High Cost & Low Income Committee

Briefing Book

Monday, April 29, 2024

10:00 a.m. – 11:30 p.m. Eastern Time

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

Monday, April 29, 2024
10:00 a.m. – 11:30 a.m. Eastern Time
USAC Offices
700 12th Street, N.W., Suite 900
Washington, D.C. 20005

HIGH COST OPEN SESSION		*Estimated Duration in Minutes*
Chair	**a1.** Consent Items (each available for discussion upon request): **A.** Approval of High Cost & Low Income Committee Meeting Minutes of January 29, 2024 **B.** Approval of moving all ***Executive Session*** items into ***Executive Session*** **C.** Consideration and Approval of Three Routine Procurement	5
Vic	**a2.** Approval of High Cost Support Mechanism 3rd Quarter 2024 Programmatic Budget and Demand Projection for the May 2, 2024 FCC Filing	5
Teleshia	**i1**. Information on Three USAC Audit and Assurance Division High Cost Support Mechanism Beneficiary Audit Reports (*For Information Only)*	–
Vic	**i2**. High Cost Business Update • Q1 2024 Accomplishments • E-ACAM and Administrative Order Highlights • Plans for Q2 2024 • Roadmap • Appendices: A: Metrics and B: Glossary of Terms	25

LOW INCOME OPEN SESSION		*Estimated Duration in Minutes*
Tim	**a3.** Approval of Low Income Support Mechanism 3rd Quarter 2024 Programmatic Budget and Demand Projection for the May 2, 2024, FCC Filing	5
Teleshia	**i3**. Information on Two USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Reports (*For Information Only)*	–

LOW INCOME OPEN SESSION (CONTINUED)		*Estimated Duration in Minutes*
Tim	**i4.** Low Income (Lifeline) Business Update • Q1 2024 Accomplishments • National Verifier Highlights • Lifeline Subscriber Trends • Plans for Q2 2024 • Roadmap • Appendix: Metrics, Service Type Trends, Glossary	20

LOW INCOME EXECUTIVE SESSION Confidential – ***Executive Session Recommended***		*Estimated Duration in Minutes*
Chris	**i5.** Low Income (Lifeline) Business Update *(Continued)* • Business Processing Outsourcing Performance Highlights for Q1 2024	10
Teleshia	**i6**. Information on One USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Report (*For Information Only)*	–
Chris	**a4.** Consideration of a Contract Award for Computer Matching Program Operations and Maintenance Services *(same as aBOD07cf)*	5
Chris	**a5.** Consideration of a Contract Modification for Long-Term Affordable Connectivity Program (Lifeline) Program Management Office Services	–

HIGH COST EXECUTIVE SESSION Confidential – ***Executive Session Recommended***		*Estimated Duration in Minutes*
Chris	**a6.** Consideration of a Contract Modification for Robotics Process Automation	–
Chris	**a7.** Consideration of a Contract Modification for High Cost Calculation Engine 2.0	–
Brandon Kyle	**i7**. High Cost Business Update *(Continued)* • CAF Lifecycle • High Cost System Modernization	15

Next Scheduled USAC High Cost & Low Income Committee Meeting

Monday, July 29, 2024
USAC Offices, Washington, D.C.

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 January 29, 2023 (*see* **Attachments A**).

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

(1) **i5.** Low Income Business Update: Business Process Outsourcing Performance Highlights for Q1 2024 *(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 matters related to USAC's ***procurement strategy and contract administration.***

(2) **i6.** Information on One USAC Audit and Assurance Division Universal Service Low Income Audit Report. 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*** 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.

(3) **a4.** Consideration of a Contract Award for Computer Matching Program Operations and Maintenance 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) **a5.** Consideration of a Contract Modification for Long-Term Affordable Connectivity Program (Lifeline) Project Management Office 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) **a6.** Consideration and Approval of a Contract Modification for Robotic Process Automation (RPA). USAC management recommends that this item be discussed in ***Executive Session*** because this matter relates to USAC's ***procurement strategy and contract administration.***

(6) **a7.** Consideration of a Contract Modification for High Cost Calculation Engine 2.0. USAC management recommends that this item be discussed in ***Executive Session*** because this matter relates to USAC's ***procurement strategy and contract administration.***

(7) **i7.** High Cost 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*** 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 of Three Routine Procurements.

(1) Consideration of a Contract Modification for Long-Term Affordable Connectivity Program (Lifeline) Project Management Office Services. The resolution is provided in **aHCLI05cf**. If discussion is needed, it will be conducted in ***Executive Session***.

(2) Consideration of a Contract Modification for Robotic Process Automation (RPA). The resolution is provided in **aHCLI06cf**. If discussion is needed, it will be conducted in ***Executive Session***.

(3) Consideration of a Contract Modification for High Cost Calculation Engine 2.0. 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 RESOLUTIONS:

RESOLVED, that the High Cost & Low Income Committee of the USAC Board of Directors hereby approves: (1) the Committee meeting minutes of January 29, 2024; (2) discussion in ***Executive Session*** of the items noted above; and (3) the approval of three routine procurements as presented in items aHCLI05cf and aHCLI07cf.

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

HIGH COST & LOW INCOME COMMITTEE MEETING
Monday, January 29, 2024

(DRAFT) MINUTES[1]

The quarterly meeting of the High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) was held at USAC's offices in Washington, D.C. on Monday, January 29, 2024. Mr. Ken Mason, Committee Chair, called the meeting to order at 10:00 a.m. Eastern Time, with a quorum of 8 of 11 Committee members present (there is one vacancy):

Chacko, Sheba
Chalk, Indra
Freeman, Sarah
Mason, Ken – Chair
Sekar, Radha – Chief Executive Officer
Semmler, Kara
Skrivan, Michael
Wein, Olivia – Vice Chair

Ms. Angela Siefer joined the meeting *by telephone* at 10:04 a.m. Eastern Time. She did not vote on item a1. Mr. Jeff Waller joined the meeting *by telephone* at 10:15 a.m. Eastern Time. He did not vote on items a1-a3. Ms. Stephanie Polk joined the meeting *by telephone* at 10:22 a.m. Eastern Time. She did not vote on items a1-a3.

Other Board members and officers of the corporation present:

Beyerhelm, Chris – Vice President and Chief Administrative Officer
Butler, Stephen – Vice President of Shared Services
Buzacott, Alan – *by telephone* – Member of the Board
Davis, Craig – Vice President of Schools and Libraries
Delmar, Teleshia – Vice President of Audit and Assurance
Domenech, Dan – Member of the Board
Gaither, Victor – Vice President of High Cost
Garber, Michelle – Vice President of Finance, Chief Financial Officer, and Assistant Treasurer
Gregory, Amber – Member of the Board
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
Thompson, Mona – *by telephone* – Member of the Board

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

Wibberly, Dr. Kathy – *by telephone* – Member of the Board
Williams, Erin – Vice President, General Counsel, and Assistant Secretary

Others present:

NAME	COMPANY
Ahmed, Sharmarke	USAC
Alomari, Ghanem	USAC
Boltz, Hanna – *by telephone*	USAC
Case, Kevin	USAC
Claxton, Naomi	USAC
Edson, Shauna – *by telephone*	Digital Inclusion
Greaney, Rachel	USAC
Green, Kevin	USAC
Goode, Vernell	USAC
Gustafson, Jaymie	USAC
Havivi, Daniel – *by telephone*	USAC
Kahn, Sammy	USAC
Kasting, Anna	USAC
Kirkpatrick, Matthew	USAC
King, Ryan	USAC
Little, Chris	USAC
Malashenok, Yelena	USAC
Nuzzo, Patsy	USAC
Oliver, Lindsay – *by telephone*	USAC
Rones, Julie	USAC
Ruffley, Brandon	USAC
Schrader, Theresa – *by telephone*	Broadband Legal Strategies
Simab, Habib	USAC
Smith, Chris	USAC
Suggs-Moore, Vickie	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 October 30, 2023.

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

(1) i5 – Low Income (Lifeline) Business Update: Mitigating Fraud Risk. 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) **a5 –** Approval of Low Income Support Mechanism 2024 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 One USAC Audit and Assurance Division Universal Service Low Income Audit Report. 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*** concerning the administration of the universal service support mechanisms, where discussion of the matter in open session would result in ***disclosure of confidential techniques and procedures*** that would compromise program integrity**.**

(4) **i7 –** High Cost Business Update *(Continued, if needed).* 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**.**

(5) **a6 –** Approval of High Cost Support Mechanism 2024 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***.

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 October 30, 2023; (2) discussion in ***Executive Session*** of the items noted above.

a2. Recommendation for Election of Committee Chair and Vice Chair. Mr. Mason introduced Commissioner Freeman. As the Chair of the Nominating Committee, Commissioner Freeman reported on the election recommendations for the Audit Committee.

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

RESOLVED, that the USAC Audit Committee recommends that the USAC Board of Directors elect **Olivia Wein** as Chair and **Michael Skrivan** as Vice Chair of the Committee. The term for each position begins immediately upon the election to such position by the Board and ends at such time as the Chair or Vice Chair (as the case may be): (i) is replaced by a successor selected by the Board, (ii) resigns from the Committee or the Board, (iii) is removed by resolution of the Board, or (iv) is no longer a member of the Board (whichever comes first).

a3. Approval of High Cost Support Mechanism 2nd Quarter 2024 Programmatic Budget and Demand Projection for the February 1, 2024 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 2nd quarter 2024 programmatic budget and demand projection for the February 1, 2024 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 2nd Quarter 2024 High Cost Support Mechanism program budget of $7.61 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of $7.61 million for High Cost Support Mechanism administrative costs in the required February 1, 2024 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 29, 2024 the 2nd Quarter 2024 High Cost Support Mechanism demand estimate of $1,100.91 million, hereby directs USAC staff to proceed with the required February 1, 2024 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 20 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:

- 2023 Year in Review
- 2024 Program Objectives
  - New Order Update
- Roadmap
- Appendix: Program Metrics and Verifications

LIFELINE OPEN SESSION

a4. Approval of Low Income Support Mechanism 2nd Quarter 2024 Programmatic Budget and Demand Projection for the February 1, 2024 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 2nd quarter 2024 programmatic budget and demand projection for the February 1, 2024 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 2nd Quarter 2024 Low Income Support Mechanism direct program budget of $12.70 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of $12.70 million for Low Income Support Mechanism administrative costs in the required February 1, 2024 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 29, 2024 the 2nd Quarter 2024 Low Income Support Mechanism demand estimate of $169.21 million, hereby directs USAC staff to proceed with the required February 1, 2024 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 Six 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:

- 2023 Year in Review
  - 2023 Metrics
  - National Verifier Highlights
  - Lifeline Subscriber Trends
- Q1 2024 Plans
- 2024 Plans Goals
- Roadmap
- Appendix: Program Metrics and Service Type Trends

At 10:48 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)**. Mr. O'Brien provided a verbal discussion to the Committee on observations and actions on mitigating fraud.

a5. **Approval of Low Income Support Mechanism 2024 Annual Programmatic Budget.** Mr. O'Brien presented this item to the Committee for consideration. The presentation included a written report on the Low Income Support Mechanism annual programmatic budget.

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

RESOLVED, the High Cost & Low Income Committee approves a 2024 annual programmatic budget for the Low Income Support Mechanism of $55.35 million.

i6. **Information on One USAC Audit and Assurance Division Universal Service Low Income Audit Report.** This item was provided for *information purposes* only. No discussion was held.

HIGH COST EXECUTIVE SESSION

a6. Approval of High Cost Support Mechanism 2024 Annual Programmatic Budget. Mr. Gaither presented this item to the Committee for consideration. The presentation included a written report on the High Cost Support Mechanism annual programmatic budget.

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

RESOLVED, that the High Cost & Low Income Committee approves a 2024 annual programmatic budget for the High Cost Support Mechanism of $29.28 million.

OPEN SESSION

At 11:13 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 discussed items i5 and i6, and took action on items a5 and a6.

On a motion duly made and seconded, the Committee adjourned at 11:14 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 3rd Quarter 2024 Programmatic Budget and Demand Projection for the May 2, 2024 FCC Filing

Action Requested

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 3rd Quarter 2024 (Q3 2024) programmatic budget and demand projection for the High Cost Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's May 2, 2024 quarterly filing.

Discussion

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

Funding Requirement

Based on data filed by supported carriers and FCC authorizations, USAC estimates the Q3 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 details.*

(in millions)	**Q2 2024**	**Increase/ (Decrease)**	**Q3 2024**	**Notes**
Steady State:				
Legacy Funds	$456.69	$37.46	$494.15	Includes HCLS, CAF BLS, CAF ICC, Frozen Price Cap and Competitive ETC Support. Increase mainly driven by new 509 true ups for calendar year 2022 and cap factor changes.
Modernization Funds	$660.91	($2.20)	$658.71	Includes CAF Phase II Auction, CAF Phase II (ACS only), Alaska Plan Support, A-CAM I, Revised A-CAM I, A-CAM II, E-ACAM, RBE, Mobility Fund Phase I, Uniendo a Puerto Rico Fund/Connect USVI Fund, and RDOF.
Amounts Paid from Reserve	($8.10)	$0.11	($7.99)	Disbursements for RBE, Mobility Fund Phase I, and portion of A-CAM I. Increase due to change in support for RBE.
Total Steady State	***$1,109.50***	***$35.37***	***$1,144.87***	
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	**$1,109.50**	**$35.37**	**$1,144.87**	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	($23.77)	$49.01	$25.24	
Billings	2.19	(12.67)	(10.48)	
Interest Income	(0.03)	0.01	(0.02)	
Bad Debt Expense	(8.76)	(1.29)	(10.05)	
Annual Admin True-Up	0.00	0.00	0.00	
Total Prior Period Adjustments	**($30.37)**	**$35.06**	**$4.69**	
USAC Administrative Expenses	21.78	(0.12)	21.66	See Table B
Total Funding Requirement	**$1,100.91**	**$70.31**	**$1,171.22**	

Based on the projected burn rate, USAC estimates the following Q3 2024 programmatic budget:

Table B. Quarterly Programmatic Budget

(in millions)	**Q2 2024**	**Increase/ (Decrease)**	**Q3 2024**	**Notes**
Direct Program Costs				
Employee Expenses	$1.70	$0.07	$1.77	
Professional Services	0.52	(0.04)	0.48	
General & Administrative	0.00	0.00	0.00	See Note 1
Total Direct Program Costs	**$2.22**	**$0.03**	**$2.25**	
Direct Assigned Costs				
Employee Expenses	$0.49	$0.24	$0.73	
Professional Services	4.77	(0.10)	4.67	
General & Administrative	0.13	(0.04)	0.09	See Note 1
Total Direct Assigned Costs	**$5.39**	**$0.10**	**$5.49**	
Total Direct Program & Direct Assigned Costs	**$7.61**	**$0.13**	**$7.74**	
Common Allocated Costs	**$14.17**	**($0.25)**	**$13.92**	
Total Programmatic Budget	**$21.78**	**($0.12)**	**$21.66**	

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

A comparison of actual expenditures to the budget for the three months ending March 31, 2024 is provided in **Attachment 2.**

Recommendation

USAC management recommends that the Committee approve the Q3 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 3rd Quarter 2024 High Cost Support Mechanism program budget of $7.74 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of $7.74 million for High Cost Support Mechanism administrative costs in the required May 2, 2024 filing to the Federal Communications Commission on behalf of the Committee; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on April 29, 2024 the 3rd Quarter 2024 High Cost Support Mechanism demand estimate of $1,171.22 million, hereby directs USAC staff to proceed with the required May 2, 2024 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.

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ATTACHMENT 1
Detailed High Cost Program Demand

(in millions)	**Q2 2024**	**Increase/ (Decrease)**	**Q3 2024**	**Notes**
Steady State – Legacy Funds:				
High Cost Loop Support (HCLS)[3]	$57.05	($1.00)	$56.05	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]	219.92	38.47	258.39	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]	88.56	(0.01)	88.55	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]	88.35	0.00	88.35	Frozen support for competitive carriers.
Total Steady State Legacy Funds	***$456.69***	***$37.46***	***$494.15***	

[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, 17956, para. 847 (2011) (*USF/ICC Transformation Order*).
[6] *Id.* at 17715, 17726, paras. 133, 159.
[7] *Id*. at 17715, para. 133.

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(in millions)	Q2 2024	Increase/ (Decrease)	Q3 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]	43.06	(0.03)	43.03	Model support to Rate of Return carriers for voice and broadband infrastructure.

[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).

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(in millions)	**Q2 2024**	**Increase/ (Decrease)**	**Q3 2024**	**Notes**
A-CAM II[11]	54.96	(.02)	54.94	Model support to Rate of Return carriers for voice and broadband infrastructure.
Rural Broadband Experiments (RBE)[12]	0.50	(0.11)	0.39	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	12.77	(1.94)	10.83	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	152.01	(0.10)	151.91	Fund the deployment of up to gigabit speed broadband networks in unserved rural communities through a two-phase reverse auction mechanism.
Enhanced Alternative Connect America Cost Model	315.13	0.00	315.13	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

[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).

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(in millions)	**Q2 2024**	**Increase/ (Decrease)**	**Q3 2024**	**Notes**
				areas served by legacy rate-of-return support recipients.
Total Steady State Modernization Funds	***$660.91***	***($2.20)***	***$658.71***	
Amounts Paid from Reserve	***($8.10)***	***$0.11***	***($7.99)***	Per FCC direction, all disbursements for RBE, Mobility Fund Phase I, and a portion of disbursements for A-CAM I are paid from reserved funds collected in prior years. The ending balance as of March 31, 2024 for reserved funds was approximately $539.75 million.
New Requirements – Legacy Funds:				
Total New Requirements Legacy Funds	***0.00***	***0.00***	***0.00***	
New Requirements – Modernization Funds:				
Total New Requirements Modernization Funds	***$0.00***	***$0.00***	***$0.00***	
Total Program Demand	**$1,109.50**	**$35.37**	**$1,144.87**	

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ATTACHMENT 2

High Cost Administrative Costs and Headcount

Comparison of Actual Expenditures and Headcount to the Budget for the
Three months ending March 31, 2024

($ in millions)	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	48	50	2	$1.76	$1.82	$0.06
Professional Services (Note 2)				0.19	0.49	0.30
General & Administrative				0.00	0.00	0.00
Total Direct Program Costs				**$1.95**	**$2.31**	**$0.36**
Direct Assigned Costs						
Employee Expenses	14	16	2	$0.68	$0.96	$0.28
Professional Services (Note 2)				3.92	3.03	(0.89)
General & Administrative				0.08	0.04	(0.04)
Total Direct Assigned Costs				**$4.68**	**$4.03**	**($0.65)**
Total Direct Program & Direct Assigned Costs	**62**	**66**	**4**	**$6.63**	**$6.34**	**($0.29)**
Common Allocated Costs (Note 3)				**$13.12**	**$13.18**	**$0.06**
Total Programmatic Budget				**$19.75**	**$19.52**	**($0.23)**

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.

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High Cost and Low Income Committee

High Cost Business Update

Open Session

April 29, 2024

Universal Service Administrative Co.

Agenda

- Q1 2024 Accomplishments
- E-ACAM and Administrative Order Highlights
- Plans for Q2 2024
- Roadmap
- Appendix A: Metrics
- Appendix B: Glossary of Terms

Q1 2024 Accomplishments

- **Operations**
  - Implemented E-ACAM requirements, including cybersecurity and supply chain plans and initial disbursements issued in January 2024.
  - Successfully collected HUBB annual broadband deployment data and certifications for modernized programs (99.8 percent certified) and Middle Mile (100 percent).
  - Collected legacy data: HCL - Part 36 Data and CAF BLS.
  - Completed data validation and trend analysis for legacy funds CAF ICC and HCL to ensure consistency.
  - Disbursed $1.1 Billion for Q1 2024 (March is Estimated).

Q1 2024 Accomplishments (Continued)

- **Compliance**

  Milestones

  - Confirmed milestone deployment to ensure carriers met build-out requirements through 2023. A total of 20 of 916 study areas did not meet milestone requirements.

  Verifications

  - Completed sampling plans for milestone verification activity to begin in March 2024 (ACAM/RACAM, ACAM II, CAF BLS, PR/VI, and CAF II Auction).
  - Supported reducing/terminating Letters of Credit in CAF II Auction (10 reviews) & RDOF (30 reviews).

  PMM

  - Performed compliance analysis of Q4 2023 PMM data for carriers previously in non-compliance with 2022 annual testing and pre-testing. Approximately $800,000 was restored during Q1 2024 for nine study areas that came into compliance with performance measures.
  - Executed reviews for early submissions of 2023 annual data to provide feedback to carriers & FCC.

Q1 2024 Accomplishments (Continued)

- **Stakeholder Engagement and Outreach**
  - Facilitated carriers' ability to navigate the March 1, 2024 deadline for filing 2023 broadband deployment data and certifying 2023 deployment milestones in HUBB.
  - Includes helping CAF BLS carriers certify to the final five-year milestone.
  - Helped carriers navigate quarterly network speed and latency pre-testing/testing and reporting requirements and obtain quarterly compliance reports.
    - Includes helping ACAM II, CAF II Auction, CAF BLS and PR/USVI carriers (and ACS) obtain new random subscriber location samples for testing.
  - Supported implementation of the Enhanced ACAM fund with a new fund page for the High Cost website and outreach to help carriers submit and certify required cybersecurity and supply chain risk management plans by the February 12, 2024 deadline.
  - Updated USAC website with 2022 RBAP Reports and 9/30/23 HUBB dashboards

E-ACAM and Administrative Order Highlights

- E-ACAM
  - Initial support (January 2024) for Enhanced ACAM disbursed in February 2024.
  - Initial Supply Chain and Cybersecurity Plan collection completed by the February 12, 2024 due date.
  - E-ACAM participants who received support under ACAM I, ACAM II, and CAF BLS were required to file their location deployment data in the HUBB by the March 1, 2024 filing due date.
  - HC team monitored compliance with the requirement for Enhanced A-CAM carriers to participate in the Affordable Connectivity Program (ACP).
- Admin Order
  - Finalized business requirements on February 7, 2024.
  - Awaiting Paperwork Reduction Act (PRA) approval to schedule and implement changes under the new Rules.

Plans for Q2 2024

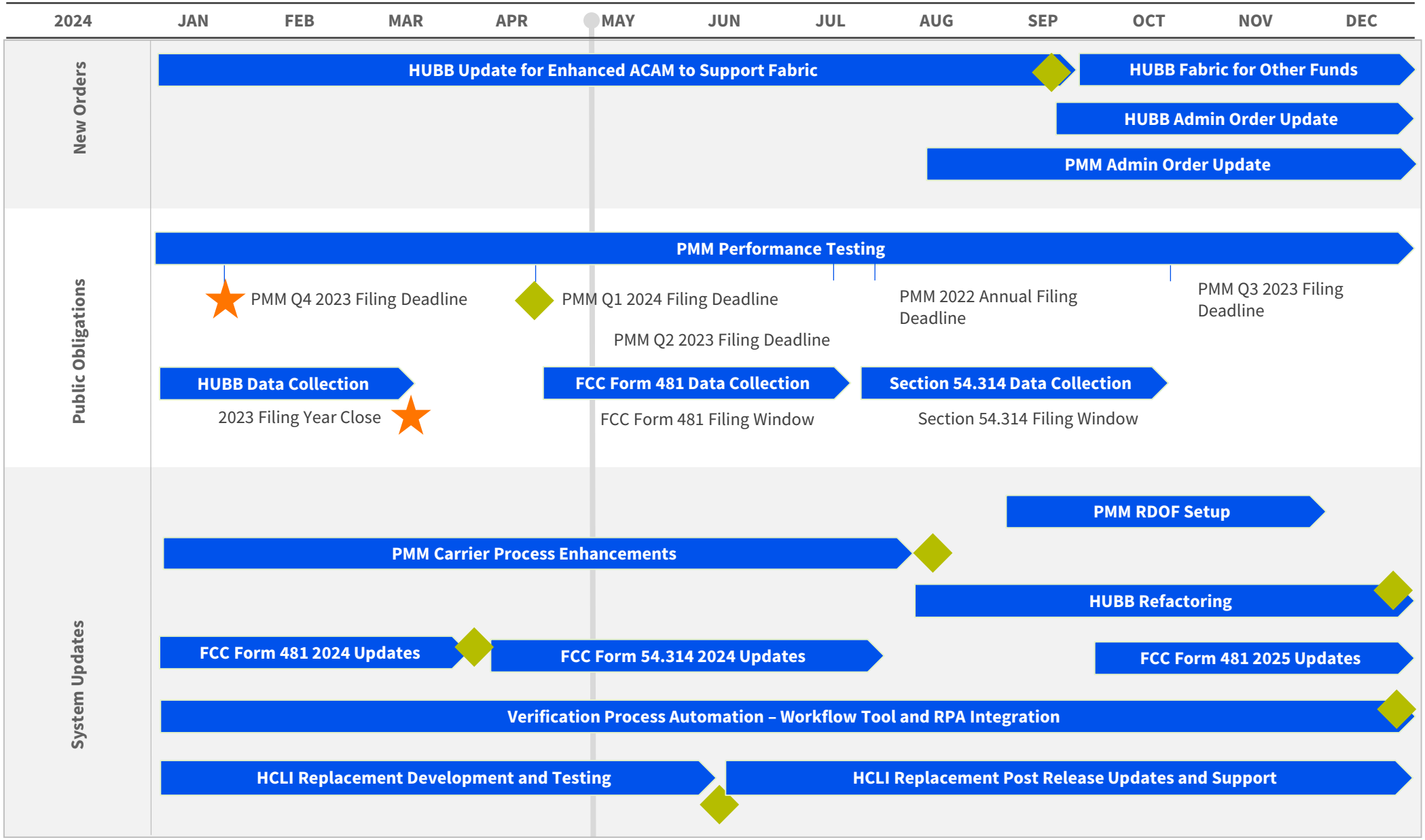
- Operations
  - Operationalize HCLI 2.0 for business activities such as disbursement processing and payment calculations.
  - Work with carriers and USAC teams to successfully collect FCC Form 481 filings.
- Compliance
  - Monitor automation, track process and system metrics, and identify additional enhancements.
  - Perform verifications of required milestones using data submitted in March 2024.
  - Analyze Q1 2024 PMM data and review 2023 annual submissions (due to USAC in July 2024).

Plans for Q2 2024 (Continued)

- Product
  - Launch HCLI 2.0 to modernize disbursement calculations and workflows.
  - Update the FCC Form 481 filing system with required regulatory changes for the 2024 filing year.
  - Continue development of changes to HUBB to integrate FCC Fabric data for Enhanced ACAM.
  - Update and refine the Robotic Process Automation initiative for verifications to improve performance and effectiveness.

2024 Roadmap

Available for Public Use



Appendix A: Metrics

High Cost Calendar Year Deployments (Data as of March 31, 2024)

Fund	2020	2021	2022	2023	2024
ACAM	455,427	507,616	564,458	609,721	611,037
ACAM II	310,066	348,061	372,708	396,295	396,318
AK Plan	36,774	55,212	57,863	62,370	62,375
CAF BLS	742,337	896,788	1,040,683	1,228,412	1,228,412
CAF Phase II	3,098,363	4,210,960	4,214,475	4,218,561	4,219,101
CAF II AUC	79,910	187,097	437,776	565,867	575,722
PR Fixed			94,059	997,633	997,633
RBE	25,499	27,632	27,983	28,320	28,320
RDOF	50,214	110,163	401,062	845,435	846,974

2024 Filing Year Closed March 1, 2024

Appendix A: Metrics (Continued)

High Cost Disbursements (Through December 2023)

Fund Type	Carrier Type	2023	2022	2021
Legacy	CETC	$363,104,008	$366,415,625	$369,229,873
	ILEC	$1,864,389,661	$1,754,582,767	$1,692,324,455
Modernized	CETC	$762,269,180	$708,250,422	$347,889,239
	ILEC	$1,338,603,612	$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 – Deployment Snapshot

(as of March 4th, 2024)

The below table highlights verification activity initiated in 2024. 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
ACAM (Projected)	1,500	TBD	TBD	TBD
ACAM II (Projected)	800	TBD	TBD	TBD
RDOF – On Demand (In progress)	2,117	TBD	TBD	TBD
RDOF – On Demand (Completed)	1,025	1,025	995	30
CAF II Auction – On Demand (Completed)	262	262	256	6
CAF II Auction – On Demand (In progress)	946	TBD	TBD	TBD
CAF II Auction – 60% (Projected)	420	TBD	TBD	TBD
PRVI – On Demand (Completed)	166	166	149	17
CAF BLS (Projected)	7,600	164	159	5
RBAP (In progress)	2,122	TBD	TBD	TBD
RBAP (Completed)	153	153	125	28
Total Locations To Date	**17,111**	**1,770**	**1,684**	**86**

Appendix B: Verification - Performance Measures Testing

Summary of Results by Speed/SAC Combination for Q4 2023

Fund	Testing Status	Submitted Test Results	Overall Non-compliant Test Results	Download Test Results		Upload Test Results		Latency Test Results	
				Pass	Fail	Pass	Fail	Pass	Fail
CAF II Model	Completed 2021	---	---	---	---	---	---	---	---
CAF II ACS	In testing	1	0	1	0	1	0	1	0
ACAM I & Revised ACAM I	In testing	604	34	587	17	593	11	589	15
RBE	In testing	32	5	31	1	30	2	27	5
AK Plan Wireline	In testing	19	4	16	3	17	2	15	4
CAF II Auction	In testing	154	23	135	19	144	10	131	23
ACAM II	In testing	282	5	280	2	280	2	279	3
CAF BLS	In testing	378	15	366	12	371	7	372	6
PRVI	Upcoming (Pre-testing starts 2024)	---	---	---	---	---	---	---	---
RDOF	Upcoming (Pre-testing starts 2025)	---	---	---	---	---	---	---	---
Enhanced A-CAM	Upcoming (Pre-testing starts 2026)	---	---	---	---	---	---	---	---
Total		1,470	86	1,416	54	1,436	34	1,414	56

Notes:

- Initial performance measures testing framework established within DA 18-710.
- Penalties determined based on lowest compliance score across download speed, upload speed, and latency test results. The column marked “Overall Non-Compliant Test Results” summarizes the number of unique Speed/SAC combinations that are non-compliant. A given carrier can fail all three but would only count once as non-compliant.
- 2023 Annual PMM results are not due until July 2024.

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 *Universal Service Fund/Connect America Fund Transformation Order*, a part of the federal universal service High Cost program designed to expand access to voice and broadband services.
CAF 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: 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.
MoS	Mean Opinion Score
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	Rural Broadband Accountability Plan: Chairwoman Rosenworcel initiative 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 build out broadband services in high-cost areas. *See* FCC 14-98.
RDOF	Rural Digital Opportunity Fund: RDOF builds on the CAF II Auction and provides HC support to connect millions more rural homes and small businesses to high-speed broadband networks. With RDOF Phase I, the FCC targets support to areas that lack access to 25/3Mbps broadband.
RPA	Robotic Process Automation: Technology designed to automate manual repetitive, high-volume tasks performed by employees.
SAC	Study Area Code: A unique, six-digit identifier used to classify a carrier-specific service area.

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High Cost & Low Income Committee Meeting

ACTION ITEM

Approval of Low Income Support Mechanism 3rd Quarter 2024 Programmatic Budget and Demand Projection for the May 2, 2024 FCC Filing

Action Requested

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 3rd Quarter 2024 (Q3 2024) programmatic budget and demand projection for the Low Income Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's May 2, 2024 quarterly filing.

Discussion

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

Funding Requirement

Based on projected subscribership levels, USAC estimates the Q3 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

(in millions)	**Q2 2024**	**Increase/ (Decrease)**	**Q3 2024**	**Notes**
Steady State:				
Lifeline	$297.43	($45.98)	$251.45	See Note 1
Link Up	0.06	(0.01)	0.05	
New Requirements:				
N/A	0.00	0.00	0.00	
Total Program Demand	**$297.49**	**($45.99)**	**$251.50**	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	($147.42)	$79.91	($67.51)	See Note 2
Billings	0.76	(2.68)	(1.92)	
Bad Debt Expense	(2.16)	0.08	(2.08)	
Interest Income	(0.01)	0.01	0.00	
Annual Administrative Expense True-Up	0.00	0.00	0.00	
Total Prior Period Adjustments	**($148.83)**	**$77.32**	**($71.51)**	
USAC Administrative Expenses	$20.55	$3.00	$23.55	See Table B
Total Funding Requirement	**$169.21**	**$34.33**	**$203.54**	

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

Note 2: The prior period adjustment is lower due to higher payments for outstanding claims in first quarter.

Based on the projected burn rate, USAC estimates the following Q3 2024 programmatic budget:

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Table B. Quarterly Programmatic Budget

(in millions)	**Q2 2024 Budget**	**Increase/ (Decrease)**	**Q3 2024 Budget**	**Notes**
Direct Program Costs				
Employee Expenses	$2.77	$0.14	$2.91	
Professional Services	6.12	0.89	7.01	
General & Administrative	0.38	0.15	0.53	See Note 3
Total Direct Program Costs	**$9.27**	**$1.18**	**$10.45**	
Direct Assigned Costs				
Employee Expenses	$0.66	$0.21	$0.87	
Professional Services	2.31	0.84	3.15	
General & Administrative	0.46	(0.06)	0.40	See Note 3
Total Direct Assigned Costs	**$3.43**	**$0.99**	**$4.42**	
Total Direct Program & Direct Assigned Costs	**$12.70**	**$2.17**	**$14.87**	
Common Allocated Costs	**$7.85**	**$0.83**	**$8.68**	
Total Programmatic Budget	**$20.55**	**$3.00**	**$23.55**	

Note 3: General & Administrative expenses include computer support & maintenance, postage, and meetings & conferences.

A comparison of actual expenditures to the budget for the three months ending March 31, 2024 is provided in **Attachment 1.**

Recommendation

USAC management recommends that the Committee approve the Q3 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 3rd Quarter 2024 Low Income Support Mechanism direct program budget of $14.87 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of $14.87 million for Low Income Support Mechanism administrative costs in the required May 2, 2024 filing to the Federal Communications Commission on behalf of the Committee; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on April 29, 2024 the 3rd Quarter 2024 Low Income Support Mechanism demand estimate of $203.54 million, hereby directs USAC staff to proceed with the required May 2, 2024 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.

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ATTACHMENT 1

Low Income Administrative Costs and Headcount

Comparison of Actual Expenditures and Headcount to the Budget for the
Three Months ending March 31, 2024

($ in millions)	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	86	92	6	$2.49	$2.98	$0.49
Professional Services (Note 3)				5.07	6.40	1.33
General & Administrative (Note 4)				0.17	0.45	0.28
Total Direct Program Costs				$7.73	**$10.47**	$2.10
Direct Assigned Costs						
Employee Expenses	13	20	7	$0.50	$1.05	$0.55
Professional Services (Note 3)				2.74	2.75	0.01
General & Administrative (Note 4)				0.55	0.33	(0.22)
Total Direct Assigned Costs				**$3.79**	**$3.34**	**$0.34**
Total Direct Program & Direct Assigned Costs	**99**	**112**	**13**	**$11.52**	**$13.96**	**$2.44**
Common Allocated Costs (Note 5)				**$9.29**	**$9.22**	**($0.07)**
Total Programmatic Budget				**$20.81**	**$23.18**	**$2.37**

Note 4: 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 5: General & Administrative expenses include computer support & maintenance, postage, and meetings & conferences.

Note 6: 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.

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High Cost and Low Income Committee

Lifeline Business Update

Open Session

April 29, 2024

Universal Service Administrative Co.

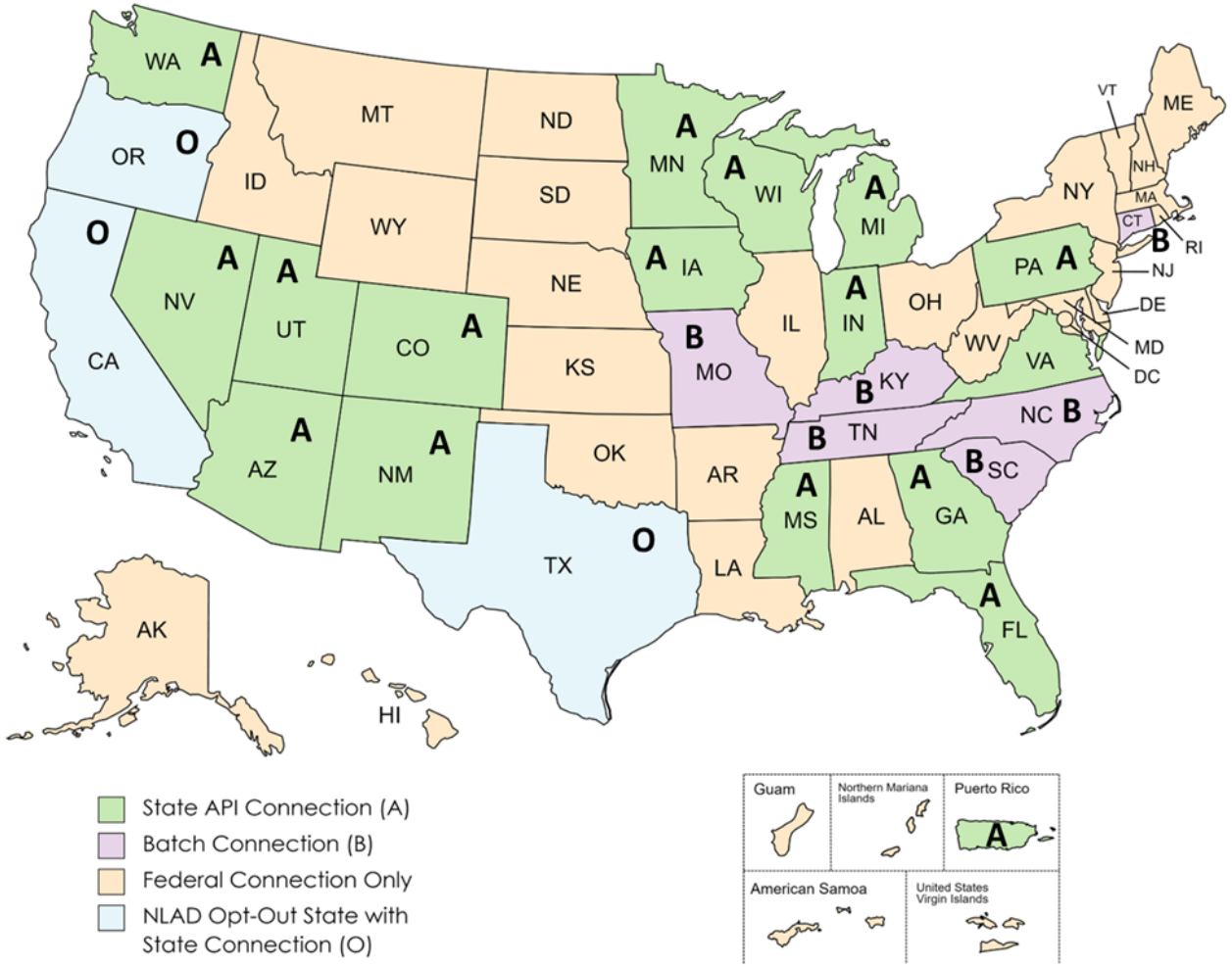
Agenda

- Q1 2024 Accomplishments
- National Verifier (NV) Highlights
- Lifeline Subscriber Trends
- Plans for Next Quarter
- Roadmap
- Appendix: Program Metrics, Service Type Trends, and Glossary of Terms

Q1 2024 Accomplishments

- Completed Lifeline recertification system enhancements
- Initiated the 2024 annual recertification processes, with completion expected in June 2024
- Implemented an electronic ingestion process to supplement inbound mail processes, specifically for reverification processes
- Continued progression of Lifeline reverification, with completion expected in July 2024
- Continued progression of Safe Connections Act operational and system development on track for July 2024
- Strengthened relationships with service providers through surveys, monthly discussions, and enhanced communications
- Completed Q2 and Q3 PIA reviews for high-risk areas

National Verifier Highlights

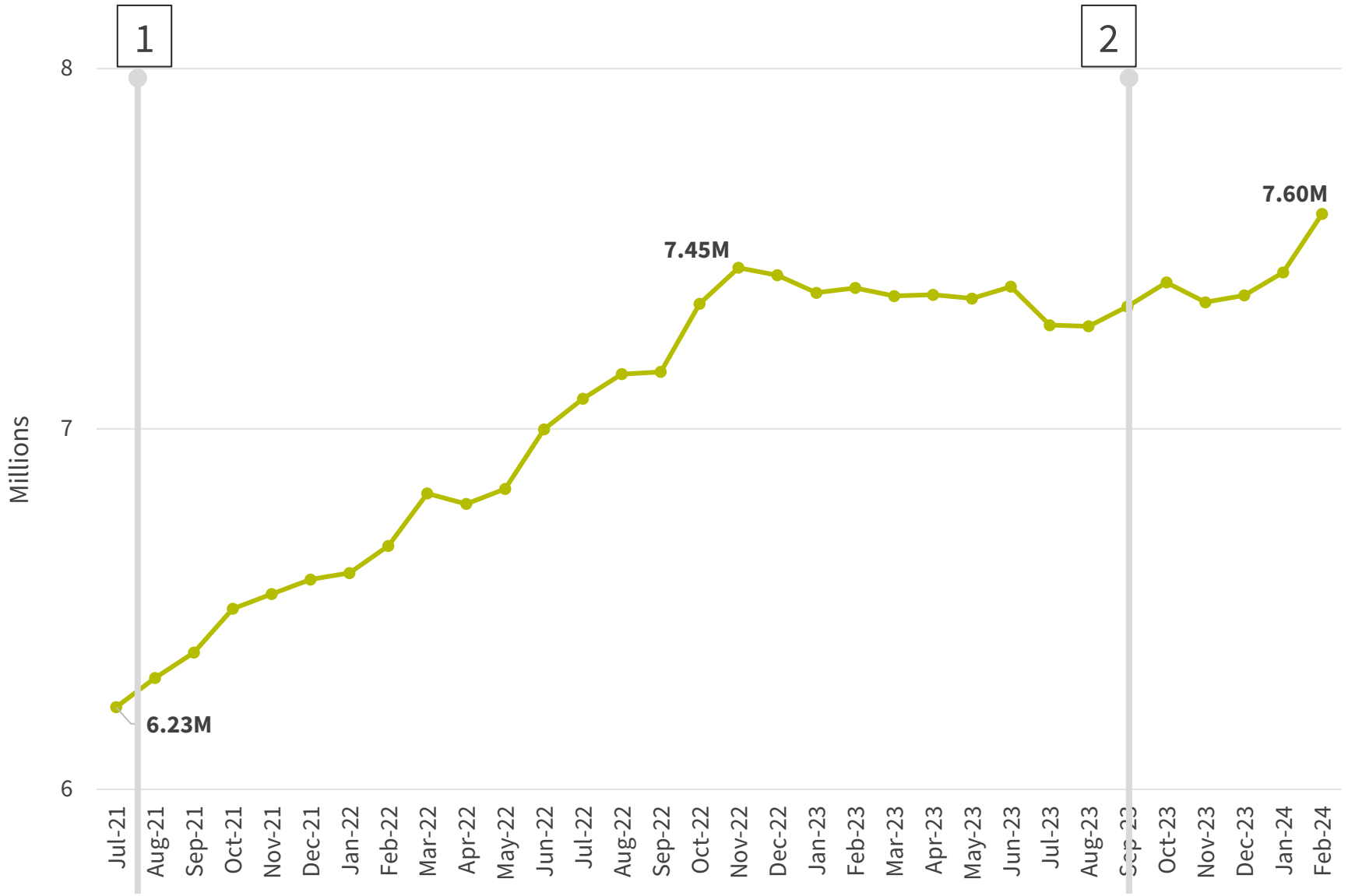


29 Total NV Connections Available

- 26 state and territory connections
- Three federal connections to CMS, HUD, & VBA
- Five potential new connections, with CMAs in various stages of review

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	March 2024 Data Month Subscribers
State and Federal	**62.0%**	**3.5%**	**65.8%**	**46.2%**	**3,721,358**
Federal Only	**53.3%**	**4.4%**	**57.2%**	**40.4%**	**2,416,345**
Overall	**58.0%**	**3.9%**	**59.9%**	**43.6%**	**6,137,703**

Lifeline Subscriber Trends



1. Subscribership generally trended upwards since Jul. 2021, following waivers of non-usage de-enrollments.

2. 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

- Complete Lifeline 2024 annual recertification
- Complete implementation of the Safe Connections Act
- Progress Safe Connections Act program evaluation planning
- Enhance focus on Lifeline's Tribal outreach initiatives, including attending the National Tribal Telecommunications Association event in Phoenix, AZ
- Increase partnership and awareness of the Lifeline program among unhoused consumers
- Complete Q4 2023 quarterly PIA review, expected to complete April 2024

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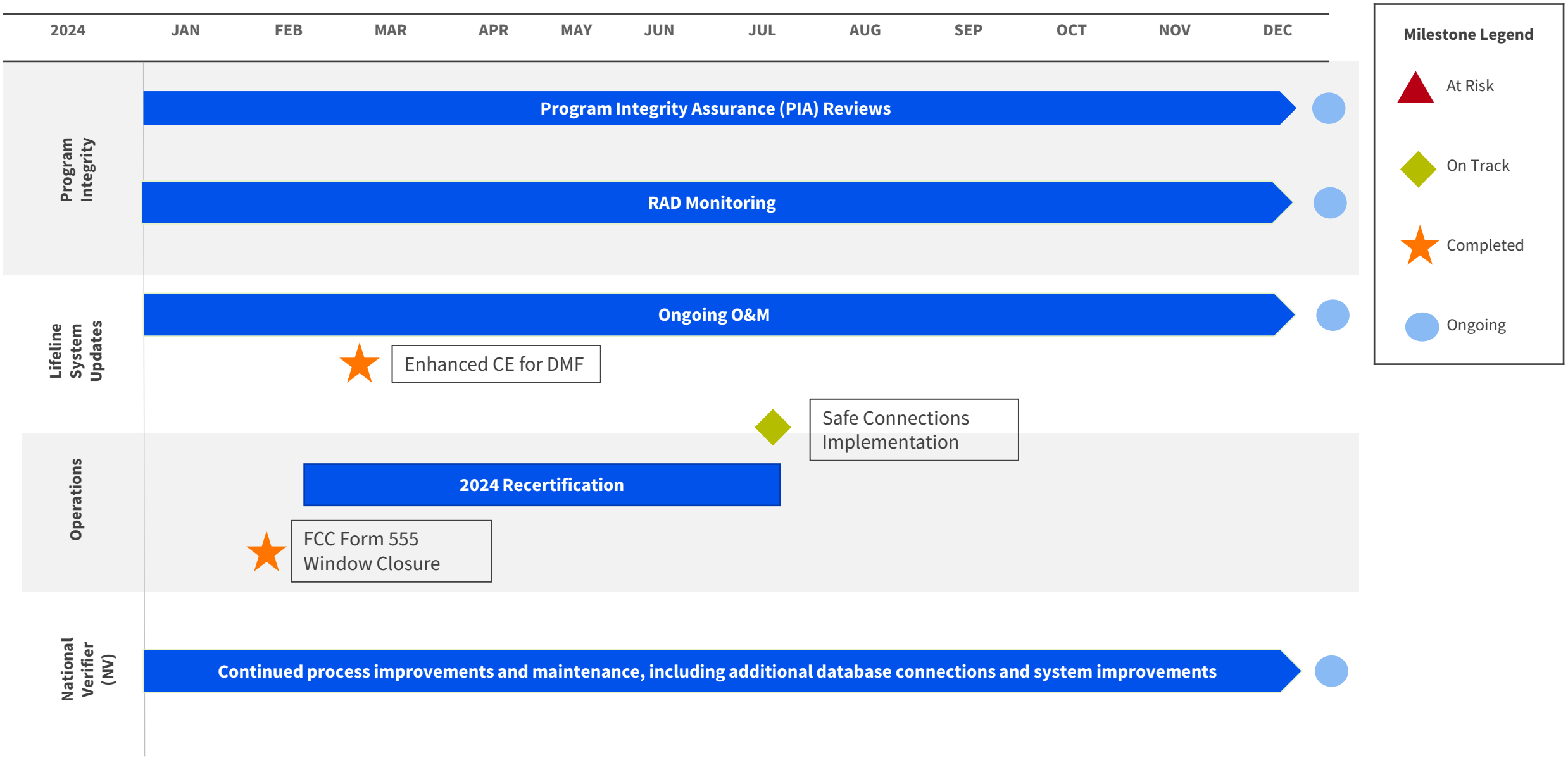
2024 Roadmap



Appendix A: Metrics

Lifeline Eligibility and Enrollments

Year-to-Date (YTD) Cumulative Comparison	2024 (January through March)	2023 (January through March)
National Verifier Applications Created	6,284,767	4,815,900
Program Eligibility Auto Approved	3,637,669	3,126,337
Program Eligibility Auto Pass Rate	57.9%	64.9%
Enrollments (Excludes CA, OR, and TX)	1,459,486	1,468,579
De-Enrollments (Excludes CA, OR, and TX)	1,321,815	1,476,465
NLAD Subscribers (Excludes CA, OR, and TX; based on Mar. Data, Apr. 1 Snapshot)	6,137,703	5,998,498
Opt-Out State Subscribers (CA, OR, and TX; based on Mar. Data, Apr. 1 Snapshot)	1,459,124	1,370,402

***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.

Appendix B: Lifeline Program Service Type Trends

Month	Broadband	Bundled Broadband	Bundled Voice and Broadband	Bundled Voice	Voice
March 2024	0.89%	15.29%	80.20%	0.70%	2.92%
February 2024	0.87%	16.60%	78.69%	0.86%	2.99%
January 2024	0.88%	17.67%	77.18%	1.01%	3.27%
December 2023	0.88%	18.78%	75.90%	1.05%	3.38%
November 2023	0.88%	20.47%	74.11%	1.09%	3.46%
October 2023	0.88%	22.68%	71.87%	1.07%	3.50%
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%

- **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**
March 2024 (snapshot on Apr. 1)	7,596,827	1.92%	$68,650,011
February 2024 (snapshot on Mar. 1)	7,453,709	0.26%	$81,714,095
January 2024 (snapshot on Feb. 1)	7,434,171	0.86%	$130,593,037
December 2023 (snapshot on Jan. 1)	7,370,439	0.26%	$60,363,727
November 2023 (snapshot on Dec. 1)	7,351,586	-0.74%	$37,338,881
October 2023 (snapshot on Nov. 1)	7,406,426	0.91%	$51,734,958
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

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 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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