



High Cost & Low Income Briefing Book

Open Session

Available for Public Use

October 26, 2020

Virtual Meeting

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
Virtual Agenda**

USAC Offices 700 12th Street, N.W., Suite 900 Washington, D.C. 20005

OCTOBER 26, 2020 <u>HIGH COST OPEN SESSION</u>		<i>Estimated Duration in Minutes</i>
Chair	a1. Consent Items (each available for discussion upon request): A. Approval of High Cost & Low Income Committee Meeting Minutes of July 27 July 28, 2020 B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i>	5
Vic	a2. Approval of High Cost Support Mechanism 1st Quarter 2021 Programmatic Budget and Demand Projection for the November 2, 2020 FCC Filing	5
Teleshia	i1. Information on Seven UASC Audit and Assurance Division High Cost Support Mechanism Beneficiary Audit Reports <i>(For Information Only)</i>	–
Vic	i2. High Cost Business Update <ul style="list-style-type: none"> • Program Administration Update for High Cost • Q3 2020 Update on High Cost Administration <i>(For Information Only)</i> 	20

OCTOBER 26, 2020 <u>LOW INCOME OPEN SESSION</u>		<i>Estimated Duration in Minutes</i>
James	a3. Approval of Low Income Support Mechanism 1st Quarter 2021 Programmatic Budget and Demand Projection for the November 2, 2020 FCC Filing	5
James	i3. Lifeline Business Update <ul style="list-style-type: none"> • Program Administration Update for Lifeline • Q3 2020 Update on Low Income Administration <i>(For Information Only)</i> 	15

Available For Public Use

OCTOBER 27, 2020 <u>HIGH COST EXECUTIVE SESSION</u> Confidential – Executive Session Recommended		<i>Estimated Duration in Minutes</i>
Vic	i2. High Cost Business Update (<i>Continued</i>) <ul style="list-style-type: none"> • Verification 18-Month At-a-Glance • 2020 Connect American Fund Verifications 	15

OCTOBER 27, 2020 <u>LOW INCOME EXECUTIVE SESSION</u> Confidential – Executive Session Recommended		<i>Estimated Duration in Minutes</i>
James	i3. Low Income (Lifeline) Business Update (<i>Continued</i>) <ul style="list-style-type: none"> • Lifeline 508 Compliance and Usability Testing Update • COVID-19 <ul style="list-style-type: none"> ○ Waivers ○ Impact on Demand 	15

Next Scheduled USAC High Cost & Low Income Committee Meeting

January 25 – 26, 2020 Virtual Meeting
--

Available For Public Use

**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 July 27 and July 28, 2020 (*see Attachment A-1 and A-2*).

- 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) **i3** – 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*.

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:

Available for Public Use

RESOLVED, that the USAC High Cost & Low Income Committee hereby approves: (1) the Committee meeting minutes of July 27 and July 28, 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, July 27, 2020

(DRAFT) MINUTES¹

Due to the COVID-19 pandemic, USAC continued mandatory telework; therefore the quarterly *Open Session* meeting of the High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) was conducted by web conference on Monday, July 27, 2020. Mr. Ken Mason, Committee Chair, called the meeting to order at 11:40 a.m. Eastern Time, with a quorum of all 11 Committee members present:

Feiss, Geoff	Polk, Stephanie
Freeman, Sarah	Sekar, Radha – Chief Executive Officer
Gerst, Matthew	Tinic, Atilla
Gillan, Joe	Waller, Jeff
Jacobs, Ellis	Wein, Olivia – Vice Chair
Mason, Ken – Chair	

Mr. Tinic left the meeting at 11:56 a.m. Eastern Time. He and voted on items a1 and a2.

Other Board members and officers of the corporation present:

Ayer, Catriona – Vice President of Shared Services
Beckford, Ernesto – Vice President, General Counsel, and Assistant Secretary
Beyerhelm, Chris – Chief Administrative Officer
Buzacott, Alan – Member of the Board
Choroser, Beth – Member of the Board
Davis, Craig – Vice President of Schools and Libraries
Delmar, Teleshia – Vice President of Audit and Assurance
Domenech, Dr. Daniel – Member of the Board
Gaither, Vic – Vice President of High Cost
Gregory, Amber – Member of the Board
Hutchinson, Kyle – Vice President of IT and Chief Information Officer
Salvator, Charles – Vice President, Chief Financial Officer, and Assistant Treasurer
Schell, Julie Tritt – Member of the Board
Sweeney, Mark – Vice President of Rural Health Care
Wade, Dr. Joan – Member of the Board

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.

Wibberly, Dr. Kathy – Member of the Board

Others present:

<u>NAME</u>	<u>COMPANY</u>
Benham, Cathy	CMS Consulting Inc.
Butler, Stephen	USAC
Carroll, Kathy	CMS Consulting Inc.
DiVo, Victor	USAC
Goode, Vernell	USAC
Hamm, Aaron	USAC
James, Christine	USAC
Kriete, Debra	SECA
Lee, James	USAC
Mitchell, Tamika	USAC
Nelbach, Nick	USAC
Nuzzo, Patsy	USAC
Samuels, Victoria	USAC
Tiwari, Tanya	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 April 28, 2020 and June 26, 2020.

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 the Committee meeting minutes of April 28, 2020, and June 26, 2020.

a2. Approval of High Cost Support Mechanism 4th Quarter 2020 Programmatic Budget and Demand Projection for the July 31, 2020 FCC 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 4th Quarter 2020 programmatic budget and demand projection for the July 31, 2020 FCC filing.

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

Available For Public Use

RESOLVED, that the USAC High Cost & Low Income Committee approves a 4th Quarter 2020 High Cost Support Mechanism direct program budget of \$6.90 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$6.90 million for High Cost Support Mechanism administrative costs in the required July 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 July 27, 2020 the 4th Quarter 2020 High Cost Support Mechanism demand estimate of \$1,248.79 million, hereby directs USAC staff to proceed with the required July 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 Six USAC Audit and Assurance Division High Cost Support Mechanism Beneficiary Audit Reports.** The Committee received a report with information on six USAC Audit and Assurance Division High Cost Support Mechanism beneficiary audit reports. Mr. Mason noted that the reports were for *information only* and would be posted on the USAC's public website. No discussion was held.
- i2. High Cost Business Update.** Mr. Gaither presented PowerPoint slides covering the following items to the Committee:
 - Operations Update
 - High Cost Updates
 - Upcoming Milestones
 - Q2 2020 Update on High Cost Administration. The Committee received a report on High Cost 2Q2020 accomplishments, planned activities for 3Q2020, and program metrics. The report was provided for *information only* and was publically posted on the USAC's website. No discussion was held.

The Committee recessed at 11:55 a.m. Eastern Time and reconvened at 12:05 p.m.

LIFELINE OPEN SESSION

- a3. Approval of Low Income Support Mechanism 4th Quarter 2020 Programmatic Budget and Demand Projection for the July 31, 2020 FCC**

Filing. Mr. Lee 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 4th Quarter 2020 programmatic budget and demand projection for the July 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 4th Quarter 2020 Low Income Support Mechanism direct program budget of \$11.50 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$11.50 million for Low Income Support Mechanism administrative costs in the required July 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 July 27, 2020 the 4th Quarter 2020 Low Income Support Mechanism demand estimate of \$244.08 million, hereby directs USAC staff to proceed with the required July 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.

i3. Lifeline Business Update. Mr. Lee presented PowerPoint slides covering the following items to the Committee:

- Operations Update
- Lifeline Updates
- Upcoming Milestones
- Q2 2020 Update on Lifeline Administration. The Committee received a report on Lifeline 2Q2020 accomplishments, planned activities for 3Q2020, and program metrics. The report was provided for *information only* and was publically posted on the USAC's website. No discussion was held.

On a motion duly made and seconded, the Committee adjourned at 12:25 p.m. Eastern Time with Mr. Mason noting that an ***Executive Session*** meeting for the High Cost and Low Income Committee would be held on July 28, 2020.

/s/ Ernesto Beckford
Assistant Secretary

Available For Public Use

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

HIGH COST & LOW INCOME COMMITTEE MEETING
Tuesday, July 28, 2020

(DRAFT) MINUTES¹

Due to the COVID-19 pandemic, USAC continued mandatory telework; therefore the quarterly *Executive Session* meeting of the High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) was conducted by web conference on Tuesday, July 28, 2020. Mr. Ken Mason, Committee Chair, called the meeting to order at 12:20 a.m. Eastern Time, with a quorum of ten of the 11 Committee members present:

Feiss, Geoff	Mason, Ken – Chair
Freeman, Sarah	Polk, Stephanie
Gerst, Matthew	Sekar, Radha – Chief Executive Officer
Gillan, Joe	Waller, Jeff
Jacobs, Ellis	Wein, Olivia – Vice Chair

Mr. Atilla Tinic joined the meeting at 12:33 p.m. Eastern Time. He did not vote on item al.

Other Board members and officers of the corporation present:

Ayer, Catriona – Vice President of Shared Services
Beckford, Ernesto – Vice President, General Counsel, and Assistant Secretary
Beyerhelm, Chris – Chief Administrative Officer
Buzacott, Alan – Member of the Board
Choroser, Beth – Member of the Board
Davis, Craig – Vice President of Schools and Libraries
Delmar, Teleshia – Vice President of Audit and Assurance
Domenech, Dr. Daniel – Member of the Board
Gaither, Vic – Vice President of High Cost
Garber, Michelle – Vice President of Enterprise Resource Program
Gregory, Amber – Member of the Board
Hutchinson, Kyle – Vice President of IT and Chief Information Officer
Salvator, Charles – Vice President, Chief Financial Officer, and Assistant Treasurer
Schell, Julie Tritt – Member of the Board

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.

Sweeney, Mark – Vice President of Rural Health Care
Wade, Dr. Joan – Member of the Board
Wibberly, Dr. Kathy – Member of the Board

Others present:

<u>NAME</u>	<u>COMPANY</u>
DiVo, Victor	USAC
Goode, Vernell	USAC
Hamm, Aaron	USAC
James, Christine	USAC
Lee, James	USAC
Mitchell, Tamika	USAC
Nelbach, Nick	USAC
Nuzzo, Patsy	USAC
Samuels, Victoria	USAC
Tiwari, Tanya	USAC

HIGH COST OPEN SESSION

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

a1. Consent Items. Mr. Mason presented this item to the Committee:

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) **i3** – 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*.

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

Available For Public Use

RESOLVED, that the USAC High Cost & Low Income Committee hereby approves discussion in *Executive Session* of the items noted above.

At 12:22 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 noted above. Only members of the Board and USAC staff were present.

HIGH COST EXECUTIVE SESSION

- i2. High Cost Support Mechanism Business Update (Continued).** Mr. Gaither presented PowerPoint slides covering the following:
- Verifications – 18-Month At-A-Glance
 - Supply Chain Order Update

LOW INCOME EXECUTIVE SESSION

- i3. Low Income Support Mechanism (Lifeline) Business Update.** Mr. Lee presented PowerPoint slides covering the following topics to the Committee for discussion:
- Lifeline 508 Compliance Update
 - COVID-19 on Lifeline Program

At 12:48 p.m. Eastern Time, 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 discussed items i2 and i3 above.

On a motion duly made and seconded, the Committee adjourned at 12:49 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
1st Quarter 2021 Programmatic Budget and
Demand Projection for the November 2, 2020 FCC Filing**

Action Requested:

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 1st Quarter 2021 (1Q2021) programmatic budget and demand projection for the High Cost Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's November 2, 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 1Q2021 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>	4Q2020	Increase/ (Decrease)	1Q2021	Notes
Steady State:				
Legacy Funds	\$424.34	(\$17.21)	\$407.13	Includes HCLS, CAF BLS, and Frozen Price Cap and Competitive ETC Support
Modernization Funds	887.16	(15.48)	871.68	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	(64.89)	1.50	(63.39)	Disbursements for RBE, Mobility Fund Phase I, and portion of A-CAM I.
Total Steady State	\$1,246.61	(\$31.19)	\$1,215.42	
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	\$1,246.61	(\$31.19)	\$1,215.42	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	(6.19)	23.27	17.08	
Billings	13.92	126.24	140.16	
Bad Debt Expense	(21.98)	6.00	(15.98)	
Annual Admin True-up	0.00	(14.08)	(14.08)	
Total Prior Period Adjustments	(\$14.25)	\$141.43	\$127.18	
USAC Admin Expenses	16.43	0.07	16.50	See Table B
Total Funding Requirement	\$1,248.79	\$110.31	\$1,359.10	

Based on the projected burn rate, USAC estimates the following 1Q2021 programmatic budget:

Table B. Quarterly Programmatic Budget

<i>(in millions)</i>	4Q2020	Increase/ (Decrease)	1Q2021	Notes
Direct Program Costs				
Employee Expenses	\$1.76	\$0.10	\$1.86	
Professional Services	1.78	(0.91)	0.87	
General & Administrative	0.00	0.00	0.00	
Total Direct Program Costs	\$3.54	(\$0.81)	\$2.73	
Direct Assigned Costs				
Employee Expenses	\$0.81	\$0.13	\$0.94	
Professional Services	2.55	0.16	2.71	
General & Administrative	0.00	0.00	0.00	
Total Direct Assigned Costs	\$3.36	\$0.29	\$3.65	
Total Direct Program & Direct Assigned Costs	\$6.90	(\$0.52)	\$6.38	
Common Allocated Costs	\$9.53	\$0.59	\$10.12	
Total Programmatic Budget	\$16.43	\$0.07	\$16.50	

A comparison of actual expenditures to the budget for the nine months ending September 30, 2020 is provided in **Attachment 2**.

Recommendation:

USAC management recommends that the Committee approve the 1Q2021 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 1st Quarter 2021 High Cost Support Mechanism direct program budget of \$6.38 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$6.38 million for High Cost Support Mechanism administrative costs in the required November 2, 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 October 26, 2020 the 1st Quarter 2021 High Cost Support Mechanism demand estimate of \$1,359.10 million, hereby

directs USAC staff to proceed with the required November 2, 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>	4Q2020	Increase/ (Decrease)	1Q2021	Notes
Steady State – Legacy Funds:				
High Cost Loop Support (HCLS) ³	\$95.31	\$0.09	\$95.40	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	208.75	(12.86)	195.89	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	21.32	(2.07)	19.25	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	98.96	(2.37)	96.59	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	\$424.34	(\$17.21)	\$407.13	

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>	4Q2020	Increase/ (Decrease)	1Q2021	Notes
Steady State – Modernization Funds:				
CAF Phase II ⁷	379.42	0.00	379.42	Support to Price Cap carriers based on Connect America Cost Model (CACM).
CAF Phase II Auction	37.86	0.84	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 Inter-carrier Compensation (ICC) ⁸	99.48	(0.48)	99.00	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	159.39	(1.50)	157.89	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). See also *Wireline Competition Bureau Announces Deadline for Price Cap Carriers to Elect Seventh Year of Connect America Fund Phase II Model-Based Support*, WC Docket 10-90, Public Notice 35 FCC Rcd 7954 (WCB 2020).

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*); *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).

<i>(in millions)</i>	4Q2020	Increase/ (Decrease)	1Q2021	Notes
A-CAM II ¹¹	128.42	(1.16)	127.26	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) ¹²	0.72	0.00	0.72	Support to RBE winners in Price Cap areas for experiments for robust broadband infrastructure in rural communities.
Mobility Fund Phase I ¹³	12.42	0.00	12.42	Support to wireless carriers for the expansion of mobile broadband networks in unserved areas.
Uniendo a Puerto Rico Fund/Connect USVI Fund	37.37	(13.18)	24.19	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	\$887.16	(\$15.48)	\$871.68	

¹¹ 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*).

¹² 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).

¹³ 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>	4Q2020	Increase/ (Decrease)	1Q2021	Notes
<i>Amounts Paid from Reserve</i>	<i>(\$64.89)</i>	<i>\$1.50</i>	<i>(\$63.39)</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 September 30, 2020 for reserved funds was approximately \$1.21 billion.
<i>New Requirements – Legacy Funds:</i>				
<i>Total New Requirements Legacy Funds</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	
<i>New Requirements – Modernization Funds:</i>				
<i>Total New Requirements Modernization Funds</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	
<i>Total Program Demand</i>	<i>\$1,246.61</i>	<i>(\$31.19)</i>	<i>\$1,215.42</i>	

ATTACHMENT 2

High Cost Administrative Costs and Headcount
Comparison of Actual Expenditures and Headcount to the Budget for the
Nine Months Ending September 30, 2020

<i>(\$ in millions)</i>	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	44	44	0	4.30	\$4.97	\$0.67
Professional Services (Note 1)				0.93	6.65	5.72
General & Administrative				0.00	0.00	0.00
Total Direct Program Costs				\$5.23	\$11.62	\$6.39
Direct Assigned Costs						
Employee Expenses	19	18	(1)	2.31	\$2.29	(0.02)
Professional Services (Note 1)				4.58	8.64	4.06
General & Administrative				0.00	0.00	0.00
Total Direct Assigned Costs				\$6.89	\$10.93	\$4.04
Total Direct Program & Direct Assigned Costs	63	62	(1)	\$12.12	\$22.55	\$10.43
Common Allocated Costs (Note 2)				\$25.33	\$26.63	\$1.30
Total Programmatic Budget				\$37.45	\$49.18	\$11.73

Note 1: 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 2: Common costs include costs not directly attributable to a program and are allocated based on the Cost Allocation Methodology, which allocates costs based 50% on direct program costs in the prior year and 50% on program demand in the prior year.



High Cost Business Update

High Cost and Low Income Committee Meeting

October 26, 2020

Agenda: High Cost

Topic	Description	Purpose	Presenter	Length
Program Administration Update	Program Administration, FCC Order Volume, Upcoming Milestones	Informational	Vic	20 min
Appendix A	Glossary of Acronyms and Projects	Informational	--	--
Appendix B	Q3 2020 Update on High Cost Program Administration	Informational	--	--

High Cost Operations Administration Update

Disbursements

- YTD Disbursements (January 2020 through August 2020) - \$3.35B; September Disbursements On Track
- Continued Processing of LOC/OOC for auction winners – Two eligible carriers pending (209 /211 Carriers Completed - \$1.36B Authorized)
- CAF Phase II Auction payments in progress as FCC authorizes new carriers to receive support
- USVI/PR – Stage II Mobile payments in-progress – Awaiting authorization of support to one USVI carriers

Data Collection & Validations

- Performance Measures - Completed Q2 Data Collection on July 10th
- Section 54.314 Certification - On Track for State Certifications of ETCs - October 1st
- Performance Measures - Q3 Data Collection for CAF II Carriers Electing 7th Year of Funding – October 7th

High Cost Operations Administration Update *(continued)*

CAF Verifications

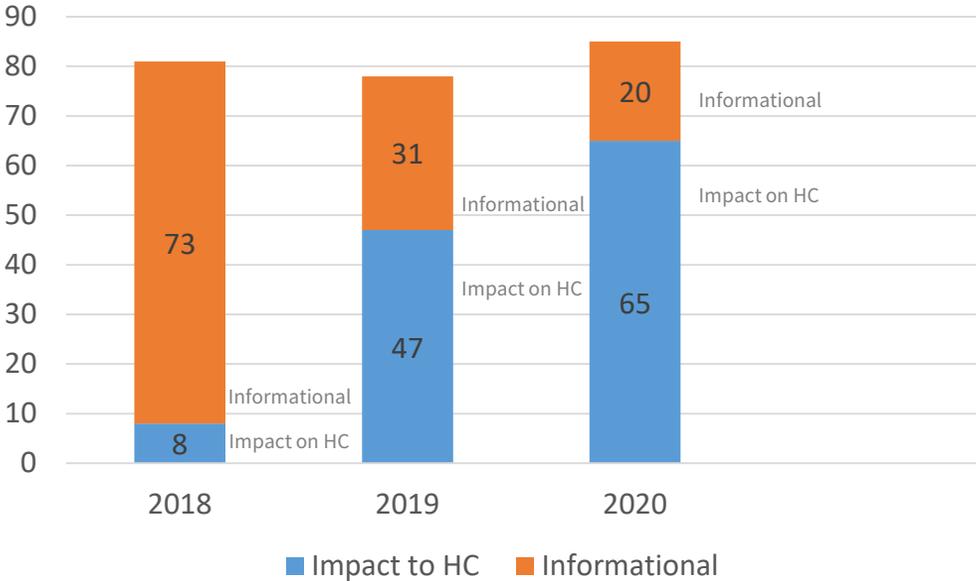
- On-Going: CAF II Auction, additional RBE verifications
- CAF II Verification Results for 80% milestone:
 - Seven study areas resulted in verification compliance gaps out of 42 study areas reviews
 - Tier One compliance gap identified for one carrier. Three states will require quarterly reporting for this carrier

Outreach

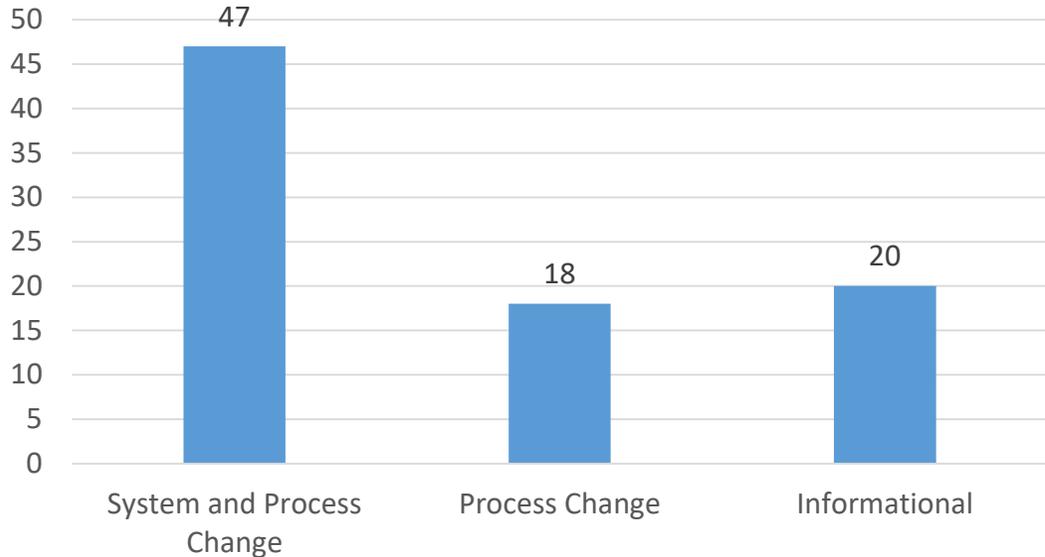
- Form 481 outreach and support, including communications concerning FCC waivers and deadline extensions
- Outreach to support addition of Form 481 Data to State Access Tool, tribal access to Form 481; refresh of CAF Map, and CAF Map open data set
- Ongoing Performance Measures outreach and support; develop vendor guide for RoR carriers
- ELAP and CETC Map outreach

High Cost Order Updates (Post July 2020 Meeting)

FCC Released Items



FCC Released Items and the Impact to HC in 2020



❖ Note: continued increase in FCC releases that impact HC processes and systems – Post July 2020, 23 Non Informational including:

- ❖ 1 - List of Fixed Competitive Eligible Telecommunications Carriers Receiving Phase Down Support
- ❖ 1 - Order establishing procedures to ensure swift and efficient administration of the CAF II Auction Eligible Locations Adjustment Process (ELAP)

High Cost Program Upcoming Milestones

- Implementations
 - Develop data collection requirements and technical requirements for Stage 2 Wireless PR/USVI
 - Develop the portal map for the CETC Legacy boundary project (prerequisite for 5G)
 - Final HCLI System Functional Analysis and Requirements Documentation
- CAF Verifications
 - Complete Sampling Plans
- Systems
 - ELAP Phase 2 - Public Participant Map Go Live scheduled for 1st Quarter 2021
 - HCLI Requirements Analysis “To Be” Phase - 4th Quarter 2020

High Cost Program Upcoming Milestones *(continued)*

- Outreach
 - Outreach to prepare carriers for March 1, 2021 filing deadline for 2020 broadband deployment data with HUBB
 - Ongoing Performance Measures outreach and support; finalize and post vendor guide for RoR Carriers
 - ELAP user testing with CAF II Auction carriers
 - Verification outreach to RoR carriers to share lessons learned from CAF II reviews

Appendix A: Glossary of Terms

Acronym	Term	Definition
HCLI	High Cost Low Income System	Calculation system within the HC Operations Program that builds the monthly carrier support.
LOC/OOC	Letter of Credit /Bankruptcy opinion of Counsel	Requirements for winning auction bidders such as in the case of the CAF II Auction.
PMM	Performance Measurement Module	Collection of system functionality designed to deliver the requirements of the <i>Performance Measurement Orders</i> .
PR / USVI	Puerto Rico / US Virgin Islands	United States territories for which the FCC created specific HC funds to help rebuild and shore up communications networks damaged or destroyed by hurricanes.
RBE	Rural Broadband Experiments	A 10 year fund designed to provide \$100 million funding for carriers to buildout broadband services in high cost areas.
RDOF	Rural Digital Opportunity Fund	A new fund provide up to \$20.4 billion over ten years to finance up to gigabit speed broadband networks in unserved rural areas.
RoR	Rate of Return	Carriers subject to FCC rate-of-return regulation under High Cost Program rules.
SAC	Study Area Code	A unique, six digit identifier used to identify a carrier specific service area.
US Telecom	US Telecom	Trade association that represents telecommunications related businesses in the US.
WCB	Wireline Competition Bureau	The FCC Bureau responsible for, among other things, oversight of the four federal universal service funds.

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

INFORMATION ITEM

**Appendix B
High Cost Business Update
Q3 2020 Update on High Cost Program Administration**

Overall Summary

Even as the coronavirus pandemic drags on, it remains business as usual for the High Cost division in Q3 2020. The division continues to implement multiple FCC modernization orders, driving the ongoing transition from legacy voice programs to the broadband-focused Connect America Fund (CAF) in order to close the digital divide in rural America. With many people forced to work from home, our mission has become more critical than ever as broadband brings classrooms, workplaces, medical appointments, and even grocery shopping to computer screens across the country.

Major highlights of Q3 2020 include ongoing system updates, extensive outreach to close out the annual FCC Form 481 filing window, and the addition of FCC Form 481 data to the state access tool for state utility commissions. The High Cost team refreshed the CAF Map with 2019 deployment data, added data from several new funds, and continued to collect and analyze network data (speed and latency pretest) submitted by CAF II model carriers in compliance with the Performance Measures order. In addition, High Cost continued verification reviews to confirm deployment in a random sample of locations reported in the High Cost Universal Broadband (HUBB) portal by CAF II carriers and Alaska Communications Systems (ACS). The High Cost division continued development work on maps of existing subsidized service areas for wireless carriers receiving legacy support. These maps will establish a framework for transitioning to the proposed 5G Fund. Finally, the High Cost team developed a new system ready for deployment to let CAF II Auction winners submit evidence to adjust deployment obligations in eligible areas.

High Cost Program Q3 2020 Highlights and Updates

FCC Order Implementation/Disbursements

- Continued to disburse payments for new funds shifting carriers away from legacy cost-based funding mechanisms to model-based mechanisms with defined deployment obligations, including the Uniendo, a Puerto Rico/Connect United States Virgin Islands (PR/USVI) Fund, through which the FCC plans to invest roughly \$950 million in fixed and mobile networks designed to withstand storms.
- Worked to collect the annual section 54.314 of eligible telecommunications carriers (ETCs) certifications from both state commission and self-certifiers by the Oct. 1, 2020 deadline.

- Engaged a selected vendor to conduct a High Cost Low Income (HCLI) system assessment to develop detailed requirements and a roadmap for a future-state system; completed the first phase (the “As Is” assessment) of the HCLI requirement analysis in late third quarter 2020.
- On-boarded a selected vendor to provide geographic information system (GIS) information and key data needed to create maps of existing supported service areas of wireless ETCs
 - Note: The maps will support the establishing of the framework for the proposed 5G Fund for rural America, through which the FCC will invest up to \$9 billion over 10 years.

Systems

- Completed modifications of the FCC Form 481 filing system to close out annual filing window (annual July 1 filing deadline), which the FCC extended for select carriers through approved waivers, including system modifications to allow CAF II Auction participants to update capital expenditure information after the filing deadline.
- Created a single source of carrier data for state public utility commissions (PUCs), added carrier financial and operational data from carriers’ FCC Form 481 filings to the existing state access tool, which already included broadband deployment data filed with the HUBB portal.
 - Note: PUCs must annually file the section 54.314 “certification of support” for ETCs subject to state jurisdiction.
- Continued to integrate new funds into the HUBB with a focus on migrating locations already in the system, updating deployment milestone tracking for Revised Alternative Connect America Cost Model (ACAM) and ACAM II, and refining record locking functionality for locations selected for verification reviews and/or Performance Measures Module (PMM) testing.
- Refreshed CAF Map with 2019 deployment data including data reported in the HUBB related to CAF II Auction, Revised ACAM, and ACAM II.
- Continued to collect, analyze, and report to the FCC CAF II carriers’ quarterly speed and latency pretest data submitted to PMM.
- Continued development of a new system to support the Eligible Locations Adjustment Process (ELAP), which will allow CAF II Auction winners to submit evidence supporting adjusting their deployment obligations in eligible areas where the actual number of eligible locations are fewer than the number of funded locations.

Compliance

- Implemented process improvements to redesign and streamline the CAF verification process—USAC’s process to confirm broadband deployment using a random sample

- of locations reported in the HUBB—in order to ensure the prompt delivery of accurate 2020 verification results.
- Verified deployment to CAF II Model and Alaska Communications Systems (ACS) locations to close out the 2019 Year-End verification reviews—including CAF II at an 80 percent milestone and ACS at a 40 percent milestone.
 - Continued to perform verification reviews of rolling deployment milestones for Rural Broadband Experiments (RBE) carriers.
 - Prepared for 2021 verification reviews of additional funds with ACAM (with a 40 percent deployment milestone as of year-end 2020) by analyzing fund requirements, updating/creating new sampling plans and ensuring adequate staffing.
 - Note: Other funds will soon face verification reviews, such as Revised ACAM and ACAM II, which have 40 percent deployment milestones as of year-end 2022, and CAF Phase II Auction, which has an optional 20 percent milestone as of year-end 2021. Rate of return carriers will increase the number of study areas under review by approximately 400.

Outreach

- Wrapped up FCC Form 481 and FCC Form 690 outreach to help carriers navigate and close out the filing deadline of July 1.
 - Note: The FCC extended the deadline for certain carriers via waiver orders, which had the following relevant issues:
 - CAF II Auction carriers providing updated capital expenditure information after the filing deadline;
 - Carriers on phased-down legacy support for carriers that were not required to complete certain sections of FCC Form 481 filing and were given an extension of the filing deadline; and
 - Rural Utilities Service (RUS) borrowers subject to a temporary waiver of financial reporting requirements due to COVID-19.
- Reached out to PUCs and the National Association of Regulatory Utility Commissions (NARUC) to notify them about the addition of FCC Form 481 data to the state access tool.
- Hosted a webinar to provide demo/walk-through of the state access tool and granted system access for state officials who use the data to file the annual section 54.314 certification of ETCs under their jurisdiction.
- Reached out to state officials and carriers that self-certify in order to remind them of the Oct. 1 deadline for filing section 54.314.
- Reached out to Tribal officials, as well as the FCC Office of Native Affairs and Policy (ONAP), the National Congress of American Indians (NCAI), and the National Tribal Telecom Association (NTTA) to ensure Tribal access to FCC Form 481 data submitted by carriers that serve their lands.

- Announced the release of CAF Map 3.0 and the refresh of the underlying CAF Map open dataset, which included 2019 deployment data and newly added data in the HUBB for CAF II Auction, Revised ACAM, and ACAM.
- Continued providing customer service and troubleshooting support to help CAF II Model carriers upload quarterly speed and latency pretest data into the PMM to comply with the *Performance Measures Orders*.
- Tracking which CAF II Model carriers acceptance of a seventh year of model support.
 - Note: Acceptance of such support extends pre-testing to Q3 and Q4 2020, pushing the start of actual testing to 2021.
- Continued developing an online guide to provide an overview of vendors offering solutions to help carriers conduct speed and latency testing to serve as a resource for smaller carriers that face pre-testing mandates starting in 2021.
- Reached out to wireless CETCs receiving legacy support in order to ask them to review maps of their existing HC-supported services areas
 - Note: We will use such data to develop a plan for transitioning support to the new 5G Fund.

High Cost Program Upcoming Q4 2020 Activities

FCC Order Implementation/Disbursements

- Issue payments to second batch of mobile carriers authorized to receive PR/USVI Stage 2 funding.
- Continue to implement PR/USVI Stage 2 by gathering requirements for both fixed and wireless initiatives.
- Continue to implement the Rural Digital Opportunity Fund (RDOF), through which the FCC plans to use a reverse auction to invest \$20.4 billion to expand broadband in unserved rural areas.
- Continue to engage with the vendor to conduct High Cost Low Income (HCLI) requirement analysis and to develop detailed requirements and a roadmap for a future-state system.

Systems

- Continue to integrate new funds into the HUBB, with a focus on migrating existing locations already in the system, updating deployment milestone tracking for Revised ACAM and ACAM II, and refining record locking functionality for locations selected for verification reviews and/or PMM testing.
- Continue PMM system development to prepare, starting in 2021, to collect speed and latency pre-test data from carriers participating in ACAM I and Revised ACAM, RBE and Alaska Plan.
- Continue ELAP system development.

Compliance

- Continue to prepare for verification reviews of additional funds as discussed above.

Outreach

- Ramp-up outreach to carriers for the upcoming March 1, 2021 deadline for 2020 HUBB broadband deployment filings.
 - Continue outreach to CAF II carriers (with ongoing performance measures pretesting obligations in second half of 2020), as well as to ACAM, Revised ACAM, and RBE carriers in order to prepare them to begin pretesting in 2021.
 - Finish and post an online guide of vendors offering solutions to help carriers conduct speed and latency testing that will serve as a resource for smaller carriers.
 - Ramp-up outreach about 2021 verification reviews starting in 2021 for ACAM carriers and CAF II Auction carriers that meet deployment obligations ahead of schedule, including email communications, webinars, and industry presentations in partnership with trade groups (NTCA-The Rural Broadband Association, WTA-Advocates for Rural Broadband, Wireless Internet Services Providers Association, and the National Rural Electric Coop Association).
 - Continue outreach to wireless CETCs receiving legacy support to have them review maps of their existing study area boundaries.
 - Conduct user testing with early adopters—Cincinnati Bell, BARC Electric Coop, ViaSat, GeoLinks, and Wind River Internet (Tribally owned carrier)—to support development of the ELAP system.
 - Develop new ELAP web page, send email communications to CAF II Auction carriers, and conduct webinar ahead of the first phase of the system launch.
- Create new PR/USVI and RDOF fund pages for USAC website.

Program at a Glance

	2020	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
											3	2	1
New Orders													
CAF Auction													
PR / USVI													
ELAP RDOF													
New Procurements													
ELAP Verifier													
HCLI Requirements													
CostQuest													
Public Obligations													
CAF Verifications													
Verification Process													
Performance Measures													
Forms													
481, 690, 54.314													
Data Collection													
HUBB													
CETC Legacy													



As of 9/9/2020

Available for Public Use

Available For Public Use

Program Metrics:

Metric		Target	Q1 2020	Q2 2020	Q3 2020	Variance	Description/mitigation
1	Wireless Road miles build out	63,602	49,672	49,816	49,816	-13,786	Target completion August 2021.
2	Wireless Tribal population build out	56,932	50,207	50,207	50,207	-6,725	On track with verifications.
3	Wireline Locations validated (CAFII)	100%	100.0%	100.0%	100.0%	0.0%	
4	Wireline Locations Verified (CAFI)	100%				0.0%	CAF I waiver work complete and letters delivered to FCC.
	Wireline Locations Verified (CAF II)	100%	100%	100%	100%	0%	New verifications resumed in May 2020 and completed in September 2020.
5	Disbursements completed (\$M)	1,244	1,249	1,250	1,267	22.7	Disbursements include PPAs not included in forecast. Target based on Q3 2020 projections.
6	Disbursement cycle time	19 Days	18	18 Days	19 Days	0 Day	
7	IT Systems availability (%)	99%	100%	100%	100%	-	Availability of HUBB, CAP and HCLI systems.
8	Appeals	N/A	0	0	0	N/A	No active appeals.
9	Call Ctre Abandon Rate	3%	5%	29%	4%	1%	14 calls abandoned in 3Q. (Average of 3Q rate reflected)

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

ACTION ITEM

**Approval of Low Income Support Mechanism
1st Quarter 2021 Programmatic Budget and
Demand Projection for the November 2, 2020 FCC Filing**

Action Requested:

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 1st Quarter 2021 (1Q2021) programmatic budget and demand projection for the Low Income Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's November 2, 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 1Q2021 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>	4Q2020	Increase/ (Decrease)	1Q2021	Notes
Steady State:				
Lifeline	\$228.98	(\$13.68)	\$215.30	See Note 1
Link Up	0.01	0.02	0.03	
New Requirements:				
N/A	0.00	0.00	0.00	
Total Program Demand	\$228.99	(\$13.66)	\$215.33	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	(1.64)	28.52	26.88	
Billings	(0.15)	23.89	23.74	
Interest Income	(0.01)	0.01	0.00	
Bad Debt Expense	0.00	(2.74)	(2.74)	
Administrative Expense True-Up	0.00	(17.26)	(17.26)	
Total Prior Period Adjustments	(\$1.80)	\$32.42	\$30.62	
USAC Administrative Expenses	16.89	(0.52)	16.37	See Table B
Total Funding Requirement	\$244.08	\$18.24	\$262.32	

Note 1: Demand decrease due to projected reinstatement of de-enrollment, annual recertification, and reverification requirements as described in DA 20-891.³

Based on the projected burn rate, USAC estimates the following 1Q2021 programmatic budget:

Table B. Quarterly Programmatic Budget

<i>(in millions)</i>	4Q2020 Budget	Increase/ (Decrease)	1Q2021 Budget	Notes
Direct Program Costs				
Employee Expenses	\$2.18	\$0.12	\$2.30	
Professional Services	4.82	0.06	4.88	
General & Administrative	0.52	(0.20)	0.32	See Note 2
Total Direct Program Costs	\$7.52	(\$0.02)	\$7.50	
Direct Assigned Costs				
Employee Expenses	\$0.95	(\$0.36)	\$0.59	
Professional Services	2.80	(0.87)	1.93	
General & Administrative	0.23	0.15	0.38	See Note 2
Total Direct Assigned Costs	\$3.98	(\$1.08)	\$2.90	
Total Direct Program & Direct Assigned Costs	\$11.50	(\$1.10)	\$10.40	
Common Allocated Costs	\$5.39	\$0.58	\$5.97	
Total Programmatic Budget	\$16.89	(\$0.52)	\$16.37	

³ See *Lifeline and Link Up Reform and Modernization*, WC Docket No. 11-42, Order, DA 20-891 (2020).

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

A comparison of actual expenditures to the budget for the nine months ending September 30, 2020 is provided in **Attachment 1**.

Recommendation:

USAC management recommends that the Committee approve the 1Q2021 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 1st Quarter 2021 Low Income Support Mechanism direct program budget of \$10.40 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$10.40 million for Low Income Support Mechanism administrative costs in the required November 2, 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 October 26, 2020 the 1st Quarter 2021 Low Income Support Mechanism demand estimate of \$262.32 million, hereby directs USAC staff to proceed with the required November 2, 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
Nine Months Ending September 30, 2020

<i>(\$ in millions)</i>	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	64	63	(1)	\$5.39	\$6.24	\$0.85
Professional Services (Note 3)				10.11	17.38	7.27
General & Administrative (Note 4)				0.32	1.71	1.39
Total Direct Program Costs				\$15.82	\$25.33	\$9.51
Direct Assigned Costs						
Employee Expenses	15	21	6	\$2.14	\$2.70	\$0.56
Professional Services (Note 3)				6.96	9.12	2.16
General & Administrative (Note 4)				0.99	0.69	(0.30)
Total Direct Assigned Costs				\$10.09	\$12.51	\$2.42
Total Direct Program & Direct Assigned Costs	79	84	5	\$25.91	\$37.84	\$11.93
Common Allocated Costs (Note 5)				\$14.85	\$15.04	\$0.19
Total Programmatic Budget				\$40.76	\$52.88	\$12.12

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.



Lifeline Business Update

High Cost and Low Income Committee Meeting

October 26, 2020

Agenda: Lifeline

Topic	Description	Purpose	Presenter	Length
Operations Update	Information on Eligibility, Enrollments, Disbursements, and Appeals	Informational	James Lee	5 Min
Lifeline Updates	Major completed milestones from Q3	Informational	James Lee	5 Min
Upcoming Milestones	Planned work for Q4	Informational	James Lee	5 Min
Appendix A: Glossary of Terms	Glossary of Acronyms and Projects			
Appendix B	Q3 2020 Update on Lifeline (separate document)			

Operations Update: Program Performance

Eligibility and Enrollments

YTD Cumulative Comparison	2020 YTD (Jan to Sep)	2019 Comparison (Jan to Sep)
NV Applications Created	4,168,503	644,387
Program Eligibility Auto Approved	2,596,553	429,785
Program Eligibility Pass Rate	62%	67%
NLAD Enrollments (Excludes CA, OR, and TX)	1,911,197	2,480,343
NLAD De-Enrollments (Excludes CA, OR, and TX)	1,719,050	3,325,226
NLAD Subscribers (Sept Data – Oct 1 st Snapshot)	5,910,130	6,393,829
NLAD Opt Out Subscribers (Sept Data - CA, OR, and TX)	2,147,186	1,877,754
Lifeline Subscribers (September Data – Oct 1 Snapshot)	8,057,316	8,271,583
Disbursement (Latest Month – Oct Payout)	\$76,151,689	\$66,605,762

Call Center Metrics

Metric	SLA	Sept Actuals
Average real-time review	6 min	4 min
Average speed to answer (ASA)	30 sec	26 sec
Calls Abandon Rate	3%	2.1%

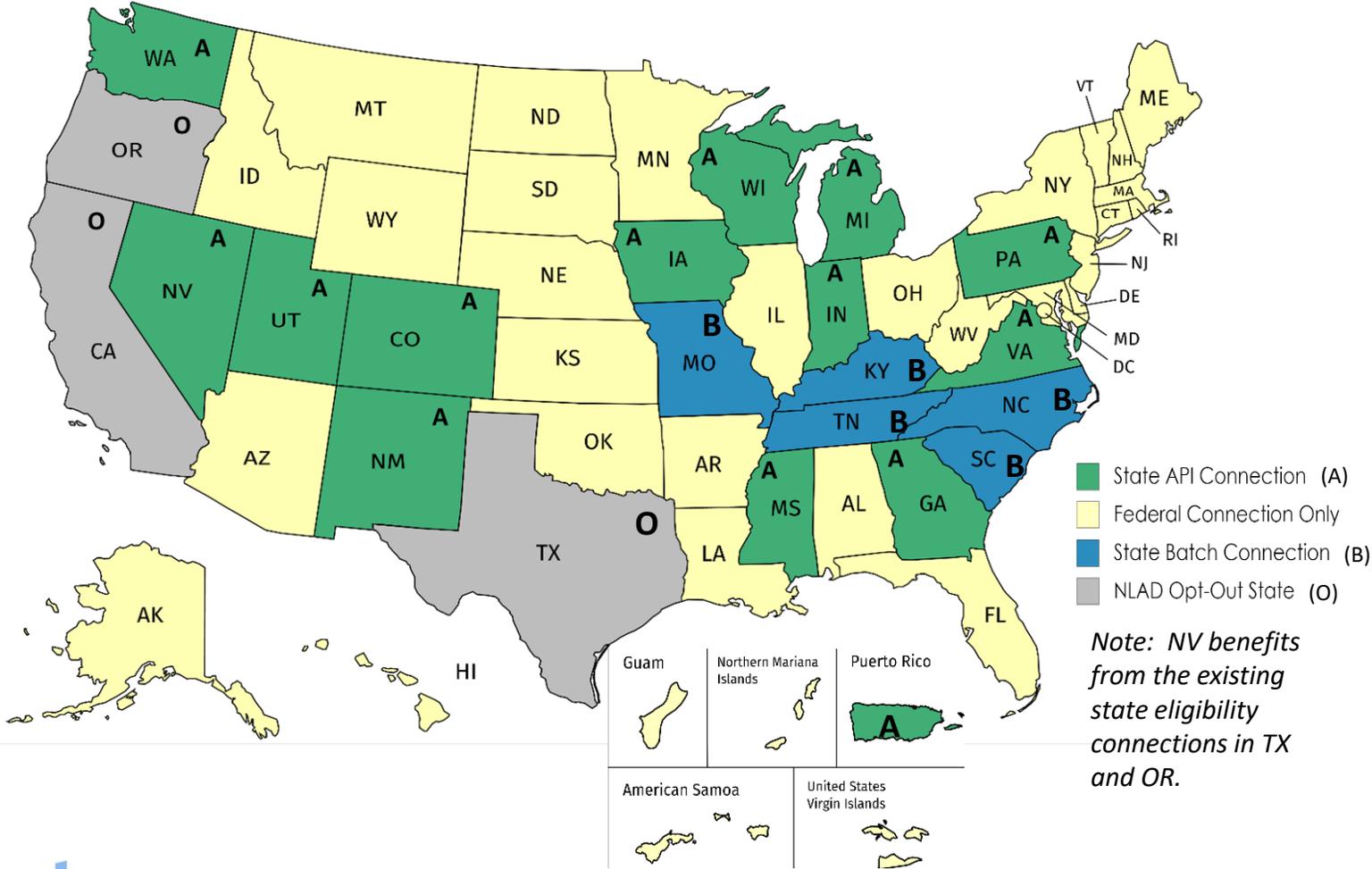
Appeals

Year	Total Submitted	Percent Resolved
2020	15 (YTD)	13%
2019	62	39%
2018	19	74%

Lifeline Updates

- Lifeline continues to work toward automated database connections with additional states. Florida and Minnesota are undergoing the 60-day Federal CMA process. Adding FL and MN will result in 23 state/U.S. territory connections (including OR and TX), plus two federal connections (HUD and CMS).
- USAC renewed the CMAs with PR, MI, IN, and KY on August 5, 2020. CMA extension for CMS is in progress. Current agreement expires on February 27, 2021.
- Completed business requirements for an automated solution for subscriber-level claims validations for NLAD opt-out states. Production release is scheduled for December 2020.

Lifeline Updates *(continued)*



To add to the National Verifier's 21 existing state/territory connections, we are working towards connections in FL and MN. Both states are undergoing the 60-day Federal CMA process, and we plan to enable the connections by year end 2020.

We will continue to work towards connections in additional states for the rest of 2020 and into 2021 to further increase automation for eligibility reviews.

Upcoming Milestones

- **Lifeline Risk Assessment:** Fulfills GAO's 2010 request, focuses on program administration and internal controls.
 - **Goal:** Evaluate whether program goals are met in a cost-effective manner and that risks are appropriately targeted and addressed.
 - **Due Date:** Final report expected in November 2020; plan to present results to the HCLI Committee in January 2021.
- **Lifeline Program Evaluation:** Required by the 2016 Lifeline Order and 2015 GAO Report; focuses on program design.
 - **Goal:** Provide the Commission and the public with better information about the operation and effectiveness of the Lifeline Program.
 - **Due Date to FCC:** December 31, 2020.

Appendix A: Glossary of Terms

Acronym	Term	Definition
API	Application Programming Interface	An API is a set of programming code that enables data transmission between one software product and another (computer to computer connection).
CMA	Computer Matching Agreement	The computerized comparison of records for the purpose of establishing or verifying eligibility for a federal benefit program.
GAO	Government Accountability Office	The GAO is an independent and non-partisan U.S. legislative agency that monitors and audits government spending and operations.
NLAD	National Lifeline Accountability Database	The National Lifeline Accountability Database (NLAD) allows service providers to check on a real-time, nationwide basis whether a consumer is already receiving a Lifeline Program-supported service. Service providers can only claim reimbursement for Lifeline subscribers that are enrolled in NLAD.

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

INFORMATION ITEM

**Appendix B
Lifeline Business Update
Q3 2020 Update on Lifeline Administration**

Overall Summary from Q3 2020

During this reporting period, the Lifeline division worked with the FCC to respond to Lifeline stakeholder needs during the pandemic. The FCC released a series of orders in March, April, June, and August 2020 as part of its COVID-19 response efforts to temporarily prevent involuntary de-enrollments, including non-usage de-enrollments. The waivers also paused annual recertification and reverification requirements. During this period, USAC has continued to conduct outreach and program integrity efforts for instances of suspected fraud and to recover improper payments.

Additionally, the August Order extended prior Lifeline waivers governing subscriber usage, income documentation, and documentation requirements for subscribers residing in rural areas on Tribal lands. All of the aforementioned waivers are currently in effect through November 30, 2020.

The Lifeline division is implementing an automated solution for validating monthly claims submitted by service providers in NLAD opt-out states against the monthly subscriber listing provided to USAC by the NLAD opt-out states. Production release is scheduled for December 2020.

Q3 2020 Lifeline Program Updates & Accomplishments

- Computer Matching Agreements (CMAs) renewals were established for PR, MI, IN, and KY on August 5, 2020. CMS CMA extension is in progress. Current agreement expires on February 27, 2021.
- In accordance with the 2019 Lifeline Order, USAC implemented changes to the recertification process on October 13, 2020. The new recertification process will require eligibility documentation to be collected in certain instances during annual recertification. USAC hosted a webinar on September 9, 2020 to provide a detailed overview of the new recertification process, which will go into effect after the COVID-19 waivers lift on November 30, 2020.
- Enhancement to the NV/NLAD address update workflow was released to the NLAD staging environment on August 13, 2020 to allow service providers to test the user interface and the messages related to the updated workflow. In the updated workflow, address updates will no longer be rejected by NLAD for AMS or duplicate errors. Instead, address errors will automatically create a new workflow in the NV, and USAC will work directly with consumers to resolve

Available For Public Use

- them. The production release date will be determined based on the end of the waiver period associated with the COVID-19 pandemic.
- An independent expert vendor has completed functional ease of use and usability testing of USAC's public websites and Lifeline's systems to ensure accessibility to those with disabilities. USAC and the vendor have met to review the results and recommendations coming out of the assessment.

Planned Activities for Q4 2020

- Continue partnership efforts with California, Oregon, and Texas, where the National Verifier relies on existing state eligibility and duplicate checking processes per their status as National Lifeline Accountability Database (NLAD) opt-out states, to enable a full launch in the coming months.
- Work toward automated database connections with additional states. Florida and Minnesota are undergoing the 60-day Federal CMA process. Adding FL and MN will result in 23 state/U.S. territory connections (including OR and TX), plus 2 federal (HUD and CMS) connections.¹
- Per the 2019 Lifeline Order, implement the new recertification process once the COVID-19 waivers lift at the end of November.
- Release automated solution for validating monthly claims submitted by service providers in NLAD opt-out states to production in 4Q2020.
- Complete the Lifeline risk assessment, which focuses on program administration and internal controls, to fulfill GAO's request. The goal is to evaluate whether program goals are met in a cost-effective manner and that risks are appropriately targeted and addressed. Final report is expected in November 2020. USAC plans to present results to the HCLI Committee in January.
- Complete the Lifeline program evaluation, required by the 2016 Lifeline Order and GAO's 2015 Report, which focuses on program design. The goal is to provide the Commission and the public better information about the operation and effectiveness of the Lifeline Program. USAC must file the report with the Commission by year end.
- 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.

¹ Both OR and TX have automated connections to state eligibility databases. Thus, the National Verifier indirectly benefits from those connections with respect to eligibility verification for the federal Lifeline program.

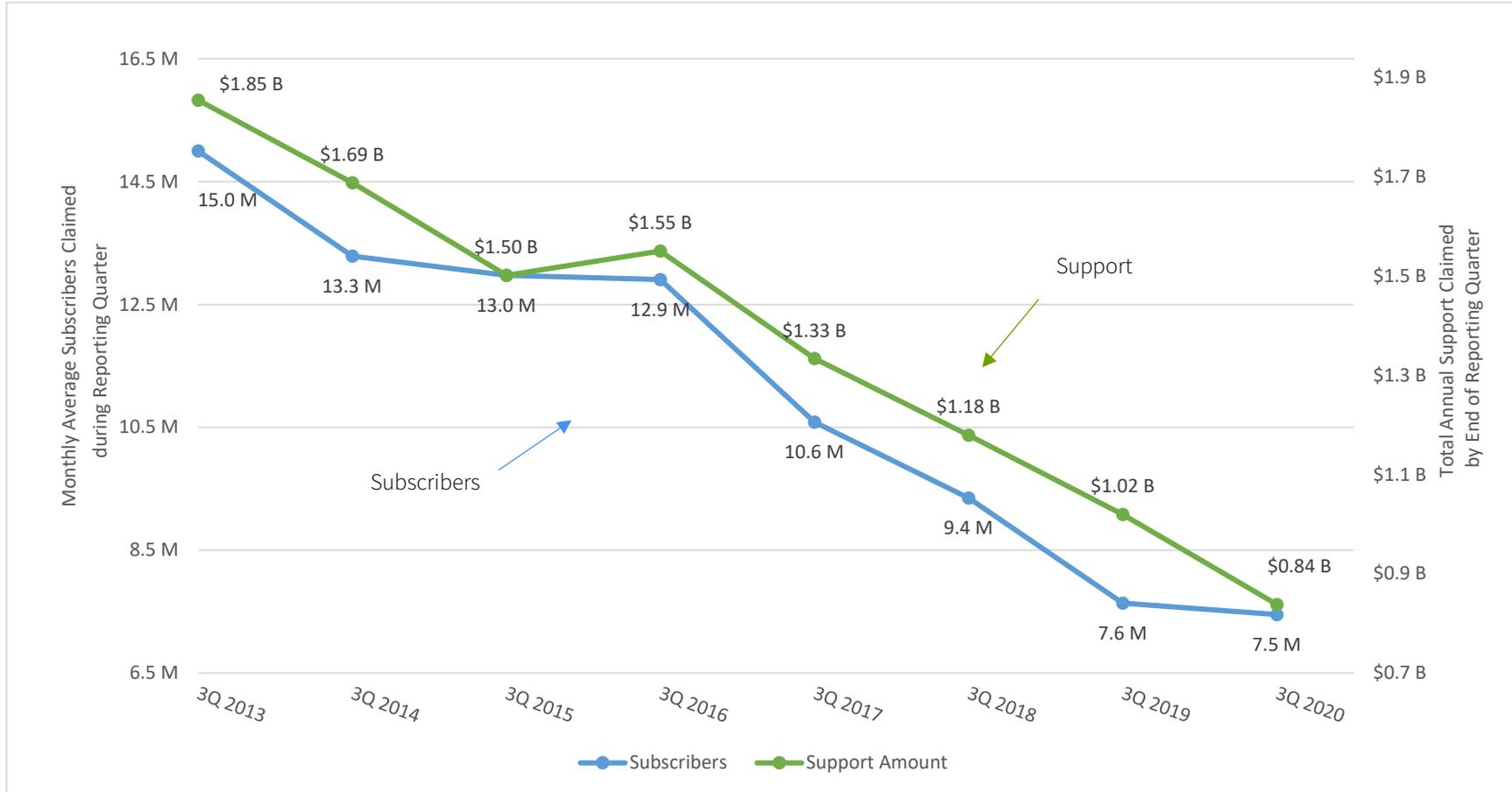
Lifeline Program Trends**Lifeline Program Service Type Trends²**

Month	Broadband	Bundled Broadband	Bundled Voice & Broadband	Bundled Voice	Voice
Sep 2020	0.16%	46.90%	46.07%	1.05%	5.83%
Aug 2020	0.19%	45.17%	44.21%	0.98%	9.45%
Jul 2020	0.23%	44.96%	44.07%	1.00%	9.73%
Jun 2020	0.23%	45.54%	43.46%	1.02%	9.75%
May 2020	0.23%	45.20%	43.72%	0.81%	10.04%
Apr 2020	0.23%	44.04%	44.47%	0.83%	10.44%
Mar 2020	0.22%	43.39%	44.05%	1.15%	11.19%
Feb 2020	0.20%	44.82%	42.74%	1.13%	11.11%
Jan 2020	0.19%	45.13%	42.13%	1.16%	11.39%
Dec 2019	0.19%	45.48%	40.98%	1.38%	11.96%
Nov 2019	0.14%	44.48%	26.35%	16.13%	12.90%
Oct 2019	0.13%	45.08%	17.62%	24.21%	12.96%

- 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

² Lifeline Program service type data is from the Lifeline Claims System (LCS), which includes the NLAD opt-out states.

Lifeline Seven Year, Year-Over-Year Subscribership & Claimed Support Amounts³



³ “Monthly Average Subscribers Claimed during Reporting Quarter” shows the average number of subscribers claimed during the reporting quarter, year over year for the previous seven years. “Total Annual Support Claimed by End of Reporting Quarter” shows the total annual amount Lifeline has provided at the close of the reporting quarter. Differences between claimed subscriber counts and subscriber counts from the NLAD snapshot vary due to non-claiming of subscribers, subscriber de-enrollments, or the timing of claims for Lifeline reimbursement.

Available For Public Use

Program Metrics for 3Q2020

Metric		Target	4Q2019	1Q2020	2Q2020	3Q2020	Variance to Target (most recent)		Comment	
1	Disbursements Completed (\$M)	\$ 195.9	\$ 215.2	\$ 198.8	\$ 206.0	\$ 216.6	\$ 18.0		Displays actual disbursements authorized, which includes original claims in the previous data month and prior revisions received. Updated target based on 3Q2020 projected support forecast.	
2	System Uptime (%)	NLAD:	99%	100%	100%	100%	100%	+1.00%		100% uptime in 3Q2020
		LED:	99%	100%	100%	100%	100%	+1.00%		100% uptime in 3Q2020
3	Call Center Abandonment Rate	3%	5%	8%	2%	2%	-1.00%		The average abandonment rate in 3Q2020 decreased from previous quarter, which is in line with our target rate as call volumes decreased quarter over quarter. The total call volume received decreased 10% from 2Q2020 to 3Q2020. USAC is working closely with the BPO in order to align resources to the actual number of calls received to reduce the abandonment rate.	
4	Appeals over 90 days aged	0	101	103	103	98	+98		In 3Q2020, four appeals aged greater than 90 days. Ten appeals were fully denied, and one appeal was resolved administratively.	
5	Appeals Average Age (days)	90	390	444	517	591	+496		Lifeline and OGC are continuing to work on the resolution of open appeals.	
6	Manual eligibility verification (% of total applications w/ manual decisions)	TBD	23%	25%	25%	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 Time:	<6 min	5 min	8 min	5 min	4 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 Time:	<48 h	6 h 49 m	6 h 43 m	9 h 48 m	7 h 51 m	-40h 4m		

Legend



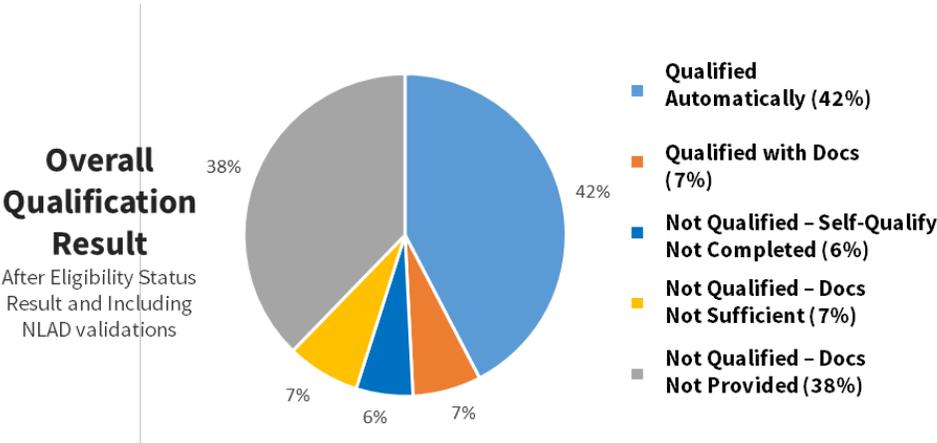
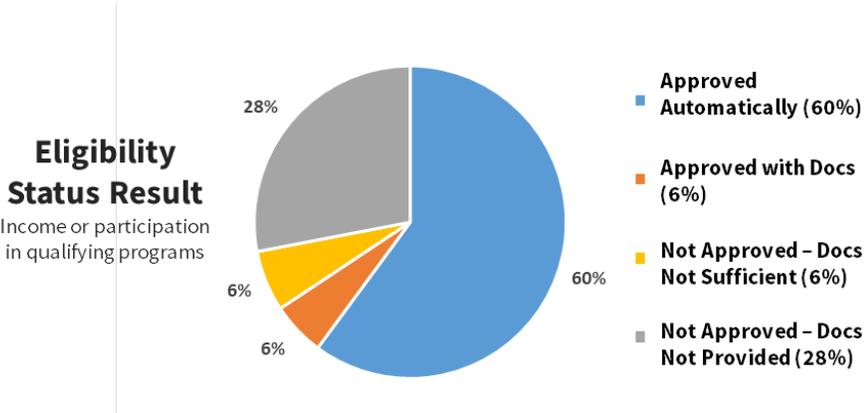
On track



Action Required

National Verifier Application Processing

1,451,313 applications¹ received during 2Q2020 have been fully processed.² Results are shown below.



¹ Application totals include states that have fully launched and soft launched in National Verifier.

² Fully Processed means that the window to provide any supporting documents has closed.

National Verifier Reverification Status

Launch	1	2	3	4	5	6	7	8	Total
Number of Subscribers in Reverification	317,087	52,791	1,017,570	117,226	682,593	1,562,428	1,610,390	1,007,067	6,367,152
Qualified	232,098	23,988	772,443	72,972	499,489	1,156,156	1,007,798	652,502	4,417,446
Pending	1,694	616	16,711	2,873	11,407	221,325	484,333	339,604	1,078,563
De-enrolled for reverification ³	38,445	14,748	97,443	14,594	86,718	-	-	-	251,948
Reverification Pass Rate ⁴	85%	61%	87%	81%	84%	84%	68%	66%	77%

³ Due to the COVID-19 pandemic waivers, reverification activities are on hold for all launches until December 1, 2020.

⁴ Reverification Pass Rate takes into account subscribers who have naturally de-enrolled or transferred (which requires a new application) during the reverification process. USAC expects additional qualifications once outreach resumes following the waivers.

Lifeline Program Road Ahead



- 3 PR, MI, IN, and KY CMA renewals completed.
- 2 60-day Federal CMA renewal process has begun for FL and MN.
- 2 NLAD Opt-out states (CA, OR, and TX) preparation to be fully launched for NV.

Milestone Legend

3 Completed

2 On Track

1 At Risk

Available For Public Use