



## High Cost & Low Income Committee

### Briefing Book

Monday, January 26, 2026

1:35 – 3:10 pm. ET

Available for Public Use

Universal Service Administrative Company

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

Washington, D.C. 20005

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

**Monday, January 26, 2026  
1:35 – 3:10 p.m. Eastern Time  
VIRTUAL MEETING  
USAC Offices  
700 12th Street, N.W., Suite 900  
Washington, D.C. 20005**

<b>HIGH COST OPEN SESSION</b> Available for Public Use		<i>Estimated Duration in Minutes</i>
Chair	<b>a1.</b> Consent Items (each available for discussion upon request): <b>A.</b> Approval of High Cost & Low Income Committee Meeting Minutes of October 27, 2025 and December 11, 2025 <b>B.</b> Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i> <b>C.</b> Consideration and Approval of One Routine Procurement	5
Chair	<b>a2.</b> Recommendation for Election of Committee Chair and Vice Chair	5
Vic	<b>a3.</b> Approval of High Cost Support Mechanism 2nd Quarter 2026 Programmatic Budget and Demand Projection for the January 30, 2026 FCC Filing	5
Vic	<b>i1.</b> High Cost Business Update <ul style="list-style-type: none"> <li>• 2025 Year in Review</li> <li>• 2026 Program Plans</li> <li>• Appendix A: Glossary of Terms</li> </ul>	20

<b><u>HIGH COST INFORMATION ONLY</u></b> Available for Public Use		<i>Estimated Duration in Minutes</i>
Vic	<b>i2.</b> High Cost Business Update ( <i>Continued</i> ) <ul style="list-style-type: none"> <li>• Q4 2025 Accomplishments</li> <li>• Q1 2026 Program Plans</li> <li>• Roadmap</li> <li>• Appendices: <ul style="list-style-type: none"> <li>A. 2025 Disbursements and Deployments</li> <li>B. 2025 Verification - Performance Measures Testing</li> </ul> </li> </ul>	—
Teleshia	<b>i3.</b> Information on 11 USAC Audit and Assurance Division High Cost Support Mechanism Beneficiary Audit Reports.	—

<b>LOW INCOME OPEN SESSION</b> Available for Public Use		<i>Estimated Duration in Minutes</i>
Tim	<b>a4.</b> Approval of Low Income Support Mechanism 2nd Quarter 2026 Programmatic Budget and Demand Projection for the January 30, 2026 FCC Filing	5
Tim	<b>i4.</b> Low Income (Lifeline) Business Update <ul style="list-style-type: none"> <li>• 2025 Year in Review</li> <li>• 2026 Plans</li> <li>• California Opt-Out-State Status</li> <li>• National Verifier Highlights</li> <li>• Lifeline Subscriber Trends</li> </ul>	20

<b><u>LOW INCOME INFORMATION ONLY</u></b> Available for Public Use		<i>Estimated Duration in Minutes</i>
Tim	<b>i5.</b> Lifeline Business Update ( <i>Continued</i> ) <ul style="list-style-type: none"> <li>• Q4 2025 Accomplishments</li> <li>• Q1 2026 Plans</li> <li>• 2026 Roadmap</li> <li>• Program Metrics</li> <li>• Service Type Trends</li> <li>• Subscribership Trends</li> <li>• Tribal Subscriber Trends</li> <li>• Glossary of Terms</li> </ul>	—
Teleshia	<b>i6.</b> Information on One USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Report	—

<b>LOW INCOME EXECUTIVE SESSION</b> <b>Confidential – Executive Session Recommended</b>		<i>Estimated Duration in Minutes</i>
Kevin Tim	<b>i7.</b> Low Income (Lifeline) Business Update ( <i>Continued</i> ) <ul style="list-style-type: none"> <li>• Email Transition Update</li> <li>• State and Federal Connections (Verbal)</li> </ul>	20
Chris	<b>a5.</b> Consideration of Contract Award for Computer Matching Program Operations and Maintenance Services	5
Chris	<b>a6.</b> Consideration of a Contract Modification for Lifeline Third Party Identification and Verification Services	—
Tim	<b>a7.</b> Approval of Low Income (Lifeline) Support Mechanism 2026 Annual Programmatic Budget	10

<b>HIGH COST EXECUTIVE SESSION</b> <b>Confidential – Executive Session Recommended</b>		<i>Estimated Duration in Minutes</i>
Vic	<b>i8.</b> High Cost Business Update ( <i>Continued, if needed</i> )	–
Vic	<b>a8.</b> Approval of High Cost Support Mechanism 2026 Annual Programmatic Budget	10

**Next Scheduled USAC High Cost & Low Income Committee Meeting**

<b>Monday, April 27, 2026</b> <b>USAC Offices, Washington, D.C.</b>
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**Universal Service Administrative Company  
High Cost & Low Income Committee Meeting**

<b>ACTION ITEM</b>
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**Consent Items**

**Action Requested**

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the consent items listed below.

**Discussion**

The Committee is requested to approve the following items using the consent resolution below:

- A. Committee meeting minutes of October 27, 2025 and December 11, 2025 (*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*. 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 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) **a6.** Consideration of a Contract Modification for Lifeline 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 2026 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, 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.
- (6) **a8.** Approval of High Cost Support Mechanism 2026 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 One Routine Procurement.

- (1) Consideration of a Contract Modification for Lifeline Third Party Identification and Verification Services. The resolution is provided in **aHCLI06cf**. 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 October 27, 2025 and December 11, 2025; (2) discussion in ***Executive Session*** of the items noted above; and (3) the approval of one routine procurement as presented in items **aHCLI06cf**.

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**  
**700 12<sup>th</sup> Street N.W., Suite 900**  
**Washington, D.C. 20005**

**HIGH COST & LOW INCOME COMMITTEE MEETING**  
**Monday, October 27, 2025**

**(DRAFT) MINUTES<sup>1</sup>**

The quarterly meeting of the High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) was held at USAC's offices in Washington, D.C. on Monday, October 27, 2025. Ms. Olivia Wein, Committee Chair, called the meeting to order at 1:31 p.m. Eastern Time, with a quorum of nine of the 10 Committee members present (there is one vacancy).

Chacko, Sheba – *by telephone*  
Chalk, Indra – Vice Chair  
Garber, Michelle – Chief Executive Officer (Interim) and Assistant Treasurer  
Green, Anisa  
Semmler, Kara – *by telephone*  
Seifer, Angela  
Wade, Dr. Joan  
Waller, Jeff – *by telephone*  
Wein, Olivia – Chair

Members of the Committee not present:

Polk, Stephanie

Other Board members and officers of the corporation present:

Beyerhelm, Chris – Vice President and Chief Administrative Officer  
Butler, Stephen – Vice President of Shared Services  
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  
Gregory, Amber – Member of the Board  
Kettwich, Dan – Member of the Board  
Mason, Ken – Member of the Board – *by telephone*

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<sup>1</sup> 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.



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 – *by telephone*  
 Williams, Erin – Vice President, General Counsel, and Assistant Secretary

Others present:

<u>NAME</u>	<u>COMPANY</u>
Ahmed, Sharmarke	USAC
Ayer, Catriona	USAC
Benham, Cathy – <i>by telephone</i>	CSM Consulting, Inc.
Chavis, Sherry Cathcart – <i>by telephone</i>	Cisco
Claxton, Naomi	USAC
Flood, Michael – <i>by telephone</i>	Alpine Frog, LLC
Goode, Vernell	USAC
Gould, Emily	USAC
Josephs, Fred – <i>by telephone</i>	CSM Consulting, Inc.
Kahn, Sammy	USAC
Kasting, Anna	USAC
King, Ryan	USAC
Krueger, Katie – <i>by telephone</i>	KPMG
LeNard, David – <i>by telephone</i>	CDW-G
Morgan, Meredith	USAC
Nuzzo, Patsy	USAC
Ruffley, Brandon	USAC
Schrader, Theresa – <i>by telephone</i>	Broadband Legal Strategies, LLC
Smith, Chris	USAC
Staurulakis, Chresanthe	USAC
Suggs-Moore, Vickie	USAC
Tessler, Joelle	USAC
Weith, Tim	USAC
White, Stacy Ann – <i>by telephone</i>	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 July 28, 2025.

**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 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*.
- (2) **a4.** Consideration of a Contract Modification for Operation and Maintenance, Design and Development, Licensing, and Hosting of the National Verifier and National Lifeline Accountability Database Systems. 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 Lifeline 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) **a6.** Consideration of a Contract Modification for Robotics Process Automation. 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.
- (5) **a7.** Consideration of a Contract Modification for High Cost Calculation Engine 2.0. USAC management recommends that this item be discussed in *Executive Session* because 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.
- (6) **a8.** Consideration of a Contract Award for High Cost Model Operations and Maintenance and Enhancement 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.

- (7) **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*.

**B. Consideration and Approval of Four Routine Procurements**

- (1) Consideration of a Contract Modification for Operation and Maintenance, Design and Development, Licensing, and Hosting of the National Verifier and National Lifeline Accountability Database Systems. The resolution is provided in **aHCLI04cf**. If discussion is needed, it will be conducted in *Executive Session*.
- (2) Consideration of a Contract Modification for Lifeline Third Party Identification and Verification Services. The resolution is provided in **aHCLI05cf**. If discussion is needed, it will be conducted in *Executive Session*.
- (3) Consideration of a Contract Modification for Robotics Process Automation. The resolution is provided in **aHCLI06cf**. If discussion is needed, it will be conducted in *Executive Session*.
- (4) Consideration of a Contract Modification for High Cost Calculation Engine 2.0. The resolution is provided in **aHCLI07cf**. 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 July 28, 2025; (2) discussion in *Executive Session* of the items noted above; and (3) the approval of four routine procurements as presented in items **aHCLI04cf-aHCLI07cf**.

- a2. Approval of High Cost Support Mechanism 1st Quarter 2026 Programmatic Budget and Demand Projection for the October 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 1st quarter 2026 programmatic budget and demand projection for the October 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 1st Quarter 2026 High Cost Support Mechanism program budget of \$4.58 million; and

**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$4.58 million for High Cost Support Mechanism administrative costs in the required October 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 October 27, 2025 the 1st Quarter 2026 High Cost Support Mechanism demand estimate of \$954.64 million, hereby directs USAC staff to proceed with the required October 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 following topics:
  - Q3 2025 Accomplishments
  - Q4 2025 Plans
  - Appendix: Glossary of Terms
- i2. **High Cost Business Update (*Continued*).** Mr. Gaither presented PowerPoint slides to the Committee covering the following topics.
  - Roadmap
  - Appendices:
    - A: Disbursements and Deployments
    - B: Verification Deployments and Performance Measures Testing
- i3. **Information on Six 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**

- a3. Approval of Low Income Support Mechanism 1st Quarter 2026 Programmatic Budget and Demand Projection for the October 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 1st quarter 2026 programmatic budget and demand projection for the October 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 1st Quarter 2026 Low Income Support Mechanism direct program budget of \$10.01 million; and

**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$10.01 million for Low Income Support Mechanism administrative costs in the required October 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 October 27, 2025 the 1st Quarter 2026 Low Income Support Mechanism demand estimate of \$58.00 million, hereby directs USAC staff to proceed with the required October 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. Low Income (Lifeline) Business Update.** Mr. O'Brien presented PowerPoint slides to the Committee covering the following topics:

- Q3 2025 Accomplishments
- Q4 2025 Plans
- National Verifier Highlights
- Lifeline Subscriber Trends

- i5. **Low Income (Lifeline) Business Update (*Continued*).** Mr. O'Brien presented PowerPoint slides to the Committee covering the following topics:

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

- i6. **Information on One USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Report.** 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 2:11 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 and Ms. Delamar presented PowerPoint slides to the Committee providing an update on the following:

- Business Process Outsourcing Transition Update
- National Verifier Migration Update
- Lifeline Improper Payment Results

- a4. **Consideration of a Contract Modification for Operation and Maintenance, Design and Development, Licensing, and Hosting of the National Verifier and National Lifeline Accountability Database Systems.** 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 Board adopted the following resolution:

**RESOLVED**, that the High Cost & Low Income Committee, having reviewed the recommendation of USAC management, hereby authorizes USAC management to modify its contract with Accenture Federal Services, LLC for the operation and maintenance, design, development, licensing and hosting of the National Verifier and National Lifeline Accountability Database systems for the Lifeline Program for additional support in the transition from the Accenture AIP platform to a USAC-owned AWS environment by increasing the not-to-exceed amount of the current fourth option term by \$250,000.00 (plus

applicable taxes) from \$4,735,000.00 (plus applicable taxes) to \$4,985,000.00 (plus applicable taxes), subject to required Federal Communications Commission approval.

**FURTHER RESOLVED**, that the High Cost & Low Income Committee, having reviewed the recommendation of USAC management, hereby authorizes USAC management to modify its contract with Accenture Federal Services, LLC for the operation and maintenance, design, development, licensing and hosting of the National Verifier and National Lifeline Accountability Database systems for the Lifeline Program by adding and exercising a twelve month option term (“fifth option term”) for a not-to-exceed amount of \$4,985,000.00 (plus applicable taxes), thereby increasing the total not-to-exceed amount of the contract from \$26,535,000.00 (plus applicable taxes) to \$31,770,000.00 (plus applicable taxes), subject to required Federal Communications Commission approval.

- a5. Consideration of a Contract Modification for Lifeline 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 Board adopted the following:

**RESOLVED**, that the High Cost & Low Income Committee, having reviewed the recommendation of USAC management, hereby authorizes USAC management to modify its contract with Transunion LLC for third-party identification and verification services for the Lifeline program by adding and exercising a fifth and final one-year option term for a not-to-exceed amount of \$500,000 (plus applicable taxes), thereby increasing the total not-to-exceed amount from \$4,567,675.00 (plus applicable taxes) to \$5,067,675.00 (plus applicable taxes), subject to required Federal Communications Commission approval.

- a6. Consideration of a Contract Modification for Robotics Process Automation.** 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 Board adopted the following:

**RESOLVED**, that the High Cost & Low Income Committee, having reviewed the recommendation of USAC management, hereby authorizes USAC management to modify its contract with Ampcus for Robotic Processing Automation in order to provide Operations and Maintenance services and to ensure the continuity of operations by extending the period of performance by an additional twelve (12) months and increasing the total not-to-exceed amount

by \$425,000.00 (plus applicable taxes), thereby increasing the total not-to-exceed amount from \$3,978,319.99 (plus applicable taxes) to \$4,403,319.99 (plus applicable taxes), subject to required Federal Communications Commission approval.

- a7. Consideration of a Contract Modification for High Cost Calculation Engine 2.0.** 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 Board adopted the following:

**RESOLVED**, that the High Cost & Low Income Committee, having reviewed the recommendation of USAC management, hereby authorizes USAC management to extend the period of performance of the High-Cost Calculation Engine 2.0 contract with Accenture Federal Services LLC by an additional twelve (12) months, and increase the total not-to-exceed amount by \$4,750,000.00 (plus applicable taxes) to provide Operations and Maintenance (O&M) services, to ensure continuity of operations, and to provide for enhanced integration with enterprise-level systems being simultaneously upgraded, thereby increasing the total not-to-exceed amount from \$15,055,660.69 (plus applicable taxes) to \$19,805,660.69 (plus applicable taxes), subject to required Federal Communications Commission approval.

- a8. Consideration of Contract Award for High-Cost Model Operations and Maintenance and Enhancement Services.** Mr. Beyerhelm presented this item to the Committee requesting authorization to award a sole source contract for High-Cost Model Operations & Maintenance and Enhancements.

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

**RESOLVED**, that the USAC Board of Director's High Cost and Low-Income Committee, having reviewed the recommendation of USAC management, hereby authorizes USAC management to award a sole source contract for High-Cost Model Operations & maintenance and enhancements to CostQuest Associates. The contract is to be awarded on a firm-fixed price basis with a time and material component for Operations & Maintenance and enhancements for a base period of thirteen (13) months for approximately \$440,000.00 (plus applicable taxes), with the ability to exercise four (4) additional one-year option terms for a total not-to-exceed (NTE) amount of \$2,530,000.00 (plus applicable taxes) with such amount including a contingency in the amount of \$330,000 (plus applicable taxes) over the base period and four (4) one-year option terms, subject to required Federal Communications Commission approval. The thirteen (13) month base period includes a fixed fee of \$40,000.00 (\$10,000.00 paid quarterly), and an NTE amount of \$400,000.00 for O&M and enhancements. Additionally, as directed by



the FCC, CostQuest will provide additional services on a firm-fixed price basis for a total NTE amount of \$1,678,000.00 (plus applicable taxes); therefore, the total NTE amount of the contract for all services over the base period and four (4) additional one-year option terms is \$4,208,000.00 (plus applicable taxes).

- i8. High Cost Business Update (*Continued*).** Mr. Gaither presented PowerPoint slides to the Committee, providing an update on the High Cost Improper Payment Results and the HUBB Portal Data Performance Audit Update.

### **OPEN SESSION**

At 2:57 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 approved item a8 and discussed items i7 and i8.

On a motion duly made and seconded, the Committee adjourned at 2:57 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**  
**Thursday, December 11, 2025**

**(DRAFT) MINUTES<sup>1</sup>**

The non-quarterly meeting of the High Cost & Low Income Committee (Committee) was conducted by web conference on Thursday, December 11, 2025. Ms. Oliva Wein, High Cost & Low Income Committee Chair, called the meeting to order at 1:39 p.m. Eastern Time with a quorum of five of the nine Committee members present (there are two vacancies):

Chacko, Sheba  
Garber, Michelle (Interim Chief Executive Officer)  
Green, Anisa  
Wade, Dr. Joan  
Wein, Olivia – Chair

Ms. Kara Semmler joined the meeting at 1:44 p.m. Eastern Time and voted on item a1.

Members of the Committee not present:

Polk, Stephanie  
Siefer, Angela  
Waller, Jeff

Officers of the corporation present:

Francisco, Dale – Interim Vice President and Chief Financial Officer  
Gaither, Victor – Vice President of High Cost  
Mason, Ken – Member of the Board  
O'Brien, Tim – Vice President of Lifeline  
Williams, Erin – Vice President, General Counsel, and Assistant Secretary

Others present by telephone:

<u>NAME</u>	<u>COMPANY</u>
Faunce, Donna	USAC
Nuzzo, Patsy	USAC

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<sup>1</sup> 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.

**OPEN SESSION**

- a1. Approval of Low Income Support Mechanism Revised 1st Quarter 2026 Programmatic Budget and Demand Projection for the December 11, 2025 FCC Filing.** Ms. Garber and Mr. Franciso presented this item to the Committee noting that USAC needed to revise the 1st Quarter 2026 Programmatic Budget and Demand Projection and submit the revision to the FCC to allow for a timely release of a Public Notice that will announce the proposed first quarter 2026 universal service contribution factor.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee approves a 1st Quarter 2026 Low Income Support Mechanism direct program budget of \$10.01 million; and

**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$10.01 million for Low Income Support Mechanism administrative costs in the December 11, 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 December 11, 2025 the revised 1st Quarter 2026 Low Income Support Mechanism demand estimate of \$225.28 million, hereby directs USAC staff to proceed with the required December 11, 2025 filing to the Federal Communications Commission on behalf of the Committee.

- a2. Approval of High Cost Support Mechanism Revised 1st Quarter 2026 Programmatic Budget and Demand Projection for the December 11, 2025 FCC Filing.** Mr. Franciso presented this item to the Committee.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee approves a 1st Quarter 2026 High Cost Support Mechanism program budget of \$4.58 million; and

**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$4.58 million for High Cost Support Mechanism administrative costs in the

required December 11, 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 December 11, 2025 the revised 1st Quarter 2026 High Cost Support Mechanism demand estimate of \$1,005.45 million, hereby directs USAC staff to proceed with the required December 11, 2025 filing to the Federal Communications Commission on behalf of the Committee.

On a motion duly made and seconded, the Committee adjourned at 1:51 p.m. Eastern Time.

/s/ Erin Williams  
Assistant Secretary

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

**ACTION ITEM**

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

**Action Requested**

The USAC High Cost & Low Income (Committee) is taking action to bring its Chair and Vice Chair nominations for consideration by the full Board of Directors (Board) at the Board meeting to be held on January 27, 2026.

**Discussion**

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

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

On January 28, 2025, the Board elected Olivia Wein as Chair and Indra Chalk as Vice Chair of the High Cost & Low Income Committee.

At their January 26, 2026 quarterly meetings, each committee of the Board (including the Audit Committee and the programmatic committees) will nominate Board members to serve as chair and vice chair of their respective committees. Those recommendations will be submitted to the Board at the Board meeting to be held on January 27, 2026.

**Recommended USAC High Cost & Low Income Committee Action**

APPROVAL OF THE FOLLOWING RESOLUTION:

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

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

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

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

<b>ACTION ITEM</b>
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**Approval of High Cost Support Mechanism  
2nd Quarter 2026 Programmatic Budget and  
Demand Projection for the January 30, 2026 FCC Filing**

**Action Requested**

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 2nd Quarter 2026 (Q2 2026) programmatic budget and demand projection for the High Cost Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's January 30, 2026 quarterly filing.

**Discussion**

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

**Funding Requirement**

Based on data filed by supported carriers and FCC authorizations, USAC estimates the Q2 2026 funding requirement for the High Cost Support Mechanism as follows:

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<sup>1</sup> 47 C.F.R. § 54.715(c).

<sup>2</sup> 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>	<b>Q1 2026</b>	<b>Increase/ (Decrease)</b>	<b>Q2 2026</b>	<b>Notes</b>
<b>Steady State:</b>				
Legacy Funds	\$468.39	(\$4.74)	\$463.65	Includes HCLS, CAF BLS, CAF ICC, Frozen Price Cap, and Competitive ETC support. Decrease due to - BCM impact; Form 508 switch for 1Q2026. Decrease due to TRP revision for one carrier, and CETC relinquishments
Modernization Funds	\$658.21	\$11.59	\$669.80	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. Increase due to additional RDOF defaults, transition of one SAC to EACAM, additional term ending for RBE SAC, and anticipated EACAM support revision
Amounts Paid from Reserve	(\$50.90)	(\$11.39)	(\$62.29)	Disbursements for RBE, Mobility Fund Phase I, and a portion of A-CAM I and E-ACAM per DA 23-1025-Footnote 4. The increase is mainly due to anticipated EACAM support revision of \$11.4 M (paid from cash)
<b>Total Steady State</b>	<b>\$1,075.70</b>	<b>(\$4.54)</b>	<b>\$1,071.16</b>	
<b>New Requirements</b>				
Legacy Funds	0.00	0.00	0.00	
Modernization Funds	0.00	0.00	0.00	
<b>Total New Requirements</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	
<b>Total Program Demand</b>	<b>\$1,075.70</b>	<b>(\$4.54)</b>	<b>\$1,071.16</b>	



Prior Period Adjustments (difference between projections and actuals):				
Disbursements	(17.30)	(45.27)	(62.57)	Adjustment includes program recoveries from prior quarter spread over four quarters to achieve a more stable/predictable contribution factor
Billings	(45.42)	41.26	(4.16)	Fewer billing adjustments
Interest Income	(0.88)	(0.23)	(1.11)	
Bad Debt Expense	(9.91)	0.21	(9.70)	
Annual Admin True-Up	(13.00)	13.00	0.00	
<b>Total Prior Period Adjustments</b>	<b>(86.51)</b>	<b>8.97</b>	<b>(77.54)</b>	
USAC Administrative Expenses	\$16.26	\$1.68	\$17.94	See Table B
<b>Total Funding Requirement</b>	<b>\$1,005.45</b>	<b>\$6.11</b>	<b>\$1,011.56</b>	

Based on the projected burn rate, USAC estimates the following Q2 2026 programmatic budget:

Table B. Quarterly Programmatic Budget

<i>(in millions)</i>	Q1 2026	Increase/ (Decrease)	Q2 2026	Notes
<b>Direct Program Costs</b>				
Employee Expenses	\$1.85	(\$0.10)	\$1.75	
Professional Services	0.17	1.00	1.17	
General & Administrative	0.00	0.00	0.00	
<b>Total Direct Program Costs</b>	<b>\$2.02</b>	<b>\$0.90</b>	<b>\$2.92</b>	
<b>Direct Assigned Costs</b>				
Employee Expenses	\$0.68	\$0.01	\$0.69	
Professional Services	1.84	1.55	3.39	
General & Administrative	0.04	0.03	0.07	See Note 1
<b>Total Direct Assigned Costs</b>	<b>\$2.56</b>	<b>\$1.59</b>	<b>\$4.15</b>	
<b>Total Direct Program &amp; Direct Assigned Costs</b>	<b>\$4.58</b>	<b>\$2.49</b>	<b>\$7.07</b>	
<b>Common Allocated Costs</b>	<b>\$11.68</b>	<b>(\$0.81)</b>	<b>\$10.87</b>	
<b>Total Programmatic Budget</b>	<b>\$16.26</b>	<b>\$1.68</b>	<b>\$17.94</b>	

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

A comparison of actual expenditures to the budget for the twelve months ending December 31, 2025 is provided in **Attachment 2**.

**Recommendation**

USAC management recommends that the Committee approve the Q2 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 2nd Quarter 2026 High Cost Support Mechanism program budget of \$7.07 million; and

**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$7.07 million for High Cost Support Mechanism administrative costs in the required January 30, 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 January 26, 2026 the 2nd Quarter 2026 High Cost Support Mechanism demand estimate of \$1,011.56 million, hereby directs USAC staff to proceed with the required January 30, 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**

<i>(in millions)</i>	<b>Q1 2026</b>	<b>Increase/ (Decrease)</b>	<b>Q2 2026</b>	<b>Notes</b>
<b>Steady State – Legacy Funds:</b>				
High Cost Loop Support (HCLS) <sup>3</sup>	\$51.56	(\$1.85)	\$49.71	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) <sup>4</sup>	268.44	\$0.42	\$268.86	Replaces legacy fund Interstate Common Line Support. Provides support for voice and broadband only lines to offset interstate access charges.
CAF Intercarrier Compensation (ICC) <sup>5</sup>	80.93	(\$0.01)	\$80.92	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 <sup>6</sup>	0.00	\$0.00	\$0.00	Frozen Price Cap carrier support for Uniendo PR and USVI.
Frozen Competitive ETC Support <sup>7</sup>	67.46	(\$3.30)	\$64.16	Frozen support for competitive carriers.
<b>Total Steady State Legacy Funds</b>	<b>\$468.39</b>	<b>(\$4.74)</b>	<b>\$463.65</b>	

<sup>3</sup> 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).

<sup>4</sup> 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*).

<sup>5</sup> 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*).

<sup>6</sup> See *USF/ICC Transformation Order*, 26 FCC Rcd at 17715, 17725-26, paras. 133, 159.

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

<i>(in millions)</i>	<b>Q1 2026</b>	<b>Increase/ (Decrease)</b>	<b>Q2 2026</b>	<b>Notes</b>
<b>Steady State – Modernization Funds:</b>				
CAF Phase II <sup>8</sup>	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	36.59	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 <sup>9</sup>	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) <sup>10</sup>	43.12	0.00	43.12	Model support to Rate of Return carriers for voice and broadband infrastructure.

<sup>8</sup> See *Connect America Fund*, WC Docket No. 10-90, Order, 31 FCC Rcd 12086 (2016).

<sup>9</sup> 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).

<sup>10</sup> 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>	<b>Q1 2026</b>	<b>Increase/ (Decrease)</b>	<b>Q2 2026</b>	<b>Notes</b>
A-CAM II <sup>11</sup>	55.48	(\$0.72)	54.76	Model support to Rate of Return carriers for voice and broadband infrastructure.
Rural Broadband Experiments (RBE) <sup>12</sup>	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 <sup>13</sup>	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	\$144.80	(\$0.18)	144.62	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	312.65	12.50	325.15	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

<sup>11</sup> 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*).

<sup>12</sup> 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).

<sup>13</sup> 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>	<b>Q1 2026</b>	<b>Increase/ (Decrease)</b>	<b>Q2 2026</b>	<b>Notes</b>
				areas served by legacy rate-of-return support recipients.
<b><i>Total Steady State Modernization Funds</i></b>	<b><i>\$658.21</i></b>	<b><i>\$11.59</i></b>	<b><i>\$669.80</i></b>	
<b><i>Amounts Paid from Reserve</i></b>	<b><i>(\$50.90)</i></b>	<b><i>(11.39)</i></b>	<b><i>(\$62.29)</i></b>	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:				
<b><i>Total New Requirements Legacy Funds</i></b>	<b><i>0.00</i></b>	<b><i>0.00</i></b>	<b><i>0.00</i></b>	
New Requirements – Modernization Funds:				
<b><i>Total New Requirements Modernization Funds</i></b>	<b><i>0.00</i></b>	<b><i>0.00</i></b>	<b><i>0.00</i></b>	
<b>Total Program Demand</b>	<b><i>\$1,075.70</i></b>	<b><i>(\$4.54)</i></b>	<b><i>\$1,071.16</i></b>	

## ATTACHMENT 2

**High Cost Administrative Costs and Headcount**

Comparison of Actual Expenditures and Headcount to the Budget for the  
Twelve months ending December 31, 2025

<i>(\$ in millions)</i>	<b>FTE Actual</b>	<b>FTE Budget</b>	<b>FTE Variance</b>	<b>YTD Actual</b>	<b>YTD Budget</b>	<b>Variance</b>
<b>Direct Program Costs</b>						
Employee Expenses	46	50	4	\$7.51	\$7.89	\$0.38
Professional Services (Note 2)				0.62	0.96	0.34
General & Administrative				0.00	0.00	0.00
<b>Total Direct Program Costs</b>				<b>\$8.13</b>	<b>\$8.85</b>	<b>\$0.72</b>
<b>Direct Assigned Costs</b>						
Employee Expenses	14	14	0	\$2.77	\$2.74	(\$0.03)
Professional Services (Note 2)				6.61	11.12	4.51
General & Administrative				0.28	0.18	(0.10)
<b>Total Direct Assigned Costs</b>				<b>\$9.66</b>	<b>\$14.04</b>	<b>\$4.38</b>
<b>Total Direct Program &amp; Direct Assigned Costs</b>	<b>60</b>	<b>64</b>	<b>4</b>	<b>\$17.79</b>	<b>\$22.89</b>	<b>\$5.10</b>
<b>Common Allocated Costs (Note 3)</b>				<b>\$47.46</b>	<b>\$53.91</b>	<b>\$6.45</b>
<b>Total Programmatic Budget</b>				<b>\$65.25</b>	<b>\$76.80</b>	<b>\$11.55</b>

**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 (HC) Business Update

*Open Session*

January 26, 2026



# Agenda

- 2025 Year in Review
- 2026 Program Plans
- Appendix
  - A: Glossary of Terms

# 2025 Year in Review

## Operations

- Successful completion of all annual certifications (e.g. 54.314 / 100 percent certified).
- Collected the new 1Q, 2Q and 3Q PMM quarterly certifications. Conducted targeted outreach calls to ensure maximum participation and compliance.
- Processed HUBB and PMM non-compliance support adjustments for impacted carriers across seven funds.
  - Sent 30 days notice support adjustment notifications to all impacted carriers.
- Successfully collected HCL annual and monthly adjustment data via new Legacy Data Collection online tool.
- Processed approximately \$3.78 billion in HC disbursements in a timely and accurate manner to ensure continuity in voice and broadband service to customers.
- Conducted annual Circle of Life Webinar as part of HC Legacy Funds PIA process.

# 2025 Year in Review (Continued)

## Compliance

- Successfully completed all milestone, on-demand, PMM and RBAP verifications.
- Executed milestone, Rural Broadband Accountability Plan, and on-demand verifications in support of LoC reductions. Reviews covered 206 carriers and approximately 30,000 locations.
- Analyzed updated Fabric/BDC data of BLS carriers, reflecting December 2024 deployment, as a final confirmation of carrier compliance with 100 percent milestones.
- Performed in-depth reviews of FCC Form 481 filings to ensure carrier certifications were accurate.
- Evaluated PMM pre-testing and testing results on a quarterly basis throughout 2025 to ensure carriers were meeting test requirements and that non-compliance levels were applied when appropriate.
- Completed special compliance reviews of Q1–Q3 2025 Performance Measures data to assess fraud risk including 95 study areas identified in data trend analysis and 12 study areas identified during review of subscriber replacement requests.

# 2025 Year in Review (Continued)

## Stakeholder Engagement and Outreach

- Helped carriers meet annual deadline for filing 2024 CAF deployment data in HUBB and prepare for subsequent verification reviews to confirm buildout to random sample of reported locations. Included outreach to help Enhanced ACAM carriers navigate integration of Fabric Location IDs into the HUBB filing process.
- Helped carriers manage quarterly network speed and latency pre-testing/testing requirements, comply with new quarterly reporting mandates, and obtain quarterly and annual compliance reports. Included outreach to help RDOF carriers begin pre-testing in 2025.
- Helped carriers navigate annual FCC Form 481 filing process, ensured state and Tribal access to FCC Form 481 data, and helped states and carriers that self-certify comply with annual ETC certification requirement.
- Supported CAF Map and CAF State Map refresh with updated information panels, data and fund glossaries, and other documentation.

# 2026 Program Plans

## Operations

- Implement PMM Late Annual Certification penalty rule based on Administrative Order changes.
  - Process 2024 PMM annual certification late/missing certification penalties based of pre-Administrative Order rules.
- Collect Annual HUBB Certifications for all Modernized funds and CAF BLS.

# 2026 Program Plans (Continued)

## Compliance

- Perform milestone analysis in March, after filing deadline, to ensure all carriers met required milestones in each High Cost fund.
- Continue to support on-demand verifications for carriers in the CAF II Auction, PR/VI, and RDOF funds as they look to reduce or terminate open Letters of Credit. In particular, on-demand verifications will be strong with CAF II Auction's final milestone being reported in March 2026.
- Continue to work on FRG assessment and CAPs as a result of the OIG audit recommendations and findings.
- Engage in on-going special compliance reviews for HUBB deployments and PMM test data and subscriber replacements to protect the integrity of the performance measures process.

# 2026 Program Plans (Continued)

## Stakeholder Engagement and Outreach

- Help carriers meet annual deadline for filing 2025 CAF deployment data in HUBB and prepare for subsequent verification reviews to confirm buildout to random sample of reported locations. Includes outreach to help RDOF and PR/USVI carriers transition to reporting deployment data in the HUBB using Fabric Location IDs (instead of lat/long coordinates) moving forward.
- Help carriers manage quarterly network speed and latency pre-testing/testing requirements, comply with quarterly reporting mandates, and obtain quarterly and annual compliance reports. Includes outreach to help Enhanced ACAM carriers begin pre-testing in 2026.
- Help carriers navigate annual FCC Form 481 filing process, ensure state and Tribal access to FCC Form 481 data, and help states and carriers that self-certify comply with annual ETC certification requirement.
- Support implementation of new funds (including Alaska Connect Fund) with online resources, email outreach, and direct communication with carriers.
- Help carriers in legacy funds transition to filing HC data in new online data collection portal.

# 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).
CAF	Connect America Fund: Beginning with the 2011 <i>Universal Service Fund/Connect America Fund Transformation Order</i> , a part of the federal universal service High Cost program designed to expand access to voice and broadband services.
CAF II Auction	Mechanism awarding support through a reverse auction, which was conducted in 2018, for deployment to unserved areas where the price cap carrier declined the offer of model-based support.
CAF BLS	Connect America Fund Broadband Loop Support: FCC amended interstate common line support, renaming it the CAF BLS mechanism, expanding support from solely traditional voice loops to include support for broadband-only loops.



# 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 <a href="https://www.fcc.gov/rbap">https://www.fcc.gov/rbap</a>

# 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.





# High Cost and Low Income Committee

High Cost Business Update

*Open Session – Information Only*

January 26, 2026

# Agenda

- Q4 2025 Accomplishments
- Q1 2026 Program Plans
- Roadmap
- Appendices
  - A: Disbursements and Deployments
  - B: Verification of Deployments and Performance Measures Testing

# Q4 2025 Accomplishments

## Operations

- Successful completion of annual 54.314 and annual certifications. 100 percent certified.
- Successfully collected HCL annual and monthly adjustment data via new Legacy Data Collection online tool.
- Conducted annual Circle of Life Webinar as part of HC Legacy Funds PIA process.
- Processed HUBB and PMM non-compliance support adjustments for impacted carriers across seven funds.
  - Sent 30 days notice support adjustment notifications to all impacted carriers.
- Processed approximately \$3.78 billion in HC disbursements in a timely and accurate manner to ensure continuity in voice and broadband service to customers.

# Q4 2025 Accomplishments (Continued)

## Compliance

- Completed milestone verification reviews across five funds for 65 carriers and 7,131 locations.
  - A total of 11 study areas were found to be in non-compliance because of the detailed verification reviews. USAC proposed non-compliance tier penalties to the FCC.
- Supported reducing/terminating Letters of Credit:
  - Performed CAF II Auction verifications of 16 carriers covering 1,549 locations.
  - Engaged in RDOF verifications of 37 carriers covering 4,371 locations.
- Completed special compliance reviews of Q3 2025 Performance Measures data to assess fraud risk:
  - Performed trend analysis of PMM data and identified 43 study areas for outreach and inquiry. Outreach led to corrective actions from 31 of the 43 study areas while the remaining study areas shared evidence in support of the analysis.
  - Reviewed subscriber replacement requests and identified one study area for outreach and inquiry.
- Assisted WCB HC with Corrective Action Plan for OIG's HUBB/PMM recommendation and report.



# Q4 2025 Accomplishments (Continued)

## Compliance

- Performed compliance analysis of Q3 2025 test results, which includes 456 study area/speed tier combinations in pre-testing, 1,815 study area/speed tier combinations in testing, and 43 study area/speed tier combinations that still have not met their 2024 annual performance measures testing requirement.
  - A total of 66 study area/speed tier combinations did not meet pre-testing requirements. Support will be withheld after 30-day notice.
  - A total of 61 study area/speed tier combinations came into compliance with pre-testing requirements and had \$1,816,498.56 of support restored.
  - A total of 16 study area/speed tier combinations came into compliance with testing requirements and had \$1,407,787 of support restored.

# Q4 2025 Accomplishments (Continued)

## Stakeholder Engagement and Outreach

- Helped carriers manage quarterly network speed and latency pre-testing/testing requirements, comply with new quarterly reporting mandates, and obtain quarterly and annual compliance reports. Kicked off outreach to help Enhanced ACAM carriers obtain their first random subscriber location samples to begin pre-testing in 2026 and help CAF II Auction, ACAM II, and CAF BLS carriers obtain new random subscriber location samples for ongoing official testing in 2026.
- Kicked off outreach to help carriers navigate upcoming HUBB filing (requiring carriers to certify 2025 CAF deployment data by March 2, 2026 deadline) and prepare for subsequent verification reviews to confirm deployment to random sample of reported locations. Included outreach to help RDOF and PR/USVI carriers transition to reporting deployment data in the HUBB using Fabric Location IDs.
- Support CAF Map and CAF State Map refresh with updated information panels, 9/30/2025 deployment data and fund glossaries, and other documentation.

# Q1 2026 Program Plans

## 1Q2026

- Implement PMM Late Annual Certification penalty rule based on Administrative Order changes.
  - Process 2024 PMM annual certification late/missing certification penalties based off pre-Administrative Order rules.
- Collect Annual HUBB Certifications for all Modernized funds and CAF BLS.
- Implement ACAM support adjustments based on ACAM location adjustment process, per paragraph 67 of the Fabric Order (DA 25-32).

# Q1 2026 Program Plans (Continued)

## Compliance

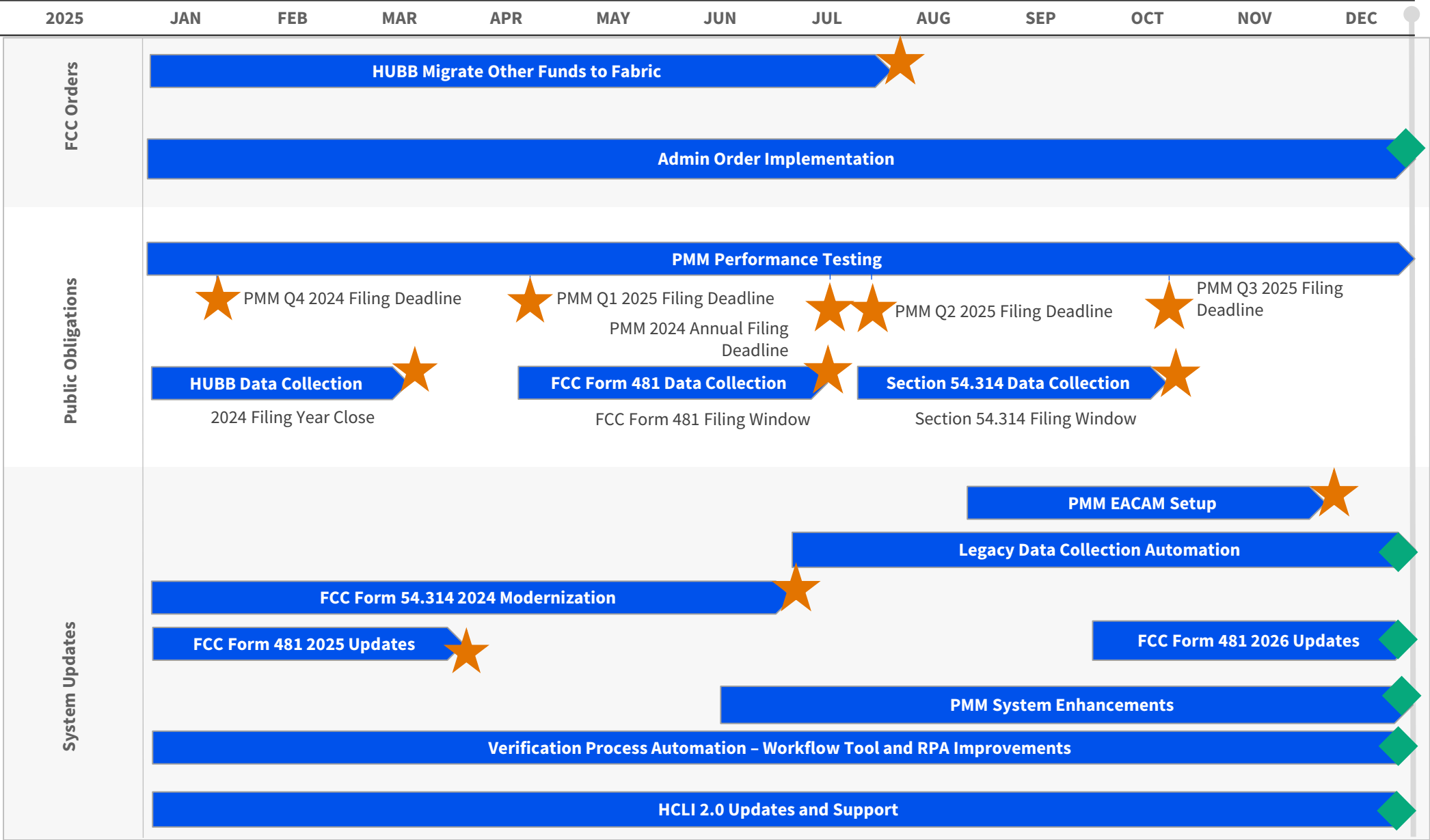
- Prepare to perform Milestone Analysis after carriers certify deployment and associated milestones in the HUBB in March. Carriers with insufficient locations will promptly be placed into the associated non-compliance tier.
- Continue to support timely performance of on-demand verifications to reduce/terminate Letters of Credit in CAF II Auction and RDOF.
- Perform compliance analysis of Q4 2025 PMM test data and ensure support is restored for carriers who eliminated or improved their non-compliance level.
- Perform special compliance reviews of Q4 2025 PMM test data (subscriber replacements and trend analyses) to assess fraud risk.
- Continue to support FCC OIG Audit ( HUBB/ Performance and PIIA) Recommendations via CAPs Implementation.

# Q1 2026 Program Plans (Continued)

## Stakeholder Engagement and Outreach

- Help carriers submit and certify 2025 CAF deployment data in HUBB by March 2, 2026, deadline and navigate subsequent verification reviews to confirm deployment to random sample of reported locations. Includes outreach to help RDOF and PR/USVI carriers transition to reporting deployment data in the HUBB using Fabric Location IDs moving forward (and resubmit data reported in the past using lat/long coordinates).
- Help carriers manage quarterly network speed and latency pre-testing/testing requirements, comply with quarterly reporting mandates, and obtain quarterly and annual compliance reports. Includes outreach to help Enhanced ACAM carriers obtain their first random subscriber location samples to begin pre-testing in 2026 and help CAF II Auction, ACAM II and CAF BLS carriers obtain new random subscriber location samples for ongoing official testing in 2026.

# 2025 Roadmap



**Milestone Legend**

- At Risk
- On Track
- Completed

# Appendix A: Metrics

High Cost Disbursements (Through October 2025)

Fund Type	SAC Type	2025	2024	2023
Legacy	CETC	\$291,131,878	\$353,288,853	\$363,104,008
	ILEC	\$1,497,391,598	\$1,569,432,751	\$1,864,389,661
Modernized	CETC	\$661,760,961	\$740,065,638	\$762,269,180
	ILEC	\$1,711,154,090	\$1,863,683,814	\$1,338,603,612
Wireless			\$0	\$0

\*The Wireless number for CETC reflects MF1 only.

# Appendix A: Metrics (Continued)

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

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



# Appendix B: 2025 Verification – Deployment Snapshot

The below table highlights verification activity performed in 2025 (as of December 3, 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	Milestone %	Locations Sampled	Locations Tested		
			Tested	Pass	Fail
ACAM / RACAM	80% (ACAM) 60% (RACAM)	2,709	2,709	2,311	398
ACAM II	60%	3,115	3,115	2,798	317
CAF-BLS	100% (Cure Period)	931	931	730	201
CAF II Auction – LoC (Completed)	On-Demand	2,046	2,046	1,769	277
CAF II Auction – LoC (In-Progress)	On-Demand	1,179	TBD	TBD	TBD
CAF II Auction - Required	80%	376	376	0	376
RDOF - LoC (Completed)	On-Demand	10,042	10,042	9,239	803
RDOF - LoC (In-Progress)	On-Demand	2,880	TBD	TBD	TBD
RBAP (Completed)	Various	4,861	4,861	1,574	3,287
Total		28,139	24,080*	18,421	5,659

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

# Appendix B: 2025 Verification - Performance Measures Testing

Summary of Results by Speed/SAC Combination for Q3 2025

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	311	10	306	5	307	4	304	7
CAF II ACS	In testing	1	0	1	0	1	0	1	0
ACAM I & Revised ACAM I	In testing	248	26	232	16	236	12	234	14
RBE	In testing	32	5	30	2	30	2	28	4
AK Plan Wireline	In testing	23	0	23	0	23	0	23	0
CAF II Auction	In testing	192	22	174	18	186	6	182	10
ACAM II	In testing	131	2	131	0	131	0	129	2
PRVI	In testing	4	0	4	0	4	0	4	0
RDOF	Pre-testing	373	66	N/A	N/A	N/A	N/A	N/A	N/A
Enhanced ACAM	Upcoming (Pre-testing starts 2026)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total		1,315	131	901	41	918	24	905	37

- 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.
  - RDOF is in pre-testing for 2025. 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.



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

<b>ACTION ITEM</b>
--------------------

**Approval of Low Income Support Mechanism  
2nd Quarter 2026 Programmatic Budget and  
Demand Projection for the January 30, 2026 FCC Filing**

**Action Requested**

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 2nd Quarter 2026 (Q2 2026) programmatic budget and demand projection for the Low Income Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's January 30, 2026 quarterly filing.

**Discussion**

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

**Funding Requirement**

Based on projected subscribership levels, USAC estimates the Q2 2026 funding requirement for the Low Income Support Mechanism as follows:

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<sup>1</sup> See 47 C.F.R. § 54.715(c).

<sup>2</sup> See 47 C.F.R. § 54.709(a)(3).

Table A. Program Funding Requirement

<i>(in millions)</i>	<b>Q1 2026</b>	<b>Increase/ (Decrease)</b>	<b>Q2 2026</b>	<b>Notes</b>
Steady State:				
Lifeline	\$274.22	\$4.30	\$278.52	See Note 1
Link Up	0.03	0.00	0.03	
New Requirements:				
N/A	0.00	0.00	0.00	
<b>Total Program Demand</b>	<b>\$274.25</b>	<b>\$4.30</b>	<b>\$278.55</b>	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	(\$55.76)	(\$49.94)	(\$105.70)	See Note 2
Billings	2.51	(3.20)	(0.69)	
Bad Debt Expense	(2.31)	0.31	(2.00)	
Interest Income	(0.06)	(0.04)	(0.10)	
Annual Administrative Expense True-Up	(11.44)	11.44	0.00	
<b>Total Prior Period Adjustments</b>	<b>(\$67.06)</b>	<b>(\$41.43)</b>	<b>(\$108.49)</b>	
USAC Administrative Expenses	<b>\$18.09</b>	<b>\$2.23</b>	<b>\$20.32</b>	See Table B
<b>Total Funding Requirement</b>	<b>\$225.28</b>	<b>(\$34.90)</b>	<b>\$190.38</b>	

**Note 1:** Demand estimate based on approximately 7.9 million subscribers.

**Note 2:** Q2 includes 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 Q2 2026 programmatic budget:

Table B. Quarterly Programmatic Budget

<i>(in millions)</i>	<b>Q1 2026 Budget</b>	<b>Increase/ (Decrease)</b>	<b>Q2 2026 Budget</b>	<b>Notes</b>
<b>Direct Program Costs</b>				
Employee Expenses	\$2.65	\$0.00	\$2.65	
Professional Services	4.32	2.82	7.14	
General & Administrative	0.25	0.13	0.38	See Note 3
<b>Total Direct Program Costs</b>	<b>\$7.22</b>	<b>\$2.95</b>	<b>\$10.17</b>	
<b>Direct Assigned Costs</b>				
Employee Expenses	\$0.64	(\$0.08)	\$0.56	
Professional Services	1.40	(0.08)	1.32	
General & Administrative	0.75	(0.01)	0.74	See Note 3
<b>Total Direct Assigned Costs</b>	<b>\$2.79</b>	<b>(\$0.17)</b>	<b>\$2.62</b>	
<b>Total Direct Program &amp; Direct Assigned Costs</b>	<b>\$10.01</b>	<b>\$2.78</b>	<b>\$12.79</b>	
<b>Common Allocated Costs</b>	<b>\$8.08</b>	<b>(\$0.55)</b>	<b>\$7.53</b>	
<b>Total Programmatic Budget</b>	<b>\$18.09</b>	<b>\$2.23</b>	<b>\$20.32</b>	

**Note 3:** General & Administrative expenses include postage.

A comparison of actual expenditures to the budget for the twelve months ending December 31, 2025 is provided in **Attachment 1**.

### **Recommendation**

USAC management recommends that the Committee approve the Q2 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 2nd Quarter 2026 Low Income Support Mechanism direct program budget of \$12.79 million; and

**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$12.79 million for Low Income Support Mechanism administrative costs in the January 30, 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 January 26, 2026 the 2nd Quarter 2026

Low Income Support Mechanism demand estimate of \$190.38 million, hereby directs USAC staff to proceed with the required January 30, 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  
Twelve Months ending December 31, 2025

<i>(\$ in millions)</i>	<b>FTE Actual</b>	<b>FTE Budget</b>	<b>FTE Variance</b>	<b>YTD Actual</b>	<b>YTD Budget</b>	<b>Variance</b>
<b>Direct Program Costs</b>						
Employee Expenses	73	84	11	\$10.72	\$11.27	\$0.55
Professional Services (Note 4)				15.38	27.49	12.11
General & Administrative (Note 5)				0.80	1.71	0.91
<b>Total Direct Program Costs</b>				<b>\$26.90</b>	<b>\$40.47</b>	<b>\$13.57</b>
<b>Direct Assigned Costs</b>						
Employee Expenses	12	13	1	\$2.98	\$2.56	(\$0.42)
Professional Services (Note 4)				6.51	8.60	2.09
General & Administrative (Note 5)				3.09	1.24	(1.85)
<b>Total Direct Assigned Costs</b>				<b>\$12.58</b>	<b>\$12.40</b>	<b>(\$0.18)</b>
<b>Total Direct Program &amp; Direct Assigned Costs</b>	<b>85</b>	<b>97</b>	<b>12</b>	<b>\$39.48</b>	<b>\$52.87</b>	<b>\$13.39</b>
<b>Common Allocated Costs (Note 6)</b>				<b>\$35.08</b>	<b>\$40.12</b>	<b>\$5.04</b>
<b>Total Programmatic Budget</b>				<b>\$74.56</b>	<b>\$92.99</b>	<b>\$18.43</b>

**Note 4:** 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 5:** General & Administrative expenses include postage.

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





# High Cost and Low Income Committee

Lifeline Business Update

*Open Session*

January 26, 2026

# Agenda

- 2025 Year in Review
- 2026 Program Plans
- California Opt-Out State Status
- National Verifier (NV) Highlights
- Lifeline Subscriber Trends

# 2025 Year in Review

## Operations

- Transitioned to Guidehouse as Lifeline's manual review Business Processing Outsourcer (BPO) in May 2025. Guidehouse successfully met the Average Handling Time Service Level Agreement targets since go-live and met the Quality Assurance target within three months of go-live.
- Transitioned email services from Guidehouse to USAC for an annual cost savings of approximately \$2M.
- Successfully completed 2025 annual recertification for all eligible subscribers with a pass rate of 88 percent.
- Resolved 49 Lifeline appeals, addressing more than \$65 million in program funding. Of those appeals, 28 were aging appeals received between January 2023 and December 2024. The Appeals team has effectively cleared the backlog and reduced all workable appeals to the present year.

## Program Integrity

- Implemented enhanced controls and robust data monitoring to quickly identify suspicious usage of the National Verifier system.
- Completed 35 Lifeline Program Integrity Assurance (PIA) Reviews (25 quarterly and 10 ad hoc), assessing the compliance of more than 130 providers.

# 2025 Year in Review (Continued)

## Systems

- Finalized the closure of the Affordable Connectivity Program (ACP) systems, including decommissioning and archiving National Verifier (NV) ACP application data.
- Implemented Federal Communications Commissions (FCC) Office of Inspector General (OIG) recommendations regarding manual review and document retrieval processes.

## Stakeholder Engagement

- Hosted **18** virtual webinars and Q&A sessions for **2,500** attendees that included California service provider trainings, Safe Connections Act, and Tribal trainings.
- Issued **13** newsletters and **82** bulletins.
- Sent direct mailing to 2,500+ survivor advocacy groups, including Tribal advocacy group.

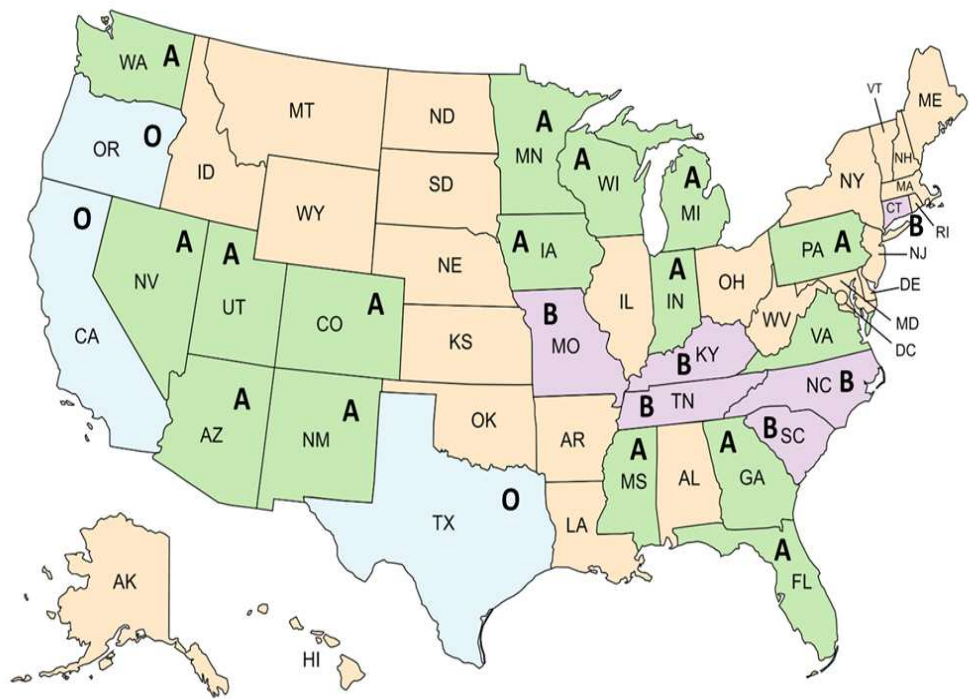
# 2026 Program Plans

- Complete the transition of the California Federal Lifeline program to the National Verifier.
- Maintain consistent cadence while continuing to improve data analytics and formalize procedures for PIA review process.
- Release new functionality and system controls for service provider Application Programming Interface (API) connections, including an electronic Interconnection Security Agreement (ISA) process and automated controls reporting and alerts.
- Secure and implement a fraud detection and optical character recognition (OCR) tool to support the manual review process in identifying suspicious document and trends.
- Close out open ACP recoveries and appeals.
- Continue to increase the usage of email versus postal mail, specifically for California and API-created applications, to provide additional cost savings.
- Improve consumer experience by continuing to enhance existing consumer-facing email templates to improve first contact resolution performance.

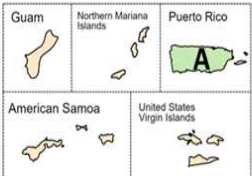
# California Opt-Out State Status

- On November 20, 2025, the FCC issued an order to revoke the exemption that enabled the California Public Utility Commission to opt out of the use of the National Lifeline Accountability Database (NLAD) and the National Verifier (NV) for the federal Lifeline program.
- Effective February 1, 2026, ETCs and consumers in California are required to use the National Verifier to apply for the federal Lifeline program, and ETCs must enroll consumers in NLAD to receive federal support.
- USAC responded to the Order quickly, providing information about activities ETCs could do to prepare for the change on day one.
- USAC hosted three webinars at the end of 2025 for California-only service providers, with additional trainings scheduled for 2026. These webinars provided an overview of USAC Lifeline systems and details on how to access them.
- USAC has completed the necessary system changes to be prepared for February 1. USAC has also ensured internal and BPO teams are prepared for the increased volumes. Manual review volumes will increase significantly, especially since CA will only benefit from federal connections initially.

# National Verifier Highlights



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



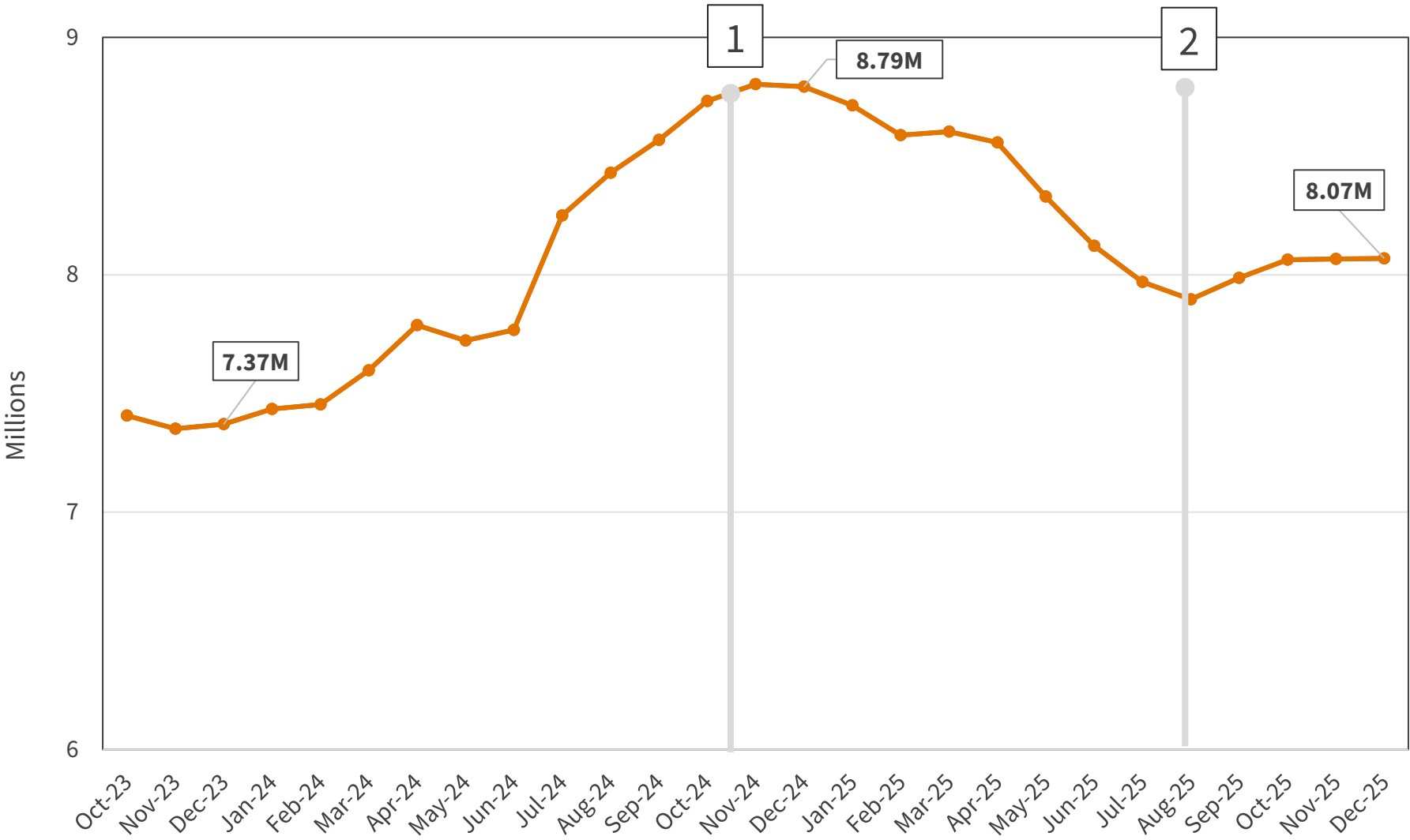
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## 29 Total NV Connections Available

- 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 2025 Data Month Subscribers
State and Federal	55.7%	2.0%	57.7%	45.8%	3,610,414
Federal Only	38.0%	2.4%	40.4%	30.6%	2,416,104
Overall	45.4%	2.2%	47.6%	36.9%	6,026,518

# Lifeline Subscriber Trends



- 1. Increase in subscribership post-ACP.
- 2. 2025 de-enrollments driven by non-usage (approx. 76%).

**\*Note:** Subscriber counts include all subscribers on the NLAD snapshot, including NLAD opt-out states (OR and TX).







## High Cost and Low Income Committee

Lifeline Business Update (Continued)

*Open Session Information Items*

January 26, 2026

# Agenda

- Q4 2025 Accomplishments
- Q1 2026 Program Plans
- 2026 Roadmap
- Program Metrics
- Service Type Trends
- Subscribership Trends
- Glossary of Terms

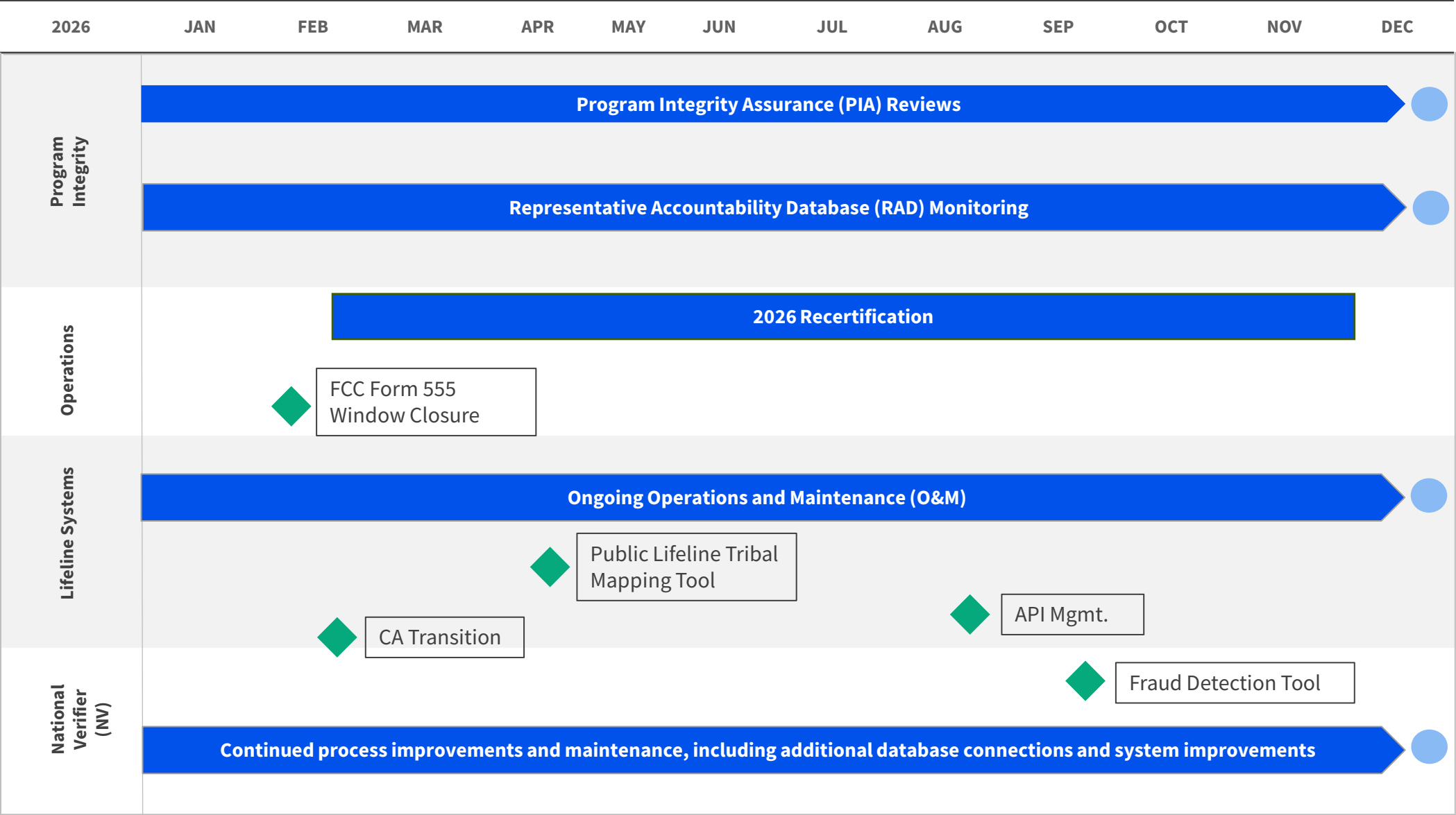
## Q4 2025 Accomplishments

- Completed the migration of the National Verifier systems from a vendor-hosted cloud to USAC's own cloud environment in December 2025.
- Finalized Agent Lockout Reviews of over 14,000 applications submitted by ETC agents that have been locked out.
- Published communication and training schedule for National Verifier California roll-in project; updated materials and held successful training sessions in December.
- Closed out the 2025 recertification process.
- Reviewed, updated, and generally simplified templates used for consumer email responses, following the transition of our email from a vendor to in-house.

# Q1 2026 Program Plans

- Complete the transition of the California Federal Lifeline program to the National Verifier, migrating approximately 1.7M subscribers to NLAD.
- Kick off calendar year 2026 recertification, including on CA subscribers entering NLAD and the National Verifier in February.
- Finalize the 2026 PIA plan.

# 2026 Roadmap



Milestone Legend

 At Risk

 On Track

 Completed

 Ongoing

# Program Metrics

## Lifeline Eligibility and New Enrollments

Year-to-Date Comparison	2025 (Jan. through Dec.)	2024 (Jan. through Dec.)
National Verifier Applications Created	15,169,335	27,491,002
Program Eligibility Auto Approved	7,758,098	14,952,322
Program Eligibility Auto Pass Rate	51.1%	53.5%
Enrollments (Excludes CA, OR, and TX)	3,634,272	6,788,524
De-Enrollments (Excludes CA, OR, and TX)	4,553,017	5,849,296
NLAD Subscribers (Excludes CA, OR, and TX) at Period-End	6,026,518	6,947,405
Opt-Out State Subscribers (CA, OR, and TX) at Period-End	2,044,249	1,844,451

**\*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
December 2025	2.44%	0.90%	95.26%	0.28%	1.12%
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%
June 2025	2.08%	2.33%	93.41%	0.32%	1.87%
May 2025	2.05%	2.40%	93.37%	0.32%	1.86%
April 2025	2.04%	2.51%	93.27%	0.33%	1.86%
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%

- **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
December 2025	3.03%	2.79%	92.31%	0.06%	1.82%
November 2025	3.03%	3.02%	92.03%	0.06%	1.86%
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%
June 2025	3.18%	6.36%	88.20%	0.06%	2.20%
May 2025	3.40%	7.73%	86.50%	0.06%	2.30%
April 2025	3.73%	9.66%	83.97%	0.07%	2.57%
March 2025	3.77%	11.48%	82.02%	0.08%	2.65%
February 2025	3.72%	13.69%	79.80%	0.08%	2.71%
January 2025	3.71%	16.68%	76.80%	0.08%	2.73%

- **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
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
June 2025 (snapshot on Jul. 1)	8,121,719	261,295	-2.49%	\$82,319,309
May 2025 (snapshot on Jun. 1)	8,329,255	261,855	-2.66%	\$77,833,742
April 2025 (snapshot on May 1)	8,556,935	256,812	-0.54%	\$76,954,892
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

# Tribal Subscribership Trends

Month	Total Tribal Subscribers	Rate of Change (Tribal Subscribers month over month)	Tribal Subscriber Variance
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
June 2025	261,295	-0.21%	-560
May 2025	261,855	1.96%	5,043
April 2025	256,812	0.87%	2,219
March 2025	254,593	0.35%	893
February 2025	253,700	-0.01%	-13
January 2025	253,713	0.51%	1,282

# 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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