2011 Schools & Libraries Committee Meetings Minutes

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SCHOOLS & LIBRARIES COMMITTEE MEETING

January 24, 2011

MINUTES

The quarterly meeting of the Schools & Libraries Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC’s offices in Washington, D.C. on Monday, January 23, 2011. Ms. Anne Campbell, Committee Chair, called the meeting to order at 9:00 a.m. Eastern Time, with six of the seven Committee members present:

Abshire, Dr. Sheryl
Barash, Scott – Acting CEO
Bryant, Dr. Anne – Vice Chair

Campbell, Anne – Chair
McClure, Dave – by telephone
Talbott, Dr. Brian

Members of the Committee not present:

Ridley, Carolyn

Other members of the Board of Directors (Board) and officers of the corporation present:

Belden, Richard – Chief Operating Officer
Blackwell, Mel – Vice President, Schools & Libraries Division
Boyle, Anne – Member of the Board
Capozzi, David – Acting General Counsel and Assistant Secretary
Case, David – Vice President of Finance, Chief Financial Officer and Assistant Treasurer
Feiss, Geoff – Member of the Board
Gillan, Joseph – Member of the Board
Jacobs, Ellis – Member of the Board
Sanders, Dr. Jay – Member of the Board
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

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**ACTION ITEMS:**

**a1. Approval of Schools & Libraries Committee Meeting Minutes of October 25, 2010 and December 17, 2010.** On a motion duly made and seconded, the Committee approved the minutes, as written, of the Schools & Libraries Committee meetings of October 25, 2010 and December 17, 2010.

**a2. Recommendation for Annual Election of Committee Chair and Vice Chair.** Dr. Talbott nominated Ms. Campbell to serve as Committee Chair and Dr. Bryant to serve as Committee Vice Chair.

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

**RESOLVED,** that the USAC Schools & Libraries Committee recommends that the USAC Board of Directors elect **Anne Campbell** as Chair and **Dr. Anne Bryant** as Vice Chair of the Committee for a term that begins immediately upon the adoption of this resolution by the Board and ends when a successor to the Chair and/or Vice Chair has been elected, when the Chair or Vice Chair resigns from the Committee or the Board, is removed by resolution of the Board, or the Chair and/or Vice Chair’s Board term expires.

**a3. Approval of 2nd Quarter 2011 and 2011 Annual Schools and Libraries Support Mechanism Programmatic Budgets.** Mr. Belden presented this item to the Committee, noting that the proposed revised budget is approximately $1 million less than the budget.
presented in October with the primary reductions attributable to a reduction in fees paid to contractors and cancellation of USAC’s 2011 employee compensation merit increases.

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

**RESOLVED**, that the USAC Schools and Libraries Committee approves a 2nd Quarter 2011 Schools and Libraries Support Mechanism budget of $14.0 million; and

**RESOLVED FURTHER**, that the USAC Schools and Libraries Committee directs USAC staff to submit a collection requirement of $14.0 million for Schools and Libraries Support Mechanism administrative expenses in the required January 31, 2011 filing to the FCC on behalf of the Committee; and

**RESOLVED FURTHER**, that the USAC Schools and Libraries Committee approves an annual 2011 Schools and Libraries Support Mechanism budget of $59.3 million.

**a4. Approval of 2nd Quarter 2011 Schools and Libraries Support Mechanism Demand Projection for the January 31, 2011 FCC Filing.** Mr. Blackwell presented this item to the Committee.

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

**RESOLVED**, that the USAC Schools & Libraries Committee, having reviewed at its meeting on January 24, 2011, a summary of the 2nd Quarter 2011 support mechanism demand estimates, including administrative costs, hereby directs USAC management to proceed with the required January 31, 2011 filing to the FCC on behalf of the Committee. Management may make adjustments if the variance is equal to or less than $10.0 million or may seek approval from the Schools & Libraries Committee Chair to make adjustments if the variance is greater than $10.0 million but no more than $15.0 million.

**a5. Action on Two USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Audit Reports.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that this matter be discussed in *Executive Session* because the reports relate to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures.

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 USAC Internal Audit Division Schools & Libraries
Support Mechanism Beneficiary Audit Reports labeled SL2010LR002 and SL2010LR003 shall be conducted in Executive Session.

a6. Action on One USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Limited Review Report. Mr. Chris Lenhardt presented this item to the Committee, noting that the audit report contained no findings.

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

RESOLVED, that the USAC Schools & Libraries Committee, having reviewed the USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Limited Review Report labeled SL2010LR004 together with management’s responses thereto, accepts the recommendation of USAC management and hereby deems such report final.

a7. Action on Three USAC Internal Audit Division Schools and Libraries Support Mechanism Round 2 Beneficiary Follow-Up Performance Audit Reports. Mr. Lenhardt presented this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee, having reviewed the USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Audit Reports labeled SL2007BE115, SL2007BE160 and SL2007BE242 together with management’s responses thereto, accepts the recommendation of USAC management and hereby deems such reports final.

a8. Consideration of Approval to Deny Requests for Priority 2 Services at a Discount Rate of 80% and Below for Funding Year 2010. Mr. Blackwell presented this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee authorizes staff to deny, upon FCC approval, waves for Funding Year 2010 with the parameters set at 80 percent and below for Priority 2 services.

a9. Consideration of Rural Health Care and Schools and Libraries Program Support Services Contract. In accordance with the approved criteria and procedures for conducting USAC Board and committee business in Executive Session, Mr. Capozzi recommended that discussion of this item be conducted in Executive Session because this matter relates to USAC’s procurement strategy and contract administration.
On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Schools & Libraries Committee determines that consideration of the contract extension for the Rural Health Care and Schools and Libraries Program Support Services Agreement shall be conducted in **Executive Session**.

### a10. Miscellaneous.

#### a10-1. Solicit Ideas for the April 2011 Committee Agenda.
Ms. Campbell reminded members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Ms. Campbell, Dr. Bryant, Mr. Barash or Mr. Blackwell between quarterly meetings.

#### a10-2. Board Materials.
Mr. Barash requested the Committee provide feedback regarding the materials provided to the Board and committees.

### INFORMATION ITEMS:

#### i1. Schools and Libraries Support Mechanism Update.
Mr. Blackwell presented this item to the Committee, noting that:

- The Funding Year 2011 application filing window will open at 12:00 p.m. Eastern Time on Tuesday, January 11, 2011 and close at 11:59 p.m. Eastern Time on Thursday, March 24, 2011.

- On November 8, 2010, the FCC released an Erratum to the Sixth Report and Order (FCC 10-175, released on September 28, 2010), which amended the order and the Eligible Services List (ESL) for Funding Year 2011, which was released as part of the order.

- USAC released Funding Year 2010 Wave 32 Funding Commitment Decision Letters (FCDLs) on December 28, 2010. As of December 31, 2010, funding commitments total approximately $2.07 billion.

- USAC released Funding Year 2009 Wave 77 FCDLs on December 29, 2010. As of December 31, 2010, funding commitments total approximately $2.81 billion.

- USAC released Funding Year 2008 Wave 80R FCDLs on December 15, 2010. As of December 31, 2010, funding commitments total approximately $2.51 billion.

- On November 8, 2010, the FCC released Public Notice DA 10-2128, which announced the application deadline for the E-rate Deployed Ubiquitously (EDU) 2011 Pilot Program.

- On November 19, 2010, the FCC released Public Notice DA 10-2218, which announced the implementation date for revised FCC Forms 470 and 471 and accompanying instructions.
• Round 2 of the FCC OIG USF audit program for Schools and Libraries Program beneficiaries has concluded. The audits focused on disbursements made between July 1, 2006 and June 30, 2007. All audit reports have been reviewed and approved by the Committee. USAC staff has conducted outreach and education to nearly 260 beneficiaries where required. The final summary report should be completed during 1st Quarter 2011.

• Round 3 of the FCC OIG USF audit program for Schools and Libraries Program beneficiaries has concluded. The compliance attestation audits focused on disbursements made between July 1, 2007 and June 30, 2008. All audit reports have been reviewed and approved by the Committee. USAC staff has conducted follow-up activities with nearly all 345 beneficiaries.

• USAC deployed the revised Funding Year 2011 FCC Forms 470 and 471 on schedule. USAC staff also continues work on the Siebel stabilization project.

• USAC staff conducted eight successful one-day regional training sessions for both applicants and service providers. The trainings were held in Washington, DC; Newark, NJ; Minneapolis, MN; Los Angeles, CA; Kansas City, MO; Jacksonville, FL; Portland, OR; and Dallas/Fort Worth, TX. USAC staff also conducted two half-day service provider training sessions in Atlanta, GA and Albuquerque, NM.

• USAC continued other aggressive outreach activities as well. The Helping Applicants to Succeed (HATS) program completed its second year of being managed in-house by USAC. In 2010, USAC conducted 272 HATS visits; with 192 in person visits, two visits via video conference and 78 via telephone. In addition over 1,000 proactive applicant outreach contacts were made on various matters. USAC staff has developed an outreach plan for 2011.

• The average time to process an invoice line was 27 days in November 2010. The invoicing team processed 92.8 percent of incoming invoice lines within 30 days.

• USAC staff exceeded appeals processing goals this quarter with 90 percent of appeals completed in the quarter being processed within 90 days of receipt.

i2. Information on One Schools and Libraries Support Mechanism Beneficiary Audit Report Conducted by the FCC Office of Inspector General. Mr. Scott presented this item to the Committee.

i3. Schools and Libraries Program Risk Assessment. Mr. Blackwell presented this item to the Committee. Mr. Barash, responding to a question from Ms. Campbell, noted that funds for the Schools and Libraries Program risk assessment review, which the FCC has directed USAC to undertake, are not presently budgeted. Mr. Barash also stated that once projected costs are known, the program operations budget will be revised and presented to the Committee, and FCC staff will be notified.
At 10:49 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential and proprietary items noted above. The Committee then recessed until 11:00 a.m. Eastern Time, at which time it reconvened in *Executive Session*.

**EXECUTIVE SESSION:**

**a5. Action on Two USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Audit Reports.** Mr. Lenhardt presented this item to the Committee.

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

**RESOLVED,** that the USAC Schools & Libraries Committee, having reviewed the USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Audit Reports labeled SL2010LR002 and SL2010LR003 together with management’s responses thereto, accepts the recommendation of USAC management and hereby deems such reports final.

**a9. Consideration of Rural Health Care and Schools and Libraries Program Support Services Contract.** Mr. Barash presented this item to the Committee.

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

**RESOLVED,** that the USAC Schools & Libraries Committee accepts management’s recommendation and hereby approves an extension to the contract between USAC and Solix, Inc. under the terms set forth by management in the issue paper for Rural Health Care and Schools and Libraries Program support services for the period July 1, 2011 through June 30, 2012 along with a one-year option to be utilized, if necessary, to support the transition of operational support services to a new vendor; and

**RESOLVED FURTHER,** that management is hereby authorized to finalize the terms and conditions of the proposed agreement, and upon receiving FCC approval, execute the proposed contract extension with Solix, Inc. and proceed with its implementation.

At 11:19 a.m. Eastern Time, the Committee adjourned from *Executive Session* and immediately reconvened in *Open Session*, at which time, Ms. Campbell reported that in *Executive Session*, the Committee voted on items a5 and a9 above. On a motion duly made and seconded, the Committee adjourned at 11:21 a.m. Eastern Time.

/s/ David A. Capozzi
Assistant Secretary
MINUTES

The quarterly meeting of the Schools & Libraries Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC’s offices in Washington, D.C. on Tuesday, April 26, 2011. Ms. Anne Campbell, Committee Chair, called the meeting to order at 9:00 a.m. Eastern Time, with all seven Committee members present:

Abshire, Dr. Sheryll
Barash, Scott – Acting CEO
Bryant, Dr. Anne – Vice Chair
Campbell, Anne – Chair

McClure, Dave – by telephone
Ridley, Carolyn
Talbott, Dr. Brian

Other members of the Board of Directors (Board) and officers of the corporation present:

Belden, Richard – Chief Operating Officer
Blackwell, Mel – Vice President, Schools & Libraries Division
Capozzi, David – Acting General Counsel and Assistant Secretary
Case, David – Vice President of Finance, Chief Financial Officer and Assistant Treasurer
Feiss, Geoff – Member of the Board
Jimenez, Jose – Member of the Board
Mitchell, Randy – Member of the Board
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

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**ACTION ITEMS:**

**a2. Approval of Schools & Libraries Committee Meeting Minutes of January 24, 2011.**

On a motion duly made and seconded, the Committee approved the minutes, as written, of the Schools & Libraries Committee meeting of January 24, 2011.

**a2. Approval of 3rd Quarter 2011 and Revised 2011 Annual Schools and Libraries Support Mechanism Programmatic Budgets.** Mr. Belden presented this item to the Committee.

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

**RESOLVED**, that the USAC Schools and Libraries Committee approves a 3rd Quarter 2011 Schools and Libraries Support Mechanism budget of $13.9 million; and

**RESOLVED FURTHER**, that the USAC Schools and Libraries Committee directs USAC staff to submit a collection requirement of $13.9 million for Schools and Libraries Support Mechanism administrative expenses in the required May 2, 2011 filing to the FCC on behalf of the Committee; and

**RESOLVED FURTHER**, that the USAC Schools and Libraries Committee approves a revised annual 2011 Schools and Libraries Support Mechanism budget of $56.2 million.
a3. Approval of 3rd Quarter 2011 Schools and Libraries Support Mechanism Demand Projection for the May 2, 2011 FCC Filing. Mr. Blackwell presented this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee, having reviewed at its meeting on April 26, 2011, a summary of the 3rd Quarter 2011 support mechanism demand estimates, including administrative costs, hereby directs USAC management to proceed with the required May 2, 2011 filing to the FCC on behalf of the Committee. Management may make adjustments if the variance is equal to or less than $10.0 million or may seek approval from the Schools & Libraries Committee Chair to make adjustments if the variance is greater than $10.0 million but no more than $15.0 million.

a4. Consideration of Approval to Make Commitments for Priority 1 Services at a Discount Rate of 20 Percent and Above for Funding Year 2011. Mr. Blackwell presented this item to the Committee. Dr. Abshire commented that the amount of demand for program support demonstrates that the available program funds are not sufficient to meet beneficiary requests. Dr. Talbott expressed concern that as online learning demands increase, Priority 1 requests will also increase, which will reduce the amount of funds available for Priority 2 services.

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

RESOLVED, that the USAC Schools & Libraries Committee authorizes staff to commit, upon FCC approval, waves for Funding Year 2011 with the parameters set at 20 percent and above for Priority 1 services.

a5. Miscellaneous. Solicit Ideas for the July 2011 Committee Agenda. Ms. Campbell reminded members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Ms. Campbell, Dr. Bryant, Mr. Barash or Mr. Blackwell between quarterly meetings.

INFORMATION ITEMS:

i1. Schools and Libraries Support Mechanism Update. Mr. Blackwell presented this item to the Committee, noting that:

- The Funding Year 2011 application filing window successfully closed at 11:59 p.m. Eastern Time on Thursday, March 24, 2011. At the close of the filing window, USAC had received 43,794 Funding Year 2011 FCC Form 471s requesting approximately $4.27 billion in support. These numbers are preliminary; USAC will submit the final demand estimate to the FCC as soon as possible.
• USAC management submitted the Funding Year 2011 Program Integrity Assurance (PIA) FCC Form 471 Review Procedures to the FCC for approval on January 18, 2011, approximately 63 days prior to the close of the Funding Year 2011 filing window.

• USAC released Funding Year 2010 Wave 44 Funding Commitment Decision Letters (FCDLs) on March 29, 2011. As of March 31, 2011, funding commitments total approximately $2.41 billion.

• USAC released Funding Year 2009 Wave 82 FCDLs on March 16, 2011. As of March 31, 2011, funding commitments total approximately $2.81 billion.

• On January 6, 2011, the FCC released a 2010 E-Rate Program and Broadband Usage Survey Report (DA 10-2414). The goal of the survey was to collect data on the state of broadband connectivity for E-rate funded schools and libraries and inquire into challenges related to broadband use that recipients are presently encountering or may encounter in the future.

• On March 9, 2011, the FCC released Public Notice (DA 11-439), which announced selected applications for the E-rate Deployed Ubiquitously (EDU) 2011 Pilot Program. The pilot program is designed to test the merits and challenges of supporting off-premise wireless connectivity for mobile learning and research, and to help the FCC determine whether and how such services should be eligible for E-rate support on an ongoing basis.

• Round 2 of the FCC Office of Inspector General (OIG) USF audit program for Schools and Libraries Program beneficiaries has concluded. All audit reports have been reviewed and approved by the Committee. The final report on Round 2 has been submitted to the FCC and is being reviewed before official release.

• Round 3 of the FCC OIG USF audit program for Schools and Libraries Program beneficiaries has concluded. All audit reports have been reviewed and approved by the Committee. USAC staff is in process of conducting Round 3 audit recoveries.

• On February 17, 2011, registration opened for the service provider trainings, which will be held on May 3, 2011 in Los Angeles, CA and on May 12, 2011 in Atlanta, GA. USAC received a record number of early registrations.

• The Helping Applicants to Succeed (HATS) team has conducted 220 HATS-type visits of which 63 were in person, 39 by telephone and via videoconference and 118 in four different targeted projects.

• The average time to process an invoice line was six days in February 2011. The invoicing team processed 98.8 percent of incoming invoice lines within 30 days.
• USAC staff exceeded appeals processing goals this quarter with 91 percent of appeals completed in the quarter being processed within 90 days of receipt.

Dr. Talbott commented that the field is expecting a tutorial on the gifting rules set forth in the Sixth Report and Order (FCC 10-175). Ms. Campbell requested the Committee discuss issues relating to gifting rules in Executive Session. Mr. Capozzi recommended that, in accordance with the approved criteria and procedures for conducting USAC Board and committee business in Executive Session, discussion of gifting rules set forth in the Sixth Report and Order should be conducted in Executive Session because such relates to pre-decisional matters pending before the Federal Communications Commission.

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

RESOLVED, that the USAC Schools & Libraries Committee determines that discussion of issues relating to gifting rules set forth in the Sixth Report and Order shall be conducted in Executive Session.

Dr. Sheryl Abshire requested that the Committee discuss the status of Program Integrity Assurance (PIA) procedures in Executive Session. Mr. Capozzi recommended that, in accordance with the approved criteria and procedures for conducting USAC Board and committee business in Executive Session, discussion of PIA procedures should be conducted in Executive Session because such discussion relates to USAC’s internal rules and procedures.

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 PIA procedures shall be conducted in Executive Session.

i2. Information on Rural Health Care and Schools and Libraries Program Support Services Contract. In accordance with the approved criteria and procedures for conducting USAC Board and committee business in Executive Session, Mr. Capozzi recommended that discussion of this item be conducted in Executive Session because this matter relates to USAC’s procurement strategy and contract administration.

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

RESOLVED, that the USAC Schools & Libraries Committee determines that discussion of the Rural Health Care and Schools and Libraries Program support services contract shall be conducted in Executive Session.

At 9:51 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into Executive Session for the purpose of discussing the confidential and proprietary items noted
above. The Committee then recessed until 10:05 a.m. Eastern Time, at which time it reconvened in Executive Session.

EXECUTIVE SESSION:

i2. Information on Rural Health Care and Schools and Libraries Program Support Services Contract. Mr. Barash presented this item to the Committee.

i3. Miscellaneous.
   i3-1. Gifts. The Committee discussed this item.
   i3-2. PIA Applications. The Committee discussed this item.

At 10:34 a.m. Eastern Time, the Committee adjourned from Executive Session and immediately reconvened in Open Session, at which time, Ms. Campbell reported that in Executive Session, the Committee discussed items i2 and i3 above. On a motion duly made and seconded, the Committee adjourned at 10:35 a.m. Eastern Time.

/s/ David A. Capozzi
Assistant Secretary
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

SCHOOLS & LIBRARIES COMMITTEE MEETING

July 25, 2011

MINUTES

The quarterly meeting of the Schools & Libraries Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC’s offices in Washington, D.C. on Monday, July, 25 2011. Ms. Anne Campbell, Committee Chair, called the meeting to order at 9:00 a.m. Eastern Time, with all seven Committee members present:

Abshire, Dr. Sheryl
Barash, Scott – Acting Chief Executive Officer
Bryant, Dr. Anne – Vice Chair
Campbell, Anne – Chair

McClure, Dave – by telephone
Ridley, Carolyn
Talbott, Dr. Brian

Other members of the Board of Directors (Board) and officers of the corporation present:

Belden, Richard – Chief Operating Officer
Blackwell, Mel – Vice President, Schools & Libraries Division
Capozzi, David – Acting General Counsel and Assistant Secretary
Case, David – Vice President of Finance, Chief Financial Officer and Assistant Treasurer
Feiss, Geoff – Member of the Board
Gillan, Joseph – Member of the Board
Jimenez, Jose – Member of the Board
Greiner, Colleen – Vice President and Chief Information Officer
Mitchell, Randy – Member of the Board
Sanders, Dr. Jay – Member of the Board
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

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ACTION ITEMS:

a3. Approval of Schools & Libraries Committee Meeting Minutes of April 26, 2011. On a motion duly made and seconded, the Committee approved the minutes, as written, of the Schools & Libraries Committee meeting of April 26, 2011.

a2. Approval of 4th Quarter 2011 and Revised 2011 Annual Schools and Libraries Support Mechanism Programmatic Budgets. Dr. Talbott noted that this item would be discussed in Open Session after completion of the Executive Session items.

a3. Approval of 4th Quarter 2011 Schools and Libraries Support Mechanism Demand Projection for the August 2, 2011 FCC Filing. Mr. Blackwell presented this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee, having reviewed at its meeting on July 25, 2011, a summary of the 4th Quarter 2011 support mechanism demand estimates, including administrative costs, hereby directs USAC management to proceed with the required August 2, 2011 filing to the FCC on behalf of the Committee. Management may make adjustments if the variance is equal to or less than $10.0 million or may seek approval from the Schools & Libraries Committee Chair to make adjustments if the variance is greater than $10.0 million but not more than $15.0 million.

a4. Action on Two USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Audit Reports. Mr. Chris Smith, Manager of Internal Audit, presented this item to the Committee.
On a motion duly made and seconded and after discussion, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Schools & Libraries Committee, having reviewed the USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Audit Reports labeled SL2010BE006 and SL2010BE007 together with management’s responses thereto, accepts the recommendation of USAC management and hereby deems such reports final.

a5. **Consideration of Schools & Libraries Program Operations Information Technology Support Services Strategy.** In accordance with the approved criteria and procedures for conducting Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC’s *procurement strategy and contract administration*.

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

**RESOLVED**, that the USAC Schools & Libraries Committee determines that discussion of issues relating to Schools & Libraries Program Operations Information Technology Support Services Strategy shall be conducted in *Executive Session*.

a6. **Miscellaneous. Solicit Ideas for the October 2011 Committee Agenda.** Ms. Campbell reminded members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Ms. Campbell, Dr. Bryant, Mr. Barash or Mr. Blackwell between quarterly meetings.

**INFORMATION ITEMS:**

i1. **Schools and Libraries Support Mechanism Update.** Mr. Blackwell presented this item to the Committee, noting that:

- USAC released a record wave of Funding Year 2011 funding commitment decision letters (FCDLs) to Funding Year 2011 applicants on June 23, 2011. Over 18,400 letters committing more than $397 million in approved telecommunications and Internet access requests at all discount levels were released. As of June 30, 2011, USAC had issued two Funding Year 2011 commitment waves representing approximately $456 million.

- USAC management submitted the Estimate of Demand for Funding Year 2011 to the FCC on April 12, 2011. The total estimated demand is $4.31 billion, which is approximately a 10.1 percent increase from the $3.92 billion estimated demand for Funding Year 2010.
USAC released Funding Year 2010 Wave 55 FCDLs on June 29, 2011. As of June 30, 2011, funding commitments total approximately $2.58 billion.

USAC released Funding Year 2009 Wave 88 FCDLs on June 27, 2011. As of June 30, 2011, funding commitments total approximately $2.88 billion.

USAC management submitted the Funding Year 2012 draft Eligible Services List (ESL) to the FCC last quarter. In accordance with the Sixth Report and Order (FCC 10-175), USAC is required to submit to the FCC any proposed changes to the ESL by March 30 each year. On June 24, 2011, the FCC issued a Public Notice (DA 11-1096), which established the comment period for the draft ESL.

Round 2 of the FCC Office of Inspector General (OIG) USF audit program for Schools and Libraries Program beneficiaries has concluded. All audit reports have been reviewed and approved by the Committee. The final report on Round 2 has been submitted to the FCC and is being reviewed before official release.

Round 3 of the FCC OIG USF audit program for Schools and Libraries Program beneficiaries has concluded. All audit reports have been reviewed and approved by the Committee. USAC staff is in process of conducting Round 3 audit recoveries.

USAC staff held two one-day training sessions for service providers on May 3, 2011 in Los Angeles, CA, and on May 12, 2011 in Atlanta, GA. USAC received very favorable comments from the participants.

On May 10, 2011, registration opened for the Funding Year 2012 fall applicant training. The eight one-day training sessions are scheduled to be held in the following cities: Washington, DC; Newark, NJ; Minneapolis, MN; Portland, OR; St. Louis, MO; New Orleans, LA; Los Angeles, CA; and Orlando, FL. USAC has received a record number of early registrations.

Through June 30, 2011, the Helping Applicants to Succeed (HATS) team has conducted 380 HATS-type visits; 110 were in person, 47 by telephone and via videoconference, and 223 in targeted outreach projects. To date in 2011, the HATS team initiated individual outreach with applicants in 40 states.

The average time to process an invoice line was five days in May 2011. The invoicing team processed 98.9 percent of incoming invoice lines within 30 days.

USAC issued 355 appeals decisions this quarter with most appeals completed in the quarter being processed within 90 days of receipt, except for those with more complex circumstances. The number of workable appeals remains low.

Ms. Campbell requested additional information on the gifting rules set forth in the Sixth Report and Order (FCC 10-175). Mr. Capozzi recommended that, in accordance with
the approved criteria and procedures for conducting USAC Board and committee business in Executive Session, discussion of gifting rules set forth in the Sixth Report and Order should be conducted in Executive Session because such discussion relates to pre-decisional matters pending before the Federal Communications Commission.

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

**RESOLVED,** that the USAC Schools & Libraries Committee determines that discussion of issues relating to gifting rules set forth in the Sixth Report and Order shall be conducted in Executive Session.

Mr. Feiss requested that the Committee discuss funding requests for dark fiber. Mr. Capozzi recommended that, in accordance with the approved criteria and procedures for conducting USAC Board and committee business in Executive Session, discussion of funding requests for dark fiber should be conducted in Executive Session because such discussion relates to USAC’s internal rules and procedures.

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

**RESOLVED,** that the USAC Schools & Libraries Committee determines that discussion of funding requests for dark fiber shall be conducted in Executive Session.

**i2. Information on Rural Health Care and Schools and Libraries Program Support Services Contract.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in Executive Session, Mr. Capozzi recommended that discussion of this item be conducted in Executive Session because this matter relates to USAC’s procurement strategy and contract administration.

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

**RESOLVED,** that the USAC Schools & Libraries Committee determines that discussion of the Rural Health Care and Schools and Libraries Program support services procurement shall be conducted in Executive Session.

At 9:44 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into Executive Session for the purpose of discussing the confidential and proprietary items noted above. The Committee then recessed until 10:00 a.m. Eastern Time, at which time it reconvened in Executive Session.

**EXECUTIVE SESSION:**

**i1. Schools and Libraries Support Mechanism Update.** The Committee discussed gifts rules associated with the 6th Report and Order and funding requests for dark.
i2. Information on Rural Health Care and Schools and Libraries Program Support Services Contract. Mr. Barash presented this item to the Committee.

a5. Consideration of Schools & Libraries Program Operations Information Technology Support Services Strategy. Mr. Belden presented this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee, having reviewed USAC management’s recommendation, hereby approves the course of action proposed by USAC management for in-sourcing Schools and Libraries Program information technology services as described in this issue paper; and

RESOLVED FURTHER, that the USAC Schools & Libraries Committee, having reviewed management’s recommendation, hereby approves the Schools and Libraries Program information technology system replacement procurement strategy proposed by USAC management, subject to any and all guidelines established by the Board and receipt of any necessary approvals from the Federal Communications Commission for solicitations to be issued pursuant to the proposed procurement strategy.

At 11:24 a.m. Eastern Time, the Committee adjourned from Executive Session and immediately reconvened in Open Session, at which time, Ms. Campbell reported that in Executive Session, the Committee took action on item a5, and discussed items i1 and i2 above. In addition, Ms. Campbell reported that the Committee received a report from management that $53 million in requests for funding for dark fiber were received, and 13 non-telecom companies are part of the group of companies that submitted requests.

OPEN SESSION

a2. Approval of 4th Quarter 2011 and Revised 2011 Annual Schools and Libraries Support Mechanism Programmatic Budgets. Mr. Belden presented this item to the Committee.

On a motion duly made and seconded and after discussion, the Committee adopted the following resolutions:
**RESOLVED,** that the USAC Schools and Libraries Committee approves a 4th Quarter 2011 Schools and Libraries Support Mechanism budget of $13.6 million; and

**RESOLVED FURTHER,** that the USAC Schools and Libraries Committee directs USAC staff to submit a collection requirement of $13.6 million for Schools and Libraries Support Mechanism administrative expenses in the required August 2, 2011 filing to the FCC on behalf of the Committee; and

**RESOLVED FURTHER,** that the USAC Schools and Libraries Committee approves a revised annual 2011 Schools and Libraries Support Mechanism budget of $55.8 million.

On a motion duly made and seconded, the Committee adjourned at 11:29 a.m. Eastern Time.

/s/ David A. Capozzi  
Assistant Secretary
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

SCHOOLS & LIBRARIES COMMITTEE MEETING

August 30, 2011

MINUTES

A meeting of the Schools & Libraries Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC’s offices in Washington, D.C. on Tuesday, August 30, 2011. Ms. Anne Campbell, Committee Chair, requested that Mr. Scott Barash chair the meeting. Mr. Barash called the meeting to order at 3:30 p.m. Eastern Time, with quorum of four of the seven Committee members present:

Abshire, Dr. Sheryl – by telephone
Barash, Scott – Acting Chief Executive Officer

Campbell, Anne – Chair – by telephone
Ridley, Carolyn – by telephone

Members of the Committee not present:

McClure, David
Talbott, Dr. Brian

Dr. Anne Bryant joined the meeting by telephone at 3:32 p.m. Eastern Time.

Other members of the Board of Directors (Board) and officers of the corporation present:

Belden, Richard – Chief Operating Officer
Blackwell, Mel – Vice President, Schools & Libraries Division
Capozzi, David – Acting General Counsel and Assistant Secretary

Others present for the meeting:

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<td>Amalfitano, Vince</td>
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ACTION ITEMS:

a4. Consideration of Approval to Make Commitments for Priority 2 Services at a Discount Rate of 80 Percent and Below for Funding Year 2010. Mr. Blackwell presented this item to the Committee.
On a motion duly made and seconded and after discussion, the Committee adopted the following resolution:

**RESOLVED,** that the USAC Schools & Libraries Committee authorizes staff to commit, upon FCC approval, waves for Funding Year 2010 with the parameters set at 80 percent and below for Priority 2 services.

**a2. Consideration of Approval to Make Commitments for Priority 2 Services at a Discount Rate of at 90% and Above for Funding Year 2011.** Mr. Blackwell presented this item to the Committee.

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

**RESOLVED,** that the USAC Schools & Libraries Committee authorizes staff to commit, upon FCC approval, waves for Funding Year 2011 with the parameters set at 90 percent and above for Priority 2 services.

On a motion duly made and seconded, the Committee adjourned at 3:36 p.m. Eastern Time.

/s/ David A. Capozzi
Assistant Secretary
MINUTES

The quarterly meeting of the Schools & Libraries Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC’s offices in Washington, D.C. on Monday, October 24, 2011. Ms. Anne Campbell, Committee Chair, called the meeting to order at 9:00 a.m. Eastern Time, with all seven Committee members present:

Abshire, Dr. Sheryl
Barash, Scott – Acting Chief Executive Officer
Bryant, Dr. Anne – Vice Chair
Campbell, Anne – Chair

McClure, Dave – by telephone
Ridley, Carolyn
Talbott, Dr. Brian

Other members of the Board of Directors (Board) and officers of the corporation present:

Belden, Richard – Chief Operating Officer
Blackwell, Mel – Vice President, Schools & Libraries Division
Capozzi, David – Acting General Counsel and Assistant Secretary
Case, David – Vice President of Finance, Chief Financial Officer and Assistant Treasurer
Feiss, Geoff – Member of the Board
Jimenez, Jose – Member of the Board
Greiner, Colleen – Vice President and Chief Information Officer
Mitchell, Randy – Member of the Board
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

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<tr>
<td>Anderson, Latoya</td>
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**ACTION ITEMS:**

**a5. Approval of Schools & Libraries Committee Meeting Minutes of July 25, 2011 and August 30, 2011.** On a motion duly made and seconded, the Committee approved the minutes, as written, of the Schools & Libraries Committee meetings of July 25, 2011 and August 30, 2011.

**a2. Approval of 1st Quarter 2012 Schools and Libraries Support Mechanism Programmatic Budget and Information on the Estimated 2012 Annual Budget.** Mr. Belden presented this item to the Committee.

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

**RESOLVED,** that the USAC Schools & Libraries Committee approves a 1st Quarter 2012 budget for the Schools and Libraries Support Mechanism of $14.6 million; and

**RESOLVED FURTHER,** that the USAC Schools & Libraries Committee directs USAC staff to submit a collection requirement of $14.6 million for Schools and Libraries Support Mechanism administrative expenses in the required November 2, 2011 filing to the FCC on behalf of the Committee.
a3. Approval of 1st Quarter 2012 Schools and Libraries Support Mechanism Demand Projection for the November 2, 2011 FCC Filing. Mr. Blackwell presented this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee, having reviewed at its meeting on October 24, 2011, a summary of the 1st Quarter 2012 support mechanism demand estimates, including administrative costs, hereby directs USAC management to proceed with the required November 2, 2011 filing to the FCC on behalf of the Committee. Management may make adjustments if the variance is equal to or less than $10.0 million or may seek approval from the Schools & Libraries Committee Chair to make adjustments if the variance is greater than $10.0 million but no more than $15.0 million.

a4. Action on Three USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Audit Reports. Mr. Chris Smith, Manager of Internal Audit, presented this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee, having reviewed the USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Audit Reports listed in Exhibit I to the issue paper together with management’s responses thereto, accepts the recommendation of USAC management and hereby deems such reports final.

a5. Consideration of Funding Year 2012 Filing Window Dates. Mr. Blackwell presented this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee accepts the recommendation of USAC management to open the Funding Year 2012 filing window not before January 5, 2012, and close the Funding Year 2012 filing window commensurate with past practice, subject to the requirements of Section 54.522 of the Commission’s rules, unless the 60-day wait period discussed above is waived by the Commission. Upon consultation with the Committee Chair, USAC management is authorized to adjust the opening and closing dates, as circumstances may warrant.

a6. Miscellaneous. Solicit Ideas for the January 2012 Committee Agenda. Ms. Campbell reminded members that they may offer suggestions for agenda items at each
quarterly meeting. Ideas may be submitted to Ms. Campbell, Dr. Bryant, Mr. Barash or Mr. Blackwell between quarterly meetings.

INFORMATION ITEMS:

i1. **Schools and Libraries Support Mechanism Update.** Mr. Blackwell presented this item to the Committee, noting that:

- USAC released 15 Funding Year 2011 waves of Funding Commitment Decision Letters (FCDLs) as of September 30, 2011 and funding commitments total approximately $958.74 million.

- On August 22, 2011, the FCC issued an order (DA 11-1354), which directed USAC to carry forward $850 million in unused funds from Funding Years 2003 through 2009 to increase disbursements for Funding Year 2011. In addition, the order directed USAC to carry forward $250 million in unused funds from Funding Year 2008 to Funding Year 2010 and to make commitments for priority two applicants at all discount levels for Funding Year 2010.

- USAC released Funding Year 2010 Wave 68 FCDLs on September 28, 2011. As of September 30, 2011, funding commitments total approximately $2.76 billion.

- USAC released Funding Year 2009 Wave 94 FCDLs on September 26, 2011. As of September 30, 2011, funding commitments total approximately $2.90 billion.

- On July 11, 2011, the FCC officially launched the Learning On-The-Go wireless pilot program (also known as the E-rate Deployed Ubiquitously (EDU) 2011 Pilot Program). To initiate the funding process, the FCC issued an order (DA 11-1181) specifying the 20 selected project applicants, outlining participant reporting requirements and providing more detailed information about the program. As of September 30, 2011, USAC has received 21 EDU applications requesting approximately $9 million.

- On August 11, 2011, the FCC issued a report and order (FCC 11-125), which added language from the Protecting Children in the 21st Century Act to the FCC’s rules. The provision added concerns educating students about appropriate online behavior.

- On September 28, 2011, the FCC issued an order (DA 11-1600) and released the Funding Year 2012 Eligible Services List (ESL). The FCC adopted most of the clarifications proposed in the ESL Public Notice (DA 11-1096) released last quarter, with some minor modifications. The FCC also authorized USAC to open the Funding Year 2012 annual application filing window no earlier than November 28, 2011.
USAC Internal Audit Division (IAD) staff is performing follow-up audits that were classified as withdrawals or disclaimers from Rounds 2 and 3 of the FCC Office of Inspector General (OIG) USF audit program for Schools and Libraries Program beneficiaries.

IAD staff is also performing a small number of Beneficiary and Contributor Audit Program (BCAP) audits of Schools and Libraries Program beneficiaries. As of September 30, 2011, three audits have been completed and will be presented to the Committee at the October Committee meeting.

The one-day applicant training sessions for Funding Year 2012 have begun. In October, USAC staff conducted trainings in Washington, DC; Newark, NJ; Minneapolis, MN; Portland, OR; and St. Louis, MO. The remaining training sessions are scheduled to be conducted after the October Committee meeting in the following locations: New Orleans, LA; Los Angeles, CA; and Orlando, FL.

The Helping Applicants to Succeed (HATS) team has completed 698 HATS-type visits this year; 166 visits were conducted in person, 75 by telephone and videoconference and 457 in targeted outreach projects. Thus far in 2011, the HATS team has initiated outreach with applicants in 47 states, the District of Columbia, Puerto Rico and Saipan.

The average time to process an invoice line was five days in August 2011. The invoicing team processed 99.1 percent of incoming invoice lines within 30 days.

USAC issued 431 appeals decisions this quarter with most appeals completed in the quarter being processed within 90 days of receipt.

i2. **Schools and Libraries and Rural Health Care Program Support Services Solicitation Update.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in Executive Session, Mr. Capozzi recommended that discussion of this item be conducted in Executive Session because this matter relates to USAC’s procurement strategy and contract administration.

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

RESOLVED, that the USAC Schools & Libraries Committee determines that discussion of the Rural Health Care and Schools and Libraries Program support services procurement shall be conducted in Executive Session.

At 10:05 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into Executive Session for the purpose of discussing the confidential and proprietary item noted above. The Committee then recessed until 10:18 a.m. Eastern Time, at which time it reconvened in Executive Session.

**EXECUTIVE SESSION:**
i2. **Schools and Libraries and Rural Health Care Program Support Services
Solicitation Update.** Mr. Barash presented this item to the Committee.

At 10:27 a.m. Eastern Time, the Committee adjourned from *Executive Session* and immediately reconvened in *Open Session*, at which time, Ms. Campbell reported that in *Executive Session*, the Committee discussed item i2 above.

On a motion duly made and seconded, the Committee adjourned at 10:28 a.m. Eastern Time.

/s/ David A. Capozzi
Assistant Secretary