

2009 Schools and Libraries Committee Meetings Minutes

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

January 26, 2009

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, January 26, 2009. On behalf of Ms. Campbell who was participating by telephone, Dr. Anne Bryant, Committee Vice Chair, called the meeting to order at 9:01 a.m. Eastern Time. Six of seven Committee members were present representing a quorum:

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

Members of the Committee not present:

Ridley, Carolyn

Other members of the Board of Directors (Board) 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, Bill – Vice President, Rural Health Care Division
Erwin, W. B. – Vice President of Finance and Assistant Treasurer
Feiss, Geoff – Member of the Board
Holcombe, Jamie – Vice President of Information Systems
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Ahuja, Nataha	USAC
Amalfitano, Vince	FCC – <i>by telephone</i>
Ayer, Catriona	USAC
Cruzan, Cathy	Funds for Learning
Eisley, Andy	USAC
Harrington, John	Funds For Learning
Holden, Lyle	USAC

Iversen, Eric	USAC
Kaplan, Peter	Funds For Learning
King, Sola	USAC
McDonald, George	E-Rate Central
Mitchell, Jeff	USAC
Nuzzo, Patsy	USAC
Parry, John	Solix
Rodriguez, Jose	FCC
Scott, Amy	Embarq
Short, Don	USAC
Stoll, Barbara	Embarq
Turner, Sharon	Embarq
Yee, Kim	FCC

ACTION ITEMS:

a1. Approval of Schools & Libraries Committee Meeting Minutes of October 27, 2008 and December 9, 2008. On a motion duly made and seconded, the Committee approved the minutes as written of the October 27, 2008 and December 9, 2008 meetings.

a2. Approval of 2nd Quarter 2009 and 2009 Annual Schools and Libraries Support Mechanism Programmatic Budgets. Mr. Belden introduced this item to the Committee, noting that the estimated 2nd Quarter 2009 (2Q2009) program operations budget is projected to be \$33.3 million and the 2009 program operations budget is projected to be \$113.3 million, which is approximately \$7.8 million higher than the 2008 budget. Mr. Belden reported that the increase is attributable to the FCC OIG USF audit program. Mr. Belden also explained that the final annual budget before the Committee is \$4.4 million higher than the draft 2009 annual programmatic budget proposed in October 2008, with the increase attributable to contractor expenses associated with program information technology systems support.

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 2nd Quarter 2009 Schools and Libraries Support Mechanism budget of \$33.3 million and a 2009 annual Schools and Libraries Support Mechanism budget of \$113.3 million.

a3. Approval of 2nd Quarter 2009 Schools and Libraries Support Mechanism Demand Projection for the January 30, 2009 FCC Filing. Mr. Blackwell introduced this to the Committee, requesting authority to collect \$537.07 million from Universal Service Fund (USF) contributors to meet program demand for the Schools and Libraries Support Mechanism in 2Q2009. The collection requirement includes \$562.5 million for 2Q2009 program demand, an amount equal to one-

quarter of the annual \$2.25 billion cap, decreased by a prior period adjustment of \$9.80 million and projected interest income of \$15.63 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 January 26, 2009, a summary of the 2nd Quarter 2009 support mechanism demand estimates, including administrative costs, hereby directs USAC management to proceed with the required January 30, 2009 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 65 Schools and Libraries Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Mr. Scott introduced this item to the Committee, noting the majority of audits were clean with only two having adverse opinions. Dr. Talbott stated that as in the first round of the program, the cost of the audits mandated by the FCC Office of Inspector General (OIG) greatly exceeds the monetary amount to be recovered. Dr. Bryant agreed, noting that \$7.0 million had been spent to recover \$1.9 million, money that could have been used to fund program benefits.

In response to a question from Ms. Simon, Mr. Blackwell reported that the trends in the FCC OIG USF Audit Program Round Two audit findings were similar to those found in Round One, and USAC outreach efforts, including training sessions for applicants and service providers, should help mitigate future findings. Mr. Blackwell also explained that 30-50% of the people attending the training are new to the program and one-third of the fall training time focused on educating participants on audits.

Dr. Talbott asked if there are continuing inaccuracies between the state counts for school lunch program participation and the actual numbers submitted by the schools for an audit. Mr. Easley, Senior Manager of Schools and Libraries Program Operations, stated that schools often do not have documentation to support their actual number of school lunch program participants for a particular audit period so the auditors use numbers provided by the state, which may cover a time period greater than the period being audited, thereby resulting in an audit finding.

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

RESOLVED, that the USAC Schools and Libraries Committee having reviewed the 65 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. **Recommendation for Annual Election of Committee Chair and Vice Chair.** Dr. Bryant introduced this item to the Committee. The Committee nominated Ms. Campbell to be Committee Chair and Dr. Bryant to be Committee Vice Chair.

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 Committee for a term that begins immediately upon the adoption of this resolution by the Board and ends when a successor to the Chair and/or Vice Chair has been elected, 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.

- a6. **Consideration of Approval to Deny Requests for Priority 2 Services At or Below 86% for Funding Year 2008.** Mr. Blackwell introduced this item to the Committee, noting that the threshold analysis showed that approximately \$91.35 million in additional funds would remain uncommitted after funding all eligible Priority 2 services at or above 88%. The analysis also showed that approximately \$240.45 million would be needed to fund all eligible Priority 2 services below 88% and at or above 86%. Mr. Blackwell noted that establishing a denial threshold of 86% and below would preserve the integrity of the USF, provide good customer service by providing certainty to applicants and service providers, and allow USAC to make more timely decisions.

Dr. Talbott asked if it were possible to streamline the audits by not requiring on-site visits, noting that some applicants reported that they had no room for the auditors. He suggested incorporating additional technology to reduce some of the travel costs. Dr. Talbott noted that it made no sense for four auditors to travel to a site for 10 days to audit a program that received \$600 of program benefits during the period being audited and had only 60 children at the time. Mr. Scott stated that in Round Three of the FCC OIG USF audit program, USAC is working with the audit firms to right-size the audit teams. Additionally, the audit firms have been instructed to use, when possible, Round Two data for those beneficiaries being audited in Round Three. Dr. Bryant questioned the feasibility of conducting online audits. Mr. Scott noted that portions of the audits could be conducted in that manner, but that auditors would need to visit the site to see the facilities and test the effectiveness of controls.

Dr. Bryant requested that USAC provide the Committee with a report at a future meeting on the process used in, and resources dedicated to, the FCC OIG USF audit program, and a list of beneficiaries audited in consecutive years.

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 86% and below for Funding Year 2008 for lack of available funding.

- a7. **Miscellaneous.** Solicit ideas for the April 2009 Committee Agenda. Dr. Bryant 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 presented this item to the Committee, noting the following:

- The Funding Year 2009 application filing window opened December 2, 2008 and will close February 12, 2009. Mr. Blackwell noted that while the majority of applications are submitted the last week of the window open period, as of December 31, 2008, USAC had received 1,779 Funding Year 2009 FCC Form 471s, representing \$41.78 million in funding requests.
- USAC released Funding Year 2008 Wave 32 Funding Commitment Decision Letters (FCDLs) on December 18, 2008. As of December 31, funding commitments total approximately \$1.88 billion.
- USAC released Funding Year 2007 Wave 72 FCDLs on December 16, 2008. As of December 31, funding commitments total approximately \$2.55 billion.
- The average time to process an invoice line was eight days in November 2008. The invoicing team exceeded the November performance goal with 97.9% of invoice lines processed within 30 days. As of December 15, 2008, the number of invoice line items undergoing manual processing was 1,407. Of those in process, 902 or 64%, were within a month of receipt. The program saw a record peak of 68,730 lines completed in October with 99.1% paid within 30 days.
- USAC exceeded its appeals processing goal every month during the quarter and 89% of appeals completed in the quarter were processed within 90 days of receipt.
- The USAC Schools and Libraries and the External Relations Divisions created procedures and other tools for conducting Helping Applicants to Succeed (HATS) visits that provide outreach and assistance customized to individual applicant needs. Site visits will incorporate in-person communications as well as audio and video conferencing.
- Schools and Libraries Division staff initiated telephone contact with 30 beneficiaries who missed the filing window last year to remind them of the window closing date. Many of those contacted indicated that they were new to the program or had additional questions regarding the application process. Mr. Blackwell noted that approximately 300 beneficiaries miss the window annually.

Ms. Simon stated that with the success of the HATS program, she would expect fewer applications to be denied and to ensure the maximum amount of program funds are available to applicants, program operations must be as efficient as possible. Mr. Blackwell agreed, noting that with the technological improvements made in application processing, he also anticipated an increase in successful applicants.

Dr. Talbott expressed concern that many of the larger school districts have been audited in Rounds One and Two of the FCC OIG USF audit program and have now been notified that they will be audited again in Round Three. Dr. Talbott noted that there are 18 appeals outstanding from 1999-2003 and asked when they will be resolved. Mr. Blackwell reported that most of the appeals were COMAD's, for which the FCC had just recently issued decisions.

- i2. Schools and Libraries and Rural Health Care Program Support Services Solicitation Update.** 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 and 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 9:52 a.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. The Committee then recessed until 10:06 a.m. Eastern Time at which time the Committee reconvened in *Executive Session*.

EXECUTIVE SESSION:

- i2. Schools and Libraries and Rural Health Care Program Support Services Solicitation Update.**
Mr. Belden presented this item to the Committee.

At 10:23 a.m. Eastern Time, the Committee adjourned from *Executive Session* and immediately reconvened in *Open Session* at which time Dr. Bryant reported that in *Executive Session* the Committee discussed item i2 above.

On a motion duly made and seconded, the Committee adjourned at 10:24 a.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

February 27, 2009

MINUTES

A 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 Friday, February 27, 2009. Ms. Anne Campbell, Committee Chair, called the meeting to order at 12:00 p.m. Eastern Time. All seven Committee members were present representing a quorum:

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

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>
Amalfitano, Vince	FCC
Bellavia, Leslie	USAC
Eisely, Andy	USAC
Jackson, Ebony	USAC
Nuzzo, Patsy	USAC
Yee, Kim	FCC

ACTION ITEMS:

- a1. Action on 50 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 and Libraries Committee having reviewed the 50 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.

On a motion duly made and seconded, the Committee adjourned at 12:21 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

March 12, 2009

MINUTES

A 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 Thursday, March 12, 2009. Ms. Anne Campbell, Committee Chair, called the meeting to order at 4:03 p.m. Eastern Time and requested that Dr. Brian Talbott chair the meeting. All seven Committee members were present representing a quorum:

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

Board of Directors (Board) and officers of the corporation present:

Anderson, D. Michael – Member of the Board
Belden, Richard – Chief Operating Officer
Blackwell, Mel – Vice President, Schools & Libraries Division
Capozzi, David – Acting General Counsel and Assistant Secretary
England, Bill – Vice President, Rural Health Care Division
Gillan, Joe – Member of the Board – *by telephone*
Jortner, Wayne – Member of the Board – *by telephone*
Kragel, Dr. Peter – Member of the Board – *by telephone*
Sanders, Dr. Jay – Member of the Board – *by telephone*
Schroeder, Lee – Member of the Board – *by telephone*

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Nuzzo, Patsy	USAC

ACTION ITEMS:

- a1. **Consideration of Approval to Make Commitments for Priority 1 Services At 20% and Above for Funding Year 2009.** Mr. Blackwell introduced this item to the Committee noting that for Funding Year 2009, the estimated demand for telecommunications services and Internet access across all discount bands was \$2.04 billion. Subtracting an estimated 8% for denials, Mr. Blackwell expected to commit \$1.877 billion for Priority 1 services. The \$2.25 billion funding cap, less the administrative budget and reserve for appeal of \$124 million and \$70 million, respectively, leaves \$2.056 billion to fund Priority 1 services. The result of this calculation provides a total demand of \$1.877 billion that falls below the \$2.056 billion available and the funding cap of \$2.25 billion per year and does not count rollover of prior year unused funds that the FCC may direct.

Mr. Blackwell reported that it was too early to determine whether Priority 2 requests in any particular discount range could be fully funded. When a reasonable number of applications have been reviewed to assess the denial rates, Mr. Blackwell would present to the Committee a funding threshold analysis and a recommendation for making commitments for Priority 2 services.

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 2009 with the parameters set at 20% and above for Priority 1 services.

- a2. **Rural Health Care and Schools and Libraries Program Support Services Solicitation Update.** 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* and this discussion is *subject to the attorney-client privilege*.

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 discussion of the Schools and Libraries and Rural Health Care program support services solicitation shall be conducted in *Executive Session*.

- a3. **Consideration of Rural Health Care and Schools and Libraries Program Support Services Contract Extension.** 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 & Libraries Committee determines that consideration of the contract extension for the Rural Health Care and Schools and Libraries Program Support Services Agreement shall be conducted in ***Executive Session***.

At 4:11 p.m., Eastern Time on a motion duly made and seconded, the Committee moved into ***Executive Session***, for the purposes of discussing the confidential and proprietary item noted above.

EXECUTIVE SESSION:

- a2. Rural Health Care and Schools and Libraries Program Support Services Solicitation Update.** Mr. Barash 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 accepts the recommendation of USAC management and hereby authorizes USAC to request reconsideration of the March 5, 2009 decision of the FCC Deputy Managing Director to deny USAC's request to award a contract under the Schools & Libraries and Rural Health Care program support services solicitation and his directive to recompet the procurement.

- a3. Consideration of Rural Health Care and Schools and Libraries Program Support Services Contract Extension.** Mr. Barash presented this item to the Committee noting that the actual need for a contract extension would be determined by the outcome of further conversations with the FCC.

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

RESOLVED, that the USAC Schools & Libraries Committee, accepts management's recommendation and hereby approves an extension to the contract between USAC and Solix, Inc. under the terms set forth by management in this issue paper for Rural Health Care and Schools and Libraries program support services for the period July 1, 2009 through June 30, 2011; and

RESOLVED FURTHER, that management is hereby authorized to finalize the terms and conditions of the proposed agreement, and upon receiving FCC approval, execute the proposed contract extension with Solix, Inc. and proceed with its implementation.

At 4:43 p.m. Eastern Time, the Committee adjourned from **Executive Session** and immediately reconvened in **Open Session** at which time Dr. Talbott reported that in **Executive Session** the Committee took action on items a2 and a3 above.

On a motion duly made and seconded, the Committee adjourned at 4:44 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

March 30, 2009

MINUTES

A 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 Thursday, March 12, 2009. Ms. Anne Campbell, Committee Chair, called the meeting to order at 4:01 p.m. Eastern Time and requested that Mr. Scott Barash chair the meeting on her behalf as she was not present in the room. Six of seven Committee members were present representing a quorum:

Barash, Scott – Acting CEO	McClure, David – <i>by telephone</i>
Bryant, Dr. Anne – Vice Chair <i>by telephone</i>	Ridley, Carolyn – <i>by telephone</i>
Campbell, Anne – Chair – <i>by telephone</i>	Simon, Phyllis – <i>by telephone</i>

Members not present:

Talbott, Dr. Brian

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 of Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Amalfitano, Vince – <i>by telephone</i>	FCC
Eisley, Andy	USAC
Lenhardt, Chris	USAC
Nuzzo, Patsy	USAC
Yee, Kim	FCC

ACTION ITEMS:

a1. Action on 36 Schools and Libraries Support Mechanism Beneficiary Compliance Attestation Audit Reports. Mr. Scott introduced this item to the Committee. The Committee members again expressed their concern that these audits, conducted as part of the FCC Office of Inspector General (OIG) USF audit program, continue to result in large amounts spent on conducting the audits due to the compliance attest audit requirements imposed by the OIG, when compared to the much lower amount of actual recoveries associated with the audits as well as recurring audits of the same beneficiaries year-over-year. Mr. Barash stated that members of the USAC Board of Directors and USAC staff have repeatedly brought this concern to FCC staff along with suggestions for improving the effectiveness and efficiency of the audits. Mr. Barash also reported that to date OIG staff has been unwilling to revise the program.

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

RESOLVED, that the USAC Schools and Libraries Committee having reviewed the 36 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.

a2. Miscellaneous. Update on High Cost & Low Income and Schools & Libraries Committees Performance Audits. Mr. Capozzi presented this item to the Committee, noting that to date the auditors retained by the FCC OIG have not contacted USAC with proposed dates and times for interviews of Committee members.

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

April 27, 2009

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, April 27, 2009. Ms. Campbell, Committee Chair, called the meeting to order at 9:01 a.m. Eastern Time with a quorum of five of the seven Committee members present.

Barash, Scott – Acting CEO

Simon, Phyllis – *by telephone*

Campbell, Anne – Chair

Ridley, Carolyn

McClure, David – *by telephone*

Dr. Anne Bryant joined the meeting at 9:22 a.m. Eastern Time. She did not vote on items a1, a2, a3 or a4.

Members of the Committee not present:

Talbott, Dr. Brian

Other members of the Board of Directors (Board) 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 of Finance and Assistant Treasurer

Feiss, Geoff – Member of the Board

Gillan, Joseph – Member of the Board

Holcombe, Jamie – Vice President of Information Systems

Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

NAME

COMPANY

Ayer, Catriona

USAC

Beard, Jay

USAC

Bellavia, Leslie

USAC

Carroll, Kristy

USAC

<u>NAME</u>	<u>COMPANY</u>
Ayer, Catriona	USAC
Cruzan, Cathy	Funds for Learning
Dearborn, Philip	USAC
Eisley, Andy	USAC – <i>by telephone</i>
Iversen, Eric	USAC
Kaplan, Peter	Funds For Learning
Khan, Rubina	USAC
King, Sola	USAC
McDonald, George	E-Rate Central
Mitchell, Jeff	USAC
Nuzzo, Patsy	USAC
Parry, John	Solix
Rodriguez, Jose	FCC
Short, Don	USAC
Yee, Kim	FCC

ACTION ITEMS:

a1. Approval of Schools & Libraries Committee Meeting Minutes of January 26, 2009, February 27, 2009, March 12, 2009 and March 30, 2009. On a motion duly made and seconded, the Committee approved the minutes as written of the Schools & Libraries Committee meeting minutes of January 26, 2009, February 27, 2009, March 12, 2009 and March 30, 2009.

a2. Approval of 3rd Quarter 2009 and Revised 2009 Annual Schools and Libraries Support Mechanism Programmatic Budgets. Mr. Belden presented this item to the Committee, noting that the only change to the budget from the version presented at the April 27, 2009 meeting was the removal of funding for Round 4 of the FCC OIG USF audit program as directed by the USAC Board of Directors during its January 27, 2009 meeting.

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 3rd Quarter 2009 Schools and Libraries Support Mechanism budget of \$24.8 million and a revised 2009 annual Schools and Libraries Support Mechanism budget of \$112.2 million.

a3. Approval of 3rd Quarter 2009 Schools and Libraries Support Mechanism Demand Projection for the May 1, 2009 FCC Filing. Mr. Blackwell presented this item to the Committee. Mr. Blackwell requested funding to support 3rd Quarter 2009 program demand of \$558.4 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 April 27, 2009, a summary of the 3rd Quarter 2009 support mechanism demand estimates, including administrative costs, hereby directs USAC management to proceed with the required May 1, 2009 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 15 Schools and Libraries Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Mr. Scott presented this item to the Committee, noting that after review by the Committee of this group of audits, only six reports remain to be reviewed.

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

RESOLVED, that the USAC Schools and Libraries Committee having reviewed the 15 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 the July 2009 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, Mr. Barash or Mr. Blackwell between quarterly meetings.

INFORMATION ITEMS:

- i1. Schools and Libraries Support Mechanism Update.** Mr. Blackwell presented this item to the Committee, noting the following:
- The Funding Year 2009 application filing window closed at 11:59 p.m. Eastern Time on February 12, 2009. USAC received 40,140 Funding Year 2009 FCC Form 471s requesting \$3.99 billion in support.
 - USAC staff submitted the Funding Year 2009 Schools and Libraries Program Integrity Assurance (PIA) FCC Form 471 Review Procedures to the Federal Communications Commission (FCC) for approval on January 29, 2009. USAC and the FCC have held a series of meetings to review and discuss the procedures. The Wireline Competition Bureau approved the procedures on April 2, 2009.

- USAC released Funding Year 2008 Wave 45 Funding Commitment Decision Letters (FCDLs) on March 31, 2009 totaling approximately \$2.21 billion.
- USAC released Funding Year 2007 Wave 79 FCDLs on March 11, 2009. As of March 31, 2009, funding commitments total approximately \$2.56 billion.
- Round 2 of the FCC Office of Inspector General (OIG) Universal Service Fund (USF) audit program for the Schools and Libraries Program is concluding. The audits focus on disbursements made between July 1, 2006 and June 30, 2007. Final reports will continue to be presented to the Committee as they are completed.
- Round 3 of the FCC OIG USF audit program for Schools and Libraries is in progress. The audits focus on disbursements made between July 1, 2007 and June 30, 2008.
- In March, USAC announced two service provider training sessions that will be held during 2nd Quarter 2009 in Tampa, FL (May 5) and Phoenix, AZ (May 12). Approximately 200 service providers are expected to attend each session. Registration will open in late March and we expect both sessions to fill to capacity.
- During 1st quarter, USAC staff posted five video tutorials on the Schools and Libraries website. The video tutorials assist program participants with filing program forms, maintaining required program documentation and various informational topics. As of March 31, 2009, the tutorials have had approximately 1,500 views. USAC will continue to develop and post additional tutorials each quarter.
- As part of the expanding Helping Applicants to Succeed (HATS) program, during the Funding Year 2009 application window, the Schools and Libraries staff conducted outreach to 314 applicants that filed Funding Year 2008 Form 471 applications out-of-window.
- The average time to process an invoice line was five days in February 2009. The invoicing team exceeded the February performance goal with 98.4% of invoice lines processed within 30 days.
- The FCC has given USAC guidance with respect to a large block of aging appeals, which will help USAC render decisions and reduce the number of older appeals. In addition, the overall number of appeals continues to remain low due to the positive impact of the Bishop Perry Order. USAC exceeded its appeals processing goals every month this quarter and the majority of the appeals completed in the quarter were processed within 90 days of receipt.

- i2. **Schools and Libraries and Rural Health Care Program Support Services Solicitation Update.** 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 and Libraries Committee determines that discussion of the Schools and Libraries and Rural Health Care program support services solicitation shall be conducted in *Executive Session*.

- i2. Semiannual Status Report on Ongoing USAC Audits. Mr. Scott presented this item to the Committee.
- i3. Semiannual Status Report on Actions Taken on Final USAC Audits. Mr. Scott presented this item to the Committee.

At 10:11 a.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. The Committee then recessed until 10:22 a.m. Eastern Time at which time the Committee reconvened in *Executive Session*.

EXECUTIVE SESSION:

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

At 11:22 a.m. Eastern Time, the Committee adjourned from *Executive Session* and immediately reconvened in *Open Session* at which time Ms. Campbell reported that in *Executive Session* the Committee discussed item i2 above.

On a motion duly made and seconded, the Committee adjourned at 11:23 a.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

June 29, 2009

MINUTES

A 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, June 29, 2009. Ms. Anne Campbell, Committee Chair, called the meeting to order at 12:00 p.m. Eastern Time. Five of the seven Committee members were present representing a quorum:

Barash, Scott – Acting CEO	Ridley, Carolyn – <i>by telephone</i>
Campbell, Anne – Chair – <i>by telephone</i>	Talbott, Dr. Brian – <i>by telephone</i>
McClure, David – <i>by telephone</i>	

Dr. Anne Bryant joined the meeting at 12:08 p.m. Eastern Time. She did not participate in the discussion of or vote on item a1.

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>
Amalfitano, Vince	FCC
Bellavia, Leslie	USAC
Cruzan, Cathy	Funds for Learning
Eisely, Andy	USAC
Jackson, Ebony	USAC
Kaplan, Peter	Funds for Learning
Lenhardt, Chris	USAC
Mitchell, Jeff	USAC
Nuzzo, Patsy	USAC
Yee, Kim	FCC

ACTION ITEMS:

- a1. Action on Six Schools and Libraries Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Mr. Mitchell presented this item to the Committee, noting that these reports represent the last of the 260 Schools and Libraries Support Mechanism Beneficiary audits performed as part of Round 2 of the FCC OIG USF audit program. Ms. Ridley noted her continued frustration with the minimal amount of recoveries when compared to expenses of the program.

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

RESOLVED, that the USAC Schools and Libraries Committee having reviewed the six 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.

- a2. Consideration of Approval to Make Commitments for Priority 2 Services At a Discount Rate of 90% for Funding Year 2009.** Mr. Blackwell introduced this item to the Committee, noting the approval requested from the Committee will be subject to the FCC directing USAC to carry forward at least \$400 million in unused funds to Funding Year 2009.

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, contingent upon the FCC directing USAC to carry-forward at least \$400 million in unused funds, and upon receiving FCC approval, waves for Funding Year 2009 with the parameters set at 90 percent and above for Priority 2 services.

On a motion duly made and seconded, the Committee adjourned at 12:13 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

July 27, 2009

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, July 27, 2009. Ms. Anne Campbell, Committee Chair, called the meeting to order at 9:01 a.m. Eastern Time with a quorum of all seven Committee members present:

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

Other members of the Board of Directors (Board) 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 of Finance and Assistant Treasurer
Feiss, Geoff – Member of the Board
Gillan, Joseph – Member of the Board
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Amalfitano, Vincent	FCC – <i>by telephone</i>
Ayer, Catriona	USAC
Barrett AC	Barrett Group, Inc.
Bellavia, Leslie	USAC
Biasillo, Enzo	USAC
Carroll, Kristy	USAC
Cruzan, Cathy	Funds for Learning
Fadok, Lori	Funds For Learning

<u>NAME</u>	<u>COMPANY</u>
Gallagher, Corey	USAC
Hultquist, Mary	USAC
Iversen, Eric	USAC
Kaplan, Peter	Funds For Learning
King, Sola	USAC
Lenhardt, Chris	USAC
Machcinski, Thad	FCC
McDonald, George	E-Rate Central
Mitchell, Jeff	USAC
Nuzzo, Patsy	USAC
Parry, John	Solix
Permyakov, Andrea	USAC
Rodriguez, Jose	FCC
Short, Don	USAC
Thorsell, Dean	SAIC
Trew, Anne Marie	USAC
Yee, Kim	FCC

ACTION ITEMS:

a1. Approval of Schools & Libraries Committee Meeting Minutes of April 27, 2009 and June 29, 2009.

On a motion duly made and seconded, the Committee approved the minutes as written of the Schools & Libraries Committee meetings of April 27, 2009 and June 29, 2009.

a2. Approval of 4th Quarter 2009 and Revised 2009 Annual Schools and Libraries Support Mechanism Programmatic Budgets. Mr. Belden presented this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee approves a 4th Quarter 2009 Schools and Libraries Support Mechanism budget of \$20.3 million and a revised 2009 annual Schools and Libraries Support Mechanism budget of \$110.2 million.

a3. Approval of 4th Quarter 2009 Schools and Libraries Support Mechanism Demand Projection for the July 31, 2009 FCC Filing. Mr. Blackwell presented this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee, having reviewed at its meeting on July 27, 2009, a summary of the 4th Quarter 2009 support mechanism demand estimates, including administrative costs, hereby directs USAC management to proceed with the required July 31, 2009 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 USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Performance Audit Report.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that this matter be discussed in *Executive Session* because the report *relates to internal processes and procedures, investigatory matters, or pending or contemplated enforcement action*.

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 Support Mechanism beneficiary performance audit report labeled SL2008BE001 shall be conducted in *Executive Session*.

- a5. Miscellaneous.** Solicit ideas for the October 2009 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, Mr. Barash or Mr. Blackwell between quarterly meetings. Ms. Campbell also requested that at the next quarterly meeting management provide a report on site visit and outreach plans for schools and libraries.

INFORMATION ITEMS:

- i1. Schools and Libraries Support Mechanism Update.** Mr. Blackwell presented this item to the Committee, noting the following:
- USAC released Funding Year 2009 Wave 10 Funding Commitment Decision Letters (FCDLs) on June 30, 2009. As of June 30, 2009, funding commitments total approximately \$553 million.
 - USAC released Funding Year 2008 Wave 57 FCDLs on June 24, 2009. As of June 30, 2009, funding commitments total approximately \$2.34 billion.
 - USAC released Funding Year 2007 Wave 80 FCDLs on June 4, 2009. As of June 30, 2009, funding commitments total approximately \$2.57 billion.
 - On June 2, 2009, the FCC released **Public Notice DA 09-1233** establishing the comment period for the Funding Year 2010 Eligible Services List (ESL).

- Round 2 of the FCC Office of Inspector General (OIG) USF audit program for Schools and Libraries Program beneficiaries is concluding. The audits focus on disbursements made between July 1, 2006 and June 30, 2007. All audits have been approved by the Committee and USAC is in the process of performing follow-up work on specific audits where required.
- Round 3 of the FCC OIG USF audit program for Schools and Libraries Program beneficiaries is underway. The audits focus on disbursements made between July 1, 2007 and June 30, 2008.
- USAC staff conducted a training workshop for service providers in Tampa, FL on May 5 (150 participants) and Phoenix, AZ on May 12 (195 participants).
- USAC staff will conduct eight one-day regional trainings in the fall for both applicants and service providers. The trainings will be held in the following eight cities: Washington, DC; Newark, NJ; Atlanta, GA; Chicago, IL; Orlando, FL; Los Angeles, CA; Portland, OR; and Houston, TX.
- The average time to process an invoice line in May 2009 was seven days. The invoicing team exceeded the May performance goal with 98.8% of invoice lines processed within 30 days.
- USAC staff exceeded appeals processing goals every month this quarter and the majority of the appeals completed in the quarter were processed within 90 days of receipt.

Dr. Talbott requested that staff discuss with Commission staff the status of schools and libraries appeals that have been pending at the FCC for some time to determine whether USAC should contact the appealing school or library to inquire if it still wishes to pursue the appeal, because in some cases the school or library may have resubmitted the application for funding in a different funding year or decided not to pursue funding.

Mr. Blackwell then discussed staff's visit to the Navajo nation. Mr. Capozzi suggested that in accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, recommended that a portion of this matter be discussed in *Executive Session* because it *relates to pre-decisional matters pending before the Federal Communications Commission*.

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 remaining portion of staff's visit to the Navajo Nation shall be conducted in *Executive Session*.

- i2. Schools and Libraries and Rural Health Care Program Support Services Solicitation Update.** 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 and 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 10:19 a.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 items noted above. The Committee then recessed until 10:32 a.m. Eastern Time at which time the Committee reconvened in *Executive Session*.

EXECUTIVE SESSION:

- a4. Action on One USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Performance Audit Report.** Mr. Lenhardt presented this item to the Committee.

On a motion duly made, 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 Beneficiary Audit Report labeled SL2008BE001 together with management's responses thereto, accepts the recommendation of USAC management and hereby deems such report final.

- i1. Schools and Libraries Support Mechanism Update.** Mr. Blackwell continued discussion of staff's visit to the Navajo nation with the Committee.
- i2. Schools and Libraries and Rural Health Care Program Support Services Solicitation Update.** Mr. Barash presented this item to the Committee.

At 11:11 a.m. Eastern Time, the Committee adjourned from *Executive Session* and immediately reconvened in *Open Session* at which time Ms. Campbell reported that in *Executive Session* the Committee took action on item a4 and discussed items i1 and i2 above. On a motion duly made and seconded, the Committee adjourned at 11:12 a.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

August 24, 2009

MINUTES

A 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, August 24, 2009. Ms. Anne Campbell, Committee Chair, called the meeting to order at 12:01 p.m. Eastern Time with a quorum of six of the seven Committee members present:

Barash, Scott – Acting CEO	Ridley, Carolyn – <i>by telephone</i>
Bryant, Dr. Anne – Vice Chair – <i>by telephone</i>	Simon, Phyllis – <i>by telephone</i>
Campbell, Anne – Chair – <i>by telephone</i>	Talbott, Dr. Brian – <i>by telephone</i>

Mr. David McClure joined the meeting at 12:11 p.m. Eastern Time. He did not participate in the discussion of or vote on item a1 below.

Officers of the corporation present:

Belden, Richard – Chief Operating Officer
Capozzi, David – Acting General Counsel and Assistant Secretary
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

NAME	COMPANY
Amalfitano, Vince	FCC – <i>by telephone</i>
Eisley, Andy	USAC
Hultquist, Mary	USAC
Mitchell, Jeff	USAC
Nuzzo, Patsy	USAC
Yee, Kim	FCC

ACTION ITEMS:

- a1. Action on 26 Schools and Libraries Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Mr. Scott presented this item to the Committee, noting that

this group represents the first set of FCC Office of Inspector General (OIG) USF audit program Round 3 reports. Mr. Scott also noted that for the report labeled “H,” Schools and Libraries Division management disagreed with the conclusion reached by the audit firm concerning the amount to be recovered for rules violations. Mr. Andy Eisley, of the Schools and Libraries Division, informed the Committee of the amount to be recovered based on program rules.

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

RESOLVED, that the USAC Schools and Libraries Committee having reviewed the 26 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.

- a2. Consideration of Approval to Make Commitments for Priority 2 Services At a Discount Rate of 85 Percent and Above for Funding Year 2009 and Approval to Deny Requests for Priority 2 Services at 60 Percent or below for Funding Year 2009.** Mr. Belden presented 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 2009 with the parameters set at 85 percent and above for Priority 2 services; and

FURTHER RESOLVED, that the USAC Schools & Libraries Committee authorizes staff to deny, upon FCC approval, waves for Funding Year 2009 with the parameters set at 60 percent and below for Priority 2 services.

On a motion duly made and seconded, the Committee adjourned at 12:17 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

October 26, 2009

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 26, 2009. Ms. Anne Campbell, Committee Chair, called the meeting to order at 9:01 a.m. Eastern Time, with a quorum of all seven Committee members present:

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

Other members of the Board of Directors (Board) 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 of Finance and Assistant Treasurer
Feiss, Geoff – Member of the Board
Gillan, Joseph – Member of the Board
Holcombe, Jamie – Vice President of Information Systems
Jacobs, Ellis – Member of the Board
Knowles, Rex – Member of the Board
Kragel, Dr. Peter – Member of the Board
Sanders, Dr. Jay – Member of the Board
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Amalfitano, Vincent	FCC – <i>by telephone</i>
Ayer, Catriona	USAC
Bellavia, Leslie	USAC
Brooks, Whitney	USAC
Cruzan, Cathy	Funds For Learning

<u>NAME</u>	<u>COMPANY</u>
Eisley, Andy	USAC
Harrington, John	Funds For Learning
Hultquist, Mary	USAC
Iversen, Eric	USAC
Kaplan, Peter	Funds For Learning
Lenhardt, Chris	USAC
McDonald, George	E-Rate Central
Mitchell, Jeff	USAC
Nuzzo, Patsy	USAC
Parry, John	Solix
Rovetto, Ed	USAC
Schrieber, Johnnay	USAC
Short, Don	USAC
Thorsell, Dean	SAIC
Yee, Kim	FCC

ACTION ITEMS:

a1. Approval of Schools & Libraries Committee Meeting Minutes of July 27, 2009 and August 24, 2009.

On a motion duly made and seconded, the Committee approved the minutes, as written, of the Schools & Libraries Committee meetings of July 27, 2009 and August 24, 2009.

a2. Approval of 1st Quarter 2010 Schools and Libraries Support Mechanism Programmatic Budget and Information on the Estimated 2010 Annual Budget.

Mr. Belden presented this item to the Committee, noting that the proposed annual programmatic budget is \$42 million less than the 2009 annual budget primarily due to the planned replacement of the FCC Office of Inspector General USF audit program with the USAC proposed Universal Service Support Mechanism Beneficiary and USF Contributor Compliance Audit Program (BCAP) and the Improper Payments Information Act (IPIA) assessment program. Mr. Barash stated that the final form of these proposed audit programs is still under review by the FCC, and budgeted amounts could change depending on the final form of the programs. In response to a question from Ms. Campbell, Mr. Belden stated that \$845,000 of the \$950,000 in professional fees included in the program budget are for support of the IPIA assessment program.

Mr. Belden also noted that USAC Schools and Libraries Program staff are projected to have no growth in 2010 and expenditures with Solix (the contractor providing program operations support) and SAIC(the contractor providing information technology (IT) support for the program), will also remain relatively flat.

In response to a question from Ms. Simon, Mr. Belden stated that the costs associated with USAC IT staff dedicated to supporting Schools and Libraries program operations are charged directly to the program budget instead of being included in the USAC common budget.

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

RESOLVED, that the USAC Schools & Libraries Committee approves a 1st Quarter 2010 budget for the Schools and Libraries Support Mechanism of \$13.3 million; and

RESOLVED FURTHER, that the USAC Schools & Libraries Committee directs USAC staff to submit a collection requirement of \$13.3 million for Schools and Libraries Support Mechanism administrative expenses in the required November 2, 2009 filing to the FCC on behalf of the Committee.

- a3. Approval of 1st Quarter 2010 Schools and Libraries Support Mechanism Demand Projection for the November 2, 2009 FCC Filing.** Mr. Blackwell presented this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee, having reviewed at its meeting on October 26, 2009, a summary of the 1st Quarter 2010 support mechanism demand estimates, including administrative costs, hereby directs USAC management to proceed with the required November 2, 2009 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 USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Performance Audit Report.** Mr. Chris Lenhardt, of the USAC Internal Audit Division, presented this item to the Committee.

On a motion duly made, 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 Service Provider Audit Report labeled SL2008SP002, together with management's responses thereto, accepts the recommendation of USAC management and hereby deems such report final.

- a5. Action on 52 Schools and Libraries Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Mr. Scott presented this item to the Committee, noting that these 52 reports are the second set of reports to be reviewed under Round 3 of the FCC OIG USF audit program. Several committee members requested staff discuss specific audit reports. The committee then determined to continue discussion of this matter in *Executive Session*.

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 *internal rules and procedures*.

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

RESOLVED, that the USAC Schools & Libraries Committee determines that additional discussion of the Schools and Libraries Support Mechanism Beneficiary Compliance Attestation Audit Reports shall be conducted in *Executive Session*.

- a6. Consideration of Approval to Make Commitments for Priority 2 Services at a Discount Rate of 80% and Above for Funding Year 2009.** Mr. Blackwell presented this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee authorizes USAC staff to commit, upon FCC approval, waves for Funding Year 2009 with the parameters set at 80 percent and above for Priority 2 services.

- a7. Consideration of Funding Year 2010 Filing Window Dates.** Mr. Blackwell presented this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee accepts the recommendation of USAC management to open the Funding Year 2010 filing window on or about December 1, 2009, and close the Funding Year 2010 filing window on or about February 15, 2010, subject to the requirements of Section 54.522 of the Commission's rules, unless the 60-day wait period, discussed above, is not waived by the Commission. Upon consultation with the Committee Chair, USAC management is authorized to adjust the opening and closing dates, as circumstances may warrant, while maintaining a minimum 75-day filing window.

- a8. Miscellaneous. Solicit ideas for the January 2010 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, Mr. Barash or Mr. Blackwell between quarterly meetings.

INFORMATION ITEMS:

- i1. Schools and Libraries Support Mechanism Update.** Mr. Blackwell presented this item to the Committee, noting the following:
- USAC released Funding Year 2009 Wave 20 Funding Commitment Decision Letters (FCDLs) on September 8, 2009. As of September 30, 2009, funding commitments total approximately \$988 million.
 - USAC released Funding Year 2008 Wave 67 FCDLs on September 8, 2009. As of September 30, 2009, funding commitments total approximately \$2.38 billion.
 - USAC released Funding Year 2007 Wave 80-B FCDLs on July 16, 2009. As of September 30, 2009, funding commitments total approximately \$2.57 billion.
 - Last quarter, the FCC released Public Notice (DA 09-1233) establishing the comment period for the Funding Year 2010 Eligible Services List (ESL). USAC staff is working with the FCC to address questions arising from comments filed.

- Round 2 of the FCC Office of Inspector General (OIG) USF audit program for Schools and Libraries Program beneficiaries is concluding. The audits focused on disbursements made between July 1, 2006 and June 30, 2007. All audits have been approved by the Committee and USAC is in the process of performing follow-up work on specific audits where required.
- Round 3 of the FCC OIG USF audit program for Schools and Libraries Program beneficiaries is in progress. The audits focused on disbursements made between July 1, 2007 and June 30, 2008. USAC management expects to submit 52 audit reports for approval at this Committee meeting.
- The Schools and Libraries Division's IT systems were successfully transferred from Whippany, NJ, to a USAC collocation data center in Northern Virginia. Significant remediation efforts are ongoing to ensure that the internal systems are performing as required and additional work must be completed to open the Funding Year 2010 application filing window and process Funding Year 2010 applications.
- USAC has begun planning the fall training sessions for Funding Year 2010. Training sessions are scheduled to be held in Washington, DC; Newark, NJ; Atlanta, GA; Chicago, IL; Orlando, FL; Los Angeles, CA; Portland, OR; and Houston, TX.
- The average time to process an invoice line was five days in August 2009. In August 99.1% of invoice lines were processed within 30 days. USAC exceeded the July and August performance goals.
- USAC staff exceeded appeals processing goals in July and August with 89% of the appeals completed within 90 days of receipt.

The Committee then recessed until 10:32 a.m. Eastern Time.

- i2. Schools and Libraries and Rural Health Care Program Support Services Solicitation Update.** 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*.

- i3. **Semiannual Status Report on Ongoing USAC Audits.** Mr. Scott presented this item to the Committee, noting that USAC staff will begin presenting to the Committee for review the first set of the 345 Round 3 FCC OIG USF audit program audits of Schools and Libraries Program beneficiaries.
- i4. **Semiannual Status Report on Actions Taken on Final USAC Audits.** Mr. Scott presented this item to the Committee.
- i5. **USAC Stakeholder Engagement Strategy Update.** Mr. Iversen presented this to the Committee.

At 11:24 a.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 items noted above.

EXECUTIVE SESSION:

- a5. **Action on 52 Schools and Libraries Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Mr. Scott presented this item to the Committee.

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

RESOLVED, that the USAC Schools and Libraries Committee, having reviewed the 52 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.

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

At 11:44 a.m. Eastern Time, the Committee adjourned from **Executive Session** and immediately reconvened in **Open Session**, at which time, Ms. Campbell reported that in **Executive Session**, the Committee took action on item a5 and discussed item i2 above. On a motion duly made and seconded, the Committee adjourned at 11:47 a.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

December 16, 2009

MINUTES

The 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 Wednesday, December 16, 2009. Dr. Bryant, Committee Vice Chair, called the meeting to order at 12:03 p.m. Eastern Time. All seven Committee members were present representing a quorum:

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

Other Board of Directors (Board) members and officers of the corporation present:

Blackwell, Mel – Vice President, Schools & Libraries Division – *by telephone*
Capozzi, David – Acting General Counsel and Assistant Secretary
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Eisley, Andy	USAC
Green, Trish	FCC
Hultquist, Mary	USAC
Lenhardt, Chris	USAC
Nuzzo, Patsy	USAC

ACTION ITEMS:

a1. Action on 32 Schools and Libraries Support Mechanism Beneficiary Compliance Attestation Audit Reports. Mr. Scott introduced this item to the Committee, noting that after the January 25, 2010 Committee meeting, 200 audits would remain for the Committee to approve. Dr. Bryant commented that the entities being audited were large school systems and the clean opinions indicated that they were learning and complying. Ms. Ridley noted that she felt encouraged that the correlation of the amount being audited and the cost of the audits were moving in an appropriate direction.

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

RESOLVED, that the USAC Schools and Libraries Committee having reviewed the 32 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.

On a motion duly made and seconded, the Committee adjourned at 12:15 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary