



High Cost & Low Income Committee

Briefing Book

Monday, October 30, 2023

10:00 a.m. – 11:35 a.m. ET

Available for Public Use

Universal Service Administrative Company Offices

700 12th Street, N.W., Suite 900

Washington, D.C. 20005

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

<p>Monday, October 30, 2023 10:00 a.m. – 11:35 a.m. Eastern Time USAC Offices 700 12th Street, N.W., Suite 900 Washington, D.C. 20005</p>
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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 July 24, 2023.</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 Four Routine Procurements</p>	5
Vic	<p>a2. Approval of High Cost Support Mechanism 1st Quarter 2024 Programmatic Budget and Demand Projection for the November 2, 2023 FCC Filing</p>	5
Teleshia	<p>i1. Information on Ten 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"> • Q3 2023 Accomplishments • Highlights of Enhanced ACAM • Plans for Q4 2023 • Roadmap • Appendix: Metrics 	25

LOW INCOME OPEN SESSION		<i>Estimated Duration in Minutes</i>
Tim	<p>a3. Approval of Low Income Support Mechanism 1st Quarter 2024 Programmatic Budget and Demand Projection for the November 2, 2023 FCC Filing</p>	5
Teleshia	<p>i3. Information on Two USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Reports <i>(For Information Only)</i></p>	–

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LOW INCOME OPEN SESSION (CONTINUED)		<i>Estimated Duration in Minutes</i>
Tim	i4. Low Income (Lifeline) Business Update <ul style="list-style-type: none"> • Q3 2023 Accomplishments • National Verifier Highlights • Plans for Q4 2023 • Roadmap • Appendix: Metrics 	25

LOW INCOME EXECUTIVE SESSION Confidential – Executive Session Recommended		<i>Estimated Duration in Minutes</i>
Teleshia	i5. Low Income (Lifeline) Business Update (<i>Continued</i>) <ul style="list-style-type: none"> • Lifeline Improper Payment Results 	5
Chris	a4. Consideration of a Contract Modification for Operation and Maintenance, Design and Development, Licensing, and Hosting of the National Verifier and National Lifeline Accountability Database Systems for the Lifeline Program	–
Chris	a5. Consideration to Exercise the Second One-Year Option Term for Lifeline Email Processing Services	–
Chris	a6. Consideration to Exercise Option Term for Lifeline Business Process Outsourcing Services	–

HIGH COST EXECUTIVE SESSION Confidential – Executive Session Recommended		<i>Estimated Duration in Minutes</i>
Vic Kyle Teleshia	i6. High Cost Business Update <ul style="list-style-type: none"> A1. Performance Measure Status A2. HCLI 2.0 Modernization Update A3. High Cost Improper Payment Results 	10 10 5
Chris	a7. Consideration of a Contract Modification for High Cost Model Operations and Maintenance and Enhancements	–

Next Scheduled USAC High Cost & Low Income Committee Meeting

Monday, January 29, 2024 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 July 24, 2023 (*see Attachments A-1*).
- B. Approval of moving all *Executive Session* items into *Executive Session*:
 - (1) **i5** – Low Income (Lifeline) Business Update (*Continued*). USAC management recommends that this matter be discussed in *Executive Session* because it relates to *specific internal controls or confidential company data* that would constitute a discussion of internal rules and procedures, and may also include discussion of *investigatory records or pending or contemplated enforcement action* against participants in the universal service support mechanisms.
 - (2) **a4** – Consideration of a Contract Modification for Operation and Maintenance, Design and Development, Licensing, and Hosting of the National Verifier and National Lifeline Accountability Database Systems 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*.
 - (3) **a5** – Consideration Exercise the Second One-Year Option Term for Lifeline Email Processing 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) **a6** – Consideration to Exercise Option Term for Lifeline Business Process Outsourcing Services. USAC management recommends that this item be discussed in *Executive Session* because this matter relates to USAC’s *procurement strategy and contract administration*.

- (5) **i6** – High Cost Business Update: A1– Performance Measure Status and A2 – HCLI 2.0 Modernization Update. A3 – High Cost Improper Payment. USAC management recommends that this matter be discussed in *Executive Session* because it relates to *specific internal controls or confidential company data* that would constitute a discussion of internal rules and procedures, and may also include discussion of *investigatory records or pending or contemplated enforcement action* against participants in the universal service support mechanisms.
- (6) **a7** – Consideration of a Contract Modification for High Cost Model Operations and Maintenance and Enhancements. USAC management recommends that this item be discussed in *Executive Session* because this matter relates to USAC’s *procurement strategy and contract administration*.

C. Consideration and Approval of Four Routine Procurements

- (1) Consideration of a Contract Modification for Operation and Maintenance, Design and Development, Licensing, and Hosting of the National Verifier and National Lifeline Accountability Database Systems for the Lifeline Program. The resolution is provided in **aHCLI04cf**. If discussion is needed, it will be conducted in *Executive Session*.
- (2) Consideration to Exercise the Second One-Year Option Term for Lifeline Email Processing Services. The resolution is provided in **aHCLI05cf**. If discussion is needed, it will be conducted in *Executive Session*.
- (3) Consideration to Exercise Option Term for Lifeline Business Process Outsourcing Services. The resolution is provided in **aHCLI06cf**. If discussion is needed, it will be conducted in *Executive Session*.
- (4) Consideration of a Contract Modification for High Cost Model Operations and Maintenance and Enhancements. The resolution is provided in **aHCLI07cf**. 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 July 24, 2023; (2) discussion in *Executive Session* of the items noted above; and (3) the approval of four routine procurements as presented in items **aHCLI04cf** – **aHCLI07cf**.

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

HIGH COST & LOW INCOME COMMITTEE MEETING
Friday, July 24, 2023

(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, July 24, 2023. Mr. Ken Mason, Committee Chair, called the meeting to order at 11:00 a.m. Eastern Time, with a quorum of 10 of 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>
Mason, Ken – Chair	Wein, Olivia – Vice Chair

Members of the Committee not present:

Jacobs, Ellis

Other Board members and officers of the corporation present:

Beyerhelm, Chris – Vice President and Chief Administrative Officer
Buzacott, Alan – Member of the Board
Davis, Craig – Vice President of Schools and Libraries
Delmar, Teleshia – Vice President of Audit and Assurance
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
Hutchinson, Kyle – Vice President of IT and Chief Information Officer
O'Brien, Tim – Vice President of Lifeline
Sweeney, Mark – Vice President of Rural Health Care
Wade, Dr. Joan – Member of the Board
Wibberly, Dr. Kathy – Member of the Board – *by telephone*
Williams, Erin – 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>
Alomari, Ghanem	USAC
Burchins, Jessica – <i>by telephone</i>	Nelson Mullins Riley & Scarborough
Calhoun, Mitch	USAC
Campbell, Jo-Ann	USAC
Campos Rosy	CMS Consulting
Case, Kevin	USAC
Choi, Hillary	USAC
Claxton, Naomi	USAC
Faunce, Donna – <i>by telephone</i>	USAC
Goode, Vernell	USAC
Havivi, Daniel – <i>by telephone</i>	USAC
Hipolito, Mharizza	USAC
James, Christine	USAC
Kahn, Sammy	USAC
Krueger, Katie	KPMG
Malashenok, Inna	USAC
Morgan, Meredith	USAC
Nuzzo, Patsy	USAC
Ruffley, Brandon – <i>by telephone</i>	USAC
Schrader, Theresa	Broadband Legal Strategies
Shang, Matthew	USAC
Simab, Habib	USAC
Suggs-Moore, Vickie	USAC
Sural, Baylee	USAC
Weith, Tim	USAC
White, Stacy	USAC

HIGH COST OPEN SESSION

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

- a1. Consent Items.** Mr. Mason presented the consent items to the Committee:
- A.** Approval of High Cost & Low Income Committee Meeting Minutes of April 20, 2023.
 - B.** Approval of moving all *Executive Session* items into *Executive Session*:
 - (1) i5** – Low Income (Lifeline) Business Update (*Continued, if needed*).
USAC management recommended that this item be discussed in *Executive Session* because it involves *specific internal controls or confidential company data* and *internal rules and procedures* concerning the administration of the universal service support mechanisms; discussion of the matter in open session would result in

disclosure of confidential techniques and procedures that would compromise program integrity.

- (2) **i6** – 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 relates to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures and would result in *disclosure of confidential techniques and procedures* that would compromise program integrity.
- (3) **a4** – Consideration of a Contract Award for Mobile Assessment Services in the State of Alaska. USAC management recommends that this item be discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

RESOLVED, that the High Cost & Low Income Committee of the USAC Board of Directors hereby approves: (1) the Committee meeting minutes of April 20, 2023; and (2) discussion in *Executive Session* of the items noted above.

- a2. **Approval of High Cost Support Mechanism 4th Quarter 2023 Programmatic Budget and Demand Projection for the August 2, 2023 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 4th quarter 2023 programmatic budget and demand projection for the August 2, 2023 FCC filing.

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

RESOLVED, that the USAC High Cost & Low Income Committee approves a 4th Quarter 2023 High Cost Support Mechanism program budget of \$6.52 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$6.52 million for High Cost Support Mechanism administrative costs in the required August 2, 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 July 24, 2023 the 4th Quarter 2023 High Cost Support Mechanism demand estimate of \$1,066.88 million, hereby directs USAC staff to proceed with the required August 2, 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.

- i1. Information on Eleven 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:
- 2Q2023 Accomplishments
 - Plans for 3Q2023
 - Roadmap

LIFELINE OPEN SESSION

- a3. Approval of Low Income Support Mechanism 4th Quarter 2023 Programmatic Budget and Demand Projection for the August 2, 2023 FCC Filing.** Mr. O'Brien presented this item to the Committee for consideration. The presentation included a written report on USAC management's recommendations for the Low Income Support Mechanism 4th quarter 2023 programmatic budget and demand projection for the August 2, 2023 FCC filing.

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

RESOLVED, that the USAC High Cost & Low Income Committee approves a 4th Quarter 2023 Low Income Support Mechanism direct program budget of \$14.95 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$14.95 million for Low Income Support Mechanism administrative costs in the required August 2, 2023 filing to the Federal Communications Commission on behalf of the Committee; and

RESOLVED FURTHER, that the USAC High Cost &

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Low Income Committee, having reviewed at its meeting on July 24, 2023 the 4th Quarter 2023 Low Income Support Mechanism demand estimate of \$262.71 million, hereby directs USAC staff to proceed with the required August 2, 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.

- i3. Information on Four USAC Audit and Assurance Division Low Income 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.
- i4. Low Income (Lifeline) Business Update.** Mr. O'Brien presented PowerPoint slides the Committee covering the following items:
- Q22023 Accomplishments
 - National Verifier Highlights
 - Lifeline Subscriber Trends
 - Plans for Next Quarter
 - Roadmap

At 11:45 a.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, if needed*).** The Committee determined no further discussion was needed on the Low Income (Lifeline) Business Update in ***Executive Session***.

HIGH COST EXECUTIVE SESSION

- i6. 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.
- a4. Consideration of a Contract Award for Mobile Assessment Services in the State of Alaska.** Mr. Beyerhelm presented this item for consideration. The presentation included a written summary and report detailing USAC

management's recommendation to award a firm-fixed-price contract for mobile assessment services in the state of Alaska.

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

RESOLVED, that the USAC High Cost Low Income Committee of the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes USAC management to award a firm-fixed-price contract for mobile assessment services to Elite Systems, LLC for a one (1) year period of performance for a total not-to-exceed amount of \$437,800.00 (plus applicable taxes) with such amount including a 10% contingency of \$39,800.00 (plus applicable taxes) to cover potential unforeseen costs associated with the services, subject to required Federal Communications Commission approval.

OPEN SESSION

At 11:52 a.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 took action on item a4.

On a motion duly made and seconded, the Committee adjourned at 11:52 a.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
1st Quarter 2024 Programmatic Budget and
Demand Projection for the November 2, 2023 FCC Filing**

Action Requested

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 1st Quarter 2024 (Q1 2024) programmatic budget and demand projection for the High Cost Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's November 2, 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 Q1 2024 funding requirement for the High Cost Support Mechanism as follows:

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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>	Q4 2023	Increase/ (Decrease)	Q1 2024	Notes
Steady State:				
Legacy Funds	\$589.08	(\$120.40)	\$468.68	Includes HCLS, CAF BLS, CAF ICC, Frozen Price Cap and Competitive ETC Support. Decrease for HCLS and CAF BLS due to Enhanced ACAM support and BLS true ups.
Modernization Funds	533.32	(\$165.95)	\$367.37	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. Increase driven by Enhanced A-CAM starting in January 2024.
Amounts Paid from Reserve	(54.80)	2.43	(52.37)	Disbursements for RBE, Mobility Fund Phase I, and portion of A-CAM I.
Total Steady State	\$1,067.60	\$(283.92)	\$783.68	
New Requirements				
Legacy Funds	0.00	0.00	0.00	
Modernization Funds	0.00	293.61	293.61	Enhanced ACAM (E-ACAM)
Total New Requirements	0.00	293.61	293.61	
Total Program Demand	\$1,067.60	\$9.69	\$1,077.29	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	(19.69)	49.86	30.17	
Billings	8.66	(34.62)	(25.96)	
Interest Income	(0.04)	0.02	(0.02)	
Bad Debt Expense	(7.79)	0.74	(7.05)	
Annual Admin True-Up	0.00	(3.74)	(3.74)	
Total Prior Period Adjustments	(\$18.86)	\$12.26	(\$6.60)	
USAC Administrative Expenses	\$18.14	\$1.38	\$19.52	See Table B
Total Funding Requirement	\$1,066.88	\$23.33	\$1,090.21	

Based on the projected burn rate, USAC estimates the following Q1 2024 programmatic budget:

Table B. Quarterly Programmatic Budget

<i>(in millions)</i>	Q4 2023	Increase/ (Decrease)	Q1 2024	Notes
Direct Program Costs				
Employee Expenses	\$1.79	\$0.03	\$1.82	
Professional Services	0.73	(0.24)	0.49	
General & Administrative	0.00	0.00	0.00	See Note 1
Total Direct Program Costs	\$2.52	(\$0.21)	\$2.31	
Direct Assigned Costs				
Employee Expenses	\$0.76	\$0.20	\$0.96	
Professional Services	3.00	0.03	3.03	
General & Administrative	0.24	(0.20)	0.04	See Note 1
Total Direct Assigned Costs	\$4.00	\$0.03	\$4.03	
Total Direct Program & Direct Assigned Costs	\$6.52	(\$0.18)	\$6.34	
Common Allocated Costs	\$11.62	\$1.56	\$13.18	
Total Programmatic Budget	\$18.14	\$1.38	\$19.52	

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

A comparison of actual expenditures to the budget for the nine months ending September 30, 2023 is provided in **Attachment 2**.

Recommendation

USAC management recommends that the Committee approve the Q1 2024 budget and projection of demand as proposed.

Recommended High Cost & Low Income Committee Actions

APPROVAL OF THE FOLLOWING RESOLUTIONS:

RESOLVED, that the USAC High Cost & Low Income Committee approves a 1st Quarter 2024 High Cost Support Mechanism program budget of \$6.34 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$6.34 million for High Cost Support Mechanism administrative costs in the required November 2, 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 October 30, 2023 the 1st Quarter 2024 High Cost Support Mechanism demand estimate of \$1,090.21 million, hereby directs USAC staff to proceed with the required November 2, 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>	Q4 2023	Increase/ (Decrease)	Q1 2024	Notes
Steady State – Legacy Funds:				
High Cost Loop Support (HCLS) ³	\$81.38	(\$20.03)	\$61.35	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	323.96	(99.59)	224.37	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	89.34	(0.78)	88.56	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	2.81	0.00	2.81	Frozen Price Cap carrier support for Uniendo PR and USVI.
Frozen Competitive ETC Support ⁷	91.59	0.00	91.59	Frozen support for competitive carriers.
Total Steady State Legacy Funds	\$589.08	(\$120.40)	\$468.68	

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

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

⁵ See *Connect America Fund et al.*, WC Docket Nos. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, 17995 para. 847 (2011) (*USF/ICC Transformation Order*).

⁶ *Id.* at 17663, 17715, 17725-26, paras. 133, 159.

⁷ *Id.* at 17715, para. 133.

<i>(in millions)</i>	Q4 2023	Increase/ (Decrease)	Q1 2024	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) ended after the 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	(107.63)	47.74	Model support to Rate of Return carriers for voice and broadband infrastructure.

⁸ See *Connect America Fund*, WC-Docket No. 10-90, Report and Order, 31 FCC Rcd 12086, FCC 16-143 at para. 24. (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).

<i>(in millions)</i>	Q4 2023	Increase/ (Decrease)	Q1 2024	Notes
A-CAM II ¹¹	126.10	(57.55)	68.55	Model support to Rate of Return carriers for voice and broadband infrastructure.
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	16.07	0.00	16.07	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	152.78	(0.77)	152.01	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>\$533.32</i>	<i>(\$165.95)</i>	<i>\$367.37</i>	
<i>Amounts Paid from Reserve</i>	<i>(\$54.80)</i>	<i>2.43</i>	<i>(\$52.37)</i>	Per FCC direction, all disbursements for RBE, Mobility Fund Phase I, and a portion of disbursements for A-CAM I are paid from

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 Rcd 11893, 11903, FCC 18-176 para. 34 (2018) (*December 2018 Rate of Return Reform Order*).

¹² See *Wireline Competition Bureau Announces Entities Provisionally Selected for Rural Broadband Experiments; Sets Deadlines for Submission of Additional Information*, WC Docket No. 10-90, Public Notice, 29 FCC Rcd 14684 (WCB 2014); *Wireline Competition Bureau Announces Additional Provisionally Selected Bidders for Rural Broadband Experiments and Sets Deadlines for Submission of Additional Information*, WC Docket Nos. 10-90 et al., Public Notice, 30 FCC Rcd 2045 (WCB 2015).

¹³ See *Mobility Fund Phase I Support Authorized for 11 Winning Bids Default on 35 Winning Bids Determined*, Public Notice, 31 FCC Rcd 1721 (WTB 2016); *Tribal Mobility Fund Phase I Support Authorized for Final Fifty-One Winning Bids*, Public Notice, 30 FCC Rcd 2226 (WTB 2015).

<i>(in millions)</i>	Q4 2023	Increase/ (Decrease)	Q1 2024	Notes
				reserved funds collected in prior years. The ending balance as of September 30, 2023 for reserved funds was approximately \$604.17 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>Enhanced Alternative Connect America Cost Model</i>	<i>0.00</i>	<i>293.61</i>	<i>293.61</i>	Enhanced ACAM (E-ACAM) supports deployment of 100/20 service (or greater) through rural areas served by carriers currently receiving A-CAM support and in areas served by legacy rate-of-return support recipients.
<i>Total New Requirements Modernization Funds</i>	<i>\$0.00</i>	<i>\$293.61</i>	<i>\$293.61</i>	
Total Program Demand	\$1,067.60	\$9.69	\$1,077.29	

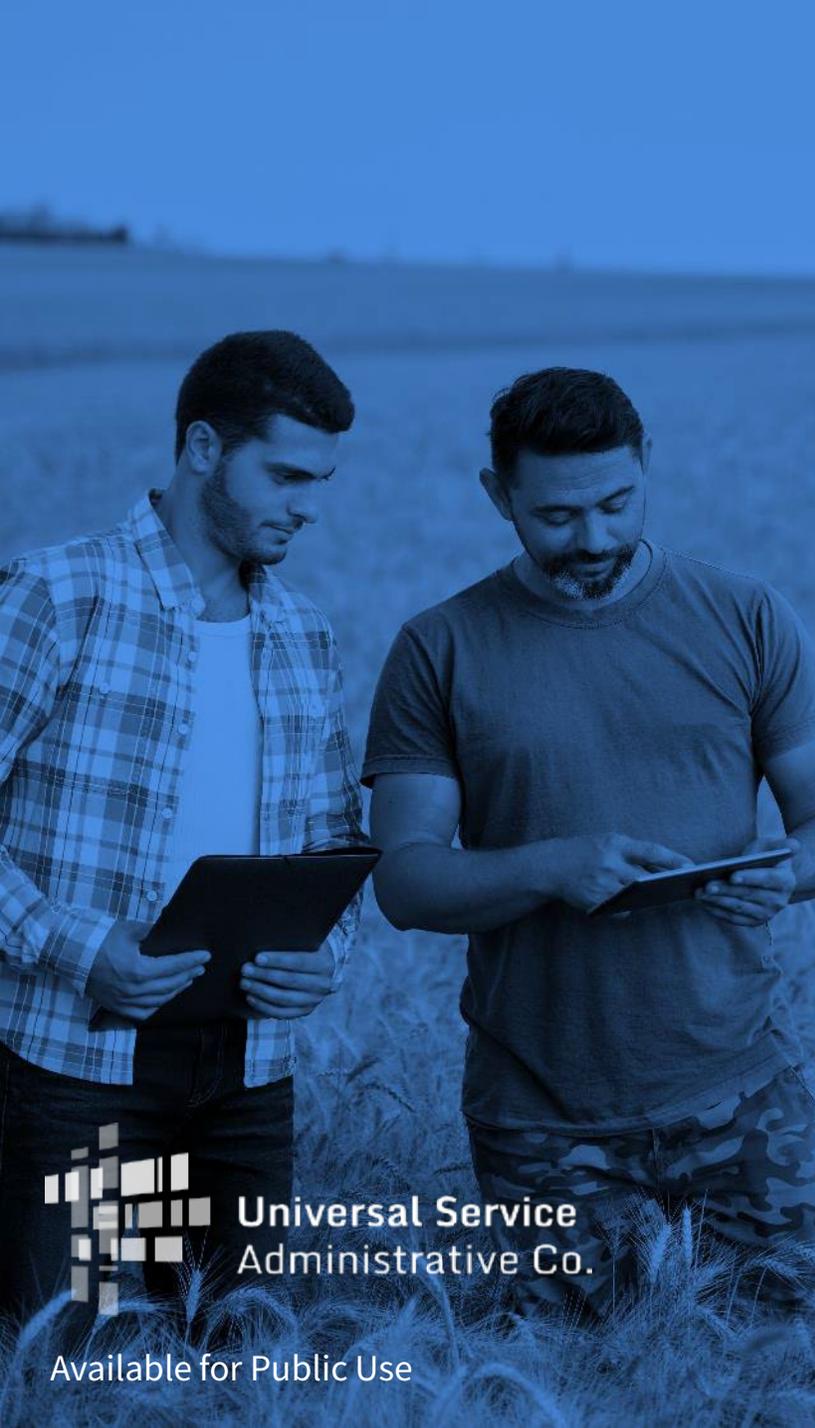
ATTACHMENT 2

High Cost Administrative Costs and Headcount
Comparison of Actual Expenditures and Headcount to the Budget for the
Nine months ending September 30, 2023

<i>(\$ in millions)</i>	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	45	50	5	\$4.83	\$5.11	\$0.28
Professional Services (Note 2)				1.26	2.44	1.18
General & Administrative				0.00	0.00	0.00
Total Direct Program Costs				\$6.09	\$7.55	\$1.46
Direct Assigned Costs						
Employee Expenses	16	16	0	\$2.40	\$2.05	(\$0.35)
Professional Services (Note 2)				10.25	9.03	(1.22)
General & Administrative				0.11	0.63	0.52
Total Direct Assigned Costs				\$12.76	\$11.71	(\$1.05)
Total Direct Program & Direct Assigned Costs	61	66	5	\$18.85	\$19.26	\$0.41
Common Allocated Costs (Note 3)				\$33.35	\$35.05	\$1.70
Total Programmatic Budget				\$52.20	\$54.31	\$2.11

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 and Low Income Committee

High Cost Business Update

Open Session

October 30, 2023



Agenda

- Q3 2023 Accomplishments
- Highlights of Enhanced ACAM
- Plans for Q4 2023
- Roadmap
- Appendix A: Metrics
- Appendix B: Glossary of Terms

Q3 2023 Accomplishments

Compliance

- Received 100 percent of certifications on the FCC Form 481 (§54.313), representing approximately 1,800 carriers.
- Completed verifications of 2022 deployment milestones across ACAM, Revised ACAM, ACAM II, ACS, and CAF II Auction. The team reviewed over 6,300 locations across 52 study areas with 94 percent of the study areas meeting the Program Year 2022 milestone obligation.
- Completed compliance analysis of 2022 annual PMM data; 41 study areas (approximately 4.81 percent) across ACAM, Revised ACAM, ACS, RBE, and Alaska Plan were identified as non-compliant for the period.
- Completed compliance analysis of PMM data for carriers previously in non-compliance as of Q4 2022. Approximately \$1 million is being restored for 25 study areas that came into compliance with testing requirements.

Q3 2023 Accomplishments (Continued)

Compliance

- Executed current work associated with CAF II Auction on-demand verification requests (19 carriers) and RDOF on-demand verification requests (23 carriers) in support of reducing or terminating Letters of Credit. Three CAF II Auction reviews were completed successfully.
- Completed approximately 10 percent of testing for four wireless carriers in the state of Alaska. Estimated project closure by end of 2023.

Q3 2023 Accomplishments (Continued)

Outreach

- Ensured state and Tribal access to Form 481 and HUBB data.
- Helped states and carriers navigate §54.314 Annual Certification by Oct 2.
- Helped Original and Revised ACAM, ACAM II, CAF II Auction, RBE, Alaska Plan and CAF BLS carriers comply with ongoing speed/latency testing and reporting requirements and obtain compliance reports.

Product

- Implemented enhancements to PMM to improve the carrier experience, reducing support calls by providing more self-serve options for the carriers to resolve errors.
- Implemented the tracking of samples in PMM, providing the Verification team with better reporting on carriers that have no samples to test for compliance determination.

Highlights of Enhanced ACAM (EACAM)

- **Budget**

- \$1.27 billion annually, or no more than \$1.33 billion annually over a 15-year term beginning January 1, 2024 (see para. 31). Support amounts will be based upon the revised model.

- **Eligibility/Elections Process**

- Carriers currently receiving ACAM and CAF-BLS legacy support must elect to receive EACAM support no later than September 29, 2023, to ensure alignment with the BEAD Program timeline.
- The Commission concluded that if EACAM offers do not include 50% of unserved locations, the Commission will not proceed with the program.

Highlights of Enhanced ACAM (EACAM) (Continued)

- **New Requirements**

- EACAM recipients are required to implement a cybersecurity and supply chain risk management plan by January 1, 2024.
- USAC to implement an online portal to collect the cybersecurity plans.
- EACAM recipients must file a BEAD (Broadband Equity, Access and Deployment) certification annually related to participation in challenge process not receiving BEAD funding.
- EACAM recipients are required to participate in the Affordability Connectivity Program (ACP) and certify annually.
- USAC to coordinate deployed location reporting between HUBB and the FCC BDC/Fabric.
- EACAM carriers must meet their current support program obligations.

Plans for Q4 2023

Compliance

- Perform Rural Broadband Accountability Plan (RBAP) verifications activity across active funds based on risk criteria.
- Review Q3 2023 PMM quarterly data to determine whether funds should be restored for carriers currently at non-compliance levels.
- Initiate FCC Form 481 in-depth validations to review the quality of the data and underlying certifications on the form.
- Complete the \$54.314 Annual Certification to certify carrier eligibility for High Cost Funding.
- Conduct annual Circle of Life webinar on common audit findings as part of the Program Integrity Assurance process.

Plans for Q4 2023

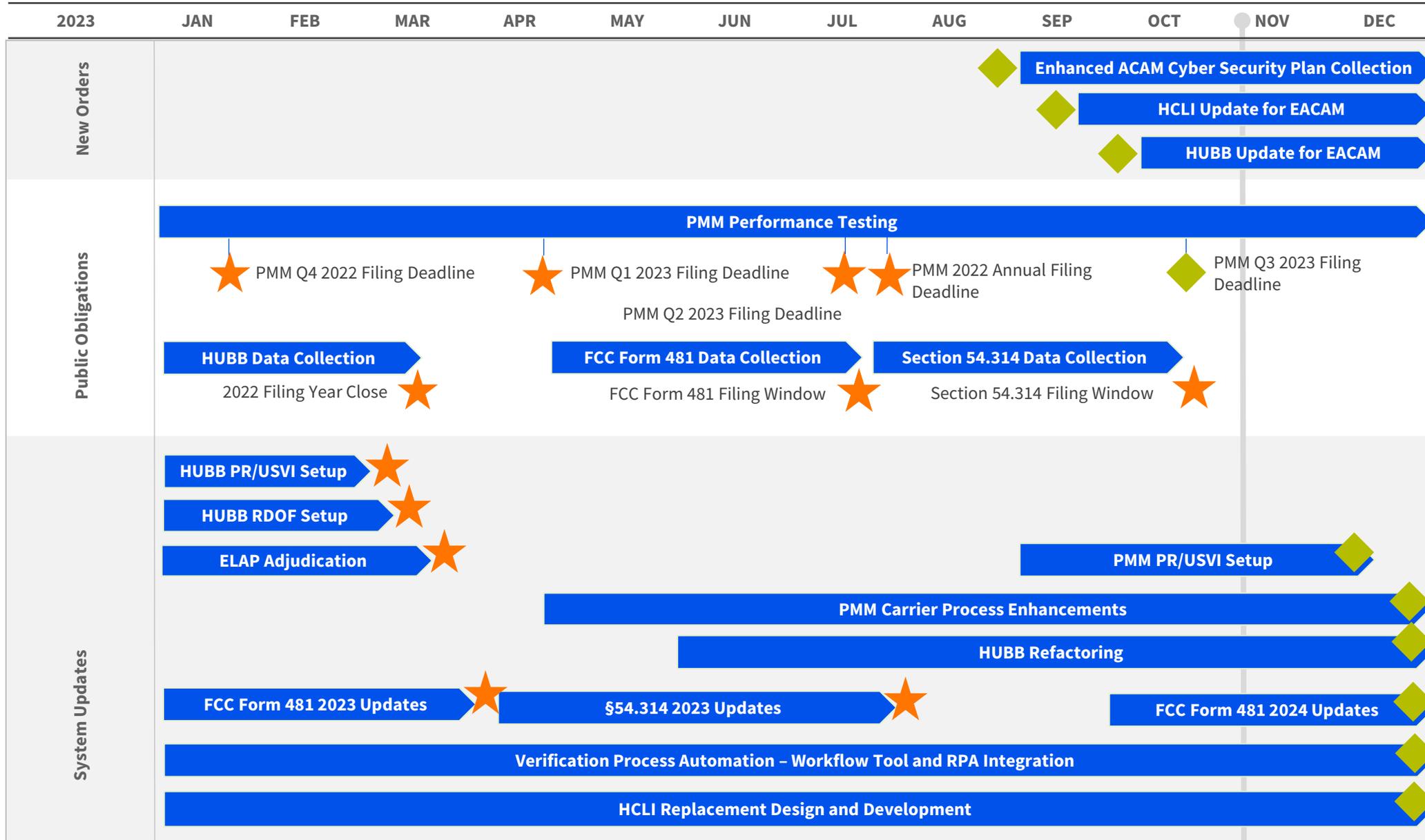
Outreach

- Help Original and Revised ACAM, ACAM II, CAF II Auction, RBE, Alaska Plan, CAF BLS and PR/USVI carriers comply with speed/latency testing and reporting requirements (includes obtaining new random samples) and obtain compliance reports.
- Prepare carriers to file 2023 deployment data in HUBB by March 1, 2024, and support implementation of the Enhanced ACAM order.

Product

- Implement HUBB Annual Certification for carriers to confirm deployments for the year.
- Launch the Cyber Security Plan portal as part of the Enhanced ACAM program.

Roadmap



Milestone Legend

- At Risk
- On Track
- Completed

Appendix A: Metrics

High Cost Calendar Year Deployments (Data as of October 1, 2023)

Fund	2020	2021	2022	2023
ACAM	461,111	513,484	570,338	574,600
ACAM II	318,165	356,698	382,088	383,350
AK Plan	36,893	55,399	58,054	58,322
CAF BLS	747,267	903,623	1,047,932	1,055,679
CAF Phase II	3,098,619	4,211,383	4,214,972	4,214,998
CAF II AUC	78,392	182,853	423,993	441,852
PR Fixed	-	-	240,973	981,150
RBE	25,553	27,693	28,048	28,001
RDOF	49,974	109,401	397,029	456,941

2022 Filing Year Closes March 1, 2023

Appendix A: Metrics (Continued)

High Cost Disbursements (Through August 2023)

Fund Type	Carrier Type	2023	2022	2021
Legacy	CETC	\$244,237,526	\$366,415,625	\$369,229,873
	ILEC	\$1,202,103,342	\$1,754,582,767	\$1,692,324,455
Modernized	CETC	\$517,320,845	\$708,250,422	\$347,889,239
	ILEC	\$892,981,919	\$1,336,299,929	\$2,718,940,364
Wireless	CETC	\$0	\$0	\$0
	ILEC	\$0	\$0	\$0

*The Wireless number for CETC reflects MF1 only.

Appendix B: Verification Snapshot (October 1, 2023)

The below table highlights verification activity initiated in 2023. Verifications include on-demand requests from carriers, required 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
CAF II – ACS (In progress)	61	0	0	0
ACAM (In progress)	3,215	1,440	1,310	130
ACAM II (In progress)	1,993	1,024	977	47
RDOF – On Demand (In progress)	3,127	0	0	0
RDOF – On Demand (Completed)	1,429	1,429	1,309 (92%)	120 (8%)
CAF II Auction – On Demand (Completed)	1,216	1,216	1,102 (91%)	114 (9%)
CAF II Auction – On Demand (In progress)	1,437	0	0	0
CAF II Auction – 40% (In progress)	973	847	705	142
CAF BLS	1,569	164	159	5
Alaska Plan – Wireline (In progress)*	768	768	688 (90%)	80 (10%)
Total Locations To Date	15,788	6,888	6,250	638

*Alaska Plan Wireline verifications for three wireline carriers who received an extension to file location data at the five-year milestone.

Appendix C: Glossary of Terms

Term	Definition
ACAM I/ Revised ACAM I/ACAM II/EACAM	Alternative Connect America Cost Model/(Revised ACAM)/Enhanced 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. Carriers are receiving support under one of three offers—ACAM I, Revised ACAM I, or ACAM. The FCC released the newest iteration of ACAM, Enhanced ACAM, to further facilitate widespread broadband deployment at speeds of at least 100/20 Mbps across eligible rate-of-return carriers’ service areas by the end of 2028.
ACS	Alaska Communications System receives frozen support over a 10-year term in exchange for defined deployment obligations.
AK Plan	Alaska Plan: Support over a 10-year term, for fixed and mobile service, to maintain, extend, and upgrade broadband service across certain areas of Alaska. Fifteen rate-of-return carriers and eight of their wireless affiliates elected to be on the Alaska Plan.
AAD	Audit and Assurance Division: An organization within USAC dedicated to preserving the integrity of universal service funds and USAC’s corporate resources by conducting objective audits, performing payment quality assessments, and evaluating the efficiency and effectiveness of USAC’s operations.
BCAP	Beneficiary and Contributor Audit Program: BCAP assesses beneficiary and contributor compliance with Federal Communications Commission (FCC) rules, orders, and program requirements (collectively, FCC Rules).
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 II Auction	Mechanism awarding support through a reverse auction, which was conducted in 2018, for deployment to unserved areas where the price cap carrier declined the offer of model-based support.
CAF BLS	Connect America Fund Broadband Loop Support: FCC amended interstate common line support, renaming it the CAF BLS mechanism, expanding support from solely 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.

Appendix C: Glossary of Terms (Continued)

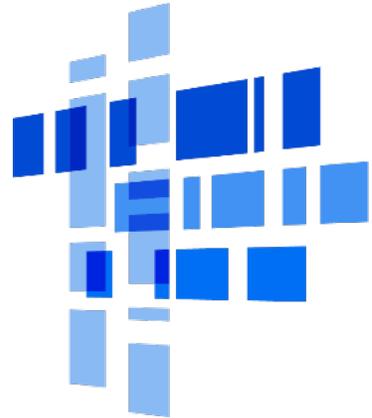
Term	Definition
CAF Map	Connect America Fund Broadband Map displays the geographic areas that are eligible for CAF support, as well as the specific fixed locations where carriers participating in the program have built out broadband service. The data in the map include address, latitude and longitude coordinates, carrier name, deployment year, and available speed meeting FCC obligations.
ETC	Eligible Telecommunications Carrier: A telecommunications carrier designated by a state's utility commission or the FCC to receive universal service support; a ETC 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.
ELAP	Eligible Locations Adjustment Process: WCB implemented an eligible locations adjustment process to review the defined deployment obligations for CAF II Auction carriers 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).
FCC Form 481	Form that annually collects financial and operations information used to validate carrier support and fulfills various certification requirements.
HCL	High Cost Loop support, a mechanism that provides support for the last mile of connection in areas where the cost to serve exceeds the national average cost per line by a certain amount.
HCLI	High Cost Low Income, "the tool of record" used for High Cost support calculations, program administration, and submission of payment information for delivering funds to the carriers.
HCVS	High Cost Verification System.

Appendix C: Glossary of Terms (Continued)

Term	Definition
HUBB	High Cost Universal Broadband Portal: The FCC directed USAC to develop a portal to collect carrier deployment data; carriers are required to submit broadband deployment location information and certify the accuracy of the deployment data within the HUBB.
ILEC	Incumbent Local Exchange Carrier, 47 CFR § 51.5, with respect to an area, the local exchange carrier that: (1) On February 8, 1996, provided telephone exchange service in such area; and (2) (i) On February 8, 1996, was deemed to be a member of the exchange carrier association pursuant to § 69.601(b) of this chapter; or (ii) Is a person or entity that, on or after February 8, 1996, became a successor or assign of a member described in paragraph (2)(i) of this section.
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-submitted data to ensure that the program and its stakeholders comply with the rules and orders governing the relevant USF support.
PMM	Performance Measures Module: System used by USAC's High Cost division to collect data required by the FCC's performance measures Orders.
PR/USVI	Puerto Rico/U.S. 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 and expand availability of broadband fixed and mobile services.

Appendix C: Glossary of Terms (Continued)

Term	Definition
RBAP	<p>Rural Broadband Accountability Plan: Chairwoman Rosenworcel initiative to increase audits, verifications, and transparency for USF High Cost programs, including the Rural Digital Opportunity Fund.</p> <p>See https://www.fcc.gov/rbap</p>
RBE	<p>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 build out broadband services in high-cost areas. See FCC 14-98.</p>
RDOF	<p>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 Phase I, the FCC targets support to areas that lack access to 25/3Mbps broadband.</p>
RPA	<p>Robotic Process Automation: Technology designed to automate manual repetitive, high-volume tasks performed by employees.</p>
SAC	<p>Study Area Code: A unique, six-digit identifier used to classify a carrier-specific service area.</p>



**Universal Service
Administrative Co.**

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

ACTION ITEM

**Approval of Low Income Support Mechanism
1st Quarter 2024 Programmatic Budget and
Demand Projection for the November 2, 2023 FCC Filing**

Action Requested

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 1st Quarter 2024 (Q1 2024) programmatic budget and demand projection for the Low Income Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's November 2, 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 Q1 2024 funding requirement for the Low Income Support Mechanism as follows:

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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>	Q4 2023	Increase/ (Decrease)	Q1 2024	Notes
Steady State:				
Lifeline	\$302.14	(\$36.25)	\$265.89	See Note 1
Link Up	0.06	0.00	\$0.06	
New Requirements:				
N/A	0.00	0.00	0.00	
Total Program Demand	\$302.20	(\$36.25)	\$265.95	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	(\$64.00)	\$3.86	(\$60.14)	
Billings	2.05	(6.85)	(4.80)	
Bad Debt Expense	(1.61)	0.22	(1.39)	
Interest Income	(0.01)	0.01	0.00	
Annual Administrative Expense True-Up	0.00	2.67	2.67	
Total Prior Period Adjustments	(\$63.57)	(\$0.09)	(\$63.66)	
USAC Administrative Expenses	\$24.08	(\$0.90)	\$23.18	See Table B
Total Funding Requirement	\$262.71	(\$37.24)	\$225.47	

Note 1: Demand decrease reflects lower outstanding claims for two service providers.

Based on the projected burn rate, USAC estimates the following Q1 2024 programmatic budget:

Table B. Quarterly Programmatic Budget

<i>(in millions)</i>	Q4 2023 Budget	Increase/ (Decrease)	Q1 2024 Budget	Notes
Direct Program Costs				
Employee Expenses	\$2.98	\$0.00	\$2.98	
Professional Services	8.00	(1.60)	6.40	
General & Administrative	0.53	(0.08)	0.45	See Note 2
Total Direct Program Costs	\$11.51	(\$1.68)	\$9.83	
Direct Assigned Costs				
Employee Expenses	\$0.80	\$0.25	\$1.05	
Professional Services	2.39	0.36	2.75	
General & Administrative	0.25	0.08	0.33	See Note 2
Total Direct Assigned Costs	\$3.44	\$0.69	\$4.13	
Total Direct Program & Direct Assigned Costs	\$14.95	(\$0.99)	\$13.96	
Common Allocated Costs	\$9.13	\$0.09	\$9.22	
Total Programmatic Budget	\$24.08	(\$0.90)	\$23.18	

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

A comparison of actual expenditures to the budget for the nine months ending September 30, 2023 is provided in **Attachment 1**.

Recommendation

USAC management recommends that the Committee approve the Q1 2024 budget and projection of demand as proposed.

Recommended High Cost & Low Income Committee Actions

APPROVAL OF THE FOLLOWING RESOLUTIONS:

RESOLVED, that the USAC High Cost & Low Income Committee approves a 1st Quarter 2024 Low Income Support Mechanism direct program budget of \$13.96 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$13.96 million for Low Income Support Mechanism administrative costs in the required November 2, 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 October 30, 2023 the 1st Quarter 2024 Low Income Support Mechanism demand estimate of \$225.47 million, hereby directs USAC staff to proceed with the required November 2, 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
Nine Months ending September 30, 2023

<i>(\$ in millions)</i>	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	83	90	7	\$6.73	\$8.20	\$1.47
Professional Services (Note 3)				13.97	23.19	9.22
General & Administrative (Note 4)				1.47	1.59	0.12
Total Direct Program Costs				\$22.17	\$32.98	\$10.81
Direct Assigned Costs						
Employee Expenses	14	17	3	\$1.67	\$2.07	\$0.40
Professional Services (Note 3)				8.01	7.17	(0.84)
General & Administrative (Note 4)				1.00	0.78	(0.22)
Total Direct Assigned Costs				\$10.68	\$10.02	(\$0.66)
Total Direct Program & Direct Assigned Costs	97	107	10	\$32.85	\$43.00	\$10.15
Common Allocated Costs (Note 5)				\$26.22	\$27.57	\$1.35
Total Programmatic Budget				\$59.07	\$70.57	\$11.50

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

October 30, 2023

Agenda

- Q3 2023 Accomplishments
- 2023 Waivers
- National Verifier Highlights
- Plans for Next Quarter
- Roadmap
- Appendix A: Program Metrics
- Appendix B: Service Type Trends
- Appendix C: Glossary of Terms

Q3 2023 Accomplishments

- Successfully completed 2023 Lifeline recertification process with a pass rate of 93 percent.*
- Successfully implemented several emergency waivers (details next slide).
- Implemented the Lifeline Benefit Qualifying Person (BQP) duplicate check process in NLAD.
- Successfully completed quarterly Program Integrity Assurance (PIA) reviews through Q1 2023 and initiated Q2 reviews.

*Small volume of Lifeline recertifications remain open due to FCC waivers.

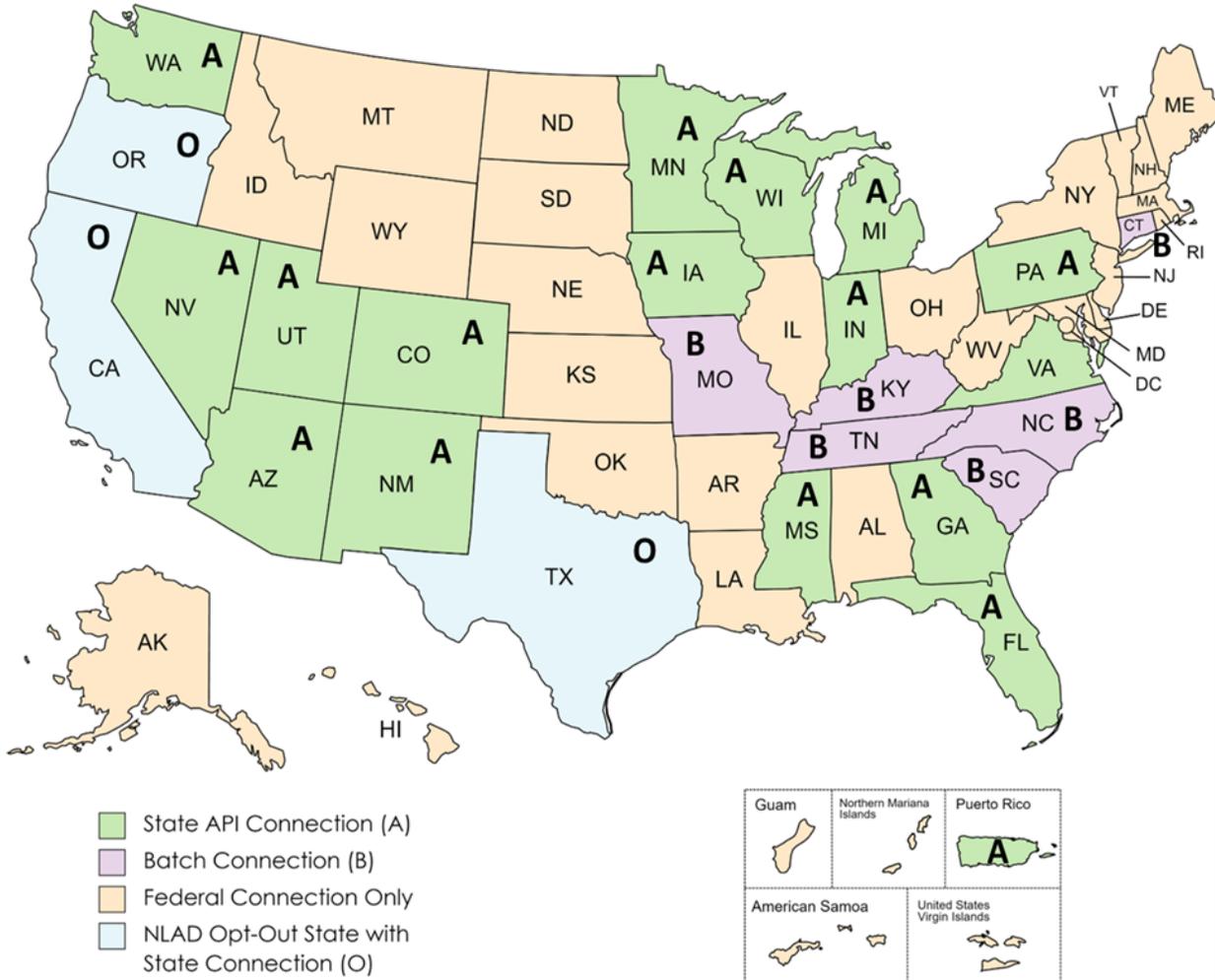
2023 Waivers

- The FCC issued three Orders to waive certain program rules due to natural disasters.
 - Typhoon Mawar (June 30, 2023)
 - Hawaii Wildfires (August 18, 2023)
 - Hurricane Idalia (September 1, 2023)
- The FCC also issued an Order to allow consumers participating in [FEMA's Individuals and Households Program \(IHP\)](#) to apply for and enroll in the Lifeline program through February 25, 2024, owing to the Hawaii wildfires.
- USAC supported the prompt implementation of the Orders, which waives non-usage, non-usage de-enrollments, de-enrollment due to recertification, and reverification.
- USAC completed system and process modifications to support the enrollment of consumers participating in FEMA's IHP.

National Verifier Highlights

29 Total NV Connections Available

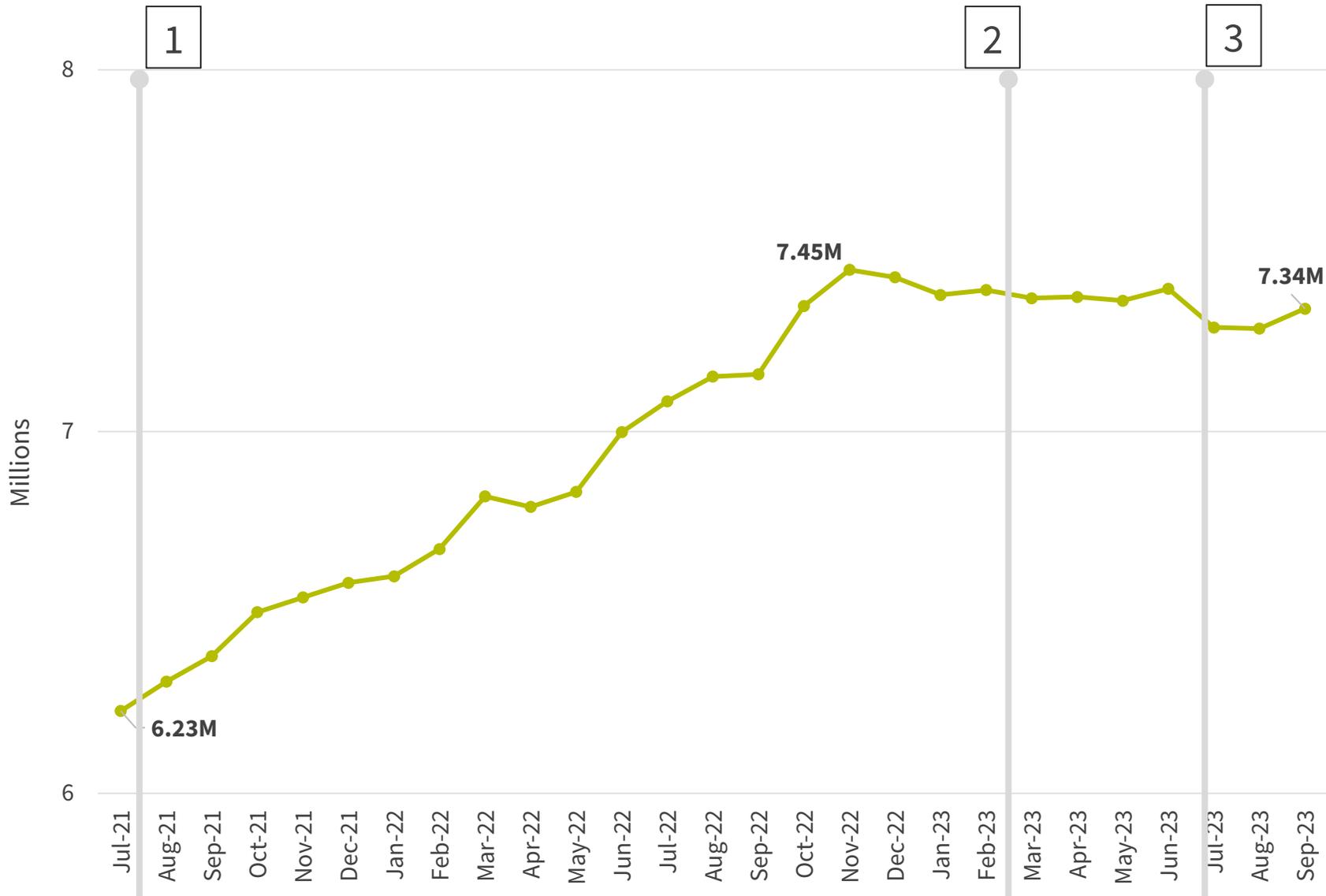
- 26 state and territory connections
- Three federal connections with CMS, HUD, and VBA
- CMAs are in various stages of review and completion with five connections



Connection Types	% of Apps Passing Eligibility Database Check	% of Apps Passing Program/Income Manual Review	Overall Program/Income Eligibility Pass Rate*	% of Apps Passing all Database Checks (Incl. program eligibility, address & identity checks)	August 2023 Data Month Subscribers
State & Federal	67.3%	3.6%	70.9%	46.8%	3,618,461
Federal Only	58.8%	5.3%	64.1%	42.2%	2,350,004
Overall	64.0%	4.3%	68.3%	45.0%	5,968,465

*Qualification Rate is less than our Program/Income Pass Rate because consumers may fail other checks (TPIV, AMS, etc.).

Lifeline Subscriber Trends



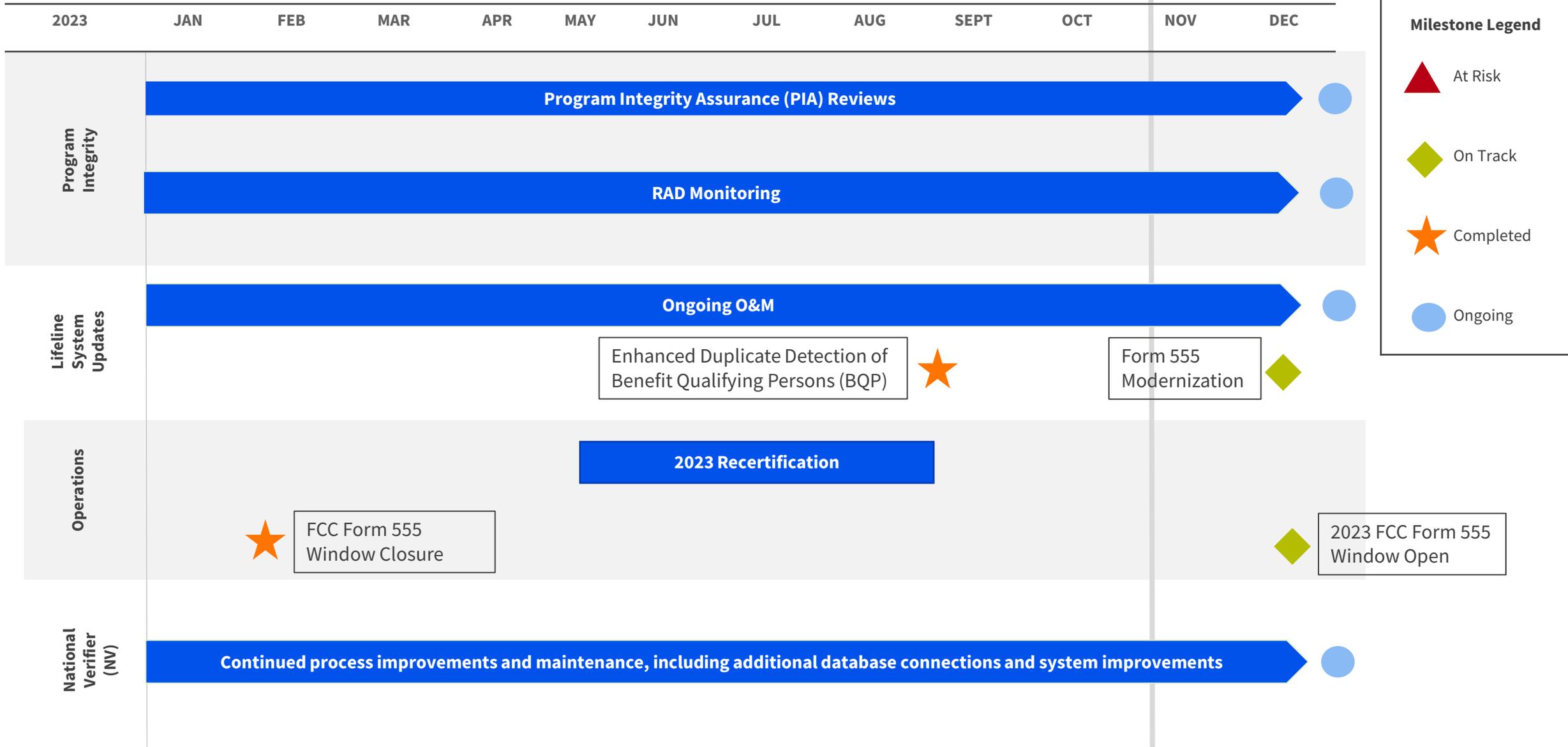
1. Subscribership generally trended upwards since Jul. 2021, following waivers of non-usage de-enrollments.
2. Subscribership stabilized since peaking in Nov. 2022.
3. Subscribership decreased in Jul. 2023 and Aug. 2023 driven by annual recertification de-enrollments.

***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

- Re-initiate reverification for remaining Lifeline subscribers.
- Complete recertification for Lifeline subscribers subject to 2023 waivers.
- Complete modernization of FCC Form 555.
- Complete Q2 2023 Quarterly PIA reviews and kick off Q3 reviews.

Roadmap



Appendix A: Metrics

Lifeline Eligibility and Enrollments

Year-to-Date (YTD) Cumulative Comparison	2023 (January through September)	2022 (January through September)
National Verifier Applications Created	13,876,212	15,165,558
Program Eligibility Auto Approved	8,931,236	9,845,415
Program Eligibility Auto Pass Rate	64	65
Enrollments (Excludes CA, OR, and TX)	4,373,769	4,540,939
De-Enrollments (Excludes CA, OR, and TX)	4,409,661	4,054,573
NLAD Subscribers (Excludes CA, OR, and TX; based on Sept. Data, Oct. 1 Snapshot)	5,968,465	5,640,025
Opt-Out State Subscribers (CA, OR, and TX; based on Sept. Data, Oct. 1 Snapshot)	1,371,337	1,520,428

***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
September 2023	0.88%	23.92%	70.61%	1.01%	3.59%
August 2023	0.89%	24.92%	69.55%	0.98%	3.66%
July 2023	0.93%	26.21%	68.32	1.03%	3.56%
June 2023	0.93%	26.83%	67.52%	0.94%	3.78%
May 2023	0.94%	27.59%	66.60%	1.03%	3.84%
April 2023	0.93%	28.52%	65.68%	0.99%	3.87%
March 2023	0.93%	29.77%	64.43%	0.96%	3.91%
February 2023	0.90%	30.89%	63.27%	0.98%	3.96%
January 2023	0.88%	31.11%	63.04%	0.96%	4.02%
December 2022	0.85%	31.33%	62.73%	0.95%	4.14%
November 2022	0.81%	30.43%	63.61%	0.93%	4.23%
October 2022	0.78%	29.03%	64.89%	0.91%	4.40%

- **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**
September 2023 (snapshot on Oct. 1)	7,339,802	0.76%	\$67,017,382
August 2023 (snapshot on Sep. 1)	7,284,723	-0.04%	\$97,910,723
July 2023 (snapshot on Aug. 1)	7,287,801	-1.45%	\$65,755,140
June 2023 (snapshot on Jul. 1)	7,394,782	0.45%	\$47,424,259
May 2023 (snapshot on Jun. 1)	7,361,936	-0.14%	\$66,026,426
April 2023 (snapshot on May 1)	7,372,429	0.05%	\$56,395,572
March 2023 (snapshot on Apr. 1)	7,368,900	-0.3%	\$99,438,117
February 2023 (snapshot on Mar. 1)	7,391,287	0.18%	\$170,860,643
January 2023 (snapshot on Feb. 1)	7,377,940	-0.65%	\$49,617,050
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)	7,349,359	2.64%	\$61,450,474

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 an 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.
VA	U.S. Department of Veterans Affairs



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