



High Cost & Low Income Committee

Briefing Book

Monday, April 28, 2025

1:00 p.m. - 2:30 p.m.

Available for Public Use

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 28, 2025
1:00 p.m. – 2:30 p.m. Eastern Time
USAC Offices
700 12th Street, N.W., Suite 900
Washington, D.C. 20005**

HIGH COST OPEN SESSION Available for Public Use		<i>Estimated Duration in Minutes</i>
Chair	a1. Consent Items (each available for discussion upon request): A. Approval of High Cost & Low Income Committee Meeting Minutes of January 27, 2025 and March 10, 2025 B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i>	5
Vic	a2. Approval of High Cost Support Mechanism 3rd Quarter 2025 Programmatic Budget and Demand Projection for the May 2, 2025 FCC Filing	5
Vic	i1. High Cost Business Update <ul style="list-style-type: none"> • Q1 2025 Accomplishments • Q2 2025 Plans • Appendix: Glossary of Terms 	20

<u>HIGH COST INFORMATION ONLY</u> Available for Public Use		<i>Estimated Duration in Minutes</i>
Vic	i2. High Cost Business Update (<i>Continued</i>) <ul style="list-style-type: none"> • Roadmap • Appendices: <ul style="list-style-type: none"> A. Disbursements and Deployments, B. Verification Deployments and Performance Measures Testing 	—
Teleshia	i3. Information on Nine USAC Audit and Assurance Division High Cost Support Mechanism Beneficiary Audit Reports.	—

LOW INCOME OPEN SESSION Available for Public Use		<i>Estimated Duration in Minutes</i>
Tim	a3. Approval of Low Income Support Mechanism 3rd Quarter 2025 Programmatic Budget and Demand Projection for the May 2, 2025, FCC Filing	5
Tim	i4. Low Income (Lifeline) Business Update <ul style="list-style-type: none"> • Q1 2025 Accomplishments • Q2 2025 Plans • National Verifier Highlights • Lifeline Subscriber Trends 	20

<u>LOW INCOME INFORMATION ONLY</u> Available for Public Use		<i>Estimated Duration in Minutes</i>
Tim	i5. Lifeline Business Update (<i>Continued</i>) <ul style="list-style-type: none"> • 2025 Roadmap • Program Metrics, • Service Type Trends, • Subscribership Trends • Glossary of Terms 	—
Teleshia	i6. Information on Four USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Reports	—

LOW INCOME EXECUTIVE SESSION Confidential – Executive Session Recommended		<i>Estimated Duration in Minutes</i>
Tim	i7. Low Income (Lifeline) Business Update (Continued) <ul style="list-style-type: none"> • Affordable Connectivity Program Closeout • Lifeline Funding Recovery Audit Update 	5
Chris	a4. Consideration of Contract Award for Computer Matching Program Operations and Maintenance Services	5

HIGH COST EXECUTIVE SESSION Confidential – Executive Session Recommended		<i>Estimated Duration in Minutes</i>
Vic	i8. High Cost Business Update (<i>Continued</i>) <ul style="list-style-type: none"> • Update on FCC's Inspector General Audit 	10

Next Scheduled USAC High Cost & Low Income Committee Meeting

Monday, July 28, 2025
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 27, 2025 and March 10, 2025 (*see Attachments A1 and A2*).
- B. Approval of moving all *Executive Session* items into *Executive Session*:
 - (1) **i7.** Low Income (Lifeline) Business Update (*Continued*). USAC management recommends that this matter be discussed in *Executive Session* because discussion of the matter relates to *specific internal controls and/or confidential company data* that could constitute a discussion of *internal rules and procedures*. Additionally, the matter *could pertain to the eligibility, funding status, or other specific information regarding a participant in a universal service program, and disclosure would reveal proprietary or confidential financial information*.
 - (2) **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 it relates to USAC's *procurement strategy and contract administration*, where discussion of such matters in open session would compromise USAC's business objectives or negotiating strategy.
 - (3) **i8.** High Cost Business Update (*Continued*). USAC management recommends that this matter be discussed in *Executive Session* because it relates to *specific internal controls and/or confidential company data* that would constitute a discussion of *internal rules and procedures*. Additionally, this matter includes *pre-decisional matters pending before a governmental agency or instrumentality, where discussion in open session would risk undermining the agency's deliberative process*.

and/or disclosing the agency's conclusions or rationales prior to final decision-making.

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 27, 2025 and March 10, 2025; and (2) discussion in *Executive Session* of the items noted above.

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

HIGH COST & LOW INCOME COMMITTEE MEETING
Monday, January 27, 2025
(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, January 27, 2025. Ms. Olivia Wein, Committee Chair, called the meeting to order at 1:15 p.m. Eastern Time, with a quorum of 10 of the 11 Committee members present (there was one vacancy):

Chacko, Sheba
Chalk, Indra
Freeman, Sarah
Mason, Ken
Polk, Stephanie – *by telephone*

Sekar, Radha – Chief Executive Officer
Semmler, Kara – *by telephone*
Siefer, Angela
Waller, Jeff – *by telephone*
Wein, Olivia – Chair

Other Board members and officers of the corporation present:

Beyerhelm, Chris – Vice President and Chief Administrative Officer
Butler, Stephen – Vice President of Shared Services
Dalhover, Brian – 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
Green, Anisa – Member of the Board
Gregory, Amber – Member of the Board
Hutchinson, Kyle – Vice President and Chief Information Officer
Kettwich, Dan – Member of the Board
O'Brien, Tim – Vice President of Lifeline
Sanquist, Christine – Member of the Board
Schell, Julie Tritt – Member of the Board
Sweeney, Mark – Vice President of Rural Health Care
Thompson, Mona – Member of the Board
Wade, Joan – Member of the Board
Wibberly, Dr. Kathy – 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 or to correct grammatical or spelling errors.

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

Others present:

<u>NAME</u>	<u>COMPANY</u>
Alomari, Ghanem	USAC
Cardile, Christina – <i>by telephone</i>	USAC
Curtis, Jessamy – <i>by telephone</i>	USAC
Edson, Shauna – <i>by telephone</i>	National Digital Inclusion Alliance
Estrella, Giulianianna	USAC
Goode, Vernell	USAC
Green, Kevin	USAC
Havivi, Daniel – <i>by telephone</i>	USAC
Hipolito, Mharizza	USAC
Kahn, Sammy	USAC
King, Ryan	USAC
Kurisch, Bill	USAC
Little, Chris	USAC
Lloyd, Pamela – <i>by telephone</i>	USAC
Malashenok, Yelena	USAC
Morgan, Meredith	USAC
Nuzzo, Patsy	USAC
Ruffley, Brandon	USAC
Sadirkhanova, Sabina – <i>by telephone</i>	USAC
Santana-Gonzalez, Jeanette	USAC
Simab, Habib	USAC
Smith, Chris	USAC
Staurulakis, Chresanthe	USAC
Suggs-Moore, Vickie	USAC
Tessler, Joelle	USAC
Weith, Tim	USAC
White, Stacy	USAC

HIGH COST OPEN SESSION

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

a1. Consent Items. Ms. Wein presented the consent items to the Committee:

A. Approval of High Cost & Low Income Committee Meeting Minutes of October 28, 2024.

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

(1) i7. Low Income Business Update (*Continued*). USAC management recommends that this matter be discussed in *Executive Session*.

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.

- (2) **a5.** Consideration to Exercise Option Term for Lifeline Program Business Process Outsourcing Services. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC's *procurement strategy and contract administration*, where discussion of such matters in open session would compromise USAC's business objectives or negotiating strategy.
- (3) **a6.** Consideration of Contract Increase for Option Year Three and Four for Lifeline Program Third Party Identification and Verification Services. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC's *procurement strategy and contract administration*, where discussion of such matters in open session would compromise USAC's business objectives or negotiating strategy.
- (4) **a7.** Approval of Low Income (Lifeline) Support Mechanism 2025 Annual Programmatic Budget. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC's *procurement strategy and contract administration*, as well as *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. In addition, this includes *pre-decisional matters pending before the FCC*.
- (5) **i8.** 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. In addition, this includes *pre-decisional matters pending before the FCC*.
- (6) **a8.** Approval of High Cost Support Mechanism 2025 Annual Programmatic Budget. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC's

procurement strategy and contract administration as well as *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. In addition, this includes *pre-decisional matters pending before the FCC*.

C. Consideration and Approval of Two Routine Procurements.

- (1) Consideration to Exercise Option Term for Lifeline Program Business Process Outsourcing Services. The resolution is provided in **aHCLI05cf**. If discussion is needed, it will be conducted in *Executive Session*.
- (2) Consideration of Contract Increase for Option Year Three and Four for Lifeline Program Third Party Identification and Verification Services. The resolution is provided in **aHCLI06cf**. If discussion is needed, it will be conducted in *Executive Session*.

On a motion duly made and seconded, and after discussion, the Committee adopted 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 October 28, 2024; (2) discussion in *Executive Session* of the items noted above; and (3) the approval of two routine procurements as presented in items **aHCLI05cf** and **aHCLI06cf**.

- a2. Recommendation for Election of Committee Chair and Vice Chair.** Mr. Mason introduced this item to the Board requesting that Ms. Freeman, Chair of the Nominating Committee, report on the Nominating Committee's recommendations for the election of the High Cost & Low Income Committee Chair and Vice Chair.

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 recommends that the USAC Board of Directors elect **Olivia Wein** as Chair and **Indra Chalk** 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 2025 Programmatic Budget and Demand Projection for the January 31, 2025 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 2025 programmatic budget and demand projection for the January 31, 2025 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 2025 High Cost Support Mechanism program budget of \$5.29 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$5.29 million for High Cost Support Mechanism administrative costs in the required January 31, 2025 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 27, 2025 the 2nd Quarter 2025 High Cost Support Mechanism demand estimate of \$1,123.90 million, hereby directs USAC staff to proceed with the required January 31, 2025 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. High Cost Business Update.** Mr. Gaither presented PowerPoint slides to the Committee covering the 2024 Year in Review and 2025 Plans.
- i2. High Cost Business Update (*Continued*).** This item was provided for *information purposes only*. No discussion was held. Ms. Wein noted that the High Cost materials listed below would be made public and posted to the USAC website.
- Q4 2024 Accomplishments
 - Q1 2025 Plans
 - Roadmap
 - Appendices:
 - A: Disbursements and Deployments
 - B: 2024 Verification Deployments and Performance Measures Testing

- C: Glossary of Terms

- i3. Information on Four USAC Audit and Assurance Division High Cost Support Mechanism Beneficiary Audit Reports.** This item was provided for *information purposes* only. No discussion was held. Ms. Wein noted that the High Cost & Low Income Audit Briefing Book would be made public and posted to the USAC website.

LOW INCOME OPEN SESSION

- a4. Approval of Low Income Support Mechanism 2nd Quarter 2025 Programmatic Budget and Demand Projection for the January 31, 2025 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 2025 programmatic budget and demand projection for the January 31, 2025 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 2025 Low Income Support Mechanism direct program budget of \$12.12 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$12.12 million for Low Income Support Mechanism administrative costs in the required January 31, 2025 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 27, 2025 the 2nd Quarter 2025 Low Income Support Mechanism demand estimate of \$305.12 million, hereby directs USAC staff to proceed with the required January 31, 2025 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.

- i4. Income (Lifeline) Business Update.** Mr. O'Brien presented PowerPoint slides to the Committee covering the following items:
- 2024 Year in Review
 - 2024 Metrics
 - 2025 Priorities

- National Verifier Highlights
- Lifeline Subscriber Trends

i5. Low Income (Lifeline) Business Update (*Continued*). This item was provided for *information purposes only*. No discussion was held. Ms. Wein noted that the materials listed below would be made public and posted to the USAC website.

- Q4 2024 Accomplishments
- Q1 2025 Plans
- Roadmap
- Program Metrics
- Service Type Trends
- Subscribership Trends
- Glossary of Terms

i6. Information on Four USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Reports. This item was provided for *information purposes only*. No discussion was held. Ms. Wein noted that the High Cost & Low Income Audit Briefing Book would be made public and posted to the USAC website.

At 1:55 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into ***Executive Session*** for the purpose of discussing confidential items. Only members of the Board and USAC staff were present.

EXECUTIVE SESSION

i7. Low Income (Lifeline) Business Update (*Continued*). Mr. O'Brien presented PowerPoint slides to the Committee providing an update on the Safe Connections Act.

a5. Consideration to Exercise Option Term for Lifeline Program Business Process Outsourcing Services. No additional discussion was held on this item. The Board adopted the following resolutions as 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 one-year option term of its Lifeline Program Business Process Outsourcing contract with Maximus Federal Services for a not-to-exceed amount of \$8,423,725.70 (plus applicable taxes), thereby increasing the total not-to-exceed amount from \$16,922,106.70 (plus applicable taxes) to \$25,345,832.40 (plus applicable taxes), subject to required Federal Communications Commission approval.

- a6. **Consideration of Contract Increase for Option Years Three and Four for Lifeline Program Third Party Identification and Verification Services.** No additional discussion was held on this item. The Board adopted the following resolutions as part of the Consent Items:

RESOLVED, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management to increase the not-to-exceed amount of the current option year, Option Year 3, by \$450,000.00 (plus applicable taxes), and to add a not-to exceed amount of \$500,000.00 (plus applicable taxes) to fund the fourth and final one-year option terms of its Third Party Identification and Verification contract with TransUnion Public Sector to support the Lifeline Program, thereby increasing the total not-to-exceed amount of the contract from \$3,617,675.00 00 (plus applicable taxes) to \$4,567,675.00 (plus applicable taxes), subject to required Federal Communications Commission approval.

- a7. **Approval of Low Income (Lifeline) Support Mechanism 2025 Annual Programmatic Budget.** Mr. O'Brien presented this item for consideration. The presentation included a written report on USAC management's recommendations for the Low Income (Lifeline) Support Mechanism 2025 Annual Programmatic Budget.

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

RESOLVED, that the High Cost & Low Income Committee approves a 2025 annual programmatic budget for the Low Income Support Mechanism of \$52.88 million.

- i8. **High Cost Business Update (*Continued*).** Mr. Gaither presented PowerPoint slides to the Committee providing an update on the current FCC and GAO High Cost audits.

- a8. **Approval of High Cost Support Mechanism 2025 Annual Programmatic Budget.** Mr. Gaither presented this item for consideration. The presentation included a written report on USAC management's recommendations for the High Cost Support Mechanism 2025 Annual Programmatic Budget.

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

RESOLVED, that the High Cost & Low Income Committee approves a 2025 annual programmatic budget for the High Cost Support Mechanism of \$22.89 million.

OPEN SESSION

At 2:26 p.m. Eastern Time, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Ms. Wein reported that in *Executive Session*, the Committee discussed items i7 and i8 and took action on items a5-a8.

On a motion duly made and seconded, the Committee adjourned at 2:27 p.m. Eastern Time.

/s/ Erin Williams

Assistant Secretary

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

HIGH COST & LOW INCOME COMMITTEE MEETING
Monday, March 10, 2025

(DRAFT) MINUTES¹

The non-quarterly meeting of the High Cost & Low Income Committee (Committee) was conducted by web conference on Monday, March 10, 2025. Ms. Oliva Wein, High Cost & Low Income Committee Chair, called the meeting to order at 1:01 p.m. Eastern Time with a quorum of eight of the 11 Committee members present:

Chacko, Sheba	Siefer, Angela
Chalk, Indra – Vice Chair	Wade, Dr. Joan
Sekar, Radha – Chief Executive Officer	Waller, Jeff
Semmler Kara	Wein, Olivia – Chair

Ms. Anisa Green joined the meeting at 1:10 p.m. Eastern Time and voted on item a1.

Members of the Committee not present:

Freeman, Sarah	Polk, Stephanie
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Officers of the corporation present:

Beyerhelm, Chris – Vice President and Chief Administrative Officer
Mason, Ken – Member of the Board
Schell, Julie Tritt – Member of the Board
Williams, Erin – Vice President, General Counsel, and Assistant Secretary

Others present by telephone:

<u>NAME</u>	<u>COMPANY</u>
King, Ryan	USAC
Nuzzo, Patsy	USAC

OPEN SESSION

- a1. Consideration of a Contract Modification for Lifeline Email Services.** Ms. Williams noted that USAC management recommended that discussion of this

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

item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

RESOLVED, that the High Cost & Low Income Committee approves discussion of this item in *Executive Session*.

At 1:02 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential item listed above.

EXECUTIVE SESSION

- a1. Consideration of a Contract Modification for Lifeline Email Services.** Ms. Sekar provided an update on this procurement. The presentation included a written summary and report detailing USAC management's recommendation to award a contract for Lifeline BPO services.

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

RESOLVED, the High Cost & Low-Income Committee, having reviewed the recommendation of USAC management, hereby authorizes management to utilize the added services provision of our Lifeline Email Services contract with Guidehouse LLP and add Business Process Outsourcing (BPO) support for the Lifeline program. These added services are for not-to-exceed amount of \$4,437,492.00 (plus applicable taxes) over base period of nine (9) months, with the ability to exercise a twelve (12) month option term for a total not-to-exceed amount of \$5,329,992.00 (plus applicable taxes). This increases the total not-to-exceed amount of Task Order 18 from \$26,015,123.31 (plus applicable taxes) to \$35,782,607.31 (plus applicable taxes).

OPEN SESSION

At 1:18 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Ms. Wein reported that, in *Executive Session*, the Committee took action on item a1.

On a motion duly made and seconded, the Committee adjourned at 1:23 p.m. Eastern Time.

/s/ Erin Williams
Assistant Secretary

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

ACTION ITEM

**Approval of High Cost Support Mechanism
3rd Quarter 2025 Programmatic Budget and
Demand Projection for the May 2, 2025 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 2025 (Q3 2025) programmatic budget and demand projection for the High Cost Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's May 2, 2025 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 Q3 2025 funding requirement for the High Cost Support Mechanism as follows:

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¹ 47 C.F.R. § 54.715(c).

² 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>	Q2 2025	Increase/ (Decrease)	Q3 2025	Notes
Steady State:				
Legacy Funds	\$480.41	\$40.68	\$521.09	Includes HCLS, CAF BLS, CAF ICC, Frozen Price Cap, and Competitive ETC support. Increase due to BCM adjustments not applied to Q3 2025.
Modernization Funds	665.39	(0.59)	664.80	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. Decrease due to RDOF defaults.
Amounts Paid from Reserve	(52.36)	\$0.14	(52.22)	Disbursements for RBE, Mobility Fund Phase I, and a portion of A-CAM I and E-ACAM. Increase due to term ending for 10 RBE SACs in 3Q3.
Total Steady State	\$1,093.44	\$40.23	\$1,133.67	
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	\$1,093.44	\$40.23	\$1,133.67	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	18.72	(101.00)	(82.28)	
Billings	6.77	(11.95)	(5.18)	
Interest Income	0.00	(2.39)	(2.39)	
Bad Debt Expense	(14.20)	1.50	(12.70)	
Annual Admin True-Up	0.00	0.00	0.00	
Total Prior Period Adjustments	11.29	(113.84)	(102.55)	
USAC Administrative Expenses	19.17	0.36	19.53	See Table B
Total Funding Requirement	\$1,123.90	(\$73.25)	\$1,050.65	

Based on the projected burn rate, USAC estimates the following Q3 2025 programmatic budget:

Table B. Quarterly Programmatic Budget

<i>(in millions)</i>	Q2 2025	Increase/ (Decrease)	Q3 2025	Notes
Direct Program Costs				
Employee Expenses	\$1.93	(\$0.01)	\$1.92	
Professional Services	0.19	0.05	0.24	
General & Administrative	0.00	0.00	0.00	
Total Direct Program Costs	\$2.12	\$0.04	\$2.16	
Direct Assigned Costs				
Employee Expenses	\$0.69	(\$0.01)	\$0.68	
Professional Services	2.45	0.71	3.16	
General & Administrative	0.03	0.00	0.03	See Note 1
Total Direct Assigned Costs	\$3.17	\$0.70	\$3.87	
Total Direct Program & Direct Assigned Costs	\$5.29	\$0.74	\$6.03	
Common Allocated Costs	\$13.88	(\$0.38)	\$13.50	
Total Programmatic Budget	\$19.17	\$0.36	\$19.53	

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, 2025 is provided in **Attachment 2**.

Recommendation

USAC management recommends that the Committee approve the Q3 2025 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 2025 High Cost Support Mechanism program budget of \$6.03 million; and

RESOLVED FURTHER, that the USAC High Cost & Low

Income Committee directs USAC staff to submit a collection requirement of \$6.03 million for High Cost Support Mechanism administrative costs in the required May 2, 2025 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 28, 2025 the 3rd Quarter 2025 High Cost Support Mechanism demand estimate of \$1,050.65 million, hereby directs USAC staff to proceed with the required May 2, 2025 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>	Q2 2025	Increase/ (Decrease)	Q3 2025	Notes
Steady State – Legacy Funds:				
High Cost Loop Support (HCLS) ³	\$51.81	\$0.00	\$51.81	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	253.11	40.68	293.79	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	84.32	0.00	84.32	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	88.36	0.00	88.36	Frozen support for competitive carriers.
Total Steady State Legacy Funds	\$480.41	\$40.68	\$521.09	

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 No. 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 See *USF/ICC Transformation Order*, 26 FCC Rcd at 17715, 17725-26, paras. 133, 159.

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

<i>(in millions)</i>	Q2 2025	Increase/ (Decrease)	Q3 2025	Notes
Steady State – Modernization Funds:				
CAF Phase II ⁸	\$6.40	0.00	\$6.40	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	36.60	0.00	36.60	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	41.70	0.00	41.70	Support for Rate of Return carriers and their wireless affiliates for broadband services in Alaska.
Alternative Connect America Cost Model I (A-CAM) ¹⁰	43.98	(0.25)	43.73	Model support to Rate of Return carriers for voice and broadband infrastructure.

⁸ See *Connect America Fund*, WC Docket No. 10-90, 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 Nos. 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). 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, 34 FCC Rcd 906 (WCB 2019).

<i>(in millions)</i>	Q2 2025	Increase/ (Decrease)	Q3 2025	Notes
A-CAM II ¹¹	54.84	0.72	55.56	Model support to Rate of Return carriers for voice and broadband infrastructure.
Rural Broadband Experiments (RBE) ¹²	0.39	(0.14)	0.25	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	10.68	0.00	10.68	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	148.89	(0.20)	148.69	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	(0.72)	314.41	Enhanced ACAM (E-ACAM) supports deployment of 100/20 service (or greater) through rural areas served by carriers

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

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

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

<i>(in millions)</i>	Q2 2025	Increase/ (Decrease)	Q3 2025	Notes
				currently receiving A-CAM support and in areas served by legacy rate-of-return support recipients.
<i>Total Steady State Modernization Funds</i>	<i>\$665.39</i>	<i>(\$0.59)</i>	<i>\$664.80</i>	
<i>Amounts Paid from Reserve</i>	<i>(\$52.36)</i>	<i>0.14</i>	<i>(\$52.22)</i>	Per FCC direction, all disbursements for RBE, Mobility Fund Phase I, and a portion of disbursements for A-CAM I and E-ACAM are paid from reserved funds collected in prior years.
New Requirements – Legacy Funds:				
<i>Total New Requirements Legacy Funds</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	
New Requirements – Modernization Funds:				
<i>Total New Requirements Modernization Funds</i>	<i>\$0.00</i>	<i>0.00</i>	<i>0.00</i>	
Total Program Demand	<i>\$1,093.44</i>	<i>40.23</i>	<i>\$1,133.67</i>	

ATTACHMENT 2

High Cost Administrative Costs and Headcount

Comparison of Actual Expenditures and Headcount to the Budget for the
Three months ending March 31, 2025

<i>(\$ in millions)</i>	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	49	50	1	\$1.83	\$1.88	\$0.05
Professional Services (Note 2)				0.16	0.24	0.08
General & Administrative				0.00	0.00	0.00
Total Direct Program Costs				\$1.99	\$2.12	\$0.13
Direct Assigned Costs						
Employee Expenses	14	14	0	0.66	\$0.67	\$0.01
Professional Services (Note 2)				1.69	2.65	0.96
General & Administrative				0.04	0.04	0.00
Total Direct Assigned Costs				\$2.39	\$3.36	\$0.97
Total Direct Program & Direct Assigned Costs	63	64	1	\$4.38	\$5.48	\$1.10
Common Allocated Costs (Note 3)				\$11.93	\$12.82	\$0.89
Total Programmatic Budget				\$16.31	\$18.30	\$1.99

Note 2: Direct Program Professional Services includes support for program modernization orders and High Cost data collection costs.
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

April 28, 2025

Agenda

- Q1 2025 Accomplishments
- Q2 2025 Plans
- Appendix
 - A: Glossary of Terms

Q1 2025 Accomplishments

Operations

- Successfully collected High Cost annual certifications for HUBB (54.316) – 100.0 percent certified.
- Successfully collected legacy data in FCC Forms 507 and 508, CAF BLS – all carriers timely filed.
- Completed data validation and trend analysis for legacy fund HCL, as part of HC PIA efforts.
 - Reviewed variance explanation and supporting documentation from 95 outliers.
 - All carriers responded to requests for information.
 - No issues found with carriers' data.
- Processed approximately \$1.1 billion in HC disbursements in a timely and accurate manner to ensure continuity in voice and broadband service to customers.

Q1 2025 Accomplishments (Continued)

Compliance

- Conducted in-depth reviews of FCC Form 481 certifications and attachments for 1,188 SAC filings to ensure carrier compliance with FCC requirements.
- Evaluated BLS carrier compliance with milestone by analyzing v4 of the Fabric/BDC data (reflecting Dec. 2023). A total of 21 carriers were non-compliant out of 436 total CAF BLS carriers.
- Supported reducing/terminating Letters of Credit in CAF II Auction (12 reviews) and RDOF (45 reviews).
 - Surge observed in verification requests in RDOF due to lowering optional milestone from 20 percent to 10 percent.

Q1 2025 Accomplishments (Continued)

Compliance (Continued)

- Performed compliance analysis of Q4 2024 test results, which includes five study area/speed tier combinations in PR/USVI pre-testing and 73 study area/speed tier combinations that still have not met their 2023 annual performance measures testing requirement.
 - All study area/speed tier combinations in the PR/USVI program met pre-testing requirements.
 - A total of 49 study area/speed tier combinations did not meet testing requirements and had approximately \$309,400 of support withheld.
 - A total of 24 study area/speed tier combinations came into compliance with testing requirements and had \$377,218.48 of support restored.

Q1 2025 Accomplishments (Continued)

Stakeholder Engagement and Outreach

- Provided education, training, and customer service support to help carriers submit/certify location data for all 2024 CAF-supported deployment in the HUBB by March 3, 2025.
 - Included education and training on integration of Fabric IDs into the annual HUBB data collection for Enhanced ACAM carriers.
- Provided education, training, and customer service support to help carriers navigate ongoing quarterly network speed and latency pre-testing/testing requirements, comply with new mandatory quarterly reporting mandates, and obtain compliance reports.
 - Included helping Original and Revised ACAM, RBE, and Alaska carriers obtain new random subscriber location samples to continue quarterly testing in 2025, and helping RDOF carriers obtain first random subscriber location samples to begin quarterly pre-testing in 2025.

Q1 2025 Accomplishments (Continued)

Program Management and Engineering

- Began work on several initiatives that will improve the Performance Measures process
- Areas of improvement include internal reporting activities, business process improvements, compliance controls and activities on carrier data and subscriber changes, and increased trending and analyses of data to identify potential areas for fraud and risk.

Q2 2025 Plans

Operations

- Collect FCC Form 481 and PMM annual certifications and CAF ICC TRPs.
- Publish Budget Control Mechanism factor for program year July 2025 – June 2026.
- Complete pilot SCR (Special Compliance Review) testing for legacy funds.
- Complete data validation and trend analysis for legacy funds and CAF BLS to ensure compliance.
- Continue timely and accurate monthly disbursements for all HC funds.

Program Management and Engineering

- Continue project work on initiatives to improve the Performance Measures process and minimize fraud and risk.

Q2 2025 Plans (Continued)

Compliance

- Review carrier-submitted deployment data (via the HUBB) to ensure compliance with all required milestones. Non-compliance will be promptly identified and shared with FCC team for non-compliance penalties (quarterly reporting and loss of support).
 - ACS (90 percent), ACAM (80 percent 10/1 and 60 percent 25/3), BLS (100 percent), ACAM II (60 percent), CAF II Auction (80 percent), PR/USVI (40 percent), and RDOF 2021 authorizations (40 percent)
- Conduct 15 risk-based verifications in support of Rural Broadband Accountability Plan (RBAP).
- Continue to support on-demand verifications to reduce/terminate Letters of Credit in CAF II Auction and RDOF.

Q2 2025 Plans (Continued)

Compliance (continued)

- Analyze updated Fabric/BDC data of BLS carriers, reflecting December 2024 deployment, as a final confirmation of carrier compliance with 100 percent milestones.
- Initiate approximately 50 verifications of milestone compliance covering around 10,000 locations.
- Evaluate PMM compliance and perform procedures on subscriber replacements and test certifications.
- Prepare to accommodate HUBB transition for carriers participating in RDOF, Puerto Rico, and US Virgin Islands programs as they navigate from submitting latitudes and longitudes to utilizing the Fabric to identify locations served within their study area.
 - Per DA 25-32, this includes verification support for any carrier immediately wishing to terminate their Letter of Credit if it can demonstrate deployment to all locations in the most recent Fabric.

Q2 2025 Plans (Continued)

Stakeholder Engagement and Outreach

- Conduct outreach to prepare RDOF and PR/USVI carriers for new verification reviews starting in 2025, and help A-CAM I and Revised A-CAM I, ACAM II, and CAF II Auction carriers navigate ongoing verification reviews in 2025.
- Provide education, training, and customer service support to help carriers navigate annual Form 481 filing, due July 1, 2025.
- Provide education, training, and customer service support to help carriers navigate ongoing quarterly network speed and latency pre-testing/testing requirements, comply with new mandatory quarterly reporting mandates, and obtain compliance reports.
 - Includes helping Original/Revised ACAM, ACAM II, CAF II Auction, RBE, Alaska Plan, and CAF BLS carriers submit/certify results from all four quarters of 2024 testing by July 1, 2025, deadline.

Q2 2025 Plans (Continued)

Stakeholder Engagement and Outreach

- Conduct outreach to prepare RDOF and PR/USVI carriers for new verification reviews starting in 2025, and help A-CAM I and Revised A-CAM I, ACAM II, and CAF II Auction carriers navigate ongoing verification reviews in 2025.
- Provide education, training, and customer service support to help carriers navigate annual Form 481 filing, due July 1, 2025.
- Provide education, training, and customer service support to help carriers navigate ongoing quarterly network speed and latency pre-testing/testing requirements, comply with new mandatory quarterly reporting mandates, and obtain compliance reports.
 - Includes helping Original/Revised ACAM, ACAM II, CAF II Auction, RBE, Alaska Plan, and CAF BLS carriers submit/certify results from all four quarters of 2024 testing by July 1, 2025, deadline.

Appendix A: 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).
BDC	Broadband Data Collection
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.

Appendix A: Glossary of Terms (Continued)

Term	Definition
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.
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.
CETC	A “competitive eligible telecommunications carrier” is a carrier that meets the definition of an “eligible telecommunications carrier” and does not meet the definition of an “incumbent local exchange carrier” in § 51.5. CETC’s are the phone company's competitors; they're tier two providers or resellers.
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.

Appendix A: Glossary of Terms (Continued)

Term	Definition
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.
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.



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High Cost and Low Income Committee

High Cost Business Update (Continued)

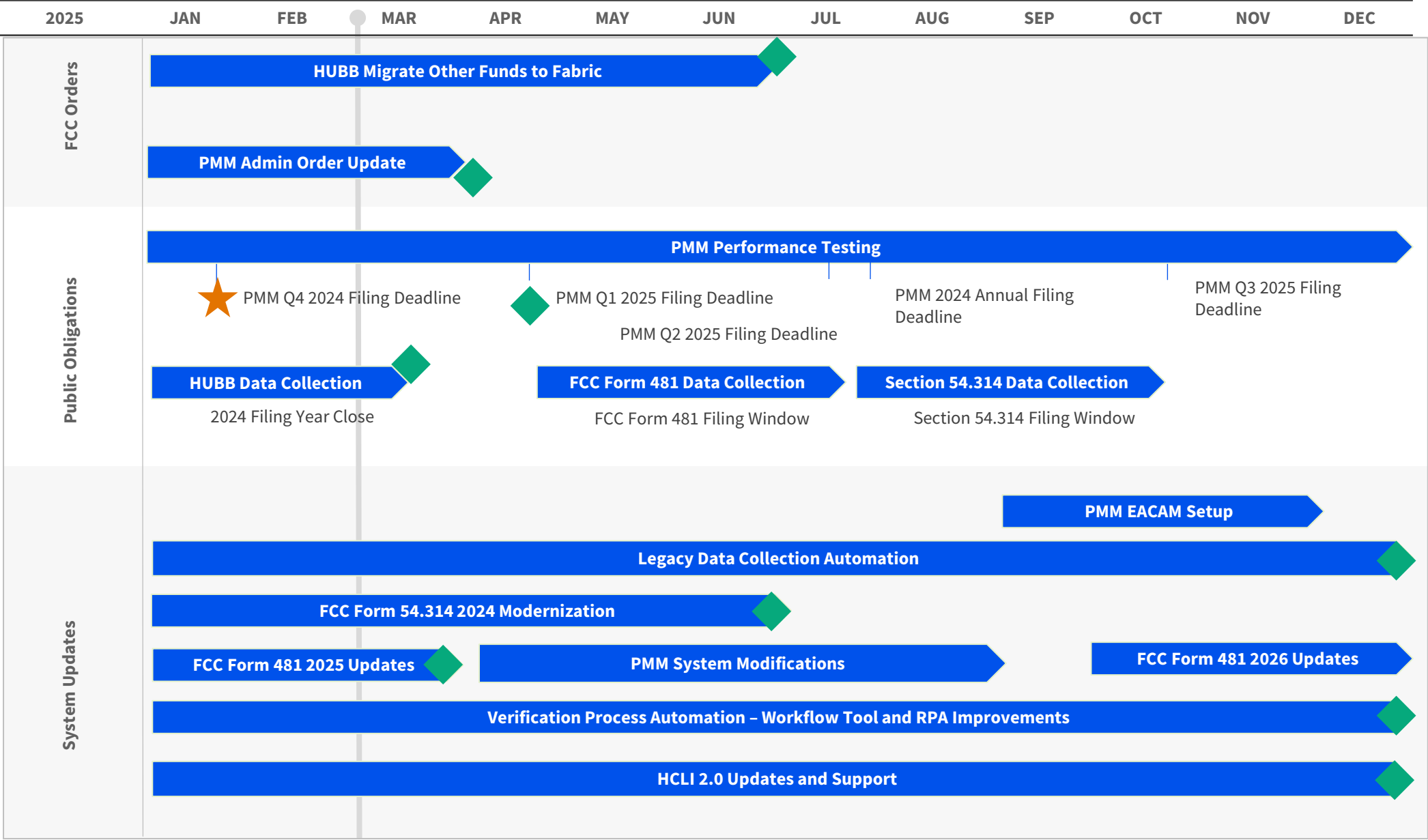
Open Session – Information Only

April 28, 2025

Agenda

- Roadmap
- Appendices
 - A: Disbursements and Deployments
 - B: 2024 Verification of Deployments and Performance Measures Testing

2025 Roadmap



Milestone Legend

- At Risk
- On Track
- Completed

Appendix A: Metrics

High Cost Disbursements (Through February 2025)

Disbursements				
Fund Type	SAC Type	2025	2024	2023
Legacy	CETC	\$58,903,300	\$353,288,853	\$363,104,008
	ILEC	\$252,918,506	\$1,569,432,751	\$1,864,389,661
Modernized	CETC	\$117,688,390	\$740,065,638	\$762,269,180
	ILEC	\$303,075,167	\$1,863,683,814	\$1,338,603,612
Wireless	CETC		\$0	\$0

*The Wireless number for CETC reflects MF1 only.

Appendix A: Metrics (Continued)

High Cost Calendar Year Deployments (Data as of September 30, 2024)

Fund	2020	2021	2022	2023	2024
ACAM	454,236	506,311	563,011	608,697	610,997
ACAMII	306,528	344,648	369,286	392,848	396,319
AK PLAN	36,739	55,086	57,737	62,243	62,372
CAF BLS	738,241	892,148	1,034,941	1,225,150	1,228,149
CAFII	3,097,118	4,209,321	4,212,377	4,215,903	4,223,111
CAFII AUC	76,116	169,751	416,217	540,876	595,919
PR Fixed			224,950	1,032,618	1,032,618
RBE	25,497	27,630	27,981	28,318	28,320
RDOF	49,236	108,560	385,714	812,167	991,256
USVI Fixed					817

*2024 Filing Year Closed March 1, 2024.

Appendix B: 2025 Verification – Deployment Snapshot

The below table highlights verification activity performed in 2025 (as of April 2, 2025). 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 Auction – LoC (Completed)	636	636	553	83
CAF II Auction – LoC (In-Progress)	980	TBD	TBD	TBD
RDOF – LoC (Completed)	2,133	2,133	2,022	111
RDOF – LoC (In-Progress)	6,709	TBD	TBD	TBD
RBAP (In-Progress)	880	TBD	TBD	TBD
Total Locations To Date	11,338	2,769	2,575	194

Appendix B: 2024 Verification - Performance Measures Testing

Summary of Results by Speed/SAC Combination for Q4 2024

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 BLS	Completed 2023	---	---	---	---	---	---	---	---
CAF II ACS	In testing	1	0	1	0	1	0	1	0
ACAM I & Revised ACAM I	In testing	444	33	428	16	429	15	419	25
RBE	In testing	33	9	29	4	30	3	24	9
AK Plan Wireline	In testing	21	2	20	1	20	1	20	1
CAF II Auction	In testing	174	26	154	20	163	11	165	9
ACAM II	In testing	233	7	229	4	228	5	227	6
PRVI	Pre-testing	4	0	N/A	N/A	N/A	N/A	N/A	N/A
RDOF	Upcoming (Pre-testing starts 2025)	---	---	---	---	---	---	---	---
Enhanced ACAM	Upcoming (Pre-testing starts 2026)	---	---	---	---	---	---	---	---
Total		910	77	861	45	871	35	856	50

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 titled “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.
- 2024 Annual PMM results are not due until July 2025.
- PRVI was in pre-testing in 2024. Therefore, results are not shown for individual test types.



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

ACTION ITEM

**Approval of Low Income Support Mechanism
3rd Quarter 2025 Programmatic Budget and
Demand Projection for the May 2, 2025 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 2025 (Q3 2025) programmatic budget and demand projection for the Low Income Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's May 2, 2025 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 Q3 2025 funding requirement for the Low Income Support Mechanism as follows:

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¹ 47 C.F.R. § 54.715(c).

² 47 C.F.R. § 54.709(a)(3).

Table A. Program Funding Requirement

<i>(in millions)</i>	Q2 2025	Increase/ (Decrease)	Q3 2025	Notes
Steady State:				
Lifeline	\$292.15	\$0.34	\$292.49	See Note 1
Link Up	0.07	(0.02)	0.05	
New Requirements:				
N/A	0.00	0.00	0.00	
Total Program Demand	\$292.22	\$0.32	\$292.54	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	(8.67)	(57.42)	(66.09)	
Billings	1.76	(3.12)	(1.36)	
Bad Debt Expense	(2.64)	(0.73)	(3.37)	
Interest Income	0.00	(0.86)	(0.86)	
Annual Administrative Expense True-Up	0.00	0.00	0.00	
Total Prior Period Adjustments	(9.55)	(62.13)	(71.68)	
USAC Administrative Expenses	\$22.45	\$1.62	\$24.07	See Table B
Total Funding Requirement	\$305.12	(\$60.19)	\$244.93	

Note 1: Demand estimate based on subscribership and average growth over the past two quarters.

Based on the projected burn rate, USAC estimates the following Q3 2025 programmatic budget:

[The remainder of the page is intentionally left blank.]

Table B. Quarterly Programmatic Budget

<i>(in millions)</i>	Q2 2025 Budget	Increase/ (Decrease)	Q3 2025 Budget	Notes
Direct Program Costs				
Employee Expenses	\$2.49	\$0.27	\$2.76	
Professional Services	7.03	0.36	7.39	
General & Administrative	0.48	0.06	0.54	See Note 2
Total Direct Program Costs	\$10.00	\$0.69	\$10.69	
Direct Assigned Costs				
Employee Expenses	\$0.64	\$0.00	\$0.64	
Professional Services	1.20	1.21	2.41	
General & Administrative	0.28	0.01	0.29	See Note 2
Total Direct Assigned Costs	\$2.12	\$1.22	\$3.34	
Total Direct Program & Direct Assigned Costs	\$12.12	\$1.91	\$14.03	
Common Allocated Costs	\$10.33	(\$0.29)	\$10.04	
Total Programmatic Budget	\$22.45	\$1.62	\$24.07	

Note 2: 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, 2025 is provided in **Attachment 1**.

Recommendation

USAC management recommends that the Committee approve the Q3 2025 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 2025 Low Income Support Mechanism direct program budget of \$14.03 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$14.03 million for Low Income Support Mechanism administrative costs in the required May 2, 2025 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 28, 2025 the 3rd Quarter

2025 Low Income Support Mechanism demand estimate of \$244.93 million, hereby directs USAC staff to proceed with the required May 2, 2025 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
Three Months ending March 31, 2025

<i>(\$ in millions)</i>	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	81	84	3	\$2.58	\$2.69	\$0.11
Professional Services (Note 3)				4.30	6.48	2.18
General & Administrative (Note 4)				0.19	0.33	0.14
Total Direct Program Costs				\$7.07	\$9.50	\$2.43
Direct Assigned Costs						
Employee Expenses	13	13	0	\$0.65	\$0.62	(\$0.03)
Professional Services (Note 3)				1.92	2.22	0.30
General & Administrative (Note 4)				0.78	0.35	(0.43)
Total Direct Assigned Costs				\$3.35	\$3.19	(\$0.16)
Total Direct Program & Direct Assigned Costs	94	97	3	\$10.42	\$12.69	\$2.27
Common Allocated Costs (Note 5)				\$8.82	\$9.54	\$0.72
Total Programmatic Budget				\$19.24	\$22.23	\$2.99

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

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

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



High Cost and Low Income Committee

Lifeline Business Update

Open Session

April 28, 2025

Agenda

- Q1 2025 Accomplishments
- Q2 2025 Plans
- National Verifier (NV) Highlights
- Lifeline Subscriber Trends

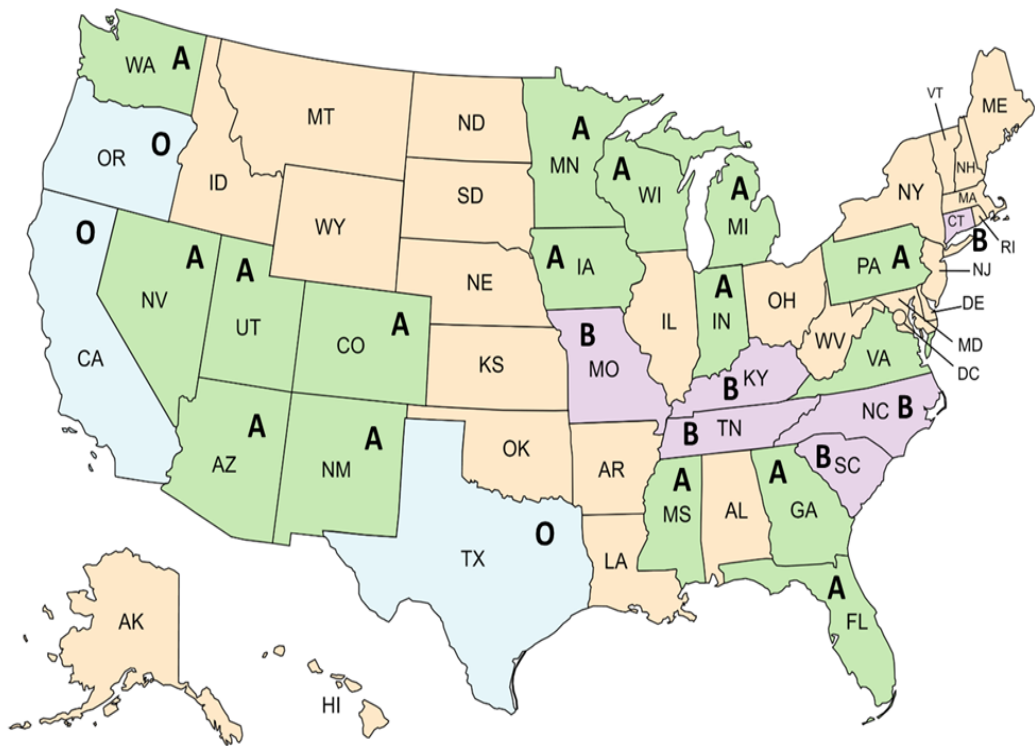
Q1 2025 Accomplishments

- Implemented Federal Communications Commissions (FCC) Office of Inspector General (OIG) recommendations regarding manual review and document retrieval process, which includes the identification of the document used for approval.
- Initiated the 2025 recertification process.
- Identified instances of Application Programming Interface (API) misuse and partnered with Eligible Telecommunications Carriers (ETCs) and the FCC to address suspicious activity.
- Processed 31 program appeals in Q1, addressing \$6,983,238 in Lifeline recoveries.
- Completed 2025 Lifeline Program Integrity Assurance (PIA) Plan.
- Began transition to Guidehouse as new manual review Business Processing Outsourcing (BPO).

Q2 2025 Plans

- Implement improved API volume and data quality monitoring, revamp Interconnection Security Agreement (ISA) language and required information, and create new API management process.
- Complete transition to Guidehouse for manual reviews and close out prior contract.
- Kick off new PIA related to Study Area Code (SAC) boundaries.
- Archive National Verifier Affordable Connectivity Program (ACP) application data.
- Implement technical development to improve internal processes related to Representative Accountability Database (RAD) and payment holds.

National Verifier Highlights



State API Connection (A)
Batch Connection (B)
Federal Connection Only
NLAD Opt-Out State with State Connection (O)



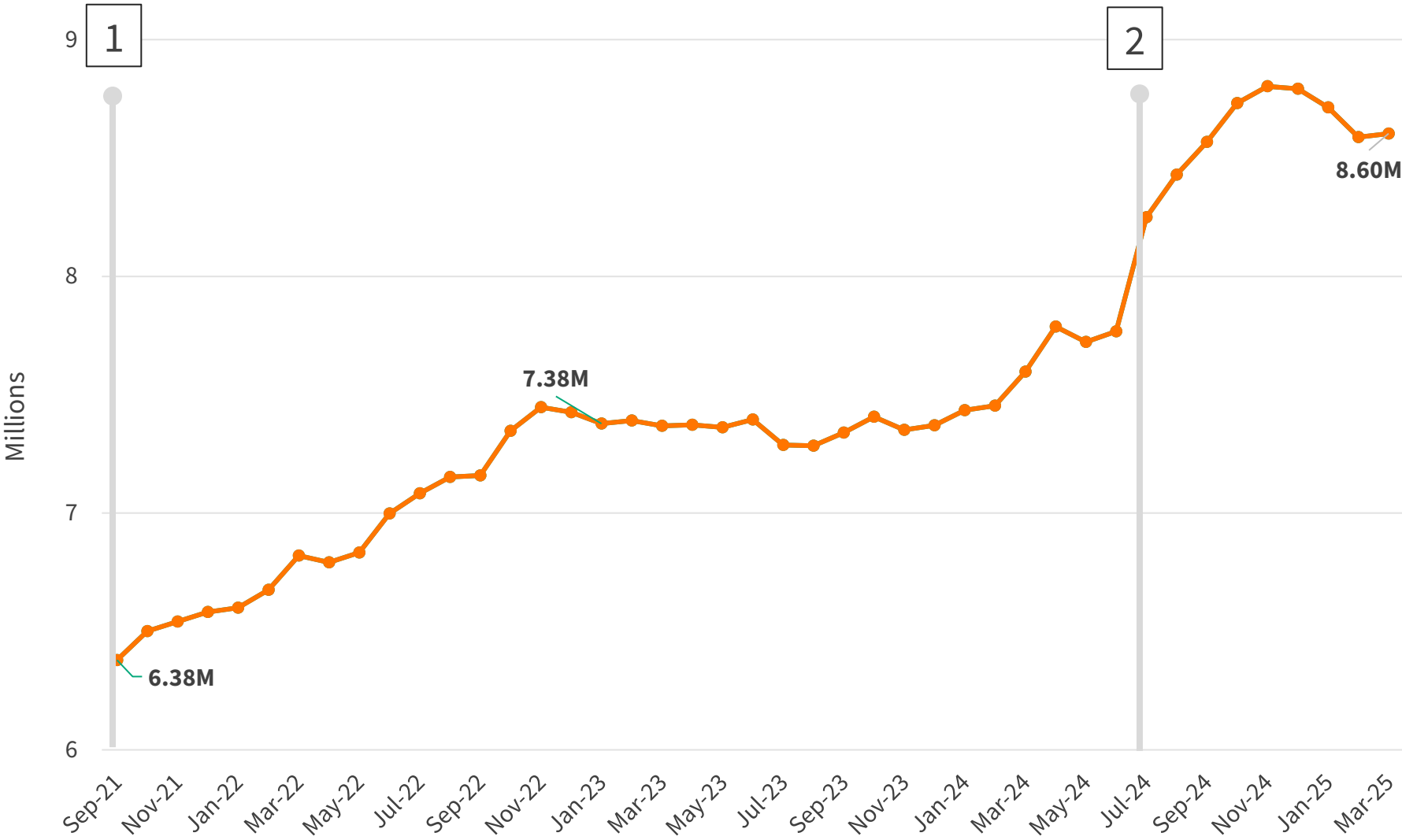
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29 Total NV Connections Available

- 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	December 2024 Data Month Subscribers
State and Federal	58.1%	2.0%	60.1%	45.1%	4,071,479
Federal Only	46.7%	4.0%	50.7%	36.1%	2,640,191
Overall	53.0%	2.8%	55.8%	41.0%	6,711,670

Lifeline Subscriber Trends



- 1. Subscriberhip has generally trended upwards since July 2021, following waivers of non-usage de-enrollments.
- 2. Increase in subscribership post ACP.

***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).



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High Cost and Low Income Committee

Lifeline Business Update (Continued)

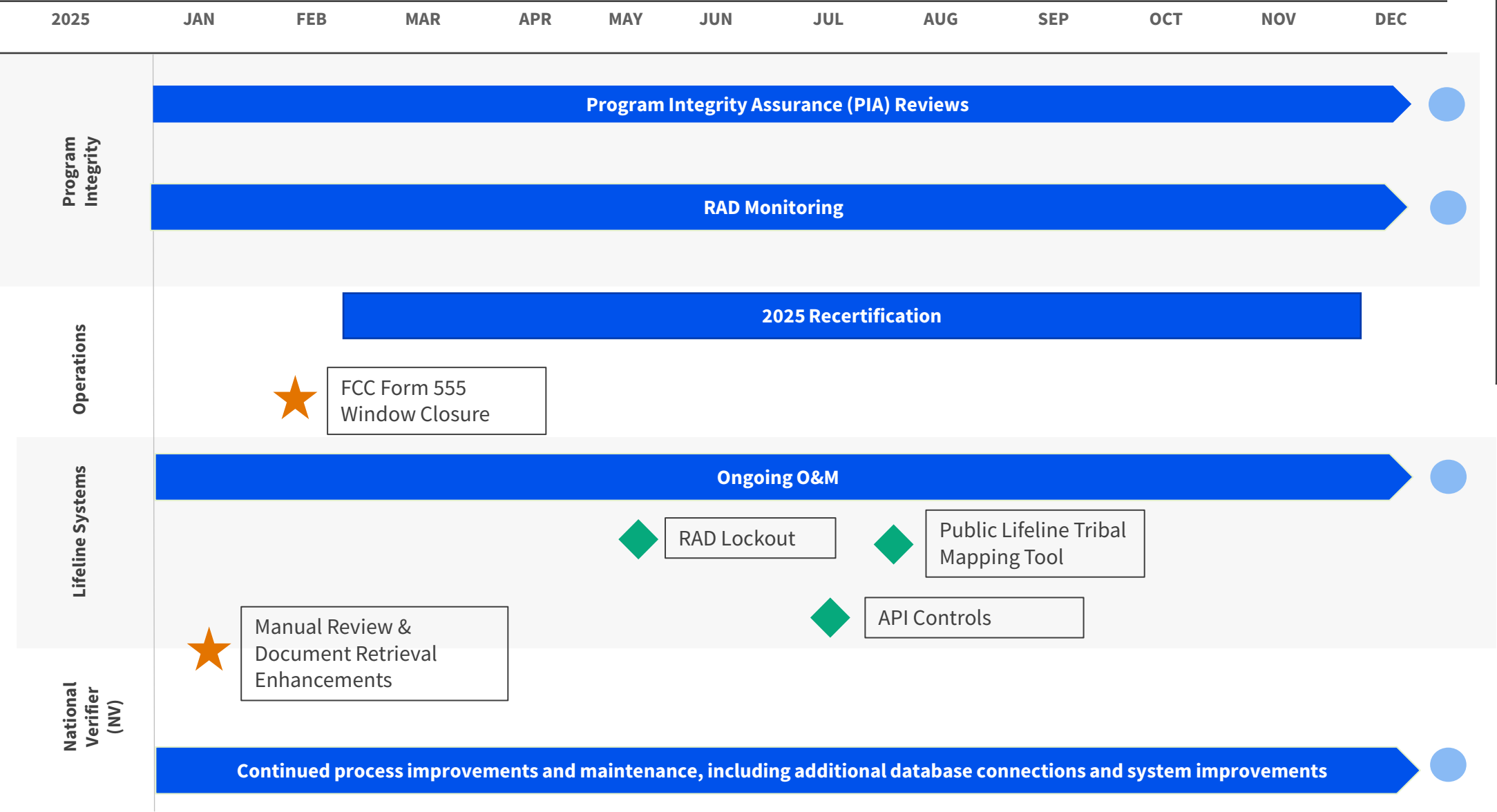
Open Session Information Items

April 28, 2025

Agenda

- 2025 Roadmap
- Program Metrics
- Service Type Trends
- Subscribership Trends
- Glossary of Terms

2025 Roadmap



Milestone Legend

- At Risk
- On Track
- Completed
- Ongoing

Program Metrics

Lifeline Eligibility and New Enrollments

Year-to-Date Cumulative Comparison	2025 (January through March)	2024 (January through March)
National Verifier Applications Created	4,178,302	6,284,767
Program Eligibility Auto Approved	2,061,631	3,637,669
Program Eligibility Auto Pass Rate	49.3%	57.9%
Enrollments (Excludes CA, OR, and TX)	858,834	1,459,486
De-Enrollments (Excludes CA, OR, and TX)	1,093,924	1,321,815
NLAD Subscribers (Excludes CA, OR, and TX) at Period-End	6,711,670	6,137,703
Opt-Out State Subscribers (CA, OR, and TX) at Period-End	1,891,554	1,459,124

***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.

Service Type Trends

Month	Broadband	Bundled Broadband	Bundled Voice and Broadband	Bundled Voice	Voice
March 2025	2.02%	2.65%	93.12%	0.33%	1.88%
February 2025	2.02%	2.81%	92.91%	0.34%	1.92%
January 2025	1.99%	2.94%	92.80%	0.34%	1.93%
December 2024	1.96%	3.06%	92.66%	0.35%	1.97%
November 2024	1.97%	3.19%	92.45%	0.36%	2.03%
October 2024	1.59%	3.36%	92.57%	0.38%	2.11%
September 2024	1.06%	3.73%	92.60%	0.40%	2.19%
August 2024	1.04%	9.24%	87.09%	0.44%	2.19%
July 2024	1.04%	10.53%	85.66%	0.50%	2.28%
June 2024	1.05%	11.75%	83.92%	0.60%	2.68%
May 2024	1.03%	12.49%	83.23%	0.50%	2.75%
April 2024	0.99%	14.03%	81.61%	0.57%	2.81%

- **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.

Subscriber Trends

Data Month	Subscriber (incl. opt-out)	Tribal Subscribers	Rate of Change (subscribers month over month)	Disbursed
March 2025 (snapshot on Apr. 1)	8,603,224	254,593	0.18%	\$78,802,608
February 2025 (snapshot on Mar. 1)	8,587,974	253,700	-1.44%	\$82,440,030
January 2025 (snapshot on Feb. 1)	8,713,729	253,713	-0.89%	\$85,136,634
December 2024 (snapshot on Jan. 1)	8,791,856	252,431	-0.12%	\$79,453,592
November 2024 (snapshot on Dec. 1)	8,802,542	251,983	0.81%	\$75,430,003
October 2024 (snapshot on Nov. 1)	8,732,130	249,512	1.92%	\$79,301,639
September 2024 (snapshot on Oct. 1)	8,567,905	243,431	1.64%	\$68,957,360
August 2024 (snapshot on Sep. 1)	8,429,872	240,332	2.19%	\$77,530,243
July 2024 (snapshot on Aug. 1)	8,249,404	229,461	6.20%	\$69,864,017
June 2024 (snapshot on Jul. 1)	7,767,922	217,733	0.58%	\$70,287,581
May 2024 (snapshot on Jun. 1)	7,722,863	207,793	-0.83%	\$71,421,962
April 2024 (snapshot on May 1)	7,787,495	232,924	2.51%	\$69,738,099

Glossary of Terms

Term	Definition
API	Application Program Interface: 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

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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