



# High Cost and Low Income

## Briefing Book

Monday, January 28, 2019

2:00 p.m. - 5:00 p.m. Eastern Time

Universal Service Administrative Company Offices

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

Washington, D.C. 20005

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

<p><b>Monday, January 28, 2019</b>  <b>2:00 p.m. – 5:00 p.m. Eastern Time</b>  <b>USAC Offices</b>  <b>700 12th Street, N.W., Suite 900</b>  <b>Washington, D.C. 20005</b></p>
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<b><u>HIGH COST OPEN SESSION</u></b>		<i>Estimated Duration in Minutes</i>
Chair	<p><b>a1.</b> Consent Items (each available for discussion upon request):</p> <p style="padding-left: 20px;"><b>A.</b> Approval of High Cost &amp; Low Income Committee Meeting Minutes of October 29, 2018 and November 14, 2018</p> <p style="padding-left: 20px;"><b>B.</b> Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i></p>	5
Chair	<p><b>a2.</b> Recommendation for Election of Committee Chair and Vice Chair</p>	5
Vic	<p><b>a3.</b> Approval of High Cost Support Mechanism 2nd Quarter 2019 Programmatic Budget and Demand Projection for the January 31, 2019 Filing</p>	10
Kianna Braxton-Johnson	<p><b>i1.</b> Information on 10 USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Reports</p>	5
Vic/ Amanda, Sammy and Habib	<p><b>i2.</b> High Cost Support Mechanism Business Update</p> <ul style="list-style-type: none"> <li>• 2018 Accomplishments</li> <li>• 2019 Goals</li> <li>• Performance Measure Order Discussion</li> </ul>	35

<b><u>HIGH COST EXECUTIVE SESSION</u></b>		
<b>Confidential – Executive Session Recommended</b>		
Vic	<p><b>a4.</b> Approval of High Cost Support Mechanism 2019 Annual Programmatic Budget</p>	15

<b><u>LOW INCOME OPEN SESSION</u></b>		<i>Estimated Duration in Minutes</i>
Michelle	<b>a5.</b> Approval of Low Income Support Mechanism 2nd Quarter 2019 Programmatic Budget and Demand Projection for the January 31, 2019 Filing	10
Jeanette Santana-Gonzalez	<b>i3.</b> Information on 20 USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports	5
Michelle / James	<b>i4.</b> Low Income Support Mechanism (Lifeline) Business Update <ul style="list-style-type: none"> <li>• 2018 Accomplishments</li> <li>• 2019 Goals</li> <li>• NV – Readiness to Roll out Remaining States</li> </ul>	35

<b><u>LOW INCOME EXECUTIVE SESSION</u></b>		
<b>Confidential – Executive Session Recommended</b>		
Michelle	<b>a6.</b> Approval of Low Income Support Mechanism 2019 Annual Programmatic Budget	15
Jeanette Santana-Gonzalez	<b>i5</b> Information on One USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Report	5
Chair	<b>i6.</b> <i>Executive Session</i> Discussion with the Committee/Board	10

**Next Scheduled USAC High Cost & Low Income Committee Meeting**

<p><b>Monday, April 29, 2019</b>  <b>2:00 a.m. – 4:30 p.m. Eastern Time</b>  <b>USAC Offices, Washington, D.C.</b></p>
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**Universal Service Administrative Company  
High Cost & Low Income Committee Meeting**

**ACTION ITEM**

**Consent Items**

**Action Requested**

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

**Discussion**

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

- A. Committee meeting minutes of October 29, 2018 and November 14, 2018 (*see Attachment A-1 and A-2*).
- B. Approval of moving all *Executive Session* items into *Executive Session*:
  - (1) **a4** – Approval of High Cost Support Mechanism 2019 Annual Programmatic Budget. USAC management recommends this item be discussed in *Executive Session* because this matter relates to USAC’s *procurement strategy and contract administration*.
  - (2) **a6** – Approval of Low Income Support Mechanism 2019 Annual Programmatic Budget. USAC management recommends this item be discussed in *Executive Session* because this matter relates to USAC’s *procurement strategy and contract administration*.
  - (3) **i5.** – Information on One USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Report. USAC management recommends that this matter be discussed in *Executive Session* because the report relate to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures.
  - (4) **i6** – Executive Session Discussion with the Committee/Board. USAC management recommends this item be discussed in *Executive Session* because the matter relates to the Committee’s oversight responsibilities and may involve discussion of *internal rules and procedures* concerning the administration of the universal service support mechanisms, where discussion of the matter in open session would result in *disclosure of confidential techniques and procedures* that would compromise program integrity.

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

**Recommended USAC High Cost & Low Income Committee Action**

APPROVAL OF THE FOLLOWING RESOLUTION:

**RESOLVED**, that the USAC High Cost & Low Income Committee hereby approves: (1) the Committee meeting minutes of October 29, 2018 and November 14, 2018; and (2) discussion in *Executive Session* of the items noted above.

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**  
**700 12<sup>th</sup> Street NW, Suite 900**  
**Washington, D.C. 20005**

**HIGH COST & LOW INCOME COMMITTEE MEETING**  
**Monday, October 29, 2018**

**(DRAFT) MINUTES<sup>1</sup>**

The quarterly meeting of the High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) was held at USAC's offices in Washington, D.C. on Monday, October 29, 2018. Mr. Gillan, Committee Chair, called the meeting to order at 1:10 p.m. Eastern Time, with all 11 Committee members present:

Feiss, Geoff	Lubin, Joel
Freeman, Sarah	Mason, Ken
Gerst, Matthew	Sekar, Radha – Chief Executive Officer
Gillan, Joe – Chair	Tinic, Atilla
Jacobs, Ellis	Wein, Olivia – Vice Chair
Kinsler, Cynthia – <i>by telephone</i>	

Other Board members and officers of the corporation present:

Beckford, Ernesto – Vice President, General Counsel, and Assistant Secretary  
Beyerhelm, Chris – Vice President of Enterprise Portfolio Management  
Bocher, Bob – Member of the Board  
Buzacott, Alan – Member of the Board  
Davis, Craig – Vice President of Procurement and Sourcing Strategy  
Delmar, Teleshia – Vice President of Audit and Assurance  
Gaither, Victor – Vice President of High Cost  
Garber, Michelle – Vice President of Lifeline  
Hernandez, Dr. Mike – Member of the Board  
Holstein, Bob – Vice President and Chief Information Officer  
Salvator, Charles – Vice President of Finance, Chief Financial Officer and  
Assistant Treasurer  
Sweeney, Mark – Vice President of Rural Health Care  
Wibberly, Dr. Kathy – Member of the Board

Others present:

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

<u>NAME</u>	<u>COMPANY</u>
Abera, Nikki	USAC
Augustino, Steve	Kelley Drye & Warren, LLP
Ayer, Catriona	USAC
Batista, Everton	USAC
Bilodeau, Amanda	USAC
Brady, Tiffany	USAC
Braxton-Jackson, Kianna	USAC
Carpenter, Nikki-Blair	USAC
Eltgroth, Deborah	FCC
Fischer, Dennis	USAC
Gelman, Sheryl	USAC
Griffin, Jodie	FCC
Gustafson, Jaymie	USAC
Hughet, Pam	USAC
Kahn, Sammy	USAC
Mitchell, Tamika	USAC
Nuzzo, Patsy	USAC
Pryor, Sonovia	USAC
Santana-Gonzales, Jeanette	USAC
Simab, Habib	USAC
Smith, Chris	USAC
Subramaniam, Nathan	USAC
Tessler, Joelle	USAC
Tiwari, Tanya	USAC
Weith, Tim	USAC

### OPEN SESSION

- a1. Consent Items.** Mr. Gillan introduced this item to the Committee and requested that, if there were no discussion needed on items i1 and i4, that the audit items be moved to the Consent Items. The Committee agreed with Mr. Gillian's suggestion and no further discussion was held on these items.
- A. Approval of Committee Meeting Minutes of July 23, 2018.
  - B. Approval of Moving all *Executive Session* Items to *Executive Session*:
    - (1) **a3** – Consideration of a One Year Contract Option for High Cost Model Operations and Maintenance. USAC management recommended this item be discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

- (2) **i3** – Information on Estimated 2019 Annual High Cost Support Mechanism Budget. USAC management recommended this item be discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.
- (3) **i7** – Information on Estimated 2019 Annual Low Income Support Mechanism Budget. USAC management recommended this item be discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.
- (4) **i8** – Executive Session with the Committee/Board. USAC management recommended this item be discussed in *Executive Session* because the matter relates to the Committee's oversight responsibilities and may involve discussion of *internal rules and procedures* concerning the administration of the universal service support mechanisms, where discussion of the matter in open session would result in *disclosure of confidential techniques and procedures* that would compromise program integrity.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee hereby approves: (1) the Committee meeting minutes of July 23, 2018; and (2) discussion in *Executive Session* of the items noted above.

- a2. Approval of High Cost Support Mechanism 1st Quarter 2019 Programmatic Budget and Demand Projection for the November 2, 2018 Filing.** Mr. Gaither presented this item for consideration.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee approves a 1st Quarter 2019 High Cost Support Mechanism direct program budget of \$5.59 million; and

**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$5.59 million for High Cost Support Mechanism administrative costs in the required November 2, 2018 filing to the FCC on behalf of the Committee; and

**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on October 29, 2018 a summary of the 1st Quarter 2019 High Cost Support Mechanism demand estimate, hereby directs USAC staff to proceed with the required November 2, 2018 filing to the FCC on behalf of the Committee. USAC staff may make

adjustments if the total variance for the High Cost Support Mechanism is equal to or less than \$10 million, or may seek approval from the Committee Chair to make adjustments if the total variance is greater than \$10 million, but not more than \$15 million..

**i2. High Cost Support Mechanism Business Update.** Mr. Gaither presented this item for discussion and addressed the following:

1. High Cost Program at a Glance
2. Accomplishments
3. High Cost 18-Month Plan
4. Current Topics:
  - a. Implement New Orders in 2019
  - b. High Cost Short and Long Term System Planning
5. Operational Performance Metrics Overview as of September 2018
6. Upcoming Key Milestones

**a4. Approval of Low Income Support Mechanism 1st Quarter 2019 Programmatic Budget and Demand Projection for the November 2, 2018 Filing.** Ms. Garber presented this item for consideration.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee approves a 1st Quarter 2019 Low Income Support Mechanism direct program budget of \$11.10 million; and

**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$11.10 million for Low Income Support Mechanism administrative costs in the required November 2, 2018 filing to the FCC on behalf of the Committee; and

**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on October 29, 2018 a summary of the 1st Quarter 2019 Low Income Support Mechanism demand estimate, hereby directs USAC staff to proceed with the required November 2, 2018 filing to the FCC on behalf of the Committee. USAC staff may make adjustments if the total variance for the Low Income Support Mechanism is equal to or less than \$10 million, or may seek approval from the High Cost & Low Income Committee Chair to make adjustments if the total variance is greater than \$10 million, but not more than \$15 million.

**i5. Low Income Support Mechanism (Lifeline) Business Update.** Ms. Garber presented the following topics to the Committee for discussion:

1. July Board Recap
2. Lifeline Program at a Glance
3. Accomplishments
4. Current Topics
  - a. National Verifier
  - b. Enhanced Tribal Benefit
  - c. Improved Operational Effectiveness
  - d. Lifeline 18-Month Plan
  - e. Operational Performance Metrics Overview
  - f. Upcoming Key Milestones
  - g. Lifeline Program Integrity Activities

**i6. Lifeline Program Integrity Update.** This report was provided for information purposes; no discussion was held.

At 2:48 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of considering and discussing the confidential items noted above.

## **EXECUTIVE SESSION**

### **Action Items**

**a3. Consideration of a One Year Contract Option for High Cost Model Operations and Maintenance.** Mr. Davis presented this item for consideration.

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

**RESOLVED**, that the USAC Board of Director's High Cost and Low Income Committee, having reviewed the recommendation of USAC management, authorizes USAC management to exercise the sixth on-year option period and increase the not-to-exceed value of the CostQuest contract by \$200,000 for a total not-to-exceed contract value of \$6,450,000 (plus applicable taxes), subject to required FCC approvals.

**i3. Information on the Preliminary 2019 Annual High Cost Support Mechanism Budget.** Mr. Gaither presented this item for discussion.

**i7. Information on the Preliminary 2019 Annual Low Income Support Mechanism Budget.** Ms. Garber presented this item for discussion.

At 3:37 p.m. Eastern Time, the meeting continued in *Executive Session* with members of the Board, General Counsel, and Ms. Garber present.

**i8. *Executive Session Discussion with the Committee/Board.***

At 4:10 p.m. Eastern Time, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Gillan reported that, in *Executive Session*, the Committee discussed and took action on item a3 and discussed items i3, i7, and i8 above.

On a motion duly made and seconded, the Committee adjourned at 4:10 p.m. Eastern Time.

/s/ Ernesto Beckford  
Assistant Secretary

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

**HIGH COST & LOW INCOME COMMITTEE MEETING**  
**Wednesday, November 14, 2018**

**(DRAFT) MINUTES<sup>1</sup>**

A meeting of the High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) was held at USAC's offices in Washington, D.C. on Wednesday, November 14, 2018. Mr. Joe Gillan, Committee Chair, called the meeting to order at 3:01 p.m. Eastern Time, with a quorum of eight of the 11 Committee members present:

Feiss, Geoff – <i>by telephone</i>	Lubin, Joel – <i>by telephone</i>
Gerst, Matthew – <i>by telephone</i>	Mason, Ken – <i>by telephone</i>
Gillan, Joe – Chair – <i>by telephone</i>	Sekar, Radha – Chief Executive Officer
Kinser, Cynthia – <i>by telephone</i>	Wein, Olivia – Vice Chair – <i>by telephone</i>

Members of the Board not present:

Freeman, Sarah  
Jacobs, Ellis  
Tinic, Atilla

Other Board members and officers of the corporation present:

Beckford, Ernesto – Vice President, General Counsel and Assistant Secretary  
Davis, Craig – Vice President Procurement and Strategic Sourcing  
Garber, Michelle – Vice President of Lifeline  
Salvator, Charles – Vice President of Finance, Chief Financial Officer and  
Assistant Treasurer

Others present:

<u>NAME</u>	<u>COMPANY</u>
Nuzzo, Patsy	USAC
Szubrowski, Leigh	USAC
Tiwari, Tanya	USAC
Tomlin, Nicole	USAC

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

## **OPEN SESSION**

- a1. Consideration of Contract Award for Centers for Medicare and Medicaid Services.** USAC management recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee determines that discussion of these items shall be conducted in *Executive Session*.

At 3:03 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential and proprietary items noted above.

## **EXECUTIVE SESSION**

- a1. Consideration of Contract Award for Centers for Medicare and Medicaid Services.** Mr. Davis and Ms. Garber presented this item to the Committee for consideration.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee, having reviewed the recommendation of USAC management, hereby authorizes USAC management, subject to FCC approval, to award a sole source contract for development and implementation of an automated computer matching interface with CMS for an estimated price of \$875,000, with a contingency reserve of \$87,500, to CMS, for a total not to exceed amount of \$962,500 (plus applicable taxes).

At 3:17 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Gillan reported that in *Executive Session*, the Committee took action on item a1. On a motion duly made and seconded, the Committee adjourned at 3:18 p.m. Eastern Time.

/s/ Ernesto Beckford  
Assistant Secretary

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

**ACTION ITEM**

**Recommendation for Election of  
Committee Chair and Vice Chair**

**Action Requested**

The USAC High Cost & Low Income (Committee) is taking action to bring its Chair and Vice Chair nominations for consideration by the full Board of Directors (Board) at the Board meeting to be held on January 29, 2019.

**Discussion**

The pertinent resolution related to the election of committee chair and vice chair positions was adopted by the Board on January 25, 2000 and reads as follows:

**RESOLVED**, That the USAC Board of Directors accepts the recommendations of the USAC Nominating Committee that: (1) in addition to the annual election of officers, all Committee chairs and vice chairs shall also be elected annually; (2) the first election for Committee chairs and vice chairs shall occur at the election of officers at the January 2001 Board of Directors meeting; (3) there shall be no term limits imposed on officer and Committee chair and vice-chair positions; and (4) there shall be no automatic succession of positions....<sup>1</sup>

On January 30, 2018, the Board elected Joe Gillan as Chair and Olivia Wein as Vice Chair of the High Cost & Low Income Committee.

At their January 28, 2019 quarterly meetings, each committee of the Board (including the Audit Committee and the programmatic committees) will nominate Board members to serve as chair and vice chair of their respective committees. Those recommendations will be submitted to the Board at the Board meeting to be held on January 29, 2019.

**Recommended USAC High Cost & Low Income Committee Action**

APPROVAL OF THE FOLLOWING RESOLUTION:

**RESOLVED**, that the USAC High Cost & Low Income Committee recommends that the USAC Board of Directors elect \_\_\_\_\_

<sup>1</sup> USAC Board of Directors Meeting Minutes, at 4 (Jan. 25, 2000), available at <http://usac.org/about/about/leadership/board-minutes/bod.aspx>.

as Chair and \_\_\_\_\_ as Vice Chair of the Committee. The term for each position begins immediately upon the election to such position by the Board and ends at such time as the Chair or Vice Chair (as the case may be): (i) is replaced by a successor selected by the Board, (ii) resigns from the Committee or the Board, (iii) is removed by resolution of the Board, or (iv) is no longer a member of the Board (whichever comes first).

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

**ACTION ITEM**

**Approval of High Cost Support Mechanism  
2nd Quarter 2019 Programmatic Budget and  
Demand Projection for the January 31, 2019 FCC Filing**

**Action Requested:**

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 2nd Quarter 2019 (2Q2019) programmatic budget and demand projection for the High Cost Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's January 31, 2019 quarterly filing.

**Discussion:**

On a quarterly basis, USAC is required to submit to the FCC each program's budget<sup>1</sup> and projected demand for the upcoming quarter.<sup>2</sup>

**Funding Requirement:**

Based on data filed by supported carriers, USAC estimates the 2Q2019 funding requirement for the High Cost Support Mechanism as follows:

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<sup>1</sup> 47 C.F.R. § 54.715(c).

<sup>2</sup> 47 C.F.R. § 54.709(a)(3).

Table A. Program Funding Requirement

<i>(in millions)</i>	<b>1Q2019</b>	<b>Increase/ (Decrease)</b>	<b>2Q2019</b>
Steady State:			
High Cost Loop Support <sup>3</sup>	\$122.70	\$0.28	\$122.98
Connect America Fund Broadband Loop Support <sup>4</sup>	183.23	0.00	183.23
Frozen Price Cap Carrier Support <sup>5</sup>	36.74	0.00	36.74
Connect America Fund Phase II <sup>6</sup>	379.42	0.00	379.42
CAF Phase II Auction	37.21	0.00	37.21
Frozen Competitive ETC Support <sup>7</sup>	119.81	(0.92)	118.89
Connect America Fund Inter-carrier Compensation <sup>8</sup>	102.37	0.00	102.37
Alaska Plan Support <sup>9</sup>	32.08	0.00	32.08
Alternative Connect America Cost Model (A-CAM) <sup>10</sup>	91.14	0.01	91.15
Additional Requirements:			
Additional Collections to Collect \$1.125 billion <sup>11</sup>	20.30	0.63	20.93
<b>Total Program Demand</b> (see Note 1)	<b>\$1,125.00</b>	<b>\$0.00</b>	<b>\$1,125.00</b>
Prior Period Adjustment (see Note 2)	10.49	(40.42)	(\$29.93)
USAC Administrative Expenses (see Table C)	13.80	0.35	14.15
Interest Income	(1.46)	0.64	(0.82)
<b>Total Funding Requirement</b>	<b>\$1,147.83</b>	<b>(\$39.43)</b>	<b>\$1,108.40</b>

**Note 1:** Program demand will be the same for 2Q2019. On December 13, 2018, the FCC released an Order directing USAC “to discontinue uniform collections for

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

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

<sup>5</sup> See *Connect America Fund et al.*, WC Docket Nos. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, 17715, 17725-26, paras. 133, 159 (2011) (*USF/ICC Transformation Order*).

<sup>6</sup> See *Connect America Fund et al.*, WC-Docket Nos. 10-90 et al., Report and Order, 29 FCC Rcd 15644 (2014).

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

<sup>8</sup> *Id.* at 17956, para. 847.

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

<sup>10</sup> See *Wireline Competition Bureau Authorizes 182 Rate-of-Return Companies To Receive \$454 Million Annually in Alternative Connect America Cost Model Support To Expand Rural Broadband*, WC-Docket No. 10-90, Public Notice, 32 FCC Rcd 842 (WCB 2017) (*A-CAM Authorization PN*); *2016 Rate-of-Return*

the high-cost program and going forward to collect contributions based on projected demand.”<sup>12</sup> However, this Order has not been published in the Federal Register and, therefore, is not yet effective.<sup>13</sup> As such, USAC will continue to project demand at no less than \$1.125 billion until the first demand filing after the effective date of this Order.

**Note 2:** Prior period adjustments reconcile projections to actual results and include adjustments for billings, interest income, and bad debt.

2Q2019 demand for the following support components will be paid from funds available in the High Cost Account:

Table B. Reserve Funding

<i>(in millions)</i>	<b>Reserve Funding</b>
Rural Broadband Experiments <sup>14</sup>	\$0.83
A-CAM <sup>15</sup>	53.25
Mobility Fund Phase I <sup>16</sup>	19.50
<b>Total Reserve Funding</b>	<b>\$73.58</b>

The 2019 annual High Cost Support Mechanism programmatic budget totals \$56.25 million. See aHCLI04cf 012819 for details regarding the 2019 annual High Cost Support Mechanism programmatic budget.

The 2Q2019 portion of the 2019 annual High Cost Support Mechanism programmatic budget is \$14.15 million and is included in the projected 2Q2019 funding requirement above.

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*Reform Order*, 31 FCC Rcd at 3094-117, paras. 17-79; *See Connect America Fund et al.*, WC Docket Nos. 10-90 et al., Report and Order, Third Order on Reconsideration, and Notice of Proposed Rulemaking, FCC 18-29, para. 68 (rel. Mar. 23, 2018) 83 Fed. Reg. 18951 (May 1, 2018) (*2018 Rate of Return Reform Order*).

<sup>11</sup> *Id.* at para. 70.

<sup>12</sup> *See Connect America Fund et al.*, WC Docket Nos. 10-90 et al., Report and Order, Further Notice of Proposed Rulemaking, and Order on Reconsideration, FCC 18-176, para. 181 (2018).

<sup>13</sup> *Id.* at para. 227.

<sup>14</sup> *See Wireline Competition Bureau Announces Entities Provisionally Selected for Rural Broadband Experiments; Sets Deadlines for Submission of Additional Information*, WC Docket No. 10-90, Public Notice, 29 FCC Rcd 14684 (WCB 2014); *Wireline Competition Bureau Announces Additional Provisionally Selected Bidders for Rural Broadband Experiments and Sets Deadlines for Submission of Additional Information*, WC Docket Nos. 10-90 et al., Public Notice, 30 FCC Rcd 2045 (WCB 2015).

<sup>15</sup> *See A-CAM Authorization PN; see also Connect America Fund*, WC Docket No. 10-90, Report and Order and Further Notice of Proposed Rulemaking, 31 FCC Rcd 13775 (2016) (*A-CAM Revised Offer Order*).

<sup>16</sup> *See Mobility Fund Phase I Support Authorized for 11 Winning Bids Default on 35 Winning Bids Determined*, Public Notice, 31 FCC Rcd 1721 (WTB 2016); *Tribal Mobility Fund Phase I Support Authorized for Final Fifty-One Winning Bids*, Public Notice, 30 FCC Rcd 2226 (WTB 2015).

Table C. 2Q2019 Quarterly Programmatic Budget

<i>(in millions)</i>	<b>2Q2019 Direct Program Budget</b>	<b>2Q2019 Allocated Common Budget</b> (see Note 3)	<b>2Q2019 Total Budget</b>
<b>High Cost Budget</b>	\$5.76	\$8.39	\$14.15

**Note 3:** The common budget is allocated to the programs based on the Cost Allocation Methodology on file with the FCC, which allocates costs based 50% on direct program costs in the prior year and 50% on program demand in the prior year.

A comparison of actual expenditures to the budget for the twelve months ending December 31, 2018 is provided in **Attachment A**.

**Recommendation:**

USAC management recommends the Committee approve the 2Q2019 budget and projection of demand as proposed.

**Recommended High Cost & Low Income Committee Actions:**

APPROVAL OF THE FOLLOWING RESOLUTIONS:

**RESOLVED**, that the USAC High Cost & Low Income Committee approves a 2nd Quarter 2019 High Cost Support Mechanism direct program budget of \$5.76 million; and

**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$5.76 million for High Cost Support Mechanism administrative costs in the required January 31, 2019 filing to the FCC on behalf of the Committee; and

**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on January 28, 2019, a summary of the 2nd Quarter 2019 High Cost Support Mechanism demand estimate, hereby directs USAC staff to proceed with the required January 31, 2019 filing to the FCC on behalf of the Committee. USAC staff may make adjustments if the total variance for the High Cost Support Mechanism is equal to or less than \$10 million, or may seek approval from the Committee Chair to make adjustments if the total variance is greater than \$10 million, but not more than \$15 million.

**High Cost Administrative Costs**  
 Comparison of Actual Expenditures to the Budget for the  
 Twelve Months Ending December 31, 2018

<i>(in millions)</i>	<b>2018 YTD FTE Actual (Average)</b>	<b>2018 YTD FTE Budget (Average)</b>	<b>FTE Variance</b>	<b>YTD Actual</b>	<b>YTD Budget</b>	<b>Variance</b>
<b>Direct Program Costs</b>						
Employee Expenses	37	40	3	\$5.75	\$6.25	\$0.50
Professional Services				4.41	5.26	0.85
General & Administrative				0.45	0.57	0.12
<b>Total Direct Program Costs (see Note 4)</b>				<b>\$10.61</b>	<b>\$12.08</b>	<b>\$1.47</b>
<b>Common Allocated Costs (see Note 5)</b>				<b>\$29.87</b>	<b>\$35.17</b>	<b>\$5.30</b>
<b>Total Program Budget</b>				<b>\$40.48</b>	<b>\$47.25</b>	<b>\$6.77</b>

**Note 4:** Actual direct program costs were lower than the budget due to vacant positions (average of 37 actual FTEs vs. 40 budgeted), and lower spending on contract labor, Beneficiary and Contributor Audit Program (BCAP) audits, Mobility Fund verifications, and IT security testing.

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

# High Cost Business Update

High Cost & Low Income Committee Meeting

January 28, 2019



Universal Service  
Administrative Co.

# Agenda: High Cost

Topic	Description	Purpose	Presenter	Length
2018 Accomplishments	Significant program quantitative & qualitative accomplishments	Informational	Vic	5 min
2018 Operational Performance Synopsis	Update on key operational status and measures	Informational	Vic	2 min
2019 Goals & Objectives	Overview of High Cost focus in 2019	Informational	Vic	2 min
2019 Look Ahead	Review of major goals & objectives of High Cost	Informational	Vic	5 min
Discussion Topic	Performance Measures Order	Informational	Amanda/ Sammy/ Habib	20 min

- **Performance Measures Order Discussion Topics:**

- CAF II Verification Closure Update
- Performance Measures Order Update
- Major Risk and Mitigation Strategy

High Cost Program at a Glance	Overview of High Cost activities for the next 12 months	Informational	Vic	2 min
Appendix - A	Glossary of Acronyms	Informational	-	-min
Appendix - B	2019 High Cost Goals & Objectives	Informational	-	- min
Appendix - C	2018 FCC Docket Summary			

## People

- Facilitated carrier navigation of key filings (HUBB, Form 481, etc.) with key outreach artifacts and call center support.
- Conducted outreach to support MF II Challenge Process including separate webinars for carriers, local officials and tribes.
- Managed carrier requests for confidentiality of Form 481 data, published non-confidential data to HC website and provided state/tribal access to carrier filings.
- Developed CAF Map content and user guide, and promoted map launch with multiple presentations to carriers and industry groups.
- Implemented a number of initiatives based on feedback from the Employee Engagement survey to improve communications, education and recognition.

## Process

- Finalized / Enhanced Knowledge Management (KM), Early Adopters Implementation and Intake Process Enhancement.
- Collected Deployment Obligation data and certifications (1.6 million locations reported built).

# 2018 Accomplishments (Cont'd)

Briefing book excludes all materials discussed in Executive Session.

## Technology

- Built and deployed the first online challenge management system to support the MF II Challenge Process (Collected +21M speed test results across 37 states; 129,537 sq. kilometer grid cells; Successfully opened and closed the challenge window).
- Collected HUBB Data for five (5) funds including CAF II 40% Milestone, 100% validation of 2M locations with 98% carriers certified.
- Successfully implemented the HUBB State Access Tool for secure Form 481 Filings for state PUCs.
- Provided Tribal organizations access to Form 481 filings.

## Outcomes

- Completed CAF Phase II verifications – 11 large price cap carriers receiving funding to deploy broadband across the U.S. as well as its territories.
  - 1.9 million locations certified as of March 1, 2018 as carriers satisfied their 40% deployment milestone
  - Approximately 80% of locations sampled passed verification.
- New Orders Timely Implementation:
  - Issued PR/USVI Stage 1 support, \$64.12 million out of total awarded \$64.2 million
  - Implemented New ACAM support (\$55.7 million)
- Disbursed (as of November 2018) \$4.46 billion in HC support to over 1,580 carriers across 14 funds.

# 2018 Operational Performance Synopsis

Briefing book excludes all materials discussed in Executive Session.

Metric		Target	Q1	Q2	Q3	Q4	Variance	Description/mitigation
1	Wireless Road miles build out	63,698	49,140	49,140	49,140	49,140	14,558	Target Completion is July 2019
2	Wireless Tribal population build out	56,932	38,351	38,351	38,478	38,478	18,454	On track with verifications, disbursements to occur in 4Q2018.
3	Wireline Locations validated (CAF II)	100%	100.0%	100.0%	100.0%	100.0%	0.0%	No carriers were identified to be in the compliance gap tier.
4	Wireline Locations Verified (CAF I)	100%	1,547				0.0%	Validations concluded and all three verification announcements related to waiver decisions were sent near end of December.
5	Wireline Locations Verified (CAF II)	100%	N/A	60%	100%	100%	0%	All locations tested. Four study areas for a single price cap carrier were identified as being in Tier 4.
6	Disbursements completed (\$M)	1,126.5	1,129	1,138	1,251	1,316	-189.5	Disbursements includes PPAs; PPAs not included in forecast.
7	Disbursement cycle time	20 Days	19 Days	19 Days	18 Days	18 Days	2 days	Monthly (avg. annual) disbursement cycle time.
8	IT Systems availability (%)	99%	100%	100%	100%	100%	-	Availability of HUBB, CAP and HCLI systems
9	Appeals	N/A	3	1	0	2	N/A	Closed 1 appeal in Q1, 2 appeals in Q2, and 1 appeal in Q3; 1 Appeal opened in Q1 (this is the one resolved in Q3) and 2 appeals opened in Q4.
10	Call Ctre Abandon Rate	3%	0%	0%	1.7%	1%	2%	No abandoned calls in 1Q and 2Q; 3 abandoned calls in 3Q; 3 abandoned calls in 4Q

## Key Takeaways:

- Mobility Fund road miles and population verifications are on track and will meet target build out.
- 2018 CAF II Verifications were successfully completed as the model for other CAF Funds.

All variances are within targets

## 2019 Goals & Objectives

The primary programmatic goals and objectives of High Cost are to fully implement 2019 deliverables associated with FCC directives (e.g. Performance Measures, CAF II Auction, CAF Verifications, and MF II).

High Cost will continue to focus on the 2018 goals and objectives related to participant experience, program integrity, and employee engagement.

# 2019 Look Ahead

## People

- Develop and update outreach artifacts and provide call center support to prepare carriers for key filings (HUBB, 481) and performance measures.
- Conduct outreach to gather stakeholder input/feedback to inform design of performance measures system, including focus groups, stakeholder advisory committee of early adopters, and listening sessions.
- Conduct CAF Map focus groups and user testing with state, local, and tribal officials; carriers; public interest groups; etc.
- Evaluate new Employee Engagement Pulse Survey results and adapt plans as necessary.

## Process

- Implement disbursement of CAF II Auction and RoR Reform Order.
- Develop verification tool kit for new funds and update tool kit for CAF II (based on lessons learned).

## Technology

- Implement Phase I of Performance Measures Order.
- Implement a Verification Workflow system.
- Implement annual Form 481 changes.
- Deliver MF II Challenge Process Maps.
- Deliver HCLI Requirements Analysis.

## Outcomes

- Collect deployment data due 3/1/19. Includes 60% milestone for CAF Phase II carriers.
- Collect High Cost Certifications (March, July and October 2019).
- Complete CAF I waiver verifications and Form 481 IDVs (February 2019).
- Complete Verification activities for CAF II (60% milestone), ACS (30% milestone), and RBE.

# Performance Measures Order Discussion

- **CAF II Verification 2018 Closure Update**
  - Selected sample of locations and reviewed documentation to support location deployment obligations (subscribers and non-subscribers)
  - 20% of locations selected failed verification review - with 4 SACs in tier 4 Compliance Gap
  - Locations that failed verifications will either be revised or deleted prior to 60% milestone
- **Performance Measures Order**
  - Carriers are required to perform testing of subscriber speed and latency
  - Subscriber testing data will be reported to USAC and verified for compliance with the Order

Program Lifecycle	Major Activities
Determine Eligibility	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
Data Collection	<ul style="list-style-type: none"> <li>• Implement system and processes to collect Performance Data</li> </ul>
Validation	<ul style="list-style-type: none"> <li>• Implement Performance data system validations</li> </ul>
Verification	<ul style="list-style-type: none"> <li>• Implement verification process and procedures for verification of Performance Measures data in the system</li> </ul>
Disbursements	<ul style="list-style-type: none"> <li>• Implement process for compliance gap</li> </ul>

# Performance Measures Order Discussion (Cont'd)

## Deployment Data (current)

- Carriers submit the deployment broadband location data
- Geospatial data, Lat/Long



### HUBB - USAC



### Validations



- System validates locations reported within eligible census blocks
- Geospatial data validations (i.e. within 7.6m buffer)
- Validations to ensure data integrity



### Verification of Deployment



- USAC manually verifies deployment of sampled locations
- Review various evidence (subscriber bills, network maps, address tool)



### Compliance Gap



- If carrier fails verification, USAC and FCC determine compliance gap and recovery of support

## Performance Data (future)

- Carriers submit performance test data based on one of three testing options
- Active subscribers and performance test data based on HUBB location data submitted in PMM
- USAC will develop an online system for carriers to easily upload subscriber and performance test data



### PMM - USAC



### Validations



- System validations to ensure data integrity (i.e. valid subscriber ID, HUBB ID, etc.)



### Verification of Performance



- USAC will develop a process and system to automate the verification of the performance data (i.e. speed, latency, time intervals of tests, etc.)



### Compliance gap



- If carrier fails verification, USAC and FCC determine compliance gap and recovery of support

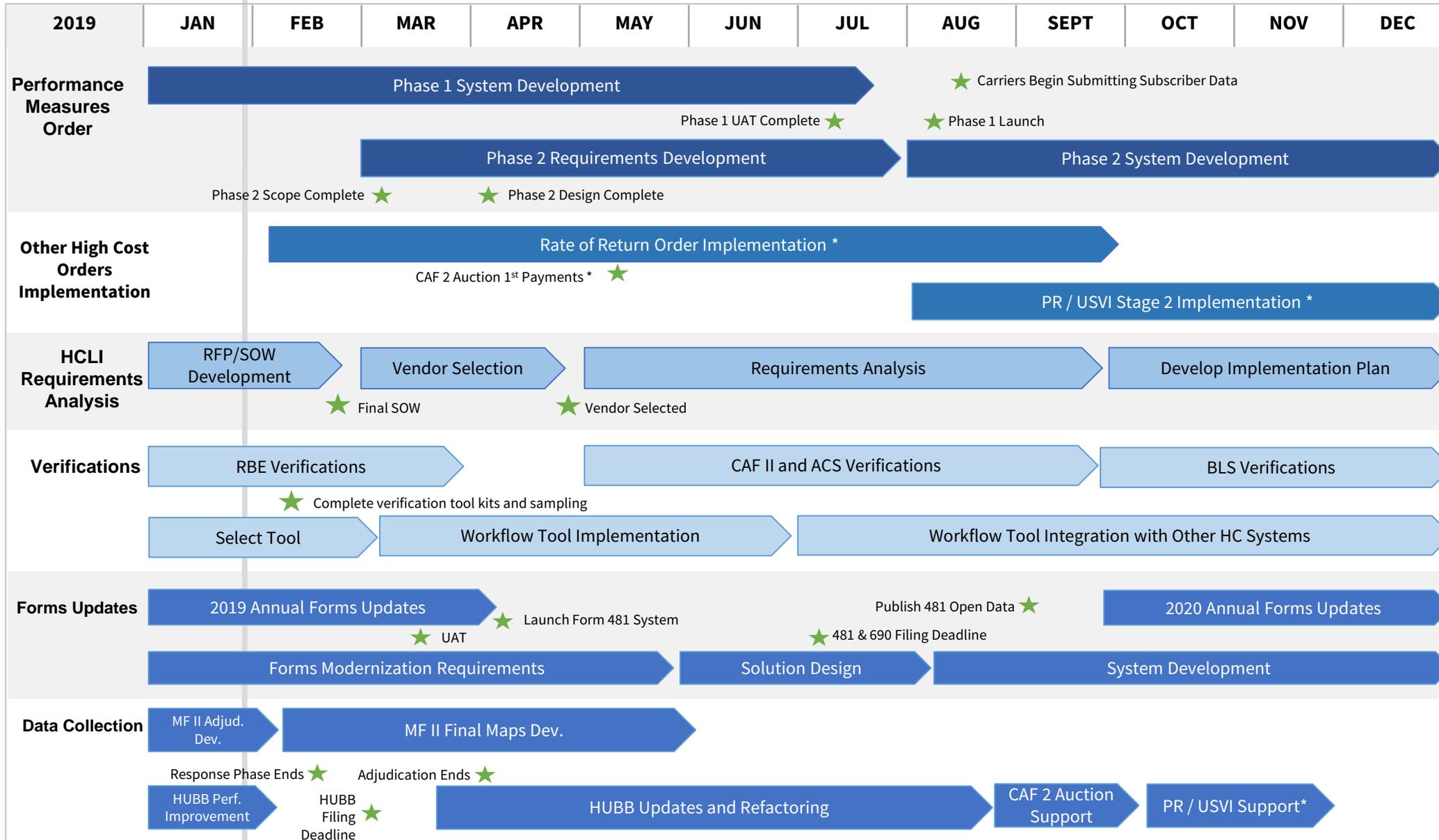
# Performance Measures Order Discussion (Cont'd)

## Performance Measurements Order HCLI Impact

- Develop workflow and tracking mechanisms in CAP (HC Workflow Tool)
- Implement default and late certification penalty rules in HCLI system
- Requirements development and HCLI Stabilization, 2019
- Multi Phase Development work, 2020

Program Lifecycle	Major Activities
Determine Eligibility	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
Data Collection	<ul style="list-style-type: none"> <li>• Implement system and processes to collect Performance Data</li> </ul>
Validation	<ul style="list-style-type: none"> <li>• Implement Performance data system validations</li> </ul>
Verification	<ul style="list-style-type: none"> <li>• Implement verification process and procedures for verification of Performance Measures data in the system</li> </ul>
Disbursements	<ul style="list-style-type: none"> <li>• <b>Implement process for compliance gap</b></li> </ul>

# High Cost Program at a Glance



**Milestone Legend**

- ★ Completed
- ★ On Track
- ★ At-Risk
- ★ Delayed
- ★ On Hold/TBD

\* Estimated date, exact timing will be determined by final FCC Orders

All milestone are on track

# Appendix

# Appendix A: Glossary of Acronyms

Term	Definition
ACAM	Alternative Connect America Model; provides support to Rate-of-Return carriers that voluntarily elected to transition to a new cost model for calculating High Cost funding. ACAM models forward-looking economic costs of deploying and operating a fiber-to-the-premise (FTTP) network.
CAP	Connect America Portal; system used to manage and track some workflows associated with High Cost operational processes
HCLI	High Cost Low Income; a system used to calculate monthly High Cost payments to carriers, maintain carrier information and provide operational reports
HUBB	High Cost Broadband Portal; system used to collect location data from carriers, track progress toward meeting obligations and milestones and for carriers to annually certify their deployments.
IDVs	In-Depth Validations;
NECA	National Exchange Carrier Association;
OMD	Office of Managing Director. OMD is a component of the FCC that administers and manages the Commission.
CAF I	Connect America Fund Phase I
CAF II	Connect America Fund Phase II
MF II	Mobility Fund Phase II
RBE	Rural Broadband Experiments

## Appendix A: Glossary of Acronyms ( cont'd)

Term	Definition
PMM	Performance Measurement Module. Collection of system functionality designed to deliver the requirements of the Performance Measurement Order.
PR / USVI	Puerto Rico / US Virgin Islands. Related to FCC Orders to assist in the rebuilding of the islands affected by recent hurricanes.
RoR	Rate of Return.
WCB	Wireline Competition Bureau. WCB is a Bureau within the FCC.
WTA	Western Telecom Alliance.

## Appendix B: 2019 High Cost Goals & Objectives

Closing the U.S. Digital Divide through broadband deployment one location at a time.....

Goals	Objectives / Program Outcomes	How High Cost will meet the goal
<b>Execute Mission Critical Performance Goals</b>	Expand broadband and maintain voice and broadband coverage in support of closing the digital divide.	Monitor Network Build Out Obligations and Performance Target Requirements by Fund and Execution of Fund Level Validations and Verifications.
<b>Implement New FCC Orders and Mandates</b>	Implement FCC Orders, Policy Clarifications/ Changes and Mandates in a timely manner.	Timely and accurate implementation of FCC Orders and Mandates such as <b>CAF II Auction, MF II, CAF Verifications, Performance Order, PR/USVI, RoR Reform Order, HCLI Requirements, HUBB Enhancements, etc.</b>
<b>Improve Operational Efficiency and Effectiveness measures</b>	Increase High Cost (HC) Business productivity through increased efficiency and effectiveness of both HC and USAC Operational Processes.	Execute USAC Governance Initiatives, improve HC Business Processes, Collaborate with key stakeholders to ensure alignment with changing FCC Priorities and USAC Business Needs, etc.
<b>Improve Program Participant / FCC Experience</b>	Streamline and simplify the stakeholder experience to enable successful participation.	Certifications, Systems Performance, Outreach Effectiveness, Effective Call Center Support, Early Adopters Execution, etc.
<b>Enhance Program Integrity</b>	Monitor, Report, and Implement enhanced controls to assess program effectiveness and program business value.	<b>Meet or exceed OMB targets for</b> Improper Payments Rate, Disbursements – Timely and Accurate, Effective Audit Support
<b>Employee Engagement</b>	Enhance individual, career development and foster a positive work environment.	Conduct regular individual conversations, implement agreed upon action plans, and celebrate team successes.

# Appendix C - 2018 FCC Docket Summary Briefing Book includes all materials discussed in Executive Session.

## FCC Orders Matrices for 2017 and 2018

Year	Number of FCC Orders /Public Notices released for Informational purpose	Number of FCC Orders/ Public Notices impacting HC business process	Total FCC Orders Released in a year
2018	73	8	81

FCC Order/ Mandate	Release Date	Description	Impact to High Cost
<b>2018 Orders</b>			
FCC 18-29	23-Mar-18	FCC issued a “Report and Order, Third Order on Reconsideration, and NPRM” on High Cost rate-of-return reform: (1) codifying rules prohibiting the use of High Cost support for expenses that are not used for the provision, maintenance and upgrading of facilities and services for which the High Cost support is intended; (2) adopting rules prohibiting recovery of certain expenses via interstate rates; and (3) offering additional High Cost support to RoR carriers that previously accepted A-CAM support.	System and Process Change
FCC 18-50	19-Apr-18	FCC decided legacy support issue arising from the ongoing reform and modernization of the universal service fund and intercarrier compensation systems. FCC/WCB issued an Order and Declaratory Ruling granting a petition by FairPoint Communications, Inc. (FairPoint) to increase its high cost support from the universal service fund (USF). Under modern CAF support, carriers may recover costs previously offset by Local Switching Support (LSS) through one, but not multiple, of the reformed support mechanisms.	One time payment
DA 18-465	7-May-18	WCB issued a public notice (PN) announcing 217 revised offers of A-CAM High Cost support, consistent with the 2018 Rate-of-Return Reform Order (March 23, 2018, FCC 18-29). In the 2018 RoR Reform Order, the FCC directed the Bureau to offer additional support of up to \$146.10 per location to rate-of-return carriers that previously accepted A-CAM support. In the revised offer made pursuant to this PN, all locations with costs above \$52.50 may accept A-CAM support of up to \$146.10 per location, subject to revised broadband deployment obligations.	Process Change

**Note: Previous orders may have impact on HC’s work but have not been listed above**

# Appendix C - 2018 FCC Docket Summary (cont'd)

Meeting took place on all materials discussed in Executive Session.

FCC Order/ Mandate	Release Date	Description	Impact to High Cost
<b>2018 Orders – Cont.</b>			
FCC 18-57	29-May-18	<b>Puerto Rico/USVI Funds Order</b> - FCC released an Order and NPRM establishing two new funds, the Uniendo a Puerto Rico Fund and the Connect USVI Fund, to assist carriers to rebuild, improve and expand voice and broadband networks damaged or destroyed during the 2017 hurricane season. The Order provides an immediate infusion of \$51.2 million for 2018 restoration efforts in Puerto Rico, and \$13 million for 2018 efforts in the Virgin Islands. The NPRM proposes additional amounts for both locations and seeks comments on how to best structure the second stage funds for long-term rebuilding.	System and Process Change
DA 18-710	6-Jul-18	<b>Performance Measures Order</b> - FCC issued an order adopting network testing requirements for high cost program recipients. The order established a uniform standard for measuring speed and latency performance for price cap carriers, rate-of-return carriers, rural broadband experiment support recipients, Alaska Plan carriers and CAF Phase II auction winners. Providers will be required to submit testing results as part of their annual compliance certification beginning July 1, 2020. Subsequently, data and certifications will be due annually by July 1. USAC must audit test results and is directed to impose reductions of support based on specified levels of noncompliance with performance requirements.	System and Process Change
DA 18-750	20-Jul-18	Consistent with the Commission’s 2018 Rate-of-Return Reform Order, WCB authorizes 175 rate-of-return companies to receive A-CAM support in exchange for extending broadband service to additional locations.	System and Process Change
DA 18-999	28-Sep-18	WCB resolves challenges to locations proposed by Alaska Communications Systems (ACS) to receive High Cost support as part of ACS’s obligations set out in previous Commission actions seeking to extend service to unserved Alaskan consumers.	System Change
FCC 18-176	13-Dec-18	<b>Rate of Return Reform Order</b> - Additional funding to carriers that currently receive A-CAM support in exchange for deploying broadband at increased speeds. Other Rate of Return legacy fund impacts.	System and Process Change

**Note: Previous orders may have impact on HC’s work but have not been listed above**

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

**ACTION ITEM**

**Approval of Low Income Support Mechanism  
2nd Quarter 2019 Programmatic Budget and  
Demand Projection for the January 31, 2019 FCC Filing**

**Action Requested:**

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 2nd Quarter 2019 (2Q2019) programmatic budget and demand projection for the Low Income Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's January 31, 2019 quarterly filing.

**Discussion:**

On a quarterly basis, USAC is required to submit to the FCC each program's budget<sup>1</sup> and projected demand for the upcoming quarter.<sup>2</sup>

**Funding Requirement**

Based on current subscribership levels, USAC estimates the 2Q2019 funding requirement for the Low Income Support Mechanism as follows:

Table A. Program Funding Requirement

<i>(in millions)</i>	<b>1Q2019</b>	<b>Increase/ (Decrease)</b>	<b>2Q2019</b>
Steady State:			
Lifeline	\$279.33	(\$6.77)	\$272.56
Link Up	0.07	0.00	0.07
New Requirements:			
N/A	0.00	0.00	0.00
<b>Total Program Demand (see Note 1)</b>	<b>\$279.40</b>	<b>(\$6.77)</b>	<b>\$272.63</b>
Prior Period Adjustments (see Note 2)	(15.30)	(9.04)	(24.34)
USAC Administrative Expenses (see Table B)	15.01	0.52	15.53
Interest Income	(0.09)	0.03	(0.06)
<b>Total Funding Requirement</b>	<b>\$279.02</b>	<b>(\$15.26)</b>	<b>\$263.76</b>

<sup>1</sup> 47 C.F.R. § 54.715(c).

<sup>2</sup> 47 C.F.R. § 54.709(a)(3).

**Note 1:** Program demand decreased due to a decline in Lifeline subscribership.

**Note 2:** Prior period adjustments reconcile projections to actual results and include adjustments for billings, disbursements, interest income, and bad debt.

The 2019 annual Lifeline Support Mechanism programmatic budget totals \$64.25 million. See aHCLI06cf 012819 for details regarding the 2019 annual Lifeline Support Mechanism programmatic budget.

The 2Q2019 portion of the 2019 annual Lifeline Support Mechanism programmatic budget is \$15.53 million and is included in the projected 2Q2019 funding requirement above.

Table B. 2Q2019 Quarterly Programmatic Budget

<i>(in millions)</i>	<b>2Q2019 Direct Program Budget</b>	<b>2Q2019 Allocated Common Budget</b> (see Note 3)	<b>2Q2019 Total Budget</b>
<b>Lifeline Budget</b>	\$11.53	\$4.00	\$15.53

**Note 3:** The common budget is allocated to the programs based on the Cost Allocation Methodology on file with the FCC, which allocates costs based 50% on direct program costs in the prior year and 50% on program demand in the prior year.

A comparison of actual expenditures to the budget for the twelve months ending December 31, 2018 is provided in **Attachment A**.

**Recommendation:**

USAC management recommends that the Committee approve the 2Q2019 budget and projection of demand as proposed.

**Recommended High Cost & Low Income Committee Actions:**

APPROVAL OF THE FOLLOWING RESOLUTIONS:

**RESOLVED**, that the USAC High Cost & Low Income Committee approves a 2nd Quarter 2019 Low Income Support Mechanism direct program budget of \$11.53 million; and

**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$11.53 million for Low Income Support Mechanism administrative costs in the required January

31, 2019 filing to the FCC on behalf of the Committee; and

**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on January 28, 2019 a summary of the 2nd Quarter 2019 Low Income Support Mechanism demand estimate, hereby directs USAC staff to proceed with the required January 31, 2019 filing to the FCC on behalf of the Committee. USAC staff may make adjustments if the total variance for the Low Income Support Mechanism is equal to or less than \$10 million, or may seek approval from the High Cost & Low Income Committee Chair to make adjustments if the total variance is greater than \$10 million, but not more than \$15 million.

**Attachment A**

**Low Income Administrative Costs**  
 Comparison of Actual Expenditures to the Budget for the  
 Twelve Months Ending December 31, 2018

<i>(\$ in millions)</i>	<b>2018 YTD FTE Actual (Average)</b>	<b>2018 YTD FTE Budget (Average)</b>	<b>FTE Variance</b>	<b>YTD Actual</b>	<b>YTD Budget</b>	<b>Variance</b>
<b>Direct Program Costs</b>						
Employee Expenses	43	45	2	\$6.56	\$7.06	\$0.50
Professional Services				16.49	20.81	4.32
General & Administrative				1.38	3.50	2.12
<b>Total Direct Program Costs (see Note 4)</b>				<b>\$24.43</b>	<b>\$31.37</b>	<b>\$6.94</b>
<b>Common Allocated Costs (see Note 5)</b>				<b>\$15.70</b>	<b>\$19.11</b>	<b>\$3.41</b>
<b>Total Program Budget</b>				<b>\$40.13</b>	<b>\$50.48</b>	<b>\$10.35</b>

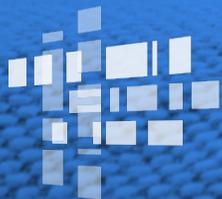
**Note 4:** Actual direct program costs were lower than the budget due to delays in launching the National Verifier.

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

# Lifeline Business Update

High Cost & Low Income Committee Meeting

January 28, 2019



Universal Service  
Administrative Co.

## Agenda: Lifeline

Topic	Description	Purpose	Presenter	Length
Recap	Review of action items and status from previous HCLI Committee meeting	Informational	Michelle	1 min
2018 Accomplishments	Significant program quantitative & qualitative accomplishments	Informational	Michelle	5 min
2018 Operational Performance Synopsis	Update on key operational status and measures	Informational	Michelle	2 min
2019 Goals and Objectives	Overview of Lifeline focus in 2019	Informational	Michelle	2 min
2019 Look Ahead	Review of major goals & objectives of Lifeline	Informational	Michelle	5 min
Discussion Topic	National Verifier	Informational	James	20 min
Lifeline Program at a Glance	Overview of Lifeline activities for next 12 months	Informational	Michelle	- min
Appendix A	Glossary of Acronyms and Projects	Informational	-	- min
Appendix B	2019 Program Goals and Objectives	Informational	-	- min
Appendix C	2018 FCC Docket Summary	Informational	-	- min

# October Board Recap

Action items and updates from previous HCLI Committee meetings

Activity	Status	Due Date	Owner
<p><u>Enhanced Duplicate Detection</u>: Can you quantify the impact of the enhanced duplicate check implemented in August 2018?</p>	<p>Just prior to the enhancement, approximately 500 enrollments out of 400,000 were potential duplicates. With the enhancement, no such enrollments have occurred.</p>	<p>1/28</p>	<p>Lifeline</p>
<p><u>National Verifier Reverification</u>: How many carriers elect USAC to perform reverification?</p>	<p>78 ETCs representing about 37,000 subscribers for the first two NV state launches. This represents approximately 11% of total subscribers that require reverification.</p>	<p>1/28</p>	<p>Lifeline</p>

# 2018 Accomplishments

## People

- Conducted 55 webinars or trainings, and issued 140 bulletins to support stakeholders through program reform
- Made three in-person stakeholder visits to engage with stakeholders to better program execution
- Collaborated enterprise wide to execute a fee agreement with CMS for a nationwide Medicaid connection

## Process

- Consolidated three Lifeline call centers into a single vendor
- Reduced manual application processing time from nearly 30 minutes in Q2 to 7 minutes on average in Q4
- Reviewed 368,000 enrollments for accuracy associated with GAO findings and 32,000 through ongoing program integrity sampling

## Technology

- Processed 15,000 National Verifier applications, 14,000 of which were in automated states with 71% of eligibility automatically verified
- Began making payments based on NLAD subscribership rather than self-certified Form 497
- Enhanced the availability of NLAD services to reduce the risk of unplanned outages

## Outcomes

- Launched the National Verifier in 16 states and with an automated connection to HUD
- Calculated and authorized the timely disbursement of \$1.2B disbursements
- De-enrolled 134,000 ineligible subscribers as a result of program integrity reviews

# 2018 Operational Performance Synopsis

Metric		Target	Q1	Q2	Q3	Q4	Variance to Target (most recent)		Comment	
1	Recertification Rate	65%	65%	63%	62%	63%	-2%		Recertification rates have been steady for all of 2018.	
2	Disbursements Completed (\$M)	290.1	303.6	300.6	282.8	274.7	-15.4		Actual disbursements lower than projected.	
3	System Uptime (%)	NLAD	99%	100%	99%	100%	100%	+1.00%		Uptime has been above the target level.
		LED	99%			100%	100%	+1.00%		Uptime has been above the target level.
4	Call Center Abandon Rate	3.00%	3.13%	1.93%	1.60%	15.26%	+ 12.26%		High number of calls regarding recertifications during December. IVR and staffing improvements in progress.	
5	Appeals over 90 days aged	0	19	42	68	83	83		Lifeline is continuing to work on the resolution of open appeals.	
6	Appeals Average Age (days)	90	112	138	194	259	+169		Lifeline is continuing to work on the resolution of open appeals.	
7	Manual eligibility verification (% of total applications w/ manual decisions)	TBD		43%	65%	44%	N/A		Includes applications decided using manual documentation review due to failing eligibility database and NLAD checks.	
8	Average Manual Review Time (BPO)	<10 min		27min	15min	7min	- 3 min		Significant improvement has occurred by the BPO during the baselining period.	
9	Reverifications Completed	Launch 1:	268k			121,998	55,122	-91,006		67% of Launch 1 has successfully reverified, which will end in Mar 2019. Launch 2 & 3 began in Dec 2018.
		Launch 2:	47k				3,803	-43,134		
		Launch 3:	78k				53,125	-24,910		
10	Variable unit volumes versus forecast	TBD							Not enough data currently to create a meaningful forecast. Actuals Jan - Dec 2018, are 38.13% of the contracted NTE for CY 2018.	

**Legend**

On track

Action Required

## Key Takeaways:

- Adjustments are in progress to phone tree and call center staffing to improve abandon rate going forward.
- Appeals continue to be an area of focus for Lifeline.

## 2019 Goals and Objectives

The primary programmatic goals and objectives of Lifeline in 2019 are to fully roll out the National Verifier and to optimize National Verifier functions.

Lifeline will continue to focus on the 2018 goals and objectives related to participant experience, program integrity, and employee engagement.

# 2019 Look Ahead

## People

- Target engagement and training to support Lifeline initiatives
- Create and implement employee engagement action plans based on the annual survey

## Process

- Complete the Lifeline Risk Assessment, developing and implementing action plans to strengthen the program administration
- Optimize Lifeline processes now that the National Verifier is operational
- Continue program integrity reviews through sampling of carrier transactions

## Technology

- Complete of disbursement calculation system modernization
- Implement the following system changes:
  - Representative Accountability Database in May 2019
  - Voice phase down in December 2019
  - Tribal enhanced benefit rule changes, subject to the D.C. Circuit Court decision

## Outcomes

- Roll out the National Verifier in the remaining 40 states and territories
- Complete Lifeline Forensic Audits.

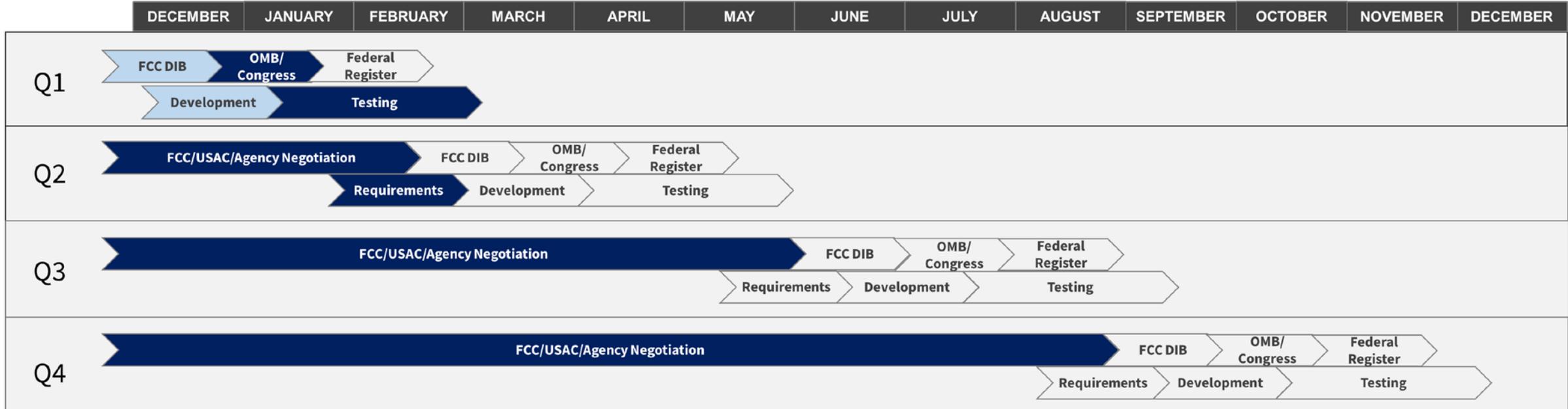
Not Started

In Progress

Complete

# National Verifier Rollout

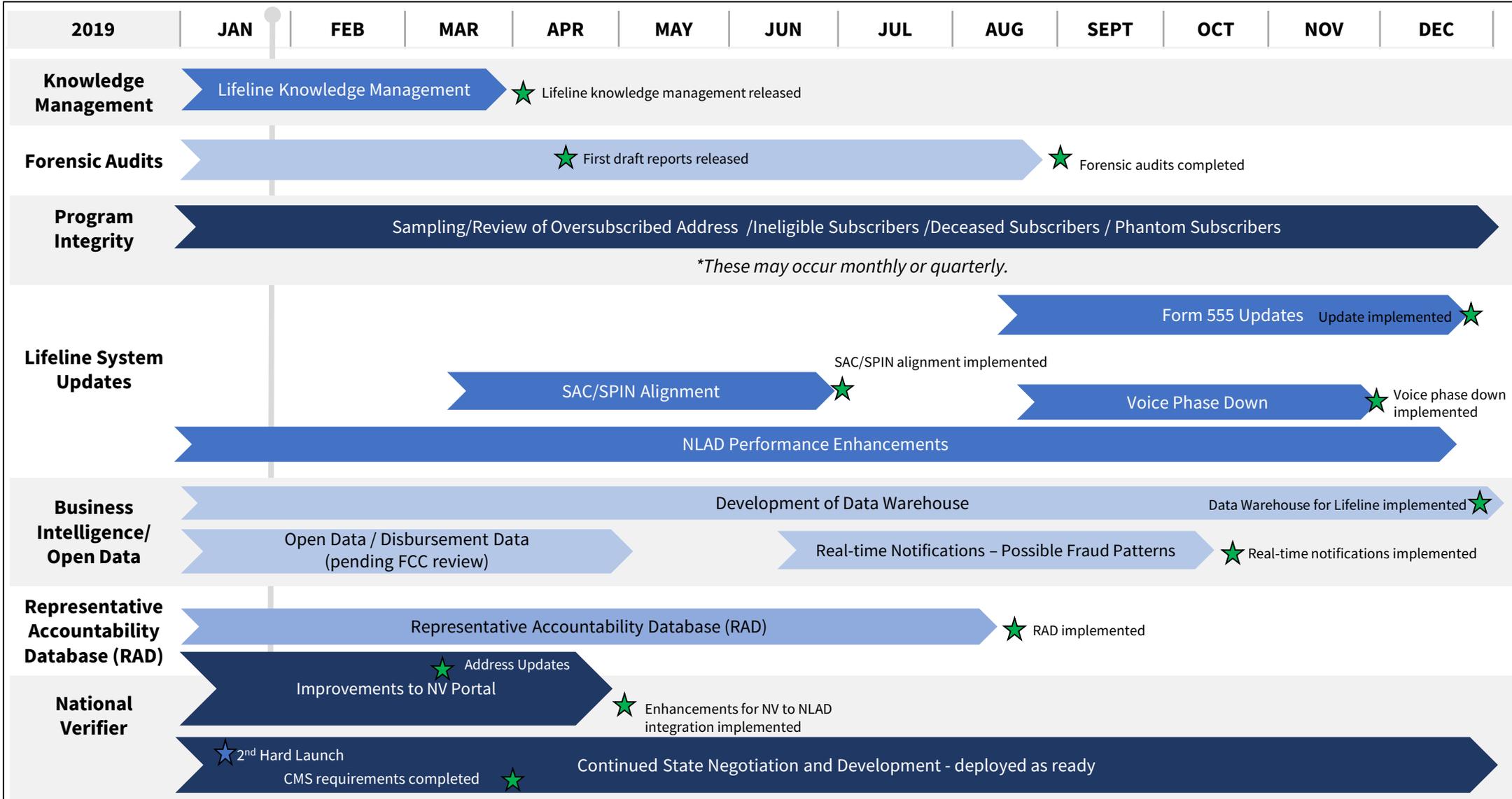
Of the 40 remaining states/territories, we are pursuing automated connections for 29 (11 will launch without automated state connections based on a cost benefit analysis).



- Known challenges that could hinder automation in 2019 include impediments to technical development within the state as well as statutory changes needed to allow data sharing. Alabama, Connecticut, Florida, Louisiana, and New York face challenges like these.
- If a state is deemed cost effective for automation, but cannot meet the project milestones, USAC will launch the state without an automated state database connection.
- USAC and CMS have entered into a fee agreement to begin work on a nationwide Medicaid connection - potential for 60% automated eligibility verification.

# Lifeline Program at a Glance

Briefing book excludes all materials discussed in Executive Session.



**Legend**

- ★ Milestone Completed
- ★ Milestone on Track
- ★ Milestone at Risk
- ★ Milestone Delayed
- ★ Milestone On Hold/TBD

All milestone are on track  
2<sup>nd</sup> Hard Launch Complete

# Appendix

# Appendix A: Glossary of Acronyms and Projects

Term	Definition
BPO	Business Process Outsourcing to handle call center and manual application reviews for the Lifeline program.
CMS	Centers for Medicare and Medicaid Services, federal administrator of Medicare and Medicaid benefits.
CMA	Computer Matching Agreement, the computerized comparison of records for the purpose of establishing or verifying eligibility for a federal benefit program.
DIB	Data Integrity Board, the body within a federal agency that approves and oversees Computer Matching Agreements.
Forensic Audit	The Chairman of the Committee on Homeland Security and Government Affairs directed USAC on September 15, 2017 to perform forensic audits of the top 30 eligible telecommunication carriers. This directive was the result of a study performed by the GAO Report. The FCC directed USAC to audit the top 30 Study Area Codes (SACS), which spanned across eight carriers.
Form 497	Form formerly used by ETCs to self-report subscribers served at a discounted rate for reimbursement. Replaced by payments based on validated enrollments in NLAD.
National Verifier (NV)	A framework of systems and processes for which roll out is in progress to conduct eligibility determinations and other functions necessary to enroll eligible subscribers into Lifeline, transferring the responsibility from ETCs.
NLAD	National Lifeline Accountability Database, an existing system that allows service providers (SPs) to check on a real time, nationwide basis whether a consumer is already receiving a Lifeline Program-supported service, and to maintain records of Lifeline subscribers.
RAD	Registration Accountability Database, which is being developed to register Eligible Telecommunication Carriers' (ETC) representatives who perform transactions in Lifeline systems. The RAD will track their activities to identify unusual and potentially inappropriate behavior, and restrict their system access where appropriate.
Recertification	Annual review of an existing subscriber's eligibility, which is due by his or her respective enrollment anniversary date. Carriers are responsible for this where the National Verifier has not yet been implemented, but they may elect USAC to perform this function for them.
Reverification	One time verification of existing subscriber's eligibility, which USAC performs as a state migrates into the National Verifier. This process differs from recertification because it does not rely upon any self-certification.
Tribal Enhanced Benefit Changes	Changes eliminates self-certification of residency on tribal lands, limits the enhanced Tribal support to those living on tribal lands that are also rural, and limits the enhanced Tribal support to facilities-based providers. These changes are pending a review by the D.C. Circuit Court.
Voice Phase Down	Based on the 2016 Lifeline Order, support for voice only service (not bundled with Lifeline qualifying broadband) will be reduced annually beginning on 12/1/2019.

# Appendix B: 2019 Lifeline Program Goals & Objectives

Goals	Objectives / Program Outcomes	How Lifeline will meet the goal
<b>Mission Critical Performance Focused Culture</b>	Execute program operations to ensure the timely and accurate delivery of Lifeline (LL) funds to those who are eligible.	Monthly disbursements of funds based on validated NLAD subscribership, completion of USAC-elected rolling recertification, and completion of accurate and timely enrollment decisions through National Verifier.
	Implement FCC Orders, Policy Clarifications/ Changes and Mandates in a timely manner.	Full implementation of the <b>National Verifier</b> , the <b>Registration Accountability Database</b> , and the <b>2017 Lifeline Order</b> .
<b>Operational Efficiency</b>	Increase LL Business Productively through increased efficiency and effectiveness of both LL and USAC Operational Processes.	Monitoring and enhancement of National Verifier business processes and systems to optimize efficiency and effectiveness.
<b>Participant Experience</b>	Streamline and simplify the program participants; experience to enable successful participation and to enhance the FCC relationship.	Meet metrics associated with customer service, turnaround times, and system performance. Continue to cultivate positive relationships with state and federal partners for the National Verifier. Collaborate with the FCC across all Lifeline activities to identify goals and strategies, align on expectations, and track against desired outcomes.
<b>Program Integrity</b>	Monitor, report, and implement enhanced controls to assess program effectiveness and program business value.	Continue sampling of carrier transactions that have not yet been assumed by the National Verifier. Continuously review LL data to identify trends that require attention or that may drive the Improper Payment Rate. Respond quickly to findings in audits or other reviews, developing and implementing thoughtful corrective actions.
<b>Employee Engagement</b>	Enhance individuals through career development and fostering a positive work environment.	Develop and implement action plans based on the employee pulse survey feedback. Build on 2018 through monitoring of individual development plans and continuing monthly division-wide meetings to exchange information and celebrate successes.

# Appendix C: 2018 FCC Docket Summary

## FCC Orders Matrices for 2018

Year	Number of FCC Orders / Public Notices released for Informational purpose	Number of FCC Orders/ Public Notices impacting LL business process	Total FCC Orders/Notices
2018	9	11	20

FCC Order / Notice	Release Date	Description	Impact to Lifeline
DA 18-30	1/10/18	Public Notice stating that, beginning with the January 2018 data month, payment of Lifeline support for all ETCs (except for NLAD opt-out states) will be based on subscriber data contained in NLAD, and all ETCs must file their reimbursement request online.	System Change
DA 18-161	2/20/18	Public Notice establishing three new Lifeline forms required for use to verify and recertify subscriber eligibility beginning July 1, 2018.	System Change
DA 18-627	6/18/18	Public Notice announcing the soft launch on June 18, 2018 of the National Verifier in CO, MI, MT, NM, UT, WY.	System and Process Change
DA 18-635	6/19/18	Public Notice announcing that ETCs that want to elect USAC to perform their Lifeline recertifications for 2019 must notify USAC between July 16 and August 31, 2018.	Process Change

**Note: Previous orders may have impact on LL's work but have not been listed above**

# Appendix C: 2018 FCC Docket Summary

FCC Order/ Mandate	Release Date	Description	Impact to Lifeline
DA 18-739	7/18/18	Public Notice announcing that the Lifeline budget for 2019 had been adjusted for inflation to be \$2.33 billion, and updating minimum service requirements effective December 1, 2018.	Process Change
DA 18-759	7/23/18	Public Notice announcing the counties where conditional forbearance from the Lifeline-supported voice obligation applies. This forbearance was effective September 21, 2018 and applies only to ETCs designated for both high-cost and Lifeline support.	Process Change
DA 18-1009	10/2/18	Public Notice announcing the hard launch on November 2, 2018 of the National Verifier in CO, MI, MT, NM, UT, WY.	System and Process Change
DA 18-1042	10/11/18	Public Notice announcing the soft launch on October 15, 2018 of the National Verifier in GU, HI, ID, ND, NH, SD.	System and Process Change
DA 18-1201	11/27/18	Public Notice announcing the soft launch on December 4, 2018 of the National Verifier in MO, NC, PA, TN.	System and Process Change
DA 18-1251	12/13/18	Public Notice announcing the hard launch on January 15, 2019 of the National Verifier in GU, HI, ID, ND, NH, SD.	System and Process Change
DA 18-1289	12/20/18	Order granting the Michigan State Public Service Commission's motion for an extension until June 28, 2019 of the Bureau's previously granted temporary waiver to implement the federal streamlined eligibility programs	Process Change

**Note: Previous orders may have impact on LL's work but have not been listed above**