

2007 Schools and Libraries Committee Meetings Minutes

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

January 22, 2007

MINUTES

The quarterly meeting of the Schools and Libraries Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday, January 22, 2007. Ms. Anne Campbell, Committee Chair, called the meeting to order at 8:37 a.m. Eastern Time. All seven members of the Committee were present, representing a quorum:

Barash, Scott – Acting CEO
Bryant, Dr. Anne – Vice Chair
Campbell, Anne – Chair
Jackson, Jimmy

McClure, David
Simon, Phyllis
Talbot, Dr. Brian

Other Board Members and Officers of the corporation present:

Belden, Richard – Chief Operating Officer

Blackwell, Mel – Vice President, Schools & Libraries Division

Capozzi, David – Acting General Counsel and Assistant Secretary

Erwin, W.B. – Vice President, Finance and Assistant Treasurer

Flannery, Irene – Senior Vice President, External Relations

Holcombe, Jamie – Vice President, Information Systems

Kragel, Dr. Peter – Member of the Board

Scott, Wayne – Vice President, Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Ayer, Catriona	USAC
Beach, Cynthia	USAC
Beard, Jay	USAC
Bellavia, Leslie	USAC
Carroll, Kristy	USAC
Castro, Mauricio	USAC
Falkowitz, Ed	USAC
Faunce, Donna	USAC
Fullwood, Leslie	USAC
Gerensky-Greene, Mitko	USAC
Goff, Liz	USAC
Harrington, John	FFL
Kaplan, Peter	Funds for Learning
Kaufman, Ron	FCC
Kraft, Mick	USAC
Lawhead, Merry	USAC
LeNard, David	USAC
Lenhardt, Chris	USAC
Malychev, Victor	USAC
McCloud, Robert	USAC
Melendez, Ginna	USAC
Mitchell, Jeff	USAC
Mondenge, Yvie	USAC

<u>NAME</u>	<u>COMPANY</u>
Morrow, Henry	FCC
Murphy, Brian	USAC
Murphy, Kristin	USAC
Nuzzo, Patsy	USAC
Peck, Aaron	FFL
Perry, John	Solix
Rasmussen, Mary	USAC
Reynolds, Renee	USAC
Richter, Bob	IBM
Rivera, Robert	Spectrum
Rodriguez, Jose Luis	FCC
Short, Don	USAC
Spiller, Bob	USAC
Stankus, Paul	USAC
Stark, Eric	USAC
Tilton, Michelle	USAC
Uzoukwu, Gene	USAC
Wening, Tony	IBM

ACTION ITEMS:

- a1. **Approval of Schools & Libraries Committee Meeting Minutes of October 23, 2006, November 13, 2006 and December 19, 2006.** On a motion duly made and seconded, the Committee approved the minutes as written of the Committee meetings of October 23, 2006, November 13, 2006 and December 19, 2006.

a2. Approval of 2nd Quarter 2007 and 2007 Annual Schools and Libraries Support Mechanism Programmatic Budgets. Mr. Erwin introduced this item to the Committee. In his presentation, he noted that the 2007 annual budget before the Committee of \$61,100,700 is \$2,850,000 higher than the budget presented to the Committee in October for two reasons. First, \$3.3 million was added to program administration for work to be provided under the new Solix fixed price payment schedule based on the actual terms of the contract. The cost provided to the Committee in October was an estimate. Second, the program contingency was reduced by \$450,000 for work that is now included under the Solix fixed price agreement.

Mr. Erwin also noted that: (a) Solix contract costs of \$43,705,100 represent 72% of the programmatic budget; (b) IPIA audit costs of \$9,920,000 represent 16% of the programmatic budget; and (c) the remaining 12% includes \$3,047,900 for compensation and benefits for 25 employees, \$3,672,000 for site visits, and \$755,700 for travel, printing, and miscellaneous administrative and outreach functions.

Mr. Erwin explained that the 2nd Quarter 2007 programmatic budget of \$17,269,700 is 34% higher than 2nd Quarter 2006 actual expenses, primarily due to IPIA audit expenses. The Solix contract cost is also higher in 2007 due to the system enhancements being developed.

Mr. Blackwell addressed current open positions, stating that one new employee has been hired and he is working diligently to hire a second employee.

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

RESOLVED, that the USAC Schools & Libraries Committee approves a 2nd Quarter 2007 budget for the Schools and Libraries Support Mechanism of \$17,269,700; and

RESOLVED FURTHER, that the USAC Schools & Libraries Committee approves a 2007 annual budget for the Schools and Libraries Support Mechanism of \$61,100,700.

a3. Approval of 2nd Quarter 2007 Schools and Libraries Support Mechanism Demand Projection for the January 31, 2007 FCC Filing. Mr. Blackwell introduced this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee, having reviewed at its meeting on January 22, 2007, a summary of the 2nd Quarter 2007 support mechanism demand estimates, including administrative costs, hereby directs USAC management to proceed with the required January 31, 2007 filing to the FCC on behalf of the Committee. Management may make adjustments if the variance is equal to or less than \$10.0 million or may seek approval from the Schools & Libraries Committee Chair to make adjustments if the variance is greater than \$10.0 million but no more than \$15.0 million.

- a4. Recommendation for Annual Election of Committee Chair and Vice Chair.** Ms. Campbell introduced this item to the Committee and requested nominations for the Committee Chair and Vice Chair positions. Dr. Talbott nominated Ms. Campbell for Committee Chair and Dr. Bryant for Committee Vice Chair. There were no other nominations submitted.

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

RESOLVED, that the USAC Schools & Libraries Committee recommends that the USAC Board of Directors elect **Anne Campbell** as Chair and **Dr. Anne Bryant** as Vice Chair of the USAC Schools & Libraries Committee for a term that begins immediately following the conclusion of the January 23, 2007 Board of Directors meeting (whether by adjournment, postponement or recess) and ends when a successor to the Chair and/or Vice Chair has been elected or when the Chair or Vice Chair resigns from the Committee or the Board, is removed by resolution of the Board, or the Chair and/or Vice Chair's Board term expires.

- a5. Action on One USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Performance Audit Report.** Mr. Lenhardt, Senior Auditor, Fraud Specialist, USAC Internal Audit Division (IAD), introduced this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee, having reviewed the USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Audit Report labeled SL2006BE002 together with management's responses thereto, directs that such audit report be deemed final.

- a6. Action on 15 KPMG LLP Schools and Libraries Support Mechanism Beneficiary Performance Audit Reports.** Ms. Bellavia, Manager of Internal Audit, USAC IAD, introduced this item to the Committee. Mr. Blackwell cited the combined use of newsletters, outreach and education as assisting beneficiaries in complying with program rules, which ultimately results in fewer audit findings. Ms. Campbell requested that the

Committee receive information summarizing audit findings for the quarter similar to the information provided to the Audit Committee. Ms. Simon questioned the status of audits that are deemed final, but recovery is still pending. Mr. Blackwell noted that once final, audits are not returned to the Committee. Ms. Bellavia stated that the Internal Audit Division provides a status on these audits in April and October. Mr. McClure requested that the Committee receive a trend analysis on audit findings. Ms. Bellavia noted that a trend analysis will be provided once all of the planned audits are completed, which is anticipated to be in April or July.

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

RESOLVED, that the USAC Schools & Libraries Committee having reviewed the 15 KPMG LLP Schools and Libraries Support Mechanism beneficiary performance audit reports labeled: SL2004BE036, SL2005BE011, SL2005BE013, SL2005BE014, SL2005BE019, SL2005BE021, SL2005BE034, SL2005BE040, SL2005BE041, SL2005BE044, SL2005BE046, SL2005BE067, SL2005BE077, SL2005BE078, and SL2005BE082, together with management's responses thereto, directs that each such audit report be deemed final.

a7. Miscellaneous.

- **Solicit ideas for April 2007 Committee Agenda.** Ms. Campbell reminded members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Ms. Campbell or Mr. Barash between quarterly meetings.

INFORMATION ITEMS:

- i1. **Schools and Libraries Support Mechanism Update.** Mr. Blackwell introduced this item to the Committee. He reported that the 2007 funding window is schedule to remain open until February 7. Mr. Blackwell also mentioned that seven outreach trainings have been completed, which were well received by attendees. Mr. Blackwell stated that all objectives in the 2006 Solix Performance Agreement had been achieved. Mr. Blackwell also stated that invoices are being processed faster than ever and process improvements have allowed on-line processing of the BEAR form. Dr. Talbott inquired as to the possibility of creating a short form for use with small, rural organizations. Mr. Blackwell indicated that a prototype is under development. Mr. McClure requested the specifics of the service provider training and offered to assist in this area. Ms. Simon asked how the USAC HATS (Helping Applicants to Succeed) site visit program functions. Mr. Blackwell provided an explanation of the program.

i2. **Update on the Schools and Libraries and Rural Health Care Program Support Services Agreement – Confidential & Proprietary – *Executive Session Recommended.*** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because discussion of this matter relates to USAC’s *procurement strategy and contract negotiations*, and public disclosure of the matters discussed in this paper would compromise USAC’s negotiation strategy to the detriment of the Universal Service Fund, the universal service support programs and the company.

On a motion duly made and seconded, the Committee adopted the following resolution:
RESOLVED, that the USAC Board of Directors determines that consideration of the course of action concerning Schools and Libraries and Rural Health Care program support services agreement shall be conducted in *Executive Session*.

At 9:23 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purposes of discussing the confidential and proprietary item noted above.

EXECUTIVE SESSION:

i2. **Update on the Schools and Libraries and Rural Health Care Program Support Services Agreement.** Mr. Barash, Mr. Belden and Mr. Blackwell presented information to and discussed this item with the Committee.

At 9:43 a.m. Eastern Time, on a motion duly made and seconded, the Committee voted to move out of *Executive Session* and immediately reconvened in *Open Session* at which time, Ms. Campbell the Committee discussed item i2 above in *Executive Session*.

On a motion duly made and seconded, the Board Adjourned at 9.45 a.m. Eastern Time

/s/ David A. Capozzi

David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

March 27, 2007

MINUTES

A non-quarterly meeting of the Schools & Libraries Committee (Committee) of the Board of Directors of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Tuesday, March 27, 2007. Ms. Anne Campbell, Chair of the Committee, called the meeting to order at 1:04 p.m. Eastern Time. Four of seven members of the committee were present, representing a quorum:

Barash, Scott – Acting CEO

Campbell, Anne – Chair – *by telephone*

Simon, Phyllis – *by telephone*

Talbott, Dr. Brian – *by telephone*

Member of the Committee not present:

Bryant, Dr. Anne

Jackson, Jimmy

McClure, David

Other Board Members and Officers of the Corporation present:

Belden, Richard – Chief Operating Officer

Blackwell, Mel – VP, Schools and Libraries Division

Capozzi, Dave – Acting General Counsel and Assistant Secretary

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Barlow, Greg	District of Columbia Public Schools
Morrow, Henry	FCC
Nuzzo, Patsy	USAC

ACTION ITEMS:

- a1. Consideration of Approval to Deny Requests for Priority 2 Services at or Below 84% for Funding Year 2006.** Mr. Blackwell introduced this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee authorizes staff to deny, upon FCC approval, all funding requests for Priority 2 services at discount percentages of 84% and below for Funding Year 2006 for lack of funding.

- a2. Consideration of Approval to Make Commitments for Priority 1 Services at 20% and Above for Funding Year 2007.** Mr. Blackwell introduced this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee authorizes staff to commit, upon FCC approval, waves for Funding Year 2007 with the parameters set at 20% and above for Priority 1 services.

On a motion duly made and seconded, the Committee adjourned at 1:12 p.m. Eastern Time.

/s/ David A. Capozzi

David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

April 23, 2007

MINUTES

The quarterly meeting of the Schools & Libraries Committee (Committee) of the Board of Directors of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday, April 23, 2007. Ms. Anne Campbell, Committee Chair, called the meeting to order at 9:00 a. m. Eastern Time. All seven members of the committee were present, representing a quorum:

Barash, Scott – Acting CEO	McClure, David – <i>by telephone</i>
Bryant, Dr. Anne – Vice Chair	Simon, Phyllis
Campbell, Anne – Chair	Talbott, Dr. Brian
Jackson, Jimmy	

Other Board members and officers of the Corporation present:

Belden, Richard – Chief Operating Officer

Capozzi, David – Acting General Counsel and Assistant

Erwin, WB – Vice President of Finance and Assistant Treasurer

Flannery, Irene – Senior Vice President, External Relations

Holcombe, Jamie – Vice President, Information Services

Kragel, M.D., Peter – Member of the Board and Secretary

Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Ayer, Catriona	USAC
Bancroft, Royce	USAC

<u>NAME</u>	<u>COMPANY</u>
Beach, Cyndi	USAC
Beard, Jay	USAC
Beaver, Tracey	USAC
Bellavia, Leslie	USAC
Castro, Mauricio	USAC
Cruzan, Cathy	Funds for Learning
Davis, Craig	USAC
Eisley, Andy	USAC
Falkowitz, Ed	USAC
Faunce, Donna	USAC
Flock, Eric	USAC
Fullwood, Leslie	USAC
Gelman, Sheryl	USAC
Gerensky-Greene, Mitko	USAC
Goff, Liz	USAC
Goode, Vernell	USAC
Harrington, John	Funds for Learning
Hughes, Jeff	USAC
Kaffky, John	Bearing Point
LeNard, David	USAC
Lenhardt, Chris	USAC
Lowery, Craig	USAC
Machcinski, Thaddeus	FCC
McCloud, Robert	USAC

<u>NAME</u>	<u>COMPANY</u>
McDonald, George	E-Rate Central
McIntyre, Deirdre	USAC
Melendez, Ginna	USAC
Messemer, Steve	Bearing Point
Mitchell, Jeff	USAC
Mollway, John	eDimension Consulting
Mondenge, Yvie	USAC
Morrow, Henry	FCC
Mosley, Corey	USAC
Murphy, Brian	USAC
Nagrod, Christine	USAC
Nesbitt, Jeff	USAC
Noran, John	USAC
Nuzzo, Patsy	USAC
Panton, Marci	USAC
Parry, John	Solix
Patterson, Tuaranna	USAC
Rasmussen, Mary	USAC
Ritcher, Bob	IBM
Rivera, Robert	Spectrum Communications
Rodriguez, Jose Luis	FCC
Rovetto, Ed	USAC
Schultz, Cynthia	Patton Boggs
Short, Don	USAC

<u>NAME</u>	<u>COMPANY</u>
Spiller, Bob	USAC
Stankus, Paul	USAC
Tawes, Pauline	USAC
Trew, Anne Marie	USAC
Wening, Tony	IBM

ACTION ITEMS:

a1. Approval of Schools & Libraries Committee Meeting Minutes of January 22, 2007 and March 27, 2007. On a motion duly made and seconded, the Committee approved the minutes as written of the Committee meetings of January 22, 2007 and March 27, 2007.

a2. Approval of 3rd Quarter 2007 Schools and Libraries Support Mechanism Programmatic Budget. Mr. Erwin introduce this item to the Committee. In his presentation, Mr. Erwin noted that USAC management proposed no changes to the budget approved by the Committee in January 2007.

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

RESOLVED, that the USAC Schools and Libraries Committee approves a 3rd Quarter 2007 budget for the Schools and Libraries Support Mechanism of \$14,109,000.

a3. Approval of 3rd Quarter 2007 Schools and Libraries Support Mechanism Demand Projection for the May 2, 2007 FCC Filing. Mr. Belden introduced this item to the Committee. Mr. Belden requested authority to collect \$473.357 million from Universal Service Fund (USF) contributors to meet Schools and Libraries Support Mechanism demand in the 3rd Quarter 2007 (3Q2007). Consistent with FCC direction, Mr. Belden projected that \$650 million of unused funds in prior funding years would be available to carry forward.

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

RESOLVED, that the USAC Schools & Libraries Committee, having reviewed at its meeting on April 23, 2007, a summary of the 3rd Quarter 2007 support mechanism demand estimates, including administrative costs, hereby directs USAC

management to proceed with the required May 2, 2007 filing to the FCC on behalf of the Committee. Management may make adjustments if the variance is equal to or less than \$10.0 million or may seek approval from the Schools & Libraries Committee Chair to make adjustments if the variance is greater than \$10.0 million but no more than \$15.0 million.

a4. Action on One FCC Office of Inspector General Schools and Libraries Support Mechanism Beneficiary Performance Audit Report. Mr. Scott introduced this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee, having reviewed the Federal Communications Commission, Office of Inspector General, Schools and Libraries Support Mechanism Beneficiary Audit Report labeled SL2005BE100 together with management's responses thereto, hereby accepts the recommendation of USAC management that such audit report be deemed final.

a5. Action on One Schools and Libraries Support Mechanism Beneficiary Audit Performed by the Department of Education, Office of Inspector General. Mr. Scott introduced this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee, having reviewed the United States Department of Education, Office of Inspector General, Schools and Libraries Support Mechanism Beneficiary Audit Report labeled SL2004BE064, together with management's responses thereto, hereby accepts the recommendation of USAC management and recommends that such report be deemed final.

a6. Miscellaneous.

- Solicit ideas for July 2007 Committee Agenda. Ms. Campbell informed the Committee that agenda ideas for the next quarterly meeting may be submitted to Mr. Barash, Mr. Blackwell or her.

INFORMATION ITEMS:

i1. Schools and Libraries Support Mechanism Update. Mr. Belden presented this item to the Committee. He noted the following in his presentation:

- The application window for Funding Year 2007 closed on February 8, 2007. Applicants filed approximately 40,354 applications before the window closed and, as of March 31, 2007, had submitted nearly 19,000 online Item 21 Attachments covering over 50,600 individual funding requests.

- USAC met its March 31, 2007 performance objective for completion of application review for Funding Year 2006 one month early. Reviews of 99.9% of applications that were not on hold were completed by February 28, 2007. As of March 31, 2007, USAC had issued funding decisions with net commitments totaling 80% of available funds—compared to only 66% of available funds committed at that time last year. As of March 31, 2007, nearly \$1.3 billion in funding commitments for Priority 1 services (telecommunications and Internet access) and approximately \$505 million in funding commitments for Priority 2 services (internal connections and basic maintenance of internal connections) had been issued—approximately 22% ahead of last year’s pace.
- During February 2007, 97.4% of invoices were processed within 20 days (up from 90% within 30 days in 1st Quarter 2006), meeting USAC’s performance objective. The average time to process an invoice dropped to five days in February 2007, down from 13 days on average in 2006.
- During 1st Quarter 2007, USAC reduced its appeals backlog by 59% and the number of appeals in process is lower than it has been in over a year. For the first time, USAC has issued at least 400 appeal decisions per month for seven consecutive months.

i2. **Semiannual Status Report on Ongoing USAC Audits.** Mr. Scott presented this item to the Committee. He reported that 108 Improper Payment Information Act (IPIA) draft reports are undergoing quality assurance review and 55 were recently returned and ready for review. Mr. Scott noted that interim Committee meetings would be scheduled to review the remaining audits.

i3. **Semiannual Status Report on Actions Taken on Final USAC Audits.** Mr. Scott presented this item to the Committee.

i4. **Update on the Schools and Libraries and Rural Health Care Program Support Services Agreement – Confidential & Proprietary – *Executive Session Recommended*.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in ***Executive Session***, Mr. Capozzi recommended that discussion of this item be conducted in ***Executive Session*** because discussion of this matter relates to USAC’s ***procurement strategy and contract administration***.

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

RESOLVED, that the USAC Schools & Libraries Committee determines that discussion of the Schools and Libraries and Rural Health Care program support services agreement shall be conducted in *Executive Session*.

i5. **Miscellaneous.** No additional items were discussed.

At 9:30 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into ***Executive Session*** with only members of the Committee and USAC officers present for the purpose of discussing the confidential and proprietary item noted above.

EXECUTIVE SESSION:

- i4. **Update on the Schools and Libraries and Rural Health Care Program Support Services Agreement.** Mr. Barash presented this item to the Committee.

At 10:10 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved out of ***Executive Session*** and immediately reconvened in ***Open Session*** at which time, Ms. Campbell reported that the Committee discussed item i4 above in ***Executive Session***.

On a motion duly made and seconded, the Committee adjourned at 10:11 a.m. Eastern Time.

/s/ David A. Capozzi

David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

June 4, 2007

MINUTES

A non-quarterly joint meeting of the Board of Directors (Board), Rural Health Care Committee and Schools and Libraries Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday, June 4, 2007. At the request of Ms. Anne Campbell, Committee Chair, Dr. Brain Talbott called the meeting to order at 1:03 p.m. Eastern Time. Five of seven Committee members were present, representing a quorum:

Barash, Scott – Acting CEO
Bryant, Dr. Anne – Vice Chair – *by telephone*
Campbell, Anne – Chair – *by telephone*

Jackson, Jimmy – *by telephone*
Talbot, Dr. Brian – *by telephone*

Members of the Committee not present:

McClure, David

Simon, Phyllis

Other Board members and officers of the corporation present:

Anderson, D. Michael – Member of the Board

Belden, Richard – Chief Operating Officer

Blackwell, Mel – Vice President, Schools and Libraries Division

Capozzi, David – Acting General Counsel and Assistant Secretary

England, Dr. William – Vice President, Rural Health Care Division

Erwin, WB – Vice President, Finance and Assistant Treasurer

Flannery, Irene – Senior Vice President, External Relations

Holcombe, Jamie – Vice President, Information Systems

Jortner, Wayne – Member of the Board

Joseph, Kevin – Member of the Board

Kragel, M.D., Peter – Member of the Board

Lubin, Joel – Member of the Board

Sanders, M.D., Jay – Member of the Board

Scott, Wayne – Vice President, Internal Audit

Williams, Jason - Member of the Board

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Kiser, Cherie	Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
Lerner, Richard	FCC
Nuzzo, Patsy	USAC

ACTION ITEM:

- a1. **Consideration of Rural Health Care and Schools and Libraries Program Support Services Procurement Strategy – Confidential & Proprietary – Executive Session Recommended.** In accordance with the approved criteria and procedures for conducting USAC Board and Committee business in **Executive Session**, Mr. Capozzi recommended that discussion of this item be conducted in **Executive Session** because this matter relates to USAC’s **procurement strategy and contract administration**.

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

RESOLVED, that the USAC Schools and Libraries Committee determines that consideration of the Rural Health Care and Schools and Libraries Program Support Services procurement strategy shall be conducted in **Executive Session**.

At 1:07 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into **Executive Session** for the purpose of discussing the confidential and proprietary item noted above.

EXECUTIVE SESSION:

a1. Consideration of Rural Health Care and Schools and Libraries Program Support Services Procurement Strategy. Mr. Barash introduced this item to the Board.

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

RESOLVED, that the Schools and Libraries Committee, having considered the Rural Health Care and Schools and Libraries Program Support Services procurement strategy proposed by management, hereby recommends to the USAC Board of Directors that management be authorized to proceed with implementing the proposed procurement strategy subject to any and all guidelines established by the Board.

At 1:38 p.m. Eastern Time, the Committee voted to move out of *Executive Session* and immediately reconvened in *Open Session*, at which time Dr. Talbott reported that the Committee considered and took action on item a2 above in *Executive Session*.

On a motion duly made and seconded, the Committee adjourned at 1:35 p.m. Eastern Time.
/s/ David A. Capozzi

David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

June 8, 2007

MINUTES

A non-quarterly meeting of Schools and Libraries Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Friday, June 8, 2007. Ms. Anne Campbell, Committee Chair called the meeting to order at 1:06 p.m. Eastern Time. Five of the seven Committee members were present, representing a quorum:

Barash, Scott – *by telephone*
Campbell, Anne – Chair – *by telephone*
Jackson, Jimmy – *by telephone*

Simon, Phyllis – *by telephone*
Talbot, Dr. Brian – *by telephone*

Members of the Committee not present:

Bryant, Dr. Anne – Vice Chair

McClure, David

Officers of the corporation present:

Belden, Richard – Chief Operating Officer

Blackwell, Mel – Vice President, Schools and Libraries Division

Capozzi, David – Acting General Counsel and Assistant Secretary

Flannery, Irene – Senior Vice President, External Relations

Scott, Wayne – Vice President, Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Short, Don	USAC
Lerner, Richard	FCC
Nuzzo, Patsy	USAC

<u>NAME</u>	<u>COMPANY</u>
Eisely, Andy	USAC
Mosley, Corey	USAC
Kaplan, Peter	Fund for Learning

ACTION ITEMS:

- a1. Consideration of Approval to Deny Requests For Priority 2 Services At or Below 85% for Funding Year 2006.** Mr. Blackwell introduced this item to the Committee. In his presentation, Mr. Blackwell noted that current calculations showed that funding all eligible Priority 2 services at 85% would exceed the \$2.25 billion commitment cap by \$41.61 million.

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

RESOLVED, that the USAC Schools & Libraries Committee authorizes staff to deny, upon FCC approval, all funding requests for Priority 2 services at discount percentages of 85% and below for Funding Year 2006 for lack of funding.

- a2. Consideration of Approval to Make Commitments for Priority 2 Services At a Discount Rate of 90% For Funding Year 2007.** Mr. Blackwell introduced this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee authorizes staff to commit, upon FCC approval, waves for Funding Year 2007 with the parameters set at 90% and above for Priority 2 services.

- a3. **Action on One United States Department of Interior, Office of Inspector General, Schools and Libraries Support Mechanism Beneficiary Audit Report.** Mr. Scott introduced this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee, having reviewed the United States Department of Interior, Office of Inspector General, Schools and Libraries Support Mechanism Beneficiary Audit Report labeled SL2005BE101, together with management's responses thereto, hereby accepts the recommendation of USAC management and recommends that such report be deemed final.

On a motion duly made and seconded, the Committee adjourned at 1:20 p.m. Eastern Time.

/s/ David A. Capozzi

David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

July 11, 2007

MINUTES

A non-quarterly meeting of the Schools and Libraries Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Wednesday, July 11, 2007. Ms. Campbell, Committee Chair, called the meeting to order at 12:05 p.m. Eastern Time. Six of the seven members of the Committee were present, representing a quorum:

Barash, Scott – Acting CEO	McClure, David – <i>by telephone</i>
Campbell, Anne – Chair - <i>by telephone</i>	Simon, Phyllis – <i>by telephone</i>
Jackson, Jimmy – <i>by telephone</i>	Talbott, Dr. Brian – <i>by telephone</i>

Members of the Committee not present :

Bryant, Dr. Anne – Vice Chair

Other Board Members and Officers of the corporation present:

Belden, Richard – Chief Operating Officer

Blackwell, Mel – Vice President, Schools & Libraries Division

Capozzi, David – Acting General Counsel and Assistant Secretary

Scott, Wayne – Vice President, Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Bellavia, Leslie	USAC
Daly, Dan	FCC
Eisley, Andy	USAC
Mitchell, Jeff	USAC
Morrow, Henry	FCC

NAME

COMPANY

Nuzzo, Patsy

USAC

ACTION ITEMS:

- a1. Action on 40 Schools and Libraries Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Mr. Scott introduced this item. In his presentation, Mr. Scott explained that the report provided an exhibit to include the amount audited, an estimated cost per audit, the monetary effect and the amount to be recovered. Mr. Scott also explained that the beneficiary surveys will be expanded to request the expense incurred by each beneficiary for their work involved in responding to the audits. Mr. Scott indicated that identifying this expense, as well as USAC staff expense combined with the costs associated with the auditing firms, quality assurance, and the program management will give the Committee a more accurate cost per audit.

The Committee requested that USAC management continue to work with the FCC's Office of Inspector General (OIG) to reduce the expense of conducting the audits. The Committee also expressed concern over the costs and staff resources incurred by small schools and libraries in responding to the audits as some of the schools and libraries that do not receive substantial funds from the program may be dissuaded from participating in the program due to the administrative burden created by the breadth of the audits.

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

RESOLVED, that the USAC Schools & Libraries Committee having reviewed the 40 Schools and Libraries Support Mechanism Beneficiary Compliance Attestation Audit reports as listed above, together with management's responses thereto, hereby accepts the recommendation of USAC management and determines that such reports shall be deemed final.

On a motion duly made and seconded, the Committee adjourned at 12:25 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

July 23, 2007

MINUTES

The quarterly meeting of the Schools and Libraries Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday, July 23, 2007. Ms. Anne Campbell, Committee Chair, called the meeting to order at 9:01 a.m. Eastern Time. Six of the seven members of the Committee were present, representing a quorum:

Barash, Scott – Acting CEO
Bryant, Dr. Anne – Vice Chair
Campbell, Anne – Chair

Jackson, Jimmy – *by telephone*
McClure, David – *by telephone*
Simon, Phyllis

Other Board Members and Officers of the corporation present:

Belden, Richard – Chief Operating Officer

Blackwell, Mel – Vice President, Schools & Libraries Division

Boyle, Anne – Member of the Board

Capozzi, David – Acting General Counsel and Assistant Secretary

Erwin, W.B. – Vice President, Finance, and Assistant Treasurer

Holcombe, Jamie – Vice President, Information Systems

Kragel, M.D., Peter – Member of the Board

Sanders, M.D., Jay – Member of the Board

Scott, Wayne – Vice President, Internal Audit

Others present for the meeting:

NAME

COMPANY

Anderson, Latoya

USAC

<u>NAME</u>	<u>COMPANY</u>
Ayer, Catriona	USAC
Beach, Cynthia	USAC
Beard, Jay	USAC
Betancourt, Laura	USAC
Carroll, Kristy	USAC
Eisley, Andy	USAC
Faunce, Donna	USAC
Friend, Dan	USAC
Fullwood, Leslie	USAC
Gelman, Sheryl	USAC
Gerensky-Greene, Mitko	USAC
Harrington, John	Funds for Learning
Henley, Michelle	BearingPoint
Hughes, Jeff	USAC
Jones, Samantha	USAC
Kaplan, Peter	Funds for Learning
Klaffky, John	BearingPoint
Kraft, Michael	USAC
LeNard, David	USAC
Lenhardt, Chris	USAC
Lowery, Craig	USAC
McCloud, Robert	USAC
Mitchell, Jeff	USAC
Mitchell, Steve	USAC

<u>NAME</u>	<u>COMPANY</u>
Mondenge, Yvie	USAC
Morrow, Henry	FCC
Mosley, Corey	USAC
Murphy, Brian	USAC
Nagrod, Christine	USAC
Nesbitt, Tom	USAC
Noran, John	USAC
Nuzzo, Patsy	USAC
Patterson, Tuaranna	USAC
Perry, John	Solix
Rovetto, Ed	USAC
Samuel, Denise	USAC
Short, Don	USAC
Spiller, Bob	USAC
Stankus, Paul	USAC
Stark, Eric	USAC
Trew, Anne Marie	USAC

ACTION ITEMS:

- a1. **Approval of Schools & Libraries Committee Meeting Minutes of April 23, 2007, June 4, 2007 and June 8, 2007.** On a motion duly made and seconded, the Committee approved the minutes as written of the Committee meetings of April 23, 2007, June 4, 2007 and June 8, 2007.
- a2. **Approval of 4th Quarter 2007 and Revised 2007 Annual Schools and Libraries Support Mechanism Programmatic Budgets.** Mr. Erwin introduced this item to the Committee. In his presentation, Mr. Erwin noted that USAC management is proposing a

net decrease of \$1,025,200 to the 2007 annual Schools and Libraries budget approved by the Committee in January. The net reduction is attributable to the FCC rejecting the proposed Solix Contract replacement, reductions in the IPIA audit costs, an adjustment to the Solix contract cost substantiated by the increase in work caused by the changes to the Program Integrity Assurance procedures and increased outreach to applicants, and a \$3,093,400 proposed increase to support the second round of IPIA audits.

In response to a question posed by Dr. Bryant, Mr. Blackwell noted that the FCC directed USAC to carry forward \$650 million of unused prior year funds into Funding Year 2007, and as a result, there will be a substantive increase in the number of Priority Two applications requiring review. Although the workload has increased, Mr. Blackwell indicated that most of the applications will be reviewed by the original January 2008 target date.

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

RESOLVED, that the USAC Schools and Libraries Committee approves a 4th Quarter 2007 budget for the Schools and Libraries Support Mechanism of \$12,508,100; and

RESOLVED FURTHER, that the USAC Schools and Libraries Committee approves a revised annual 2007 budget for the Schools and Libraries Support Mechanism of \$60,075,500.

- a3. **Approval of 4th Quarter 2007 Schools and Libraries Support Mechanism Demand Projection for the August 2, 2007 FCC Filing.** Mr. Blackwell introduced this item to the Committee. Mr. Barash stated that \$50 million of Funding Year 2002 funds, \$50 million of Funding Year 2003 funds, and \$50 million of Funding Year 2004 funds are available for use in future funding years since there are no appeals pending for these funding years.

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

RESOLVED, that the USAC Schools & Libraries Committee, having reviewed at its meeting on July 23, 2007, a summary of the 4th Quarter 2007 support mechanism demand estimates, including administrative costs, hereby directs USAC management to proceed with the required August 2, 2007 filing to the FCC on behalf of the Committee. Management may make adjustments if the variance is equal to or less than \$10.0 million or may seek approval from the Schools & Libraries Committee Chair to make adjustments if the variance is greater than \$10.0 million but no more than \$15.0 million.

- a4. **Action on Two Schools and Libraries Division Operational Follow-Up Audit Reports – Confidential & Proprietary – *Executive Session Recommended*.** In accordance with the approved criteria and procedures for conducting USAC Board and Committee business in *Executive Session*, Mr. Capozzi recommended that the audit reports be discussed in *Executive Session* because the reports relate to specific internal controls and/or confidential company data that would constitute ***a discussion of internal rules and procedures*** concerning the administration of the universal service support mechanisms.

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

RESOLVED, that the USAC Schools & Libraries Committee determines that discussion of the USAC Internal Audit Division Schools and Libraries Support Mechanism Operational Follow-Up Audit Reports labeled SL2006FL003 and SL2006FL004 shall be conducted in *Executive Session*.

- a5. **Action on 31 Schools and Libraries Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Mr. Scott introduced this item to the Committee. In his presentation, Mr. Scott noted that at the conclusion of the Committee meeting, 71 of the 155 IPIA audits will be complete.

Ms. Campbell and Dr. Bryant expressed concern over the disparity between the cost of the audits in comparison to the amounts to be recovered. Mr. Scott explained that the FCC's Office of Inspector General (OIG) directed USAC management to utilize a compliance attestation methodology. In conducting attestation audits, the costs are higher because the auditors assume greater risk in expressing an opinion as to whether the beneficiary and USAC management assertions relative to their compliance with program requirements and orders were fairly stated as compared to beneficiary audits, which have been performed in the past and only require auditors to report findings without expressing an opinion as to compliance with program rules. Mr. Scott also stated that the FCC Office of Inspector General has directed USAC to continue this approach with the next round of IPIA audits. Based on the Committee's previous request, Mr. Scott noted that the beneficiary surveys were expanded to request the expense incurred by each beneficiary for their work involved in responding to the audits. Mr. Scott indicated that identifying this expense, as well as USAC staff expense combined with the costs associated with the auditing firms, quality assurance and program management will give the Committee a more accurate cost per audit.

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

RESOLVED, that the USAC Schools & Libraries Committee having reviewed the 31 Schools and Libraries Support Mechanism Beneficiary Compliance Attestation Audit Reports as listed in Exhibit 1 to the issue paper and attached thereto, together with management's responses, hereby accepts the recommendation of USAC management and determines that such reports shall be deemed final.

- a6. **Action on Three KPMG LLP Schools and Libraries Support Mechanism Beneficiary Performance Audit Reports.** Mr. Scott introduced this item to the Committee. In his presentation, Mr. Scott noted that following the conclusion of the Committee meeting, 99 of 100 audit reports would be complete. Mr. Scott also mentioned that USAC Internal Audit Division staff is performing an expanded audit procedure on one remaining audit.

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

RESOLVED, that the USAC Schools & Libraries Committee having reviewed the three KPMG LLP Schools and Libraries Support Mechanism Beneficiary Performance Audit Reports labeled: SL2004BE034, SL2004BE045, and SL2005BE059 together with management's responses thereto, hereby accepts the recommendation of USAC management and determines that such reports shall be deemed final.

- a7. **Approval of Authority to Make Commitments for Priority Two Services at a Discount Rate of 83% for Funding Year 2007.** Mr. Blackwell introduced this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee authorizes staff to commit, upon FCC approval, waves for Funding Year 2007 with the parameters set at 83% and above for Priority 2 services.

- a8. **Miscellaneous. Solicit ideas for October 2007 Committee Agenda.** Ms. Campbell reminded members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Ms. Campbell, Dr. Bryant or Mr. Blackwell between quarterly meetings.

INFORMATION ITEMS:

- i1. **Schools and Libraries Support Mechanism Update.** Mr. Blackwell introduced this item to the Committee. Highlights of his report include the following:

- As of June 30, 2007, USAC has run eight commitment waves for Funding Year 2007 having an approximate value of \$457.64 million.

- The FCC has directed that \$650 million in Schools and Libraries funds be carried forward to Funding Year 2007, and, as a result, USAC will be making funding commitments in excess of the \$2.25 billion annual cap.
- USAC will conduct seven two-day regional trainings in the fall for both applicants and service providers. Trainings will be held in Washington, D.C. Orlando, Boston, New Orleans, Cleveland, San Francisco, and Phoenix.
- USAC staff has exceeded the invoice processing targets of 90% of all invoices processed in 20 days by processing 99% of all invoices in seven days.

In response to Ms. Campbell’s inquiry regarding the USAC Video Conference Facility, Mr. Blackwell noted that the technology has been used to conduct a training for applicants in Alaska and may also be used for training in the American Samoa, in addition to potential use with service providers when face to face meetings are not feasible.

i2. Update on the Schools and Libraries and Rural Health Care Program Support Services Solicitation – Confidential & Proprietary – *Executive Session*

Recommended. In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because discussion of this matter relates to USAC’s *procurement strategy and contract administration*.

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

RESOLVED, that the USAC Schools & Libraries Committee determines that consideration of the course of action concerning Schools and Libraries and Rural Health Care program support services solicitation shall be conducted in *Executive Session*.

At 10:02 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purposes of discussing the confidential and proprietary item noted above. The Committee then recessed until 10:12 a.m. Eastern Time at which time it reconvened in *Executive Session*.

EXECUTIVE SESSION:

- a4. Action on Two Schools and Libraries Division Operational Follow-Up Audit Reports.** Mr. Scott presented this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee, having reviewed the USAC Internal Audit Division Schools and Libraries Support Mechanism Operational Follow-Up Audit Reports labeled SL2006FL003 and SL2006FL004, together with management's responses thereto, hereby accepts the recommendation of USAC management and recommends to the USAC Audit Committee that such reports be deemed final.

- i2. **Update on the Schools and Libraries and Rural Health Care Program Support Services Solicitation.** Mr. Barash provided an update to on this item to the Committee.

At 10:30 a.m. Eastern Time, on a motion duly made and seconded, the Committee adjourned from *Executive Session* and immediately reconvened in *Open Session* at which time, Ms. Campbell reported that the Committee discussed and took action on item a4 and discussed i2 above in *Executive Session*.

On a motion duly made and seconded, the Committee adjourned at 10.31 a.m. Eastern Time

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

September 18, 2007

MINUTES

A non-quarterly meeting of the Schools and Libraries Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Tuesday, September 18, 2007. Dr. Anne Bryant, Committee Vice Chair, called the meeting to order at 3:05 p.m. Eastern Time. Six of seven members of the Committee were present, representing a quorum:

Barash, Scott – Acting CEO	McClure, David – <i>by telephone</i>
Bryant, Dr. Anne – Vice Chair – <i>by telephone</i>	Simon, Phyllis – <i>by telephone</i>
Jackson, Jimmy – <i>by telephone</i>	Talbott, Dr. Brian

Members of the Committee not present :

Campbell, Anne – Chair

Other Board Members and Officers of the corporation present:

Belden, Richard – Chief Operating Officer

Boyle, Anne – USAC Board member

Blackwell, Mel – Vice President, Schools & Libraries Division

Capozzi, David – Acting General Counsel and Assistant Secretary

Scott, Wayne – Vice President, Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Bellavia, Leslie	USAC
Daly, Dan	FCC
Eisley, Andy	USAC
Mitchell, Jeff	USAC

<u>NAME</u>	<u>COMPANY</u>
Morrow, Henry	FCC
Nuzzo, Patsy	USAC

ACTION ITEMS:

- a.1. Action on 42 Schools and Libraries Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Mr. Scott introduced this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee having reviewed the 42 Schools and Libraries Support Mechanism Beneficiary Compliance Attestation Audit reports as listed above, together with management's responses thereto, hereby accepts the recommendation of USAC management and determines that such reports shall be deemed final.

On a motion duly made and seconded, the Committee adjourned at 3:21 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

October 22, 2007

MINUTES

The quarterly meeting of the Schools & Libraries Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday, October 22, 2007. Ms. Anne Campbell, Committee Chair, called the meeting to order at 9:02 a.m. Eastern Time. Five of seven members of the Committee were present when the roll was called, representing a quorum.

Members of the Committee that attended the meeting:

Barash, Scott – Acting CEO
Campbell, Anne – Chair
Jackson, Jimmy

Simon, Phyllis – *by telephone*
Talbot, Dr. Brian
David McClure – *by telephone*

Mr. McClure joined the meeting at 9:10 a.m. Eastern Time. He did not participate in the discussion of or vote on items a1, a2 or a3.

Members of the Committee not present:

Bryant, Dr. Anne – Vice Chair

Other Board Members and Officers of the corporation present:

Belden, Richard – Chief Operating Officer

Blackwell, Mel – Vice President, Schools and Libraries Division

Boyle, Anne – Member of the Board

Capozzi, David – Acting General Counsel and Assistant Secretary

Erwin, W.B. – Vice President, Finance, and Assistant Treasurer

Holcombe, Jamie – Vice President, Information Systems

Jortner, Wayne – Member of the Board

Kragel, Dr. Peter – Member of the Board

Scott, Wayne – Vice President, Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Ahn, Shane	USAC
Anderson, Latoya	USAC
Ayer, Catriona	USAC
Bancroft, Royce	USAC
Beach, Cynthia	USAC
Beard, Jay	USAC
Betancourt, Laura	USAC
Castro, Mauricio	USAC
Cruzan, Cathy	Funds for Learning
Cunningham, Christina	USAC
Eisley, Andy	USAC
Falkowitz, Ed	USAC
Faunce, Donna	USAC
Fosso, Maurice	USAC
Friend, Dan	USAC
Fullwood, Leslie	USAC
Gerensky-Greene, Mitko	USAC
Goode, Vernell	USAC
Harrington, John	Funds for Learning
Ho, Amanda	USAC
Hughes, Jeff	USAC

<u>NAME</u>	<u>COMPANY</u>
Iversen, Eric	USAC
James, Christine	USAC
Jones, Samantha	USAC
Kaplan, Peter	Funds for Learning
King, Sola	USAC
Klaffky, John	BearingPoint
Kraft, Michael	USAC
LeNard, David	USAC
Lenhardt, Chris	USAC
McCloud, Robert	USAC
Melendez, Ginna	USAC
Mitchell, Jeff	USAC
Mondenge, Yvie	USAC
Morrow, Henry	FCC
Mosley, Corey	USAC
Murphy, Brian	USAC
Nagrod, Christine	USAC
Nesbitt, Tom	USAC
Noran, John	USAC
Nuzzo, Patsy	USAC
Perry, John	Solix
Rasmussen, Mary	USAC
Reynolds, Renee	USAC
Rivera, Robert	Spectrum Communications

<u>NAME</u>	<u>COMPANY</u>
Samuel, Denise	USAC
Schultz, Cynthia	Patton Boggs
Short, Don	USAC
Spiller, Bob	USAC
Tawes, Pauline	USAC
Wening, Tony	IBM
Wilson, Reggie	USAC

ACTION ITEMS:

a1. Approval of Schools & Libraries Committee Meeting Minutes of July 11, 2007, July 23, 2007 and September 18, 2007. On a motion duly made and seconded, the Committee approved the minutes as written of the Committee meetings of July 11, 2007, July 23, 2007 and September 18, 2007.

a2. Approval of 1st Quarter 2008 Schools and Libraries Support Mechanism Programmatic Budget and Information on the Estimated 2008 Annual Budget. In accordance with the approved criteria and procedures for conducting USAC Board of Directors and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because certain items regarding this matter relate to USAC's *procurement strategy and contract administration*.

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

RESOLVED, that the USAC Schools & Libraries Committee determines that the Approval of 1st Quarter 2008 Schools and Libraries Support Mechanism Programmatic Budget and Information on the Estimated 2008 Annual Budget shall be conducted in *Executive Session*.

a3. Approval of 1st Quarter 2008 Schools and Libraries Support Mechanism Demand Projection for the November 2, 2007 FCC Filing. Mr. Blackwell introduced this item to the Committee. In his presentation, Mr. Blackwell stated that 1st Quarter of 2008 projected support mechanism demand will be \$513 million.

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

RESOLVED, that the USAC Schools & Libraries Committee, having reviewed at its meeting on October 22, 2007, a summary of the 1st Quarter 2008 support mechanism demand estimate, including administrative costs, hereby directs USAC management to proceed with the required November 2, 2007 filing to the FCC on behalf of the Committee. Management may make adjustments if the variance is equal to or less than \$10.0 million or may seek approval from the Schools & Libraries Committee Chair to make adjustments if the variance is greater than \$10.0 million but no more than \$15.0 million.

- a4. Action on 42 Schools and Libraries Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Mr. Scott introduced this item to the Committee. In his presentation, Mr. Scott noted that at the conclusion of this meeting all remaining Round 1 Compliance Attestation Audits will be deemed final.

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

RESOLVED, that the USAC Schools & Libraries Committee having reviewed the 42 Schools and Libraries Support Mechanism Beneficiary Compliance Attestation Audit reports listed in Exhibit 1 to the issue paper and attached thereto, together with management's responses, accepts the recommendation of USAC management and hereby deems such reports final.

- a5. Miscellaneous. Solicit ideas for January 2008 Committee Agenda.** Ms. Campbell reminded members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Ms. Campbell, Dr. Bryant, or Mr. Blackwell between quarterly meetings.

INFORMATION ITEMS:

- i1-1. Schools and Libraries Support Mechanism Update.** Mr. Blackwell presented this item to the Committee. In his presentation, Mr. Blackwell noted that:
- As of September 30, 2007, USAC has issued 21 funding commitment waves for approximately \$1.40 billion, which is a 54.32% increase in dollars committed compared to Funding Year 2006, and more than any year since Funding Year 2000.
 - All 155 of the 2006 Schools and Libraries IPIA audit reports have been finalized, with all reports approved by the Committee to date.

- The USAC Helping Applicants to Succeed (HATS) site visit program also will be used to assist those beneficiaries that had substantial audit findings relating to a misunderstanding of program rules.
- The Government Accountability Office (GAO) is conducting follow up work to its 2005 inquiry "Greater Involvement Needed by the FCC in the Management and Oversight of the E-Rate Program."
- Revised FCC Forms 472, 473, 474, 479, and 500 were released on July 11, 2007 and are available on USAC's website under "Required Forms."
- The applicant training, "Back to the New Basics," commenced on September 13, 2007 in Washington, DC. Training sessions were also held in Orlando, FL on September 18-19, Boston, MA on September 25-26, New Orleans, LA on October 2-3, Cleveland, OH on October 9-10, San Francisco, CA on October 17-18, and Phoenix, AZ on October 24-25. Mr. Blackwell reviewed the training agenda and shared feedback from attendees with the Committee.
- In July 2007, USAC staff processed 98.7% of invoice lines within 20 days, exceeding USAC's performance objective. The average time to process an invoice line was six days. This was achieved despite a volume increase of 40% over last year.
- On July 27, 2007, the FCC issued a Public Notice seeking comments on USAC's proposed Eligible Services List for Funding Year 2008 Schools and Libraries Universal Service Support Mechanism funding. Contingent on FCC final approval, USAC expects to open the Funding Year 2008 filing window in early November. Mr. Blackwell stated that the Eligible Services List was recently approved by the FCC and further noted that Centrex, previously requiring a technical plan, is now classified as basic service and as such, no longer requires a technical plan. Mr. Blackwell suggested that the Committee consider opening the Funding Year 2008 filing window on November 7, 2007, and close the Funding Year 2008 filing window on January 24, 2008, a 79-day period that would allow applicants to file the FCC Form 470 before for the holidays.
- As of September 30, 2007, USAC has seen a 56.23% decrease in the number of appeals received when compared to 2006. As of September 30 last year, USAC had received over 800 Funding Year 2006 appeals. However, thus far USAC has only received 275 Funding Year 2007 appeals—a decrease of 65.63%. Staff believes this trend is attributable to two primary factors: (1) USAC working with applicants more closely in an effort to prevent denial of valid funding requests; and (2) USAC providing more detailed Funding Commitment Decision Letter comments that provide better clarity to the applicant and reduce the number of appeals filed due to not understanding the denial reason.

Dr. Talbott requested a report that would track Schools and Libraries appeals quarter by quarter to identify gains and advise which appeals can be removed from each category.

a6. Action on Funding Year 2008 Filing Window. (*This item was not part of the original agenda for this Committee meeting.*) The Committee held a discussion as to when the Funding Year 2008 filing window should be opened.

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

RESOLVED, that the USAC Schools & Libraries Committee accepts the recommendation of USAC management and hereby directs management to open the Funding Year 2008 filing window on November 7, 2007, and close the Funding Year 2008 filing window on January 24, 2008.

- i2. Semiannual Status Report on Ongoing USAC Audits.** Mr. Scott presented this item to the Committee. In his presentation, Mr. Scott noted that USAC Internal Audit Division (IAD) staff continued to focus on high risk beneficiaries and service providers identified through data analysis, whistleblower calls, requests by USAC management, law enforcement referrals, and program operations personnel (e.g., USAC's Program Integrity Assurance (PIA) review team or as a result of site visits performed by USAC or its contractors). In certain instances, IAD staff will perform follow-up audit work on beneficiary audits or as a result of information learned during site visits performed by USAC contractors.
- i3. Semiannual Status Report on Actions Taken on Final USAC Audits.** Mr. Scott presented this item to the Committee.
- i4. Update on the Schools and Libraries and Rural Health Care Program Support Services Solicitation.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

RESOLVED, that the USAC Schools & Libraries Committee determines that discussion of the Schools and Libraries and Rural Health Care program support services solicitation shall be conducted in *Executive Session*.

At 10:05 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purposes of discussing the confidential and proprietary items noted above. The Committee then recessed until 10:24 a.m. at which time it reconvened in *Executive Session*.

EXECUTIVE SESSION:

- a2. Approval of 1st Quarter 2008 Schools and Libraries Support Mechanism Programmatic Budget and Information on the Estimated 2008 Annual Budget.** Mr. Belden introduced this item to the Committee and provided information concerning the budget recommended by management.

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

RESOLVED, that the USAC Schools & Libraries Committee approves a 1st Quarter 2008 budget for the Schools and Libraries Support Mechanism of \$21.9 million.

i4. Update on the Schools and Libraries and Rural Health Care Program Support Services Solicitation. Mr. Barash provided an update to on this item to the Committee.

i5. Miscellaneous.

i5-1. Discussion of a Letter Received by Dr. Talbott From a Stakeholder Group Concerning the Schools and Libraries Support Mechanism. Dr. Talbott discussed this item with the Committee.

i5-2. Pre-decisional Item Regarding 2007 Priority 2 Services. Mr. Blackwell discussed this item with the Committee.

At 11:29 a.m. Eastern Time, on a motion duly made and seconded, the Committee adjourned from **Executive Session** and immediately reconvened in **Open Session** at which time, Ms. Campbell reported that the Committee discussed and took action on item a2 and discussed and items i4, i5-1 and i5-2 above in **Executive Session**.

On a motion duly made and seconded, the Committee adjourned at 11.30 a.m. Eastern Time.

/s/ David A. Capozzi _____

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

October 29, 2007

MINUTES

A non-quarterly meeting of the Schools and Libraries Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday, October 29, 2007. Ms. Anne Campbell, Committee Chair, called the meeting to order at 4:06 p.m. Eastern Time. Six of seven Committee members were present, representing a quorum:

Barash, Scott – Acting CEO
Bryant, Dr. Anne – Vice Chair – *by telephone*
Campbell, Anne – Chair – *by telephone*

Jackson, Jimmy – *by telephone*
Simon, Phyllis – *by telephone*
Talbot, Dr. Brian – *by telephone*

Members of the Committee not present:

McClure, David

Other Board Members and Officers of the corporation present:

Belden, Richard – Chief Operating Officer

Blackwell, Mel – Vice President, Schools & Libraries Division

Capozzi, David – Acting General Counsel and Assistant Secretary

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Nuzzo, Patsy	USAC
Rodriguez, Jose Luis	FCC

ACTION ITEMS:

- a1. Reconsideration of Funding Year 2008 Filing Window Closing Date.** Mr. Blackwell introduced this item to the Committee, noting that certain program stakeholders raised concerns regarding the closing date of January 24, 2008 for the Funding Year 2008 application filing window, which was approved by the Schools & Libraries Committee (Committee) at its October 22, 2007 quarterly meeting. Mr. Blackwell stated that the

concerns raised warrant reconsideration of the January 24 date by the Committee. Ms. Campbell noted that while this was a reasonable action, it is better for applicants to receive commitment letters as early as possible. She suggested that if the FCC continues to issue the Eligible Services List early, then USAC management should educate applicants to expect the filing window to close earlier in 2009. Dr. Talbott commented that it has only been since 2003 that the filing window has closed in February. He noted that if the FCC is able to continue to publish the list early, USAC should not follow the same timeline as in the past.

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

RESOLVED, that the USAC Schools & Libraries Committee accepts the recommendation of USAC management and hereby directs management to open the Funding Year 2008 filing window on November 7, 2007, and close the Funding Year 2008 filing window on February 7, 2008. This resolution supersedes the resolution regarding the Funding Year 2008 application filing window adopted by the Committee at its October 22, 2007 meeting.

- a2. Consideration of Approval To Deny Requests For Services At Or Below 79% For Funding Year 2007.** Mr. Blackwell introduced this item to the Committee requesting that the Committee approve denial of funding requests for Funding Year 2007 Priority 2 services at 79% and below and noted that no change is recommended for the commitment threshold, which the Committee has approved at 83% and above. In response to a question posed by Ms. Simon regarding the likelihood of the Priority 2 services reaching 80%, Mr. Blackwell responded that it is an unlikely occurrence since the Priority 1 services were being funded at a higher rate, and there are fewer denials. Mr. Blackwell commented that the number of applications and funds requested were comparable to past years, however there were half the number of appeals.

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

RESOLVED, that the USAC Schools & Libraries Committee authorizes staff to deny, upon FCC approval, all funding requests for Priority 2 services at discount percentages of 79% and below for Funding Year 2007 for lack of funding

On a motion duly made and seconded, the Committee adjourned at 4:28 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

November 28, 2007

MINUTES

A non-quarterly joint meeting of the Rural Health Care Committee and the Schools & Libraries (collectively, the Committees) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Wednesday, November 28, 2007. Ms. Anne Campbell, Committee Chair, called the meeting to order at 2:00 p.m. Eastern Time. Ms. Campbell requested that Mr. Scott Barash act as chair of the meeting. Six of seven Schools & Libraries Committee members were present, representing a quorum:

Barash, Scott – Acting CEO
Campbell, Anne – Chair – *by telephone*
Jackson, Jimmy – *by telephone*

McClure, David – *by telephone*
Simon, Phyllis – *by telephone*
Talbot, Dr. Brian – *by telephone*

Members of the Committee not present:

Bryant, Dr. Anne

Other Board Members and Officers of the corporation present:

Anderson, D. Michael – Member of the Board – *by telephone*

Belden, Richard – Chief Operating Officer

Blackwell, Mel – Vice President, Schools & Libraries Division

Capozzi, David – Acting General Counsel and Assistant Secretary

Holcombe, Jamie – Vice President, Information Systems

Jackson, James – Member of the Board – *by telephone*

Kragel, Dr. Peter – Member of the Board – *by telephone*

Sanders, Dr. Jay – Member of the Board – *by telephone*

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Byrd, Pamela	USAC
Morrow, Henry	FCC
Nuzzo, Patsy	USAC
Rodriguez, Jose Luis	FCC
Trew, Anne Marie	USAC

ACTION ITEMS:

- a1. Consideration of Approval to Deny Requests for Priority 2 Services at or Below 80% for Funding Year 2007.** Mr. Blackwell introduced this item to the Schools & Libraries Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee authorizes staff to deny, upon FCC approval, all funding requests for Priority 2 services at discount percentages of 80% and below for Funding Year 2007 for lack of funding.

- a2. Consideration of Contract for the Rural Health Care and Schools & Libraries Support Mechanisms Information Technology Support Services.** In accordance with the approved criteria and procedure for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

On a motion duly made and seconded, the Committees acting in concert adopted the following resolution:

RESOLVED, that the Rural Health Care Committee and Schools & Libraries Committee determines that consideration of the contract for Rural Health Care– Schools and Libraries Information Technology Support Services shall be conducted in *Executive Session*.

At 2:26 p.m. Eastern Time, on a motion duly made and seconded, the Committees acting in concert moved into **Executive Session** for the purpose of discussing the confidential and proprietary item noted above.

EXECUTIVE SESSION:

- a2. **Consideration of Contract for the Rural Health Care and Schools & Libraries Support Mechanisms Information Technology Support Services.** Mr. Belden introduced this item to the Committees.

On a motion duly made and seconded and after discussion, the Committees acting in concert adopted the following resolution:

RESOLVED, that the Rural Health Care Committee and the Schools & Libraries Committee, having reviewed the recommendation of USAC management, hereby authorizes management, upon receiving FCC approval, to engage SAIC, in an amount not-to-exceed \$61,006,795, to provide the following information technology support services to the Rural Health Care and Schools and Libraries Support Mechanisms, as more fully discussed in the issue paper: upgrade and transition, purchase of hardware and software supporting the upgrade, operations and maintenance, and systems modernization.

At 2:44 p.m. Eastern Time, on a motion duly made and seconded, the Committees acting in concert adjourned from **Executive Session** and immediately reconvened in **Open Session** at which time, Mr. Barash reported that discussion and action on item a2 above occurred in **Executive Session**.

On a motion duly made and seconded, the Committees adjourned at 2:48 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Joint Rural Health Care and Schools and Libraries Committee Meeting

December 10, 2007

MINUTES

A non-quarterly joint meeting of the Rural Health Care Committee and the Schools & Libraries Committee (collectively, the Committees) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday, December 10, 2007. Dr. Jay Sanders, Rural Health Care Committee Chair, and Ms. Anne Campbell, Schools & Libraries Committee Chair, called the meeting to order at 1:10 p.m. Eastern Time. Dr. Sanders and Ms. Campbell requested that Mr. Scott Barash act as chair of the meeting.

For the Rural Health Care Committee, six of eight members were present, representing a quorum:

Anderson, D. Michael – *by telephone*
Barash, Scott – Acting CEO
Boyle, Anne – *by telephone*

Jackson, Jimmy – *by telephone*
Kragel, Dr. Peter – Vice Chair – *by telephone*
Sanders, Dr. Jay – Chair – *by telephone*

Rural Health Care Committee members not present:

Jortner, Wayne

Schroeder, Lee

For the Schools & Libraries Committee, six of seven members were present, representing a quorum:

Barash, Scott – Acting CEO
Bryant, Dr. Anne – Vice Chair – *by telephone*
Campbell, Anne – Chair – *by telephone*

Jackson, Jimmy – *by telephone*
Simon, Phyllis – *by telephone*
Talbot, Dr. Brian – *by telephone*

Schools & Libraries Committee members not present:

McClure, David

Other Board Members and Officers of the corporation present:

Belden, Richard – Chief Operating Officer

Blackwell, Mel – Vice President, Schools & Libraries Division

Capozzi, David – Acting General Counsel and Assistant Secretary

England, Dr. William – Vice President, Rural Health Care Division

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Morrow, Henry	FCC
Nuzzo, Patsy	USAC
Rodriguez, Jose Luis	FCC
Trew, Anne Marie	USAC

ACTION ITEMS:

- a1. Consideration of a Contract Extension for Solix for 2008 & 2009 – Confidential & Proprietary – *Executive Session Recommended.*** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC’s *procurement strategy and contract administration*.

On a motion duly made and seconded and after discussion, the Committees acting in concert adopted the following resolution:

RESOLVED, that the USAC Rural Health Care Committee and Schools & Libraries Committee determine that consideration of the Rural Health Care and Schools and Libraries Program Support Services Agreement extension shall be conducted in *Executive Session*.

At 1:14 p.m. Eastern Time, on a motion duly made and seconded, the Committees acting in concert moved into *Executive Session* for the purposes of discussing the confidential and proprietary item noted above.

EXECUTIVE SESSION:

- a1. Consideration of a Contract Extension for Solix for 2008 & 2009 – Confidential & Proprietary.** Mr. Belden introduced this item to the Committees.

On a motion duly made and seconded and after discussion, the Committees acting in concert adopted the following resolutions:

RESOLVED, that the USAC Rural Health Care Committee and Schools & Libraries Committee, having considered the new Rural Health Care and Schools and Libraries

Program Support Services Agreement between USAC and Solix, Inc. proposed by management, hereby authorize USAC management to finalize all remaining terms and conditions in the proposed agreement; and

RESOLVED FURTHER, that upon finalizing the terms and conditions of the proposed agreement, the USAC Rural Health Care Committee and Schools & Libraries Committee hereby authorize management to execute the proposed agreement with Solix, Inc. and proceed with its implementation.

At 1:27 p.m. Eastern Time, on a motion duly made and seconded, the Committees acting in concert adjourned from **Executive Session** and immediately reconvened in **Open Session** at which time, Mr. Barash reported that the Committees considered and took action on item a1 above in **Executive Session**.

On a motion duly made and seconded, the Committees acting in concert adjourned at 1:27 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary