meeting.

2. **Proposed Low Income Process Revision** – Mr. Haga explained that at the request of the Committee, staff investigated the possibilities of streamlining the low income reimbursement process and possibly change it from a monthly to a quarterly process. Staff has determined that such a revision could feasibly be made and could be implemented by January 1, 2000.

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 the proposed revision to the low income process, authorizes staff to adopt the proposed modification to commence beginning January 1, 2000.

3. **Approval of the 1998 USAC Financial and Agreed Upon Procedures Audit** – Ms. Parrino reviewed the status of the audit and stated that the auditor, Arthur Andersen, has 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.

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

**RESOLVED**, That the USAC High Cost and Low Income Committee recommends that the USAC Board of Directors approve the Universal Service Fund audit as it relates to the administrative expenses of USAC and NECA as detailed in Footnote 3 to the financial statements, and

**RESOLVED FURTHER,** That the USAC High Cost and Low Income Committee recommends that the USAC Board of Directors approve the Universal Service Administrative Company audit as it relates to the administrative expenses of the High Cost and Low Income Program, and

**RESOLVED FURTHER,** That the USAC High Cost and Low Income Committee recommends that the USAC Board of Directors 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.

4. **Authorization to File 1999 Draft Financial and Operational Audit Plans with the FCC** – Ms. Parrino explained that these audit plans are an annual event as required by Commission rules. Audit plans should be filed with the FCC on August 1, 1999. Arthur Andersen has been chosen for the USAC and HCLI audits. A Request for Proposals will be sent out August 15, 1999, for operational audits of the Schools and Libraries and the Rural Health Care Programs; draft audit plans are due on March 1, 2000. Ms. Parrino stated that while engaging one auditor for all USAC audits would be preferred, Deloitte and Touche has extensive knowledge of the Rural Health Care Program and PricewaterhouseCoopers has extensive knowledge of the Schools and Libraries Program, which might justify bringing in more than one audit firm. Mr. Gumper pointed out that although USAC is one corporation, the programs are substantially different from one another and require different kinds of scrutiny.

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

**RESOLVED,** That the High Cost and Low Income Committee recommends that the USAC Board of Directors authorize USAC to file with the FCC audit staff the proposed draft financial audit plan and operational audit plan as it applies to the billing, collection, disbursement, and administrative functions of USAC, modified to reflect the merger and the change in accounting and payroll contractors.

5. **Committee Approval of the Variances in Quarterly Program Requirements Between Amounts Approved by the Committee and Program Requirements Filed with the FCC.** Mr. Haga recalled for the Committee that at the last quarterly meeting they had asked staff to look at changing the language in the resolutions approving the quarterly projections and filing amounts to give the Committee more control over the amounts actually filed. The numbers approved versus the numbers actually filed often vary due to data that is received from the time the resolution is passed by the Committee up to the actual date of filing. Staff reviewed the history of the variances of the amounts in past filings and found variances as low as .1 percent and as high as 4.5 percent. The Committee decided to change the resolution to reflect that they prefer an established dollar amount rather than a percentage figure in determining if staff needs further Committee approval to file any revised projections.

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

**RESOLVED,** That the USAC High Cost and Low Income Committee, having reviewed a summary of the variances in the reported High Cost and Low Income Program requirement amounts for the quarterly filings to-date hereby authorizes prior High

Cost and Low Income Program requirement variances in amounts reported to the FCC, and

**RESOLVED FURTHER**, That the USAC High Cost and Low Income Committee, authorizes USAC staff to file High Cost and Low Income Program requirement amounts with variances not exceeding a total of \$10.0 Million for both programs of the Committee-approved program requirement amounts, and

**RESOLVED FURTHER**, That the USAC High Cost and Low Income Committee, requires the approval of the Committee Chair for variances over \$10.0 million but no more than \$15.0 million. Any variances above \$15.0 million must have full Committee approval before staff submits the filing to the FCC.

6. **4<sup>th</sup> Quarter 1999 High Cost and Low Income Programmatic Budget** – Mr. Haga explained that staff is recommending two significant changes. First, staff recommends an increase of \$200,000 in the High Cost Programmatic Budget to fund implementation of a forward-looking cost model. The Committee originally approved \$500,000 of which \$300,000 was included in the 1<sup>st</sup> Quarter budget based on the best estimate of the cost of implementing the model at that time. However, the model has not been implemented yet, therefore, none of the allocated money has been spent. USAC now has a better idea of the cost of implementing and running the model, hence the requested increase. Among other things, staff has learned that it may be very expensive to buy the data, as it is a geo-coded, location-driven database, which is very expensive to maintain. It is also anticipated that once the FCC approves USAC running the model, they will want implementation as soon as possible which may require more money versus if USAC had a longer timeframe to implement the model.

Secondly, staff is recommending a change in the accounting methodology for the costs associated with NECA's cost of collecting data for the High Cost Program. The High Cost Program has always paid for the cost of NECA high cost data collection; however, in the past the dollars were subtracted directly from the fund and were not recorded as an expense. The dollars have consistently been included in the quarterly filings with the FCC and the cost of the data collection has been collected as part of the administrative expenses of the Program. Staff believes that the costs of data collection are more appropriately categorized as an administrative expense of the High Cost fund. The Committee expressed concern that a large expense of the Program was not under the control of USAC and requested staff to inquire whether the FCC decision to continue to have NECA collect high cost data was intentional. The Committee also requested the staff to inquire whether the FCC staff was supportive of the recommended accounting change.

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

**RESOLVED**, That the USAC High Cost and Low Income Committee approves an increase of \$200,000 for the implementation of the forward-looking cost model, and

**RESOLVED FURTHER**, That the USAC High Cost and Low Income Committee approves a change in the accounting methodology to reflect in the budget as an expense the \$3,240,000 related to the collection of High Cost data and the costs to convert the system to be Y2K compliant and authorizes staff to communicate with the FCC on how this budgetary item is beyond the control of USAC as a result of an

FCC decision, and

**RESOLVED FURTHER**, That the USAC High Cost and Low Income Committee approves a 4<sup>th</sup> Quarter 1999 High Cost Programmatic Budget of \$951,200 and

**RESOLVED FURTHER**, That the USAC High Cost and Low Income Committee approves a 4<sup>th</sup> Quarter 1999 Low Income Programmatic Budget of \$230,400.

7. **4<sup>th</sup> Quarter 1999 High Cost and Low Income Projections and Resolution on the July FCC Filing** – Mr. Haga reported that the projections have remained relatively stable. He noted a change to a number in the agenda item as follows: Under the High Cost Program on page 1 of 3, Administrative Expenses should read \$1.4 million to reflect the added expense for the forward-looking cost model approved in agenda item #6, for a total 4Q99 Projection of \$433.7 million for the High Cost Program.

The Committee asked that the resolution be amended to reflect the additional language on variance that was included in the amended resolution for agenda item #5.

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

**RESOLVED**, That the USAC High Cost and Low Income Committee, having reviewed at its meeting on July 26, 1999, a summary of the 4<sup>th</sup> Quarter 1999 program estimates, including administrative costs for High Cost Loop Support, Long Term Support, Local Switching Support, and Lifeline Assistance, hereby directs the staff to proceed with the required July 30, 1999, 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, in amounts with variances not exceeding a total of \$10.0 Million for both programs of the Committee-approved program requirement amounts, and that variances at or below the above level are deemed approved by the Committee, and

**RESOLVED FURTHER**, That the USAC High Cost and Low Income Committee, requires the approval of the Committee Chair for variances over \$10.0 million but no more than \$15.0 million. Any variances above \$15.0 million must have full Committee approval before staff submits the filing to the FCC.

#### Information Items:

1. **High Cost Program Status Report** – For information only. No discussion held.
2. **Status of USAC Clarification Requests to the FCC** – For information only. No discussion held.
3. **Low Income Program Status Report** – 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. **Timeline and Key Dates** – For information only. No discussion held.
7. **Miscellaneous** – Mr. Eichler asked about the process that determines status of a carrier as a rural carrier. Mr. Haga reported that the FCC deferred the final requirements from last spring to this fall and is soliciting comments on the process now. At the request of the Committee, Mr. Haga will post information on the USAC Web site outlining this process.

There being no further business to attend to, Ms. Gold adjourned the meeting at 1:50 p.m. Eastern Time.

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Robert Haga  
Acting Secretary & Treasurer

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

October 1, 1999

**MINUTES**

A meeting of the High Cost & Low Income (HCLI) Committee of the Universal Service Administrative Company (USAC) was held via conference call on Monday, October 1, 1999. Ms. Heather Gold, Chair of the Committee, called the meeting to order at 2:30 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the CEO of USAC, called the roll for Mr. Robert Haga, Acting Secretary.

<b>Only four of the nine members were present as follows, thus a quorum was not established:</b>	
Eichler, Edwin H.	Parrino, Cheryl
Gold, Heather	Wheeler, Tom
<b>Five members was absent:</b>	
Butler, John Anthony	Rehberger, Wayne
Gumper, Frank	Thoms, Allan
Hogerty, Martha	
<b>Officers of the Corporation present:</b>	
Haga, Robert - Acting Secretary/Treasurer	
<b>Others present for the meeting:</b>	
Barash, Scott- USAC	Howard, Cathy - USAC

## Action Items:

- 1. Committee Approval of the Contingent Purchase of Customer Location Input Data for the Hybrid Cost Proxy Model (HCPM)** - Robert Haga reported that while the FCC tentatively adopted the Road Surrogate data developed by PNR and Associates (PNR) as part of the customer location process used for the Hybrid Cost Proxy Model (HCPM), they have not purchased the data set from PNR. The High Cost & Low Income Committee met without a quorum to discuss how to approve the purchase of the data from PNR for ultimate use in the HCPM if it is chosen as one of the inputs thereto. Ms. Gold suggested that the Committee formally adopt the following resolution by signing a ballot confirming each of their votes. The Committee members present agreed to her suggestion. The signed ballots are included as an attachment to these minutes.

**RESOLVED**, That the USAC High Cost & Low Income Committee, having reviewed the proposed cost of the Road Surrogate customer location input data, recommends that the Executive Committee approve of up to \$220,000 for the purchase of the data contingent upon the FCC adopting its use in the Hybrid Cost Proxy Model.

Eight of the nine members of the High Cost & Low Income Committee voted, representing a quorum, with the following results:

**YES = 8 NO = 0**

Allan Thoms did not submit a ballot.

There being no further business to attend to, the meeting was adjourned at 2:46 p.m. Eastern Time.

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Robert Haga  
Acting Secretary & Treasurer

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

October 25, 1999

**MINUTES**

A meeting of the High Cost & Low Income (HCLI) Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at the Georgetown University Marriott Conference Center, 3800 Reservoir Road, N.W., Washington, D.C., on Monday, October 25, 1999. Ms. Heather Gold, Chair of the Committee, called the meeting to order at 12:41 p.m. Eastern Time. Mr. Robert Haga, Acting Secretary, called the roll.

<b>All nine members were present, representing a quorum:</b>	
Butler, John (Tony)	Eichler, Edwin H.
Gold, Heather Burnett	Gumper, Frank
Hogerty, Martha	Parrino, Cheryl
Rehberger, Wayne - <i>by telephone</i>	Thoms, Allan
Wheeler, Tom	
<b>Other Board members present:</b>	
Hess, Kevin	Jackson, James
Lineberry, Isiah	
<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
Harrison, Gina	NECA
Howard, Cathy	USAC
Nadel, Mark	FCC

### Action Items

- a1. Approval of the minutes.** On a motion duly made and seconded, the Committee unanimously approved the minutes, as distributed, of Monday, July 26, 1999, and the minutes, as amended, for Friday, October 1, 1999.
- a2. Approval of 1<sup>st</sup> Quarter 2000 High Cost and Low Income Programmatic Budget and Information on Estimated 2000 Budget.** Mr. Haga reported that staff cannot bring a final 2000 High Cost and Low Income Programmatic budget to the Committee yet as NECA has not approved its budget (NECA Board approval is anticipated in December). NECA costs constitute almost 90 percent of the HCLI Programmatic budget. The 2000 HCLI Programmatic budget will be presented to the Committee at the January 2000 quarterly meeting. Mr. Haga reported that although staff cannot finalize the 2000 HCLI Programmatic budget at this time, they are comfortable with the 2000 budget estimate presented today, as well with the 1<sup>st</sup> Quarter estimates. Ms. Parrino noted that there has been an overall reduction in the Program's costs. She also noted that the FCC has agreed with staff's recommendation that administrative fees be allocated based on the size of the fund rather than on a set percentage across the board.

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

**RESOLVED,** That the USAC High Cost and Low Income Committee approves a 1<sup>st</sup> Quarter 2000 High Cost Programmatic Budget of \$486,300, and

**RESOLVED,** That the USAC High Cost and Low Income Committee approves a 1<sup>st</sup> Quarter 2000 Low Income Programmatic Budget of \$170,900.

- a3. Approval of 1<sup>st</sup> Quarter 2000 High Cost and Low Income Projections and Resolution on the November 1999 FCC Filing.** Mr. Haga reported that because the FCC has not yet released the final order concerning the inputs for the High Cost forward-looking model, staff made assumptions about the high cost support requirement in order to ensure that USAC collects funds sufficient to cover disbursements. Committee members felt that without the order from the FCC, the best USAC can do for this quarterly filing is to submit an estimate based on explicit assumptions so that the FCC can make the proper adjustments once the final order is issued.

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 at its meeting on October 25, 1999, a summary of the 1<sup>st</sup> Quarter 2000 program estimates, including administrative costs for High Cost Loop Support, Long Term Support, Local Switching Support, and Lifeline Assistance, hereby directs the staff to proceed with the required November 1, 1999, 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, in amounts with variances not exceeding \$10.0 Million or 5 percent of the Committee approved Program Requirement amount and that variances at or below the above level are deemed approved by the

Committee.

**a4. Miscellaneous.** None.

**Information Items**

- i1. High Cost Program Status Report.** Mr. Haga gave an overview of the status of the Program, noting that it is relatively stable and Y2K compliant. He also brought to the Committee's attention the revised rural carrier designation filing date of December 1. This was changed from July 1 due to the FCC's tentative conclusion to modify the requirements for rural carrier designation. USAC was required to modify its assumptions regarding rural and non-rural carriers for its November 2, 1999, filing of 1<sup>st</sup> Quarter 2000 projections as a result of this change in due date.
- i2. Status of the Financial and Operational Audits of USAC.** Ms. Parrino gave a brief overview of the audits as outlined in the issue paper. She informed the Committee that another meeting with the auditors is scheduled for November 10 to further clarify the audits.
- i3. Status of USAC Clarification Requests at the FCC.** Mr. Barash reported that since this issue paper was written, the FCC has clarified one of the outstanding issues listed in the issue paper: the FCC has given USAC the authority to send out a letter to carriers seeking to amend their 1997 Form 457s.
- i4. Low Income Program Status Report.** Mr. Haga reported that USAC is gearing up to make process changes to the Low Income Program in February 2000. Staff anticipates a disbursement in February 2000 of twice the normal amount in order to implement this change in procedures. It was noted that 23 competitive local exchange carriers have sought eligible telecommunications carrier status, but only two participate in the Low Income Program to date. Committee members expressed the view that USAC should do more outreach to encourage the other competitive local exchange carriers who are eligible telecommunications carriers to participate in the Low Income Program, and should conduct more outreach in general to get a sense of the eligible population and to get more carriers involved.
- i5. Report on Low Income Audit -** Ms. Parrino stated that the National Exchange Carrier Association, Inc. (NECA) is conducting this audit. She reported that this audit has gone smoothly, that only minimal errors have been discovered, and that the audit has been quite cost-effective.
- i6. Report on the Implementation of a New High Cost Program for Non-rural Companies.** Mr. Haga informed the Committee that USAC will be required to implement the reforms to the High Cost Program by January 1, 2000, but cannot take final steps until the FCC issues the final order on this Program. Committee members expressed the view that USAC should do more outreach to encourage the other competitive local exchange carriers who are eligible telecommunications carriers to participate in the Low Income Program, and should conduct more outreach in general to get a sense of the eligible population and to get more carriers involved.
- i7. Report on Low Income Process Change.** For information only. No discussion held.
- i8. Disaggregation of Federal High Cost Support in Washington State.** Mr. Haga gave a brief overview of the issue. Committee members felt that it would be helpful if the same model was used by each state in estimating the amount of universal service support for a designated area. Because each state does not use the same model, sometimes there is as much as a two-year lag between when a carrier gets a customer and then gets support. The Committee asked Mr. Thoms, as a member of the Committee on Telecommunications of the National Association of Regulatory Utility

Commissioners (NARUC), to arrange a meeting between interested USAC Committee members and staff of the Washington Utilities and Transportation Commission (WUTC) at the upcoming NARUC meeting to learn more about the model that WUTC adopted.

- i9. Contract Review.** For information only. With the consent of the Committee, the Chair deferred any discussion until the end of the Agenda. See ***Executive Session***.
- i10. Overview of GVNW Inc. / Management's and Citizens Utilities Company's Applications for Review.** Mr. Haga gave a brief overview of this issue as outlined in the issue paper.
- i11. High Cost & Low Income Program Timeline and Key Dates.** For information only. No discussion held.
- i12. Miscellaneous.** None.

On a motion duly made and seconded, the Committee unanimously voted to go into *Executive Session* at 1:28 p.m. Eastern Time for purposes of discussing USAC contracts. On a motion duly made and seconded, the Committee unanimously agreed at 1:44 p.m. Eastern Time to adjourn from *Executive Session* and reconvene in Open Session to report out the discussion and the action of the Committee.

### **Executive Session**

- i9. Contract Review.** The timelines and Requests for Proposals for various contracts that USAC has with outside vendors were discussed. No action was taken.

There being no further business to attend to, Ms. Gold adjourned the meeting at 1:46 p.m. Eastern Time.

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Robert Haga  
Acting Secretary & Treasurer

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

December 1, 1999

**MINUTES**

A meeting of the High Cost & Low Income (HCLI) Committee of the Universal Service Administrative Company (USAC) was held via conference call on Wednesday, December 1, 1999. Ms. Heather Gold, Chair of the Committee, called the meeting to order at 4:08 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the CEO of USAC, called the roll for Mr. Robert Haga, Acting Secretary.

<b>Five of the nine members were present as follows, representing a quorum:</b>	
Eichler, Edwin	Gold, Heather
Gumper, Frank	Parrino, Cheryl
Wheeler, Thomas	
<b>Four members were absent:</b>	
Butler, John Anthony	Hogerty, Martha
Rehberger, Wayne	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
Howard, Cathy	USAC
Rhyner, Rich	NECA

## Action Item:

1. **Approval of 1<sup>st</sup> Quarter 2000 High Cost and Low Income Projections and Resolution on the November 1999 FCC Filing.** Mr. Haga reported that the FCC still has not issued the final operational, forward-looking model that USAC will use in determining non-rural carriers' high cost support for 1Q2000. Therefore, USAC has made assumptions regarding the administration of the model and used those assumptions in calculating the estimate of the total additional support required to meet the requirements of the new mechanism. Mr. Haga reviewed the numbers and noted that the FCC is aware of the numbers that USAC will use in the revised filing. Ms. Parrino stated that the bottom line of the revised filing is that it is approximately \$6 million less than what was filed in November.

On a motion duly made and seconded, the Committee voted unanimously to adopt the following resolution:

**RESOLVED**, That the USAC High Cost and Low Income Committee, having reviewed at its meeting on December 1, 1999, a summary of the 1<sup>st</sup> Quarter 2000 program estimates, including administrative costs for High Cost Loop Support, Long Term Support, Local Switching Support, and Lifeline Assistance, hereby directs the staff to proceed with the December 6, 1999, 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, in amounts with variances not exceeding \$10.0 Million of the Committee approved Program Requirement amount and that variances at or below the above level are deemed approved by the Committee.

Ms. Parrino informed the Committee that there will be two other pieces of information in the aforementioned revised filing:

- A new revenue base to reflect any carriers that file for the international exemption. Filings are due from the carriers on December 1. The new revenue base will be reviewed by the Executive Committee at its December 6, 1999, meeting.
- The most recent estimate of remaining funds for Year 1 of the Schools & Libraries Program.

## Information Items:

1. **Update on Implementation of New High Cost Mechanism for Non-Rural Companies.** Mr. Haga informed the Committee that USAC has not yet been delegated the operations of the new mechanism. Therefore, USAC is unable to proceed with implementation at this time. The only information currently available to USAC is information posted on the FCC's web site. The Committee asked if these issues have been communicated to the Commission. Ms. Parrino stated that USAC has raised a number of detailed implementation questions with the FCC staff. Ms. Parrino stated that USAC staff is drafting a list of all the issues and implications of the Orders for the Committee. If any clarifications are necessary, the Committee can approve such a request at any time. Ms. Parrino said that due to the size and nature of this project, she hopes to bring someone on staff full-time to work on this.

There being no further business to attend to, the meeting was adjourned at 4:27 p.m. Eastern Time.

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Robert Haga  
Acting Secretary & Treasurer