



High Cost & Low Income Committee

Briefing Book

Monday, January 27, 2020

2:00 p.m - 5:00 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, January 27, 2020 2:00 p.m. – 5:00 p.m. Eastern Time USAC Offices 700 12th Street, N.W., Suite 900 Washington, D.C. 20005</p>
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<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: 20px;">A. Approval of High Cost & Low Income Committee Meeting Minutes of October 28, 2019</p> <p style="padding-left: 20px;">B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i></p>	5
Chair	<p>a2. Recommendation for Election of Committee Chair and Vice Chair</p>	5
Vic	<p>a3. Approval of High Cost Support Mechanism 2nd Quarter 2020 Programmatic Budget and Demand Projection for the January 31, 2020 FCC Filing</p>	10
Kianna Braxton - Johnson	<p>i1. Information on One UASC Audit and Assurance Division High Cost Support Mechanism Beneficiary Audit Reports</p>	5
Vic Tim	<p>i2. High Cost Business Update</p> <ul style="list-style-type: none"> • October 2019 High Cost Recap • 2019 Accomplishments • High Cost Program Road Ahead • Discussion Topics: <ul style="list-style-type: none"> ○ High Cost Order Updates ○ Performance Measures Update • Q4 2019 Update on High Cost Administration (<i>For Information Only</i>) 	30

<u>HIGH COST EXECUTIVE SESSION</u>		<i>Estimated Duration in Minutes</i>
Confidential – Executive Session Recommended		
Vic	a4. Approval of High Cost Support Mechanism 2020 Annual Programmatic Budget	10
Vic / Craig	i3. High Cost Model Discussion	30

<u>LOW INCOME OPEN SESSION</u>		<i>Estimated Duration in Minutes</i>
Michelle	a5. Approval of Low Income Support Mechanism 2nd Quarter 2020 Programmatic Budget and Demand Projection for the January 31, 2020 FCC Filing.	10
Michelle	i4. Low Income (Lifeline) Business Update <ul style="list-style-type: none"> • October 2019 Lifeline Recap • 2019 Accomplishments, Challenges, and Mitigation • Discussion Topics: <ul style="list-style-type: none"> ○ National Verifier – Application and Reverification Stats ○ Lifeline Fifth Report and Order ○ Lifeline Program Road Ahead ○ National Verifier 2020 Activities • Q4 2019 Update on Low Income Administration (<i>For Information Only</i>) 	35

<u>LOW INCOME EXECUTIVE SESSION</u>		<i>Estimated Duration in Minutes</i>
Confidential – Executive Session Recommended		
Michelle	i5. Low Income (Lifeline) Business Update (<i>continued</i>). <ul style="list-style-type: none"> • Forensic Audits • Carrier Feedback on NV System 	20
Michelle	a6. Approval of Low Income Support Mechanism 2020 Annual Programmatic Budget	10
Chair	i6. <i>Executive Session</i> Discussion with the Committee/Board.	10

Next Scheduled USAC High Cost & Low Income Committee Meeting

Monday, April 27, 2020 2:00 p.m. – 4:30 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 October 28, 2019 (*see Attachment A*).
- B. Approval of moving all *Executive Session* items into *Executive Session*:
 - (1) **a4** – Approval of High Cost Support Mechanism 2020 Annual Programmatic Budget. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC’s *procurement strategy and contract administration*.
 - (2) **i3** – High Cost Model Discussion. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC’s *procurement strategy and contract administration*.
 - (3) **i5** – Low Income (Lifeline) Business Update (*Continued*). USAC management recommends that this item be discussed in *Executive Session* because it involves *specific internal controls or confidential company data*, and *internal rules and procedures* concerning the administration of the universal service support mechanisms; discussion of the matter in open session would result in *disclosure of confidential techniques and procedures* that would compromise program integrity.
 - (4) **a6** – Approval of Low Income Support Mechanism 2020 Annual Programmatic Budget. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC’s *procurement strategy and contract administration*.
 - (5) **i6** – *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 October 28, 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, October 28, 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, October 28, 2019. Mr. Joe Gillan, Committee Chair, called the meeting to order at 2:03 p.m. Eastern Time, with a quorum of 10 of the 11 Committee members present:

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

Member of the Committee not present:

Tinic, Atilla

Other Board members and officers of the corporation present:

Ayer, Catriona – Vice President of Schools and Libraries
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
Hutchinson, Kyle – Vice President, 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:

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>
Abera, Nikki	USAC
Bean, Peter	USAC
Berry, Tamisha	USAC
Bilodeau, Amanda	USAC
Boakye-Gyan, Carol	USAC
Braxton-Johnson, Kianna	USAC
Butler, Stephen	USAC
Calhoun, Mitch	USAC
Fitzpatrick, Leo	Free Press
Goode, Vernell	USAC
Horn, Kathleen	USAC
Hughet, Pam	USAC
James, Christine	USAC
Jarvis, Monica	USAC
Kahn, Sammy	USAC
Lee, James	USAC
Manuel, Jessica	USAC
Miller, Arielle	USAC
Miller, Catie	USAC
Mohammed, Rahana	USAC
Morning, Kimberly	USAC
Nuzzo, Patsy	USAC
O'Donovan, Conor	USAC
Ross, Sherry	USAC
Santana-Gonzales, Jeanette	USAC
Simab, Habib	USAC
Sneed, Matt	USAC
Solemani, Simon	USAC
Sorini, Leah	USAC
Tessler, Joelle	USAC
Tiwari, Tanya	USAC
Ward, Rashonda	USAC
Williams, Romanda	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 July 29, 2019.

B. Approval of Moving all *Executive Session* Items into *Executive Session*:

- (1) **a3** – Consideration of Two Three-Month Contract Options for High Cost Model Operations and Maintenance. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC’s *procurement strategy and contract administration*.
- (2) **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.
- (3) **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.

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 29, 2019; and (2) discussion in *Executive Session* of the items noted above.

- a2. Approval of High Cost Support Mechanism 1st Quarter 2020 Programmatic Budget and Demand Projection for the November 1, 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 1st quarter 2020 programmatic budget and demand projection for the November 1, 2019 FCC filing.

Mr. Feiss requested that in the future, Table B (Quarterly Programmatic Budget) include previous quarter actuals for all programs.

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 2020 High Cost Support Mechanism direct program budget of \$7.75 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$7.75 million for High Cost Support Mechanism administrative costs in the required November 1, 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 October 28, 2019 the 1st Quarter 2020 High Cost Support Mechanism demand estimate of \$1,192.64million, hereby directs USAC staff to proceed with the required November 1, 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. Information on Two USAC Audit and Assurance Division High Cost Support Mechanism Beneficiary Audit Reports.** The Committee received a report with information on two USAC Audit and Assurance Division High Cost Support Mechanism beneficiary audit reports. The report was provided for informational purposes; no discussion was held on this item.
- i2. High Cost Support Mechanism Business Update.** Mr. Gaither and Mr. Kahn presented PowerPoint slides covering the following:
 - a. Recap of Action Items and Updates from Previous Committee Meetings
 - b. High Cost Program at a Glance
 - c. Discussion Topics:
 - High Cost Order Update
 - Overview of CAF Auction II and Eligible Locations Adjustment Process (ELAP)
 - Digital Opportunity Data Collection (DODC)
 - 2019 3rd Quarter Accomplishments (*For Information Only*)

Mr. Mason requested an update on DODC that included performance measures and input given by early adopters.

LOW INCOME OPEN SESSION

- a3. Approval of Low Income Support Mechanism 1st Quarter 2020 Programmatic Budget and Demand Projection for the November 1, 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 1st quarter 2020 programmatic budget and demand projection for the November 1, 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 1st Quarter 2020 Low Income Support Mechanism direct program budget of \$12.09 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$12.09 million for Low Income Support Mechanism administrative costs in the required November 1, 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 October 28, 2019 the 1st Quarter 2020 Low Income Support Mechanism demand estimate of \$175.09 million, hereby directs USAC staff to proceed with the required November 1, 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.

- i3. Information on Two USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Reports.** The Committee received a report with information on two USAC Audit and Assurance Division Low Income Support Mechanism beneficiary audit reports. The report was provided for informational purposes; no discussion was held on this item.
- i4. Low Income Support Mechanism (Lifeline) Business Update.** Ms. Garber presented PowerPoint slides covering the following topics to the Committee for discussion:
- a. Recap of Action Items and Updates from Previous Committee Meetings
 - b. National Verifier (NV):
 - Implementation Update
 - Status of Applications
 - Impact of CMS Connection in Hard Launched States
 - Common Documentation Mistakes

- Automated State Database Update
- c. Lifeline Program at a Glance
- d. Q3 2019 Summary (*For Information Only*)

Ms. Garber reminded the Committee that state computer matching agreements (CMAs) for NV must be updated. The standard term includes an 18-month initial term that also allows for a 12-month extension, after which time, the CMAs would need to be renewed. This would include a comment period and approval by both the FCC and Congress. She also shared that the carrier application programming interface (API) for NV was in the testing phase, and that no date had been established for going live.

At 3:41 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 & LOW INCOME EXECUTIVE SESSION

- i4. **Low Income Support Mechanism (Lifeline) Business Update** (*continued*) – **Program Integrity Update.** Ms. Garber presented PowerPoint slides that covered an update on program integrity.
- a3. **Consideration of Two Three-Month Contract Options for High Cost Model Operations and Maintenance.** Mr. Davis presented this item for consideration. The presentation included a summary slide and written report with information on USAC's proposal to exercise two three-month contract options for High Cost Model Operations and Maintenance (O&M) with CostQuest Associates.

On a motion duly made and seconded, with Mr. Gillan, Mr. Feiss, and Ms. Kinser in opposition, the Board 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 two three-month options from January 1, 2020, through June 30, 2020, and increase the not-to-exceed value of the CostQuest contract by \$225,000, for a total not-to-exceed contract value of \$6,675,000 (plus applicable taxes), subject to required FCC approvals.

At 4:29 p.m. Eastern Time, the Committee continued *Executive Session* with only members of the Board present.

- i5. ***Executive Session Discussion with the Committee/Board.***

HIGH COST & LOW INCOME OPEN SESSION

At 4:30 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 took action on item a3 and discussed items i4 and i5 above.

On a motion duly made and seconded, the Committee adjourned at 4:30 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 28, 2020.

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....¹

On January 29, 2019, the Board elected Joe Gillan as Chair and Olivia Wein as Vice Chair of the High Cost & Low Income Committee.

At their January 27, 2020 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 28, 2020.

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 _____

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

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 2020 Programmatic Budget and
Demand Projection for the January 31, 2020 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 2020 (2Q2020) programmatic budget and demand projection for the High Cost Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's January 31, 2020 quarterly filing.

Discussion:

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

Funding Requirement

Based on data filed by supported carriers and FCC authorizations, USAC estimates the 2Q2020 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>	1Q2020	Increase/ (Decrease)	2Q2020	Notes
Steady State:				
Legacy Funds	\$416.68	(\$0.66)	416.02	Includes HCLS, CAF BLS, and Frozen Price Cap and Competitive ETC Support
Modernization Funds	862.46	(6.55)	855.91	Includes CAF Phase II, CAF Phase II Auction, CAF ICC, Alaska Plan Support, A-CAM I, Revised A-CAM I, A-CAM II, RBE, Mobility Fund Phase I, and Uniendo a Puerto Rico Fund/Connect USVI Fund
Amounts Paid from Reserve	(73.11)	7.08	(66.03)	Disbursements for RBE, Mobility Fund Phase I, and portion of A-CAM I.
Total Steady State	\$1,206.03	(0.13)	\$1,205.90	
New Requirements				
Legacy Funds	16.00	(16.00)	0.00	Budget Control Mechanism Mitigation and Interstate Common Line Support adjustments
Modernization Funds	0.00	0.00	0.00	
Total New Requirements	\$16.00	(\$16.00)	\$0.00	
Total Program Demand	\$1,222.03	(\$16.13)	\$1,205.90	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	(34.26)	32.64	(1.62)	
Billings	(1.65)	(3.58)	(5.23)	
Interest Income	(0.01)	0.01	0.00	
Bad Debt Expense	(9.87)	(2.52)	(12.39)	
Administrative Expense True-Up	(6.23)	6.23	0.00	
Total Prior Period Adjustments	(\$52.02)	\$32.78	(\$19.24)	
USAC Admin Expenses	16.55	(0.21)	16.34	See Table B
Total Funding Requirement	\$1,186.56	\$16.44	\$1,203.00	

The 2Q2020 High Cost Support Mechanism programmatic budget of \$16.34 million represents approximately 25% of the 2020 annual High Cost Support Mechanism programmatic budget of \$65.61 million.

Table B. Quarterly Programmatic Budget

<i>(in millions)</i>	1Q2020	Increase/ (Decrease)	2Q2020	Notes
Direct Program Costs				
Employee Expenses	\$1.64	\$0.01	\$1.65	
Professional Services	2.27	(0.11)	2.16	
General & Administrative	0.13	0.00	0.13	See Note 1
Total Direct Program Costs	\$4.04	(\$0.10)	\$3.94	
Direct Assigned Costs				
Employee Expenses	\$0.77	(\$0.02)	\$0.75	
Professional Services	2.94	(0.11)	2.83	
General & Administrative	0.00	0.00	0.00	See Note 1
Total Direct Assigned Costs	\$3.71	(\$0.13)	\$3.58	
Total Direct Program & Direct Assigned Costs	\$7.75	(\$0.23)	\$7.52	
Common Allocated Costs	\$8.80	\$0.02	\$8.82	
Total Programmatic Budget	\$16.55	(\$0.21)	\$16.34	

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

A comparison of actual expenditures to the budget for the twelve months ending December 31, 2019 is provided in **Attachment 2**.

Recommendation:

USAC management recommends that the Committee approve the 2Q2020 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 2020 High Cost Support Mechanism direct program budget of \$7.52 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$7.52 million for High Cost Support Mechanism administrative costs in the required January 31, 2020 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 27, 2020 the 2nd Quarter 2020 High Cost Support Mechanism demand estimate of \$1,203.00 million, hereby directs USAC staff to proceed with the required January 31, 2020 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>	1Q2020	Increase/ (Decrease)	2Q2020	Notes
Steady State – Legacy Funds:				
High Cost Loop Support (HCLS) ³	\$98.53	\$0.00	\$98.53	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	174.58	0.02	174.60	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	25.49	0.63	26.12	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	118.08	(1.31)	116.77	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	\$416.68	(\$0.66)	\$416.02	

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

Available for Public Use

<i>(in millions)</i>	1Q2020	Increase/ (Decrease)	2Q2020	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	38.70	0.00	38.70	Support to auction winners in areas that Price Cap carriers did not accept CAF Phase II model support and in extremely high cost service areas.
CAF Intercarrier Compensation (ICC) ⁸	98.95	0.53	99.48	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	142.91	0.00	142.91	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; *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*); *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>	1Q2020	Increase/ (Decrease)	2Q2020	Notes
Revised A-CAM ¹¹	16.48	0.00	16.48	Additional support to existing A-CAM Rate of Return carriers in exchange for extending broadband service to additional locations.
A-CAM II ¹²	128.42	0.00	128.42	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) ¹³	0.71	(0.01)	0.70	Support to RBE winners in Price Cap areas for experiments for robust broadband infrastructure in rural communities.
Mobility Fund Phase I ¹⁴	20.65	(7.07)	13.58	Support to wireless carriers for the expansion of mobile broadband networks in unserved areas.
Uniendo a Puerto Rico Fund/Connect USVI Fund	4.14	0.00	4.14	Puerto Rico Fund Support targeted to Puerto Rico carriers to rebuild and improve networks and US Virgin Island Fund Support targeted to Virgin Island carriers to rebuild and improve networks.
Total Steady State Modernization Funds	\$862.46	(\$6.55)	\$855.91	

¹¹ 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).

¹² 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).

¹³ 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).

¹⁴ 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).

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<i>(in millions)</i>	1Q2020	Increase/ (Decrease)	2Q2020	Notes
<i>Amounts Paid from Reserve</i>	<i>(\$73.11)</i>	<i>\$7.08</i>	<i>(\$66.03)</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 December 31, 2019 for reserved funds was approximately \$1.37 billion.
New Requirements – Legacy Funds:				
Interstate Common Line Support	16.00	(16.00)	0.00	Budget Control Mechanism adjustments for September 2016 – December 2016
<i>Total New Requirements Legacy Funds</i>	<i>\$16.00</i>	<i>(\$16.00)</i>	<i>\$0.00</i>	
New Requirements – Modernization Funds:				
<i>Total New Requirements Modernization Funds</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	
Total Program Demand	\$1,222.03	(\$16.13)	\$1,205.90	

ATTACHMENT 2

High Cost Administrative Costs and HeadcountComparison of Actual Expenditures and Headcount to the Budget for the
Twelve Months Ending December 31, 2019

<i>(\$ in millions)</i>	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	35	38	3	\$5.04	\$5.77	\$0.73
Professional Services (Note 2)				0.62	3.52	2.90
General & Administrative (Note 3)				0.58	0.49	(0.09)
Total Direct Program Costs				\$6.24	\$9.78	\$3.54
Direct Assigned Costs						
Employee Expenses	18	18	0	\$2.85	\$3.04	\$0.19
Professional Services (Note 2)				4.89	9.10	4.21
General & Administrative (Note 3)				0.00	0.00	0.00
Total Direct Assigned Costs				\$7.74	\$12.14	\$4.40
Total Direct Program & Direct Assigned Costs	53	56	3	\$13.98	\$21.92	\$7.94
Common Allocated Costs (Note 4)				\$28.50	\$34.33	\$5.83
Total Programmatic Budget				\$42.48	\$56.25	\$13.77

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.

Available for Public Use

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

January 27, 2020



Universal Service
Administrative Co.

Agenda: High Cost

Topic	Description	Purpose	Presenter	Length
Business Update				
October 2019 High Cost Recap	Review of action items and status from previous HCLI Committee Meeting	Informational	Vic	---
2019 Accomplishments	Review of major accomplishments, 2020 look ahead, Risks and Mitigations	Informational	Vic	5 min
High Cost Program Road Ahead	Key Initiatives for 2020	Informational	Vic	5 Min
Discussion Topic 1	High Cost Order Update (Post Oct 2019)	Informational	Vic	5 Min
Discussion Topic 2	Performance Measures Update	Informational	Tim	15 Min
Appendix A	High Cost Glossary of Acronyms	Informational	-	-
Appendix B	FCC Docket Monitoring 2019	Informational	-	-
Appendix C	2019 4 th Quarter Accomplishments, Planned Activities and Metrics	Informational	-	-

October 2019 High Cost Recap

Action items and updates from previous HCLI Committee meetings

Topic	Requests	Status
High Cost Model O&M	Requested additional information on High Cost Model O&M	Material included in Executive Session

2019 Accomplishments Certifications, Disbursements, and Verifications

Certifications

Certification Type	100% Certified
HUBB (54.316)	✓
Form 481 (54.313)	✓
Annual 54.314	✓

Disbursements

Programs	\$M Disbursed (As of Nov 2019)
Legacy Programs	\$1,423.7
Modernized Programs	\$3,288.2
Total Disbursed	\$4,711.9

Verifications

Program (54.316)	Program Target Locations	Locations Due March 1, 2019	Locations Certified ¹	Milestone Verified
CAF Phase II	3,624,343	2,174,557	2,752,839	60% milestone
CAF Phase II - ACS	31,571	9,471	10,348	30% milestone
RBE	36,692	N/A ²	38,971	85% and 100% milestone
CAF BLS	117,117	N/A	163,675	N/A
ACAM	648,630	N/A	328,981	N/A
AK Plan	76,075	N/A	19,253	N/A

¹Certified location data as of December 31, 2019. Approximately 70% of the locations sampled passed verification.

² The RBE program has carrier specific milestone dates and does not utilize a March 1 deadline.

2019 Accomplishments (Contd.)

High Cost Systems

- HUBB Bulk Modification to address US Telecom Request in 10/2019
- Performance Measures
 - Subscriber upload and randomizer development completed in 10/2019 (est. launch 2/2020)
 - Ability for carriers to upload locations with active subscribers into HUBB and generate samples
- State Access Tool completed
 - Form 481 made available to State Commissioners on Form 54.314 made available in 8/2019
 - Tribal access to Form 481 data via the 54.314 system made available in 9/2019
- Open Data made available 9/2019
 - Release of Non-Confidential Form 481 data to the public
 - Form 481 data access to State Commissioners
- CAP (Appian based) workflow tool
 - Streamlined and re-designed the LOC/OOC workflows to enhance user experience
 - 99% of the CAF II Auction received LOC/OOCs are approved (179/181); equates to 1.074 billion dollars in timely disbursement

Outreach

- Created new webpages to explain the Performance Measures Order and the Rate of Return reform order; new and updated fund pages for Revised ACAM, ACAM II, CAF Phase II Auction and CAF-BLS
- Executed user testing for PMM Phase I with all CAF II carriers and early adopters; held series of focus groups/listening sessions with carriers and vendors to shape PMM Phase II requirements; conducted outreach to CAF II carriers to prepare them to start speed and latency testing in 2020
- Conducted extensive outreach to help carriers navigate annual HUBB and certification deadlines

2020 Look Ahead

Briefing book excludes all materials discussed in Executive Session.

Category	Quarters	Description	
Implementations	1Q-4Q	Implement Performance Measures Order	<ul style="list-style-type: none"> ✓ Collect and validate location, subscriber and performance data ✓ Manage Location and Performance certifications ✓ Report and monitor compliance ✓ Perform payment adjustments, withholds, recovery ✓ Leverage Telco / Engineering expertise
	3Q-4Q	Launch ELAP	<ul style="list-style-type: none"> ✓ Collect and validate current and prospective location data and evidence ✓ Verify location data submissions against multiple data sources ✓ Publish Participant served / prospective location data maps ✓ Collect Challenge data and evidence ✓ Adjudicate challenges ✓ Provide reporting and analytics on Participant / Stakeholder process activities
	3Q-4Q	Implement PR/USVI (Stage 2)	<ul style="list-style-type: none"> ✓ Implement new funds (fixed and mobile) ✓ Monitor fixed and mobile provider obligations ✓ Manage annual certification obligations ✓ Administer LOC/OOCs ✓ Build workflows and track build-out obligations / defaults for winning bidders ✓ Govern / oversee ELAP process
	2Q	Develop Strategies to implement National Security Order	<ul style="list-style-type: none"> ✓ Plan and execute Information Collection / Certification related outreach ✓ Gather Certification filing requirements, develop systems , track actual filings, and provide outreach ✓ Develop and implement audit plan
	1Q-2Q	System Enhancements	<ul style="list-style-type: none"> ✓ Record lock and flagging capability to allow carriers to edit/delete verified locations in HUBB ✓ Validation logic for Middle Mile carriers in HUBB ✓ Modification to HUBB to allow a SAC to belong to multiple funds ✓ Support for new funds including obligation data validations and shape files

2020 Look Ahead (Contd.)

Category	Quarters	Description
Operations	1Q-4Q	<ul style="list-style-type: none"> • Collect and validate carrier / subscriber data • Validate location and performance data • Verify accuracy of carrier data • Manage challenges to services • Disburse in an accurate and timely fashion • Monitor compliance gaps • Manage certifications • Manage Projections • Monitor risks, program integrity activities and public interest obligations • Deliver internal / external audits • Manage and track appeals
Outreach / Stakeholder Engagement	1Q-4Q	<ul style="list-style-type: none"> • Conduct outreach to help carriers navigate 2020 HUBB filing deadline • Conduct outreach to help CAF II carriers navigate Performance Measures requirements in 2020 • Share lessons learned from CAF II verification process to upcoming funds / milestones
Outcomes (targeted)	1Q-4Q	<ul style="list-style-type: none"> • Launch Verification activities for CAF II (80% milestone) and ACS (40% milestone); continue to perform RBE reviews (on-going) • Successfully Collect High Cost Certifications (March, July and October 2020); perform in-depth Form 481 validations • Updates to verification templates & procedures

2020 Risks

National Security Order

- Obtaining and implementing feedback / clarifications to USAC questions
- Scoping / Planning outreach given the magnitude of ETCs, Applicants and beneficiaries, including Small Entities
 - Create a formal outreach plan and communications strategy
- Potential different certification mechanisms for each Program
 - Plan Business Capabilities and Iterative approaches for implementation
- Aligning USAC with multiple FCC organizations towards a common outcome
 - Establish and operationalize Governance structure between FCC and USAC
- Potential Litigation and Legislative implications

ELAP

- Validating methodology / evidence involving a plethora of sources provided by carriers for determining eligible locations
- Crowdsourcing (Triage challenges, validate/verify challenges, notify carriers)
- Adjudication Requirements

Performance Measures

- Managing multiple layers of compliance (Deployment, Performance testing, Self Certification)

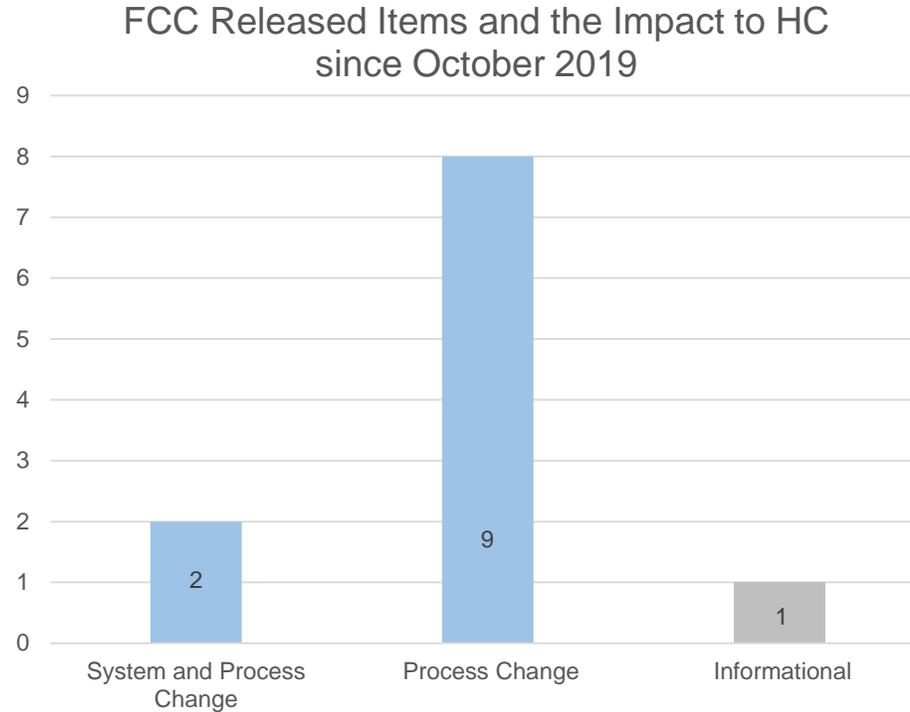
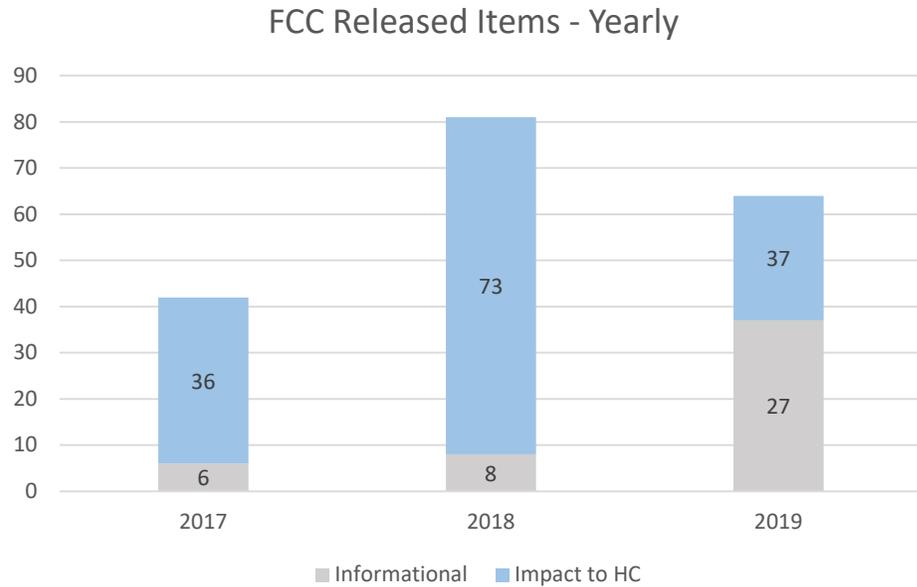
High Cost Program Road Ahead

Milestone Legend	
3	Completed
2	On Track
1	At Risk

2020	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC		
New Orders														
CAF Auction	Payment Processing													
PR / USVI	Payment Processing									Data Collection Development				
ELAP	Phase 1 Development								Phase 2 Development					
(DRAFT) RDOF											Data Collection Development			
New Procurements														
Risk Assessment	Vendor Selec. 2 Vendor Selected													
HCLI Requirements	Vendor Selec. 2 Vendor Selected													
CostQuest						Vendor Selec.								
Public Obligations	Complete verification tool kits and sampling plans 2					Complete RBE sampling plan 2								
CAF Verifications	RBE Verifications				CAF II and ACS Verifications						RBE Verifications			
Performance Measures	CAF 2 Pretest			CAF 2 Pretest			CAF 2 Performance Testing							
Forms														
481, 690, 54.314	2020 Annual Form Updates				2020 481 & 690 Filing Period				2020 54.314 Filing Period				2021 Annual Forms Updates	
	Launch Form 481 2				Forms 481 & 690 Filing Deadline 2				Publish 481 State Data 2				Form 54.314 Filing Deadline 2	
Data Collection														
HUBB	New Funds	Record Lock & Flag			Compliance Gap			Technology, Latency & Tribal Tracking			New Funds			
	HUBB Filing Deadline 2													
MF II											On Hold			

Note: Refer to Appendix C for 4th quarter accomplishments, planned activities and metrics.

High Cost Order Updates (Post Oct 2019 Meeting)



- ❖ Increase in FCC releases that impact HC processes
- ❖ 1 - Major New Significant Order: Protecting the Communications Supply Chain Order (FCC 19 – 121)
- ❖ 1 - Order establishing procedures to ensure swift and efficient administration of the CAF Phase II Auction Eligible Locations Adjustment Process (ELAP)

Performance Measures Update

Background

- Performance Measures Order requires carriers to test the speed and latency of service subscribers are receiving at deployed, Universal Service funded locations
- Next step is the verification process to ensure funding is used to provide the obligated service based on the specific program
- Order on Reconsideration released on October 31, 2019 – adopting a pre-test period, staggering the start of testing by programs with CAF 2 going first, plus clarifying and simplifying a number of questions around the testing process
- Performance Measures system functionality being developed in two parts
 - Subscriber collection and random sample generation
 - Performance speed and latency data collection with compliance gap calculation

Performance Measures Update

Current Update

- Outreach to carriers during initial requirements development to collect feedback on process
- Subscriber collection and random sample generation functionality completed in 3rd quarter
- Friendly user trial conducted with Stakeholder Advisory Committee members plus CAF 2 carriers
- Launch of Pre-Test for CAF 2 carriers scheduled for February 4, 2020
- Development of performance data collection functionality on track for April 2, 2020
- First Pre-Test data submission for CAF 2 carriers due first week of April, 2020
- Continued outreach to Rate of Return carriers to share lessons learned during CAF 2 Pre-Test

Appendix A: Glossary of Acronyms

Term	Definition
ACS	Alaska Communications Systems
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. Revised ACAM and ACAM II are related support offers.
CAF BLS	Connect America Fund Broadband Loop Support.
CAF	Connect America Fund. Phase CAF I, CAF II, CAF Phase II Auction and Rural Digital Opportunities Fund (RDOF) are related support programs.
CAP	Connect America Portal; system used to manage and track some workflows associated with High Cost operational processes.
DODC	Digital Opportunity Data Collection
ELAP	Eligible Locations Adjustment Process (ELAP)
ETC	Eligible Telecommunication Carrier.
HCLI	High Cost Low Income; 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, track progress toward obligations/milestones, and collect annual certifications of deployments for CAF-support programs.
IDVs	In-Depth Validations.
LOC /OOC	Letter of Credit / Opinion of Counsel

Appendix A: Glossary of Acronyms (cont'd)

Term	Definition
MFI	Mobility Fund Phase I. MFII is a pending, related program.
NECA	National Exchange Carrier Association
OMD	Office of Managing Director. OMD is the office within 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.
RDOF	Rural Digital Opportunity Fund
RoR	Rate of Return.
SAC	Study Area Code.
US Telecom	Trade association that represents telecommunications related businesses in the US.
WCB	Wireline Competition Bureau. The Wireline Competition Bureau 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

Appendix B: All FCC Docket Monitoring - 2019 (Post Oct 2019 Meeting)

FCC Order/ Mandate	Release Date	Description	Impact to High Cost
DA 19-1030	10/10/2019	Connect America Fund Phase II Auction Support Authorized for 387 Winning Bids Public Notice: Support for the winning bids is identified in Attachment A of this Public Notice	Process Change
DA 19-1050	10/18/2019	Mid-Hudson ETC Designation Order: Designation is conditioned upon and limited to Mid-Hudson's authorization to receive Connect America Fund support awarded in coordination with New York's New NY Broadband Program.	Process Change
DA 19-1155	11/7/2019	Mobile Stage 2 Election Deadline Public Notice: The deadline for the election of Stage 2 mobile support is 6:00 p.m. on December 9, 2019.	Process and Systems
DA 19-1165	11/12/2019	Use proper name Eligible Location Adjustment Order (or ELAP): WCB establishes procedures to ensure swift and efficient administration of the CAF II Auction Eligible Locations Adjustment Process.	Process Change
DA 19-1170	11/13/2019	CAF II Auction Support Authorized For 66 Winning Bids Public Notice: WCB, in conjunction with RBATF and OEA, authorize \$13,468,201.20 in CAF II (Auction 903) support for the winning bids identified in Attachment A of this Public Notice.	Information
DA 19-1204	11/22/2019	Red Spectrum Designated as an ETC in CAF-Eligible Areas in Idaho Order: Designation is conditioned upon and limited to Red Spectrum's authorization to receive Connect America support awarded through the Connect America Fund Phase II Auction and effective only upon such authorization.	Process Change
FCC 19-121	11/26/2019	Protecting the Communications Supply Chain Order : Establishes a rule that prospectively prohibits the use of USF funds to purchase or obtain any equipment or services produced or provided by a covered company posing a national security threat to the integrity of communications networks or the communications supply chain.	Process and Systems
DA-19-1227	12/2/2019	Hubb Deadline Waiver Order: WCB addresses several petitions requesting waiver of the March 1, 2018 deadline to upload and certify geocoded location information data with the Universal Service Administrative Company through the High Cost Universal Broadband portal.	Process Change
DA 19-1237	12/5/2019	Urban Rate Survey Public Notice: WCB and the OEA announce the 2020 reasonable comparability benchmarks for fixed voice and broadband services for eligible telecommunications carriers subject to broadband public interest obligations.	Process Change
DA-19-1242	12/6/2019	NECA Annual Average Schedule HCLS Formula Public Notice: Telecommunications Access Policy Division approves the National Exchange Carrier Association, Inc. annual average schedule company high-cost loop support formula.	Process Change
DA-19-1276	12/16/2019	FCC Authorizes \$89.2 Million for Rural Broadband in 21 States Public Notice: Eighth Round of Funding from Connect America Fund America Auction starts this month and includes 21 states.	Process Change
DA-19-1295	12/18/2019	WCB considers RBE waiver of Lake County, MN and NE Rural Services seek to relinquish status as rural broadband experiments USF recipients in certain study areas.	Process Change

Impact on High Cost: (2) Process & Systems Change (9) Process Change (1) Informational

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

INFORMATION ITEM

**Appendix C
High Cost Business Update
Q4 2019 Update on High Cost Administration**

Overall Summary from Q4 2019:

In the fourth quarter, USAC's High Cost Division (High Cost) continued to implement a series of FCC modernization orders that are driving the ongoing transition from legacy voice programs to the broadband-focused Connect America Fund (CAF).

Disbursements

- Paid out support for several new funds created by the *2018 Rate of Return Reform Order* to shift more carriers from legacy cost-based funding mechanisms to model-based support with expanded broadband deployment obligations. Those include Revised Alternative Connect America Model (ACAM) and ACAM II, both launched in 2019.
- Continued to implement the new CAF Phase II Auction fund, which awards support to carriers to deliver service in areas where the incumbent carrier did not accept CAF II Model funding and in extremely high cost areas.
- Began preparations to implement Stage 2 of the Uniendo a Puerto Rico/Connect USVI Fund, which will use a reverse auction to invest roughly \$890 million in advanced fixed and mobile networks designed to withstand future storms in Puerto Rico and the Virgin Islands.

Systems

- In response to carrier requests, implemented new HUBB functionality to let carriers edit and/or delete certified broadband deployment data on a bulk basis.
- Continued work to modify the HUBB to add ACAM II and CAF Phase II Auction to the system and update the validation logic for Alaska Plan middle mile filings – both in time for the March 2020 deadline for carriers to file 2019 deployment data.
- Continued development of a new system to implement the *Performance Measures Order*, which will require carriers to conduct speed and latency testing of CAF-funded networks to ensure that carriers are meeting public interest obligations and delivering the same quality of service to rural customers as urban customers.
 - Conducted extensive end-user testing with all CAF II Model carriers and early adopter carriers to gather feedback on system functionality ahead of the upcoming launch of the first phase of the Performance Measures Module (PMM). PMM Phase I will let carriers identify which locations certified in the HUBB have active subscribers for testing purposes and generate a random sample for testing.
 - Continued development of PMM Phase II, which will collect the actual test data.

Available for Public Use

- Provided state and tribal access to FCC Form 481 data filed by carriers as of July 2019 and collected 100 percent of annual 54.314 certifications of eligible telecommunications carriers (ETCs) from state utility commissions and carriers that self-certify.
- Began compiling requirements for a system to support the new Eligible Locations Adjustment Process (ELAP), which will let CAF II Auction winners submit evidence to adjust deployment obligations in eligible areas where the total number of actual locations is less than the number of funded locations.

Compliance

- Completed test work to verify deployment to a random sample of locations reported in the HUBB as of March 2019 by: (1) CAF II Model carriers, which faced a 60 percent deployment milestone as of the end of 2018 and (2) Alaska Communications System (ACS), which faced a 30 percent milestone. Closed out verification reviews for 11 of 12 CAF II holding companies.
- Conducted ongoing Rural Broadband Experiments (RBE) verifications.
- Geared up for verification of the year-end 2019 deployment milestones for CAF II carriers (80 percent milestone) and ACS (40 percent milestone).
- Reviewed accuracy of FCC Form 481 certifications provided by carriers by requesting supporting documentation for rate comparability, evaluating financial statement submissions, and checking compliance with tribal engagement requirements.

Outreach

- Launched a new High Cost website, with new pages to explain the *Performance Measures Order* and *2018 Rate of Return Reform Order*, as well new fund pages for ACAM, CAF-Broadband Loop Support (BLS), Revised ACAM and ACAM II.
- Ramped up HUBB outreach activities ahead of annual March filing deadline, with updated training materials (online resource page, FAQ, user guide, etc.), industry presentations, webinar and customer service and call center support. Updated content and presentations reflect new bulk edit/delete functionality in the HUBB and new *Rate of Return Order* with new funds (Revised ACAM, ACAM II, CAF II Auction, etc.).
- Created online resources and training materials to explain performance measures testing requirements and began direct outreach to CAF II carriers to prepare them to conduct testing starting in 2020.
- Conducted extensive end-user testing with all CAF II Model carriers and early adopter carriers to gather feedback on system functionality ahead of PMM Phase I launch.
- Delivered successful presentations about the HUBB, the verification process, and *Performance Measures Order* at several industry conferences, including the NECA Expo and the Montana Telecom Association.

High Cost Program Q1 2020 Planned Activities:

In the first quarter of 2020, High Cost plans to:

- Add ACAM II and CAF Phase II Auction to the HUBB and update the validation logic for Alaska Plan middle mile filings ahead of annual March filing deadline.
- Continue outreach to help carriers navigate the March 2020 HUBB filing deadline with updated HUBB training materials, industry presentations, customer service/call center support and webinar scheduled for January.
- Reach out to Alaska Plan carriers about middle mile filings in the HUBB. Activities to include webinar with Alaska Telephone Association.
- Reach out directly to CAF II carriers to prepare them to conduct speed and latency pretesting and actual testing starting in 2020 in order to comply with the *Performance Measures Order*.
- Launch PMM Phase I, which will let carriers identify which locations certified in the HUBB have active subscribers and generate a random sample for speed and latency testing.
- Continue development on PMM Phase II, which will collect actual speed and latency test data.
- Develop online guide to provide overview of vendors offering solutions to help carriers conduct speed and latency testing to comply with the *Performance Measures Order*.
- Finalize CAF II and ACS verification review project closure report for FCC, and provide verification results to Ops Team and FCC to support implementation of compliance gap process and penalties.
- Prepare for upcoming verifications of 80 percent deployment milestone for CAF II carriers and 40 percent milestone for ACS.
- Add more information to the compliance webpage to share lessons learned from the CAF II verification process, including a section listing examples of documentation that carriers can supply to prove deployment to locations reported in the HUBB (i.e. customer bills, screen shots of service availability tools, etc.), along with generic sample documents for carriers to view.
- Stand up new PRVI Fund and begin disbursing support (i.e. PR/VI Stage 2 Mobile).
- Create new PR/VI fund page for High Cost website
- Deliver High Cost presentations at NTCA and WTA spring meetings.

Program Metrics:

	Metric	Target	Q1	Q2	Q3	Q4	Variance	Description/mitigation
1	Wireless Road miles build out	63,698	49,140	49,140	49,140	49,762	-13,936	Target Completion August 2020.
2	Wireless Tribal population build out	56,932	42,225	42,225	42,225	42,225	-14,707	On track with verifications, disbursements occurred in 4Q2018.
3	Wireline Locations validated (CAFII)	100%	100.0%	100.0%	100.0%	100.0%	0.0%	
4	Wireline Locations Verified (CAFI)	100%					0.0%	CAFI waiver work complete and letters delivered to FCC.
	Wireline Locations Verified (CAF II)	100%	100%	0%	64%	100%	0%	CAF II wireline verifications were completed in November.
5	Disbursements completed (\$M)	1,220	1,142	1,333	1,328	1,290	69.6	Disbursements included PPAs not included in forecast. Actuals based on cash flow months 2019.
6	Disbursement cycle time	18 Days	18	18	18	17	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	2	2	N/A	Last appeal of audit findings received on 8/1/2019.
9	Call Ctr Abandon Rate	3%	1%	4%	2%	3%	0%	No calls were abandoned in November.

*Q4 disbursements include preliminary amounts (not final) for December.

Key – All items are on track

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

ACTION ITEM

**Approval of Low Income Support Mechanism
2nd Quarter 2020 Programmatic Budget and
Demand Projection for the January 31, 2020 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 2020 (2Q2020) programmatic budget and demand projection for the Low Income Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's January 31, 2020 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 2Q2020 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>	1Q2020	Increase/ (Decrease)	2Q2020	Notes
Steady State:				
Lifeline	\$204.37	(\$5.76)	\$198.61	See Note 1
Link Up	0.06	0.00	0.06	
New Requirements:				
N/A	0.00	0.00	0.00	
Total Program Demand	\$204.43	(\$5.76)	\$198.67	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	(34.24)	(179.10)	(213.34)	See Note 2
Billings	0.54	(1.32)	(0.78)	
Interest Income	(0.03)	0.01	(0.02)	
Bad Debt Expense	(2.53)	0.25	(2.28)	
Administrative Expense True-Up	(10.14)	10.14	0.00	
Total Prior Period Adjustments	(\$46.40)	(\$170.02)	(\$216.42)	
USAC Administrative Expenses	17.06	0.69	17.75	See Table B
Total Funding Requirement	\$175.09	(\$175.09)	\$0.00	

Note 1: Demand decrease due to decline in subscribership.

Note 2: Disbursements prior period adjustment increase due to recoveries.

The 2Q2020 Low Income Support Mechanism programmatic budget of \$17.75 million represents approximately 25% of the 2019 annual Low Income Support Mechanism programmatic budget of \$69.77 million.

Table B. Quarterly Programmatic Budget

<i>(in millions)</i>	1Q2020 Budget	Increase/ (Decrease)	2Q2020 Budget	Notes
Direct Program Costs				
Employee Expenses	\$2.10	(\$0.06)	\$2.04	
Professional Services	5.24	0.65	5.89	
General & Administrative	0.52	(0.02)	0.50	See Note 3
Total Direct Program Costs	\$7.86	\$0.57	\$8.43	
Direct Assigned Costs				
Employee Expenses	\$0.91	(\$0.03)	\$0.88	
Professional Services	3.10	0.12	3.22	
General & Administrative	0.22	0.02	0.24	See Note 3
Total Direct Assigned Costs	\$4.23	\$0.11	\$4.34	
Total Direct Program & Direct Assigned Costs	\$12.09	\$0.68	\$12.77	
Common Allocated Costs	\$4.97	\$0.01	\$4.98	
Total Programmatic Budget	\$17.06	\$0.69	\$17.75	

Note 3: General & Administrative expenses include computer support & maintenance, postage, and meetings & conferences.

A comparison of actual expenditures to the budget for the twelve months ending December 31, 2019 is provided in **Attachment 1**.

Recommendation:

USAC management recommends that the Committee approve the 2Q2020 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 2020 Low Income Support Mechanism direct program budget of \$12.77 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$12.77 million for Low Income Support Mechanism administrative costs in the required January

31, 2020 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 27, 2020 the 2nd Quarter 2020 Low Income Support Mechanism demand estimate of \$0.00 million, hereby directs USAC staff to proceed with the required January 31, 2020 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
Twelve Months Ending December 31, 2019

(\$ in millions)	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	50	48	(2)	\$5.96	\$6.99	\$1.03
Professional Services (Note 4)				10.28	20.11	9.83
General & Administrative (Note 5)				0.51	3.21	2.70
Total Direct Program Costs				\$16.75	\$30.31	\$13.56
Direct Assigned Costs						
Employee Expenses	19	22	3	\$3.64	\$3.73	\$0.09
Professional Services (Note 4)				11.89	12.32	0.43
General & Administrative (Note 5)				1.03	1.54	0.51
Total Direct Assigned Costs				\$16.56	\$17.59	\$1.03
Total Direct Program & Direct Assigned Costs	69	70	1	\$33.31	\$47.90	\$14.59
Common Allocated Costs (Note 6)				\$13.77	\$16.35	\$2.58
Total Programmatic Budget				\$47.08	\$64.25	\$17.17

Note 4: 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.

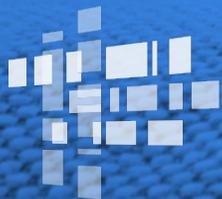
Note 5: General & Administrative expenses include computer support & maintenance, printing & postage, and hardware & equipment.

Note 6: 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.

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Lifeline Business Update

High Cost Low Income Committee
January 27, 2020



Universal Service
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Agenda: Lifeline

Topic	Description	Purpose	Presenter	Length
October 2019 Lifeline Recap	Review of action items and status from previous HCLI Committee meeting.	Informational	Michelle	1 min
2019 Accomplishments, Challenges, and Mitigation	Highlighted 2019 achievements.	Informational	Michelle	5 min
Discussion Topic	National Verifier: application and reverification stats.	Informational	Michelle	10 min
Discussion Topic	Lifeline Fifth Report and Order.	Informational	Michelle	10 min
Lifeline Program Road Ahead	Overview of Lifeline activities for next 12 months.	Informational	Michelle	5 min
National Verifier 2020 Activities	Focus areas for the National Verifier in 2020.	Informational	Michelle	5 min
Appendix A	Glossary of Acronyms and Projects.	Informational	-	-
Appendix B	Q4 2019 Accomplishments, Q1 2020 Planned Activities, and Metrics.	Informational	-	-

October 2019 Lifeline Recap

Action items and updates from previous HCLI Committee meetings

Activity	Status	Due Date	Owner
National Verifier: Document Submission Stats	Content provided in this slide deck.	1/27	Lifeline
National Verifier: 2020 Focus	Content provided in this slide deck.	1/27	Lifeline

2019 Accomplishments

- **Delivered on the 2016 Lifeline Order's expectation to launch the National Verifier (NV) in all states, and territories by December 31, 2019.**
38 hard launched / 18 soft launched; 15 state database connections¹/ 2 federal; 1.4m applications received in 2019.
- **Achieved 67% overall automated eligibility pass rate by adding the CMS Medicaid connection.**
58% automated eligibility pass rates where there are no state databases.
- **Met carrier requests for a streamlined and integrated application experience through new NV carrier APIs.**
First application received on 12/11; 150,000 applications received via API through 12/31.
- **Modernized the Lifeline disbursement systems to ensure compliance, reduce O&M, and increase automation.**
Reduced Lifeline internal system databases from five to two, ensured FISMA compliance, automated 25 disbursement business validations.
- **Increased visibility to carrier representative activity by releasing the RAD.**
4,626 representatives registered through 12/31.
- **Met the requirements of the 2016 Lifeline Order to reduce voice support beginning December 1, 2019.**
Services that do not meet the broadband minimum service standards are reimbursed at \$7.25 per month.
- **Centralized critical Lifeline program administration documentation for easy staff access and use**
Implemented Knowledge Management system within Lifeline and with BPO.

¹ This refers to the states that the NV connected to. State database connections are also used during the eligibility process in NLAD Opt-Out states (OR and TX).

2019 Challenges and Mitigations

Scaling up to support National Verifier volumes.

- Opened second Lifeline Business Process Outsource vendor location.
- Focused resources on the pursuit of a nationwide Medicaid connection with CMS to reduce manual volumes.
- Added USAC staff to perform processing alongside our BPO.
- Resulted in all critical service levels being met as of Q4.

Establishing automated database connections in states and territories.

- Continued routine engagement with the National Association of Regulatory Utility Commissioners to encourage partnership.
- Focused resources on the pursuit of a nationwide Medicaid connection with CMS to offset lower automation at the state level.
- Resulted in an overall 67% automated eligibility pass rate.

Carriers desired more automated access to the National Verifier.

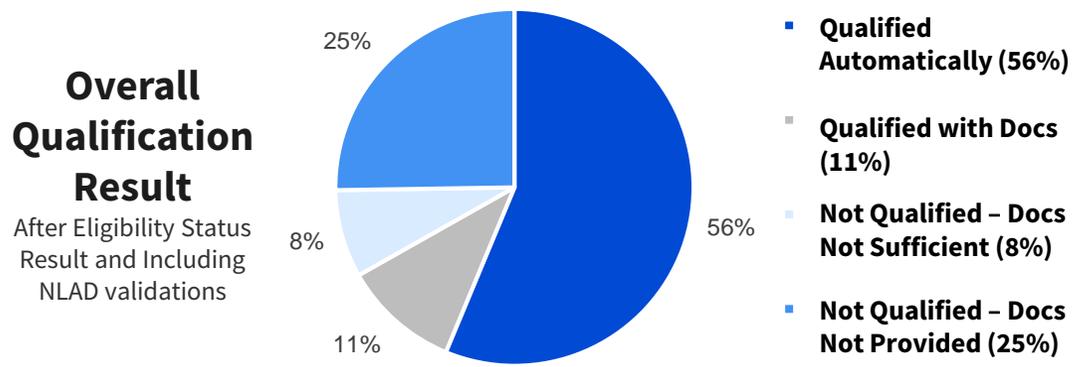
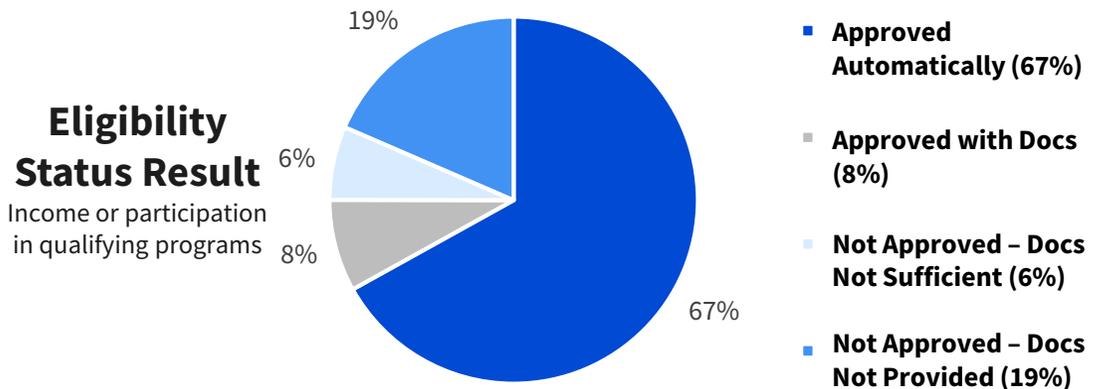
- Launched the carrier API allowing service providers to directly integrate their systems with the National Verifier.

Confusion around changing Lifeline Program rules and processes.

- Continued our 38 training sessions, 12 monthly webinars, bulletins, 12 monthly newsletters, and 21 office hours.
- Implemented new engagement such as consumer advocate training, consumer advocate working groups, and Lifeline provider calls.

National Verifier: Status of Applications

440,551 applications received from 4Q2018 – 3Q2019 have been fully processed¹. Results are shown below.



Data shown largely reflects a period prior to the CMS connection, which was launched on September 17th.

- 75% of all applicants were found eligible, 67% automatically, and 8% by uploading sufficient documentation.
- 67% of all applicants were found overall qualified to enroll after NLAD validations were performed.
- Of those qualified to enroll, 53% enrolled or were already enrolled.
- Overall, 33% are unable to enroll because they did not qualify due to failure to submit documentation or insufficient documentation submitted.

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

National Verifier: Current Status of Reverification

The data below includes subscribers who were checked against the new CMS connection. Subscribers who are pending are subject to document review because they were not passed automatically by checking databases.

	Launch 1	Launch 2	Launch 3	Launch 4	Launch 5	Launch 6	Total
Number of subscribers in Reverification	273,083	40,211	893,081	92,851	608,564	1,424,977	3,332,767
Qualified	230,714	22,535	764,072	70,702	489,165	948,055	2,525,243
Pending	14,162	17,057	74,094	22,149	119,399	476,922	723,783
De-enrolled for reverification	28,207	619	54,915	-	-	-	83,741
Preliminary Reverification Pass Rate	84%	56%	86%	76%	80%	67%	76%

Note: These figures are subject to change throughout the reverification process and will not be final until reverification is complete for a launch.

Fifth Report and Order

On November 14, 2019 the FCC released a Lifeline Order to strengthen the Lifeline program and increase USAC's ability to combat waste, fraud, and abuse.

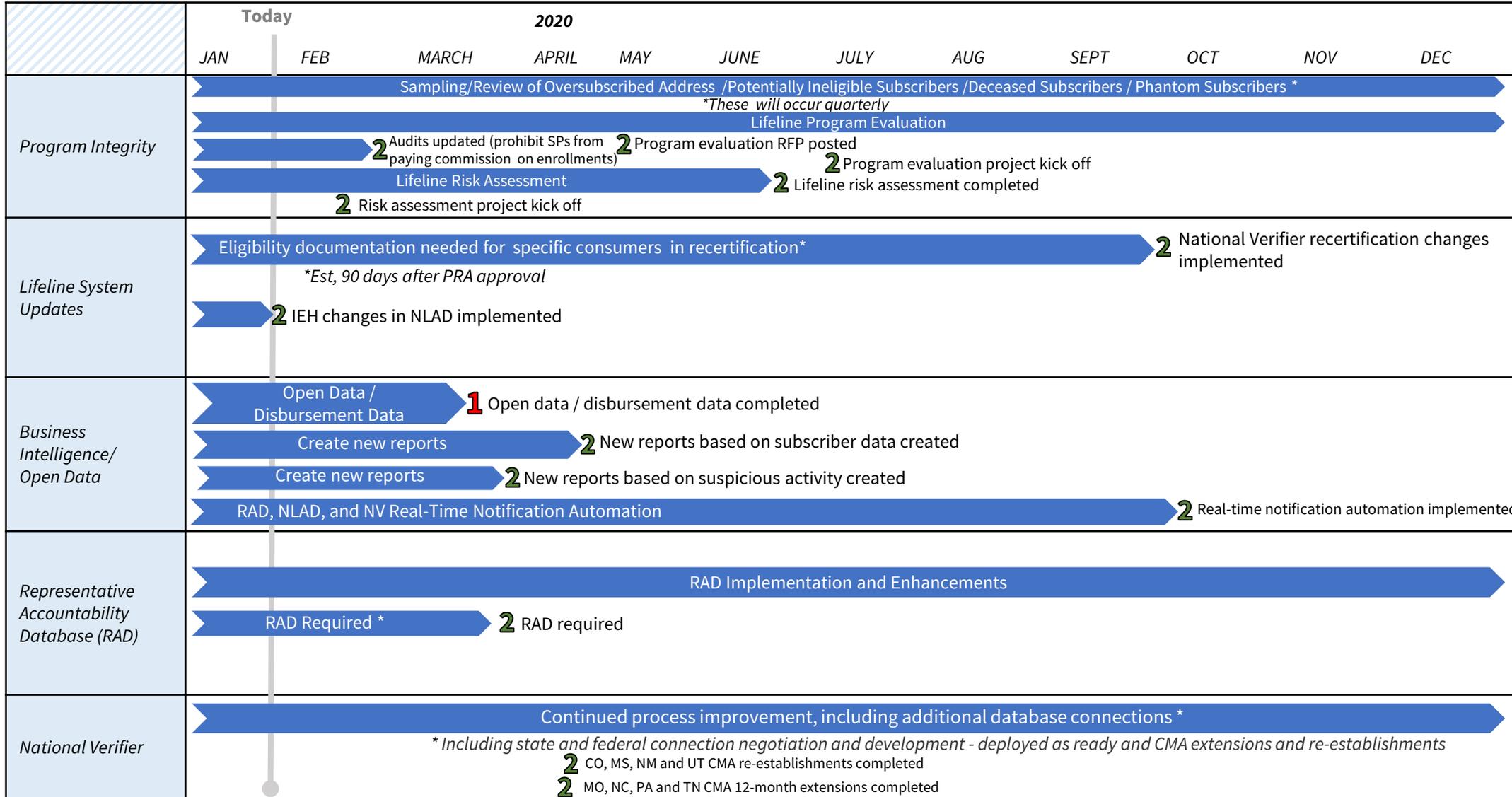
Category	Change Description	USAC Process Change Needed	Effective Date ¹
ETC designation	Elimination of Lifeline Broadband ETC category and FCC designation process for Lifeline Broadband Provider ETCs.	None.	January 27, 2020
Reporting	Addition of certain aggregate subscriber data to our webpage.	USAC to create and post new reports.	N/A – April 2020 TBD
Reporting	Routinely report subscriber trends & concerning anomalies to the FCC, and state commissions upon request.	USAC to revisit current FCC processes and develop new state processes.	N/A
ETC commissions	Prohibits Lifeline providers from paying commission on Lifeline enrollments to their agents or employees.	USAC to update audit procedures.	February 25, 2020
Independent Economic Household	Prohibits Lifeline providers from selecting the independent economic household (IEH) field in NLAD unless NLAD has indicated there is a shared address.	NV already addresses this- USAC to develop temporary process in soft launched states where NV is optional.	January 27, 2020
Recertification	Requires eligibility documentation to be collected in certain instances during annual recertification, which was previously not required.	USAC to modify National Verifier system and processes to collect required documentation.	PRA + 90 days
Deceased subscribers	Codifies USAC's check of deceased subscribers.	USAC already complies with these requirements.	PRA + 90 days
RAD	Codifies the creation and use of the Representative Accountability Database (RAD).	USAC to make deployed RAD functionality required, and implement the reauthorization process.	March 26, 2020
Payments	Codifies certain practices now used in the process to make payments based on NLAD.	USAC already complies with these requirements.	January 27, 2020
Audit	Transitions the biennial audit requirement from a dollar threshold to a risk-based approach, and directs USAC to propose such risk factors.	USAC to develop risk factors in conjunction with the FCC.	January 27, 2020

2020 Road Ahead

- Hard launch the National Verifier in the remaining 18 states.
 - Complete reverification of all existing subscribers.
 - Scale up operations to meet volumes of a fully implemented framework.
 - Implement prioritized system and process enhancements, including additional state or federal database connections, for continuous improvement.
- Post launch continued National Verifier work with states for CMA Extensions and Re-establishments.
- Implement the FCC's Fifth Report and Order, including:
 - Modify the Lifeline recertification process to require eligibility documentation when necessary.
 - Require usage of the Representative Accountability Database (RAD) upon the effective date.
- Conduct the Lifeline Risk Assessment and Program Evaluation, implementing corrective actions and recommendations.
- Continue program integrity reviews to identify non-compliance or potential fraud, waste, and abuse in the Lifeline program.
- Continue engaging with external stakeholders and program participants to share helpful information, promote compliance, and seek feedback on program administration.

Lifeline Program Road Ahead

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



Milestone Legend

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

See Appendix B for 4th quarter accomplishments, planned activities, and metrics.

Q4 Milestones Completed but not shown:

- All states and territories launched in the NV (December 2019)
- Carrier APIs released to production (December 2019)
- RAD released to production for optional use (December 2019)
- Form 555 updates (December 2019)
- Data warehouse for Lifeline (December 2019)
- Lex ID outreach completed and responses received (November 2019)
- Voice Phase Down (November 2019)

National Verifier 2020 Activity

Computer Matching Agreement (CMA) Extensions and Re-establishments.

- A Computer Matching Agreement is effective for an 18 month period.
 - After that 18 month period, USAC and the state agencies can extend the agreement for an additional 12 months before re-establishing the CMA. CMA extensions do not need to go through the federal approval process.
 - Re-establishment requires the full federal approval process, including:
 - FCC Data Integrity Board approval,
 - 30-day OMB/Congress review, and
 - 30 day Federal Register comment period.
- CO, MS, NM and UT CMA extensions expire on April 18, 2020. USAC is on track in negotiating the CMA re-establishments with the states.
- MO, NC, PA and TN original CMA agreements expire on April 15, 2020. USAC is on track to timely complete the 12-month extensions.

Ongoing State and Federal Connections.

- **The following state databases are connected to the NV:**
 - CO, GA, IA, IN, KY, MI, MO, MS, NC, NM, PA, SC, TN, UT, VA.
- USAC is open to working with any state on a connection and is actively engaged with the following states:
 - AL, AZ, CT, FL, KS, MN, NE, NJ, NV, NY, PR¹, VT, WA, WI, WV.

¹USAC and PR also have an executed CMA, and tech dev is in progress.

Appendix A: Glossary of Acronyms and Projects

Term	Definition
API	Application programming interface, which allows service providers to integrate their systems with Lifeline systems. Service providers may submit applications in an automated fashion through the National Verifier APIs.
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.
O&M	Operations and maintenance, refers to Lifeline systems work.
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
Q4 2019 Update on Lifeline Administration**

Overall Summary from Q4 2019:

The end of 2019 brought the launch of all 56 states, territories, and the District of Columbia in the National Verifier (NV), 38 of which have been fully launched. On December 16, Florida, Illinois, Minnesota, Ohio, and Wisconsin soft launched and on December 20, California, Oregon, and Texas soft launched. On December 18, the FCC announced that Alabama, Arkansas, Louisiana, Maryland, Massachusetts, New Jersey, Oklahoma, South Carolina, and Washington, all of which soft launched on October 11, 2019, will hard launch on January 22, 2020. Remaining state hard launches are to be determined by the FCC.

The NV launch in California, Oregon, and Texas, the three NLAD opt-out states, reflects a coordinated effort between the states, the Wireline Competition Bureau, and USAC. During this soft launch, consumers in California, Oregon, and Texas will continue to apply for the federal Lifeline benefit through the state's application process and the state will continue to perform eligibility determinations and check for duplicate subscribers. The NV will operate in these three states by using state eligibility data to validate eligible telecommunications carriers' (ETCs') claims for federal Lifeline support and will perform reviews of state eligibility information and documentation to ensure that state eligibility determinations are made in accordance with the Commission's rules. In instances where an NLAD opt-out state does not verify the eligibility of subscribers, and service providers have been performing eligibility determinations, the National Verifier will conduct eligibility verification as it has in other states.

In Q4, Lifeline also deployed the carrier application programming interface (API), allowing carriers to integrate their systems with the NV and submit applications in an automated fashion. In addition, USAC completed additional program integrity projects, released the updated FCC Form 555 due in January 2020, implemented the voice phase down, and released the Representative Accountability Database (RAD) to production for optional use.

Q4 2019 Lifeline Program Updates & Accomplishments:

- Deployed NV carrier APIs to production on December 10.
- Soft launched Florida, Illinois, Minnesota, Ohio, and Wisconsin on December 16 and California, Texas, and Oregon into the NV framework on December 20.

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- Deployed a multifactor authentication and OnePortal with the rest of the enterprise, increasing the security of Lifeline applications and creating a single dashboard for users to easily access all of their systems.
- Released RAD to production for optional use.
- Implemented the voice phase down and the FCC Form 555.
- Completed additional program integrity reviews for deceased, potentially ineligible, phantom subscribers, and oversubscribed addresses.
- Participated in the 2019 NARUC Annual Meeting and presented a Carrier API demo.
- Performed stakeholder outreach by visiting tribal leaders in the Makah, Spokane, and Coeur d'Alene nations regarding Lifeline eligibility checking opportunities and received overall feedback regarding the Lifeline program.
- Attended a Veterans Appreciation event to educate over 100 consumers and consumer advocates on program processes, including applying and recertifying.

Planned Activities for Q1 2020:

- Conduct NV training for recently soft launched states.
- Continue NV reverification efforts.
- Execute on the FCC's *Fifth Report and Order*.
- Continue engagement with external stakeholders, including monthly webinars, newsletters, and consumer and tribal specific facing events.
- Complete additional program integrity reviews for deceased, potentially ineligible, phantom subscribers, and oversubscribed addresses.
- Implement the mandatory use of the RAD.

Lifeline Program Trends:

The data below reflects a general drop in Lifeline subscribership and support over the past three years. In Q3 2019, one company processed significant de-enrollments that drove the steeper than usual decline. The *2016 Lifeline Order* states that Lifeline support will be provided only for qualifying broadband services starting December 1, 2021 in most areas, 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 only be available to an ETC that is the only Lifeline provider in a Census block.

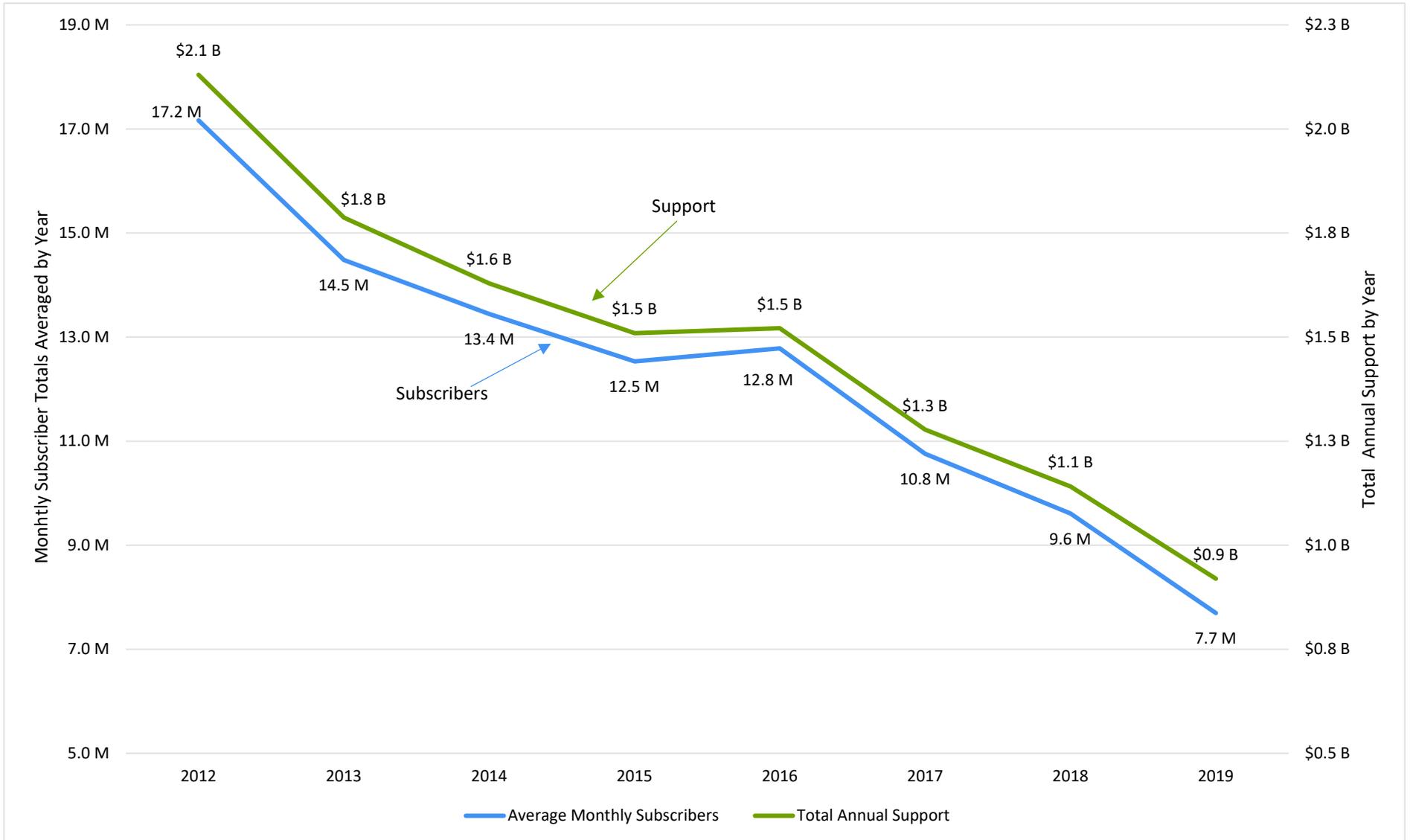
Lifeline Program Service Type Trends¹

Month	Broadband	Bundled Broadband	Bundled Voice & Broadband	Bundled Voice	Voice
Nov 2019	0.18%	53.05%	17.63%	17.20%	11.95%
Oct 2019	0.16%	53.82%	6.63%	27.32%	12.07%
Sept 2019	0.16%	53.29%	6.50%	27.77%	12.29%
Aug 2019	0.15%	52.00%	6.64%	28.72%	12.50%
July 2019	0.14%	53.61%	6.22%	27.62%	12.41%
June 2019	0.14%	53.02%	5.90%	28.01%	12.94%
May 2019	0.13%	52.37%	5.84%	28.41%	13.25%
Apr 2019	0.13%	52.07%	5.86%	28.50%	13.43%
Mar 2019	0.12%	51.76%	6.07%	28.43%	13.61%
Feb 2019	0.12%	52.13%	6.10%	27.81%	13.84%
Jan 2019	0.11%	51.93%	6.14%	27.79%	14.03%
Dec 2018	0.11%	51.37%	6.18%	28.07%	14.27%

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

¹ Lifeline program service type data is from the Lifeline Claims System (LCS), which includes opt-out states.

Lifeline Eight-Year, Year-over-Year Subscriberhip & Support Amounts



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Program Metrics for Q1 2019 – Q4 2019:

Metric		Target	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	Variance to Target (most recent)		Comment	
1	Disbursements Completed (\$M)	\$ 264.0	\$ 274.7	\$ 270.1	\$ 254.1	\$ 242.6	\$ 215.2	\$ (49)		Displays actual disbursements authorized, which includes original claims in the previous data month and prior revisions received. Updated target based on 4Q2019 projected support forecast.	
2	System Uptime (%)	NLAD:	99%	100%	100%	100%	100%	100%	+1.00%		100% uptime in 4Q2019
		LED:	99%	100%	100%	100%	100%	100%	+1.00%		100% uptime in 4Q2019
3	Call Center Abandon Rate	3.00%	15%	17%	5%	11%	5%	- 2.00%		The average abandonment rate in 4Q2019 decreased to 5%, which is slightly above our target rate as call volumes increased month over month. The total call volume received increased 32% from SEP19 to DEC19. BPO second location began operation on 9/9, increasing resources further.	
4	Appeals over 90 days aged	0	84	94	97	89	101	+101		In 4Q2019, 14 appeals aged greater than 90 days	
5	Appeals Average Age (days)	90	277	343	384	318	390	+300		Lifeline and OGC are continuing to work on the resolution of open appeals.	
6	Manual eligibility verification (% of total applications w/ manual decisions)	TBD	44%	33%	25%	24%	23%	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	7 min	8 min	6 min	5 min	5 min	-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	8.5 hr	6 h 49 m	-40h 11m		

Legend



On track



Action Required

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