

# 2006 High Cost & Low Income Committee Meetings Minutes

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

January 23, 2006

**MINUTES**

A meeting of the High Cost & Low Income (HCLI) Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC's offices in Washington, DC, on Monday, January 23, 2006. Mr. Hess, Chair of the Committee, called the meeting to order at 1:35 p.m. Eastern Time. Ms. Lamoureux, Executive Staff Manager, called the roll. Six of the eight members were present, representing a quorum. There is currently one vacancy:

Barash, Scott – Acting CEO

Buller, Karen – *by telephone*

Hess, Kevin – Chair – *by telephone*

Jortner, Wayne – *by telephone*

Lubin, Joel – Vice Chair – *by telephone*

Sanford, Jo Anne – *by telephone*

Committee Members Not Present:

Askin, Jonathan

Banks, Jonathan

Other Board Members and Officers of the Corporation present:

Eichler, Edwin

Capozzi, David – Acting General Counsel

Erwin, WB – VP, Finance

Flannery, Irene – VP, Programs

Majcher, Karen – VP, High Cost and Low Income Division

Scott, Wayne – VP, Internal Audit Division

Others present for the meeting:

NAME	COMPANY
Davis, Craig	USAC
Faunce, Donna	USAC
Lamoureux, Renee	USAC
<u>Okudaira, Nobuko</u>	USAC

**ACTION ITEMS:**

- a1. **Approval of High Cost and Low Income Committee Meeting Minutes.** On a motion duly made and seconded, the Committee approved as written the minutes of October 24, 2005.
  
- a3. **Approval 2nd Quarter 2006 High Cost and Low Income Support Mechanism Programmatic Budgets.** Ms. Faunce introduced this item to the Committee. Ms. Flannery discussed with the Committee the funds allocated in the High Cost budget for the contemplated BearingPoint site visits.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee approves a 2<sup>nd</sup> Quarter 2006 programmatic budget for the High Cost Support Mechanism of \$2,629,600; and

**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee approves a 2006 annual programmatic budget for the High Cost Support Mechanism of \$11,501,200; and

**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee approves a 2<sup>nd</sup> Quarter 2006 programmatic budget for the Low Income Support Mechanism of \$691,100; and

**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee approves a 2006 annual programmatic budget for the Low Income Support Mechanism of \$2,940,200.

- a4. **Approval of 2nd Quarter 2006 High Cost and Low Income Support Mechanisms Projections for the January 31, 2006, FCC Filing.** Ms. Faunce introduced this item to the Committee.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on January 23, 2006, a summary of the 2<sup>nd</sup> Quarter 2006 support mechanism estimates, including administrative costs for High Cost Loop Support, Local Switching Support, Interstate Common Line Support, Interstate Access Support, the non-rural forward-looking High Cost Model support, Lifeline, Link Up, and Toll Limitation Service, hereby directs USAC management to proceed with the required, January 31, 2006, filing to the FCC on behalf of the Committee. Staff may make adjustments if the total variance for both support mechanisms is equal to or less than \$10 million and, with approval of the Committee Chair, may make adjustments if the total variance for both support mechanisms is equal to or less than \$15 million.

- a5. **Action on One USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Report.** Ms. Okudaira, Assistant Manager, Internal Audit Division, introduced the Low Income Support Mechanism Beneficiary audit report to the Committee.

On a motion duly made and seconded, the Committee adopted the following resolution. Mr. Lubin abstain from voting citing a conflict of interest:

**RESOLVED**, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Report labeled LI2005BE009 together with management's response thereto, recommends to the USAC Audit Committee that the audit report be deemed final.

- a6. **Action on One USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Report.** Ms. Okudaira introduced the High Cost Support Mechanism Beneficiary audit report labeled HC2005BE006 to the Committee.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Report labeled HC2005BE006 together with management's response thereto, recommends to the USAC Audit Committee that the audit report be deemed final.

There being no further business, Mr. Hess adjourned the meeting at 2:05 p.m.

/s/ David A. Capozzi

David A. Capozzi, Assistant Secretary

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

**March 1, 2006**

**MINUTES**

A meeting of the High Cost & Low Income Committee of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, DC on Wednesday, March 1, 2006. Mr. Barash, Acting Chief Executive Officer of USAC, called the meeting to order at 5:16 p.m. Eastern Time. Ms. Lamoureux, Executive Staff Manager, called the roll. Seven of the nine members were present, representing a quorum:

Banks, Jonathan – *by telephone*

Barash, Scott – Acting CEO

Berlyn, Debra – *by telephone*

Jortner, Wayne – *by telephone*

Joseph, Kevin – *by telephone*

Hess, Kevin – *by telephone*

Lee, Jonathan – *by telephone* Committee members not present:

Sanford, Jo Anne

Lubin, Joel

Other Board members and Officers of the Corporation present:

Baker, Dave – *by telephone*

Bryant, Anne – *by telephone*

Campbell, Anne – *by telephone*

Jackson, Jimmy – *by telephone*

Jortner, Wayne – *by telephone*

Joseph, Kevin – *by telephone*

Kragel, Dr. Peter – *by telephone*

Sanders, Dr. Jay – *by telephone*

Talbott, Dr. Brian – *by telephone*

Williams, Jason – *by telephone*

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Beaver, Tracey	USAC
Lamoureux, Renee	USAC

**ACTION ITEMS:**

**a1. Annual Election of Committee Chair and Vice Chair.** Mr. Barash introduced this item to the Committee reporting that the Nominating Committee met on February 24, 2006, and at that meeting approved resolutions recommending that, among other things, the Board elect committee chairs and vice chairs. Mr. Barash also noted that on March 1, 2006, immediately prior to the Committee meeting, the full Board of Directors elected the Chair and Vice Chair subject to ratification of the Committee, which is being sought in the proposed resolution.

On motions duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC High Cost & Low Income Committee fully ratifies the actions of the USAC Board of Directors taken in a meeting on March 1, 2006 in electing **Kevin Hess** as Chair and **Joel Lubin** as Vice Chair of the USAC High Cost & Low Income Committee, each for a term that began immediately following the conclusion of the meeting and ending when such person's successor has been elected or when such person resigns from the High Cost & Low Income Committee or the Board, is removed by resolution of the Board or such person's Board term expires.

There being no further business, Mr. Barash adjourned the meeting at 5:17 p.m.

/s/ David A. Capozzi

David A. Capozzi, Assistant Secretary

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

**April 24, 2006**

**MINUTES**

A meeting of the High Cost & Low Income Committee (Committee) of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC's offices in Washington, DC, on Monday, April 24, 2006. Mr. Kevin Hess, Chair of the Committee, called the meeting to order at 1:34 p.m. Eastern Time. Ms. Beth Everett, Administrative Assistant, called the roll. All nine members of the committee were present, representing a quorum.

Banks, Jonathan

Barash, Scott – Acting CEO

Berlyn, Debra

Hess, Kevin – Chair

Jortner, Wayne – *by telephone*

Joseph, Kevin

Lee, Jonathan

Lubin, Joel – Vice Chair

Sanford, Jo Anne

Other Board Members and Officers of the Corporation present:

Baker, Dave

Bryant, Dr. Anne

Campbell, Anne

Duff, Bridget – Secretary

Jackson, James

Kragel, Dr. Peter

Talbott, Dr. Brian

Williams, Jason

Belden, Richard – Chief Operating Officer

Blackwell, Mel – Acting VP, Schools and Libraries Division and  
VP, Rural Health Care Division

Capozzi, David – Acting General Counsel

Erwin, WB – VP of Finance

Flannery, Irene – VP, External Relations

Majcher, Karen – VP, High Cost and Low Income Division

Scott, Wayne – VP, Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Davis, Craig	USAC
Everett, Beth	USAC
Faunce, Donna	USAC
<u>Okudaira, Nobuko</u>	USAC
<u>Trew, Anne Marie</u>	USAC

**ACTION ITEMS:**

- a1. Approval of Committee Meeting Minutes.** On a motion duly made and seconded, the Committee approved as written the minutes of the USAC High Cost & Low Income Committee of April 7, 2005, January 23, 2006, and March 1, 2006.



- a2. Approval of 3<sup>rd</sup> Quarter 2006 High Cost and Low Income Support Mechanism Programmatic Budgets.** Mr. Erwin introduced this item to the Committee and discussed the allocation of funds in the High Cost and Low Income programmatic budgets.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee approves a 3<sup>rd</sup> Quarter 2006 programmatic budget for the High Cost Support Mechanism of \$2,916,600; and

**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee approves a 2006 annual programmatic budget for the Low Income Support Mechanism of \$733,500.

- a3. Approval of 3<sup>rd</sup> Quarter 2006 High Cost and Low Income Support Mechanisms Demand Projections for the May 2, 2006, FCC Filing.** Ms. Majcher introduced this item to the committee, and Mr. Erwin addressed funding questions relating to the High Cost Support mechanism. Mr. Lubin asked if Interstate Access Support (IAS) is capped at \$650 million. Ms. Majcher responded that the FCC has provided USAC with guidance that the \$650 million amount is a target rather than a cap. Mr. Banks asked whether High Cost support mechanism demand is leveling off. Ms. Majcher responded that the Interstate Common Line Support (ICLS) component of the High Cost support mechanism continues to grow.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on April 24, 2006, a summary of the 3<sup>rd</sup> Quarter 2006 support mechanism estimates, including administrative costs for High Cost Loop Support, Local Switching Support, Interstate Common Line Support, Interstate Access Support, the non-rural forward-looking High Cost Model support, Lifeline, Link Up, and Toll Limitation Service, hereby directs USAC staff to proceed with the required May 2, 2006, filing to the FCC on behalf of the Committee. Staff may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$10 million and, with approval of the Committee Chair, may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$15 million.

- a6. Action on One USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Report.** Ms. Okudaira, Assistant Manager, Internal Audit, introduced the High Cost Support Mechanism Beneficiary audit report to the Committee.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Report labeled HC2005BE007, together with management's response thereto, recommends to the USAC Audit Committee that the audit report be deemed final.

- a5. Action on Two USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports.** Ms. Okudaira introduced the Low Income Support Mechanism Beneficiary audit reports labeled LI2005BE010 and LI2005BE011 to the Committee. Ms. Majcher stated that the findings in these reports are typical of other audits done. Mr. Hess recommended that USAC staff conduct more outreach to educate support recipients about the issues being identified in these audits.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports labeled LI2005BE010 and LI2005BE011 together with management's response thereto, recommends to the USAC Audit Committee that the audit reports be deemed final.

**a6. Miscellaneous.**

- Solicit ideas for the July 2006 Committee agenda. Mr. Hess reminded members that they may offer suggestions for agenda items at each quarterly meeting or by contacting him or Mr. Barash between quarterly meetings.

**INFORMATION ITEMS:**

- i1. High Cost and Low Income Support Mechanisms Update.** Ms. Majcher provided the committee with a status report on the operation of the High Cost and Low Income Support Mechanisms through the 1<sup>st</sup> Quarter 2006.
- i2. Analysis of Low Income Support Mechanism Participation Rates.** Ms. Majcher briefed the committee on the results of a study of Lifeline participation rates in each state. Committee members were interested in the findings and requested further work in this area.
- i3. Annual Report on Performance of Telcordia Technologies, Inc. under the High Cost and Low Income Program Support Services Contract.** Ms. Janis Oliver-Czuprynski, Telcordia Program Manager, provided an informational presentation to the Committee related to Telecordia's performance.
- i4. Status Report on Ongoing USAC Audits.** Ms. Delmar provided a summary of the audits performed by KPMG.

**i5. Status Report on Actions Taken on Final USAC Audits.** For informational purposes, no discussion held.

On a motion duly made and seconded, the Committee adjourned at 2:54 p.m. Eastern Time.

/s/ David A. Capozzi

David A. Capozzi, Assistant Secretary

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

**July 24, 2006**

**MINUTES**

A meeting of the High Cost & Low Income Committee (Committee) of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC's offices in Washington, DC, on Monday, July 24, 2006. Mr. Kevin Hess, Chair of the Committee, called the meeting to order at 1:34 p.m. Eastern Time. Mr. Donald Short, Administrative Assistant, called the roll. All nine members of the committee were present, representing a quorum.

Banks, Jonathan

Barash, Scott – Acting CEO

Berlyn, Debra

Hess, Kevin – Chair

Jortner, Wayne

Joseph, Kevin

Lee, Jonathan

Lubin, Joel – Vice Chair – *by telephone*

Sanford, Jo Anne

Other Board Members and Officers of the Corporation present:

Campbell, Anne – Board member

Duff, Bridget – Board member and Secretary

Jackson, James – Board member

Talbott, Dr. Brian – Board member and Chair

Williams, Jason – Board member

Belden, Richard – Chief Operating Officer

Blackwell, Mel – Acting VP, Schools and Libraries Division and

VP, Rural Health Care Division

Capozzi, David – Acting General Counsel

Erwin, WB – VP of Finance

Flannery, Irene – VP, External Relations

Majcher, Karen – VP, High Cost and Low Income Division

Scott, Wayne – VP, Internal Audit

Others present for the meeting:

NAME	COMPANY
Davis, Craig	USAC
Delmar, Teleshia	USAC
Everett, Beth	USAC
Faunce, Donna	USAC
Grant, Colleen	USAC
<u>Lipka, Jodi</u>	FCC
<u>Mensah, Sophia</u>	USAC
<u>Morrow, Henry</u>	FCC
<u>Trew, Anne Marie</u>	USAC
<u>Yasin, Alisa</u>	FCC

**ACTION ITEMS:**

- a1. **Approval of Committee Meeting Minutes.** On a motion duly made and seconded, the Committee approved as written the minutes of the USAC High Cost & Low Income Committee of April 24, 2006. Mr. Lee was not in attendance and did not vote at the time this matter was adopted by the Committee.
  
- a2. **Approval of 4<sup>th</sup> Quarter 2006 and Revised Annual High Cost and Low Income Support Mechanism Programmatic Budgets.** Mr. Hess recommended and the Committee determined to defer consideration of this matter until other matters before the Committee are considered in Executive Session. See below for action taken on this item.

- a3. **Approval of 4<sup>th</sup> Quarter 2006 High Cost and Low Income Support Mechanisms Demand Projections for the August 2, 2006, FCC Filing.** Ms. Majcher introduced this item to the committee, and Mr. Erwin addressed funding questions relating to the High Cost Support Mechanism, including the substantial prior period adjustment attributable to a Universal Service Fund (USF) contributor for 2004 and 2005.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on July 24, 2006, a summary of the 4<sup>th</sup> Quarter 2006 support mechanism estimates, including administrative costs for High Cost Loop support, Local Switching Support, Interstate Common Line Support, Interstate Access Support, non-rural forward-looking High Cost Model support, Lifeline, Link Up, and Toll Limitation Service, hereby directs USAC staff to proceed with the required August 2, 2006, filing to the FCC on behalf of the Committee. Staff may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$10 million and, with approval of the Committee Chair, may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$15 million.

- a7. **Action on Two USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Reports.** Ms. Delmar, Manager, Internal Audit, introduced the High Cost Support Mechanism beneficiary audit reports to the Committee. Ms. Majcher stated that the findings in these reports are typical of other audits performed.

On a motion duly made and seconded and after discussion, the Committee adopted the following resolution.

**RESOLVED**, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Reports labeled HC2005BE008 and HC2005BE009, together with management's response thereto, directs that such reports be deemed final.

- a6. **Action on One USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Report.** Ms. Delmar introduced the Low Income Support Mechanism beneficiary audit reports to the Committee, including noting in many Low Income beneficiary audits USAC is seeing recurring issues with advertising and failing to pass support received along to consumers.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Report

labeled LI2005BE012, together with management's response thereto, directs that such report be deemed final.

- a7. **Proposed Adjustment to the High Cost and Low Income Programmatic Services Contract – Confidential & Proprietary – *Executive Session Recommended*.** In accordance with the approved criteria and procedures for conducting USAC Board and Committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's ***procurement strategy and contract negotiations***, and public disclosure of the matters discussed would compromise USAC's negotiation strategy to the detriment of the Universal Service Fund, the universal service support programs and USAC.

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

**RESOLVED**, that the USAC High Cost and Low Income Committee determines that discussion of the approval of an adjustment to the High Cost and Low Income programmatic services contract shall be conducted in *Executive Session*.

- a8. **Miscellaneous.**

- Solicit ideas for the July 2006 Committee agenda. Mr. Hess reminded members that they may offer suggestions for agenda items at each quarterly meeting or by contacting him or Mr. Barash between quarterly meetings.

At 1:53 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purposes of discussing the confidential and proprietary items noted above.

**EXECUTIVE SESSION:**

- a6. **Proposed Adjustment to the High Cost and Low Income Programmatic Services Contract.** Ms. Majcher provided an overview of this item to the Committee.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee approves the recommendations made by USAC management concerning proposed modifications to the High Cost and Low Income Programmatic Services Contract with Telcordia Technologies, Inc.

At 2:05 p.m. Eastern Time, the Committee adjourned from *Executive Session* and reconvened in *Open Session*. Mr. Hess reported that in *Executive Session* the Committee took action on Action Item a6.

## **OPEN SESSION:**

**a2. Approval of 4<sup>th</sup> Quarter 2006 and Revised Annual High Cost and Low Income Support Mechanism Programmatic Budgets.** Mr. Erwin introduced this item to the Committee and discussed the allocation of funds in the High Cost and Low Income programmatic budgets. Mr. Erwin noted that both the High Cost and Low Income programmatic budgets have been revised as follows:

- The 4<sup>th</sup> Quarter 2006 High Cost budget of \$2,011,700 is \$1,514,800 lower than the budget approved in January due to the following:
  - A \$2.1 million decrease for Improper Payment Information Act (IPIA) audits to be conducted with the FCC Office of Inspector General. After this reduction, \$4 million remains in the current budget for these audits. Although the audits have been delayed, work is expected to begin in 2006 with expenditures for 2006 not expected to exceed the remaining budgeted amount.
  - A \$485,200 increase to the program contingency to fund contract changes for systems work and to cover additional costs incurred but not accrued in 2005.
- The High Cost budget includes:
  - \$1,392,000 for the program support services contract with Telcordia , including anticipated contract changes during the quarter as approved in action item a.6.
  - \$100,000 for the IPIA audits.
  - \$215,700 for compensation and benefits for 7.5 employees.
- The 4<sup>th</sup> Quarter 2006 Low Income budget of \$902,700 is \$72,600 higher than the budget approved in January 2006 to fund additional costs incurred but not accrued in 2005.
- The Low Income budget includes:
  - \$442,300 for the Telcordia contract and for contract changes.
  - \$336,000 for IPIA audits.
  - \$109,800 for compensation and benefits for 3.5 employees.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee approves a 4<sup>th</sup> Quarter 2006 programmatic budget for the High Cost Support Mechanism of \$2,011,700; and



**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee approves a revised 2006 annual programmatic budget for the High Cost Support Mechanism of \$9,986,400; and

**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee approves a 4<sup>th</sup> Quarter 2006 programmatic budget for the Low Income Support Mechanism of \$902,700; and

**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee approves a revised 2006 annual programmatic budget for the Low Income Support Mechanism of \$3,012,800.

**INFORMATION ITEMS:**

- i1. High Cost and Low Income Support Mechanisms Update.** Ms. Majcher provided the committee with a status report on the operation of the High Cost and Low Income Support Mechanisms. Ms. Majcher also inquired as to whether members of the Committee find useful Attachment D – Tribal Linkup Support Report. The Committee agreed that in the future the High Cost and Low Income Division would provide a summary of this report in the paper and make the actual report available upon request.
  
- i2. Update on Low Income Support Mechanism Participation Rates.** Ms. Majcher provided an update on this item, which was initially presented during the April 2006 Committee meeting. Ms. Majcher stated that the division's efforts to determine why Low Income support mechanism participation rates are lower in some states than other continues.

On a motion duly made and seconded, the Committee adjourned at 2:15 p.m. Eastern Time.

/s/ David A. Capozzi

David A. Capozzi

Assistant Secretary

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

**October 23, 2006**

**MINUTES**

A meeting of the High Cost & Low Income Committee (Committee) of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC's offices in Washington, D.C., on Monday, October 23, 2006. Mr. Kevin Hess, Chair of the Committee, called the meeting to order at 1:34 p.m. Eastern Time. Seven of nine members of the committee were present, representing a quorum:

Banks, Jonathan

Barash, Scott – Acting CEO

Berlyn, Debra

Hess, Kevin – Chair

Jortner, Wayne

Lubin, Joel – Vice Chair

Sanford, Jo Anne

Mr. Jonathan Lee joined the meeting at 2 :06 p.m. Eastern Time. He did not vote on items a1, a2, a3, a4 and a5 below. Mr. Kevin Joseph did not attend the meeting.

Other Board Members and Officers of the Corporation present:

Simon, Phyllis –Board member

Talbott, Dr. Brian – Board member

Belden, Richard – Chief Operating Officer

Capozzi, David – Acting General Counsel

Erwin, WB – VP of Finance

Majcher, Karen – VP, High Cost and Low Income Division

Scott, Wayne – VP, Internal Audit

Others present for the meeting:

NAME	COMPANY
Bayona, Janet	USAC
Braxton, Kianna	USAC
Castro, Mauricio	USAC
Colvin, Philip	USAC
<u>Davis, Ta'Nea</u>	USAC
Everett, Beth	USAC
<u>Goff, Elisabeth</u>	USAC
<u>Ho, Amanda</u>	USAC
<u>Klaffky, John</u>	Bearing Point
<u>Manek, Master</u>	Telcordia
<u>Mi, Christy</u>	USAC
<u>Morrow, Henry</u>	FCC
<u>Nuzzo, Patsy</u>	USAC
<u>Panton, Marci</u>	USAC
<u>Parry, John</u>	Solix
<u>Pertsevoi, Elizabeth</u>	USAC
<u>Rodriguez, Jose Luis</u>	FCC
<u>Short, Donald</u>	USAC
<u>Spead, Michael</u>	USAC
<u>Yasin, Alisa</u>	FCC

**ACTION ITEMS:**

- a1. **Approval of Committee Meeting Minutes.** On a motion duly made and seconded, the Committee approved as written the minutes of the USAC High Cost & Low Income Committee of July 24, 2006. Mr. Banks joined the meeting after discussion and voting on this item occurred.
  
- a2. **Approval of 1<sup>st</sup> Quarter 2007 High Cost and Low Income Support Mechanism Programmatic Budgets and Information on the Estimated 2007 Annual Budgets.** Mr. Erwin introduced this item to the Committee. In his presentation, he noted that the 1<sup>st</sup> Quarter 2007 (1Q2007) High Cost programmatic budget of \$4.3 million is approximately \$1.9 million higher than the 1<sup>st</sup> Quarter (1Q2006) budget, and the estimated 2007 annual High Cost programmatic budget of \$14.3 million is approximately \$4.4 million higher than the final 2006 programmatic budget. He stated that the increase is attributable to audits costs of \$8.6 million associated with the 65 IPIA

audits of High Cost support beneficiaries, partially offset by lower costs for services provided by Telcordia and reduced payments to Bearing Point for site visits. With regard to the Low Income program, Mr. Erwin noted that the 1Q2007 Low Income programmatic budget of \$1.6 million is \$959,000 higher than the 1Q2006 budget, and the estimated 2007 annual Low Income programmatic budget of \$5.1 million is \$2.1 million higher than the final 2006 programmatic budget. He stated that the increase is attributable to audits costs of \$2.4 million associated with 61 IPIA audits of Low Income beneficiaries and funding for Low Income site visits by Bearing Point.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee approves a 1<sup>st</sup> Quarter 2007 programmatic budget for the High Cost Support Mechanism of \$4,347,800; and

**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee approves a 1<sup>st</sup> Quarter 2007 programmatic budget for the Low Income Support Mechanism of \$1,644,800.

- a3. **Approval of 1<sup>st</sup> Quarter 2007 High Cost and Low Income Support Mechanisms Demand Projections for the November 2, 2006 FCC Filing.** Ms. Majcher introduced this item to the committee.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on October 23, 2006, a summary of the 1<sup>st</sup> Quarter 2007 High Cost and Low Income Support Mechanism demand estimates, hereby directs USAC staff to proceed with the required November 2, 2006, filing to the FCC on behalf of the Committee. Staff may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$10 million and, with approval of the Committee Chair, may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$15 million.

- a8. **Action on One USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Report.** Mr. Scott introduced the High Cost Support Mechanism

beneficiary audit report to the Committee. Ms. Majcher stated that the findings in this report are typical of other audits performed.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Report labeled HC2005BE010, together with management's response thereto, directs that such report be deemed final.

- a9. Action on One USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Report.** Mr. Scott introduced the Low Income Support Mechanism beneficiary audit report to the Committee. Ms. Majcher stated that the findings in this report are typical of other audits performed.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Report labeled LI2005BE013, together with management's response thereto, directs that such report be deemed final.

- a10. Miscellaneous.**

- Solicit ideas for the January 2007 Committee agenda. Mr. Hess reminded members that they may offer suggestions for agenda items at each quarterly meeting or by contacting him or Mr. Barash between quarterly meetings.

**INFORMATION ITEMS:**

- i1. High Cost and Low Income Support Mechanisms Update.** Ms. Majcher provided the committee with a status report on the operation of the High Cost and Low Income Support Mechanisms.
- i2. Semiannual Status Report on Ongoing USAC Audits.** Mr. Scott presented this item to the Committee.
- i3. Semiannual Status Report on Actions Taken on Final USAC Audits.** Mr. Scott presented this item to the Committee.

On a motion duly made and seconded, the Committee adjourned at 2:12 p.m. Eastern Time.

/s/ David A. Capozzi

David A. Capozzi, Assistant Secretary