**Universal Service Administrative Co.**

# Schools & Libraries Committee

## Briefing Book

Monday, May 1, 2023

4:00 – 4:30 p.m. Eastern Time

## Available for Public Use

Virtual Meeting

USAC Offices, 700 12th Street NW, Suite 900

Washington, D.C. 20005

**Universal Service Administrative Company**
**Schools & Libraries Committee**
**Meeting Agenda**

<table>
<tr><td align="center">

**Monday, May 1, 2023**
**4:00 p.m. – 4:30 p.m. ET**
**Virtual Meeting**
**USAC Offices**
**700 12th Street, N.W., Suite 900**
**Washington, D.C.  20005**

</td></tr>
</table>

| ACTION ITEMS<br>*Open Session* | | *Estimated Duration in Minutes* |
|---|---|---|
| Craig | **a1.** Approval of Revised Schools and Libraries Support Mechanism 3$^{rd}$ Quarter 2023 Programmatic Budget and Demand Projection for the May 2, 2023 FCC Filing | 5 |

Available For Public Use

# Universal Service Administrative Company
# Schools & Libraries Committee Meeting

## ACTION ITEM

### Approval of Revised Schools and Libraries Support Mechanism
### 3rd Quarter 2023 Programmatic Budget and
### Demand Projection for May 2, 2023, FCC Filing

**Action Requested**

The Schools & Libraries Committee (Committee) of the USAC Board of Directors (Board) is requested to approve a revised 3rd Quarter 2023 (3Q2023) programmatic budget and demand projection for the Schools and Libraries Support Mechanism for submission to the Federal Communications Commission (FCC) in USAC's May 2, 2023, 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

USAC estimates the 3Q2023 funding requirement for the Schools and Libraries Support Mechanism as follows:

[Remainder of page is intentionally blank.]

---

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

Available for Public Use

Table A.  Program Funding Requirement

| *(in millions)* | 2Q2023 | Increase/ (Decrease) | 3Q2023 | Notes |
|---|---|---|---|---|
| Steady State: | | | | |
|    Program Funding Requirement | $593.30 | ($25.26) | $568.04 | See Note 1 and Table B |
| New Requirements: | | | | |
|    N/A | 0.00 | 0.00 | 0.00 | |
| **Total Program Funding Requirement** | **$593.30** | **($25.26)** | **$568.04** | |
| Prior Period Adjustments (difference between projections and actuals): | | | | |
|    Billings | ($1.39) | 6.59 | 5.20 | |
|    Interest Income | (0.03) | 0.01 | (0.02) | |
|    Bad Debt Expense | (5.89) | (0.22) | (6.11) | |
| ***Total Prior Period Adjustments*** | **($7.31)** | **$6.38** | **($0.93)** | |
| USAC Administrative Expenses | $23.16 | ($3.50) | $19.66 | See Table C |
| **Total Funding Requirement** | **$609.15** | **($22.38)** | **$586.77** | |

**Note 1:**  The Program Funding Requirement represents one quarter of the total funding requirement for Funding Year 2023 of $2,712.39 million, less $440.22 million carried forward to meet demand for Funding Year 2023.  *See* Table B below for additional detail.

**Note 2**:  Table B is an annual schedule that is updated once a year for the April Board meeting.

Available for Public Use

Table B. Funding Year 2023 Program Funding Requirement and Roll Forward

| (in millions) | Fund Year 2023 |
|---|---|
| **Total Requested (In Window)** | $2,944.01 |
| Decrease for Denials/Cancellations (based on 5 yr average) | (319.58) |
| Increase for Out of Window Apps (based on 5 yr average) | 87.96 |
| **Estimated Demand** | **$2,712.39** |
| | |
| **Less Roll Forward** | |
| Available Funds from Prior Fund Year | $2,956.69 |
| Disbursements | ($2,171.18) |
| Reserved Funds, Net Change | |
| a. Pending Applications to Process | $202.55 |
| b. Unliquidated Obligations (ULOs) | ($563.63) |
| c. Appeals Reserve - USAC Appeals | $10.89 |
| d. Appeals Reserve - FCC Appeals | ($1.57) |
| e. Unpaid Invoices | $6.47 |
| **Total Roll Forward** | **$440.22** |
| | |
| **Funding Year 2023 Collection Requirement** | **$2,272.17** |

Based on the projected burn rate, USAC estimates the following 3Q2023 programmatic budget:

Table C. Quarterly Programmatic Budget

| (in millions) | 2Q2023 Budget | Increase/ (Decrease) | 3Q2023 Budget | Notes |
|---|---|---|---|---|
| **Direct Program Costs** | | | | |
| Employee Expenses | $2.01 | ($0.01) | $2.00 | |
| Professional Services | 7.05 | (3.17) | 3.88 | |
| General & Administrative | 0.00 | 0.00 | 0.00 | See Note 3 |
| **Total Direct Program Costs** | **$9.06** | **($3.18)** | **$5.88** | |
| **Direct Assigned Costs** | | | | |
| Employee Expenses | $0.73 | $0.00 | $0.73 | |
| Professional Services | 2.35 | (0.01) | 2.34 | |
| General & Administrative | 0.66 | 0.00 | 0.66 | See Note 3 |
| **Total Direct Assigned Costs** | **$3.74** | **($0.01)** | **$3.73** | |
| **Total Direct Program & Direct Assigned Costs** | **$12.80** | **($3.19)** | **$9.61** | |
| **Common Allocated Costs** | **$10.36** | **($0.31)** | **$10.05** | |
| **Total Programmatic Budget** | **$23.16** | **($3.50)** | **$19.66** | |

**Note 3:** General & Administrative expenses include computer support & maintenance and meetings & conferences.

A comparison of actual expenditures to the budget for the three months ending March 31, 2023, is provided in **Attachment 1.**

Available for Public Use

## Recommendation

USAC management recommends that the Committee approve the 3Q2023 budget and projection of demand as proposed.

## Recommended Schools & Libraries Committee Actions

APPROVAL OF THE FOLLOWING RESOLUTIONS:

**RESOLVED**, that the USAC Schools & Libraries Committee approves a 3rd Quarter 2023 Schools and Libraries Support Mechanism direct program budget of $9.61 million and

**RESOLVED FURTHER**, that the USAC Schools & Libraries Committee directs USAC staff to submit a collection requirement of $9.61 million for Schools and Libraries Support Mechanism administrative costs in the required May 2, 2023 filing to the Federal Communications Commission on behalf of the Committee; and

**RESOLVED FURTHER**, that the USAC Schools & Libraries Committee, having reviewed at its meeting on May 1, 2023 the 3rd Quarter 2023 Schools and Libraries Support Mechanism demand estimate of $586.77 million, hereby directs USAC staff to proceed with the required May 2, 2023 filing to the Federal Communications Commission on behalf of the Committee.  USAC staff may make adjustments if the total variance for the Schools and Libraries 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 $25 million.

Available for Public Use

**ATTACHMENT 1**

**Schools and Libraries Administrative Costs and Headcount**
Comparison of Actual Expenditures and Headcount to the Budget for the
Three Months Ending March 31, 2023

| ($ in millions) | FTE Actual | FTE Budget | FTE Variance | YTD Actual | YTD Budget | Variance |
|---|---|---|---|---|---|---|
| **Direct Program Costs** | | | | | | |
| Employee Expenses | 60 | 63 | 3 | $1.97 | $2.01 | $0.04 |
| Professional Services (Note 4) | | | | 2.72 | 3.16 | 0.44 |
| General & Administrative (Note 5) | | | | 0.00 | 0.00 | 0.00 |
| **Total Direct Program Costs** | | | | **$4.69** | **$5.17** | **$0.48** |
| **Direct Assigned Costs** | | | | | | |
| Employee Expenses | 19 | 17 | (2) | $0.73 | $0.73 | $0.00 |
| Professional Services (Note 4) | | | | 2.18 | 2.34 | 0.16 |
| General & Administrative (Note 5) | | | | 0.69 | 0.66 | (0.03) |
| **Total Direct Assigned Costs** | | | | **$3.60** | **$3.73** | **$0.13** |
| **Total Direct Program & Direct Assigned Costs** | **79** | **80** | **1** | **$8.29** | **$8.90** | **$0.61** |
| **Common Allocated Costs** (Note 6) | | | | **$8.78** | **$10.22** | **$1.44** |
| **Total Programmatic Budget** | | | | **$17.07** | **$19.12** | **$2.05** |

**Note 4:** Direct Program Professional Services include business process outsourcing (BPO) and Project Management Office (PMO) contracts. Direct Assigned Professional Services include E-Rate Productivity Center (EPC) operations & maintenance, beneficiary & contributor audit program audits, and IT contract labor.

**Note 5:** General & Administrative expenses include computer support & maintenance, printing & postage, and meetings & conferences.

**Note 6:** 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.

Available for Public Use