Briefing book excludes all materials discussed in Executive Session.

High Cost & Low Income Committee

Briefing Book

July 27-28, 2020

Universal Service Administrative Company Offices

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

Washington, D.C. 20005

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

USAC Offices
700 12th Street, N.W., Suite 900
Washington, D.C. 20005

	July 27, 2020 **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 April 28, 2020 and June 26, 2020	2
Vic	**a1.** Approval of High Cost Support Mechanism 4th Quarter 2020 Programmatic Budget and Demand Projection for the July 31, 2020 FCC Filing	5
Teleshia	**i1.** Information on Six UASC Audit and Assurance Division High Cost Support Mechanism Beneficiary Audit Reports (*For Information Only)*	–
Vic	**i2.** High Cost Business Update • Program Administration Scorecard for High Cost • Performance Measures Module • Eligible Locations Adjustment Process • Q2 2020 Update on High Cost Administration (*For Information Only)*	20

	July 28, 2020 **HIGH COST OPEN SESSION**	*Estimated Duration in Minutes*
Chair	**a2.** Consent Items (each available for discussion upon request): **B.** Approval of moving all ***Executive Session*** items into ***Executive Session***	2

	HIGH COST EXECUTIVE SESSION **Confidential – *Executive Session Recommended***	
Vic	**i2.** High Cost Business Update *(Continued)* • Verifications – 18-Month at a Glance • Supply Chain Order	20

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	July 27, 2020 **LOW INCOME OPEN SESSION**	*Estimated Duration in Minutes*
James	**a3.** Approval of Low Income Support Mechanism 4th Quarter 2020 Programmatic Budget and Demand Projection for the July 31, 2020 FCC Filing.	5
James	**i3.** Lifeline Business Update • Program Administration Scorecard for Lifeline • Q2 2020 Update on Low Income Administration (*For Information Only)*	15

	July 28, 2020 **LOW INCOME EXECUTIVE SESSION** **Confidential** – ***Executive Session Recommended***	*Estimated Duration in Minutes*
James	**i3.** Low Income (Lifeline) Business Update *(Continued)* • Lifeline 508 Compliance Update • COVID-19 Outcomes	15

Next Scheduled USAC High Cost & Low Income Committee Meeting

Monday, October 26, 2020
2:00 p.m. – 4:30 p.m. Eastern Time
USAC Offices, Washington, D.C.

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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 item listed below.

Discussion

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

A. Committee meeting minutes of April 28, 2020 and June 26, 2020 (*see* **Attachments A1 – A2**).

Upon request of a Committee member, the above item is available for discussion by the Committee.

Recommended USAC High Cost & Low Income Committee Action

APPROVAL OF THE FOLLOWING RESOLUTION:

RESOLVED, that the USAC High Cost & Low Income Committee hereby approves the Committee meeting minutes of April 28, 2020, and June 26, 2020.

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

HIGH COST & LOW INCOME MEETING
Friday, June 26, 2020

(DRAFT) MINUTES[1]

Due to the temporary closure of USAC's offices in Washington, D.C. in response to the COVID-19 pandemic, the non-quarterly meeting of the High Cost and Low Income Committee (Committee) of the USAC Board of Directors (Board) was conducted by web conference on Friday, June 26, 2020. Mr. Ken Mason, Committee Chair, called the meeting to order at 12:11 p.m. Eastern Time, with a quorum of nine of the 11 Committee members present:

Feiss, Geoff
Freeman, Sarah
Gerst, Matthew
Gillan, Joe
Jacobs, Ellis
Mason, Ken – Chair
Sekar, Radha – Chief Executive Officer
Waller, Jeff
Wein, Olivia – Vice Chair

Members of the Committee not present:

Polk, Stephanie
Tinic, Atilla

Other Board members and officers of the corporation present:

Beckford, Ernesto – Vice President, General Counsel, and Assistant Secretary
Beyerhelm, Chris – Chief Administrative Officer
Buzacott, Alan – Member of the Board
Choroser, Beth – Member of the Board
Domenech, Dr. Dan – Member of the Board
Fontana, Brent – Member of the Board
Gaither, Vic – Vice President of High Cost
Gregory, Amber – Member of the Board
Salvator, Charles – Vice President of Finance, Chief Financial Officer and Assistant Treasurer
Schell, Julie Tritt – Member of the Board
Wade, Dr. Joan – Member of the Board

[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.

Others present:

NAME	COMPANY
Hamm, Aaron	USAC
James, Christine	USAC
Lee, James	USAC
Nuzzo, Patsy	USAC
Samuels, Victoria	USAC
Tiwari, Tanya	USAC

OPEN SESSION

a1. **Consideration of Contract Award for the HCLI Business and Functional Analysis and Requirements Documentation.** USAC management 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 High Cost & Low Income Committee determines that the discussion of this item be conducted in ***Executive Session***.

a2. **Consideration of Contract Award for the Lifeline Program Evaluation.** USAC management 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 High Cost & Low Income Committee determines that the discussion of this item be conducted in ***Executive Session***.

At 12:12 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into ***Executive Session*** for the purpose of discussing the confidential items listed above. Only members of the Board and USAC staff were present.

EXECUTIVE SESSION

a1. **Consideration of Contract Award for the HCLI Business and Functional Analysis and Requirements Documentation.** Mr. Beyerhelm presented this item for consideration. The presentation included a summary slide and written report with information on USAC management's proposed award of a firm fixed price contract for

High Cost & Low Income (HCLI) business and functional analysis and requirements documentation. Modification of the content of future procurement papers was discussed and USAC management agreed to provide additional content that could be shared while maintaining required confidentiality.

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

RESOLVED, that the USAC Board of Director's High Cost & Low Income Committee, having reviewed the recommendation of USAC management, authorizes USAC management to award a firm fixed price (FFP) contract to KPMG for High Cost & Low Income business and functional analysis and requirements documentation. The contract is for a term of six months for a not-to-exceed amount of $645,000 (plus applicable taxes), and an additional 10 percent contingency reserve of the FFP in the amount of $64,500 (plus applicable taxes) for a total not-to-exceed amount of $709,500 (plus applicable taxes), subject to required FCC approval.

a2. **Consideration of Contract Award for the Lifeline Program Evaluation.** Mr. Beyerhelm presented this item for consideration. The presentation included a summary slide and written report with information on USAC's proposed award of a firm fixed price contract to conduct an independent program evaluation to determine whether USAC's Lifeline program meets all mission objectives.

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

RESOLVED, that the USAC Board of Director's USAC High Cost & Low Income Committee, having reviewed the recommendation of USAC management, authorizes USAC management to award a firm fixed price (FFP) contract to Grant Thornton for Lifeline program evaluation services. The contract is for a term of six months for a not-to-exceed amount of $309,090.33 (plus applicable taxes), and an additional 20 percent contingency reserve of the FFP in the amount of $61,818.07 (plus applicable taxes) for a total not-to-exceed amount of $370,908.40 (plus applicable taxes), subject to required FCC approval.

OPEN SESSION

At 12:43 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved out of ***Executive Session*** and immediately reconvened in ***Open Session***, at which time Mr. Mason reported that, in ***Executive Session***, the Committee discussed and took action on items a1 and a2.

On a motion duly made and seconded, the Committee adjourned at 12:43 p.m. Eastern Time.

/s/ Ernesto Beckford
Assistant Secretary

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

HIGH COST & LOW INCOME COMMITTEE MEETING
Tuesday, April 28, 2020

(DRAFT) MINUTES[1]

Due to the temporary closure of USAC's offices in Washington, D.C. in response to the COVID-19 pandemic, the quarterly meeting of the High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) was conducted by web conference on Tuesday, April 28, 2020. Mr. Ken Mason, Committee Chair, called the meeting to order at 10:29 a.m. Eastern Time, with a quorum of ten of the 11 Committee members present:

Feiss, Geoff
Freeman, Sarah
Gerst, Matthew
Gillan, Joe
Mason, Ken – Chair
Polk, Stephanie
Sekar, Radha – Chief Executive Officer
Tinic, Atilla
Waller, Jeff
Wein, Olivia – Vice Chair

Mr. Ellis Jacobs joined the meeting by telephone at 1:49 p.m. Eastern Time. He did not participate in the discussion of or vote on items a1, a2, a4, i1 and i3.

Other Board members and officers of the corporation present:

Ayer, Catriona – Vice President of Shared Services
Beckford, Ernesto – Vice President, General Counsel, and Assistant Secretary
Beyerhelm, Chris – Vice President of Enterprise Portfolio Management
Buzacott, Alan – Member of the Board
Choroser, Beth – Member of the Board
Davis, Craig – Vice President of Schools and Libraries
Delmar, Teleshia – Vice President of Audit and Assurance
Domenech, Dr. Daniel – Member of the Board
Fontana, Brent – Member of the Board
Gaither, Vic – Vice President of High Cost
Garber, Michelle – Vice President of Enterprise Resource Program
Gregory, Amber – Member of the Board
Hutchinson, Kyle – Vice President of IT and Chief Information Officer
Salvator, Charles – Vice President, Chief Financial Officer, and Assistant Treasurer

[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.

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:

NAME	COMPANY
Augustine, Steve	Kelley Drye & Warren LLP
Benham, Cathy	CMS Consulting Inc.
Butler, Stephen	USAC
Carroll, Kathy	CMS Consulting Inc.
Cruzan, Cathy	Funds For Learning
D'Aguiar, J'amie	USAC
DiVo, Victor	USAC
Goode, Vernell	USAC
Hamm, Aaron	USAC
James, Christine	USAC
Kriete, Debra	SECA
Lock, Sean	Funds For Learning
Mitchell, Tamika	USAC
Nelbach, Nick	USAC
Nuzzo, Patsy	USAC
Samuels, Victoria	USAC
Tiwari, Tanya	USAC

HIGH COST OPEN SESSION

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

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

A. Approval of High Cost & Low Income Committee Meeting Minutes of January 27, 2020, February 11, 2020, and March 2, 2020.

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

(1) **i2** – High Cost Business Update (*Continued).* USAC management recommends that this item be discussed in ***Executive Session*** because it involves ***specific internal controls or confidential company data,*** and ***internal rules and procedures*** concerning the administration of the universal service support mechanisms; discussion of the matter in open session would result in ***disclosure of confidential techniques and procedures*** that would compromise program integrity**.**

(2) **a3** – Consideration of a Contract Award for the High Cost Model Operations & Maintenance and Enhancements. USAC management recommends that this item be discussed in ***Executive Session*** because it relates to USAC's ***procurement strategy and contract administration***.

(3) **i4 –** Low Income (Lifeline) Business Update *(Continued)*. USAC management recommends that this item be discussed in ***Executive Session*** because it involves ***specific internal controls or confidential company data,*** and ***internal rules and procedures*** concerning the administration of the universal service support mechanisms; discussion of the matter in open session would result in ***disclosure of confidential techniques and procedures*** that would compromise program integrity. This item also relates to USAC's ***procurement strategy and contract administration***.

(4) **a5** – Consideration of Contract Award for O&M Services Year 2 for API with Centers for Medicare and Medicaid Services. USAC management recommends that this item be discussed in ***Executive Session*** because it relates to USAC's ***procurement strategy and contract administration.***

(5) **i5** – ***Executive Session*** Discussion with the Committee/Board. USAC management recommends this item be discussed in ***Executive Session*** because it 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 January 27, 2020, February 11, 2020, and March 2, 2020; and (2) discussion in ***Executive Session*** of the items noted above.

a2. Approval of High Cost Support Mechanism 3rd Quarter 2020 Programmatic Budget and Demand Projection for the May 1, 2020 FCC Filing. Mr. Gaither presented this item for consideration. The presentation included a written report on USAC management's recommendations for the High Cost Support Mechanism 3rd quarter 2020 programmatic budget and demand projection for the May 1, 2020 FCC filing.

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

RESOLVED, that the USAC High Cost & Low Income Committee approves a 3rd Quarter 2020 High Cost Support Mechanism direct program budget of $7.28 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of $7.28 million for High Cost Support Mechanism administrative costs in the required May 1, 2020 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 28, 2020 the 3rd Quarter 2020 High Cost Support Mechanism demand estimate of $1,205.23 million, hereby directs USAC staff to proceed with the required May 1, 2020 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. High Cost Business Update.

- Q1 2020 Update on High Cost Administration. Mr. Mason noted that the report was provided for *information only* and would be posted publically on USAC's website. No discussion was held.

LIFELINE OPEN SESSION

a4. Approval of Low Income Support Mechanism 3rd Quarter 2020 Programmatic Budget and Demand Projection for the May 1, 2020 FCC Filing. Mr. Lee presented this item to the Committee for consideration. The presentation included a written report on USAC management's recommendations for the Low Income Support Mechanism 3rd quarter 2020 programmatic budget and demand projection for the May 1, 2020 FCC filing.

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

RESOLVED, that the USAC High Cost & Low Income Committee approves a 3rd Quarter 2020 Low Income Support Mechanism direct program budget of $12.98 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of $12.98 million for Low Income Support Mechanism administrative costs in

the required May 1, 2020 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 28, 2020 the 3rd Quarter 2020 Low Income Support Mechanism demand estimate of $206.66 million, hereby directs USAC staff to proceed with the required May 1, 2020 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.

i3. Lifeline Business Update.

- Q1 2020 Update on Low Income Administration. Mr. Mason noted that the report was provided for *information only* and would be posted publically on USAC's website. No discussion was held.

At 10:42 a.m. Eastern Time, on a motion duly made and seconded, the Committee recessed and reconvened in ***Executive Session*** at 1:33 p.m. Eastern Time for the purpose of discussing the confidential items noted above. Only members of the Board and USAC staff were present.

HIGH COST EXECUTIVE SESSION

i2. High Cost Support Mechanism Business Update. Mr. Gaither presented PowerPoint slides covering the following:

- Performance Measures
- Eligible Locations Adjustment Process (ELAP)
- Impact of COVID -19 on High Cost Program

a3. Consideration of a Contract Award for High Cost Model Operations & Maintenance and Enhancements. Mr. Beyerhelm presented this item to the Committee. The presentation included a written summary and report detailing USAC management's recommendations for awarding sole source contract for High Cost Model Operations & Maintenance (O&M) and Enhancements to CostQuest Associates (CostQuest).

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

RESOLVED, that the USAC Board of Director's High Cost and Low Income Committee, having reviewed the recommendation of USAC management, authorizes USAC management to award a sole source contract to CostQuest for High Cost Model Operations & Maintenance and

Enhancements. The contract is fixed price with a T&M component for O&M and enhancements for a base period of eighteen (18) months from July 1, 2020, through December 31, 2021, for approximately $435,000 (plus applicable taxes), with the ability to exercise four (4) additional one-year option terms, for a total not-to-exceed amount of $1.6 million (plus applicable taxes) over the base period and four (4) one-year option terms. Exercise of option terms to extend the contract beyond the initial eighteen (18) month term are subject to FCC and Committee approval.

LOW INCOME EXECUTIVE SESSION

i4. **Low Income Support Mechanism (Lifeline) Business Update.** Mr. Lee presented PowerPoint slides covering the following topics to the Committee for discussion:

- National Verifier Update
- Impact of COVID-19 on Lifeline Program

a5. **Consideration of Contract Award for O&M Services Year 2 for API with Centers for Medicare and Medicaid Services.** Mr. Beyerhelm presented this item to the Committee. The presentation included a written summary and report detailing USAC management's recommendations to award a sole source contract renewal to the Centers for Medicare & Medicaid Services (CMS) for one year of operations and maintenance services.

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, having reviewed the recommendation of USAC management, hereby authorizes USAC management, subject to FCC approval, to award a one year sole source contract renewal to CMS for operations and maintenance support of the automated computer matching interface with CMS for an estimated price of $645,473 (plus applicable taxes). The estimated price of $645,473 is comprised of $545,473 for fixed price operations and maintenance work and an additional amount not to exceed $100,000 for security incident work and Amazon Web Services hosting services.

i5. ***Executive Session*** **Discussion with the Committee/Board**. Mr. Mason noted that this item would be omitted until the next in-person meeting.

OPEN SESSION

At 2:44 p.m. Eastern Time, the Committee moved out of ***Executive Session*** and immediately reconvened in ***Open Session***, at which time Mr. Mason reported that, in

Executive Session, the Committee took action on items a3 and a5 and discussed items i2 and i4 above.

On a motion duly made and seconded, the Committee adjourned at 2:45 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 4th Quarter 2020 Programmatic Budget and Demand Projection for the July 31, 2020 FCC Filing

Action Requested:

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 4th Quarter 2020 (4Q2020) programmatic budget and demand projection for the High Cost Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's July 31, 2020 quarterly filing.

Discussion:

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

Funding Requirement

Based on data filed by supported carriers and FCC authorizations, USAC estimates the 4Q2020 funding requirement for the High Cost Support Mechanism as follows:

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

Table A. Summary of Program Funding Requirement
*See **Attachment 1** for further detail*

(in millions)	**3Q2020**	**Increase/ (Decrease)**	**4Q2020**	**Notes**
Steady State:				
Legacy Funds	$407.63	$16.71	$424.34	Includes HCLS, CAF BLS, and Frozen Price Cap and Competitive ETC Support
Modernization Funds	871.27	15.89	887.16	Includes CAF Phase II, CAF Phase II Auction, CAF ICC, Alaska Plan Support, A-CAM I, Revised A-CAM I, A-CAM II, RBE, Mobility Fund Phase I, and Uniendo a Puerto Rico Fund/Connect USVI Fund
Amounts Paid from Reserve	(64.89)	0.00	(64.89)	Disbursements for RBE, Mobility Fund Phase I, and portion of A-CAM I.
Total Steady State	***$1,214.01***	***$32.60***	***$1,246.61***	
New Requirements				
Legacy Funds	0.00	0.00	0.00	
Modernization Funds	0.00	0.00	0.00	
Total New Requirements	***$0.00***	***$0.00***	***$0.00***	
Total Program Demand	**$1,214.01**	**$32.60**	**$1,246.61**	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	(23.01)	16.82	(6.19)	
Billings	(2.05)	15.97	13.92	
Interest Income	0.00	0.00	0.00	
Bad Debt Expense	(0.01)	(21.97)	(21.98)	
Total Prior Period Adjustments	***($25.07)***	***$10.82***	***($14.25)***	
USAC Admin Expenses	16.29	0.14	16.43	See Table B
Total Funding Requirement	**$1,205.23**	**$43.56**	**$1,248.79**	

The 4Q2020 High Cost Support Mechanism programmatic budget of $16.43 million represents approximately 25% of the 2020 annual High Cost Support Mechanism programmatic budget of $65.61 million.

Table B. Quarterly Programmatic Budget

(in millions)	**3Q2020**	**Increase/ (Decrease)**	**4Q2020**	**Notes**
Direct Program Costs				
Employee Expenses	$1.68	$0.08	$1.76	
Professional Services	1.96	(0.18)	1.78	
General & Administrative	0.00	0.00	0.00	
Total Direct Program Costs	**$3.64**	**($0.10)**	**$3.54**	
Direct Assigned Costs				
Employee Expenses	$0.77	$0.04	$0.81	
Professional Services	2.87	(0.32)	2.55	
General & Administrative	0.00	0.00	0.00	
Total Direct Assigned Costs	**$3.64**	**($0.28)**	**$3.36**	
Total Direct Program & Direct Assigned Costs	**$7.28**	**($0.38)**	**$6.90**	
Common Allocated Costs	**$9.01**	**$0.52**	**$9.53**	
Total Programmatic Budget	**$16.29**	**$0.14**	**$16.43**	

A comparison of actual expenditures to the budget for the six months ending June 30, 2020 is provided in **Attachment 2.**

Recommendation:

USAC management recommends that the Committee approve the 4Q2020 budget and projection of demand as proposed.

Recommended High Cost & Low Income Committee Actions:

APPROVAL OF THE FOLLOWING RESOLUTIONS:

RESOLVED, that the USAC High Cost & Low Income Committee approves a 4th Quarter 2020 High Cost Support Mechanism direct program budget of $6.90 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of $6.90 million for High Cost Support Mechanism administrative costs in the required July 31, 2020 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 July 27, 2020 the 4th Quarter 2020

High Cost Support Mechanism demand estimate of $1,248.79 million, hereby directs USAC staff to proceed with the required July 31, 2020 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.

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ATTACHMENT 1

Detailed High Cost Program Demand

(in millions)	3Q2020	Increase/ (Decrease)	4Q2020	Notes
Steady State – Legacy Funds:				
High Cost Loop Support (HCLS)[3]	$98.05	($2.74)	$95.31	Provides legacy support to rural carriers in areas where cost to provide service exceeds 115% of the national average cost per line.
Connect America Fund (CAF) Broadband Loop Support (BLS)[4]	187.41	21.34	208.75	Replaces legacy fund Interstate Common Line Support. Provides support for voice and broadband only lines to offset interstate access charges.
Frozen Price Cap Carrier Support[5]	22.84	(1.52)	21.32	Price Cap carriers receive support frozen at December 2011 levels. Will be replaced by CAF II and CAF II Auction.
Frozen Competitive ETC Support[6]	99.33	(0.37)	98.96	Competitive carriers receive support frozen at December 2011 levels. Will be replaced by CAF II Auction and/or Mobility Fund Phase II.
Total Steady State Legacy Funds	***$407.63***	***$16.71***	***$424.34***	

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

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(in millions)	**3Q2020**	**Increase/ (Decrease)**	**4Q2020**	**Notes**
Steady State – Modernization Funds:				
CAF Phase II[7]	379.42	0.00	379.42	Support to Price Cap carriers based on Connect America Cost Model (CACM).
CAF Phase II Auction	37.77	0.09	37.86	Support to auction winners in areas that Price Cap carriers did not accept CAF Phase II model support and in extremely high cost service areas.
CAF Intercarrier Compensation (ICC)[8]	99.48	0.00	99.48	Allows incumbent carriers to charge residential customers an Access Recovery Charge on a limited basis and to recover charges from certain multi-line customers.
Alaska Plan Support[9]	32.08	0.00	32.08	Support for Rate of Return carriers and their wireless affiliates for broadband services Alaska.
Alternative Connect America Cost Model I (A-CAM)[10]	142.91	0.00	142.91	Model support to Rate of Return carriers for voice and broadband infrastructure.

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

(in millions)	**3Q2020**	**Increase/ (Decrease)**	**4Q2020**	**Notes**
Revised A-CAM[11]	16.48	0.00	16.48	Additional support to existing A-CAM Rate of Return carriers in exchange for extending broadband service to additional locations.
A-CAM II[12]	128.42	0.00	128.42	Model support to Rate of Return carriers that currently receive legacy support to fund the deployment of voice and broadband-capable networks in their service territories.
Rural Broadband Experiments (RBE)[13]	0.72	0.00	0.72	Support to RBE winners in Price Cap areas for experiments for robust broadband infrastructure in rural communities.
Mobility Fund Phase I[14]	12.42	0.00	12.42	Support to wireless carriers for the expansion of mobile broadband networks in unserved areas.
Uniendo a Puerto Rico Fund/Connect USVI Fund	21.57	15.80	37.37	Puerto Rico Fund Support targeted to Puerto Rico carriers to rebuild and improve networks and US Virgin Island Fund Support targeted to Virgin Island carriers to rebuild and improve networks.
Total Steady State Modernization Funds	***$871.27***	***$15.89***	***$887.16***	

[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. 34 (2018) (*December 2018 Rate of Return Reform Order*).
[13] *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).
[14] *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).

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(in millions)	**3Q2020**	**Increase/ (Decrease)**	**4Q2020**	**Notes**
Amounts Paid from Reserve	***($64.89)***	***$0.00***	***($64.89)***	Per FCC direction, all disbursements for RBE, Mobility Fund Phase I, and a portion of disbursements for A-CAM I are paid from reserved funds collected in prior years. The ending balance as of June 30, 2020 for reserved funds was approximately $1.27 billion.
New Requirements – Legacy Funds:				
Total New Requirements Legacy Funds	***$0.00***	***$0.00***	***$0.00***	
New Requirements – Modernization Funds:				
Total New Requirements Modernization Funds	***$0.00***	***$0.00***	***$0.00***	
Total Program Demand	**$1,214.01**	**$32.60**	**$1,246.61**	

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ATTACHMENT 2

High Cost Administrative Costs and Headcount

Comparison of Actual Expenditures and Headcount to the Budget for the
Six Months Ending June 30, 2020

($ in millions)	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	41	44	3	$2.82	$3.29	$0.47
Professional Services (Note 1)				0.49	4.69	4.20
General & Administrative				0.00	0.00	0.00
Total Direct Program Costs				**$3.31**	**$7.98**	**$4.67**
Direct Assigned Costs						
Employee Expenses	18	18	0	$1.54	$1.52	($0.02)
Professional Services (Note 1)				3.33	5.77	2.44
General & Administrative				0.00	0.00	0.00
Total Direct Assigned Costs				**$4.87**	**$7.29**	**$2.42**
Total Direct Program & Direct Assigned Costs	**59**	**62**	**3**	**$8.18**	**$15.27**	**$7.09**
Common Allocated Costs (Note 2)				**$16.55**	**$17.62**	**$1.07**
Total Programmatic Budget				**$24.73**	**$32.89**	**$8.16**

Note 1: Direct Program Professional Services include support for program modernization orders, a program risk assessment, High Cost data collection costs, and functional requirements gathering for High Cost system modernization. Direct Assigned Professional Services include beneficiary & contributor audit program audits and IT contract labor.

Note 2: 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.

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High Cost Business Update

High Cost and Low Income Committee Meeting

July 27, 2020

Universal Service Administrative Co.

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Agenda: High Cost Program

Topic	Description	Purpose	Presenter	Length
Operations Update	Information on Certifications, Disbursements, and Verifications	Informational	Vic Gaither	5 Min
HC Updates	Major completed milestones from Q2	Informational	Vic Gaither	5 Min
Upcoming Milestones	Planned work for Q3 and Q4	Informational	Vic Gaither	5 Min
Appendix A	Glossary of Acronyms and Projects			
Appendix B	Q2 2020 Update on High Cost Program Administration			

Operations Update

Certifications

Year	Certified
54.316	100.0%
54.313	99.7%
54.314	N/A
Performance Measures	(N/A) Pre-test

Disbursements

Programs	Amount Disbursed (As of May 2020)
Legacy	$ 554,674,431
Modernized	$1,528,079,886
Total	$2,082,754,317

Verifications

Programs	Target # of Locations	Locations Due March 1, 2021	# of Locations Certified[1]	Milestone Verified
CAF II	3,624,343	3,624,343	3,520,285	80% milestone
CAF II ACS	31,571	15,786	11,883	40% milestone
RBE[2]	36,692	N/A	28,497	85% and 100%

[1] Carrier certified location data as of June 26, 2020.

[2] With respect to the RBE program, carriers have specific milestone dates and do not utilize a March 1 deadline.

High Cost Updates

- FCC Releases / COVID -19
  - PR and USVI Stage II Mobile support amounts for first batch of carriers
  - COVID-19: HC Team has not experienced any interruptions to work
- Launched 2020 Verifications for CAF II Price Cap carriers
  - Completed the CAF Verification Reviews
  - Completed the First CAF II Auction Verification
- Systems
  - Launched Phase 2 of the Performance Measures system and collected speed and latency data from CAF Phase 2 carriers for Q1 and Q2 Data
    - 140K Speed Tests and 2.6M Latency Tests processed
    - Carrier Performance Measures Reporting Delivered

Upcoming Milestones

- Systems
  - ELAP Phase 1 - Participant Functionality now scheduled for October 2020 (PRA Delay)
  - ELAP Phase 2 - Public Participant Map Go Live scheduled for January 2021
  - HCLI Requirements Analysis Initiative Kickoff - 3rd Quarter 2020.
- Rural Digital Opportunity Fund (RDOF)
  - Continue Planning and Implementation of the FCC Order
- Outreach
  - Assist Rate of Return carriers with Performance Measures and Verifications

Appendix A: Glossary of Terms

Acronym	Term	Definition
NECA	National Exchange Carrier Association	Manages a part of the rural telecommunications revenue streams. Provides USAC with Part 36 data for High Cost Loop and CAF BLS support.
OMD	Office of Managing Director	Office of the Managing Director (OMD) is responsible for the administration and management of 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	A 10 year program that provides $100 million funding for carriers to buildout broadband services in high cost areas.
RDOF	Rural Digital Opportunity Fund	A new HC fund that will provide up to $20.4 billion over ten years to finance up to gigabit speed broadband networks in unserved rural areas.
RoR	Rate of Return	Carriers subject to FCC rate-of-return regulation under legacy and CAF programs.
SAC	Study Area Code	A six digit unique identifier for carriers receiving High Cost support.
US Telecom	US Telecom	Trade association that represents telecommunications related businesses in the US.
WCB	Wireline Competition Bureau	The Wireline Competition Bureau works to ensure access to affordable communications for schools, libraries, health care providers, and works to ensure that all Americans have access to robust, affordable broadband and voice services. The Bureau is responsible for among other things, the rules and regulations related to the four federal universal service funds.

Universal Service Administrative Company
High Cost & Low Income Committee Meeting

INFORMATION ITEM

High Cost Business Update
Q2 2020 Update on High Cost Administration

Overall Summary

Despite the coronavirus pandemic, the High Cost Program conducted business as usual during the second quarter of 2020. The statewide mandatory stay-at-home orders emphasized the critical role of broadband in connecting Americans to everything from telemedicine appointments and virtual classrooms to teleworking. During the second quarter, the High Cost Division remained focused on implementing FCC modernization orders and driving the ongoing transition from legacy voice programs to the broadband-focused Connect America Fund (CAF) to close the digital divide in rural America.

During the second quarter, High Cost launched the second phase of the Performance Measures Module (PMM) to collect network speed and latency test data from carriers that receive CAF support to provide fixed-location broadband. High Cost conducted extensive outreach to CAF II carriers to help them navigate the first performance measures filing deadline in early May and prepared carriers for the annual July 1 filing deadline regarding the updates High Cost made to the FCC Form 481 filing system. Separately, the Division ramped up verification work to confirm deployment to a random sample of locations reported in the High Cost Universal Broadband (HUBB) portal as of March 1 by CAF II carriers and Alaska Communications Systems (ACS).

Finally, the Division continued development of a new system to support the Eligible Locations Adjustment Process (ELAP). ELAP is a voluntary challenge process to facilitate post auction review of the defined deployment obligations (and associated support) on a state-by-state basis when the total number of actual locations in eligible areas is less than the number of funded locations. This process allows CAF II Auction winners and stakeholders to submit evidence to adjust deployment obligations in eligible areas.

High Cost Program 2Q Highlights and Updates

FCC Order Implementation/Disbursements

- Continued to pay support for new modernized funds that shift carriers away from legacy cost-based funding mechanisms to model-based support with defined deployment obligations, including the Uniendo a Puerto Rico/Connect United States Virgin Islands (PR/VI) Fund, which will invest roughly $900 million in robust fixed and mobile networks designed

to withstand storms in Puerto Rico and the Virgin Islands. HC issued payments to the first batch of mobile carriers authorized to receive Stage 2 PR/VI funding in June.

- Developed requirements to create maps of existing subsidized service areas for wireless eligible telecommunications competitive carriers (CETCs) receiving legacy High Cost support. These requirements will develop a framework for transitioning to the proposed 5G Fund for Rural America, which will invest up to $9 billion over 10 years.

Systems

- Modified the FCC Form 481 filing system for the annual July 1 filing deadline.
- Launched the final phase of the Performance Measures Module (PMM) to allow carriers that receive CAF support to upload speed and latency test data from a random sample of subscriber locations reported in the HUBB.
- Collected and analyzed speed and latency data from Q1 pre-testing conducted by CAF II carriers.
- Continued development of a new system to support the Eligible Locations Adjustment Process (ELAP), which will allow CAF II Auction winners to submit evidence to support adjusting their deployment obligations in eligible areas where the total number of actual locations varies from the number of funded locations.

Compliance

- Continued redesigning and streamlining the CAF verification process, which confirms deployment to a random sample of locations reported in the HUBB. Process improvements include eliminating redundant steps, improving testing and reporting templates, and integrating more effective project planning to ensure prompt delivery of accurate 2020 verification results.
- Ramped up verification reviews for CAF II carriers, which faced an 80 percent buildout milestone as of the end of 2019; ACS, which faced 40 percent milestone; Rural Broadband Experiments (RBE) carriers, which have rolling milestones; and CAF II Action carriers that meet build-out obligations ahead of schedule.

Outreach

- Conducted outreach to help carriers navigate the annual July 1 filing deadline for FCC Forms 481 and 690 with updated training materials (how-to videos, user guide, etc.), multiple email communications (including communications about FCC waivers), webinars, and ongoing customer support to answer questions/troubleshoot problems.
- Conducted performance measure outreach to help CAF II carriers upload speed and latency pre-test data for Q1 into the PMM by the May 11 deadline (following system launch in early April). Activities included email

communications, webinars, and extensive collaboration with the product team and the FCC to respond to carrier questions, troubleshoot problems, and notify carriers about FCC waivers. Also worked with the FCC to set up Box accounts for carriers using a non-random sample for pre-testing.

- Created a new section for the verification webpage that explains the verification process for multi-unit locations (i.e. verification reviews will confirm that the number of actual units at a multi-unit location ties back to the number of units reported for that location in the HUBB) and provides samples of acceptable evidence (separate subscriber bills, images of home with multiple driveways or front entrances, etc.)
- Facilitated user experience testing with five CAF II Auction winners to support ELAP system development: Cincinnati Bell, BARC Electric Coop, ViaSat, GeoLinks, and Wind River Internet (tribally owned carrier).
- Prepared communications to wireless CETCs receiving legacy support requesting that they review maps of existing study area boundaries to develop 5G transition framework.

High Cost Upcoming 3Q Activities

FCC Order Implementation /Disbursements

- Issue payments in July to second batch of mobile carriers authorized to receive Stage 2 PR/VI funding.
- Prepare to implement the Rural Digital Opportunity Fund (RDOF), which will use a reverse auction to invest $20.4 billion to expand broadband in unserved rural areas.
- Create maps of existing subsidized service areas for wireless CETCs receiving legacy High Cost support to develop framework for transitioning to the proposed 5G Fund.

Systems

- Close out remaining FCC Form 481 system modifications, including waiver-related issues, following the annual July 1 filing deadline.
- Launch state access tool to give state utility regulators and tribal officials access to deployment data submitted to the HUBB and financial and operational data filed on FCC Form 481.
- Refresh CAF Map with 2019 deployment data and new funds (CAF II Auction, Revised ACAM and ACAM II) in the HUBB.
- Continue ELAP system development.
- Continue to integrate new funds into the HUBB, with a focus on migrating existing locations already in the system and updating deployment milestone tracking for Revised ACAM and ACAM II and adding more eligible areas for CAF II Auction.

Compliance

- Continue verification reviews of 80 percent deployment milestone for CAF II carriers, 40 percent deployment milestone for ACS, and rolling milestones for RBE carriers.
- Conduct reviews of CAF II Action carriers that meet build-out obligations ahead of schedule. The verification team is reviewing evidence and documentation submitted by carriers (e.g. phone bills, screen shots of service availability tools, engineering certifications, etc.) to substantiate deployment to a random sample of locations reported in the HUBB.
- Prepare for verification reviews starting in 2021 of ACAM carriers (which face a 40 percent deployment milestone as of year-end 2020) by reviewing fund requirements, updating or preparing new sampling plans, and ensuring adequate staffing.

Outreach

- Reach out to carriers to close out remaining FCC Form 481 filing issues, including issues related to FCC waivers that extended the July 1 filing deadline in certain circumstances.
- Reach out to state regulators and tribal officials about the launch of the state access tool to provide access to broadband deployment data in the HUBB and financial and operational data on FCC Form 481. Planning for email communication and webinars in partnership with National Association of Regulatory Commissioners (NARUC), FCC Office of Native Affairs and Policy (ONAP), National Congress of American Indians (NCAI), and National Tribal Telecom Association (NTTA).
- Reach out to state, local, and tribal officials and other stakeholders about CAF Map refresh with 2019 broadband deployment and addition of new funds.
- Continue outreach to CAF II carriers about performance measures pre-testing mandates in second half of 2020 and plan for outreach to ACAM, Revised ACAM, and RBE carriers about pre-testing in 2021. Develop guide to provide overview of vendors offering solutions to help carriers conduct speed and latency testing.
- Kick off outreach about verification reviews starting in 2021 for ACAM carriers (40 percent milestone) and CAF II Auction carriers that meet deployment obligations ahead of schedule. Verification outreach will include email communications, webinars, and industry presentations in partnership with trade groups (NTCA-The Rural Broadband Association, WTA-Advocates for Rural Broadband, Wireless Internet Services Providers Association and the National Rural Electric Coop Association) and continued updates to the verification webpage.
- Reach out to CAF II Auction carriers about the launch of new ELAP system to let them submit evidence to adjust deployment obligations. Develop new ELAP webpage, send email communications, and conduct webinar ahead of the first phase of the system launch.

- Reach out to wireless CETCs receiving legacy support to ask them to review maps of their existing study area boundaries to develop 5G Fund transition framework.
- Create new PR/VI and RDOF fund pages for USAC website.

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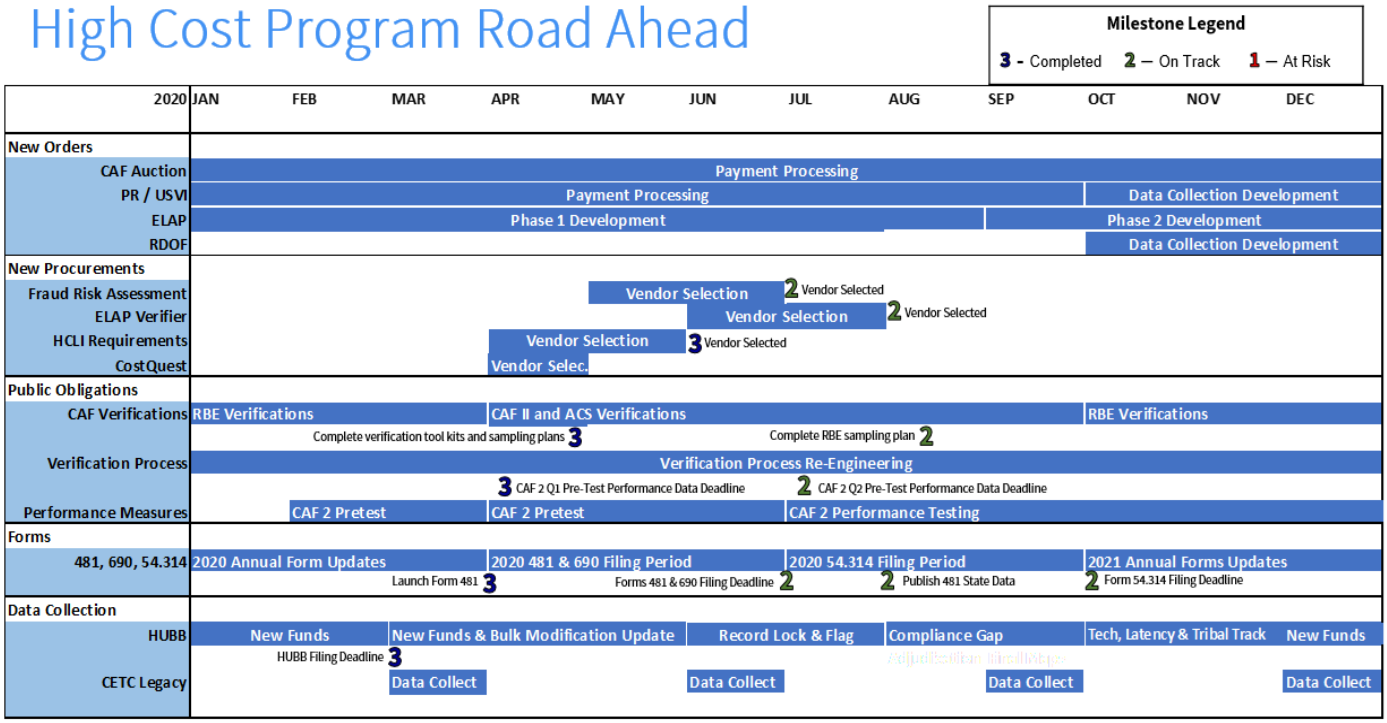
Program Metrics

	Metric	Target	Q1 2020	Q2 2020	Variance	Description/mitigation
1	Wireless Road miles build out	63,602	49,672	49,816	-13,786	Target Completion August 2020.
2	Wireless Tribal population build out	56,932	50,207	50,207	-6,725	On track with verifications.
3	Wireline Locations validated (CAFII)	100%	100.0%	100.0%	0.0%	
4	Wireline Locations Verified (CAFI)	100%			0.0%	CAF I waiver work complete and letters delivered to FCC.
	Wireline Locations Verified (CAF II)	100%	100%	100%	0%	New verificatons resumed in May 2020
5	Disbursements completed ($M)	1,244	1,249	1,250	5.6	Disbursements included PPAs not included in forecast. Target based on Q2 2020 projections.
6	Disbursement cycle time	18 Days	18	18 Days	0 Day	
7	IT Systems availability (%)	99%	-	-	1.0%	Availability of HUBB, CAP and HCLI systems.
8	Appeals	N/A	0	0	N/A	No active appeals.
9	Call Ctre Abandon Rate	3%	5%	29%	26%	Higher number of calls abandoned in 2Q due to the volume of incoming calls and e-mails spiking in the RHC queue as a result of the new COVID-19 Telehealth program. Adjustments has been made with Sutherland to place SLD agents on the RHC queue to help with the volume. (Average of 2Q rate reflected)

**Q2 disbursements reflect preliminary amounts for Jun'20 (Jun. disbursements still in progress).*

Program at a Glance



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 item listed below.

Discussion

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

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

(1) **i2** – High Cost Business Update (*Continued).* USAC management recommends that this item be discussed in ***Executive Session*** because it involves ***specific internal controls or confidential company data,*** and ***internal rules and procedures*** concerning the administration of the universal service support mechanisms; discussion of the matter in open session would result in ***disclosure of confidential techniques and procedures*** that would compromise program integrity**.**

(2) **i3 –** Low Income (Lifeline) Business Update *(Continued).* USAC management recommends that this item be discussed in ***Executive Session*** because it involves ***specific internal controls or confidential company data,*** and ***internal rules and procedures*** concerning the administration of the universal service support mechanisms; discussion of the matter in open session would result in ***disclosure of confidential techniques and procedures*** that would compromise program integrity. This item also relates to USAC's ***procurement strategy and contract administration***.

Upon request of a Committee member, the above item is available for discussion by the Committee.

Recommended USAC High Cost & Low Income Committee Action

APPROVAL OF THE FOLLOWING RESOLUTION:

RESOLVED, that the USAC High Cost & Low Income Committee hereby approves discussion in ***Executive Session*** of the items noted above.

Universal Service Administrative Company
High Cost & Low Income Committee Meeting

ACTION ITEM

Approval of Low Income Support Mechanism 4th Quarter 2020 Programmatic Budget and Demand Projection for the July 31, 2020 FCC Filing

Action Requested:

The High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the 4th Quarter 2020 (4Q2020) programmatic budget and demand projection for the Low Income Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's July 31, 2020 quarterly filing.

Discussion:

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

Funding Requirement

Based on projected subscribership levels, USAC estimates the 4Q2020 funding requirement for the Low Income Support Mechanism as follows:

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

Table A. Program Funding Requirement

(in millions)	**3Q2020**	**Increase/ (Decrease)**	**4Q2020**	**Notes**
Steady State:				
Lifeline	$198.61	$30.37	$228.98	See Note 1
Link Up	0.06	(0.05)	0.01	
New Requirements:				
N/A	0.00	0.00	0.00	
Total Program Demand	**$198.67**	**$30.32**	**$228.99**	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	(10.01)	8.37	(1.64)	
Billings	(0.07)	(0.08)	(0.15)	
Interest Income	0.00	(0.01)	(0.01)	
Bad Debt Expense	0.00	0.00	0.00	
Total Prior Period Adjustments	***($10.08)***	***$8.28***	***($1.80)***	
USAC Administrative Expenses	18.07	(1.18)	16.89	See Table B
Total Funding Requirement	**$206.66**	**$37.42**	**$244.08**	

Note 1: Demand increase due to temporary pause in de-enrollment, annual recertification, and reverification requirements as described in DA 20-577.[3]

The 4Q2020 Low Income Support Mechanism programmatic budget of $16.89 million represents approximately 24% of the 2020 annual Low Income Support Mechanism programmatic budget of $69.77 million.

Table B. Quarterly Programmatic Budget

(in millions)	**3Q2020 Budget**	**Increase/ (Decrease)**	**4Q2020 Budget**	**Notes**
Direct Program Costs				
Employee Expenses	$2.10	$0.08	$2.18	
Professional Services	6.25	(1.43)	4.82	
General & Administrative	0.69	(0.17)	0.52	See Note 2
Total Direct Program Costs	**$9.04**	**($1.52)**	**$7.52**	
Direct Assigned Costs				
Employee Expenses	$0.91	$0.04	$0.95	
Professional Services	2.80	0.00	2.80	
General & Administrative	0.23	0.00	0.23	See Note 2
Total Direct Assigned Costs	**$3.94**	**$0.04**	**$3.98**	
Total Direct Program & Direct Assigned Costs	**$12.98**	**($1.48)**	**$11.50**	
Common Allocated Costs	**$5.09**	**$0.30**	**$5.39**	
Total Programmatic Budget	**$18.07**	**($1.18)**	**$16.89**	

[3] *See Lifeline and Link Up Reform and Modernization*, WC Docket No. 11-42, Order, DA 20-577 (2020).

Note 2: General & Administrative expenses include computer support & maintenance, postage, and meetings & conferences.

A comparison of actual expenditures to the budget for the six months ending June 30, 2020 is provided in **Attachment 1.**

Recommendation:

USAC management recommends that the Committee approve the 4Q2020 budget and projection of demand as proposed.

Recommended High Cost & Low Income Committee Actions:

APPROVAL OF THE FOLLOWING RESOLUTIONS:

RESOLVED, that the USAC High Cost & Low Income Committee approves a 4th Quarter 2020 Low Income Support Mechanism direct program budget of $11.50 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of $11.50 million for Low Income Support Mechanism administrative costs in the required July 31, 2020 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 July 27, 2020 the 4th Quarter 2020 Low Income Support Mechanism demand estimate of $244.08 million, hereby directs USAC staff to proceed with the required July 31, 2020 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 1

Low Income Administrative Costs and Headcount

Comparison of Actual Expenditures and Headcount to the Budget for the
Six Months Ending June 30, 2020

($ in millions)	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	56	63	7	$3.47	$4.14	$0.67
Professional Services (Note 3)				7.39	11.13	3.74
General & Administrative (Note 4)				0.21	1.02	0.81
Total Direct Program Costs				**$11.07**	**$16.29**	**$5.22**
Direct Assigned Costs						
Employee Expenses	15	21	6	$1.51	$1.79	$0.28
Professional Services (Note 3)				4.45	6.32	1.87
General & Administrative (Note 4)				0.60	0.46	(0.14)
Total Direct Assigned Costs				**$6.56**	**$8.57**	**$2.01**
Total Direct Program & Direct Assigned Costs	**71**	**84**	**13**	**$17.63**	**$24.86**	**$7.23**
Common Allocated Costs (Note 5)				**$9.71**	**$9.95**	**$0.24**
Total Programmatic Budget				**$27.34**	**$34.81**	**$7.47**

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, postage, and meetings & conferences.

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.

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Lifeline Business Update

High Cost and Low Income Committee Meeting

July 27, 2020

Universal Service Administrative Co.

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Agenda: Lifeline

Topic	Description	Purpose	Presenter	Length
Operations Update	Information on Eligibility, Enrollments, Disbursements, and Appeals	Informational	James Lee	3 Min
Lifeline Updates	Major completed milestones from Q2	Informational	James Lee	1 Min
Upcoming Milestones	Planned work for Q3 and Q4	Informational	James Lee	1 Min
Appendix A	Glossary of Acronyms and Projects			
Appendix B	Q2 2020 Update on Lifeline			

Program Performance

YTD Cumulative Comparison	2020 YTD (Jan to May)	2019 Comparison (Jan to May)
NV APPLICATIONS CREATED	2,525,023	194,864
PROGRAM ELIGIBILITY AUTO APPROVED	1,540,978	121,728
PROGRAM ELIGIBILITY PASS RATE	61%	62%
NLAD ENROLLMENTS (Excludes CA, OR, and TX)	1,253,304	1,288,344
NLAD DE-ENROLLMENTS (Excludes CA, OR, and TX)	1,486,541	1,582,751
NLAD Subscribers (May Data – June 1st Snapshot)	5,484,948	6,942,467
NLAD Opt Out Subscribers (May Data - CA, OR, and TX)	1,940,677	2,079,032
Lifeline Subscribers (May Data – June 1st Snapshot)	7,425,625	9,021,499
Disbursement (Latest Month – June Payout)	$70,849,819	$83,609,019

Call Center Metrics

Metric	SLA	June Actuals
Average real-time review	6 mins	4.53 min
Average speed to answer (ASA)	30 secs	11 secs
Calls Abandon Rate	3%	0.9%

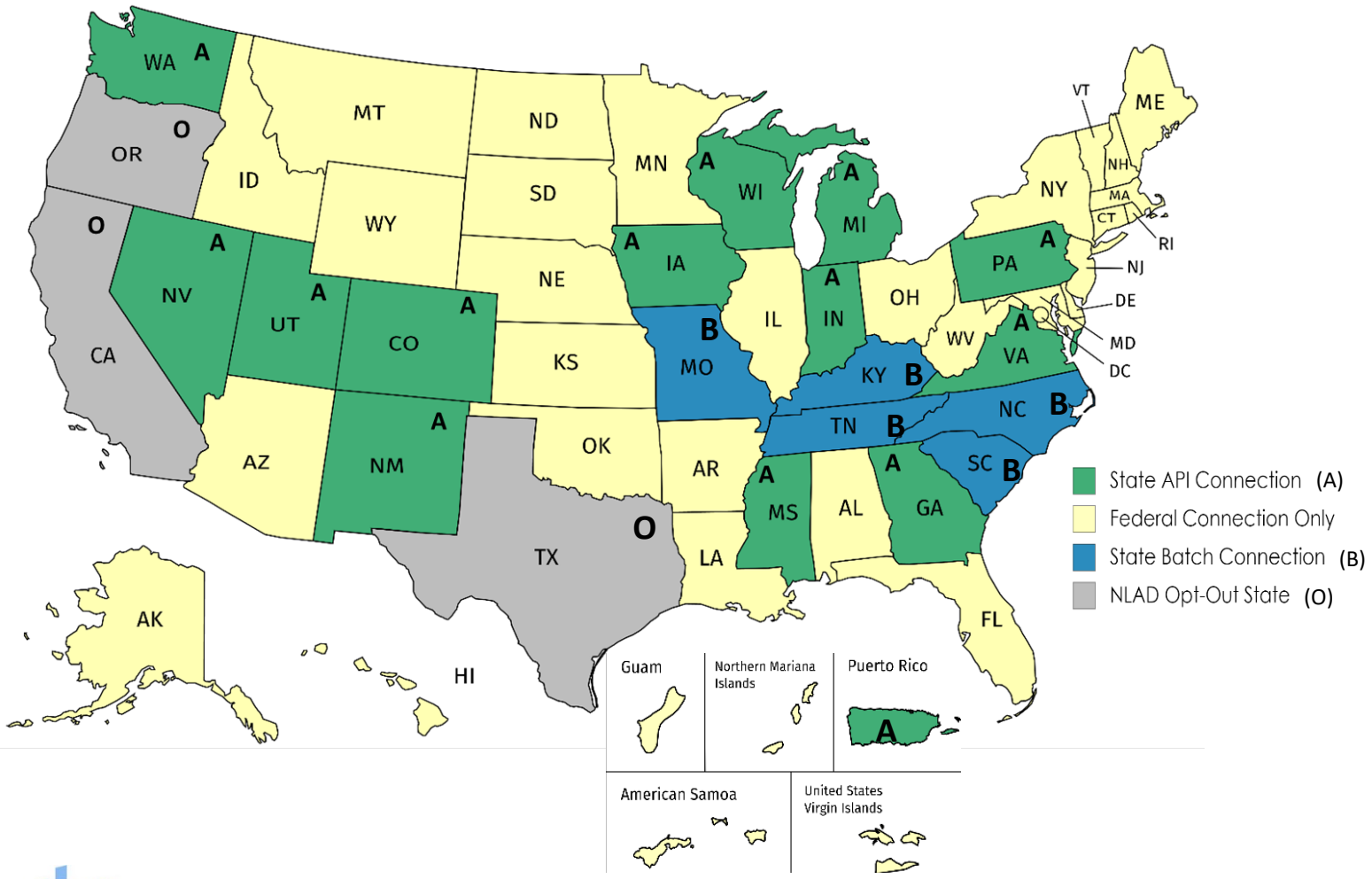
Appeals

Year	Total Submitted	Percent Resolved
2020	14 (YTD)	14%
2019	62	28%
2018	19	74%

Lifeline Updates

- On Tuesday June 23rd, the Lifeline division marked an important milestone by fully implementing the National Verifier in all states and US territories where eligibility was previously reviewed by carriers.
- USAC has renewed its system connection and maintenance agreement with the Centers for Medicare & Medicaid Services (CMS) through September 2021.
- On May 25th, use of the Representative Accountability Database (RAD) became required.
  - This means that enrollment representatives must have a Representative ID, and that ID must be linked to a carrier in order to complete transactions in NLAD and the National Verifier. USAC also kicked off the RAD annual agreement process, which requires enrollment representatives to agree to the terms and conditions of USAC Lifeline Systems each year.

Lifeline Updates *(continued)*



Adding to the 19 connections planned by July 2020, we are working towards connections in up to three additional states, which we hope to enable in the coming months.

For the rest of 2020, we plan to continue to add connections in a number of additional states to further increase automation for eligibility reviews.

Upcoming Milestones

- Lifeline Risk Assessment and Program Evaluation underway, completion by year end:
  - Risk Assessment: Fulfills GAO's 2010 request.
  - The goal is to evaluate whether USAC's resources are structured to ensure that program goals are met in a cost-effective manner and that risks are appropriately targeted and addressed.
- Program Evaluation: Required by the 2016 Lifeline Order and 2015 GAO Report. The purpose of the evaluation is to provide the Commission and the public better information about the operation and effectiveness of the Lifeline Program.

Appendix A: Glossary of Terms

Acronym	Term	Definition
BPO	Business Process Outsourcing	Business Process Outsourcing to handle call center and manual application reviews for the Lifeline Program.
CMA	Computer Matching Agreement	The computerized comparison of records for the purpose of establishing or verifying eligibility for a federal benefit program.
O&M	Operations and Maintenance	Operations and Maintenance, refers to Lifeline systems work.
PII	Personally Identifiable Information	Information which can be used to distinguish or trace an individual's identity, such as their name, social security number, etc. alone, or when combined with other personal or identifying information which is linked or linkable to a specific individual, such as date and place of birth, mother's maiden name, etc.
RAD	Representative Accountability Database	A database, which was developed to register and monitor Eligible Telecommunication Carriers' representatives who perform transactions in Lifeline systems. The RAD tracks the representatives' activities to identify unusual, suspicious, and potentially inappropriate behavior, and restrict their system access where appropriate.
n/a	Recertification	Annual review of an existing subscriber's eligibility, which is due by his or her respective enrollment anniversary date.
n/a	Reverification	One-time verification of existing subscriber's eligibility, which is required as a state migrates into the National Verifier. USAC performs this function unless the carrier opts out and elects to perform this function themselves.

Universal Service Administrative Company
High Cost & Low Income Committee Meeting

INFORMATION ITEM

Lifeline Business Update
Q2 2020 Update on Lifeline Administration

Overall Summary from Q2 2020

During this reporting period, the Lifeline division worked with the FCC to respond to Lifeline stakeholder needs during the pandemic. The FCC released a series of orders in March, April, and June 2020 as part of its COVID-19 response efforts to temporarily prevent involuntary de-enrollments, including non-usage de-enrollments, annual recertification, and reverification requirements. The FCC also temporarily adjusted the acceptable documentation guidelines for Lifeline income-based eligibility through August 31, 2020. In addition, the June Order allows carriers to immediately enroll Tribal consumers who reside on rural Tribal lands, who will have 45 days to return eligibility documentation, through August 31, 2020.

To further support consumers during the pandemic, USAC also began accepting recently expired driver's licenses or state identification cards from consumers when needed to complete a Lifeline application. USAC and the FCC also introduced a new capability allowing state agencies, such as state public utility commissions (PUCs), to obtain access to the National Verifier service provider portal to assist consumers through the application process. Such access provides state PUCs, which regularly assist consumers with filing an application through the consumer portal and by mail, a third option to help consumers with the application process. This feature was enabled as part of ongoing FCC and USAC collaborations with federal and state partners to promote the Lifeline program and ensure eligible low-income consumers have the information and resources they need to apply for and maintain their benefit during the pandemic.

On June 23, 2020, the Lifeline division marked an important milestone by fully implementing the National Verifier in all states and US territories where eligibility was previously reviewed by carriers. In addition, USAC has renewed its system operations and maintenance (O&M) agreement with the Centers for Medicare & Medicaid Services (CMS) through September 2021, which provides for automated eligibility verification for Medicaid recipients nationwide. USAC and the FCC also renewed and re-established computer matching agreements with several states to maintain database connections enabling automated checks against state Supplemental Nutrition Assistance Program and other available qualifying program data.

On May 25, 2020, use of the Representative Accountability Database (RAD) became required. This means that enrollment representatives must have a Representative ID, and

that ID must be linked to a service provider in order to complete transactions in the National Lifeline Accountability Database (NLAD) and the National Verifier. USAC also kicked off the RAD annual agreement process, which requires enrollment representatives to agree to the terms and conditions of USAC Lifeline Systems each year.

Q2 2020 Lifeline Program Updates & Accomplishments

- USAC and the FCC engaged a variety of federal agencies, including agencies that administer Lifeline-qualifying benefit programs, to provide materials and information regarding the Lifeline application and enrollment process, which will enable those agencies to raise awareness of the program and help the low-income communities they serve stay connected. For example, USAC reached out to more than 13,000 food banks and homeless shelters. We also held training sessions for consumer advocates and stakeholder groups nationwide to help them understand the program and share the relevant information with their clients.
- On May 13, 2020, USAC deployed system changes to allow state PUCs, state departments of health and human services, social services agencies, and other third parties approved by USAC to obtain access to the National Verifier service provider portal to assist individuals applying for Lifeline. This serves as an additional method to assist Lifeline consumers.
- Puerto Rico fully launched in the National Verifier on June 23, 2020, following deployment of a database connection.
- O&M agreement with the Centers for Medicare & Medicaid Services (CMS) renewed through September 2021.
- Reestablished the Computer Matching Agreements (CMAs) for Launch 1 states (Colorado, Mississippi, New Mexico, and Utah) on April 18, 2020. Extended the CMAs for Launch 3 states (Missouri, North Carolina, Pennsylvania, and Tennessee) on April 15, 2020.
- Deployed NV enhancements to the "address update" workflow in the NV and NLAD to streamline the process for validation of independent economic household verification checks through greater automation.

Planned Activities for Q3 2020

- An outside expert vendor will perform functional and usability testing of USAC public websites and Lifeline systems during 3Q2020. USAC hired an expert to perform accessibility testing with input from vulnerable populations, such as the elderly and persons with disabilities, including visual, auditory, physical, speech, cognitive, language, learning, and neurological disabilities.
- Continue partnership efforts with California, Oregon, and Texas, NLAD opt-out states, where the National Verifier relies on existing state eligibility and duplicate checking processes, to enable a full launch in the coming months.
- Work toward automated database connections with additional states. A database connection with Nevada was enabled on July 2, 2020. Database connections with Wisconsin and Washington were also enabled in July. The National Verifier

currently has connections to eligibility databases with two federal agencies, 18 states, and one US territory (18 states and Puerto Rico).

- Per the 2019 Lifeline Order, USAC will implement required updates to USAC systems and processes surrounding recertification. Subscribers who previously passed a database check, but subsequently fail the automated eligibility check for annual recertification, are required to submit eligibility documentation. Implementation will be dependent on Federal Register publication for the exact effective date. USAC is tracking towards an early 4Q2020 implementation.
- A Lifeline risk assessment is underway, with completion expected by year-end. It fulfills GAO's recommendation that the FCC conduct a risk assessment of the Lifeline program to evaluate whether USAC's resources are structured to ensure that program goals are met in a cost-effective manner and that risks are appropriately targeted and addressed.
- A Lifeline program evaluation is also underway, and USAC is required to submit the findings to the Commission by year-end. The Lifeline program evaluation is recommended in the GAO's 2015 Report on the Lifeline program (GAO 15-335) and required by the 2016 Lifeline Order. The purpose of the evaluation is to provide the Commission and the public better information about the operation and effectiveness of the Lifeline Program.
- At the end of the waiver period associated with the COVID-19 pandemic, resume reverification, recertification, and other processes and conduct outreach to carriers and subscribers.

Lifeline Program Trends

Lifeline Program Service Type Trends[1]

Month	Broadband	Bundled Broadband	Bundled Voice & Broadband	Bundled Voice	Voice
May 2020	0.22%	45.70%	43.97%	0.65%	9.47%
Apr 2020	0.22%	44.27%	44.40%	0.83%	10.27%
Mar 2020	0.22%	43.60%	43.99%	1.15%	11.04%
Feb 2020	0.20%	45.03%	42.69%	1.13%	10.95%
Jan 2020	0.19%	45.33%	42.07%	1.16%	11.25%
Dec 2019	0.19%	45.69%	40.90%	1.39%	11.83%
Nov 2019	0.14%	44.48%	26.35%	16.13%	12.90%
Oct 2019	0.13%	45.08%	17.62%	24.21%	12.96%
Sept 2019	0.12%	44.72%	17.42%	24.56%	13.16%
Aug 2019	0.12%	43.05%	18.42%	25.16%	13.26%
Jul 2019	0.11%	46.25%	16.33%	24.21%	13.10%
Jun 2019	0.11%	43.51%	18.22%	24.52%	13.64%

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

[1] Lifeline Program service type data is from the Lifeline Claims System (LCS), which includes the NLAD opt-out states.

Lifeline Seven Year, Year-Over-Year Subscribership & Support Amounts

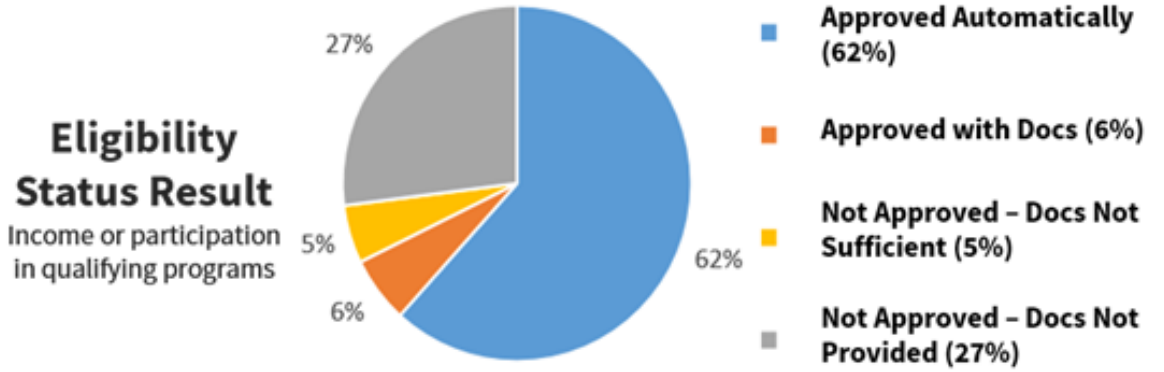
Program Metrics for Q2 2020

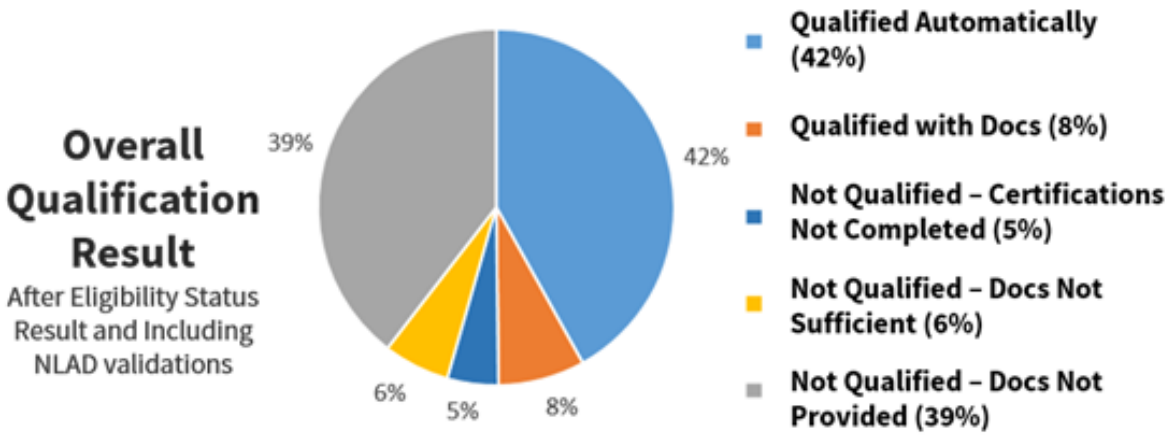
	Metric		Target	3Q2019	4Q2019	1Q2020	2Q2020	Variance to Target (most recent)		Comment
1	Disbursements Completed ($M)		$ 195.9	$ 242.6	$ 215.2	$ 198.8	$ 206.0	$ 10.1	⚑	Displays actual disbursements authorized, which includes original claims in the previous data month and prior revisions received. Updated target based on 2Q2020 projected support forecast.
2	System Uptime (%)	NLAD:	99%	100%	100%	100%	100%	+1.00%	✓	100% uptime in 2Q2020
		LED:	99%	100%	100%	100%	100%	+1.00%		100% uptime in 2Q2020
3	Call Center Abandonment Rate		3%	11%	5%	8%	2%	-1.00%	✓	The average abandonment rate in 2Q2020 decreased to 2%, which is below our target rate, as call volumes decreased quarter over quarter. The total call volume received decreased nearly 26% from 1Q2020 to 2Q2020. USAC is working closely with the BPO to better align resources to the actual number of calls received.
4	Appeals over 90 days aged		0	89	101	103	103	+103	⚑	In 2Q2020, seven appeals aged greater than 90 days. Two appeals were partially granted/partially denied, one appeal was fully granted, and seven appeals were fully denied.
5	Appeals Average Age (days)		90	318	390	444	517	+428	⚑	Lifeline and OGC are continuing to work on the resolution of open appeals.
6	Manual eligibility verification (% of total applications w/ manual decisions)		TBD	24%	23%	25%	25%	N/A		Includes NV 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.
7	Average Manual Review Time	Real Time:	<6 min	5 min	5 min	8 min	5 min	-1 min	✓	Real time includes all applications received through the portal during business hours, requiring a manual review. Non-Real time includes all applications received outside business hours and all mailed in applications, requiring a manual review.
		Non-Real Time:	<48 h	8 h 30 m	6 h 49 m	6 h 43 m	9 h 48 m	-38h 12m	✓	

Legend
✓ On track
⚑ Action Required

National Verifier Application Processing

1,496,981 applications[1] received during 1Q2020 have been fully processed.[2] Results are shown below.





[1] Application totals include states that have fully launched and soft launched in National Verifier.

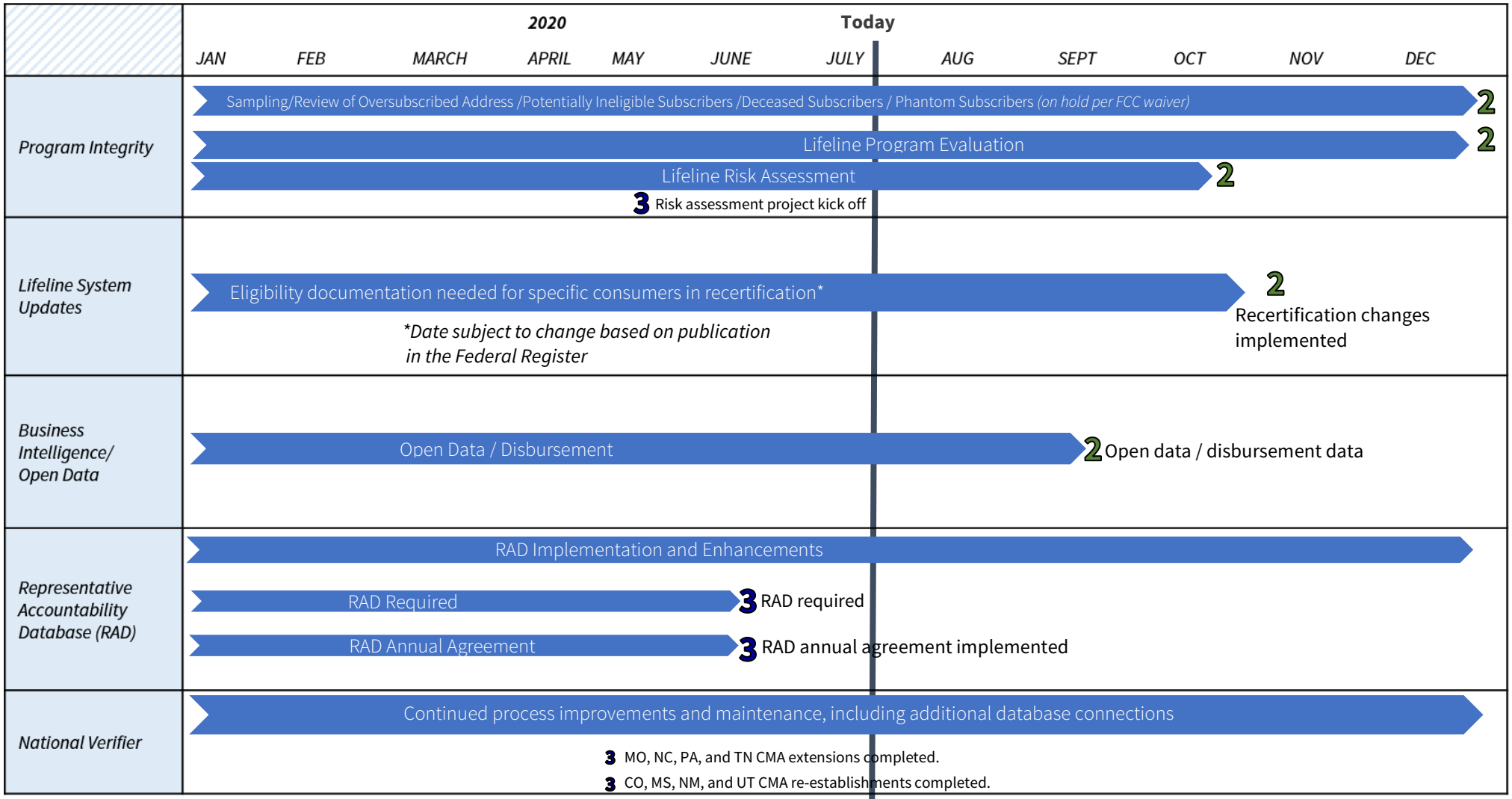
[2] "Fully Processed" means that the window to provide any supporting document has closed.

National Verifier Current Status of Reverification

Launch	1	2	3	4	5	6	7	8	Total
Number of Subscribers in Reverification	**317,087**	**52,791**	**1,017,570**	**117,226**	**682,593**	**1,562,428**	**1,369,676**	**1,007,014**	**6,126,385**
Qualified	231,783	23,880	769,569	72,570	497,655	1,110,817	836,446	590,373	4,133,093
Pending	2,054	738	19,763	3,358	13,500	268,970	428,665	406,708	1,143,756
De-enrolled for reverification	38,445	14,748	97,443	14,594	86,718	-	-	-	251,948
Preliminary Reverification Pass Rate[3]	**73%**	**45%**	**76%**	**62%**	**73%**	**71%**	**61%**	**59%**	**67%**

[3] Preliminary Reverification Pass Rate takes into account subscribers who have naturally de-enrolled during the process of reverification. As indicated above, reverification activities are on hold until August 31, 2020 in light of the COVID-19 pandemic. Additional subscribers are expected to be qualified for those still pending automated verifications for later launches.

Lifeline Program Road Ahead



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