



High Cost and Low Income Committee

Briefing Book

Monday, July 29, 2019

2:00 p.m. - 4:30 p.m. Eastern Time

Universal Service Administrative Company

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

Washington, D.C. 20005

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

<p>Monday, July 29, 2019 2:00 p.m. – 4:30 p.m. Eastern Time USAC Offices 700 12th Street, N.W., Suite 900 Washington, D.C. 20005</p>

<u>HIGH COST OPEN SESSION</u>		<i>Estimated Duration in Minutes</i>
Chair	<p>a1. Consent Items (each available for discussion upon request):</p> <p style="padding-left: 40px;">A. Approval of High Cost & Low Income Committee Meeting Minutes of April 29, 2019 and June 6, 2019</p> <p style="padding-left: 40px;">B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i></p>	5
Vic	<p>a2. Approval of High Cost Support Mechanism 4th Quarter 2019 Programmatic Budget and Demand Projection for the August 2, 2019 FCC Filing</p>	20
Kianna Braxton - Johnson	<p>i1. Information on One USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Reports</p>	5
Vic	<p>i2. High Cost Support Business Update</p> <ul style="list-style-type: none"> • High Cost Program At a Glance • High Cost Order Updates • Q2 2019 Summary (<i>For Information Only</i>) 	25

<u>LOW INCOME OPEN SESSION</u>		<i>Estimated Duration in Minutes</i>
Michelle	<p>a3. Approval of Low Income Support Mechanism 4th Quarter 2019 Programmatic Budget and Demand Projection for the August 2, 2019 FCC Filing</p>	15
Jeanette Santana-Gonzalez	<p>i3. Information on Two USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports</p>	5
Michelle	<p>i4. Low Income (Lifeline) Business Update</p> <ul style="list-style-type: none"> • National Verifier Current Status • Representative Accountability Database • Overview of Lifeline Activities for Next 12 Months 	25

	<ul style="list-style-type: none"> • Q2 2019 Summary (<i>For Information Only</i>) 	
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<u>LOW INCOME EXECUTIVE SESSION</u> Confidential – <i>Executive Session Recommended</i>		
Michelle	i4. Low Income (Lifeline) Business Update (<i>continued</i>) <ul style="list-style-type: none"> • National Verifier • Program Integrity Update 	20
Chair	i5. <i>Executive Session</i> Discussion with the Committee/Board	10

Next Scheduled USAC High Cost & Low Income Committee Meeting

Monday, October 29, 2019 2:00 a.m. – 5:00 p.m. Eastern Time USAC Offices, Washington, D.C.

**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 April 29, 2019 and June 6, 2019 (*see Attachments A-1 and A-2*).
- B. Approval of moving all *Executive Session* items into *Executive Session*:
 - (1) **i4** – Low Income Support Mechanism Business Update (*Continued*). USAC management recommends that this matter be discussed in *Executive Session* because it relates to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures. In addition, this item may include 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.
 - (2) **i5** – *Executive Session* Discussion with the Committee/Board. USAC management recommends this item be discussed in *Executive Session* because it 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 April 29, 2019 and June 6, 2019; and (2) discussion in *Executive Session* of the items noted above.

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

HIGH COST & LOW INCOME COMMITTEE MEETING
Monday, April 29, 2019

(DRAFT) MINUTES¹

The quarterly meeting of the High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) was held at USAC's offices in Washington, D.C. on Monday, April 29, 2019. Mr. Joe Gillan, Committee Chair, called the meeting to order at 2:16 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
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
Salvator, Charles – Vice President of Finance, Chief Financial Officer and
Assistant Treasurer
Sweeney, Mark – Vice President of Rural Health Care

Others present:

<u>NAME</u>	<u>COMPANY</u>
Ahmed, Sharmarke	USAC
Alomari, Ghanem	USAC
Barrett, Henry	USAC
Bilodeau, Amanda	USAC

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

<u>NAME</u>	<u>COMPANY</u>
Boden, Jerry	USAC
Braxton-Jackson, Kianna	USAC
Butler, Stephen	FCC
Carpenter, Nikki-Blair	USAC
Hughet, Pam	USAC
Hutchinson, Kyle	USAC
Kahn, Sammy	USAC
Lee, James	USAC
Lutz, Corey	USAC
Malashenok, Yelena	USAC
Mansur, Usman	USAC
Mihalsky, Anna	USAC
Miller, Catie	USAC
Mitchell, Tamika	USAC
Nuzzo, Patsy	USAC
Nwachuku, Steven	USAC
Page, Nick	FCC
Pryor, Sonovia	USAC
Qudsia, Anissa	USAC
Ruffley, Brandon	USAC
Santana-Gonzales, Jeanette	USAC
Simab, Habib	USAC
Smith, Chris	USAC
Sorini, Leah	USAC
Tessler, Joelle	USAC
Tiwari, Tanya	USAC
Weith, Tim	USAC
Williams, Romanda	USAC
Zufolo, Jessica	USAC

HIGH COST OPEN SESSION

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

- a1. Consent Items.** Mr. Gillan presented this item to the Committee:
- A.** Approval of Committee Meeting Minutes of January 28, 2019.
 - B.** Approval of Moving all *Executive Session* Items into *Executive Session*:
 - (1) **i1** – High Cost Support Mechanism Business Update (*Continued*).
USAC management recommends that this matter be discussed in *Executive Session* because the report relates to *specific internal*

- controls and/or confidential company data* that would constitute a discussion of internal rules and procedures. In addition, this matter relates to *pre-decisional matters* pending before the FCC.
- (2) **i3** – Low Income Support Mechanism Business Update (*Continued*). USAC management recommends that this matter be discussed in *Executive Session* because the report relates to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures. In addition, this item may include 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.
- (3) **i4** – *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.

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 January 28, 2019; and (2) discussion in *Executive Session* of the items noted above.

- a2. Approval of High Cost Support Mechanism 3rd Quarter 2019 Programmatic Budget and Demand Projection for the May 2, 2019 Filing.** Mr. Gaither presented this item for consideration. The presentation included a written report on USAC management’s recommendations for the High Cost Support Mechanism 3rd quarter 2019 programmatic budget and demand projection for the May 2, 2019 FCC filing.

During discussion Mr. Gillan requested that a more in depth explanation regarding the new requirements for demand be provided at the July quarterly meeting.

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 3rd Quarter 2019 High Cost Support Mechanism direct program budget of \$5.56 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$5.56 million for High Cost Support Mechanism administrative costs in the required May 2, 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 April 29, 2019 a summary of the 3rd Quarter 2019 High Cost Support Mechanism demand estimate, hereby directs USAC staff to proceed with the required May 2, 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.

- i1. High Cost Support Mechanism Business Update.** Mr. Gaither, and Mr. Simab presented PowerPoint slides covering the following:
- a. High Cost Program at A Glance
 - b. Rate of Return Order
 - c. Connect America Fund Phase II Auction Update

At 3:04 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential items listed above.

HIGH COST EXECUTIVE SESSION

- i1. High Cost Support Mechanism Business Update** (*continued*). Mr. Kahn and Ms. Bilodeau presented PowerPoint slides that covered the following:
- a. US Telecom letter
 - b. Verification Update

HIGH COST OPEN SESSION

At 3:22 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*. Mr. Gillan reported that, in *Executive Session*, the Committee discussed item i1.

LOW INCOME OPEN SESSION

- a3. Approval of Low Income Support Mechanism 3rd Quarter 2019 Programmatic Budget and Demand Projection for the May 2, 2019 FCC**

Filing. Ms. Garber presented this item to the Committee for consideration. The presentation included a written report on USAC management's recommendations for the Low Income Support Mechanism 3rd quarter 2019 programmatic budget and demand projection for the May 2, 2019 FCC filing.

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

RESOLVED, that the USAC High Cost & Low Income Committee approves a 3rd Quarter 2019 Low Income Support Mechanism direct program budget of \$12.07 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$12.07 million for Low Income Support Mechanism administrative costs in the required May 2, 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 April 29, 2019 a summary of the 3rd Quarter 2019 Low Income Support Mechanism demand estimate, hereby directs USAC staff to proceed with the required May 2, 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 Committee Chair to make adjustments if the total variance is greater than \$10 million, but not more than \$15 million.

- i2. Information on Three USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Reports.** The Committee received a report with information on three USAC Audit and Assurance Division Low Income Support Mechanism beneficiary audit reports. The reports were provided for informational purposes; no discussion was held on this item.
- i3. Low Income Support Mechanism (Lifeline) Business Update.** Ms. Garber and Mr. Lee presented PowerPoint slides covering the following topics to the Committee for discussion:
- a. Review of Action Items and Updates from January 2019 Committee Meeting
 - b. Lifeline Program at a Glance
 - c. Representative Accountability Database

The Committee recessed at 4:05 p.m. Eastern Time. At 4:09 p.m. Eastern Time, the Committee reconvened and, 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.

LOW INCOME EXECUTIVE SESSION

- i3. Low Income Support Mechanism (Lifeline) Business Update** (*continued*). Ms. Garber presented PowerPoint slides that covered the following:
- a. National Verifier Rollout
- i4. Executive Session Discussion with the Committee/Board.** No discussion was held on this item, and there was no associated report.

LOW INCOME OPEN SESSION

At 4:56 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 item i3 above.

On a motion duly made and seconded, the Committee adjourned at 4:57 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

Thursday, June 6, 2019

(DRAFT) MINUTES¹

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 Tuesday, June 6, 2019. Ms. Oliva Wein, Committee Vice Chair, called the meeting to order at 2:32 p.m. Eastern Time, with a quorum of 6 of the 11 Committee members present:

Feiss, Geoff – *by telephone*

Freeman, Sarah – *by telephone*

Jacobs, Ellis – *by telephone*

Lubin, Joel – Chair – *by telephone*

Sekar, Radha – Chief Executive Officer

Wein, Olivia – Vice Chair – *by telephone*

Members of the Committee not present:

Gerst, Matthew

Gillan, Joe – Chair

Kinser, Cynthia

Mason, Ken

Tinic, Atilla

Officers of the corporation present:

Beckford, Ernesto – Vice President, General Counsel, and Assistant Secretary

Davis, Craig – Vice President of Procurement and Sourcing Strategy

Garber, Michelle – Vice President of Lifeline

Hutchinson, Kyle – Vice President, Chief Information Officer

Salvator, Charles – Vice President of Finance, Chief Financial Officer and
Assistant Treasurer

Others present:

NAME

Lee, James

Nuzzo, Patsy

Szubrowski, Leigh

Tiwari, Tanya

COMPANY

USAC

USAC

USAC

USAC

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

OPEN SESSION

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

- a1. Consideration of Contract Award for Operations & Maintenance Services Supporting the Application Programming Interface with the Centers for Medicare & 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, the Committee adopted the following resolution:

RESOLVED, that the High Cost & Low Income Committee determines that the discussion of this item be conducted in *Executive Session*.

At 2:34 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential item listed above.

EXECUTIVE SESSION

- a1. Consideration of Contract Award for Operations & Maintenance Services Supporting the Application Programming Interface with the Centers for Medicare & Medicaid Services.** Mr. Davis presented this item for consideration. The presentation included a summary slide and written report with information on USAC's proposed contract award for operation and maintenance services supporting the application programming interface with the Centers for Medicare & Medicaid Services.

On a motion duly made and seconded, 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 the required FCC approval, to award a one year, sole source contract for operations and maintenance support of the automated computer matching interface with CMS for an estimated price of \$648,340 (plus applicable taxes).

OPEN SESSION

At 2:42 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 Ms. Wein reported that, in *Executive Session*, the Committee took action on item a1.

Briefing book excludes all materials discussed in Executive Session.

ACTION Item #aHCLI01 07/29/19

Attachment A-2

Meeting Minute of 06/06/19

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On a motion duly made and seconded, the Committee adjourned at 2:43 p.m. Eastern Time.

/s/ Ernesto Beckford

Assistant Secretary

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

ACTION ITEM

**Approval of High Cost Support Mechanism
4th Quarter 2019 Programmatic Budget and
Demand Projection for the August 2, 2019 FCC Filing**

Action Requested:

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 4th Quarter 2019 (4Q2019) programmatic budget and demand projection for the High Cost Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's August 2, 2019 quarterly filing.

Discussion:

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

Funding Requirement

Based on data filed by supported carriers and FCC public notice authorizations, USAC estimates the 4Q2019 funding requirement for the High Cost Support Mechanism as follows:

¹ See 47 C.F.R. § 54.715(c).

² See 47 C.F.R. § 54.709(a)(3).

Table A. Summary of Program Funding Requirement

See Attachment 1 for further detail

<i>(in millions)</i>	3Q2019	Increase/ (Decrease)	4Q2019	Notes
Steady State:				
Legacy Funds	\$556.15	(\$5.10)	\$551.05	Includes HCLS, CAF BLS, and Frozen Price Cap and Competitive ETC Support
Modernization Funds	775.80	0.00	775.80	Includes CAF Phase II, CAF Phase II Auction, CAF ICC, Alaska Plan Support, A-CAM I, Revised A-CAM I, A-CAM II, RBE, and Mobility Fund Phase I
Amounts Paid from Reserve	(77.73)	0.00	(77.73)	Disbursements for RBE, Mobility Fund Phase I, and portion of A-CAM I.
Total Steady State	\$1,254.22	(\$5.10)	\$1,249.12	
New Requirements				
Legacy Funds	66.16	0.00	66.16	Includes Budget Control Mechanism Mitigation
Modernization Funds	77.34	(33.50)	43.84	Includes Revised A-CAM True-Up and A-CAM II True-Up
Total New Requirements	\$143.50	(\$33.50)	\$110.00	
Total Program Demand	\$1,397.72	(\$38.60)	\$1,359.12	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	0.00	0.00	0.00	
Billings	1.08	5.10	6.18	
Interest Income	(0.05)	0.16	0.11	
Bad Debt Expense	(13.82)	0.30	(13.52)	
Total Prior Period Adjustments	(\$12.79)	\$5.56	(\$7.23)	
USAC Admin Expenses	14.72	(1.14)	13.58	See Table B
Interest Income	(0.15)	0.15	0.00	
Total Funding Requirement	\$1,399.50	(\$34.03)	\$1,365.47	

The 4Q2019 High Cost Support Mechanism programmatic budget of \$13.58 million represents approximately 24% of the 2019 annual High Cost Support Mechanism programmatic budget of \$56.25 million.

Table B. 4Q2019 Quarterly Programmatic Budget

<i>(in millions)</i>	4Q2019 Budget	Notes
Direct Program Costs		
Employee Expenses	\$1.47	
Professional Services	0.88	
General & Administrative	0.13	See Note 1
Total Direct Program Costs	\$2.48	
Direct Assigned Costs		
Employee Expenses	\$0.76	
Professional Services	1.77	
General & Administrative	0.00	See Note 1
Total Direct Assigned Costs	\$2.53	
Total Direct Program & Direct Assigned Costs	\$5.01	
Common Allocated Costs	\$8.57	
Total Programmatic Budget	\$13.58	

Note 1: General & Administrative expenses include High Cost data collection costs.

A comparison of actual expenditures to the budget for the six months ending June 30, 2019 is provided in **Attachment 2**.

Recommendation:

USAC management recommends that the Committee approve the 4Q2019 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 4th Quarter 2019 High Cost Support Mechanism direct program budget of \$5.01 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$5.01 million for High Cost Support Mechanism administrative costs in the required August 2, 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 July 29, 2019 the 4th Quarter 2019

High Cost Support Mechanism demand estimate of \$1,365.47 million, hereby directs USAC staff to proceed with the required August 2, 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.

ATTACHMENT 1

Detailed High Cost Program Demand

<i>(in millions)</i>	3Q2019	Increase/ (Decrease)	4Q2019	Notes
Steady State – Legacy Funds:				
High Cost Loop Support (HCLS) ³	\$141.31	\$0.00	\$141.31	Provides legacy support to rural carriers in areas where cost to provide service exceeds 115% of the national average cost per line.
Connect America Fund (CAF) Broadband Loop Support (BLS) ⁴	259.41	0.16	259.57	Replaces legacy fund Interstate Common Line Support. Provides support for voice and broadband only lines to offset interstate access charges.
Frozen Price Cap Carrier Support ⁵	36.74	(4.63)	32.11	Price Cap carriers receive support frozen at December 2011 levels. Will be replaced by CAF II and CAF II Auction.
Frozen Competitive ETC Support ⁶	118.69	(0.63)	118.06	Competitive carriers receive support frozen at December 2011 levels. Will be replaced by CAF II Auction and/or Mobility Fund Phase II.
Total Steady State Legacy Funds	\$556.15	(\$5.10)	\$551.05	

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

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

⁵ See *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*).

⁶ See *id.* at 17715, para. 133.

<i>(in millions)</i>	3Q2019	Increase/ (Decrease)	4Q2019	Notes
Steady State – Modernization Funds:				
CAF Phase II ⁷	379.42	0.00	379.42	Support to Price Cap carriers based on Connect America Cost Model (CACM).
CAF Phase II Auction	37.21	0.00	37.21	Support to Price Cap carriers that did not accept CAF Phase II and in extremely high cost service areas.
CAF Intercarrier Compensation (ICC) ⁸	97.77	0.00	97.77	Allows incumbent carriers to charge residential customers an Access Recovery Charge on a limited basis and to recover charges from certain multi-line customers.
Alaska Plan Support ⁹	32.08	0.00	32.08	Support for Rate of Return carriers and their wireless affiliates for broadband services Alaska.
Alternative Connect America Cost Model I (A-CAM) ^{10, 11}	144.25	0.00	144.25	Model support to Rate of Return carriers for voice and broadband infrastructure.

⁷ See *Connect America Fund et al.*, WC-Docket Nos. 10-90 et al., Report and Order, 29 FCC Rcd 15644 (2014).

⁸ See *id.* at 17956, para. 847.

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

¹⁰ See *Wireline Competition Bureau Authorizes 182 Rate-of-Return Companies To Receive \$454 Million Annually in Alternative Connect America Cost Model Support To Expand Rural Broadband*, WC-Docket No. 10-90, Public Notice, 32 FCC Rcd 842 (WCB 2017) (*A-CAM Authorization PN*); *2016 Rate-of-Return Reform Order*, 31 FCC Rcd at 3094-117, paras. 17-79; 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*).

¹¹ 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*).

<i>(in millions)</i>	3Q2019	Increase/ (Decrease)	4Q2019	Notes
Revised A-CAM ¹²	16.75	0.00	16.75	Additional support to existing A-CAM Rate of Return carriers in exchange for extending broadband service to additional locations.
A-CAM II ¹³	43.84	0.00	43.84	Model support to Rate of Return carriers that currently receive legacy support to fund the deployment of voice and broadband-capable networks in their service territories.
Rural Broadband Experiments (RBE) ¹⁴	0.83	0.00	0.83	Support to Price Cap carriers for experiments for robust broadband infrastructure in rural communities.
Mobility Fund Phase I ¹⁵	23.65	0.00	23.65	Support to wireless carriers for the expansion of mobile broadband networks in unserved areas.
Total Steady State Modernization Funds	\$775.80	\$0.00	\$775.80	

¹² See *Wireline Competition Bureau Announces Offers of Revised A-CAM Support Amounts and Deployment Obligations to Authorized A-CAM Companies to Expand Rural Broadband*, WC Docket No. 10-90, Public Notice, DA 19-115 (WCB 2019).

¹³ 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. 34 (2018) (*December 2018 Rate of Return Reform Order*).

¹⁴ 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).

¹⁵ See *Mobility Fund Phase I Support Authorized for 11 Winning Bids Default on 35 Winning Bids Determined*, Public Notice, 31 FCC Rcd 1721 (WTB 2016); *Tribal Mobility Fund Phase I Support Authorized for Final Fifty-One Winning Bids*, Public Notice, 30 FCC Rcd 2226 (WTB 2015).

<i>(in millions)</i>	3Q2019	Increase/ (Decrease)	4Q2019	Notes
<i>Amounts Paid from Reserve</i>	<i>(77.73)</i>	<i>0.00</i>	<i>(77.73)</i>	Per FCC direction, all disbursements for RBE, Mobility Fund Phase I, and a portion of disbursements for A-CAM I are paid from reserved funds collected in prior years. The ending balance as of June 30, 2019 for reserved funds was approximately \$1.5 billion.
New Requirements – Legacy Funds:				
Budget Control Mechanism Mitigation (FCC 18-176) ¹⁶	66.16	0.00	66.16	Reimburse carriers for 3Q2018 and 4Q2018 budget control mechanism.
<i>Total New Requirements Legacy Funds</i>	<i>\$66.16</i>	<i>\$0.00</i>	<i>\$66.16</i>	
New Requirements – Modernization Funds:				
Revised A-CAM True-Up (FCC 18-176) ¹⁷	33.50	(33.50)	0.00	Retroactive support to January 2019.
A-CAM II True-Up (FCC 18-176) ¹⁸	43.84	0.00	43.84	Retroactive support to January 2019.
<i>Total New Requirements Modernization Funds</i>	<i>\$77.34</i>	<i>(\$33.50)</i>	<i>\$43.84</i>	
Total Program Demand	\$1,397.72	(\$38.60)	\$1,359.12	

¹⁶ See December 2018 Rate of Return Reform Order at para. 83.

¹⁷ See *id.* at para. 29.

¹⁸ See *id.* at para. 58.

ATTACHMENT 2

High Cost Administrative Costs and Headcount
Comparison of Actual Expenditures and Headcount to the Budget for the
Six Months Ending June 30, 2019

<i>(\$ in millions)</i>	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	32	37	5	\$2.37	\$2.82	\$0.45
Professional Services (Note 2)				0.26	1.76	1.50
General & Administrative (Note 3)				0.18	0.24	0.06
Total Direct Program Costs				\$2.81	\$4.82	\$2.01
Direct Assigned Costs						
Employee Expenses	15	18	3	\$1.34	\$1.52	\$0.18
Professional Services (Note 2)				2.35	5.01	2.66
General & Administrative (Note 3)				0.00	0.00	0.00
Total Direct Assigned Costs				3.69	\$6.53	\$2.84
Total Direct Program & Direct Assigned Costs	47	55	8	\$6.50	\$11.35	\$4.85
Common Allocated Costs (Note 4)				\$14.02	\$16.60	\$2.58
Total Programmatic Budget				\$20.52	\$27.95	\$7.43

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

Note 3: General & Administrative expenses include High Cost data collection costs.

Note 4: 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.

A photograph of a man and a child standing in a field of tall grass in front of a large, weathered wooden barn. The man is wearing a dark hoodie and a baseball cap, and the child is wearing a plaid shirt. The background shows rolling hills under a clear sky.

High Cost Business Update

High Cost & Low Income Committee

July 29, 2019



Universal Service
Administrative Co.

Agenda: High Cost

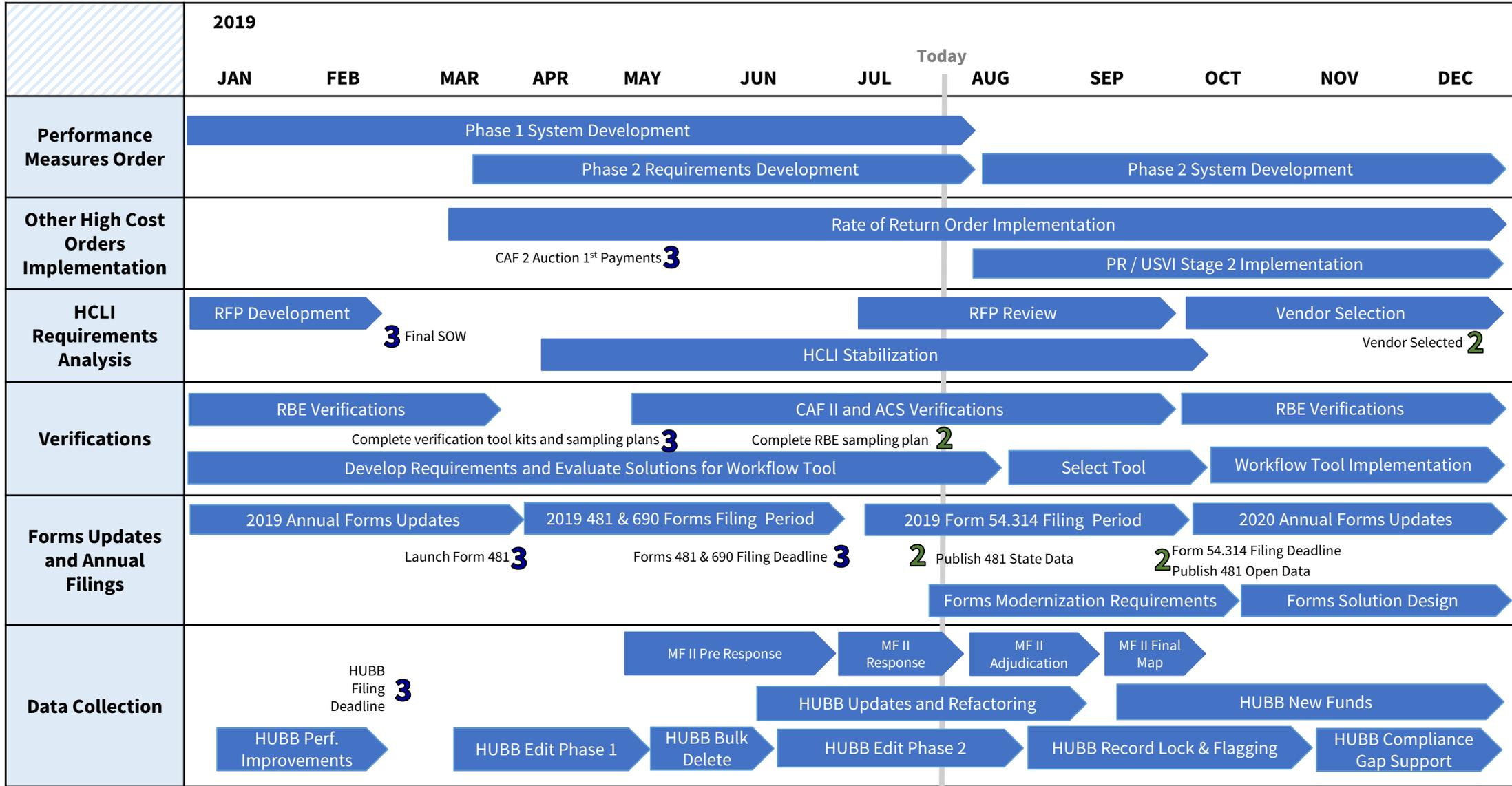
Topic	Description	Purpose	Presenter	Length
Business Update				
Recap	Review of action items and status from previous HCLI Committee Meeting	Informational	Vic	1
High Cost Program at a Glance	Overview of High Cost Activities for 2019	Informational	Vic	15 min
Discussion Topic	High Cost Order Update	Informational	Vic	10 Min
Appendix A	High Cost Glossary of Acronyms	Informational	-	-
Appendix B	2019 2nd Quarter Accomplishments, Planned Activities and Metrics	Informational	-	-

April Board Recap

Action items and updates from previous HCLI Committee meetings

Topic	Requests	Status
High Cost Demand Projections	The Committee requested a more in depth explanation by category of demand.	See item aHCLI02

High Cost Program at a Glance

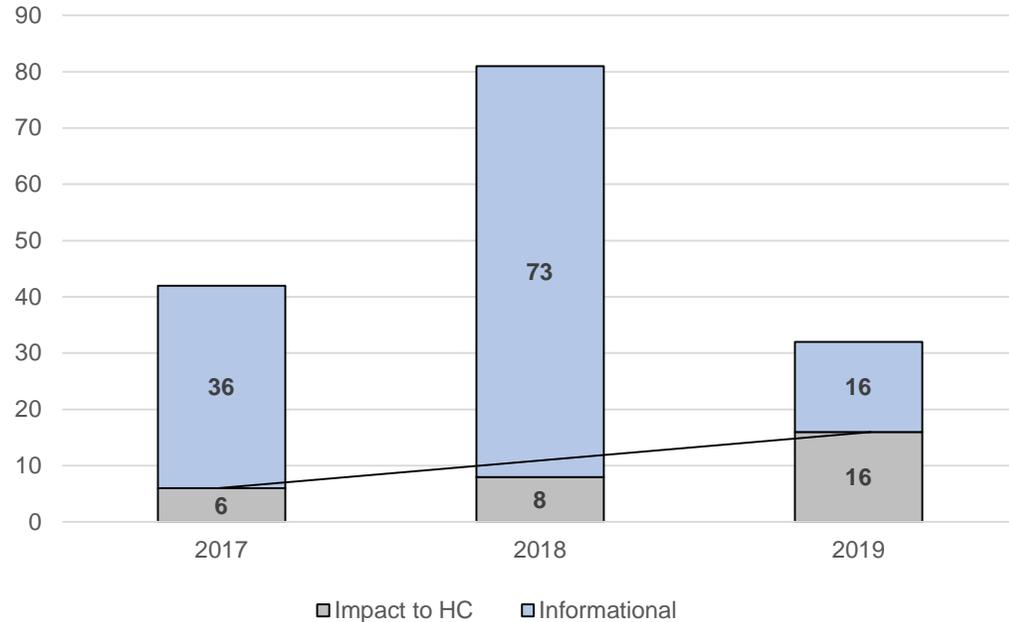


Milestone Legend

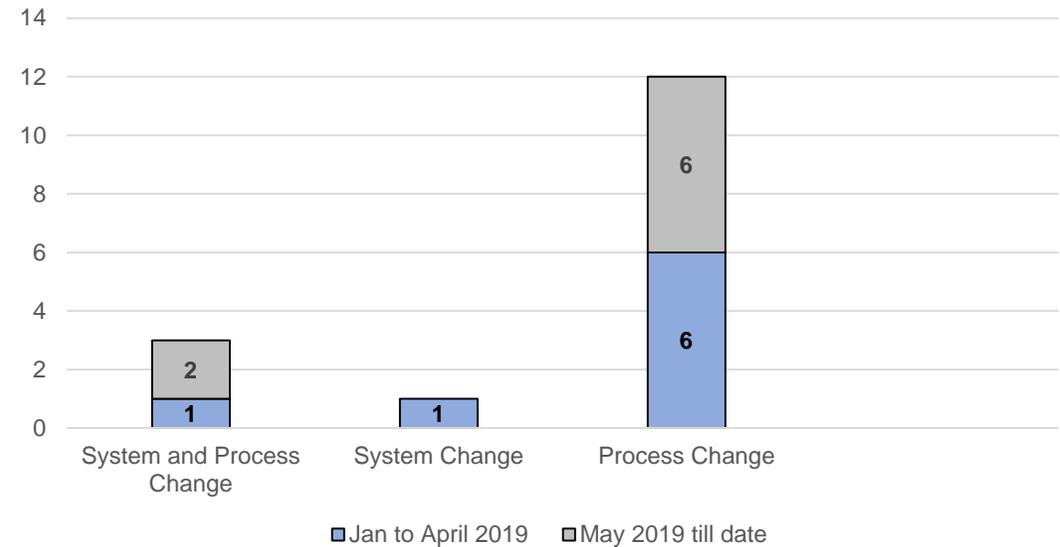
- 3** Completed
- 2** On Track
- 1** At Risk

High Cost Order Updates (Post April Meeting) - 2019

FCC Orders received yearly



FCC Orders and their Impact to HC since April 2019



- ❖ Significant increase in FCC orders that impact HC systems and processes
- ❖ 3 Public Notices for Rate of Reform Orders
- ❖ 4 Ready to Authorize Public Notices for CAF II Auction
- ❖ 1 Modification to Performance Measures Order timeline

High Cost Order Details (Post April Meeting) 2019

Briefing room exclusives and materials discussed in Executive Session

FCC Order/ Mandate	Release Date	Description	Impact to High Cost
DA 19-372	2-May-19	ACAM II (RoR Reform) - WCB releases A-CAM II support to RoR carriers that are still receiving legacy support to fund the deployment of voice and broadband-capable networks in their service territories. Carriers have until June 17, 2019 to indicate, on a state-by-state basis, whether they elect to receive model-based support. (DA 19-504 Extension to July 17, 2019).	Both Process and System Change
DA 19-373	2-May-19	ACAM II - Revised Deployment Obligations (RoR Reform) - WCB announces the posting of information regarding the revised mandatory deployment obligations that will apply to incumbent rate-of-return carriers that decline the A-CAM II offer of model-based support and instead will remain on legacy universal service support mechanisms. Carriers may select one of two methods for determining their deployment obligation that must be fulfilled over a five year period (2019 -2024).	Both Process and System Change
DA 19-403	10-May-19	CAF Phase II Auction - CAF II Auction for 2025 winning bids ready to Authorized - deadline May 24th 2019. HC Support: \$1.49B over 10 Years to provide fixed broadband services to over 700K locations across 45 states.	Process Change
DA 19-414	14-May-19	CAF Phase II Auction - CAF II Auction support authorized for 459 winning bidders	Process Change
DA 19-415	14-May-19	CAF Phase II Auction: WCB announces the beginning of the phase down of legacy high-cost universal service support for price cap carriers and fixed competitive eligible telecommunications carriers after authorization of CAF Phase II Auction Support.	Process Change
DA 19-474	24-May-19	Revised ACAM (RoR Reform) – On April 29, 2019, WCB released a PN (DA 19-474) authorizing 186 rate-of-return companies to receive an additional \$65.7 million annually in A-CAM support. Totah Communications, Inc. (Totah) was omitted from the April 29 authorization PN. The Bureau now authorizes Totah to receive A-CAM support pursuant to the second revised offer.	Process Change
DA 19-455	28-May-19	CAF Phase II Auction - CAF II Support for 8 NY winning bidders Ready to Authorize.	Process Change
DA 19-490	30-May-19	Performance Measures - WCB announces a delay in the requirement to begin testing and reporting of speed and latency results until the first quarter of 2020.	Process Change

Types of “Impacts to High Cost”: (1) System and Process Change (2) System Change (3) Process Change (4) Informational

Appendix A: Glossary of Acronyms

Term	Definition
A-CAM	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.
CAF BLS	Connect America Fund Broadband Loop Support
CAF I	Connect America Fund Phase I
CAF II	Connect America Fund Phase II
CAP	Connect America Portal; system used to manage and track some workflows associated with High Cost operational processes
ETC	Eligible Telecommunication Carrier
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;
LOC	Letter of Credit
MF I	Mobility Fund Phase I
MF II	Mobility Fund Phase II

Appendix A: Glossary of Acronyms (cont'd)

Term	Definition
NECA	National Exchange Carrier Association
OMD	Office of Managing Director. OMD is a component of the FCC that administers and manages the Commission.
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.
RBE	Rural Broadband Experiments
RoR	Rate of Return
SAC	Study Area Code
US Telecom	Trade association that represents telecommunications related businesses in the US
WCB	Wireline Competition Bureau. WCB is a component of the FCC that works to ensure that all Americans have access to robust, affordable broadband and voice services. Its programs help ensure access to affordable communications for schools, libraries, health care providers, and rural and low-income consumers.
WTA	Western Telecom Alliance

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

INFORMATION ITEM

**Appendix B
High Cost Business Update
Q2 2019 Update on High Cost Administration**

Overall Summary from the Q2 2019

Modernization was the top priority for the High Cost program in the second quarter of 2019 and will remain so through the rest of the year. The program is implementing the new *Rate of Return Order*, which includes a revised model offer for existing ACAM carriers. The new order also establishes a new ACAM II fund for legacy rate of return carriers that did not previously elect model support or support pursuant to the Alaska Plan in exchange for meeting defined broadband build-out obligations. It is also implementing the new CAF Phase II Auction fund, which awards support to carriers to deliver service in areas where the incumbent price cap carrier did not accept CAF II model funding in extremely high-cost areas located within the incumbents' service areas.

On the systems front, High Cost continues to design and develop the Performance Measures Module (PMM) to implement the *FCC Performance Measures Order*, which requires carriers to conduct speed and latency testing of CAF-funded networks and report the results to USAC. The compliance team continues its work to verify broadband deployment to a random sample of locations reported in the HUBB as of the March 2019 filing deadline. Specifically, the team is verifying 60 percent deployment milestone data, as of the end of 2018, for recipients of CAF II support, as well as 30 percent milestone data for Alaska Communications Systems (ACS).

In addition, the High Cost team devoted considerable resources in the second quarter to help carriers prepare for and navigate the annual July 1st FCC Form 481/690 filing deadline.

High Cost Program Updates & Accomplishments

- Managed the annual 481/690 filing window, providing extensive training materials (user guide, FAQ, etc.), conducting outreach activities (webinar, email reminders, etc.) and providing customer service and IT support to answer carrier questions and troubleshoot problems. Successful filing window also required concerted push to track certification numbers and follow up with carriers in danger of missing the filing deadline
- Began disbursing revised ACAM support (including retroactive payments), as well as CAF Phase II Auction support, in May
- Announced release of CAF Map version 2.0 at the NTCA Legislative and Policy Conference in April. The updated map reflects broadband deployment completed as of 2018 and reported in the HUBB as of March 2019, and now includes the – Rural Broadband Experiments (RBE) - bringing the total number of funds in the map to five

- Created a new web page for CAF II auction winners, which includes electric co-ops, satellite providers and other entities that may be new to USF. (Page includes detailed instructions on how to draft an acceptable letter of credit)
- Continued developing the system that will enable carriers to report which locations certified in the HUBB have active subscribers for testing purposes (PMM Phase I), as well as the randomization functionality that will select a sample of locations with active subscribers for speed and latency testing
- Continued ongoing discussions with carriers, trade associations and multiple vendors developing solutions to help inform PMM system design and help carriers perform speed and latency testing
- Completed verification sampling plans for the ACS 30 percent milestone and CAF II 60 percent milestone, and announced verifications covering more than a dozen price cap carriers and thousands of CAF II locations certified in the HUBB
- Conducting nearly a dozen RBE reviews to verify that RBE participants are meeting deployment milestones
- Modified the Form 481 filing system to include annual form changes for 2019 and implement new functionality to allow carriers to request confidentiality of specific data
- Implemented HUBB capability to allow carriers to edit location (lat /long) and month/day of deployment for past certified years for individual locations.

Planned Activities for Q3 & Q4

- Making ACAM II payments later this year, following the July 17 deadline.
- Creating new web page and updating existing online content to provide carriers with information about the new *Rate of Return Order*, revised ACAM, and ACAM II
- Planning webinar for CAF II Auction winners to provide information to help them participate successfully in the High Cost program, including information about how to draft an acceptable letter of credit
- Driving toward August launch for PMM Phase I and continuing to design and develop the system that will collect the actual speed and latency data (PMM Phase II), which will go live in 2020.
- Planning a round of PMM Phase I user testing in the third quarter with the stakeholder advisory group of seven “early adopter” carriers that are providing input and feedback throughout the lifecycle of the PMM system design
- Conducting CAF II verifications, working closely with CAF II carriers and ACS to gather evidence and documentation to substantiate deployment to a random sample of locations reported to the HUBB. Similar to last year, carriers may be in default and penalties based on their reported results which would include additional reporting requirements and/or loss of support
- Implementing enhanced HUBB functionality to allow carriers to edit and/or delete data filed with the HUBB in bulk
- Planning to launch a new state access tool that will give state utility commissions access to Form 481 data and HUBB data for their states through one system

- Adding more resources/guidance to the High Cost website to help carriers better understand and prepare for the verification process by sharing lessons learned from the CAF II 40 percent milestone verification work done in 2018.
 - Including information about acceptable documentation that carriers may submit to prove deployment reported to the HUBB, such as examples of customer invoices/bills, network maps, service availability tool screen shots, construction work orders and network testing certificates.

Program Metrics

Metric	Target	Q1	Q2	Variance	Description/mitigation
1 Wireless Road miles build out	63,698	49,140	49,140	14,558	Target Completion is July 2019
2 Wireless Tribal population build out	56,932	42,225	42,225	14,707	On track with verifications, disbursements occurred in 4Q2018.
3 Wireline Locations validated (CAFII)	100%	100.0%	100.0%	0.0%	
4 Wireline Locations Verified (CAFI)	100%			0.0%	CAF I waiver work complete and letters delivered to FCC.
Wireline Locations Verified (CAF II)	100%	100%	0%	100%	Documentation being gathered and progress should be substantial in next month or two.
5 Disbursements completed (\$M) (average for quarter)	1,125	1,142	1,333	-208.0	Disbursements included PPAs not included in forecast. Actuals based on Disbursement cash flow month. Per FCC order 18-176 BCM refund of 201807 to 201901 processed in April disbs.
6 Disbursement cycle time	18 Days	18 Days	17 Days	1 Day	Monthly cycle time disbursement
7 IT Systems availability (%)	99%	100%	100%	1.0%	Availability of HUBB, CAP and HCLI systems.
8 Appeals	N/A	9	3	N/A	High Cost was finalizing one appeal as of 06/30. However, this appeal decision letter was finalized and transmitted to carrier's counsel on 07/02.
9 Call Ctr Abandon Rate (average for quarter)	3%	1%	2%	1%	No calls were abandoned in June.

Key – All items are on track

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

ACTION ITEM

**Approval of Low Income Support Mechanism
4th Quarter 2019 Programmatic Budget and
Demand Projection for the August 2, 2019 FCC Filing**

Action Requested:

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 4th Quarter 2019 (4Q2019) programmatic budget and demand projection for the Low Income Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's August 2, 2019 quarterly filing.

Discussion:

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

Funding Requirement

Based on projected subscribership levels, USAC estimates the 4Q2019 funding requirement for the Low Income Support Mechanism as follows:

¹ See 47 C.F.R. § 54.715(c).

² See 47 C.F.R. § 54.709(a)(3).

Table A. Program Funding Requirement

<i>(in millions)</i>	3Q2019	Increase/ (Decrease)	4Q2019	Notes
Steady State:				
Lifeline	\$263.86	\$(10.31)	\$253.55	See Note 1
Link Up	0.03	0.01	0.04	
New Requirements:				
N/A	0.00	0.00	0.00	
Total Program Demand	\$263.89	\$(10.30)	\$253.59	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	(15.47)	(3.63)	(19.10)	
Billings	0.61	1.12	1.73	
Interest Income	(0.05)	0.02	(0.03)	
Bad Debt Expense	(3.35)	0.13	(3.22)	
Total Prior Period Adjustments	\$(18.26)	\$(2.36)	\$(20.62)	
USAC Administrative Expenses	16.43	0.85	17.28	See Table B
Interest Income	(0.01)	0.01	0.00	
Total Funding Requirement	\$262.05	\$(11.80)	\$250.25	

Note 1: Demand decrease due to decline in subscribership.

The 4Q2019 Low Income Support Mechanism programmatic budget of \$17.28 million represents approximately 27% of the 2019 annual Low Income Support Mechanism programmatic budget of \$64.25 million.

Table B. 4Q2019 Quarterly Programmatic Budget

<i>(in millions)</i>	4Q2019 Budget	Notes
Direct Program Costs		
Employee Expenses	\$1.76	
Professional Services	5.95	
General & Administrative	1.10	See Note 2
Total Direct Program Costs	\$8.81	
Direct Assigned Costs		
Employee Expenses	\$0.93	
Professional Services	3.08	
General & Administrative	0.38	See Note 2
Total Direct Assigned Costs	\$4.39	
Total Direct Program & Direct Assigned Costs	\$13.20	
Common Allocated Costs	\$4.08	
Total Programmatic Budget	\$17.28	

Note 2: General & Administrative expenses include computer support & maintenance, printing & postage, and hardware & equipment.

A comparison of actual expenditures to the budget for the six months ending June 30, 2019 is provided in **Attachment 1**.

Recommendation:

USAC management recommends that the Committee approve the 4Q2019 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 4th Quarter 2019 Low Income Support Mechanism direct program budget of \$13.20 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$13.20 million for Low Income Support Mechanism administrative costs in the required August 2, 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 July 29, 2019 the 4th Quarter 2019 Low Income Support Mechanism demand estimate of \$250.25 million, hereby directs USAC staff to proceed with the required August 2, 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 Committee Chair to make adjustments if the total variance is greater than \$10 million, but not more than \$15 million.

ATTACHMENT 1

Low Income Administrative Costs and Headcount
Comparison of Actual Expenditures and Headcount to the Budget for the
Six Months Ending June 30, 2019

<i>(\$ in millions)</i>	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	41	48	7	\$2.60	\$3.46	\$0.86
Professional Services (Note 3)				4.60	9.11	4.51
General & Administrative (Note 4)				0.21	1.26	1.05
Total Direct Program Costs				\$7.41	\$13.83	\$6.42
Direct Assigned Costs						
Employee Expenses	21	22	1	\$1.81	\$1.86	\$0.05
Professional Services (Note 3)				6.57	6.16	(0.41)
General & Administrative (Note 4)				0.58	0.78	0.20
Total Direct Assigned Costs				\$8.96	\$8.80	\$(0.16)
Total Direct Program & Direct Assigned Costs	62	70	8	\$16.37	\$22.63	\$6.26
Common Allocated Costs (Note 5)				\$6.77	\$7.91	\$1.14
Total Programmatic Budget				\$23.14	\$30.54	\$7.40

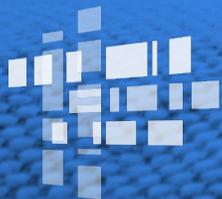
Note 3: Direct Program Professional Services include Lifeline eligibility verifications. Direct Assigned Professional Services include National Verifier (NV) software development, NV operations & maintenance, beneficiary & contributor audit program audits, and IT contract labor.

Note 4: General & Administrative expenses include computer support & maintenance, printing & postage, and hardware & equipment.

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
July 29, 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	2 min
Discussion Topic	National Verifier (NV)	Informational	Michelle	15 min
Informational Topic	Representative Accountability Database (RAD)	Informational	Michelle	3 min
Lifeline Program at a Glance	Overview of Lifeline activities for next 12 months	Informational	-	-
Appendix A	Glossary of Acronyms and Projects	Informational	-	-
Appendix B	Q1 2019 Accomplishments, Planned Activities, and Metrics	Informational	-	-

April Board Recap

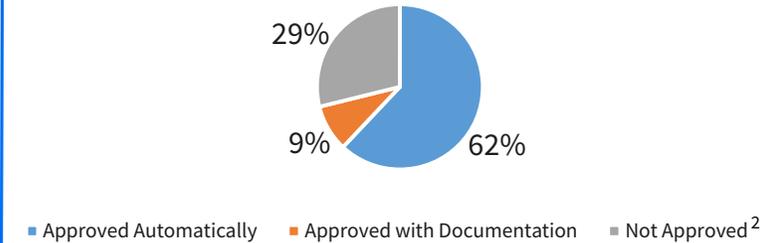
Action items and updates from previous HCLI Committee meetings

Activity	Status	Due Date	Owner
Provide Lifeline service type definitions.	Added to April Lifeline Business Update for posting to USAC website. Now included in Appendix B going forward.	7/29	Lifeline
Adjust demand estimate approach in light of changes in subscribership.	Approach adjusted in the demand paper.	7/29	Lifeline
Provide more public information on CMS progress.	Content will be routinely provided during National Verifier discussions.	7/29	Lifeline
Offer more frequent updates on USAC's progress with National Verifier rollout and issue states.	Content will be routinely provided during National Verifier discussions and shared in more frequent updates to the board members.	Continuous	Lifeline

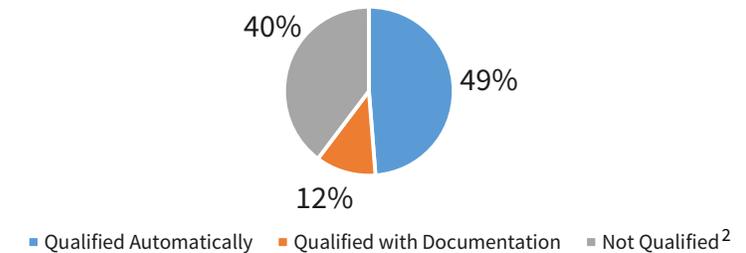
National Verifier: Current Status

- June 18th was the one year anniversary of the National Verifier’s first launch
 - To date, we have launched 38 states/territories, 27 of which are hard launched
- We have fully processed¹ 109k new applications since initial launch
 - 62% of applications were verified eligible by a state or federal database
 - With a state database connection, states averaged 70%
 - In states that only use the HUD connection, it averaged 5%
 - An additional 9% of eligibility was verified through review of documentation
 - 29% submitted unacceptable documentation or no documentation
 - Including NLAD checks, 49% were fully qualified automatically
 - An additional 12% were qualified through documents provided, with the remainder submitting unacceptable or no documentation
 - 56% of the qualified consumers enrolled, or were already enrolled, in NLAD

Eligibility Status Result
(income or participation in qualifying programs)



Overall Qualification Result
(including NLAD checks)



1- Fully Processed means that the window to provide any supporting documentation has closed and if qualified, there has been a 90 day opportunity to enroll.

2 - 'Not Approved' and 'Not Qualified' include both applications that never received an upload and applications that have an unapproved upload.

National Verifier: Implementation Update

USAC continues to work with interested states and territories on potential automated connections.

- Even in launched states, an automated connection is being pursued where possible.
- State agency constraints such as conflicting technical schedules, statutes, or other limitations on prioritization can make it difficult for a state to establish a connection.
- Ultimately, the states must decide whether and when they can establish a connection to the National Verifier.

Nationwide federal connections mitigate this risk.

- USAC continues to use its connection to HUD in all launched states.
- Upon the implementation of a CMS connection, we estimate having at least 60% automation in every state regardless of state database connection availability.
- The CMA with CMS will be published soon. USAC's development is nearly complete and testing will commence soon.
- We continue to work with other federal agencies, such as the Veterans Administration.

USAC is required to launch all states by the end of 2019.

National Verifier: Automated State Database Update

Below are states that have either already implemented an automated state database connection, or who are actively speaking with USAC about the opportunity. These states represent 73% of Lifeline subscribership.

Launched - 38 states/territories

- With Automated State Databases
 - 12 states
 - **21%** of Lifeline Subscribership
 - CO, IA, IN, KY, MI, MO, MS, NC, NM, PA, TN, UT
- Without Automated State Databases, but Discussions in Progress
 - 13 states
 - **18%** of Lifeline Subscribership
 - AK, AZ, GA, KS, ME, NE, NY, NV, VA, VI, VT, WV, WY

Future Launches – 18 states/territories

- Automated State Database Discussions in Progress
 - 10 states
 - **41%** of Lifeline Subscribership
 - AL, CA, FL, MN, OR, PR, SC, TX, WA, WI
- Pursuing Automated State Database Connections but are Unlikely to Connect in 2019
 - 8 states
 - **18%** of Lifeline Subscribership
 - AR, IL, LA, MA, MD, NJ, OK, OH

In all other states, the state has not indicated an interest to pursue an automated connection. These states make up 2% of the Lifeline population.

National Verifier: Automated State Database Challenges

Although discussions are underway, the following states may present challenges for implementation

- AL - Legislation passed in June to enable a connection; project is now kicking off but timing is uncertain.
- PR – While the CMA is effective, we are working through some of the territory’s IT resource constraints.
- CA, TX, OR - USAC and the FCC are working to finalize the expectations of roles and responsibilities, which are potentially more complex in these NLAD Opt-out states.

Below are examples of states that are unlikely to connect in the near term

- MD - Will not have a connection, but may be able to offer assistance with reverification and other ad hoc use.
- LA - Will not connect in 2019, but is open to discussions for achieving connection in 2020.
- OH – Change in state leadership requires USAC to re-establish relationships. The state has not agreed to a connection.
- NY, MA – States have not agreed to a connection.
- NJ, AR, IL, OK – Competing state priorities have delayed communication and progress.

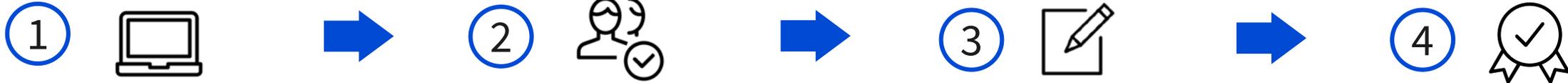
National Verifier: Stakeholder Feedback and Lifeline Response

Feedback	Solution
States with daily batch connections require consumer to return the next day with any required documents	Consumers can upload documents before the result of the batch check in case they are needed
It was not clear what was needed to resolve rejected documentation	Rejection reasons are more clearly specified in the portal
System required user to zoom from a full U.S. map when using the pin drop for unrecognized addresses	Pin drop uses as much address information provided as possible to zoom closer to the likely location
Change of address required a new application	Address changes and validations can be conducted in the portal without full application
It was difficult for consumers to identify next steps in portal	Created a consumer landing page with a dashboard of available tasks
Carriers need more automated access to the National Verifier	Carrier eligibility / status check API development is underway for 2019 deployment
Carriers wish to co-communicate about reverification to encourage consumer response	USAC began notifying carriers at each consumer outreach step for coordination
Enrollments fail with an address that is unable to be standardized by USPS is not entered into NLAD exactly as it was in NV	NV eligibility confirmation on the portal and by mail includes exact residential address so that carriers can enter correctly into NLAD
When name information was not written in the correct fields of the recertification form, the system was unable to validate identity	Pre-population of first name/ last name on paper recertification forms when mailing them to consumers to complete
It was not always clear what form a consumer was looking at when calling customer service	Addition of control numbers on forms, which allows customer service to see exactly what the caller is looking at

RAD: Status

- Implementation Updates
 - RAD implementation kicked off with the opening of registration on June 25th
 - Later phases of RAD including linking accounts to service providers, reports, and RAD registration confirmation processes will be implemented through Q42019
- Communication Updates
 - Outreach to small groups of carriers held throughout April to prepare presentation to all carriers
 - High-level presentation of RAD in the May monthly webinar
 - Updated article included in the May monthly newsletter
 - Series of RAD training sessions and online training videos for service providers began in June
 - RAD registration process training held in June and RAD linking Representative IDs to user accounts training held in July
 - Launch announcement was released in June
- Protecting PII
 - PII collected in RAD will follow the same data security practices as data collected in NLAD
 - RAD is constructed as part of NLAD, and therefore RAD is FISMA accredited as being compliant with NIST standards

RAD: How it works



Register: Available Now!

- Representatives visit the registration website.
- USAC verifies identities and prevents duplicates.
- USAC issues a unique Representative ID.

Link

- Representatives provide Representative ID to service provider(s).
- Any new account created will require a Representative ID and service providers will be able to begin linking Representative IDs to existing accounts. The estimated timeframe for this implementation is late July.

Reports & Lock Outs

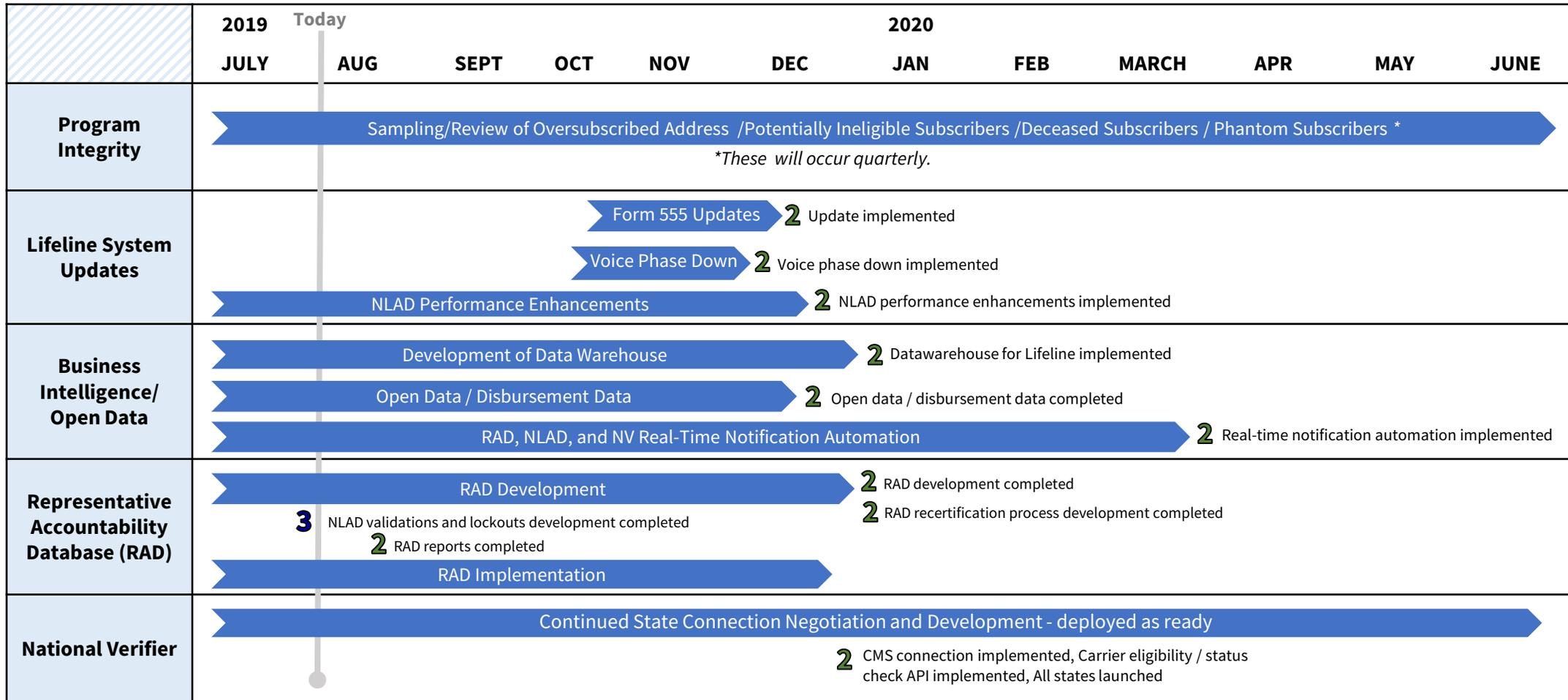
- USAC monitors activity through reporting.
- USAC locks out individual users as needed.
- Carriers are informed of lock outs.

RAD Confirmation:

- Service providers will be regularly asked to confirm that the representatives linked to their company should continue to be linked.

Before RAD is fully implemented in Q4, all existing representatives will need to be linked to a Representative ID.

Lifeline Program at a Glance



Milestone Legend	
3	Completed
2	On Track
1	At Risk

See Appendix B for 2nd quarter accomplishments, planned activities, and metrics.

Q2 Milestones Completed but not shown:

- RAD registration process implemented (June 2019)
- SAC/SPIN alignment implemented (July 2019)
- National Verifier: May hard launch, June soft and hard launches

Note: the milestone dates shown here are projected dates and may be subject to change

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 Senate Committee on Homeland Security and Governmental Affairs requested on September 15, 2017 that USAC and the FCC perform forensic audits of the top 30 eligible telecommunication carriers. This request followed the GAO's 2017 Audit Report. The FCC directed USAC to audit the top 30 Study Area Codes (SACS), which spanned across eight carriers.
National Verifier (NV)	A framework of systems and processes for which roll out is in progress that will conduct eligibility determinations and other functions necessary to enroll subscribers into the Lifeline program, 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	Representative Accountability Database, which is being developed to register and monitor Eligible Telecommunication Carriers' (ETC) representatives who perform transactions in Lifeline systems. The RAD will track the representatives' activities to identify unusual, suspicious 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 is required as a state migrates into the National Verifier. This process differs from recertification because it does not rely upon any self-certification. USAC performs this function unless the carrier opts out and elects to perform this function themselves.
Voice Phase Down	Based on the 2016 Lifeline Order, support for voice service (not bundled with Lifeline qualifying broadband) will be reduced annually beginning on 12/1/2019.

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

INFORMATION ITEM

Appendix B

**Lifeline Business Update
Q2 2019 Update on Lifeline Administration**

Overall Summary from Q2

As of Q2 2019, the National Verifier (NV) is hard launched in 27 states/territories and soft launched in 11 states/territories (38 total). The hard launched states/territories are CO, MS, MT, NM, UT, WY, GU, HI, ID, ND, NH, SD, MO, NC, PA, TN, AK, AS, DC, DE, ME, MP, RI, VI, IN, KY, and MI. The states that were still in soft launch during Q2 are AZ, CT, GA, IA, KS, NE, NV, NY, VA, VT, and WV. In addition, USAC made NV portal enhancements which included: 1) allowing users to optionally and proactively upload eligibility documents for states that have batch automated eligibility confirmation processes, 2) displaying manual review specific rejections reasons on the NV portal, and 3) automatically dropping a pin on the user's location for the NV mapping tool for consumer confirmation when the consumer's address cannot be confirmed through the US Postal Service's address matching system (AMS). During Q2, Lifeline opened the registration functionality for the Representative Accountability Database (RAD) and completed the development for linking representative accounts to carriers, which will be publicly available in the near future. USAC also created and updated training modules about the NV, RAD, and other program information.

Q2 Lifeline Program Updates & Accomplishments

- Soft launched the NV in Arizona, Connecticut, Georgia, Iowa, Kansas, Nebraska, Nevada, New York, Vermont, Virginia, and West Virginia (June 2019).
- Hard launched the NV in Alaska, American Samoa, District of Columbia, Delaware, Maine, Northern Marianas Islands, Rhode Island, and Virgin Islands (May 2019) and Indiana, Kentucky, and Michigan (June 2019).
- Began work on the NV carrier eligibility Application Program Interface (API) system development.
- Completed the USAC portion of Centers for Medicare & Medicaid Services (CMS) NV API development. CMS development still in progress.
- Pre-populated the first name and last name on paper recertification mailed notice forms. This approach will limit forms filled out inaccurately and reduce failures.
- Began developing the revised NV Plan, which will be published July 31st as required by the *2016 Lifeline Order*.
- Opened the RAD registration period on June 25th and continued to communicate next steps to service providers through webinars and office hours.
- Conducted several meetings with new Navajo Nation leadership to brief them on Lifeline and potentially explore a Computer Matching Agreement.

- Began conducting monthly consumer-focused webinars and met with several DC-based consumer advocate groups to begin informing a broader communications strategy to assist consumers in navigating Lifeline more effectively.

Planned Activities for Q3

- Continue reverification efforts in NV states.
- Continue negotiating Computer Matching Agreements with willing states.
- Continue training for representatives attempting to register in RAD.
- Continue development of NV carrier eligibility API and CMS API.
- Continue processing open appeals.

Lifeline Program Trends

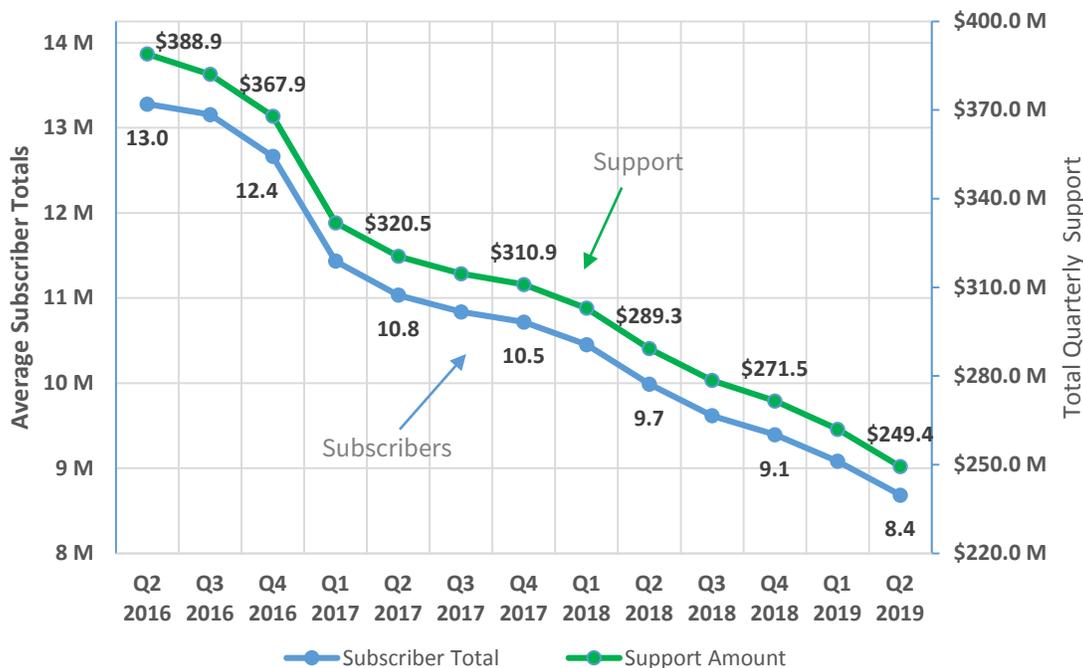
The data below reflects a general drop in Lifeline subscribership and support over the past three years. The *2016 Lifeline Order* states that Lifeline support will be provided only for qualifying broadband services starting December 1, 2021, with a two-year phase down of support for voice-only service or bundles without qualifying broadband service starting December 1, 2019. After December 1, 2021, a reduced voice support amount will be available to an ETC that is the only Lifeline provider in a Census block.

Lifeline Program Service Type Trends

Month	Broadband	Bundled Broadband	Bundled Voice	Bundled Voice & Broadband	Voice
Jun 2019	0.14%	53.02%	28.01%	5.90%	12.94%
May 2019	0.13%	52.37%	28.41%	5.84%	13.25%
Apr 2019	0.13%	52.07%	28.50%	5.86%	13.43%
Mar 2019	0.12%	51.76%	28.43%	6.07%	13.61%
Feb 2019	0.12%	52.13%	27.81%	6.10%	13.84%
Jan 2019	0.11%	51.93%	27.79%	6.14%	14.03%
Dec 2018	0.11%	51.37%	28.07%	6.18%	14.27%
Nov 2018	0.11%	66.68%	6.87%	11.67%	14.68%
Oct 2018	0.11%	67.90%	2.66%	14.26%	15.08%
Sept 2018	0.11%	66.83%	2.88%	14.64%	15.54%
Aug 2018	0.11%	66.32%	3.07%	14.51%	16.00%

- Broadband – Broadband service meeting minimum service standards
- Bundled Broadband – Broadband and voice, but only broadband meeting minimum service standards
- Bundled Voice – Broadband and voice, but only voice meeting minimum service standards
- Bundled Voice & Broadband – Broadband and voice, both meeting minimum service standards
- Voice – Voice service meeting minimum service standards

Lifeline Three-Year Quarter-over-Quarter Subscriberhip & Support Amounts



Program Metrics for Q2

Metric	Target	3Q2018	4Q2018	1Q2019	2Q2019	Variance to Target (most recent)	Comment	
1 Disbursements Completed (\$M)	\$ 272.7	\$ 282.8	\$ 274.7	\$ 270.1	\$ 254.1	\$ (19)	Displays actual disbursements authorized, which includes original claims in the previous data month and prior revisions received. Updated target based on 2Q2019 projected support forecast.	
2 System Uptime (%)	NLAD:	99%	100%	100%	100%	100%	+1.00%	100% uptime in 2Q2019
	LED:	99%	100%	100%	100%	100%	+1.00%	100% uptime in 2Q2019
3 Call Center Abandon Rate	3%	2%	15%	17%	5%	+2%	Abandonment rate in JUN19 increased, due to an increase in calls driven by additional hard launched states and hourly call fluctuations. Calls received increased 18% from MAY19 to JUN19. Staffing increased by approximately 25 PTEs in June and additional 16 FTEs in July to support increasing volumes.	
4 Appeals over 90 days aged	0	82	84	94	97	+97	In 2Q2019, seven appeals aged greater than 90 days, two appeals aged over 90 days were resolved through administrative remedy/withdrawn, one appeal aged over 90 days was denied, and two appeals aged less than 90 days was resolved through administrative remedy/withdrawn.	
5 Appeals Average Age (days)	90	217	277	343	384	+294	Lifeline and OGC are continuing to work on the resolution of open appeals.	
6 Manual eligibility verification (% of total applications w/ manual decisions)	TBD	65%	44%	33%	25%	N/A	Includes NV applications decided using manual documentation review due to failing eligibility database and/or NLAD checks, created within the actuals month. This does not include reverifications.	
7 Average Manual Review Time	Real:	<10 min	15	7	8	6	-5 min	Real time includes all applications received through the portal during business hours, requiring a manual review. Non-Real time includes all applications received outside business hours and all mailed in applications, requiring a manual review.
	Non-Real:	<48 hr			13.9 hr	9.3 hr	-36h 52m	

Key: 1, 2, and 7 - On Track; 4 and 5 - Action Required; 3 - At Risk