



High Cost & Low Income Committee

Briefing Book

Monday, January 30, 2023

2:25 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, January 30, 2023 2:25 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="margin-left: 20px;">A. Approval of High Cost & Low Income Committee Meeting Minutes of October 24 and November 28, 2022</p> <p style="margin-left: 20px;">B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i></p> <p style="margin-left: 20px;">C. Consideration and Approval of One Lifeline Routine Procurement(s)</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 2023 Programmatic Budget and Demand Projection for the January 31, 2023 FCC Filing</p> | 5 |
| Teleshia | <p>i1. Information on Seven 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"> • 2022 Year in Review • Plans for 1Q2023 • Roadmap • Appendix: Program Metrics and Verification Snapshot | 20 |

| LOW INCOME OPEN SESSION | | <i>Estimated Duration in Minutes</i> |
|--------------------------------|--|--|
| Tim | <p>a4. Approval of Low Income Support Mechanism 2nd Quarter 2023 Programmatic Budget and Demand Projection for the January 31, 2023 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> | – |

Available For Public Use

| | | |
|-----|--|----|
| Tim | i4. Low Income (Lifeline) Business Update <ul style="list-style-type: none"> • 2022 Year in Review <ul style="list-style-type: none"> ○ National Verifier Highlights ○ Lifeline Subscriber Trends • Plans for Next Quarter • Roadmap • Appendix: Program Metrics and Service Type Trends | 20 |
|-----|--|----|

| LOW INCOME EXECUTIVE SESSION Confidential –HC Executive Session Recommended | | <i>Estimated Duration in Minutes</i> |
|--|---|--------------------------------------|
| Tim | i5. Low Income (Lifeline) Business Update <i>(Continued)</i> | 10 |
| Tim | a5. Approval of Low Income Support Mechanism 2023 Annual Programmatic Budget | 10 |
| Teleshia | i6. Information on Two USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Reports <i>(For Information Only)</i> | – |
| Teleshia | i7. Information on Two USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Reports <i>(For Information Only)</i> | – |
| Chris | a6. Consideration to Exercise Remaining Option Terms for Lifeline Program Third Party Identification and Verification Services | – |

| HIGH COST EXECUTIVE SESSION Confidential – Executive Session Recommended | | <i>Estimated Duration in Minutes</i> |
|---|---|--------------------------------------|
| Vic | i8. High Cost Business Update <i>(Continued)</i> | 15 |
| Vic | a7. Approval of High Cost Support Mechanism 2023 Annual Programmatic Budget | 10 |
| Chair | i9. <i>Executive Session</i> Discussion with the High Cost and Low Income Committee/Board <i>(if needed)</i> | - |

Next Scheduled USAC High Cost & Low Income Committee Meeting

| |
|--|
| Thursday, April 20, 2023 USAC Offices, Washington, D.C. |
|--|

Available For Public Use

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

| |
|--------------------|
| ACTION ITEM |
|--------------------|

Consent Items

Action Requested

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the consent items listed below.

Discussion

The Committee is requested to approve the following items using the consent resolution below:

- A. Committee meeting minutes of October 24 and November 28, 2022 (*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 2023 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** – Information on Two USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Reports. USAC management recommends that this item be discussed in *Executive Session* because the report relates to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures.

 - (4) **i7** – Information on Two USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Reports. USAC management recommends that this item be discussed in *Executive Session* because the report relates to *specific internal controls and/or confidential*

company data that would constitute a discussion of internal rules and procedures.

- (5) **a6** – Consideration to Exercise Remaining Option Terms for Lifeline Program Third Party Identification and Verification Services. USAC management recommends that this item be discussed in *Executive Session* because this matter relates to USAC’s *procurement strategy and contract administration*.
- (6) **i8** – 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.
- (7) **a7** – Approval of High Cost Support Mechanism 2023 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*.
- (8) **i9** – *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.

C. Consideration and Approval of One Routine Procurement

- (1) Approval of the Consideration to Exercise Remaining Option Terms for Lifeline Program Third Party Identification and Verification Services. The resolution is provided in **aHCLI06cf**. If discussion is needed, it will be conducted in *Executive Session*.

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 24 and November 28, 2022; (2) discussion in *Executive Session* of the items noted above; and (3) the approval of one routine procurement as presented in item aHCLI06cf.

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

HIGH COST & LOW INCOME COMMITTEE MEETING
Monday, October 24, 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, October 24, 2022. Mr. Ken Mason, Committee Chair, called the meeting to order at 1:42 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 | 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
Beyerhelm, Chris – Vice President and Chief Administrative Officer
Butler, Stephen – Vice President of Shared Services
Delmar, Teleshia – Vice President of Audit and Assurance – *by telephone*
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
Schell, Julie Tritt – Member of the Board
Sweeney, Mark – Vice President of Rural Health Care – *by telephone*
Wade, Joan – Member of the Board
Wibberly, Dr. Kathy – Member of the Board
Williams, Erin – Vice President, General Counsel, and Assistant Secretary

Others present:

| <u>NAME</u> | <u>COMPANY</u> |
|---|----------------|
| Augustino, Steven – <i>by telephone</i> | Nelson Mullins |

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> |
|---|---------------------------------|
| Bolling, Christopher – <i>by telephone</i> | USAC |
| Cajou, Fabienne | USAC |
| Carlin, Tyler – <i>by telephone</i> | KPMG |
| Case, Kevin – <i>by telephone</i> | USAC |
| Glisson, Connor – <i>by telephone</i> | USAC |
| Goode, Vernell | USAC |
| Kahn, Sammy – <i>by telephone</i> | USAC |
| Lacey-Morning, Kimberly – <i>by telephone</i> | Morgan Lewis |
| Lee, James | USAC |
| Little, Chris | USAC |
| Nuzzo, Patsy | USAC |
| OBrien, Tim | USAC |
| Phillippi, Megan | USAC |
| Sadir Khanova, Sabina – <i>by telephone</i> | USAC |
| Simab, Habib | USAC |
| Spade, Gina – <i>by telephone</i> | Broadband Legal Strategies, LLC |
| Wilson Jr., Jerusa Carl | 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, August 23, and October 3, 2022.
 - B.** Approval of moving all *Executive Session* items into *Executive Session*:
 - (1) **i4** – Lifeline Business Update (Continued). USAC management recommended 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) **i5** – Information on One USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Report. USAC management recommended that this item be discussed in *Executive Session* because the report relates to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures.

- (3) **i6** – Information on One USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Report. USAC management recommended that this item be discussed in *Executive Session* because the report relates to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures.
- (4) **i7** – Information on Two USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Report. USAC management recommended that this item be discussed in *Executive Session* because the report relates to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures.
- (5) **a4** – Consideration of a Contract Modification for Business Process Outsourcing Services for the 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*.
- (6) **i8** – High Cost Business Update (*Continued*). USAC management recommended 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.
- (7) **i9** – Information on One USAC Audit and Assurance Division High Cost Support Mechanism Beneficiary Audit Report. USAC management recommends that this item be discussed in *Executive Session* because the report relate to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures.
- (8) **a5** – Consideration of a Task Order Award for HCLI System Replacement. USAC management recommends that this item be discussed in *Executive Session* because this matter relates to USAC’s *procurement strategy and contract administration*.
- (9) **i10** – *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.

C. Consideration and Approval of One Routine Procurement

- (1) Approval of the Consideration of a Contract Modification for Business Process Outsourcing Services for the Lifeline Program. The resolution is provided in **aHCLI04cf**.

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, August 23, and October 3, 2022; (2) discussion in *Executive Session* of the items noted above; and (3) the approval of one routine procurement as presented in item aHCLI04cf.

- a2. **Approval of High Cost Support Mechanism 1st Quarter 2023 Programmatic Budget and Demand Projection for the November 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 1st quarter 2023 programmatic budget and demand projection for the November 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 1st Quarter 2023 High Cost Support Mechanism program budget of \$6.42 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$6.42 million for High Cost Support Mechanism administrative costs in the required November 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 October 24, 2022 the 1st Quarter 2023 High Cost Support Mechanism demand estimate of \$1,152.43 million, hereby directs USAC staff to proceed with the required November 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 Six USAC Audit and Assurance Division High Cost Support Mechanism Beneficiary Audit Reports.** This item was provided for *information purposes* only. No discussion was held. 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
 - Plans for Next Quarter
 - Roadmap

LIFELINE OPEN SESSION

- a3. **Approval of Low Income Support Mechanism 1st Quarter 2023 Programmatic Budget and Demand Projection for the November 2, 2022 FCC Filing.** Mr. Lee presented this item to the Committee for consideration. The presentation included a written report on USAC management's recommendations for the Low Income Support Mechanism 1st quarter 2023 programmatic budget and demand projection for the November 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 1st Quarter 2023 Low Income Support Mechanism direct program budget of \$14.08 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$14.08 million for Low Income Support Mechanism administrative costs in the required November 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 October 24, 2022 the 1st Quarter 2023 Low Income Support Mechanism demand estimate of \$201.21 million, hereby directs USAC staff to proceed with the required November 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. **Low Income (Lifeline) Business Update.** Mr. Lee presented PowerPoint slides to the Committee covering the following items:
- Accomplishments
 - National Verifier Highlights
 - Lifeline Subscriber Trends
 - Plans for Next Quarter
 - Roadmap

At 2:25 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

At 2:25 p.m., the Committee took a 10 minute recess and returned at 2:35 p.m. in Executive Session.

- i4. **Low Income (Lifeline) Business Update (Continued).** Mr. OBrien presented PowerPoint slides to the Committee covering action items to address areas of concern for control weaknesses.
- i5. **Information on One USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Report.** This item was provided for *information purposes* only. No discussion was held.
- i6. **Information on One USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Report.** This item was provided for *information purposes* only. No discussion was held.
- i7. **Information on Two USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Reports.** This item was provided for *information purposes* only. No discussion was held.
- a4. **Consideration of a Contract Modification for Business Process Outsourcing Services for the Lifeline Program.** No additional discussion was held on this item. The Committee adopted the following resolution as part of the Consent Items:

RESOLVED, that the High Cost Low Income Committee, having reviewed the recommendation of USAC management, hereby authorizes

management to modify its existing contract with Maximus Federal Services, Inc. for applications processing services in support of the Lifeline Program, increasing the contract's total not-to-exceed amount by \$3,375,000.00 (plus applicable taxes) from \$12,880,000.00 (plus applicable taxes) to \$16,255,000.00 (plus applicable taxes), and extending the contract period of performance end date by three (3) months from December 31, 2022 to March 31, 2023, subject to required Federal Communications Commission approval.

HIGH COST EXECUTIVE SESSION

- i6. High Cost Business Update (*Continued if needed*).** The committee determined that no additional discussion of the High Cost Business Update was needed in Executive Session.
- i9. Information on One USAC Audit and Assurance Division High Cost Support Mechanism Beneficiary Audit Report.** This item was provided for *information purposes* only. No discussion was held.
- a5. Consideration of a Task Order Award for HCLI System Replacement.** Mr. Beyerhelm presented this item to the Committee for consideration. The presentation included a written summary and report detailing USAC management's recommendation to award a task order under the USAC Professional Services Indefinite Delivery/Indefinite Quantity (IDIQ) contract for an HCLI system replacement and associated professional services for project management and implementation.

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

RESOLVED, that the USAC High Cost Low Income Committee, having reviewed the recommendation of USAC management, hereby authorizes USAC management, subject to required Federal Communications Commission approval, to award a task order under the USAC Professional Services Indefinite Delivery/Indefinite Quantity contract (Contract No. USAC 20-015) to Accenture Federal Services LLC for a High Cost Low Income system replacement and associated professional services for project management and implementation. The task order has a base period of twelve (12) months with two three-month option terms for a total not-to-exceed amount of \$7,217,288.69 (plus applicable taxes).

- i10. 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 2:55 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 took action on item a5.

On a motion duly made and seconded, the Committee adjourned at 2:56 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
Monday, November 28, 2022

(DRAFT) MINUTES¹

The non-quarterly meeting of the High Cost & Low Income Committee (Committee) was conducted by web conference on Monday, November 28, 2022. At the requested of Ken Mason, Committee Chair, Joe Gillan, Board Chair, chaired the meeting. The meeting was called to order at 12:01 p.m. Eastern Time with a quorum of nine of the 11 Board members present:

Chalk, Indra
Feiss, Geoff
Freeman, Sarah
Gillan, Joe
Mason, Ken – Chair

Sekar, Radha – Chief Executive Officer
Skrivan, Michael
Waller, Jeff
Wein, Olivia – Vice Chair

Member of the Board not present:

Jacobs, Ellis

Polk, Stephanie

Officers of the corporation present:

Beyerhelm, Chris – Vice President and Chief Administrative Officer
Buzacott, Alan – Member of the Board
Choroser, Beth – Member of the Board
Delmar, Teleshia – Vice President of Audit and Assurance
Domenech, Dr. Dan – Member of the Board
Garber, Michelle – Vice President of Finance, Chief Financial Officer, and
Assistant Treasurer
Gregory, Amber – Member of the Board
Hutchinson, Kyle – Vice President of IT and Chief Information Officer
Schell, Julie Tritt – Member of the Board
Wibberly, Dr. Kathy – Member of the Board
Williams, Erin – Vice President, General Counsel, and Assistant Secretary

Others present by telephone:

¹ Draft resolutions were presented to the Board prior to the Board 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.

NAME

Nuzzo, Patsy

COMPANY

USAC

OPEN SESSION

- a1. Consent Items.** Mr. Gillan presented this item to the Committee.
- A.** Approval of moving all *Executive Session* items into *Executive Session*:
- (1) **a2** – Consideration of a Contract Award for Lifeline and Affordable Connectivity Program Call Center Services. USAC management recommended that this item be discussed in *Executive Session* because it relates to USAC’s *procurement strategy and contract administration*.
- (2) **a3** – Consideration to Exercise One-Year Option Term for Lifeline Email Services. USAC management recommended that this item be discussed in *Executive Session* because it relates to USAC’s *procurement strategy and contract administration*.
- B.** Consideration and Approval of One Routine Procurement
- (1) Consideration to Exercise One-Year Option Term for Lifeline Email Services. The resolution is provided in **aHCLI03cf**.

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 hereby approves: (1) discussion in *Executive Session* of the items noted above; and (2) the one routine procurement as presented in item aHCLI03cf.

At 12:03 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing confidential items.

EXECUTIVE SESSION

- a2. Consideration of a Contract Award for Lifeline and Affordable Connectivity Program Call Center Services.** Mr. Beyerhelm presented this item for consideration. The presentation included a written summary and report detailing

USAC management's recommendation to award a contract for Lifeline call center 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 award a contract to Navient B.P.O, LLC for Lifeline Call Center Services. The contract will have a hybrid fee structure of firm-fixed price and fixed-unit price over a base period of twelve (12) months with four (4) additional one-year option terms, for a five (5) year total period of performance, for a total not-to-exceed amount of \$61,986,817.30 (plus applicable taxes), subject to required Federal Communications Commission approval.

- a3. Consideration to Exercise One-Year Option Term for Lifeline Email Services.** No additional discussion was held on this item. The Board adopted the following resolution as part of the Consent Items:

RESOLVED, that the High Cost Low Income Committee, having reviewed the recommendation of USAC management, hereby authorizes management to exercise the first one-year option term of the Lifeline email services contract with Guidehouse Inc. for a not-to-exceed amount of \$2,921,973.51 (plus applicable taxes), thereby increasing the total not-to-exceed amount from \$2,841,387.38 (plus applicable taxes) to \$5,763,360.89 (plus applicable taxes), subject to required Federal Communications Commission approval.

OPEN SESSION

At 12:31 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Gillan reported that, in *Executive Session*, the Committee took action on item a2.

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

/s/ Erin Williams
Assistant 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 31, 2023.

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, 2022, the Board elected Ken Mason as Chair and Olivia Wein as Vice Chair of the High Cost & Low Income Committee.

At their January 30, 2023 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 31, 2023.

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 _____ 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 _____

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

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 2023 Programmatic Budget and
Demand Projection for the January 31, 2023 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 2023 (2Q2023) programmatic budget and demand projection for the High Cost Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's January 31, 2023 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 2Q2023 funding requirement for the High Cost Support Mechanism as follows:

[Remainder of page is intentionally blank.]

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> | 1Q2023 | Increase/ (Decrease) | 2Q2023 | Notes |
|---|-------------------|---------------------------------|-------------------|--|
| Steady State: | | | | |
| Legacy Funds | \$531.47 | (\$3.36) | \$528.11 | Includes HCLS, CAF BLS, CAF ICC, Frozen Price Cap and Competitive ETC Support. Decrease mainly driven by HCL quarterly updates. |
| Modernization Funds | 561.34 | (11.03) | 550.31 | Includes CAF Phase II Auction, CAF Phase II (ACS only), 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. Decrease driven by RDOF defaults. |
| Amounts Paid from Reserve | (54.80) | 0.00 | (54.80) | Disbursements for RBE, Mobility Fund Phase I, and portion of A-CAM I. |
| Total Steady State | \$1,038.01 | (14.39) | \$1,023.62 | |
| 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 | \$1,038.01 | (\$14.39) | \$1,023.62 | |
| Prior Period Adjustments (difference between projections and actuals): | | | | |
| Disbursements | (25.38) | (29.35) | (54.73) | |
| Billings | 145.38 | (149.08) | (3.70) | |
| Interest Income | (0.05) | 0.00 | (0.05) | |
| Bad Debt Expense | (7.46) | (3.03) | (10.49) | |
| Annual Admin True-Up | (16.18) | 16.18 | 0.00 | |
| Total Prior Period Adjustments | \$96.31 | (\$165.28) | (\$68.97) | |
| USAC Administrative Expenses | \$18.11 | \$0.15 | \$18.26 | See Table B |
| Total Funding Requirement | \$1,152.43 | (\$179.52) | \$972.91 | |

Based on the projected burn rate, USAC estimates the following 2Q2023 programmatic budget:

Table B. Quarterly Programmatic Budget

| <i>(in millions)</i> | 1Q2023 | Increase/ (Decrease) | 2Q2023 | Notes |
|---|----------------|---------------------------------|----------------|--------------|
| Direct Program Costs | | | | |
| Employee Expenses | \$1.71 | (\$0.01) | \$1.70 | |
| Professional Services | 0.81 | 0.00 | 0.81 | |
| General & Administrative | 0.00 | 0.00 | 0.00 | See Note 1 |
| Total Direct Program Costs | \$2.52 | (\$0.01) | \$2.51 | |
| Direct Assigned Costs | | | | |
| Employee Expenses | \$0.69 | (\$0.01) | \$0.68 | |
| Professional Services | 3.01 | 0.00 | 3.01 | |
| General & Administrative | 0.20 | 0.00 | 0.20 | See Note 1 |
| Total Direct Assigned Costs | \$3.90 | (\$0.01) | \$3.89 | |
| Total Direct Program & Direct Assigned Costs | \$6.42 | (\$0.02) | \$6.40 | |
| Common Allocated Costs | \$11.69 | \$0.17 | \$11.86 | |
| Total Programmatic Budget | \$18.11 | \$0.15 | \$18.26 | |

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, 2022 is provided in **Attachment 2**.

Recommendation

USAC management recommends that the Committee approve the 2Q2023 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 2023 High Cost Support Mechanism program budget of \$6.40 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$6.40 million for High Cost Support Mechanism administrative costs in the required January 31, 2023 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 30, 2023 the 2nd Quarter 2023 High Cost Support Mechanism demand estimate of \$972.91 million, hereby directs USAC staff to proceed with the required January 31, 2023 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> | 1Q2023 | Increase/ (Decrease) | 2Q2023 | Notes |
|--|-----------------|---------------------------------|-----------------|--|
| Steady State – Legacy Funds: | | | | |
| High Cost Loop Support (HCLS) ³ | \$85.80 | (\$3.51) | \$82.29 | 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 | 261.59 | 0.50 | 262.09 | Replaces legacy fund Interstate Common Line Support. Provides support for voice and broadband only lines to offset interstate access charges. |
| CAF Intercarrier Compensation (ICC) ⁵ | 89.36 | (0.03) | 89.33 | Allows incumbent carriers to charge residential customers an Access Recovery Charge on a limited basis and to recover charges from certain multi-line customers. |
| Frozen Price Cap Carrier Support ⁶ | 3.13 | (0.32) | 2.81 | Price Cap carriers receive support frozen at December 2011 levels. Will be replaced by CAF II and CAF II Auction. |
| Frozen Competitive ETC Support ⁷ | 91.59 | 0.00 | 91.59 | Competitive carriers receive support frozen at December 2011 levels. Will be replaced by CAF II Auction and/or Mobility Fund Phase II. |
| Total Steady State Legacy Funds | \$531.47 | (\$3.36) | \$528.11 | |

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 *USF/ICC Transformation Order*, 26 FCC Rcd at 17956, para. 847.

⁶ 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*).

⁷ See *USF/ICC Transformation Order*, 26 FCC Rcd at 17715, para. 133.

| <i>(in millions)</i> | 1Q2023 | Increase/ (Decrease) | 2Q2023 | Notes |
|--|--------|-------------------------|--------|--|
| Steady State – Modernization Funds: | | | | |
| CAF Phase II ⁸ | 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. |
| 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 | 155.37 | 0.00 | 155.37 | Model support to Rate of Return carriers for voice and broadband infrastructure. |
| A-CAM II ¹¹ | 125.77 | 0.00 | 125.77 | Model support to Rate of Return carriers that |

⁸ See *Connect America Fund*, WC-Docket Nos. 10-90, Report and Order, 31 FCC Rcd 12086 (2016)

⁹ See *Wireless Telecommunications Bureau Approves Performance Plans of the Eight Wireless Providers that Elected to Participate in the Alaska Plan*, WC Docket No. 16-271, Public Notice, 31 FCC Rcd 13317 (WTB 2016); *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 31 FCC Rcd 10139, 10155, paras. 47-49 (2016).

¹⁰ See *Wireline Competition Bureau Authorizes 182 Rate-of-Return Companies To Receive \$454 Million Annually in Alternative Connect America Cost Model Support To Expand Rural Broadband*, WC-Docket No. 10-90, Public Notice, 32 FCC Rcd 842 (WCB 2017) (*A-CAM Authorization PN*); *2016 Rate-of-Return Reform Order*, 31 FCC Rcd at 3094-117, paras. 17-79; *Connect America Fund et al.*, WC Docket Nos. 10-90 et al., Report and Order, Third Order on Reconsideration, and Notice of Proposed Rulemaking, 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*).

| <i>(in millions)</i> | 1Q2023 | Increase/ (Decrease) | 2Q2023 | Notes |
|--|-------------------------|---------------------------------|-------------------------|---|
| | | | | 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 | 170.34 | (11.03) | 159.31 | Fund the deployment of up to gigabit speed broadband networks in unserved rural communities through a two-phase reverse auction mechanism. |
| <i>Total Steady State Modernization Funds</i> | <i>\$561.34</i> | <i>(\$11.03)</i> | <i>\$550.31</i> | |
| <i>Amounts Paid from Reserve</i> | <i>(\$54.80)</i> | <i>\$0.00</i> | <i>(\$54.80)</i> | Per FCC direction, all disbursements for RBE, Mobility Fund Phase I, and a portion of disbursements for A-CAM I are paid from |

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> | 1Q2023 | Increase/ (Decrease) | 2Q2023 | Notes |
|--|----------------------|---------------------------------|----------------------|--|
| | | | | reserved funds collected in prior years. The ending balance as of December 31, 2022 for reserved funds was approximately \$748.20 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 | \$1,038.01 | (\$14.39) | \$1,023.62 | |

ATTACHMENT 2

High Cost Administrative Costs and Headcount
Comparison of Actual Expenditures and Headcount to the Budget for the
Twelve months ending December 31, 2022

| <i>(\$ in millions)</i> | FTE Actual | FTE Budget | FTE Variance | YTD Actual | YTD Budget | Variance |
|---|-----------------------|-----------------------|-------------------------|-----------------------|-----------------------|-----------------|
| Direct Program Costs | | | | | | |
| Employee Expenses | 47 | 50 | 3 | \$6.58 | \$7.37 | \$0.79 |
| Professional Services (Note 2) | | | | 1.58 | 2.62 | 1.04 |
| General & Administrative | | | | 0.00 | 0.00 | 0.00 |
| Total Direct Program Costs | | | | \$8.16 | \$9.99 | \$1.83 |
| Direct Assigned Costs | | | | | | |
| Employee Expenses | 14 | 20 | 6 | \$2.53 | \$3.64 | \$1.11 |
| Professional Services (Note 2) | | | | 12.72 | 11.04 | (1.68) |
| General & Administrative | | | | 0.11 | 0.41 | 0.30 |
| Total Direct Assigned Costs | | | | \$15.36 | \$15.09 | (\$0.27) |
| Total Direct Program & Direct Assigned Costs | 61 | 70 | 9 | \$23.52 | \$25.08 | \$1.56 |
| Common Allocated Costs (Note 3) | | | | \$38.10 | \$40.54 | \$2.44 |
| Total Programmatic Budget | | | | \$61.62 | \$65.62 | \$4.00 |

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

High Cost Business Update

Open Session

January 30, 2023



Agenda

- 2022 Year in Review
- Plans for 1Q2023
- Roadmap
- Appendix A: Program Metrics
- Appendix B: Verifications Snapshot
- Appendix C: Glossary of Terms

2022 Year in Review

- Operations
 - Collected annual certifications on time for 100% of carriers and states
 - Timely and successful processing of High Cost (HC) monthly disbursements including PMM noncompliance implementation
 - Processed **\$5.72B** of RDOF Authorization Support through October 2022
 - Completed annual PIA activity CAF ICC and CAF BLS annual data validation and analysis
 - Conducted Circle of Life webinar for common BCAP audit findings (e.g., lack of/inadequate documentation, improper allocation methodology, improper/inaccurate affiliate transactions, inaccurate data)

2022 Year in Review (Continued)

- Compliance and HC Integration
 - Finalized milestone verifications (ACS – 60%, ACAM – 50%, Alaska Plan – 5 Year)
 - Reviewed over 5,000 locations across 23 ACAM and eight Alaska Plan carriers
 - Launched 52 on-demand verifications (CAF II Auction and RDOF) in 2022 covering 4,000 locations
 - Successfully completed verification automation (RPA) testing and workflow implementation modernizing the CAF Verification Process
 - Provided telco engineering support to AAD with the launch of the BCAP Site Audit including CAF Phase II and RBE funds
 - Collaborated with IT to support the HC PMO initiative to improve program and IT integration on software development lifecycle activities for RPA, HUBB/New Funds, and HCLI 2.0

2022 Year in Review (Continued)

- Product
 - Delivered several significant PMM accomplishments including annual compliance calculations, reduced cycle time for overall FCC approval, new sample functionality, and performance data collection through 3Q2022
 - Delivered several significant HUBB accomplishments including regular RDOF updates for newly authorized carriers and adding certification by speed tier functionality
 - Supported the FCC Office of the Chairwoman by developing and posting RBAP reports for public access
 - The reports include milestone results, verification process results, and performance measurement results

2022 Year in Review (Continued)

- Outreach
 - Helped carriers navigate March 1, 2022 deadline for filing 2021 broadband deployment data in the HUBB and completing milestone certifications, and helped prepare ACAM and Alaska Plan carriers for subsequent verification reviews
 - Helped carriers navigate quarterly network performance speed and latency pre-testing/testing and reporting requirements and obtain quarterly compliance reports
 - Helped carriers navigate annual FCC Form 481 filing process, ensured state and Tribal access to FCC Form 481 data, and helped self-certifying states and carriers navigate the annual ETC certification requirement
 - Created new “Get Started” and Rural Broadband Accountability Plan (RBAP) pages for the HC website and supported CAF Map refresh with updated language for map slide-out panel, data dictionary, fund glossary, public announcement, etc.

Plans for 1Q2023

- Operations
 - Focus on annual HUBB certification (Section 54.316) filing due March 1, 2023
 - Complete HCL annual data validation and analysis (PIA)
 - Continue to process RDOF support authorizations for remaining auction winners
- Compliance
 - Address CAF II Auction and RDOF on-demand verification requests promptly to adjust Letters of Credit
 - Prepare for milestone verification work in 2023 (ACS, ACAM/RACAM, ACAM II, and CAF II Auction)

Plans for 1Q2023 (Continued)

- HC Integration
 - Begin using the RPA system for 2023 verifications, and track and monitor performance for future improvements
 - Onboard the vendor and kick off the design work for HCLI 2.0
 - Continue to support AAD CAF program audits and site visits
 - Continue work on the HC PMO initiative to improve program and IT integration on software development lifecycle activities for RPA, HCLI 2.0, and HUBB/New Funds

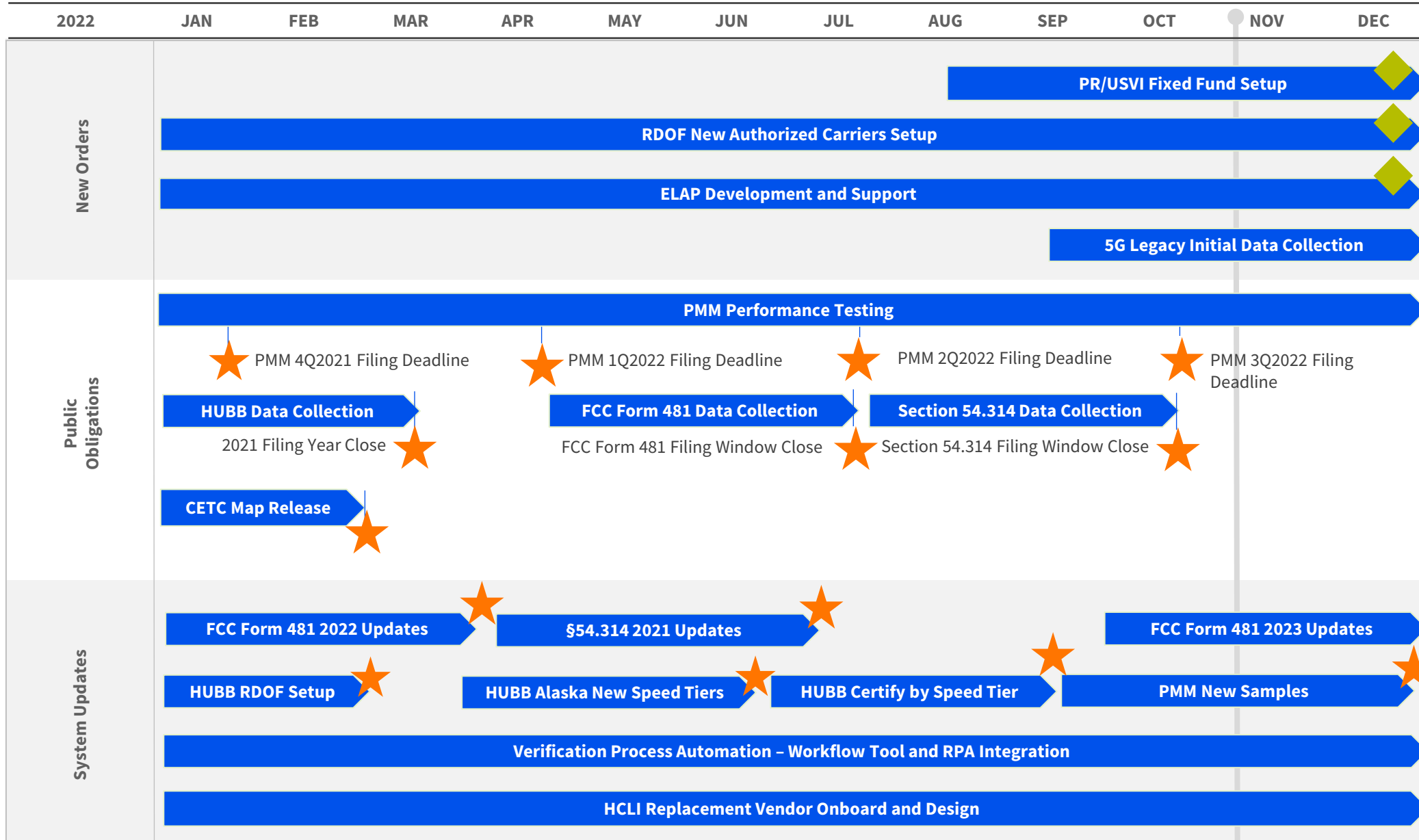
Plans for 1Q2023 (Continued)

- Product
 - Setup PR and USVI carriers in HUBB to allow reporting of locations for the 2022 filing year
 - Add the remaining RDOF authorized carriers in HUBB for the 2022 filing year
 - Close the CAF II Auction ELAP Adjudication Process with the FCC and finalize obligation changes
 - Complete the 4Q2022 performance data collection and HUBB 2022 location data filing

Plans for 1Q2023 (Continued)

- Outreach
 - Help carriers navigate the March 1, 2023, deadline for filing 2022 deployment data in HUBB (including deployment by speed tiers)
 - Help original and revised ACAM, ACAM II, CAF II Auction carriers (and RDOF carriers seeking to reduce LOC obligations) prepare for verification reviews following annual HUBB filing deadline
 - Help carriers navigate ongoing quarterly network performance speed and latency testing requirements (includes helping original and revised ACAM, Alaska Plan, and RBE carriers obtain new random subscriber location samples)

Roadmap



Milestone Legend

- ▲ At Risk
- ◆ On Track
- ★ Completed

Appendix A: Metrics

High Cost Deployments (# of locations) (Data through December 31, 2022)

| Fund | 2020 | 2021 | 2022 |
|-------------|-------------|-------------|-------------|
| ACAM | 469,640 | 522,360 | 542,261 |
| ACAMII | 319,444 | 358,067 | 360,494 |
| AK Plan | 36,583 | 55,272 | 56,248 |
| CAF BLS | 748,957 | 907,575 | 920,554 |
| CAFII | 3,098,796 | 4,211,589 | 4,211,589 |
| CAFII AUC | 79,355 | 194,931 | 359,680 |
| RBE | 25,550 | 27,690 | 27,690 |
| RDOF | 16,108 | 35,092 | 54,535 |

Appendix A: Metrics (Continued)

High Cost Disbursements (Data through November, 2022)

| Fund Type | SAC Type | 2022 | 2021 | 2020 |
|------------|----------|-----------------|-----------------|-----------------|
| Legacy | CETC | \$335,884,400 | \$369,229,873 | \$415,470,391 |
| | ILEC | \$1,601,916,770 | \$1,692,324,455 | \$1,632,310,757 |
| Modernized | CETC | \$641,535,628 | \$347,889,239 | \$279,937,579 |
| | ILEC | \$1,224,312,898 | \$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: Verification Snapshot

The below table highlights verification activity initiated in 2022. Verifications include on-demand requests from carriers, milestone reviews to ensure carriers satisfy program obligations, and reviews in coordination with the Rural Broadband Accountability Program (RBAP).

| Fund | # Locations Sampled | Tested | # Locations Reviewed | |
|-------------------------------------|---------------------|--------|----------------------|----------|
| | | | Pass | Fail |
| CAFII - ACS (Completed) | 147 | 147 | 146 (99%) | 1 (1%) |
| ACAM (Completed) | 3,104 | 3,104 | 2,833 (91%) | 271 (9%) |
| RBE (Completed) | 302 | 302 | 256 (85%) | 46 (15%) |
| RDOF (In-Progress) | 600 | 0 | 0 | 0 |
| RDOF (Completed) | 648 | 648 | 624 (96%) | 24 (4%) |
| CAFII Auction – RBAP | 342 | 342 | 292 (85%) | 50 (15%) |
| CAFII Auction – LoC (Completed) | 1,415 | 1,415 | 1,324 (94%) | 91 (6%) |
| CAFII Auction – LoC (In-Progress) | 1,407 | 366 | 275 | 91 |
| Alaska Plan – Wireline (Completed)* | 1,946 | 1,946 | 1,787 (92%) | 159 (8%) |

* Alaska Plan Wireless verifications are also being performed for the 5-Year milestone.

Appendix C: 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 C: 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). |
| ETC | Eligible Telecommunications Carriers. |
| HCVS | High Cost Verification System. |
| 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. |

Appendix C: Glossary of Terms (Continued)

| Term | Definition |
|------------------|---|
| 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> . |
| 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. |

Appendix C: Glossary of Terms (Continued)

| Term | Definition |
|------|--|
| 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 at a Minimum (25/3Mbps), Baseline (50/5 Mbps), Above-baseline (100/20Mbps) and Gigabit (1G/100Mbps) 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
2nd Quarter 2023 Programmatic Budget and
Demand Projection for the January 31, 2023 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 2023 (2Q2023) programmatic budget and demand projection for the Low Income Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's January 31, 2023 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 2Q2023 funding requirement for the Low Income Support Mechanism as follows:

[Remainder of page is intentionally blank]

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> | 1Q2023 | Increase/ (Decrease) | 2Q2023 | Notes |
|--|-------------------|-------------------------|-----------------|-------------|
| Steady State: | | | | |
| Lifeline | \$278.62 | \$16.69 | \$295.31 | See Note 1 |
| Link Up | 0.05 | 0.01 | 0.06 | |
| New Requirements: | | | | |
| N/A | 0.00 | 0.00 | 0.00 | |
| Total Program Demand | \$278.67 | \$16.70 | \$295.37 | |
| Prior Period Adjustments (difference between projections and actuals): | | | | |
| Disbursements | (\$125.04) | 10.68 | (114.36) | |
| Billings | 39.77 | (40.33) | (0.56) | |
| Bad Debt Expense | (2.03) | (0.01) | (2.04) | |
| Interest Income | (0.01) | 0.00 | (0.01) | |
| Administrative Expense True-Up | (13.42) | 13.42 | 0.00 | |
| Total Prior Period Adjustments | (\$100.73) | (16.24) | (116.97) | |
| USAC Administrative Expenses | \$23.27 | \$0.38 | \$23.65 | See Table B |
| Total Funding Requirement | \$201.21 | \$0.84 | \$202.05 | |

Note 1: Demand increase reflects anticipated reimbursement claims for the period August 2022-November 2022 for a single service provider.

Based on the projected burn rate, USAC estimates the following 2Q2023 programmatic budget:

Table B. Quarterly Programmatic Budget

| <i>(in millions)</i> | 1Q2023 Budget | Increase/ (Decrease) | 2Q2023 Budget | Notes |
|---|------------------|-------------------------|------------------|------------|
| Direct Program Costs | | | | |
| Employee Expenses | \$2.74 | (\$0.01) | \$2.73 | |
| Professional Services | 7.47 | 0.25 | 7.72 | |
| General & Administrative | 0.53 | 0.00 | 0.53 | See Note 2 |
| Total Direct Program Costs | \$10.74 | \$0.24 | \$10.98 | |
| Direct Assigned Costs | | | | |
| Employee Expenses | \$0.69 | \$0.00 | \$0.69 | |
| Professional Services | 2.39 | 0.00 | 2.39 | |
| General & Administrative | 0.26 | 0.00 | 0.26 | See Note 2 |
| Total Direct Assigned Costs | \$3.34 | \$0.00 | \$3.34 | |
| Total Direct Program & Direct Assigned Costs | \$14.08 | \$0.24 | \$14.32 | |
| Common Allocated Costs | \$9.19 | \$0.14 | \$9.33 | |
| Total Programmatic Budget | \$23.27 | \$0.38 | \$23.65 | |

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, 2022 is provided in **Attachment 1**.

Recommendation

USAC management recommends that the Committee approve the 2Q2023 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 2023 Low Income Support Mechanism direct program budget of \$14.32 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$14.32 million for Low Income Support Mechanism administrative costs in the required January 31, 2023 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 30, 2023 the 2nd Quarter 2023 Low Income Support Mechanism demand estimate of \$202.05 million, hereby directs USAC staff to proceed with the required January 31, 2023 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

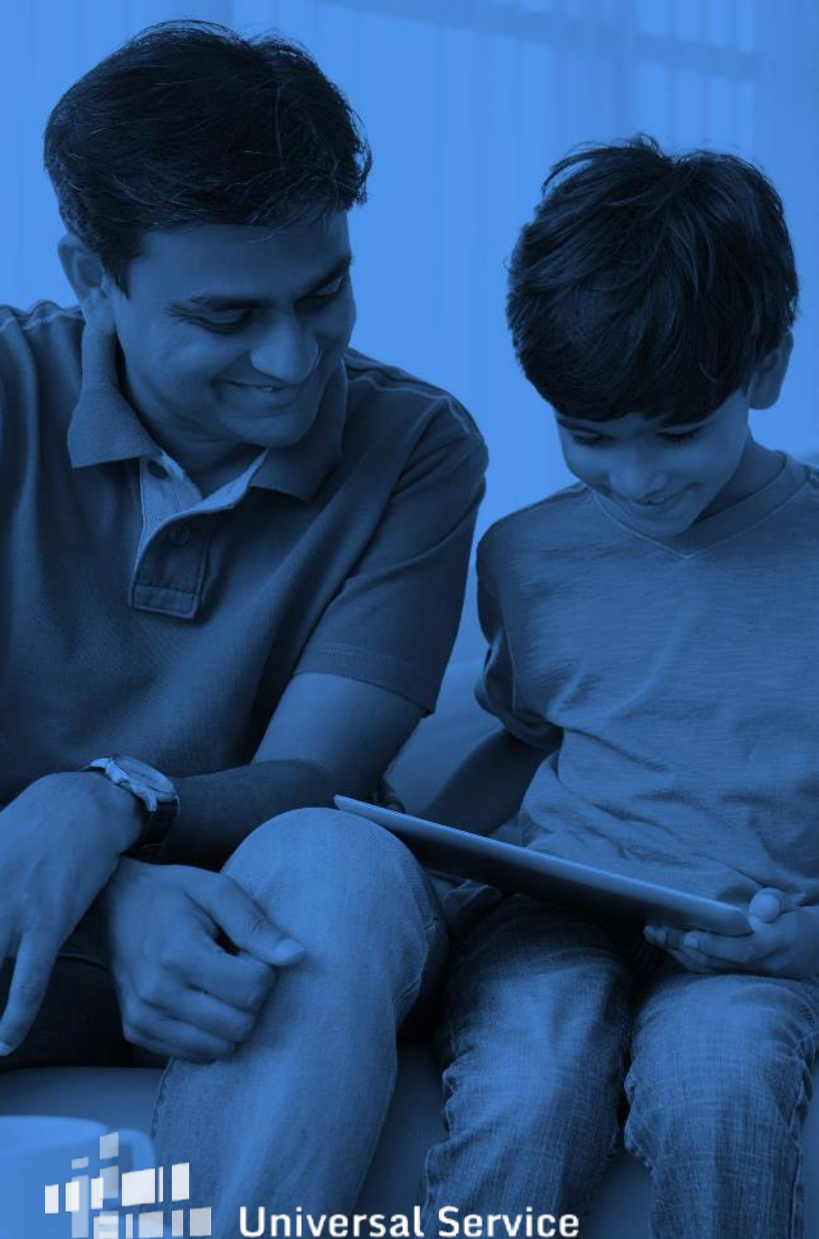
Low Income Administrative Costs and Headcount
Comparison of Actual Expenditures and Headcount to the Budget for the
Twelve Months ending December 31, 2022

| <i>(\$ in millions)</i> | FTE Actual | FTE Budget | FTE Variance | YTD Actual | YTD Budget | Variance |
|---|-----------------------|-----------------------|-------------------------|-----------------------|-----------------------|-----------------|
| Direct Program Costs | | | | | | |
| Employee Expenses | 76 | 76 | 0 | \$6.63 | \$9.82 | \$3.19 |
| Professional Services (Note 3) | | | | 24.29 | 31.09 | 6.80 |
| General & Administrative (Note 4) | | | | 2.02 | 0.93 | (1.09) |
| Total Direct Program Costs | | | | \$32.94 | \$41.84 | \$8.90 |
| Direct Assigned Costs | | | | | | |
| Employee Expenses | 17 | 14 | (3) | \$1.82 | \$2.38 | \$0.56 |
| Professional Services (Note 3) | | | | 6.38 | 6.94 | 0.56 |
| General & Administrative (Note 4) | | | | 1.36 | 1.83 | 0.47 |
| Total Direct Assigned Costs | | | | \$9.56 | \$11.15 | \$1.59 |
| Total Direct Program & Direct Assigned Costs | 93 | 90 | (3) | \$42.50 | \$52.99 | \$10.49 |
| Common Allocated Costs (Note 5) | | | | \$23.48 | \$23.09 | (\$0.39) |
| Total Programmatic Budget | | | | \$65.98 | \$76.08 | \$10.10 |

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

Lifeline Business Update

Open Session

January 30, 2023

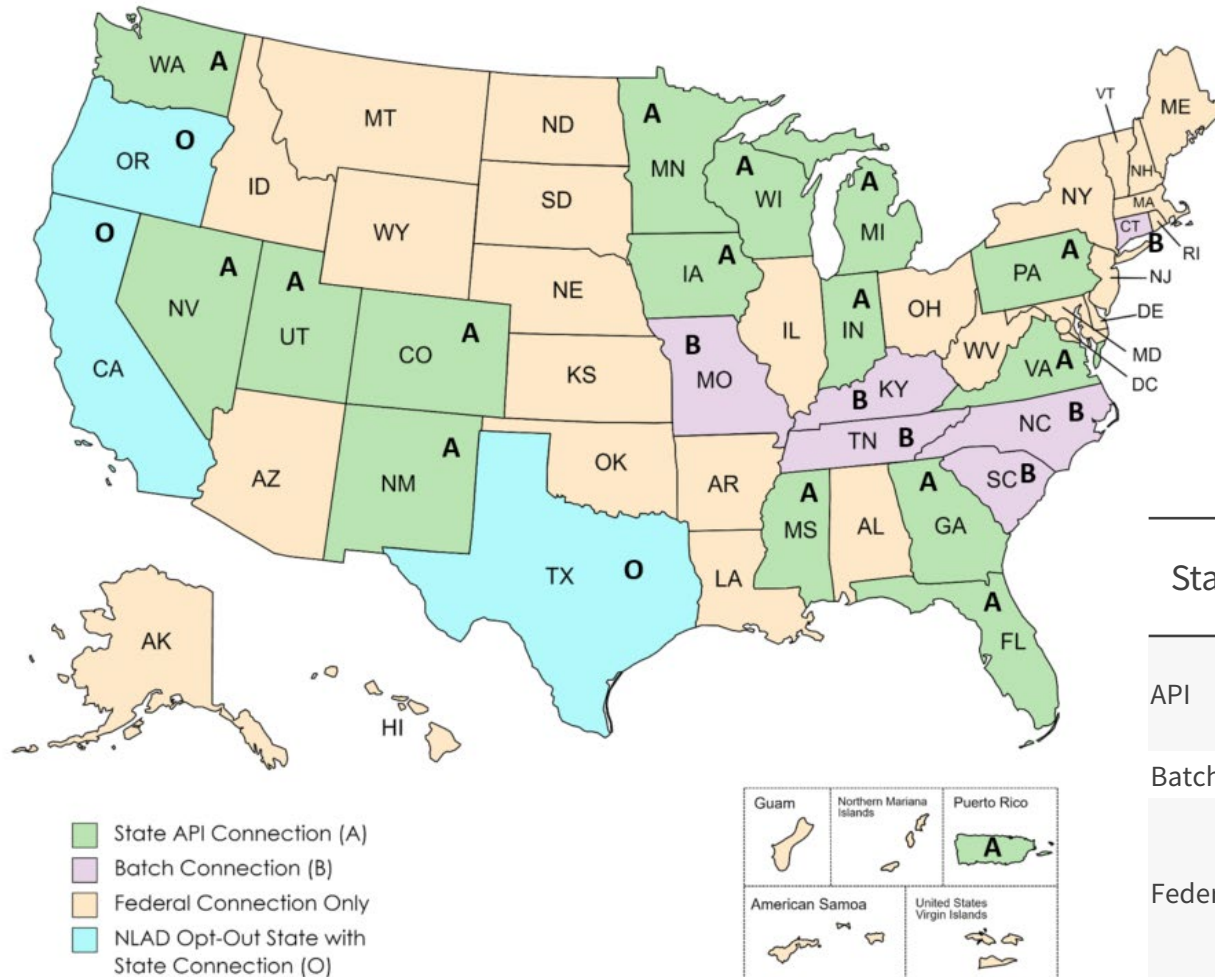
Agenda

- Year in Review
- National Verifier (NV) Highlights
- Lifeline Subscriber Trends
- Plans for Next Quarter
- Roadmap
- Appendix: Appendix: Program Metrics and Service Type Trends

Year in Review

- Successfully completed an accelerated recertification of Lifeline subscribers resulting in 96.4% pass rate.
- Implemented automated eligibility checks to ensure continued eligibility and to remove ineligible subscribers, such as potentially deceased consumers.
- Implemented a new state connection in Connecticut for SNAP and a federal connection with the Department of Veterans Affairs (VA) for Veterans Pension and Survivors Benefit programs.
- Transitioned Lifeline Business Process Outsourcing (BPO) to three vendors (two new vendors) to accommodate increased call, email, and manual application volumes.
- Transitioned Lifeline email case management to USAC's Customer Relationship Management (CRM) tool.

National Verifier Highlights



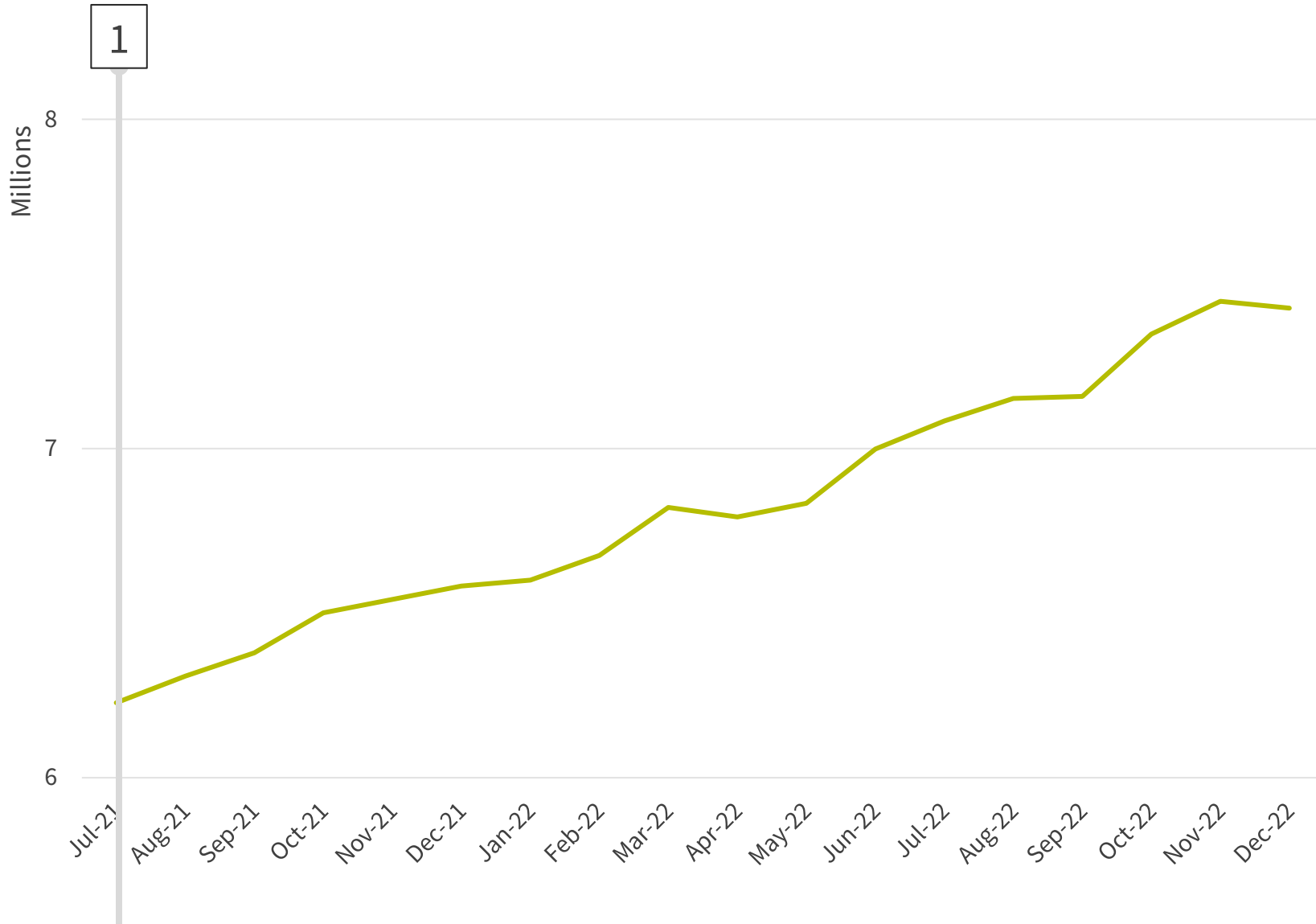
27 Total NV Connections Available

- 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
- 3 federal connections to CMS and HUD

| State Connection Type | State | December 2022 Subscribers |
|-------------------------|--|---------------------------|
| API | CO, FL, GA, IA, IN, MI, MN, MS, NM, NV, PA, PR, UT, VA, WA, WI | 2,833,673 |
| Batch | CT, KY, MO, NC, SC, TN | 772,941 |
| 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 | 2,402,788 |
| NLAD Opt-Out Automated* | CA, OR, TX | 1,463,061 |

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

Lifeline Subscriber Trends



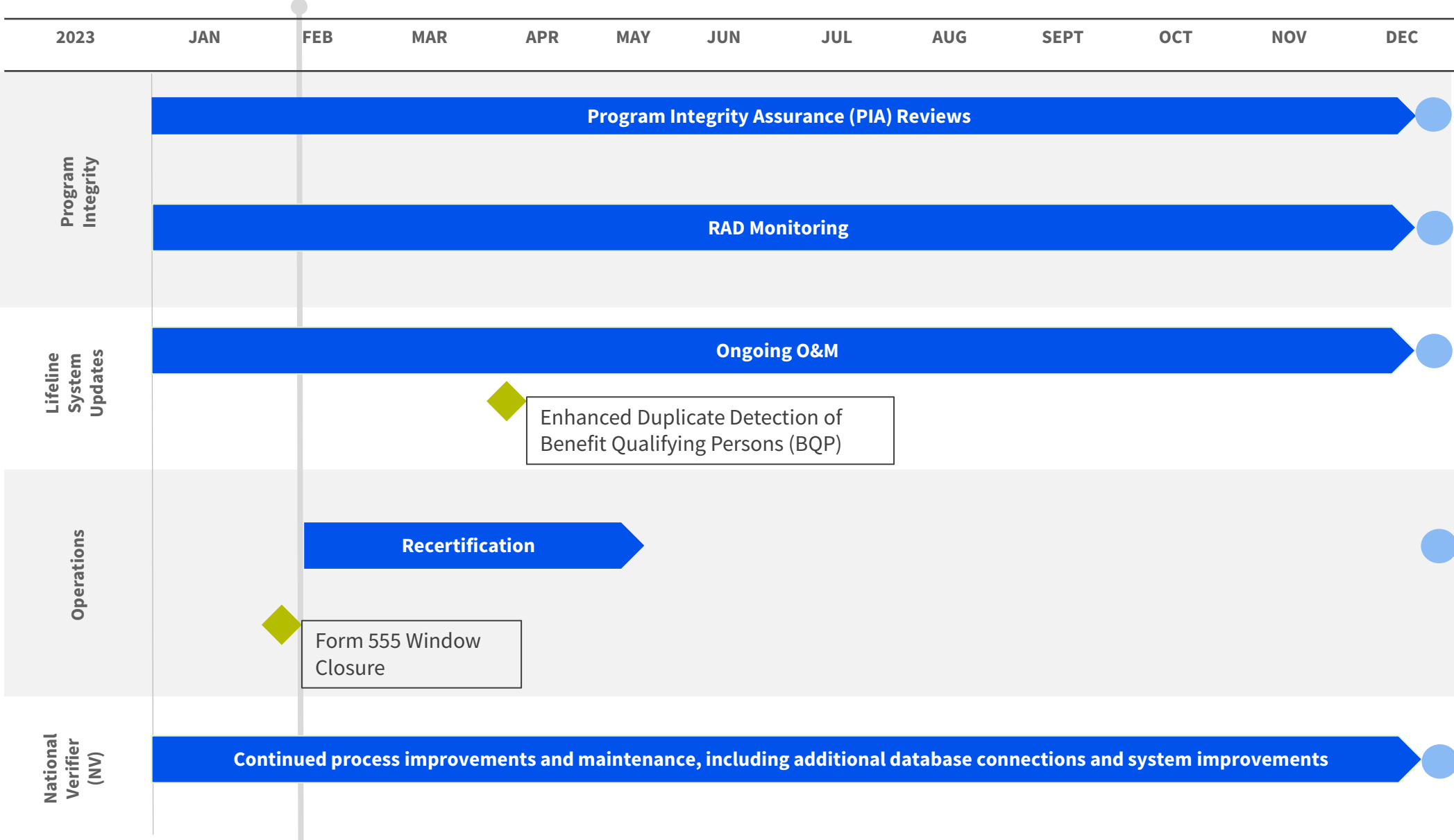
1. Subscribership has generally trended upwards since July 1, 2021.

***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

- Initiate recertification for all Lifeline subscribers, including those who had waivers in 2022 (hurricane and Tribal)
- Continue Program Integrity efforts to mitigate fraud risk
- Develop system enhancement roadmap for 2023
- Begin GAO fraud risk assessment (conducted by OGC Fraud Risk Group)
- Transition call center to new vendor, Navient

Roadmap



Milestone Legend

-  At Risk
-  On Track
-  Completed
-  Ongoing

***Note:** COVID-19 waivers impacting reverification and recertification expired on June 30, 2022.

Appendix A: Metrics

Lifeline Eligibility and Enrollments

| Year-to-Date (YTD) Cumulative Comparison | 2022 (January through December) | 2021 (January through December) |
|---|------------------------------------|------------------------------------|
| National Verifier Applications Created | 20,451,031 | 12,369,078 |
| Program Eligibility Auto Approved | 13,278,440 | 8,256,437 |
| Program Eligibility Auto Pass Rate | 65% | 67% |
| Enrollments (Excludes CA, OR, and TX) | 6,161,190 | 3,418,127 |
| De-Enrollments (Excludes CA, OR, and TX) | 5,308,665 | 4,571,262 |
| NLAD Subscribers (Excludes CA, OR, and TX; based on March Data, April 1 Snapshot) | 6,009,406 | 5,103,318 |
| Opt-Out State Subscribers (CA, OR, and TX; based on March Data, April 1 Snapshot) | 1,416,983 | 1,478,893 |

***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 |
|----------------|-----------|----------------------|-----------------------------------|------------------|-------|
| December 2022 | 0.85% | 31.33% | 62.73% | 0.94% | 4.15% |
| November 2022 | 0.81% | 30.43% | 63.61% | 0.93% | 4.23% |
| October 2022 | 0.78% | 29.03% | 64.89% | 0.91% | 4.4% |
| September 2022 | 0.77% | 27.66% | 66.05% | 0.92% | 4.6% |
| August 2022 | 0.75% | 26.38% | 67.18% | 0.92% | 4.77% |
| July 2022 | 0.72% | 25.13% | 68.32% | 0.90% | 4.93% |
| 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% |

- **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** |
|-------------------------------------|--------------|---|--------------|
| December 2022 (snapshot on Jan. 1) | 7,426,389 | -0.28% | \$68,091,053 |
| November 2022 (snapshot on Dec. 1) | 7,447,317 | 1.36% | \$39,266,830 |
| October 2022 (snapshot on Nov. 1) | 7,347,470 | 2.64% | \$61,450,474 |
| September 2022 (snapshot on Oct. 1) | 7,158,437 | 0.09% | \$31,541,427 |
| August 2022 (snapshot on Sept. 1) | 7,152,147 | 0.97% | \$31,035,692 |
| July 2022 (snapshot on August 1) | 7,083,701 | 1.23% | \$91,257,124 |
| 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 |

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. |



**Universal Service
Administrative Co.**