High Cost & Low Income Committee

Briefing Book

Monday, April 29, 2019

2:00 p.m. - 5:00 p.m. Eastern Time

Universal Service Administrative Co. Offices

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

Washington, D.C. 20005

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

Monday, April 29, 2019
2:00 p.m. – 5:00 p.m. Eastern Time
USAC Offices
700 12th Street, N.W., Suite 900
Washington, D.C. 20005

	HIGH COST OPEN SESSION	*Estimated Duration in Minutes*
Chair	**a1.** Consent Items (each available for discussion upon request): **A.** Approval of High Cost & Low Income Committee Meeting Minutes of January 28, 2019 **B.** Approval of moving all *Executive Session* items into *Executive Session*	5
Vic	**a2.** Approval of High Cost Support Mechanism 3rd Quarter 2019 Programmatic Budget and Demand Projection for the May 2, 2019 FCC Filing	15
Vic Habib	**i1.** High Cost Support Business Update • At a Glance • Rate of Return Order • Connect America Fund Phase II Auction Update	25

	HIGH COST EXECUTIVE SESSION **Confidential** – *Executive Session Recommended*	
Vic	**i1.** High Cost Support Business Update Discussion *(continued)* • US Telecom Letter • Verification Update	30

	LOW INCOME OPEN SESSION	*Estimated Duration in Minutes*
Michelle	**a3.** Approval of Low Income Support Mechanism 3rd Quarter 2019 Programmatic Budget and Demand Projection for the May 2, 2019 FCC Filing	15

1 of 2

Jeanette Santana-Gonzalez	**i2**. Information on Three USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports	5
Michelle James	**i3.** Low Income (Lifeline) Business Update • Lifeline Program at a Glance • Representative Accountability Database	20

LOW INCOME EXECUTIVE SESSION		
Confidential – *Executive Session Recommended*		
James	**i3.** Low Income (Lifeline) Business Update (*continued)* • National Verifier	30
Chair	**i4.** *Executive Session* Discussion with the Committee/Board	10

Next Scheduled USAC High Cost & Low Income Committee Meeting

Monday, July 29, 2019 **2:00 a.m. – 5:00 p.m. Eastern Time** **USAC Offices, Washington, D.C.**

Universal Service Administrative Company
High Cost & Low Income Committee Meeting

ACTION ITEM

Consent Items

Action Requested

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

Discussion

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

A. Committee meeting minutes of January 28, 2019 (*see* **Attachment A-1**).

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

    (1) **i1 –** High Cost Support Mechanism Business Update *(Continued)*. USAC management recommends that this matter be discussed in *Executive Session* because the report relates to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures. In addition, this matter relates to *pre-decisional matters* pending before the FCC.

    (2) **i3 –** Low Income Support Mechanism Business Update *(Continued)*. USAC management recommends that this matter be discussed in *Executive Session* because the report relates to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures. In addition, this item may include discussion of *internal rules and procedures* concerning the administration of the universal service support mechanisms where discussion of the matter in open session would result in *disclosure of confidential techniques and procedures* that would compromise program integrity.

    (3) **i4** – *Executive Session* Discussion with the Committee/Board. USAC management recommends this item be discussed in *Executive Session* because the matter relates to the Committee's oversight responsibilities and may involve discussion of *internal rules and procedures* concerning the administration of the universal service support mechanisms, where discussion of the matter in open session would result in *disclosure of confidential techniques and procedures* that would compromise program integrity.

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

Recommended USAC High Cost & Low Income Committee Action

APPROVAL OF THE FOLLOWING RESOLUTIONS:

       RESOLVED, that the USAC High Cost & Low Income Committee hereby approves: (1) the Committee meeting minutes of January 28, 2019; and (2) discussion in *Executive Session* of the items noted above.

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

HIGH COST & LOW INCOME COMMITTEE MEETING
Monday, January 28, 2019

(DRAFT) MINUTES[1]

The quarterly meeting of the High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) was held at USAC's offices in Washington, D.C. on Monday, January 28, 2019. Mr. Gillan, Committee Chair, called the meeting to order at 2:25 p.m. Eastern Time, with all 11 Committee members present:

Feiss, Geoff   Lubin, Joel
Freeman, Sarah   Mason, Ken
Gerst, Matthew   Sekar, Radha – Chief Executive Officer
Gillan, Joe – Chair   Tinic, Atilla
Jacobs, Ellis – *by telephone*   Wein, Olivia – Vice Chair
Kinser, Cynthia

Other Board members and officers of the corporation present:

Beckford, Ernesto – Vice President, General Counsel, and Assistant Secretary
Beyerhelm, Chris – Vice President of Enterprise Portfolio Management
Bocher, Bob – Member of the Board
Buzacott, Alan – Member of the Board
Davis, Craig – Vice President of Procurement and Sourcing Strategy
Delmar, Teleshia – Vice President of Audit and Assurance
Fontana, Brent – Member of the Board
Gaither, Victor – Vice President of High Cost
Garber, Michelle – Vice President of Lifeline
Holstein, Bob – Vice President and Chief Information Officer
Salvator, Charles – Vice President of Finance, Chief Financial Officer and
    Assistant Treasurer
Schell, Julie Tritt – Member of the Board
Sweeney, Mark – Vice President of Rural Health Care
Wade, Dr. Joan – Member of the Board
Wibberly, Dr. Kathy – Member of the Board

Others present:

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

NAME	COMPANY
Abera, Nikki	USAC
Ahmed, Sharmarke	USAC
Alomari, Ghanem	USAC
Bilodeau, Amanda	USAC
Braxton-Jackson, Kianna	USAC
Butler, Stephen	FCC
Carpenter, Nikki-Blair	USAC
Daniels, Joel	USAC
Fischer, Dennis	USAC
Gustafson, Jaymie	USAC
Holo, Melissa	USAC
Hughet, Pam	USAC
Hutchinson, Kyle	USAC
Kahn, Sammy	USAC
Landry, Chris	USAC
Lee, James	USAC
Miller, Catherine	USAC
Nuzzo, Patsy	USAC
Pryor, Sonovia	USAC
Qudsia, Anissa	USAC
Rasamalle, Sharon	USAC
Ruffley, Brandon	USAC
Santana-Gonzales, Jeanette	USAC
Simab, Habib	USAC
Smith, Chris	USAC
Snowman, Stephen	FCC
Sorini, Leah	USAC
Sunn, Meagan	USAC
Tawes, Pauline	USAC
Tessler, Joelle	USAC
Tiwari, Tanya	USAC
Tomlin, Nicole	USAC
Weith, Tim	USAC
Williams, Romanda	USAC

HIGH COST OPEN SESSION

All materials from Open Session can be found on the USAC website.

a1.   **Consent Items.**   Mr. Gillan introduced this item to the Committee:

      A.   Approval of Committee Meeting Minutes of October 29, 2018 and November 14, 2018.

B.   Approval of Moving all *Executive Session* Items into *Executive Session*:

   (1)   **a4** – Approval of High Cost Support Mechanism 2019 Annual Programmatic Budget. USAC management recommends this item be discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

   (2)   **a6 –** Approval of Low Income Support Mechanism 2019 Annual Programmatic Budget. USAC management recommends this item be discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

   (3)   **i5. –** Information on One USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Report. USAC management recommends that this matter be discussed in *Executive Session* because the report relate to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures.

   (4)   **i6** – Executive Session Discussion with the Committee/Board. USAC management recommends this item be discussed in *Executive Session* because the matter relates to the Committee's oversight responsibilities and may involve discussion of *internal rules and procedures* concerning the administration of the universal service support mechanisms, where discussion of the matter in open session would result in *disclosure of confidential techniques and procedures* that would compromise program integrity.

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

> **RESOLVED**, that the USAC High Cost & Low Income Committee hereby approves: (1) the Committee meeting minutes of October 29, 2018 and November 14, 2018; and (2) discussion in *Executive Session* of the items noted above.

a2.   **Recommendation for Election of Committee Chair and Vice Chair.** Mr. Gillan introduced this item and Mr. Mason, Chair of the Nominating Committee, shared the Nominating Committee recommendations for the leadership positions.

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

> **RESOLVED**, that the USAC High Cost & Low Income Committee recommends that the USAC Board of Directors elect **Joe Gillan** as Chair and **Olivia Wein** as Vice Chair of the Committee. The term for each

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

a3.   **Approval of High Cost Support Mechanism 2nd Quarter 2019 Programmatic Budget and Demand Projection for the January 31, 2019 Filing.** Mr. Gaither presented this item for consideration. The presentation included a written report on USAC management's recommendations for the High Cost Support Mechanism 2nd quarter 2019 programmatic budget and demand projection for the January 31, 2019 FCC filing.

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

> **RESOLVED,** that the USAC High Cost & Low Income Committee approves a 2nd Quarter 2019 High Cost Support Mechanism direct program budget of $5.76 million; and

> **RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of $5.76 million for High Cost Support Mechanism administrative costs in the required January 31, 2019 filing to the FCC on behalf of the Committee; and

> **RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on January 28, 2019, a summary of the 2nd Quarter 2019 High Cost Support Mechanism demand estimate, hereby directs USAC staff to proceed with the required January 31, 2019 filing to the FCC on behalf of the Committee. USAC staff may make adjustments if the total variance for the High Cost Support Mechanism is equal to or less than $10 million, or may seek approval from the Committee Chair to make adjustments if the total variance is greater than $10 million, but not more than $15 million.

i1.   **Information on 10 USAC Audit and Assurance Division High Cost Support Mechanism Beneficiary Audit Reports**. The Committee received a report with information on 10 USAC Audit and Assurance Division High Cost Support Mechanism beneficiary audit reports. The reports were provided for informational purposes; no discussion was held on this item.

i2.   **High Cost Support Mechanism Business Update.** Mr. Gaither, Ms. Bilodeau, Mr. Kahn, and Mr. Simab presented PowerPoint slides covering the following:
   1. 2018 Accomplishments
   2. 2018 Operational Performance Synopsis

3. 2019 Goals and Objectives
4. 2019 Look Ahead
5. Discussion Topics: Performance Measures Order
   a. CAF II Verification Closure Update
   b. Performance Measures Order Update
   c. Major Risk and Mitigation Strategy

At 3:25 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential item listed above.

HIGH COST EXECUTIVE SESSION

a4. **Approval of High Cost Support Mechanism 2019 Programmatic Budget.** Mr. Gaither presented this item for consideration. The presentation included a written summary and report detailing USAC management's recommendations for the High Cost Support Mechanism 2019 programmatic budget.

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

> **RESOLVED,** that the High Cost & Low Income Committee approves a 2019 annual programmatic budget for the High Cost Support Mechanism of $21.9 million.

At 3:36 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session.* Mr. Gillan reported that the Committee took action on item a4. The Committee recessed and reconvened at 3:46 p.m. Eastern Time.

LOW INCOME OPEN SESSION

a5. **Approval of Low Income Support Mechanism 2nd Quarter 2019 Programmatic Budget and Demand Projection for the January 31, 2019 FCC Filing.** Ms. Garber presented this item to the Committee for consideration. The presentation included a written report on USAC management's recommendations for the Low Income Support Mechanism 2nd quarter 2019 programmatic budget and demand projection for the January 31, 2019 FCC filing.

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

> **RESOLVED,** that the USAC High Cost & Low Income Committee approves a 2nd Quarter 2019 Low Income Support Mechanism direct program budget of $11.53 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of $11.53 million for Low Income Support Mechanism administrative costs in the required January 31, 2019 filing to the FCC on behalf of the Committee; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on January 28, 2019 a summary of the 2nd Quarter 2019 Low Income Support Mechanism demand estimate, hereby directs USAC staff to proceed with the required January 31, 2019 filing to the FCC on behalf of the Committee. USAC staff may make adjustments if the total variance for the Low Income Support Mechanism is equal to or less than $10 million, or may seek approval from the High Cost & Low Income Committee Chair to make adjustments if the total variance is greater than $10 million, but not more than $15 million.

i3. **Information on 20 USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Reports.** The Committee received a report with information on 20 USAC Audit and Assurance Division Low Income Support Mechanism beneficiary audit reports. The reports were provided for informational purposes; no discussion was held on this item.

i4. **Low Income Support Mechanism (Lifeline) Business Update.** Ms. Garber presented PowerPoint slides covering the following topics to the Committee for discussion:
1. October 2018 Committee Meeting Recap
2. 2018 Accomplishments
3. 2018 Operational Performance Synopsis
4. 2019 Goals and Objectives
5. 2019 Look Ahead
6. Discussion Topic
    a. National Verifier
7. Lifeline Program at a Glance

At 4:38 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of considering and discussing the confidential items noted above.

EXECUTIVE SESSION

a6. **Approval of Low Income Support Mechanism 2019 Annual Programmatic Budget.** Ms. Garber presented this item for consideration. The presentation included a a written summary and report detailing USAC management's recommendations for the Low Income Support Mechanism 2019 programmatic budget.

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

> **RESOLVED,** that the High Cost & Low Income Committee approves a 2019 annual programmatic budget for the Low Income Support Mechanism of $47.9 million.

i5.   **Information on One USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Report.** The Committee received a report with information on one USAC Audit and Assurance Division Low Income Support Mechanism beneficiary audit report. The report was provided for informational purposes; no discussion was held on this item.

i6.   *Executive Session* **Discussion with the Committee/Board**. No discussion was held on this item, and there was no associated report.

At 5:11 p.m. Eastern Time, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Gillan reported that, in *Executive Session*, the Committee discussed and took action on item a6 and discussed item i5 above.

On a motion duly made and seconded, the Committee adjourned at 5:11 p.m. Eastern Time.

/s/ Ernesto Beckford
Assistant Secretary

Universal Service Administrative Company
High Cost & Low Income Committee Meeting

ACTION ITEM

Approval of High Cost Support Mechanism
3rd Quarter 2019 Programmatic Budget and
Demand Projection for the May 2, 2019 FCC Filing

Action Requested:

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 3rd Quarter 2019 (3Q2019) programmatic budget and demand projection for the High Cost Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's May 2, 2019 quarterly filing.

Discussion:

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

Funding Requirement

Based on data filed by supported carriers, USAC estimates the 3Q2019 funding requirement for the High Cost Support Mechanism as follows:

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

Table A. Program Funding Requirement

(in millions)	2Q2019	Increase/ (Decrease)	3Q2019
Steady State – Legacy Funds:			
High Cost Loop Support[3]	$122.70	18.61	141.31
Connect America Fund Broadband Loop Support[4]	183.28	76.13	259.41
Frozen Price Cap Carrier Support[5]	36.74	0.00	36.74
Frozen Competitive ETC Support[6]	118.69	0.00	118.69
Total Steady State Legacy Funds	***$461.41***	***$94.74***	***$556.15***
Steady State – Modernization Funds:			
Connect America Fund Phase II[7]	379.42	0.00	379.42
CAF Phase II Auction	37.21	0.00	37.21
Connect America Fund Intercarrier Compensation[8]	102.32	(4.55)	97.77
Alaska Plan Support[9]	32.08	0.00	32.08
Alternative Connect America Cost Model (A-CAM)[10]	91.14	(0.14)	91.00
Total Steady State Modernization Funds	***$642.17***	***($4.69)***	***$637.48***
New Requirements:			
Revised A-CAM (DA 19-115)[11]	0.00	16.75	16.75
Revised A-CAM True-Up (FCC 18-176)[12]	0.00	33.50	33.50
A-CAM II (FCC 18-176)[13]	0.00	43.84	43.84
A-CAM II True-Up (FCC 18-176)[14]	0.00	43.84	43.84
Budget Control Mechanism Mitigation (FCC 18-176)[15]	0.00	66.16	66.16
Additional Collections to Collect $1.125 billion (FCC 18-29, FCC 18-176)[16]	21.42	(21.42)	0.00
Total New Requirements Demand	***$21.42***	***$182.67***	***$204.09***
Total Program Demand	**$1,125.00**	**$272.72**	**$1,397.72**
Prior Period Adjustments (see Note 1)	(29.93)	17.14	(12.79)
USAC Administrative Expenses (see Table C)	14.15	0.57	14.72
Interest Income	(0.82)	0.67	(0.15)
Total Funding Requirement	**$1,108.40**	**$291.10**	**$1,399.50**

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[3] High Cost Loop (HCL) support is provided pursuant to 47 C.F.R. §§ 54.1301-.1304 and includes Safety Net Additive Support (SNA) and Safety Valve Support (SVS).

[4] *See Connect America Fund et al.*, WC Docket Nos. 10-90 et al., Report and Order, Order and Order on Reconsideration and Further Notice of Proposed Rulemaking, 31 FCC Rcd 3087, 3117-56, paras. 80-185 (2016) (*2016 Rate-of-Return Reform Order*).

[5] *See Connect America Fund et al.,* WC Docket Nos. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, 17715, 17725-26, paras. 133, 159 (2011) (*USF/ICC Transformation Order*).

Note 1: Prior period adjustments reconcile projections to actual results and include adjustments for billings, interest income, and bad debt.

3Q2019 demand for the following support components will be paid from funds available in the High Cost Account:

Table B. Reserve Funding

(in millions)	Reserve Funding
Rural Broadband Experiments[17]	$0.83
A-CAM[18]	53.25
Mobility Fund Phase I[19]	23.65
Total Reserve Funding	**$77.73**

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

[7] *See Connect America Fund et al.*, WC-Docket Nos. 10-90 et al., Report and Order, 29 FCC Rcd 15644 (2014).

[8] *Id.* at 17956, para. 847.

[9] *See Wireless Telecommunications Bureau Approves Performance Plans of the Eight Wireless Providers that Elected to Participate in the Alaska Plan*, WC Docket No. 16-271, Public Notice, 31 FCC Rcd 13317 (WTB 2016); *Connect America Fund et al*., WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 31 FCC Rcd 10139, 10155, paras. 47-49 (2016).

[10] *See Wireline Competition Bureau Authorizes 182 Rate-of-Return Companies To Receive $454 Million Annually in Alternative Connect America Cost Model Support To Expand Rural Broadband,* WC-Docket No. 10-90, Public Notice, 32 FCC Rcd 842 (WCB 2017) (*A-CAM Authorization PN*); *2016 Rate-of-Return Reform Order*, 31 FCC Rcd at 3094-117, paras. 17-79; *See Connect America Fund et al*., WC Docket Nos. 10-90 et al., Report and Order, Third Order on Reconsideration, and Notice of Proposed Rulemaking, FCC 18-29, para. 68 (rel. Mar. 23, 2018) 83 Fed. Reg. 18951 (May 1, 2018) (*2018 Rate of Return Reform Order*).

[11] *See Wireline Competition Bureau Announces Offers of Revised A-CAM Support Amounts and Deployment Obligations to Authorized A-CAM Companies to Expand Rural Broadband*, WC Docket No. 10-90, Public Notice, DA 19-115 (WCB 2019).

[12] *See Connect America Fund et al.*, WC Docket Nos. 10-90 et al., Report and Order, Further Notice of Proposed Rulemaking, and Order on Reconsideration, FCC 18-176, para. 29 (2018) (*December 2018 Rate of Return Reform Order*).

[13] *Id*. at para. 34.

[14] *Id*. at para. 58.

[15] *Id*. at para. 83.

[16] *Id.* at para. 181; *See also 2018 Rate of Return Reform Order*, para. 70.

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

[18] *See A-CAM Authorization PN*; *see also Connect America Fund,* WC Docket No. 10-90, Report and Order and Further Notice of Proposed Rulemaking, 31 FCC Rcd 13775 (2016) (*A-CAM Revised Offer Order*).

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

The 3Q2019 High Cost Support Mechanism programmatic budget of $14.72 million represents approximately 26% of the 2019 annual High Cost Support Mechanism programmatic budget of $56.25 million.

Table C. 3Q2019 Quarterly Programmatic Budget

(in millions)	3Q2019 Budget
Direct Program Costs	
Employee Expenses	$1.48
Professional Services	0.88
General & Administrative (Note 2)	0.12
Total Direct Program Costs	**$2.48**
Direct Assigned Costs	
Employee Expenses	$0.76
Professional Services	2.32
General & Administrative (Note 2)	0.00
Total Direct Assigned Costs	**$3.08**
Total Direct Program & Direct Assigned Costs	**$5.56**
Common Allocated Costs	**$9.16**
Total Programmatic Budget	**$14.72**

Note 2: General & Administrative expenses include High Cost data collection costs.

A comparison of actual expenditures to the budget for the three months ending March 31, 2019 is provided in **Attachment A.**

Recommendation:

USAC management recommends that the Committee approve the 3Q2019 budget and projection of demand as proposed.

Recommended High Cost & Low Income Committee Actions:

APPROVAL OF THE FOLLOWING RESOLUTIONS:

        RESOLVED, that the USAC High Cost & Low Income Committee approves a 3rd Quarter 2019 High Cost Support Mechanism direct program budget of $5.56 million; and

        RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of $5.56 million for High Cost Support Mechanism administrative costs in the required May 2, 2019 filing to the FCC on behalf of the Committee; and

        RESOLVED FURTHER, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on April 29, 2019 a summary of the

3rd Quarter 2019 High Cost Support Mechanism demand estimate, hereby directs USAC staff to proceed with the required May 2, 2019 filing to the FCC on behalf of the Committee. USAC staff may make adjustments if the total variance for the High Cost Support Mechanism is equal to or less than $10 million, or may seek approval from the Committee Chair to make adjustments if the total variance is greater than $10 million, but not more than $15 million.

ATTACHMENT A

High Cost Administrative Costs and Headcount
Comparison of Actual Expenditures and Headcount to the Budget for the
Three Months Ending March 31, 2019

($ in millions)	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	31	37	6	$1.19	$1.38	$0.19
Professional Services (Note 3)				0.11	0.88	0.77
General & Administrative (Note 4)				0.09	0.13	0.04
Total Direct Program Costs				**$1.39**	**$2.39**	**$1.00**
Direct Assigned Costs						
Employee Expenses	17	18	1	$0.69	$0.76	$0.07
Professional Services (Note 3)				1.12	2.37	1.25
General & Administrative (Note 4)				0.00	0.00	0.00
Total Direct Assigned Costs				**$1.81**	**$3.13**	**$1.32**
Total Direct Program & Direct Assigned Costs	**48**	**55**	**7**	**$3.20**	**$5.52**	**$2.32**
Common Allocated Costs (Note 5)				**$6.86**	**$8.50**	**$1.64**
Total Programmatic Budget				**$10.06**	**$14.02**	**$3.96**

Note 3: Direct Program Professional Services include support for program modernization orders and functional requirements gathering for HC system modernization. Direct Assigned Professional Services include beneficiary and contributor audit program audits and IT contract labor.

Note 4: General & Administrative expenses include High Cost data collection costs.

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

High Cost Business Update

High Cost & Low Income Committee

April 29, 2019

Universal Service
Administrative Co.

Agenda: High Cost

Topic	Description	Purpose	Presenter	Length
Business Update				
High Cost Program at a Glance	Overview of High Cost Activities for 2019	Informational	Vic	5 min
Discussion Topic	Rate of Return Order	Informational	Habib	5 min
Discussion Topic	Connect America Fund Phase II Auction	Informational	Habib	5 min
Appendix A	High Cost Glossary of Acronyms	Informational	-	-
Appendix B	2018-2019 FCC Docket Summary	Informational	-	-
Appendix C	2019 1st Quarter Accomplishments, Planned Activities and Metrics	Informational	-	-

High Cost Program at a Glance

2019	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC
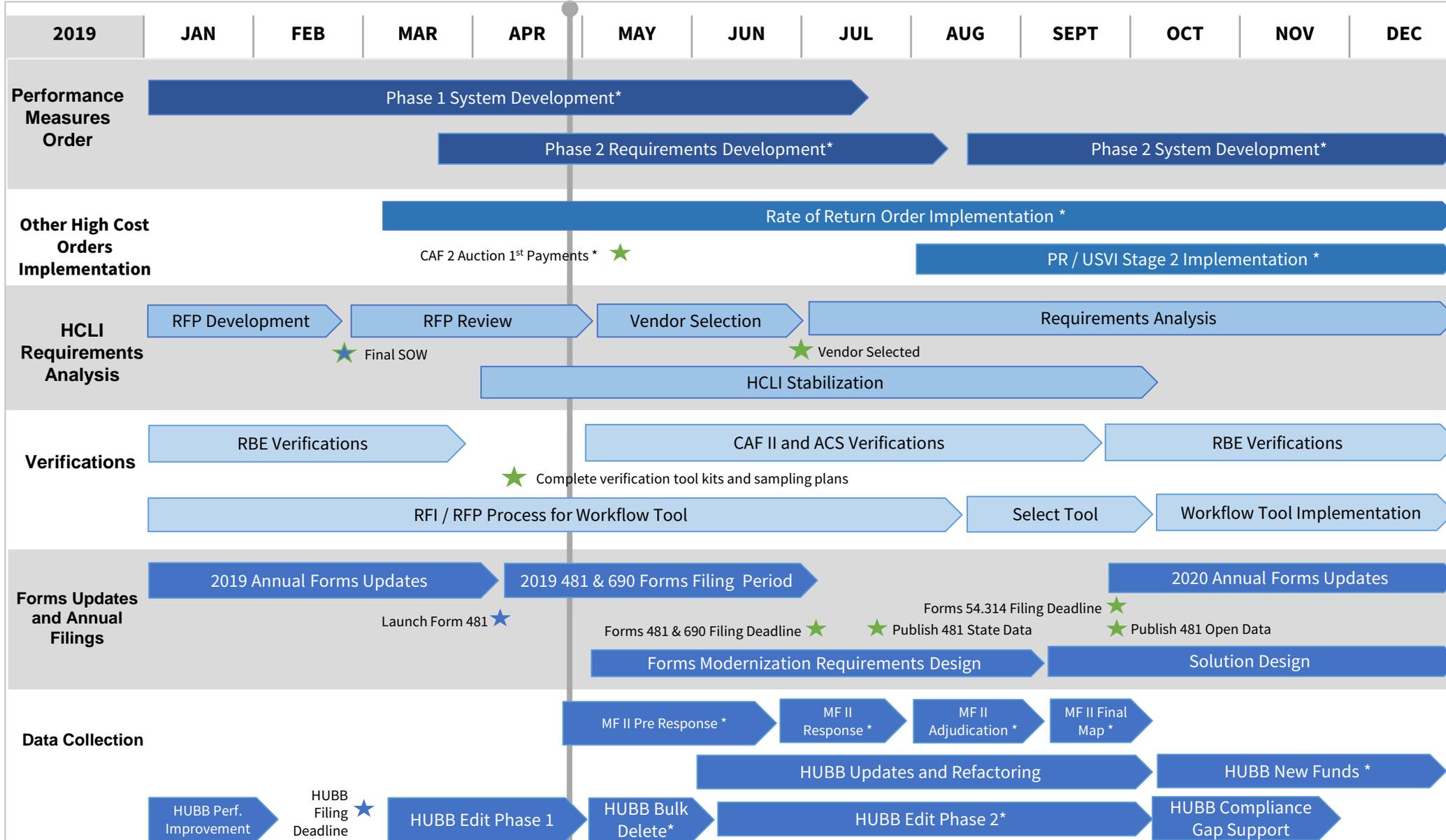
Milestone Legend
- ★ Completed
- ★ On Track
- ★ At-Risk
- ★ Delayed
- ★ On Hold/TBD

* Estimated date, exact timing will be determined by final FCC Orders

Performance Measures Order
- Phase 1 System Development*
- Phase 2 Requirements Development*
- Phase 2 System Development*

Other High Cost Orders Implementation
- Rate of Return Order Implementation *
- CAF 2 Auction 1st Payments * ★
- PR / USVI Stage 2 Implementation *

HCLI Requirements Analysis
- RFP Development
- RFP Review
- Vendor Selection
- Requirements Analysis
- ★ Final SOW
- ★ Vendor Selected
- HCLI Stabilization

Verifications
- RBE Verifications
- CAF II and ACS Verifications
- RBE Verifications
- ★ Complete verification tool kits and sampling plans
- RFI / RFP Process for Workflow Tool
- Select Tool
- Workflow Tool Implementation

Forms Updates and Annual Filings
- 2019 Annual Forms Updates
- 2019 481 & 690 Forms Filing Period
- 2020 Annual Forms Updates
- ★ Launch Form 481
- Forms 481 & 690 Filing Deadline ★
- ★ Publish 481 State Data
- Forms 54.314 Filing Deadline ★
- ★ Publish 481 Open Data
- Forms Modernization Requirements Design
- Solution Design

Data Collection
- MF II Pre Response *
- MF II Response *
- MF II Adjudication *
- MF II Final Map *
- HUBB Updates and Refactoring
- HUBB New Funds *
- HUBB Perf. Improvement
- HUBB Filing Deadline ★
- HUBB Edit Phase 1
- HUBB Bulk Delete*
- HUBB Edit Phase 2*
- HUBB Compliance Gap Support

Milestones Complete
- Launch Form 481
- HUBB Filing Deadline

All other milestones are on track

Note: Refer to Appendix A for 1st quarter accomplishments, planned activities and metrics.

Rate of Return Order Update (FCC 18-176)

Four Major Mandates

- Makes a revised A-CAM Offer to Carriers Receiving A-CAM
- Introduces a New Model Offer (A-CAM II) for Legacy Carriers
- Establishes a budget for RoR carries that remain on legacy support
- Amends Certain Rules Applicable to RoR Support

Current Status

- Project Kick-off meeting completed (4/3)
- Workshop to develop the end-to-end business process for impacted areas
- Develop Project Charter and resource/budget impact
- Revised A-CAM payments based on FCC PN to be released in April

4

Connect America Fund II Auction Update

CAF Phase II Auction (FCC 17–12)

- First batch of ready to authorize PN for the CAF II Auction support was released on February 27th, 2019
- Reviewed 72 ETC orders and assigned SACs
- Received and processed 31 LOCs and opinions of counsel and sent to USAC OGC for approval
- First batch of payments planned for May (April support)
- Second batch of ready to authorize PN for the CAF II auction support expected to be released on April 3rd, 2019

Implementing Frozen support transition order (FCC 19–8)

- Frozen support for Price Cap carrier will end as soon as CAF II Auction support is authorized for the winning bidders
- Frozen support for Fixed CETCs will be phase-down to two-thirds of their total legacy support for the first year and one-third for the second year
- Legacy frozen support will be maintained in areas where there were no Auction bidders until FCC further action

Appendix A: Glossary of Acronyms

Term	Definition
A-CAM	Alternative Connect America Model; provides support to Rate-of-Return carriers that voluntarily elected to transition to a new cost model for calculating High Cost funding. ACAM models forward-looking economic costs of deploying and operating a fiber-to-the-premise (FTTP) network.
CAF BLS	Connect America Fund Broadband Loop Support
CAF I	Connect America Fund Phase I
CAF II	Connect America Fund Phase II
CAP	Connect America Portal; system used to manage and track some workflows associated with High Cost operational processes
ETC	Eligible Telecommunication Carrier
HCLI	High Cost Low Income; a system used to calculate monthly High Cost payments to carriers, maintain carrier information and provide operational reports
HUBB	High Cost Broadband Portal; system used to collect location data from carriers, track progress toward meeting obligations and milestones and for carriers to annually certify their deployments.
IDVs	In-Depth Validations;
LOC	Letter of Credit
MF I	Mobility Fund Phase I
MF II	Mobility Fund Phase II

Appendix A: Glossary of Acronyms (cont'd)

Term	Definition
NECA	National Exchange Carrier Association;
OMD	Office of Managing Director. OMD is a component of the FCC that administers and manages the Commission.
PMM	Performance Measurement Module. Collection of system functionality designed to deliver the requirements of the Performance Measurement Order.
PR / USVI	Puerto Rico / US Virgin Islands. Related to FCC Orders to assist in the rebuilding of the islands affected by recent hurricanes.
RBE	Rural Broadband Experiments
RoR	Rate of Return
SAC	Study Area Code
US Telecom	Trade association that represents telecommunications related businesses in the US
WCB	Wireline Competition Bureau. WCB is a component of the FCC that works to ensure that all Americans have access to robust, affordable broadband and voice services. Its programs help ensure access to affordable communications for schools, libraries, health care providers, and rural and low-income consumers.
WTA	Western Telecom Alliance

Appendix B: 2018 -19 FCC Docket Summary

FCC Orders Matrices for 2018 and 2019

Year	Number of FCC Orders /Public Notices released for Informational purpose	Number of FCC Orders/ Public Notices impacting HC business process	Total FCC Orders Released in a year
2018	73	8	81
2019	8	5	13

FCC Order/ Mandate	Release Date	Description	Impact to High Cost
2018 Orders			
FCC 18-176	13-Dec-18	**Rate of Return Reform Order** - Additional funding to carriers that currently receive A-CAM support in exchange for deploying broadband at increased speeds. Other Rate of Return legacy fund impacts	System and Process Change
2019 Orders			
FCC 18-183	3-Jan-19	**Mobility Fund Phase II** - FCC issued a third report and order extending the Mobility Fund Phase II challenge process by 90 days. The total challenge process window is now 240 days. The FCC will accept data collected on or after February 27, 2018 through November 26, 2018	System Change
FCC 19-8	15-Feb-19	**CAF Transition Order** - FCC issued a transition framework for price cap and fixed competitive ETCs to phase down Connect America Fund (CAF) Phase I frozen support in areas where support is awarded pursuant to the CAF Phase II auction	Process Change
DA 19-115	25-Feb-19	**PN for Revised ACAM** - FCC is offering 262 revised A-CAM support (with revised deployment obligations) to RoR Carriers that previously accepted A-CAM support. The PN issued by the FCC officially makes these offers; the revised support offer and revised deployment obligations. RoR Carriers have until March 27 to accept these offers	Process Change

Note: Previous orders may have impact on HC's work but have not been listed above

FCC Order/ Mandate	Release Date	Description	Impact to High Cost
		2019 Orders – Cont.	
DA 19-126	27-Feb-19	**CAF PHASE II AUCTION** support for 962 winning bids ready to be authorized	Process Change
DA 19-144	5-Mar-19	**ACS Challenge Process Order** - WCB resolves a 2nd CAF Phase II challenge to 3,252 unique geocoded locations proposed by ACS to receive high-cost support as part of ACS's obligations to extend service to unserved Alaskan consumers. The Bureau finds that 647 of these geocoded locations will be eligible for high-cost support. It also grants ACS's request to make eligible a limited number of additional census blocks for Phase II support that are no longer reported as served by a competitor	Both Process and System Change

Note: Previous orders may have impact on HC's work but have not been listed above

Universal Service Administrative Company
High Cost & Low Income Committee Meeting

INFORMATION ITEM

Appendix C

High Cost Business Update
Q1 2019 Update on High Cost Administration

Overall Summary from the Q1 2019

In the first quarter of 2019, a key focus for the High Cost program was the annual March 1 successful filing deadline for carriers to report broadband deployment data to the HUBB.

For second quarter 2019, the focus now shifts to verification of the deployment data reported to the HUBB by the CAF II carriers, which faced a 60% deployment milestone as of the end of 2018. The compliance team will be working closely with CAF II carriers in the months ahead to gather evidence and documentation that substantiates deployment to a random sample of the locations they reported to the HUBB.

Another top priority for High Cost is implementation of the *Performance Measures Order* (DA 18-710), which will require carriers to conduct speed and latency testing of CAF-funded networks and report the results to USAC. High Cost is beginning to design and develop the systems that will collect information about locations in the HUBB that have active subscribers for testing, as well as the actual speed and latency test data. To help inform this work, the program has conducted extensive outreach to carriers, trade associations and vendors developing solutions to help carriers perform the required testing.

Finally, the High Cost program continues to make monthly disbursements of approximately $400M; implement other modernization orders, including the *CAF Phase II Auction Order* (DA 19-126) and the *December 2018 Rate of Return Reform Order* (FCC 18-176); and is gearing up for the annual Forms 481 and 690 filing window end date of July 1, 2019.

High Cost Program Updates & Accomplishments

- March 1 Filing Deadline accomplishments: CAF II carriers were 100% filed and certified by the filing deadline (123 out of 123 SACs, with more than 750,000 locations reported) and carriers overall were 99% filed and certified by the end of the grace period (488 SACs in total, with more than 141,000 locations reported for ACAM, CAF-BLS, RBE and Alaska Plan).
- Conducted extensive outreach to help carriers navigate the annual March 1 HUBB filing deadline: Updated HUBB resources page, user guide and FAQs; Held webinar and pushed out multiple email reminders to carriers, consultants and trade associations; Call Center and stakeholder engagement team provided troubleshooting assistance and handled incoming questions and requests for help.

- Held six focus groups/listening sessions to gather carrier input/feedback to inform Performance Measures system phase I design. Discussions focused on understanding carrier preferences for submitting subscriber data associated with locations in the HUBB.
- Held meetings with multiple vendors developing solutions to help carriers conduct speed and latency testing in order to comply with the *Performance Measures Order*. Participating vendors were: Vantage Point, Sam Knows, ADTRAN, Ookla, Calix, Assia, Advanced Technologies and Services, Spirent, Fine Point Technologies. Vendor input will help shape data specs for design of system that will collect the test data, as well as the template for gathering the data.
- Delivered High Cost/CAF Map presentation and demo at NARUC Winter Policy Summit.
- Verifications - Kick-off activities for CAF 2 - 60% milestone and ACS 30% milestone.
- PR & USVI: PR & USVI drive test activities to collect baseline of mobile coverage data is complete. The High Cost Business Intelligence/Reporting team collated drive test data, loaded them into Carto, created map and charts of PR/VI initial drive tests and analyzed drive test and SamKnows data. High level project results include the collection of 3.8M test in PR & USVI for 6 carriers. Approximately 6,500 drivable road miles were captured (i.e. 95% of the islands).
- Completed the modifications and enhancements to the Form 481 system for the 2019 filing. Includes enhancements to the process for carriers to request confidentiality of Form 481 fields.

Planned Activities for next quarter (Q2 & Early Q3)

- Successful closing of the Annual Form 481 filing window on July 1, 2019
- Successful closing of the Annual Form 690 filing window on July 1, 2019
- Deploying new HUBB capability that will enable carriers to make modifications to individual location data by June 2019.
- Outreach to help carriers navigate the annual July 1 filing deadlines and participate in select industry conferences.
- Outreach to inform and educate carriers about PMM Phase I launch and prepare them to report HUBB locations with subscribers and begin speed and latency testing. Develop training materials (user guide, FAQs, etc.) and online resources page, conduct webinars and deliver industry presentations, push out email communications and provide ongoing call center/customer service support.
- Outreach to educate carriers about verification lessons learned and best practices (with website content, email communications and possible webinar)

Program Metrics

	Metric	Target	Jan	Feb	Mar	Variance	Description/mitigation
1	Wireless Road miles build out	63,698	49,140	49,140	49,140	14,558	Target Completion is July 2019
2	Wireless Tribal population build out	56,932	42,225	42,225	42,225	14,707	On track with verifications, disbursements occurred in 4Q2018.
3	Wireline Locations validated (CAFII)	100%	100.0%	100.0%	100.0%	0.0%	
4	Wireline Locations Verified (CAFI)	100%				0.0%	CAF I waiver work now in review stages. All testing concluded.
	Wireline Locations Verified (CAF II)	100%	100%	100%	100%	0%	All locations tested. New CAF II announcements anticipated in April.
5	Disbursements completed ($M)	375.0	379	372	391	15.5	Disbursements included PPAs not included in forecast. Actuals based on Mar (Feb. Disb.) cash flow month 2019.
6	Disbursement cycle time	20 Days	17 Days	18 Days	19 Days	1 Day	Monthly cycle time disbursement.
7	IT Systems availability (%)	99%	100%	100%	100%	-	Availability of HUBB, CAP and HCLI systems.
8	Appeals	N/A	4	3	2	N/A	One appeal decision sent to carrier on 3/27/2019.
9	Call Ctre Abandon Rate	3%	1%	1%	1%	-2%	One call was abandoned in March.

Key Takeaways:
- Mobility Fund road miles and population verifications are on track and will meet target build out.
- Disbursements continue to successfully be completed at or under target number of days.

Universal Service Administrative Company
High Cost & Low Income Committee Meeting

ACTION ITEM

Approval of Low Income Support Mechanism
3rd Quarter 2019 Programmatic Budget and
Demand Projection for the May 2, 2019 FCC Filing

Action Requested:

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 3rd Quarter 2019 (3Q2019) programmatic budget and demand projection for the Low Income Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's May 2, 2019 quarterly filing.

Discussion:

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

Funding Requirement

Based on current subscribership levels, USAC estimates the 3Q2019 funding requirement for the Low Income Support Mechanism as follows:

Table A. Program Funding Requirement

(in millions)	2Q2019	Increase/ (Decrease)	3Q2019
Steady State:			
Lifeline	$272.56	($8.70)	$263.86
Link Up	0.07	(0.04)	0.03
New Requirements:			
N/A	0.00	0.00	0.00
Total Program Demand	**$272.63**	**($8.74)**	**$263.89**
Prior Period Adjustments (see Note 1)	(24.34)	6.08	(18.26)
USAC Administrative Expenses (see Table B)	15.53	0.90	16.43
Interest Income	(0.06)	0.05	(0.01)
Total Funding Requirement	**$263.76**	**($1.71)**	**$262.05**

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

Note 1: Prior period adjustments reconcile projections to actual results and include adjustments for billings, disbursements, interest income, and bad debt.

The 3Q2019 Low Income Support Mechanism programmatic budget of $16.43 million represents approximately 26% of the 2019 annual Low Income Support Mechanism programmatic budget of $64.25 million.

Table B. 3Q2019 Quarterly Programmatic Budget

(in millions)	3Q2019 Budget
Direct Program Costs	
Employee Expenses	$1.77
Professional Services	5.05
General & Administrative (Note 2)	0.85
Total Direct Program Costs	**$7.67**
Direct Assigned Costs	
Employee Expenses	$0.94
Professional Services	3.08
General & Administrative (Note 2)	0.38
Total Direct Assigned Costs	**$4.40**
Total Direct Program & Direct Assigned Costs	**$12.07**
Common Allocated Costs	**$4.36**
Total Programmatic Budget	**$16.43**

Note 2: General & Administrative expenses include computer support & maintenance, printing & postage, and hardware & equipment.

A comparison of actual expenditures to the budget for the three months ending March 31, 2019 is provided in **Attachment A.**

Recommendation:

USAC management recommends that the Committee approve the 3Q2019 budget and projection of demand as proposed.

Recommended High Cost & Low Income Committee Actions:

APPROVAL OF THE FOLLOWING RESOLUTIONS:

RESOLVED, that the USAC High Cost & Low Income Committee approves a 3rd Quarter 2019 Low Income Support Mechanism direct program budget of $12.07 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of $12.07 million for Low Income Support Mechanism administrative costs in the required May 2,

2019 filing to the FCC on behalf of the Committee; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on April 29, 2019 a summary of the 3rd Quarter 2019 Low Income Support Mechanism demand estimate, hereby directs USAC staff to proceed with the required May 2, 2019 filing to the FCC on behalf of the Committee. USAC staff may make adjustments if the total variance for the Low Income Support Mechanism is equal to or less than $10 million, or may seek approval from the Committee Chair to make adjustments if the total variance is greater than $10 million, but not more than $15 million.

ATTACHMENT A

Low Income Administrative Costs and Headcount
Comparison of Actual Expenditures and Headcount to the Budget for the
Three Months Ending March 31, 2019

($ in millions)	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	37	48	11	$1.25	$1.71	$0.46
Professional Services (Note 3)				2.00	4.43	2.43
General & Administrative (Note 4)				0.04	0.57	0.53
Total Direct Program Costs				**$3.29**	**$6.71**	**$3.42**
Direct Assigned Costs						
Employee Expenses	21	22	1	$0.90	$0.93	$0.03
Professional Services (Note 3)				2.96	3.08	0.12
General & Administrative (Note 4)				0.27	0.39	0.12
Total Direct Assigned Costs				**$4.13**	**$4.40**	**$0.27**
Total Direct Program & Direct Assigned Costs	**58**	**70**	**12**	**$7.42**	**$11.11**	**$3.69**
Common Allocated Costs (Note 5)				**$3.31**	**$4.05**	**$0.74**
Total Programmatic Budget				**$10.73**	**$15.16**	**$4.43**

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

Note 4: General & Administrative expenses include computer support & maintenance, printing & postage, and hardware & equipment.
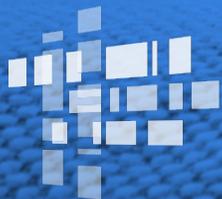
Note 5: Common costs include costs not directly attributable to a program and are allocated based on the Cost Allocation Methodology, which allocates costs based 50% on direct program costs in the prior year and 50% on program demand in the prior year.

Lifeline Business Update

High Cost Low Income Committee

April 29, 2019

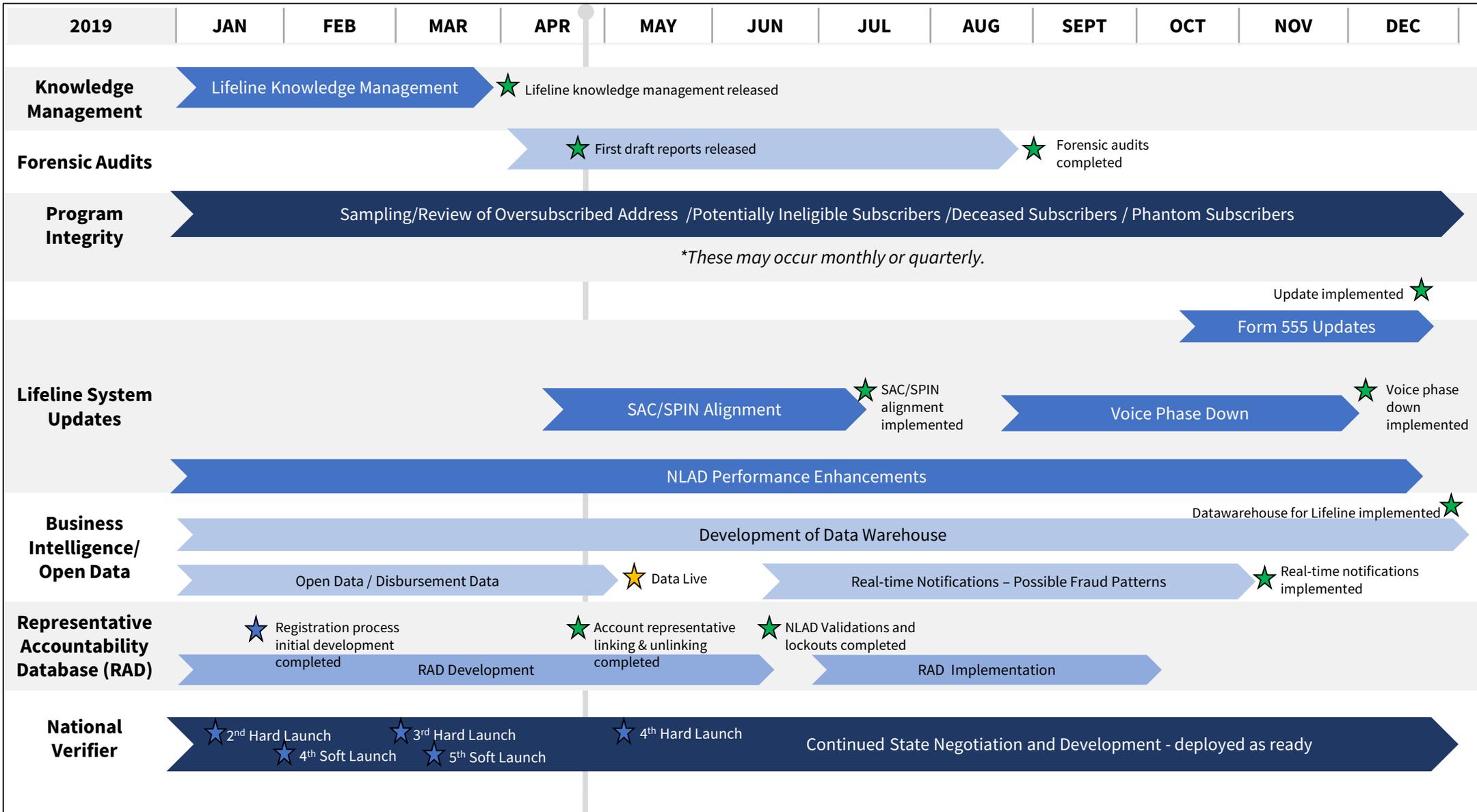**Universal Service**
Administrative Co.

Agenda: Lifeline

Topic	Description	Purpose	Presenter	Length
Recap	Review of action items and status from previous HCLI Committee meeting	Informational	Michelle	1 min
Lifeline Program at a Glance	Overview of Lifeline activities for next 12 months	Informational	Michelle	3 min
Discussion Topic	Representative Accountability Database (RAD)	Informational	James	15 min
Appendix A	Lifeline Program Trends	Informational	-	-
Appendix B	Glossary of Acronyms and Projects	Informational	-	-
Appendix C	Q1 2019 Accomplishments, Planned Activities, and Metrics	Informational	-	-

2

January Board Recap

Action items and updates from previous HCLI Committee meetings

Activity	Status	Due Date	Owner
Provide more information on NV trends and Lifeline program trends.	Content provided as a reference item in this deck	4/29	Lifeline
Provide overview of RAD implementation.	Content provided as discussion topic in this deck	4/29	Lifeline
Provide more information on NV rollout and outcomes.	Content provided as discussion topic in this deck	4/29	Lifeline

3

Lifeline Program at a Glance

2019	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC

Knowledge Management — Lifeline Knowledge Management · Lifeline knowledge management released

Forensic Audits — First draft reports released · Forensic audits completed

Program Integrity — Sampling/Review of Oversubscribed Address /Potentially Ineligible Subscribers /Deceased Subscribers / Phantom Subscribers
These may occur monthly or quarterly.

Lifeline System Updates — Update implemented · Form 555 Updates · SAC/SPIN Alignment · SAC/SPIN alignment implemented · Voice Phase Down · Voice phase down implemented · NLAD Performance Enhancements

Business Intelligence/ Open Data — Development of Data Warehouse · Datawarehouse for Lifeline implemented · Open Data / Disbursement Data · Data Live · Real-time Notifications – Possible Fraud Patterns · Real-time notifications implemented

Representative Accountability Database (RAD) — Registration process initial development completed · Account representative linking & unlinking completed · NLAD Validations and lockouts completed · RAD Development · RAD Implementation

National Verifier — 2nd Hard Launch · 3rd Hard Launch · 4th Hard Launch · 4th Soft Launch · 5th Soft Launch · Continued State Negotiation and Development - deployed as ready

Legend
- ★ Milestone Completed
- ★ Milestone on Track
- ★ Milestone at Risk
- ★ Milestone Delayed
- ★ Milestone On Hold/TBD

Milestone Complete
- Registration process initial development
- Hard Launch 2-4
- Soft Launch 4-5

Milestone at Risk
- Data Live

All other milestones are on track.

See Appendix C for 1st quarter accomplishments, planned activities, and metrics.

Representative Accountability Database (RAD) Implementation

RAD is new system that will require ETC representatives to register with USAC to obtain a unique ID that USAC uses to track representatives' Lifeline transactions in NLAD and NV. Transactions will be monitored for potential fraudulent enrollments and eligibility verifications.   USAC will also be able to use this system to lock out system access for users suspected of suspicious activities.

- Purpose of RAD
    - In its 2017 "Safeguards Letter," the FCC directed USAC to create a system for registering ETC representatives that would include:
        - The ability for USAC to verify representatives' identity,
        - Link representatives to the ETC(s) for which they enroll, qualify, or otherwise interact with subscribers,
        - The ability for USAC to lock representatives suspected of fraud out of its systems.
    - USAC also stated it would create a process for regularly recertifying representatives.

- Current Status
    - Development of RAD is well underway and implementation is tentatively scheduled to begin in mid 2019, starting with registration. USAC is currently conducting outreach to small groups of carriers to address initial concerns and questions and prepare to present the system to all ETCs.

5

RAD Interaction with Lifeline Systems

When RAD is fully implemented (as a new component of NLAD), the NLAD and National Verifier System will authenticate with it to link representatives' transactions and verify that the representative's account is not locked. USAC's process will include reviewing suspicious transaction patterns to lock user accounts to address potential bad actors.

Progress Flow:

1. Representative accesses the NLAD or National Verifier System

2. NLAD/National Verifier verifies with RAD that representative is not locked out

3. NLAD/National Verifier stores the representative ID or account information from RAD with each transaction record within NLAD and NV
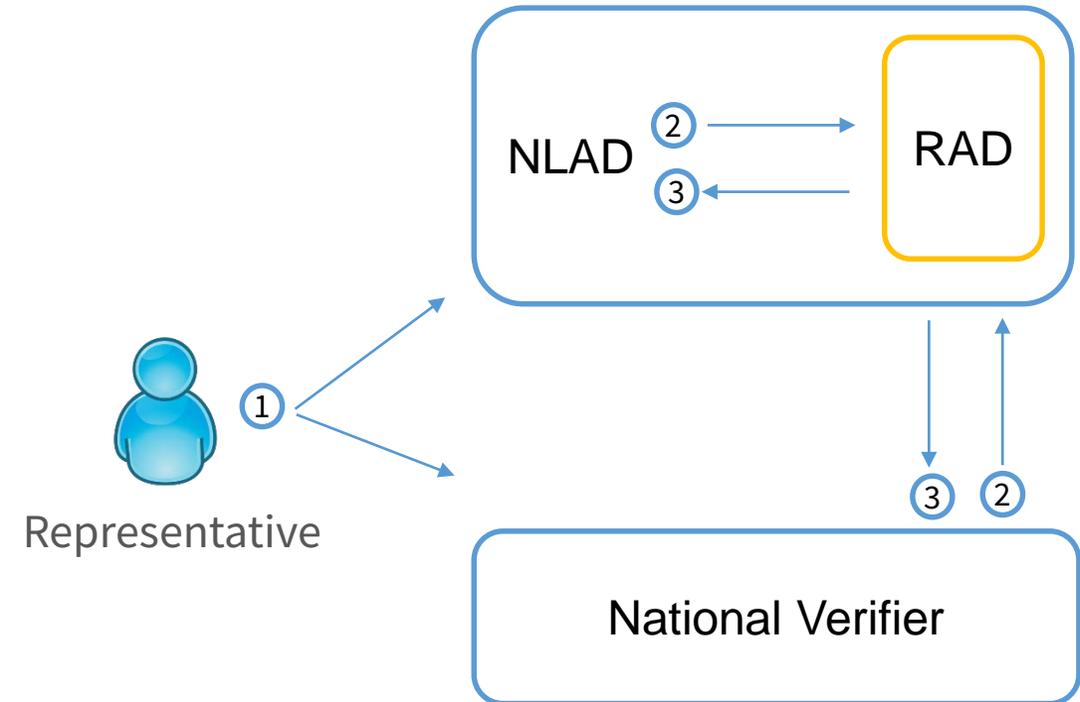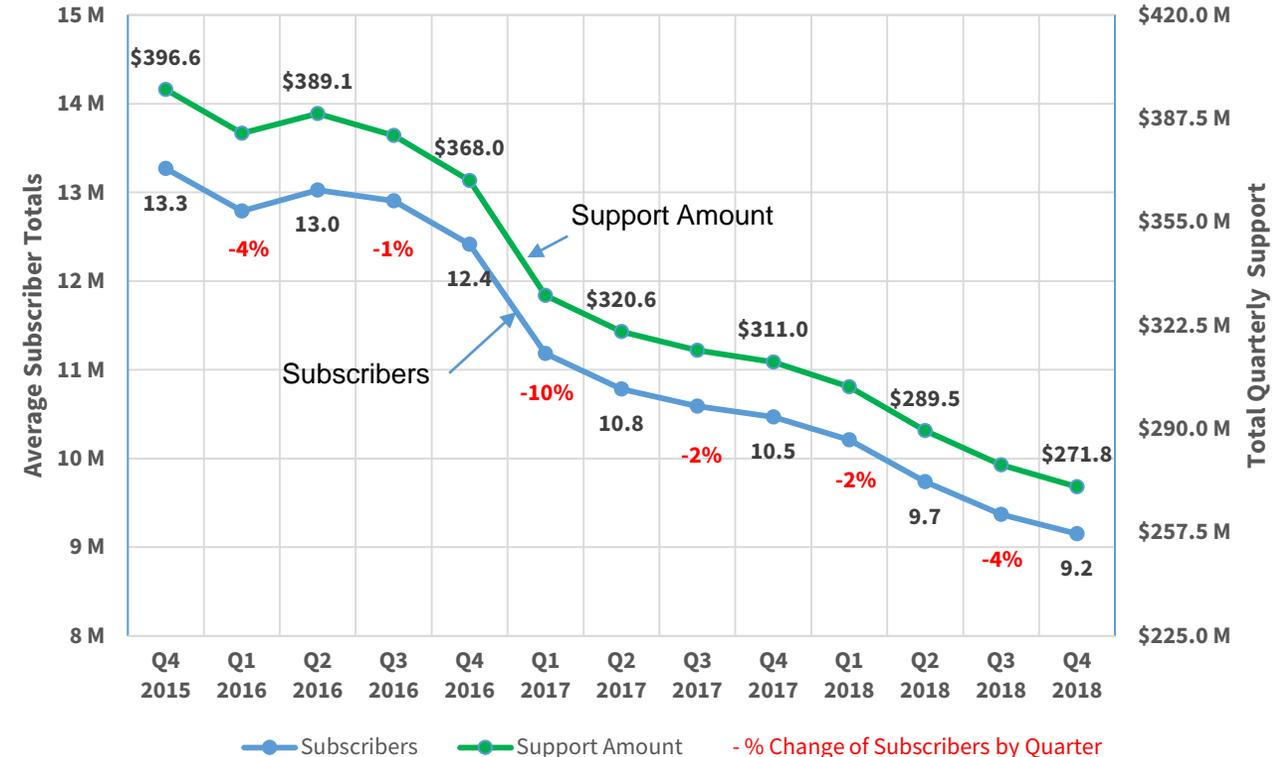
Appendix A: Lifeline Program Trends

The data below reflects a general drop in Lifeline subscribership and support over the past 3 years. The 2016 Lifeline Order states that Lifeline support will be provided only for qualifying broadband starting December 1, 2021, with a two year phase down of support for voice-only service or bundles without qualifying broadband service starting December 1, 2019. After December 1, 2021, a reduced voice support amount will be available to an ETC that is the only Lifeline provider in a Census block.

Lifeline Program Service Type Trends

Month	Broadband	Bundled Broadband	Voice Bundled	Bundled Voice Broadband	Voice
Feb. 2019	0.12%	52.13%	27.81%	6.10%	13.84%
Jan. 2019	0.11%	51.93%	27.79%	6.14%	14.03%
Dec. 2018	0.11%	51.37%	28.07%	6.18%	14.27%
Nov. 2018	0.11%	66.68%	6.87%	11.67%	14.68%
Oct. 2018	0.11%	67.90%	2.66%	14.26%	15.08%
Sept. 2018	0.11%	66.83%	2.88%	14.64%	15.54%
Aug. 2018	0.11%	66.32%	3.07%	14.51%	16.00%

- Broadband Only – Broadband service meeting minimum service standards
- Bundled Voice – Broadband and voice, but only voice meeting minimum service standards
- Bundled Voice & Broadband – Broadband and voice, both meeting minimum service standards
- Bundled Broadband – Broadband and voice, but only broadband meeting minimum service standards
- Voice Only – Voice service meeting minimum service standards

Lifeline 3 Year Quarter-over-Quarter Subscribership & Support Amounts

Appendix B: Glossary of Acronyms and Projects

Term	Definition
BPO	Business Process Outsourcing to handle call center and manual application reviews for the Lifeline program.
CMS	Centers for Medicare and Medicaid Services, federal administrator of Medicare and Medicaid benefits.
CMA	Computer Matching Agreement, the computerized comparison of records for the purpose of establishing or verifying eligibility for a federal benefit program.
DIB	Data Integrity Board, the body within a federal agency that approves and oversees Computer Matching Agreements.
Forensic Audit	The Chairman of the Senate Committee on Homeland Security and Government Affairs requested on September 15, 2017 that USAC and the FCC perform forensic audits of the top 30 eligible telecommunication carriers. This request followed the GAO's 2017 Audit Report. The FCC directed USAC to audit the top 30 Study Area Codes (SACS), which spanned across eight carriers.
National Verifier (NV)	A framework of systems and processes for which roll out is in progress that will conduct eligibility determinations and other functions necessary to enroll subscribers into the Lifeline program, transferring the responsibility from ETCs.
NLAD	National Lifeline Accountability Database, an existing system that allows service providers (SPs) to check on a real time, nationwide basis whether a consumer is already receiving a Lifeline Program-supported service, and to maintain records of Lifeline subscribers.
RAD	Registration Accountability Database, which is being developed to register and monitor Eligible Telecommunication Carriers' (ETC) representatives who perform transactions in Lifeline systems. The RAD will track the representatives' activities to identify unusual, suspicious and potentially inappropriate behavior, and restrict their system access where appropriate.
Recertification	Annual review of an existing subscriber's eligibility, which is due by his or her respective enrollment anniversary date. Carriers are responsible for this where the National Verifier has not yet been implemented, but they may elect USAC to perform this function for them.
Reverification	One time verification of existing subscriber's eligibility, which is required as a state migrates into the National Verifier. This process differs from recertification because it does not rely upon any self-certification. USAC performs this function unless the carrier opts out and elects to perform this function themselves.
Voice Phase Down	Based on the 2016 Lifeline Order, support for voice service (not bundled with Lifeline qualifying broadband) will be reduced annually beginning on 12/1/2019.

Universal Service Administrative Company
High Cost & Low Income Committee Meeting

INFORMATION ITEM

APPENDIX C

Lifeline Business Update
Q1 2019 Update on Lifeline Administration

Overall Summary from Q1 2019

As of Q1, the National Verifier hard launched in 16 states/territories and soft launched in 11 states/territories (27 total). During Q1, Lifeline completed development of the first phase of the Representative Accountability Database (RAD) and will soon begin outreach to carriers to solicit feedback on the system's functionality. In addition, USAC made improvements to the participant experience by enhancing the "Companies Near Me" website tool, made consumer National Verifier portal enhancements for address updates, made changes to the reverification process, and revisited its training and website materials based on lessons learned.

Lifeline Program Updates & Accomplishments

- Soft launched the National Verifier in Alaska, American Samoa, District of Columbia, Delaware, Maine, Northern Mariana Islands, Rhode Island, and Virgin Islands (February 2019) and Indiana, Kentucky, and Michigan (March 2019).
- Hard launched the National Verifier in Guam, Hawaii, Idaho, North Dakota, New Hampshire, and South Dakota (January 2019).
- Negotiated draft Computer Matching Agreement (CMA) with Centers for Medicare and Medicaid Services, and began technical development on a nationwide Medicaid connection. CMA subject to further federal approvals.
- Updated "Companies Near Me" website tool to search by city (previously searchable by state or zip code only).
- Modified the reverification process to default to USAC outreach assumption with a carrier opt-out option, rather than the reverse. This is anticipated to improve user experience and ensure proper notification of consumers regarding reverification requirements, versus the prior approach that resulted in some confusion around roles and responsibilities.
- Updated the National Verifier consumer portal to enable consumers to make their own address changes.
- Completed first phase of Representative Accountability Database (RAD) implementation which included the system development of the registration process.
- Reworked the National Verifier training materials and website materials based on lessons learned in earlier launches.

Planned Activities for Q2 2019

- Conduct National Verifier hard launch of Alaska, American Samoa, Delaware, District of Columbia, Maine, Northern Mariana Islands, Rhode Island, and Virgin Islands on May 7, 2019.
- Work towards an additional soft launch of the National Verifier.
- Per FCC guidance, work with states that have been implemented without state connections to SNAP or Medicaid to revisit the opportunity for an automated connection.
- Conduct Representatives Accountability Database (RAD) focus groups to solicit input on the implementation.
- Evaluate, prioritize, and implement changes based on feedback for the National Verifier that is within USAC's administrative purview.

Program Metrics for Q1 2019

	Metric		Target	January Actuals	February Actuals	March Actuals	Variance to Target (most recent)	Comment
1	Recertification Rate		65%	N/A	57%	58%	- 7%	As a state is brought into the National Verifier, recertification is stopped for SACs in that state. A lower rate is due to smaller volumes of SACs that are typically high performers during recertification.
2	Disbursements Completed ($M)		93.1	90.7	92.8	86.6	-6.5	Displays actual disbursements authorized, which includes original claims in the previous data month and prior revisions received. Target set for 1Q2019.
3	System Uptime (%)	NLAD:	99%	100%	100%	100%	+1.00%	100% uptime in March
		LED:	99%	100%	100%	100%	+1.00%	100% uptime in March
4	Call Center Abandon Rate		3.00%	34.11%	11.78%	6.16%	+ 3.16%	Abandonment rate continues to improve, even with a 9% increase in calls received in March 2019, up from February 2019, by increasing staff levels to support higher call volumes and changing schedules to accommodate the hour intervals trending with higher call rates.
5	Appeals over 90 days aged		0	89	88	94	+94	In March, six appeals aged greater than 90 days.
6	Appeals Average Age (days)		90	305	315	343	+253	Lifeline is continuing to work on the resolution of open appeals. In February one appeal was resolved.
7	Manual eligibility verification (% of total applications w/ manual decisions)		TBD	38%	35%	27%	N/A	Includes applications decided using manual documentation review due to failing eligibility database and/or NLAD checks, created within the actuals month. This does not include reverifications.
8	Average Manual Review Time (BPO biz hrs)	Portal:	<10 min	7 min	8 min	4 min	-6 min	Significant improvement has occurred by the BPO during base lining period.
		Mail:	<48 hrs	21 mins	24 min	23 min	-47.6 hr	
9	Reverifications Completed	Launch 1:	317k	6,603	3,558	1,809	N/A	Displays all initially confirmed eligibility results. 72% of Launch 1 subscribers has successfully reverified thus far, when accounting for consumer initiated de-enrollments. Launch 2 & 3 began in December 2018 and is ongoing.
		Launch 2:	52k	1,353	1,327	2,202		
		Launch 3:	960k	125,278	411,698	10,408		

Metrics # 1, 5 and 6 – Not meeting target; Metrics # 2, 3 and 8 – On target; Metric #4 – At risk