



High Cost & Low Income Committee

Briefing Book

Monday, July 25, 2022

2:20 p.m. – 4:20 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, July 25, 2022 2:20 p.m. – 4:20 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 April 25 and May 18, 2022.</p> <p style="padding-left: 20px;">B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i></p>	5
Vic	<p>a2. Approval of High Cost Support Mechanism 4th Quarter 2022 Programmatic Budget and Demand Projection for the August 2, 2022 FCC Filing</p>	5
Teleshia	<p>i1. Information on Four 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"> • Verification Highlights, Roadmap, and Status • ELAP and PMM Reporting Milestone • RDOF LOC Status • Roadmap • Appendix: Program Metrics 	25

LOW INCOME OPEN SESSION		<i>Estimated Duration in Minutes</i>
Pam	<p>a3. Approval of Low Income Support Mechanism 4th Quarter 2022 Programmatic Budget and Demand Projection for the August 2, 2022 FCC Filing</p>	5
Teleshia	<p>i3. Information on One USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Report <i>(For Information Only)</i></p>	–

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Pam	i4. Low Income (Lifeline) Business Update <ul style="list-style-type: none"> • Accomplishments and Major Developments <ul style="list-style-type: none"> ○ National Verifier Highlights ○ Lifeline Subscriber Trends • Plans for Next Quarter • Roadmap • Appendix: Program Metrics 	25
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LOW INCOME EXECUTIVE SESSION Confidential – Executive Session Recommended		<i>Estimated Duration in Minutes</i>
Teleshia	i5. Information on One USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Report <i>(For Information Only)</i>	5
Pam	a4. Approval of Revised Low Income Support Mechanism 2022 Annual Budget	5
Chris	a5. Consideration of a Contract Modification for Lifeline Program Call Center Services	5

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"> • High Cost Legacy Funds Program Integrity Assurance 2022 Update 	20
Chair	i7. <i>Executive Session</i> Discussion with the High Cost and Low Income Committee/Board	10

Next Scheduled USAC High Cost & Low Income Committee Meeting

Monday, October 24, 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 April 25 and May 18, 2022 (*see Attachments A-1 and A-2*).

- B. Approval of moving all *Executive Session* items into *Executive Session*:
 - (1) **i5** – Information on One USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Report. USAC management recommends that this item be discussed in *Executive Session* because it 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.
 - (2) **a4** – Approval of Revised Low Income Support Mechanism 2022 Annual 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) **a5** – Consideration of a Contract Modification for Lifeline Program Call Center Services. USAC management recommends that this item be discussed in *Executive Session* because this matter relates to USAC’s *procurement strategy and contract administration*.
 - (4) **i6** – High Cost Business Update (*Continued*). USAC management recommends that this item be discussed in *Executive Session* because it 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.

- (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 April 25 and May 18, 2022, 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, April 25, 2022

(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, April 25, 2022. 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 1:24 p.m. Eastern Time, with a quorum of all 11 Committee members present:

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

Other Board members and officers of the corporation present:

Buzacott, Alan – Member of the Board – *by telephone*
Beyerhelm, Chris – Chief Administrative Officer
Butler, Stephen – Vice President of Shared Services – *by telephone*
Delmar, Teleshia – Vice President of Audit and Assurance – *by telephone*
Fontana, Brent – Member of the Board
Gaither, Victor – Vice President of High Cost
Garber, Michelle – Vice President of Finance, Chief Financial Officer, and Assistant Treasurer – *by telephone*
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*
Schell, Julie Tritt – Member of the Board
Sweeney, Mark – Vice President of Rural Health Care – *by telephone*
Williams, Erin – Acting Vice President, General Counsel, and Assistant Secretary

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.

Others present:

<u>NAME</u>	<u>COMPANY</u>
Augustino, Steven – <i>by telephone</i>	Nelson Mullins
Bolling, Christopher – <i>by telephone</i>	USAC
Glisson, Connor – <i>by telephone</i>	USAC
Goode, Vernell	USAC
Lazarony, Joseph – <i>by telephone</i>	USAC
Levitats, Joshua – <i>by telephone</i>	USAC
Morgan, Meredith – <i>by telephone</i>	USAC
Nuzzo, Patsy	USAC
Pace, Regina – <i>by telephone</i>	USAC
Phillippi, Megan	USAC
Wilson Jr., Jerusa Carl – <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 January 24 and February 22, 2022.
 - 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 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.
 - (2) **a4** – Consideration of a Contract Modification for Third Party Identification and Verification (TPIV) Services for Lifeline Program. 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 recommended that this item be discussed in *Executive Session* because 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.

- (4) *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 *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.

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 January 24 and February 22, 2022; and (2) discussion in *Executive Session* of the items noted above.

- a2. Approval of High Cost Support Mechanism 3rd Quarter 2022 Programmatic Budget and Demand Projection for the May 2, 2022 Federal Communications Commission (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 3rd quarter 2022 programmatic budget and demand projection for the May 2, 2022 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 3rd Quarter 2022 High Cost Support Mechanism program budget of \$6.32 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$6.32 million for High Cost Support Mechanism administrative costs in the required May 2, 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 April 25, 2022 the 3rd Quarter 2022 High Cost Support Mechanism demand estimate of \$992.51 million, hereby directs USAC staff to proceed with the required May 2, 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.

- i1. Information on Two 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 & 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
 - Upcoming ELAP and PMM Milestones for Q2 and Q3
 - Upcoming Plans
 - Roadmap
 - Systems Update

LIFELINE OPEN SESSION

- a3. Approval of Low Income Support Mechanism 3rd Quarter 2022 Programmatic Budget and Demand Projection for the May 2, 2022 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 3rd quarter 2022 programmatic budget and demand projection for the May 2, 2022 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 3rd Quarter 2022 Low Income Support Mechanism direct program budget of \$9.96 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$9.96 million for Low Income Support Mechanism administrative costs in the required May 2, 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 April 25, 2022 the 3rd Quarter 2022 Low Income Support Mechanism demand estimate of \$269.22

million, hereby directs USAC staff to proceed with the required May 2, 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.

- i3. **Information on One USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Report.** This item was provided for *information purposes* only. Mr. Mason noted that the High Cost & Low Income Audit Briefing Book would be made public and posted to the USAC website.
- i4. **Low Income (Lifeline) Business Update.** Ms. Hughet presented PowerPoint slides to the Committee covering the following items:
- Accomplishments
 - National Verifier Highlights
 - Plans for Next Quarter
 - Roadmap

At 2:09 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. **Low Income (Lifeline) Business Update (*Continued*).** Ms. Hughet presented PowerPoint slides to the Committee covering the following item:
- Call Center Metrics
- a4. **Consideration of a Contract Modification for Third Party Identification and Verification (TPIV) Services for Lifeline Program.** Mr. Beyerhelm presented this item to the Board. The presentation included a written summary and report detailing USAC management's recommendation to modify the contract with Transunion Public Sector to perform TPIV services to support the Lifeline Program.

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

RESOLVED, that the High Cost & Low Income Committee, having reviewed the recommendation of USAC management, hereby authorizes USAC management to increase the base year amount of its contract with Transunion Public Sector to perform Third Party Identification and Verification services for applicant data provided to USAC via the National Lifeline Accountability Database to support the Lifeline Program by \$120,000.00

(plus applicable taxes), increasing the total not-to-exceed amount of the contract to \$700,000.00 (plus applicable taxes), subject to required Federal Communications Commission approval.

HIGH COST EXECUTIVE SESSION

- i6. High Cost Business Update (*Continued*).** Mr. Gaither and Ms. Delmar presented PowerPoint slides to the Committee covering updates on the Rural Broadband Accountability Plan. Mr. Gaither also presented PowerPoint slides to the Committee covering call center metrics.
- i7. *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 2:40 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 i6 and took action on item a4.

On a motion duly made and seconded, the Committee adjourned at 2:40 p.m. Eastern Time.

/s/ Erin Williams
Secretary

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

HIGH COST & LOW INCOME COMMITTEE MEETING
Wednesday, May 18, 2022

(DRAFT) MINUTES¹

The non-quarterly meeting of the High Cost & Low Income Committee (Committee) was conducted by web conference on Wednesday, May 18, 2022. At the requested of Ken Mason, Committee Chair, Joe Gillan, Board Chair, chaired the meeting. The meeting was called to order at 1:01 p.m. Eastern Time, with a quorum of eight of the 11 Committee members present:

Chalk, Indra	Mason, Ken – Chair
Feiss, Geoff	Sekar, Radha – Chief Executive Officer
Freeman, Sarah	Skrivan, Michael
Gillan, Joe	Wein, Olivia – Vice Chair

Member of the Committee not present:

Jacobs, Ellis	Waller, Jeff
Polk, Stephanie	

Officers of the corporation present:

Beyerhelm, Chris – Chief Administrative Officer
Butler, Stephen – Vice President of Shared Services
Buzacott, Alan – Member of the Board
Choroser, Beth – Member of the Board
Davis, Craig – Vice President of Schools & Libraries
Fontana, Brent – Member of the Board
Gaither, Victor – Vice President of High Cost
Garber, Michelle – Vice President of Finance, Chief Financial Officer, and
Assistant Treasurer
Gregory, Amber – Member of the Board
Hughet, Pamela – Vice President of Lifeline
Hutchinson, Kyle – Vice President of IT and Chief Information Officer
Schell, Julie Tritt – Member of the Board
Williams, Erin – Acting Vice President and General Counsel; and Assistant Secretary

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.

Others present by telephone:

<u>NAME</u>	<u>COMPANY</u>
Nuzzo, Patsy	USAC
Pace, Regina	USAC
Phillippi, Megan	USAC
Wilson, Carl	USAC

OPEN SESSION

- a1. **Consideration of Contract Award for Computer Matching Program Operations and Maintenance 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 Task Order Award for High Cost System Modernization Project Management Office 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 1:02 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 Contract Award for Computer Matching Program Operations and Maintenance 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 contract for operations and maintenance services and IT security incident work in support of the currently developed and in-use application programming interface (API) providing automated computer matching for eligibility verifications for the Lifeline program.

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

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed the recommendation of USAC management, hereby authorizes USAC management to award a one-year sole source contract to the Centers for Medicare and Medicaid Services for operations and maintenance services and IT security incident work in support of the currently developed and in-use application programming interface providing automated computer matching for eligibility verifications for the Lifeline Program, for a firm-fixed price of \$648,120.00 (plus applicable taxes) over the one year term, subject to required Federal Communications Commission approval and subject to an allocation of the total contract cost to the Universal Service Fund in support of the Lifeline Program, as eventually determined by the parties and as instructed in writing by the Federal Communications Commission.

- a2. Consideration of a Task Order Award for High Cost System Modernization Project Management Office 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 contract for High Cost System Modernization project management office services

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

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed the recommendation of USAC management, hereby authorizes USAC management to award a time and material task order under the USAC Professional Services Indefinite Delivery/Indefinite Quantity contract (Contract No. USAC 20-015) to Grant Thornton Public Sector LLC, subject to required Federal Communications Commission approval, for High Cost System Modernization Project Management Office Services. The task order will have a total not-to-exceed amount of \$3,896,491.68 (plus applicable taxes) over a twelve (12) month base period, and two (2) additional one-year option terms for a three (3) year total period of performance. Exercise of option terms to extend the task order beyond the initial twelve (12) month base period is subject to required Federal Communications Commission approval.

OPEN SESSION

At 2:15 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 and a2.

On a motion duly made and seconded, the Committee adjourned at 2:16 p.m. Eastern Time.

/s/ Erin Williams
Assistant Secretary

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

ACTION ITEM

**Approval of High Cost Support Mechanism
4th Quarter 2022 Programmatic Budget and
Demand Projection for the August 2, 2022 FCC Filing**

Action Requested

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 4th Quarter 2022 (4Q2022) programmatic budget and demand projection for the High Cost Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's August 2, 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 4Q2022 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>	3Q2022	Increase/ (Decrease)	4Q2022	Notes
Steady State:				
Legacy Funds	\$439.90	\$30.08	\$469.98	Includes HCLS, CAF BLS, and Frozen Price Cap and Competitive ETC Support. Increase driven by CAF BLS.
Modernization Funds	654.07	32.74	686.81	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. Increase driven by RDOF.
Amounts Paid from Reserve	(56.05)	0.00	(56.05)	Disbursements for RBE, Mobility Fund Phase I, and portion of A-CAM I.
Total Steady State	\$1,037.92	\$62.82	\$1,100.74	
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	\$1,037.92	\$62.82	\$1,100.74	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	(49.37)	26.03	(23.34)	
Billings	(4.60)	3.27	(1.33)	
Interest Income	(0.03)	0.00	(0.03)	
Bad Debt Expense	(8.54)	(0.38)	(8.92)	
Total Prior Period Adjustments	(\$62.54)	\$28.92	(\$33.62)	
USAC Administrative Expenses	\$17.13	\$0.81	\$17.94	See Table B
Total Funding Requirement	\$992.51	\$92.55	\$1,085.06	

Based on the projected burn rate, USAC estimates the following 4Q2022 programmatic budget:

Table B. Quarterly Programmatic Budget

<i>(in millions)</i>	3Q2022	Increase/ (Decrease)	4Q2022	Notes
Direct Program Costs				
Employee Expenses	\$1.79	\$0.27	\$2.06	
Professional Services	0.73	(0.15)	0.58	
General & Administrative	0.00	0.00	0.00	
Total Direct Program Costs	\$2.52	\$0.12	\$2.64	
Direct Assigned Costs				
Employee Expenses	\$0.90	\$0.09	\$0.99	
Professional Services	2.77	(0.09)	2.68	
General & Administrative	0.13	(0.00)	0.13	Note 1
Total Direct Assigned Costs	\$3.80	\$0.00	\$3.80	
Total Direct Program & Direct Assigned Costs	\$6.32	\$0.12	\$6.44	
Common Allocated Costs	\$10.81	\$0.69	\$11.50	
Total Programmatic Budget	\$17.13	\$0.81	\$17.94	

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

A comparison of actual expenditures to the budget for the six months ending June 30, 2022 is provided in **Attachment 2**.

Recommendation

USAC management recommends that the Committee approve the 4Q2022 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 4th Quarter 2022 High Cost Support Mechanism program budget of \$6.44 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$6.44 million for High Cost Support Mechanism administrative costs in the required August 2, 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 July 25, 2022 the 4th Quarter 2022 High Cost Support Mechanism demand estimate of \$1,085.06 million, hereby directs USAC staff to proceed with the required August 2, 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>	3Q2022	Increase/ (Decrease)	4Q2022	Notes
Steady State – Legacy Funds:				
High Cost Loop Support (HCLS) ³	\$86.36	(\$0.56)	\$85.80	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	\$252.36	32.05	\$284.41	Replaces legacy fund Interstate Common Line Support. Provides support for voice and broadband only lines to offset interstate access charges.
Frozen Price Cap Carrier Support ⁵	9.29	(1.41)	7.88	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>\$439.90</i>	<i>\$30.08</i>	<i>\$469.98</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>	3Q2022	Increase/ (Decrease)	4Q2022	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	92.08	0.00	92.08	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>	3Q2022	Increase/ (Decrease)	4Q2022	Notes
A-CAM II ¹¹	126.91	0.00	126.91	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	0.52	0.00	0.52	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	168.61	32.74	201.35	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 Rcd 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>	3Q2022	Increase/ (Decrease)	4Q2022	Notes
<i>Total Steady State Modernization Funds</i>	<i>\$654.07</i>	<i>\$32.74</i>	<i>\$686.81</i>	
<i>Amounts Paid from Reserve</i>	<i>(\$56.05)</i>	<i>\$0.00</i>	<i>(\$56.05)</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 June 30, 2022 for reserved funds was approximately \$846.82 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	\$1,037.92	\$62.82	\$1,100.74	

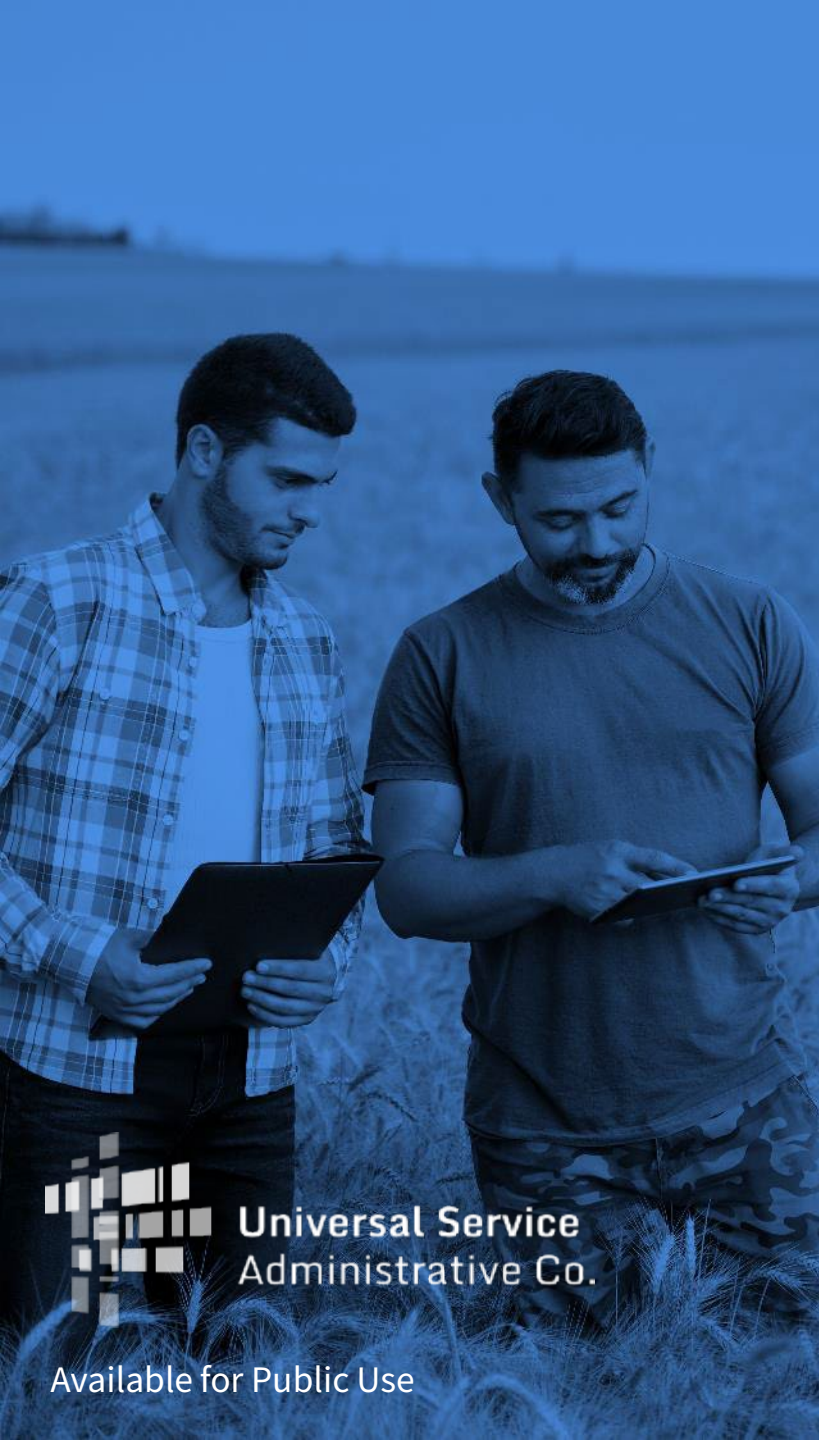
ATTACHMENT 2

High Cost Administrative Costs and Headcount
Comparison of Actual Expenditures and Headcount to the Budget for the
Six Months Ending June 30, 2022

<i>(\$ in millions)</i>	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	47	50	3	\$3.22	\$3.52	\$.30
Professional Services (Note 2)				.41	1.31	.90
General & Administrative				.00	0.00	.00
Total Direct Program Costs				\$3.63	\$4.83	\$1.20
Direct Assigned Costs						
Employee Expenses	14	20	6	\$1.25	\$1.75	\$.50
Professional Services (Note 2)				5.63	5.59	(0.04)
General & Administrative				0.03	0.15	0.12
Total Direct Assigned Costs				\$6.91	\$7.49	\$0.58
Total Direct Program & Direct Assigned Costs	61	70	9	\$10.54	\$12.32	\$1.78
Common Allocated Costs (Note 3)				\$18.18	\$18.23	\$0.05
Total Programmatic Budget				\$28.72	\$30.55	\$1.83

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

July 25, 2022



Agenda

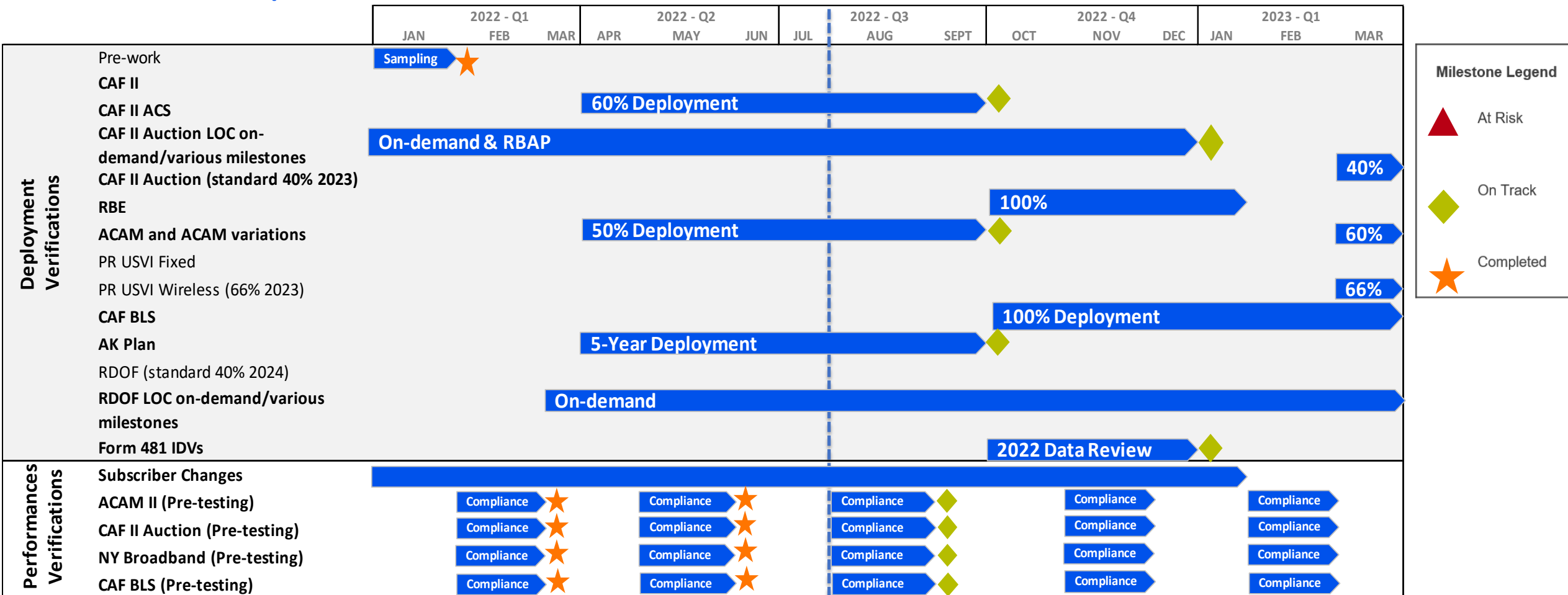
- Verification Roadmap and Status
- ELAP and PMM Reporting Milestones: Q2 2022 Status and Q3 2022 Upcoming Filing
- RDOF LOC Status
- Roadmap
- Appendix: Program Metrics

Verification Highlights

- Launched milestone reviews after March 2022 data filing, which covered nearly 5,000 locations across the Alaska Plan, ACAM I, Revised ACAM I, and ACS.
- Continued to execute prompt reviews associated with CAF II Auction and RBE Letter of Credit reductions and terminations (Verifications on-demand).
- Developed framework for communicating with RDOF participants to support prompt reviews for Letter of Credit reductions and terminations for that fund; initial reviews to begin tentatively Q3 2022.
- The Verifications team launched several reviews in support of the FCC's Rural Broadband Accountability Plan (RBAP), to ensure that the largest CAF II Auction participants are successfully progressing in deployment prior to their first required milestone.

Verification Roadmap and Status

Verifications Roadmap



Milestone Legend

- ▲ At Risk
- ◆ On Track
- ★ Completed

Eligible Locations Adjustment Process (ELAP) Upcoming Phases

- Stakeholder Challenge and Protective Order Phase
 - Purpose: Allows verified stakeholders to review participant data and issue challenges as appropriate to the participants' proposed deployment adjustments.
 - Opened May 20; closes August 18.
- Participant Response Phase
 - Purpose: Allows participants to respond to challenges submitted by verified stakeholders, by submitting additional data to validate their proposed deployment adjustments.
 - Target opening August 25; open for 30 days.
- Adjudication Phase
 - Purpose: Allows the FCC to review data submitted by both participants and stakeholders and determine if any adjustments to participants' deployment obligations will be made.
 - Target opening at completion of Participant Response Phase.

Performance Measures Upcoming Milestones

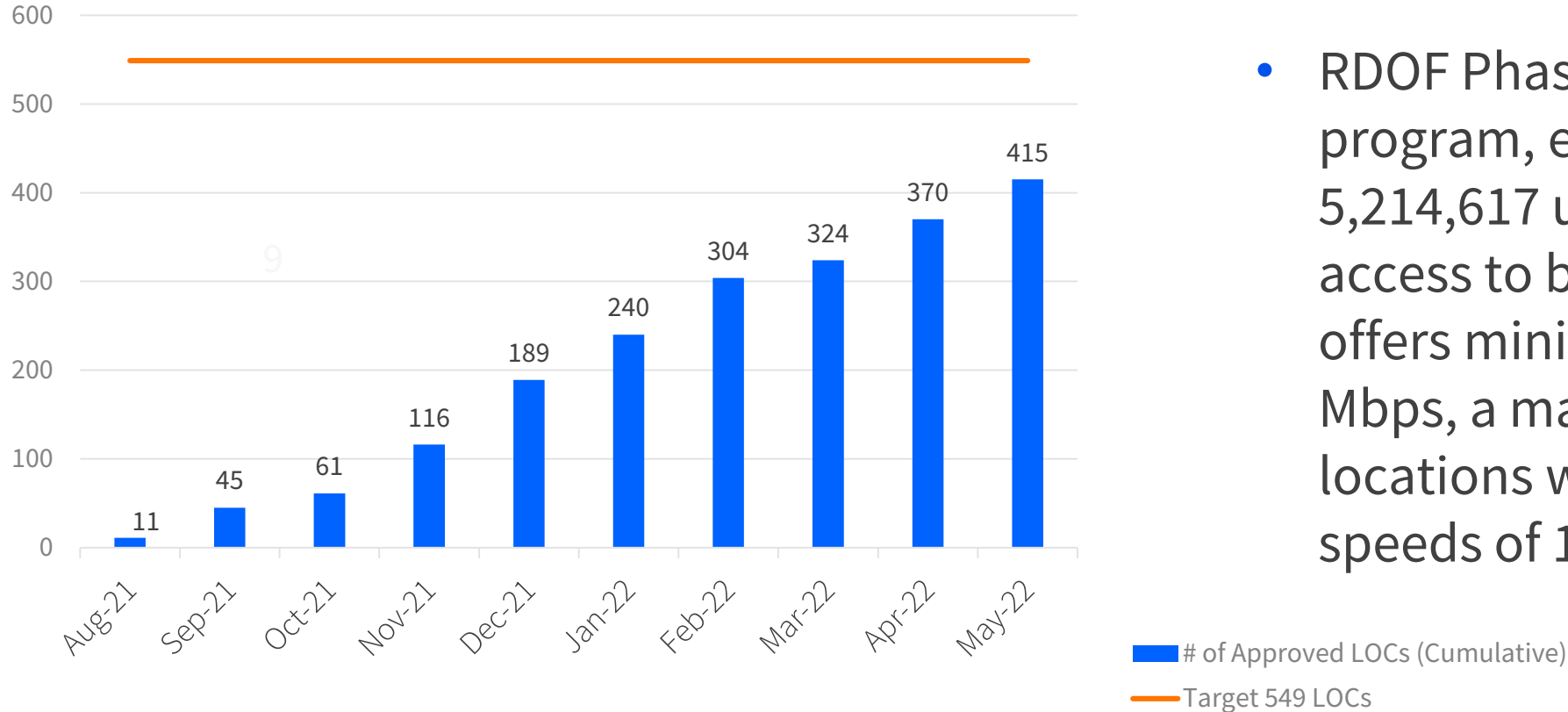
	July 1, 2022	July 7, 2022	October 7, 2022	January 7, 2023	April 7, 20203	July 1, 2023	July 7, 2023
CAF II Model	Annual Filing 2021 Test Results Required						
ACAM		Quarterly Filing Test Results Optional	Quarterly Filing Test Results Optional	Quarterly Filing Test Results Optional	Quarterly Filing Test Results Optional	Annual Filing 2022 Test Results Required	Quarterly Filing Test Results Optional
RBE		Quarterly Filing Test Results Optional	Quarterly Filing Test Results Optional	Quarterly Filing Test Results Optional	Quarterly Filing Test Results Optional	Annual Filing 2022 Test Results Required	Quarterly Filing Test Results Optional
Alaska		Quarterly Filing Test Results Optional	Quarterly Filing Test Results Optional	Quarterly Filing Test Results Optional	Quarterly Filing Test Results Optional	Annual Filing 2022 Test Results Required	Quarterly Filing Test Results Optional
ACAM II		Quarterly Filing Pre-Test Results Required	Quarterly Filing Pre-Test Results Required	Quarterly Filing Pre-Test Results Required	Quarterly Filing Test Results Optional		Quarterly Filing Test Results Optional
CAF II Auction	Satellite MOS Filing Pre-Test Results Required	Quarterly Filing Pre-Test Results Required	Quarterly Filing Pre-Test Results Required	Quarterly Filing Pre-Test Results Required	Quarterly Filing Test Results Optional	Satellite MOS Filing Test Results Required	Quarterly Filing Test Results Optional
CAF BLS		Quarterly Filing Pre-Test Results Required	Quarterly Filing Pre-Test Results Required	Quarterly Filing Pre-Test Results Required	Quarterly Filing Test Results Optional		Quarterly Filing Test Results Optional

***Note:** April 7, 2022 PMM data has been collected, and the FCC is reviewing it.

****Note:** At the end of 2022, the samples for carriers in ACAM, RBE, Alaska, and ACS will expire and be replaced.

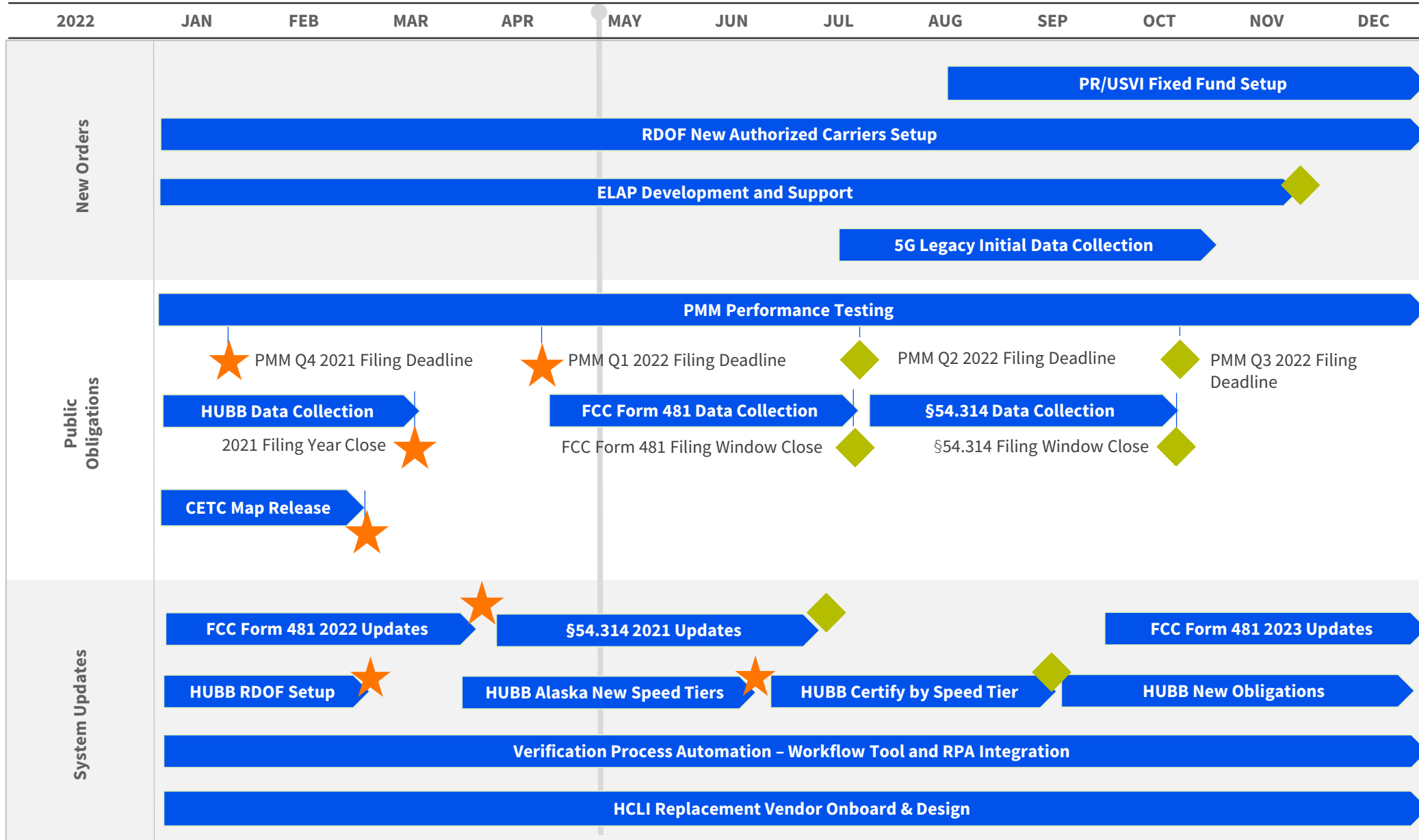
RDOF LOC Status (as of May 27, 2022)

Number of Approved RDOF LOCs (Cumulative by Month)



- RDOF Phase I is a \$9.2B 10 year program, expected to deploy 5,214,617 unserved locations with access to broadband service that offers minimum speeds of 25/3 Mbps, a majority of these locations will be able to receive speeds of 1 gigabit.

Roadmap



Milestone Legend

- At Risk
- On Track
- Completed

Appendix A: Metrics

High Cost Deployments (Data through June 30, 2022)

Fund	2020	2021	2022
ACAM	473,096	533,665	537,192
ACAMII	322,009	360,742	360,993
AK Plan	37,069	55,297	55,298
CAF BLS	749,735	908,355	919,043
CAFII	3,100,944	4,213,737	4,213,737
CAFII AUC	79,725	198,580	229,744
RBE	26,010	28,189	28,189
RDOF	14,060	29,457	29,506

2022 Filing Year Closes March 1, 2023

Appendix A: Metrics (Continued)

High Cost Disbursements (Data through June 30, 2022)

Fund Type	SAC Type	2022	2021	2020
Legacy	CETC	\$153,147,915	\$369,229,873	\$415,470,391
	ILEC	\$696,563,226	\$1,692,324,455	\$1,632,310,757
Modernized	CETC	\$271,169,853	\$347,889,239	\$279,937,579
	ILEC	\$548,227,733	\$2,718,940,364	\$2,728,137,015
Wireless	CETC	\$0	\$0	\$6,702,440
	ILEC	\$0	\$0	\$0

*The Wireless number for CETC is reflecting MF1 only.

Appendix B: 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 to receive support based on a cost model in exchange for meeting defined broadband build-out obligations. The FCC created a model based on the Connect America Fund Model to establish fixed support for rate-of-return carriers over a ten-year term in exchange for broadband deployment to a pre-determined number of eligible locations at various speeds (initial budget = \$1.5 billion). Revised Alternative Connect America Model: The FCC allocated an additional \$50 million annually to the ACAM budget.
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: FCC amended interstate common line support, renaming it the CAF BLS mechanism, expanding support from only traditional voice loops to include support for broadband-only loops.
CAF ICC	Connect America Fund Intercarrier Compensation Fund: FCC created High Cost program that allows incumbent local exchange carriers to charge residential customers an Access Recovery Charge on a limited basis, to recover charges from certain multi-line business customers, and, if applicable, to receive additional funds.
CETC	Competitive Eligible Telecommunications Carrier: Telecommunications carrier designated by a state's utility commission or the FCC to receive universal service support; a CETC must offer services that are supported by the federal universal service programs utilizing its own facilities or a combination of its own facilities and resale of another carrier's services.

Appendix B: Glossary of Terms (Continued)

Term	Definition
ELAP	Eligible Locations Adjustment Process: WCB established the eligible locations adjustment process to review the defined deployment obligations on a state-by-state basis when the total number of actual locations in the eligible areas is less than the number of funded locations (see DA 19-1165).
HUBB	High Cost Universal Broadband Portal: FCC directed USAC to develop a portal to collect carrier deployment data; carriers are required to submit broadband deployment location information and certify as to the accuracy of the deployment data within the HUBB.
LOC	Letter 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: The process and procedures used in the review of carrier submit data to ensure that the program and its stakeholders are in compliance with the rules and orders governing the relevant USF support.
PMM	Performance Measurement Module: System used by USAC's High Cost Division to collect data required by the FCC's <i>Performance Measurement Orders</i> .

Appendix B: Glossary of Terms (Continued)

Term	Definition
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.
SAC	Study Area Code: A unique, six-digit identifier used to classify a carrier specific service area.
RBAP	Rural Broadband Accountability Plan: Chairwoman Rosenworcel proposed to increase audits, verifications, and transparency for USF High Cost programs, including the Rural Digital Opportunity Fund. See https://www.fcc.gov/rbap .
RBE	Rural Broadband Experiments: In the 2014 Rural Broadband Experiments, the FCC adopted rules for a limited program to test different aspects of a competitive bidding process for new support programs designed to provide robust broadband to consumers in price cap areas. The FCC established a 10-year fund designed to provide \$100 million in funding to carriers to buildout broadband services in high-cost areas. See FCC 14-98.
RDOF	Rural Digital Opportunity Fund: RDOF builds on the CAF II Auction and provides HC support to connect millions more rural homes and small businesses to high-speed broadband networks. With RDOF, the FCC targets support to areas that lack access to both fixed voice and 25/3 Mbps broadband services. The FCC proposed that Phase I will target census blocks that are wholly unserved with broadband at speeds of 25/3 Mbps and Phase II will target census blocks that the FCC later determines through the Digital Opportunity Data Collection (or suitable alternative data source), are only partially served. See FCC 20-5.
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
4th Quarter 2022 Programmatic Budget and
Demand Projection for the August 2, 2022 FCC Filing**

Action Requested

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 4th Quarter 2022 (4Q2022) programmatic budget and demand projection for the Low Income Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's August 2, 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 4Q2022 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>	3Q2022	Increase/ (Decrease)	4Q2022	Notes
Steady State:				
Lifeline	\$287.08	\$2.95	\$290.03	
Link Up	0.05	(0.01)	0.04	
New Requirements:				
N/A	0.00	0.00	0.00	
Total Program Demand	\$287.13	\$2.94	\$290.07	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	(\$32.46)	(\$72.95)	(\$105.41)	See Note 1
Billings	(0.45)	0.37	(0.08)	
Bad Debt Expense	(1.12)	(1.11)	(2.23)	
Interest Income	0.00	(0.01)	(0.01)	
Administrative Expense True-Up	0.00	0.00	0.00	
Total Prior Period Adjustments	(\$34.03)	(\$73.70)	(\$107.73)	
USAC Administrative Expenses	\$16.12	\$12.97	\$29.09	See Table B
Total Funding Requirement	\$269.22	(\$57.79)	\$211.43	

Note 1: Lifeline program disbursements were lower due to no reimbursement claims from two service providers.

Based on the projected burn rate, USAC estimates the following 4Q2022 programmatic budget:

Table B. Quarterly Programmatic Budget

<i>(in millions)</i>	3Q2022 Budget	Increase/ (Decrease)	4Q2022 Budget	Notes
Direct Program Costs				
Employee Expenses	\$2.38	\$0.37	\$2.75	
Professional Services	4.46	12.33	16.79	
General & Administrative	0.29	(0.09)	0.20	See Note 2
Total Direct Program Costs	\$7.13	\$12.61	\$19.74	
Direct Assigned Costs				
Employee Expenses	\$0.58	\$0.09	\$0.67	
Professional Services	1.79	(0.12)	1.67	
General & Administrative	0.46	0.00	0.46	See Note 2
Total Direct Assigned Costs	\$2.83	(\$0.03)	\$2.80	
Total Direct Program & Direct Assigned Costs	\$9.96	\$12.58	\$22.54	
Common Allocated Costs	\$6.16	\$0.39	\$6.55	
Total Programmatic Budget	\$16.12	\$12.97	\$29.09	

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

postage, and meetings & conferences.

A comparison of actual expenditures to the budget for the six months ending June 30, 2022 is provided in **Attachment 1**.

Recommendation

USAC management recommends that the Committee approve the 4Q2022 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 4th Quarter 2022 Low Income Support Mechanism direct program budget of \$22.54 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$22.54 million for Low Income Support Mechanism administrative costs in the required August 2, 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 July 25, 2022 the 4th Quarter 2022 Low Income Support Mechanism demand estimate of \$211.43 million, hereby directs USAC staff to proceed with the required August 2, 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

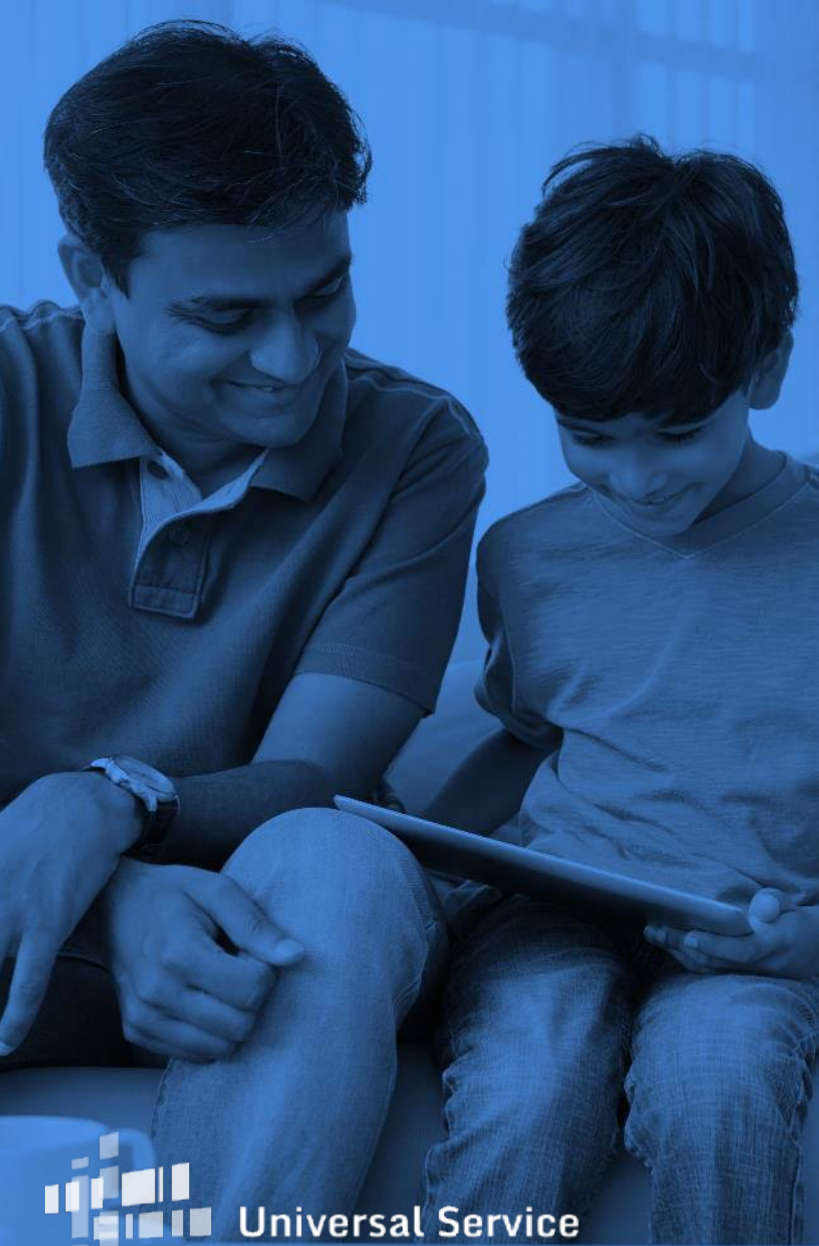
Low Income Administrative Costs and Headcount
Comparison of Actual Expenditures and Headcount to the Budget for the
Six Months ending June 30, 2022

<i>(\$ in millions)</i>	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	69	76	7	\$3.85	\$4.69	\$0.84
Professional Services (Note 3)				15.71	9.84	(5.87)
General & Administrative (Note 4)				0.81	0.44	(0.37)
Total Direct Program Costs				\$20.37	\$14.97	(\$5.40)
Direct Assigned Costs						
Employee Expenses	16	14	(2)	\$0.83	\$1.13	\$0.30
Professional Services (Note 3)				2.50	3.48	0.98
General & Administrative (Note 4)				0.84	0.91	0.07
Total Direct Assigned Costs				\$4.17	\$5.52	\$1.35
Total Direct Program & Direct Assigned Costs	85	90	5	\$24.54	\$20.49	(\$4.05)
Common Allocated Costs (Note 5)				\$11.20	\$10.38	(\$0.82)
Total Programmatic Budget				\$35.74	\$30.87	(\$4.87)

Note 3: Direct Program Professional Services include Lifeline eligibility verifications and call center costs. Direct Assigned Professional Services include National Verifier (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

July 25, 2022



Universal Service
Administrative Co.

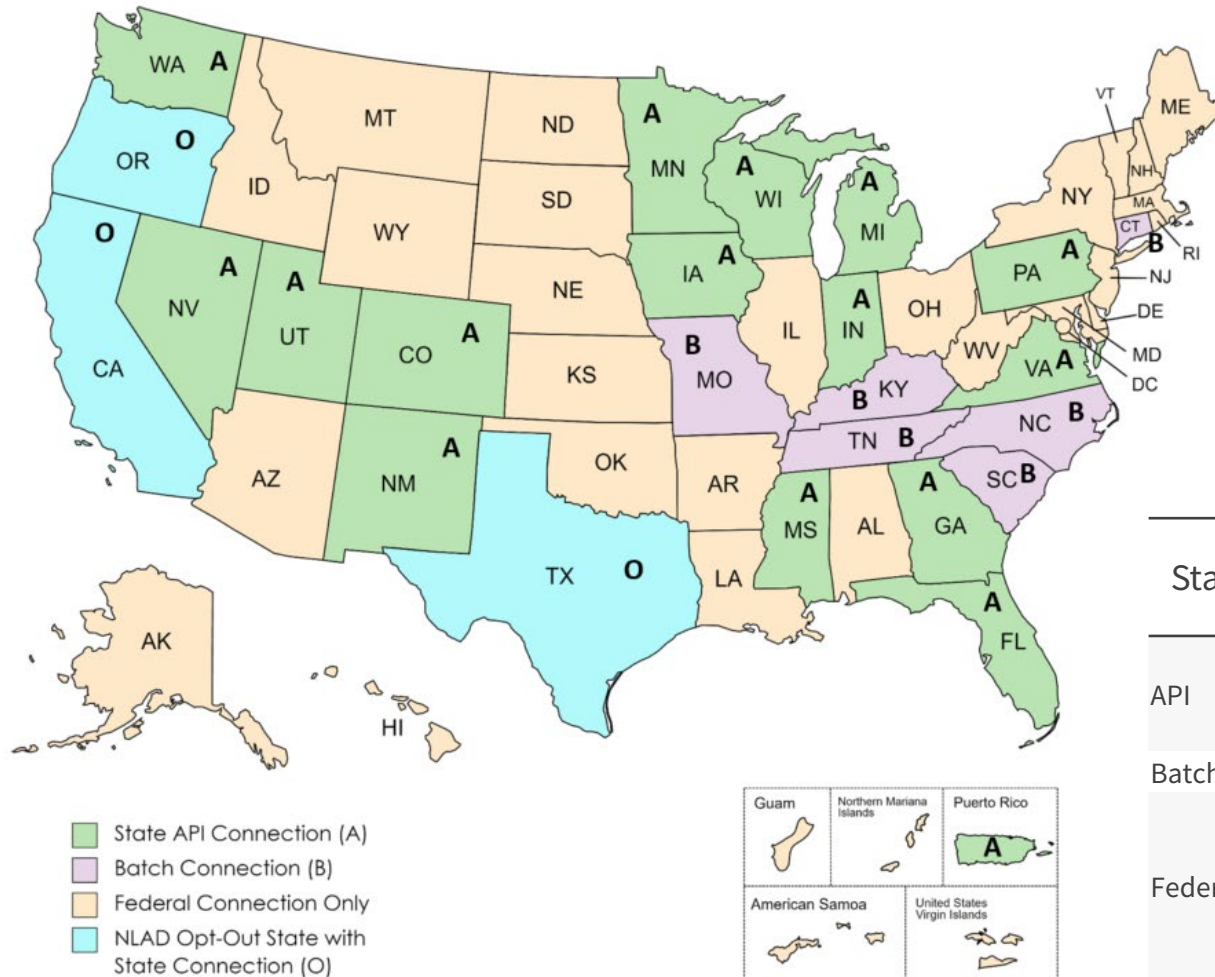
Agenda

- Accomplishments and Major Developments
 - National Verifier (NV) Highlights
 - Lifeline Subscriber Trends
- Plans for Next Quarter
- Roadmap
- Appendix: Program Metrics

Accomplishments and Major Developments

- Transitioned CheckLifeline.org to NV.FCC.gov
- Implemented automated process to contact subscribers to confirm continued eligibility in situations where USAC has reason to believe the subscriber may no longer be eligible
- Implemented a **Show Password** option for National Verifier consumer login and account creation pages
- The FCC waivers governing recertification, reverification, general de-enrollment, and income documentation expired on June 30, 2022 for non-Tribal Lifeline subscribers. Recertification and reverification is waived for Lifeline subscribers residing on Tribal lands through September 30, 2022.

National Verifier Highlights



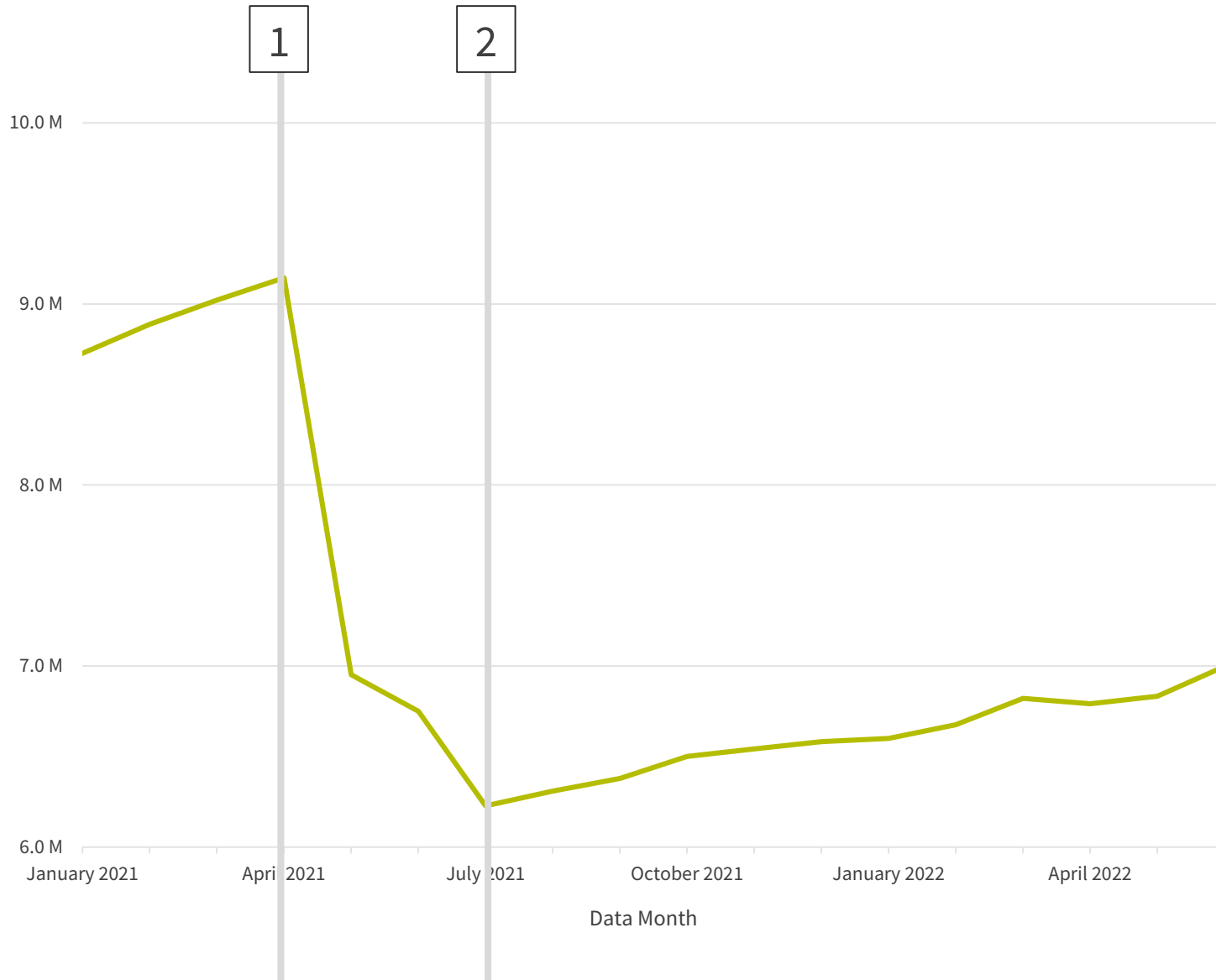
27 Total NV Connections Available

- 25 state and territory connections
 - NV leverages automated connections in California, Texas, and Oregon that use state databases to determine eligibility for the Lifeline program
- 2 federal connections to CMS and HUD

State Connection Type	State	June 2022 Subscribers
API	CO, FL, GA, IA, IN, MI, MN, MS, NM, NV, PA, PR, UT, VA, WA, WI	2,593,478
Batch	CT, KY, MO, NC, SC, TN	598,586
Federal Only	AK, AL, AR, AS, AZ, 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	2,318,996
NLAD Opt-Out Automated*	CA, OR, TX	1,486,760

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

Lifeline Subscriber Trends



1. Experienced significant de-enrollment after expiration of FCC COVID-19 non-usage waiver.

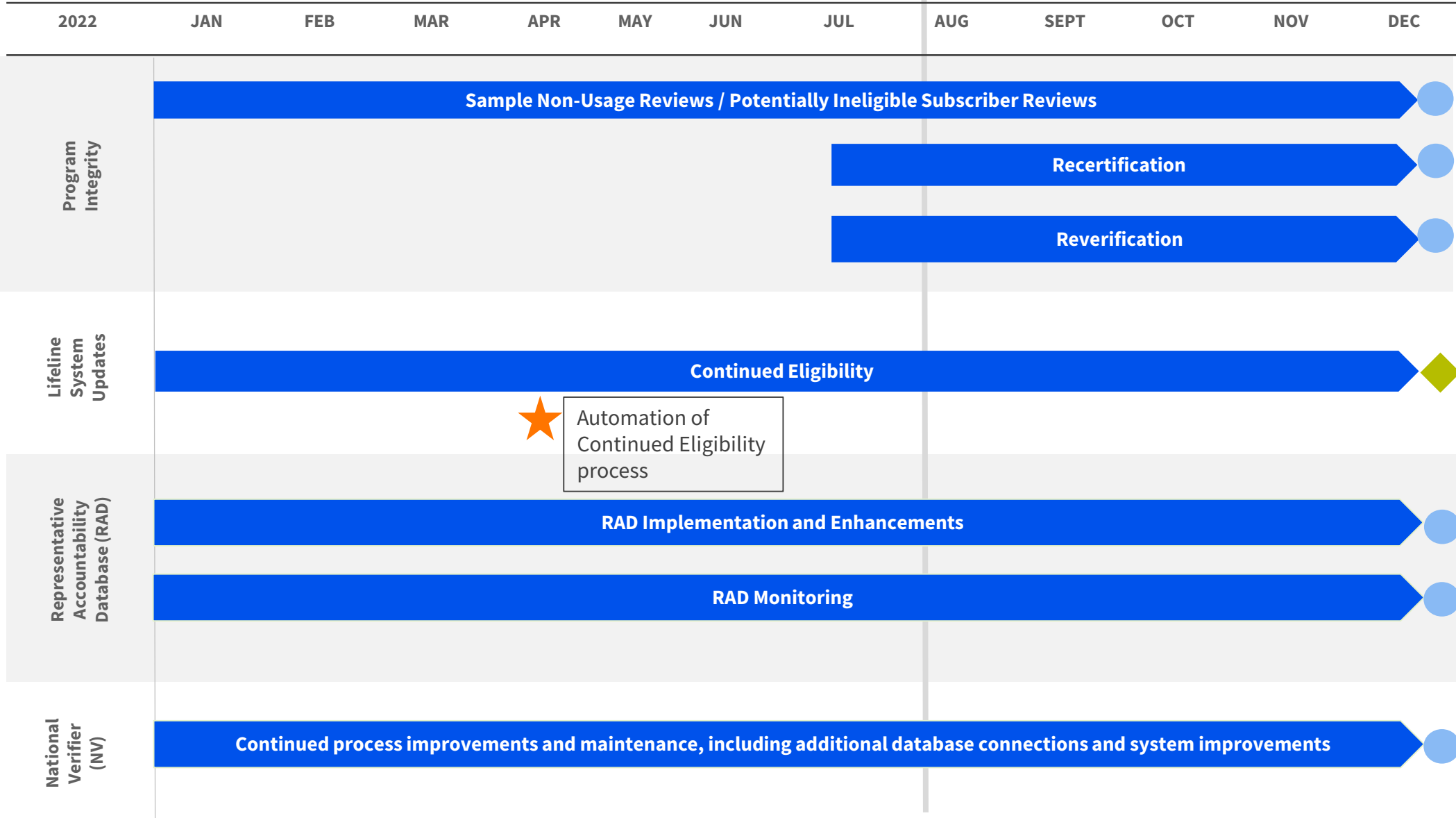
2. Subscribership has generally trended upwards subsequent to July 1, 2021.

***Note:** Subscriber counts include all subscribers on the NLAD snapshot, including NLAD opt-out states (CA, OR, and TX). 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).

Plans for Next Quarter

- Continue to implement processes previously waived by FCC COVID-19 waivers that expired on June 30, 2022:
 - Recertification, reverification, general de-enrollment, and collection of income documentation
 - Documentation requirements for subscribers residing in rural areas on Tribal lands (recertification and reverification are waived for subscribers residing on Tribal lands through September 30, 2022)

Roadmap



Milestone Legend

- ▲ At Risk
- ◆ On Track
- ★ Completed
- Ongoing

***Note:** COVID-19 waivers impacting reverification and recertification expired on June 30, 2022, except for Tribal subscribers. Recertification and reverification is waived for Lifeline subscribers residing on Tribal lands through September 30, 2022.

Appendix A: Metrics

Lifeline Eligibility and Enrollments (Data through June 30, 2022)

Year-to-Date (YTD) Cumulative Comparison	2022 (January through June)	2021 (January through June)
National Verifier Applications Created	9,503,308	3,907,635
Program Eligibility Auto Approved	6,233,206	2,612,582
Program Eligibility Auto Pass Rate	66%	67%
Enrollments (Excludes CA, OR, and TX)	2,863,201	1,084,139
De-Enrollments (Excludes CA, OR, and TX)	2,516,982	2,230,251
NLAD Subscribers (Excludes CA, OR, and TX; based on June Data, July 1 Snapshot)	5,511,060	5,102,463
Opt-Out State Subscribers (CA, OR, and TX; based on June Data, July 1 Snapshot)	1,486,760	1,647,939

***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. 2022 YTD subscribers reflect increase in Lifeline applications associated with the higher application volumes related to the implementation of the Affordable Connectivity Program (ACP), as well as higher year-over-year de-enrollments associated with non-usage subsequent to the expiration of FCC non-usage waiver in May 2021.

Appendix B: Lifeline Program Service Type Trends

Month	Broadband	Bundled Broadband	Bundled Voice and Broadband	Bundled Voice	Voice
June 2022	0.70%	26.05%	67.24%	0.91%	5.10%
May 2022	0.69%	26.62%	66.41%	0.94%	5.34%
April 2022	0.65%	28.11%	64.61%	0.97%	5.66%
March 2022	0.63%	29.36%	63.25%	0.99%	5.77%
February 2022	0.62%	27.42%	64.42%	1.53%	6.01%
January 2022	0.60%	26.38%	65.22%	1.60%	6.20%
December 2021	0.58%	25.49%	65.73%	1.72%	6.48%
November 2021	0.56%	25.06%	66.06%	1.66%	6.66%
October 2021	0.55%	23.71%	67.17%	1.58%	6.99%
September 2021	0.54%	22.21%	68.53%	1.45%	7.28%
August 2021	0.52%	21.10%	69.46%	1.39%	7.54%
July 2021	0.49%	24.22%	66.11%	1.35%	7.83%

- **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)	Disbursed**
June 2022 (snapshot on July 1)	6,997,820	2.41%	\$59,748,347
May 2022 (snapshot on June 1)	6,833,384	0.61%	\$29,153,422
April 2022 (snapshot on May 1)	6,791,992	-0.42%	\$30,185,523
March 2022 (snapshot on April 1)	6,820,935	2.18%	\$60,324,909
February 2022 (snapshot on March 1)	6,675,382	1.14%	\$29,380,663
January 2022 (snapshot on Feb. 1)	6,600,082	0.27%	\$78,499,282
December 2021 (snapshot on Jan. 1)	6,582,211	0.62%	\$30,027,204
November 2021 (snapshot on Dec. 1)	6,541,642	0.63%	\$72,247,469
October 2021 (snapshot on Nov. 1)	6,500,944	1.91%	\$39,297,867
September 2021 (snapshot on Oct. 1)	6,379,368	1.12%	\$33,320,544
August 2021 (snapshot on Sept. 1)	6,308,797	1.30%	\$39,790,827
July 2021 (snapshot on Aug. 1)	6,227,775	-7.74%	\$35,414,378

High dollar variances in the disbursed amounts relate to prior period claims for two large providers.

***Note:** Subscriber counts include all subscribers on the NLAD snapshot, including NLAD opt-out states (CA, OR, and TX). 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).

****Note:** Disbursed refers to amounts distributed within the data month.

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.



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