

1998 Schools and Libraries Committee Meetings Minutes

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

January 27, 1998

MINUTES

A meeting of the Schools and Libraries Corporation (SLC) was held at the Washington Marriott, 1221 22nd Street, NW, Washington, DC on the above date. The meeting was called to order at 8:30 AM Eastern Time by Ms. Kathleen Ouye, Chair.

Five Board members were present, representing a quorum, as follows:	
Kathleen G. Ouye	Ira Fishman
Frank Gumper	Henry Marockie
Brian Talbott	
Two members were absent as follows:	
Anne L. Bryant	Ken Brody

Ms. Ouye previously had been provided authorization by Ms. Bryant and Mr. Brody to cast their votes in absentia and by proxy.

Also present:	
Kate L. Moore	Schools and Libraries Corporation (SLC)
George McDonald	Schools and Libraries Corporation (SLC)
Debra Kriete	Schools and Libraries Corporation (SLC)
Tom Carroll	Schools and Libraries Corporation (SLC)
Mickey Revenaugh	Schools and Libraries Corporation (SLC)

Minutes. Dr. Marockie moved and Mr. Gumper seconded the approval of the minutes of the last Board meeting, December 19, 1997. The Board unanimously approved the minutes.

Designation of Officers. Dr. Talbott moved and Dr. Marockie seconded, the following proposed Resolution: Resolved that the following individuals are elected officers of the Schools and Libraries Corporation (SLC) for the term ending December 31, 1998. Each officer shall hold office until her successor is duly elected, or until her earlier resignation or removal in accordance with the SLC By-Laws: Debra M. Kriete, Secretary; and Kate L. Moore, Treasurer. The Board unanimously approved the Resolution.

Program Update

New staff. Mr. Fishman introduced two new staff members: Mickey Revenaugh, Vice President, Outreach and Education, and George McDonald, Director of Operations.

Opening of Web Site. Ms. Ouye read the Public Notice issued by the Federal Communications Commission announcing the opening of the Schools and Libraries Corporation Web Site, for Friday, January 30, 1998, at 5 a.m., Eastern Time. The opening of the Web Site on Friday, January 30, 1998 triggers the 75-Day window during which all applications received by the SLC will be treated as if they were simultaneously received. The Web Site address is www.slcfund.org and will operate every day from 5:00 AM to Midnight Eastern Time.

Mr. Fishman stated that the Reference Area of the SLC Web Site was scheduled to open on the afternoon of January 27, 1998. He urged applicants to visit this Site to educate themselves before beginning the application process. Mr. Fishman also commended the Board of Directors for inviting "real world" educators and librarians to participate in User Acceptance Testing of the SLC Web Site; he expressed his deep appreciation for the long hours these volunteers worked, and observed that their insight and experience was essential to the successful completion of the Web Site. He also expressed his appreciation of the staffs of the SLC and NECA for their work in launching the program.

Ms. Kriete offered some background facts on the SLC Web Site, stating that it would be able to handle 1,000 simultaneous users. She also indicated that the Web Site would be closed from midnight to 5:00 AM Eastern Time for maintenance. The SLC Web Site will set forth the address to the NECA Web Site www.neca.org, where Clients Commonly Asked Questions and other policy documents will continue to be posted. Ms. Kriete also indicated that she expected a comprehensive matrix on eligible services to be released by Friday, January 30, 1998. Questions on services not listed on this matrix will continue to be forwarded to the Policy Committee for review.

Mr. Fishman expressed appreciation for the assistance provided by the Federal Communications Commission, the United States Department of Education and other education organizations in disseminating SLC news via e-mail list serve.

Dr. Marockie asked whether any completed application Forms have yet been received. Mr. Fishman responded that over 700 Form 470 applications had already been sent into the Customer Service Bureau in Iowa City. Because the Web Site was not yet open, those applications have not yet been processed.

Outreach. Ms. Revenaugh presented a report on the status of outreach efforts. She categorized outreach into two categories: public education and direct outreach. The public education category includes speaking engagements and conference calls in which SLC Staff participate regularly and frequently, and Direct Outreach includes the ongoing efforts undertaken by SLC to educate specific populations and target areas about the Schools and Libraries Discount Program.

Technology Plan Policies and Procedures. Mr. Fishman presented a report on the implementation of SLC's Technology Plan Policies and Procedures. The Plan was disseminated to Technology Directors across the country earlier in December 1998. Mr. Gumper noted that it was better to think about "Technology Plans" as "Education Plans That Use Technology."

Service Provider Issues. Ms. Kriete related the need for SLC to begin stepped-up focus on the implementation issues unique to service providers. Form 486 is currently in the draft form; Ms. Kriete and Mannie Green of NECA are the individuals for service providers to contact with questions and concerns. Mr. Gumper agreed that more attention to service providers' issues is needed, stating that SLC's energies have been focused on achieving operational status of the Web Site and disseminating Forms to schools and libraries. The focus on service providers will be enhanced.

Dr. Talbott suggested sending the draft Form 486 to the members of the USAC Board of Directors. Many service providers sit on the Board, and would be a valuable source for comments on the draft Form 486. All board members concurred.

Dr. Marockie relayed concerns expressed by service providers that the process for obtaining payment may be tedious. He urged SLC to make prompt turn-around payments to vendors as prompt as possible

Budgets and Benefits

Second Quarter 1998 Budget. Mr. Fishman presented an overview of the proposed SLC Second Quarter 1998 Budget. Dr. Marockie followed, by noting that the original budget filed by NECA was a tentative budget, and had been expected to be revised. Mr. Gumper added that SLC's efforts had been extensive and substantially greater than those previously undertaken and budgeted for by NECA. The proposed budget submitted by NECA for SLC was not a valid baseline for comparing the proposed quarterly submission now being presented to the SLC Board. Dr. Marockie moved, and Dr. Talbott seconded, a resolution to approve the proposed second quarter budget. The Board unanimously approved the Resolution.

Benefits Policy for SLC Employees. Mr. Fishman presented Benefits policy for SLC employees, postponing for further review the parking/transportation benefit and annual leave policy. He indicated that the written proposal reflected a program which was in line with other relevant non-profits and the federal government, and had been deemed reasonable by a benefits consultant that provided a review on a pro bono basis. Mr. Gumper moved, and Dr. Talbott seconded a Resolution to approve the SLC Employee Benefits Policy. The Board unanimously approved the Resolution.

Policy Committee Report

FAQs and Fact Sheets. Ms. Kriete presented the report of the Policy Committee, stating that two sets of Clients' Commonly Asked Questions had been issued earlier in January. One additional set of questions and answers is currently in progress. Ms. Kriete is also developing a Fact Sheet on Billed Entities, Wide Area Networks, and Cost Allocation Guidelines for consideration by the Policy Committee.

Audit and Compliance

Ms. Moore provided a report of the work relating to issues for the Audit Compliance Committee, focusing on the status of SLC's consultations with its outside Auditors, Coopers and Lybrand. The responsibilities of Coopers and Lybrand are twofold: (1) to assess the effectiveness of the SLC's internal controls design before the SLC begins to disburse funds; (2) to advise SLC staff and offer technical expertise on controls for the Program. To date,

the Coopers team has reviewed the levels of computer security, passwords and firewalls to ensure safety for the hardware and software that operates the program. The team is also working to develop a clear set of procedures to assure that applications for funding will be approved only for eligible services, eligible entities and appropriate discounts. Ms. Moore indicated that Coopers is assisting in the design of controls to assure that:

1. All applications are processed in the order received.
2. Only eligible entities receive support
3. Discount percentages are accurately determined
4. Only eligible services are supported
5. Payments are accurately and appropriately
6. Commitments are consistent with projected program requirements

Dr. Marockie expressed concern over the articulation of the "First Come, First Served" goal as a priority, given that the 75-day window was intended to ameliorate the applicability of that rule during the start-up of the Program. Ms. Moore explained that the Program goal of "first come first served" will not operate during the 75-day window, during which all properly completed 470 and 471 applications that are received will be treated as though filed simultaneously.

Finance Committee. Mr. Gumper moved the establishment of a Finance Committee and Dr. Talbott seconded the motion. The Board unanimously agreed. The committee will include Dr. Marockie, Mr. Gumper, and Ms. Bryant. The Committee will be staffed by Ms. Moore.

Debra M. Kriete

Date

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

February 23, 1998

MINUTES

A meeting of the Schools and Libraries Corporation (SLC) was held via conference call on the above date. The meeting was called to order at 3:30 pm by Ms. Kathleen Ouye, Chair.

Five board members were present, representing a quorum, as follows:	
Kathleen G.Ouye	Ira Fishman
Frank Gumper	Dr. Henry Marockie
Brian Talbott	
Two members were absent as follows:	
Anne L. Bryant	Ken Brody
Also present:	
Kate Moore	Treasurer and Chief Operation Officer
Debra Kriete	Secretary and General Counsel

Mr. Fishman presented the proposed Policies and Procedures on Ethics, Gifts and Travel. The Board discussed the conflict of interest provisions as the provisions would apply to the Board members whose constituents may have an interest in a pending issue or action item for Board review. After some discussion, Mr. Fishman proposed several revisions to the Proposed Policies and Procedures. No official action was taken by the Board during the meeting.

The meeting recessed at 4:15 pm.

Debra Kriete

Date

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

April 21, 1998

MINUTES

A meeting of the Schools and Libraries Corporation (SLC) Board of Directors was held at the Omni Shoreham Hotel, 2500 Calvert Street, NW, Washington, DC on the above date. The meeting was called to order at 8:45 AM by Ms. Kathleen G. Ouye, Chair.

Five Board members were present, representing a quorum, as follows:	
Ira Fishman	Kathleen G. Ouye
Frank Gumper	Brian Talbott
Anne L. Bryant	
Two members were absent as follows:	
Henry Marockie	Ken Brody

Ms. Ouye previously had been provided authorization by Dr. Marockie and Mr. Brody to cast their votes in absentia and by proxy.

Also present:	
Kate L. Moore	Schools and Libraries Corporation (SLC)
Debra M. Kriete	Schools and Libraries Corporation (SLC)

1. Minutes

Ms. Ouye moved, and Dr. Talbott seconded the approval of the minutes of the last Board meeting, February 23, 1998. The Board unanimously approved the minutes.

2. PROGRAM UPDATE: Processing of Forms.

3. Mr. Fishman began the program update stating that roughly 36,000 Forms 471 were received by 12:00 midnight ET on April 15, 1998, to be considered as having been received within the 75-day window. Mr. Fishman noted that this number is lower than the number of Forms 470 received due to the fact that entities are able to submit multiple Forms 470, but are permitted to submit only one Form 471. Mr. Fishman commented on the amazing work done by the SLC staff in accomplishing so much in such a short period of time, under, at times, adverse circumstances. Mr. Fishman pointed out two circumstances that occurred during this round of

applications which the Corporation will work proactively to avoid for the second round: (1) The Client Service Bureau call center was not adequately prepared for the volume of calls that they received as the 75-day window drew to a close; and (2) some of the information distributed by the SLC was not done so in a timely fashion. Mr. Fishman feels that he and the SLC staff have learned the cyclical nature of the application process, and will be better prepared to handle the volume of calls to the Client Service Bureau. He continued to state that the majority of the written information that the SLC distributed during this round was a reaction to what the SLC staff had heard from the field. The majority of the information that the SLC will promulgate has been posted to the Web Site, and distributed via various Listservs, and that information released by the SLC in the future will be mainly to clarify that which has already been released.

Mr. Fishman stated that the goal for the next round of applications is to "boil" down the program to make it easier for all applicants. Particularly the smaller schools and libraries who don't have the resources or manpower to devote to researching and properly completing the application forms as they currently exist. The SLC is currently developing Model Forms 471 and the supporting materials to distribute to applicants to serve as a model for various scenarios that schools may encounter in the application process. He continued to state that the SLC has conducted over 120 Outreach sessions across the country, and that there is no major geographic area that hasn't been targeted.

Mr. Fishman stated that the SLC Washington office continually receives two questions which currently can't be answered; "How long will it take to process all of the applications?," and "how much money has been requested?" Mr. Fishman stated that it is still too early to predict either answer. Working with contractors affords the SLC the ability to staff up or down depending on demand. At the moment the SLC, and their contractors are fully staffed, and moving through the applications as fast as possible. Mr. Fishman reports that it is still too early to make an estimate as far as the dollar amount requested.

Ms. Bryant complimented the SLC on a tremendous job done thus far. She credited this to the staff and to Mr. Fishman's leadership and management, negotiating the SLC through some rough water on the Legislative front in the preceding months. Ms. Bryant offered up a large round of applause for all of the work thus far accomplished by the SLC. Dr. Talbott added that he has heard an incredible response from the field. Mr. Gumper added that the SLC has done a tremendous job thus far, but also cautioned that there is a long way to go. He stressed the importance of working with service providers to establish the billing and invoicing procedures to complete the circle in order for the schools and libraries to realize the benefits of this program.

Ms. Ouye asked whether the SLC had received applications from every state in the United States. Mr. Fishman responded that it is still too early to tell, as the applications are still being processed. Mr. Fishman then asked the Board of Directors what kind of specific information on the applications they would like to see. Ms. Ouye requested information regarding the geographic spread of the applicants, how many large consortia and state-wide applications were received, as well as snapshots of the size of the applications. Ms. Bryant requested a breakdown of private versus public school applicants. Dr. Talbott requested a count of the number of U.S. Territories which had applied thus far. Mr. Fishman said that he would ask the data entry managers to look into producing these numbers once the data entry was completed.

Ms. Ouye announced that the Board of Directors has done a fantastic job thus far. She relayed that few of the Board members realized the enormity of the commitment they were making to this organization when they accepted this position. Mr. Fishman added special thanks for the hard work and extra effort which the policy committee has put forth. This committee has been particularly diligent reviewing and editing documents prior to release by the SLC and ensuring that no document was released until it was ready to be publicly viewed. Mr. Fishman continued to state that, to the best of his knowledge, only one document released by the SLC had to be amended following its release.

4. Compliance Issues

Ms. Moore gave an overview of the application review process titled "What Happens Next." Ms. Moore explained that the SLC had established a three tier approach for processing applications: 1) All applications are mailed to and received by the Client Service Bureau in Iowa City, IA; 2) The applications were then sent to Cedar Rapids, IA, where they were opened and analyzed. At this point the applications were inspected to ensure that they met the SLC Minimum Processing Standards, if so they were then prepared for data entry. Those applications which do not meet the minimum processing standards are summarily rejected. Applications which pass the minimum processing standards, but still had problems are sent a Problem Resolution Notification Facsimile which documents all of the items missing or incorrect on the Form. Clients then have 7 calendar days in which to make corrections and return the form back to the SLC to maintain their position within the 75-day window. 3) Those applications which meet the minimum processing standards, and problem resolution are then forwarded to Lawrence, KS, where the data entry process is begun. Following data entry, all of the applications are then sent to Whippany, NJ, where they are subject to Program Integrity Assurance (PIA).

Mr. Fishman thanked Mr. Gumper for keeping the SLC Staff focused on the needs of the service providers throughout thus far, noting the considerable effort that is involved for vendors in establishing proper billing and invoicing for this program. Ms. Kriete stated that drafts of the Form 486 and invoice have been reviewed by Irene Flannery at the FCC, Ms. Kriete also expressed her thanks to Ms. Flannery for all of her hard work towards this program. Form 486, deceptive in its simplicity, is used by vendors in part to assure that the schools and libraries have a technology plan in place, a pre-requisite for receiving universal service support. Ms. Kriete stated that the invoice has been the most challenging document that she has worked on while at the SLC. The invoice must coordinate information between both the vendors and the applicants. The invoice is particularly difficult to design, as vendors must fit all of the information that it contains into their billing systems. In addition, the SLC must be able to track all of the information from both these vendors and the applicants. Ms. Kriete has been participating in conference calls twice weekly with representatives from a number of service providers for the past several months, and has participated in two day long, sit-down meetings with vendor representatives in Dallas, TX and Washington, DC

Mr. Fishman made an announcement, not only to the Board of Directors, but to the general public, to E-mail to him directly any comments or suggestions on how the SLC can make the program easier for the 1999 funding year.

5. Program Integrity Assurance

Mr. Fishman stated that on March 18, 1998, the SLC posted a letter written by Mr. Fishman to the Web Site, clearly stating the goal of the SLC to maintain program integrity. The FCC has set forth rules, and they are rules that must be followed. This is a self-certifying program, governed by all of the state, local and federal laws that apply, however, with the help of Coopers and Lybrand, the SLC has designed a system of internal controls to assure program integrity. Mr. Fishman introduced George McDonald, SLC Director of Operations, who will also oversee the Program Integrity unit as well. Mr. Fishman would not give specifics as to what the PIA staff will look for, as that would be a road map to circumvent the system, however, he did place an enormous importance on the function of the PIA unit in determining the program's success.

Mr. Fishman stated that a number of applicants are appealing to the SLC in an attempt to have their applications considered to have arrived within the 75-day window. Mr. Fishman reiterated to both the SLC staff, and the Board of Directors, that Debra Kriete, SLC General Counsel, is the only SLC staff member permitted to speak with clients regarding the status of their applications in order for the SLC to maintain its objectivity and also to avoid any confusion. Ms. Ouye stated that, as an applicant, even though she is a Board Member, she had experienced the SLC's closed mouth policy in terms of the status of applications. Ms. Moore also requested that clients remember to work with the SLC Client Service Bureau in filing appeals, and not the SLC Washington office.

Ms. Kriete stated that there are two categories that the appeals fall in to: the first is an irregularity of procedure, typically on the part of the CSB, and the second, and much more common, are acts which caused the application to arrive late. These acts range from acts of god which prevented prompt delivery of applications, to postal workers placing the wrong postage on packages.

6. Coopers and Lybrand Update

Mr. Fishman stated that Coopers and Lybrand have been onsite at the SLC processing centers since January 1, 1998. Ms. Ouye added that at the first meeting between the SLC Board of Directors and FCC Chairman William Kennard, it was strongly encouraged that the SLC obtain outside guidance in regards to audit/program integrity.

7. 1999 Application Cycle Issues

Mr. Fishman offered that one of his goals for the 1999 funding year is to continue SLC Outreach, both to potential clients, as well as vendors. Mr. Fishman proposed that the SLC Board of Directors, along with an SLC staff member, host conversations/outreach sessions in their own geographic areas. Mr. Fishman believes that the Board members will be able to maintain objectivity about questions or problems which may arise, where as the SLC staff are often too close to particular issues. Dr. Talbott requested that the SLC supply the Board with potential dates in order to implement Mr. Fishman's suggestion.

Mr. Fishman presented the benefits of implementing an application widow for the 1999 funding year. Ms. Bryant moved, and Dr. Talbott seconded a Resolution to allow an application window for an as of yet unspecified duration for the 1999

funding year. The resolution also states that the 1999 funding year will make no retroactive payments. Mr. Fishman asked the SLC staff and Board to begin to ask clients and vendors for comments regarding the length of the application window for the 1999 funding year.

8. Budget Update/Finance Report

Mr. Fishman proposed a Board of Directors Conference Call for early the week of April 27, 1998 to discuss budget issues prior to the submission to Congress of the 3rd Quarter budget estimate.

Mr. Fishman proposed a resolution to increase the pay to Spectrum by \$300,000. Mr. Gumper moved and Ms. Bryant seconded the motion to increase the payment to Spectrum. The Board unanimously approved the Resolution

9. SLC Internal Policies

Mr. Fishman expressed to the Board the importance for the SLC Staff and its Board of Directors to uphold the highest ethical standards. To that end the SLC Ethics Guidelines and Gift and travel Policies are extremely restrictive. They were modeled after other non-profits, including the FCC and the federal government. Mr. Gumper commented that the \$500.00 minimum disclosure value for securities offered by telecommunications or Internet service provider, communications common carriers, other telecommunications organization, or internal connections provider is too small an amount to warrant disclosure, as \$500.00 is not enough interest to compel an SLC employee or Board member to act unethically to better their interest.

Ms. Bryant moved, and Dr. Talbott seconded the adoption of the SLC Statement of Ethical Conduct with the security holding disclosure to be decided at a later date. The Board unanimously accepted the Resolution.

Mr. Gumper objected to the section of the "Gifts Prohibited by the SLC" that prohibited drinks to be paid for during a meal. Ms. Bryant moved, and Dr. Talbott seconded the adoption of the Gifts section of the Statement of Ethical Conduct. The Board unanimously approved the Resolution minus the statement which forbids accepting drinks.

Dr. Talbott moved and Ms. Bryant seconded the adoption of the SLC Annual Leave policy. The Board unanimously approved the Resolution.

Ms. Bryant asked whether or not the Leave Policy contained any mandatory time. Ms. moved and Dr. Talbott seconded a for Kriete Moore. Board unanimously agreed. (I believe also meant to include Kriete's assistant.

The meeting of the SLC Board of Directors was adjourned at precisely 10:58 AM.

Debra M. Kriete
Secretary

Date

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

April 28, 1998

MINUTES

A meeting of the Schools and Libraries Corporation (SLC) Board of Directors was held via conference call on the above date. The meeting was called to order at 4:00 pm ET by Ms. Kathleen Ouye, Chair.

Five board members were present, representing a quorum, as follows:	
Kathleen Ouye	Hank Marockie
Frank Gumper	Ken Brody
Ira Fishman	Anne Bryant
One member was absent as follows:	
Brian Talbott	
Also present:	
Kate L. Moore	Schools and Libraries Corporation
George McDonald	Schools and Libraries Corporation

Ms. Ouye had been provided permission by Dr. Talbott to cast is vote in absentia and by proxy.

Program Update

1. Mr. Fishman provided the Board an update on the status of the program on the Hill. The staff of the Rural Health Care Corporation has publicly expressed its views regarding reorganization. Mr. Fishman states that the FCC is expected to release a report on May 8, 1998, which will call for the SLC to merge into the Universal Service Administration Company in some manner.
2. Mr. Fishman offered the Board an overview of teh SLC Problem Resolution process which is being undertaken at hte NCS facility in Iowa City, IA. The Client Service Bureau is xperiencing difficulty, in cases in which applicants submitted more than one Form 471, matching their Problem Resolution letter to the appropriate application. There is no identifying number located on both the Problem Resolution letter and the Form 471 application. Mr. Fishman notified the Board that the SLC was currently working through how to handle the 7-day deadline which applicants are

given to respond to a Problem Resolution if applicants are not able to respond due to the SLC being unable to provide the appropriate information.

3. Mr. Fishman also reported to the board that the NECA statistician is currently analyzing the SLC sample of Form 471 applications in order to forecast the 1998 funding year demands. The sample is being run on 9,200 applications data entered, and will be used to forecast the demand requested in the 30,000 Forms 471 received within the 75-day window. Mr. Gumper offered that the SLC should request an extension so that the SLC will have more time to assess the demand. Mr. Fishman responded by stating that he will talk to the Deputy Chief of the Common Carrier Bureau at the FCC about extending the due date, however, he expects that within 24 hours the SLC will have an extremely accurate estimate.

Budget Update

4. Mr. Brody questioned if the SLC is making every attempt to remain ahead of the curve on budget projections. Mr. Fishman stated that the SLC was expected to sign the NECA contract tomorrow, and that the SLC would not pay interest on disputed bills until they have the opportunity to review back-up documentation. Mr. Fishman also stated that the SLC intends to re-file the 1st and 2nd Quarter budgets as soon as accurate numbers and actual expenditures are provided by NECA.
5. Mr. Gumper moved, and the Board unanimously approved, a \$2.1 million cap for the year on the Spectrum contract.
6. Mr. Fishman stated that if the April 30 budget filing is to include demand, that will necessitate another Board conference call.

Second Program Year Window Length

7. Mr. Fishman stated that there is strong support on the applicant side to make the second program year filing window somewhere between 90 and 120 days in length. Mr. Fishmann stated that the SLC will approach the Board for approval of the filing window length in the near future.

Debra Kriete

Date

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

June 26, 1998

MINUTES

A joint meeting of the Boards of Directors of the Universal Service Administrative Company (USAC), the Schools and Libraries Corporation (SLC) and the Rural Health Care Corporation (RHCC) (collectively the Corporations) 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 10:00 A.M. EDT by Lisa Rosenblum, Edward English, USAC Secretary and Treasurer called the roll. Members were present as follows:

	USAC	SLC	RHCC
David Abramson	Donald Lynch	Ken Brody	Kevin Hess
Anne Bryant	Dr. Henry Marockie	Anne Bryant	Isiah Lineberry
Edwin H. Eichler	Kathleen G. Ouye	Iran Fishman	Dr. Jay Sanders
Heather Burnett Gold	Lisa Rosenblum	Frank Gumper	
Frank Gumper	Dr. Jay Sanders	Dr. Henry Marockie	
Kevin Hess	Allan Thoms	Kathleen G. Ouye	
Martha Hogerty	Tom Wheeler		
James Jackson			

The following members were absent:

USAC	SLC	RHCC
John Anthony Butler	Brian Talbott	Sanford Greenberg
Brian Talbott		

Others present for portions of the meeting:

Cherie R. Kiser	Mintz, Levin et al
Jon Blake	RHCC (Covington & Burling)

Mark Weiss	RHCC (Covington & Burling)
Dick Lavery	GTE
John Ricker	NECA
Matthew Vitale	FCC
Sharon Webber	FCC
Pam Gallant	FCC
William England	RHCC
Mel Blackwell	RHCC
Donna Faunce	RHCC
Rick Cimerman	NCTA
Andrea Bruns	NCTA
Kate Moore	SCL
Debra Kriete	SCL
Robert Anderson	NECA
Ken Levy	NECA
	OPASTCO

Lisa Zaina

1. Ms. Rosenblum welcomed the members of the USAC, SLC and RHCC Boards. Mr. Lee Bailey, President of RHCC, was asked to join the meeting. The announced purpose of the meeting was to finalize the content of the Report and plan of Reorganization (the Report) to be submitted to the FCC. Mr. Eichler gave a brief introduction describing the efforts of the USAC Long Range Planning Committee working with the heads of the Corporations to come up with the draft Report before the joint meeting.
2. The floor was then turned over to Cheryl Parrino, CEO of *USAC*, who summarized contents of the Report. She outlined the various Chapters of the Report, described the efficiencies of a combined organization and depicted some of the common and unique characteristics of the universal service programs. Mr. Fishman and Mr. Bailey supplemented her presentation. Ms. Parrino indicated that the universal service programs were under intense scrutiny by members in Congress. The Corporations were being asked to streamline and unify the administration of the funds so that there would be one point of responsibility for all programs. The agenda for this meeting was set to discuss remaining issues as a group, break into separate Board meetings for adoption and then to reconvene in the afternoon to arrive at a consensus. Ms. Parrino emphasized there were four issues which required further deliberation by the Boards.:
 - a. The size of the Board of Directors of a combined USAC/SLC/RHCC.
 - b. The autonomy of the committees formed to oversee the unique operations of school/libraries, rural health care and the high cost/low - income funds
 - c. The composition and structure of the committees, and
 - d. The option to merge verses maintain separate subsidiaries.

Size of the Board of Directors of a combined USAC/SLC/RHCC

The draft before the joint Board meeting included a recommendation to expand the USAC Board to 22 from 17. The five additional board members included two representatives from the schools and libraries, two representatives from rural health care and the CEO of the combined entity. The Boards discussed the desire to obtain meaningful representation for beneficiaries of the universal service programs on the combined Board while maintaining the perception that the entity was streamlined. Mr. Bailey indicated that RHCC was in favor of expanding the Board to include more representation for rural health care. Others commented that representation should be in proportion to relative fund size which would indicate no increase in representation for the rural health care and low income funds. After much discussion, the sense of the meeting was to recommend that each Board consider that the combined Board be increased to 18 *by* adding the CEO of the combined entity.

Committee Autonomy

Under the merger option, separate subsidiaries would be merged into divisions within USAC. The unique operations of these funds would be controlled by committees comprised of subsets of the full Board. The discussion revolved around the ability of the committees to bind the full Board and the authority vested in the CEO to control the budgets and spending decisions. The sense of the meeting was that the CEO must control the budgets and hire/fire decisions for all staff. The group differentiated between budget and programmatic issues and the ability of the USAC Board to override programmatic decisions made by the committees. A compromise was suggested. If there were a conflict between the objectives of the combined entity and one or more of the committees, it would require a 2/3 vote of the full USAC Board to override a committee decision. It was recommended that each Board consider this proposal.

Committee Composition and Subsidiary versus Merger Option

The separate Boards were asked to make recommendations as to these issues during their separate sessions.

Ms. Rosenblum adjourned the joint meeting at 12:25 P.M.

Edward R. English
Secretary

June 9, 1998
Date

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

July 20, 1998

MINUTES

A meeting of the Schools and Libraries Corporation (SLC) Board of Directors was held at the Washington Marriott, 1221 22nd Street, NW, Washington, DC on the above date. The meeting was called to order at 3:10 PM by Ms. Kathleen G. Ouye, Chair.

Five Board members were present, representing a quorum, as follows:	
Ira Fishman	Kathleen G. Ouye
Brian Talbott	Frank Gumper
Anne Bryant	
Two members were absent as follows:	
Henry Marockie	Ken Brody

Ms. Ouye previously had been provided authorization by Dr. Marockie and Mr. Brody to cast their votes in absentia and by proxy.

Also present:	
Kate L. Moore	Schools and Libraries Corporation
Debra M. Kriete	Schools and Libraries Corporation

Minutes

1. Ms. Ouye moved, and Mr. Gumper seconded the approval of the minutes of the last Board meeting, April 21, 1998. The Board unanimously approved the minutes.

Key Updates

2. Mr. Fishman provided a status report on 1ne inquiry of the General Accounting Office (GAO) regarding the SLC' s measures and control mechanisms to detect and guard against waste, fraud and abuse in the administration of the program funds. The SLC met with the GAG on numerous occasions and has shared substantial documentation concerning its internal controls and procedures. Mr. Fishman acknowledged Kate Moore's efforts in facilitating the SLC's response and cooperation with the GAG inquiry -The GAO has made several recommendations which were reported to

Congress during an oversight hearing of the Senate Commerce Committee, and the SLC was in the process of incorporating the GAO's recommendations into its procedures. Mr. Fishman posited that while the GAO inquiry has been a time-intensive effort, the program administration has benefited from the GAO's scrutiny and recommendations.

3. Ms. Ouye observed that the Board participated in the GAO inquiry, and that the GAO complimented the SLC staff's cooperation. The GAO had observed to the SLC Board that the six week time-frame for the investigation would not have been met but for the cooperation and helpfulness of the SLC staff. Similarly, Dr. Talbott offered that he has received feedback from Capitol Hill that the SLC has fared well as a result of the GAO inquiry.
4. Mr. Fishman provided a summary overview of his testimony before the Senate Commerce Committee on July 16, 1998. In his opinion the hearing provided a forum for a forthright and honest discussion on the issues surrounding Universal Service for schools and libraries. Ms. Ouye stated that she and Dr. Marockie attended the Senate Commerce Committee Hearing. Congressional support for the program remains strong, and it is critical that the organization move ahead promptly so that the Funding Commitment Decision Letters can be issued, to advise applicants of the disposition of their funding requests. The Board firmly supports and will facilitate the organization's efforts toward achieving this goal.
5. Ms. Ouye reported that the reorganization of the Schools and Libraries Corporation as a division of the Universal Service Administrative Company (USAC) was under way. USAC and the SLC jointly submitted a proposed reorganization to the FCC on July 1, 1998, which recommended that the SLC and the Rural Health Care Corporation be merged with USAC and established as separate operating divisions of USAC. Ms. Ouye introduced Cheryl Parrino, the Chief Executive Officer of USAC. Ms. Ouye thanked Ed Eichler for his part in chairing the USAC committee which led the reorganization efforts and activities.
6. The Board discussed the manner in which the SLC may coordinate its response to the FCC's Public Notice on the proposed plan of reorganization. In response to Mr. Gumper's inquiry on this topic, Ms. Bryant suggested that Mr. Fishman and Ms. Parrino could coordinate the development of any comments to present in response to other parties' comments to the proposed plan of reorganization. Mr. Gumper suggested that the SLC and USAC should submit a joint response, and the Board unanimously agreed. Mr. Fishman suggested that the joint responsive comments of the SLC and USAC would require consultation with the SLC Board only if the comments contained substantive changes to the proposed plan of reorganization. The Board agreed.
7. Mr. Fishman thanked Ms. Parrino for her efforts to become acquainted with the SLC staff and to seek their input in the reorganization process.

Report of Audit and Compliance Committee

8. Ms. Ouye informed the Board that the Audit and Compliance Committee met with Ms. Moore during the morning of July 20, 1998 prior to the meeting of the full Board. The committee reviewed the status of the development of program controls in response to the GAO recommendations and in response to rule changes issued on June 12, 1998 by the FCC in its Fifth Order on Reconsideration. Ms. Ouye observed that the SLC's independently retained program control auditors, PricewaterhouseCoopers, also have met with the GAO and are monitoring the SLC's activities and interactions with the GAO. She remarked that a substantial portion of the SLC's budget -- approximately 35% -- has been devoted toward auditing and program integrity

assurance activities, and she is pleased that this level of commitment has been devoted toward program integrity assurance.

9. Mr. Fishman followed up on Ms. Ouye's comments and noted that at the inception of the SLC as fund administrator for the schools and libraries universal service support mechanism, FCC Chairman Kennard was adamant about the necessity for strong controls in Program Integrity Assurance, and the necessity for an outside auditor to independently evaluate and attest to the adequacy of the program controls.

Program Update

10. Mr. Fishman discussed the major changes brought about on the program by the FCC's Fifth Order on Reconsideration issued June 12, 1998. In response to the FCC's ongoing request for the SLC to identify efficiencies for administering the program, the SLC suggested that the funding year be revised from a calendar year to a fiscal year operation from July 1 through June 30 each year. The first program year would contain an IS-month funding cycle, beginning on January 1, 1998 and ending on July 30, 1999. This revision will enable the program year to be better aligned with the academic and fiscal year for schools and libraries and will also provide the SLC with needed additional time to implement its start-up activities. In addition, the Fifth Order on Reconsideration changed the priorities for making commitments. The highest priority for commitments on discounts are for recurring services such as telecommunications services and Internet access. Discounts on internal connections will be provided to the neediest applicants first, and so on until all available funds are exhausted. Mr. Fishman predicted that the SLC may have a sense of the amount of funds which will be available to fund internal connections by the beginning of August.
11. Ms. Bryant asked Mr. Fishman if it was possible to make an estimate at this time of the current funding requests for telecommunications services and Internet access, and thus estimating the dollar figure left over. Mr. Fishman replied that the SLC had currently data entered 22,000 applications, resulting in roughly \$750 million in requests. Mr. Fishman cautioned the Board that these financial data do not yet reflect the results of the Program Integrity Assurance review. Since some applications would be rejected during PIA reviews it is expected that these financial data will be adjusted and revised.
12. Ms. Ouye stated that it is her perspective that there is a high level of anxiety surrounding the program right now regarding rejected applications. She requested the SLC Outreach team to discourage applicants from drawing incorrect conclusions or making inappropriate assumptions about the status of their applications in the absence of full and complete processing of all applications by the SLC.
13. Mr. Fishman expressed regret that the SLC had not established a system to enable applicants to track the status of their applications. He stated that the SLC is working to create a system for tracking applications for the next program year, and he is aware of applicants' eagerness to be able to obtain status updates on their applications during the processing of the second program year applications.
14. Ms. Ouye attended the American Library Association (ALA) annual meeting here in Washington, DC in late June. The ALA support for the program and for the SLC's efforts to administer the program remain strong and she hopes that the SLC will continue to foster such support.
15. Mr. Fishman thanked Mickey Revenaugh, SLC VP of Outreach and Communications for constantly reminding the entire SLC staff that there is a person, and hundreds of school children and/or library patrons, behind each and every application.
16. Mr. Fishman stated that the Data Entry and Program Integrity Assurance process for the 1998 applications was running smoothly. Debra Kriete is in the midst of several

weeks in Kansas to rectify applications rejected erroneously. PIA reviews have been occurring all throughout the Data Entry process. NECA has done a commendable job thus far in implementing the PIA process. Questions from PIA to Debra Kriete have been very detailed and complex, indicating that PIA is scrutinizing carefully the applicants' request for funding.

17. Mr. Gumper stressed the importance of educating service providers about the Form 486 and Invoice procedures. Mr. Gumper suggested that more resources need to be devoted to vendor/SLC communications activities. The Board discussed this important communications effort, and the SLC staff) via Ms. Kriete, identified a number of measures that are being undertaken to address this concern: (1) finalization of the Invoice process by the FCC which will enable the SLC to more clearly convey the program guidelines for vendor to follow; (2) regularly scheduled conference calls among the SLC billing and policy staffs and the vendors' billing and policy staffs; (3) regularly scheduled in-person meetings between SLC staff and the vendors to exchange ideas and information and collaboratively problem-solve issues; (4) the development of a comprehensive service provider manual under the leadership of SLC research associate Shannon Sullivan and in consultation with service providers. to explain the step-by-step process for vendors' participation in the universal service schools and libraries program. Mr. Fishman stated that service providers have been helpful in imparting their views and ideas to the SLC so that the SLC would be able to accommodate their needs and concerns. The SLC has initiated dialogue with all types of vendors: large, medium and small, and from all sectors both telecommunications and non-telecommunications industry participants.

Outlook for Second Program Year

18. Ms. Revenaugh outlined the current plan for sending out program information and materials for the second funding year. Outreach efforts would begin a new round to equip applicants and service providers with information and materials regarding the Form 486 and Invoice process.
19. The Board discussed the need to adopt a period of time as the length of the filing window for the second application year, but agreed to postpone further discussion until after more scheduling information becomes available as to when the first year's Funding Commitment Decisions Letters are expected to be issued.
20. The meeting of the Schools and Libraries Corporation's Board of Directors recessed at 4:50 pm.

Debra M. Kriete
Secretary

10/19/98
Date

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

July 27, 1998

MINUTES

A conference call meeting of the Schools and Libraries Corporation was held on July 27, 1998. The meeting was called to order at 4:00 pm by Chair, Kathleen G. Ouye.

All five members participated:	
Kathleen G. Ouye	Frank Gumper
Ira Fishman	Anne Bryant
Brian Talbott	
Also present:	
Kate Moore	Schools and Libraries Corporation
George McDonald	Schools and Libraries Corporation

The Board discussed the annual 1998 Budget projection, which the Finance Committee of the Board had previously considered. With updates made after the Committee review, the annual project totaled \$22.235 million. Ms. Moore explained the budget outlook had been updated in recognition of likely, but as of yet not fully documented, costs from NECA.

Anne Bryant asked why the estimate for the Coopers & Lybrand audit contract was so high, given staff's previous indication that a downward adjustment was in order, reflective of the 1997 accruals. Staff responded that the variance appeared to relate to whether certain costs were for 1997 or 1998, but would seek to confirm the facts.

A discussion of NECA's cost structure ensued. Anne Bryant expressed concern that the share of administrative costs to program dollars was rising. Hank Marockie observed that during the July 16 hearing Senator McCain had expressed concerns that the corporation was projected to spend over \$18 million in 1998. Anny Bryant urged that the recent NECA increases had not been straightlined into the fourth quarter. Ira Fishman pointed out that further details on questions such as: the percentage of non-recurring expenses and the absorption of costs for two program years in the start-up phase would be important facts to describe. A motion to approve the fourth quarter filing was made by Frank Gumper and seconded by Anne Bryant, with the direction for the staff to touch base with the Board Budget and Finance Chairs as the filing was finalized.

The Board then considered a revision to the Travel and Expense policy to provide for corporate purchases of airline tickets for staff business travel as a means of reducing the

financial burden on staff of such purchases. After some discussion, Brian Talbott moved that the Board approve the change and Anne Bryant seconded the motion. The motion was passed without objection.

Ira Fishman briefed the board on legislative developments.

The call adjourned at 4:53pm.

Debra Kriete
Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

September 8, 1998

MINUTES

A conference call was convened of the Schools and Libraries Corporation (SLC) Board of Directors on the above date. The purpose of the call was for the SLC management to provide a status update on the program administration. The call began at 10 am EST by Ms. Kathleen Ouye, Chair.

Five Board members were present, representing a quorum, as follows:	
KG Ouye	Frank Gumper
Henry Marockie	Brian Talbott
Anne Bryant	
One member was absent as follows:	
Ken Brody	
Also present from the Schools and Libraries Corporation:	
Kate L. Moore	Debra M. Kriete
George McDonald	Mickey Revenaugh

General

1. Ms. Moore advised the Board that she and Cheryl Parrino, Chief Executive Officer of the Universal Service Administrative Company (USAC) had been invited to meet with Senator John McCain, to discuss the proposed reorganization of the administration of the federal universal service programs.

GAO Audit Status

2. Ms. Moore updated the Board on the status of the General Accounting Office (GAO) inquiry regarding the adequacy of the program integrity assurance controls and procedures. She advised that the reports and tests of the procedures are being undertaken at the request of the GAO audit. Specifically, the results of the application sampling requested by the GAO indicate the SLC must review virtually every funding application to confirm that funding will be approved only for eligible services. Ms. Moore also advised that the GAO has requested a budget update, which Mr. McDonald will develop in consultation with Ms. Moore. The budget update will be shared with both the GAO and Senator McCain, and transmitted to the FCC.

3. Ms. Ouye asked if the Corporation's budget and time estimate for applications processing previously reported to the Board had accounted for the time and cost of performing all of the services legibility reviews. Ms. Moore responded that she is in the process of reviewing all time and budget estimates, and would report back to the Board on the impact of the GAO's requirement. She suggested that there may be upward pressure on the budget to accommodate the additional work requirements. Ms. Moore predicted that the issuance of Funding Commitment Letters would not begin prior to mid-October, 1998.
4. The Board generally discussed the concerns regarding the delay in the issuance of the Funding Commitment Decisions Letters and whether it may be helpful for the Board to convey their concerns to the SLC's subcontractors. The Board generally concluded that the delays were attributable largely to the changes in the substantive rules and the administrative requirements for implementing the program controls. Ms. Moore offered that there are performance standards in the contracts between the SLC and the subcontractors, which may be an appropriate vehicle for seeking the input of the Board when evaluating the subcontractors' performance.
5. The Board and the SLC staff discussed the procedures which will follow the issuance of the Funding Commitment Decisions Letter: the filing of the Form 486 by the billed entity applicant; the SLC notification letter to the service provider of the Form 486 submission; the submission of a Billed Entity Applicant Reimbursement Form which requires the signature of the service provider as well as the Billed Entity Applicant; the SLC notification letter to the service provider and the billed entity applicant of the amount of approved discounts; the submission of the Service Provider Invoice Form for the prospective billing and reimbursement of discounts provided to applicants. The Board suggested that the SLC staff develop a flow chart to visualize each step of the process. Ms. Moore and Ms. Revenaugh advised that they were collaborating on such a document and would share it with the Board when it was completed.
6. Mr. Gumper cautioned that the SLC needs to facilitate reasonable expectations when communicating with applicants and service providers about the timing of the billing of prospective discounts on applicants' bills. It should be reinforced to applicants that there may be an interval of several months between the month in which they receive their Funding Commitment Decisions from the SLC and when the service provider begins issuing discounted bills. Once the service provider begins issuing discounted bills, an adjustment will be made on the bill to account for the discounts due since January 1, 1999. For discounts on services delivered through December 31, 1998, an applicant will file a Billed Entity Reimbursement Form to obtain reimbursement from the service provider for the amount of the discounts. The fund administrator will reimburse the payment to the service provider.

The FCC rules do not permit the reimbursement of discounts directly to applicants, and therefore, the fund administrator is NOT authorized to issue reimbursements directly to applicants. The SLC staff emphasized that service providers may begin billing prospective discounts as soon after the applicant receives the Funding Commitment Decision Letter as possible, but that the SLC expects there to be a deadline imposed sometime in the spring for the latest possible date that a service provider may begin issuing discounted bills.

7. The Board discussed the importance of notifying Congress when the issuance of Funding Commitment Decisions Letters begins.

8. Ms. Revenaugh gave an update on the "Last Chance" letter, stating that it was mailed to 570 applicants who had not yet responded to Problem Resolution calls. The deadline for response is September 16, and the deadline for submission of necessary documentation is September 2, 1998.

Second Funding Year Update

9. Ms. Moore stated that the SLC Staff recommends that the formal commencement of the filing period for the second funding year should not commence on October 1, 1998 as prescribed in the FCC's Fifth Order on Reconsideration issued June 12, 1998. The SLC has informally discussed this issue with the FCC staff, who have requested the SLC's input on the revised commencement date for the applications window for the second funding year.
10. The SLC staff suggests that the date should be after the majority of the Funding Commitment Decisions Letters have been issued for the for the first funding year, but the date must allow sufficient time for processing the second year's applications so that all of the Funding Commitment Decisions Letters can issued by June 15, 1999.

The Board agreed to schedule another conference call within the next two weeks to receive a status report at that time. Also at that time, the SLC staff will present its recommendation on the timing and length of the filing window for the second funding year.

The call recessed at 12:30 pm EST.

Debra M. Kriete
Secretary

Date

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

October 1, 1998

MINUTES

A conference call of the Schools and Libraries Corporation (SLC) Board of Directors was convened on the above date. The purpose of the call was for the SLC management to provide a status update on the program administration. The call began at 10:45 EST and was called to order by Ms. Kathleen Ouye, Chair.

Five Board members were present, representing a quorum, as follows:	
KG Ouye	Frank Gumper
Henry Marockie	Brian Talbott
Anne Bryant	
Also present from the Schools and Libraries Corporation:	
Kate L. Moore	Debra M. Kriete
Catriona Ayer	

Update On Data Entry For First Funding Year Applications

1. Ms. Kriete reported that there were two groups of applicants that received a letter from the SLC to establish a deadline for the applicants to be entered into the SLC data processing system. The response rate on each group of letters was encouraging and many, but not all, of the applicants responded favorably to the letter. For those applicants that did not respond to the letter, the SLC is further investigating to be sure that the letter was delivered successfully. The SLC will also attempt to contact each applicant to determine whether the applicant wishes to proceed with the application.
2. Ms. Kriete also reported that some applicants have received a "FRN rejection" letter which advises that one or more of the Funding Request Numbers on an application is rejected because they fail to comply with program rules. The remaining FRNs on each application will be entered into the data system and reviewed by the Program Integrity Assurance Team.
3. Ms. Ayer reported that the SLC outreach team has begun its state-by-state sessions to describe the Form 486, Invoice process and the Billed Entity Applicant Reimbursement process. There are 47 sessions currently scheduled, three of which will have satellite connections and transmission: Idaho, Montana and Alaska. The applicants appear to be reassured when they receive the additional information and materials from the SLC concerning these procedures. In addition, Ms. Kriete reported that vendor outreach efforts have also begun, and there is a teleconference

scheduled with the United States Telephone Association on Friday, October 16, 1998 with the SLC. The Board members requested that they receive copies of the Virginia videoconference held on September 28, 1998.

4. Ms. Moore reported on the status of the PricewaterhouseCoopers (PWC) program controls audit of the SLC and the GAO inquiry regarding program controls. She advised that the PWC auditing team will brief the Board in advance of the commencement of the issuance of the Funding Commitment Decisions Letters. The Board agreed that the briefing should occur on Monday, October 19, 1998 in closed executive session following the open session of the Board meeting. Ms. Moore advised that there are regularly scheduled meetings among the SLC staff and PWC, as well as the SLC staff and the GAO. The SLC staff is working earnestly to finalize all procedures and documentation. The GAO has a formal procedure to close and resolve recommendations that it makes to other governmental agencies. The GAO has emphasized that all procedures must be finalized and accomplished, in order for the SLC to have completed all of the systems development work prior to the issuance of the Funding Commitment Decisions Letters. The SLC is finalizing its report on the random sample of applications reviewed at the request of the GAO and will share the analysis of the review with the GAO very soon.
5. Ms. Moore reported that the SLC staff is developing a Request for Proposal to solicit bids to conduct a financial audit of the SLC. The draft RFP will be shared with the FCC prior to release. The goal is to select the same auditor for the financial audits of USAC, SLC and the Rural Health Care Corporation, so that the initial contract will cover a two year period
6. Ms. Moore described the purpose of the Program Integrity Assurance integration procedures and reported that the integration process was the last step prior to running the funding commitment module. She also provided a favorable report on the schedule for completing the systems development for the post-commitment process.
7. Ms. Kriete reported that the Form 486 was going to be sent to the OMB imminently if it had not already been forwarded. The other three forms, the Billed Entity Applicant Reimbursement Form, the Service Provider Invoice Form and the Service Provider Annual Certification Form, had been finalized by the SLC and were being reviewed by the FCC.
8. Ms. Kriete also reported on the status of the SLC's conversation with the service providers regarding the timing of the commencement of issuing discounted bills. She suggested that the deadline of April 1999 as the latest possible time that a service provider could begin issuing discounted bills was realistic and feasible. All service providers would be responsible for billing discounts as of January 1, 1999 and would have to issue a credit on a customer's bill or a refund check for the discounts due from January 1, 1999 to the date that the service provider began issuing discounted bills. Ms. Kriete also advised that in order for service providers to have more advance planning time for preparing to issue discounted bills for the second funding year, the SLC would look into the feasibility of providing the service providers with access to the FRN data for those funding requests on which the Service Provider Identification Number was identified before the Funding Commitment Decisions Letter was issued.
9. The Board approved the SLC staff recommendation to adopt an 80-day filing window for the second funding year. As prescribed in the FCC's Seventh Order on

Reconsideration issued September 30, 1998, the filing window will begin on December 1, 1998. An 80-day window would expire on Friday, February 19. The last day for filing a Form 470 which would theoretically enable an applicant to sign a contract; complete and submit its Form 471 application within the 80-day window is January 21, 1999.

10. Ms. Moore reported that the plan of reorganization is pending before the FCC, and USAC has been working with the SLC and RHCC to coordinate the rental of office space for the consolidated companies in anticipation of the FCC's action on the plan of reorganization which is expected some time in November of 1998.

The call recessed at 12:30 pm EST.

Debra M. Kriete
Secretary

Date

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

October 19, 1998

MINUTES

A meeting of the Schools and Libraries Corporation (SLC) Board of Directors was held at the International Trade Center & Ronald Reagan Building, 1300 Pennsylvania Avenue, Washington, DC on the above date. The meeting was called to order at 8:30 AM ET by Ms. Kathleen G. Ouye, Chair.

Five Board members were present, representing a quorum, as follows:	
Kathleen G. Ouye	Brian Talbott
Hank Marockie	Frank Gumper
Anne Bryant	
Also present from the Schools and Libraries Corporation:	
Kate L. Moore	Debra M. Kriete
Mickey Revenaugh	

1. **Board Resignation.** Ms. Ouye announced that Mr. Kenneth Brody had tendered his letter of resignation to the Board. The Board expressed their appreciation for Mr. Brody’s leadership and assistance in providing advice and direction to the Board and SLC management in its early start-up efforts. The Board unanimously moved a resolution to express their appreciation to Mr. Brody for his service to the SLC.

2. **Minutes of Prior Board Activities**

Anne Bryant moved, and Brian Talbott seconded the motion, to approve the Minutes of the Board Meeting of July 20, 1998, and the Minutes of Board Conference Calls occurring on September 8 and October 1, 1998. The Board unanimously approved the minutes as submitted.

3. **Program Update**

- a. **Data Integrity and Application Processing.** Ms. Moore reported that the vast majority of Form 471 applications have been entered successfully into the SLC data system, and are undergoing reviews by Program Integrity Assurance. Ms. Moore then introduced to the Board Lou Marinaccio, NECA’s Executive Director for the School and Libraries Corporation Program, indicating he was a manager *par excellence*. Ms. Moore also reported that all of the post-commitment forms were approved by the FCC and the Office of Management and Budget (OMB): Form 486, Receipt of Service Confirmation Form; Form 472, Billed Entity Applicant Reimbursement Form; Form 473, Service Provider Annual Certification Form; and Form 474, Service Provider

Invoice Form. The forms are posted to the SLC Web Site in a format that allows users to access, download and print out the forms, but, does not allow them to change or revise the contents of the forms. Ms. Moore also explained that the Service Provider Annual Certification Form will be mailed to all vendors with registered Service Provider Identification Numbers, and the Service Provider Invoice Form will be enclosed with notifications to service providers of receipt of Forms 486. The Billed Entity Applicant Reimbursement Form will be enclosed with Funding Commitment Decisions Letters.

- b. **Outreach.** Ms. Revenaugh, SLC Vice President for Outreach and Communications, provided an update on the SLC outreach activities to applicants and to vendors. Applicant outreach has been intensive over the last six weeks, with events scheduled in 48 states, or in every state that accepted the SLC's offer to attend and participate in a post-funding commitment hands-on training workshop. The SLC outreach team was greeted favorably by applicants who appreciated and appeared to be reassured by the SLC's efforts to make the post-funding commitment process run as smoothly as possible.
- c. **Vendor Outreach.** . Ms. Revenaugh also described the SLC's vendor outreach launch. The launch began with the SLC's participation in a conference call sponsored by the United States Telephone Association (USTA), attended by 170 representatives from telecommunications companies throughout the United States. Ms. Kriete participated as the SLC's spokesperson. The call was scheduled for 90 minutes, and consisted of Ms. Kriete giving an overview of service providers' role in the program, as well as a question and answer session at the end of the formal presentation.

The Board inquired about the composition of representation of vendors participating in the conference call. Ms. Kriete explained that while roll call was not taken during the call, it was her sense that a cross section of vendors, from both large and small companies, attended the call. She also explained that the SLC vendor outreach efforts would be sure to include communications with all sectors of the communications industry: large, medium size and smaller companies.

In addition to the USTA call, the SLC intends to host numerous phone-in sessions to discuss vendor issues and to answer vendors' questions about post-funding commitment processes, as well as host satellite broadcaster training conferences. She continued to offer that she runs twice weekly conference calls with service providers and vendors to discuss billing and policy issues.

In response to Mr. Gumper's inquiry about the number of vendors that the SLC expects to participate in the Schools and Libraries Universal Service Support Mechanism, Ms. Kriete stated that the Universal Service Administrative Company (USAC) has assigned more than 9,000 Service Provider Identification Numbers (SPINs) to date. Ms. Kriete also stated that the SLC had also provided information to the largest telecommunications companies for planning purposes, to inform them of the number of Funding Request Numbers with the companies' respective SPINs associated with the FRNs.

4. Status of Audits

Ms. Moore reported that the SLC was approaching the final stages of User Acceptance Testing of all outstanding aspects of the development of the SLC automated processing systems. Recently the SLC provided a comprehensive briefing to the Common Carrier Bureau Chief and her staff, regarding the status of the PricewaterhouseCoopers' audit and the General Accounting Office audit. She also mentioned that the subject of the audits would be discussed later during the Executive Session of the Board.

Dr. Marockie asked whether the commitment, as stated in July by Mr. Fishman, former SLC CEO, to undertake a detailed review of a random sample of applications had begun. Ms. Moore responded affirmatively, that the SLC had complied with the commitment made to the GAO. The SLC conducted detailed reviews of random samples of applications. Ms. Moore reported that PwC would elaborate on the results during the Board's closed session meeting with them directly following the open session.

Ms. Moore offered noted that the SLC, in conjunction with Ms. Parrino and the Universal USAC, was preparing to release a Request for Proposal (RFP) for an external, financial audit.

5. Policy Issues

Ms. Kriete reviewed the *Proposed Policy on Service Provider Acknowledgment of the Billed Entity Applicant Reimbursement Form* contained within Section IV of the Board meeting materials. Ms. Kriete pointed out that service providers are allowed 10 calendar days following receipt of reimbursement from USAC to remit the approved discount reimbursement amount to service providers. Service providers are prohibited from tendering or making use of the payment from USAC before providing the discounts to the Billed Entity Applicant. Service providers are permitted to remit the discounted amount to the Billed Entity Applicant in one of two methods. They may either issue a check to the Billed Entity Applicant or alternatively the service provider may provide a credit on their customer's bill for the amount of the approved discount reimbursement. For a service provider electing to provide the discounts to its customers in the form of credits, the service provider must complete the internal processing for the issuance of the credit to appear on the customer's next monthly bill. Dr. Talbott moved, and Ms. Ouye seconded the motion, to adopt the SLC Policy on the Service Provider Acknowledgment of the Billed Entity Applicant Reimbursement Form. The motion to approve the policy was adopted unanimously.

Ms. Kriete introduced the *SLC Proposed Procedure for Processing Applicant Inquiries and Objections to Funding Commitment Decisions Letters*. This document details the procedures that the SLC proposes to adopt to process applicant inquiries and objections to the Funding Commitment Decisions Letters. Inquiries surrounding Funding Commitment Decisions Letters will be fielded, initially, by the SLC staff on-site in Whippany, New Jersey. Disputes will be routed to the SLC, and reviewed. Applicants will be notified in writing of the SLC's disposition to the applicant's objection. The SLC will also inform the applicant how to contact the FCC to file a formal appeal. If the applicant wishes to pursue the issue, the SLC will turn over all documentation regarding their decision to the FCC. The FCC will review the documentation and will then instruct the SLC on how to proceed. Ms Kriete announced that the FCC is currently reviewing these procedures, and that she would

like to be able to state to the FCC that the SLC Board of Directors has approved the document.

Dr. Talbott asked how the reorganization of SLC, RHCC and USAC might affect these procedures. Ms. Kriete responded that the SLC and USAC will work together on that issue once the reorganization occurs. Ms. Bryant moved to adopt the procedures pending FCC approval. Mr. Gumper seconded the Motion. The procedures were adopted unanimously.

6. **Second Year Funding: 1999 - 2000**

- a. **Pre-Discount Cost Calculation Grid** Ms. Moore stated that one of the key components of materials and information for the second funding year is to update the Optional Form 471 Pre-Discount Cost Calculation Grid ("Grid"). Ms. Kriete elaborated stating that the Grid was designed to assist applicants in calculating their discount. The Grid was met with concern by applicants during the first program year. Recognizing this initial reaction, the SLC will work to make the Grid a useful tool that is met with approval of the applicant and vendor communities. Ms. Kriete stated also that the SLC is investigating obtaining OMB approval and to make the Grid a mandatory submission for the second funding year. Mr. Gumper stated that the service providers may need the information reported on the Grid in order to successfully provide discounted charges to applicants. Mr. Gumper encouraged the SLC to obtain OMB approval and to make the Grid a mandatory submission. Mr. Talbott voiced the opinion that he is hesitant to create more Forms which are mandatory, but sees the need to collect the information on the Grid. Dr. Talbott moved, and Dr. Marockie seconded the motion, to proceed with obtaining OMB approval to make the Grid a mandatory form for the second funding year. The Board unanimously approved the motion.
- b. **Systems Development.** Ms. Moore stated that systems development was continuing apace. Plans for the second funding year are to allow applicants to file the Form 471 application on-line. If the Grid is made a mandatory form, then it will remain a separate information collection and will not be integrated into the Form 471 for the second program year.

Ms. Revenaugh stated that the documents contained in the packages sent to applicants will be the same as those sent last year, with additions and revisions following lessons learned. In addition to the Program Description, Forms 470, 471, and Instructions, the mailing will include Indexes for obtaining guidance on completing Forms 470 and 471. The forms packages will be mailed to every school district, library system and every non-public school in the United States. A postcard will also be sent to the contact person listed on every Form 470 filed during the 1998 funding year. The SLC is also making extensive attempts to provide the forms package to prospective eligible schools and libraries that did not apply for discounts during the first program year.

Mr. Gumper asked the SLC staff if 1998 applicants will know their funding status by the beginning of the second funding year. Ms. Moore stated that the SLC is certainly making every effort to notify applicants prior to the opening of the second funding year window. Ms. Bryant requested that the Y2K issue

be addressed in our outreach efforts and Ms. Revenaugh concurred with this suggestion.

7. **1998 Budget/Contract Update**

- a. **Cap Increase for Systems User Testing.** Ms. Moore asked the Board members to turn to the resolution handouts to find the resolution increasing the cap on the total amount allocated for systems user testing undertaken by PricewaterhouseCoopers. Dr. Marockie asked Ms. Moore if this increase is due to the GAO sample request. Ms. Moore responded that it did not, and was the direct result of User Acceptance Testing. Dr. Talbott moved the resolution, Mr. Gumper seconded. The Board unanimously passed the resolution.
- b. **Spectrum contract.** Ms. Moore asked the Board to turn to the resolution to increase the cap on the Spectrum contract. Mr. Gumper, upon hearing that the resolution is in response to changes and adjustments to the systems, moved to accept the resolution. Ms. Bryant seconded. The Board unanimously approved the resolution.
- c. **PricewaterhouseCoopers contract.** Ms. Moore asked the Board to turn to the resolution increasing the PricewaterhouseCoopers contract for the audit of SLC internal controls design. Dr. Marockie asked if this increase was in relation to the additional sampling requested by the GAO. Ms. Moore responded that it was in part, and also the additional cost associated with the PwC statistician. Mr. Gumper added that PwC's rates increased as of September 1, to which Ms. Moore responded that at the signing of the contract PwC deferred their July 1 rate increase to September 1. Dr. Marockie moved, and Ms. Bryant seconded, the approval of the PwC resolution. The Board unanimously approved the resolution.

8. **Merger Plans.** The Board discussed the need to coordinate the scheduling of a meeting to effectuate the merger of the SLC with USAC, once the FCC action on the proposed plan of reorganization is taken.

The Board Meeting recessed at 10:48 AM ET, to be reconvened in an Executive Session of the Board to discuss the status of the PwC audit.

Debra M. Kriete
Secretary

Date

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

November 9, 1998

MINUTES

A conference call meeting of the Schools and Libraries Corporation (SLC) Board of Directors was held on Monday, November 9, 1998. The meeting was called to order at 11:05 am by Chair, Ms. Kathleen G. ("K.G.") Ouye.

Five Board Members were present, representing a quorum, as follows:	
Kathleen G. Ouye	Frank Gumper
Hank Marockie	Anne Bryant
Brian Talbott	
Also present from Schools and Libraries Corporation:	
Kate L. Moore	Acting CEO and Treasurer
Debra M. Kriete	General Counsel and Secretary
George McDonald	Director of Operations of SLC

1. Merger and Reorganization of Fund Administrators

Ms. Kriete outlined the proposed plan of events for the official actions necessary for the Corporation to merge with the Universal Service Administrative Company and the Rural Health Care Corporation, in accordance with the proposed plan of reorganization submitted to the Federal Communications Commission (FCC) on July 1, 1998. The Board agreed to schedule a conference call on Tuesday November 24, 1998 at 12:30 PM ET in anticipation of the FCC's vote and issuance of an Order directing the merger of the fund administration companies.

2. Minutes

An amendment to the minutes was offered by Ms. Bryant so that the minutes of April 28, 1998 reflected her presence and participation. As amended, Frank Gumper moved for the approval of the minutes of April 28, 1998; July 27, 1998; October 19, 1998 and October 27, 1998. Dr. Marockie seconded the motion, which was then unanimously approved.

Program Updates:

3. Ms. Moore briefly reviewed the events of the prior week, which featured the issuance of the attestation report of the SLC's internal program controls auditor, PriceWaterHouseCoopers, and the conclusion of the General Accounting Office that

the SLC had complied with its recommendations. The efforts to issue Funding Commitment Decisions Letters are fully engaged.

4. Ms. Moore reviewed the projected timetable for issuing the first "wave" of Funding Commitment Decision Letters. She also described the numerous operational steps that must be taken in order to successfully issue the Funding Decisions Letters.
5. Ms. Moore discussed the transition of a new Executive Director for the Schools and Libraries program at NECA. Lou Marinaccio has resigned to pursue an employment opportunity in the health care field, and Mr. John Parry has been hired to serve as the Executive Director at NECA in charge of the program. Mr. Parry has over 25 years of operations experience in the communications industry. During the transition period, SLC management will be an on-site presence at NECA to serve as a resource for Mr. Parry and his team.
6. The Board discussed the confidential proposal of the SLC staff to set the funding parameters for the first run of the funding commitment module. Under procedures established by the SLC in consultation with PriceWaterHouseCoopers and the FCC, the SLC Board of Directors and FCC must approve the funding parameters (inclusive of a contingency component) prior to the first run of the funding commitment questions, Mr. Gumper made a motion, which was seconded by Dr. Marockie, to approve the SLC staff proposal for the funding parameters. The Board unanimously approved the motion.

The call ended at approximately 12 noon ET.

Debra M. Kriete
Secretary

Date

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

November 24, 1998

MINUTES

A meeting of the Schools and Libraries Corporation (SLC) Board of Directors was held via conference call on November 24. The meeting was called to order at 12:30 PM ET by Ms. Kathleen Ouye, Chair. Five Board members were present, representing a quorum, as follows:

Kathleen "K.G." Ouye
Frank Gumper
Hank Marockie
Brian Talbott
Anne Bryant

Also present:

Kate L. Moore, Acting CEO and Treasurer, Schools and Libraries Corporation
Debra M. Kriete, General Counsel and Secretary, Schools and Libraries Corporation

Approval of Minutes

1. Dr. Talbott moved to approve the November 9, 1998 Board Conference Call minutes. Ms. Bryant seconded the motion, which was then unanimously approved.

USAC/SLC/RHCC Agreement and Plan of Merger

2. The Corporation's proposed draft Agreement and Plan of Merger with the Rural Health Care Corporation and with the Universal Service Administrative Company was discussed. The Board unanimously approved the Agreement and Plan of Merger. The Board directed the Secretary to issue a Notice of Meeting of the Board for December 15, 1998, to formally and finally approve the Merger.

Parameter for Commitment Module for Cycle 2

3. Based on the parameter analysis provided to the Board, and on management’s recommendation, the Board unanimously approved the execution of the commitment module for cycle 2 applications.

Filing window

4. Ms. Bryant moved to extend the length of the application filing window by up to twenty days, subject to staff consultation with the FCC regarding the due date for SLC’s demand estimate. The motion was seconded, and then unanimously approved.

Adjournment

5. The call recessed at 1:15 PM ET.

Debra M. Kriete

Secretary

Date

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

December 15, 1998

MINUTES

A meeting of the Schools and Libraries Corporation (SLC) Board of Directors was held at the International Trade Center & Ronald Reagan Building, 1300 Pennsylvania Avenue, Washington, DC on the above date. The meeting was called to order at 9:30 AM by Ms. Kathleen G. Ouye, Chair. Five Board members were present, representing a quorum, as follows:

Kathleen G. Ouye
Hank Marockie
Brian Talbott
Frank Gumper
Anne Bryant

Also present:

Kate L. Moore, Schools and Libraries Corporation
Debra M. Kriete, Schools and Libraries Corporation
Mickey Revenaugh, Schools and Libraries Corporation

Merger

1. The Board of Directors appointed Debra Kriete to be the Inspector for purposes of conducting a ballot of the Board on the Agreement and Plan of Merger between Schools and Libraries Corporation, Rural Health Care Corporation and Universal Service Administrative Company (USAC). Mr. Michael Wood was appointed to be the Inspector for the purpose of observing Ms. Bryant's balloting. Ms. Bryant participated in the meeting via conference call whereas the other Board members were present in Washington, DC.
2. Ms. Kriete announced that the notice of the meeting of the Board had been circulated based on the Board's action of November 24, 1998, at which time the Board adopted a Resolution to approve the draft Agreement and Plan of Merger, and to direct the Secretary to issue a notice of meeting of the Board for this date, December 15th, for the purpose of the Board's consideration of formal adoption and approval of the Agreement and Plan of Merger.
3. Ms. Kriete distributed the ballots to each member of the Board. Mr. Wood distributed a ballot to Ms. Bryant.

4. Ms. Kriete announced the closing of the ballot process. After collecting the ballots from Ms. Ouye, Dr. Marockie, Dr. Talbott and Mr. Gumper, and confirming that the ballots were properly completed, Ms. Kriete announced that the vote to approve the Agreement and Plan of Merger was four affirmative votes. Mr. Wood announced that Ms. Bryant also voted in the affirmative.

Budget and Finance

5. The Board discussed a resolution to increase the 1998 authorized spending level for the PricewaterhouseCoopers Contract with the Schools and Libraries Corporation to an amount not to exceed \$1.169 million [Kate, please check the #, as I am working from memory and don't have my notes with me.] The increased spending was based on invoices received and reviewed by SLC management for services provided by the auditors in connection with obtaining the unconditional and unqualified attestation of the adequacy of the internal control programs to protect against fraud, waste and abuse. Mr. Gumper moved, and Ms. Bryant seconded, the motion to approve the Resolution. Thereupon, the Board unanimously approved the Resolution.

Program Update

6. Ms. Moore provided an update on the issuance of the first program year funding commitment decisions letters, and advised the Board that the last "wave" of letters was scheduled to be released in late January, 1999. In order to assure that all applicants have a meaningful opportunity to participate in the second year application process, the window for the second program year was extended to 100 days in consultation with the FCC and also upon the approval of the Board. This time frame requires that the application window will close on March 11, 1999 at 11:59 PM ET and by no later than April 1, 1999, the SLC must submit to the FCC a demand estimate for the applications received during the window. In order to issue funding commitment decisions letters before July 1, 1999, the start of the second program year, the SLC would need to be informed of the amount of authorized funds by no later than May 1, 1999. The FCC must evaluate and decide on the amount of authorized funds for the second program year.
7. A major accomplishment concerning the issuance of decision letters is the advance notification process undertaken for members of federal and state government. This information will be available on the Web Site publicly after each wave of letters is issued, and can be previewed by state and federal government officials in advance. Ms. Revenaugh recognized Jodie Pozo-Olano for her work effort on this project.
8. Ms. Moore also provided an update on the efforts to process applications received during the second year application window which opened on December 1, 1998. She also described the upcoming Form 471 online filing function that will be available and expressed optimism that the online submission of applications would significantly reduce our processing and reviewing time for Form 471 applications. Ms. Moore confirmed that the decision letters for the second program year will also be released in waves, and since one criteria for the formation of waves is how quickly the SLC was able to enter a Form 471 application into our data system, the SLC is hopeful that applicants will perceive the benefit of prompt submission of Forms 471. The prompt submission of Forms 471 is also

an integral assumption underlying the SLC's plan to issue all decision letters before the start of the next funding year on July 1, 1999.

9. Ms. Kriete mentioned that the SLC will be disseminating information to applicants and providers concerning the funding requests contained in applications based on the data entry of those applications. These Form 471 receipt notification letters will be sent to applicants and service providers after an application has been entered into the data system. The notifications to service providers will allow vendors more time to prepare their billing systems to be ready to provide discounts on bills issued in August, 1999 based on July billing data.
10. Ms. Revenaugh provided a comprehensive briefing of the efforts of the outreach staff. Those efforts are in full force for vendors as well as service providers. The vendor training session in Dallas Texas was well received and mutually beneficial for the participants and the SLC staff alike.

Review of the Year

11. Each board member offered their kind, generous and complimentary remarks about the contributions made by each member of the SLC staff, the applicant and vendor communities; the FCC; members of Congress; and other supporters of the E-rate program. The Board especially paid tribute to Mr. Ira Fishman, the former Chief Executive Officer of the Corporation.

12. The Board Meeting was adjourned at 10:48 AM.

Debra M. Kriete
Secretary

Date

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

December 28, 1998

MINUTES

A meeting of the Schools and Libraries Corporation (SLC) Board of Directors Executive Committee was held by conference call at 2:09 p.m. Eastern Time on December 28, 1998. The Chair, Kathleen Ouye, called the meeting to order. Kate Moore, Acting CEO, took the minutes.

All five of the members of the Board were present, representing a quorum as follows:	
Anne L. Bryant	Frank Gumper
Dr. Hank Marockie	Kathleen G. Ouye
Brian Talbott	
Others present for the meeting were as follows:	
Kate L. Moore	Acting CEO and Treasurer

1. Approval of Minutes

The Board discussed the minutes of it's last meeting, and Ms. Ouye pointed out one Board member's observation that the SLC Board had taken action on the extension of the application window to 100 days. Ms. Moore volunteered that the exact figure for the PriceWaterHouseCoopers contract authorization would be provided. Ms. Ouye suggested that the word "assure" be edited to read "provide" in the sentence, describing the rationale for extension of the window. Mr. Gumper moved that the minutes of December 15, 1998 be approved subject to the edits being made. The motion was seconded and the Chair called the question; the motion passed unanimously.

2. Authorization of Merit Pay Structure

Ms. Ouye introduced the topic of merit pay awards by observing that the Board's role was to evaluate the framework for performance review, as well as evaluate the ranges suggested for one-time merit performance awards. She pointed out that Cheryl Parrino had been consulted on the framework and was in favor of the concept. Recognizing that with the new Universal Service Administrative Company structure a new pay scale needed to be established, the one-time merit award was being proposed by the Acting CEO as a mechanism to recognize performance while preserving flexibility for management in the new corporate structure.

A framework for the merit performance awards was proposed with tiered

percentages to be applied to base salaries earned during the period from January 1 to December 21, 1998. Any earnings above the \$100,000 level were to be excluded from the base in order to avoid over-weighting the merit pool to higher salaried individuals. The percentage tiers proposed by the Acting CEO were as follows:

Does not fully meet expectations: 0%
Fully meets expectations: under 3.0%
Exceeds Expectations: 3.0% to 8.0%

The Board considered the accomplishments of the SLC relative to expectations. This responded to Ms. Moore's observation that it was important to obtain the Board's perspective on corporate accomplishments, because the ratings of staff should be in alignment with corporate accomplishments. The consensus was that the SLC had many significant accomplishments. While original expectations would have been to complete the commitment process by July 1, it was also noted that the changes in FCC rules and the intensity of the pre-commitment auditing process would not have been anticipated either. Ms. Ouye observed that in light of the "moving targets, " the corporation as a whole exceeded expectations. Anne Bryant observed that she believed that as a whole, the corporation did exceed expectations. A question was posed about the total cost of the merit awards; Ms. Moore replied that it was \$28,000. With that information, Ms. Bryant moved to approve the percentage framework, Mr. Gumper seconded the motion, and the motion was passed unanimously.

3. 1998 Audit Plans

Ms. Moore noted that the Board attachments included the financial audit plan for 1998, and indicated that the next step was to present the plan to the FCC. A question was asked about the cost, and Ms. Moore indicated an estimate of up to \$40,000, and that the goal was to pursue efficiencies by considering using the same auditor as selected by USAC. No action was sought or provided. Ms. Moore indicated that she wanted the Board to be appraised of the plan, which required FCC approval.

4. Program Updates

Ms. Moore apprised the Board that the Board of Director of Technology Planning, Tom Carroll, had accepted a position at the Department of Education as the leader of a new \$75 million grant program to support technology training and would be leaving the SLC on January 19, 1999.

5. The meeting adjourned at 3:10 p.m.