



High Cost & Low Income Committee

Briefing Book

Monday, January 29, 2024

10:00 a.m. – 11:40 a.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**

<p>Monday, January 29, 2024 10:00 a.m. – 11:40 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="padding-left: 20px;">A. Approval of High Cost & Low Income Committee Meeting Minutes of October 30, 2023</p> <p style="padding-left: 20px;">B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i></p>	5
Chair	<p>a2. Recommendation for Election of Committee Chair and Vice Chair</p>	5
Vic	<p>a3. Approval of High Cost Support Mechanism 2nd Quarter 2024 Programmatic Budget and Demand Projection for the February 1, 2024 FCC Filing</p>	5
Teleshia	<p>i1. Information on 20 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"> • 2023 Year in Review • 2024 Program Objectives <ul style="list-style-type: none"> ○ New Order Update ○ HCLI 2.0 Cutover • Roadmap • Appendix: Program Metrics and Verification Snapshot 	20

LOW INCOME OPEN SESSION		<i>Estimated Duration in Minutes</i>
Tim	<p>a4. Approval of Low Income Support Mechanism 2nd Quarter 2024 Programmatic Budget and Demand Projection for the February 1, 2024 FCC Filing</p>	5
Teleshia	<p>i3. Information on Six USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Report <i>(For Information Only)</i></p>	–

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Tim	i4. Low Income (Lifeline) Business Update <ul style="list-style-type: none"> • 2023 Year in Review <ul style="list-style-type: none"> ○ 2023 Metrics ○ National Verifier Highlights ○ Lifeline Subscriber Trends • Q1 2024 Plans • 2024 Plans Goals • Roadmap • Appendix: Program Metrics and Service Type Trends 	20
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LOW INCOME EXECUTIVE SESSION Confidential –HC Executive Session Recommended		<i>Estimated Duration in Minutes</i>
Tim	i5. Low Income (Lifeline) Business Update <i>(Continued)</i> <ul style="list-style-type: none"> • Mitigating Fraud Risk 	10
Tim	a5. Approval of Low Income Support Mechanism 2024 Annual Programmatic Budget	10
Teleshia	i6. Information on One USAC Audit and Assurance Division Universal Service Low Income Audit Report <i>(For Information Only)</i>	–

HIGH COST EXECUTIVE SESSION Confidential – Executive Session Recommended		<i>Estimated Duration in Minutes</i>
Vic	i7. High Cost Business Update <i>(Continued, if needed)</i>	–
Vic	a6. Approval of High Cost Support Mechanism 2024 Annual Programmatic Budget	10

Next Scheduled USAC High Cost & Low Income Committee Meeting

Monday, April 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 October 30, 2023 (*see Attachments A-1*).
- 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*.

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

Recommended USAC High Cost & Low Income Committee Action

APPROVAL OF THE FOLLOWING RESOLUTION:

RESOLVED, that the High Cost & Low Income Committee of the USAC Board of Directors hereby approves: (1) the Committee meeting minutes of October 30, 2023; (2) discussion in *Executive Session* of the items noted above.

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

HIGH COST & LOW INCOME COMMITTEE MEETING
Monday, October 30, 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, October 30, 2023. 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:

Chalk, Indra
Feiss, Geoff
Freeman, Sarah
Gillan, Joe

Mason, Ken – Chair
Sekar, Radha – Chief Executive Officer
Skrivan, Michael
Wein, Olivia – Vice Chair

Members of the Committee not present:

Jacobs, Ellis
Polk, Stephanie

Waller, Jeff

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
Sanquist, Christine – Member of the Board
Schell, Julie – Member of the Board
Sweeney, Mark – Vice President of Rural Health Care
Wein, Olivia – Member of the Board
Wibberly, Dr. Kathy – Member of the Board – *by telephone*

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

Williams, Erin – Vice President, General Counsel, and Assistant Secretary

Others present:

<u>NAME</u>	<u>COMPANY</u>
Augustino, Steve – <i>by telephone</i>	Nelson Mullins Riley & Scarborough
Benham, Cathy – <i>by telephone</i>	CSM
Calhoun, Mitch	USAC
Campos, Joel – <i>by telephone</i>	Maximus
Case, Kevin	USAC
Claxton, Naomi	USAC
Duemmel, Mark	USAC
Faunce, Donna – <i>by telephone</i>	USAC
Green, Kevin	USAC
Goode, Vernell	USAC
Gould, Emily	USAC
Hamm, Aaron	USAC
Havivi, Daniel	USAC
Johnson, Tiffany – <i>by telephone</i>	USAC
Kahn, Sammy	USAC
King, Ryan	USAC
Little, Chris	USAC
Lougheed, Matthew	USAC
Malashenok, Yelena	USAC
Morning, Kimberly – <i>by telephone</i>	Morgan Lewis
Morgan, Meredith	USAC
Nuckols, Scott	Deloitte
Nuzzo, Patsy	USAC
Oliver, Lindsay	USAC
Rones, Julie	USAC
Ruffley, Brandon	USAC
Sadirkhanova, Sabina – <i>by telephone</i>	USAC
Sauls, Lucas – <i>by telephone</i>	Maximus
Schrader, Theresa – <i>by telephone</i>	Broadband Legal Strategies
Simab, Habib	USAC
Suggs-Moore, Vickie	USAC
Tessler, Joelle	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 July

Available for Public Use

24, 2023.

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 a 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 a 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*.

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

RESOLVED, that the High Cost & Low Income Committee of the USAC Board of Directors hereby approves: (1) the Committee meeting minutes of July 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.

- a2. **Approval of High Cost Support Mechanism 1st Quarter 2024 Programmatic Budget and Demand Projection for the November 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 1st quarter 2024 programmatic budget and demand projection for the November 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 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.

- i1. **Information on Ten 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:

- Q3 2023 Accomplishments
- Highlights of Enhanced ACAM
- Plans for Q4 2023
- Roadmap
- Appendix: Metrics

LIFELINE OPEN SESSION

a3. Approval of Low Income Support Mechanism 1st Quarter 2024 Programmatic Budget and Demand Projection for the November 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 1st quarter 2024 programmatic budget and demand projection for the November 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 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.

- i3. **Information on Two USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Reports.** This item was provided for *information purposes* only. No discussion was held. 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:
- Q3 2023 Accomplishments
 - 2023 Waviers
 - National Verifier Highlights
 - Plans for Next Quarter
 - Roadmap
 - Appendix: Metrics

At 10:49 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).** Ms. Delmar presented PowerPoint slides to the Committee covering Lifeline Improper Payment Results.
- 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.** No additional discussion was had on this item. The committee adopted the following resolution as a part of the Consent Items:

RESOLVED, that the USAC High Cost Low Income Committee, having reviewed the recommendation of USAC management, hereby authorizes USAC management to modify its contract with Accenture Federal Services, LLC for the operation and maintenance, design, development, licensing and hosting of the National Verifier and National Lifeline Accountability Database system for the Lifeline Program by adding and exercising a third and final option term for a not-to-exceed amount of \$9,500,000.00 (plus applicable taxes), thereby increasing the total not-to-exceed (NTE) amount from \$12,300,000.00 (plus applicable taxes) to \$21,800,000.00 (plus applicable taxes), subject to required Federal Communications Commission approval.

- a5. Consideration to Exercise the Second One-Year Option Term for Lifeline Email Processing Services.** No additional discussion was had on this item. The committee adopted the following resolution as a part of the Consent Items:

RESOLVED, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management to exercise the second and final one-year option term of the Lifeline email services contract with Guidehouse, LLP for a total not-to-exceed amount of \$2,154,067.64 (plus applicable taxes), thereby increasing the total not-to-exceed amount from \$5,763,360.89 (plus applicable taxes) to \$7,917,428.53 (plus applicable taxes), subject to required Federal Communications Commission approval.

- a6. Consideration to Exercise Option Term for Lifeline Business Process Outsourcing Services.** No additional discussion was had on this item. The committee adopted the following resolution as a part of the Consent Items:

RESOLVED, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management to exercise the first one year option term of its Lifeline Program Business Process Outsourcing contract with Maximus Federal Services for a not-to-exceed amount of \$8,464,925.00 (plus applicable taxes), thereby increasing the total not-to-exceed amount from \$8,457,181.70 (plus applicable taxes) to \$16,922,106.70 (plus applicable taxes), subject to required Federal Communications Commission approval.

HIGH COST EXECUTIVE SESSION

- i6. High Cost Business Update (Continued).** Mr. Gaither presented information to the Committee on the status of Performance Measures testing; Mr. Hutchinson provided an update on the HCLI 2.0 Modernization; and Ms. Delmar presented information on High Cost Improper Payment Results.
- a7. Consideration of a Contract Modification for High Cost Model Operations and Maintenance and Enhancements.** No additional discussion was had on this item. The committee adopted the following resolution as a part of the Consent Items:

RESOLVED, that the High Cost & Low Income Committee of the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management to modify its existing contract with CostQuest Associates for the performance of High Cost model operations & maintenance and enhancements by increasing the total not-to-exceed amount by \$350,000.00 (plus applicable taxes), thereby

increasing the total not-to exceed amount from \$1,600,000.00 (plus applicable taxes) to \$1,950,000.00 (plus applicable taxes), subject to required Federal Communications Commission approval.

OPEN SESSION

At 11:36 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.

On a motion duly made and seconded, the Committee adjourned at 11:36 a.m. Eastern Time.

/s/ Erin Williams

Assistant Secretary

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

ACTION ITEM

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

Action Requested

The USAC High Cost & Low Income (Committee) is taking action to bring its Chair and Vice Chair nominations for consideration by the full Board of Directors (Board) at the Board meeting to be held on January 30, 2024.

Discussion

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

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

On January 30, 2023, the Board re-elected Ken Mason as Chair and Olivia Wein as Vice Chair of the High Cost & Low Income Committee.

At their January 29, 2024 quarterly meetings, each committee of the Board (including the Audit Committee and the programmatic committees) will nominate Board members to serve as chair and vice chair of their respective committees. Those recommendations will be submitted to the Board at the Board meeting to be held on January 30, 2024.

Recommended USAC High Cost & Low Income Committee Action

APPROVAL OF THE FOLLOWING RESOLUTION:

RESOLVED, that the USAC High Cost & Low Income Committee recommends that the USAC Board of Directors elect _____ as Chair and _____ as Vice Chair of the Committee. The term for each position begins immediately upon the election to such position by the Board and ends at _____

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

such time as the Chair or Vice Chair (as the case may be): (i) is replaced by a successor selected by the Board, (ii) resigns from the Committee or the Board, (iii) is removed by resolution of the Board, or (iv) is no longer a member of the Board (whichever comes first).

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

ACTION ITEM

**Approval of High Cost Support Mechanism
2nd Quarter 2024 Programmatic Budget and
Demand Projection for the February 1, 2024 FCC Filing**

Action Requested

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 2nd Quarter 2024 (Q2 2024) programmatic budget and demand projection for the High Cost Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's February 1, 2024 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 Q2 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.

<i>(in millions)</i>	Q1 2024	Increase/ (Decrease)	Q2 2024	Notes
Steady State:				
Legacy Funds	\$468.68	(\$11.99)	\$456.69	Includes HCLS, CAF BLS, CAF ICC, Frozen Price Cap and Competitive ETC Support. Decrease mainly driven by change in support for HCL/SVS/BLS based on carriers electing Enhanced A-CAM (DOC-398068A1).
Modernization Funds	\$367.37	(\$21.59)	\$345.78	Includes CAF Phase II Auction, CAF Phase II (ACS only), Alaska Plan Support, A-CAM I, Revised A-CAM I, A-CAM II, RBE, Mobility Fund Phase I, Uniendo a Puerto Rico Fund/Connect USVI Fund, and RDOF. Decrease driven mainly by change in support for ACAM and ACAMII and Enhanced A-CAM per DOC 398068A1.
Amounts Paid from Reserve	(52.37)	44.27	(8.10)	Disbursements for RBE, Mobility Fund Phase I, and portion of A-CAM I. Increase due to change in ACAM transition based on carriers electing Enhanced A-CAM.
Total Steady State	\$783.68	\$10.69	\$794.37	
New Requirements				
Legacy Funds	0.00	0.00	0.00	
Modernization Funds	293.61	21.52	315.13	Enhanced ACAM (E-ACAM)
Total New Requirements	293.61	21.52	315.13	
Total Program Demand	\$1,077.29	\$32.21	\$1,109.50	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	30.17	(53.94)	(23.77)	
Billings	(25.96)	28.15	2.19	
Interest Income	(0.02)	(0.01)	(0.03)	
Bad Debt Expense	(7.05)	(1.71)	(8.76)	
Annual Admin True-Up	(3.74)	3.74	0.00	
Total Prior Period Adjustments	(6.60)	(23.77)	(30.37)	
USAC Administrative Expenses	19.52	2.26	21.78	See Table B
Total Funding Requirement	\$1,090.21	\$10.70	\$1,100.91	

Based on the projected burn rate, USAC estimates the following Q2 2024 programmatic budget:

Table B. Quarterly Programmatic Budget

<i>(in millions)</i>	Q1 2024	Increase/ (Decrease)	Q2 2024	Notes
Direct Program Costs				
Employee Expenses	\$1.82	(\$0.12)	\$1.70	
Professional Services	0.49	0.03	0.52	
General & Administrative	0.00	0.00	0.00	See Note 1
Total Direct Program Costs	\$2.31	(\$0.09)	\$2.22	
Direct Assigned Costs				
Employee Expenses	\$0.96	(\$0.47)	\$0.49	
Professional Services	3.03	1.74	4.77	
General & Administrative	0.04	0.09	0.13	See Note 1
Total Direct Assigned Costs	\$4.03	\$1.36	\$5.39	
Total Direct Program & Direct Assigned Costs	\$6.34	\$1.27	\$7.61	
Common Allocated Costs	\$13.18	\$0.99	\$14.17	
Total Programmatic Budget	\$19.52	\$2.26	\$21.78	

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

A comparison of actual expenditures to the budget for the twelve months ending December 31, 2023 is provided in **Attachment 2**.

Recommendation

USAC management recommends that the Committee approve the Q2 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 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.

ATTACHMENT 1
Detailed High Cost Program Demand

<i>(in millions)</i>	Q1 2024	Increase/ (Decrease)	Q2 2024	Notes
Steady State – Legacy Funds:				
High Cost Loop Support (HCLS) ³	\$61.35	(\$4.30)	57.05	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	224.37	(4.45)	219.92	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	0.00	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	(3.24)	88.35	Frozen support for competitive carriers.
Total Steady State Legacy Funds	\$468.68	(\$11.99)	\$456.69	

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

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

⁵ See *USF/ICC Transformation Order*, 26 FCC Rcd at 17956, para. 847.

⁶ See *Connect America Fund et al.*, WC Docket Nos. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, 17715, 17725-26, paras. 133, 159 (2011) (*USF/ICC Transformation Order*).

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

<i>(in millions)</i>	Q1 2024	Increase/ (Decrease)	Q2 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	47.74	(4.68)	43.06	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).

<i>(in millions)</i>	Q1 2024	Increase/ (Decrease)	Q2 2024	Notes
A-CAM II ¹¹	68.55	(13.59)	54.96	Model support to Rate of Return carriers for voice and broadband infrastructure.
Rural Broadband Experiments (RBE) ¹²	0.52	(0.02)	0.50	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	(3.30)	12.77	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	0.00	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>\$367.37</i>	<i>(\$21.59)</i>	<i>\$345.78</i>	
<i>Amounts Paid from Reserve</i>	<i>(\$52.37)</i>	<i>\$44.27</i>	<i>(\$8.10)</i>	Per FCC direction, all disbursements for RBE, Mobility Fund Phase I, and a portion of

¹¹ See *Connect America Fund et al., WC Docket Nos. 10-90 et al., Report and Order, Further Notice of Proposed Rulemaking, and Order on Reconsideration*, 33 FCC 18-176Rcd 11893, 11903, para. 34 (2018) (December 2018 Rate of Return Reform Order).

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

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

<i>(in millions)</i>	Q1 2024	Increase/ (Decrease)	Q2 2024	Notes
				disbursements for A-CAM I are paid from reserved funds collected in prior years. The ending balance as of December 31, 2023 for reserved funds was approximately \$556.16 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>293.61</i>	<i>21.52</i>	<i>315.13</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>\$293.61</i>	<i>\$21.52</i>	<i>\$315.13</i>	
Total Program Demand	<i>\$1,077.29</i>	<i>\$32.21</i>	<i>\$1,109.50</i>	

ATTACHMENT 2

High Cost Administrative Costs and Headcount
Comparison of Actual Expenditures and Headcount to the Budget for the
Twelve months ending December 31, 2023

<i>(\$ in millions)</i>	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	46	50	4	\$6.59	\$6.90	\$0.31
Professional Services (Note 2)				2.39	3.17	0.78
General & Administrative				0.00	0.00	0.00
Total Direct Program Costs				\$8.98	\$10.07	\$1.09
Direct Assigned Costs						
Employee Expenses	16	16	0	\$3.19	\$2.81	(\$0.38)
Professional Services (Note 2)				14.14	12.03	(2.11)
General & Administrative				0.19	0.87	0.68
Total Direct Assigned Costs				\$17.52	\$15.71	(\$1.81)
Total Direct Program & Direct Assigned Costs	62	66	4	\$26.50	\$25.78	(\$0.72)
Common Allocated Costs (Note 3)				\$44.92	\$46.67	\$1.75
Total Programmatic Budget				\$71.42	\$72.45	\$1.03

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

January 29, 2024



Agenda

- 2023 Year in Review
- 2024 Program Objectives
 - New Order Update
- Roadmap
- Appendix A: Metrics
- Appendix B: Verifications
- Appendix C: Glossary of Terms

2023 Year in Review: Compliance

- **Data Collection, Eligibility, Certification, and Disbursement**
 - Successful collection of High Cost Annual Certifications for HUBB (54.316), FCC Form 481 (54.313), FCC Form 54.314 (ETC Certification), and wireless mobility performance data for the Alaska Plan.
 - Successful legacy data collection: CAF ICC, HCL - Part 36 Data, and CAF BLS.
 - Successful modernized data collection: HUBB/locations, performance, and MoS performance.
 - Timely and accurate disbursement of \$3.9B through November .

2023 Year in Review: Compliance (Continued)

- **Modernized Funds**

- Verifications

- Milestone verifications completed for 125 carriers for more than 13,000 locations.
- On-demand verifications completed for 18 CAF II Auction and 28 RDOF.

- Performance Measures results highlights

- Pre-testing: Of the 109 study areas that were non-compliant at the start of the year, 85 were back into compliance and had funds restored by Q3.
- Annual Testing: Of the 40 study areas that were non-compliant at the start of the year, four were back into compliance and had funds restored by Q3.
- Completed 100 percent of on-site testing for four wireless carriers in Alaska. Test results communicated to the Wireless Telecommunications Bureau in November.

2023 Year in Review: Outreach

- Supported carriers to navigate:
 - March 1, 2023 deadline for filing 2022 broadband deployment data in the HUBB
 - Quarterly network speed and latency pre-testing/testing and reporting requirements and obtainment of quarterly and annual compliance reports
- Supported participants to navigate:
 - Annual FCC Form 481 filing process
 - Annual 54.314 certification process
- Ensured state and Tribal access to FCC Form 481 data.
- Enhanced High Cost website content, including: individual fund pages; HUBB filing process, verification information, performance measures testing; RBAP; and CAF Map.

2023 Year in Review: Product

- Completed implementation of the RDOF, PR, and USVI funds in HUBB, allowing carriers to report deployed locations.
- Modernized the FCC Form 481 filing system, improving the operation and supportability of the system and eliminating outdated and unsupported technology.
- Launched the Cybersecurity Plan portal allowing Enhanced A-CAM carriers to submit their plans as required by the program.
- Initiated the HCLI2.0 modernization.
- Rolled out Robotic Process Automation initiative for High Cost verifications and achieved process efficiencies.

2024 Program Objectives: New Order Update

- EACAM (Order Release Date: 07/24/23, FCC 23-60)
 - Goal: Support deployment of 100/20 Mbps 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.
 - Enhanced A-CAM recipients are required to implement a cybersecurity and supply chain risk management plan by January 1, 2024.
 - Enhanced A-CAM recipients must file a BEAD (Broadband Equity, Access and Deployment) certification annually in order to participate in the challenge process for BEAD funding.
 - HUBB and Fabric – Location ID Integration.
 - Enhanced A-CAM recipients are required to participate in the Affordability Connectivity Program (ACP) and certify annually (Pending further FCC direction).
 - USAC to coordinate deployed location reporting between HUBB and the FCC BDC/Fabric.
 - Enhanced A-CAM carriers must meet their current support program obligations.

2024 Program Objectives: New Order Update (Continued)

- Administrative Order Update (Order release Date: 10/20/23 - FCC 23-87)
 - Goal: Makes administrative changes to the rules consistent with the program’s goals and existing waivers, consolidates and streamlines reporting, and clarifies meanings.

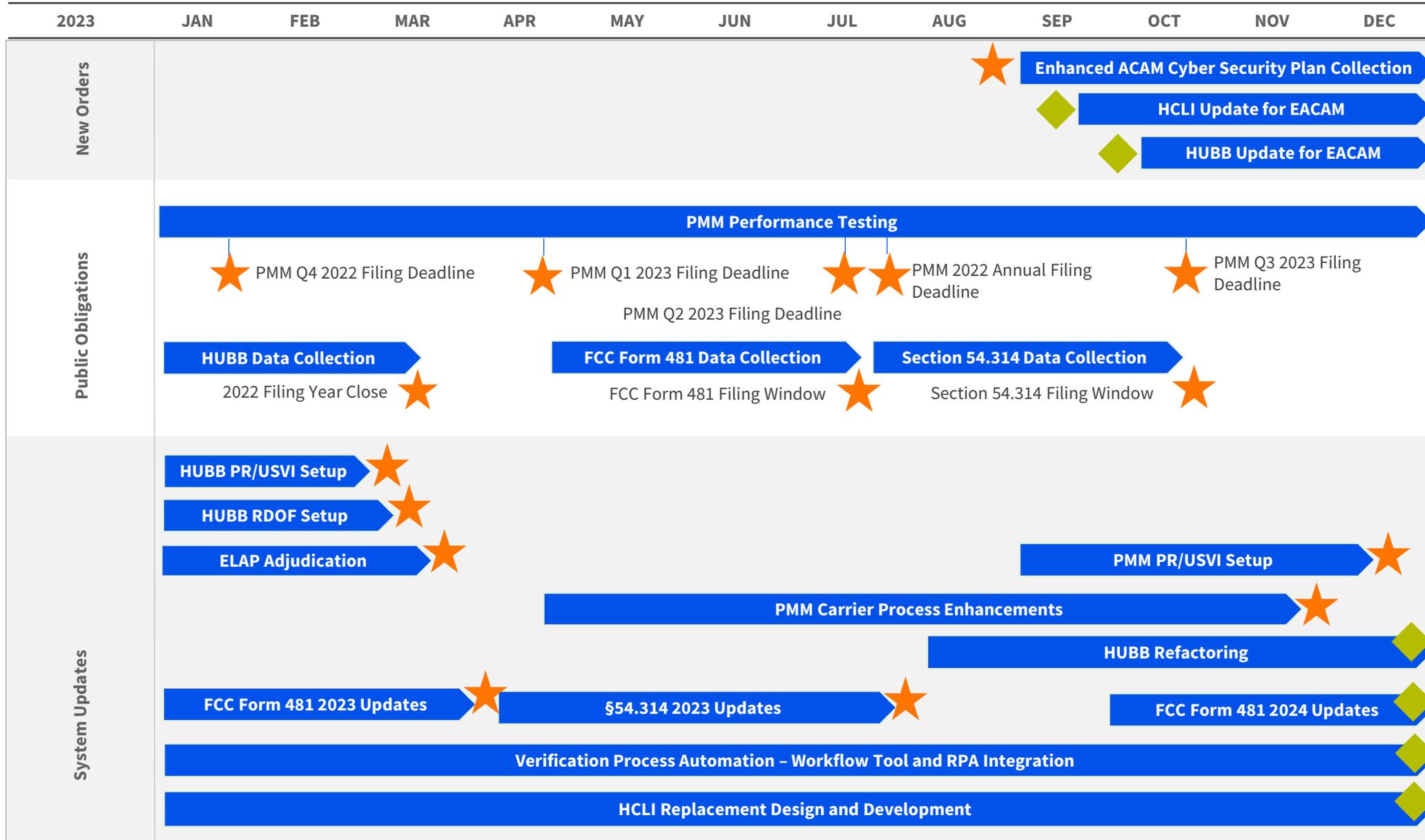
Modify annual reporting and certification obligations:

- Payment reduction calculations in HC payment system
- Revised grace period requirements for HC payment system
- Track filing compliance and penalties for HUBB
- Permit high-cost support recipients to report and certify locations that should have been reported for a prior reporting year (HUBB filing windows remain open)
- Mandatory performance test reporting revised to a quarterly schedule

Minor or no change to USAC internal processes:

- Mergers between rate-of-return location exchange carriers (LECs)
- Allocation of support for exchanges acquired by a Connect America Fund Broadband Loop Support (CAF BLS) recipient
- Commonly-owned study area mergers
- CAF BLS optional quarterly line count filing schedule
- Eligible Telecommunications Carrier (ETC) status relinquishments

2023 Roadmap



Milestone Legend

- At Risk
- On Track
- Completed

Appendix A: Metrics

High Cost Calendar Year Deployments (Data as of December 31, 2023)

Fund	2020	2021	2022	2023
ACAM	459,092	511,484	568,281	583,165
ACAM II	315,521	353,973	379,217	389,072
AK Plan	36,832	55,304	57,959	58,529
CAF BLS	743,834	899,424	1,042,577	1,066,151
CAF Phase II	3,098,607	4,211,358	4,214,937	4,214,966
CAF II AUC	78,268	181,733	423,600	457,365
PR Fixed	-	-	240,973	981,150
RBE	25,506	27,639	27,990	28,318
RDOF	49,966	107,315	389,769	466,040

20232 Filing Year Closes March 1, 2024

Appendix A: Metrics (Continued)

High Cost Disbursements (Through November 2023)

Fund Type	Carrier Type	2023	2022	2021
Legacy	CETC	\$333,619,115	\$366,415,625	\$369,229,873
	ILEC	\$1,699,077,955	\$1,754,582,767	\$1,692,324,455
Modernized	CETC	\$701,861,932	\$708,250,422	\$347,889,239
	ILEC	\$1,227,240,105	\$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 (November 20, 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 (Completed)	61	61	61 (100%)	0
ACAM (Completed)	3,352	3,352	3,114 (93%)	238 (7%)
ACAM II (In progress)	1,994	1,994	1,861 (93%)	133 (7%)
RDOF – On Demand (In progress)	1,331	TBD	TBD	TBD
RDOF – On Demand (Completed)	3,268	3,268	3,098 (95%)	170 (5%)
CAF II Auction – On Demand (Completed)	1,285	1,285	1,171 (91%)	114 (9%)
CAF II Auction – On Demand (In progress)	979	TBD	TBD	TBD
CAF II Auction – 40% (Completed)	986	986	806 (82%)	180 (18%)
CAF BLS (In progress)	1,569	164	159	5
RBAP (In progress)	650	TBD	TBD	TBD
Alaska Plan – Wireline (Completed)*	768	768	676 (88%)	92 (12%)
Total Locations To Date	16,243	11,878	10,946	932

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

Appendix B: Verification - Performance Measures Testing

Summary of Results by Speed/SAC Combination for Q3 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	616	55	584	32	587	29	587	29
RBE	In testing	22	4	22	0	21	1	19	3
AK Plan Wireline	In testing	17	6	11	6	15	2	14	3
CAF II Auction	In testing	124	25	106	18	115	9	115	9
ACAM II	In testing	274	13	266	8	269	5	266	8
CAF BLS	In testing	358	16	348	10	350	8	347	11
PRVI	Upcoming (Pre-testing starts 2024)	---	---	---	---	---	---	---	---
RDOF	Upcoming (Pre-testing starts 2025)	---	---	---	---	---	---	---	---
Enhanced A-CAM	Upcoming (Pre-testing starts 2026)	---	---	---	---	---	---	---	---
Total		1,412	119	1,338	74	1,358	54	1,349	63

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.

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)

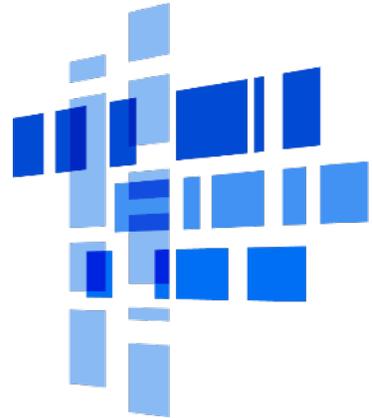
Term	Definition
CAF Map	Connect America Fund Broadband Map displays the geographic areas that are eligible for CAF support, as well as the specific fixed locations where carriers participating in the program have built out broadband service. The data in the map include address, latitude and longitude 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: 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.



**Universal Service
Administrative Co.**

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

ACTION ITEM

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

Action Requested

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 2nd Quarter 2024 (Q2 2024) programmatic budget and demand projection for the Low Income Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's February 1, 2024 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 Q2 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>	Q1 2024	Increase/ (Decrease)	Q2 2024	Notes
Steady State:				
Lifeline	\$265.89	\$31.54	\$297.43	See Note 1
Link Up	\$0.06	\$0.00	\$0.06	
New Requirements:				
N/A	0.00	0.00	0.00	
Total Program Demand	\$265.95	\$31.54	\$297.49	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	(\$60.14)	(\$87.28)	(\$147.42)	
Billings	(4.80)	5.56	0.76	
Bad Debt Expense	(1.39)	(0.77)	(2.16)	
Interest Income	0.00	(0.01)	(0.01)	
Annual Administrative Expense True-Up	2.67	(2.67)	0.00	
Total Prior Period Adjustments	(\$63.66)	(\$85.17)	(\$148.83)	
USAC Administrative Expenses	\$23.18	(\$2.63)	\$20.55	See Table B
Total Funding Requirement	\$225.47	(\$56.26)	\$169.21	

Note 1: Demand increase reflects higher outstanding claims for service providers.

Based on the projected burn rate, USAC estimates the following Q2 2024 programmatic budget:

Table B. Quarterly Programmatic Budget

<i>(in millions)</i>	Q1 2024 Budget	Increase/ (Decrease)	Q2 2024 Budget	Notes
Direct Program Costs				
Employee Expenses	\$2.98	(\$0.21)	\$2.77	
Professional Services	6.40	(0.28)	6.12	
General & Administrative	0.45	(0.07)	0.38	See Note 2
Total Direct Program Costs	\$9.83	(\$0.56)	\$9.27	
Direct Assigned Costs				
Employee Expenses	\$1.05	(\$0.39)	\$0.66	
Professional Services	2.75	(0.44)	2.31	
General & Administrative	0.33	0.13	0.46	See Note 2
Total Direct Assigned Costs	\$4.13	(\$0.70)	\$3.43	
Total Direct Program & Direct Assigned Costs	\$13.96	(\$1.26)	\$12.70	
Common Allocated Costs	\$9.22	(\$1.37)	\$7.85	
Total Programmatic Budget	\$23.18	(\$2.63)	\$20.55	

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

A comparison of actual expenditures to the budget for the twelve months ending December 31, 2023 is provided in **Attachment 1**.

Recommendation

USAC management recommends that the Committee approve the Q2 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 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.

ATTACHMENT 1

Low Income Administrative Costs and Headcount
Comparison of Actual Expenditures and Headcount to the Budget for the
Twelve Months ending December 31, 2023

<i>(\$ in millions)</i>	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	83	90	7	\$9.02	\$11.18	\$2.16
Professional Services (Note 3)				18.73	31.19	12.46
General & Administrative (Note 4)				1.68	2.12	0.44
Total Direct Program Costs				\$29.43	\$44.49	\$15.06
Direct Assigned Costs						
Employee Expenses	13	17	4	\$2.32	\$2.87	\$0.55
Professional Services (Note 3)				10.29	9.56	(0.73)
General & Administrative (Note 4)				1.35	1.03	(0.32)
Total Direct Assigned Costs				\$13.96	\$13.46	(\$0.50)
Total Direct Program & Direct Assigned Costs	96	107	11	\$43.39	\$57.95	\$14.56
Common Allocated Costs (Note 5)				\$35.32	\$36.70	\$1.38
Total Programmatic Budget				\$78.71	\$94.65	\$15.94

Note 3: Direct Program Professional Services include Lifeline eligibility verifications. Direct Assigned Professional Services include National Verifier (NV) software development, NV operations & maintenance, beneficiary & contributor audit program audits, and IT contract labor.

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

Note 5: Common costs include costs not directly attributable to a program and are allocated based on the Cost Allocation Methodology, which allocates costs based 50% on direct program costs in the prior year and 50% on program demand in the prior year. Actual common allocated costs reflect a reduction for costs allocated to the appropriated programs.



High Cost & Low Income Committee Meeting

Lifeline Business Update

Open Session

January 29, 2024



Agenda

- 2023 Year in Review
- 2023 Metrics
- National Verifier (NV) Highlights
- Lifeline Subscriber Trends
- Plans for Next Quarter
- Roadmap
- Appendix: Program Metrics and Service Type Trends

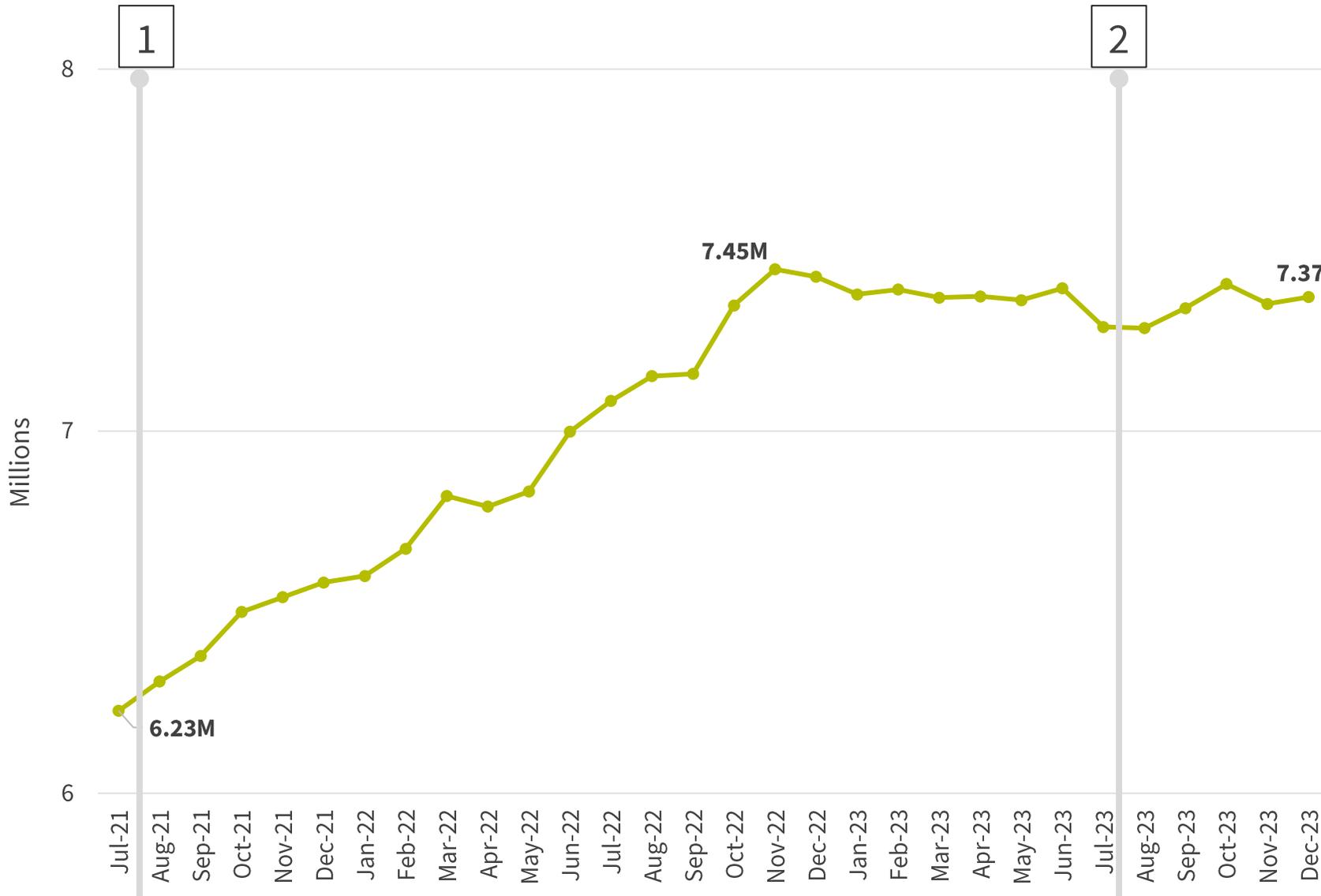
2023 Year in Review

- Transitioned Business Process Outsourcer (BPO) for call center and special processes, including inbound mail, outbound mail, and automated calling.
- Completed the 2023 Lifeline recertification process with a pass rate of 93 percent; re-initiated reverification (target completion Q2 2024).
- Implemented additional program controls, including the Lifeline Benefit Qualifying Person (BQP) duplicate check process in NLAD.
- Completed three quarters of Lifeline Program Integrity Assurance (PIA) reviews.
 - 1,594 subscribers de-enrolled; 278 agents locked out (includes ACP, since RAD covers both programs)
- Established two new database connections with state and federal agencies (AZ and HUD TRACS).
- Completed modernization of FCC Form 555.
- Began operational and system work on the Safe Connections Act requirements (target completion Q2 2024).

2023 Metrics

Year-to-Date (YTD) Cumulative Comparison	2023 (January through December)	2022 (January through December)
Lifeline Subscribers	7,370,439	7,426,389
Applications Received	17,934,356	20,451,040
Manual Reviews Processed	3,918,467	4,674,326
Inbound Calls Offered	2,211,891	2,368,009
Inbound Email Volume	123,680	196,795

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).

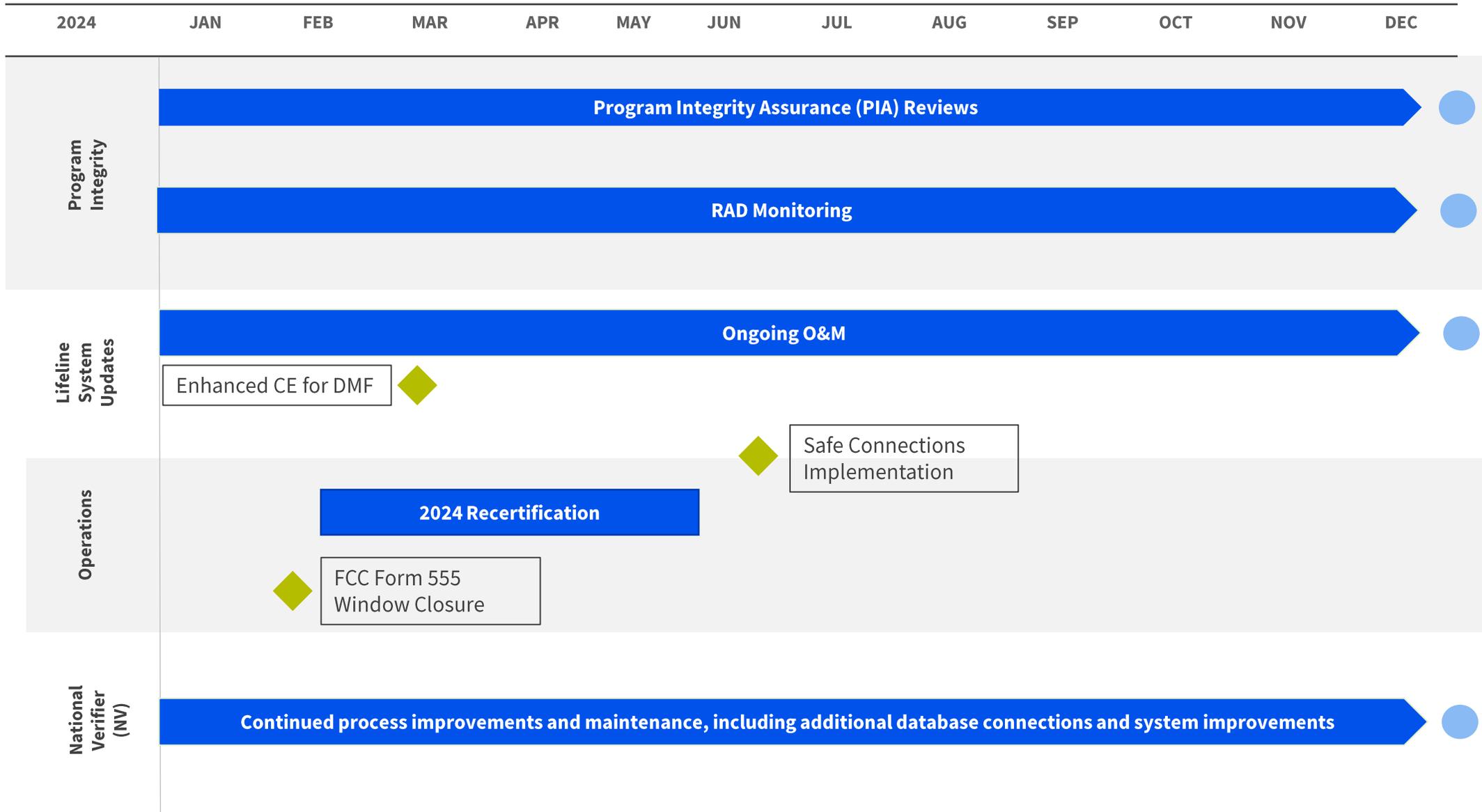
Plans for Next Quarter

- Initiate 2024 recertification for Lifeline subscribers.
- Continue system development and operational process changes in support of the Safe Connections Act.
- Complete additional automation for continued eligibility for potentially deceased subscribers.
- Complete 2023 quarterly PIA reviews through Q3.

Goals for 2024

- Modernization initiatives:
 - Income verification process improvement
 - Death Master File automation
 - Recertification process improvement
 - User experience (UX) improvements for NV
 - Document redaction and Optical Character Recognition (OCR)
- Continue to seek automated eligibility database connections with state and federal agencies
- Implement Safe Connections Act requirements
- Maintain consistent cadence for PIA reviews

2024 Roadmap



Milestone Legend

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

Appendix A: Metrics

Lifeline Eligibility and Enrollments

Year-to-Date (YTD) Cumulative Comparison	2023 (January through December)	2022 (January through December)
National Verifier Applications Created	17,934,356	20,451,040
Program Eligibility Auto Approved	11,495,010	13,278,446
Program Eligibility Auto Pass Rate	64.0%	64.9%
Enrollments (Excludes CA, OR, and TX)	4,373,769	4,540,939
De-Enrollments (Excludes CA, OR, and TX)	5,052,350	6,161,190
NLAD Subscribers (Excludes CA, OR, and TX; based on Dec. Data, Jan. 1 Snapshot)	6,000,929	6,009,406
Opt-Out State Subscribers (CA, OR, and TX; based on Dec. Data, Jan. 1 Snapshot)	1,369,510	1,416,983

***Note:** Subscriber counts include all subscribers in the National Lifeline Accountability Database (NLAD) snapshot. Subscriber counts from the NLAD opt-out states (CA, OR, and TX) are also included unless otherwise noted. Actual claimed subscribers will vary but are capped at these NLAD snapshot levels. 2022 YTD subscribers reflect increase in Lifeline applications associated with the higher application volumes related to the implementation of the Affordable Connectivity Program (ACP), as well as higher year-over-year de-enrollments associated with non-usage subsequent to the expiration of FCC non-usage waiver in May 2021.

Appendix B: Lifeline Program Service Type Trends

Month	Broadband	Bundled Broadband	Bundled Voice and Broadband	Bundled Voice	Voice
December 2023	0.88%	18.78%	75.90%	1.05%	3.38%
November 2023	0.88%	20.47%	74.11%	1.08%	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%
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%

- **Broadband:** Broadband service meeting minimum service standards
- **Bundled Broadband:** Broadband and voice, but only broadband meeting minimum service standards
- **Bundled Voice and Broadband:** Broadband and voice, both meeting minimum service standards
- **Bundled Voice:** Broadband and voice, but only voice meeting minimum service standards
- **Voice:** Voice service meeting minimum service standards

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

Appendix B: Lifeline Program Trends

Data Month	Subscribers*	Rate of Change (subscribers month over month)	Disbursed**
December 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
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

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).

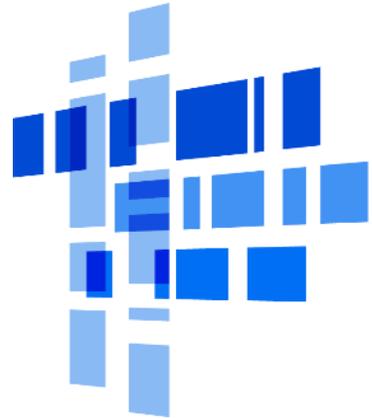
****Note:** Disbursed refers to amounts distributed within the data month.

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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