High Cost and Low Income Committee

Briefing Book

July 26, 2021

2:00 - 4:00 p.m. Eastern Time

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Universal Service Administrative Company

700 12th Street NW, Suite 900

Washington, DC, 20005

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

Monday, July 26, 2021
2:00 p.m. – 4:00 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 April 26 and April 27, and May 7, 2021
	   B. Approval of moving all *Executive Session* items into *Executive Session*
		5

Vic	**a2.** Approval of High Cost Support Mechanism 4th Quarter 2021 Programmatic Budget and Demand Projection for the August 2, 2021 FCC Filing	5
Teleshia	**i1.** Information on Three USAC Audit and Assurance Division High Cost Support Mechanism Beneficiary Audit Reports *(For Information Only)*	–

Vic	**i2.** High Cost Business Update:
	  • Accomplishment
	    ○ Metrics
	    ○ Performance Measures Readiness
	  • Plans for Next Quarter
	  • Roadmap
	  • Systems Update
		20

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LOW INCOME OPEN SESSION			*Estimated Duration in Minutes*
James	**a3.**	Approval of Low Income Support Mechanism 4th Quarter 2021 Programmatic Budget and Demand Projection for the August 2, 2021 FCC Filing.	5
Teleshia	**i3.**	Information on Two USAC Audit and Assurance Division Low Income Support Mechanism Beneficiary Audit Reports (*For Information Only*)	-
James	**i4.**	Lifeline Business Update • Program Accomplishment Highlights • National Verifier Highlights • Metrics • System Update • Roadmap	20

LOW INCOME EXECUTIVE SESSION **Confidential** – *Executive Session Recommended*			*Estimated Duration in Minutes*
James	**i5.**	Lifeline Business Update *(Continued)* • Consumer Outreach Letter	15

HIGH COST EXECUTIVE SESSION **Confidential** – *Executive Session Recommended*			*Estimated Duration in Minutes*
Vic	**i6**.	High Cost Business Update *(Continued, if needed)*	5
Chair	**i7.**	*Executive Session* Discussion with the High Cost and Low Income Committee/Board	10

Next Scheduled USAC High Cost & Low Income Committee Meeting

Monday, October 25, 2021
1:00 p.m. – 2:30 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 items listed below.

Discussion

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

A. Committee meeting minutes of April 26 and April 27, and May 7, 2021 (*see* **Attachments A-1, A-2, and A-3**).

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

(1) i5 – 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.

(2) i6 – High Cost Business Update (*Continued, if needed).* 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.

(3) i7 – *Executive Session* Discussion with the High Cost and Low Income 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.

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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 RESOLUTION:

   RESOLVED, that the High Cost & Low Income Committee of the USAC Board of Directors hereby approves: (1) the Committee meeting minutes of April 26 and April 27, and May 7, 2021; and (2) discussion in *Executive Session* of the items noted above.

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

HIGH COST & LOW INCOME COMMITTEE MEETING
Monday, April 26, 2021

(DRAFT) MINUTES[1]

Due to the COVID-19 pandemic, USAC continued mandatory telework; therefore the *Open Session* portion of the quarterly meeting of the High Cost & Low Income Committee (Committee) of the USAC Board of Directors (Board) was conducted by web conference on Monday, April 26, 2021. Mr. Ken Mason, Committee Chair, called the meeting to order at 11:55 a.m. Eastern Time, with a quorum of 10 of the 11 Committee members present:

Freeman, Sarah	Polk, Stephanie
Gerst, Matthew	Sekar, Radha – Chief Executive Officer
Gillan, Joe	Skrivan, Michael
Jacobs, Ellis	Waller, Jeff
Mason, Ken – Chair	Wein, Olivia – Vice Chair

Member of the Committee not present:

Feiss, Geoff

Other Board members and officers of the corporation present:

Beyerhelm, Chris – Chief Administrative Officer
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
Fontana, Brent – Member of the Board
Gaither, Victor – Vice President of High Cost
Garber, Michelle – Vice President of Enterprise Resources Program and Acting Vice President of Shared Services
Gregory, Amber – Member of the Board
Hutchinson, Kyle – Vice President of IT and Chief Information Officer
Morning, Kimberly – Acting Vice President and General Counsel, and Assistant Secretary

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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.

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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:

NAME	COMPANY
Alfred, Kraynal	USAC
Ayer, Catriona	USAC
Butler, Stephen	USAC
Crawford, Katherine	USAC
DiVo, Victor	USAC
Glisson, Connor	USAC
Goode, Vernell	USAC
James, Christine	USAC
Kriete, Debra	State E-Rate Coordinators' Alliance
Lee, James	USAC
Mitchell, Tamika	USAC
Nuzzo, Patsy	USAC
Pace, Regina	USAC
Scott, Latoya	Federal Communications Commission
Sherwood, Nicole	USAC
Spead, Laura	USAC
Tiwari, Tanya	USAC

HIGH COST OPEN SESSION

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

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

    A. Approval of High Cost & Low Income Committee Meeting Minutes of January 25 and January 26, and March 10, 2021.

    B. Approval of moving all *Executive Session* items into *Executive Session*:
        (1) i4 – 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.

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(2) **i5 –** 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.

(3) **a4 –** Consideration of Contract Award for Computer Matching Program Operations and Maintenance Services. USAC management recommends that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

> **RESOLVED**, that the High Cost & Low Income Committee of the USAC Board of Directors hereby approves: (1) the Committee meeting minutes of January 25, January 26, and March 10, 2021; and (2) discussion in *Executive Session* of the items noted above.

a2. **Approval of High Cost Support Mechanism 3rd Quarter 2021 Programmatic Budget and Demand Projection for the April 30, 2021 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 2021 programmatic budget and demand projection for the April 30, 2021 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 2021 High Cost Support Mechanism direct program budget of $6.37 million; and

> **RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of $6.37 million for High Cost Support Mechanism administrative costs in the required April 30, 2021 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 26, 2021 the 3rd Quarter 2021 High Cost Support Mechanism demand estimate of $1,289.32 million, hereby directs USAC staff to proceed with the required April 30, 2021 filing to the FCC on behalf of the Committee. USAC staff may make adjustments

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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 12 USAC Audit and Assurance Division High Cost Support Mechanism Beneficiary Audit Reports.** The Committee received a report with information on twelve USAC Audit and Assurance Division High Cost Support Mechanism beneficiary audit reports. Mr. Mason noted that the reports were provided for *information only* and would be posted on USAC's public website. No discussion was held.

i2. **High Cost Business Update.** Mr. Gaither presented PowerPoint slides covering the following items to the Committee:
- Accomplishments
  - Metrics
  - 5G Readiness
  - Performance Measures Readiness
- Plans for Next Quarter
- Roadmap
- System Update

LIFELINE OPEN SESSION

a3. **Approval of Low Income Support Mechanism 3rd Quarter 2021 Programmatic Budget and Demand Projection for the April 30, 2021 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 2021 programmatic budget and demand projection for the April 30, 2021 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 2021 Low Income Support Mechanism direct program budget of $9.99 million; and

> **RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of $9.99 million for Low Income Support Mechanism administrative costs in the required April 30, 2021 filing to the FCC on behalf of the Committee; and

> **RESOLVED FURTHER,** that the USAC High Cost &

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Low Income Committee, having reviewed at its meeting on April 26, 2021 the 3rd Quarter 2021 Low Income Support Mechanism demand estimate of $286.26 million, hereby directs USAC staff to proceed with the required April 30, 2021 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.** Mr. Lee presented PowerPoint slides covering the following items to the Committee:
- Recap of January Committee Meeting
- Accomplishments:
  - Metrics
  - Lifeline National Verifier Updates
- Plans for Next Quarter
- Issues and Mitigation
- Roadmap

At 12:55 p.m. Eastern Time, on a motion duly made and seconded, the Committee adjourned until April 27, 2021 at approximately 10:35 a.m. Eastern Time.

/s/ Kimberly Morning
Assistant Secretary

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

HIGH COST & LOW INCOME COMMITTEE MEETING
Tuesday, April 27, 2021

(DRAFT) MINUTES[1]

Due to the COVID-19 pandemic, USAC continued mandatory telework; therefore the
Executive Session portion of 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 27, 2021. The Committee meeting continued from the
April 26, 2021 ***Open Session*** portion of the meeting. Mr. Ken Mason, Committee Chair,
called the meeting to order at 10:53 a.m. Eastern Time, with a quorum of nine of the 11
Committee members present:

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

Members of the Committee not present:

Feiss, Geoff
Polk, Stephanie

Other Board members and officers of the corporation present:

Beyerhelm, Chris – Chief Administrative Officer
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. Dan – Member of the Board
Fontana, Brent – Member of the Board
Gaither, Victor – Vice President of High Cost
Garber, Michelle – Vice President of Enterprise Resources Program and Acting Vice
     President of Shared Services
Gregory, Amber – Member of the Board

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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.

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Hutchinson, Kyle – Vice President of IT and Chief Information Officer
Morning, Kimberly – Acting Vice President and General Counsel, and Assistant
    Secretary
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:

NAME	COMPANY
Ayer, Catriona	USAC
DiVo, Victor	USAC
Glisson, Connor	USAC
Goode, Vernell	USAC
James, Christine	USAC
Lee, James	USAC
Mitchell, Tamika	USAC
Nuzzo, Patsy	USAC
Pace, Regina	USAC
Sherwood, Nicole	USAC
Tiwari, Tanya	USAC

OPEN SESSION

At 10:53 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved
into *Executive Session* for the purpose of discussing confidential items. The Committee
approved discussing confidential items in *Executive Session* on Monday, April 26, 2021.
Only members of the Board and USAC staff were present.

HIGH COST EXECUTIVE SESSION

i4.   **High Cost Business Update** *(Continued)*. Mr. Gaither presented this item to the
    Committee for discussion. The presentation included a description of the Robotic
    Process Automation and the applied use to automate the verification processes.

LOW INCOME EXECUTIVE SESSION

i5.   **Lifeline Business Update (***Continued***).** Mr. Lee presented PowerPoint slides
    responding to questions raised by the Committee during the January quarterly
    meeting on the National Verifier Application Programming Interface and bulk
    uploads.

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a4.   **Consideration of Contract Award for Computer Matching Program Operations and Maintenance Services.** Mr. Beyerhelm presented this item to the Committee. The presentation included a written summary and report detailing USAC management's recommendation to authorize USAC to award a sole source contract renewal to the Centers for Medicare & Medicaid Services for one year of operations and maintenance services and IT security incident work in support of the application programming interface that provides automated computer matching for Lifeline eligibility verification.

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 to award a one-year sole source contract to the Center for Medicare and Medicaid Services for operations and maintenance services and IT security incident work in support of the currently developed and in-use application programming interface, for a firm-fixed price of $648,120 (plus applicable taxes) over the one year term.

OPEN SESSION

At 11:23 a.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 item a4 and discussed items i4 and i5 above.

On a motion duly made and seconded, the Committee adjourned at 11:23 a.m. Eastern Time.

/s/ Kimberly Morning
Assistant Secretary

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

HIGH COST & LOW INCOME COMMITTEE MEETING
Friday, May 7, 2021

(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 & Low Income Committee (Committee) of the USAC Board of Directors (Board) was conducted by web conference on Friday, May 7, 2021. Mr. Ken, Mason, Committee Chair, called the meeting to order at 1:15 p.m. Eastern Time, with a quorum of nine of the 11 Committee members present:

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

Members not present:

Jacobs, Ellis
Skrivan, Michael

Other Board members and officers of the corporation present:

Beyerhelm, Chris – Chief Administrative Officer
Buzacott, Alan – Member of the Board
Davis, Craig – Vice President of Schools and Libraries
Fontana, Brent – Member of the Board
Gregory, Amber – Member of the Board
Hutchinson, Kyle – Vice President of IT and Chief Information Officer
Morning, Kimberly – Acting Vice President and General Counsel, and Assistant Secretary
Salvator, Charles – Vice President of Finance, Chief Financial Officer, and Assistant
    Treasurer
Schell, Julie Tritt – Member of the Board
Sweeny, Mark – Vice President of Rural Health Care
Wade, Dr. Joan – Member of the Board
Wibberly, Dr. Kathy – Member of the Board

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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.

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Others present:

NAME	COMPANY
Khan, Sammy	USAC
Nuzzo, Patsy	USAC
Sherwood, Nicole	USAC
Tiwari, Tanya	USAC

OPEN SESSION

a1.   **Consideration of Contract Award for Robotic Process Automation.** 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 High Cost & Low Income Committee determines that the discussion of this item be conducted in *Executive Session*.

At 1:15 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.

EXECUTIVE SESSION

a1.   **Consideration of Contract Award for Robotic Process Automation.** Mr. Beyerhelm presented this item for consideration. The presentation included consideration to award a contract for the management and development of Robotic Process Automation software, and associated professional services for the 2021 High Cost Connect America Fund verification cycle, as well as all related validation automation for the FCC Form 481 annual carrier certifications.

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

>   **RESOLVED**, that the USAC Board of Directors High Cost & Low Income Committee (Committee), having reviewed the recommendation of USAC management, hereby authorizes USAC management to award a contract to Ampcus Inc. to provide services supporting the management and development of Robotic Process Automation for the 2021 High Cost Connect America Fund verification cycle and validation automation for FCC Form 481 annual carrier certifications. The contract will have a twelve (12) month base period for a firm-fixed price of $877,395 (plus applicable taxes) for implementation and associated services and a fixed-unit price of $330,000 (plus applicable taxes) for managed services, for a total base period not-to-exceed amount of $1,207,395 (plus applicable taxes), with the ability to exercise three (3) additional one-

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year option periods at an estimated average cost of $700,000 (plus applicable taxes) per option year, subject to required Committee and Federal Communications Commission approvals.

OPEN SESSION

At 1:30 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 item a1.

On a motion duly made and seconded, the Committee adjourned at 1:31 p.m. Eastern Time.

/s/ Kimberly Morning
Assistant Secretary

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Universal Service Administrative Company
High Cost & Low Income Committee Meeting

ACTION ITEM

Approval of High Cost Support Mechanism
4th Quarter 2021 Programmatic Budget and
Demand Projection for the August 2, 2021 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 2021 (4Q2021) programmatic budget and demand projection for the High Cost Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's August 2, 2021 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 4Q2021 funding requirement for the High Cost Support Mechanism as follows:

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

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

(in millions)	3Q2021	Increase/ (Decrease)	4Q2021	Notes
Steady State:				
Legacy Funds	$395.58	$41.85	$437.43	Includes HCLS, CAF BLS, and Frozen Price Cap and Competitive ETC Support. Increase driven by waiver of budget control mechanism (BCM) in 4Q2021.
Modernization Funds	969.97	(0.17)	969.80	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, Uniendo a Puerto Rico Fund/Connect USVI Fund, and RDOF.
Amounts Paid from Reserve	(57.76)	0.00	(57.76)	Disbursements for RBE, Mobility Fund Phase I, and portion of A-CAM I.
Total Steady State	***$1,307.79***	***$41.68***	***$1,349.47***	
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	**$1,307.79**	**$41.68**	**$1,349.47**	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	(4.85)	(224.88)	(229.73)	
Billings	(18.25)	29.90	11.65	
Interest Income	(0.01)	0.00	(0.01)	
Bad Debt Expense	(12.58)	1.11	(11.47)	
Total Prior Period Adjustments	***($35.69)***	***(193.87)***	***($229.56)***	
USAC Admin Expenses	17.22	0.60	17.82	See Table B
Total Funding Requirement	**$1,289.32**	**($151.59)**	**$1,137.73**	

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Based on the projected burn rate, USAC estimates the following 4Q2021 programmatic budget:

Table B. Quarterly Programmatic Budget

(in millions)	3Q2021	Increase/ (Decrease)	4Q2021	Notes
Direct Program Costs				
Employee Expenses	$1.91	$0.23	$2.14	
Professional Services	0.75	0.17	0.92	
General & Administrative	0.00	0.00	0.00	
Total Direct Program Costs	**$2.66**	**$0.40**	**$3.06**	
Direct Assigned Costs				
Employee Expenses	$0.98	$0.11	$1.09	
Professional Services	2.73	(0.43)	2.30	
General & Administrative	0.00	0.00	0.00	
Total Direct Assigned Costs	**$3.71**	**($0.32)**	**$3.39**	
Total Direct Program & Direct Assigned Costs	**$6.37**	**$0.08**	**$6.45**	
Common Allocated Costs	**$10.85**	**$0.52**	**$11.37**	
Total Programmatic Budget	**$17.22**	**$0.60**	**$17.82**	

A comparison of actual expenditures to the budget for the six months ending June 30, 2021 is provided in **Attachment 2.**

Recommendation:

USAC management recommends that the Committee approve the 4Q2021 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 2021 High Cost Support Mechanism direct program budget of $6.45 million; and

   RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of $6.45 million for High Cost Support Mechanism administrative costs in the required August 2, 2021 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 26, 2021 the 4th Quarter 2021 High Cost Support Mechanism demand estimate of $1,137.73 million, hereby directs

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USAC staff to proceed with the required August 2, 2021 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 1

Detailed High Cost Program Demand

(in millions)	3Q2021	Increase/ (Decrease)	4Q2021	Notes
Steady State – Legacy Funds:				
High Cost Loop Support (HCLS)[3]	$92.71	($1.62)	$91.09	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]	196.30	45.11	241.41	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]	11.70	(0.75)	10.95	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]	94.87	(0.89)	93.98	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	*$395.58*	*$41.85*	*$437.43*	

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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*).

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

(in millions)	3Q2021	Increase/ (Decrease)	4Q2021	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	38.70	0.00	38.70	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]	99.18	(0.17)	99.01	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]	157.98	0.00	157.98	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). *See also Wireline Competition Bureau Announces Deadline for Price Cap Carriers to Elect Seventh Year of Connect America Fund Phase II Model-Based Support*, WC Docket 10-90, Public Notice 35 FCC Rcd 7954 (WCB 2020).

[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*); *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).

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(in millions)	3Q2021	Increase/ (Decrease)	4Q2021	Notes
A-CAM II[11]	127.64	0.00	127.64	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)[12]	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[13]	6.79	0.00	6.79	Support to wireless carriers for the expansion of mobile broadband networks in unserved areas.
Uniendo a Puerto Rico Fund/Connect USVI Fund	26.86	0.00	26.86	Puerto Rico Fund Support targeted to Puerto Rico carriers to rebuild and improve networks and US Virgin Island Fund Support targeted to Virgin Island carriers to rebuild and improve networks.
Rural Digital Opportunity Fund	100.60	0.00	100.60	Fund the deployment of up to gigabit speed broadband networks in unserved rural communities through a two-phase reverse auction mechanism.
Total Steady State Modernization Funds	*$969.97*	*($0.17)*	*$969.80*	

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[11] *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*).

[12] *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).

[13] *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)	3Q2021	Increase/ (Decrease)	4Q2021	Notes
Amounts Paid from Reserve	*($57.76)*	*$0.00*	*($57.76)*	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, 2021 for reserved funds was approximately $1.05 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	**$1,307.79**	**$41.68**	**$1,349.47**	

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ATTACHMENT 2

High Cost Administrative Costs and Headcount
Comparison of Actual Expenditures and Headcount to the Budget for the
Three Months Ending June 30, 2021

($ in millions)	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	47	52	5	$3.30	$3.75	$0.45
Professional Services (Note 1)				0.63	1.61	0.98
General & Administrative				0.00	0.00	0.00
Total Direct Program Costs				**$3.93**	**$5.36**	**$1.43**
Direct Assigned Costs						
Employee Expenses	17	22	5	$1.43	$1.91	$0.48
Professional Services (Note 1)				2.53	5.44	2.91
General & Administrative				0.00	0.00	0.00
Total Direct Assigned Costs				**$3.96**	**$7.35**	**$3.39**
Total Direct Program & Direct Assigned Costs	**64**	**74**	**10**	**$7.89**	**$12.71**	**$4.82**
Common Allocated Costs (Note 2)				**$17.86**	**$21.13**	**$3.27**
Total Programmatic Budget				**$25.75**	**$33.84**	**$8.09**

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. Actual common allocated costs reflect a reduction for costs allocated to the appropriated programs.

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High Cost & Low Income Committee

High Cost Business Update

Open Session

July 26, 2021

Universal Service
Administrative Co.

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Agenda

- Accomplishments
  - Metrics
  - Performance Measures (PMM) Readiness

- Plans for Next Quarter

- Roadmap

- System Update

Accomplishments/Updates

- Operations
  - YTD Disbursements (May 2021) - $2.09B.
  - RDOF - Disbursement Readiness for 3Q2021.
  - PR/USVI Stage II - Fixed Disbursement Readiness, 3Q2021.
  - HC Legacy Funds (CAF BLS, CAF ICC & HCL) PIA implementation in progress. Milestones to complete July 2021, Dec. 2021, and March 2022, respectively.

Accomplishments/Updates (Continued)

- Data Collection and Validations
  - Performance Measures Pre-Testing for ACAM, RBE, and Alaska Plan carriers is complete for Q1
    - Q2 Pre-Test results due July 7 and on track
  - FCC Form 481 annual filing is in progress with submissions due by July 1, on track

Accomplishments/Updates (Continued)

- CAF Verifications
  - Performing milestone reviews: ACAM (40% milestone), RBE & CAF II (100% milestone)
  - Launched nearly a dozen CAF II Auction Letter of Credit related verifications in Q2
  - Selected and preparing for on-boarding of RPA vendor
  - Continued to enhance verifications Workflow tool including quality review capability
  - Preparing to perform reviews in other funds including Alaska Plan, PR/USVI (LoCs), and RDOF (LoCs)
  - HUBB certification language and milestone analysis

Accomplishments/Updates (Continued)

- New Orders/Projects Intake

  - Completed: Legacy Initial and Annual Reporting (5G) requirements gathering

  - In Progress: Robotic Process Automation (project launch pending)

  - In Progress: Development and publishing of CETC Legacy Maps (pending FCC approval)

  - In Progress: Drafted RDOF Operational procedures and readiness checklist

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Accomplishments/Updates (Continued)

- Outreach
  - CAF Map Outreach
  - Outreach and customer service support/technical assistance to help carriers navigate/close out annual Form 481 filing window by July 1 deadline
  - Conducting Performance Measures outreach and providing customer service support/technical assistance to help CAF II Model carriers conduct quarterly speed and latency testing, and help ACAM, RBE, and Alaska Plan carriers conduct quarterly pre-testing and report results
  - Conducting verification outreach to help ACAM carriers prepare for reviews of 40% 10/1 Mbps deployment milestone in 2021
  - Conducting outreach for ELAP, CETC Legacy Mapping, and CAF Map

Metrics

High Cost

Metric	1Q2021	2Q2021	3Q2021	4Q2021
Eligibility:				
March 1 - HUBB Portal Cert.	99.8%	N/A	N/A	N/A
July 2 - FCC Form 481/690	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A
Oct. 1 - State Cert.				
Verification:				
A-CAM	N/A	N/A	N/A	N/A
CAF Phase II	N/A	N/A	N/A	N/A
Rural Broadband Exp.	462	247	N/A	N/A
CAF II Auction	229	423	N/A	N/A
FCC Form 481 IDVs	N/A	N/A	N/A	N/A

Metrics (Continued)

High Cost

Metric	1Q2021	2Q2021	3Q2021	4Q2021
Locations Certified:				
A-CAM	489,710	N/A	N/A	N/A
A-CAM II	340,616	N/A	N/A	N/A
CAF Phase II	3,750,187	N/A	N/A	N/A
Rural Broadband Exp.	24,475	N/A	N/A	N/A
Alaska Plan	37,437	N/A	N/A	N/A
PR/USVI (Fixed)	N/A	N/A	N/A	N/A
Letter of Credit:				
CAF II Auction	204	N/A	N/A	N/A
Rural Broadband Exp.	25	25	21*	19**
RDOF	N/A	N/A	N/A	N/A
PR/USVI (Fixed)	1	N/A	N/A	N/A

3Q2021 = 21 (projection, 4 SACs will all have completed their program obligations, currently waiting on to resolve their issues)
**4Q2021 = 19* (projection, 2 carrier have recently passed their Milestones, projection based on verification report proving that they completed their program obligations)

Metrics (Continued)

High Cost

Metric	1Q2021	2Q2021	3Q2021	4Q2021
Disbursement: Legacy Modernized Funds	500 757	- -	- -	- -
Appeals:	1	-	-	-
Performance Measures Pre-Test				
Sample Size	71.1%	-	-	-
Speed Test	87.2%	-	-	-
Latency Test	71.9%	-	-	-

Plans for Next Quarter

- 4Q2021
  - Outreach to ensure state and Tribal access to FCC Form 481 data and help states and carriers navigate annual ETC certification by Oct. 1 deadline
  - Launch Stakeholder Phase of Eligible Locations Adjustment Process (ELAP)
  - Collect Quarterly Performance Measures pre-test results for A-CAM/Revised A-CAM, RBE and Alaska Plan carriers and compile compliance reports
  - Continue final phase review of approximately 7,000 locations across both CAF II and A-CAM/Revised A-CAM funds

Plans for Next Quarter (Continued)

- 4Q2021
  - 5G Legacy Initial Reporting system implementation and launch
  - Robotic Process Automation implementation
  - Close out of 2021 Verifications
  - Prep work for 2022 Verifications

Roadmap
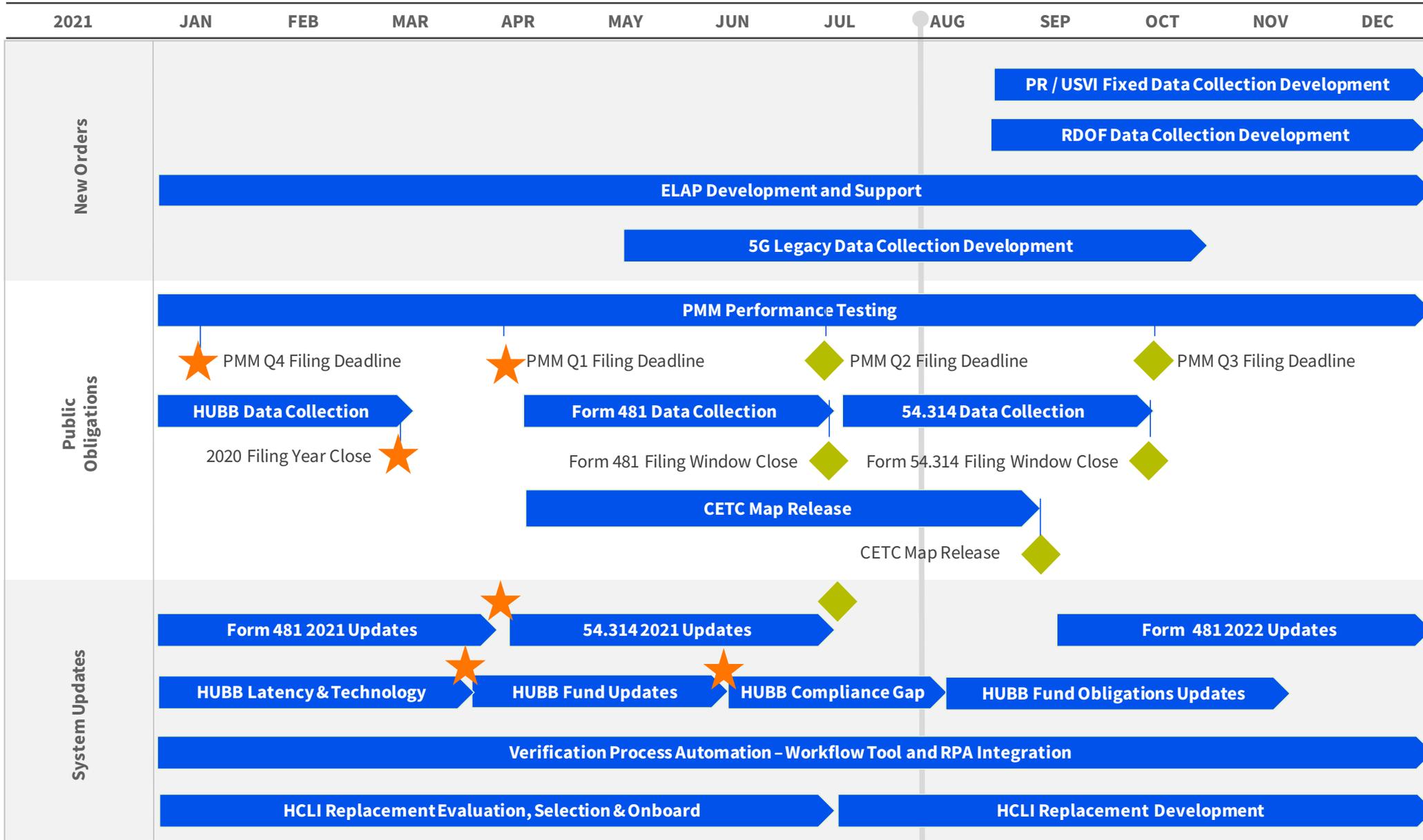
Milestone Legend
- 🔺 At Risk
- 🔶 On Track
- ⭐ Completed

2021 | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC

New Orders
- PR / USVI Fixed Data Collection Development
- RDOF Data Collection Development
- ELAP Development and Support
- 5G Legacy Data Collection Development

Public Obligations
- PMM Performance Testing
- ⭐ PMM Q4 Filing Deadline
- ⭐ PMM Q1 Filing Deadline
- 🔶 PMM Q2 Filing Deadline
- 🔶 PMM Q3 Filing Deadline
- HUBB Data Collection
- Form 481 Data Collection
- 54.314 Data Collection
- 2020 Filing Year Close ⭐
- Form 481 Filing Window Close 🔶
- Form 54.314 Filing Window Close 🔶
- CETC Map Release
- CETC Map Release 🔶

System Updates
- ⭐ Form 481 2021 Updates
- 🔶 54.314 2021 Updates
- Form 481 2022 Updates
- ⭐ HUBB Latency & Technology
- ⭐ HUBB Fund Updates
- HUBB Compliance Gap
- HUBB Fund Obligations Updates
- Verification Process Automation – Workflow Tool and RPA Integration
- HCLI Replacement Evaluation, Selection & Onboard
- HCLI Replacement Development

Systems Update

- Performance Measures

  - Pre-Test Data Collection July 7 for ACAM, RBE, and Alaska Plan Carriers

    - Analyzing carrier feedback from 1Q2021 to improve system experience and reduce carrier support issues

    - Carrier support assisting carriers to support data reporting

  - Planning underway for updates to support next round of pre-testing by ACAM II, CAF-BLS, and CAF II Auction carriers beginning in 2022

- 5G Initial Legacy Data Collection

  - Documenting requirements for initial 5G Legacy carrier data reporting requirement due in 4Q2021

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High Cost IT High Level Project Status

Verification Workflow Tool. The Detailed and Final Review functionality of the Verification Workflow Tool was released on 5/27.

Form 481 2021 Updates. Certification functionality was enabled on 5/13 once PRA approval was received from the FCC.

Eligible Locations Adjustment Process (ELAP). Phase 1 Participant functionality was released on 4/1.

Rural Digital Opportunity Fund (RDOF). Payment and distribution webtools were released on 4/21.

Active Projects	Project Status	Target Production Date	Project Updates & Risks
Eligible Locations Adjustment Process (ELAP) Phase 2: Public Map, Stakeholder Registration & Verification	In Progress/ On Track	Oct-2021	Development on the Public Map is on-going. Stakeholder Registration & Verification is in development.
CETC Data Boundary Map A public map of the service area boundaries for Competitive Eligible Telecom Carriers (CETCs) as requested by the FCC	In Progress/ On Track	TBD	High Cost team is waiting for FCC approval to schedule a release date.

High Cost IT High Level Project Status (Continued)

| Active Projects	Project Status	Target Production Date	Project Updates & Risks
Rural Digital Opportunity Fund (RDOF) HUBB data collection functionality	In Progress/ On Track	TBD	Product team is working with FCC to get the needed information for HC IT to implement RDOF in HUBB.
Verification Workflow Tool Automate parts of the verification process via a workflow tool	In Progress/ On Track	TBD	Extrapolation functionality is beginning
HUBB Compliance Gap Automate the process in which a SAC can be set into compliance gap and track progress to exit compliance gap	In Progress/ On Track	TBD	HC IT and Product Team continue to refine and confirm the requirements.

Appendix A: Glossary of Terms

Term	Definition
A-CAM/ RA-CAM	Alternative Connect America Cost Model/(Revised ACAM): A High Cost fund that in which rate-of-return carriers that elected to receive support based on a new cost model in exchange for meeting defined broadband build-out obligations.
CAF	Connect America Fund. Beginning with the 2011 *Universal Service Fund/Connect America Fund Transformation Order*, a part of the federal universal service High Cost program designed to expand access to voice and broadband services.
CETC	A "competitive eligible telecommunications carrier" is a carrier that meets the definition of an "eligible telecommunications carrier" under Subpart C Part 54 of the FCC rules.
ELAP	Eligible Locations Adjustment Process: A voluntary challenge process to facilitate post-auction review and potential adjustment of the defined CAF II Auction deployment obligations (and associated support) on a state-by-state basis if the total number of locations funded by the program exceeds the number of actual locations.

Appendix A: Glossary of Terms (Continued)

Term	Definition
HUBB	High Cost Universal Broadband Portal: USAC's online system for Carriers participating in modernized Connect America Fund (CAF) programs to submit broadband deployment data pursuant to Part 54.316 of the FCC rules.
LoC	Letters of Credit. Pursuant to FCC rules, before being authorized to receive certain modernized high cost support, a winning bidder must obtain an irrevocable standby letter of credit that conforms to FCC rules and requirements.
PIA	Program Integrity Assurance
PMM	Performance Measures Module. USAC's online system for Carriers to submit performance data required by FCC's Performance Measures Order.

Appendix A: Glossary of Terms (Continued)

Term	Definition
PR/USVI PR/VI	Puerto Rico / US Virgin Islands: United States territories for which the FCC created specific HC funds to help rebuild and shore up communications networks damaged or destroyed by hurricanes.
RBE	Rural Broadband Experiments: A 10 year fund designed to provide $100 million funding for carriers to buildout broadband services in high cost areas.
RDOF	Rural Digital Opportunity Fund: A new two-stage HC fund to provide up to $20.4 billion over ten years to finance up to gigabit speed broadband networks in unserved rural areas.
RPA	Robotic Process Automation. Technology designed to automate manual repetitive, high-volume tasks performed by employees.
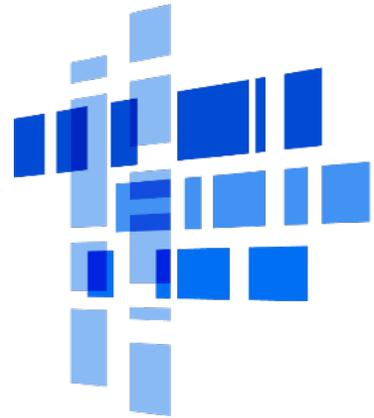
Universal Service Administrative Company
High Cost & Low Income Committee Meeting

ACTION ITEM

Approval of Low Income Support Mechanism
4th Quarter 2021 Programmatic Budget and
Demand Projection for the August 2, 2021 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 2021 (4Q2021) programmatic budget and demand projection for the Low Income Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's August 2, 2021 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 4Q2021 funding requirement for the Low Income Support Mechanism as follows:

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

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Table A. Program Funding Requirement

(in millions)	3Q2021	Increase/ (Decrease)	4Q2021	Notes
Steady State:				
Lifeline	$242.42	($5.23)	$237.19	See Note 1
Link Up	0.04	(0.01)	0.03	
New Requirements:				
N/A	0.00	0.00	0.00	
Total Program Demand	**$242.46**	**($5.24)**	**$237.22**	
Prior Period Adjustments (difference between projections and actuals):				
Disbursements	32.97	(55.95)	(22.98)	
Billings	(3.18)	5.57	2.39	
Bad Debt Expense	(2.42)	0.36	(2.06)	
Total Prior Period Adjustments	$27.37	($50.02)	($22.65)	
USAC Administrative Expenses	$16.43	($0.07)	$16.36	See Table B
Total Funding Requirement	**$286.26**	**($55.33)**	**$230.93**	

Note 1: Demand decrease primarily due to reinstatement of the Commission's Lifeline usage requirement as described in DA 21-229.[3]

Based on the projected burn rate, USAC estimates the following 4Q2021 programmatic budget:

Table B. Quarterly Programmatic Budget

(in millions)	3Q2021 Budget	Increase/ (Decrease)	4Q2021 Budget	Notes
Direct Program Costs				
Employee Expenses	$2.31	$0.34	$2.65	
Professional Services	4.44	(0.51)	3.93	
General & Administrative	0.30	(0.09)	0.21	See Note 2
Total Direct Program Costs	**$7.05**	**($0.26)**	**$6.79**	
Direct Assigned Costs				
Employee Expenses	$0.61	$0.03	$0.64	
Professional Services	1.95	(0.16)	1.79	
General & Administrative	0.38	0.01	0.39	See Note 2
Total Direct Assigned Costs	**$2.94**	**($0.12)**	**$2.82**	
Total Direct Program & Direct Assigned Costs	**$9.99**	**($0.38)**	**$9.61**	
Common Allocated Costs	**$6.44**	**$0.31**	**$6.75**	
Total Programmatic Budget	**$16.43**	**($0.07)**	**$16.36**	

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[3] *See Lifeline and Link Up Reform and Modernization,* WC Docket No. 11-42, Order, 36 FCC Rcd 4448 (2021).

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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, 2021 is provided in **Attachment 1.**

Recommendation:

USAC management recommends that the Committee approve the 4Q2021 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 2021 Low Income Support Mechanism direct program budget of $9.61 million; and

   RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of $9.61 million for Low Income Support Mechanism administrative costs in the required August 2, 2021 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 26, 2021 the 4th Quarter 2021 Low Income Support Mechanism demand estimate of $230.93 million, hereby directs USAC staff to proceed with the required August 2, 2021 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.

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ATTACHMENT 1

Low Income Administrative Costs and Headcount
Comparison of Actual Expenditures and Headcount to the Budget for the
Six months ending June 30, 2021

($ in millions)	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	69	72	3	$3.53	$4.55	$1.02
Professional Services (Note 3)				5.17	9.33	4.16
General & Administrative (Note 4)				0.23	0.50	0.27
Total Direct Program Costs				**$8.93**	**$14.38**	**$5.45**
Direct Assigned Costs						
Employee Expenses	14	14	0	$0.70	$1.19	$0.49
Professional Services (Note 3)				2.10	3.88	1.78
General & Administrative (Note 4)				0.92	0.76	(0.16)
Total Direct Assigned Costs				**$3.72**	**$5.83**	**$2.11**
Total Direct Program & Direct Assigned Costs	83	86	3	**$12.65**	**$20.21**	**$7.56**
Common Allocated Costs (Note 5)				**$10.58**	**$12.53**	**$1.95**
Total Programmatic Budget				**$23.23**	**$32.74**	**$9.51**

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. Actual common allocated costs reflect a reduction for costs allocated to the appropriated programs.

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High Cost and Low Income Committee

Lifeline Business Update

Open Session

July 26, 2021

Universal Service
Administrative Co.

Agenda

- Program Accomplishment Highlights

- National Verifier (NV) Update

- Metrics

- System Update

- Program Roadmap

Program Accomplishment Highlights

- The Lifeline Program Integrity (PI) team implemented a process for conducting targeted quarterly reviews of ETCs' compliance with non-usage rules.

- Continued to monitor suspicious activities in NV. The Lifeline PI team shares a Representative Accountability Database (RAD) lockout report with the FCC on a monthly basis to remove system access for provider agents as warranted.

- Starting in May 2021, Lifeline implemented a new call center translation service for up to 200 languages for instances where a language other than Spanish or English is needed to assist calls to the Lifeline support call center.

- Held a Tribal webinar in June 2021 for our quarterly Tribal focused meeting.

- Launched the new USAC.org/Lifeline megamenu website updates in June 2021. The updated structure ensures that information is well organized, easy to find, and clear.

Program Accomplishment Highlights (Continued)

- **CMA Renewals Completed**
    - Successfully re-established computer matching agreements (CMA) for *MO, NC, PA, and TN*. The CMAs became effective on April 7, 2021.
    - CMAs for *SC, WA, and VA* were renewed for the effective period of April 20, 2021 through April 20, 2022.
    - Successfully re-established CMAs for *PR, KY, IN, and MI* in advance of the due date, August 5, 2021. These re-establishments were executed as combined Lifeline and Emergency Broadband Benefit (EBB) CMAs.

Lifeline NV Updates

The NV now has 23 state/territory connections, plus federal connections to CMS and HUD. The NV also leverages automated connections in Texas and Oregon, which use state databases to determine eligibility for the Lifeline program. California currently does not have automated eligibility verification for the Lifeline program.

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

NV Connection Statistics

State Connection Type	State	May 2021 Subscribers
API	CO, FL, GA, IA, IN, MI, MN, MS, NM, NV, PA, PR, UT, VA, WA, WI	2,431,632
Batch	KY, MO, NC, SC, TN	582,276
Federal Only	AK, AL, AR, AS, AZ, CT, DC, DE, GU, HI, ID, IL, KS, LA, MA, MD, ME, MP, MT, ND, NE, NH, NJ, NY, OH, OK, RI, SD, VI, VT, WV, WY	2,213,227
NLAD Opt-Out	CA, OR, TX	1,724,435

*Note: NV benefits from the existing state eligibility connections in TX and OR.

Metrics

Lifeline Eligibility and Enrollments

Year-to-Date (YTD) Cumulative Comparison	2021 YTD (Jan. through May)	2020 Comparison (Jan. through May)
National Verifier Applications Created	2,850,838	2,525,023
Program Eligibility Auto Approved	1,894,314	1,540,978
Program Eligibility Auto Pass Rate	66%	61%
Enrollments (Excludes CA, OR, and TX)	805,478	1,253,304
De-Enrollments (Excludes CA, OR, and TX)	1,831,333	1,486,541
Subscribers (May Data, June 1 Snapshot)	5,227,159	5,484,948
Opt-Out State Subscribers (May Data – CA, OR, and TX)	1,724,435	1,724,175

Note: Subscriber counts include all subscribers in the National Lifeline Accountability Database (NLAD) snapshot. Subscriber counts from the NLAD opt-out states (CA, OR, and TX) are also included. Actual claimed subscribers will vary but are capped at these NLAD snapshot levels (i.e., service providers cannot claim more than what is in NLAD).

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Lifeline Call Center Metrics

Lifeline Call Center Metrics

Metric Comparison	April	June
Calls Handled Average per Day	1,732	3,169
Average Talk Length	6.4 min	10.5 min

Note: *Since the launch of the Emergency Broadband Benefit (EBB) Program on 5/12, we have seen an increase in calls to the call center inquiring about information about the new program.*

System Update

- Transitioned our third-party identity verification (TPIV) services to a different provider starting in May of 2021.

- Implemented a new "Check Application Status" functionality in June 2021, which allows service providers to search for and review the status of any consumer's National Verifier application using the consumer's application ID, name, and date of birth.

- Beginning December 1, 2021, support for voice-only Lifeline services decreases to $0, except in Census blocks where there is only one Lifeline provider. The FCC and USAC published **a list** of Census blocks where only a single Lifeline provider is providing service. Providers can review these Census blocks by state, zip codes, and Census blocks to determine which Census blocks are eligible for continued voice support.

Roadmap
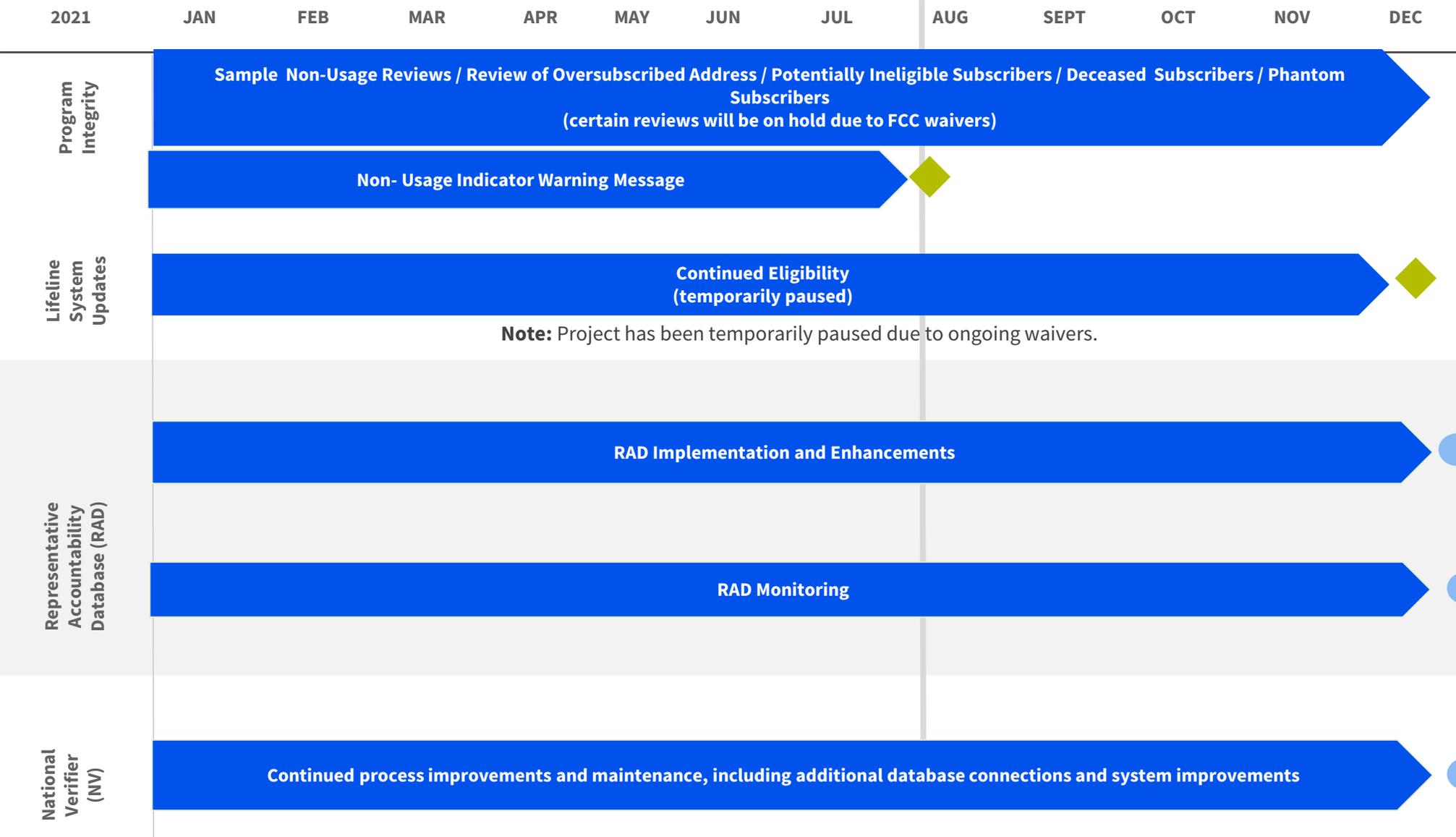
Appendix A: Lifeline Program Trends

Data Month	Subscribers	Rate of Change (month over month)	Disbursed
May 2021 (snapshot on June 1)	6,951,594	-23.98%	$ 59,414,593
Apr. 2021 (snapshot on May 1)	9,144,182	1.37%	$ 78,757,611
Mar. 2021 (snapshot on Apr. 1)	9,020,875	1.50%	$ 84,803,883
Feb. 2021 (snapshot on Mar. 1)	8,887,882	1.85%	$ 83,229,127
Jan. 2021 (snapshot on Feb. 1)	8,726,868	2.13%	$ 81,538,051
Dec. 2020 (snapshot on Jan. 1)	8,544,528	2.01%	$ 79,755,408
Nov. 2020 (snapshot on Dec. 1)	8,376,477	2.08%	$ 79,873,174
Oct. 2020 (snapshot on Nov. 1)	8,205,436	2.21%	$ 78,000,715
Sept. 2020 (snapshot on Oct. 1)	8,027,678	1.96%	$ 76,061,816
Aug. 2020 (snapshot on Sept. 1)	7,873,728	2.05%	$ 74,611,402
July 2020 (snapshot on Aug. 1)	7,715,527	1.85%	$ 73,097,218
June 2020 (snapshot on July 1)	7,575,513	2.24%	$ 71,800,093

Subscribership had increased during the time period in which FCC waivers temporarily suspended involuntary de-enrollments. This has resulted in a reversal of the decreasing trend in subscribers with an increasing trend starting in April 2020 and continuing to the present. An increase in de-enrollments during May 2021 was primarily caused by the expiration of FCC non-usage waivers.

*Note: Subscriber counts include all subscribers on the NLAD snapshot. Subscriber counts from the NLAD opt-out states (CA, OR, and TX) are also included. Actual claimed subscribers will vary but are capped at these NLAD snapshot levels (i.e., service providers cannot claim more than what is in NLAD).

Appendix A: Lifeline Program Service Type Trends

Month	Broadband	Bundled Broadband	Bundled Voice & Broadband	Bundled Voice	Voice
May 2021	0.37%	38.41%	52.19%	1.25%	7.77%
Apr. 2021	0.26%	32.31%	59.62%	1.10%	6.72%
Mar. 2021	0.25%	30.96%	60.69%	1.11%	6.99%
Feb. 2021	0.24%	29.34%	61.90%	1.13%	7.39%
Jan. 2021	0.23%	28.07%	62.74%	1.16%	7.78%
Dec. 2020	0.23%	45.27%	45.14%	1.26%	8.10%
Nov. 2020	0.22%	45.75%	44.77%	1.07%	8.19%
Oct. 2020	0.21%	45.50%	44.70%	1.12%	8.47%
Sept. 2020	0.21%	45.10%	44.68%	1.20%	8.81%
Aug. 2020	0.20%	45.04%	44.33%	0.98%	9.46%
July 2020	0.23%	44.83%	44.19%	1.01%	9.73%
June 2020	0.23%	45.42%	43.59%	1.02%	9.74%

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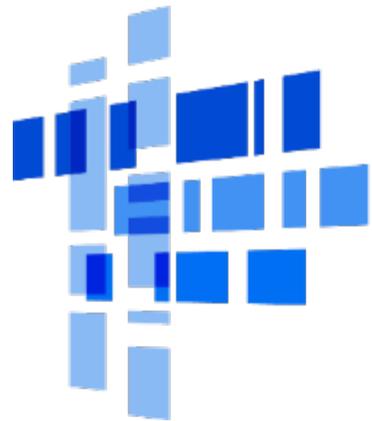- Voice – Voice service meeting minimum service standards

Note: Lifeline program service type data is from the Lifeline Claims System (LCS), which includes the NLAD opt-out states as max claimable subscribers.

Available for Public Use

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Appendix B: Glossary of Terms

Term	Definition
CMA	Computer Matching Agreement: A written agreement between the source agency and the recipient agency (or non-federal agency) specifying the terms of the matching program.
CMS	Centers for Medicare and Medicaid Services
HUD	Housing and Urban Development
ETC	Eligible Telecommunications Carrier
LCS	Lifeline Claims System: The online filing system that service providers use to receive reimbursement for offering Lifeline-supported services to eligible consumers.

Appendix B: Glossary of Terms (Continued)

Term	Definition
NLAD	National Lifeline Accountability Database: Allows service providers to check on a real-time, nationwide basis whether a consumer is already receiving a Lifeline program-supported service.
NV	National Verifier: The Lifeline National Eligibility Verifier determines whether consumers are eligible for Lifeline.
RAD	Representative Accountability Database: A registration system that validates the identities of service provider representatives performing transactions in the National Lifeline Accountability Database and the National Verifier.