



High Cost & Low Income Committee

Briefing Book

Thursday, April 20, 2023

1:30 p.m. – 2:45 p.m. Eastern Time

Available for Public Use

USAC Offices

700 12th Street NW, Suite 900

Washington, D.C. 20005

**Universal Service Administrative Company
High Cost & Low Income Committee
Quarterly Meeting
Agenda**

<p>Thursday, April 20, 2022 1:30 p.m. – 2:45 p.m. Eastern Time USAC Offices 700 12th Street, N.W., Suite 900 Washington, D.C. 20005</p>
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HIGH COST OPEN SESSION		<i>Estimated Duration in Minutes</i>
Chair	<p>a1. Consent Items (each available for discussion upon request):</p> <p style="padding-left: 20px;">A. Approval of High Cost & Low Income Committee Meeting Minutes of January 23 and 30; and March 16, 2023</p> <p style="padding-left: 20px;">B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i></p> <p style="padding-left: 20px;">C. Consideration and Approval of One Lifeline Routine Procurement</p>	5
Vic	<p>a2. Approval of High Cost Support Mechanism 3rd Quarter 2023 Programmatic Budget and Demand Projection for the May 2, 2023 FCC Filing</p>	5
Teleshia	<p>i1. Information on Eight USAC Audit and Assurance Division High Cost Support Mechanism Beneficiary Audit Reports <i>(For Information Only)</i></p>	–
Vic Kyle	<p>i2. High Cost Business Update</p> <ul style="list-style-type: none"> • 1Q2023 Accomplishments • Plans for 2Q2023 • RPA Rollout Status Roadmap • Roadmap • Appendix: Metrics 	25

LOW INCOME OPEN SESSION		<i>Estimated Duration in Minutes</i>
Tim	<p>a3. Approval of Low Income Support Mechanism 3rd Quarter 2023 Programmatic Budget and Demand Projection for the May 2, 2023 FCC Filing</p>	5

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Tim	i3. Low Income (Lifeline) Business Update <ul style="list-style-type: none"> • Q12023 Accomplishments <ul style="list-style-type: none"> ○ National Verifier Highlights • Plans for Next Quarter • Roadmap • Appendix: Metrics 	25
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LOW INCOME EXECUTIVE SESSION Confidential – Executive Session Recommended		<i>Estimated Duration in Minutes</i>
Tim	i4. Low Income (Lifeline) Business Update <i>(Continued, if needed)</i>	–
Teleshia	i5. Information on One USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Report <i>(For Information Only)</i>	–
Teleshia	i6. Information on One USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Report <i>(For Information Only)</i>	–
Chris	a4. Consideration of a Contract Award for Computer Matching Program Operations and Maintenance Services <i>(same as aBOD04)</i>	5
Chris	a5. Consideration of a Contract Modification for Lifeline Call Center Services	-

HIGH COST EXECUTIVE SESSION Confidential – Executive Session Recommended		<i>Estimated Duration in Minutes</i>
Kyle	i7. High Cost Business Update <i>(Continued)</i> <ul style="list-style-type: none"> • HCLI Modernization Status Update 	10
Teleshia	i8. Information on One USAC Audit and Assurance Division High Cost Support Mechanism Beneficiary Audit Report(s) <i>(For Information Only)</i>	–

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Next Scheduled USAC High Cost & Low Income Committee Meeting

Monday, July 24, 2023

USAC Offices, Washington, D.C.

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**Universal Service Administrative Company
High Cost & Low Income Committee Meeting**

ACTION ITEM

Consent Items

Action Requested

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the consent items listed below.

Discussion

The Committee is requested to approve the following items using the consent resolution below:

- A. Committee meeting minutes of January 23, January 30, and March 16, 2023 (*see Attachments A-1, A-2, A-3*).

- B. Approval of moving all *Executive Session* items into *Executive Session*:
 - (1) **i4** – Low Income (Lifeline) Business Update (*Continued, if needed*).
USAC management recommends that this item be discussed in *Executive Session* because it may involve discussion of *specific internal controls or confidential company data* or *internal rules and procedures* concerning the administration of the universal service support mechanisms, where discussion of the matter in open session would result in *disclosure of confidential techniques and procedures* that would compromise program integrity.

 - (2) **i5** – Information on One USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Report. USAC management recommends that this item be discussed in *Executive Session* because the report relates to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures.

 - (3) **i6** – Information on One USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Report. USAC management recommends that this item be discussed in *Executive Session* because the report relates to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures.

- (4) **a4** – Consideration of a Contract Award for Computer Matching Program Operations and Maintenance Services (*same as aBOD04cf*). USAC management recommends that this item be discussed in ***Executive Session*** because this matter relates to USAC’s ***procurement strategy and contract administration***.
- (5) **a5** – Consideration of a Contract Modification for Lifeline Call Center Services. USAC management recommends that this item be discussed in ***Executive Session*** because this matter relates to USAC’s ***procurement strategy and contract administration***.
- (6) **i7** – High Cost Business Update (*Continued*). USAC management recommends that this item be discussed in ***Executive Session*** because it may involve discussion of ***specific internal controls or confidential company data*** or ***internal rules and procedures*** concerning the administration of the universal service support mechanisms, where discussion of the matter in open session would result in ***disclosure of confidential techniques and procedures*** that would compromise program integrity.
- (7) **i8** – Information on One USAC Audit and Assurance Division High Cost Support Mechanism Beneficiary Audit Report. USAC management recommends that this item be discussed in ***Executive Session*** because the report relates to ***specific internal controls and/or confidential company data*** that would constitute a discussion of internal rules and procedures.

C. Consideration and Approval of One Lifeline Routine Procurement

- (1) Approval of the Consideration of a Contract Modification for Lifeline Call Center Services. The resolution is provided in **aHCLI05cf**. If discussion is needed, it will be conducted in ***Executive Session***.

Upon request of a Committee member, any one or more of the above items are available for discussion by the Committee.

Recommended USAC High Cost & Low Income Committee Action

APPROVAL OF THE FOLLOWING RESOLUTION:

RESOLVED, that the High Cost & Low Income Committee of the USAC Board of Directors hereby approves: (1) the Committee meeting minutes of January 23, January 30, and March 16, 2023; (2) discussion in ***Executive Session*** of the items noted above; and (3) the approval of one routine procurement as presented in item aHCLI05cf.

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
700 12th Street, N.W., Suite 900
Washington, D.C. 20005

HIGH COST AND LOW INCOME COMMITTEE MEETING
Monday, January 23, 2023

(DRAFT) MINUTES¹

Previously, on November 28, 2022 the Committee authorized USAC to award a contract to a new vendor, Navient B.P.O., LLC, for Lifeline call center services. Due to higher call volumes than anticipated and to ensure a seamless vendor transition, USAC management requested modifications of the contract with the Conduent State & Local Solutions, Inc.

- a1. Consideration of a Contract Modification for Lifeline Program Call Center Services.** On January 20, 2023, briefing papers were distributed to the Committee requesting members to vote electronically for this matter pursuant to Article II, Section 9 of USAC's By-laws.² Responses to approve a contract modification for Lifeline call center services were timely received by January 23, 2023, providing unanimous consent from all 11 Committee members. The Committee adopted the following resolution:

RESOLVED, that the USAC High Cost Low Income Committee, having reviewed the recommendation of USAC management, hereby authorizes management to modify the Lifeline Program call center services contract with Conduent State & Local Solutions, Inc. (1) by increasing the total not-to-exceed amount of the contract by \$1,800,000.00 (plus applicable taxes) from \$107,970,000.00 (plus applicable taxes) to \$109,770,000.00 (plus applicable taxes), and (2) by extending the contract period of performance end date from February 15, 2023 to April 15, 2023, to account for expenses associated with continued call center support during the transition to a new vendor, subject to required Federal Communications Commission approval.

/s/ Erin Williams
Assistant Secretary

¹ Draft resolutions were presented to the Board prior to the Board vote. Where appropriate, non-substantive changes have been made to the resolutions set forth herein to clarify language, where necessary, or to correct grammatical or spelling errors.

² See USAC By-laws, Article II, § 9 ("Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.").

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
700 12th Street N.W., Suite 900
Washington, D.C. 20005

HIGH COST & LOW INCOME COMMITTEE MEETING
Monday, January 30, 2023

(DRAFT) MINUTES¹

The quarterly meeting of the High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) was held at USAC's offices in Washington, D.C. on Monday, January 30, 2023. Mr. Ken Mason, Committee Chair, called the meeting to order at 2:35 p.m. Eastern Time, with a quorum of all 11 Committee members present:

Chalk, Indra	Polk, Stephanie – <i>by telephone</i>
Feiss, Geoff	Sekar, Radha – Chief Executive Officer
Freeman, Sarah – <i>by telephone</i>	Skrivan, Michael
Gillan, Joe	Waller, Jeff – <i>by telephone</i>
Jacobs, Ellis – <i>by telephone</i>	Wein, Olivia – Vice Chair
Mason, Ken – Chair	

Other Board members and officers of the corporation present:

Beyerhelm, Chris – Chief Administrative Officer – *by telephone*
Butler, Stephen – Vice President of Shared Services
Buzacott, Alan – Member of the Board
Davis, Craig – Vice President of Schools and Libraries
Delmar, Teleshia – Vice President of Audit and Assurance
Gaither, Victor – Vice President of High Cost
Garber, Michelle – Vice President of Finance and Chief Financial Officer – *by telephone*
Gregory, Amber – Member of the Board
Hutchinson, Kyle – Vice President of IT and Chief Information Officer
O'Brien, Tim – Vice President of Lifeline
Schell, Julie Tritt – Member of the Board
Wade, Dr. Joan – Member of the Board
Wibberly, Dr. Kathy – Member of the Board
Williams, Erin – Vice President, General Counsel, and Assistant Secretary

¹ Draft resolutions were presented to the Committee prior to the Committee meeting. Where appropriate, non-substantive changes have been made to the resolutions set forth herein to clarify language, where necessary, or to correct grammatical or spelling errors.

Others present:

<u>NAME</u>	<u>COMPANY</u>
Case, Kevin – <i>by telephone</i>	USAC
Goode, Vernell	USAC
Havivi, Daniel – <i>by telephone</i>	USAC
Kahn, Sammy	USAC
Little, Chris	USAC
Parsons, Laura – <i>by telephone</i>	Maximus
Phillippi, Megan	USAC
Roach, Daulton – <i>by telephone</i>	Deloitte
Rones, Julie – <i>by telephone</i>	USAC
Ruffley, Brandon	USAC
Simab, Habib	USAC
Suggs-Moore, Vickie	USAC
Tiwari, Tanya – <i>by telephone</i>	Morgan Lewis
Wilson, Carl	USAC

HIGH COST OPEN SESSION

All materials from *Open Session* can be found on the [USAC website](#).

- a1. Consent Items.** Mr. Mason presented the consent items to the Committee:
- A.** Approval of High Cost & Low Income Committee Meeting Minutes of October 24 and November 28, 2022.
 - B.** Approval of moving all *Executive Session* items into *Executive Session*:
 - (1) i5** – Low Income (Lifeline) Business Update (*Continued*). USAC management recommended that this item be discussed in *Executive Session* because it involves *specific internal controls or confidential company data* and *internal rules and procedures* concerning the administration of the universal service support mechanisms; discussion of the matter in open session would result in *disclosure of confidential techniques and procedures* that would compromise program integrity.
 - (2) a5** – Approval of Low Income Support Mechanism 2023 Annual Programmatic Budget. USAC management recommended that this item be discussed in *Executive Session* because this matter relates to USAC’s *procurement strategy and contract administration*.
 - (3) i6** – Information on Two USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Reports. USAC management recommended that this item be discussed in *Executive Session* because the report relates to *specific internal controls and/or*

confidential company data that would constitute a discussion of internal rules and procedures.

- (4) **i7** – Information on Two USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Reports. USAC management recommended that this item be discussed in *Executive Session* because the report relates to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures.
- (5) **a6** – Consideration to Exercise Remaining Option Terms for Lifeline Program Third Party Identification and Verification Services. USAC management recommends that this item be discussed in *Executive Session* because this matter relates to USAC’s *procurement strategy and contract administration*.
- (6) **i8** – High Cost Business Update (*Continued*). USAC management recommended that this item be discussed in *Executive Session* because it involves *specific internal controls or confidential company data* and *internal rules and procedures* concerning the administration of the universal service support mechanisms; discussion of the matter in open session would result in *disclosure of confidential techniques and procedures* that would compromise program integrity.
- (7) **a7** – Approval of High Cost Support Mechanism 2023 Annual Programmatic Budget. USAC management recommended that this item be discussed in *Executive Session* because this matter relates to USAC’s *procurement strategy and contract administration*.
- (8) **i9** – *Executive Session* Discussion with the High Cost and Low Income Committee/Board. USAC management recommended that this item be discussed in *Executive Session* because it relates to the Committee’s oversight responsibilities and may involve discussion of *specific internal controls or confidential company data* or *internal rules and procedures* concerning the administration of the universal service support mechanisms, where discussion of the matter in *Open Session* would result in *disclosure of confidential techniques and procedures* that would compromise program integrity.

C. Consideration and Approval of One Routine Procurement.

- (1) Approval of the Consideration to Exercise Remaining Option Terms for Lifeline Program Third Party Identification and Verification Services. The resolution is provided in **aHCLI06cf**.

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

RESOLVED that the High Cost & Low Income Committee of the USAC Board of Directors hereby approves: (1) the Committee meeting minutes of October 24 and November 28, 2022; (2) discussion in *Executive Session* of the items noted above; and (3) the approval of one routine procurement as presented in item aHCLI06cf.

- a2. **Recommendation for Election of Committee Chair and Vice Chair.** Mr. Mason introduced Ms. Wade. As the Chair of the Nominating Committee, Ms. Wade reported on the election recommendations for the High Cost and Low Income Committee.

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

RESOLVED, that the USAC High Cost and Low Income Committee recommends that the USAC Board of Directors elect **Ken Mason** as Chair and **Olivia Wein** as Vice Chair of the Committee. The term for each position begins immediately upon the election to such position by the Board and ends at such time as the Chair or Vice Chair (as the case may be): (i) is replaced by a successor selected by the Board, (ii) resigns from the Committee or the Board, (iii) is removed by resolution of the Board, or (iv) is no longer a member of the Board (whichever comes first).

- a3. **Approval of High Cost Support Mechanism 2nd Quarter 2023 Programmatic Budget and Demand Projection for the January 31, 2022 Federal Communications Commission (FCC) Filing.** Mr. Gaither presented this item for consideration. The presentation included a written report on USAC management's recommendations for the High Cost support mechanism 2nd quarter 2023 programmatic budget and demand projection for the January 31, 2023 FCC filing.

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

RESOLVED, that the USAC High Cost & Low Income Committee approves a 2nd Quarter 2023 High Cost Support Mechanism program budget of \$6.40 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$6.40 million for High Cost Support Mechanism administrative costs in the required January 31, 2023 filing to the Federal Communications Commission on

behalf of the Committee; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on January 30, 2023 the 2nd Quarter 2023 High Cost Support Mechanism demand estimate of \$972.91 million, hereby directs USAC staff to proceed with the required January 31, 2023 filing to the Federal Communications Commission on behalf of the Committee. USAC staff may make adjustments if the total variance for the High Cost Support Mechanism is equal to or less than \$10 million, or may seek approval from the Committee Chair to make adjustments if the total variance is greater than \$10 million, but not more than \$15 million.

- i1. **Information on Seven USAC Audit and Assurance Division High Cost Support Mechanism Beneficiary Audit Reports.** This item was provided for *information purposes* only. Mr. Mason noted that the High Cost & Low Income Audit Briefing Book would be made public and posted to the USAC website.
- i2. **High Cost Business Update.** Mr. Gaither presented PowerPoint slides to the Committee covering the following items:
 - 2022 Year in Review
 - Plans for 1Q2023
 - Roadmap

LIFELINE OPEN SESSION

- a4. **Approval of Low Income Support Mechanism 2nd Quarter 2023 Programmatic Budget and Demand Projection for the January 31, 2023 FCC Filing.** Mr. O'Brien presented this item to the Committee for consideration. The presentation included a written report on USAC management's recommendations for the Low Income support mechanism 2nd quarter 2023 programmatic budget and demand projection for the January 31, 2023 FCC filing.

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

RESOLVED, that the USAC High Cost & Low Income Committee approves a 2nd Quarter 2023 Low Income Support Mechanism direct program budget of \$14.32 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$14.32 million for Low Income Support Mechanism administrative costs in the required January 31, 2023 filing to the Federal Communications Commission on behalf of the Committee; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on January 30, 2023 the 2nd Quarter 2023 Low Income Support Mechanism demand estimate of \$202.05 million, hereby directs USAC staff to proceed with the required January 31, 2023 filing to the Federal Communications Commission on behalf of the Committee. USAC staff may make adjustments if the total variance for the Low Income Support Mechanism is equal to or less than \$10 million, or may seek approval from the Committee Chair to make adjustments if the total variance is greater than \$10 million, but not more than \$15 million..

- i3. Information on One USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Report.** This item was provided for *information purposes* only. Mr. Mason noted that the High Cost & Low Income Audit Briefing Book would be made public and posted to the USAC website.
- i4. Low Income (Lifeline) Business Update.** Mr. O'Brien presented PowerPoint slides to the Committee covering the following items:
- 2022 Year in Review
 - National Verifier Highlights
 - Lifeline Subscriber Trends
 - Plans for Next Quarter
 - Roadmap

At 3:17 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into ***Executive Session*** for the purpose of discussing confidential items. Only members of the Board and USAC staff were present.

LOW INCOME EXECUTIVE SESSION

At 3:25 p.m., the Committee took a 10 minute recess and returned at 3:35 p.m. in Executive Session.

- i5. Low Income (Lifeline) Business Update (*Continued*).** Mr. O'Brien presented PowerPoint slides to the Committee covering the Call Center transition.
- a5. Approval of Low Income Support Mechanism 2023 Annual Programmatic Budget.** Mr. O'Brien presented this item to the Committee for consideration. The presentation included a written report on the Low Income Support Mechanism annual programmatic budget.

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

RESOLVED, that the High Cost & Low Income Committee approves a 2023 annual programmatic budget for the Low Income Support Mechanism of \$57.95 million.

- i6. **Information on Two USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Reports.** This item was provided for *information purposes* only. No discussion was held.
- i7. **Information on Two USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Reports.** This item was provided for *information purposes* only. No discussion was held.
- a6. **Consideration to Exercise Remaining Option Terms for Lifeline Program Third Party Identification and Verification Services.** No additional discussion was held on this item. The Committee adopted the following resolution as part of the Consent Items:

RESOLVED, that the High Cost Low Income Committee, having reviewed the recommendation of USAC management, hereby authorizes management to exercise the second, third and fourth one-year option terms of its Third Party Identification and Verification (TPIV) Services contract with Transunion Public Sector to support the Lifeline Program for a not-to-exceed amount of \$2,437,675.00 (plus applicable taxes), thereby increasing the total not-to-exceed amount of the contract from \$1,180,000.00 (plus applicable taxes) to \$3,617,675.00 (plus applicable taxes), subject to required Federal Communications Commission approval.

HIGH COST EXECUTIVE SESSION

- i8. **High Cost Business Update (*Continued*).** Mr. Gaither, Mr. Khan, and Mr. Ruffley presented a video demonstrating High Cost verification automation efforts.
- a7. **Approval of High Cost Support Mechanism 2023 Annual Programmatic Budget.** Mr. Gaither presented this item to the Committee for consideration. The presentation included a written report on the High Cost Support Mechanism annual budget.

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

RESOLVED, that the High Cost & Low Income Committee approves a 2023 annual programmatic budget for the High Cost Support Mechanism of \$25.78 million.

- i9. ***Executive Session Discussion with the High Cost and Low Income Committee and Board.*** The Committee determined that a confidential *Executive Session* for members of the High Cost and Low Income Committee and the Board was not needed.

OPEN SESSION

At 4:11 p.m. Eastern Time, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Mason reported that in *Executive Session*, the Committee discussed items i5 and i8 and took action on items a5 and a7.

On a motion duly made and seconded, the Committee adjourned at 4:12 p.m. Eastern Time.

/s/ Erin Williams
Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
700 12th Street, N.W., Suite 900
Washington, D.C. 20005

HIGH COST & LOW INCOME COMMITTEE MEETING
Thursday, March 16, 2023

(DRAFT) MINUTES¹

The non-quarterly meeting of the High Cost & Low Income Committee (Committee) was conducted by web conference on Thursday, March 16, 2023. At the requested of Ken Mason, Committee Chair, Joe Gillan, Board Chair, chaired the meeting. The meeting was called to order at 3:31 p.m. Eastern Time with a quorum of ten of the 11 Committee members present:

Chalk, Indra	Polk, Stephanie
Feiss, Geoff	Sekar, Radha – Chief Executive Officer
Freeman, Sarah	Skrivan, Michael
Gillan, Joe	Waller, Jeff
Mason, Ken – Chair	Wein, Olivia – Vice Chair

Member of the Board not present:

Jacobs, Ellis

Officers of the corporation present:

Beyerhelm, Chris – Vice President and Chief Administrative Officer
Buzacott, Alan – Member of the Board
Domenech, Dr. Dan – Member of the Board
Fontana, Brent – Member of the Board
Garber, Michelle – Vice President of Finance, Chief Financial Officer, and
Assistant Treasurer
Gregory, Amber – Member of the Board
Hutchinson, Kyle – Vice President of IT and Chief Information Officer
O’Brien, Tim – Vice President of Lifeline
Sanquist, Christine – Member of the Board
Schell, Julie Tritt – Member of the Board
Wade, Joan – Member of the Board
Williams, Erin – Vice President, General Counsel, and Assistant Secretary

¹ Draft resolutions were presented to the Board prior to the Board meeting. Where appropriate, non-substantive changes have been made to the resolutions set forth herein to clarify language, where necessary, or to correct grammatical or spelling errors.

Others present by telephone:

<u>NAME</u>	<u>COMPANY</u>
Hamm, Aaron	USAC
Phillippi, Megan	USAC
Wilson, Carl	USAC

OPEN SESSION

- a1. **Consideration of Contract Award for Lifeline and Affordable Connectivity Program Business Process Outsourcing (BPO).** USAC management 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 High Cost & Low Income Committee approves discussion of this item in *Executive Session*.

At 3:32 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential item listed above.

EXECUTIVE SESSION

- a1. **Consideration of Contract Award for Lifeline and Affordable Connectivity Program Business Process Outsourcing (BPO).** Mr. Beyerhelm presented this item for consideration. The presentation included a written summary and report detailing USAC management's recommendation to award a contract for Lifeline BPO services.

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

RESOLVED, that the High Cost & Low Income Committee of the USAC Board of Directors, having reviewed the recommendation of USAC management, authorizes USAC management, subject to required Federal Communications Commission approval, to award a contract to Maximus Federal Services, Inc. for Lifeline BPO Services. The contract will have a hybrid fee structure of firm-fixed price and fixed-unit price for a total not-to-exceed amount of \$8,457,181.70 (plus applicable taxes) over a base period of

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twelve (12) months, with the ability to exercise four (4) additional one-year option terms, subject to Federal Communications Commission and Committee approvals.

OPEN SESSION

At 3:39 p.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 Mr. Gillan reported that, in *Executive Session*, the Committee took action on item a1.

On a motion duly made and seconded, the Committee adjourned at 3:41 p.m. Eastern Time.

/s/ Erin Williams

Assistant Secretary

**Universal Service Administrative Company
High Cost & Low Income Committee Meeting**

ACTION ITEM

**Approval of High Cost Support Mechanism
3rd Quarter 2023 Programmatic Budget and
Demand Projection for the May 2, 2023 FCC Filing**

Action Requested

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 3rd Quarter 2023 (3Q2023) programmatic budget and demand projection for the High Cost Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's May 2, 2023 quarterly filing.

Discussion

On a quarterly basis, USAC is required to submit to the FCC each program's budget¹ and projected demand for the upcoming quarter.²

Funding Requirement

Based on data filed by supported carriers and FCC authorizations, USAC estimates the 3Q2023 funding requirement for the High Cost Support Mechanism as follows:

[The remainder of the page is intentionally blank.]

¹ See 47 C.F.R. § 54.715(c).

² See 47 C.F.R. § 54.709(a)(3).

Table A. Summary of Program Funding Requirement
See Attachment 1 for further detail

<i>(in millions)</i>	2Q2023	Increase/ (Decrease)	3Q2023	Notes
Steady State:				
Legacy Funds	\$528.11	\$26.04	\$554.15	Includes HCLS, CAF BLS, CAF ICC, Frozen Price Cap and Competitive ETC Support. Increase driven by CAF BLS true-ups updated for new program year (2021).
Modernization Funds	550.31	0.02	550.33	Includes CAF Phase II Auction, CAF Phase II (ACS only), Alaska Plan Support, A-CAM I, Revised A-CAM I, A-CAM II, RBE, Mobility Fund Phase I, Uniendo a Puerto Rico Fund/Connect USVI Fund, and RDOF.
Amounts Paid from Reserve	(54.80)	0.00	(54.80)	Disbursements for RBE, Mobility Fund Phase I, and portion of A-CAM I.
Total Steady State	\$1,023.62	\$26.06	\$1,049.68	
New Requirements				
Legacy Funds	0.00	0.00	0.00	
Modernization Funds	0.00	0.00	0.00	
Total New Requirements	\$0.00	0.00	0.00	
Total Program Demand	\$1,023.62	\$26.06	\$1,049.68	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	(54.73)	33.85	(20.88)	
Billings	(3.70)	11.31	7.61	
Interest Income	(0.05)	0.02	(0.03)	
Bad Debt Expense	(10.49)	0.39	(10.10)	
Annual Admin True-Up	0.00	0.00	0.00	
Total Prior Period Adjustments	(\$68.97)	45.57	(\$23.40)	
USAC Administrative Expenses	\$18.26	(\$0.31)	\$17.95	See Table B
Total Funding Requirement	\$972.91	\$71.32	\$1,044.23	

Based on the projected burn rate, USAC estimates the following 3Q2023 programmatic budget:

Table B. Quarterly Programmatic Budget

<i>(in millions)</i>	2Q2023	Increase/ (Decrease)	3Q2023	Notes
Direct Program Costs				
Employee Expenses	\$1.70	\$0.00	\$1.70	
Professional Services	0.81	0.01	0.82	
General & Administrative	0.00	0.00	0.00	See Note 1
Total Direct Program Costs	\$2.51	\$0.01	\$2.52	
Direct Assigned Costs				
Employee Expenses	\$0.68	\$0.00	\$0.68	
Professional Services	3.01	0.00	3.01	
General & Administrative	0.20	0.03	0.23	See Note 1
Total Direct Assigned Costs	\$3.89	\$0.03	\$3.92	
Total Direct Program & Direct Assigned Costs	\$6.40	\$0.04	\$6.44	
Common Allocated Costs	\$11.86	(\$0.35)	\$11.51	
Total Programmatic Budget	\$18.26	(\$0.31)	\$17.95	

Note 1: General & Administrative includes direct assigned software licensing costs.

A comparison of actual expenditures to the budget for the three months ending March 31, 2023 is provided in **Attachment 2**.

Recommendation

USAC management recommends that the Committee approve the 3Q2023 budget and projection of demand as proposed.

Recommended High Cost & Low Income Committee Actions

APPROVAL OF THE FOLLOWING RESOLUTIONS:

RESOLVED, that the USAC High Cost & Low Income Committee approves a 3rd Quarter 2023 High Cost Support Mechanism program budget of \$6.44 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$6.44 million for High Cost Support Mechanism administrative costs in the required May 2, 2023 filing to the Federal Communications Commission on behalf of the Committee; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on April 20, 2023 the 3rd Quarter 2023 High Cost Support Mechanism demand estimate of \$1,044.23 million, hereby directs USAC staff to proceed with the required May 2, 2023 filing to the Federal Communications Commission on behalf of the Committee. USAC staff may make adjustments if the total variance for the High Cost Support Mechanism is equal to or less than \$10 million, or may seek approval from the Committee Chair to make adjustments if the total variance is greater than \$10 million, but not more than \$15 million.

ATTACHMENT 1
Detailed High Cost Program Demand

<i>(in millions)</i>	2Q2023	Increase/ (Decrease)	3Q2023	Notes
Steady State – Legacy Funds:				
High Cost Loop Support (HCLS) ³	\$82.29	\$0.00	\$82.29	Provides legacy support to rural carriers in areas where cost to provide service exceeds 115% of the national average cost per line.
Connect America Fund (CAF) Broadband Loop Support (BLS) ⁴	262.09	26.02	288.11	Replaces legacy fund Interstate Common Line Support. Provides support for voice and broadband only lines to offset interstate access charges.
CAF Intercarrier Compensation (ICC) ⁵	89.33	0.02	89.35	Allows incumbent carriers to charge residential customers an Access Recovery Charge on a limited basis and to recover charges from certain multi-line customers.
Frozen Price Cap Carrier Support ⁶	2.81	0.00	2.81	Frozen Price Cap carrier support for Uniendo PR and USVI.
Frozen Competitive ETC Support ⁷	91.59	0.00	91.59	Frozen support for competitive carriers.
Total Steady State Legacy Funds	\$528.11	\$26.04	\$554.15	

³ High Cost Loop (HCL) support is provided pursuant to 47 C.F.R. §§ 54.1301-.1304 and includes Safety Net Additive Support (SNA) and Safety Valve Support (SVS).

⁴ See *Connect America Fund et al.*, WC Docket Nos. 10-90 et al., Report and Order, Order and Order on Reconsideration and Further Notice of Proposed Rulemaking, 31 FCC Rcd 3087, 3117-56, paras. 80-185 (2016) (*2016 Rate-of-Return Reform Order*).

⁵ See *USF/ICC Transformation Order*, 26 FCC Rcd at 17956, para. 847.

⁶ See *Connect America Fund et al.*, WC Docket Nos. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, 17715, 17725-26, paras. 133, 159 (2011) (*USF/ICC Transformation Order*).

⁷ See *USF/ICC Transformation Order*, 26 FCC Rcd at 17715, para. 133.

<i>(in millions)</i>	2Q2023	Increase/ (Decrease)	3Q2023	Notes
Steady State – Modernization Funds:				
CAF Phase II ⁸	4.92	0.00	4.92	Support to Price Cap carriers based on Connect America Cost Model (CACM) ended after the 7th year support in December 2021 for all its recipients except for Alaska Communications Systems (ACS). Per Order, FCC 16-143, ACS will continue to receive CAF Phase II frozen support until 2025.
CAF Phase II Auction	38.70	0.00	38.70	Support to auction winners in areas that Price Cap carriers did not accept CAF Phase II model support and in extremely high cost service areas.
Alaska Plan Support ⁹	32.08	0.00	32.08	Support for Rate of Return carriers and their wireless affiliates for broadband services in Alaska.
Alternative Connect America Cost Model I (A-CAM) ¹⁰	155.37	0.00	155.37	Model support to Rate of Return carriers for voice and broadband infrastructure.

⁸ See *Connect America Fund*, WC-Docket Nos. 10-90, Report and Order, 31 FCC Rcd 12086 (2016)

⁹ See *Wireless Telecommunications Bureau Approves Performance Plans of the Eight Wireless Providers that Elected to Participate in the Alaska Plan*, WC Docket No. 16-271, Public Notice, 31 FCC Rcd 13317 (WTB 2016); *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 31 FCC Rcd 10139, 10155, paras. 47-49 (2016).

¹⁰ See *Wireline Competition Bureau Authorizes 182 Rate-of-Return Companies To Receive \$454 Million Annually in Alternative Connect America Cost Model Support To Expand Rural Broadband*, WC-Docket No. 10-90, Public Notice, 32 FCC Rcd 842 (WCB 2017) (*A-CAM Authorization PN*); *2016 Rate-of-Return Reform Order*, 31 FCC Rcd at 3094-117, paras. 17-79; *Connect America Fund et al.*, WC Docket Nos. 10-90 et al., Report and Order, Third Order on Reconsideration, and Notice of Proposed Rulemaking, 33 FCC Rcd 2990, 3020-21, para. 68 (2018), 83 Fed. Reg. 18951 (May 1, 2018); *A-CAM Authorization PN*. See also *Connect America Fund*, WC Docket No. 10-90, Report and Order and Further Notice of Proposed Rulemaking, 31 FCC Rcd 13775 (2016) (*A-CAM Revised Offer Order*); *Wireline Competition Bureau Announces Offers of Revised A-CAM Support Amounts and Deployment Obligations to Authorized A-CAM Companies to Expand Rural Broadband*, WC Docket No. 10-90, Public Notice, DA 19-115 (WCB 2019).

<i>(in millions)</i>	2Q2023	Increase/ (Decrease)	3Q2023	Notes
A-CAM II ¹¹	125.77	0.33	126.10	Model support to Rate of Return carriers for voice and broadband infrastructure.
Rural Broadband Experiments (RBE) ¹²	0.52	0.00	0.52	Support to RBE winners in Price Cap areas for experiments for robust broadband infrastructure in rural communities.
Mobility Fund Phase I ¹³	6.78	0.00	6.78	Support to wireless carriers for the expansion of mobile broadband networks in unserved areas.
Uniendo a Puerto Rico Fund/Connect USVI Fund	26.86	0.00	26.86	Puerto Rico Fund Support targeted to Puerto Rico carriers to rebuild and improve networks and US Virgin Island Fund Support targeted to Virgin Island carriers to rebuild and improve networks.
Rural Digital Opportunity Fund	159.31	(0.31)	159.00	Fund the deployment of up to gigabit speed broadband networks in unserved rural communities through a two-phase reverse auction mechanism.
<i>Total Steady State Modernization Funds</i>	<i>\$550.31</i>	<i>0.02</i>	<i>\$550.33</i>	
<i>Amounts Paid from Reserve</i>	<i>(\$54.80)</i>	<i>0.00</i>	<i>(\$54.80)</i>	Per FCC direction, all disbursements for RBE, Mobility Fund Phase I, and a portion of disbursements for A-CAM I are paid from

¹¹ See *Connect America Fund et al., WC Docket Nos. 10-90 et al., Report and Order, Further Notice of Proposed Rulemaking, and Order on Reconsideration*, 33 FCC 18-176Rcd 11893, 11903, para. 34 (2018) (December 2018 Rate of Return Reform Order).

¹² See *Wireline Competition Bureau Announces Entities Provisionally Selected for Rural Broadband Experiments; Sets Deadlines for Submission of Additional Information*, WC Docket No. 10-90, Public Notice, 29 FCC Rcd 14684 (WCB 2014); *Wireline Competition Bureau Announces Additional Provisionally Selected Bidders for Rural Broadband Experiments and Sets Deadlines for Submission of Additional Information*, WC Docket Nos. 10-90 et al., Public Notice, 30 FCC Rcd 2045 (WCB 2015).

¹³ See *Mobility Fund Phase I Support Authorized for 11 Winning Bids Default on 35 Winning Bids Determined*, Public Notice, 31 FCC Rcd 1721 (WTB 2016); *Tribal Mobility Fund Phase I Support Authorized for Final Fifty-One Winning Bids*, Public Notice, 30 FCC Rcd 2226 (WTB 2015).

<i>(in millions)</i>	2Q2023	Increase/ (Decrease)	3Q2023	Notes
				reserved funds collected in prior years. The ending balance as of March 31, 2023 for reserved funds was approximately TBD million.
New Requirements – Legacy Funds:				
<i>Total New Requirements Legacy Funds</i>	<i>\$0.00</i>	<i>0.00</i>	<i>\$0.00</i>	
New Requirements – Modernization Funds:				
<i>Total New Requirements Modernization Funds</i>	<i>\$0.00</i>	<i>0.00</i>	<i>\$0.00</i>	
Total Program Demand	\$1,023.62	\$26.06	\$1,049.68	

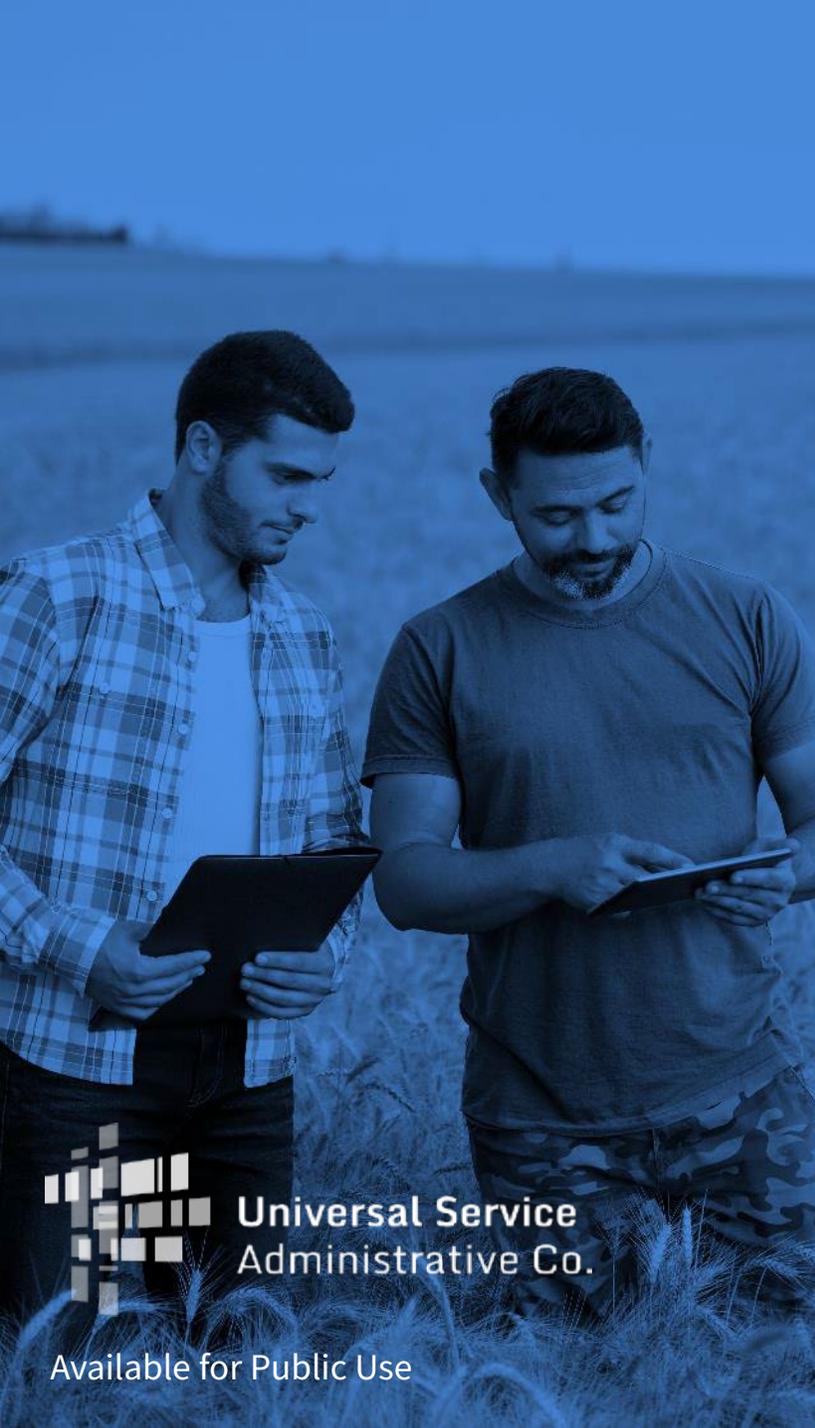
ATTACHMENT 2

High Cost Administrative Costs and Headcount
Comparison of Actual Expenditures and Headcount to the Budget for the
Three months ending March 31, 2023

<i>(\$ in millions)</i>	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	45	50	5	\$1.62	\$1.71	\$0.09
Professional Services (Note 2)				0.20	0.81	0.61
General & Administrative				0.00	0.00	0.00
Total Direct Program Costs				\$1.82	\$2.52	\$0.70
Direct Assigned Costs						
Employee Expenses	19	16	(3)	\$0.86	\$0.69	(\$0.17)
Professional Services (Note 2)				3.30	3.01	(0.29)
General & Administrative				0.04	0.20	0.16
Total Direct Assigned Costs				\$4.20	\$3.90	(\$0.30)
Total Direct Program & Direct Assigned Costs	64	66	2	\$6.02	\$6.42	\$0.40
Common Allocated Costs (Note 3)				\$10.57	\$11.71	\$1.14
Total Programmatic Budget				\$16.59	\$18.13	\$1.54

Note 2: Direct Program Professional Services include support for program modernization orders, High Cost data collection costs, and functional requirements gathering for High Cost system modernization. Direct Assigned Professional Services include beneficiary & contributor audit program audits and IT contract labor.

Note 3: Common costs include costs not directly attributable to a program and are allocated based on the Cost Allocation Methodology, which allocates costs based 50% on direct program costs in the prior year and 50% on program demand in the prior year. Actual common allocated costs reflect a reduction for costs allocated to the appropriated programs.



High Cost & Low Income Committee

High Cost Business Update

Open Session

April 20, 2023



Agenda

- 1Q2023 Accomplishments
- Plans for 2Q2023
- RPA Rollout Status Roadmap
- Roadmap
- Appendix A: Program Metrics
- Appendix B: Verifications Snapshot
- Appendix C: Glossary of Terms

1Q2023 Accomplishments

- Operations
 - Successful annual HUBB certification (Section 54.316) filing on March 1, 2023.
 - Completed High Cost Loop (HCL) annual data validation and analysis (PIA).
 - Continued processing RDOF support authorizations for remaining auction winners.
 - Processed ELAP CAF II Auction Support Adjustments.

1Q2023 Accomplishments (Continued)

- Compliance
 - Addressed CAF II Auction on-demand verification requests (10 carriers) and RDOF on-demand verification requests (six carriers) in support of reducing or terminating Letters of Credit.
 - In March 2023, completed a milestone confirmation to ensure carriers met required deployment milestones for deployment completed through 2022.
 - Completed sampling plans for milestone verification activity to begin in March 2023 (ACS, ACAM/RACAM, ACAM II, CAF-BLS, RDOF, AK Plan and CAF II Auction).
 - Performed compliance analysis of Q4 PMM pre-testing data for ACAM II, BLS, and CAF II Auction.
 - Completed early filing reviews for annual data in RBE, AK Plan, and ACAM.

1Q2023 Accomplishments (Continued)

- HC Integration
 - Received Authority to Operate (ATO) approval on RPA and launched production for initial use on 2023 verifications.
 - Completed RPA transition plan, operations readiness checklist and User Acceptance Testing (UAT) readiness plan.
 - Provided initial functional requirements for HCLI 2.0.
 - Continued to support AAD BCAP modernization program audits and site visits.

1Q2023 Accomplishments (Continued)

- Outreach
 - Helped carriers navigate March 1, 2023, deadline for filing 2022 deployment data in HUBB (including deployment by speed tiers).
 - Helped original and revised ACAM, ACAM II, CAF II Auction carriers (and RDOF carriers seeking to reduce LOC obligations) prepare for verification reviews following annual HUBB filing deadline.
 - Helped carriers obtain quarterly/annual compliance reports and navigate ongoing quarterly network performance speed and latency testing requirements, including helping original and revised ACAM, Alaska Plan, and RBE carriers obtain new random subscriber location samples.
 - Updated RBAP website with actual test results for CAF II model carriers.

1Q2023 Accomplishments (Continued)

- Product
 - Added the Puerto Rico and US Virgin Islands funds to HUBB, entering carrier obligations, and milestone functionality to allow carriers to meet their annual filing requirement.
 - Implemented the RDOF milestone functionality and added recently authorized carriers to HUBB to allow carriers to file in HUBB and complete milestone certifications for the 2022 filing period.
 - Finalized the ELAP Adjudication process for CAF II Auction with the FCC and adjusted obligations in HUBB for participating carriers based on FCC approval.
 - Updated the FCC Form 481 for the 2023 filing year in preparation for the 4/1/23 opening of the filing window.

Plans for 2Q2023

- Product
 - Release CAF Map 6.0 with HUBB data as of the March 1, 2023, filing deadline.
 - Implement customer experience enhancements to PMM to reduce carrier support issues and improve the filing process including:
 - De-certification of data for error corrections, an additional subscriber replacement option, and updated compliance reporting.
 - Implement updates to Form 54.314 to support the opening of the filing window on July 1, 2023.
 - Update the State Access Tool with HUBB data as of the March 1, 2023, filing deadline.

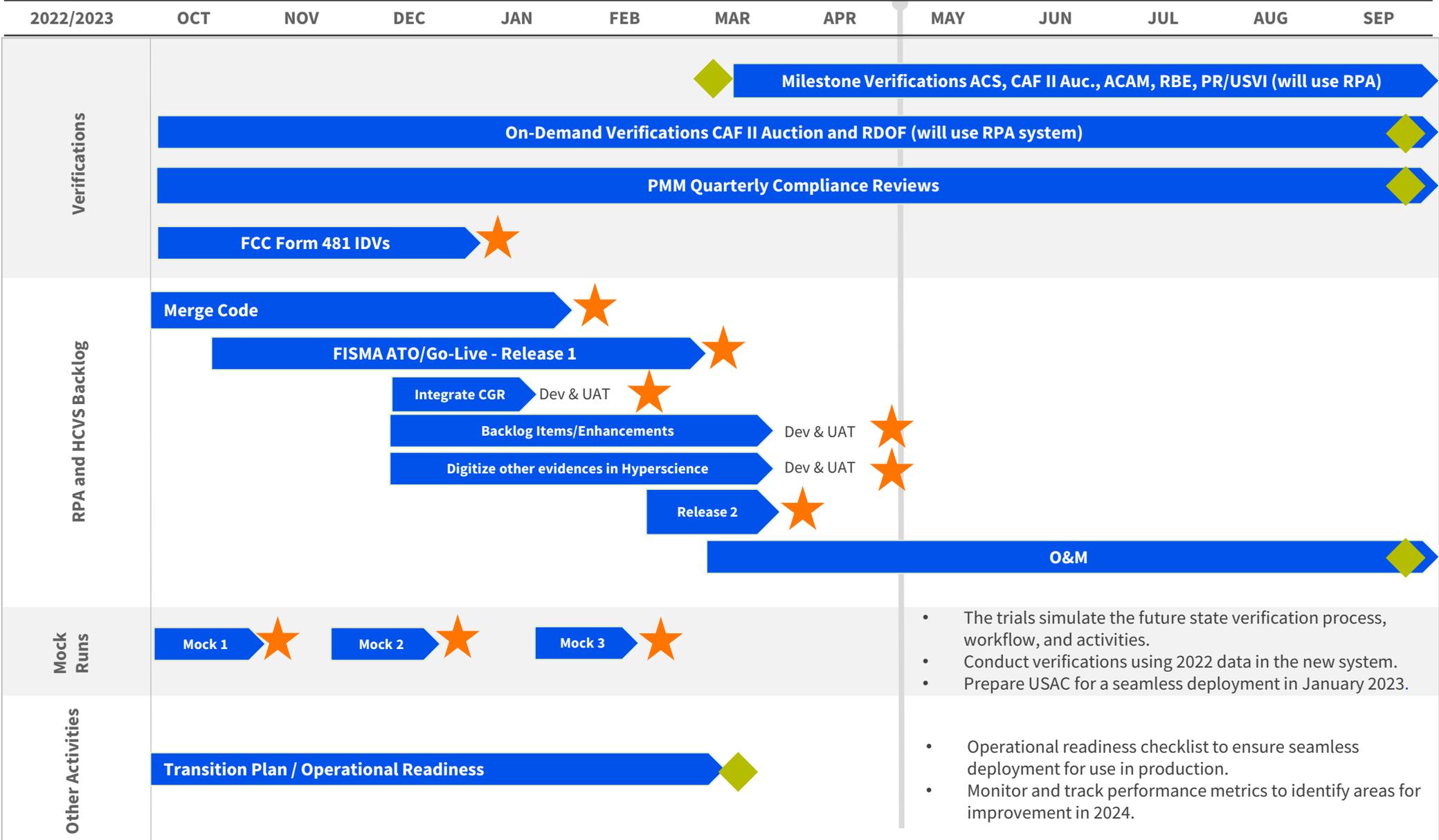
Plans for 2Q2023 (Continued)

- Operations
 - Focus on annual FCC Form 481 certification collection.
 - Complete CAF BLS annual data validation and analysis (PIA).
 - Finalize processing of RDOF support authorizations for remaining auction winners.
- Compliance
 - Ensure CAF II Auction and RDOF on-demand verification requests are addressed.
 - Continue milestone verification work in 2023 (ACS, ACAM/RACAM, ACAM II, and CAF II Auction).
 - Review PMM Q1 filings to adjust status for withholding and restoring of support.
 - Monitor the rollout of RPA, track metrics, and identify additional enhancements.

Plans for 2Q2023 (Continued)

- HC Integration
 - Identify ways to improve 2024 verifications by continuing to monitor, collect and process metrics on RPA system.
 - Continue to support the HCLI 2.0 implementation.
 - Continue to support the BCAP modernization site visit for AAD.
 - Work to collect the drive test data for AK Middle Mile Plan.
- Outreach
 - Help original and revised ACAM, ACAM II, and CAF II Auction carriers (and RDOF carriers seeking to reduce LOC obligations) prepare for and navigate verification reviews.
 - Help carriers navigate ongoing quarterly network performance speed and latency testing requirements and obtain quarterly and annual complain reports.
 - Help carriers prepare for and navigate annual July 1, 2023, deadline for filing FCC Form 481.

RPA Roadmap - Rollout Status Update

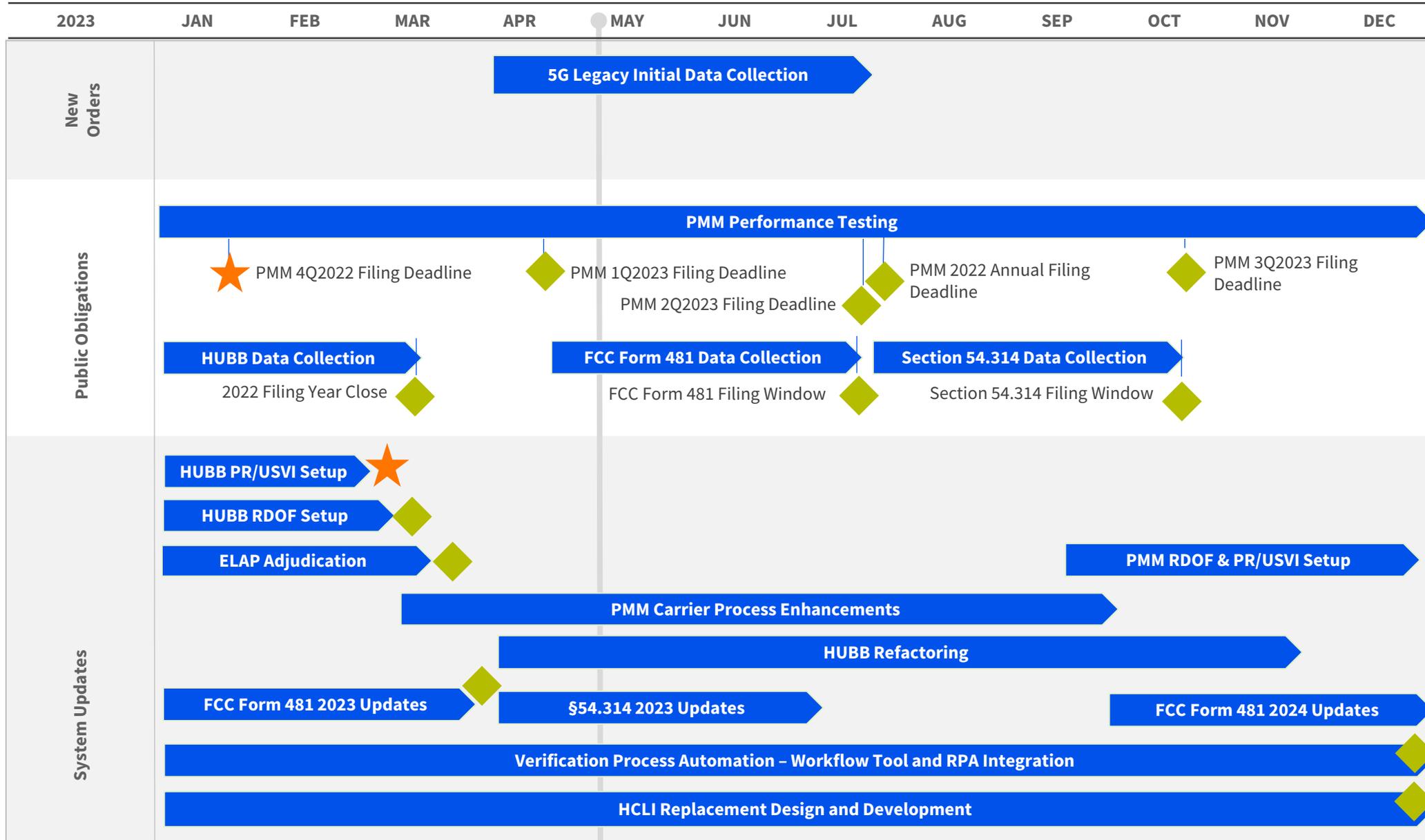


Milestone Legend

- ▲ At Risk
- ◆ On Track
- ★ Completed

- The trials simulate the future state verification process, workflow, and activities.
 - Conduct verifications using 2022 data in the new system.
 - Prepare USAC for a seamless deployment in January 2023.
-
- Operational readiness checklist to ensure seamless deployment for use in production.
 - Monitor and track performance metrics to identify areas for improvement in 2024.

Roadmap



Milestone Legend

- At Risk
- On Track
- Completed

Appendix A: Metrics

High Cost Deployments (Data as of April 1, 2023)

Fund	2020	2021	2022	2023
ACAM	461,111	513,484	570,338	574,044
ACAMII	318,165	356,698	382,088	382,278
AK Plan	36,893	55,399	58,054	58,384
CAF BLS	747,267	903,623	1,047,932	1,054,393
CAF Phase II	3,098,619	4,211,383	4,214,972	4,215,001
CAFII AUC	78,392	182,853	423,993	424,344
PR Fixed	-	-	240,973	981,150
RBE	25,553	27,693	28,048	28,054
RDOF	49,974	109,401	397,029	401,083

2022 Filing Year Closes March 1, 2023

Appendix A: Metrics (Continued)

High Cost Disbursements (Data as of December 31, 2022)

Fund Type	Carrier Type	2022	2021	2020
Legacy	CETC	\$366,415,625	\$369,229,873	\$415,470,391
	ILEC	\$1,754,582,767	\$1,692,324,455	\$1,632,310,757
Modernized	CETC	\$708,250,422	\$347,889,239	\$279,937,579
	ILEC	\$1,336,299,929	\$2,718,940,364	\$2,728,137,015
Wireless	CETC	\$0	\$0	\$6,702,440
	ILEC	\$0	\$0	\$0

*The Wireless number for CETC reflects MF1 only.

Appendix B: Verification Snapshot (March 31, 2023)

The below table highlights verification activity initiated in 2023. Verifications include on-demand requests from carriers, required milestone reviews to ensure carriers satisfy program obligations, and reviews in coordination with the Rural Broadband Accountability Program (RBAP).

Fund	# Locations Sampled	Tested	# Locations Reviewed	
			Pass	Fail
CAFII – ACS (In progress)	138	0	0	0
ACAM (in progress)	3,758	0	0	0
ACAM II (in progress)	1,977	0	0	0
RDOF (In progress)	730	0	0	0
RDOF (Completed)	472	472	419 (89%)	53 (11%)
CAFII Auction – RBAP	342	342	292 (85%)	50 (15%)
CAFII Auction – LoC (Completed)	831	831	743 (89%)	88 (11%)
CAFII Auction – LoC (In progress)	522	522	447 (86%)	75 (14%)
CAF II Auction – 40% (In progress)	1,005	0	0	0
CAF BLS	1,555	0	0	0
Alaska Plan – Wireline (In progress)*	768	642	550	92
Total Locations To Date	12,098	2,809	2,451	358

*Alaska Plan Wireless verifications for three wireline carriers who received an extension to file location data for at the five-year milestone.

*RDOF verifications anticipated to begin after the start of the first RDOF HUBB filing due 3/1/2023

Appendix C: Glossary of Terms

Term	Definition
ACAM I/ Revised ACAM I/ACAM II	Alternative Connect America Cost Model/(Revised ACAM): A High Cost fund in which rate-of-return carriers elected to receive support based on a cost model in exchange for meeting defined broadband build-out obligations. The FCC created a model based on the Connect America Fund Model to establish fixed support for rate-of-return carriers. Carriers are receiving support under one of three offers—ACAM I, Revised ACAM I, or ACAM.
ACS	Alaska Communications System receives frozen support over a 10-year term in exchange for defined deployment obligations
AK Plan	Alaska Plan; support over a 10-year term, for fixed and mobile service, to maintain, extend, and upgrade broadband service across certain areas of Alaska. Fifteen rate-of-return carriers and eight of their wireless affiliates elected to be on the Alaska Plan.
AAD	Audit and Assurance Division: An organization within USAC dedicated to preserving the integrity of universal service funds and USAC’s corporate resources by conducting objective audits, performing payment quality assessments, and evaluating the efficiency and effectiveness of USAC’s operations.
BCAP	Beneficiary and Contributor Audit Program: BCAP assesses beneficiary and contributor compliance with the Federal Communications Commission (FCC) rules, orders, and program requirements (collectively, FCC Rules).
CAF	Connect America Fund: Beginning with the 2011 <i>Universal Service Fund/Connect America Fund Transformation Order</i> , a part of the federal universal service High Cost program designed to expand access to voice and broadband services.
CAF II Auction	Mechanism awarding support through a reverse auction, which was conducted in 2018, for deployment to unserved areas where the price cap carrier declined the offer of model-based support
CAF BLS	Connect America Fund Broadband Loop Support: FCC amended interstate common line support, renaming it the CAF BLS mechanism, expanding support from solely traditional voice loops to include support for broadband-only loops.
CAF ICC	Connect America Fund Intercarrier Compensation Fund: FCC created High Cost program that allows incumbent local exchange carriers to charge residential customers an Access Recovery Charge on a limited basis, to recover charges from certain multi-line business customers, and, if applicable, to receive additional funds.

Appendix C: Glossary of Terms (Continued)

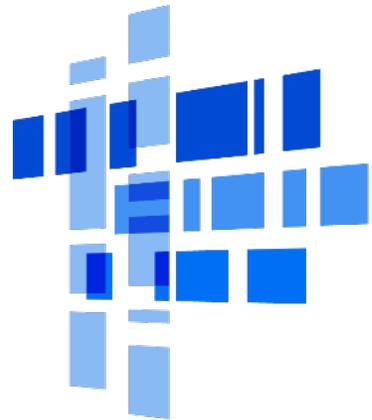
Term	Definition
CAF Map	Connect America Fund Broadband Map displays the geographic areas that are eligible for CAF support, as well as the specific fixed locations where carriers participating in the program have built out broadband service. The data in the map include address, latitude and longitude coordinates, carrier name, deployment year, and available speed meeting FCC obligations.
ETC	Eligible Telecommunications Carrier: Telecommunications carrier designated by a state's utility commission or the FCC to receive universal service support; a CETC must offer services that are supported by the federal universal service programs utilizing its own facilities or a combination of its own facilities and resale of another carrier's services.
ELAP	Eligible Locations Adjustment Process: WCB implemented an eligible locations adjustment process to review the defined deployment obligations for CAF II Auction carriers on a state-by-state basis when the total number of actual locations in the eligible areas is less than the number of funded locations (see DA 19-1165).
FCC Form 481	Form that annually collects financial and operations information used to validate carrier support and fulfills various certification requirements
HCL	High-cost Loop support, mechanism that provides support for the last mile of connection in areas where the cost to serve exceeds the national average cost per line by a certain amount
HCLI	High Cost Low Income, "the tool of record" used for High Cost support calculations, program administration and submission of payment information for delivering funds to the carriers.
HCVS	High Cost Verification System.

Appendix C: Glossary of Terms (Continued)

Term	Definition
HUBB	High Cost Universal Broadband Portal: FCC directed USAC to develop a portal to collect carrier deployment data; carriers are required to submit broadband deployment location information and certify as to the accuracy of the deployment data within the HUBB.
ILEC	Incumbent Local Exchange Carrier, 47 CFR § 51.5, with respect to an area, the local exchange carrier that: (1) On February 8, 1996, provided telephone exchange service in such area; and (2) (i) On February 8, 1996, was deemed to be a member of the exchange carrier association pursuant to § 69.601(b) of this chapter; or (ii) Is a person or entity that, on or after February 8, 1996, became a successor or assign of a member described in paragraph (2)(i) of this section.
LOC	Letter of Credit: Pursuant to FCC rules, before being authorized to receive certain modernized High Cost support, a winning bidder must obtain an irrevocable standby letter of credit that conforms to FCC rules and requirements.
PIA	Program Integrity Assurance: The process and procedures used in the review of carrier submit data to ensure that the program and its stakeholders comply with the rules and orders governing the relevant USF support.
PMM	Performance Measurement Module: System used by USAC's High Cost division to collect data required by the FCC's <i>Performance Measurement Orders</i> .
PR/USVI	Puerto Rico/US Virgin Islands: United States territories for which the FCC created specific HC funds to help rebuild and shore up communications networks damaged or destroyed by hurricanes and expand availability of broadband fixed and mobile services.

Appendix C: Glossary of Terms (Continued)

Term	Definition
RBAP	<p>Rural Broadband Accountability Plan: Chairwoman Rosenworcel initiative to increase audits, verifications, and transparency for USF High Cost programs, including the Rural Digital Opportunity Fund.</p> <p>See https://www.fcc.gov/rbap</p>
RBE	<p>Rural Broadband Experiments: In the 2014 Rural Broadband Experiments, the FCC adopted rules for a limited program to test different aspects of a competitive bidding process for new support programs designed to provide robust broadband to consumers in price cap areas. The FCC established a 10-year fund designed to provide \$100 million in funding to carriers to buildout broadband services in high-cost areas. See FCC 14-98.</p>
RDOF	<p>Rural Digital Opportunity Fund: RDOF builds on the CAF II Auction and provides HC support to connect millions more rural homes and small businesses to high-speed broadband networks. With RDOF Phase I, the FCC targets support to areas that lack access to both fixed voice at a Minimum (25/3Mbps):</p>
RPA	<p>Robotic Process Automation: Technology designed to automate manual repetitive, high-volume tasks performed by employees.</p>
SAC	<p>Study Area Code: A unique, six-digit identifier used to classify a carrier specific service area.</p>



**Universal Service
Administrative Co.**

**Universal Service Administrative Company
High Cost & Low Income Committee Meeting**

ACTION ITEM

**Approval of Low Income Support Mechanism
3rd Quarter 2023 Programmatic Budget and
Demand Projection for the May 2, 2023 FCC Filing**

Action Requested

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 3rd Quarter 2023 (3Q2023) programmatic budget and demand projection for the Low Income Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's May 2, 2023 quarterly filing.

Discussion

On a quarterly basis, USAC is required to submit to the FCC each program's budget¹ and projected demand for the upcoming quarter.²

Funding Requirement

Based on projected subscribership levels, USAC estimates the 3Q2023 funding requirement for the Low Income Support Mechanism as follows:

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¹ See 47 C.F.R. § 54.715(c).

² See 47 C.F.R. § 54.709(a)(3).

Table A. Program Funding Requirement

<i>(in millions)</i>	2Q2023	Increase/ (Decrease)	3Q2023	Notes
Steady State:				
Lifeline	\$295.31	(\$33.75)	\$261.56	See Note 1
Link Up	0.06	0.00	0.06	
New Requirements:				
N/A	0.00	0.00	0.00	
Total Program Demand	\$295.37	(\$33.75)	\$261.62	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	(114.36)	\$36.39	(\$77.97)	
Billings	(0.56)	2.00	1.44	
Bad Debt Expense	(2.04)	0.28	(1.76)	
Interest Income	(0.01)	0.00	(0.01)	
Administrative Expense True-Up	0.00	0.00	0.00	
Total Prior Period Adjustments	(116.97)	38.67	(78.30)	
USAC Administrative Expenses	\$23.65	\$0.00	\$23.65	See Table B
Total Funding Requirement	\$202.05	\$4.92	\$206.97	

Note 1: Demand decrease reflects a reduction in outstanding claims.

Based on the projected burn rate, USAC estimates the following 3Q2023 programmatic budget:

Table B. Quarterly Programmatic Budget

<i>(in millions)</i>	2Q2023 Budget	Increase/ (Decrease)	3Q2023 Budget	Notes
Direct Program Costs				
Employee Expenses	\$2.73	\$0.00	\$2.73	
Professional Services	7.72	0.28	8.00	
General & Administrative	0.53	0.00	0.53	See Note 2
Total Direct Program Costs	\$10.98	\$0.28	\$11.26	
Direct Assigned Costs				
Employee Expenses	\$0.69	\$0.00	\$0.69	
Professional Services	2.39	0.00	2.39	
General & Administrative	0.26	0.00	0.26	See Note 2
Total Direct Assigned Costs	\$3.34	\$0.00	\$3.34	
Total Direct Program & Direct Assigned Costs	\$14.32	\$0.28	\$14.60	
Common Allocated Costs	\$9.33	(\$0.28)	\$9.05	
Total Programmatic Budget	\$23.65	\$0.00	\$23.65	

Note 2: General & Administrative expenses include computer support & maintenance,

postage, and meetings & conferences.

A comparison of actual expenditures to the budget for the three months ending March 31, 2023 is provided in **Attachment 1**.

Recommendation

USAC management recommends that the Committee approve the 3Q2023 budget and projection of demand as proposed.

Recommended High Cost & Low Income Committee Actions

APPROVAL OF THE FOLLOWING RESOLUTIONS:

RESOLVED, that the USAC High Cost & Low Income Committee approves a 3rd Quarter 2023 Low Income Support Mechanism direct program budget of \$14.60 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$14.60 million for Low Income Support Mechanism administrative costs in the required May 2, 2023 filing to the Federal Communications Commission on behalf of the Committee; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on May 2, 2023 the 3rd Quarter 2023 Low Income Support Mechanism demand estimate of \$206.97 million, hereby directs USAC staff to proceed with the required May 2, 2023 filing to the Federal Communications Commission on behalf of the Committee. USAC staff may make adjustments if the total variance for the Low Income Support Mechanism is equal to or less than \$10 million or may seek approval from the Committee Chair to make adjustments if the total variance is greater than \$10 million, but not more than \$15 million.

ATTACHMENT 1

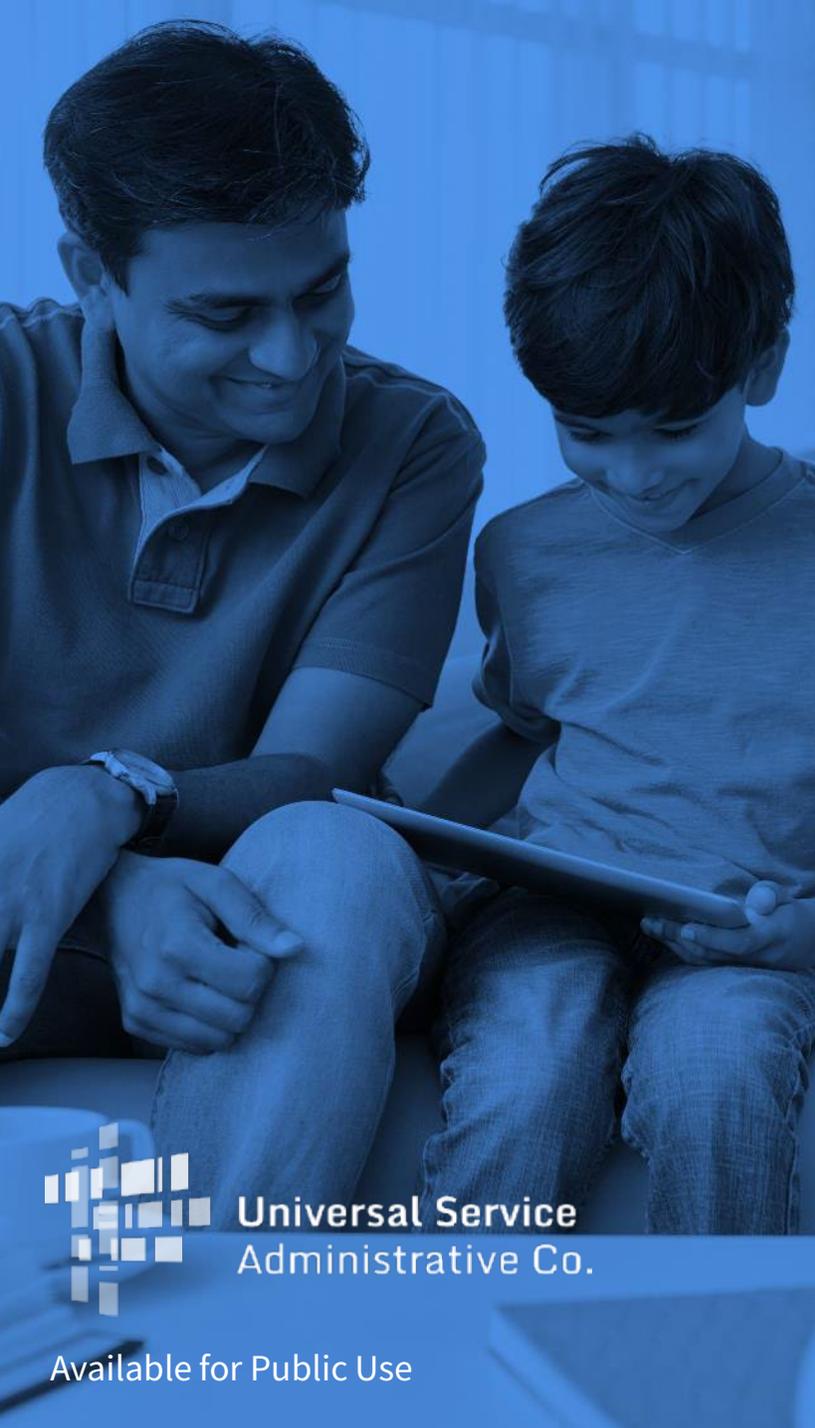
Low Income Administrative Costs and Headcount
Comparison of Actual Expenditures and Headcount to the Budget for the
Three Months ending March 31, 2023

<i>(\$ in millions)</i>	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	76	90	14	\$2.40	\$2.74	\$0.34
Professional Services (Note 3)				5.62	7.47	1.85
General & Administrative (Note 4)				0.41	0.53	0.12
Total Direct Program Costs				\$8.43	\$10.74	\$2.31
Direct Assigned Costs						
Employee Expenses	18	17	(1)	\$0.57	\$0.69	\$0.12
Professional Services (Note 3)				2.32	2.39	0.07
General & Administrative (Note 4)				0.32	0.26	(0.06)
Total Direct Assigned Costs				\$3.21	\$3.34	\$0.13
Total Direct Program & Direct Assigned Costs	94	107	13	\$11.64	\$14.08	\$2.44
Common Allocated Costs (Note 5)				\$7.10	\$9.21	\$2.11
Total Programmatic Budget				\$18.74	\$23.29	\$4.55

Note 3: Direct Program Professional Services include Lifeline eligibility verifications. Direct Assigned Professional Services include National Verifier (NV) software development, NV operations & maintenance, beneficiary & contributor audit program audits, and IT contract labor.

Note 4: General & Administrative expenses include computer support & maintenance, postage, and meetings & conferences.

Note 5: Common costs include costs not directly attributable to a program and are allocated based on the Cost Allocation Methodology, which allocates costs based 50% on direct program costs in the prior year and 50% on program demand in the prior year. Actual common allocated costs reflect a reduction for costs allocated to the appropriated programs.



High Cost & Low Income Committee

Lifeline Business Update

Open Session

April 20, 2023



Universal Service
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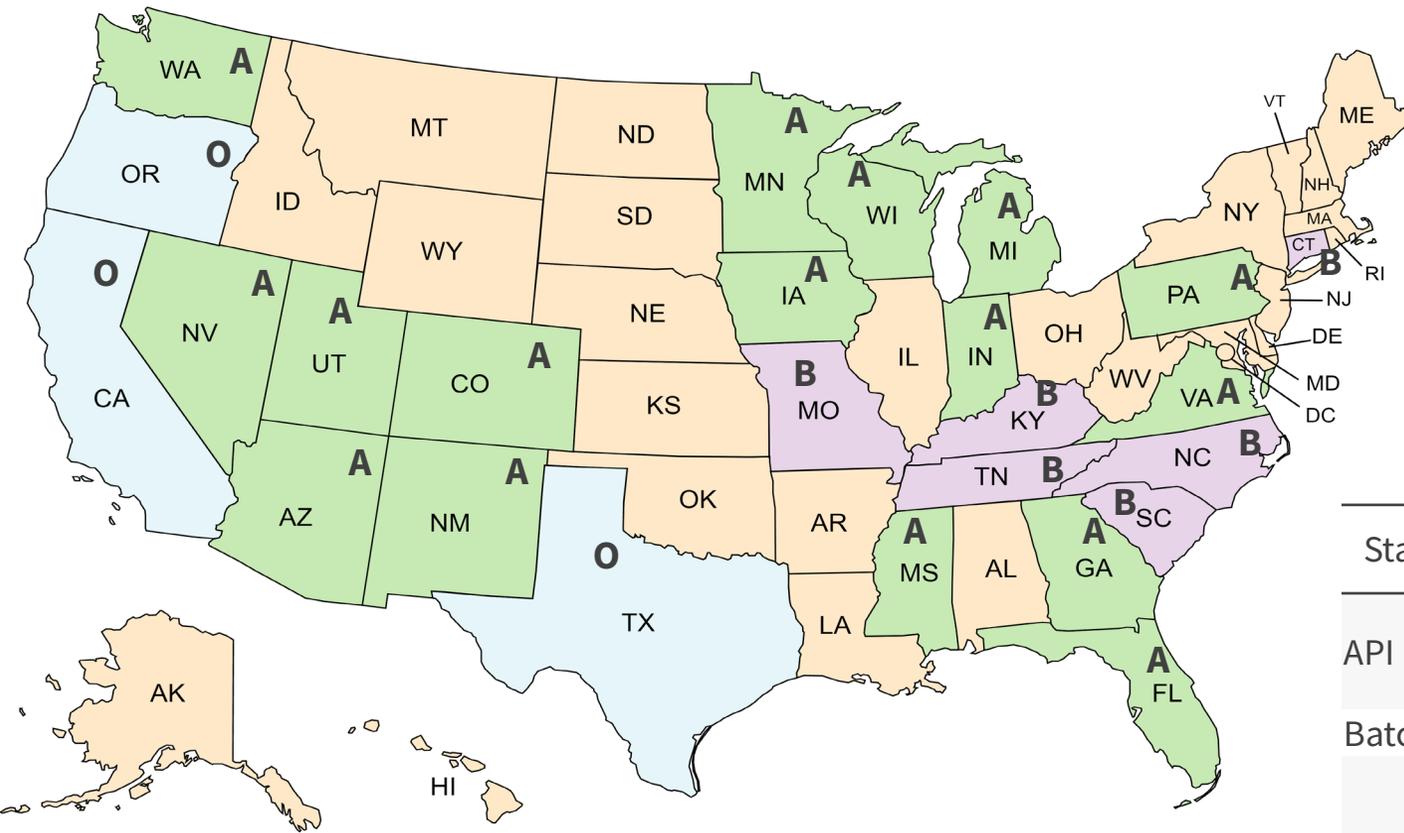
Agenda

- 1Q2023 Accomplishments
- National Verifier Highlights
- Plans for Next Quarter
- Roadmap
- Appendix: Program Metrics and Service Type Trends

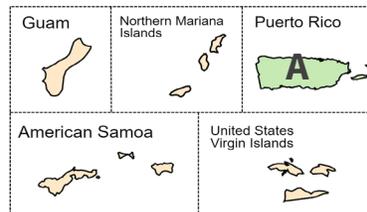
1Q2023 Lifeline Accomplishments

- Successfully transferred customer service call center operations to new Business Process Outsourcer (BPO).
- Transitioned additional services to new BPO, including inbound mail, outbound mail, automated calling, and Interactive Voice Response (IVR).
- Introduced simplified language in the National Verifier to improve consumer experience with errors, document submission, identity verification, and account access.
- Initiated/continued six Lifeline PIA Quarterly Reviews for which over 14,000 document and data samples were analyzed.

National Verifier Highlights



- State API Connection (A)
- Batch Connection (B)
- Federal Connection Only
- NLAD Opt-Out State with State Connection (O)



29 Total NV Connections Available

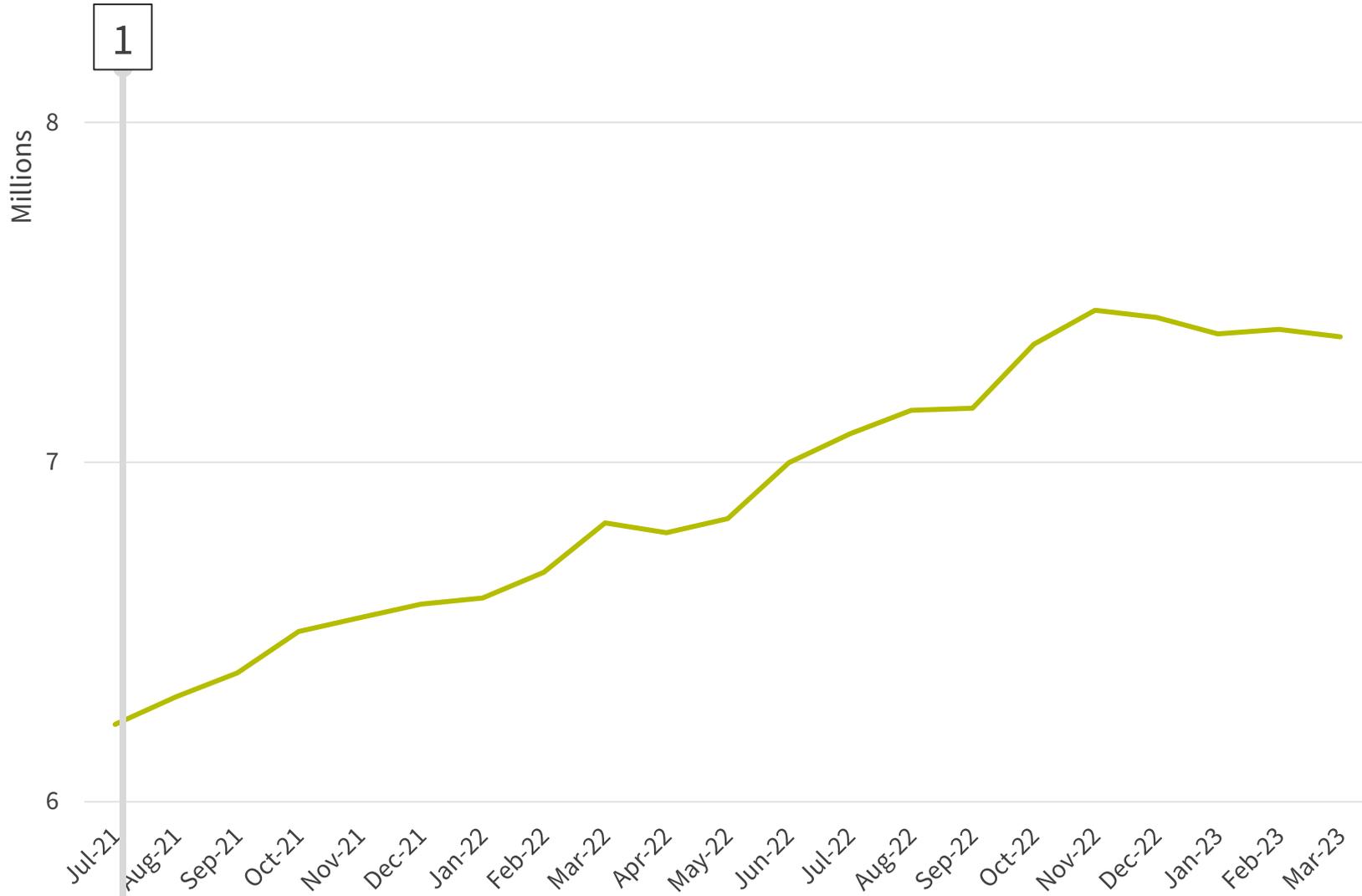
- 26 state and territory connections
 - NV leverages automated connections in California, Texas, and Oregon that use state databases to determine eligibility for the Lifeline program
- 3 federal connections to CMS, HUD, & VA

State Connection Type	State	March 2022 Subscribers
API	AZ, CO, FL, GA, IA, IN, MI, MN, MS, NM, NV, PA, PR, UT, VA, WA, WI	2,945,025
Batch	CT, KY, MO, NC, SC, TN	766,637
Federal Only	AK, AL, AR, AS, DC, DE, GU, HI, ID, IL, KS, LA, MA, MD, ME, MP, MT, ND, NE, NH, NJ, NY, OH, OK, RI, SD, VI, VT, WV, WY	2,286,836
NLAD Opt-Out Automated*	CA, OR, TX	1,370,402

***Note:** NV benefits from the existing state eligibility connections in CA, TX, and OR.

Available for Public Use

Lifeline Subscriber Trends



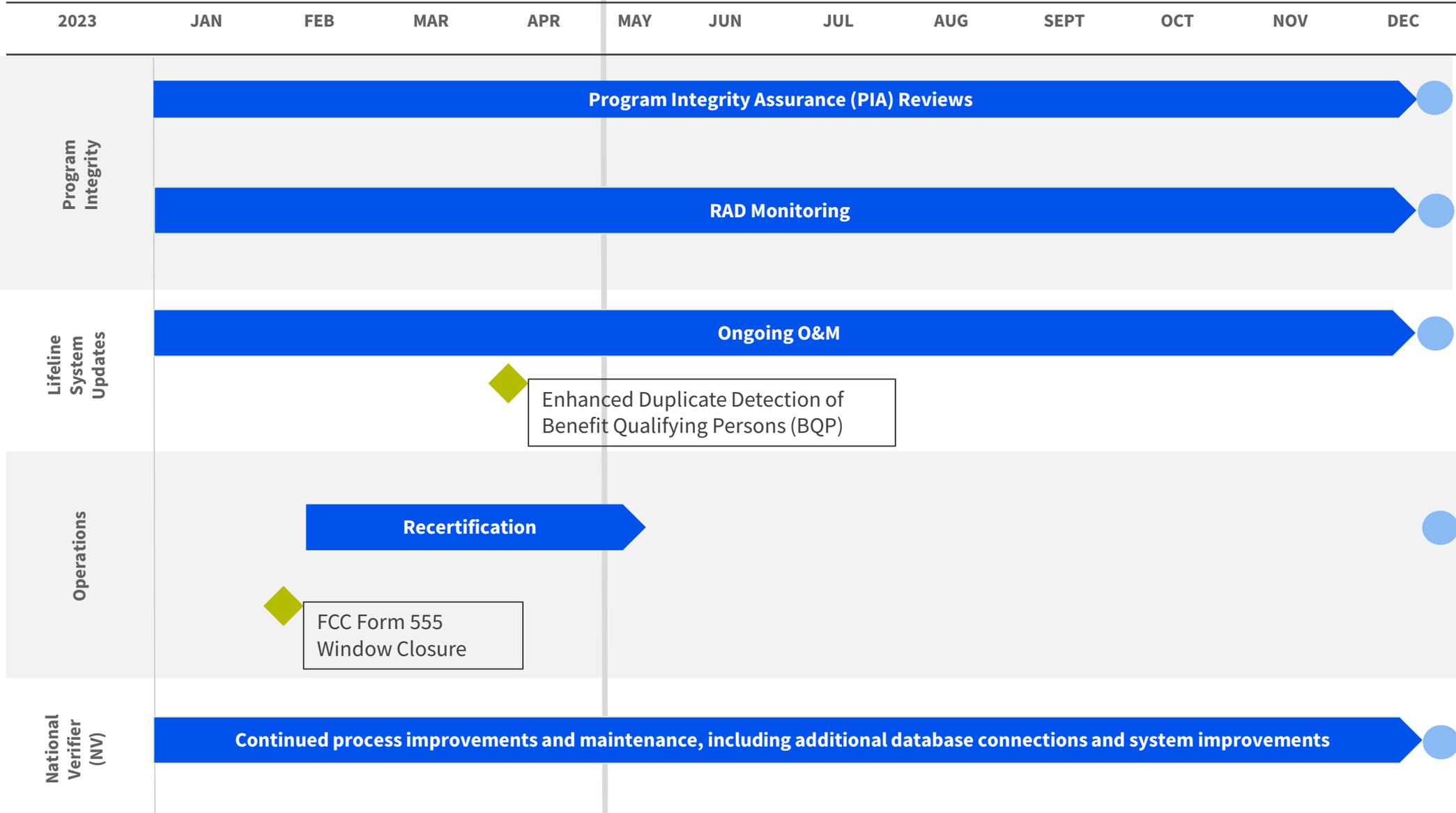
1. Subscribership has generally trended upwards since July 1, 2021, following post-waiver non-usage de-enrollments.

***Note:** Subscriber counts include all subscribers on the NLAD snapshot, including NLAD opt-out states (CA, OR, and TX). Actual claimed subscribers will vary but are capped at these NLAD snapshot levels (i.e., service providers cannot claim more than what is in NLAD).

Plans for Next Quarter

- Finalize technical and operational processes with new BPO.
- Following PRA approval, release Lifeline Application and Recertification forms that were updated to include 2023 federal poverty guidelines and new mailing address.
- Complete 2023 Lifeline recertification.
- Complete 4Q2022 PIA reviews and initiate 1Q2023 reviews.

Roadmap



Milestone Legend

-  At Risk
-  On Track
-  Completed
-  Ongoing

***Note:** COVID-19 waivers impacting reverification and recertification expired on June 30, 2022.

Appendix A: Metrics

Lifeline Eligibility and Enrollments

Year-to-Date (YTD) Cumulative Comparison	2023 (January through March)	2022 (January through March)
National Verifier Applications Created	4,815,90	4,457,395
Program Eligibility Auto Approved	3,126,268	2,948,949
Program Eligibility Auto Pass Rate	64.9%	66.2%
Enrollments (Excludes CA, OR, and TX)	1,468,579	1,376,078
De-Enrollments (Excludes CA, OR, and TX)	1,476,465	1,125,444
NLAD Subscribers (Excludes CA, OR, and TX; based on March Data, April 1 Snapshot)	5,998,494	5,356,332
Opt-Out State Subscribers (CA, OR, and TX; based on March Data, April 1 Snapshot)	1,466,401	2,431,209

***Note:** Subscriber counts include all subscribers in the National Lifeline Accountability Database (NLAD) snapshot. Subscriber counts from the NLAD opt-out states (CA, OR, and TX) are also included unless otherwise noted. Actual claimed subscribers will vary but are capped at these NLAD snapshot levels. 2022 YTD subscribers reflect increase in Lifeline applications associated with the higher application volumes related to the implementation of the Affordable Connectivity Program (ACP), as well as higher year-over-year de-enrollments associated with non-usage subsequent to the expiration of FCC non-usage waiver in May 2021.

Appendix B: Lifeline Program Service Type Trends

Month	Broadband	Bundled Broadband	Bundled Voice and Broadband	Bundled Voice	Voice
March 2023	0.93%	29.77%	64.43%	0.96%	3.91%
February 2023	0.9%	30.89%	63.27%	0.98%	3.96%
January 2023	0.88%	31.11%	63.04%	0.96%	4.02%
December 2022	0.85%	31.33%	62.73%	0.95%	4.14%
November 2022	0.81%	30.43%	63.61%	0.93%	4.23%
October 2022	0.78%	29.03%	64.89%	0.91%	4.4%
September 2022	0.77%	27.66%	66.05%	0.92%	4.6%
August 2022	0.75%	26.38%	67.18%	0.92%	4.77%
July 2022	0.72%	25.13%	68.32%	0.90%	4.93%
June 2022	0.70%	26.05%	67.24%	0.91%	5.10%
May 2022	0.69%	26.62%	66.41%	0.94%	5.34%
April 2022	0.65%	28.11%	64.61%	0.97%	5.66%

- **Broadband:** Broadband service meeting minimum service standards
- **Bundled Broadband:** Broadband and voice, but only broadband meeting minimum service standards
- **Bundled Voice and Broadband:** Broadband and voice, both meeting minimum service standards
- **Bundled Voice:** Broadband and voice, but only voice meeting minimum service standards
- **Voice:** Voice service meeting minimum service standards

***Note:** Lifeline program service type data is from the Lifeline Claims System (LCS), which includes the NLAD opt-out states as max claimable subscribers.

Appendix B: Lifeline Program Trends

Data Month	Subscribers*	Rate of Change (subscribers month over month)	Disbursed**
March 2023 (snapshot on Apr. 1)	7,368,900	-0.3%	\$99,438,117
February 2023 (snapshot on Mar. 1)	7,391,287	0.18%	\$170,860,643
January 2023 (snapshot on Feb. 1)	7,377,940	-0.65%	\$49,617,050
December 2022 (snapshot on Jan. 1)	7,426,389	-0.28%	\$68,091,053
November 2022 (snapshot on Dec. 1)	7,447,317	1.36%	\$39,266,830
October 2022 (snapshot on Nov. 1)	7,347,470	2.64%	\$61,450,474
September 2022 (snapshot on Oct. 1)	7,158,437	0.09%	\$31,541,427
August 2022 (snapshot on Sept. 1)	7,152,147	0.97%	\$31,035,692
July 2022 (snapshot on August 1)	7,083,701	1.23%	\$91,257,124
June 2022 (snapshot on July 1)	6,997,820	2.41%	\$59,748,347
May 2022 (snapshot on June 1)	6,833,384	0.61%	\$29,153,422
April 2022 (snapshot on May 1)	6,791,992	-0.42%	\$30,185,523

High dollar variances in the disbursed amounts relate to prior period claims for two large providers.

***Note:** Subscriber counts include all subscribers on the NLAD snapshot, including NLAD opt-out states (CA, OR, and TX). Actual claimed subscribers will vary but are capped at these NLAD snapshot levels (i.e., service providers cannot claim more than what is in NLAD).

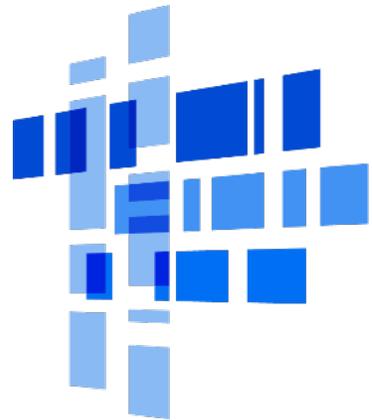
****Note:** Disbursed refers to amounts distributed within the data month.

Appendix C: Glossary of Terms

Term	Definition
API	Application Program Interface: A set of programming code that enables data transmission between one software product and another (computer to computer connection). USAC uses API to initiate the consumer eligibility verification process for the Lifeline program in the National Verifier.
CMA	Computer Matching Agreement: A written agreement between the source agency and the recipient agency (or non-federal agency) specifying the terms of the matching program.
CMS	Centers for Medicare and Medicaid Services
ETC	Eligible Telecommunications Carrier
HUD	Housing and Urban Development

Appendix C: Glossary of Terms (Continued)

Term	Definition
LCS	Lifeline Claims System: The online filing system that service providers use to receive reimbursement for offering Lifeline-supported services to eligible consumers.
NLAD	National Lifeline Accountability Database: Allows service providers to check on a real-time, nationwide basis whether a consumer is already receiving a Lifeline program-supported service.
NV	National Verifier: The Lifeline National Eligibility Verifier determines whether consumers are eligible for Lifeline.
RAD	Representative Accountability Database: A registration system that validates the identities of service provider representatives performing transactions in the National Lifeline Accountability Database and the National Verifier.
VA	Department of Veterans Affairs



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