



Board of Directors

Briefing Book

Tuesday, July 25, 2017

8:30 a.m. – 2:30 p.m. Eastern Time

Universal Service Administrative Co.

700 12th Street, N.W., Suite 900

Washington, D.C. 20005

**Universal Service Administrative Company
Board of Directors Quarterly Meeting
Agenda**

**Tuesday, July 25, 2017
8:30 a.m. – 2:30 p.m. Eastern Time
USAC Offices
700 12th Street, N.W., Suite 900
Washington, D.C. 20005**

OPEN SESSION

- a1.** Consent Items (each available for discussion upon request):
 - A.** Approval of Board of Directors Meeting Minutes of April 25, 2017, May 3, 2017, June 20, 2017, and June 26, 2017.
 - B.** Approval of moving all *Executive Session* Items into *Executive Session*.
- a2.** Reports from the Committee Chairs: Audit Committee, Executive Committee, Executive Compensation Committee, High Cost & Low Income Committee, Investment Committee, Rural Health Care Committee, and Schools & Libraries Committee.
- a3.** Approval of 4th Quarter 2017 USAC Common and Consolidated Budgets.
 - i1.** Business Update:
 - A.** Discussion of Corporate Initiatives and Operational Update.
 - B.** Exhibits (Information Only).

EXECUTIVE SESSION

- a4. Procurements.**
 - A.** Consideration of Contract Award for the Open Data One Year Extension – **Confidential** – *Executive Session Recommended*.
 - B.** Consideration of Contract Award for Storage Array Replacement – **Confidential** – *Executive Session Recommended*.
 - C.** Consideration of Funding Approval for Cash-to-Treasury Staff Augmentation – **Confidential** – *Executive Session Recommended*.
- a5.** Consideration of the Revised 2017 Annual USAC Common and Consolidated Budgets. – **Confidential** – *Executive Session Recommended*.
- i2.** Acceptance of USAC’s 2016 Annual Financial Audit and Agreed-Upon Procedures Review.
Same as aAC02cf
- i3.** Procurements Reports – **Confidential** – *Executive Session Recommended*.
 - A.** Status of Major Procurements.
 - B.** Second Quarter 2017 Procurement Report.
 - C.** Update on EPC.
- i4.** Quarterly Report on Universal Service Fund Contribution Matters – **Confidential** – *Executive Session Recommended*.
- i5.** Information on 14 USAC Internal Audit Division Universal Service Contributor Revenue Audit Reports. – **Confidential** – *Executive Session Recommended*.

i6. Executive Session (Lunch) with Board Only – Confidential – <i>Executive Session Recommended.</i>
a6. Personnel Matter (Post Lunch) – Confidential & Proprietary – <i>Executive Session Recommended.</i>
a7. Approval of Revised Executive Compensation Committee Charter – Confidential – <i>Executive Session Recommended.</i>
i7. Update on CEO Search – Confidential – <i>Executive Session Recommended.</i>

Next USAC Board of Directors Meeting

<p>Tuesday, October 24, 2017 8:30 a.m. – 2:30 p.m. Eastern Time USAC Offices, Washington, D.C.</p>

**Universal Service Administrative Company
Board of Directors Meeting**

ACTION ITEM

Consent Items

Action Requested

The USAC Board of Directors (Board) is requested to approve the consent items listed below.

Discussion

The Board is requested to approve the following items using the consent resolutions below:

- A. Board meeting minutes of April 25, 2017, May 3, 2017, June 20, 2017, and June 26, 2017 (*see Attachments A-1 through A-4*).
- B. Approval for discussing in *Executive Session* agenda items:
 - (1) **a4** – Procurements. USAC management recommends this item be discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.
 - (2) **a5** – Consideration of the Revised 2017 Annual USAC Common and Consolidated Budgets. USAC management recommends that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.
 - (3) **i2** – Acceptance of USAC's 2016 Annual Financial Audit and Agreed-Upon Procedures Review. USAC management recommends that this matter be discussed in *Executive Session* because this report includes *confidential company data*. *47 C.F.R. § 54.711(b) requires USAC to keep all data obtained from contributors confidential*.
 - (4) **i3** – Procurements Reports. USAC management recommends that discussion of this item includes personnel matters and therefore should occur in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.
 - (5) **i4** – Quarterly Report on USF Contribution Matters. USAC management recommends that this matter be discussed in *Executive Session* because the report relates to *internal controls, and/or confidential company data, and may also include pre-decisional matters pending before the FCC*. *In addition, 47 C.F.R. § 54.711(b) requires USAC to keep all data obtained from contributors confidential*.
 - (6) **i5** – Information on 14 USAC Internal Audit Division Universal Service Contributor Revenue Audit Reports. USAC management recommends this item be discussed in *Executive Session* because the reports relate to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures. In addition, **47**

C.F.R. § 54.711(b) requires USAC to keep all data obtained from contributors confidential.

- (7) **i6** – Executive Session (Lunch) with Board Only. USAC management recommends that discussion of this item includes personnel matters and therefore should occur in ***Executive Session*** consistent with USAC’s long-standing practice and to preserve privacy.
- (8) **a6** – Personnel Matter. USAC management recommends this item be discussed in ***Executive Session*** in accordance with the approved criteria and procedures for conducting USAC Board and Committee business ***in Executive Session*** and because it involves an internal confidential personnel matter. This matter is also subject to ***attorney/client privilege***.
- (9) **a7** – Approval of Revised Executive Compensation Committee Charter. USAC management recommends this item be discussed in ***Executive Session*** in accordance with the approved criteria and procedures for conducting USAC Board and Committee business ***in Executive Session*** and because it involves an internal confidential personnel matter. This matter is also subject to ***attorney/client privilege***.
- (10) **i7** – Update on CEO Search. USAC management recommends that discussion of this item includes personnel matters and therefore should occur in ***Executive Session*** consistent with USAC’s long-standing practice and to preserve privacy.

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

Recommended USAC Board of Directors Action

APPROVAL OF THE FOLLOWING RESOLUTION:

RESOLVED, that the USAC Board of Directors hereby approves the Board meeting minutes of April 25, 2017, May 3, 2017, June 20, 2017, and June 26, 2017 and discussion in ***Executive Session*** of the items noted above.

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

BOARD OF DIRECTORS MEETING
Tuesday, April 25, 2017

(DRAFT) MINUTES

The quarterly meeting of the USAC Board of Directors (Board) was held at USAC's offices in Washington, D.C. on Tuesday, April 25, 2017. Dr. Brian Talbott, Board Chair, called the meeting to order at 8:34 a.m. Eastern Time, with a quorum of 17 of the 19 Board members present:

Bocher, Robert	Jacobs, Ellis – Secretary
Brisé, Ronald - Treasurer	Kinser, Cynthia
Buzacott, Alan	Lubin, Joel – Vice Chair
Choroser, Beth	Mason, Ken
Domenech, Dr. Dan	Talbott, Dr. Brian Talbott – Chair
Feiss, Geoff	Tinic, Atilla
Gerst, Matthew	Wein, Olivia
Henderson, Chris – CEO	Wibberly, Dr. Kathy – <i>by telephone</i>
Hernandez, Dr. Mike	

Mr. Joe Gillan joined the meeting by telephone at 12:19 p.m. He participated in the discussion of items i4, i5 and i6.

Members of the Board not present:

Fontana, Brent

Officers of the corporation present:

Davis, Craig – Vice President of Schools & Libraries
Gaither, Victor – Vice President of High Cost
Garber, Michelle – Vice President of Lifeline
Hays, Kate – Vice President of Stakeholder Engagement
Lee, Karen – Vice President of Rural Health Care
Poulin, Chera – Vice President of People, Culture and Change
Robinson, Vickie – Vice President, General Counsel and Assistant Secretary
Salvator, Charles – Vice President of Finance, Chief Financial Officer and
Assistant Treasurer
Scott, Wayne – Vice President of Internal Audit
Shah, Hemang – Vice President of Strategy and Change Management
Sweeney, Mark – Chief Operating Officer
Taylor, Peter – Vice President of Information Technology and Chief Information

Officer

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Butler, Stephen	USAC
Carpenter, Nikki-Blair	USAC
Crowe, Jennifer	USAC
Diephouse, Greg	USAC
Goode, Vernell	USAC
Hughet, Pamela	USAC
Johnson, William	USAC
King, Lauren	USAC
Lechter, Jonathan – <i>by telephone</i>	FCC
Litman, Travis	FCC
Lutz, Corey	USAC
Miller, Jack	Solix
Nuzzo, Patsy	USAC
Palmer, Ryan	FCC
Pilsch, Tracey	USAC
Schrieber, Johnnay	USAC
Sequin, Eric	Solix
Shaffer, Dana	FCC
Schecker, Laurence	USAC
Theobald, Fred	USAC

OPEN SESSION

a1. Consent Items. Dr. Talbott presented these items to the Board.

- A. Board meeting minutes of January 31, 2017, February 1, 2017 and March 20, 2017.
- B. Approval for discussing in *Executive Session* agenda items:
 - (1) **i1** – Business Update. USAC management recommends this item be discussed in *Executive Session* because this matter relates to USAC’s *procurement strategy and contract administration*.
 - (2) **i2** – Quarterly Report on USF Contribution Matters. USAC management recommends that this matter be discussed in *Executive Session* because the report relates to *internal controls, and/or confidential company data, and may also include pre-decisional matters pending before the FCC. In addition, 47 C.F.R. § 54.711(b) requires USAC to keep all data obtained from contributors confidential*.

- (3) **i3** – Information on Six USAC Internal Audit Division Universal Service Contributor Revenue Audit Reports. USAC management recommends this item be discussed in *Executive Session* because the reports relate to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures. In addition, *47 C.F.R. § 54.711(b) requires USAC to keep all data obtained from contributors confidential.*
- (4) **i4** – Transfer of Funds Management and Impact on Investment Committee.
- (5) **i5** – Executive Session (Lunch) with Board Only. USAC management recommends that discussion of this item includes personnel matters and therefore should occur in *Executive Session* consistent with USAC’s long-standing practice and to preserve privacy.
- (6) **i6** – Personnel Matter. Consistent with USAC’s long-standing practice and to preserve privacy, USAC management recommends that this item be discussed in *Executive Session*. In addition, this matter is subject to *attorney/client privilege*.

C. Routine Procurements: Deemed consideration and approval in *Executive Session*.

- (1) The Board is requested to approve the contract award to AccessIT Group for the purchase of F5 load balancers and a virtual management appliance.
- (2) The Board is requested to approve an increase of the contract award to EnterpriseDB (EDB) consulting services.
- (3) The Board is requested to approve the contract award to SHI International Corp. for the renewal of Red Hat Software and Support.
- (4) The Board is requested to approve the contract award to Sun Management, Inc. for the purchase of Next Generation Firewalls (NGFW).

D. Approval of 3rd Quarter 2017 USAC Common and Consolidated Budgets.

The Board is requested to approve the 3rd Quarter 2017 common and consolidated operating and capital budgets for USAC.

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

RESOLVED, that the USAC Board of Directors hereby approves the Board meeting minutes of January 31, 2017, February 1, 2017 and March 20, 2017; and discussion in *Executive Session* of the items noted above; and

RESOLVED FURTHER, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management to award a contract to AccessIT Group for the purchase of F5 load balancers and a virtual management appliance in the amount of \$375,579 plus applicable taxes; and

RESOLVED FURTHER, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management to increase the contract award to EnterpriseDB consulting services by \$200,000.00, increasing the total value of the contract with EnterpriseDB consulting services to a not-to-exceed \$448,900 plus applicable taxes; and

RESOLVED FURTHER, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management to award a contract to SHI International Corp. for the renewal of Red Hat Software and Support in the amount of \$374,300.20 plus applicable taxes; and

RESOLVED FURTHER, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management to award a contract to Sun Management, Inc. for the purchase of the NGFW in the amount of \$396,100 plus applicable taxes; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 3rd Quarter 2017 common operating budget of \$21.43 million; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 3rd Quarter 2017 common capital budget of \$0.79 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$22.22 million for USAC common costs in the required May 2, 2017 filing to the FCC on behalf of the Board of Directors; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 3rd Quarter 2017 consolidated operating budget of \$48.17 million; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 3rd Quarter 2017 consolidated capital budget of \$0.79 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$48.96 million for USAC consolidated costs in the required May 2, 2017 filing to the FCC on behalf of the Board of Directors.

- a2. Reports from Committee Chairs: Audit Committee, Executive Committee, Executive Compensation Committee, High Cost & Low Income Committee, Rural Health Care Committee, and Schools & Libraries Committee.** The committee chairs reported on matters discussed and actions taken by their respective committees since the January 2017 quarterly meetings. Mr. Feiss reported for the Audit Committee; Mr. Lubin reported for the High Cost & Low Income Committee and Executive Compensation Committee; Dr. Talbott reported for the Executive Committee; Mr. Brisé reported for the Rural Health Care Committee; and Dr. Domenech reported for the Schools and Libraries Committee.
- ii. Business Update (Exhibit A).** These reports was provided for informational purposes. No discussion was held.
- Draft Investment Committee Meeting Minutes.
 - Cash and Accrual Activities.
 - USF Cash Reserve
 - Accounts Receivable Balance
 - USAC Quarterly Procurement Report
 - Audit Recovery Status Report

At 8:46 a.m. Eastern Time, on a motion duly made and seconded, the Board moved into *Executive Session* for the purpose of discussing the confidential items listed above.

EXECUTIVE SESSION

- ii. Business Update.** Mr. Shah, Mr. Sweeney and Mr. Stephen Butler, Senior Director of Customer Service, and Ms. Hays, presented these items for discussion.
- B1.** Discussion of Corporate Initiatives and Measures.
 - B2.** Operational Updates.
 - B3.** Customer Service Initiatives.
 - C.** 2017 Stakeholder Engagement Plan.

The Board recessed at 10:51 a.m. and reconvened in *Executive Session* at 11:03 a.m. Eastern Time.

- i2. Quarterly Report on USF Contribution Matters.** Mr. Fred Theobald, Director of Financial Operations, presented this item to the Board for discussion.
- i3. Information on Six USAC Internal Audit Division Universal Service Contributor Revenue Audit Reports.** Ms. Nikki-Blair Carpenter, Director of Internal Audit, presented this item to the Board for discussion.
- i4. Transfer of Funds Management and Impact on Investment Committee.** Mr. Salvator and Ms. Vickie Robinson presented this item to the Board for discussion.

At 12:36 p.m. Eastern Time the Board continued in *Executive Session* with only members of the elected Board present.

- i5. Executive Session with Board Only.** Dr. Talbott introduced this item for discussion.

At 1:30 p.m. Mr. Henderson rejoined the Board for the following discussion.

- i6. Executive Session with CEO.** Mr. Henderson presented this item for discussion.

At 3:20 p.m. Eastern Time, on a motion duly made and seconded, the Board moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Dr. Talbott reported that in *Executive Session*, the Board discussed items i1, i2, i3, i4, i5, and i6. On a motion duly made and seconded, the Board adjourned at 3:20 p.m. Eastern Time.

/s/ Vickie Robinson
Assistant Secretary

**Universal Service Administrative Company
Board of Directors Meeting**

ATTACHMENT to an ACTION ITEM

Meeting Minutes of the May 3, 2017 Board of Directors Meeting

Recommendation and Basis for Keeping this Matter Confidential

USAC management recommends that meeting minutes from the May 3, 2017 USAC Board of Directors meeting be kept confidential because these minutes relate to a *confidential internal personnel matter*.

Background

To be distributed to Board members (only) at the Board of Directors meeting.

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

BOARD OF DIRECTORS MEETING
Tuesday, June 20, 2017

(DRAFT) MINUTES

On June 20, 2017, the Board was requested to vote by written unanimous consent to approve reimbursement of expenses incurred by Dr. Brian Talbott and Mr. Joel Lubin for travel associated with their attendance at an event other than a USAC Board or committee meeting.

- a1. Consideration of Request to Reimburse Board Members to Attend an Event Other than a USAC Board or Committee Meeting.** On June 29, 2017 with voting conducted electronically for this matter pursuant to Article II, Section 9 of USAC's By-laws.¹ Responses were timely received providing unanimous consent from all 19 members of the Board of Directors and the Board adopted the following resolution:

RESOLVED, that in accordance with the *Procedures for Requesting Approval and Reimbursing a Member of the Board of Directors for Expenses Incurred in Conducting USAC Business other than Board of Directors Meetings* approved by the USAC Board of Directors, the USAC Board of Directors authorizes management to reimburse Dr. Talbott and Mr. Lubin, who supported the transition of USAC Chief Executive Officer position.

/s/ Vickie Robinson
Assistant Secretary

¹ USAC By-law, 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

BOARD OF DIRECTORS MEETING
Monday, June 26, 2017

(DRAFT) MINUTES

A meeting of the USAC Board of Directors (Board) was held at USAC's offices in Washington, D.C. on Monday, June 26, 2017. Dr. Brian Talbott, Board Chair, called the meeting to order at 3:35 p.m. Eastern Time with a quorum of 14 of the 19 Committee members present.

Bocher, Robert – <i>by telephone</i>	Hernandez, Dr. Mike – <i>by telephone</i>
Buzacott, Alan – <i>by telephone</i>	Kinser, Cynthia – <i>by telephone</i>
Domenech, Dr. Dan – <i>by telephone</i>	Lubin, Joel – Vice Chair – <i>by telephone</i>
Feiss, Geoff – <i>by telephone</i>	Mason, Ken – <i>by telephone</i>
Fontana Brent – <i>by telephone</i>	Robinson, Vickie – Acting CEO, General Counsel and Assistant Secretary
Gerst, Matthew – <i>by telephone</i>	Talbott, Dr. Brian Talbott – Chair – <i>by telephone</i>
Gillan, Joe – <i>by telephone</i>	Tinic, Atilla – <i>by telephone</i>

Members of the Committee not present:

Brisé, Ronald – Treasurer
Choroser, Beth
Jacobs, Ellis – Secretary
Wein, Olivia
Wibberly, Dr. Kathy

Other Board members and officers of the corporation present:

Davis, Craig – Vice President of Schools and Libraries
Salvator, Charles – Vice President of Finance, Chief Financial Officer and
Assistant Treasurer
Shah, Hemang – Vice President of Strategy and Change Management
Sweeney, Mark – Chief Operating Officer
Taylor, Peter – Vice President of Information Technology and Chief Information
Officer

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
King, Lauren	USAC
Nuzzo, Patsy	USAC
Zielaski, Daniel	USAC

OPEN SESSION

- a1. Consideration of Contract Award for Project Management Consulting Services.** Ms. Robinson 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 Board of Directors determines that the discussion of this item be conducted in *Executive Session*.

At 3:37 p.m. Eastern Time, on a motion duly made and seconded, the Board moved into *Executive Session* for the purpose of discussing the confidential items listed above.

EXECUTIVE SESSION

- a1. Consideration of Contract Award for Project Management Consulting Services.** Mr. Salvator presented this item for consideration.

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

RESOLVED, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes USAC management to award a contract for project management consulting services to Terrapin Consulting, LLC for assistance with the Cash-to-Treasury transition, for a term of fifty-two (52) weeks, with a not-to-exceed total price of \$300,000, plus applicable taxes.

At 4:01 p.m. Eastern Time, on a motion duly made and seconded, the Board moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Dr. Talbott reported that in *Executive Session*, the Committee took action on item a1.

OPEN SESSION

- ii. Information on USAC's Open Data Pilot.** Mr. Daniel Zielaski, Director of Data Strategy and Insights, presented this time to the Board.

On a motion duly made and seconded, the Board adjourned at 4:32 p.m. Eastern Time.

/s/ Vickie Robinson
Assistant Secretary

**Universal Service Administrative Company
Board of Directors Meeting**

ACTION ITEM

**Approval of 4th Quarter 2017 USAC Common and Consolidated Budgets and
Quarterly Budget and Demand Projections**

Action Requested

The USAC Board of Directors (Board) is requested to approve the 4th Quarter 2017 (4Q2017) common and consolidated operating and capital budgets for USAC and the 4Q2017 Quarterly Budget and Demand Projections.

Discussion

Section 54.709(a)(3) of the Commission's rules requires USAC to submit its projected quarterly budget to the FCC at least 60 days prior to the start of the quarter.¹ USAC includes any costs that can be directly attributed to the High Cost (HC), Low Income/Lifeline (LI), Rural Health Care (RHC) and Schools and Libraries (SL) Support Mechanisms in the projected administrative and capital expenses of each mechanism. USAC's remaining common costs, including costs associated with the billing, collection and disbursement of funds, are included in the projected administrative and capital expenses of the respective support mechanisms based on the methodology for allocating costs on file with the Commission.²

4Q2017 Common and Consolidated Operating Budgets

4Q2017 Common Operating Budget

The common budget includes costs not directly attributed to a single support mechanism such as common information systems support, Universal Service Fund (USF) billing, collection and disbursement activities, facilities and office expenses, CEO/COO compensation, and Board expenses. The common budget includes funding for the contributor compliance audit portion of the Beneficiary and Contributor Audit Program (BCAP) and associated project management costs, outside counsel expenses, ongoing internal controls documentation and remediation efforts and information technology (IT) vendor costs.

¹ 47 C.F.R. § 54.709(a)(3).

² See Letter from D. Scott Barash to Marlene Dortch regarding Revision to the Methodology for Allocating Joint and Common Administrative Costs Among the Universal Service Support Mechanisms, CC Docket Nos. 97-21 and 96-45 (Oct. 3, 2005); *superseding* Letter from Robert Haga to Magalie Salas regarding Revisions to the Method for Allocating Costs Among the Four Universal Service Support Mechanisms, CC Docket Nos. 96-45 and 97-21 (Jan. 28, 2000); Letter from Robert Haga to Magalie Salas regarding Revisions to the Method for Allocating Costs Among the Four Universal Service Support Mechanisms, CC Docket Nos. 96-45 and 97-21 (Apr. 1, 1999).

The Board is requested to approve \$23.37 million for common operating costs in 4Q2017. This amount is based on the annual revised budget proposed to the Board and is approximately 26 percent of the full year budget. The 4Q2017 common operating budget includes:

- \$12.38 million for compensation and benefits for 354 FTEs.
- \$3.04 million for other professional fees (including IT vendor support, contract labor, and operations & maintenance).
- \$2.70 million for telephone and computer support.
- \$1.94 million for rent.
- \$1.14 million for taxes and insurance.
- \$0.46 million for BCAP contributor audits.
- \$0.34 million for bank fees.
- \$0.36 million for legal professional fees.
- \$0.17 million for travel, meetings and conferences.
- \$0.84 million for recruitment, printing, postage, personnel expenses, Board of Directors expense, repairs & maintenance, office supplies, subscriptions, and reference materials.

Attachment A to this issue paper provides further details, compares the 4Q2017 common budget to 4th Quarter 2016 (4Q2016) actual expenditures.

Attachment B, to be distributed at the quarterly meeting, will provide a comparison of the budget to actual expenditures for the six months ending June 30, 2017. Explanations will be provided for significant variances.

4Q2017 Consolidated Operating Budget

On July 24, 2017, the High Cost & Low Income, Rural Health Care and Schools & Libraries Committees (Committees) approved their 4Q2017 direct operating cost budgets totaling \$26.88 million. Approval of the proposed 4Q2017 common operating budget will result in a 4Q2017 consolidated operating budget of \$50.25 million. Common costs approved above will be allocated to each support mechanism based on the current allocation methodology on file with the Commission.

Following is a summary of 4Q2017 budgeted direct operating and allocated common operating costs, by support mechanism:

**4th Quarter 2017 Operating Expenses
(in millions)**

USF Mechanism	Direct Operating	USAC Common Operating	Total
High Cost	\$3.41	\$7.43	\$10.84
Low Income	\$5.12	\$3.36	\$8.48
Rural Health Care	\$1.70	\$1.30	\$3.00

USF Mechanism	Direct Operating	USAC Common Operating	Total
Schools & Libraries	\$16.65	\$11.28	\$27.93
Total	\$26.88	\$23.37	\$50.25

Capital Budgets

4Q2017 Common Capital Budget

The Board is requested to approve \$0.94 million for non-program specific capital expenditures in 4Q2017. These funds will be used primarily for software development and miscellaneous software purchases.

4Q2017 Consolidated Capital Budget

Approval of the 4Q2017 common capital budget above will result in a 4Q2017 consolidated capital budget of \$4.07 million. Following is a summary of 4Q2017 budgeted direct capital and common capital costs by support mechanism:

4th Quarter 2017 Capital Expenses (in millions)

USF Mechanism	Direct Capital	USAC Common Capital	Total
High Cost	\$0.11	\$0.30	\$0.41
Low Income	\$2.85	\$0.14	\$2.99
Rural Health Care	\$0.00	\$0.05	\$0.05
Schools & Libraries	\$0.17	\$0.45	\$0.62
Total	\$3.13	\$0.94	\$4.07

Details on the components of 4Q2017 common and consolidated capital costs are included in **Attachment A**.

Collection Requirement

Based on the changes to the annual budget, USAC management proposes to reduce the collection requirement for 4Q2017 by amounts collected but unused in prior quarters. The revised collection requirements are set forth in the table below.

USF Mechanism	4Q2017 Operating and Capital Budgets	Adjustment Due to Increase/ (Unused \$)	4Q2017 Collection Requirement
High Cost	\$3.53	\$1.06	\$4.59
Low Income	7.96	3.99	11.95
Rural Health Care ³	0.00	0.00	0.00
Schools & Libraries	16.82	(7.19)	9.63
Common (Indirect)	24.31	(7.26)	17.05
Total	\$52.62	(\$9.40)	\$43.22

Management Recommendation

USAC management recommends the Board approve the budget and collection requirements as proposed.

APPROVAL OF THE FOLLOWING RESOLUTIONS:

RESOLVED, that the USAC Board of Directors approves a 4th Quarter 2017 USAC common operating budget of \$23.37 million; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 4th Quarter 2017 USAC common capital budget of \$0.94 million; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 4th Quarter 2017 USAC consolidated operating budget of \$50.25 million; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 4th Quarter 2017 USAC consolidated capital budget of \$4.07 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$17.05 million for USAC common costs in the required August 2, 2017 filing to the FCC on behalf of the Board of Directors.

³ Rural Health Care program demand has reached the \$400 million cap. Therefore, administrative expenses will be funded within the \$400 million cap.

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$43.22 million for USAC consolidated costs in the required August 2, 2017 filing to the FCC on behalf of the Board of Directors.

Briefing book excludes all materials discussed in Executive Session
USAC Consolidated
(in thousands)
4Q2017 Budget

Expense Category	4Q2017 Budget	4Q2016 Actuals	Increase/ (Decrease)	Explanations
Compensation & Benefits	\$19,427.12	\$15,743.15	\$3,683.97	Wages, employee benefits, and payroll taxes for 536 FTEs (471 FTEs in 4Q2016)
Solix Costs	9,500.00	9,484.76	15.25	Schools & Libraries program operations and customer support
External BCAP Costs	2,238.91	3,604.60	(1,365.69)	Beneficiary and Contributor Audit Program (more co-sourcing in 2017)
External PQA Costs		34.73	(34.73)	Payment Quality Assurance testing performed in-house in 2017
Financial Audit and AUP	273.00	281.79	(8.79)	Financial and Agreed Upon Procedures audits
Professional Fees	10,096.17	9,719.69	376.48	Professional fees include consultants supporting program modernization activities (National Verifier, HUBB, EPC), Schools and Libraries systems O&M, contract labor to support data services and project management, CRM and website redesign, user experience staff augmentation, call center, Third Party Identity Verification (TPIV) and National Lifeline Accountability Database (NLAD) helpdesk support.
Rent	1,939.49	1,542.13	397.36	OMC office and co-location rent
Telephone & Computer Support	3,293.84	2,646.99	646.85	Computer support maintenance agreements and telecommunications services
Bank Fees	343.79	343.79	0.00	
Legal Professional Fees	363.23	367.39	(4.16)	Outside counsel expense
Travel, Meetings and Conferences	538.62	572.10	(33.48)	Lodging, transportation, and meals associated with administrative, audit, outreach, training and user experience and support travel
Non-Capitalized Hardware & Equipment	18.22	197.67	(179.45)	Non-capitalized hardware purchases, equipment rental
High Cost Data Collection	206.22	195.66	10.56	NECA billing for High Cost data collection
Taxes	1,059.59	4,769.04	(3,709.45)	Federal, franchise, property, and ballpark taxes. (4Q2016 adjustment for tax liability related to tenant improvement allowance).
Insurance	84.77	86.50	(1.73)	Directors & Officers liability, cyber liability, workers compensation, auto/general liability, umbrella policy, crime insurance
Other Expenses	919.58	1,112.10	(192.52)	Printing, postage, personnel training, education and other expenses, recruitment costs, Board of Directors expense, repairs & maintenance, office supplies, subscriptions, and reference materials. Lower recruitment and training costs in 2017.
499 Data Collection Billing	(53.38)	(60.29)	(6.91)	24% of FCC Form 499 Data Collection expense billed to agents
Total Operating Costs	\$50,249.17	\$50,641.77	(\$392.60)	
Total Capital Costs	\$4,069.95	\$2,499.71	\$1,570.24	
Total Consolidated Budget	\$54,319.12	\$53,141.49	\$1,177.63	

Expense Category	4Q2017 Budget	4Q2016 Actuals	Increase/ (Decrease)	Explanations
Compensation & Benefits	\$12,384.84	\$9,386.99	\$2,997.85	Wages, employee benefits, and payroll taxes for 339 FTEs (vs 301 in 4Q2016)
External BCAP Costs	\$461.30	\$565.35	(\$104.05)	Contributor Audit Program (more co-sourcing in 2017)
External PQA		\$34.73	(\$34.73)	No external PQA expense in 2017
Financial Audit and AUP	\$273.00	\$281.79	(\$8.79)	
Professional Fees	\$3,040.32	\$1,607.06	\$1,433.26	IT vendor services, operations & maintenance, contract labor, consultants, and call center support. Higher spending for IT contract labor (4Q2016 includes a \$0.8 million credit for capitalized contract labor)
Rent	\$1,939.49	\$1,542.13	\$397.36	OMC office and co-location rent (reflects 10th floor expansion)
Telephone & Computer Support	\$2,701.62	\$2,174.58	\$527.04	Higher costs for software licensing and maintenance agreements
Bank Fees	\$343.79	\$343.79	\$0.00	
Legal Professional Fees	\$363.23	\$367.39	(\$4.16)	Outside counsel expense
Travel, Meetings and Conferences	\$176.58	\$81.51	\$95.07	Additional travel for user experience & support and training (lodging, transportation, and meals) .
Non-Capitalized Hardware & Equipment	\$18.22	\$197.67	(\$179.45)	Non-capitalized hardware purchases, equipment rental.
Taxes	\$1,059.59	\$4,769.04	(\$3,709.45)	Federal, franchise, property, and ballpark taxes. (4Q2016 includes adjustment for tax liability related to tenant improvement allowance).
Insurance	\$84.77	\$86.50	(\$1.73)	Directors & Officers liability, cyber liability, workers compensation, auto/general liability, umbrella policy, crime insurance
Other Expenses	\$580.19	\$987.92	(\$407.73)	Lower recruitment and training costs and \$300k loss on disposal of equipment recorded in 4Q2016. Budget includes printing, postage, personnel training, education and other expenses, recruitment costs, Board of Directors expense, repairs & maintenance, office supplies, subscriptions, and reference materials
499 Data Collection Billing	(\$53.38)	(\$60.29)	\$6.91	24% of FCC Form 499 Data Collection expense billed to agents
Total Operating Costs	\$23,373.56	\$22,366.15	\$1,007.41	
Total Capital Costs	\$938.11	\$1,173.75	(\$235.64)	
Total Common Budget	\$24,311.67	\$23,539.90	\$771.77	

Total Indirect Operating Cost Allocations	\$ 938.11	\$ 1,173.8	\$ (235.65)	
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USAC Capital
 Briefing book excludes all materials discussed in Executive Session
 (in thousands)
 4Q2017 Budget

Expense Category	4Q2017 Budget	4Q2016 Actuals	Increase/ (Decrease)	Explanations
Direct Capital Spending				
Schools and Libraries Business Process Management system (EPC) development	\$173.51	\$1,325.96	(\$1,152.45)	Schools & Libraries operations IT system modernization
High Cost Business Process Management (BPM) system development	\$111.00		\$111.00	High Cost operations IT system modernization
Lifeline National Verifier Development	\$2,847.32		\$2,847.32	
Total Direct Capital Costs	\$3,131.84	\$1,325.96	\$1,805.88	
Non-Programmatic Capital Spending				
IT Architecture & Standards	\$103.50	\$540.00	(\$436.50)	Software purchases
Software Development	\$834.61		\$834.61	IT contract labor to support systems development
IT System Operations		\$610.21	(\$610.21)	Hardware purchases
OMC office move & expansion		\$23.54	(\$23.54)	Leasehold improvements and furniture for OMC
Total Non-Programmatic Capital Spending	\$938.11	\$1,173.75	(\$235.64)	
Total Collection Requirement for Capital Spending	\$4,069.95	\$2,499.71	\$1,570.24	

USAC Consolidated

For the Six Months Ending June 30, 2017

(in thousands)

ACTION Item #aBOD03

Attachment B

07/25/17

1 of 2

Operating Expenses	Actual	Budget	Variance	%	Explanation of Variance
Compensation & Benefits	\$ 35,814.6	\$ 36,944.9	\$ 1,130.3	3%	
Solix Costs	18,750.0	21,100.0	2,350.0	11%	No contingency spending for the Schools program contract
External BCAP Costs	4,428.3	5,000.0	571.7	11%	Lower spending on outsourced audits
Rent	3,511.0	4,049.3	538.3	13%	No rent expense for 10th floor expansion year to date and lower spending for co-location rent
Professional Fees & Contract Labor	21,276.3	22,987.5	1,711.2	7%	
Financial Audit and AUP	851.2	950.0	98.8	10%	Timing variance
Telephone & Computer Support	5,941.0	4,807.8	(1,133.2)	-24%	Higher spending for software maintenance agreements
Bank Fees	687.6	687.6	-	0%	
Legal Professional Fees	201.0	230.5	29.5	13%	Lower spending for outside counsel
Travel, Meetings and Conferences	316.7	752.5	435.8	58%	Lower spending on user experience and support travel for all programs
Non-Capitalized Hardware & Equipment Ren	406.7	242.2	(164.5)	-68%	Timing variance related to hardware purchases
High Cost Data Collection	181.6	178.2	(3.4)	-2%	
Taxes	1,418.2	149.5	(1,268.7)	-849%	Increase due to difference between book and tax expense
Insurance	161.0	155.5	(5.5)	-4%	
Other Expenses	1,300.6	1,927.0	626.4	33%	Lower than anticipated spending on training, printing, and graphics
499 Data Collection Billing	(112.0)	(133.7)	(21.7)	16%	Lower reimbursable expenses than planned
Total Operating Expenses	\$ 95,133.8	\$ 100,028.8	\$ 4,895.0	5%	

USAC Common

For the Six Months Ending June 30, 2017

(in thousands)

Operating Expenses	Actual	Budget	Variance	%	Explanation of Variance
Compensation & Benefits	\$ 23,701.7	\$ 25,648.1	\$ 1,946.4	8%	
External BCAP Costs	1,273.1	\$ 864.4	(408.7)	-47%	Higher spending for contributor audits
Professional Fees & Contract Labor	7,285.8	\$ 7,407.4	121.6	2%	
Rent	3,511.0	\$ 4,049.3	538.3	13%	No rent expense for 10th floor expansion year to date and lower spending for co-location rent
Telephone & Computer Support	4,835.2	\$ 3,602.4	(1,232.8)	-34%	Higher spending for software maintenance agreements
Bank Fees	687.6	\$ 687.6	-	0%	
Legal Professional Fees	201.0	\$ 230.5	29.5	13%	Lower spending for outside counsel
Financial Audit and AUP	851.2	\$ 950.0	98.8	10%	Timing variance
Travel, Meetings and Conferences	141.3	\$ 252.3	111.0	44%	Less travel for user support and experience, Strategy & Performance Management, and 499 Data Collection
Non-Capitalized Hardware & Equipment Rental	406.7	\$ 242.2	(164.5)	-68%	Timing variance related to hardware purchases.
Taxes	1,418.2	\$ 149.5	(1,268.7)	-849%	Increase due to difference between book and tax expense
Insurance	161.0	\$ 155.5	(5.5)	-4%	
Other Expenses	1,074.7	\$ 1,539.2	464.5	30%	Less training year to date
499 Data Collection Billing	(112.0)	\$ (133.7)	(21.7)	16%	Lower reimbursable expenses than planned
Total Operating Expenses	\$ 45,436.5	\$ 45,644.7	\$ 208.2	0%	

**Universal Service Administrative Company
Board of Directors Meeting**

INFORMATION ITEM

Business Update

Information Presented

This item provides the USAC Board of Directors (Board) with updates on corporate initiatives and operational activities. Updates on Investment Committee meetings, cash and receivables management, accounts receivable, and audit recovery activities are also included in the Exhibits for informational purposes.

Discussion

General Business Update

USAC's Enterprise Strategic Initiatives and Recent Organizational Changes – Provided in **Attachment A-1**.

Operational Update – Provided in **Attachment A-2**, which will be distributed at the meeting.

Exhibits – **Attachments B1 – B4** (informational only).

Investment Committee Meetings

The most recent Investment Committee papers were delivered to the Investment Committee (Committee) on July 18, 2017 to be voted on via written consent. Minutes included in the next quarterly Board meeting will reflect any action taken by the Committee.

Prior Period Adjustments

Sixty days prior to the start of each quarter, USAC provides projected support mechanism demand and administrative expense data to the FCC. Thirty days prior to the start of the quarter, USAC submits projected Universal Service contributor revenue data to the FCC. The FCC uses these projections to establish the Universal Service contribution factor for the upcoming quarter and USAC uses the resulting contribution factor to invoice Universal Service contributors once the quarter begins.

USAC management makes every effort to ensure that support mechanism demand and contributor revenue projections are as accurate as possible, but variations can be significant, depending on factors outside of USAC's control. Between the time USAC submits projected support mechanism demand for funding and the projected revenue base

to the FCC and the start of the quarter, new data submitted to USAC may result in higher or lower billings and/or higher or lower disbursements. These variances result in what USAC refers to and reports as “prior period adjustments.” Prior period adjustments reconcile projections to actual results, and include adjustments for billings, disbursements, interest income, bad debt and administrative expenses.

A prior period adjustment for 2nd Quarter 2017 (2Q2017) will be recorded in the 4th Quarter 2017 (4Q2017) fund size projection and is summarized in the following chart:

	2Q2017 Filed Projection	Actual	Variance From Filed Projection*	Variance as a % of Filed Projection
(in millions)				
LI Disbursements	\$373.90	\$323.88	(\$50.02)	(13.38%)
Billings	1,991.55	1,942.28	49.27	2.47%
Interest Income	15.90	17.36	(1.46)	(9.18%)
Bad Debt Expense	20.23	1.11	(19.12)	94.51%
Total USF PPA			\$21.33	

*Results that increase the 4Q2017 collection requirement are shown as a positive variance, and results that decrease the 4Q2017 collection requirement are shown as a negative variance.

Cash Balances by Program

As of June 30, 2017, the USF balance at Bank of America was \$7,398.95 million.

USF cash and accrual activities for the quarter and year to date are provided in **Attachment B-1**. Additional information about cash balances by program, including funds reserved pursuant to the *USF/ICC Transformation Order*¹, are included in **Attachment B-2**.

Accounts Receivable

Attachment B-3 provides an analysis of the accounts receivable (A/R) balance as of May 31, 2017.

Audit Recovery Activity

Attachment B-4 provides an update on activities related to audit recovery activities.

¹ *Connect America Fund et al.*, WC Docket No. 10-92 et al., GN Docket No. 09-51, CC Docket No. 01-92 et al., WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (2011) (*USF/ICC Transformation Order*).

Universal Service Administrative Company (USAC) Board of Directors Quarterly Meeting

OPEN SESSION

USAC's Enterprise Strategic Initiatives and Recent Organizational Changes

This information item provides the USAC Board of Directors with an overview of USAC's recent organizational changes and enterprise priorities.

Overview:

USAC continues to remain focused on improving program administration through greater operational efficiency, enhanced program integrity and an improved user experience. USAC recognizes the importance of aligning our organizational priorities to build confidence and trust in USAC's ability to successfully administer the Universal Service Fund (USF) programs with the FCC, the Board, and our stakeholders. To that end, USAC implemented the following enterprise changes over the last quarter:

- **Recent organizational re-structuring (refer to the Appendix for an Organization Chart):**
 - **Restructuring the Stakeholder Engagement (SE) function:** USAC split the Stakeholder Engagement function into two distinct areas of focus: *User Support* and *User Experience* under Operations. The User Support function provides direct support for filers and participants through different methods such as call centers, training, and outreach, while the User Experience function focuses on designing effective digital and user interfaces for systems. Through consolidation of the corporate SE function with the program-based SE function, we will gain efficiencies and reduce the footprint of the SE organization, which will ultimately result in a reduction of 15 full time employees (FTEs).
 - **Optimizing Information Technology (IT):** Recognizing that collaboration between USAC's IT and Program functions is critical to supporting effective program administration and implementation of modernization mandates, USAC moved the IT function under Operations. In an effort to improve the IT business model, USAC has made some changes to the organization structure. The new structure provides three main functional areas: Infrastructure and Security, Application Development and Delivery, and IT Project Management Office (PMO).
 - **Enhancing the Finance and Procurement functions:** Over the next few months, USAC will be transferring the payroll processing function from Human Resources to the Finance organization. This transfer will strengthen our overall controls by having a more marked segregation of duties between Human Resources and the payroll function.
 - **Establishing Enterprise Portfolio Management (EPM):** Recognizing the importance of improved enterprise-wide project management and rigor, we are redefining the Strategy Division led by Hemang Shah as Enterprise Portfolio Management (EPM). The EPM resources have been operating as consultative partners with the Programs and Divisions to build project management capacity through project planning, execution and

the development of enterprise standards such as change control. Additionally, the EPM is responsible for providing USAC leadership, the Board, and the Federal Communications Commission (FCC) with integrated insight into the overall status of the FCC mandates, major projects, and business performance metrics. Given the importance of data analytics to the success of our major projects, the Data Strategy & Insights team, led by Daniel Zielaski, will continue to operate within the EPM.

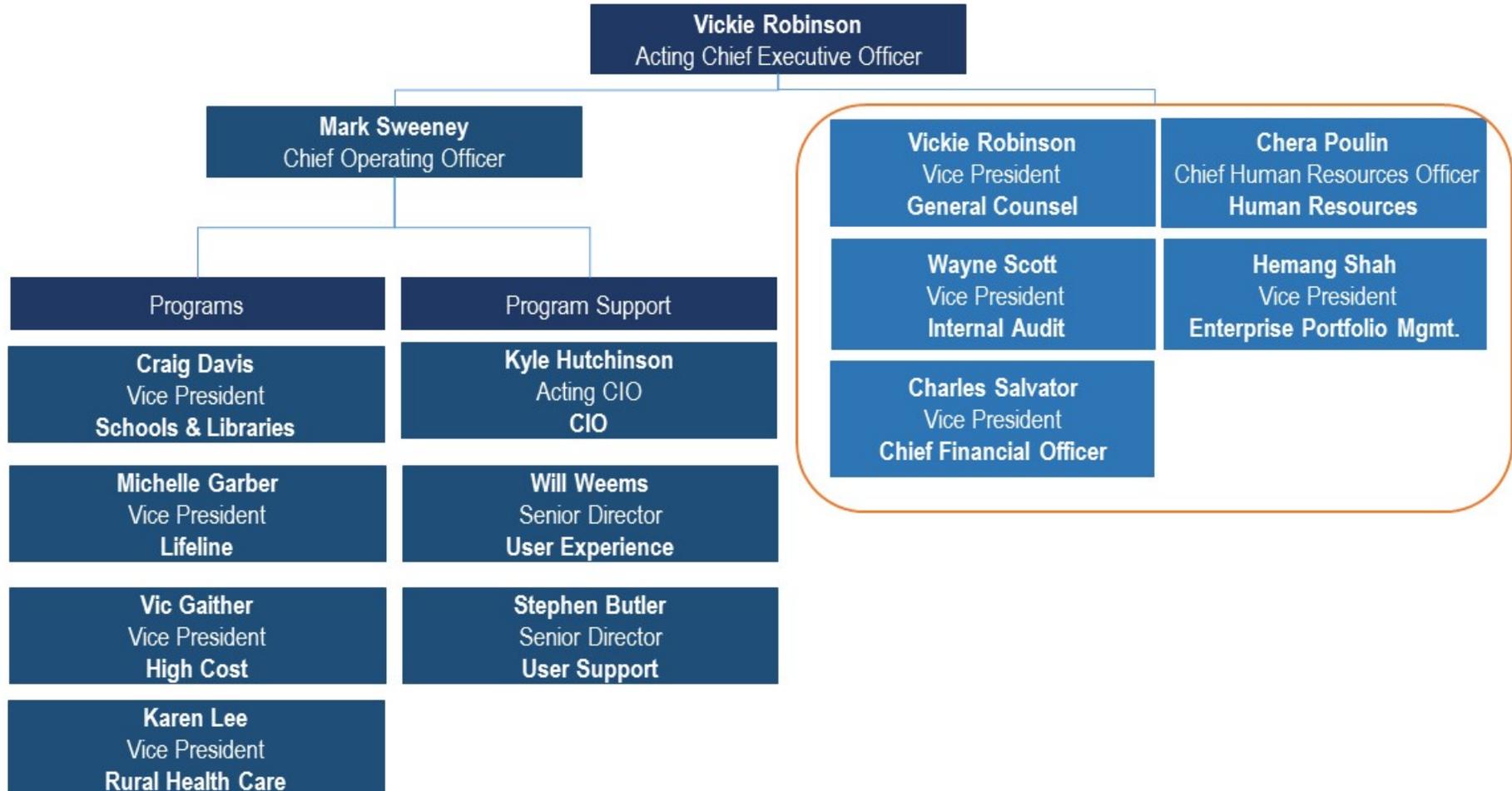
- **Human Capital is now Human Resources:** As part of our desire to clearly and succinctly state the focus of each of our departments, we are going to formally shift the title of our HR organization to reflect the focus on Human Resources. Chera Poulin's title will now be Chief Human Resources Officer (CHRO).
- **New FCC mandates:** The FCC has identified additional regulations and mandates that will need to be implemented by USAC. The new mandates include the implementation of the Digital Accountability and Transparency Act (DATA Act) and the Cash to Treasury transition. The purpose of the DATA Act is to "provide consistent, reliable, and searchable Government-wide spending data that is displayed accurately for taxpayers and policy makers." The implementation of the DATA Act would potentially impact reporting of USAC administrative expenses and require adjustments to USAC's financial operations. In addition, the FCC recently instructed USAC to transfer the funds of the USF to the Department of Treasury (Treasury), as part of the Commission's desire to reduce risk and ensure stronger financial management of the USF. Over the next 10 to 12 months, we will work closely with the FCC to implement the transition. USAC employees, in conjunction with the FCC and Treasury teams, are developing system requirements and coordinating notifications with stakeholders regarding this change to payment and disbursement processes.
- **Re-scoped and deprioritized enterprise initiatives:** USAC re-examined the scope of the Constituent (Customer) Relationship Management (CRM) implementation and website redesign to determine what we can feasibly accomplish relative to new FCC mandates. As a result, USAC will delay the implementation of an in-house CRM system and will instead rely on the CRM systems and data provided by the outsourced call center operations as part of our cross-program customer service consolidation. USAC will also slow implementation of the website redesign and will plan to rollout a new website in 2018 rather than in 2017.
- **Improved governance and oversight of USAC's implementation of FCC mandates:** USAC has established Program Management Offices (PMOs) within the programs to improve the execution of FCC mandates and modernization orders. In addition, USAC formalized internal steering committees to maintain a pulse on critical risks and issues, provide guidance, and support timely decision making. In addition, we are in the process of establishing program-based executive committees with the FCC to help foster consistent communication and updates relative to our major enterprise initiatives.

SUMMARY OF KEY ENTERPRISE STRATEGIC INITIATIVES

The table below provides an overview of USAC's key enterprise strategic initiatives – additional description and details are provided in the Appendix.

Ref.	Enterprise Initiative	Initiative Lead	Lead Division
Implement FCC Mandates			
1.	Implement National Verifier (launch to a minimum of 5 states)	Michelle Garber	Lifeline
2.	Implement Mobility Fund Phase II	Vic Gaither	High Cost
3.	Launch HUBB	Vic Gaither	High Cost
4.	Improve the administration of the E-rate Program (e.g., complete EPC development and integration, cost control, Solix renewal)	Craig Davis	Schools & Libraries
5.	Review & finalize FY17 award decisions within FCC timeframes in alignment with enhanced program integrity procedures	Karen Lee	Rural Health Care
6.	Implement the Cash to Treasury transition	Charles Salvator	Finance
7.	Implement DATA Act	Charles Salvator	Finance
Improve the User Experience			
8.	Consolidate and enhance customer service operations (e.g., RHC and Schools)	Mark Sweeney/ Stephen Butler	Operations
9.	Improve the accessibility of USAC data to internal users, the FCC, and external stakeholders	Hemang Shah/ Daniel Zielaski	Enterprise Portfolio Management /Data Team
Mature Program Integrity and Financial Stewardship			
10.	Establish a robust vendor management and cost control process	Charles Salvator/ Doug Stenger	Finance/Procurement
11.	Implement data-driven improvements to audit processes	Wayne Scott	Internal Audit
Enhance Operational Efficiency and Effectiveness			
12.	Identify opportunities to create and implement operational synergies that reduce redundancies across programs	Mark Sweeney	Operations
13.	Implement critical enterprise project management standards	Hemang Shah	Enterprise Portfolio Management
14.	Mature the IT PMO function and systems development lifecycle process	Kyle Hutchinson	IT
15.	Implement an integrated talent management approach	Chera Poulin	Human Resources

Appendix - USAC Organizational Chart



APPENDIX –INITIATIVE DETAILS

IMPLEMENT FCC MANDATES

Key Enterprise Initiative: Lifeline - Implement National Verifier (launch to a minimum of 5 states)			
Initiative Description	Key 2017 Milestones	Key USAC Teams Engaged/ # of Dedicated Resources	Key Investments
<p><i>This initiative addresses the 2016 Lifeline Modernization Order which among other stipulations shifts the eligibility verification process away from providers and states to the National Verifier and connects the Lifeline Eligibility Database (LED) to state and federal data sources to determine eligibility for both initial and annual certification.</i></p> <p><i>Point-of-Contact: Michelle Garber</i></p> <p><i>Initiative Start Date: 4/27/2016</i> <i>Initiative End Date: 3/13/2018</i></p>	<ul style="list-style-type: none"> • All federal/state computer matching agreements submitted to FCC Data Integrity Board (Target Date: 9/1/2017) • Business Process Outsourcing (BPO) award (Target Date: 8/31/2017) and launch (Target Date:12/5/2017) • Soft Launch National Verifier to a minimum of 5 States (optional use of system by stakeholders) (Target Date: 12/5/17) • Hard Launch National Verifier to a minimum of 5 states (minor improvements and required use of system by stakeholders) (Target Date: 3/13/18) 	<ul style="list-style-type: none"> - Lifeline (FTEs: 13) - Legal (FTEs: 2) - IT (FTEs: 10, Staff Aug: 6) - User Experience (FTEs: 1.25) - EPM (FTEs: .5) - Finance/Procurement (as needed support) 	<ul style="list-style-type: none"> ▪ Systems build and integration: Accenture ▪ Software: ServiceNow ▪ PMO support: Boston Consulting Group (BCG) ▪ Business process outsourcing: To Be Determined <p><i>Total Estimated Total Initiative Budget: \$21.2 million</i></p>

Key Enterprise Initiative: High Cost - Implement Mobility Fund Phase II			
Initiative Description	Key 2017 Milestones	Key USAC Teams Engaged/ # of Dedicated Resources	Key Investments
<p><i>This initiative addresses the Phase II implementation of the FCC mandate for the Mobility Fund. Phase II consists of the development of the MF II a Challenge Process, data collection template,</i></p>	<ul style="list-style-type: none"> • Challenge Process MF II go-live date (Estimated Date: 1/14/2018) • First payment disbursement 	<ul style="list-style-type: none"> - High Cost (FTEs: 13) - IT (FTEs/Staff Aug: 10) - User Experience (FTEs: 2) - Data (FTEs: 1.5) 	<ul style="list-style-type: none"> ▪ Systems build and integration: Internal resources and staff augmentation contractors ▪ Software: In-house development

Key Enterprise Initiative: High Cost - Implement Mobility Fund Phase II			
Initiative Description	Key 2017 Milestones	Key USAC Teams Engaged/ # of Dedicated Resources	Key Investments
<p><i>modifications to the MF II HUBB system, Form 481 and Form 690, implementation of the MFII payment and verification process, workflow Automation of Letters of Credit (LOCs), and implementation of the non-compliance/default workflow process.</i></p> <p><i>Point-of-Contact: Vic Gaither</i></p> <p><i>Initiative Start Date: March 2017</i> <i>Initiative End Date: May 2018</i></p>	<p>(Target Date: 7/1/18)</p>		<p><i>Current Estimated Total Initiative Budget: \$1.7 million</i></p>

Key Enterprise Initiative: High Cost - Launch HUBB			
Initiative Description	Key 2017 Milestones	Key USAC Teams Engaged/ # of Dedicated Resources	Key Investments
<p><i>This initiative addresses requirements as part of the Rate-of-Return order that requires USAC to develop an online portal that would enable carriers to submit geocoded locations of newly deployed facilities delivering broadband on a rolling basis as construction is completed and as service becomes commercially available.</i></p> <p><i>Point-of-Contact: Vic Gaither</i></p> <p><i>Initiative Start Date: February 2017</i> <i>Initiative End Date: September 2017</i></p>	<ul style="list-style-type: none"> • HUBB Portal Launched (3/30/17) • HUBB Phase III Launch (Target Date: 12/7/17 est.) 	<ul style="list-style-type: none"> - High Cost (FTEs: 5) - Legal (FTEs: 2) - IT (FTEs/Staff Aug: TBD) - User Experience (FTEs: TBD) - Data (FTEs: TBD) 	<ul style="list-style-type: none"> ▪ Software: TBD ▪ GIS Consultancy/Development: AppGeo <p><i>Estimated Total Initiative Budget: \$472,960</i></p>

Key Enterprise Initiative: Schools & Libraries - Improve the Administration of the E-rate Program			
Initiative Description	Key 2017 Milestones	Key USAC Teams Engaged/ # of Dedicated Resources	Key Investments
<p><i>This initiative addresses the need to holistically operationalize the recommendations made to address the issues identified in Chairman Pai’s letter regarding E-rate administration.</i></p> <p><i>Point-of-Contact: Craig Davis</i></p> <p><i>Initiative Start Date: 4/27/2017</i> <i>Initiative End Date: 12/31/2017</i></p>	<ul style="list-style-type: none"> • Implement remaining Post Commitment features (Target Date: 12/31/17) • Integrations to support FY2017 disbursements in our legacy systems (Target Date: 9/30/17) • Integrate financial data in EPC with USAC’s enterprise financial systems (Target Date: 12/31/17) • Complete processing of all workable FY 2016 applications (8/1/17) • Review and update support contracts (Target Date: 12/31/17) 	<ul style="list-style-type: none"> - Schools & Libraries (FTEs: 10) - Legal/Procurement/Finance (FTEs: 2.5) - IT (FTEs/Staff Aug: 153 resources) - Data (FTE: .5) - EPM (FTE: .5) 	<ul style="list-style-type: none"> ▪ Systems build and integration: ITG ▪ Software: Appian ▪ Performance testing: Vision Point ▪ PMO (QAs, QCs, SAs): various staff augmentation contracts <p><i>Estimated Total Initiative Budget: \$60 million (\$27M for 2017)</i></p>

Key Enterprise Initiative: Rural Health Care - Review & finalize FY17 award decisions within FCC timeframes in alignment with enhanced program integrity procedures			
Initiative Description	Key 2017 Milestones	Key USAC Teams Engaged/ # of Dedicated Resources	Key Investments
<p><i>This initiative focuses on review and issuing FY17 commitments in a timely manner, to ensure high program integrity & leveraging the lessons learned in FY16. This will include incorporating temporary contractor support to ensure timely review & enhanced funding request review procedures prior to commitment. RHC will need to work closely</i></p>	<ul style="list-style-type: none"> • Award all FY16 funds (Target Date: 6/2/17) <p><i>Note – this is not complete yet due to unique legal issues.</i></p> <ul style="list-style-type: none"> • Complete 100% of FY17 final application reviews incorporating lessons learned from FY16 (Target 	<ul style="list-style-type: none"> - RHC (FTEs: 13.5) - Staff Aug (FTEs: 10) - Legal (FTEs: .6) - EPM (FTEs: .5) 	<p><i>Temporary surge support/staffing: 11</i></p> <p><i>Estimated Total Initiative Budget: Received RHC Committee approval for \$420,000. Current cost projections are ~\$325,600.</i></p>

Key Enterprise Initiative: Rural Health Care - Review & finalize FY17 award decisions within FCC timeframes in alignment with enhanced program integrity procedures

Initiative Description	Key 2017 Milestones	Key USAC Teams Engaged/ # of Dedicated Resources	Key Investments
<p><i>with FCC to ensure commitments are made within defined timeframes and modify existing processes and/or systems to successfully complete this initiative.</i></p> <p><i>Point-of-Contact: Karen Lee</i></p> <p><i>Initiative Start Date: 3/1/17</i> <i>Initiative End Date: 12/31/17</i></p>	<p>Date: 9/30/17)</p> <ul style="list-style-type: none"> 90% of all funds are committed (Target Date: 12/31/17) Review and update current procedures to ensure enhanced program integrity measures are included (Target Date: 12/31/17) 		

Key Enterprise Initiative: Finance - Implement Cash to Treasury Transition

Initiative Description	Key 2017 Milestones	Key USAC Teams Engaged/ # of Dedicated Resources	Key Investments
<p><i>This initiative addresses the implementation of FCC's requirements of transferring current cash management process / duties from USAC into US DoT (Treasury). The goal is to move the cash and disbursements process to Treasury from USAC within 12 months while minimizing impact to stakeholders and current operations.</i></p> <p><i>Point-of-Contact: Charles Salvator</i></p> <p><i>Initiative Start Date: April 2017</i> <i>Initiative End Date: May 2018</i></p>	<ul style="list-style-type: none"> Complete interface design (Target Date: 12/31/2017) Design Integration Interface (Collections and Disbursements) – (Target Date: 10/19/2017) Collections Interface Development – (Target Date: 12/11/17) 	<ul style="list-style-type: none"> - Finance (FTEs: 3) - Legal (FTEs: .5) - IT (FTEs/Staff Aug: 13) - EPM (FTEs: 0.5) 	<ul style="list-style-type: none"> PM: \$300,000 Systems enhancements: \$1,100,000 (\$489,600 incremental) <p><i>Estimated Total Initiative Budget: \$1.4M</i></p>

Key Enterprise Initiative: Finance - Implement DATA Act			
Initiative Description	Key 2017 Milestones	Key USAC Teams Engaged/ # of Dedicated Resources	Key Investments
<p><i>This initiative addresses the implementation of the Digital Accountability and Transparency Act (DATA Act or Act). The DATA Act has impacts on the reporting of USAC administrative expenses; considers USF program disbursements as federal financial assistance awards; and impacts USAC's financial operations.</i></p> <p><i>Point-of-Contact: Charles Salvator</i></p> <p><i>Initiative Start Date: Est: July 2017</i> <i>Initiative End Date: Est: July 2019*</i> <i>*Timeline based on memo dated 12/23/16 sent to FCC from USAC General Counsel. This would be revised based on clarity from FCC.</i></p>	<ul style="list-style-type: none"> To Be Determined 	<ul style="list-style-type: none"> - Finance (FTEs: TBD) - Legal (FTEs: TBD) - IT (FTEs/Staff Aug: TBD) - Data (FTEs: TBD) 	<p><i>Estimated Total Initiative Budget: To Be Determined</i></p>

IMPROVE THE USER EXPERIENCE

Key Enterprise Initiative: User Support - Consolidate and enhance customer service operations (e.g., RHC and Schools)				
Initiative Description	Benefits to USAC Program Administration	Key 2017 Milestones	Key USAC Teams Engaged/ # of Dedicated Resources	Key Investments
<p><i>This initiative develops an integrated customer service model across all Programs, starting with a consolidated Tier 1 customer support model for SLD and RHC. Tier 1 customer services includes: phone and email responses and an escalation method for Tier 2 and</i></p>	<ul style="list-style-type: none"> Offers a consistent user experience when stakeholders make routine inquires Reduces the costs associated with customer service 	<ul style="list-style-type: none"> Finalize competitively bid contract for SLD and RHC Call Center operations (9/30/17) 	<ul style="list-style-type: none"> - User Support (FTEs: 2) - Schools & Libraries: (FTEs:2) - Rural Health Care (FTEs:1) - EPM (FTEs: .5) - Procurement: (FTEs: .5) - IT: (FTE: .5) 	<ul style="list-style-type: none"> Potential on-site presence (cadence to be determined) to transition (initial), monitor and support call center support activities

Key Enterprise Initiative: User Support - Consolidate and enhance customer service operations (e.g., RHC and Schools)

Initiative Description	Benefits to USAC Program Administration	Key 2017 Milestones	Key USAC Teams Engaged/ # of Dedicated Resources	Key Investments
<p><i>above questions. Currently, SLD is supported via GDIT (via the Solix contract) and activities will need to be transitioned. RHC is managed in-house, with no 3rd party customer service. This initiative does not include the investment of a CRM, as USAC will leverage the CRM of the vendor and receive detailed reporting</i></p> <p><i>Point-of-Contact: Mark Sweeney/Stephen Butler</i></p> <p><i>Initiative Start Date: 05/01/17</i> <i>Initiative End Date: Q2-2018</i> <i>(Includes transition to new vendor)</i></p>	<p>and support</p>			

Key Enterprise Initiative: Data Strategy - Improve the accessibility of USAC data to internal users, the FCC, and external stakeholders

Initiative Description	Benefits to USAC Program Administration	Key 2017 Milestones	Key USAC Teams Engaged/ # of Dedicated Resources	Key Investments
<p><i>This initiative increases access to data through both existing and new tools to democratize data and improve the ability to obtain insights.</i></p> <p><i>Point-of-Contact: Hemang Shah/Daniel Zielaski</i></p> <p><i>Initiative Start Date: 2/15/17</i> <i>Initiative End Date: 12/7/17</i></p>	<ul style="list-style-type: none"> • Reduces the costs involved in publishing and releasing data • Improves the overall quality of data set, and supporting meta data released to internal and 	<ul style="list-style-type: none"> • Launch of Open data pilot with SLD Form 471 data (Completed on 4/31/17) • Place all currently available public SLD program data and at least 2 data set from the other 	<ul style="list-style-type: none"> - Data (FTEs: 1.5) - Staff Aug (FTEs: 2.75) - Schools & Libraries (FTEs: 1.5) - User Experience (FTEs: 1) - Other Programs (FTEs: .25) 	<ul style="list-style-type: none"> ▪ Software: Socrata (Open Data), Collibra (Data Governance) <p><i>Estimated Total Initiative Budget: \$860,000</i></p>

Key Enterprise Initiative: Data Strategy - Improve the accessibility of USAC data to internal users, the FCC, and external stakeholders				
Initiative Description	Benefits to USAC Program Administration	Key 2017 Milestones	Key USAC Teams Engaged/ # of Dedicated Resources	Key Investments
	external stakeholders <ul style="list-style-type: none"> Overcomes access barriers with existing tools (Citrix/Pentaho) by offering alternative solutions 	Programs on the Open Data platform (Target Date: 12/31/17)		

MATURE PROGRAM INTEGRITY AND FINANCIAL STEWARDSHIP

Key Enterprise Initiative: Finance/Procurement - Establish a robust vendor management and cost control process				
Initiative Description	Benefits to USAC Program Administration	Key 2017 Milestones	Key USAC Teams Engaged/ # of Dedicated Resources	Key Investments
<p><i>This initiative focuses on improvements to vendor cost and performance management from an end-to-end perspective, beginning with comprehensive business cases, and concluding with effectively managed vendor contracts.</i></p> <p><i>Point-of-Contact: Charles Salvator/Doug Stenger</i></p> <p><i>Initiative Start Date: May 2017</i> <i>Initiative End Date: December 2017</i></p>	<ul style="list-style-type: none"> Reduces variances associated with vendor costs, quality, and delivery timelines Improves the outcomes produced by vendors 	<ul style="list-style-type: none"> Develop vendor management process and controls (Target Date: July 2017) Pilot vendor management performance reviews (Target Date: August 2017) 	<ul style="list-style-type: none"> Finance/Procurement (FTEs: 3) EPM: (FTEs: 0.5) 	<ul style="list-style-type: none"> Software: Contract Management System <p><i>Estimated Total Initiative Budget: TBD</i></p>

Key Enterprise Initiative: Internal Audit - Implement data-driven improvements to audit processes				
Initiative Description	Benefits to USAC Program Administration	Key 2017 Milestones	Key USAC Teams Engaged/ # of Dedicated Resources	Key Investments
<p><i>This initiative supports the implementation of data analytics to better predict and identify program recipients that may not be in compliance with FCC rules, and or may be in jeopardy of non-compliance.</i></p> <p><i>Point-of-Contact: Wayne Scott</i></p> <p><i>Initiative Start Date: 04/03/2017</i> <i>Initiative End Date: 06/30/2018</i></p>	<ul style="list-style-type: none"> Improves improve audit efficiency and effectiveness 	<ul style="list-style-type: none"> Modify audit procedures to accommodate data analytics utilized in the planning and fieldwork stages of an audit (Target Date: 9/30/2017) Perform data analytics on every audit (Target Date: 10/1/2017) 	<ul style="list-style-type: none"> Internal Audit (FTEs: TBD) 	<p>None Identified</p>

ENHANCE OPERATIONAL EFFICIENCY AND EFFECTIVENESS

Key Enterprise Initiative: Operations – Identify opportunities to create and implement operational synergies that reduce redundancies across programs				
Initiative Description	Benefits to USAC Program Administration	Key 2017 Milestones	Key USAC Teams Engaged/ # of Dedicated Resources	Key Investments
<p><i>This initiative supports the implementation of opportunities to consolidate and merge operational functions and vendor support operations to create efficiencies.</i></p> <p><i>Point-of-Contact: Mark Sweeney</i></p> <p><i>Initiative Start Date: 4/1/17</i> <i>Initiative End Date: 9/16/17</i></p>	<ul style="list-style-type: none"> Reduce costs associated with outsourcing and functional consolidation Improved management and performance of outsourced operations 	<ul style="list-style-type: none"> Align SE organization under Operations (Completed 5/26/17) Align IT under Operations (Completed 5/26/17) 	<ul style="list-style-type: none"> Senior Director of Process and Vendor Management (FTEs: 1) Data: (FTEs: .25) Program VPs CIO 	<ul style="list-style-type: none"> TBD: No current investments planned <p><i>Estimated Total Initiative Budget: N/A</i></p>

Key Enterprise Initiative: Operations – Identify opportunities to create and implement operational synergies that reduce redundancies across programs

Initiative Description	Benefits to USAC Program Administration	Key 2017 Milestones	Key USAC Teams Engaged/ # of Dedicated Resources	Key Investments
	<ul style="list-style-type: none"> Improvement in shared accountability across USAC operations 			

Key Enterprise Initiative: EPM – Implement critical enterprise project management standards

Initiative Description	Benefits to USAC Program Administration	Key 2017 Milestones	Key USAC Teams Engaged/ # of Dedicated Resources	Key Investments
<p><i>This Initiative addresses the need to strengthen and enhance the Program and Initiative Management Capacity of USAC staff across the enterprise by implementing standard practices tools and templates, and providing training to USAC Initiative leaders and managers to better manage and implement Initiatives.</i></p> <p><i>Point-of-Contact: Hemang Shah</i></p> <p><i>Initiative Start Date: 03/01/2017</i> <i>Initiative End Date: 03/01/2018</i></p>	<ul style="list-style-type: none"> Improves delivery and execution of projects (on-time, on-budget) Provides a consistent and standard approach to project management and execution Enhances USAC’s relationship with the FCC and our ability to meet the FCC’s quality and timeliness standards 	<ul style="list-style-type: none"> Design and implement training on the USAC Program and Initiative Methodology (Target Date: July 2017) Conduct training in areas such as the PMP for critical Initiative Management Staff (Target Date: August 2017) Develop, launch and maintain a repository of tools, templates, to enable Initiative 	<ul style="list-style-type: none"> - EPM (FTEs: 2) - HR / Training & Development: (FTEs: 1) 	<ul style="list-style-type: none"> Training: PMP Training <p><i>Estimated Total Initiative Budget: \$20K</i></p>

Key Enterprise Initiative: EPM – Implement critical enterprise project management standards				
Initiative Description	Benefits to USAC Program Administration	Key 2017 Milestones	Key USAC Teams Engaged/ # of Dedicated Resources	Key Investments
		leaders to be successful		

Key Enterprise Initiative: IT – Mature the IT PMO function and systems development lifecycle process				
Initiative Description	Benefits to USAC Program Administration	Key 2017 Milestones	Key USAC Teams Engaged/ # of Dedicated Resources	Key Investments
<p><i>Design and mature the IT PMO capability and functionality to improve Initiative estimation and execution.</i></p> <p><i>Point-of-Contact: Kyle Hutchinson</i></p> <p><i>Initiative Start Date: 1/1/17</i> <i>Initiative End Date: 12/31/17</i></p>	<ul style="list-style-type: none"> • Improve the on-time, on-budget delivery of IT Initiatives • Improve the allocation of resources to deliver critical IT Initiatives 	<ul style="list-style-type: none"> • Implement ServiceNow’s Initiative and Portfolio Management module (Target Date: August 2017) • Work with the EPM to develop and implement a corporate governance process (Target Date: October 2017) 	<ul style="list-style-type: none"> - IT PMO (FTEs: 1.5) - EPM: (FTEs: .25) 	<ul style="list-style-type: none"> ▪ Software: ServiceNow PPM (\$82K) ▪ Systems Integration: Linium (\$245K) <p><i>Estimated Total Initiative Budget: \$327K</i></p>

Key Enterprise Initiative: Human Resources – Implement an integrated talent management approach that improves workforce productivity, engagement and performance				
Initiative Description	Benefits to USAC Program Administration	Key 2017 Milestones	Key USAC Teams Engaged/ # of Dedicated Resources	Key Investments
<p><i>This initiative addresses strategies to support the effective management of</i></p>	<ul style="list-style-type: none"> • Improves overall employee 	<ul style="list-style-type: none"> • Develop a process for monitoring 	<ul style="list-style-type: none"> - HR (FTEs: 2) 	<ul style="list-style-type: none"> ▪ Additional headcount needed to support proper

Key Enterprise Initiative: Human Resources – Implement an integrated talent management approach that improves workforce productivity, engagement and performance				
Initiative Description	Benefits to USAC Program Administration	Key 2017 Milestones	Key USAC Teams Engaged/ # of Dedicated Resources	Key Investments
<p><i>USAC resources (e.g., FTE and staff augmentation contractors) throughout the talent management lifecycle with a focus on improving productivity, engagement and performance.</i></p> <p><i>Point-of-Contact: Chera Poulin</i></p> <p><i>Initiative Start Date: 1/1/2017</i> <i>Initiative End Date: 12/31/17</i></p>	<p>engagement and productivity</p> <ul style="list-style-type: none"> Improves accountability and performance of FTEs and staff augmentation resources 	<p>performance, costs, and tenure of staff augmentation resources</p> <ul style="list-style-type: none"> Updated performance management process 	<p>- Finance/Procurement: (FTEs:1) - EPM: (FTEs: .25)</p>	<p>tracking and management of staff augmentation contractors</p> <p><i>Estimated Total Initiative Budget: TBD</i></p>

Universal Service Administrative Company
Board of Directors Meeting

INFORMATION ITEM

Business Update
Operational Update

Information Presented:

This information item provides a consolidated, enterprise-wide overview of USAC's critical projects, key upcoming milestones, divisional operating expenses, top procurements, organizational risks, staffing levels, mission critical systems, and incidents impacting program integrity.

The materials will be distributed at the meeting.

**UNIVERSAL SERVICE FUND ACTIVITY
2017
FUND BALANCE - CASH BASIS**

	Schools and Libraries Support Mechanism	High Cost Support Mechanism	Low Income Support Mechanism	Rural Health Care Support Mechanism	Total
Cash at 12/31/16	\$5,231,347,337	\$2,223,354,968	\$71,335,310	\$421,412,141	\$7,947,449,756
First Q 2017 Activity:					
Receipts on billings	\$405,414,309	\$1,137,480,392	\$375,834,633	\$112,255,612	\$2,030,984,946
Program Disbursements	(634,817,328)	(1,144,239,299)	(334,228,068)	(43,617,248)	(2,156,901,943)
Administrative Disb.	(23,900,456)	(16,296,734)	(7,704,911)	(2,853,065)	(50,755,165)
Interest Received	11,170,050	4,584,510	160,216	774,377	16,689,152
Refunds	(329,268)	(922,103)	(297,595)	(74,778)	(1,623,744)
Misc. Receipts	0	0	0	0	0
Cash at 3/31/17	\$4,988,884,644	\$2,203,961,735	\$105,099,585	\$487,897,039	\$7,785,843,003
Second Q 2017 Activity:					
Receipts on billings	\$397,669,161	\$1,117,140,663	\$356,157,945	\$96,525,439	\$1,967,493,208
Program Disbursements	(748,374,390)	(1,158,489,856)	(314,944,153)	(79,230,983)	(2,301,039,382)
Administrative Disb.	(26,849,205)	(18,598,312)	(8,825,232)	(3,162,150)	(57,434,899)
Interest Received	9,647,046	4,012,990	128,196	740,250	14,528,482
Refunds	(2,108,150)	(5,922,951)	(1,876,974)	(529,707)	(10,437,783)
Misc. Receipts	0	0	0	0	0
Cash at 6/30/17	\$4,618,869,105	\$2,142,104,269	\$135,739,366	\$502,239,888	\$7,398,952,629
Third Q 2017 Activity:					
Receipts on billings	0	0	0	0	0
Program Disbursements	0	0	0	0	0
Administrative Disb.	0	0	0	0	0
Interest Received	0	0	0	0	0
Refunds	0	0	0	0	0
Misc. Receipts	0	0	0	0	0
Cash at 9/30/17	\$4,618,869,105	\$2,142,104,269	\$135,739,366	\$502,239,888	\$7,398,952,629
Fourth Q 2017 Activity:					
Receipts on billings	0	0	0	0	0
Program Disbursements	0	0	0	0	0
Administrative Disb.	0	0	0	0	0
Interest Received	0	0	0	0	0
Refunds	0	0	0	0	0
Misc. Receipts	0	0	0	0	0
Cash at 12/31/17	\$4,618,869,105	\$2,142,104,269	\$135,739,366	\$502,239,888	\$7,398,952,629
Year to Date 2017 Activity:					
Receipts on billings	\$803,083,470	\$2,254,621,055	\$731,992,577	\$208,781,051	\$3,998,478,154
Program Disbursements	(1,383,191,718)	(2,302,729,155)	(649,172,222)	(122,848,231)	(4,457,941,325)
Administrative Disb.	(50,749,661)	(34,895,045)	(16,530,142)	(6,015,215)	(108,190,064)
Interest Received	20,817,095	8,597,501	288,412	1,514,627	31,217,634
Refunds	(2,437,418)	(6,845,054)	(2,174,569)	(604,485)	(12,061,527)
Misc. Receipts	-	-	-	-	0
Cash YTD	\$4,618,869,105	\$2,142,104,269	\$135,739,366	\$502,239,888	\$7,398,952,629

**Universal Service Administrative Company
FUND BALANCE - ACCRUAL BASIS
2017**

	SL Program	High Cost Program	Low Income Program	RHC Program	Total
Fund Balance 12/31/16	\$5,298,705,679	\$2,288,285,327	\$120,101,965	\$462,180,460	\$8,169,273,432
First Q 2017 Activity:					
Billings	\$407,132,950	\$1,140,092,712	\$367,985,551	\$92,347,710	\$2,007,558,923
Late Charges net of waived	230,909	999,666	201,612	45,986	1,478,172
Late Filing fee	(43,512)	(121,846)	(39,328)	(9,870)	(214,556)
Deferred Payment Plan Fees	203	1,568	7,183	46	9,000
Bad Debt expense	(1,312,740)	(3,676,060)	(1,186,515)	(297,762)	(6,473,076)
Bad Debt expense (COMAD)	(5,645,449)	(370,724)	7,296,955	0	1,280,783
Program Disbursements	(630,193,726)	(1,207,277,314)	(342,467,118)	(43,319,488)	(2,223,257,646)
Future Funded Expenses	0	40,000,000	11,000,000	0	51,000,000
Admin Expenses	(28,988,085)	(11,270,798)	(7,382,319)	(3,214,142)	(50,855,343)
Interest Income	11,015,288	4,527,884	410,137	763,763	16,717,072
Fund Balance 3/31/17	\$5,050,901,516	\$2,251,190,416	\$155,928,123	\$508,496,706	\$7,966,516,760
Second Q 2017 Activity:					
Billings	\$395,947,356	\$1,113,562,933	\$352,432,031	\$99,378,504	\$1,961,320,823
Late Charges net of waived	(54,686)	1,039,947	(51,491)	(13,823)	919,948
Late Filing fee	52,938	148,724	47,120	13,287	262,069
Deferred Payment Plan Fees	2,202	568	180	51	3,000
Bad Debt expense	(222,729)	(625,736)	(198,251)	(55,903)	(1,102,619)
Bad Debt expense (COMAD)	(20,601,716)	(1,201,095)	905	(1,003,582)	(22,805,489)
Program Disbursements	(725,697,936)	(1,162,599,105)	(323,885,794)	(78,183,347)	(2,290,366,182)
Future Funded Expenses	0	(494,000)	948,000	0	454,000
Admin Expenses	(24,403,728)	(12,637,247)	(9,162,077)	(2,706,566)	(48,909,618)
Interest Income	11,298,013	4,707,551	481,113	867,031	17,353,708
Fund Balance 6/30/17	\$4,687,221,229	\$2,193,092,955	\$176,539,860	\$526,792,356	\$7,583,646,401
Third Q 2017 Activity:					
Billings	0	0	0	0	0
Late Charges net of waived	0	0	0	0	0
Late Filing fee	0	0	0	0	0
Deferred Payment Plan Fees	0	0	0	0	0
Bad Debt expense	0	0	0	0	0
Bad Debt expense (COMAD)	0	0	0	0	0
Program Disbursements	0	0	0	0	0
Future Funded Expenses	0	0	0	0	0
Admin Expenses	0	0	0	0	0
Interest Income	0	0	0	0	0
Revenue Accrual	0	0	0	0	0
Fund Balance 9/30/17	\$4,687,221,229	\$2,193,092,955	\$176,539,860	\$526,792,356	\$7,583,646,401
Fourth Q 2017 Activity:					
Billings	0	0	0	0	0
Late Charges net of waived	0	0	0	0	0
Late Filing fee	0	0	0	0	0
Deferred Payment Plan Fees	0	0	0	0	0
Bad Debt expense	0	0	0	0	0
Bad Debt expense (COMAD)	0	0	0	0	0
Program Disbursements	0	0	0	0	0
Future Funded Expenses	0	0	0	0	0
Admin Expenses	0	0	0	0	0
Interest Income	0	0	0	0	0
Revenue Accrual	0	0	0	0	0
Fund Balance 12/31/17	\$4,687,221,229	\$2,193,092,955	\$176,539,860	\$526,792,356	\$7,583,646,401
Year to Date 2017 Activity:					
Billings	\$803,080,305	\$2,253,655,645	\$720,417,581	\$191,726,214	\$3,968,879,746
Late Charges net of waived	176,223	2,039,613	150,121	32,163	2,398,120
Late Filing fee	9,426	26,878	7,792	3,417	47,513
Deferred Payment Plan Fees	2,405	2,135	7,363	97	12,000
Bad Debt expense	(1,535,469)	(4,301,796)	(1,384,766)	(353,664)	(7,575,696)
Bad Debt expense (COMAD)	(26,247,166)	(1,571,819)	7,297,860	(1,003,582)	(21,524,706)
Program Disbursements	(1,355,891,663)	(2,369,876,419)	(666,352,911)	(121,502,835)	(4,513,623,827)
Future Funded Expenses	0	39,506,000	11,948,000	0	51,454,000
Admin Expenses	(53,391,813)	(23,908,044)	(16,544,395)	(5,920,708)	(99,764,961)
Interest Income	22,313,301	9,235,435	891,250	1,630,794	34,070,780
Revenue Accrual	0	0	0	0	0
Fund Balance YTD	\$4,687,221,229	\$2,193,092,955	\$176,539,860	\$526,792,356	\$7,583,646,401

Board of Directors Meeting

iBOD01 Attachment B-2

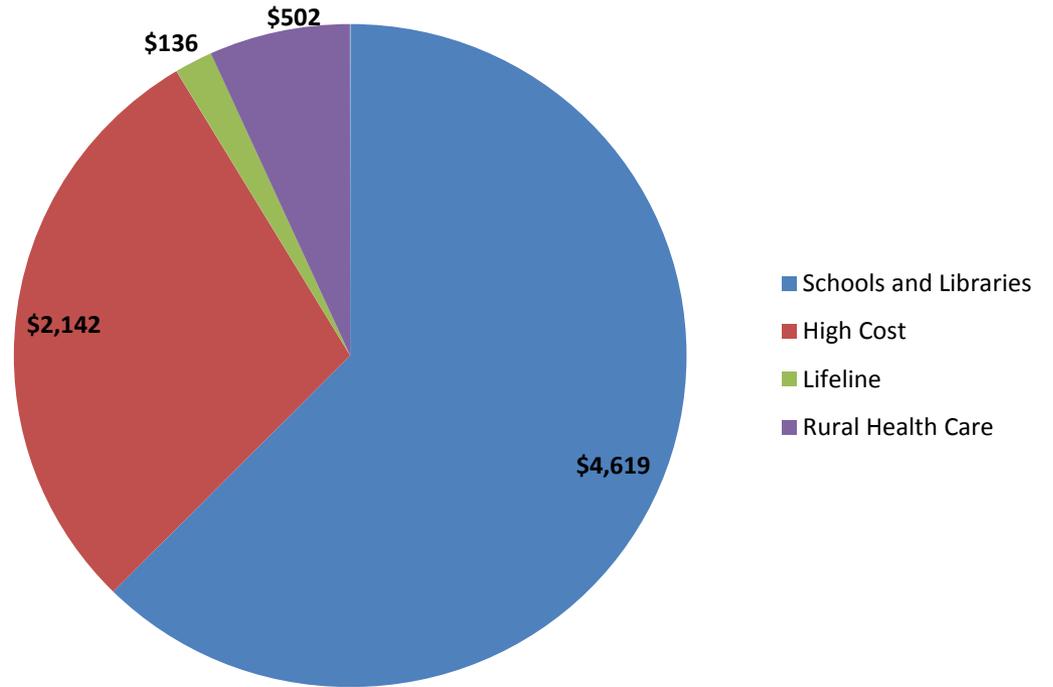
Cash Reserves – By Program

As of June 30, 2017



CASH BALANCE BY PROGRAM

As of June 30, 2017
(in millions)



Total USF Cash Balance as of 6/30/2017 : \$7,399 million

SCHOOLS AND LIBRARIES

Cash Reserve by Funding Year					
(in millions)					
	Fund Year 2017	Fund Year 2016	Fund Year 2015	Fund Year 2014 and earlier	Total
Available Cash	\$1,200.2	\$2,210.1	\$348.2	\$860.3	\$4,618.9
Obligated, Unpaid	(276.2)	(1,732.7)	(198.9)	(262.2)	(2,470.0)
Unobligated Cash	924.0	477.4	149.3	598.1	2,148.8
Reserve for Pending Applications/Invoice Extensions	(924.0)	(104.8)	(77.4)	(310.4)	(1,416.6)
Reserve for Appeals	0.0	(107.6)	(8.5)	(273.6)	(389.7)
Available for Rollover	\$0.0	\$265.0	\$63.4	\$14.2	\$342.5

RURAL HEALTH CARE

<u>Cash Reserve by Funding Year</u>					
(in millions)					
	Fund Year 2017	Fund Year 2016	Fund Year 2015	Fund Year 2014 and Earlier	Total
Available Cash	\$98.1	\$250.6	\$53.7	\$99.9	\$502.2
Obligated, Unpaid	(0.0)	(224.2)	(53.2)	(56.5)	(333.9)
Unobligated Cash	98.1	26.5	0.5	43.4	168.3
Reserve for Applications/ Pending Appeals	(98.1)	(23.4)	(9.2)	(45.0)	(175.6)
Available for Rollover	\$0.0	\$3.1	(\$8.7)	(\$1.7)	(\$7.3)

HIGH COST

Cash	
(\$ in millions)	
	Total
Cash	\$2,142.1
Reserved for Connect America Fund ¹	<u>2,064.4</u>
Cash Available for Legacy Programs	\$77.7

¹ As of June 30, 2017, HC CAF Obligations total \$11,797 million as follows:
CAF Phase II (\$5,463 M), RBE (\$28 M), Mobility (\$55 M), A-CAM (\$5,006 M), Alaska Plan (\$1,219 M), Frozen Support (\$26 M)

CONNECT AMERICA FUND HIGH COST ACCOUNT

Activity by Support Component

(in millions)

Support Component	Allocated	Accepted	Disbursements	Remaining Disbursements
Incremental Support Round 1	\$300.00	\$114.34	(\$114.34)	\$0.00
Incremental Support Round 2	386.00	323.95	(323.95)	0.00
Mobility Fund Phase I	300.00	300.00	(145.62)	154.38
Mobility Fund Phase I – Tribal	50.00	50.00	(21.24)	28.76
Rural Broadband Experiment	100.00	37.80	(13.76)	24.04
CAF Phase II Transition	1,089.60	1,089.60	(711.39)	378.21
CAF Phase II Lump Sum	434.18	434.18	(434.18)	0.00
A-CAM	1,500.00	1,500.00	(21.04)	1,478.96
Total	\$4,159.78	\$3,849.87	(\$1,785.52)	\$2,064.35

CONNECT AMERICA FUND HIGH COST ACCOUNT

Activity by Quarter				
(in millions)				
	Beginning Balance	Additions	Disbursements	Ending Balance
Actuals				
Calendar Year 2012	\$524.32	\$467.70	(\$105.20)	\$886.82
Calendar Year 2013	886.82	680.56	(365.06)	1,202.32
Calendar Year 2014	1,202.32	780.90	(34.80)	1,948.42
Calendar Year 2015	1,948.42	657.02	(593.67)	2,011.77
Calendar Year 2016	2,011.77	489.54	(477.83)	2,023.48
1 st Q2017	2,023.48	85.47	(103.36)	2,005.59
2 nd Q2017	2,005.59	72.37	(105.60)	1,947.45
Projections				
Projected 3 rd Q2017	1,947.45	71.11	(88.24)	1,930.32
Projected 4 th Q2017	1,930.32	71.11	(96.02)	1,905.41
Net Activity		\$3,375.78	(\$1,969.78)	

LIFELINE PROGRAM

Cash	
(in millions)	
	Total
Cash	\$135.7
Reserved	<u>0.0</u>
Cash Available to Fund Current Month	\$135.7

USAC Board of Directors Meeting

iBOD01 Attachment B-3

Accounts Receivable as of May 31, 2017



Universal Service
Administrative Co.

ACCOUNTS RECEIVABLE (A/R) BALANCE

As of May 31, 2017

<i>in thousands</i>	Total Balance	0-90 days	91-180 days	181-365 days	1-2 years	2years +	% of Total A/R
Total Active A/R	\$685,290	\$666,840	\$11,717	\$761	\$3,392	\$2,581	65.76%
% of Total Active A/R	100.00%	97.31%	1.71%	0.11%	0.49%	0.38%	
Total Inactive A/R	\$356,837	\$10,933	\$35,645	\$9,664	\$18,011	\$282,584	34.24%
% of Total Inactive A/R	100.00%	3.06%	9.99%	2.71%	5.05%	79.19%	
Total A/R	\$1,042,127	\$677,773	\$47,362	\$10,425	\$21,403	\$285,165	100%

- \$685 million of Total A/R is being actively pursued by USAC, 97% of which is less than 91 days old.
- \$357 million is inactive, and USAC is not permitted to pursue collection.
- USAC's collection efforts include delinquency notices, placing the entities on Red Light to prevent program support, and charging interest and penalties on contributor balances.

ACTIVE A/R

As of May 31, 2017

<i>in thousands</i>	Total Balance	0-90 days	91-180 days	181-365 days	1-2 years	2years +	% of Active A/R
Contributions	\$667,854	\$661,288	\$1,907	\$504	\$2,459	\$1,697	97.46%
COMADS - SLD	6,102	4,953	33	50	873	194	0.89%
COMADS - RHC	570	0	0	0	0	570	0.08%
HC/LI/SL Recoveries	463	438	22	0	0	2	0.07%
Payment Plan	10,301	161	9,755	207	61	117	1.50%
Total Active A/R	\$685,290	\$666,840	\$11,717	\$761	\$3,392	\$2,581	100.00%

- 97% of total Active A/R is for routine contributor billings.
- Contributor debts are transferred to the U.S. Treasury pursuant to DCIA by 120 days delinquent.
- As of Dec 2015, we have reinstated the transfer of programmatic debts to Treasury.

INACTIVE A/R

As of May, 31 2017

<i>in thousands</i>	Total Balance	1-90 days	91-180 days	181-365 days	1-2 years	2years +	% of Inactive A/R
A/R on Appeal or Hold	\$210,742	\$10,932	\$35,577	\$7,010	\$6,636	\$150,587	59.06%
Pre-Petition Bankruptcy	30,731	1	67	0	82	30,580	8.61%
Transferred to Treasury	115,364	0	0	2,654	11,293	101,417	32.33%
Total Inactive A/R	\$356,837	\$10,933	\$35,645	\$9,664	\$18,011	\$282,584	100.00%

- 59% of inactive A/R is related to amounts on appeal.
- Inactive A/R is nearly fully reserved based on USAC's analysis of the collectability.

Board of Directors Meeting

iBOD01 Attachment B-4
Audit Recovery Status Report
As of June 30, 2017



Universal Service
Administrative Co.

REPORT SUMMARY

The attached data provides a summary of the audit recovery activities during the three-month period of April 1 through June 30. In addition to amounts recovered, the report displays amounts associated with pending appeals, guidance, collections in progress and finalized audits with recovery amounts outstanding greater than one year.

HIGHLIGHTS

- ❑ Balance of outstanding audit recoveries at 6/30/17 is \$173.8 million, related to 230 audits for which full recovery has not been achieved.
- ❑ Balances by program:
 - Schools and Libraries \$59.0 million (147 audits)
 - Low Income 6.4 million (18 audits)
 - High Cost 4.6 million (28 audits)
 - Rural Health Care 0.002 million (1 audit)
 - Contributors 103.8 million (36 audits)
- ❑ Estimated amounts pending guidance at the FCC total \$126.7 million. Contributor and Schools and Libraries audits comprise the vast majority of these items.
- ❑ Amounts under appeal at the FCC total \$25.6 million.
- ❑ Outstanding balances greater than one year old total \$163.5 million. Most of these balances relate to pending guidance items.

AUDIT STATUS RECOVERY REPORT

Description	High Cost		Low Income		Rural Health Care		Schools & Libraries		Contributors		TOTAL	
	# audits	Cost	# audits	Cost	# audits	Cost	# audits	Cost	# audits	Cost	# audits	Cost
A1. Beginning Balance - 4.1.17	13	3,088,197	26	6,441,583	1	1,860	160	66,560,157	32	99,149,077	232	\$ 175,240,874
A2. Adjustment - Prior Audits: Auditor Recommended Recovery Adjusted by USAC Management	0	55,480	1	336	1	378,697	1	136,272	1	839	4	\$ 571,624
B. New Audits during the period (4.1.17-6.30.17)	15	1,435,091	6	3,922	0	-	3	20,126	6	5,607,513	30	\$ 7,066,652
C. Total	28	4,578,768	33	6,445,841	2	380,557	164	66,716,554	39	104,757,430	266	\$ 182,879,150
D. Activity during the period												
1. New Recoveries during the period												
(A) Collections and offsets	0	\$ -	(15)	(6,363)	0	-	(15)	(836,161)	(3)	(982,699)	(33)	\$ (1,825,223)
2. Write-offs												
(A) DCIA Transfers to the FCC											0	\$ -
(B) Granted Appeals	0	-	0	-	(1)	(378,697)	(2)	(6,915,759)	0	-	(3)	\$ (7,294,456)
Total	0	-	(15)	(6,363)	(1)	(378,697)	(17)	(7,751,920)	(3)	(982,699)	(36)	\$ (9,119,679)
E. Ending Balance - 6.30.17	28	4,578,768	18	6,439,478	1	1,860	147	58,964,634	36	103,774,731	230	\$ 173,759,471
Balance by Recovery Status												
Appeal Review FCC		2,609,080		3,697,973		1,860		19,294,580		-		\$ 25,603,493
Appeal Review USAC		60,258		1,653,143		-		1,001,626		-		\$ 2,715,027
Pending FCC Guidance		-		1,084,440		-		28,553,407		97,039,881		\$ 126,677,728
Collections in Progress		1,909,430		3,922		-		10,115,021		6,734,851		\$ 18,763,224
Total		4,578,768		6,439,478		1,860		58,964,634		103,774,731		\$ 173,759,471
Finalized Audits with Amounts Outstanding Greater than One Year												
Total Amount		2,649,784		6,435,445		1,860		57,350,465		97,039,881		\$ 163,477,435
Number of Audits		7		11		1		136		27		182

Board of Directors

USAC Organizational Update

As of July 25, 2017

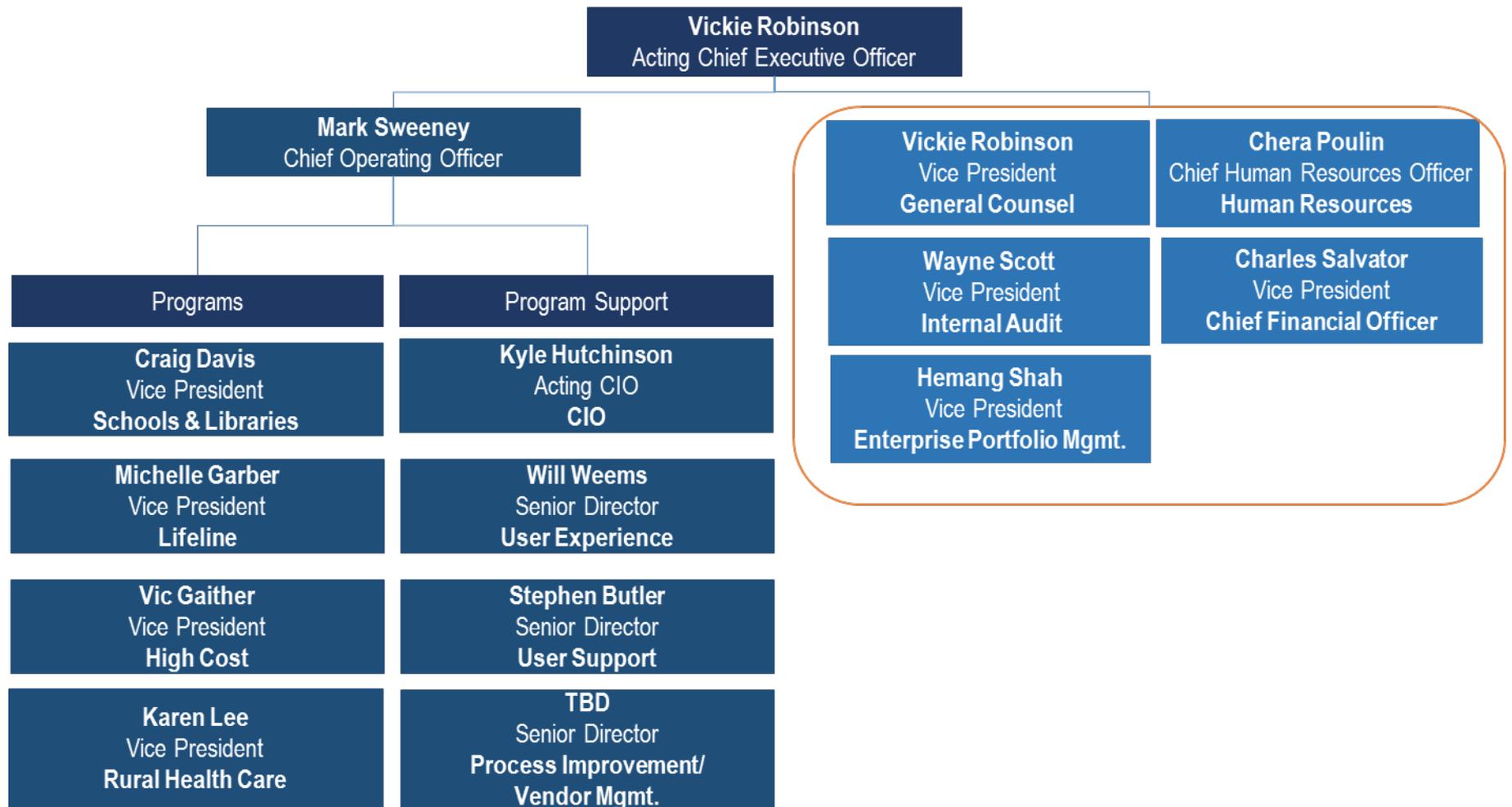


- Overall Organizational Updates (Vickie) – 5 minutes
- IT & User Experience/User Support Organizational Update (Mark) – 10 minutes
- Enterprise Priorities Update (Hemang) – 5 minutes

- Restructured the Stakeholder Engagement (SE) function and split into User Support and User Experience
- Optimizing Information Technology (IT) and re-organizing into three main functional areas: Infrastructure and Security, Application Development and Delivery, and IT PMO
- Transferring Payroll from HR to the Finance Organization
- Establishing Enterprise Portfolio Management (EPM)
- Human Capital is now Human Resources

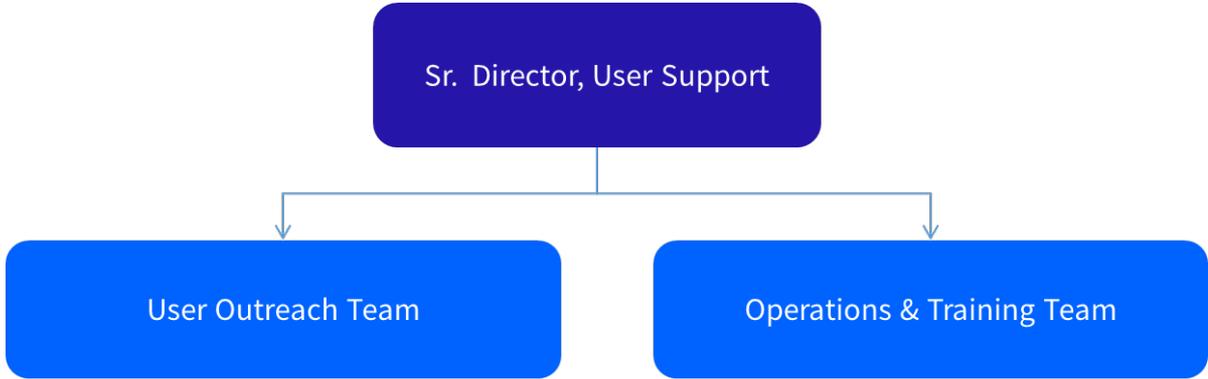
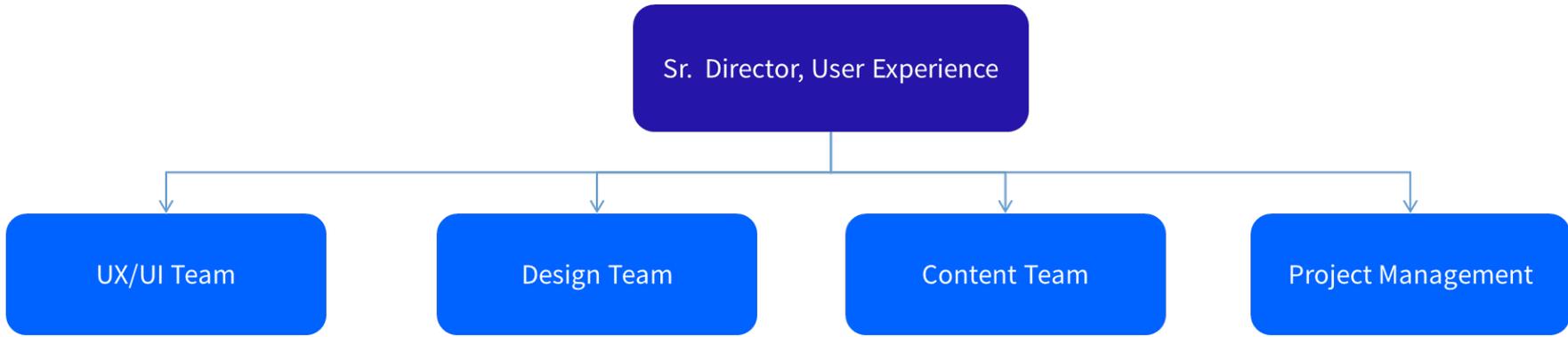
REVISED ORGANIZATIONAL STRUCTURE AS OF JULY 2017

Briefing book excludes all materials discussed in Executive Session



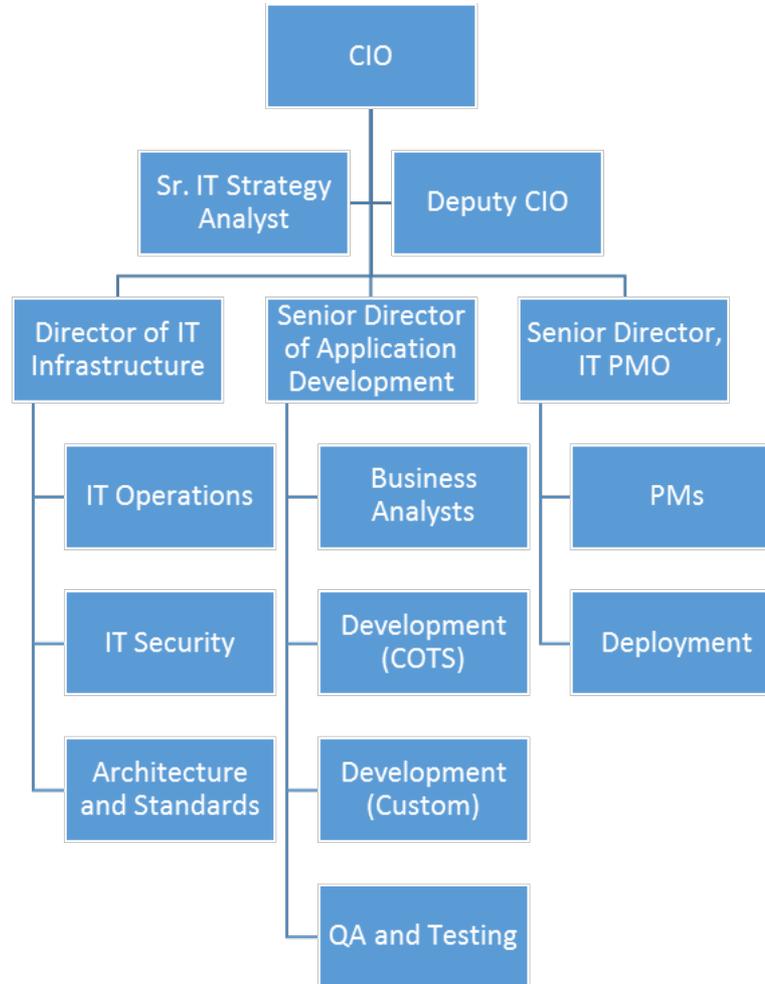
USER EXPERIENCE AND USER SUPPORT STRUCTURE

Briefing book excludes all materials discussed in Executive Session



PROPOSED FUTURE STATE IT STRUCTURE

Briefing book excludes all materials discussed in Executive Session



KEY SHIFTS IN ENTERPRISE PRIORITIES

Briefing Book excludes all materials discussed in Executive Session

- **New FCC Mandates:** New FCC mandates include the implementation of the Digital Accountability and Transparency Act (DATA Act) and the Cash to Treasury transition.

New FCC Mandate	Description
DATA Act	The purpose of the DATA Act is to “provide consistent, reliable, and searchable Government-wide spending data that is displayed accurately for taxpayers and policy makers.” The implementation of the DATA Act would potentially impact reporting of USAC administrative expenses and require adjustments to USAC’s financial operations.
Cash-to-Treasury	The FCC recently instructed USAC to transfer the funds of the USF to the Department of Treasury (Treasury), as part of the Commission’s desire to reduce risk and ensure stronger financial management of the USF.

- **Re-scoped and De-prioritized Enterprise Initiatives:**

Initiative	Shifts/Adjustments
CRM Implementation	USAC will delay the implementation of an in-house CRM system that would integrate stakeholder data and will instead rely on the CRM systems provided by the outsourced call center operations
Website Redesign	USAC will also slow implementation of the website redesign and will plan to rollout a new website in 2018 rather than in 2017.

- **Focused on Responding to Recent FCC Directives related to E-rate and Lifeline**

SUMMARY OF ENTERPRISE INITIATIVES

Briefing book excludes all materials discussed in Executive Session

Ref.	Enterprise Initiative	Initiative Lead	Lead Division
Implement FCC Mandates			
1.	Implement National Verifier (launch to a minimum of 5 states)	Michelle Garber	Lifeline
2.	Implement Mobility Fund Phase II	Vic Gaither	High Cost
3.	Launch HUBB	Vic Gaither	High Cost
4.	Improve the administration of the E-rate Program (e.g., complete EPC development and integration, cost control, Solix renewal)	Craig Davis	Schools & Libraries
5.	Review & finalize FY17 award decisions within FCC timeframes in alignment with enhanced program integrity procedures	Karen Lee	Rural Health Care
6.	Implement the Cash to Treasury transition	Charles Salvator	Finance
7.	Implement DATA Act	Charles Salvator	Finance
Improve the User Experience			
8.	Consolidate and enhance customer service operations (e.g., RHC and Schools)	Mark Sweeney/ Stephen Butler	Operations
9.	Improve the accessibility of USAC data to internal users, the FCC, and external stakeholders	Hemang Shah/ Daniel Zielaski	Enterprise Portfolio Management /Data Team
Mature Program Integrity and Financial Stewardship			
10.	Establish a robust vendor management and cost control process	Charles Salvator/ Doug Stenger	Finance/Procurement
11.	Implement data-driven improvements to audit processes	Wayne Scott	Internal Audit
Enhance Operational Efficiency and Effectiveness			
12.	Identify opportunities to create and implement operational synergies that reduce redundancies across programs	Mark Sweeney	Operations
13.	Implement critical enterprise project management standards	Hemang Shah	Enterprise Portfolio Management
14.	Mature the IT PMO function and systems development lifecycle process	Kyle Hutchinson	IT
15.	Implement an integrated talent management approach	Chera Poulin	Human Resources

USAC Board of Directors Meeting

iBOD04 072517 Attachment A
Contributors and Providers Business Update



A/Q 2017 TRUE UP

Finance :

USAC will issue net credits of \$126M for the 2017 A/Q True Up, but because filers have one year to file downward revision the amount of credits will increase. These credits will increase the contribution factor by 1.4% in 1Q18.

in millions

Year of Revenue	499-Q Revenue	499-A Revenue	Delta	True Up
2013	\$64,489	\$64,184	(\$305)	(\$40)
2014	\$63,422	\$62,700	(\$722)	(\$99)
2015	\$60,350	\$59,991	(\$359)	(\$53)
2016	\$58,330	\$57,486	(\$844)	(\$126)

A/Q 2017 TRUE UP

Finance :

USAC will issue net credits of \$107M to cellular companies for the 2017 A/Q True Up

in millions

Carrier Type	499-Q Revenue	499-A Revenue	Delta	True Up
Cellular	\$21,696	\$20,988	(\$708)	(\$107)
IXC	\$12,772	\$12,804	\$32	\$5
ILEC	\$10,014	\$9,879	(\$135)	(\$20)
CAP/CLEC	\$6,321	\$6,328	\$7	\$3
VoIP	\$3,662	\$3,642	(\$20)	(\$4)
Toll Reseller	\$1,722	\$1,689	(\$33)	(\$5)
Other	\$2,143	\$2,156	\$13	\$2
Total	\$58,330	\$57,486	(\$844)	(\$126)

2017 FCC Form 499-A Trends

From 2012 to 2016 (\$ billion)

	2012	2016	Change \$	Change %	↑↓
Total Telecom	\$196	\$146	(\$50.0)	-26%	↓
Non-Telecom	\$224	\$311	\$87.0	39%	↑
Interstate and International Revenues					
Contribution Base	\$69.6	\$59.9	(\$9.7)	-14%	↓
Interconnected VoIP	\$4.8	\$7.0	\$2.2	46%	↑
Private Line	\$10.0	\$12.1	\$2.1	21%	↑
Wireless	\$24.1	\$17.1	(\$7)	-29%	↓
LD	\$14.0	\$9.9	(\$4.1)	-29%	↓
Local	\$7.6	\$5.5	(\$2.1)	-28%	↓
USF Charges	\$9.1	\$8.3	(\$0.8)	-9%	↓

2017 FCC FORM 499A TRENDS

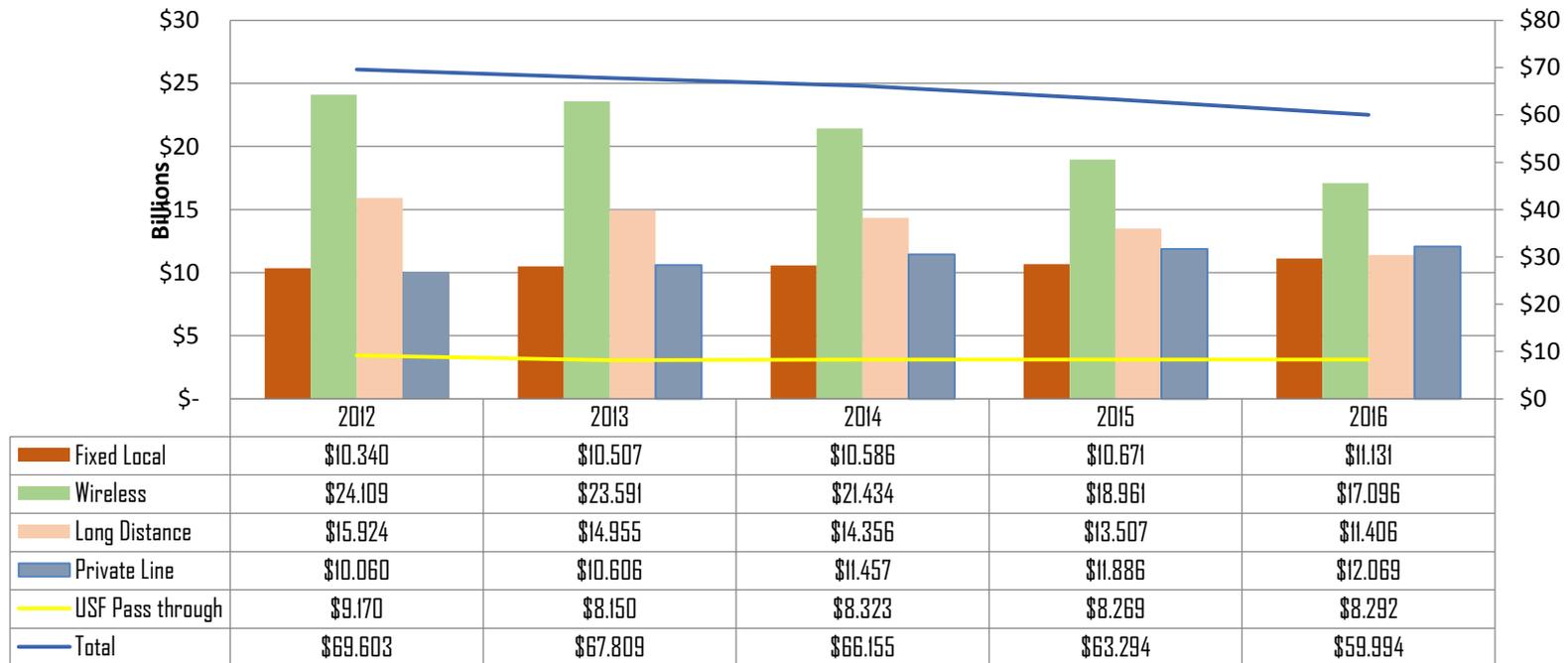
FCC Form 499-A Trending Slides

Contribution Base

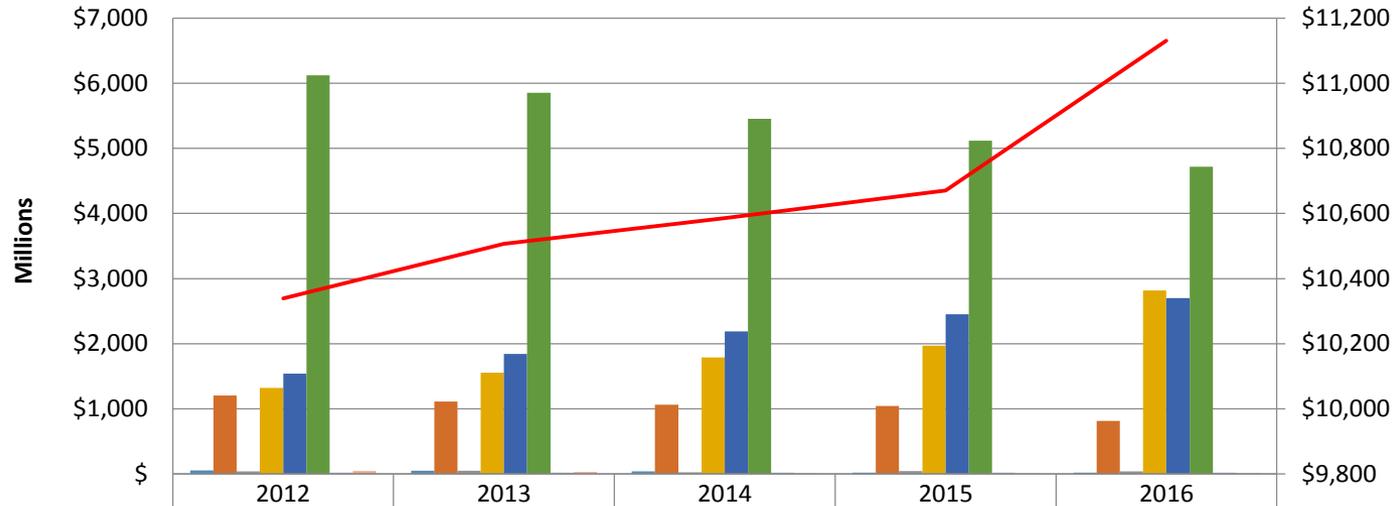
Briefing book excludes all materials discussed in Executive Session

Finance :

- Reflects interstate and international end user revenue, the basis of USF contributions.
- Overall, contribution base revenue has declined 14% since 2012.

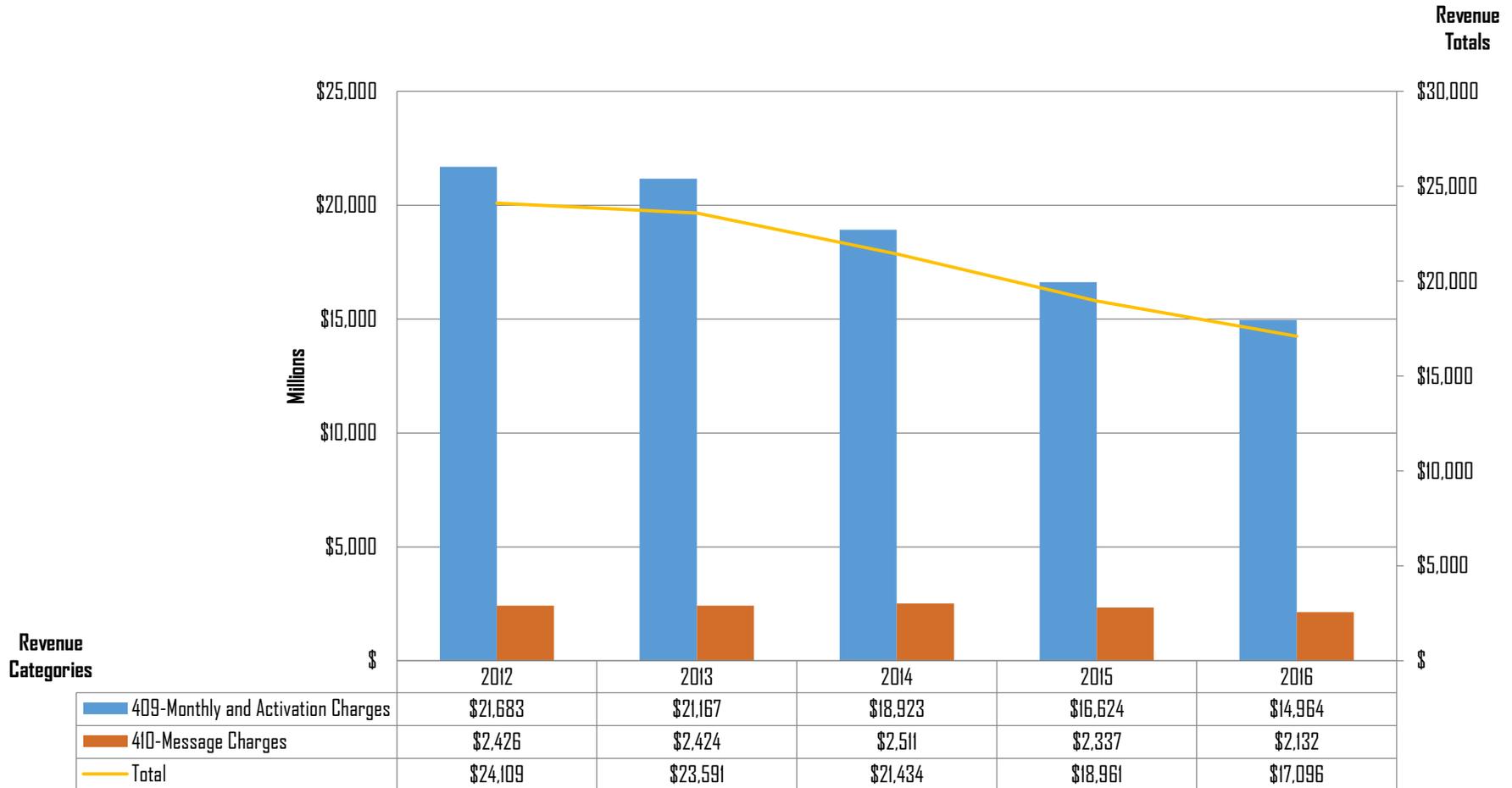


For revenue trend purposes only. Includes FCC Form 499-A interstate and international end user revenue both filed and estimated. Not adjusted for USF contribution calculations such as de minimis or LIRE or for the uncollectible revenue reduction.



	2012	2013	2014	2015	2016
404.1-Flat Rate Local/Interstate Plans (Local Portion)	\$51	\$48	\$37	\$19	\$18
404.2-Flat Rate Local/Interstate Plans (Toll Portion)	\$1,204	\$1,112	\$1,064	\$1,044	\$814
404.3-Local Only Plans	\$37	\$46	\$26	\$44	\$37
404.4-VoIP Local Service (Offered w/ Broadband)	\$1,320	\$1,556	\$1,788	\$1,970	\$2,819
404.5-VoIP Local Service (Offered w/out Broadband)	\$1,540	\$1,845	\$2,188	\$2,453	\$2,698
405-Tariffed SLC, ARC, PICC Charges	\$6,123	\$5,854	\$5,455	\$5,117	\$4,720
407-Payphone Coin	\$21	\$18	\$18	\$17	\$18
408-Other Local	\$44	\$29	\$10	\$7	\$7
Total	\$10,340	\$10,507	\$10,586	\$10,671	\$11,131

For revenue trend purposes only. Includes FCC Form 499-A interstate and international end user revenue both filed and estimated. Not adjusted for USF contribution calculations such as de minimis or LIRE or for the uncollectible revenue reduction.

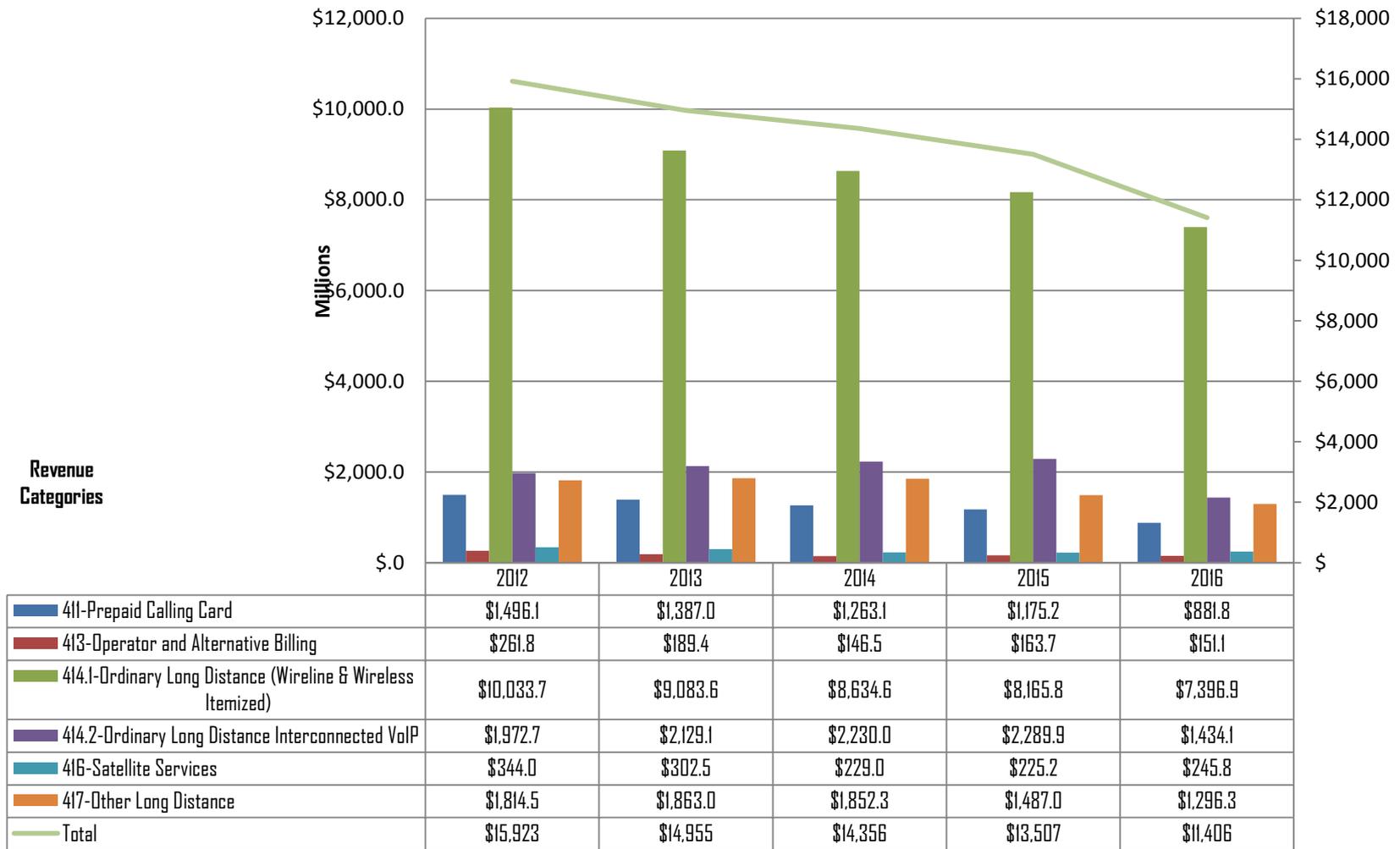


For revenue trend purposes only. Includes FCC Form 499-A interstate and international end user revenue both filed and estimated. Not adjusted for USF contribution calculations such as de minimis or LIRE or for the uncollectible revenue reduction.

LONG DISTANCE

Briefing book excludes all materials discussed in Executive Session

Revenue
Totals

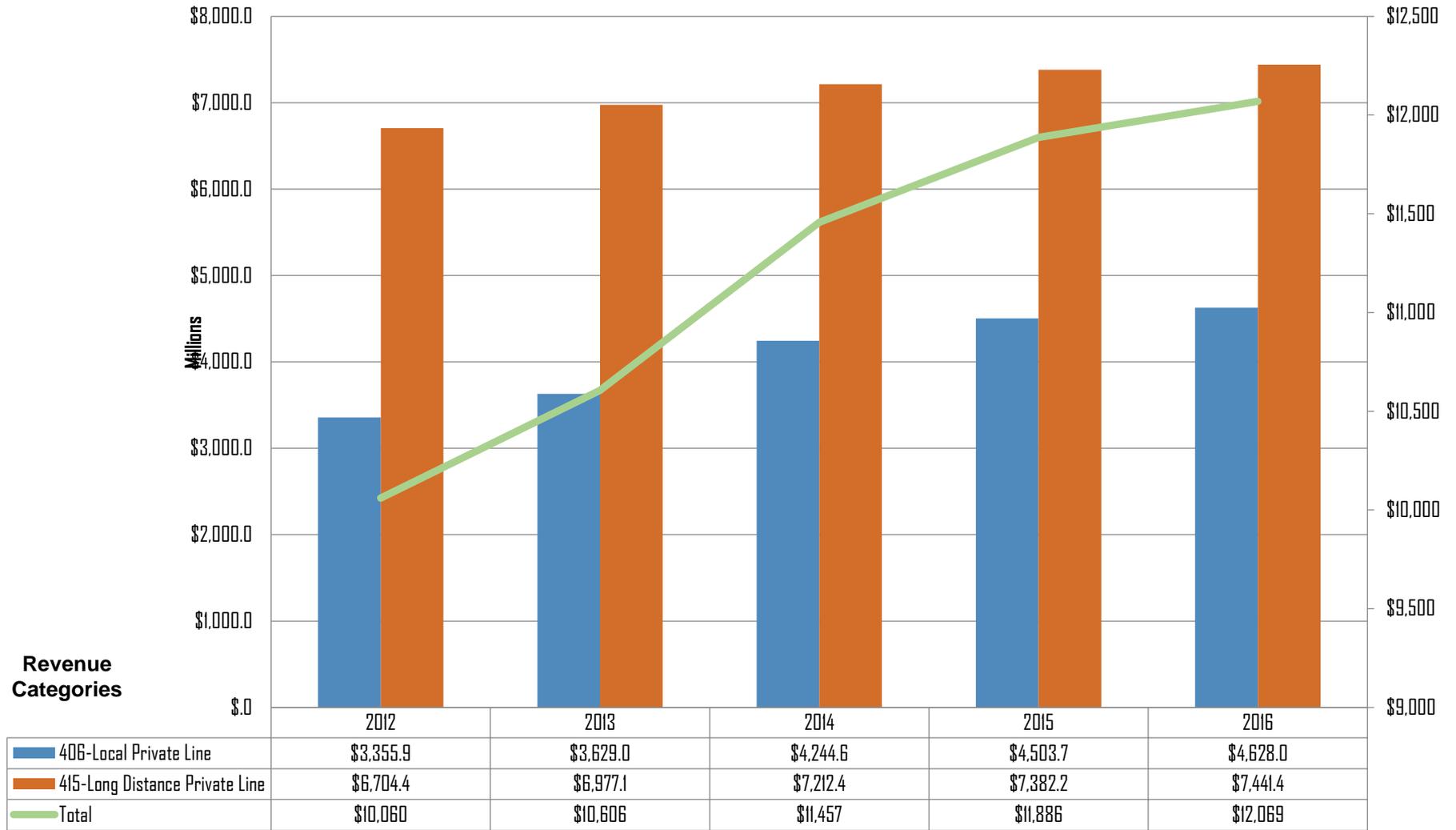


For revenue trend purposes only. Includes FCC Form 499-A interstate and international end user revenue both filed and estimated. Not adjusted for USF contribution calculations such as de minimis or LIRE or for the uncollectible revenue reduction.

PRIVATE LINE

Briefing book excludes all materials discussed in Executive Session

Revenue
Totals



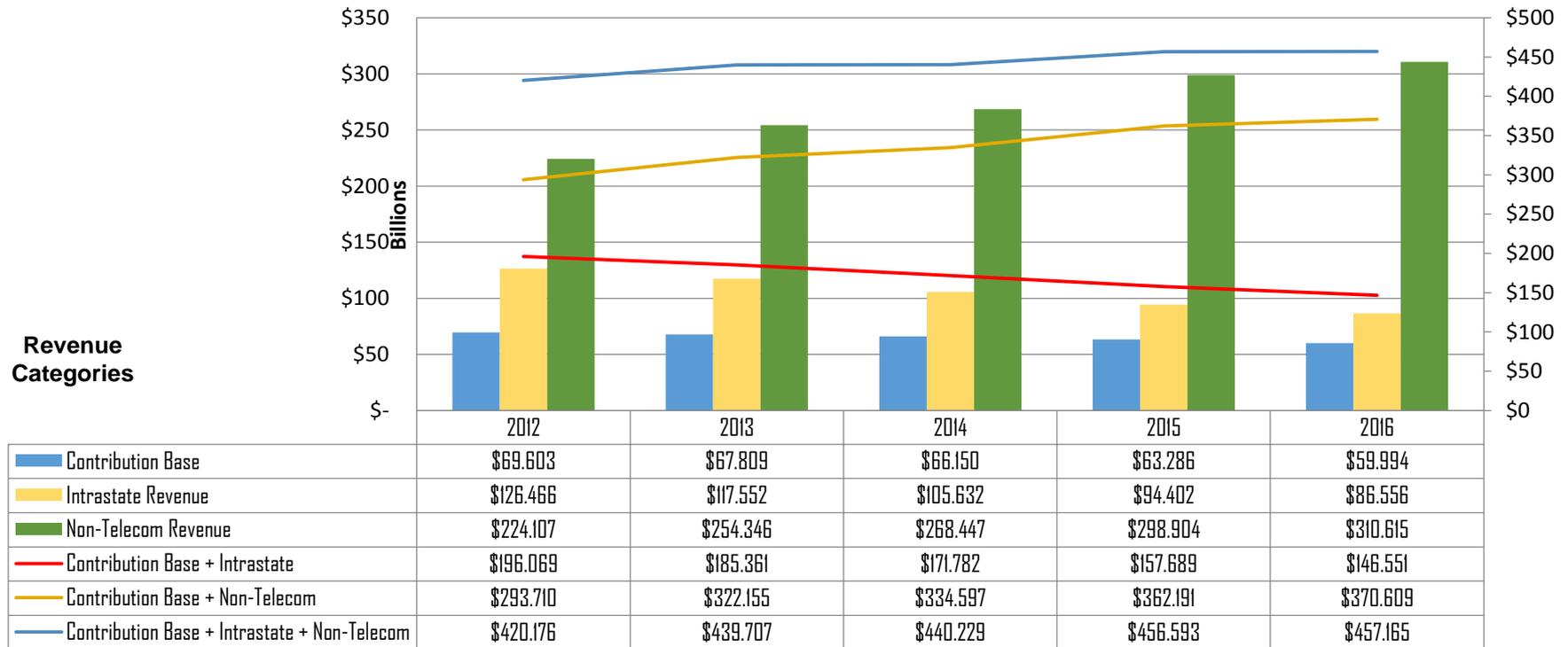
For revenue trend purposes only. Includes FCC Form 499-A interstate and international end user revenue both filed and estimated. Not adjusted for USF contribution calculations such as de minimis or LIRE or for the uncollectible revenue reduction.

TOTAL REVENUES

Briefing book excludes all materials discussed in Executive Session

Finance :

- Total Revenue includes both assessable (the interstate and international contribution base from the prior slide) and non-assessable (intrastate and non-telecom revenues).
- As the contribution base declines, non-telecom revenue has grown 39% in the past five years.



For revenue trend purposes only. Includes FCC Form 499-A interstate and international end user revenue both filed and estimated. Not adjusted for USF contribution calculations such as de minimis or LIRE or for the uncollectible revenue reduction.

NON-TELECOM REVENUE

Briefing book excludes all materials discussed in Executive Session

Finance :

- Non-Telecom revenue is reported only as a general sum total of products and services revenues on the Form 499, but we can study which types of Filers are reporting the most non-telecom revenue.
- Cellular Filers continue to report the majority of the non-telecom revenues reported in the FCC Form 499-As.

