High Cost and Low Income Committee

Briefing Book

October 25, 2021

2:15 - 4:15 p.m. Eastern Time

Available for Public Use

Universal Service Administrative Company

700 12th Street NW, Suite 900

Washington, DC, 20005

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

Monday, October 25, 2021
2:15 p.m. – 4:15 p.m. Eastern Time
USAC Offices
700 12th Street, N.W., Suite 900
Washington, D.C. 20005

		HIGH COST OPEN SESSION	*Estimated Duration in Minutes*
Chair	**a1.**	Consent Items (each available for discussion upon request): **A.** Approval of High Cost & Low Income Committee Meeting Minutes of July 26, 2021 **B.** Approval of moving all ***Executive Session*** items into ***Executive Session***	5
Vic	**a2.**	Approval of High Cost Support Mechanism 1st Quarter 2022 Programmatic Budget and Demand Projection for the November 2, 2021 FCC Filing	5
Teleshia	**i1.**	Information on One USAC Audit and Assurance Division High Cost Support Mechanism Beneficiary Audit Reports (*For Information Only*)	–

Vic	**i2.**	High Cost Business Update:
		• Accomplishment
		  o Metrics
		  o Performance Measures
		• Plans for Next Quarter
		• Roadmap
		• Systems Update
			20

		LOW INCOME OPEN SESSION	*Estimated Duration in Minutes*
Pam	**a3.**	Approval of Low Income Support Mechanism 1st Quarter 2022 Programmatic Budget and Demand Projection for the November 2, 2021 FCC Filing	5

Available For Public Use

1 of 2

Pam	**i3.** Lifeline Business Update
	    • Recap from July Committee Meeting
	    • Program Accomplishment Highlights
	    • National Verifier Highlights
	    • Metrics
	    • Roadmap
		20

		Estimated Duration in Minutes
	LOW INCOME EXECUTIVE SESSION Confidential – *Executive Session Recommended*	
Pam	**i4.** Lifeline Business Update *(Continued)* • Lifeline Business Process Outsourcing Performance	15

		Estimated Duration in Minutes
	HIGH COST EXECUTIVE SESSION Confidential – *Executive Session Recommended*	
Chris	**a4.** Consideration to Exercise Option Year for High Cost Model Operations and Maintenance and Enhancements	5

Vic	**i5.** High Cost Business Update
	    • Rural Digital Opportunity Fund (RDOF) Background
	    • RDOF and Verification on Demand
	    • Current Status of Verification on Demand
	    • First Release of Funds for RDOF
	    • Plans for the Next Six Months
		20

Chair	**i6.** *Executive Session* Discussion with the High Cost and Low Income Committee/Board	10

Next Scheduled USAC High Cost & Low Income Committee Meeting

Monday, January 24, 2021 **1:30 p.m. – 3:30 p.m. Eastern Time** **USAC Offices, Washington, D.C.**

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 resolution below:

A. Committee meeting minutes of July 26, 2021 (*see* **Attachment A-1**).

B. Approval of moving all *Executive Session* items into *Executive Session*:

   (1) 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.

   (2) a4 – Consideration to Exercise Option Year for High Cost Model Operations and 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) i5 – 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.

   (4) i6 – *Executive Session* Discussion with the High Cost & Low Income 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*

Available for Public Use

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 High Cost & Low Income Committee of the USAC Board of Directors hereby approves: (1) the Committee meeting minutes of July 26, 2021; and (2) discussion in *Executive Session* of the items noted above.

Available for Public Use

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

HIGH COST & LOW INCOME COMMITTEE MEETING
Monday, July 26, 2021

(DRAFT) MINUTES[1]

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, July 26, 2021. A virtual meeting platform was available to the general public for *Open Session* to accommodate the need for increased physical distancing on site due to the COVID-19 pandemic. Mr. Ken Mason, Committee Chair, called the meeting to order at 2:15 p.m. Eastern Time, with a quorum of all 11 Committee members present:

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

Polk, Stephanie – *by telephone*
Sekar, Radha – Chief Executive Officer
Skrivan, Michael
Waller, Jeff – *by telephone*
Wein, Olivia – Vice Chair

Other Board members and officers of the corporation present:

Beyerhelm, Chris – Chief Administrative Officer – *by telephone*
Buzacott, Alan – Member of the Board
Choroser, Beth – Member of the Board – *by telephone*
Davis, Craig – Vice President of Schools and Libraries – *by telephone*
Delmar, Teleshia – Vice President of Audit and Assurance – *by telephone*
Gaither, Victor – Vice President of High Cost
Garber, Michelle – Vice President of Enterprise Resources Program and Acting Vice President of Shared Services – *by telephone*
Gregory, Amber – Member of the Board – *by telephone*
Hutchinson, Kyle – Vice President of IT and Chief Information Officer – *by telephone*
Morning, Kimberly – Acting Vice President and General Counsel, and Assistant Secretary
Salvator, Charles – Vice President of Finance, Chief Financial Officer, and Assistant Treasurer – *by telephone*
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.

Available For Public Use

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

Others present:

NAME	**COMPANY**
Glisson, Connor – *by telephone*	USAC
Harris, William – *by telephone*	KPMG
Lee, James	USAC
Little, Chris	USAC
Nuzzo, Patsy	USAC
Pace, Regina – *by telephone*	USAC
Phillippi, Megan – *by telephone*	USAC
Schwartz, Brad – *by telephone*	KPMG
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:

A. Approval of High Cost & Low Income Committee Meeting Minutes of April 26 and April 27, and May 7, 2021.

B. Approval of moving all *Executive Session* items into *Executive Session*:
(1) i5 – Low Income (Lifeline) Business Update *(Continued)*. USAC management recommended 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) i6 – High Cost Business Update (*Continued, if needed)*. USAC management recommended 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.

Available For Public Use

(3) **i7 – *Executive Session*** Discussion with the High Cost and Low Income Committee/Board. USAC management recommended that 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 High Cost & Low Income Committee of the USAC Board of Directors hereby approves: (1) the Committee meeting minutes of April 26 and April 27, and May 7, 2021; and (2) discussion in ***Executive Session*** of the items noted above.

a2. **Approval of High Cost Support Mechanism 4th Quarter 2021 Programmatic Budget and Demand Projection for the August 2, 2021 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 2021 programmatic budget and demand projection for the August 2, 2021 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 2021 High Cost Support Mechanism direct program budget of $6.45 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of $6.45 million for High Cost Support Mechanism administrative costs in the required August 2, 2021 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 26, 2021 the 4th Quarter 2021 High Cost Support Mechanism demand estimate of $1,137.73 million, hereby directs USAC staff to proceed with the required August 2, 2021 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

Available For Public Use

adjustments if the total variance is greater than $10 million, but not more than $15 million.

i1. **Information on Three USAC Audit and Assurance Division High Cost Support Mechanism Beneficiary Audit Reports.** This item was provided for information purposes only. Mr. Mason noted that the High Cost and Low Income Audit Briefing Book would be made public and posted to the USAC website.

i2. **High Cost Business Update.** Mr. Gaither presented PowerPoint slides covering the following items to the Committee:
- Accomplishments
    - Metrics
    - Performance Measures Readiness
- Plans for Next Quarter
- Roadmap
- System Update

LIFELINE OPEN SESSION

a3. **Approval of Low Income Support Mechanism 4th Quarter 2021 Programmatic Budget and Demand Projection for the August 2, 2021 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 2021 programmatic budget and demand projection for the August 2, 2021 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 2021 Low Income Support Mechanism direct program budget of $9.61 million; and

> **RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of $9.61 million for Low Income Support Mechanism administrative costs in the required August 2, 2021 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 26, 2021 the 4th Quarter 2021 Low Income Support Mechanism demand estimate of $230.93 million, hereby directs USAC staff to proceed with the required August 2, 2021 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

Available For Public Use

than $10 million, or may seek approval from the Committee Chair to make adjustments if the total variance is greater than $10 million, but not more than $15 million.

i3.   **Information on Two USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Reports** This item was provided for information purposes only. Mr. Mason noted that the High Cost and Low Income Audit Briefing Book would be made public and posted to the USAC website.

i4.   **Lifeline Business Update.** Mr. Lee presented PowerPoint slides covering the following items to the Committee:
   - Program Accomplishment Highlights
   - National Verifier Highlights
   - Metrics
   - System Update
   - Roadmap

   Mr. Gillan requested metrics on the Lifeline Call Center and asked that they be included in the public materials.

At 3:11 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing confidential items. Only members of the Board and USAC staff were present.

LOW INCOME EXECUTIVE SESSION

i5.   **Lifeline Business Update (*Continued*).** Mr. Lee presented this item to the Committee for discussion. The presentation included a description of the Consumer Outreach Letter.

HIGH COST EXECUTIVE SESSION

i6.   **High Cost Business Update *(Continued)*.** The Committee determined that continuation of High Cost Business Update in *Executive Session* was not needed.

At 3:21 p.m. Eastern Time, on a motion duly made and seconded, the Committee continued in *Executive Session* for the purpose of discussing confidential items. Only members of the Committee and the Board were present.

i7.   ***Executive Session* Discussion with the High Cost and Low Income Committee and Board.** Members of the Committee and the Board met in a confidential *Executive Session*.

OPEN SESSION

Available For Public Use

At 3:37 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 i5 and i7 above.

On a motion duly made and seconded, the Committee adjourned at 3:37 p.m. Eastern Time.

/s/ Kimberly Morning
Assistant Secretary

Universal Service Administrative Company
High Cost & Low Income Committee Meeting

ACTION ITEM

Approval of High Cost Support Mechanism
1st Quarter 2022 Programmatic Budget and
Demand Projection for the November 2, 2021 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 2022 (1Q2022) programmatic budget and demand projection for the High Cost Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's November 2, 2021 quarterly filing.

Discussion

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

Funding Requirement

Based on data filed by supported carriers and FCC authorizations, USAC estimates the 1Q2022 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).

Available for Public Use

Table A. Summary of Program Funding Requirement
*See **Attachment 1** for further detail*

(in millions)	4Q2021	Increase/ (Decrease)	1Q2022	Notes
Steady State:				
Legacy Funds	$437.43	($9.75)	$427.68	Includes HCLS, CAF BLS, and Frozen Price Cap and Competitive ETC Support. Decrease driven by 509 true-up updates to CAF BLS.
Modernization Funds	969.80	(347.20)	622.60	Includes CAF Phase II Auction, CAF Phase II (ACS only), CAF ICC, Alaska Plan Support, A-CAM I, Revised A-CAM I, A-CAM II, RBE, Mobility Fund Phase I, Uniendo a Puerto Rico Fund/Connect USVI Fund, and RDOF.
Amounts Paid from Reserve	(57.76)	1.51	(56.25)	Disbursements for RBE, Mobility Fund Phase I, and portion of A-CAM I.
Total Steady State	***$1,349.47***	***($355.44)***	***$994.03***	
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	**$1,349.47**	**($355.44)**	**$994.03**	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	(229.73)	178.57	(51.16)	
Billings	11.65	100.55	112.20	
Interest Income	(0.01)	0.00	(0.01)	
Bad Debt Expense	(11.47)	(0.25)	(11.72)	
Annual Admin True-Up	0.00	(14.09)	(14.09)	
Total Prior Period Adjustments	***($229.56)***	***$264.78***	***$35.22***	
USAC Admin Expenses	17.82	(2.52)	15.30	See Table B
Total Funding Requirement	**$1,137.73**	**($93.18)**	**$1,044.55**	

Available for Public Use

Based on the projected burn rate, USAC estimates the following 1Q2022 programmatic budget:

Table B. Quarterly Programmatic Budget

(in millions)	4Q2021	Increase/ (Decrease)	1Q2022	Notes
Direct Program Costs				
Employee Expenses	$2.14	($0.39)	$1.75	
Professional Services	0.92	(0.34)	0.58	
General & Administrative	0.00	0.00	0.00	
Total Direct Program Costs	**$3.06**	**($0.73)**	**$2.33**	
Direct Assigned Costs				
Employee Expenses	$1.09	($0.22)	$0.87	
Professional Services	2.30	0.47	2.77	
General & Administrative	0.00	0.01	0.01	
Total Direct Assigned Costs	**$3.39**	**$0.26**	**$3.65**	
Total Direct Program & Direct Assigned Costs	**$6.45**	**($0.47)**	**$5.98**	
Common Allocated Costs	**$11.37**	**($2.05)**	**$9.32**	
Total Programmatic Budget	**$17.82**	**($2.52)**	**$15.30**	

A comparison of actual expenditures to the budget for the six months ending September 30, 2021 is provided in **Attachment 2.**

Recommendation

USAC management recommends that the Committee approve the 1Q2022 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 2022 High Cost Support Mechanism program budget of $5.98 million; and

       RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of $5.98 million for High Cost Support Mechanism administrative costs in the required November 2, 2021 filing to the Federal Communications Commission on behalf of the Committee; and

       RESOLVED FURTHER, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on October 25, 2021 the 1st Quarter

Available for Public Use

2022 High Cost Support Mechanism demand estimate of $1,044.55 million, hereby directs USAC staff to proceed with the required November 2, 2021 filing to the Federal Communications Commission 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.

Available for Public Use

ATTACHMENT 1

Detailed High Cost Program Demand

(in millions)	4Q2021	Increase/ (Decrease)	1Q2022	Notes
Steady State – Legacy Funds:				
High Cost Loop Support (HCLS)[3]	$91.09	$1.18	$92.27	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]	241.41	(8.84)	$232.57	Replaces legacy fund Interstate Common Line Support. Provides support for voice and broadband only lines to offset interstate access charges.
Frozen Price Cap Carrier Support[5]	10.95	0.00	10.95	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]	93.98	(2.09)	91.89	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	***$437.43***	***($9.75)***	***$427.68***	

---

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

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

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

[6] *See USF/ICC Transformation Order,* 26 FCC Rcd at 17715, para. 133.

Available for Public Use

(in millions)	4Q2021	Increase/ (Decrease)	1Q2022	Notes
Steady State – Modernization Funds:				
CAF Phase II[7]	379.42	(374.50)	4.92	Support to Price Cap carriers based on Connect America Cost Model (CACM) ends its 7th year support in December 2021 for all its recipients except for Alaska Communications Systems (ACS). Per Order, FCC 16-143, ACS will continue to receive CAF Phase II frozen support until 2025.
CAF Phase II Auction	38.70	0.00	38.70	Support to auction winners in areas that Price Cap carriers did not accept CAF Phase II model support and in extremely high cost service areas.
CAF Intercarrier Compensation (ICC)[8]	99.01	(6.94)	92.07	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 in Alaska.
Alternative Connect America Cost Model I (A-CAM)[10]	157.98	(1.37)	156.61	Model support to Rate of Return carriers for voice and broadband infrastructure.

---

[7] *See Connect America Fund*, WC-Docket Nos. 10-90, Report and Order, 31 FCC Rcd 12086 (2016)

[8] *See USF/ICC Transformation Order,* 26 FCC Rcd 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

Available for Public Use

(in millions)	4Q2021	Increase/ (Decrease)	1Q2022	Notes
A-CAM II[11]	127.64	(1.06)	126.58	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]	6.79	(0.01)	6.78	Support to wireless carriers for the expansion of mobile broadband networks in unserved areas.
Uniendo a Puerto Rico Fund/Connect USVI Fund	26.86	0.00	26.86	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.
Rural Digital Opportunity Fund	100.60	36.68	137.28	Fund the deployment of up to gigabit speed broadband networks in unserved rural communities through a two-phase reverse auction mechanism.

Reconsideration, and Notice of Proposed Rulemaking, 33 FCC Rcd 2990, 3020-21, para. 68 (2018), 83 Fed. Reg. 18951 (May 1, 2018); *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).

[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, 33 FCC 18-176Rcd 11893, 11903, 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).

Available for Public Use

(in millions)	4Q2021	Increase/ (Decrease)	1Q2022	Notes
Total Steady State Modernization Funds	*$969.80*	*(347.20)*	*$622.60*	
Amounts Paid from Reserve	*($57.76)*	*1.51*	*($56.25)*	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, 2021 for reserved funds was approximately $996.26 million.
New Requirements – Legacy Funds:				
Total New Requirements Legacy Funds	*$0.00*	*$0.00*	*$0.00*	
New Requirements – Modernization Funds:				
Total New Requirements Modernization Funds	*$0.00*	*$0.00*	*$0.00*	
Total Program Demand	**$1,349.47**	**($355.44)**	**$994.03**	

Available for Public Use

ATTACHMENT 2

High Cost Administrative Costs and Headcount
Comparison of Actual Expenditures and Headcount to the Budget for the
Nine Months Ending September 30, 2021

($ in millions)	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	43	52	9	$4.91	$5.66	$0.75
Professional Services (Note 1)				0.85	2.36	1.51
General & Administrative				0.00	0.00	0.00
Total Direct Program Costs				**$5.76**	**$8.02**	**$2.26**
Direct Assigned Costs						
Employee Expenses	16	22	6	$2.12	$2.89	$0.77
Professional Services (Note 1)				4.22	8.17	3.95
General & Administrative				0.00	0.00	0.00
Total Direct Assigned Costs				**$6.34**	**$11.06**	**$4.72**
Total Direct Program & Direct Assigned Costs	**59**	**74**	**15**	**$12.10**	**$19.08**	**$6.98**
Common Allocated Costs (Note 2)				**$26.84**	**$31.98**	**$5.14**
Total Programmatic Budget				**$38.94**	**$51.06**	**$12.12**

Note 1: Direct Program Professional Services include support for program modernization orders, 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. Actual common allocated costs reflect a reduction for costs allocated to the appropriated programs.

Available for Public Use

High Cost and Low Income Committee Meeting

High Cost Business Update

Open Session

October 25, 2021

Universal Service Administrative Co.

Available for Public Use

Agenda

- Accomplishments
  - Metrics
  - Performance Measures

- Plans for Next Quarter

- Roadmap

- Systems Update

Accomplishments/Updates

- Operations
  - YTD Disbursements (August 2021) - $3.37B
  - RDOF - Disbursement Readiness for 3Q2021
  - High Cost (HC) Legacy Funds PIA implementation currently in progress and on track.
    - HC Legacy Funds comprise approximately 40% of the annual $5 billion Disbursement.
    - HC Program engaged a consultant to independently assess compliance risks for the legacy HC funds.
    - Key Legacy Fund Milestones are on track and include: CAF BLS - July 2021 (Completed), CAF ICC – Dec. 2021, and HC Loop – March 2022.

3

Accomplishments/Updates (Continued)

- Data Collection and Validations
  - Performance Measures Pre-Testing for ACAM, RBE, and Alaska Plan carriers is complete for Q2.
    - Significant increase in carriers submitting data from Q1 to Q2.
    - Passing percentage for sample size threshold increased as carriers get more comfortable with the process.
  - Q3 Pre-Test results are due October 7th and on track.
  - Revised Q1 and Q2 compliance reports sent to all carriers.
  - FCC Form 481 annual filing is complete.
  - Section 54.314 annual filing is complete.

4

Accomplishments/Updates (Continued)

- CAF Verifications

  - Completed ACAM (40%) & CAF II (100%) deployment milestone reviews.

  - Launched ten new CAF II Auction and RBE LoC related verifications in Q3. Team continues to timely address all Verification on demand requests, completing 24 reviews out of 45 requested in 2021.

  - Continued to enhance Verification Workflow tool including:

    - Summarizing test results and

    - Granting users the ability to switch roles between lead and reviewer as they work on different tasks.

  - Preparing to perform reviews in other funds including Alaska Plan, PR/USVI (LoCs), and RDOF (LoCs). Distributed survey to carriers participating in PR/USVI fund to determine whether they anticipated submitting deployment data to leverage an early LoC reduction (20% deployment milestone) or LoC termination (100% deployment milestone).

  - Reviewed additional carrier-reported quarterly deployment through September to assess whether the relevant CAFII and ACAM carriers had filed sufficient deployment data to reduce their compliance gap.

5

Accomplishments/Updates (Continued)

- New Orders/Projects Intake
  - Completed: Legacy Initial and Annual Reporting (5G) requirements gathering for the system that will collect annual data required of wireless carriers receiving legacy support.
  - In Progress:
    - Legacy Initial Report (5G) product launch
      - Estimated launch date of system is December 2021.
    - RDOF Readiness Activities (14 carriers associated with 19 SACs Authorized for disbursements on September 15)
  - 5G Readiness: Working with GIS/EDS to schedule a release date for CETC map approval pending FCC Approval.

Accomplishments/Updates (Continued)

- Outreach
  - Outreach to ensure state and Tribal access to FCC Form 481 data and help states and carriers navigate annual ETC certification in support of the Oct. 1 deadline.
  - Performance Measures outreach and customer service to help CAF II Model carriers conduct 2021 quarterly speed and latency testing and obtain compliance reports; and help ACAM, RBE, and Alaska Plan carriers conduct 2021 quarterly pre-testing, report results and obtain compliance reports.
  - Outreach to support launch of new HC disbursement tool on Open Data platform and sunset of the old tool.
  - Create new fund page for PR/USVI.
  - Outreach to support ACAM verification reviews, ELAP and CETC Legacy Reporting for new 5G Fund.

7

Metrics
High Cost

Metric	1Q2020	1Q2021	2Q2020	2Q2021	3Q2020	3Q2021	4Q2020	4Q2021
Eligibility:								
March 1 - HUBB Portal Cert.	99.6%	99.8%	N/A	N/A	N/A	N/A	N/A	N/A
July 2 - FCC Form 481/690	N/A	N/A	N/A	N/A	99.7%	99.9%	N/A	N/A
Oct. 1 - State Cert.	N/A	N/A	N/A	N/A	N/A	N/A	99.9%	99.9%
Verification:								
ACAM	N/A	N/A	N/A	N/A	N/A	475	N/A	N/A
CAF Phase II	5,024	N/A	N/A	N/A	2,113	384	2,202	N/A
Rural Broadband Exp.	3,273	462	540	2,481	N/A	35	175	N/A
CAF II Auction	N/A	229	N/A	423	312	532	162	N/A
FCC Form 481 IDVs	N/A	N/A	N/A	N/A	N/A	N/A	1,148	N/A

Metrics (Continued)

High Cost

Metric	1Q2020	1Q2021	2Q2020	2Q2021	3Q2020	3Q2021	4Q2020	4Q2021
Locations Certified:								
ACAM	345,193	489,710	N/A	490,327	393,430	N/A	N/A	N/A
ACAM II	32,546	340,616	N/A	336,789	51,026	N/A	N/A	N/A
CAF Phase II	3,452,745	3,750,187	N/A	3,408,910	3,591,667	N/A	N/A	N/A
Rural Broadband Exp.	24,262	24,475	N/A	28,197	28,709	N/A	N/A	N/A
Alaska Plan	29,359	37,437	N/A	37,254	N/A	N/A	N/A	N/A
PR/USVI (Fixed)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Letter of Credit:								
CAF II Auction	189	204	199	N/A	201	N/A	202	N/A
Rural Broadband Exp.	35	25	29	25	25	21*	25	19**
RDOF	N/A	N/A	N/A	N/A	N/A	51	N/A	N/A
PR/USVI (Fixed)	N/A	1	2	3	N/A	N/A	N/A	N/A

3Q2021 = 21 (projection, 4 SACs will all have completed their program obligations, currently waiting on to resolve their issues)
**4Q2021 = 19* (projection, 2 carriers have recently passed their Milestones, projection based on verification report proving that they completed their program obligations)

Metrics (Continued)

High Cost

Metric	1Q2020	1Q2021	2Q2020	2Q2021	3Q2020	3Q2021	4Q2020	4Q2021
Disbursement ($M): Legacy	512	500	496	492	520	-	519	-
Modernized Funds	737	757	751	758	759	-	768	-
Appeals:	-	1	-	-	-	-	-	-
Performance Measures Pre-Test (Data Submitted)								
Download Test	N/A	62.1%	N/A	70.55%	N/A	-	N/A	-
Upload Test	N/A	62.9%	N/A	70.59%	N/A	-	N/A	-
Latency Test	N/A	62.6%	N/A	70.82%	N/A	-	N/A	-

Metrics (Continued)

Performance Measures Pre-Test Data Results

Metric	1Q2020	1Q2021	2Q2020	2Q2021	3Q2020	3Q2021	4Q2020	4Q2021
RBE SACs / Speed Tiers:								
Submitted	N/A	14	N/A	20	N/A	-	N/A	-
Not Submitted	N/A	24	N/A	18	N/A	-	N/A	-
Passed	N/A	8	N/A	12	N/A	-	N/A	-
Failed	N/A	6	N/A	8	N/A	-	N/A	-
Alaska SACs / Speed Tiers:								
Submitted	N/A	14	N/A	15	N/A	-	N/A	-
Not Submitted	N/A	4	N/A	3	N/A	-	N/A	-
Passed	N/A	12	N/A	15	N/A	-	N/A	-
Failed	N/A	6	N/A	3	N/A	-	N/A	-
ACAM SACs / Speed Tiers:								
Submitted	N/A	498	N/A	548	N/A	-	N/A	-
Not Submitted	N/A	65	N/A	29	N/A	-	N/A	-
Passed	N/A	199	N/A	512	N/A	-	N/A	-
Failed	N/A	299	N/A	61	N/A	-	N/A	-

Plans for Next Quarter

- Upcoming Activities

  - Collect Fourth Quarter Performance Measures pre-test results for ACAM/Revised ACAM, RBE and Alaska Plan carriers and compile compliance reports.

  - Continue collecting 2021 Performance Measures test results for CAF II carriers.

  - Close out 2021 verifications and begin preparations for 2022 verifications.

  - Outreach/customer service to prepare carriers/consultants for the annual March 1 HUBB filing; prepare ACAM and Alaska Plan carriers for subsequent verification reviews; prepare CAF II Model, ACAM, RBE and Alaska Plan carriers to conduct 2022 quarterly speed and latency testing and obtain compliance reports; prepare ACAM II, CAF BLS, and CAF II Auction carriers to conduct 2022 quarterly pre-testing, report results and obtain compliance reports; and support ELAP and 5G implementation.

Roadmap

| 2021 | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |

Milestone Legend

- ▲ At Risk
- ◆ On Track
- ★ Completed

New Orders

- PR / USVI Fixed Fund Setup
- RDOF New Fund Setup
- ELAP Development and Support
- 5G Legacy Data Collection Development

Public Obligations

- PMM Performance Testing
- ★ PMM Q4 Filing Deadline
- ★ PMM Q1 Filing Deadline
- ★ PMM Q2 Filing Deadline
- ◆ PMM Q3 Filing Deadline
- HUBB Data Collection
- Form 481 Data Collection
- 54.314 Data Collection
- 2020 Filing Year Close ★
- FCC Form 481 Filing Window Close ★ FCC Form 54.314 Filing Window Close
- ★ ▲
- CETC Map Release
- CETC Map Release

System Updates

- ★ Form 481 2021 Updates
- ★ 54.314 2021 Updates
- Form 481 2022 Updates
- ★ HUBB Latency & Technology
- ★ HUBB Fund Updates
- ★ HUBB Compliance Gap
- ★ HUBB Obligations Updates
- ★ HUBB & PMM CAF-BLS ◆
- Verification Process Automation – Workflow Tool and RPA Integration
- HCLI Replacement Evaluation, Selection & Onboard

Systems Update

- Performance Measures
  - Work in progress to prepare for next round of pre-testing by ACAM II, CAF BLS, and CAF II Auction carriers beginning in January 2022.

- Eligible Locations Adjustment Process (ELAP)
  - Implementation of the Stakeholder Registration and Verification functionality in progress.
  - Work in progress on the Stakeholder Challenge functionality underway.

- 5G Initial Legacy Data Collection
  - Implementation of the 5G Legacy Initial carrier data reporting requirement.

- HUBB
  - Developing requirements for implementation of RDOF, Puerto Rico, and US Virgin Islands funds.

- Verification Workflow
  - Work in progress on new functionality to support Q1 verification processes.

High Cost IT Recent Releases

- 54.314 Updates

  - Functionality to allow first time filers to file online was released on July 13, 2021.

- HUBB Compliance Gap

  - No locations to report functionality for carriers was released on July 29, 2021.

- PMM Compliance.

  - Quarterly compliance calculations, updates and waivers was released on August 5, 2021.

- Verification Workflow Tool

  - Detailed and final workflow review functionality was released on May 28, 2021; extrapolation reports were released on August 18, 2021.

High Cost IT High Level Project Status

Active Projects	Project Status	Target Production Date	Project Updates and Risks
Eligible Locations Adjustment Process (ELAP) Phase 2: Public Map, Stakeholder Registration and Verification	In Progress/ On Track	Nov. 2021	The Public Map is in testing. Stakeholder Registration and Verification is in development.
CETC Data Boundary Map A public map of the service area boundaries for competitive eligible telecom carriers (CETCs) as requested by the FCC	In Progress/ On Track	TBD	High Cost is waiting for FCC approval to schedule a release date.
Rural Digital Opportunity Fund (RDOF) HUBB data collection functionality	In Progress/ On Track	TBD	Product team is working with FCC to get the needed information for HC IT to implement RDOF in HUBB.
Verification Workflow Tool Support for multirole functionality	In Progress/ On Track	Oct.-2021	Support for multirole functionality is in development
PMM Compliance Annual compliance calculations	In Progress/ On Track	Dec.-2021	The annual compliance calculations are in development

16

Appendix A: Glossary of Terms

| Term	Definition
ACAM/ Revised ACAM	Alternative Connect America Cost Model/(Revised ACAM): A High Cost fund in which rate-of-return carriers elected receive support based on a cost model in exchange for meeting defined broadband build-out obligations.
CAF	Connect America Fund. Beginning with the 2011 *Universal Service Fund/Connect America Fund Transformation Order*, a part of the federal universal service High Cost program designed to expand access to voice and broadband services.
CAF BLS	Connect America Fund Broadband Loop Support.
CAF ICC	Connect America Fund Intercarrier Compensation Fund.
CETC	A "competitive eligible telecommunications carrier" is a carrier that offers services that are supported by the universal service programs utilizing its own facilities or combination of its own facilities and resale of another carrier's services.

Appendix A: Glossary of Terms (Continued)

Term	Definition
ELAP	Eligible Locations Adjustment Process: A voluntary challenge process to facilitate post-auction review and potential adjustment of the defined CAF II Auction deployment obligations (and associated support) on a state-by-state basis if the total number of locations funded by the program exceeds the number of actual locations.
HUBB	High Cost Universal Broadband Portal: USAC's online system for carriers participating in modernized Connect America Fund (CAF) programs to submit broadband deployment data pursuant to Part 54.316 of the FCC rules.
LoC	Letters of Credit. Pursuant to FCC rules, before being authorized to receive certain modernized high cost support, a winning bidder must obtain an irrevocable standby letter of credit that conforms to FCC rules and requirements.
PIA	Program Integrity Assurance

Appendix A: Glossary of Terms (Continued)

Term	Definition
PMM	Performance Measures Module. USAC's online system for carriers to submit performance data required by FCC's Performance Measures Order.
PR/USVI PR/VI	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.
SACs	Study Area Codes.
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 two-stage HC fund to provide up to $20.4 billion over ten years to finance up to gigabit speed broadband networks in unserved rural areas.
RPA	Robotic Process Automation. Technology designed to automate manual repetitive, high-volume tasks performed by employees.
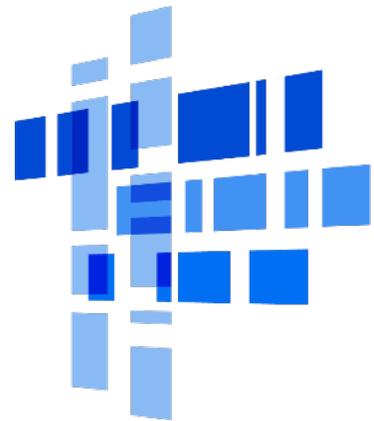
Universal Service Administrative Co.

Universal Service Administrative Company
High Cost & Low Income Committee Meeting

ACTION ITEM

Approval of Low Income Support Mechanism
1st Quarter 2022 Programmatic Budget and
Demand Projection for the November 2, 2021 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 2022 (1Q2022) programmatic budget and demand projection for the Low Income Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's November 2, 2021 quarterly filing.

Discussion

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

Funding Requirement

Based on projected subscribership levels, USAC estimates the 1Q2022 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).

Available for Public Use

Table A. Program Funding Requirement

(in millions)	4Q2021	Increase/ (Decrease)	1Q2022	Notes
Steady State:				
Lifeline	$237.19	($31.13)	$206.06	See Note 1
Link Up	0.03	0.01	0.04	
New Requirements:				
N/A	0.00	0.00	0.00	
Total Program Demand	**$237.22**	**($31.12)**	**$206.10**	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	(22.98)	(68.43)	(91.41)	
Billings	2.39	22.85	25.24	
Bad Debt Expense	(2.06)	(0.54)	(2.60)	
Administrative Expense True-Up	0.00	(15.00)	(15.00)	
Total Prior Period Adjustments	($22.65)	($61.12)	($83.77)	
USAC Administrative Expenses	$16.36	($1.18)	$15.18	See Table B
Total Funding Requirement	**$230.93**	**($93.42)**	**$137.51**	

Note 1: Demand decrease primarily due to reinstatement of the Commission's Lifeline usage requirement as described in DA 21-229.[3] The number of Lifeline subscribers has decreased approximately 30% since April 2021.

Based on the projected burn rate, USAC estimates the following 1Q2022 programmatic budget:

Table B. Quarterly Programmatic Budget

(in millions)	4Q2021 Budget	Increase/ (Decrease)	1Q2022 Budget	Notes
Direct Program Costs				
Employee Expenses	$2.65	($0.35)	$2.30	
Professional Services	3.93	0.68	4.61	
General & Administrative	0.21	0.00	0.21	See Note 2
Total Direct Program Costs	**$6.79**	**$0.33**	**$7.12**	
Direct Assigned Costs				
Employee Expenses	$0.64	($0.08)	$0.56	
Professional Services	1.79	(0.05)	1.74	
General & Administrative	0.39	0.06	0.45	See Note 2
Total Direct Assigned Costs	**$2.82**	**($0.07)**	**$2.75**	
Total Direct Program & Direct Assigned Costs	**$9.61**	**$0.26**	**$9.87**	
Common Allocated Costs	**$6.75**	**($1.44)**	**$5.31**	
Total Programmatic Budget	**$16.36**	**($1.18)**	**$15.18**	

---

[3] *See Lifeline and Link Up Reform and Modernization,* WC Docket No. 11-42, Order, 36 FCC Rcd 4448 (WCB 2021).

Available for Public Use

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, 2021 is provided in **Attachment 1.**

<u>**Recommendation**</u>

USAC management recommends that the Committee approve the 1Q2022 budget and projection of demand as proposed.

<u>**Recommended High Cost & Low Income Committee Actions**</u>

APPROVAL OF THE FOLLOWING RESOLUTIONS:

>**RESOLVED**, that the USAC High Cost & Low Income Committee approves a 1st Quarter 2022 Low Income Support Mechanism direct program budget of $9.87 million; and

>**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of $9.87 million for Low Income Support Mechanism administrative costs in the required November 2, 2021 filing to the Federal Communications Commission on behalf of the Committee; and

>**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on October 25, 2021 the 1st Quarter 2022 Low Income Support Mechanism demand estimate of $137.51 million, hereby directs USAC staff to proceed with the required November 2, 2021 filing to the Federal Communications Commission 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.

Available for Public Use

ATTACHMENT 1

Low Income Administrative Costs and Headcount
Comparison of Actual Expenditures and Headcount to the Budget for the
Nine Months ending September 30, 2021

($ in millions)	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	66	72	6	$5.43	$6.86	$1.43
Professional Services (Note 3)				9.15	13.77	4.62
General & Administrative (Note 4)				0.57	0.80	0.23
Total Direct Program Costs				**$15.15**	**$21.43**	**$6.28**
Direct Assigned Costs						
Employee Expenses	14	14	0	$1.12	$1.80	$0.68
Professional Services (Note 3)				3.39	5.83	2.44
General & Administrative (Note 4)				1.22	1.14	(0.08)
Total Direct Assigned Costs				**$5.73**	**$8.77**	**$3.04**
Total Direct Program & Direct Assigned Costs	80	86	6	**$20.88**	**$30.20**	**$9.32**
Common Allocated Costs (Note 5)				**$15.91**	**$18.97**	**$3.06**
Total Programmatic Budget				**$36.79**	**$49.17**	**$12.38**

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. Actual common allocated costs reflect a reduction for costs allocated to the appropriated programs.

Available for Public Use

High Cost and Low Income Committee Meeting

Lifeline Business Update

Open Session

October 25, 2021

Universal Service
Administrative Co.

Available for Public Use

Agenda

- Recap from July Committee Meeting

- Program Accomplishment Highlights

- National Verifier Highlights

- Metrics

- Roadmap

Recap from July Committee Meeting

- <u>Availability of Video Relay Service</u>. Individuals with a hearing or speech impairment are able to utilize the FCC's Telecommunications Relay Service (TRS) by dialing 711. TRS allows individuals with a hearing or speech impairment to place calls and receive calls in all U.S. states and territories. This functionality includes the following services:
  - Video Relay Service (VRS)
  - Text-to-Voice (TTY)
  - Voice Carryover
  - Speech-to-Speech Relay Service
  - Captioned Telephone Service
  - Internet Protocol (IP) Relay Service
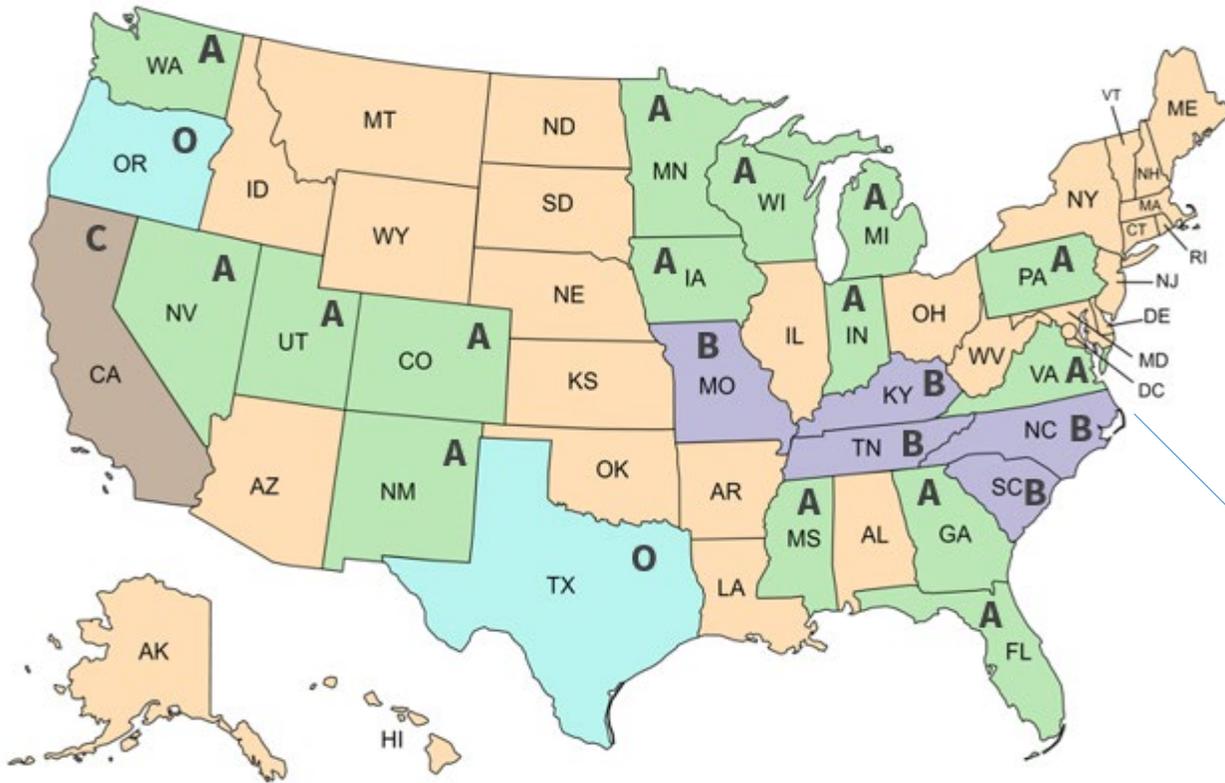 - IP Captioned Telephone Service

Program Accomplishment Highlights

- The redesigned LifelineSupport.org site went live on August 30, 2021. The redesign includes new look and feel, content refresh, search functionality, and a guided "Do I Qualify" tool.

- Held a Tribal webinar in September 2021 for our quarterly Tribal focused meeting.

- Initiated monthly potentially deceased subscriber validations to safeguard against improper payments. This check involves verification against the Social Security Administration's Death Master File (DMF) and requires identified subscribers to reconfirm their eligibility to maintain their Lifeline benefit.

- Continued to monitor agent activity in the National Verifier (NV). The Lifeline Program Integrity team shares a Representative Accountability Database (RAD) lockout report with the FCC on a monthly basis to remove system access for provider agents as warranted.

4

National Verifier Highlights

- **Computer Matching Agreements (CMA) Renewals Completed**
  - Successfully renewed CMAs for *CO, NM, MS, and UT* in advance of due date, October 18, 2021.
  - Successfully re-established CMAs for *HUD* and *IA*. These re-established CMAs were executed as combined Lifeline and Emergency Broadband Benefit (EBB) CMAs.
- **CMA Renewals in Progress**
  - *GA* CMA extension due November 24, 2021. Implementing a combined Lifeline and Emergency Broadband Benefit (EBB) CMA.

National Verifier Highlights (Continued)

The NV now has 25 total connections, consisting of 23 state/territory connections (including Texas and Oregon), plus federal connections to CMS and HUD. The NV leverages automated connections in Texas and Oregon, which use state databases to determine eligibility for the Lifeline program. California currently does not have automated eligibility verification for the Lifeline program.

NV Connection Statistics

State Connection Type	State	August 2021 Subscribers
API	CO, FL, GA, IA, IN, MI, MN, MS, NM, NV, PA, PR, UT, VA, WA, WI	2,203,252
Batch	KY, MO, NC, SC, TN	543,178
Federal Only	AK, AL, AR, AS, AZ, CT, DC, DE, GU, HI, ID, IL, KS, LA, MA, MD, ME, MP, MT, ND, NE, NH, NJ, NY, OH, OK, RI, SD, VI, VT, WV, WY	2,010,929
NLAD Opt-Out Automated	OR, TX*	328,535
NLAD Opt-Out (no connection)	CA	1,222,860

Map Legend:
- State API Connection (A)
- Federal Connection Only
- State Batch Connection (B)
- NLAD Opt-Out State (C)
- NLAD Opt-Out State with State Connection (O)

*Note: NV benefits from the existing state eligibility connections in TX and OR.

Available For Public Use

6

Metrics

Lifeline Eligibility and Enrollments

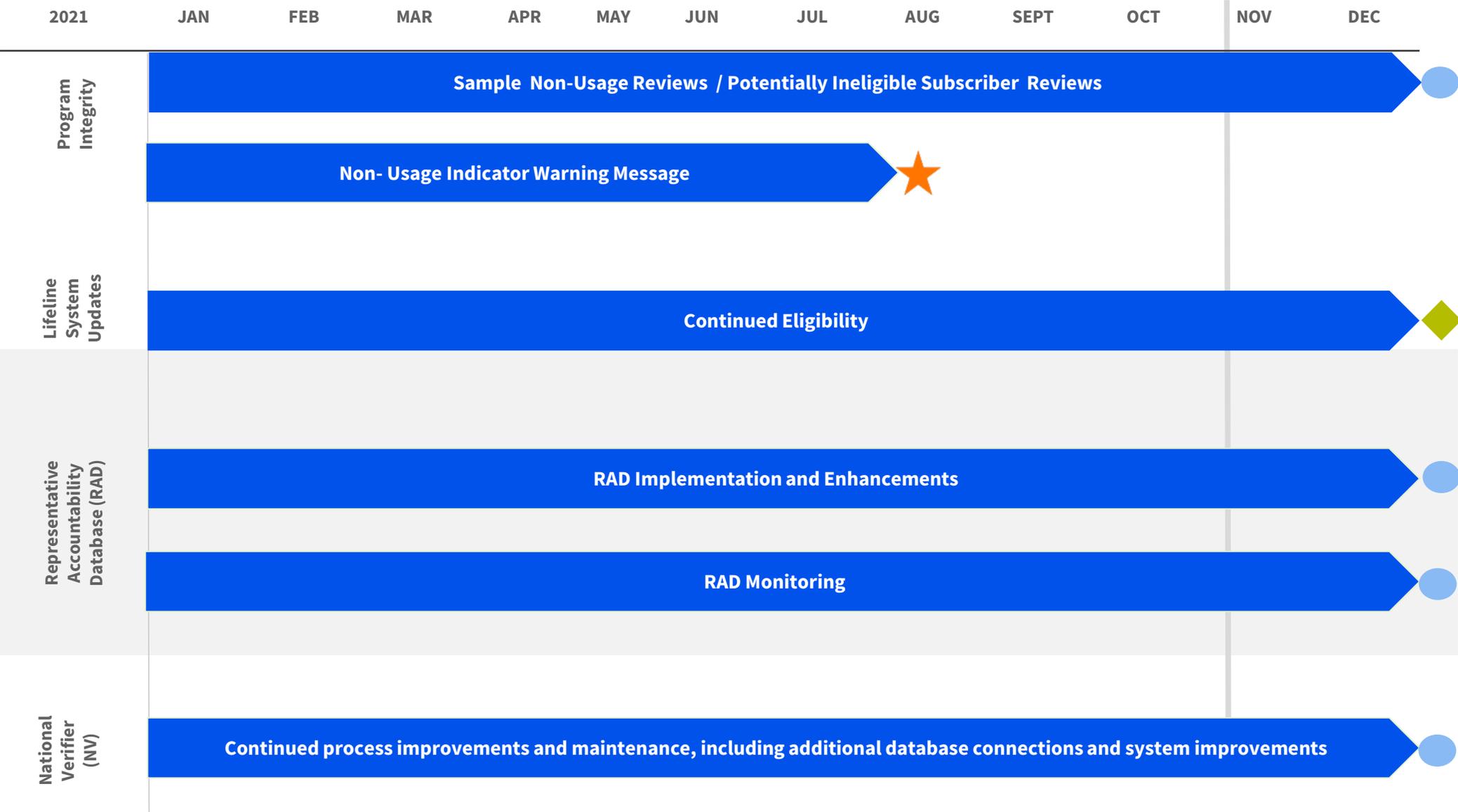| Year-to-Date (YTD) Cumulative Comparison	2021 YTD (Jan. through Aug.)	2020 Comparison (Jan. through Aug.)
National Verifier Applications Created	6,610,767	3,760,524
Program Eligibility Auto Approved	4,441,895	2,321,395
Program Eligibility Auto Pass Rate	67%	62%
Enrollments (Excludes CA, OR, and TX)	1,756,776	1,760,606
De-Enrollments (Excludes CA, OR, and TX)	3,254,390	1,683,586
NLAD Subscribers (Aug. Data, Sep. 1 Snapshot)	4,757,359	5,796,637
Opt-Out State Subscribers (Aug. Data – CA, OR, and TX)	1,551,395	2,101,962

Note: Subscriber counts include all subscribers in the National Lifeline Accountability Database (NLAD) snapshot. Subscriber counts from the NLAD opt-out states (CA, OR, and TX) are also included unless otherwise noted. Actual claimed subscribers will vary but are capped at these NLAD snapshot levels (i.e., service providers cannot claim more than what is in NLAD). 2021 YTD subscribers reflect significant de-enrollment in May 2021 data month primarily due to the expiration of FCC non-usage waiver.

Available for Public Use

7

Metrics (Continued)

Lifeline Call Center Metrics

Metric	Second Quarter	Third Quarter	Change
Average Real-Time Application Review	49 hours	0.6 hours	-48 hours
Average Speed to Answer (ASA)	19 mins	8 mins	-11 mins

Roadmap

2021	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC

Program Integrity

Sample Non-Usage Reviews / Potentially Ineligible Subscriber Reviews

Non- Usage Indicator Warning Message

Lifeline System Updates

Continued Eligibility

Representative Accountability Database (RAD)

RAD Implementation and Enhancements

RAD Monitoring

National Verifier (NV)

Continued process improvements and maintenance, including additional database connections and system improvements

Milestone Legend

▲ At Risk

◆ On Track

★ Completed

● Ongoing

9

Appendix A: Lifeline Program Trends

Data Month	Subscribers	Rate of Change (subscribers month over month)	Support
Aug. 2021 (snapshot on Sep. 1)	6,308,754	1.30%	$ 39,285,699
Jul. 2021 (snapshot on Aug. 1)	6,227,736	-7.74%	$ 40,496,815
Jun. 2021 (snapshot on Jul. 1)	6,750,377	-2.89%	$ 41,699,694
May 2021 (snapshot on Jun. 1)	6,951,594	-23.98%	$ 61,014,569
Apr. 2021 (snapshot on May 1)	9,144,182	1.37%	$ 64,552,855
Mar. 2021 (snapshot on Apr. 1)	9,020,875	1.50%	$ 84,830,046
Feb. 2021 (snapshot on Mar. 1)	8,887,882	1.85%	$ 83,232,333
Jan. 2021 (snapshot on Feb. 1)	8,726,868	2.13%	$ 81,535,519
Dec. 2020 (snapshot on Jan. 1)	8,544,528	2.01%	$ 79,762,173
Nov. 2020 (snapshot on Dec. 1)	8,376,477	2.08%	$ 79,883,265
Oct. 2020 (snapshot on Nov. 1)	8,205,436	2.21%	$ 78,011,047
Sep. 2020 (snapshot on Oct. 1)	8,027,678	1.96%	$ 76,069,073

Subscribership increased during the FCC waiver period where USAC suspended involuntary de-enrollments in response to the COVID-19 pandemic.

Experienced significant de-enrollment for May 2021 data month primarily due to the expiration of FCC non-usage waiver.

*Note: Subscriber counts include all subscribers on the NLAD snapshot. Subscriber counts from the NLAD opt-out states (CA, OR, and TX) are also included. Actual claimed subscribers will vary but are capped at these NLAD snapshot levels (i.e., service providers cannot claim more than what is in NLAD).

Appendix A: Lifeline Program Service Type Trends

Month	Broadband	Bundled Broadband	Bundled Voice and Broadband	Bundled Voice	Voice
Aug. 2021	0.52%	21.11%	69.46%	1.38%	7.54%
Jul. 2021	0.49%	24.23%	66.11%	1.35%	7.83%
Jun. 2021	0.43%	38.19%	52.35%	1.28%	7.76%
May 2021	0.38%	38.41%	52.19%	1.26%	7.76%
Apr. 2021	0.26%	32.31%	59.62%	1.10%	6.72%
Mar. 2021	0.25%	30.96%	60.69%	1.11%	6.99%
Feb. 2021	0.24%	29.34%	61.90%	1.13%	7.39%
Jan. 2021	0.23%	28.07%	62.74%	1.16%	7.78%
Dec. 2020	0.23%	45.27%	45.14%	1.26%	8.10%
Nov. 2020	0.22%	45.75%	44.77%	1.07%	8.19%
Oct. 2020	0.21%	45.50%	44.70%	1.12%	8.47%
Sep. 2020	0.21%	45.10%	44.68%	1.20%	8.81%

- <u>Broadband</u> – Broadband service meeting minimum service standards
- <u>Bundled Broadband</u> – Broadband and voice, but only broadband meeting minimum service standards
- <u>Bundled Voice and Broadband</u> – Broadband and voice, both meeting minimum service standards
- <u>Bundled Voice</u> – Broadband and voice, but only voice meeting minimum service standards
- <u>Voice</u> – Voice service meeting minimum service standards
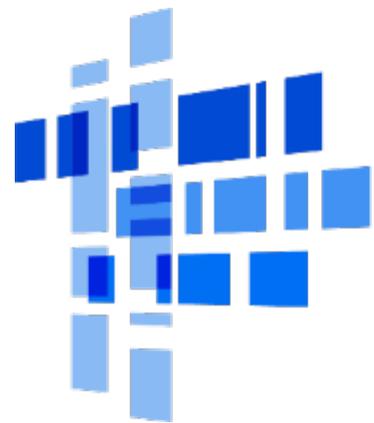
Note: Lifeline program service type data is from the Lifeline Claims System (LCS), which includes the NLAD opt-out states as max claimable subscribers.

11

Appendix B: Glossary of Terms

Term	Definition
API	An API is a set of programming code that enables data transmission between one software product and another (computer to computer connection). USAC uses API to initiate the consumer eligibility verification process for the Lifeline Program in the National Verifier.
CMA	Computer Matching Agreement: A written agreement between the source agency and the recipient agency (or non-federal agency) specifying the terms of the matching program.
CMS	Centers for Medicare and Medicaid Services
ETC	Eligible Telecommunications Carrier
HUD	Housing and Urban Development

Appendix B: Glossary of Terms (Continued)

Term	Definition
LCS	Lifeline Claims System: The online filing system that service providers use to receive reimbursement for offering Lifeline-supported services to eligible consumers.
NLAD	National Lifeline Accountability Database: Allows service providers to check on a real-time, nationwide basis whether a consumer is already receiving a Lifeline program-supported service.
NV	National Verifier: The Lifeline National Eligibility Verifier determines whether consumers are eligible for Lifeline.
RAD	Representative Accountability Database: A registration system that validates the identities of service provider representatives performing transactions in the National Lifeline Accountability Database and the National Verifier.

Universal Service Administrative Co.