High Cost & Low Income Committee

Briefing Book

Monday, July 27, 2026

10:50 a.m. - 12:05 p.m. Eastern Time

Available for Public Use

Universal Service Administrative Company Offices

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

Washington, D.C. 20005

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

Monday, July 27, 2026 **10:50 a.m.– 12:05 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		*Estimated Duration in Minutes*
Chair	**a1.** Consent Items (each available for discussion upon request): **A.** Approval of High Cost & Low Income Committee Meeting Minutes of April 27, 2026 **B.** Approval of moving all ***Executive Session*** items into ***Executive Session*** **C.** Consideration and Approval of Two Routine Procurements	5
Vic	**a2.** Approval of High Cost Support Mechanism 4th Quarter 2026 Programmatic Budget and Demand Projection for the July 31, 2026 FCC Filing	5
Vic	**i1**. High Cost Business Update • Q2 2026 Accomplishments • Q3 2026 Program Plans • Appendix A: Glossary of Terms	20

HIGH COST INFORMATION ONLY Available for Public Use		*Estimated Duration in Minutes*
Vic	**i2**. High Cost Business Update *(Continued)* • Roadmap • Appendices: A. Disbursements and Deployments B. Verification of Deployments and Performance Measures Testing	–
Teleshia	**i3.** Information on Three USAC Audit and Assurance Division High Cost Support Mechanism Beneficiary Audit Reports	–

LOW INCOME OPEN SESSION Available for Public Use		*Estimated Duration in Minutes*
Tim	**a3.** Approval of Low Income Support Mechanism 4th Quarter 2026 Programmatic Budget and Demand Projection for the July 31, 2026 FCC Filing	5
Tim	**i4.** Low Income (Lifeline) Business Update • Q2 2026 Accomplishments • Q3 2026 Program Plans • National Verifier State and Federal Connections Metrics • National Verifier Metrics • Lifeline Subscriber Trends • Glossary of Terms	20

<u>LOW INCOME INFORMATION ONLY</u> Available for Public Use		*Estimated Duration in Minutes*
Tim	**i5**. Lifeline Business Update *(Continued)* • 2026 Roadmap • Program Metrics • Service Type Trends • Subscribership Trends	–
Teleshia	**i6**. Information on One USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Reports	–

LOW INCOME EXECUTIVE SESSION ***Executive Session Recommended*** Confidential -Not for Public Disclosure		*Estimated Duration in Minutes*
Tim	**i7.** Low Income (Lifeline) Business Update *(Continued)* • Lifeline Applications Process Internal Controls	10
Chris/ Aaron	**a4.** Consideration of a Contract Modification and to Exercise Option Term for Lifeline Business Process Outsourcing Services	–

HIGH COST EXECUTIVE SESSION ***Executive Session Recommended*** Confidential -Not for Public Disclosure		*Estimated Duration in Minutes*
Chris/ Aaron	**a5.** Consideration of a Contract Modification for High Cost Calculation Engine 2.0	–
Vic	**i8**. High Cost Business Update *(Continued, if needed)*.	–

Next Scheduled USAC High Cost & Low Income Committee Meeting

Monday, October 26, 2026 **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 April 27, 2026 (*see* **Attachment A**).

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*** because it relates to ***specific internal controls and/or confidential company data*** that would constitute a discussion of internal rules and procedures.

(2) **a4.** Consideration of a Contract Modification and to Exercise Option Term for Lifeline Business Processing 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) **a5.** Consideration of a Contract Modification for High Cost Calculation Engine 2.0. USAC management recommends that this item be discussed in ***Executive Session*** because it relates to USAC's ***procurement strategy*** *and c***ontract administration,*** where discussion of such matters in open session would compromise USAC's business objectives or negotiating strategy.

(4) **i8.** 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 and/or confidential company data*** that would constitute a discussion of internal rules and procedures.

C. Consideration and Approval of Two Routine Procurements.

(1) Consideration of a Contract Modification and to Exercise Option Term for Lifeline Business Processing Outsourcing Services. The resolution is provided in **aHCLI04cf.** If discussion is needed, it will be conducted in ***Executive Session.***

(2) Consideration of a Contract Modification for High Cost Calculation Engine 2.0. The resolution is provided in **aHCLI05cf.** If discussion is needed, it will be conducted in ***Executive Session*.**

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

Recommended USAC High Cost & Low Income Committee Action

APPROVAL OF THE FOLLOWING RESOLUTIONS:

RESOLVED, that the High Cost & Low Income Committee of the USAC Board of Directors hereby approves: (1) the Committee meeting minutes of April 27, 2026; and (2) discussion in ***Executive Session*** of the items noted above; and (3) the approval of two routine procurements as presented in items **aHCLI04cf** and **aHCLI05cf.**

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

HIGH COST & LOW INCOME COMMITTEE MEETING
Monday, April 27, 2026

(DRAFT) MINUTES[1]

The quarterly meeting of the High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) was held at USAC's offices in Washington, D.C on Monday, April 27, 2026. Ms. Olivia Wein, Committee Chair, called the meeting to order at 11:06 a.m. Eastern Time, with a quorum of six of the 10 Committee members present (there is one vacancy).

Forbes, Ian – *by telephone*
Garber, Michelle – Chief Executive Officer (Interim) and Assistant Treasurer
Sanborn, Heather
Schram, Tim
Wade, Dr. Joan
Wein, Olivia – Chair

Ms. Anisa Green joined the meeting at 11:30 a.m. Eastern Time. She did not vote on items a1 or a2. Ms. Angela Siefer joined the meeting at 11:45 a.m. Eastern Time. She did not vote on items a1-a3 or participate in the discussion of item i3.

Members of the Committee not present:

Chacko, Sheba
Semmler, Kara

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 – *by telephone*
Davis, Craig – Vice President of Schools and Libraries
Delmar, Teleshia – Vice President of Audit and Assurance
Francisco, Dale – Chief Financial Officer (Interim)
Gaither, Victor – Vice President of High Cost

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[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.

Gregory, Amber –Member of the Board
Hutchinson, Kyle – Vice President and Chief Information Office
Kettwich, Dan – Member of the Board
O'Brien, Tim – Vice President of Lifeline
Schell, Julie Tritt – Member of the Board
Sweeney, Mark – Vice President of Rural Health Care
Thompson, Mona – Member of the Board
Wibberly, Dr. Kathy – Member of the Board – *by telephone*
Williams, Erin – Vice President, General Counsel, and Assistant Secretary

Others present:

NAME	**COMPANY**
Alomari, Ghanem	USAC
Calhoun, Mitch	USAC
Campos, Rosy	Federal Funding Advisors, LLC
Claxton, Naomi	USAC
Evirgen, Danielle	Frontier Communications
Frazier, Trisha	State Library of Iowa
Goode, Vernell	USAC
Hung, Jennifer	USAC
Josephs, Fred	CSM
Kahn, Sammy	USAC
Little, Chris	USAC
Lougheed, Matthew	USAC
Morgan, Meredith	USAC
Nuzzo, Patsy	USAC
Ruffley, Brandon	USAC
Schrader, Theresa	Broadband Legal Strategies, LLC
Shannon, Allysa	Channelford Associates, Inc.
Simab, Habib	USAC
Smith, Chris	USAC
Staurulakis, Chresanthe	USAC
Suggs-Moore, Vickie	USAC
Tessler, Joelle	USAC
Traverso, Tania	Channelford Associates, Inc.
Weith, Tim	USAC
Whalen, Taylor	HealthConnect Networks
Willis, Catherine	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 January 26, 2026.

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

(1) **i6.** 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*** 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) **a4.** Consideration of a Contract Modification for 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.

(3) **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*** concerning the administration of the universal service support mechanisms, where discussion of the matter in open session would result in ***disclosure of confidential techniques and procedures*** that would compromise program integrity.

C. Approval of One Routine Procurement.

(1) Consideration of a Contract Modification for Third Party Identification and Verification Services. The resolution is provided in **aHCLI04cf**. If discussion is needed, it will be conducted in ***Executive Session***.

On a motion duly made and seconded, and after discussion, with Mr. Schram abstaining, 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 January 26, 2026; and (2) discussion in ***Executive Session*** of the items noted above; and (3) the approval of one routine procurement as presented in item **aHCLI04cf.**

a2. Approval of High Cost Support Mechanism 3rd Quarter 2026 Programmatic Budget and Demand Projection for the May 1, 2026 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 3rd quarter 2026 programmatic budget and demand projection for the May 1, 2026 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 3rd Quarter 2026 High Cost Support Mechanism program budget of $6.70 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of $6.70 million for High Cost Support Mechanism administrative costs in the required May 1, 2026 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 27, 2026 the 3rd Quarter 2026 High Cost Support Mechanism demand estimate of $1,079.06 million, hereby directs USAC staff to proceed with the required May 1, 2026 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 following topics:

- Q1 2026 Accomplishments
- Q2 2026 Program Plans
- Appendix A: Glossary of Terms

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.

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

LOW INCOME OPEN SESSION

a3. **Approval of Low Income Support Mechanism 3rd Quarter 2026 Programmatic Budget and Demand Projection for the May 1, 2026 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 3rd quarter 2026 programmatic budget and demand projection for the May 1, 2026 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 3rd Quarter 2026 Low Income Support Mechanism direct program budget of $12.24 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of $12.24 million for Low Income Support Mechanism administrative costs in the May 1, 2026 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 27, 2026, the 3rd Quarter 2026 Low Income Support Mechanism demand estimate of $190.30 million, hereby directs USAC staff to proceed with the required May 1, 2026, filing to the Federal Communications Commission on behalf of the Committee. USAC staff may make adjustments if the total variance for the Low Income Support Mechanism is equal to or less than $10 million or may seek approval from the Committee Chair to make adjustments if the total variance is greater than $10 million, but not more than $15 million.

i3. **Low Income (Lifeline) Business Update.** Mr. O'Brien presented PowerPoint slides to the Committee covering the following topics:

- Q1 2026 Accomplishments
- Q2 2026 Program Plans
- 2026 Notice of Proposed Rule Making
- National Verifier Highlights

- Lifeline Subscriber Trends
- Glossary of Terms

i4. **Low Income (Lifeline) Business Update *(Continued)*.** This item was provided for *information purposes only*. No discussion was held. Ms. Wein noted that the Low Income materials listed below would be made public and posted to the USAC website.

- 2026 Roadmap
- Program Metrics
- Service Type Trends
- Tribal Service Type Trends
- Subscribership Trends
- Tribal Subscribership Trends

i5. **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. Ms. Wein noted that the High Cost & Low Income Audit Briefing Book would be made public and posted to the USAC website.

At 11:48 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 FCC and USAC staff were present.

EXECUTIVE SESSION

i6. **Low Income (Lifeline) Business Update *(Continued).*** Mr. O'Brien presented PowerPoint slides to the Committee providing an update on the following:

- California Transition Status Update
- OIG Advisory Update
- Personal Identifiable Information Use and Protection Overview

a4. **Consideration of a Contract Modification for Third Party Identification and Verification Services.** No additional discussion was held on this item. The Board adopted the following resolution as part of the Consent Items:

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

RESOLVED, that the High Cost & Low Income Committee, having reviewed the recommendation of USAC management, hereby authorizes USAC management to increase the total not-to-exceed amount of its contract for Third Party Identification and Verification services with Transunion Public Sector to support the Lifeline Program by adding $1,060,000.00 (plus applicable taxes) to the fifth option term to account for anticipated volume increases in 2026, thereby increasing the total not-to-exceed amount from $5,507,675.00 (plus applicable taxes) to $6,567,675.00 (plus applicable taxes), subject to required Federal Communications Commission approval.

i7. High Cost Business Update ***(Continued, if needed).*** The Committee determined there was no additional discussion required in Executive Session.

OPEN SESSION

At 12:09 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 item i6.

On a motion duly made and seconded, the Committee adjourned at 12:09 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 4th Quarter 2026 Programmatic Budget and Demand Projection for the July 31, 2026 FCC Filing

Action Requested

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 4th Quarter 2026 (Q4 2026) programmatic budget and demand projection for the High Cost Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's July 31, 2026, quarterly filing.

Discussion

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

Funding Requirement

Based on data filed by supported carriers and FCC authorizations, USAC estimates the Q4 2026 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.*

(in millions)	**Q3 2026**	**Increase/ (Decrease)**	**Q4 2026**	**Notes**
Steady State:				
Legacy Funds	$495.87	($3.00)	$492.87	Includes HCLS, CAF BLS, CAF ICC, Frozen Price Cap, and Competitive ETC support. Decrease for HCLS due to change in part 36 data and new 2026/2027 BCM impact
Modernization Funds	669.60	($0.12)	669.48	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, and support ending for all RBE carriers
Amounts Paid from Reserve	(62.96)	$0.01	($62.95)	Disbursements for RBE, Mobility Fund Phase I, and a portion E-ACAM per DA 23-1025-Footnote 4 and E-ACAM support revision (paid from cash).
Total Steady State	***$1,102.51***	***($3.11)***	***$1,099.40***	
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	**$1,102.51**	**($3.11)**	**$1,099.40**	

Prior Period Adjustments (difference between projections and actuals):				
Disbursements	($23.90)	($22.26)	($46.16)	Adjustment includes program recoveries from prior quarter spread over four quarters to achieve a more stable/predictable contribution factor.
Billings	(2.80)	18.15	15.35	
Interest Income	(0.84)	(5.79)	(6.63)	
Bad Debt Expense	(14.24)	11.83	(2.41)	
Annual Admin True-Up	0.00	0.00	0.00	
Total Prior Period Adjustments	**($41.78)**	**$1.93**	**($39.85)**	

USAC Administrative Expenses	$18.33	$0.89	$19.22	See Table B.
Total Funding Requirement	**$1,079.06**	**($0.29)**	**$1,078.77**	

Based on the projected burn rate, USAC estimates the following Q4 2026 programmatic budget:

Table B. Quarterly Programmatic Budget

(in millions)	**Q3 2026**	**Increase/ (Decrease)**	**Q4 2026**	**Notes**
Direct Program Costs				
Employee Expenses	$1.83	$0.06	$1.89	
Professional Services	0.70	(0.03)	0.67	
General & Administrative	0.00	0.00	0.00	
Total Direct Program Costs	**$2.53**	**$0.03**	**$2.56**	
Direct Assigned Costs				
Employee Expenses	$0.69	$0.01	$0.70	
Professional Services	3.42	(0.36)	3.06	
General & Administrative	0.06	0.00	0.06	See Note 1.
Total Direct Assigned Costs	**$4.17**	**($0.35)**	**$3.82**	
Total Direct Program & Direct Assigned Costs	**$6.70**	**($0.32)**	**$6.38**	
Common Allocated Costs	**$11.63**	**$1.21**	**$12.84**	
Total Programmatic Budget	**$18.33**	**$0.89**	**$19.22**	

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

A comparison of actual expenditures to the budget for the six months ending June 30, 2026 is provided in **Attachment 2.**

Recommendation

USAC management recommends the Committee approve the Q4 2026 budget and projection of demand as proposed.

<u>Recommended High Cost & Low Income Committee Actions</u>

APPROVAL OF THE FOLLOWING RESOLUTIONS:

RESOLVED, that the USAC High Cost & Low Income Committee approves a 4th Quarter 2026 High Cost Support Mechanism program budget of $6.38 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of $6.38 million for High Cost Support Mechanism administrative costs in the required July 31, 2026, filing to the Federal Communications Commission on behalf of the Committee; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on July 27, 2026, the 4th Quarter 2026 High Cost Support Mechanism demand estimate of $1,078.77 million, hereby directs USAC staff to proceed with the required July 31, 2026, 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

(in millions)	**Q3 2026**	**Increase/ (Decrease)**	**Q4 2026**	**Notes**
Steady State – Legacy Funds:				
High Cost Loop Support (HCLS)[3]	$49.71	($3.74)	$45.97	Provides legacy support to rural carriers in areas where the cost to provide service exceeds 115% of the national average cost per line.
Connect America Fund (CAF) Broadband Loop Support (BLS)[4]	301.25	0.59	301.84	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]	80.92	(0.01)	80.91	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]	0.00	0.00	0.00	Frozen Price Cap carrier support for Uniendo PR and USVI.
Frozen Competitive ETC Support[7]	63.99	0.16	64.15	Frozen support for competitive carriers.
Total Steady State Legacy Funds	**$495.87**	***($3.00)***	***$492.87***	

[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.

(in millions)	**Q3 2026**	**Increase/ (Decrease)**	**Q4 2026**	**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 24-116, ACS will continue to receive CAF Phase II frozen support until 2028.
CAF Phase II Auction	36.59	0.00	36.59	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]	43.12	(0.01)	43.11	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).

(in millions)	**Q3 2026**	**Increase/ (Decrease)**	**Q4 2026**	**Notes**
A-CAM II[11]	54.76	0.00	54.76	Model support to Rate of Return carriers for voice and broadband infrastructure.
Rural Broadband Experiments (RBE)[12]	0.01	(0.01)	0.00	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	143.75	(0.11)	$143.64	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	325.81	0.01	325.82	Enhanced ACAM (E-ACAM) supports deployment of 100/20 service (or greater) through rural areas served by carriers currently receiving A-CAM support and in

[11] *See Connect America Fund et al.,* WC Docket Nos. 10-90 et al.*,* Report and Order, Further Notice of Proposed Rulemaking, and Order on Reconsideration, 33 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).

(in millions)	**Q3 2026**	**Increase/ (Decrease)**	**Q4 2026**	**Notes**
				areas served by legacy rate-of-return support recipients.
Total Steady State Modernization Funds	***$669.60***	***($0.12)***	***$669.48***	
Amounts Paid from Reserve	***($62.96)***	***0.01***	***($62.95)***	Per FCC direction, all disbursements for RBE, Mobility Fund Phase I, and a portion of disbursements for E-ACAM are paid from reserved funds collected in prior years.
New Requirements – Legacy Funds:				
Total New Requirements Legacy Funds	***0.00***	***0.00***	***0.00***	
New Requirements – Modernization Funds:				
Total New Requirements Modernization Funds	***0.00***	***0.00***	***0.00***	
Total Program Demand	***$1,102.51***	***($3.11)***	***$1,099.40***	

ATTACHMENT 2

High Cost Administrative Costs and Headcount
Comparison of Actual Expenditures and Headcount to the Budget for the
Six months ending June 30, 2026

($ in millions)	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	46	43	(3)	$3.80	$3.60	($0.20)
Professional Services (Note 2)				0.35	1.34	0.99
General & Administrative				0.00	0.00	0.00
Total Direct Program Costs				**$4.15**	**$4.94**	**$0.79**
Direct Assigned Costs						
Employee Expenses	13	14	1	$1.33	$1.37	$0.04
Professional Services (Note 2)				4.91	5.23	0.32
General & Administrative				0.15	0.11	(0.04)
Total Direct Assigned Costs				**$6.39**	**$6.71**	**$0.32**
Total Direct Program & Direct Assigned Costs	**59**	**57**	**(2)**	**$10.54**	**$11.65**	**$1.11**
Common Allocated Costs (Note 3)				**$23.27**	**$22.55**	**($0.72)**
Total Programmatic Budget				**$33.81**	**$34.20**	**$0.39**

Note 2: Direct Program Professional Services includes support for program modernization orders and High Cost data collection costs. Direct Assigned Professional Services include beneficiary and contributor audit program audits, contract labor, and IT

professional services 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.

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.

High Cost and Low Income Committee

High Cost Business Update

Open Session

July 27, 2026

Universal Service Administrative Co.

Agenda

- Q2 2026 Accomplishments
- Q3 2026 Program Plans
- Appendix
  - A: Glossary of Terms

Q2 2026 Accomplishments

Operations

- Annual FCC Form 481 (54.313) certifications collected.
- PMM Q2 certifications and HUBB Non-Compliance quarterly certification collected.
- Successfully collected CAF ICC annual Tariff Review Plans data collection via new Legacy Data Collection online tool.
- Completed CAF BLS annual Data Validation and Trend Analysis.
- Calculated and published 2026/2027 Budget Control Mechanism (BCM).
- Processed RDOF defaults and HUBB and PMM non-compliance support adjustment for impacted carriers.
- Processed approximately $1.38 billion in High Cost support disbursements for 17 funds in a timely and accurate manner to ensure continuity in voice and broadband service to customers.

Q2 2026 Accomplishments (Continued)

Compliance

- Conducted outreach associated with 27 RDOF study areas to ensure compliance with the recent milestone and to eliminate confusion surrounding the transition to Fabric based reporting. The team was able to ensure 20 of these study areas reported sufficient locations to avoid withholding of funding.
- Concluded sampling plan development and initiated 41 milestone verifications across various High Cost funds to ensure compliance with March 2026 milestone requirements.
- Supported reducing/terminating Letters of Credit (LoCs):
  - Performed CAF II Auction verifications of 43 carriers covering 4,100 locations.
  - Engaged in RDOF verifications of 33 carriers covering 3,500 locations.
- Completed special compliance reviews of Q1 2026 Performance Measures data to assess fraud risk:
  - Performed trend analysis of PMM data and identified 95 study areas covering 76 carriers for outreach and inquiry. Analysis identified 129 flags in the data for these carriers with some carriers being flagged more than once. Outreach led to corrective actions from 67 of the 95 study areas while the remaining study areas shared evidence in support of the analysis.
  - Reviewed subscriber replacement requests and identified nine study areas for outreach and inquiry.
  - Contacted 25 SACs covering 25 carriers in relation to a No Subscriber Attestation analysis to confirm the factual accuracy of the attestation. Evidence was reviewed to ensure the carrier appropriately certified within the PMM system.

Q2 2026 Accomplishments (Continued)

Compliance

- Performed compliance analysis of Q1 2026 test results, which included 369 study area/speed tier combinations in pre-testing, 930 study area/speed tier combinations in testing, and 61 study area/speed tier combinations that were non-compliant with their 2025 annual performance measures testing requirement.
  - Testing:
    - A total of 45 study area/speed tier combinations came into compliance with testing requirements and had **$924,622 of support restored**.
    - A total of 16 study area/speed tier combinations remain non-compliant with testing requirements and had **$73,139 of support withheld**.
    - Per the Public Notice DA 25-361, testing requirements for Q1 2026 and Q2 2026 are waived for RDOF and PRVI carriers. Carriers in these programs will begin testing in Q3 2026.
  - Pre-testing:
    - A total of 27 study area/speed tier combinations did not meet Q1 2026 pre-testing requirements (EACAM) and had **$301,540 of support withheld**.

Q2 2026 Accomplishments (Continued)

Stakeholder Engagement, Outreach and Customer Service Support

- Helped carriers manage quarterly network speed and latency pre-testing/testing requirements, comply with quarterly reporting (or no-subscriber/no-testing attestation) mandates, and obtain quarterly PMM compliance reports.
  - Included outreach to help RDOF and PR/USVI carriers obtain new random samples of subscriber locations reported in the HUBB using Fabric location IDs to resume network testing in Q3.
- Prepared Original and Revised ACAM, ACAM II, CAF II Auction, RDOF and PR/USVI carriers for verification reviews to confirm deployment to a random sample of locations reported in the HUBB.
- Supported CAF Map and CAF State Map refresh with updated information panels, data and fund glossaries, etc. Updated language includes details about funds that report deployment using Fabric location IDs.
- Helped carriers navigate the annual FCC Form 481 filing, due July 1.
- Helped carriers submit and certify key legacy data filings (FCC Forms 507 and 508, TRPs, etc.) through USAC's new online legacy data collection portal.

Q3 2026 Program Plans

Operations

- Collect 54.314 annual certifications.
- Collect 3Q 2026 PMM certification.
  - Conduct outreach calls.
- Collect Mixed Merger financial data and annual certifications.
- Collect FCC Form 509 data, using the new legacy fund data collection online tool.
- Collect Annual Part 36 Data for HCL Support calculation.
- Complete CAF ICC Annual Data Validation and Trend Analysis.

Q3 2026 Program Plans (Continued)

Compliance

- Execute milestone verification activities for 41 reviews initiated in May 2026. These should conclude by October 2026, and conclusions will be shared with the FCC for consideration and action.
- Continue to support timely performance of on-demand verifications to reduce/terminate LoCs in CAF II Auction and RDOF. CAF II Auction will continue to be a primary focus as the High Cost team ensures timely completion of any LoC termination requests.
- Perform compliance analysis of Q2 2026 PMM test data and ensure support is restored for carriers who eliminated or improved their non-compliance level.
- Perform special compliance reviews of Q2 2026 PMM test data (subscriber replacements and trend analyses) to assess fraud risk.
- Facilitate FCC Corrective Action Plans (CAPs) in relation to the HUBB/PMM OIG Audit which concluded in the fall of 2025. As of May 2026, four recommendations have yet to be closed by the OIG.

Q3 2026 Program Plans (Continued)

Stakeholder Engagement, Outreach and Customer Service Support

- Help carriers manage quarterly network speed and latency pre-testing/testing requirements, comply with quarterly reporting (or no-subscriber/no-testing attestation) mandates, and obtain quarterly PMM compliance reports.
  - Includes outreach to help RDOF and PR/USVI carriers resume network testing in Q3 using new random samples of subscriber locations reported in the HUBB using Fabric location IDs.
- Provide state utility regulators and Tribal officials with access to FCC Form 481 and broadband deployment data submitted by carriers under their jurisdiction.
- Help state utility regulators (and carriers that self certify) complete the annual ETC certification of carriers to be able to participate in the High Cost program.
- Help carriers submit and certify key legacy data filings (FCC Form 509) through USAC's new online legacy data collection portal.

May 2026 High Cost NPRM Summary

On May 20, 2026, the Commission adopted a Notice of Proposed Rulemaking, seeking comment on updating a subset of the Commission's high-cost mechanisms that apply to rate-of-return carriers (CAF BLS/HCLS, A-CAM I, Revised A-CAM I, and A-CAM II).

These are high-cost mechanisms that provide funding to legacy rate-of-return carriers that currently are not subject to any forward-looking buildout obligations and those model-based mechanisms slated to sunset in the near future.

The item is available on the FCC's Website (FCC 26-35)

Comments are due August 4, 2026 and Reply Comment are due September 3, 2026.

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. 15 rate-of-return carriers and eight of their wireless affiliates elected to be on the Alaska Plan.
AAD	Audit and Assurance Division: An organization within USAC dedicated to preserving the integrity of universal service funds and USAC's corporate resources by conducting objective audits, performing payment quality assessments, and evaluating the efficiency and effectiveness of USAC's operations.
BCAP	Beneficiary and Contributor Audit Program: BCAP assesses beneficiary and contributor compliance with Federal Communications Commission (FCC) rules, orders, and program requirements (collectively, FCC Rules).
CAF	Connect America Fund: Beginning with the 2011 *Universal Service Fund/Connect America Fund Transformation Order*, a part of the federal universal service High Cost program designed to expand access to voice and broadband services.
CAF II Auction	Mechanism awarding support through a reverse auction, which was conducted in 2018, for deployment to unserved areas where the price cap carrier declined the offer of model-based support.
CAF BLS	Connect America Fund Broadband Loop Support: FCC amended interstate common line support, renaming it the CAF BLS mechanism, expanding support from solely traditional voice loops to include support for broadband-only loops.

Appendix A: Glossary of Terms (Continued)

Term	Definition
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.
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.

Appendix A: Glossary of Terms (Continued)

Term	Definition
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.
RBAP	Rural Broadband Accountability Plan: FCC initiative to increase audits, verifications, and transparency for USF High Cost programs, including the Rural Digital Opportunity Fund. See https://www.fcc.gov/rbap

Appendix A: Glossary of Terms (Continued)

Term	Definition
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.
SPIN	Service Provider Identification Number. A unique non-digit number assigned to service providers by USAC when the FCC Form 498 is filed.

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High Cost and Low Income Committee

High Cost Business Update

Open Session – Information Only

July 27, 2026

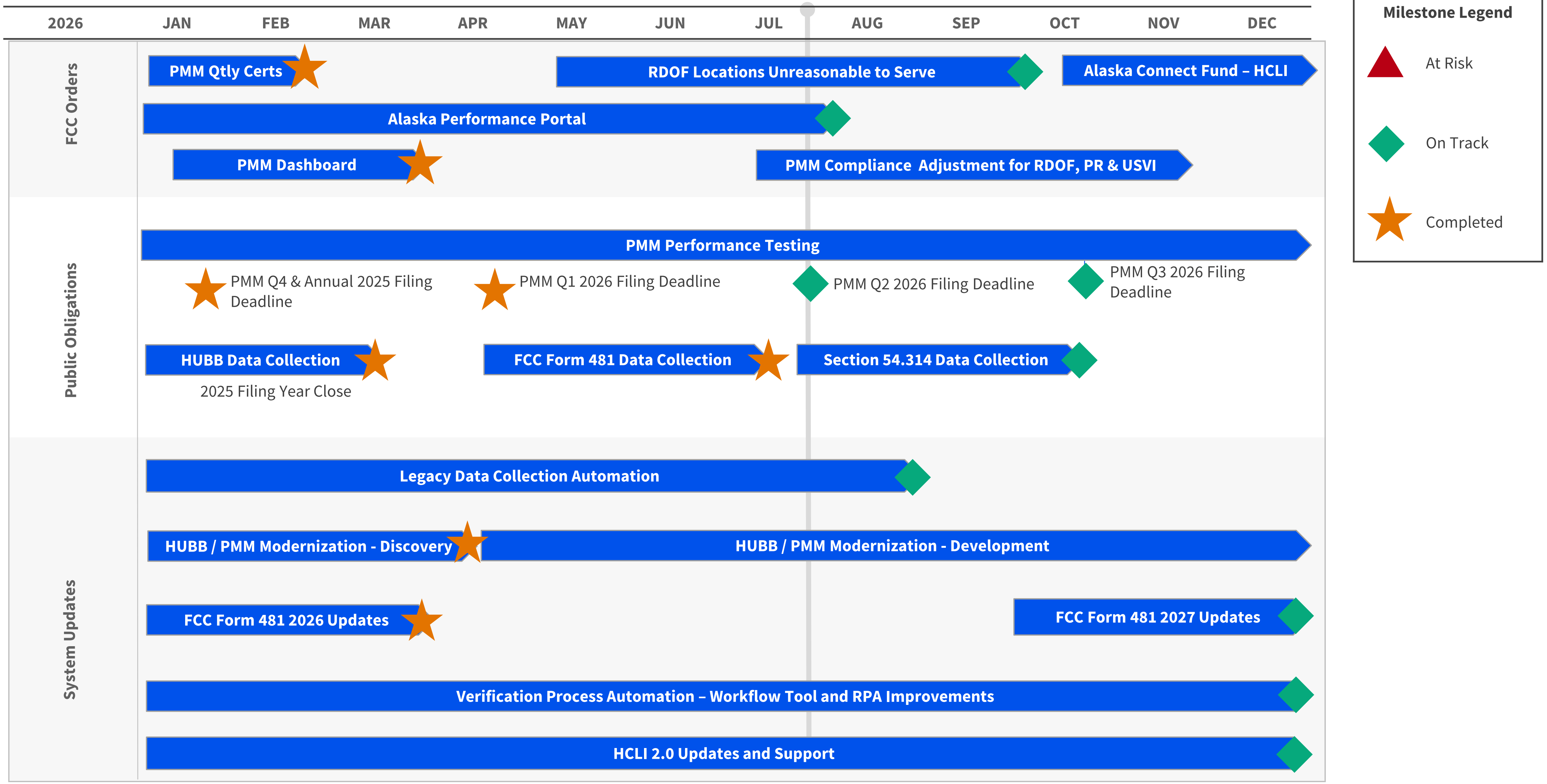
Universal Service Administrative Co.

Agenda

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

2026 Roadmap

Available for Public Use



Appendix A: Metrics

High Cost Disbursements (Through April 2026)

Fund Type	SAC Type	2026	2025	2024
Legacy	CETC	$85,379,548	$312,525,738	$353,288,853
	ILEC	$525,367,451	$1,640,758,211	$1,569,432,751
Modernized	CETC	$229,383,316	$722,059,015	$740,065,638
	ILEC	$535,249,590	$1,865,405,635	$1,863,683,814
Wireless		$0	$0	$0

*The Wireless number for CETC reflects MF1 only.

Appendix A: Metrics (Continued)

High Cost Calendar Year Cumulative Deployments (Data Certified as of December 31, 2025)

Fund	2021	2022	2023	2024	2025
ACAM	505,235	561,627	607,271	620,281	620,938
ACAM II	342,878	367,485	390,968	398,295	398,566
AK Plan	55,271	57,922	62,428	67,145	67,175
CAF II	4,207,491	4,210,541	4,214,027	4,223,457	4,223,457
CAF II Auc	169,387	414,920	539,638	748,504	755,958
CAF-BLS	883,562	1,025,967	1,216,087	1,302,462	1,302,462
PR Fixed	-	224,950	1,032,618	1,101,258	1,101,258
RBE	27,606	27,957	28,294	28,423	28,423
RDOF	108,521	383,599	806,590	1,354,576	1,427,859
USVI Fixed	-	-	-	11,364	12,062

Appendix B: 2026 Verification – Deployment Snapshot

The below table highlights verification activity performed in 2026 (as of July 2, 2026). 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	Milestone %	Locations Sampled	Locations Tested		
			Tested	Pass	Fail
ACAM / RACAM	90% (ACAM) 70% (RACAM)	734	76	70	6
ACAM II	70%	932	358	341	17
CAF II Auction – LoC (Completed)	On-Demand	1,895	1,895	1,673	222
CAF II Auction – LoC (In-Progress)	On-Demand	2,274*	0	0	0
RDOF - Required	40%/60%	58	0	0	0
RDOF - LoC (Completed)	On-Demand	2,749	2,749	2,566	183
RDOF - LoC (In-Progress)	On-Demand	1,030*	0	0	0
RBAP	Various	1,775	0	0	0
ACS	100%	60	0	0	0
Total		**11,507**	**5,078**	**4,650**	**428**

*Subject to on-demand verifications that are still in-progress

Appendix B: 2026 Verification - Performance Measures Testing

Summary of Results by Speed/SAC Combination for Q1 2026

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	In testing	313	22	302	11	297	16	298	15
CAF II ACS	In testing	1	0	1	0	1	0	1	0
ACAM I & Revised ACAM I	In testing	247	24	228	19	233	14	236	11
RBE	In testing	21	7	17	4	14	7	19	2
AK Plan Wireline	In testing	23	2	21	2	22	1	22	1
CAF II Auction	In testing	189	30	163	26	170	19	172	17
ACAM II	In testing	129	7	124	5	126	3	123	6
Enhanced ACAM	In pre-testing	347	27	--	--	--	--	--	--
PRVI	Testing to start Q3 2026	--	--	--	--	--	--	--	--
RDOF	Testing to start Q3 2026	--	--	--	--	--	--	--	--
Total		**1270**	**92**	**856**	**67**	**863**	**60**	**871**	**52**

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.
- Per DA 25-361, testing requirements for Q1 2026 and Q2 2026 are waived for RDOF and PRVI carriers. Carriers in these programs will begin testing in Q3 2026.
- Enhanced ACAM is in pre-testing for 2026. Therefore, results are not shown for individual test types.
- Carriers transitioning to the EACAM program that were compliant as of 2023 are not required to submit test data under their previous funds.

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High Cost & Low Income Committee Meeting

ACTION ITEM

Approval of Low Income Support Mechanism 4th Quarter 2026 Programmatic Budget and Demand Projection for the July 31, 2026 FCC Filing

Action Requested

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 4th Quarter 2026 (Q4 2026) programmatic budget and demand projection for the Low Income Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's July 31, 2026 quarterly filing.

Discussion

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

Funding Requirement

Based on projected subscribership levels, USAC estimates the Q4 2026 funding requirement for the Low Income Support Mechanism as follows:

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[1] *See* 47 C.F.R. § 54.715(c).
[2] *See* 47 C.F.R. § 54.709(a)(3).

Table A. Program Funding Requirement

(in millions)	**Q3 2026**	**Increase/ (Decrease)**	**Q4 2026**	**Notes**
Steady State:				
Lifeline	$263.67	($0.64)	$263.03	See Note 1
Link Up	0.03	0.00	0.03	
New Requirements:				
N/A	0.00	0.00	0.00	
Total Program Demand	**$263.70**	**($0.64)**	**$263.06**	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	($90.00)	($9.76)	($99.76)	See Note 2
Billings	(0.44)	3.87	3.43	
Bad Debt Expense	(3.19)	2.73	(0.46)	
Interest Income	(0.05)	0.01	(0.04)	
Annual Administrative Expense True-Up	0.00	0.00	0.00	
Total Prior Period Adjustments	**($93.68)**	**(3.15)**	**($96.83)**	
USAC Administrative Expenses	**$20.28**	**$0.28**	**$20.56**	See Table B
Total Funding Requirement	**$190.30**	**($3.51)**	**$186.79**	

Note 1: Demand estimate based on approximately 7.6 million subscribers.

Note 2: Q3 and Q4 include an adjustment due to Q1 program recoveries (spread over four quarters to achieve a more stable/predictable contribution factor)

Based on the projected burn rate, USAC estimates the following Q4 2026 programmatic budget:

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Table B. Quarterly Programmatic Budget

(in millions)	**Q3 2026 Budget**	**Increase/ (Decrease)**	**Q4 2026 Budget**	**Notes**
Direct Program Costs				
Employee Expenses	$2.69	$0.08	$2.77	
Professional Services	6.11	(0.20)	5.91	
General & Administrative	0.45	(0.15)	0.30	See Note 3
Total Direct Program Costs	**$9.25**	**($0.27)**	**$8.98**	
Direct Assigned Costs				
Employee Expenses	$0.62	$0.03	$0.65	
Professional Services	1.77	0.02	1.79	
General & Administrative	0.60	(0.35)	0.25	See Note 3
Total Direct Assigned Costs	$2.99	($0.30)	$2.69	
Total Direct Program & Direct Assigned Costs	**$12.24**	**($0.57)**	**$11.67**	
Common Allocated Costs	**$8.04**	**$0.85**	**$8.89**	
Total Programmatic Budget	**$20.28**	**$0.28**	**$20.56**	

Note 3: General & Administrative expenses include postage and software licensing.

A comparison of actual expenditures to the budget for the six months ending June 30, 2026 is provided in **Attachment 1.**

Recommendation

USAC management recommends that the Committee approve the Q4 2026 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 4th Quarter 2026 Low Income Support Mechanism direct program budget of $11.67 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of $11.67 million for Low Income Support Mechanism administrative costs in the July 31, 2026 filing to the Federal Communications Commission on behalf of the Committee; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on July 27, 2026, the 4th Quarter 2026 Low Income Support Mechanism demand estimate of $186.79 million, hereby directs USAC staff to proceed with the required July 31, 2026, 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
Six Months ending June 30, 2026

($ in millions)	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	71	76	5	$5.08	$5.30	$0.22
Professional Services (Note 4)				7.39	11.46	4.07
General & Administrative (Note 5)				0.68	0.63	(0.05)
Total Direct Program Costs				**$13.15**	**$17.39**	**$4.24**
Direct Assigned Costs						
Employee Expenses	13	12	(1)	$1.29	$1.20	($0.09)
Professional Services (Note 4)				3.79	2.72	(1.07)
General & Administrative (Note 5)				0.57	1.49	0.92
Total Direct Assigned Costs				**$5.65**	**$5.41**	**($0.24)**
Total Direct Program & Direct Assigned Costs	**84**	**88**	**4**	**$18.80**	**$22.80**	**$4.00**
Common Allocated Costs (Note 6)				**$15.58**	**$15.61**	**$0.03**
Total Programmatic Budget				**$34.38**	**$38.41**	**$4.03**

Note 4: Direct Program Professional Services include Lifeline eligibility verifications, the Call Center, and third party identity verification. Direct Assigned Professional Services include National Verifier (NV) operations & maintenance, beneficiary & contributor program audits, and IT contract labor.

Note 5: General & Administrative expenses include postage and software licensing.

Note 6: Common costs include costs not directly attributable to a program and are allocated based on the Cost Allocation Methodology, which allocates costs based 50% on direct program costs in the prior year and 50% on program demand in the prior year.

High Cost and Low Income Committee

Lifeline Business Update

Open Session

July 27, 2026

Universal Service
Administrative Co.

Agenda

- Q2 2026 Accomplishments
- Q3 2026 Program Plans
- National Verifier State & Federal Connections Map
- National Verifier Metrics
- Lifeline Subscriber Trends
- Glossary of Terms

Q2 2026 Accomplishments

- Continued progression of the Fraud Detection Tool (FDT) project, on schedule to be implemented in August 2026.
- Began development to support the California Recertification process for 2026.
- Implemented updated de-enrollment codes to increase visibility of de-enrollment drivers.
- Completed enhancements to the Representative Accountability Database (RAD) account recovery process, including a new option to retrieve a RAD ID using personal identifiable information (PII).
- Implemented the Typhoon Sinlaku waiver ensuring affected subscribers continued to receive their Lifeline benefits.

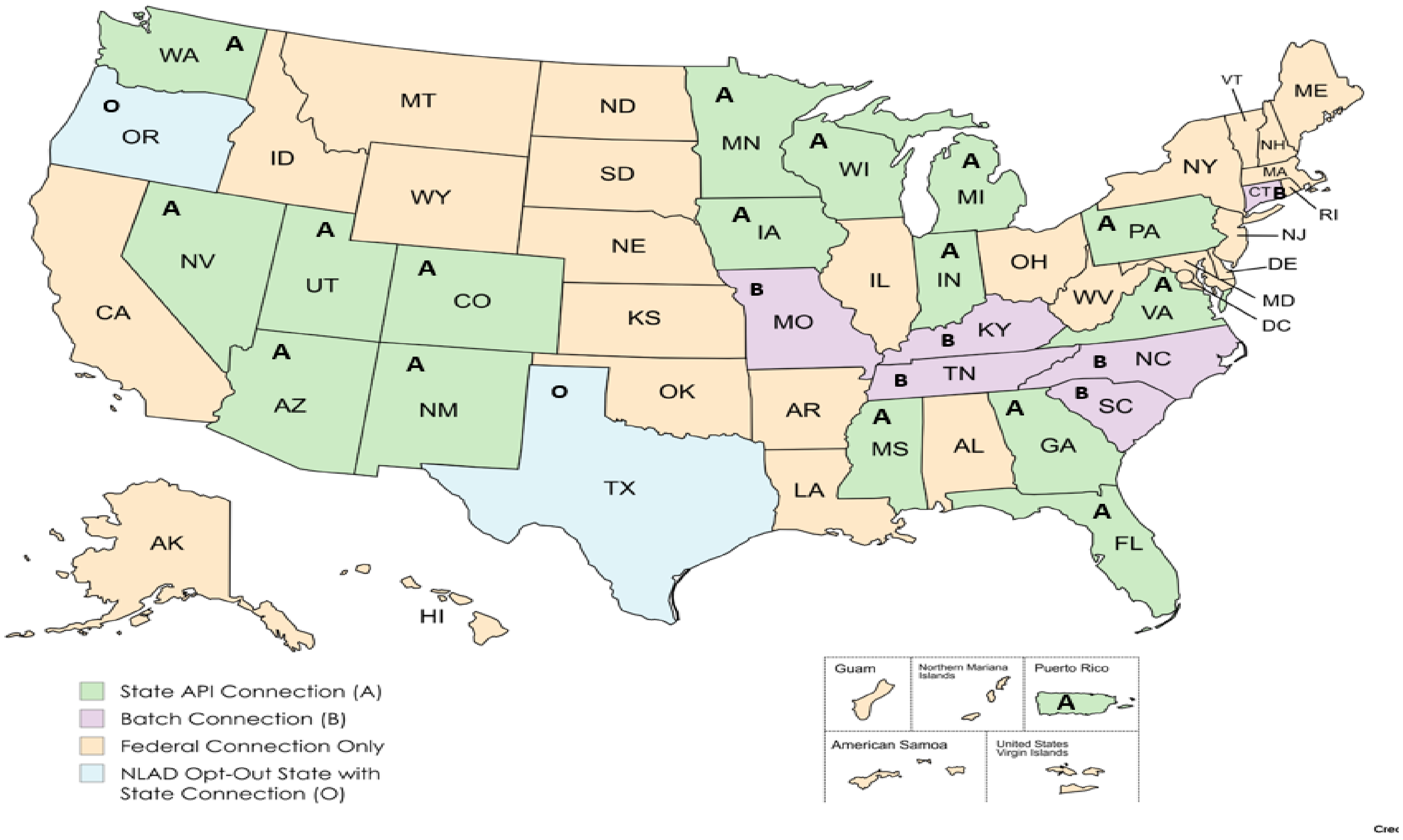
Q2 2026 Accomplishments (Continued)

- Updated Lifeline’s consumer website LifelineSupport.org and released a new series of “how to apply” videos to improve consumer experience and understanding of the application process.
- Completed 11 Corrective Action Plans (CAPs) from the Lifeline Fraud Risk Assessment (FRA) addressing a range of important program areas such as increasing opt-out state oversight and identity and address validations.
- Completed 7 Lifeline Program Integrity Assurance reviews (4 quarterly, 1 agent lockout review, and 2 ad hoc).
- Resolved 17 Lifeline appeals, addressing more than $91,600 in program funding.

Q3 2026 Program Plans

- Implement FDT 1.0, which will assist the National Verifier in identifying manipulated and unreviewable eligibility documents.
- Complete enhancements to the RAD process, including increased controls around representative re-registration.
- Initiate recertification for California subscribers in August 2026.
- Modernize NLAD/NV API connections requiring all users to migrate to the OAuth process.
- Provide administrative support to FCC's Notice of Proposed Rule Making (NPRM) and potential order.
- Continue outreach and partnership with state agencies in support of establishing additional state connections to the NV.
- Finalize the Limited Access Death Master File (LADMF) Attestation renewal required every three years.

National Verifier State & Federal Connections Map



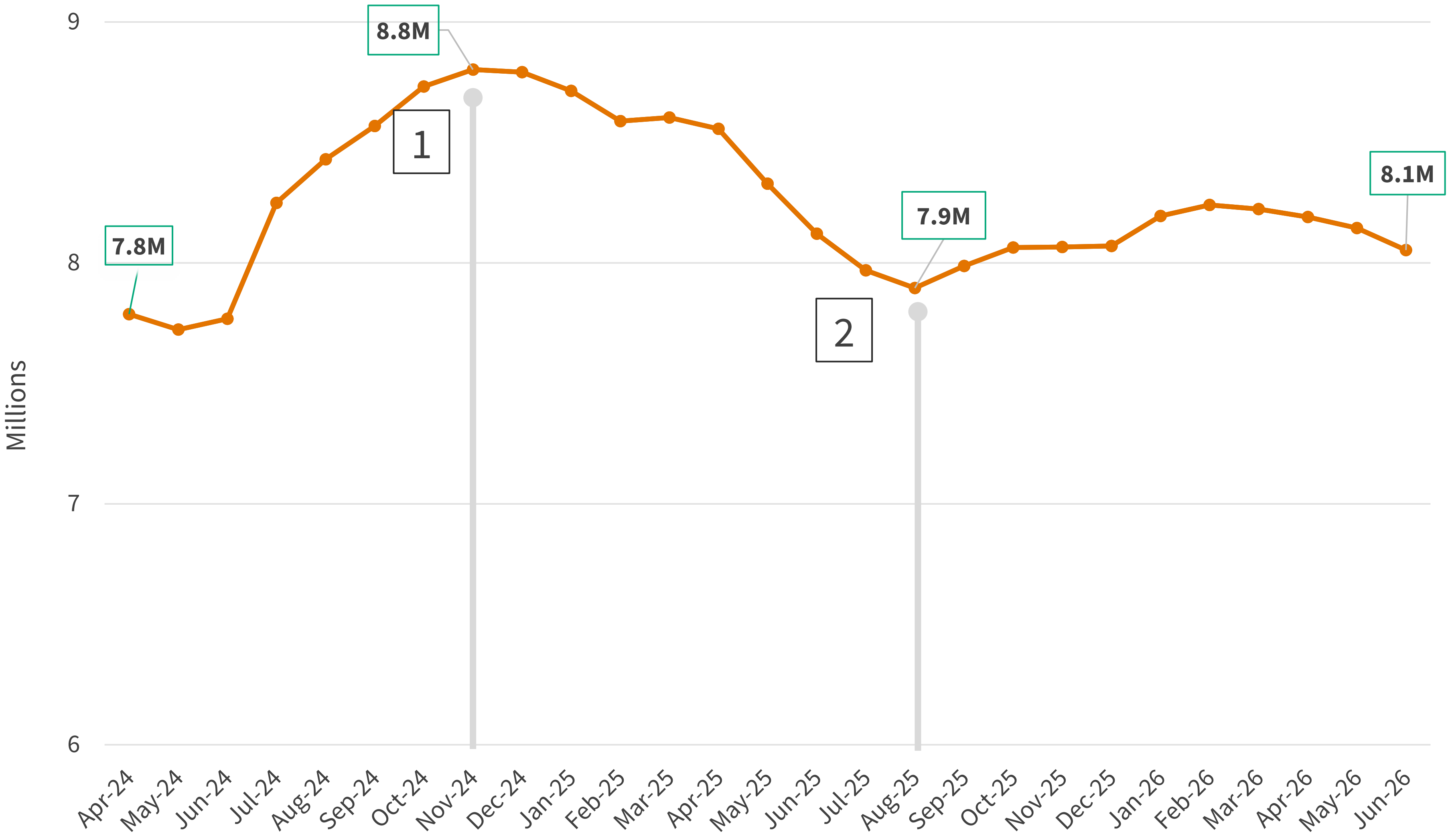
28 Total NV Connections

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

National Verifier Metrics

		Qualified Applications				All Applications			
Connection Types	**June Subscribership**	% of Qualified Apps Passing Eligibility Database Check	% of Qualified Apps Passing Program/ Income Manual Review	Overall Program/ Income Eligibility Pass Rate	% of Apps Passing all Database Checks	% 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
State and Federal	3,639,596	96.7%	3.3%	100.0%	78.8%	43.2%	1.5%	44.7%	35.2%
Federal Only	4,102,626	91.0%	9.0%	100.0%	72.6%	45.5%	4.5%	50.0%	36.4%
Overall	7,742,222	93.6%	6.4%	100.0%	75.4%	44.0%	3.0%	28.3%	35.5%

Lifeline Subscriber Trends



1. Peak subscribership following post-ACP enrollments.
2. Post-peak 2025 de-enrollments driven primarily by non-usage.

*Subscribership includes all subscribers, including NLAD opt-out states (OR and TX).

Glossary of Terms

Term	Definition
API	Application Program Interface: A set of programming codes that enable 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

Universal Service
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High Cost and Low Income Committee

Lifeline Business Update (Continued)

Open Session - Information Only

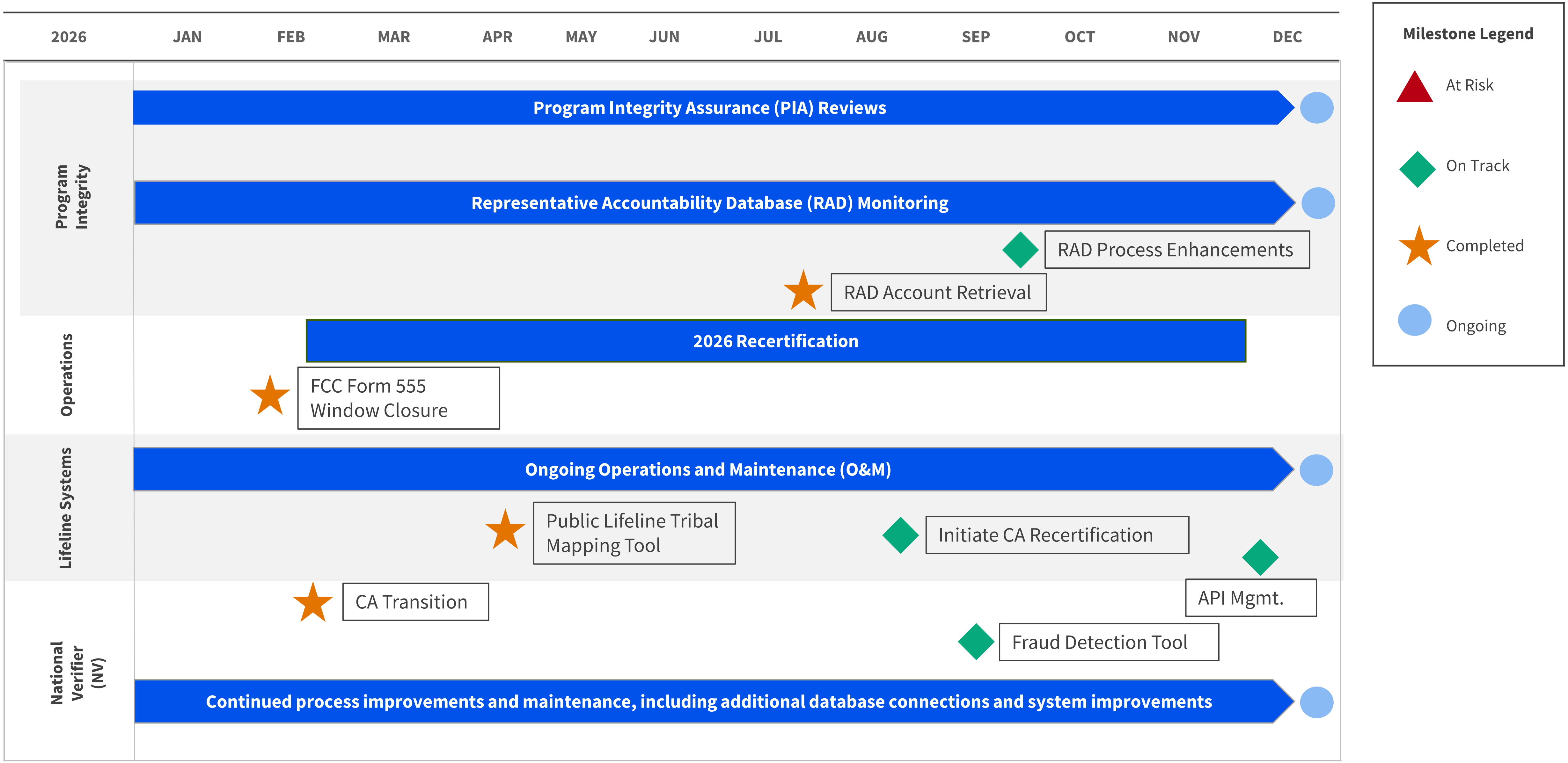
July 27, 2026

Universal Service Administrative Co.

Agenda

- 2026 Roadmap
- Program Metrics
- Service Type Trends
- Subscribership Trends

2026 Roadmap



Program Metrics

Lifeline Eligibility and New Enrollments

Year-to-Date Comparison	2026 (Jan. through Jun.)	2025 (Jan. through Jun.)
National Verifier Applications Created	15,931,407	7,279,078
Program Eligibility Auto Approved	5,142,085	3,772,334
Program Eligibility Auto Pass Rate	32.3%	51.8%
Enrollments (Excludes OR and TX)	4,058,428	1,698,960
De-Enrollments (Excludes OR and TX)	2,342,005	2,506,825
NLAD Subscribers (Excludes OR and TX) at Period-End	7,742,222	6,137,382
Opt-Out State Subscribers (OR and TX) at Period-End	311,037	1,984,337

***Note:** Subscriber counts include all subscribers in the National Lifeline Accountability Database (NLAD) snapshot. Subscriber counts from the NLAD opt-out states (OR and TX) are also included unless otherwise noted. CA transitioned into NV/NLAD on February 1, 2026. CA was excluded from Enrollment, De-enrollments, and NLAD Subscribers in 2025 (Opt-Out State status) and added for 2026 (due to transition).

Service Type Trends

Month	Broadband	Bundled Broadband	Bundled Voice and Broadband	Bundled Voice	Voice
June 2026	1.84%	0.35%	95.99%	0.20%	1.62%
May 2026	1.82%	0.45%	95.98%	0.23%	1.53%
April 2026	1.86%	0.50%	95.83%	0.25%	1.55%
March 2026	1.88%	0.53%	95.78%	0.25%	1.57%
February 2026	1.88%	0.56%	95.72%	0.26%	1.58%
January 2026	1.91%	0.67%	95.56%	0.27%	1.60%
December 2025	1.93%	0.75%	95.38%	0.28%	1.67%
November 2025	1.94%	2.34%	93.72%	0.28%	1.71%
October 2025	1.94%	2.30%	93.75%	0.27%	1.74%
September 2025	1.94%	1.95%	94.03%	0.29%	1.79%
August 2025	2.02%	2.05%	93.79%	0.30%	1.83%
July 2025	2.10%	2.18%	93.55%	0.31%	1.86%

- **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.

Tribal Service Type Trends

Month	Broadband	Bundled Broadband	Bundled Voice and Broadband	Bundled Voice	Voice
June 2026	2.40%	1.39%	94.86%	0.05%	1.30%
May 2026	2.59%	1.63%	94.33%	0.05%	1.41%
April 2026	2.79%	1.86%	93.77%	0.05%	1.53%
March 2026	2.91%	2.15%	93.28%	0.06%	1.61%
February 2026	2.94%	2.33%	93.01%	0.05%	1.67%
January 2026	3.00%	2.54%	92.69%	0.05%	1.72%
December 2025	3.05%	2.79%	92.30%	0.05%	1.81%
November 2025	3.04%	3.02%	92.03%	0.05%	1.85%
October 2025	3.08%	3.29%	91.66%	0.06%	1.91%
September 2025	3.10%	3.66%	91.22%	0.06%	1.96%
August 2025	3.11%	4.16%	90.65%	0.06%	2.02%
July 2025	3.19%	5.20%	89.45%	0.06%	2.09%

- **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.

Subscribership Trends

Data Month	Subscribers (incl. opt-out)	Tribal Subscribers	Rate of Change (subscribers month over month)	Disbursed
June 2026 (snapshot on Jul. 1)	8,053,259	330,739	-1.12%	$76,885,647
May 2026 (snapshot on Jun. 1)	8,144,825	319,109	-0.56%	$70,183,332
April 2026 (snapshot on May 1)	8,190,472	312,362	-0.40%	$73,039,170
March 2026 (snapshot on Apr. 1)	8,223,436	302,300	-0.21 %	$86,733,316
February 2026 (snapshot on Mar. 1)	8,241,018	297,034	0.57%	$96,846,723
January 2026 (snapshot on Feb. 1)	8,194,245	290,100	1.53%	$67,158,652
December 2025 (snapshot on Jan. 1)	8,070,767	280,984	0.06%	$65,036,090
November 2025 (snapshot on Dec. 1)	8,066,296	278,102	0.03%	$75,588,973
October 2025 (snapshot on Nov. 1)	8,063,700	272,402	0.96%	$78,661,946
September 2025 (snapshot on Oct. 1)	7,986,875	265,643	1.15%	$69,218,137
August 2025 (snapshot on Sept. 1)	7,895,856	259,556	-0.92%	$75,703,392
July 2025 (snapshot on Aug. 1)	7,969,547	255,875	-1.87%	$76,183,061

Tribal Subscribership Trends

Month	Total Tribal Subscribers	Rate of Change (Tribal Subscribers month over month)	Tribal Subscriber Variance
June 2026	330,739	3.64%	11,630
May 2026	319,109	2.16%	6,747
April 2026	312,362	3.33%	10,062
March 2026	302,300	1.77%	5,266
February 2026	297,034	2.39%	6,934
January 2026	290,100	3.24%	9,116
December 2025	280,984	1.04%	2,882
November 2025	278,102	2.09%	5,700
October 2025	272,402	2.54%	6,759
September 2025	265,643	2.35%	6,087
August 2025	259,556	1.44%	3,684
July 2025	255,872	-2.08%	-5,423

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