



High Cost & Low Income Committee

Briefing Book

Monday, January 24, 2022

12:45 p.m. – 3:00 p.m. Eastern Time

Available for Public Use

USAC Offices

700 12th Street NW, Suite 900

Washington, D.C. 20005

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

<p>Monday, January 24, 2022 12:45 p.m. – 3:00 p.m. Eastern Time USAC Offices 700 12th Street, N.W., Suite 900 Washington, D.C. 20005</p>

HIGH COST OPEN SESSION		<i>Estimated Duration in Minutes</i>
Chair	<p>a1. Consent Items (each available for discussion upon request):</p> <p style="padding-left: 20px;">A. Approval of High Cost & Low Income Committee Meeting Minutes of October 25 and December 2, 2021.</p> <p style="padding-left: 20px;">B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i></p>	5
Chair	<p>a2. Recommendation for Election of Committee Chair and Vice Chair</p>	5
Vic	<p>a3. Approval of High Cost Support Mechanism 2nd Quarter 2022 Programmatic Budget and Demand Projection for the January 31, 2022 FCC Filing</p>	5
Teleshia	<p>i1. Information on One USAC Audit and Assurance Division High Cost Support Mechanism Beneficiary Audit Reports <i>(For Information Only)</i></p>	–
Vic	<p>i2. High Cost Business Update:</p> <ul style="list-style-type: none"> • 2021 Accomplishments • Verifications • Performance Measures • Plans for Next Quarter • Roadmap 	20

LOW INCOME OPEN SESSION		<i>Estimated Duration in Minutes</i>
Pam	<p>a4. Approval of Low Income Support Mechanism 2nd Quarter 2022 Programmatic Budget and Demand Projection for the January 31, 2022 FCC Filing</p>	5

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Teleshia	i3. Information on Seven USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Report <i>(For Information Only)</i>	–
Pam	i4. Low Income (Lifeline) Business Update <ul style="list-style-type: none"> • Program Highlights • National Verifier Highlights • Metrics • Roadmap 	20

LOW INCOME EXECUTIVE SESSION Confidential – Executive Session Recommended		<i>Estimated Duration in Minutes</i>
Pam Teleshia	i5. Low Income (Lifeline) Business Update <i>(Continued)</i> <ul style="list-style-type: none"> • Opt-Out States • Update on Lifeline Forensic and Holding Company Audits 	15
Pam	a5. Approval of Low Income Support Mechanism 2022 Annual Programmatic Budget	10

HIGH COST EXECUTIVE SESSION Confidential – Executive Session Recommended		<i>Estimated Duration in Minutes</i>
Vic	i6. High Cost Business Update <i>(Continued)</i> <ul style="list-style-type: none"> ○ CAF II Model Achievements ○ Verification Procedures to Evaluate Deployment ○ CAF II Model Verifications Summary ○ Observations ○ Planning for 2022 	20
Vic	a6. Approval of High Cost Support Mechanism 2022 Annual Programmatic Budget	10
Chair	i7. <i>Executive Session</i> Discussion with the High Cost and Low Income Committee/Board	5

Next Scheduled USAC High Cost & Low Income Committee Meeting

Monday, April 25, 2022 USAC Offices, Washington, D.C.
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**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 October 25 and December 2, 2021 (*see Attachments A-1 and A-2*).

- B. Approval of moving all *Executive Session* items into *Executive Session*:
 - (1) **i5** – Low Income (Lifeline) Business Update (*Continued*). USAC management recommends that this item be discussed in *Executive Session* because it involves *specific internal controls or confidential company data* and *internal rules and procedures* concerning the administration of the universal service support mechanisms; discussion of the matter in open session would result in *disclosure of confidential techniques and procedures* that would compromise program integrity.

 - (2) **a5** – Approval of Low Income Support Mechanism 2022 Annual Programmatic Budget. USAC management recommends that this item be discussed in *Executive Session* because this matter relates to USAC’s *procurement strategy and contract administration*.

 - (3) **i6** – 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) **a6** – Approval of High Cost Support Mechanism 2022 Annual Programmatic Budget. USAC management recommends that this item be

discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

- (5) *i7 – Executive Session* Discussion with the High Cost & Low Income Committee/Board (*if needed*). USAC management recommends this item be discussed in *Executive Session* because it relates to the Committee's oversight responsibilities and may involve discussion of *specific internal controls or confidential company data* or *internal rules and procedures* concerning the administration of the universal service support mechanisms, where discussion of the matter in open session would result in *disclosure of confidential techniques and procedures* that would compromise program integrity.

Upon request of a Committee member, any one or more of the above items are available for discussion by the Committee.

Recommended USAC High Cost & Low Income Committee Action

APPROVAL OF THE FOLLOWING RESOLUTION:

RESOLVED, that the High Cost & Low Income Committee of the USAC Board of Directors hereby approves: (1) the Committee meeting minutes of October 25 and December 2, 2021; and (2) discussion in *Executive Session* of the items noted above.

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

HIGH COST & LOW INCOME COMMITTEE MEETING
Monday, October 25, 2021

(DRAFT) MINUTES¹

The quarterly meeting of the High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) was held at USAC's offices in Washington, D.C. on Monday, October 25, 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 2:24 p.m. Eastern Time, with a quorum of eight of ten Committee members present (there is one vacancy):

Feiss, Geoff	Polk, Stephanie – <i>by telephone</i>
Freeman, Sarah – <i>by telephone</i>	Sekar, Radha – Chief Executive Officer
Gillan, Joe	Skrivan, Michael – <i>by telephone</i>
Mason, Ken – Chair	Wein, Olivia – Vice Chair

Mr. Ellis Jacobs joined the meeting by telephone at 2:26 p.m. Eastern Time. He did not vote on or participate in the discussion of item a1.

Members of the Committee not present:

Waller, Jeff

Other Board members and officers of the corporation present:

Beyerhelm, Chris – Chief Administrative Officer
Butler, Stephen – Vice President of Shared Services
Buzacott, Alan – Member of the Board
Delmar, Teleshia – Vice President of Audit and Assurance – *by telephone*
Gaither, Victor – Vice President of High Cost
Garber, Michelle – Vice President of Finance and Chief Financial Officer
Gregory, Amber – Member of the Board – *by telephone*
Hughes, Pamela – Vice President of Lifeline
Hutchinson, Kyle – Vice President of IT and Chief Information Officer – *by telephone*

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.

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

Others present:

<u>NAME</u>	<u>COMPANY</u>
Harris, William – <i>by telephone</i>	KPMG
Krueger, Katie – <i>by telephone</i>	KPMG
Mitchell, Tamika – <i>by telephone</i>	USAC
Morning, Kimberly – <i>by telephone</i>	Morgan Lewis
Nuzzo, Patsy	USAC
Pace, Regina – <i>by telephone</i>	USAC
Phillippi, Megan	USAC
Schwartz, Brad – <i>by telephone</i>	KPMG
Sherwood, Nicole – <i>by telephone</i>	USAC
Tiwari, Tanya	USAC
Williams, Erin	USAC
Williams, Romanda – <i>by telephone</i>	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 July 26, 2021.
 - B.** Approval of moving all *Executive Session* items into *Executive Session*:
 - (1) i4** – 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) a4** – Consideration to Exercise Option Year for High Cost Model Operations and Maintenance and Enhancements. USAC management recommended 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 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.

- (4) **i6 – 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 July 26, 2021; and (2) discussion in *Executive Session* of the items noted above.

- a2. **Approval of High Cost Support Mechanism 1st Quarter 2022 Programmatic Budget and Demand Projection for the November 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 1st quarter 2022 programmatic budget and demand projection for the November 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 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 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.

- i1. **Information on One 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 to the Committee covering the following items:
- Accomplishments
 - Metrics
 - Performance Measures Readiness
 - Plans for Next Quarter
 - Roadmap
 - System Update

LIFELINE OPEN SESSION

- a3. **Approval of Low Income Support Mechanism 1st Quarter 2022 Programmatic Budget and Demand Projection for the November 2, 2021 FCC Filing.** Ms. Hughet presented this item to the Committee for consideration. The presentation included a written report on USAC management's recommendations for the Low Income support mechanism 1st quarter 2022 programmatic budget and demand projection for the November 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 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.

- i3. Lifeline Business Update.** Ms. Hughet presented PowerPoint slides to the Committee covering the following items:
- Recap from July Committee Meeting
 - Program Accomplishment Highlights
 - National Verifier Highlights
 - Metrics
 - Roadmap

At 3:12 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

- i4. Lifeline Business Update (*Continued*).** Ms. Hughet presented this item to the Committee for discussion. The presentation included a description of the Lifeline business process outsourcing performance.

The Committee recessed at 3:26 p.m. and reconvened at 3:36 p.m. Eastern Time, continuing in *Executive Session*.

HIGH COST EXECUTIVE SESSION

- a4. Consideration to Exercise Option Year for High Cost Model Operations and Maintenance and Enhancements.** Mr. Beyerhelm presented this item for consideration. The presentation included a written summary and report detailing USAC management's recommendation to exercise the first of four (4) one-year options under USAC's contract with CostQuest for the continued performance of High Cost Model operations & maintenance and enhancements.

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

RESOLVED, that the High Cost & Low Income Committee of the

USAC Board of Directors having reviewed the recommendation of USAC management, hereby authorizes USAC management, subject to required Federal Communications Commission approval, to exercise the first one-year option of its contract with CostQuest Associates for the performance of High Cost Model operations & maintenance and enhancements, for a total not-to-exceed amount of \$290,000 (plus applicable taxes) over the first one-year option period.

- i5. **High Cost Business Update (*Continued*)**. Mr. Gaither presented PowerPoint slides to the Committee covering the following items:
- 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
- i6. ***Executive Session Discussion with the High Cost and Low Income Committee and Board***. The Committee determined that a confidential *Executive Session* for members of the High Cost and Low Income Committee and the Board was not needed.

OPEN SESSION

At 3:53 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 i4 and i5 and took action on item a4.

On a motion duly made and seconded, the Committee adjourned at 3:53 p.m. Eastern Time.

/s/ Olivia Wein
Secretary

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

HIGH COST & LOW INCOME COMMITTEE MEETING
Thursday, December 2, 2021

(DRAFT) MINUTES¹

Due to USAC's maximum telework allowance in response to the COVID-19 pandemic, the non-quarterly meeting of the High Cost & Low Income Committee (Committee) was conducted by web conference on Thursday, December 2, 2021. At the requested of Ken Mason, Committee Chair, Joe Gillan, Board Chair, chaired the meeting. The meeting was called to order at 12:03 p.m. Eastern Time, with a quorum of 7 of the 10 Committee members present (there is one vacancy):

Freeman, Sarah	Skrivan, Michael
Gillan, Joe	Waller, Jeff
Mason, Ken – Chair	Wein, Olivia
Sekar, Radha – Chief Executive Officer	

Member of the Committee not present:

Feiss, Geoff	Polk, Stephanie
Jacobs, Ellis	

Officers of the corporation present:

Beyerhelm, Chris – Chief Administrative Officer
Buzacott, Alan – Member of the Board
Davis, Craig – Vice President of Schools and Libraries
Garber, Michelle – Vice President of Finance and Chief Financial Officer
Gregory, Amber – Member of the Board
Hughes, Pamela – Vice President of Lifeline
Hutchinson, Kyle – Vice President of IT and Chief Information Officer
Schell, Julie Tritt – Member of the Board
Wibberly, Dr. Kathy – Member of the Board

Others present by telephone:

<u>NAME</u>	<u>COMPANY</u>
Faunce, Donna	USAC

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

<u>NAME</u>	<u>COMPANY</u>
Miller, Arielle	USAC
Nuzzo, Patsy	USAC
Pace, Regina	USAC
Phillippi, Megan	USAC
Tiwari, Tanya	USAC
Williams, Erin	USAC

OPEN SESSION

- a1. **Consideration of a Task Order Award for the Emergency Broadband Benefit Program/Affordable Connectivity Program and Lifeline Program Email Services.** USAC management recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

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

- a2. **Consideration of a Sole Source Contract Award for Affordable Connectivity Program Call Center Services and a Contract Modification for Lifeline Program Call Center Services.** USAC management recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

RESOLVED, that the High Cost and Low Income Committee approves discussion of this item in *Executive Session*.

- a3. **Consideration of a Contract Modification for Affordable Connectivity Program and Lifeline Program Business Process Outsourcing Services.** USAC management recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

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

At 12:04 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential items listed above.

EXECUTIVE SESSION

- a1. **Consideration of a Task Order Award for the Emergency Broadband Benefit Program/ Affordable Connectivity Program and Lifeline Program Email Services.** Mr. Beyerhelm presented this item to the Committee. The presentation included a written summary and report detailing USAC management's recommendation to award a task order to Grant Thornton Public Sector LLC under the USAC Professional Services indefinite delivery/indefinite quantity agreement, for the performance of professional services for email processing to support the Lifeline Program.

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

RESOLVED, that the High Cost & Low Income Committee, having reviewed the recommendation of USAC management, hereby authorizes USAC management, to award a Task Order under USAC's Professional Services indefinite delivery/indefinite quantity agreement to Grant Thornton Public Sector LLC for the performance of professional services for email processing to support the Lifeline Program. The Task Order will have a base period of twelve (12) months for an amount not-to-exceed \$2,341,387.38 (plus applicable taxes) for Lifeline Program, using Universal Service Funds, subject to required Federal Communications Commission approval.

- a2. **Consideration of a Sole Source Contract Award for Affordable Connectivity Program Call Center Services and a Contract Modification for Lifeline Program Call Center Services.** Mr. Beyerhelm presented this item to the Committee. The presentation included a written summary and report detailing USAC management's recommendation to modify the current Conduent contract for call center services to support the Lifeline Program.

RESOLVED, that the High Cost & Low Income Committee of the USAC Board of Directors, having reviewed the recommendation of USAC management, authorizes management to modify USAC's contract with Conduent State & Local Solutions, Inc. by: (i) extending the current one-year option term, which expires on April 15, 2022, through December 31, 2022 in order to co-term the periods of performance for the services related to the Lifeline Program and Affordable Connectivity Program call center services; and (ii) increasing the not-to-exceed amount of the current one-year option term by \$7,200,000.00 from \$15,000,000.00 (plus applicable taxes) to \$22,200,000.00 (plus applicable taxes) over the option period, subject to required

Federal Communications Commission approval. This amount will be expensed using Universal Service Funds.

- a3. Consideration of a Contract Modification for Affordable Connectivity Program and Lifeline Program Business Process Outsourcing Services.** Mr. Beyerhelm presented this item to the Committee. The presentation included a written summary and report detailing USAC management's recommendation to modify USAC's existing contract with Maximus to include Lifeline application processing services.

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

RESOLVED, that the High Cost & Low Income Committee of the USAC Board of Directors, having reviewed the recommendation of USAC management, authorizes USAC management to modify its existing contract with Maximus Federal Services, Inc. to include Lifeline application processing services for a not-to-exceed amount of \$7,200,000.00 (plus applicable taxes) for a period of twelve (12) months, subject to required Federal Communications Commission approval. This amount will be expensed using Universal Service Funds.

OPEN SESSION

At 12:32 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Gillan reported that, in *Executive Session*, the Committee discussed and took action on items a1 – a3.

On a motion duly made and seconded, the Committee adjourned at 12:33 p.m. Eastern Time.

/s/ Olivia Wein
Secretary

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

ACTION ITEM

**Recommendation for Election of
Committee Chair and Vice Chair**

Action Requested

The USAC High Cost & Low Income (Committee) is taking action to bring its Chair and Vice Chair nominations for consideration by the full Board of Directors (Board) at the Board meeting to be held on January 25, 2022.

Discussion

The pertinent resolution related to the election of committee chair and vice chair positions was adopted by the Board on January 25, 2000, and reads as follows:

RESOLVED, That the USAC Board of Directors accepts the recommendations of the USAC Nominating Committee that: (1) in addition to the annual election of officers, all Committee chairs and vice chairs shall also be elected annually; (2) the first election for Committee chairs and vice chairs shall occur at the election of officers at the January 2001 Board of Directors meeting; (3) there shall be no term limits imposed on officer and Committee chair and vice-chair positions; and (4) there shall be no automatic succession of positions....¹

On January 25, 2021, the Board elected Ken Mason as Chair and Olivia Wein as Vice Chair of the High Cost & Low Income Committee.

At their January 24, 2022 quarterly meetings, each committee of the Board (including the Audit Committee and the programmatic committees) will nominate Board members to serve as chair and vice chair of their respective committees. Those recommendations will be submitted to the Board at the Board meeting to be held on January 25, 2022.

Recommended USAC High Cost & Low Income Committee Action

APPROVAL OF THE FOLLOWING RESOLUTION:

RESOLVED, that the USAC High Cost & Low Income Committee recommends that the USAC Board of Directors elect _____

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

as Chair and _____ as Vice Chair of the Committee. The term for each position begins immediately upon the election to such position by the Board and ends at such time as the Chair or Vice Chair (as the case may be): (i) is replaced by a successor selected by the Board, (ii) resigns from the Committee or the Board, (iii) is removed by resolution of the Board, or (iv) is no longer a member of the Board (whichever comes first).

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

ACTION ITEM

**Approval of High Cost Support Mechanism
2nd Quarter 2022 Programmatic Budget and
Demand Projection for the January 31, 2022 FCC Filing**

Action Requested

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 2nd Quarter 2022 (2Q2022) programmatic budget and demand projection for the High Cost Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's January 31, 2022 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 2Q2022 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>	1Q2022	Increase/ (Decrease)	2Q2022	Notes
Steady State:				
Legacy Funds	\$427.68	(\$4.63)	423.05	Includes HCLS, CAF BLS, and Frozen Price Cap and Competitive ETC Support. Decrease driven by HCLS quarterly updates.
Modernization Funds	622.60	11.44	634.04	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	(56.25)	0.00	(56.25)	Disbursements for RBE, Mobility Fund Phase I, and portion of A-CAM I.
Total Steady State	\$994.03	\$6.81	\$1,000.84	
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	\$994.03	\$6.81	\$1,000.84	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	(51.16)	(26.49)	(77.65)	
Billings	112.20	(161.39)	(49.19)	
Interest Income	(0.01)	(0.01)	(0.02)	
Bad Debt Expense	(11.72)	3.85	(7.87)	
Annual Admin True-Up	(14.09)	14.09	0.00	
Total Prior Period Adjustments	\$35.22	(\$169.95)	(\$134.73)	
USAC Administrative Expenses	15.30	(0.05)	15.25	See Table B
Total Funding Requirement	\$1,044.55	(\$163.19)	\$881.36	

Based on the projected burn rate, USAC estimates the following 2Q2022 programmatic budget:

Table B. Quarterly Programmatic Budget

<i>(in millions)</i>	1Q2022	Increase/ (Decrease)	2Q2022	Notes
Direct Program Costs				
Employee Expenses	\$1.75	\$0.02	\$1.77	
Professional Services	0.58	0.15	0.73	
General & Administrative	0.00	0.00	0.00	
Total Direct Program Costs	\$2.33	\$0.17	\$2.50	
Direct Assigned Costs				
Employee Expenses	\$0.87	\$0.01	\$0.88	
Professional Services	2.77	0.05	2.82	
General & Administrative	0.01	0.13	0.14	
Total Direct Assigned Costs	\$3.65	\$0.19	\$3.84	
Total Direct Program & Direct Assigned Costs	\$5.98	\$0.36	\$6.34	
Common Allocated Costs	\$9.32	(\$0.41)	\$8.91	
Total Programmatic Budget	\$15.30	(\$0.05)	\$15.25	

Note 1: General & Administrative includes direct assigned software licensing costs.

A comparison of actual expenditures to the budget for the twelve months ending December 31, 2021 is provided in **Attachment 2**.

Recommendation

USAC management recommends that the Committee approve the 2Q2022 budget and projection of demand as proposed.

Recommended High Cost & Low Income Committee Actions

APPROVAL OF THE FOLLOWING RESOLUTIONS:

RESOLVED, that the USAC High Cost & Low Income Committee approves a 2nd Quarter 2022 High Cost Support Mechanism program budget of \$6.34 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$6.34 million for High Cost Support Mechanism administrative costs in the required January 31, 2022 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 January 24, 2022 the 2nd Quarter 2022 High Cost Support Mechanism demand estimate of \$881.36 million, hereby directs USAC staff to proceed with the required January 31, 2022 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.

ATTACHMENT 1

Detailed High Cost Program Demand

<i>(in millions)</i>	1Q2022	Increase/ (Decrease)	2Q2022	Notes
Steady State – Legacy Funds:				
High Cost Loop Support (HCLS) ³	\$92.27	(\$4.63)	\$87.64	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	\$232.57	0.19	\$232.76	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	(0.19)	10.76	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	91.89	0.00	91.89	Competitive carriers receive support frozen at December 2011 levels. Will be replaced by CAF II Auction and/or Mobility Fund Phase II.
<i>Total Steady State Legacy Funds</i>	<i>\$427.68</i>	<i>(\$4.63)</i>	<i>\$423.05</i>	

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>	1Q2022	Increase/ (Decrease)	2Q2022	Notes
Steady State – Modernization Funds:				
CAF Phase II ⁷	4.92	0.00	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	92.07	0.00	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	156.61	0.00	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

<i>(in millions)</i>	1Q2022	Increase/ (Decrease)	2Q2022	Notes
A-CAM II ¹¹	126.58	0.00	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	6.78	0.00	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	137.28	11.44	148.72	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).

<i>(in millions)</i>	1Q2022	Increase/ (Decrease)	2Q2022	Notes
<i>Total Steady State Modernization Funds</i>	<i>\$622.60</i>	<i>\$11.44</i>	<i>\$634.04</i>	
<i>Amounts Paid from Reserve</i>	<i>(\$56.25)</i>	<i>\$0.00</i>	<i>(\$56.25)</i>	Per FCC direction, all disbursements for RBE, Mobility Fund Phase I, and a portion of disbursements for A-CAM I are paid from reserved funds collected in prior years. The ending balance as of December 31, 2021 for reserved funds was approximately \$945.39 million.
New Requirements – Legacy Funds:				
<i>Total New Requirements Legacy Funds</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	
New Requirements – Modernization Funds:				
<i>Total New Requirements Modernization Funds</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	
Total Program Demand	\$994.03	\$6.81	\$1,000.84	

ATTACHMENT 2

High Cost Administrative Costs and Headcount
Comparison of Actual Expenditures and Headcount to the Budget for the
Twelve Months Ending December 31, 2021

<i>(\$ in millions)</i>	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	47	52	5	\$6.69	\$7.80	\$1.11
Professional Services (Note 2)				1.01	3.28	2.27
General & Administrative				0.00	0.00	0.00
Total Direct Program Costs				\$7.70	\$11.08	\$3.38
Direct Assigned Costs						
Employee Expenses	16	22	6	\$2.84	\$3.98	\$1.14
Professional Services (Note 2)				5.92	10.47	4.55
General & Administrative				0.00	0.00	0.00
Total Direct Assigned Costs				\$8.76	\$14.45	\$5.69
Total Direct Program & Direct Assigned Costs	63	74	11	\$16.46	\$25.53	\$9.07
Common Allocated Costs (Note 3)				\$36.28	\$43.35	\$7.07
Total Programmatic Budget				\$52.74	\$68.88	\$16.14

Note 2: 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 3: Common costs include costs not directly attributable to a program and are allocated based on the Cost Allocation Methodology, which allocates costs based 50% on direct program costs in the prior year and 50% on program demand in the prior year. Actual common allocated costs reflect a reduction for costs allocated to the appropriated programs.



High Cost & Low Income Committee Meeting

High Cost Business Update

Open Session

January 24, 2022



Universal Service
Administrative Co.

Available for Public Use

Agenda

- 2021 Accomplishments
- Verifications
- Performance Measures
- Plans for Next Quarter
- Roadmap

2021 Accomplishments

- Operations
 - Disbursed \$4.2B as of October 2021
 - All Annual Certifications (Form 481/690, §54.314, §54.316/HUBB) successfully collected; 99.9% Certified
 - Implemented enhanced PIA procedures for High Cost Legacy funds
- Verifications
 - Performed detailed reviews of more than 10,000 locations
 - Completed Letter of Credit (LoC) based verifications for nearly 40 carriers across RBE & CAF II Auction & ensured prompt USAC response for LoC reductions and removals
 - Executed compliance gap monitoring and evaluation of quarterly reporting for all carriers across CAF II & ACAM/Revised ACAM

2021 Accomplishments (Continued)

- Product and Intake implementations
 - ELAP – Successfully executed the Participant phase of the project
 - Collected approximately 400K locations from 36 carriers in CAF 2 Auction fund
 - 5G – Deployed the 5G Legacy Initial Reporting solution that will collect information for wireless legacy fund recipients
 - Performance Measures – Improved carrier reporting and compliance processes to reduce the number of carrier inquiries and reduce the time to compile the compliance reports
 - HUBB – Implemented of new funds, updated obligations and new functionality for compliance gap reporting
 - Continued to re-engineer and enhance verification processes including procedures and templates as well as the design and testing of the High Cost Verification System (HCVS) workflow tool

Verifications

- Completed ACAM & Revised ACAM reviews (40% milestone)
 - Reviewed compliance of over two dozen carriers and more than 3,000 locations
 - All carriers were compliant except for one carrier. Company to revise data and the Verifications team will again perform a review at later milestone.
- Completed CAF II Model reviews (100% milestone)
 - Reviewed compliance of ten of the dozen participants in the program at this milestone, comprising 42 study areas/states
 - USAC identified three companies as being in a compliance gap in multiple states.
 - The Commission has issued letters reminding carriers of the final deadline for submitting deployment data – March 1, 2022.

2021 Verifications Snapshot

High Cost Fund	Milestone	Study Areas Reviewed	Locations Sampled	Locations Passed	Locations Failed	Non-Compliant Study Areas
CAF II Model	100%	43	3,879	3,286	593	25*
ACAM/Revised ACAM	40%	25	3,158	2,874	284	1
CAF II Auction	20% & 100% (on-demand)	22	2,085	1,875	210	1
RBE	100%	15	2,978	2,724	254	13**

*Note – The vast majority of non-compliant study areas can be attributed to only two CAF II program participants: Frontier and Lumen (formerly CenturyLink)

**Note – The vast majority of non-compliant study areas can be attributed to a single carrier, Skybeam, who has a waiver pending FCC review.

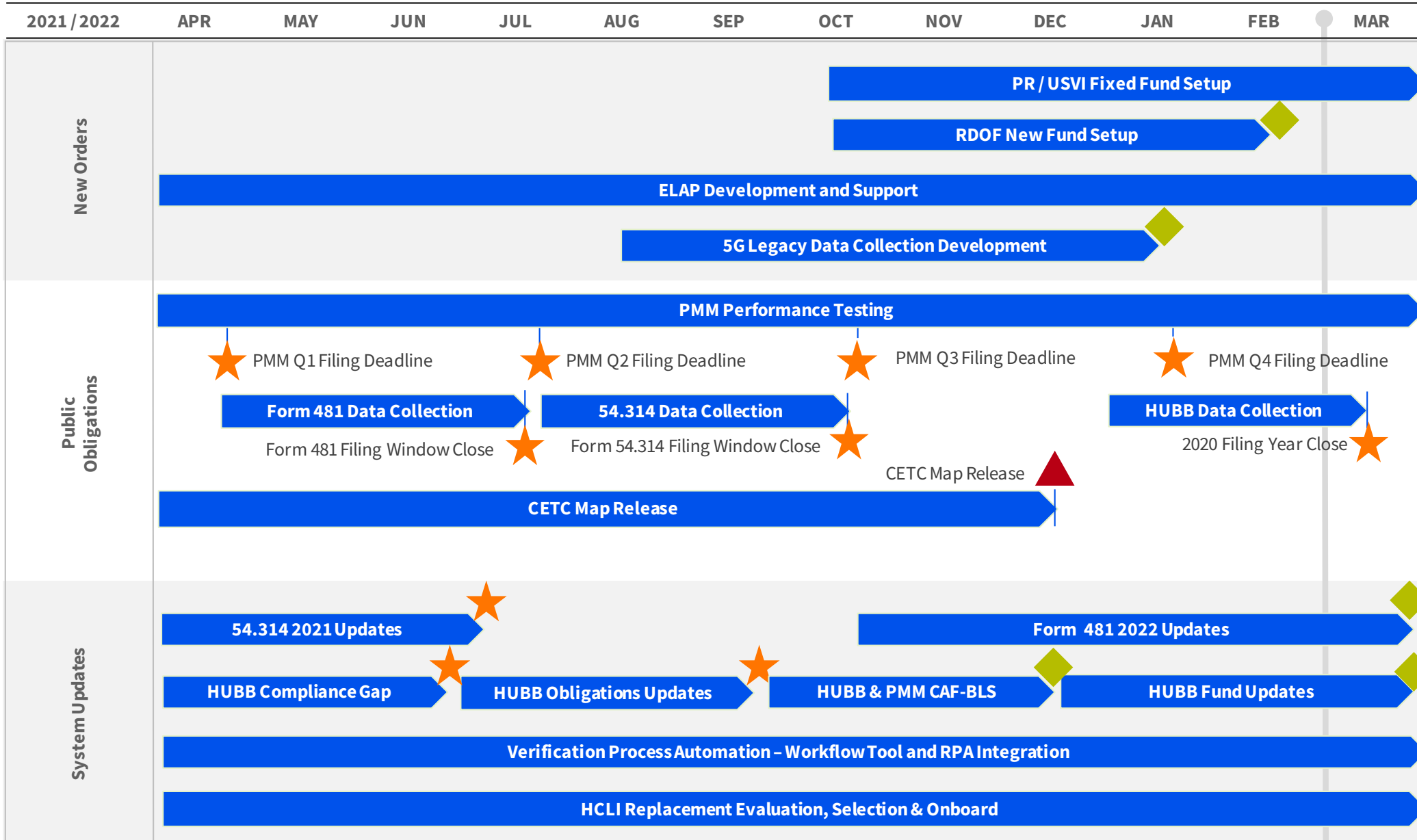
Performance Measures

- Performance Measures Pre-Testing Summary (Through Q3)
 - Increase in carriers submitting and certifying data – 91.5% for Q3
 - Increase in carriers passing the Download, Upload and Latency measures
 - Download: Q2 – 92.53% Q3 – 96.97%
 - Upload: Q2 – 91.84% Q3 – 95.35%
 - Latency: Q2 – 92.01% Q3 – 96.56%
- Carrier technical support calls remain constant and expected to grow in 2022 with new funds beginning pre-testing
- Adjusted carrier support based on pre-testing non-compliance results

Plans for Next Quarter (2Q2022)

- Complete verification sampling plans & launch verifications in support of the Alaska Plan, ACAM/Revised ACAM, CAF II Auction, RDOF, and BLS
- Perform PMM compliance reviews including justification for subscriber replacements
- Open the 5G Legacy Initial Filing Period
- Open the FCC Form 481 Filing Period
- Begin the ELAP Stakeholder Challenge Process for CAF II Auction Fund
- Update CAF Map with 2021 HUBB Filing Data
- Evaluate effectiveness of efforts to reduce carrier PMM technical filing and reporting issues

Roadmap



Milestone Legend

- At Risk
- On Track
- Completed

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 <i>Universal Service Fund/Connect America Fund Transformation Order</i> , 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.



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Metrics

High Cost

Metric	1Q2020	1Q2021	2Q2020	2Q2021	3Q2020	3Q2021	4Q2020	4Q2021
Eligibility:								
March 1 - HUBB Cert.	99.6%	99.8%	N/A	N/A	N/A	N/A	N/A	N/A
July 2 - 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 (locations):								
ACAM/Revised ACAM	N/A	N/A	N/A	N/A	N/A	2,726	N/A	432
CAF Phase II	5,024	N/A	N/A	N/A	2,113	714	2,202	2,803
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	889	162	544
FCC Form 481 IDVs	N/A	N/A	N/A	N/A	N/A	N/A	1,148	1,264

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	482,999	N/A	N/A
ACAM II	32,546	340,616	N/A	336,789	51,026	336,983	N/A	N/A
CAF Phase II	3,452,745	3,750,187	N/A	3,408,910	3,591,667	3,729,314	N/A	N/A
Rural Broadband Exp.	24,262	24,475	N/A	28,197	28,709	28,179	N/A	N/A
Alaska Plan	29,359	37,437	N/A	37,254	N/A	37,259	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	202	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	96
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	535	519	-
Modernized Funds	737	757	751	758	759	765	768	-
Appeals:	-	1	-	-	-	-	-	-
Performance Measures Pre-Test (% Passing)								
Download Test	N/A	90.4%	N/A	92.5%	N/A	96.4%	N/A	-
Upload Test	N/A	89.9%	N/A	91.8%	N/A	95.4%	N/A	-
Latency Test	N/A	88.6%	N/A	92.0%	N/A	96.6%	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	34.21%	N/A	52.63%	N/A	86.84%	N/A	-
Passed (%)	N/A	76.92%	N/A	95.00%	N/A	96.97%	N/A	-
Failed (%)	N/A	23.08%	N/A	5.00%	N/A	3.03%	N/A	-
Alaska SACs / Speed Tiers:								
Submitted (%)	N/A	88.24%	N/A	94.12%	N/A	88.24%	N/A	-
Passed (%)	N/A	80.00%	N/A	93.75%	N/A	100.00%	N/A	-
Failed (%)	N/A	20.00%	N/A	6.25%	N/A	0.00%	N/A	-
ACAM SACs / Speed Tiers:								
Submitted (%)	N/A	91.47%	N/A	92.62%	N/A	91.90%	N/A	-
Passed (%)	N/A	89.13%	N/A	91.85%	N/A	95.12%	N/A	-
Failed (%)	N/A	10.87%	N/A	8.15%	N/A	4.88%	N/A	-

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

ACTION ITEM

**Approval of Low Income Support Mechanism
2nd Quarter 2022 Programmatic Budget and
Demand Projection for the January 31, 2022 FCC Filing**

Action Requested

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 2nd Quarter 2022 (2Q2022) programmatic budget and demand projection for the Low Income Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's January 31, 2022 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 2Q2022 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>	1Q2022	Increase/ (Decrease)	2Q2022	Notes
Steady State:				
Lifeline	\$206.06	\$71.64	\$277.70	See Note 1
Link Up	0.04	0.02	0.06	
New Requirements:				
N/A	0.00	0.00	0.00	
Total Program Demand	\$206.10	\$71.66	\$277.76	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	(\$91.41)	\$29.83	(\$61.58)	
Billings	25.24	(35.04)	(9.80)	
Bad Debt Expense	(2.60)	1.00	(1.60)	
Administrative Expense True-Up	(15.00)	15.00	0.00	
Total Prior Period Adjustments	(\$83.77)	\$10.79	(\$72.98)	
USAC Administrative Expenses	\$15.18	\$0.51	\$15.69	See Table B
Total Funding Requirement	\$137.51	\$82.96	\$220.47	

Note 1: Demand increase reflects anticipated reimbursement claims for the period August 2021-November 2021 for a single service provider.

Based on the projected burn rate, USAC estimates the following 2Q2022 programmatic budget:

Table B. Quarterly Programmatic Budget

<i>(in millions)</i>	1Q2022 Budget	Increase/ (Decrease)	2Q2022 Budget	Notes
Direct Program Costs				
Employee Expenses	\$2.30	\$0.09	\$2.39	
Professional Services	4.61	0.62	5.23	
General & Administrative	0.21	0.02	0.23	See Note 2
Total Direct Program Costs	\$7.12	\$0.73	\$7.85	
Direct Assigned Costs				
Employee Expenses	\$0.56	\$0.01	\$0.57	
Professional Services	1.74	0.00	1.74	
General & Administrative	0.45	0.01	0.46	See Note 2
Total Direct Assigned Costs	\$2.75	\$0.02	\$2.77	
Total Direct Program & Direct Assigned Costs	\$9.87	\$0.75	\$10.62	
Common Allocated Costs	\$5.31	(\$0.24)	\$5.07	
Total Programmatic Budget	\$15.18	\$0.51	\$15.69	

Note 2: General & Administrative expenses include computer support & maintenance,

postage, and meetings & conferences.

A comparison of actual expenditures to the budget for the twelve months ending December 31, 2021 is provided in **Attachment 1**.

Recommendation

USAC management recommends that the Committee approve the 2Q2022 budget and projection of demand as proposed.

Recommended High Cost & Low Income Committee Actions

APPROVAL OF THE FOLLOWING RESOLUTIONS:

RESOLVED, that the USAC High Cost & Low Income Committee approves a 2nd Quarter 2022 Low Income Support Mechanism direct program budget of \$10.62 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$10.62 million for Low Income Support Mechanism administrative costs in the required January 31, 2022 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 January 24, 2022 the 2nd Quarter 2022 Low Income Support Mechanism demand estimate of \$220.47 million, hereby directs USAC staff to proceed with the required January 31, 2022 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.

ATTACHMENT 1

Low Income Administrative Costs and Headcount
Comparison of Actual Expenditures and Headcount to the Budget for the
Twelve Months ending December 31, 2021

<i>(\$ in millions)</i>	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	67	72	5	\$7.51	\$9.51	\$2.00
Professional Services (Note 3)				13.79	17.70	3.91
General & Administrative (Note 4)				0.89	1.01	0.12
Total Direct Program Costs				\$22.19	\$28.22	\$6.03
Direct Assigned Costs						
Employee Expenses	13	14	5	\$1.68	\$2.44	\$0.76
Professional Services (Note 3)				5.16	7.62	2.46
General & Administrative (Note 4)				1.55	1.53	(0.02)
Total Direct Assigned Costs				\$8.39	\$11.59	\$3.20
Total Direct Program & Direct Assigned Costs	80	86	6	\$30.58	\$39.81	\$9.23
Common Allocated Costs (Note 5)				\$21.51	\$25.72	\$4.21
Total Programmatic Budget				\$52.09	\$65.53	\$13.44

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.



High Cost & Low Income Committee Meeting

Lifeline Business Update

Open Session

January 24, 2022

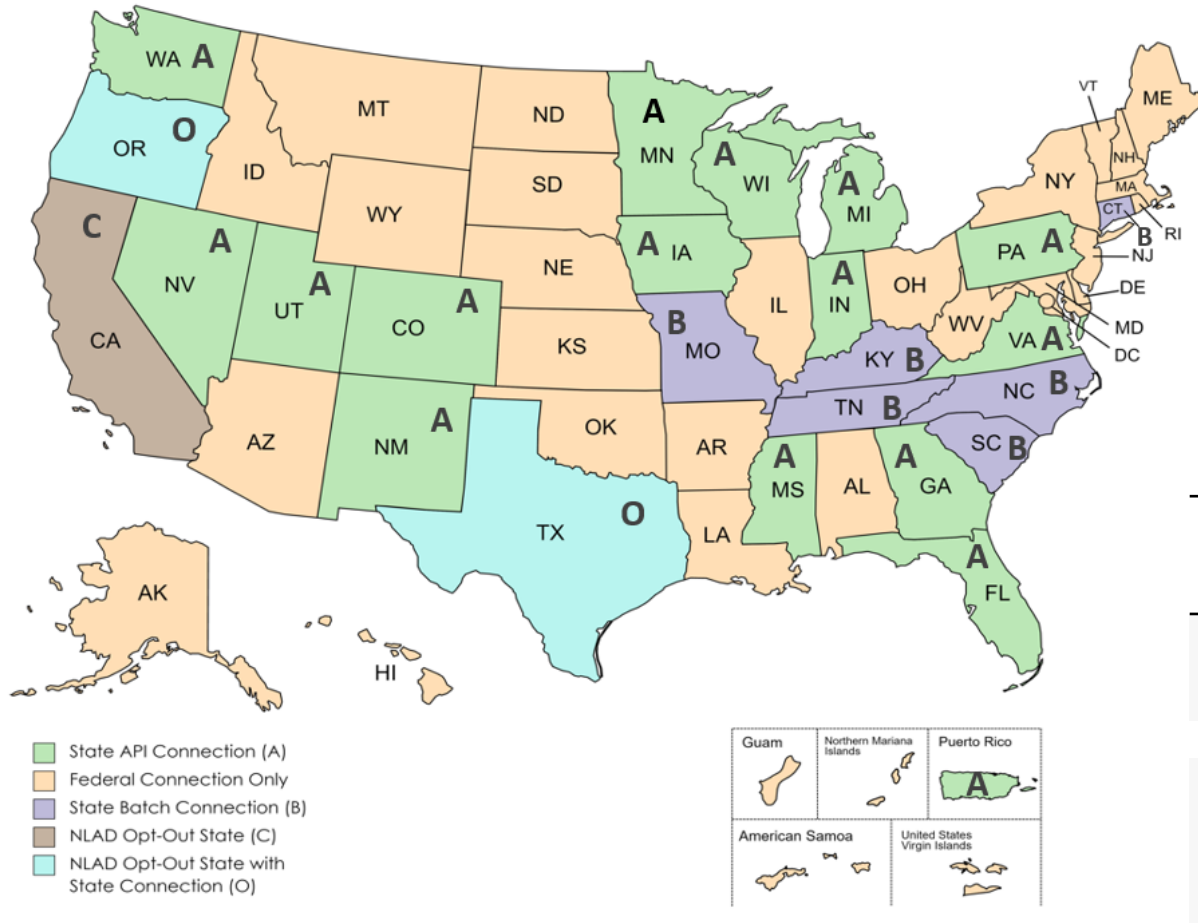
Agenda

- Program Highlights
- National Verifier (NV) Highlights
- Metrics
- Roadmap

Program Highlights

- Granted Tribal partners access to the NV Service Provider Portal in October 2021 to assist consumers residing in Tribal lands who are applying for the Lifeline benefit; conducted outreach and hosted trainings to engage with partners that plan to use Tribal access.
- Application ID enrollment feature is now available to service providers, allowing service providers to perform enroll, verify, and transfer functions using a consumer's National Verifier Application ID, full name, and date of birth.
- On November 5, 2021, the Wireline Competition Bureau (WCB) paused the phase-out of Lifeline support for voice-only services for one year. The reimbursement amount for Lifeline voice-only services will continue to be \$5.25 until December 1, 2022. WCB also paused the mobile broadband minimum service standard at 4.5 GB per month until December 1, 2022.
- Connecticut combined Lifeline/Emergency Broadband Benefit (EBB) CMA became effective November 8, 2021.

National Verifier Highlights



With the addition of Connecticut, the NV will benefit from 26 total connections, consisting of 24 state/territory connections (including Texas and Oregon) plus federal connections to CMS and HUD. The NV leverages automated connections in Texas and Oregon that 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	October 2021 Subscribers
API	CO, FL, GA, IA, IN, MI, MN, MS, NM, NV, PA, PR, UT, VA, WA, WI	2,299,157
Batch	KY, MO, NC, SC, TN	565,058
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	2,120,126
NLAD Opt-Out Automated	OR, TX*	311,923
NLAD Opt-Out (No Connection)	CA	1,204,615

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

Metrics

Lifeline Eligibility and Enrollments

Year-to-Date (YTD) Cumulative Comparison	2021 (Jan. through Oct.)	2020 (Jan. through Oct.)
National Verifier Applications Created	9,399,635	4,607,045
Program Eligibility Auto Approved	6,321,521	2,893,688
Program Eligibility Auto Pass Rate	67%	63%
Enrollments (Excludes CA, OR, and TX)	2,589,886	2,077,282
De-Enrollments (Excludes CA, OR, and TX)	3,862,100	1,756,927
NLAD Subscribers (Excludes CA, OR, and TX; based on Oct. Data, Nov. 1 Snapshot)	4,984,341	6,038,542
Opt-Out State Subscribers (CA, OR, and TX; based on Oct. Data, Nov. 1 Snapshot)	1,516,538	2,193,043

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 increase in Lifeline applications associated with implementation of the Emergency Broadband Benefit (EBB) Program, as well as significant de-enrollment in May 2021 data month primarily due to the expiration of FCC non-usage waiver.

Metrics (Continued)

Lifeline Call and Manual Review Metrics

Metric	Third Quarter	October	Change
Average Real-Time Application Review	37 minutes	3.5 minutes	-33.5 minutes
Average Speed to Answer (ASA)	8 minutes	7.5 minutes	-0.5 minutes

Roadmap



Milestone Legend

-  At Risk
-  On Track
-  Completed
-  Ongoing

Note: COVID-19 waivers impacting reverification and recertification extended to March 31, 2022.

Appendix A: Lifeline Program Service Type Trends

Month	Broadband	Bundled Broadband	Bundled Voice and Broadband	Bundled Voice	Voice
Oct. 2021	0.55%	23.71%	67.17%	1.58%	7.00%
Sept. 2021	0.54%	22.20%	68.53%	1.45%	7.28%
Aug. 2021	0.52%	21.10%	69.46%	1.39%	7.54%
July 2021	0.49%	24.22%	66.11%	1.35%	7.83%
June 2021	0.43%	38.18%	52.34%	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%

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

Note: Lifeline program service type data is from the Lifeline Claims System (LCS), which includes the NLAD opt-out states as max claimable subscribers.

Appendix B: Lifeline Program Trends

Data Month	Subscribers	Rate of Change (subscribers month over month)	Support
Oct. 2021 (snapshot on Nov. 1)	6,500,879	1.30%	\$ 40,468,203
Sept. 2021 (snapshot on Oct. 1)	6,379,311	1.12%	\$ 40,465,026
Aug. 2021 (snapshot on Sept. 1)	6,308,754	1.30%	\$ 40,016,429
July 2021 (snapshot on Aug. 1)	6,227,736	-7.74%	\$ 56,206,959
June 2021 (snapshot on July 1)	6,750,377	-2.89%	\$ 57,047,606
May 2021 (snapshot on June 1)	6,951,594	-23.98%	\$ 61,739,905
Apr. 2021 (snapshot on May 1)	9,144,182	1.37%	\$ 79,446,888
Mar. 2021 (snapshot on Apr. 1)	9,020,875	1.50%	\$ 84,841,910
Feb. 2021 (snapshot on Mar. 1)	8,887,882	1.85%	\$ 83,373,474
Jan. 2021 (snapshot on Feb. 1)	8,726,868	2.13%	\$ 81,639,504
Dec. 2020 (snapshot on Jan. 1)	8,544,528	2.01%	\$ 79,878,522
Nov. 2020 (snapshot on Dec. 1)	8,376,477	2.08%	\$ 79,883,265

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. Subscribers have increased month over month since August.

***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 C: 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 C: 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
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