2000 Schools and Libraries Committee
Meetings Minutes

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### Meeting Dates

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MINUTES

The quarterly meeting of the School & Libraries (SL) Committee of the Universal Service Administrative Company (USAC) was held at The Westin Grand, 2350 M Street N.W., Washington, D.C., on Monday, January 24, 2000. Ms. K.G. Ouye, Chair, called the meeting to order at 9:10 a.m. Eastern Time. Mr. Robert Haga, Acting Secretary, called the roll. All seven members were present, representing a quorum:

- Abramson, David
- Bryant, Anne
- Gumper, Frank
- Marockie, Henry, Vice Chair
- Ouye, K. G., Chair
- Parrino, Cheryl
- Talbott, Brian

Officers of the Corporation present:

- Haga, Robert – Acting Secretary/Treasurer

Others present for the meeting:

<table>
<thead>
<tr>
<th>NAME</th>
<th>COMPANY</th>
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</thead>
<tbody>
<tr>
<td>Ayer, Catriona</td>
<td>USAC</td>
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<tr>
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<td>Harrison, Gina</td>
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<td>Funds for Learning, LLC</td>
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<td>McDonald, George</td>
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<td>Schatz, Linda</td>
<td>USAC</td>
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<tr>
<td>Snegireff, Peter</td>
<td>PwC</td>
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<tr>
<td>Wolfhagen, Ellen</td>
<td>USAC</td>
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ACTION ITEMS:

a1. **Approval of Minutes of Monday, October 25, 1999.** On a motion duly made and seconded, the Committee unanimously approved the minutes of the meeting of Monday, October 25, 1999.

a2. **Approval of Timing of Payment on Program Year 1 Invoices.** Ms. Wolfhagen gave a brief clarification of the rule.

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

**RESOLVED,** That the USAC Schools & Libraries Committee adopts a 90-day period following implementation of non-recurring services for submitting invoices to USAC for processing for those applicants that are subject to the limited waiver approved by the Federal Communications Commission in its December 28, 1999, Order.

a3. **Approval of Subcontractor Contract Extension.** Ms. Moore reported that the extension that authorized NECA to enter into a contract with NCS is for a period of six months and that there is no revenue cap for this six-month extension. In response to a question by a Committee member regarding the 3.6 percent hourly rate increase, Ms. Moore reported that this covers forms processing, problem resolution, and imaging of forms.

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

**RESOLVED,** That the USAC Schools and Libraries Committee authorizes USAC management to approve NECA’s contract extension with NCS, for a period ending June 30, 2000, with a 3.6 percent hourly increase and suspension of the annual revenue cap.

a4. **Approval of Annual 2000 and 2nd Quarter 2000 Schools and Libraries Programmatic Budget.** Ms. Bryant gave a brief report on the budget. Ms. Moore reported that the 2000 programmatic budget represents a 13 percent decline from the 1999 budget due to a reduction in processing forms, progress in reducing operating costs, and the absence of start-up costs. Ms. Moore reported that 26,000 of the 38,000 forms submitted for Year 3 were submitted online. Mr. Abramson asked how much money was saved as a result of online filings. Ms. Moore stated that she would report back to the Committee at a later date.

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

**RESOLVED,** That the USAC Schools and Libraries Committee approves an annual 2000 Schools and Libraries Programmatic Budget of $29,629,000; and
RESOLVED FURTHER, That the USAC Schools and Libraries Committee approves a 2nd Quarter 2000 programmatic budget of $6,558,800.

a5. Approval of 2nd Quarter 2000 Schools and Libraries Projections and Resolution on February 2000 FCC Filing. Ms. Moore reported that as of January 14, Year 1 unspent funds total $315 million. Staff expects this will shrink in the days ahead as invoices are paid. Ms. Moore discussed demand estimates for Program Years 2 and 3. Ms. Parrino reported that, although USAC has not received official guidance from the Commission, the FCC might offset collections, over a number of quarters, based on unspent Year 1 funds.

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

RESOLVED, That the USAC Schools and Libraries Committee approves the projection of demand for the Schools and Libraries Program for the 2nd Quarter 2000, and further recommends that USAC request that the FCC establish a contribution factor to collect $562.5 million for the Schools and Libraries Program for the 2nd Quarter 2000, to provide the Commission with the best estimate of funds remaining for Year 1, in the event the Commission should determine that these funds will be used to offset the collection for the 2nd Quarter, and to authorize USAC staff to file this information in the February 2000 FCC filing; and

RESOLVED FURTHER, That the USAC Schools and Libraries Committee authorizes USAC management to file a Year 3 demand estimate with the FCC, pursuant to information derived from Year 3 applications filed by January 19, 2000.


INFORMATION ITEMS:

i1. School and Libraries Program Update. Ms. Moore discussed applications and Year 2 appeals and reported that the Schools and Libraries Division (SLD) is awaiting FCC guidance on the treatment of Year 2 applications received outside of the filing window. In response to an inquiry concerning when Year 1 processing will be complete, Ms. Moore reported that Year 1 activity is ongoing and SLD will continue to work on Year 1 issues in the coming months.

i2. Progress Report on Schools and Libraries Division’s 1999 Goals and Objectives. Ms. Moore reported that the SLD met many of its goals and objectives for 1999. One area where SLD did not meet its goal is in the timely issuance of funding commitments. That is an extremely high priority for 2000.
i3. **Update on Appeals Process and Status of Appeals.** Ms. Wolfhagen gave a brief report on the status of the appeals that were filed with both the FCC and SLD and provided a summary of two cases of interest.

i4. **Report on Schools & Libraries Division Outreach Activities.** Ms. Schatz discussed the Year 3 outreach meetings and reported that evaluations from all sessions indicated a positive response to the opportunity for applicants and service providers to learn together. There has been discussion in the Service Advisory Group concerning the need to get information to the service providers and applicants in a timely manner.

The Committee discussed online filing of Year 3 forms, the need to take care of the glitches in electronic filing, and the need to develop an online filing guide.

i5. **Report on Legislative and Media Activity.** Mr. Blackwell reported that there were 300 inquiries from Congress and the FCC concerning the universal service support mechanisms. Mr. Blackwell also discussed filtering legislative initiatives, which are still under consideration. Ms. Ouye stated that Senator Rick Santorum has a bill on filtering that we need to incorporate in future reports.

i6. **Report from Schools and Libraries Committee’s Subcommittees.** Mr. Abramson reported on the activities of the Programmatic Subcommittee of the Schools and Libraries Committee.

i7. **Status of the Financial and Operational Audit of USAC.** Ms. Parrino stated that the financial audit is going well and should be finished soon. Ms. Parrino reported that SLD should have a draft copy of the agreed upon audit within two weeks of this meeting. Committee members discussed the cost of the audit and the allocation to the programs.

i8. **Status of the Audit of Beneficiaries.** Ms. Moore reported that the design of the beneficiary audit is well under way. Arthur Andersen intends to start with a large school system to assist in the design of audits of other beneficiaries.

i9. **Report of USAC Program Enforcement Issues** – Ms. Wolfhagen reported on the types of enforcement issues that have arisen in the Schools and Libraries program. Mr. Barash reported that the FCC Enforcement Bureau would be working with USAC to take action against vendors who fail to comply with program guidelines. In response to an inquiry concerning the number of applicants and dollar amounts at issue, Mr. Barash reported that the dollars and numbers are very low, but USAC should send out a strong program integrity message. The Committee wants USAC to be proactive on enforcement issues.

i10. **Schools and Libraries Program Timeline and Key Dates.** Ms. Moore gave a brief discussion of the key dates and timeline for the Program.

i11. **Contract and RFP Review.** With the consent of the Committee, the Chair deferred this item until the end of the Agenda. See *Executive Session.*
i12. **Miscellaneous** – Mr. Gumper announced that as a result of his nomination for Chairman of the Board, he intended to resign from the Schools and Libraries Committee. The Committee members thanked Mr. Gumper for his internal knowledge of the FCC and energy, and his insight as a committee member.

After a short break, the Committee voted to go into *Executive Session* at 10:40 a.m. Eastern Time for the purpose of discussing the USAC contract and request for proposals.

**EXECUTIVE SESSION:**

i1. **Contract and Request for Proposals (RFP) Review.** Mr. Barash reported that the RFP process for programmatic support services for the Schools and Libraries and the Rural Health Care Programs is on schedule and going well. USAC anticipates receiving bids from several firms and has established an internal evaluation team to consider the proposals.

There being no further business to attend to, Ms. Ouye adjourned the meeting at 11:40 a.m. Eastern Time.

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Robert Haga  
Acting Secretary & Treasurer

______________________________________________  

Date  

012400SLmin
A meeting of the School & Libraries (SL) Committee of the Universal Service Administrative Company (USAC) was held on Friday, February 25, 2000, via telephone conference call. Ms. K.G. Ouye, Chair, called the meeting to order at 2:35 p.m. Eastern Time and called the roll. Four of the seven members were present, representing a quorum:

Marockie, Henry - Vice Chair          Parrino, Cheryl
Ouye, K. G. – Chair                   Talbott, Brian

Three members were absent:

Abramson, David                       Rosenblum, Lisa
Bryant, Anne                          

Officers of the Corporation present:

Barash, Scott – Assistant Secretary   
Haga, Robert – Assistant Treasurer    

Others present for the meeting:

NAME                  COMPANY
McDonald, George      USAC
Moore, Kate           USAC
Schatz, Linda         USAC
Simmons, Ann          USAC
Wolfhagen, Ellen      USAC

ACTION ITEMS:

a1. Approval of Procedures for Accepting Outside-the-Window Year 2 Application. Ms. Moore gave an overview of the issue. She indicated that any new Year 2 applications would be reviewed only after the review of in-window Year 3 applications was completed as requested by the FCC, which will occur no earlier than May 2000.
On a motion duly made and seconded, the Committee unanimously approved the following resolution:

**RESOLVED**, That the USAC Schools & Libraries Committee authorizes SLD Management, upon written guidance from the FCC, to process applications received outside the filing window for Year 2, in a manner consistent with such written guidance.

**Approval of Proposed Procedures to Address January 19, 2000 Server Problem.** Mr. McDonald discussed the draft *ex parte* filing concerning the January 19, 2000 server problem that affected some applicants. As set forth in the draft filing, he informed the Committee that some applications that had been started before the server went down were ultimately completed on the following day. Specifically, USAC had identified 166 Forms 471 that were in an incomplete status on January 19 and were completed on January 20. Ms. Moore discussed the draft filing and SLD commitment to research the problem and address the problem objectively and straightforwardly.

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

**RESOLVED**, That the Schools and Libraries Committee approves the proposed procedures to address the January 19, 2000 server problem and authorizes USAC to submit those procedures to the FCC in an *ex parte* format or in another manner as directed by the FCC.

There being no further business to attend to, Ms. Ouye adjourned the meeting at 3:05 p.m. Eastern Time.

____________________________
D. Scott Barash
Assistant Secretary

___________________________
Date

022500SLmin
A joint meeting of the Board of Directors of the Universal Service Administrative Company (USAC) and its Rural Health Care and Schools & Libraries Committees was held via conference call on Thursday, March 23, 2000. Mr. Frank Gumper, Chair of the Board, called the meeting to order at 12:08 p.m. Eastern Time on behalf of the Chairs of the Committees. Ms. Cathy Howard, Executive Assistant to the USAC CEO, called the roll on behalf of Mr. Edwin Eichler, USAC Secretary. Four of the seven members of the Schools & Libraries Committee were present, representing a quorum.

Abramson, David
Parrino, Cheryl
Rosenblum, Lisa
Talbot, Dr. Brian

One member joined the meeting in progress:

Marockie, Dr. Hank

Two members were absent:

Bryant, Anne
Ouye, Kathleen G.

Officers of the Corporation present:

Barash, Scott – Assistant Secretary
Haga, Robert – Assistant Treasurer

Other Board of Directors present:

Eichler, Ed
Gumper, Frank
Hess, Kevin
Jackson, Jimmy
Thoms, Allan
Others present for the meeting:

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<th>COMPANY</th>
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<tr>
<td>Blackwell, Mel</td>
<td>USAC</td>
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<td>Howard, Cathy</td>
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<td>Walsh, Dan</td>
<td>USAC</td>
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The Board of Directors and Committees immediately voted to go into Executive Session for purposes of discussing matters concerning the USAC Request For Proposals for Programmatic Support Services for the Schools and Libraries and Rural Health Care Programs.

**EXECUTIVE SESSION:**

1. **Recommendation and Approval of the Next Step in the RFP Process of Selecting a Vendor for Programmatic Support Services for the Schools and Libraries and the Rural Health Care Programs.** USAC staff reviewed for the Board of Directors and the Committee members the proposed next step in the RFP process of selecting a vendor.

On a motion duly made and seconded, Dr. Marockie, Vice Chair of the Schools & Libraries Committee, called for a voice vote of the five members present to approve the following resolution. The Schools & Libraries Committee unanimously approved the resolution:

**RESOLVED,** That the USAC Schools and Libraries Committee recommends that the USAC Board of Directors approve the course of action proposed by USAC management regarding the proposals received in response to the Request for Proposals for Programmatic Support Services for the Schools and Libraries and Rural Health Care Universal Service Support Mechanisms.

There being no further business to attend to, Dr. Marockie adjourned the meeting immediately following the vote.

____________________________________
D. Scott Barash
Assistant Secretary

__________________________________
Date

032300SLmin
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

April 5, 2000

MINUTES

A meeting of the Schools and Libraries Committee of the Universal Service Administrative Company (USAC) Board of Directors was held on Wednesday, April 5, 2000, by conference call. Ms. Kathleen Ouye, Chair of the Committee, called the meeting to order at 11:40 a.m. Eastern Time. Ms. Ouye called the roll. Six members were present, representing a quorum:

Abramson, David
Marockie, Hank
Ouye, Kathleen

Parrino, Cheryl
Rosenblum, Lisa
Talbott, Brian

One member of the Committee was absent:

Bryant, Anne

Officers of the Corporation present:

Barash, D. Scott – Assistant Secretary
Haga, Robert – Assistant Treasurer

Others present for the meeting:

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<th>NAME</th>
<th>COMPANY</th>
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<tr>
<td>Faunce, Donna</td>
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<tr>
<td>McDonald, George</td>
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<tr>
<td>Moore, Kate</td>
<td>USAC</td>
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Attachment A is a list of others attending the meeting.

ACTION ITEMS:

a1. Approval of Parameter Analysis for Establishing the Funding and Denial Thresholds for the First Wave of Year 3. Ms. Moore informed the Committee that USAC is waiting for an announcement from the Federal Communications Commission (“FCC”) to begin issuance of funding commitments for Year 3 of the Program. Since demand for Year 3 so far exceeds funds available (approximately $4.5 billion when late certifications are considered compared to $2.25 billion available), USAC has determined that it will not be able to fully fund internal connections in Year 3. Mr. McDonald reviewed the parameter analysis for the first wave of funding commitments and discussed the variables that were
used to generate the report. Based upon the analysis, USAC staff recommends fully funding Priority 1 services, funding internal connections requests at the 90 percent discount level, holding funding requests (“FRNs”) for internal connections at the 81-89 percent discount level, and denying requests for internal connection at the 80 percent and below discount percentages.

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

RESOLVED, That the Schools and Libraries Committee authorizes SLD management, upon FCC approval, to commit the first wave for Year 3 with the parameters set at 20 percent for Priority One Services and 90 percent for Internal Connections; to set the Contingency Funding Reserve at $272 million; and to deny all FRNs for internal connections at discount percentages of less than 81 percent for lack of funding.

Ms. Ouye asked for confirmation that adoption of the resolution did not change the authority of the Chair to continue to approve the issuance of funding waves within these parameters after consultation with the FCC, and that Committee action would not be required unless or until staff recommends that the parameters be adjusted. Ms. Moore stated that this was correct.

There being no further business to attend to, Ms. Ouye adjourned the meeting at 11:56 a.m. Eastern Time.

____________________________________
D. Scott Barash
Assistant Secretary

____________________________________
Date

040500SLmin
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

April 14, 2000

MINUTES

A meeting of the School & Libraries (SL) Committee of the Universal Service Administrative Company (USAC) Board of Directors was held on Friday, April 14, 2000, via telephone conference call. Dr. Henry Marockie, Vice Chair of the Committee, called the meeting to order at 1:32 p.m. Eastern Time. Ms. Kate Moore, President of the Schools and Libraries Division, called the roll on behalf of Mr. Scott Barash, USAC Assistant Secretary. Four of the seven members were present, representing a quorum:

Bryant, Anne
Marockie, Henry – Vice Chair
Ouye, K. G. – Chair
Parrino, Cheryl

One member joined the meeting in progress:

Talbott, Brian

Two members were absent:

Abramson, David
Rosenblum, Lisa

Officers of the Corporation present:

Barash, Scott – Assistant Secretary

Others present for the meeting:

NAME COMPANY
McDonald, George USAC
Moore, Kate USAC
Simmons, Ann USAC
Wolfhagen, Ellen USAC

ACTION ITEMS:

a1. Approval of Parameter Analysis: Wave 2, Year 3. Mr. McDonald discussed the analysis that reflects the internal connections parameter for running Wave 2 of the funding commitment module for Year 3 at 88 percent for Internal Connections. Mr. McDonald informed the Committee that staff had moved the reduction rate slightly to reflect an increase in cancellations by applicants, but that it was still well below the comparable Year 2 level.
On a motion duly made and seconded, the Committee unanimously approved the following resolution:

**RESOLVED,** That the Schools & Libraries Committee authorizes the Schools & Libraries Division Management to commit, upon FCC approval, the second wave for Year 3 with the parameters set at 20 percent for Priority One Services and 88 percent for Internal Connections.

a2. Approval of Parameter Analysis: Additional Year 2 Commitments. Mr. McDonald reported to the Committee that the funds expected to be committed to first-time funding requests are not expected to exceed $35 million, and that staff estimates about $60 million for appeals deemed meritorious either by the Schools & Libraries Division or the FCC should remain in the in-window contingency funding reserve. With the $1.958 billion committed to date for Year 2 and these projections for original commitments and commitments on appeals, staff estimates at this time that approximately $166 million will be unused for in-window Year 2 applications.

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

**RESOLVED,** That the Schools and Libraries Committee authorizes the Schools & Libraries Division (SLD) Management to make commitments up to $35 million for applications that have not previously gone to fund commitment and up to $60 million for meritorious appeals, whether decided by SLD or remanded by the FCC, for in-window Year 2 applications.

a3. Approval of Filing of Petition for Clarification and/or Reconsideration in the Copan case. Ms. Moore reviewed the Copan decision by the FCC, pointing out some of the administrative issues raised by the decision. Ms. Wolfhagen apprised the Committee of the five key areas in the proposed filing with the FCC seeking clarification of those issues.

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

**RESOLVED,** That the Schools and Libraries Committee authorizes USAC staff to file a Petition for Clarification and/or Reconsideration with the FCC.

There being no further business to attend to, Dr. Marockie adjourned the meeting at 1:55 p.m. Eastern Time.

____________________________
D. Scott Barash  
Assistant Secretary  
___________________________
Date
MINUTES

The quarterly meeting of the School & Libraries (SL) Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at The Westin Grand, 2350 M Street N.W., Washington, D.C., on Monday, April 17, 2000. Ms. K.G. Ouye, Chair, called the meeting to order at 9:10 a.m. Eastern Time. Ms. Ann Simmons, Administrative Assistant for USAC, called the roll on behalf of Mr. Scott Barash, Assistant Secretary. Five of the seven members were present, representing a quorum:

Bryant, Anne
Marockie, Henry, Vice Chair
Ouye, K. G., Chair
Parrino, Cheryl
Rosenblum, Lisa – By Telephone

Two members were absent:

Abramson, David
Talbott, Brian

Officers of the Corporation present:

Barash, Scott – Assistant Secretary
Haga, Robert – Assistant Treasurer

Others present for the meeting:

NAME
Bernstein, Jon
Blackwell, Mel
Dwyer, Shari
Fitzgerald, Sara
Levy, Ken
McDonald, George
Moore, Kate
Schatz, Linda
Shirley, Saundra
Simmons, Ann
Snegireff, Peter
Wolfhagen, Ellen

COMPANY
FCC
USAC
Thomas Comm.
Funds for Learning
NECA
USAC
USAC
USAC
American Libraries Association
USAC
PwC
USAC
**ACTION ITEMS:**

a1. **Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the minutes as distributed of Thursday, October 21, 1999; Monday, January 24, 2000; February 25, 2000; Thursday, March 23, 2000; and Wednesday, April 5, 2000. Ms. Rosenblum abstained from the vote on the minutes of October 21, 1999, January 24, 2000, and February 25, 2000.

a2. **Election of a Committee Member to the Schools and Libraries Programmatic Subcommittee.** Ms. Ouye presented a motion to elect Ms. Lisa Rosenblum to the Programmatic Subcommittee. Ms. Ouye also observed that at the next meeting the Committee would appoint a board member to the Finance Committee to succeed Mr. Gumper.

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

**RESOLVED,** That the USAC Schools & Libraries Committee appoints Ms. Lisa Rosenblum to the Schools & Libraries Programmatic Subcommittee.

a3. **Approval of 3rd Quarter 2000 Schools and Libraries Programmatic Budget.** Ms. Moore reported that the bottom line of the annual budget presented has not changed from the budget presented to the Committee at its January 2000 meeting, and that the 3rd quarter 2000 budget was consistent with the overall budget.

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

**RESOLVED,** That the USAC Schools and Libraries Committee approves a 3rd Quarter 2000 programmatic budget of $7,102,400.

a4. **Approval of 3rd Quarter 2000 Schools and Libraries Projections and Resolution on the May 2000 FCC Filing.** Ms. Moore reported to the Committee that as of March 31, 2000, $1,387,082,903.36 of Program Year 1 support has been disbursed. The FCC has used some of the projected unused Year 1 funds to offset collections in the first and second quarters of 2000. USAC has been directed to provide the best estimate of funds that will not be used from Year 1, and will follow whatever direction comes from the FCC’s action on that information.

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

**RESOLVED,** That the USAC Schools and Libraries Committee approves the projection of demand for the Schools and Libraries Program for the 3rd Quarter 2000, and further recommends that USAC request that the FCC establish a contribution factor to collect $562.5 million for the Schools and Libraries Program for the 3rd Quarter 2000, and
directs staff to develop the best estimate of funds remaining for Year 1, in the event the Commission should determine that these funds will be used to offset the collection for 3rd Quarter 2000, and authorizes USAC staff to file this information in the May 2000 FCC filing.

a5. Update and Approval of Ongoing USAC Contract Negotiations. With the consent of the Committee, the Chair deferred this item until the end of the Agenda. See Executive Session.

a6. Miscellaneous – Lump Sum Capital Costs for Service Provider Equipment. With the consent of the Committee, the Chair deferred this item until the end of the Agenda. See Executive Session.

INFORMATION ITEMS:

i1. School and Libraries Program Update. Ms. Moore reported to the Committee that Year 1 activity is moving toward closure, and Year 2 appeals will be completed in May. The Schools & Libraries Division (SLD) staff is working on a revision to the Form 486 for Year 3 and described some of the potential changes. In response to a question from a Committee member regarding a statement in the report that the on-line and paper forms have a different “visual appearance,” Ms. Moore stated that the form on the screen may look different from the paper copy, but identical information is gathered in each. Ms. Schatz observed that the ability to gather the information on-line allows for simpler formatting, easier use by applicants, and other functionalities such as the pre-population of repetitive data. Ms. Moore reported that there has been good feedback from applicants filing on-line.

i2. Update on Appeals Process and Status of Appeals. Ms. Wolfhagen updated the Committee on the status of appeals for Years 1 and 2 that are pending before the Administrator and the Federal Communications Commission (FCC). Ms. Wolfhagen also reported on noteworthy Commission appeal decisions in the last quarter: specifically the Copan decision affecting changes of service providers. Ms. Ouye noted that Ms. Wolfhagen had accepted a new position with USAC and congratulated her on the new assignment.

The Committee DIRECTED staff to provide information on the percent of the number of applications appeals to the total number of applications in addition to the data reported for dollars.

i3. Potential Savings as a Result of Electronic Filing on Form 471. Ms. Moore reported that the impact of electronic filing of Year 3 Forms 471 is expected to save approximately $306,000 compared to Year 2.

The Committee DIRECTED staff to track, to the extent reasonably feasible, the percentage
of appeals resulting from electronic applications, and to determine the total number of applications that were duplicated in some form by applicants.

**i4. Comparison of the 1999 Schools and Libraries Programmatic Budget to Preliminary Actuals.** Ms. Parrino reported that Arthur Andersen has not completed its examination of the contractor, therefore, the actual Schools and Libraries 1999 program numbers are preliminary, however, final numbers will be available for the July 2000 Committee meeting. She further noted the impact of capitalized expenditures on the budgets for 1999 and 2000.

The Committee **DIRECTED** the staff to supply information to the Committee members regarding the amount of the contractor bonus included in the Schools and Libraries Programmatic budget.

**i5. Report on Schools and Libraries Division Outreach Activities.** Ms. Schatz reported that in an effort to provide continuous improvement for the Funding Year 4 application process, outreach staff will be meeting with the American Libraries Association (ALA), the National Association of State Telecommunications Directors (NASTD), and others to seek feedback and to identify potential improvements for Year 4. The outreach staff is working with contractor customer service staff to ensure improved responses to applicants and service providers.

**i6. Report on Legislative and Media Activity.** For information only. No discussion held.

**i7. The Status of the USAC Financial and Agreed Upon Procedures Audits for 1999.** Ms. Parrino informed the Committee that this issue would be discussed further at the Board of Directors April 2000 meeting and provided a brief status report on the progress of the audits. She reported that draft audits have been submitted to the FCC and USAC is awaiting FCC comment. Staff hopes to provide what is expected to be a final report at the July 2000 Committee meeting. USAC staff is urging Arthur Andersen to finish this process as expeditiously as possible. Ms. Parrino noted that staff has come up with some ideas on how to better structure and accomplish the annual audits and will be discussing those ideas with Arthur Andersen.

**i8. Status of the Audit of Beneficiaries.** Ms. Moore reported that Arthur Andersen has begun the first beneficiary audit and that this work will be spread throughout the year. If problems do surface in the audit of any entity, Arthur Andersen will notify the SLD staff immediately.

**i9. Status of GAO Audit.** Mr. McDonald reported that the General Accounting Office (GAO) has been conducting a review of Year 2 Form 471 files to identify the extent to which the Schools and Libraries Division has approved funding for ineligible products and/or services. GAO has requested many Year 2 files and a complete database for Years 1, 2 and 3, focusing on the eligibility of products and services in complex funding requests for internal connections. He noted that GAO has found errors during its review and that USAC will correct those and will review with GAO and the FCC areas for improvement.
Mr. McDonald reported that GAO staff understands that this is a very complicated process, and that the review has been very detailed. Ms. Ouye thanked Mr. McDonald and USAC’s contractor for their efforts.

**i10. Year 2 Posting of Form 470.** Mr. McDonald gave a brief update to the Committee on the processing of Year 2 Forms 470 received late in 1999 that were not immediately posted by staff due to the Year 3 filing window. No decision has been made on addressing this matter.

**i11. Report on USAC Program Enforcement Issues.** Mr. Barash reported that USAC is taking numerous steps to become more proactive on program integrity and enforcement of rules. Outside counsel has helped USAC prepare the draft enforcement compliance plan that was presented to the Committee. Staff will be refining that plan and hopes to present an amended plan to the Committee at its next meeting.

**i12. Schools and Libraries Program Timeline and Key Dates.** For information only. No discussion held.

**i13. Miscellaneous.** None

On a motion duly made and seconded, the Committee agreed at 9:45 a.m. Eastern Time to go into Executive Session after a short recess subject to the call of the Chair.

At 10:00 a.m. Eastern Time the Committee reconvened. Ms. Ouye called the meeting to order for purposes of discussing action agenda item #5, Update and Approval of Ongoing USAC Contract Negotiations, and action agenda item #6, Lump Sum Capital Costs for Service Provider Equipment.

On a motion made and seconded, the Committee unanimously agreed to go into Open Session at 12:07 p.m. Eastern Time for purposes of reporting action taken during Executive Session.

**EXECUTIVE SESSION:**

**a1. Update and Approval of Ongoing USAC Contract Negotiations.** Ms. Ouye reported that Mr. Barash informed the Committee about the status of the ongoing contract negotiations concerning the program support services for the Schools and Libraries and Rural Health Care Programs.

**a2. Miscellaneous – Lump Sum Capital Costs for Service Provider Equipment.** Ms. Ouye reported that, on a motion duly made and seconded, the Committee approved the following resolution with one member, Ms. Ouye, abstaining:

**RESOLVED,** That the USAC Schools and Libraries Committee directs the Schools and Libraries Division to consider the request from an applicant to include the entire cost of the facilities to provide the service in a one-time lump sum payment as up-front costs, which under the rules and current procedures would lead to a denial, since it is inconsistent
with the pro rata approach discussed in the rules and more than the allowable percentage of the total costs are associated with the services to be delivered outside the funding year.

There being no further business to attend to, Ms. Ouye adjourned the meeting at 12:40 p.m. Eastern Time.

_____________________________________
D. Scott Barash  
Assistant Secretary

_____________________________________  
Date
MINUTES

A meeting of the Schools & Libraries Committee of the Universal Service Administrative Company’s (USAC) Board of Directors was held on Friday, April 28, 2000, at the USAC office, 2120 L Street, N.W., Suite 600, Washington, DC. Ms. K.G. Ouye, Chair of the Committee called the meeting to order at 2:40 p.m. Eastern Time. Ms. Ann Simmons, Administrative Assistant for USAC called the roll for Mr. Scott Barash, Assistant Secretary. Five of the seven members were present, representing a quorum:

Bryant, Anne – by telephone
Ouye, K.G. – by telephone
Parrino, Cheryl – by telephone
Rosenblum, Lisa – by telephone
Talbott, Brian – by telephone

Two members were absent:
Abramson, David
Marockie, Henry - Vice Chair

Officers of the Corporation present:

Barash, Scott – Assistant Secretary
Haga, Robert – Assistant Treasurer

Others present for the meeting:

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<tr>
<td>McDonald, George</td>
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<td>Ratliff, Robin</td>
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<td>Simmons, Ann</td>
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ACTION ITEMS

a1. Parameter Analysis: Wave 4, Year 3. Mr. McDonald noted to the Committee that the parameter analysis is an update of the analysis provided to the Committee last week. He also noted that the contingency funding reserve is $100 million post-window and that the reduction rate for reviewed requests will not be lower than 14 percent; an increase from the rate of 13 percent assumed last week.

On a motion duly made and seconded, the Committee approved the following resolution:
RESOLVED, That the Schools and Libraries Committee authorizes staff to commit, upon FCC approval, the fourth wave for Year 3 with the parameter set at 20 percent for priority one services and 86 percent for internal connections.

There being no further business to attend to, Ms. Ouye adjourned the meeting at 2:55 p.m. Eastern Time.

____________________________________
D. Scott Barash
Assistant Secretary

__________________________________
Date

042800SLmin
A joint meeting of the Board of Directors of the Universal Service Administrative Company (USAC) and its Rural Health Care and Schools & Libraries Committees was held on Friday, May 5, 2000, at USAC, 2120 L Street, N.W., Suite 600, Washington, DC 20037. Ms. Ouye, Chair of the Committee, called the meeting to order at 12:48 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the USAC CEO, called the roll on behalf of Mr. Edwin Eichler, USAC Secretary. Five of the seven members of the Schools & Libraries Committee were present, representing a quorum.

Marockie, Dr. Hank
Ouye, Kathleen G.
Parrino, Cheryl
Rosenblum, Lisa
Talbot, Dr. Brian

One member joined the meeting in progress:

Bryant, Anne

One member was absent:

Abramson, David

Officers of the Corporation present:

Barash, Scott – Assistant Secretary
Haga, Robert – Assistant Treasurer

Other Board of Directors members present:

Eichler, Edwin
Gold, Heather
Gumper, Frank
Hess, Kevin
Hogerty, Martha
Lineberry, Isiah
Wheeler, Tom
Others present for the meeting:

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<td>Blackwell, Mel</td>
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<td>Howard, Cathy</td>
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<td>Moore, Kate</td>
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<td>Walsh, Dan</td>
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The Board of Directors and the Committees immediately voted to go into Executive Session for purposes of discussing the contract award for Program Support Services for the Schools and Libraries and Rural Health Care Universal Service Support Mechanisms.

EXECUTIVE SESSION:

1. **Contract Award for Program Support Services for the Schools and Libraries and Rural Health Care Universal Service Support Mechanisms.** Mr. Gumper noted that members of the Board met with USAC staff on May 1 to review and discuss in detail the vendor proposals. Based on the vendor proposals, staff proposes that the Committee recommend the award of the contract to the National Exchange Carrier Association, Inc. (NECA).

On a motion duly made and seconded, Ms. Ouye, Chair of the Schools & Libraries Committee, called for a voice vote of the six members present to approve the following resolution. All six votes were in the affirmative.

**RESOLVED,** That the USAC Schools and Libraries Committee recommends that the USAC Board of Directors approve the proposed contract with the National Exchange Carrier Association, Inc., to provide programmatic support services for the Schools and Libraries and Rural Health Care Universal Service Support Mechanisms.

There being no further business to attend to, Ms. Ouye adjourned the meeting immediately following the vote.

____________________________________
D. Scott Barash
Assistant Secretary

________________________
Date
A meeting of the Schools & Libraries Committee of the Universal Service Administrative Company’s (USAC) Board of Directors was held on Friday, May 12, 2000, at the USAC office, 2120 L Street, N.W., Suite 600, Washington, DC. Ms. K.G. Ouye, Chair of the Committee called the meeting to order at 12:12 p.m. Eastern Time. Mr. Scott Barash, Assistant Secretary called the roll. Four of the seven members were present, representing a quorum:

- Bryant, Anne – by telephone
- Ouye, K.G. – by telephone
- Parrino, Cheryl – by telephone
- Talbott, Brian – by telephone

One member joined the meeting in progress:

- Marockie, Hank – by telephone

Two members were absent:
- Abramson, David
- Rosenblum, Lisa

Officers of the Corporation present:

- Barash, Scott – Assistant Secretary
- Haga, Robert – Assistant Treasurer

Others present for the meeting:

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<tr>
<td>McDonald, George</td>
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<td>Moore, Kate</td>
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<td>Simmons, Ann</td>
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**ACTION ITEMS**

**a1. Parameter Analysis: Wave 6, Year 3.**

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

**RESOLVED,** That the Schools and Libraries Committee authorizes staff to commit, upon FCC approval, the sixth wave for Year 3 with the parameter set at 20 percent for priority one services and 85 percent for internal connections.
There being no further business to attend to, Ms. Ouye adjourned the meeting at 12:17 p.m. Eastern Time.

____________________________________
D. Scott Barash
Assistant Secretary

____________________________________
Date
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

June 23, 2000

MINUTES

A meeting of the Schools & Libraries Committee of the Universal Service Administrative Company’s (“USAC”) Board of Directors was held on Friday, June 23, 2000, at the USAC office, 2120 L Street, N.W., Suite 600, Washington, DC. Dr. Henry Marockie, Vice Chair of the Committee, called the meeting to order at 11:35 a.m. Eastern Time. Ms. Ann Simmons, Administrative Assistant for USAC, called the roll for Mr. Scott Barash, Assistant Secretary. Four of the seven members were present representing a quorum:

Bryant, Anne – by telephone
Marockie, Hank – by telephone
Ouye, K.G. – by telephone
Parrino, Cheryl – by telephone

One member joined the meeting in progress:

Abramson, David – by telephone

Two members were absent:
   Rosenblum, Lisa
   Talbott, Brian

Officers of the Corporation present: Barash, Scott – Assistant Secretary
   Haga, Robert – Assistant Treasurer

Others present for the meeting:

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<td>McDonald, George</td>
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<td>Simmons, Ann</td>
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<td>Wolfhagen, Ellen</td>
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ACTION ITEMS:

a1. Adjustment to Schools and Libraries 2000 Budget. Ms. Bryant gave a brief overview of the Schools and Libraries 2000 Budget. Ms. Parrino stated that the Committee will be presented with a comprehensive budget item at the July 2000 Board meeting that will propose an additional $600,000 for system changes for the remainder of 2000. Ms. Moore reviewed the differences between the original 2000 Budget and the fixed price structure of the new contract. Ms. Moore also reviewed the time frames for completing Year 3 and Year 2 application reviews and the proposal to accelerate that schedule by adding more temporary...
assistance. It is expected that to meet revised system needs and to make other improvements
not contained in the contract for program Year 4, a budget variance above the contract of
$100,000 per month will be required beginning on July 1. The Committee agreed that,
consistent with her authority, Ms. Parrino should approve the first $100,000 for July work on
system changes and that the remaining amount will be considered at the July Board meeting
along with other budget revisions that take into account the new program contract.

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

RESOLVED, That the Schools and Libraries Committee authorizes an increase
in the Schools and Libraries Program budget for 2000 of $309,000 to retain temporary
employees at NECA and accelerate that schedule for completing Year 3 processing, and to
begin system changes and Year 2 post-window application review.

a2. Additional Positions for the Schools and Libraries Division. Ms. Moore gave the
Committee an overview of the new personnel positions sought: Director of Service Provider
Client Outreach – to address service provider issues; an Operations Manager, Technology –
to address technical and service issues; and an administrative assistant – to support the
operations and service provider support teams.

Ms. Parrino stated that while no adjustment is needed in the 2000 budget for the additional
positions, an increase will be needed in the budget in 2001. She also reviewed how some of
the savings from the new contract were slotted to add staff in some needed areas and that this
was the first step in that process.

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

RESOLVED, That the Schools and Libraries Committee authorizes three new
positions for the Schools & Libraries Division: a Director, Service Provider Client Outreach;
an Operations Manager, Technology; and an Administrative Assistant to support the
Operations and the Service Provider Support teams of the Division.

INFORMATION ITEMS:

i1. Form 471 Certifications. The Committee was apprised that the chair had approved the
parameter analysis for the next wave of Year 3 commitments. The Committee was also
apprised of the direction of the FCC relating to Form 471 certifications.

On a motion duly made and seconded, the Committee agreed at 12:00 p.m. Eastern Time to go
into Executive Session.

EXECUTIVE SESSION:

i2. Forthcoming Denials. The Committee was apprised of anticipated action relating to
forthcoming application denials. The Committee reached a
consensus about the rationale that should ideally be use to justify such actions. Staff
indicated that the importance of using this rationale would be communicated to the FCC.
There being no further business to attend to, Dr. Marockie adjourned the meeting at 12:20 p.m. Eastern Time.

____________________________________
D. Scott Barash  
Assistant Secretary

____________________________________
Date
MINUTES

The Schools & Libraries Committee of the Universal Service Administrative Company (USAC) acted on Wednesday, June 28, 2000, on the following resolution and approved it by consensus through electronic mail from Ms. Kate Moore, President of Schools and Libraries Division, and subsequently, by signing a ballot confirming each of their votes. The signed ballots are included as an attachment to these minutes. Five of the seven members, representing a quorum, submitted signed ballots approving the motion:

Bryant, Anne
Marockie, Hank
Ouye, Kathleen G.
Parrino, Cheryl
Talbott, Brian

Two members did not submit ballots: Abramson, David
Rosenblum, Lisa

ACTION ITEM:

a1. Parameter Analysis: Wave 13, Year 3. Ms. Moore stated in the electronic mail that the reason for the action requested of the Committee was to reduce the appeals contingency reserve by $26 million for Wave 13 of Year 3.

The Schools & Libraries Committee approved the following resolution through means of signed ballots:

RESOLVED, That the Schools & Libraries Committee authorizes SLD Management, upon approval of the FCC, to lower the Contingency Funding Reserve in parameter analysis for the thirteenth wave for Year 3 from $295 million to $269 million.

D. Scott Barash
Assistant Secretary
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

July 17, 2000

MINUTES

The quarterly meeting of the School & Libraries (SL) Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at The Westin Grand, 2350 M Street N.W., Washington, D.C., on Monday, July 17, 2000. Ms. K.G. Ouye, Chair, called the meeting to order at 9:10 a.m. Eastern Time. Ms. Ann Simmons, Administrative Assistant for USAC, called the roll on behalf of Mr. D. Scott Barash, Assistant Secretary. Six of the seven members were present, representing a quorum:

Abramson, David
Bryant, Anne
Marockie, Henry - Vice Chair

Ouye, K. G. - Chair
Parrino, Cheryl
Talbott, Brian

One member was absent:

Rosenblum, Lisa

Other Board members present:

Gumper, Frank - Chair of the USAC Board of Directors

Officers of the Corporation present:

Barash, Scott – Assistant Secretary
Haga, Robert – Assistant Treasurer

Others present for the meeting:

NAME                      COMPANY
Ayer, Catriona            USAC
Blackwell, Mel           USAC
Carroll, Kristy          USAC
Dwyer, Shari            Thomas Communications
Fitzgerald, Sara         Funds for Learning
Nadel, Mark              FCC
McDonald, George         USAC
Moore, Kate              USAC
Rhyner, Rich             NECA
ACTION ITEMS:

a1. Approval of the Minutes. On a motion duly made and seconded, the Committee approved the minutes as distributed of Friday, April 14, 2000; Monday, April 17, 2000; Friday, April 28, 2000; Friday, May 5, 2000; Friday, May 12, 2000; and Friday, June 23, 2000.

a2. Election of a Committee Member to the Schools and Libraries Finance Subcommittee. Ms. Ouye presented a motion to elect Mr. David Abramson to the Schools and Libraries Finance Subcommittee.

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

RESOLVED, That the USAC Schools & Libraries Committee appoints Mr. David Abramson to the Schools & Libraries Finance Subcommittee.

a3. Approval of the 1999 Universal Service Administrative Company Financial Audits and Company Agreed Upon Procedures Reviews. Ms. Parrino reported to the Committee that USAC’s independent auditor, Arthur Andersen LLP, has completed the 1999 financial and operations audits for USAC. There were five audits: two financial and three agreed upon procedures reviews. Ms. Parrino stated that USAC’s response to the audit reports is in draft form and that it will be submitted shortly pending action of the Board of Directors.

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

RESOLVED, That the USAC Schools & Libraries Committee recommends to the USAC Board of Directors to approve the Schools and Libraries Program agreed upon procedures reports.


Ms. Bryant stated that a significant amount of work went into preparing the draft audit plan, which is similar to the 1999 audit plan as approved by the FCC.

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

RESOLVED, That the USAC Schools & Libraries Committee recommends that the USAC Board of Directors authorize USAC to file with the FCC the proposed draft 2000 operational audit plan as it relates to the Schools and Libraries Program.

a5. Approval of 4th Quarter 2000 Schools and Libraries Programmatic Budget and Approval of Revised Annual Budget for 2000. Ms. Bryant reported to the Committee that the major changes reflected in the revised budget are as follows: (1) the cost for PIA reviews were
higher; (2) the new program operations contract reflects higher costs in the first year, but
declines sharply in later years; (3) system development costs for on-line filing
improvements and controls; (4) more temporary staff to accelerate commitments; and (5)
inclusion of a contingency fund for the third and fourth quarters for changes in the scope
of work under the program support services contract. Ms. Moore presented to the
Committee a chart showing the year-to-year changes in the costs of the new contract.

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

RESOLVED, That the USAC Schools & Libraries Committee approves an additional
$500,000 for Year 4 system improvements; and

RESOLVED FURTHER, That the USAC Schools & Libraries Committee approves a
contingency of $500,000 for potential changes to the new contract; and

RESOLVED FURTHER, That the USAC Schools & Libraries Committee approves additional
budgeted costs under the previous NECA contract of $2,128,200 and directs the staff to
provide a final report of the results of the audit of NECA bills to the Committee; and

RESOLVED FURTHER, That the USAC Schools & Libraries Committee authorizes the
use of the contingency for transition costs provided in the original budget to offset the
increases needed to cover NECA contract costs; and

RESOLVED FURTHER, That the USAC Schools & Libraries Committee approves a 4th
Quarter 2000 programmatic budget of $8,678,800, and a revised annual programmatic
budget for 2000 of $31,466,200.

a6. Approval of 4th Quarter 2000 Schools and Libraries Projections and Resolution on the
August 2000 FCC Filing. Ms. Moore apprised the Committee that USAC is seeking
approval of the program demand estimate and associated collections for the fourth
quarter 2000.

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

RESOLVED, That the USAC Schools & Libraries Committee approves the
projection of demand for the Schools and Libraries Program for the 4th Quarter 2000, and
further recommends that USAC request that the FCC establish a contribution factor to
collect $562.5 million for the Schools and Libraries Program for the 4th Quarter 2000,
directs staff to develop the best estimate of funds remaining for Year 1, and authorizes
USAC staff to file this information in the August 2000 FCC filing.

a7. Approval of Draft Criteria and Process for Recommending that the FCC Initiate
Enforcement Action Against a Participant in the Universal Service Support Mechanisms.

Mr. Barash reported to the Committee on the draft criteria, which might serve as
the basis of recommending that the FCC should initiate enforcement action against a
service provider participant in the universal service support mechanisms.

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

RESOLVED, That the USAC Schools & Libraries Committee recommends that the Board of Directors accept its finding that the proposed criteria for recommending FCC enforcement action against a participant in the universal service support mechanisms comport with the sense of the Schools and Libraries Committee at the time, and that USAC staff should continue to refine the criteria and process set forth in this issue paper.

a8. Approval of Technology Plan Policies and Procedures. Ms. Moore presented the Committee with the background on this issue. Ms. Ayer discussed with the Committee the proposed changes to the policies and procedures document. She emphasized that the five criteria of the current policies and procedures were proposed to remain in place. She highlighted an adjustment clarifying the role of the technology plans of library consortia in the program, a change recommended by the American Library Association’s E-rate Task Force. She also described the effort to provide additional insights to help planners address three of the five criteria.

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

RESOLVED, That the USAC Schools & Libraries Committee approves changes to “Technology Policies and Procedures,” as distributed.

a9. Determination of Ineligibility of a Service Provider to Participate in the E-rate Program for a Specific Timeframe. With the consent of the Committee, the Chair deferred this item until the end of the Agenda. See Executive Session.

a10. Miscellaneous. None.

After a short recess, on a motion duly made and seconded, the Committee reconvened at the call of the Chair at 10:55 a.m.

INFORMATION ITEMS:

i1. School and Libraries Program Update. Ms. Moore reported to the Committee that the total amount of committed funds for Year 3 is $1.04 billion. SLD management reviews have been conducted prior to each of the thirteen Year 3 funding waves that have been issued to date. Larger waves are expected in the future. A second round of commitments for meritorious appeals from Year 2 has been issued. Service providers and state E-rate coordinators have been provided with lists of non-filers to facilitate the Form 486 filing process. The FCC has acted to extend the Year 2 implementation period for non-recurring service to September 30, 2000. Ms. Moore also reported that review of Year 3 appeals has begun. Staff is working on Year 2 outside-the-window applications.

i2. Update on Appeals Process and Status of Appeals. Ms. Wolfhagen highlighted for the Committee the parallel between the total number of applications appeals which is 5 percent
for Year 1; the total dollar value of funding commitments at issue in the timely appeals for Year 1 represent 6 percent and timely appeals represent 7 percent of the applications filed within the window for Year 2.

i3. **Comparison of the 1999 USAC Budget to Actual.** Ms. Parrino reported to the Committee that 1999 Schools and Libraries Division expenditures came in at .03 percent under the amended 1999 budget and 10.4 percent over the initial 1999 budget.

i4. **Report on Schools & Libraries Division Outreach Activities.** Ms. Moore reported that the Outreach Team is developing plans for Year 4 and that enhancements for serving customers will be implemented in the fall.

i5. **Report on Legislative and Media Activity.** Mr. Blackwell reported that between May 1 and June 30, 2000, USAC responded to over 330 inquires from Congress and the FCC concerning the universal service support mechanisms. The legislation introduced during the 106th Congress that could affect the universal service support mechanisms are the Internet filtering bill and the federal excise tax.

i6. **Status of the Audit of Beneficiaries.** Ms. Moore stated that SLD continues to receive excellent support from the audited entities, and that the audits are going well.

i7. **Status of GAO Audit.** Mr. McDonald informed the Committee that auditors from the General Accounting Office (GAO) have closely reviewed a number of application files, focusing on the eligibility of products and services. As GAO staff has completed their reviews, they have sent SLD a log of questions and issues of concern. Seven such logs have been generated. Mr. McDonald reported that the review process has been a positive experience that he believes will lead to improvements in the program. It is Mr. McDonald’s understanding that GAO will not characterize an SLD action as mistaken without first notifying staff. It is also his understanding that GAO will likely observe that the program is complicated due to the complexity of the review process. Mr. Gumper observed that in an effort to make the application simple for the applicant, we have made it difficult for the reviewer. Mr. McDonald stated that this process has been a cooperative one between staff, GAO, and the FCC.

i8. **Update on Transition to the New USAC/NECA Program Services Agreement.** Ms. Moore highlighted for the Committee the new USAC/NECA SLD Program Services Agreement system enhancements, designed to improve client service and reduce costs. Ms. Moore stated that staff is busy working on these enhancements.

i9. **Report on Year 4 Proposed Changes.** Ms. Moore reported that SLD is working on the following proposed changes: (1) using customers’ ideas about improvements for Year 4; (2) building on the foundation of Year 3 changes; (3) making Form 471 on-line filing more user-friendly; (4) facilitating the discount determination process; and (5) expanding the use of technology to provide better customer service.

Mr. Gumper stated that service providers have concerns about whether Year 4 commitments will be made by May 2001 in advance of the start of the program year on July 1, and inquired about what we are learning from Year 3 that can be translated to Year 4. Ms. Moore reported that SLD plans to reach out to the larger applicants earlier in the
process and to enhance the tracking system to improve PIA productivity and to reassess our procedures for larger applicants who receive special reviews.

**i10. Report on USAC Program Enforcement Issues.** Mr. Barash updated the Committee on USAC’s enforcement efforts.

**i11. Schools and Libraries Program Timeline and Key Dates.** Ms. Moore informed the Committee that the Year 4 filing window is expected to open in mid-November 2000 and close in mid-January 2001.

**i12. Report from Schools & Libraries Committee’s Subcommittees.** For information only. No discussion held.

**i13. Miscellaneous.** None

On a motion duly made and seconded, the Committee unanimously agreed to go into *Executive Session* at 11:35 p.m. Eastern Time for purposes of discussing possible action to take against a service provider engaged in questionable business practices regarding the Universal Service Fund.

On a motion made and seconded, the Committee unanimously agreed to go into Open Session at 12:20 p.m. Eastern Time for purposes of reporting action taken during *Executive Session*.

**EXECUTIVE SESSION:**

**a1. Determination of Ineligibility of a Service Provider to Participate in the E-rate Program for a Specific Timeframe – Confidential & Proprietary.** After a discussion of the circumstances surrounding this matter, the Schools & Libraries Committee authorized USAC management to refer a specific service provider to the FCC for consideration of whether to take enforcement action and to recommend to the FCC that this service provider be deemed ineligible to participate in the Schools and Libraries program for a specified period of time.

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

RESOLVED, That the USAC Schools & Libraries Committee authorizes USAC management to refer a specific service provider to the FCC for consideration of whether enforcement action against a provider for actions in Year 3 of the Schools and Libraries Program is appropriate; and,

RESOLVED FURTHER, That the USAC Schools & Libraries Committee authorizes USAC management to recommend that the FCC consider deeming a specific service provider ineligible to participate in the Schools and Libraries program for a specified period of time.

There being no further business to attend to, Ms. Ouye adjourned the meeting at 12:30 p.m. Eastern Time.

D. Scott Barash
Assistant Secretary
Date
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

July 21, 2000

MINUTES

A meeting of the Schools & Libraries Committee of the Universal Service Administrative Company’s (USAC) Board of Directors was held on Friday, July 21, 2000, at the USAC office, 2120 L Street, N.W., Suite 600, Washington, DC. Ms. Ouye, Chair of the Committee, called the meeting to order at 2:03 p.m. Eastern Time. Ms. Howard, Executive Assistant to the CEO, called the roll for Mr. Barash, Assistant Secretary. Five of the seven members were present representing a quorum:

- Abramson, David – by telephone
- Bryant, Anne – by telephone
- Ouye, K.G. – by telephone
- Parrino, Cheryl – by telephone
- Talbott, Brian – by telephone

Two members were absent:
- arockie, Dr. Hank
- Rosenblum, Lisa

Officers of the Corporation present:
- Barash, Scott – Assistant Secretary
- Haga, Robert – Assistant Treasurer

Others present for the meeting:

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<th>NAME</th>
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<tr>
<td>Howard, Cathy</td>
<td>USAC</td>
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<td>McDonald, George</td>
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<td>Moore, Kate</td>
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OPEN SESSION:

ACTION ITEMS:

a1. Parameter Analysis: Wave 16, Year 3. Ms. Moore informed the Committee that USAC staff proposes to reduce the funding threshold to 83 percent for internal connections with a corresponding reduction in the Contingency Funding Reserve to $63 million for Wave 16, Year 3. Mr. McDonald reviewed the factors, which make these reductions possible.

On a motion duly made and seconded, the Committee approved the following resolution:
RESOLVED, That the Schools and Libraries Committee authorizes SLD management to lower the Contingency Funding Reserve to $63 million and to commit, upon FCC approval, the sixteenth wave for Year 3 with the parameters set at 20 percent for Priority One Service and 83 percent for Internal Connections.

INFORMATION ITEMS:

i1. SPIN Changes. Ms. Moore informed the Committee that requests for changes in service providers will be processed, pending the final outcome of the Copan review that the FCC is currently undertaking. USAC will process the SPIN change requests that it currently has on hand, and approve any requests that satisfy the guidelines that were in effect prior to Copan. USAC will not deny any requests at this time, and will hold any requests that we are unable to approve under the previous guidelines and review them again once the FCC has issued further guidance.

i2. Personnel Changes. Ms. Parrino informed the Committee of announced personnel changes at the Commission and that Ms. Irene Flannery will be joining USAC as the Vice President of the High Cost and Low Income Division as of September 5, 2000.

There being no further business to attend to, Ms. Ouye adjourned the meeting at 2:17 p.m. Eastern Time.

D. Scott Barash
Assistant Secretary

__________________________________________
Date
MINUTES

A meeting of the Schools & Libraries Committee of the Universal Service Administrative Company’s (USAC) Board of Directors was held on Monday, August 14, 2000, at the USAC office, 2120 L Street, N.W., Suite 600, Washington, DC. Ms. K.G. Ouye, Chair of the Committee called the meeting to order at 12:05 p.m. Eastern Time. Ms. Ann Simmons, Administrative Assistant for USAC called the roll for Mr. Scott Barash, Assistant Secretary. Four of the seven members were present, representing a quorum:

   Bryant, Anne – by telephone
   Ouye, K.G. – by telephone

Parrinno, Cheryl – by telephone
Talbott, Brian – by telephone
Three members were absent:
Abramson, David        Rosenblum, Lisa
Marockie, Hank, Vice Chair

Officers of the Corporation present:
Barash, Scott – Assistant Secretary
Haga, Robert – Assistant Treasurer

Others present for the meeting:

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<td>Moore, Kate</td>
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<td>Simmons, Ann</td>
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<td>Wolfhagen, Ellen</td>
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ACTION ITEMS

a1. Parameter Analysis: Wave 18/19 Year 3. Ms. Moore reported to the Committee that staff is seeking approval for the eighteenth and nineteenth waves for Year 3 parameter analysis to be set at 20 percent for priority one services and 83 percent for internal connections and to reduce the contingency funding reserve for these waves to $63 million. Ms. Moore noted to the Committee that Wave 18 was not issued last week. There were two technical corrections from the Wave 17 analysis: (1) inclusion of the demand associated with internal connections at 83 percent and 84 percent, and (2) application of a rate of reduction for a portion of
uncommitted funds. Ms. Bryant asked whether additional steps were being instituted to avoid having to make corrections like this in the future. Ms. Moore noted that new procedures are being put in place to avoid these errors.

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

RESOLVED, That the Schools & Libraries Committee authorizes Schools and Libraries Division management to commit, upon FCC approval, Waves 18 and 19 with the parameters set at 20 percent for priority one services and 83 percent for internal connections and authorizes the reduction of the contingency funding reserve for these Waves 18 and 19 to $63 million.

There being no further business to attend to, Ms. Ouye adjourned the meeting at 12:15 p.m. Eastern Time.

____________________________________
D. Scott Barash
Assistant Secretary

__________________________________
Date
081400SLmin
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

September 15, 2000

MINUTES

A meeting of the Schools & Libraries Committee of the Universal Service Administrative Company’s (USAC) Board of Directors was held on Friday, September 15, 2000, at the USAC office, 2120 L Street, N.W., Suite 600, Washington, DC. Ms. K.G. Ouye, Chair of the Committee called the meeting to order at 12:43 p.m. Eastern Time. Ms. Ann Simmons, Administrative Assistant for USAC called the roll for Mr. Scott Barash, Assistant Secretary. Four of the seven members were present, representing a quorum:

David Abramson – by telephone
Ouye, K.G. – by telephone

Parrino, Cheryl – by telephone
Talbott, Brian – by telephone
One member joined the meeting in progress:

Marockie, Hank – by telephone

Two members were absent:
Bryant, Anne
Rosenblum, Lisa

Other Board members present:

Gumper, Frank – Chair of the USAC Board of Directors – by telephone

Officers of the Corporation present:
Barash, Scott – Assistant Secretary
Haga, Robert – Assistant Treasurer

Others present for the meeting:

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<td>Blackwell, Mel</td>
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<td>Simmons, Ann</td>
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<td>Wolfhagen, Ellen</td>
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INFORMATION ITEMS:

On a motion duly made and seconded, the Committee unanimously agreed to go into Executive Session at 12:45 p.m. Eastern Time for purposes of discussing the audit of program beneficiaries.

On a motion duly made and seconded, the Committee unanimously agreed to go into Open Session at 1:45 p.m. Eastern Time for purposes of reporting action taken during Executive Session and to attend to other business.

EXECUTIVE SESSION:

ii. Report Regarding Recent Developments in the Audit of Schools and Libraries Program Beneficiaries – Confidential & Proprietary. The Committee discussed issues of concern regarding the use of program funds by an audited applicant.

ACTION ITEMS:

a1. Recommendation on the Year 2000 Budget. Ms. Moore reported to the Committee that due to the findings from one of the beneficiary audits, USAC management has expanded the scope of the audit work to be performed by USAC’s independent auditor.

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

RESOLVED, That the USAC Schools & Libraries Committee authorizes USAC management to increase the budget for the beneficiaries’ audit from $500,000 to $1,300,000.

a2. Parameter Analysis: Wave 22, Year 3. Ms. Moore reported to the Committee that staff is seeking approval to move the threshold from 83 percent to 82 percent. Mr. McDonald reported to the Committee that due to completion of a number of selective reviews, a large voluntary reduction in a request by an applicant, and a modest increase in the projected reduction rate for the reserve, staff recommends reducing the funding parameter to 82 percent for internal connections.

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

RESOLVED, That the USAC Schools & Libraries Committee authorizes SLD Management to commit, upon FCC approval, the twenty-second wave for Year 3 with the parameters set at 20 percent for Priority One Services and 82 percent for internal connections.

There being no further business to attend to, Ms. Ouye adjournd the meeting at 1:50 p.m. Eastern Time.

D. Scott Barash
Assistant Secretary
Date
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

October 13, 2000

MINUTES

A meeting of the Schools & Libraries Committee of the Universal Service Administrative Company’s (“USAC”) Board of Directors was held on Friday, October 13, 2000, at the USAC office, 2120 L Street, N.W., Suite 600, Washington, DC. Ms. K.G. Ouye, Chair of the Committee, called the meeting to order at 12:35 p.m. Eastern Time. Mr. Scott Barash, Assistant Secretary, called the roll. Four of the seven members were present representing a quorum:

Bryant, Anne – by telephone
Marockie, Hank – by telephone
Ouye, K.G. – by telephone
Parrino, Cheryl – by telephone

Three members were absent:

Abramson, David
Talbott, Brian
Rosenblum, Lisa

Officers of the Corporation present:
Barash, Scott – Assistant Secretary
Haga, Robert – Assistant Treasurer

Others present for the meeting:

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<td>Faunce, Donna</td>
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<td>Moore, Kate</td>
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ACTION ITEMS:

a1. Approval of Year 4 Application Window. Ms. Moore discussed a recommendation that the Committee adopt a 74-day application filing window for Year 4 and proposed that the window open on November 6, 2000 and close on January 18, 2001. In response to a question from a Committee member concerning how the dates had been selected and why a 74-day window was proposed, Ms. Moore reviewed the factors that were used to develop the recommendation.

On a motion duly made and seconded, the Committee approved the following resolution:
RESOLVED, That the USAC Schools & Libraries Committee recommends that the Program Year Four Application Window be set for a period of 74 days, and that it open on November 6, 2000, and close on January 18, 2001.

a2. Approval of Revision to the 2000 Budget. Ms. Moore discussed the need to revise the budget to approve additional funds as a result of the decision to expand the scope of the beneficiary audit. Ms. Moore reviewed the 2000 budget and identified budget items that could be reduced to offset the additional funds required.

On a motion duly made and seconded, the Committee voted to go into Executive Session at 12:55 p.m. to discuss the audit of beneficiaries and its impact on the Schools and Libraries budget.

EXECUTIVE SESSION:

i1. Audit of Beneficiaries. Ms. Moore and Mr. Barash discussed the status of the ongoing audit of beneficiaries and its potential impact on the Schools and Libraries Program budget.

On a motion duly made and seconded, the Committee unanimously agreed to adjourn from Executive Session at 1:10 p.m. and reconvene in Open Session.

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

RESOLVED, That the USAC Schools & Libraries Committee approves an increase of $60,000 in the 2000 budget for the Schools and Libraries program; and

RESOLVED FURTHER, That the USAC Schools & Libraries Committee authorizes USAC management to use the total 2000 contingency budget of $1.1 million to address the full range of change orders needed to address activities outside the scope of the Program Services Agreement with NECA.

There being no further business to attend to, Ms. Ouye adjourned the meeting at 1:25 p.m. Eastern Time.

D. Scott Barash
Assistant Secretary

Date
101300SLmin
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

October 23, 2000

MINUTES

The quarterly meeting of the Schools & Libraries Committee of the Universal Service Administrative Company (USAC) was held at The Westin Grand, 2350 M Street, N.W., Washington, D.C. 20037. Ms. K.G. Ouye, Chair of the Schools & Libraries Committee, called the meeting to order at 9:05 a.m. Eastern Time. Ms. Ann Simmons, Administrative Assistant for USAC, called the roll for Mr. Scott Barash, Assistant Secretary. Five of the seven members were present, representing a quorum:

- Abramson, David
- Bryant, Anne
- Marockie, Hank – Vice Chair
- Ouye, K.G. - Chair
- Parrino, Cheryl

Two members were absent:

- Rosenblum, Lisa
- Talbott, Brian

Other Board members present:

- Hess, Kevin

One Board member joined meeting in progress:

- Gumper, Frank, Chair of the USAC Board of Directors

Officers of the Corporation present:

- Barash, Scott – Assistant Secretary
- Haga, Robert – Assistant Treasurer

Others present for the meeting:

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<td>Barrett, Andrew</td>
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<td>Dwyer, Shari</td>
<td>Thomas Communications</td>
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<td>Fitzgerald, Sara</td>
<td>Funds for Learning</td>
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OPEN SESSION:

ACTION ITEMS:

a1. Approval of the Minutes. On a motion duly made and seconded, the Committee approved the minutes as distributed of Monday, July 17, 2000; Friday, July 21, 2000; Monday, August 14, 2000; Friday, September 15, 2000; and Friday, October 13, 2000.

a2. Approval of Administrator’s Deadlines for Distributing Universal Service Support and Criteria for Exceptions to the Administrator’s Deadlines. Ms. Parrino reported to the Committee that staff is proposing deadlines for the processing of requests for payment submitted to the Universal Service Fund Administrator for particular funding years and the criteria for when to process invoices and accept corrections after the deadlines established by the Administrator.

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

RESOLVED, That the USAC Schools & Libraries Committee recommends that the USAC Board of Directors establish a deadline of March 31 of the calendar year following the year in which the costs were incurred for the disbursement of program funds and determine that it is appropriate for USAC to establish absolute and interim deadlines in consultation with the FCC; and

RESOLVED FURTHER, That the USAC Schools & Libraries Committee recommends that the USAC Board of Directors adopt the criteria proposed in this issue paper for setting aside administrative deadlines.

a3. Appointment of a Board Member to the Schools & Libraries Committee. Ms. Parrino reported to the Committee that Mr. Kevin Hess and Mr. Jimmy Jackson are interested in the vacant position on the Schools & Libraries Committee. Ms. Ouye communicated with both individuals and, although Mr. Jackson remained willing to serve, he deferred to Mr. Hess. Mr. Hess thanked the Board and Mr. Jackson for selecting him and for their support.

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

RESOLVED, That the USAC Schools & Libraries Committee recommends that
the USAC Board of Directors elect Mr. Kevin Hess of the USAC Board of Directors to represent service providers on the Schools & Libraries Committee.

a4. Approval of Revision to the 2000 budget. Ms. Moore stated that action on this item was taken at the Schools & Libraries Committee meeting on October 13, 2000. The Committee took no further action on this item.

a5. Approval of 1st Quarter 2001 Schools and Libraries Programmatic Budget and Information on Estimated 2001 Budget. Ms. Moore reported to the Committee that the 1st Quarter 2001 budget is currently before the Committee, but that the final 2001 annual budget is not yet complete and will be brought to the Committee in January once contractor costs that affect the budget are known. The primary contract with NECA is included in the 2001 annual budget and will not change in January. Ms. Parrino noted for the Committee that the revised budget sheet includes a breakout of the contingent expenditures in 2000.

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

RESOLVED, That the USAC Schools & Libraries Committee approves a 1st Quarter 2001 programmatic budget of $8.679 million.

a6. Approval of 1st Quarter 2001 Schools and Libraries Projections and Resolution on the November 2000 FCC Filing. Ms. Moore reviewed the Funding Year 3 cycle, the demand, and commitments for Funding Year 3.

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

RESOLVED, That the USAC Schools & Libraries Committee approves the projection of demand for the Schools and Libraries Program for the 1st Quarter 2001, and further recommends that USAC request that the FCC establish a contribution factor to collect $562.5 million for the Schools and Libraries Program for the 1st Quarter 2001, directs staff to develop the best estimate of funds remaining for Year 1, and authorizes USAC staff to file this information in the November 2000 FCC filing.

a7. Approval of Criteria and Process for Recommending that the FCC Initiate Enforcement Action Against a Participant in the Universal Service Support Mechanism. Mr. Barash gave an update to the Committee on USAC’s enforcement efforts, the steps that have been taken to ensure compliance with program rules, and the criteria for recommending that the FCC initiate enforcement action. The focus on enforcement efforts is for all of the programs. Mr. Barash stated that the FCC is aware of this process and the recommendations.

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

RESOLVED, That the USAC Schools & Libraries Committee recommends to the USAC Board of Directors that the USAC Board of Directors adopt the proposed criteria for recommending FCC enforcement action against a participant in the universal service support mechanisms.
a8. **Possible Assignment of the Rural Health Care and Schools and Libraries Program Service Agreement – Confidential & Proprietary.** On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED,** That the USAC Schools & Libraries Committee determines that discussion of the request to USAC by National Exchange Carrier Association, Inc. to assign the Rural Health Care and Schools and Libraries Program Agreement to NECA Service Inc., shall be conducted in *Executive Session*.

See *Executive Session*.

a9. **Miscellaneous.** None.

**INFORMATION ITEMS:**

a1. **Schools and Libraries Program Update.** Ms. Moore provided the Committee with an update on the Schools and Libraries Universal Service Support Mechanism. Ms. Moore reported that Funding Year 1 has progressed toward closure, approximately 65 percent Funding Year 2 “outside the window” applications have been entered into the system, and a few hundred Funding Year 3 applications remain in the data entry process. Ms. Moore also noted that Funding Year 3 appeals are being reviewed and appeal letters will begin to go out in November, and that Ms. Schatz will give the Committee an update on Funding Year 4 system enhancements. Ms. Moore highlighted a few enhancements for the Committee. She also brought to the Committee’s attention the recently released report from the Department of Education entitled “E-Rate and the Digital Divide.” Ms. Ouye stated that the American Library Association (ALA) would be undertaking an evaluation of the Schools and Libraries Program, and thanked Ms. Saundra Shirley from ALA for her efforts in that regard.

a2. **Update on Appeals Process and Status of Appeals.** Ms. Carroll gave the Committee an overview of the FCC appeals. From the inception of the program through October 1, 2000, 564 appeals have been filed at the FCC. Of these, 39 have been granted. The FCC has denied or dismissed 236, and the FCC has granted in part and denied in part eight appeals. There are 281 appeals pending at the FCC. The Committee discussed the staff time and dollar amounts spent on appeals. Ms. Carroll stated that the FCC has funding for five new positions to help with policy and program rules as well as handling appeals to the Commission.

a3. **Report on Schools and Libraries Division Outreach Activities.** Ms. Schatz gave the Committee a status report on outreach activities since July. Major initiatives included: (1) implementing plans for Funding Year 4; (2) planning and implementing a “Train-the-Trainers” workshop; and (3) maintaining an open line of communication with applicants.

Ms. Parrino stated that the conference was held at the Washington Marriott and she had a chance to attend and speak with some of the participants. The participants found the conference helpful and expressed appreciation that the FCC was represented at the conference. There are concerns that some states were not able to attend the conference because of scheduling and budget problems. The Committee asked if states could get
advanced notice about upcoming events so that they can better plan for them.

Committee members were glad to see that the needs of service providers were being addressed in a systematic manner.

Ms. Wolfhagen reported to the Committee on key outreach activities with service providers. Recent activities have included conference calls each week; responding to 1 to 3 requests per week about program rules from newcomers; finalizing the “Product and Service Substitution Procedures” for the website; and organizing the Service Provider Training Workshop. The Workshop had 163 attendees representing all three service categories (telecommunications, internal connections, and Internet access). Ms Wolfhagen also gave an update on new initiatives to improve customer service for service providers, including the invoice status report, invoice aging report, and electronic invoicing.

a4. Report on Legislative and Media Activity. Mr. Blackwell gave an update concerning contacts from Congress to USAC regarding the universal service support mechanisms, as well as a summary of media coverage. Mr. Blackwell also gave the Committee a report on legislative activity during the 106th Congress that may affect USAC.

a5. Status of GAO Audit – Confidential & Proprietary. On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC Schools & Libraries Committee of the USAC Board of Directors determines that discussion of the draft findings and proposed conclusion of the GAO audit of the Schools and Libraries Program be conducted in Executive Session.

See Executive Session.

a6. Update on Transition of New USAC/NECA Program Service Agreement. Ms. Moore updated the Committee on the implementation of the USAC/NECA program service agreement that became effective on July 1, 2000. Ms. Moore reported that work continues on the development and implementation of Schools and Libraries Program process improvements and system enhancements to improve SLD’s capability to provide timely, accurate, and consistent information to the applicants and service providers. Ms. Moore also reviewed the status of the change orders to date for work not included in the original agreement.

a7. Status of the Beneficiary Audit – Confidential & Proprietary. On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC Schools & Libraries Committee determines that discussion of the specific findings of the Schools and Libraries Program beneficiary audits be conducted in Executive Session.

See Executive Session.
a8. Analysis of Commitments vs. Disbursements. Ms. Moore reported that the Schools and Libraries Division (SLD) issued funding commitments totaling more than $1.7 billion for services to be provided to applicants in Funding Year 1 of the program. As of September 30, 2000, nearly $1.4 billion has been disbursed, leaving $338 million in committed funds unspent. For Funding Year 2 services, SLD has issued funding commitments in excess of $2 billion, of which more than $1 billion has been disbursed as of September 30. Funding Year 2 was, however, extended to September 30, 2000, for the delivery of non-recurring service. The final due date for invoices is November 30, 2000. Ms. Moore discussed with the Committee a comparison of commitments to disbursements for Funding Years 1 and 2. The Committee discussed the options to help close the gap between disbursements and commitments. The Committee also indicated that USAC should continue discussion of this matter with the FCC.

a9. Program Enhancements Demonstration. Ms. Schatz presented the Committee with a visual demonstration of Funding Year 4 program enhancements. Those improvements include: improved customer master database; integrated voice response system; knowledge management; contact tracking; desktop fax; and simplified tracking and review systems (STARS).

a10. Report from Schools & Libraries Committee’s Subcommittees. Subcommittees did not meet since the last quarterly Committee meeting.

a11. Schools and Libraries Program Timeline and Key Dates. For information only. No discussion held.

a12. Miscellaneous. None

At 11:25 a.m., on a motion duly made and seconded, the Committee voted to go into Executive Session for purposes of discussing the potential assignment of the USAC/NECA Program Services Agreement, the status of GAO audit, and the status of the Schools and Libraries Program audit of beneficiaries. Subsequently, at 11:25 a.m., on a motion duly made and seconded, the Committee voted to recess subject to the call of the Chair.

At the call of the Chair, the Committee reconvened in Executive Session at 11:35 a.m.

On a motion duly made and seconded, the Committee voted at 12:35 p.m. Eastern Time to return to Open Session for purposes of reporting matters discussed in Executive Session.

EXECUTIVE SESSION:

a1. Possible Assignment of the Rural Health Care and Schools and Libraries Program Services Agreement. The Committee discussed the pros and cons, including legal issues identified by USAC’s General Counsel, of the request by the National Exchange Carrier Association, Inc. (NECA) to reassign the Rural Health Care and Schools and Libraries Program Agreement to a newly-formed, for profit company, NECA Services, Inc.

On a motion duly made and seconded the Committee adopted the following resolution:
RESOLVED, That the USAC Schools & Libraries Committee does not authorize the USAC CEO to assign the Rural Health Care and Schools and Libraries Program Services Agreement to NECA Services, Inc.

i5. Status of GAO Audit. The Committee was given an update on the status of the GAO audit. The Committee took no action on this item.

i7. Status of Beneficiary Audit. The Committee was given an update on preliminary findings concerning a specific applicant that is the subject of the Schools and Libraries Program audit of beneficiaries. The Committee took no action on this item.

There being no further business to attend to, Ms. Ouye adjourned the meeting at 12:40 p.m. Eastern Time.

____________________________________
D. Scott Barash
Assistant Secretary

__________________________________
Date
A meeting of the Schools & Libraries Committee of the Universal Service Administrative Company (USAC) Board of Directors was held on Monday, October 30, 2000, at the USAC office, 2120 L Street, N.W., Suite 600, Washington, DC. Ms. K.G. Ouye, Chair of the Committee called the meeting to order at 12:09 p.m. Eastern Time. Ms. Ann Simmons, Administrative Assistant for USAC called the roll for Mr. Scott Barash, Assistant Secretary. Six of the seven members were present, representing a quorum:

- Bryant, Anne – by telephone
- Hess, Kevin – by telephone
- Marockie, Hank – by telephone
- Ouye, K.G. – by telephone
- Parrino, Cheryl – by telephone
- Talbott, Brian – by telephone

One member was absent:
- Abramson, David

Officers of the Corporation present:
- Barash, Scott – Assistant Secretary
- Haga, Robert – Assistant Treasurer

Others present for the meeting:

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<td>Wolfhagen, Ellen</td>
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**ACTION ITEMS**

**a1. Election of a Committee Member of the Schools & Libraries Programmatic Subcommittee.** Ms. Ouye informed the Committee that since Ms. Rosenblum has resigned from the Schools & Libraries Committee, she is also no longer on the Schools & Libraries Programmatic Subcommittee. The Committee needs to elect a new member. Ms. Ouye discussed with Mr. Hess his succeeding Ms. Rosenblum on the Subcommittee. Mr. Hess expressed interest in serving on the Subcommittee.
On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED,** That the Schools & Libraries Committee appoints Mr. Kevin Hess to the Schools & Libraries Programmatic Subcommittee.

### a2. Program Integrity Assurance (PIA) Procedures for Year 4.

Ms. Moore discussed management’s plan to adjust the PIA Selective Review procedures for Year 4. Mr. McDonald stated that the fundamental changes in Year 4 are intended to improve cost effectiveness by shifting the focus of selective reviews to issue-based applications.

Ms. Moore also pointed out that discussions were still occurring concerning a possible adjustment to the Year 4 PIA procedures affecting treatment of funding requests classified as Priority 1 (telecommunications services or Internet access) but which also contain requests for Priority 2 services (internal connections).

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

**RESOLVED,** That the Schools & Libraries Committee of the USAC Board of Directors approves the approach of USAC staff for adjusting the Selective Review procedures for Year 4.

### a3. Proposed Changes in Eligibility of Products and Services for Year 4.

Mr. McDonald reviewed with the Committee the proposals for changes in the eligibility of products and services for Year 4 that was provided to the FCC.

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

**RESOLVED,** That the Schools & Libraries Committee of the USAC Board of Directors approves the proposal of USAC staff for changes to the eligibility of products and services for Year 4.

There being no further business to attend to, Ms. Ouye adjourned the meeting at 12:45 p.m. Eastern Time.

____________________________________
D. Scott Barash
Assistant Secretary

________________________________________
Date
A meeting of the Schools & Libraries Committee of the Universal Service Administrative Company (USAC) Board of Directors was held on Monday, November 20, 2000, at the USAC office, 2120 L Street, N.W., Suite 600, Washington, DC. Dr. Hank Marockie, Vice Chair of the Committee called the meeting to order at 12:05 p.m. Eastern Time. Ms. Ann Simmons, Administrative Assistant for USAC called the roll for Mr. Scott Barash, Assistant Secretary. Four of the seven members were present, representing a quorum:

- Bryant, Anne – by telephone
- Hess, Kevin – by telephone
- Marockie, Hank – by telephone
- Parrino, Cheryl – by telephone

Three members were absent:
- Abramson, David
- Talbott, Brian
- Ouye, K.G. – Chair

Others present for the meeting:

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<tr>
<th>NAME</th>
<th>COMPANY</th>
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<tr>
<td>Carroll, Kristy</td>
<td>USAC</td>
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<td>Moore, Kate</td>
<td>USAC</td>
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<td>McDonald, George</td>
<td>USAC</td>
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<tr>
<td>Simmons, Ann</td>
<td>USAC</td>
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**ACTION ITEM:**

a1. **Final Internal Connections Denial Threshold for Year 3.** Ms. Moore reviewed the analysis demonstrating that funds would be insufficient to reach the 81 percent threshold for internal connections. Mr. McDonald reported that in April 2000 the Committee reviewed an analysis of demand and available funding and approved denial of internal connections requests with discount percentages of less than 81 percent. At that time, the Committee approved a funding threshold of 90 percent. Since that time, the Committee has, at various points, approved lowering the funding threshold, which now stands at 82 percent. No further action has been taken on the denial threshold. There is more than $100 million in internal connections request at 81 percent for which applicants still do not know the funding status. With an appropriate contingency reserve for successful appeals, the analysis indicates that
available funds will be fully depleted by the remaining uncommitted Priority 1 requests and internal connections request of 82 percent and higher. This information has been shared with FCC staff. Staff seeks Committee approval of the analysis and denial threshold.

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

**RESOLVED,** That the Schools & Libraries Committee authorizes USAC staff to deny all FRNs for internal connections at a discount percentage of less than 82 percent for lack of funding.

There being no further business to attend to, Dr. Marockie adjourned the meeting at 12:21 p.m. Eastern Time.

____________________________________
D. Scoth Barash
Assistant Secretary

____________________________________
Date
A meeting of the Schools & Libraries Committee of the Universal Service Administrative Company (USAC) Board of Directors was held on Wednesday, December 20, 2000, at the USAC office, 2120 L Street, N.W., Suite 600, Washington, DC.  K.G. Ouye, Chair of the Committee called the meeting to order at 12:12 p.m. Eastern Time.  Ms. Ann Simmons, Administrative Assistant for USAC called the roll for Mr. Scott Barash, Assistant Secretary.  Five of the seven members were present, representing a quorum:

Hess, Kevin - by telephone  
Marockie, Hank – by telephone  
Ouye, K.G. – by telephone  

Parrino, Cheryl – by telephone  
Brian Talbott – by telephone  
Two members were absent:  
Abramson, David  
Bryant, Anne  

Officers of the Corporation present:  
   Barash, Scott – Assistant Secretary  
   Haga, Robert – Assistant Teasurer  

Others present for the meeting:  

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<td>Moore, Kate</td>
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<td>Simmons, Ann</td>
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<td>Walsh, Dan</td>
<td>USAC</td>
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<td>Wolfhagen, Ellen</td>
<td>USAC</td>
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Ms. Ouye announced to the Committee that Dr. Hank Marockie’s term as the Vice Chair of the Schools & Libraries Committee will end as of December 31, 2000.  She expressed her appreciation for all of his work on the Committee.

The Committee immediately voted to go into Executive Session for purpose of discussing the response to the Request for Proposals for the Evaluation and Improvement of the Schools and Libraries Universal Service Support Mechanism Invoice Payment Authorization Process.  Mr.
Barash explained that this item deals with procurement matters and recommended it be dealt with in Executive Session to protect the confidential and proprietary nature of the issue and to ensure that the ability of USAC to negotiate with potential vendors is not compromised.

On a motion duly made and seconded, the Committee unanimously agreed to go into Open Session for the purposes of reporting action taken during Executive Session.

EXECUTIVE SESSION:

ACTION ITEM:

a1. Approval of Proposed Course of Action Regarding the Proposals Received in Response to the Request for Proposals for the Evaluation and Improvement of the Schools and Libraries Universal Service Support Mechanism Invoice Payment Authorization Process. Ms. Moore discussed with the Committee the evaluation and improvement recommendations for the Schools and Libraries Universal Service Support Mechanism Invoice Payment Authorization Process.

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

RESOLVED, That the Schools & Libraries Committee approves the course of action proposed by USAC management regarding the proposals received in response to the Request for Proposals for the Evaluation and Improvement of the Schools and Libraries Universal Service Support Mechanism Invoice Payment Authorization Process.

OPEN SESSION:

a1. Parameter Analysis: Post-Wave 29, Year 3. Ms. Moore reported to the Committee that USAC staff is in the process of completing Year 3 commitments. Staff estimates a need for $102 million for contingency funding for meritorious appeals and $29 million for additional commitments for original applications, for a total of $131 million. Ms. Moore described two factors affecting the use of the reserve: (1) Implementation of the FCC’s August 11, 2000, Order on MasterMind-affected applicants, and (2) potential processing of applications and FRNs rejected by NCS for failure to complete Item 22 of Block 5, with appeals pending at the FCC. With the $2.086 billion committed to date for Year 3 and these projections for original commitments and commitments on appeal, staff estimate that all Year 3 funds will be committed. If on further analysis funding is not projected to be sufficient, staff will come back to the Committee for further guidance.

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

RESOLVED, That the Schools & Libraries Committee authorizes USAC staff to make commitments up to $131 million for remaining uncommitted requests, including Mastermind reapplications, meritorious appeals (whether decided by SLD or remanded by the FCC), and such other commitments as FCC may direct USAC staff to make on appeal; and
RESOLVED FURTHER, That if staff determines that $131 million is insufficient for the total demand, the Schools & Libraries Committee directs USAC staff to return to the Committee and the FCC for further guidance.

a2. Service Substitution Policy. Ms. Moore stated that staff is seeking Committee advice on the merits of a Service Substitution Policy. She explained current product substitution policy to the Committee. The concept being discussed would focus the approval process to consider substitution of one basket of services for another basket rather than an item-by-item review. In this proposal, the substitution would be accepted as long as (1) all the services being substituted into the application are of the same service type (i.e., telecommunications, Internet access, or internal connections) and same functionality (i.e., voice, data, or video) as the original “basket” of services, and (2) the entire “basket” meets the tests of the current substitution criteria. USAC staff has discussed this concept with the Common Carrier Bureau.

After further discussion of the merits of the service substitution policy, the Committee decided not to take action on this item and asked staff to further research the issue.

There being no further business to attend to, Ms. Ouye invited Dr. Marockie to adjourn the meeting for the last time as Vice Chair. Dr. Marockie adjourned the meeting at 1:05 p.m. Eastern Time.

________________________________________________________________________
D. Scott Barash
Assistant Secretary

________________________________________________________________________
Date
122000SLmin