



High Cost & Low Income Committee

Briefing Book

Tuesday, April 28, 2020

Universal Service Administrative Company Offices

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

Washington, D.C. 20005

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

<p>Tuesday, April 28, 2020 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 January 27, 2020, February 11, 2020, and March 2, 2020</p> <p style="padding-left: 20px;">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 3rd Quarter 2020 Programmatic Budget and Demand Projection for the May 1, 2020 FCC Filing</p>	5
Vic	<p>i1. High Cost Business Update</p> <ul style="list-style-type: none"> • Q1 2020 Update on High Cost Administration (<i>For Information Only</i>) 	–

<u>HIGH COST EXECUTIVE SESSION</u>		<i>Estimated Duration in Minutes</i>
Confidential – Executive Session Recommended		
Vic	<p>i2. High Cost Business Update (<i>Continued</i>)</p> <ul style="list-style-type: none"> • Performance Measures Module • Eligible Locations Adjustment Process • Impact of COVID-19 on High Cost Program 	20
Chris	<p>a3. Consideration of Contract Award for High Cost Model Operations & Maintenance and Enhancements</p>	5

<u>LOW INCOME OPEN SESSION</u>		<i>Estimated Duration in Minutes</i>
James	a4. Approval of Low Income Support Mechanism 3 rd Quarter 2020 Programmatic Budget and Demand Projection for the May 1, 2020 FCC Filing.	5
James	i3. Lifeline Business Update <ul style="list-style-type: none"> • Q1 2020 Update on Low Income Administration <i>(For Information Only)</i> 	–

<u>LOW INCOME EXECUTIVE SESSION</u>		<i>Estimated Duration in Minutes</i>
Confidential – Executive Session Recommended		
James	i4. Low Income (Lifeline) Business Update <i>(Continued)</i> <ul style="list-style-type: none"> • Impact of COVID-19 on Lifeline Program 	20
Chris	a5. Consideration of Contract Award for O&M Services Year 2 for API with Centers for Medicare and Medicaid Services	5
Chair	i5. <i>Executive Session</i> Discussion with the Committee/Board	5

Next Scheduled USAC High Cost & Low Income Committee Meeting

<p>Monday, July 27, 2020 2:00 p.m. – 4:30 p.m. Eastern Time USAC Offices, Washington, D.C.</p>

**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 January 27, 2020, February 11, 2020 and March 2, 2020 (*see Attachments A1 – A3*).

- B. Approval of moving all *Executive Session* items into *Executive Session*:
 - (1) **i2** – High Cost 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.
 - (2) **a3** – Consideration of a Contract Award for the High Cost Model Operations & Maintenance and Enhancements. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC's *procurement strategy and contract administration*.
 - (3) **i4** – 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. This item also relates to USAC's *procurement strategy and contract administration*.
 - (4) **a5** – Consideration of Contract Award for O&M Services Year 2 for API with Centers for Medicare and Medicaid Services. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC's *procurement strategy and contract administration*.

- (5) **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 January 27, 2020, February 11, 2020, and March 2, 2020; 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, January 27, 2020

(DRAFT) MINUTES¹

The quarterly meeting of the High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) was held at USAC's offices in Washington, D.C. on Monday, January 27, 2020. Mr. Joe Gillan, Committee Chair, called the meeting to order at 2:15 p.m. Eastern Time, with a quorum of 10 of the 11 Committee members present:

Feiss, Geoff	Polk, Stephanie
Freeman, Sarah	Sekar, Radha – Chief Executive Officer
Gerst, Matthew	Tinic, Atilla
Gillan, Joe – Chair	Waller, Jeff – <i>by telephone</i>
Mason, Ken	Wein, Olivia – Vice Chair

Mr. Ellis Jacobs joined the meeting by telephone at 2:17 p.m. Eastern Time. He participated in the discussion and voted on all items.

Other Board members and officers of the corporation present:

Ayer, Catriona – Vice President of Schools and Libraries
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
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
Ahmed, Sharmarke	USAC
Berry, Tamisha	USAC
Boakye-Gyan, Carol	USAC
Braxton-Johnson, Kianna	USAC
Burgess, Melody	USAC
Butler, Stephen	USAC
Ellegood, Sharonda	USAC
Hughet, Pam	USAC
James, Christine	USAC
Kahn, Sammy	USAC
Lee, James	USAC
Malashenok, Yelana	USAC
McDuffie, Sharlene	USAC
Miller, Arielle	USAC
Mohammed, Rahana	USAC
Nuzzo, Patsy	USAC
Ross, Sherry	USAC
Rubin, Mark	TracFone
Ruffley, Brandon	USAC
Samuels, Victoria	USAC
Santana-Gonzales, Jeanette	USAC
Schecker, Larry	USAC
Simab, Habib	USAC
Sneed, Matt	USAC
Solemani, Simon	USAC
Sorini, Leah	USAC
Tawes, Pauline	USAC
Tiwari, Tanya	USAC
Ward, Rashonda	USAC
Weith, Tim	USAC
Williams, Romanda	USAC
Zahid, Farrah	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 High Cost & Low Income Committee Meeting Minutes of October 28, 2019.

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.

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

- a2.** **Recommendation for Election of Committee Chair and Vice Chair.** Mr. Gillan introduced this item and asked that Mr. Gerst, Chair of the Nominating Committee, present the recommendations for the High Cost and Low Income Committee Chair and Vice Chair to the Committee.

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

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

- a3. Approval of High Cost Support Mechanism 2nd Quarter 2020 Programmatic Budget and Demand Projection for the January 31, 2020 Filing.** Mr. Gaither presented this item for consideration. The presentation included a written report on USAC management's recommendations for the High Cost Support Mechanism 2nd quarter 2020 programmatic budget and demand projection for the January 31, 2020 FCC filing.

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

RESOLVED, that the USAC High Cost & Low Income Committee approves a 2nd Quarter 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.

- i1. Information on One USAC Audit and Assurance Division High Cost Support Mechanism Beneficiary Audit Report.** The Committee received a report with information on one USAC Audit and Assurance Division High Cost Support Mechanism beneficiary audit report. Mr. Beckford recommended that discussion of this item be discussed in *Executive Session* because it relates to USAC's

internal rules and procedures concerning the administration of the universal service support mechanisms.

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

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

- i2. High Cost Support Mechanism Business Update.** Mr. Gaither and Mr. Weith presented PowerPoint slides covering the following:
- October 2019 High Cost Recap
 - 2019 Accomplishments
 - High Cost Program Road Ahead
 - Discussion Topics:
 - High Cost Order Updates
 - Performance Measures Update
 - Q4 2019 Update on High Cost Administration (*For Information Only*)

At 2:50 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. Information on One USAC Audit and Assurance Division High Cost Support Mechanism Beneficiary Audit Report.** Ms. Johnson presented this item to the Committee.
- a4. Approval of High Cost Support Mechanism 2020 Annual Programmatic Budget.** Mr. Gaither presented this item to the Committee. The presentation included a written summary and report detailing USAC management's recommendations for the High Cost Support Mechanism 2020 programmatic budget.

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

RESOLVED, that the High Cost & Low Income Committee approves a 2020 annual programmatic budget for the High Cost Support Mechanism of \$29.5 million.

- i3. High Cost Model Discussion.** Mr. Davis presented this item to the Committee, providing historical information and discussing the current impact and future use of the cost model.

At 3:13 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Gillan reported, that in *Executive Session*, the Committee took action on item a4 and discussed items i1 and i3 above.

The Committee recessed and reconvened at 3:25 p.m. Eastern Time.

LOW INCOME OPEN SESSION

- a3. Approval of Low Income Support Mechanism 2nd Quarter 2020 Programmatic Budget and Demand Projection for the January 31, 2020 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 2nd quarter 2020 programmatic budget and demand projection for the January 31, 2020 FCC filing.

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

RESOLVED, that the USAC High Cost & Low Income Committee approves a 2nd Quarter 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.

- i4. Low Income Support Mechanism (Lifeline) Business Update.** Ms. Garber presented PowerPoint slides covering the following topics to the Committee for discussion:

- October 2019 Lifeline Recap
- 2019 Accomplishments, Challenges, and Mitigation
- Discussion Topics:

- 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 (*For Information Only*)

At 4:06 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.

LOW INCOME EXECUTIVE SESSION

- i5. Low Income Support Mechanism (Lifeline) Business Update (*Continued*).** Ms. Garber presented PowerPoint slides that covered an update on the forensic audits and discussed carrier feedback on the National Verifier System.
- a6. Approval of Low Income Support Mechanism 2020 Annual Programmatic Budget.** Ms. Garber presented this item to the Committee. The presentation included a written summary and report detailing USAC management's recommendations for the Low Income Support Mechanism 2020 programmatic budget.

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

RESOLVED, that the High Cost & Low Income Committee approves a 2020 annual programmatic budget for the Low Income Support Mechanism of \$49.3 million.

- i6. Executive Session Discussion with the Committee/Board.** This item was included as a placeholder. The Committee did not need to meet independent of USAC management.

LOW INCOME OPEN SESSION

At 4:37 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 a6 and discussed item i5 above.

On a motion duly made and seconded, the Committee adjourned at 4:37 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 MEETING
Tuesday, February 11, 2020**

(DRAFT) MINUTES¹

A meeting of the High Cost and Low Income Committee (Committee) of the USAC Board of Directors (Board) was held at USAC’s offices in Washington, D.C. on Tuesday, February 11, 2020. Mr. Ken Mason, Committee Chair, called the meeting to order at 4:03 p.m. Eastern Time, with a quorum of seven of the 11 Committee members present:

Feiss, Geoff – *by telephone*
Freeman, Sarah – *by telephone*
Gerst, Matthew – *by telephone*
Gillan, Joe – *by telephone*

Mason, Ken – Chair – *by telephone*
Polk Stephanie, – *by telephone*
Sekar, Radha – Chief Executive Officer

Mr. Ellis Jacobs joined the meeting by telephone at 4:04 p.m. Eastern Time. He participated in the discussion and vote on item a1.

Members of the Committee not present:

Tinic, Atilla
Waller, Jeff
Wein, Olivia – Vice Chair

Other Board members and officers of the corporation present:

Beckford, Ernesto – Vice President, General Counsel, and Assistant Secretary – *by telephone*
Davis, Craig – Vice President of Procurement and Sourcing Strategy
Garber, Michelle – Vice President of Lifeline
Salvator, Charles – Vice President of Finance, Chief Financial Officer and Assistant Treasurer
Schell, Julie Tritt – Member of the Board

Others present:

NAME
James, Christine

COMPANY
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>
Morning, Kimberly	USAC
Nuzzo, Patsy	USAC
Tiwari, Tanya	USAC

OPEN SESSION

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

- a1. **Consideration of Contract Award for the Lifeline Risk Assessment.** 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 USAC High Cost & Low Income Committee determines that the discussion of this item be conducted in *Executive Session*.

At 4:04 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential item listed above.

EXECUTIVE SESSION

- a1. **Consideration of Contract Award for the Lifeline Risk Assessment.** Mr. Davis presented this item for consideration. The presentation included a summary slide and written report with information on USAC's proposed award of a firm fixed price contract to Deloitte & Touche LLP to conduct an assessment that will identify risks associate with current Lifeline processes and procedures.

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 required FCC approval, to award a firm fixed price (FFP) contract, to Deloitte & Touche LLP, for a term of six months, to conduct an assessment that will identify risks associated with current Lifeline processes and procedures related to program execution in a not-to-exceed amount of \$387,113 (plus applicable taxes) as well as an additional 20 percent contingency reserve of the FFP in the amount of \$77,423 (plus applicable taxes) over the term of the contract for a total not-to-exceed amount of \$464,536 (plus applicable taxes).

OPEN SESSION

At 4:11 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Mason reported that, in *Executive Session*, the Committee took action on item a1.

On a motion duly made and seconded, the Committee adjourned at 4:12 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
Monday, March 2, 2020**

(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 Monday, March 2, 2020. Mr. Ken Mason, Committee Chair, called the meeting to order at 3:31 p.m. Eastern Time, with a quorum of 9 of the 11 Committee members present:

Feiss, Geoff – *by telephone*
Freeman, Sarah – *by telephone*
Gerst, Matthew – *by telephone*
Gillan, Joe – *by telephone*
Jacobs, Ellis – *by telephone*

Mason, Ken – Chair – *by telephone*
Polk, Stephanie – *by telephone*
Sekar, Radha – Chief Executive Officer
Waller, Jeff – *by telephone*

Ms. Olivia Wein, Committee Vice Chair, joined the call at 3:33 p.m. Eastern Time. She participated in the discussion and voted on item a1.

Members of the Committee not present:

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
Gaither, Vic – Vice President of High Cost
Salvator, Charles – Vice President of Finance, Chief Financial Officer and
Assistant Treasurer
Schell, Julie Tritt – Member of the Board

Others present:

<u>NAME</u>	<u>COMPANY</u>
Kahn, Sammy	USAC
Nuzzo, Patsy	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>
Tiwari, Tanya	USAC
Samuels, Victoria	USAC
James, Christine	USAC

OPEN SESSION

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

- a1. **Consideration of Contract Award for the Digital Opportunities Data Collection (DODC) Project Management Office (PMO) Support.** 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 3:33 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 the Digital Opportunities Data Collection (DODC) Project Management Office (PMO) Support.** Mr. Davis presented this item for consideration. The presentation included a summary slide and written report with information on USAC's proposed contract award establishing a PMO that is responsible for the DODC assessment and implementation management.

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 management, subject to required FCC approval, to award a time and materials contract to Deloitte Consulting LLP, for systems and process analysis, functional system requirements gathering, and PMO support for the DODC project, for a base period of eighteen (18) months for approximately \$4.94 million (plus applicable taxes), with the ability to exercise three additional one-year option terms, subject to required FCC and Committee approvals, for a total not-to-exceed amount of \$7.82 million (plus applicable taxes) over the base period and three one-year option terms.

OPEN SESSION

At 3:50 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Mason reported that, in *Executive Session*, the Committee took action on item a1.

On a motion duly made and seconded, the Committee adjourned at 2:50 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
3rd Quarter 2020 Programmatic Budget and
Demand Projection for the May 1, 2020 FCC Filing**

Action Requested:

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 3rd Quarter 2020 (3Q2020) programmatic budget and demand projection for the High Cost Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's May 1, 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 3Q2020 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>	2Q2020	Increase/ (Decrease)	3Q2020	Notes
Steady State:				
Legacy Funds	\$416.02	(\$8.39)	407.63	Includes HCLS, CAF BLS, and Frozen Price Cap and Competitive ETC Support
Modernization Funds	855.91	15.36	871.27	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	(66.03)	1.14	(64.89)	Disbursements for RBE, Mobility Fund Phase I, and portion of A-CAM I.
Total Steady State	\$1,205.90	8.11	\$1,214.01	
New Requirements				
Legacy Funds	0.00	0.00	0.00	
Modernization Funds	0.00	0.00	0.00	
Total New Requirements	\$0.00	\$0.00	\$0.00	
Total Program Demand	\$1,205.90	\$8.11	\$1,214.01	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	(1.62)	(21.39)	(23.01)	
Billings	(5.23)	3.18	(2.05)	
Interest Income	0.00	0.00	0.00	
Bad Debt Expense	(12.39)	12.38	(0.01)	
Total Prior Period Adjustments	(\$19.24)	(\$5.83)	(\$25.07)	
USAC Admin Expenses	16.34	(0.05)	16.29	See Table B
Total Funding Requirement	\$1,203.00	\$2.23	\$1,205.23	

The 3Q2020 High Cost Support Mechanism programmatic budget of \$16.29 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>	2Q2020	Increase/ (Decrease)	3Q2020	Notes
Direct Program Costs				
Employee Expenses	\$1.65	\$0.03	\$1.68	
Professional Services	2.16	(0.20)	1.96	
General & Administrative	0.13	(0.13)	0.00	See Note 1
Total Direct Program Costs	\$3.94	(\$0.30)	\$3.64	
Direct Assigned Costs				
Employee Expenses	\$0.75	\$0.02	\$0.77	
Professional Services	2.83	0.04	2.87	
General & Administrative	0.00	0.00	0.00	
Total Direct Assigned Costs	\$3.58	\$0.06	\$3.64	
Total Direct Program & Direct Assigned Costs	\$7.52	(\$0.24)	\$7.28	
Common Allocated Costs	\$8.82	\$0.19	\$9.01	
Total Programmatic Budget	\$16.34	(\$0.05)	\$16.29	

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

A comparison of actual expenditures to the budget for the three months ending March 31, 2020 is provided in **Attachment 2**.

Recommendation:

USAC management recommends that the Committee approve the 3Q2020 budget and projection of demand as proposed.

Recommended High Cost & Low Income Committee Actions:

APPROVAL OF THE FOLLOWING RESOLUTIONS:

RESOLVED, that the USAC High Cost & Low Income Committee approves a 3rd Quarter 2020 High Cost Support Mechanism direct program budget of \$7.28 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$7.28 million for High Cost Support Mechanism administrative costs in the required May 1, 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 April 28, 2020 the 3rd Quarter 2020 High Cost Support Mechanism demand estimate of \$1,205.23 million, hereby directs USAC staff to proceed with the required May 1, 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>	2Q2020	Increase/ (Decrease)	3Q2020	Notes
Steady State – Legacy Funds:				
High Cost Loop Support (HCLS) ³	\$98.53	(0.48)	\$98.05	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	174.60	12.81	187.41	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	26.12	(3.28)	22.84	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	116.77	(17.44)	99.33	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	\$416.02	(\$8.39)	\$407.63	

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.

<i>(in millions)</i>	2Q2020	Increase/ (Decrease)	3Q2020	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	(0.93)	37.77	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	99.48	0.00	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*). 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>	2Q2020	Increase/ (Decrease)	3Q2020	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	0.70	0.02	0.72	Support to RBE winners in Price Cap areas for experiments for robust broadband infrastructure in rural communities.
Mobility Fund Phase I ¹⁴	13.58	(1.16)	12.42	Support to wireless carriers for the expansion of mobile broadband networks in unserved areas.
Uniendo a Puerto Rico Fund/Connect USVI Fund	4.14	17.43	21.57	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	\$855.91	\$15.36	\$871.27	

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).

<i>(in millions)</i>	2Q2020	Increase/ (Decrease)	3Q2020	Notes
<i>Amounts Paid from Reserve</i>	<i>(\$66.03)</i>	<i>\$1.14</i>	<i>(\$64.89)</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 March 31, 2020 for reserved funds was approximately \$1.32 billion.
New Requirements – Legacy Funds:				
<i>Total New Requirements Legacy Funds</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	
New Requirements – Modernization Funds:				
<i>Total New Requirements Modernization Funds</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	
Total Program Demand	\$1,205.90	\$8.11	\$1,214.01	

ATTACHMENT 2

High Cost Administrative Costs and HeadcountComparison of Actual Expenditures and Headcount to the Budget for the
Three Months Ending March 31, 2020

(\$ in millions)	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	37	44	7	\$1.38	\$1.65	\$0.27
Professional Services (Note 2)				0.30	2.40	2.10
General & Administrative				0.00	0.00	0.00
Total Direct Program Costs				\$1.68	\$4.05	\$2.37
Direct Assigned Costs						
Employee Expenses	18	18	0	\$0.75	\$0.76	\$0.01
Professional Services (Note 2)				1.46	2.74	1.28
General & Administrative				0.00	0.00	0.00
Total Direct Assigned Costs				\$2.21	\$3.50	\$1.29
Total Direct Program & Direct Assigned Costs	55	62	7	\$3.89	\$7.55	\$3.66
Common Allocated Costs (Note 3)				\$8.33	\$8.68	\$0.35
Total Programmatic Budget				\$12.22	\$16.23	\$4.01

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

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

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

INFORMATION ITEM

**High Cost Business Update
Q1 2020 Update on High Cost Administration**

Overall Summary

With a series of FCC reform orders to implement, the High Cost Division remains focused in the first half of 2020 on the ongoing transition from legacy voice programs to the broadband-focused Connect America Fund (CAF). We highlight as a success that, as of March 5, 2020, the allowed grace period, nearly 100 percent of carriers that participate in a half dozen modernized funds had certified in the High Cost Universal Broadband (HUBB) their 2019 broadband deployment data. In addition, we officially launched the new Performance Measures module, which implements the *Performance Measures Order* requiring carriers to conduct speed and latency testing of CAF-funded networks. In the second quarter, High Cost will focus on verifying deployment of a random sample of locations reported in the HUBB by CAF Phase II Model carriers, which faced an 80 percent build-out milestone as of the end of 2019. High Cost is also building a system to support the new Eligible Locations Adjustment Process (ELAP) and gearing up to implement the new Rural Digital Opportunity Fund (RDOF).

High Cost Program 1Q Highlights and Updates

Disbursements

- Continued to pay out support for an ever-expanding list of modernized funds that are shifting carriers away from legacy cost-based funding mechanisms to model-based support with defined broadband deployment obligations.
- Continued to implement the CAF II Auction fund, which awards support to carriers to deliver service in areas where the incumbent carrier did not accept CAF II Model funding.

Systems

- Completed system development work to add new modernized funds (CAF Phase II Auction, Revised Alternative Connect America Model (ACAM) and ACAM II) to the HUBB portal and refined system functionality for Alaska Plan middle mile filings.
- Officially launched Phase I of the new Performance Measures Module (PMM), which lets carriers identify which locations certified in the HUBB have active subscribers, and generates a random sample of those subscribers for speed and latency testing. Continued development of PMM Phase II, which will collect the actual performance test data from carriers.
- Continued to develop requirements for a new system to support the ELAP, which will allow CAF II Auction winning bidders to submit evidence to support adjusting their

deployment obligations in eligible areas where the total number of actual locations is less than the number of funded locations.

Compliance

- Closed out the 2019 CAF II Model Verification Review for 60 percent deployment milestone obligation, verifying deployment data using a random sample of locations reported in the HUBB as of March 2019 (the reported data related to carriers' broadband deployment as of December 31, 2018).
- Developed verification plan to confirm deployment to a random sample of locations reported in the HUBB by CAF II carriers who faced their 80 percent buildout milestone as of the end of 2019, as well as Alaska Communications Systems (ACS), which faced a 40 percent milestone.

Outreach

- Conducted extensive outreach to help carriers navigate the March 2020 HUBB filing deadline for reporting 2019 deployment (and 80 percent deployment milestone for CAF II carriers) with updated training materials (online resource page, FAQ, user guide), multiple email communications and phone calls to carriers, industry presentations, webinar and ongoing customer service/call center support to answer questions and troubleshoot issues.
- Conducted outreach to help Alaska Plan carriers file middle mile network data in the in the HUBB by the March 1st filing deadline with multiple email communications and phone calls to carriers, webinars, updated user guide and training materials and ongoing customer service support to answer questions and troubleshoot issues.
- Added new section to the verification webpage explaining the types of documents carriers may submit to prove deployment to locations reported in the HUBB (*i.e.*, customer bills, screen shots of service availability tools, etc.).
- Conducted outreach to all CAF II carriers to help them upload subscriber location data into the PMM and generate a random sample of locations to begin pretesting process.
- Added diagrams to Performance Measures webpage clarifying what constitutes an acceptable location for a remote test server.
- Delivered presentation at NTCA's February conference in Phoenix, which focused on the annual HUBB filing, the verification process, and the *Performance Measures Order*.

High Cost Upcoming 2Q Activities

FCC Order Implementation /Disbursements

- Will stand up the operational business processes and will begin disbursing support for Stage 2 of the Uniendo a Puerto Rico/Connect United States Virgin Islands Fund (PR/VI Fund), which will invest roughly \$890 million in advanced fixed and mobile networks designed to withstand future storms in Puerto Rico and the Virgin Islands.
- Create new PR/VI Fund page for High Cost website.

- Prepare to implement RDOF, which will use a reverse auction to invest \$20.4 billion to expand broadband in unserved rural areas.

Systems

- Continue HUBB development work to update milestone validation logic and transfer existing locations already in the system for new modernized funds (Revised ACAM and ACAM II).
- Launch Phase II of the new PMM to collect speed and latency test data from carriers and continue outreach to help CAF II carriers navigate 1Q and 2Q pretesting requirements.
- Continue development and conduct user testing of a new system to support the 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

- Identify any instances of non-compliance with broadband deployment milestones based on deployment data certified in the HUBB by CAF II carriers, which faced an 80 percent buildout milestone as of the end of 2019, and ACS, which faced a 40 percent milestone. Flag any instances of non-compliance for the FCC and the operations team in March of 2020, and work with both to implement appropriate penalties and/or additional reporting requirements.
- Begin verification work to confirm deployment to a random sample of locations reported in the HUBB by CAF II carriers, which faced an 80 percent buildout milestone as of the end of 2019, and ACS, which faced a 40 percent milestone. Verification team is gathering carrier evidence and documentation to substantiate deployment to a random sample of locations reported to the HUBB. Outreach team will continue to update the verification webpage to share lessons learned from CAF II 60 percent milestone reviews.

Outreach

- Conduct outreach to help carriers navigate the annual July 1 Form 481 filing deadline. Activities include updating user guide, filing guide, FAQs and training videos; hosting webinar; and sending multiple email reminders to carriers, consultants and trade associations. Call center and stakeholder engagement team will provide ongoing troubleshooting assistance and handle incoming questions and requests for help.
- Create new section for verification webpage explaining verification process for multi-dwelling units – i.e. that verification reviews will confirm that the number of actual units at a multi-dwelling unit (MDU) ties back to the number of units reported for that location in the HUBB – and providing samples of acceptable evidence (separate subscriber bills, images of home with multiple driveways or front entrances, etc.).
- Conduct outreach and troubleshoot with CAF II carriers to help them obtain their random location samples for speed and latency testing, and upload their test results into the PMM.

- Develop online guide to provide an overview of vendors offering solutions to help carriers conduct the required speed and latency testing in order to comply with the *Performance Measures Order*.
- Create new PR/VI and RDOF fund pages for USAC website.
- Conduct ELAP user testing with CAF II Auction participants.

Program Metrics

Metric		Target	2019	Q1 2020	Variance (based on Q1'20)	Description/mitigation
1	Wireless Road miles build out	63,698	49,762	49,672	-14,026	Target Completion August 2020.
2	Wireless Tribal population build out	56,932	42,225	50,207	-6,725	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%	CAFI waiver work complete and letters delivered to FCC.
	Wireline Locations Verified (CAF II)	100%	100%	100%	0%	CAF II wireline verifications were completed in November.
5	Disbursements completed (\$M)	1,245	5,147	1,249	4.3	Disbursements included PPAs not included in forecast. Target based on Q1 2020 projections.
6	Disbursement cycle time	18 Days	18	18	0 Day	Monthly cycle time disbursement.
7	IT Systems availability (%)	99%	100%	-	1.0%	Availability of HUBB, CAP and HCLI systems.
8	Appeals	N/A	2	0	N/A	No active appeals.
9	Call Ctre Abandon Rate	3%	3%	5%	2%	3 calls abandoned in January.

*Q1 disbursements include preliminary amounts (not Final) for March.

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			
RDOF	Data Collection Development											
New Procurements												
Fraud Risk Assessment	Vendor Selec. 2 Vendor Selected											
HCLI Requirements	Vendor Selec. 2 Vendor Selected											
CostQuest	Vendor Selec. 2 Vendor Selected											
Public Obligations												
CAF Verifications	RBE Verifications			CAF II and ACS Verifications						RBE Verifications		
Verification Process	Complete verification tool kits and sampling plans 2					Complete RBE sampling plan 2						
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	
CETC Legacy MF II	HUBB Filing Deadline 3		Data Collect			Data Collect			Data Collect			Data Collect
	On Hold											



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

ACTION ITEM

**Approval of Low Income Support Mechanism
3rd Quarter 2020 Programmatic Budget and
Demand Projection for the May 1, 2020 FCC Filing**

Action Requested:

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 3rd Quarter 2020 (3Q2020) programmatic budget and demand projection for the Low Income Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's May 1, 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 3Q2020 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>	2Q2020	Increase/ (Decrease)	3Q2020	Notes
Steady State:				
Lifeline	\$198.61	\$0.00	\$198.61	
Link Up	0.06	0.00	0.06	
New Requirements:				
N/A	0.00	0.00	0.00	
Total Program Demand	\$198.67	\$0.00	\$198.67	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	(213.34)	203.33	(10.01)	See Note 1
Billings	(0.78)	0.71	(0.07)	
Interest Income	(0.02)	0.02	0.00	
Bad Debt Expense	(2.28)	2.28	0.00	
Total Prior Period Adjustments	(\$216.42)	\$206.34	(\$10.08)	
USAC Administrative Expenses	17.75	0.32	18.07	See Table B
Total Funding Requirement	\$0.00	\$206.66	\$206.66	

Note 1: The quarter over quarter change for the disbursement adjustment is related to one-time recoveries in prior quarters.

The 3Q2020 Low Income Support Mechanism programmatic budget of \$18.07 million represents approximately 26% of the 2020 annual Low Income Support Mechanism programmatic budget of \$69.77 million.

Table B. Quarterly Programmatic Budget

<i>(in millions)</i>	2Q2020 Budget	Increase/ (Decrease)	3Q2020 Budget	Notes
Direct Program Costs				
Employee Expenses	\$2.04	\$0.06	\$2.10	
Professional Services	5.89	0.36	6.25	
General & Administrative	0.50	0.19	0.69	See Note 2
Total Direct Program Costs	\$8.43	\$0.61	\$9.04	
Direct Assigned Costs				
Employee Expenses	\$0.88	\$0.03	\$0.91	
Professional Services	3.22	(0.42)	2.80	
General & Administrative	0.24	(0.01)	0.23	See Note 2
Total Direct Assigned Costs	\$4.34	(\$0.40)	\$3.94	
Total Direct Program & Direct Assigned Costs	\$12.77	\$0.21	\$12.98	
Common Allocated Costs	\$4.98	\$0.11	\$5.09	
Total Programmatic Budget	\$17.75	\$0.32	\$18.07	

Note 2: General & Administrative expenses include computer support & maintenance, postage, and meetings & conferences.

A comparison of actual expenditures to the budget for the three months ending March 31, 2020 is provided in **Attachment 1**.

Recommendation:

USAC management recommends that the Committee approve the 3Q2020 budget and projection of demand as proposed.

Recommended High Cost & Low Income Committee Actions:

APPROVAL OF THE FOLLOWING RESOLUTIONS:

RESOLVED, that the USAC High Cost & Low Income Committee approves a 3rd Quarter 2020 Low Income Support Mechanism direct program budget of \$12.98 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$12.98 million for Low Income Support Mechanism administrative costs in the required May 1, 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 April 28, 2020 the 3rd Quarter 2020 Low Income Support Mechanism demand estimate of \$206.66 million, hereby directs USAC staff to proceed with the required May 1, 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
Three Months Ending March 31, 2020

(\$ in millions)	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	51	63	12	\$1.69	\$2.07	\$0.38
Professional Services (Note 3)				3.61	5.25	1.64
General & Administrative (Note 4)				0.14	0.53	0.39
Total Direct Program Costs				\$5.44	\$7.85	\$2.41
Direct Assigned Costs						
Employee Expenses	18	21	3	\$0.81	\$0.90	\$0.09
Professional Services (Note 3)				2.18	3.10	0.92
General & Administrative (Note 4)				0.27	0.23	(0.04)
Total Direct Assigned Costs				\$3.26	\$4.23	\$0.97
Total Direct Program & Direct Assigned Costs	69	84	15	\$8.70	\$12.08	\$3.38
Common Allocated Costs (Note 5)				\$4.89	\$4.90	\$0.01
Total Programmatic Budget				\$13.59	\$16.98	\$3.39

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

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

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

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

INFORMATION ITEM

**Lifeline Business Update
Q1 2020 Update on Lifeline Administration**

Overall Summary from Q1 2020

During this reporting period, the Lifeline division finalized and submitted the National Verifier (NV) Plan and NV Annual Report to the FCC. As part of the NV implementation in the National Lifeline Accountability Database (NLAD) opt-out states, California, Oregon, and Texas, Lifeline began using state eligibility data to validate eligible telecommunications carriers' (ETC) claims for federal Lifeline support, and performing reviews of state eligibility information and documentation to ensure that state eligibility determinations are made in accordance with the Commission's rules.

Alabama, Arkansas, Louisiana, Maryland, Massachusetts, New Jersey, Oklahoma, South Carolina, and Washington, which soft launched on October 11, 2019, hard launched on January 22, 2020. Florida, Illinois, Minnesota, Ohio, and Wisconsin, which soft launched on December 16, 2019, hard launched on March 24, 2020. This leaves only 3 states and 1 territory left to hard launch.

In March, with most people encouraged nationwide to stay at home during the COVID-19 pandemic, Lifeline worked with its vendors to ensure continuity of NV operations. Lifeline has continued to provide customer service and process Lifeline applications on a timely basis.

On March 17th and March 30th, the FCC waived certain requirements of the Lifeline program until late May to provide relief to carriers and subscribers during the pandemic. During this period, there will be no de-enrollments due to recertification, reverification, non-usage, USAC program integrity reviews, or other general grounds unless they are requested by the Lifeline subscriber. The FCC also delayed the date by which carrier representatives are required to register with USAC in the new Representative Accountability Database (RAD) until May 25th, 2020. The Lifeline division made the necessary system and process changes to support these waivers.

Q1 2020 Lifeline Program Updates & Accomplishments

- Submitted final NV Plan and NV Annual Report to FCC and published to our [website](#).
- Hard launched the NV in Alabama, Arkansas, Louisiana, Maryland, Massachusetts, New Jersey, Oklahoma, South Carolina, and Washington on January 22, 2020.

- Hard launched the NV in Florida, Illinois, Minnesota, Ohio, and Wisconsin on March 24, 2020.
- Completed 12-month extensions of the Computer Matching Agreements (CMAs) for Missouri, North Carolina, Pennsylvania, and Tennessee prior to expiration on April 15, 2020, to maintain existing connections.
- Re-established CMAs for Colorado, Mississippi, New Mexico, and Utah, prior to expiration of the extension agreements on April 18, 2020, to maintain existing connections.
- Made several improvements to the NV portal based on user feedback, including clearer instructions on acceptable documentation upload file formats, a progress bar to help users identify where they are in the application process, and a “Start New Application” button to better identify the most common action consumers take on the portal
- Completed work in support of the *2019 Lifeline Order’s* actions to strengthen program integrity and transparency.
 - Completed all work to meet the RAD requirements by March 26 (now effective for carrier representatives on May 25 due to the FCC waiver).
 - Developed risk factors for biennial audits for FCC consideration.
 - Developed updated audit procedures for FCC review to address the prohibition against ETCs paying commissions for enrollments to their agents/employees.
 - Submitted proposed format for aggregate subscribership data by county and service type for FCC review.
 - Made minor independent economic household (IEH) process updates for non-National Verifier states.
- Held first technical office hours session, inviting current users of the NV eligibility check application programming interface (API) to discuss feedback and questions. Carriers have been asking for more technical working sessions, so this can be a pilot for other initiatives.
- Using carrier feedback, completed development of a new subscriber address change workflow for deployment in the coming months.
- Updated applications in the NV portal and on our website to reflect the new Federal Poverty Guidelines (used for income-based eligibility).
- Participated at the February 2020 NARUC meetings, providing an update on Lifeline and hosting a meet-and-greet across all programs at USAC.
- Kicked off the accreditation process for access to the Social Security Death Master File (DMF).
- Received FCC approval for the selected Lifeline Risk Assessment vendor.
- Resolved 13 appeals in the first quarter, which is more than have been resolved in any quarter for the past several years.

Planned Activities for Q2 2020

- Closely monitor vendor operations for any impact based on the COVID-19 pandemic.

- Conduct NV training for remaining soft launch states to prepare for hard launch (date not yet announced).
- Complete 12-month CMA extensions for Indiana, Kentucky, Michigan, and Puerto Rico by the July 1, 2020 deadline.
- Implement improvements to NV portal mobile experience.
- Create and post new aggregate subscribership data reports on the USAC webpage in response to the *2019 Lifeline Order*.
- Draft processes to routinely report subscriber trends and concerning anomalies to the FCC and state commissions, as appropriate, in response to the *2019 Lifeline Order*.
- Resume reverification, recertification, and other processes and conduct outreach to carriers and subscribers at the end of the waiver period associated with the COVID-19 pandemic.

Lifeline Program Trends

Lifeline Program Service Type Trends¹

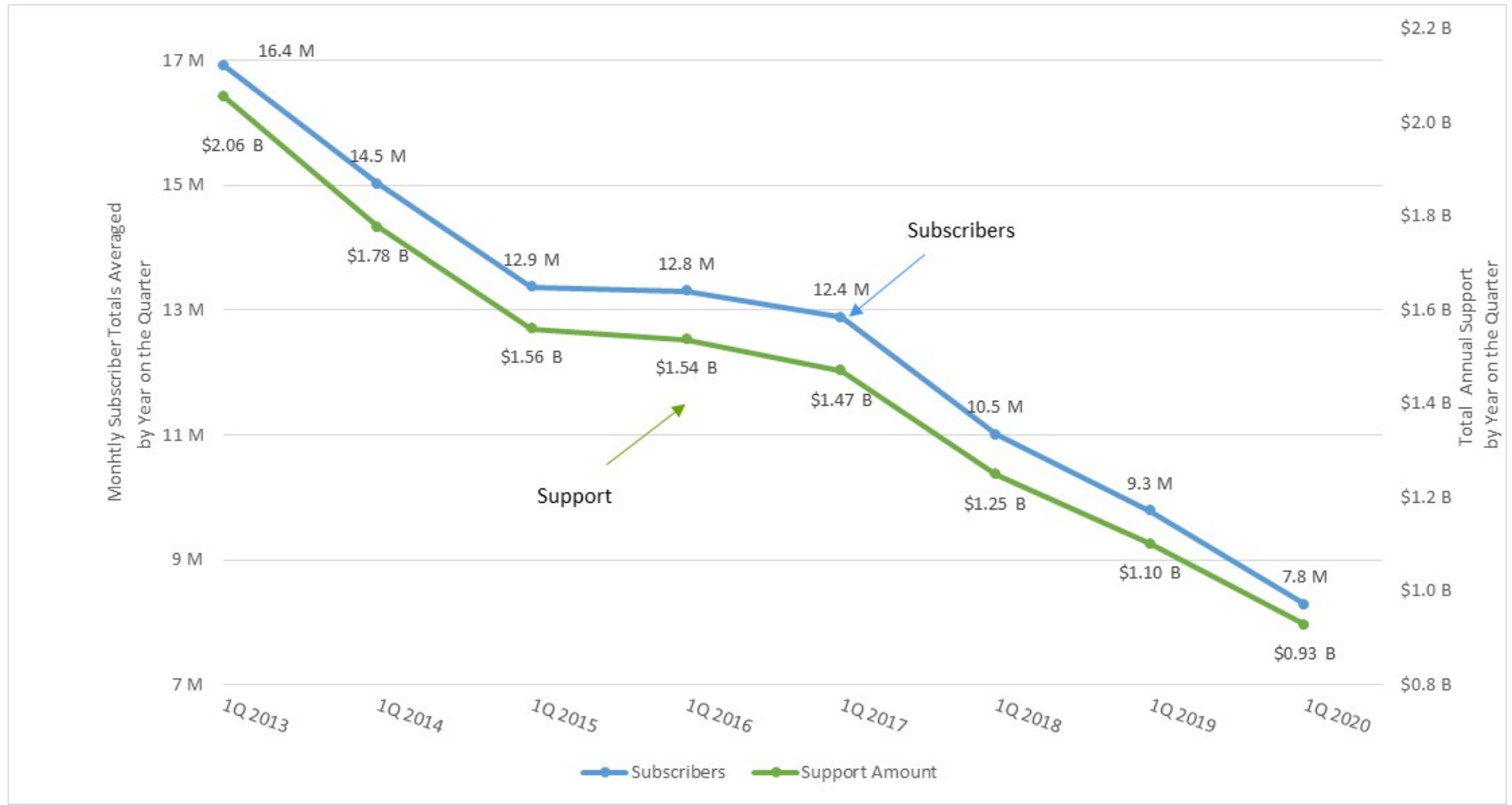
Month	Broadband	Bundled Broadband	Bundled Voice & Broadband	Bundled Voice	Voice
Feb 2020	0.18%	45.81%	43.36%	0.97%	9.68%
Jan 2020	0.19%	45.34%	42.07%	1.16%	11.24%
Dec 2019	0.19%	45.70%	40.89%	1.39%	11.83%
Nov 2019	0.14%	44.49%	26.34%	16.13%	12.90%
Oct 2019	0.13%	45.10%	17.59%	24.22%	12.96%
Sept 2019	0.12%	44.74%	17.40%	24.57%	13.17%
Aug 2019	0.12%	43.06%	18.39%	25.17%	13.26%
July 2019	0.11%	46.27%	16.29%	24.22%	13.11%
June 2019	0.11%	43.52%	18.20%	24.53%	13.64%
May 2019	0.11%	42.99%	17.93%	25.00%	13.98%
Apr 2019	0.10%	42.93%	17.47%	25.27%	14.22%
Mar 2019	0.10%	42.45%	17.66%	25.34%	14.46%

Historical values may vary from prior quarterly reports due to revisions

- 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 NLAD opt-out states.

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



Available for Public Use

Program Metrics for Q1 2020

Metric		Target	2Q2019	3Q2019	4Q2019	1Q2020	Variance to Target (most recent)		Comment	
1	Disbursements Completed (\$M)	\$ 190.5	\$ 254.1	\$ 242.6	\$ 215.2	\$ 198.8	\$ 8.3		Displays actual disbursements authorized, which includes original claims in the previous data month and prior revisions received. Updated target based on 1Q2020 projected support forecast.	
2	System Uptime (%)	NLAD:	99%	100%	100%	100%	100%	+1.00%		100% uptime in 1Q2020
		LED:	99%	100%	100%	100%	100%	+1.00%		100% uptime in 1Q2020
3	Call Center Abandon Rate	3%	5%	11%	5%	8%	+ 5.00%		The average abandonment rate in 1Q2020 increased to 8%, which is slightly above our target rate as call volumes increased quarter over quarter. The total call volume received increased 29% from DEC19 to MAR20. USAC is working closely with the BPO in order to better align resources to the actual number of calls received to reduce the abandonment rate.	
4	Appeals over 90 days aged	0	97	89	101	103	+103		In 1Q2020, six appeals aged greater than 90 days. Four appeals were partially granted/partially denied, five appeals was fully granted, three appeals were fully denied, and one appeal for a waiver request was assigned to the FCC.	
5	Appeals Average Age (days)	90	384	318	390	444	+354		Lifeline and OGC are continuing to work on the resolution of open appeals.	
6	Manual eligibility verification (% of total applications w/ manual decisions)	TBD	25%	24%	23%	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:	<6 min	6 min	5 min	5 min	8 min	-2 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	9.3 hr	8.5 hr	6 h 49 m	6 h 43 m	-41h 17m		

Current Status of Reverification

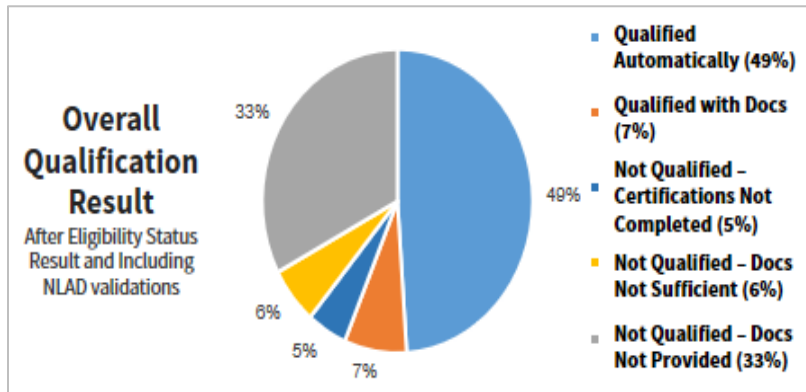
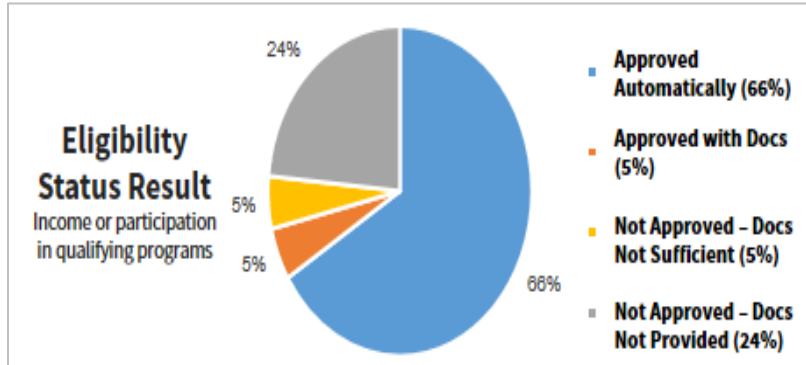
The data below includes subscribers who were checked against the new CMS connection. Subscribers who are pending are subject to document review because they were not passed automatically by checking databases. Reverification activity, including document requests and de-enrollments, is on hold pursuant to the FCC's COVID-19 waiver. *Note: These figures are subject to change throughout the reverification process and will not be final until reverification is complete for a launch.*

Launch	1	2	3	4	5	6	7	Total
Number of subscribers in Reverification	317,087	52,791	1,017,570	117,226	682,593	1,562,428	1,151,211	4,900,906
Qualified	231,683	23,853	768,824	72,488	496,805	1,091,182	653,848	3,338,683
Pending	2,087	756	20,417	3,527	14,386	293,349	403,448	737,970
De-enrolled for reverification	38,445	14,748	97,443	14,594	86,718	-	-	251,948
Preliminary Reverification Pass Rate ²	85%	61%	87%	80%	83%	79%	62%	77%

² Preliminary Reverification Pass Rate takes into account subscribers who have naturally de-enrolled during the process of reverification.

National Verifier Application Processing

768,790 applications³ received from 4Q2019 have been fully processed⁴. Results are shown below.



³ Application totals include states that have fully launched and soft launched in National Verifier.

⁴ Fully Processed means that the window to provide any supporting document has closed.

Lifeline Program Road Ahead

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

