

1999 Schools and Libraries Committee Meetings Minutes

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

January 25-26, 1999

MINUTES

A meeting of the Schools and Libraries (SL) Committee of the Universal Service Administrative Company (USAC) was held at the Ronald Reagan Building/International Trade Center, 1300 Pennsylvania Avenue, NW, Washington, DC, on Monday, January 25, 1999. Ms. Lisa Rosenblum, Chair of USAC Board of Directors, called the initial meeting of the Committee to order at approximately 9:31 a.m. All Committee members were present, representing a quorum, as follows:

Ms. Kathleen "K.G." Ouye
Dr. Henry Marockie
Dr. Brian Talbott
Ms. Anne Bryant
Mr. Frank Gumper
Mr. David Abramson
Ms. Cheryl Parrino

Officers of the Corporation present:
Robert Haga, Acting Secretary/Treasurer

Schools and Libraries Division Staff:
Kate L. Moore, President
Debra M. Kriete, General Counsel

Others present at the meeting were as follows:

Lee Bailey - USAC – RHC Division
Mel Blackwell - USAC – RHC Division
Shari Dwyer - Thomas Communications
Donna Faunce - USAC – RHC Division
Cathy Howard - USAC
Cherie Kiser - Mintz, Levin, Cohn, et al.
Dick Lavery - GTE
Jim Rodda - MCI WorldCom

1. **Election of the Chair and Vice Chair** -- On a motion duly made and seconded, the Committee unanimously voted to recommend to the USAC Board of Directors to re-elect

Ms. Ouye to serve as the Chair and Dr. Marockie to serve as the Vice-Chair of the Schools and Libraries Committee. Thereafter, the Committee recessed at 9:33 a.m.

The Committee Meeting was reconvened at 12:45 p.m. ET by Ms. Ouye. Ms. Kriete was appointed to serve as the recorder of minutes of the meeting. All Committee members were present, representing a quorum, as follows:

Ms. Kathleen "K.G." Ouye
Dr. Henry Marockie
Dr. Brian Talbott
Ms. Anne Bryant
Mr. Frank Gumper
Mr. David Abramson
Ms. Cheryl Parrino

Officers of the Corporation present:

Robert Haga, Acting Secretary/Treasurer

Schools and Libraries Division Staff:

Kate L. Moore, President
Debra M. Kriete, General Counsel

Others present at the meeting were as follows:

Sara Fitzgerald - Funds for Learning
Shari Dwyer - Thomas Communications
Matt Harcourt - USAC - SL Division
Jim Rodda - MCI
Ken Levy - NECA
Stacy Ison - USAC - SL Division
Mel Blackwell - USAC
Catriona Ayer - USAC - SL Division
Shannon Sullivan - USAC - SL Division
Sharon Webber - FCC
Marvin Bailey - Ameritech
Mary Henze - Bellsouth
Cathy Howard - USAC

- 2. Committee Structure and Organizational Issues** -- On a motion duly made and seconded, the Committee established three subcommittees of the Schools and Libraries Committee, to assist the Committee and the Schools and Libraries Division to transact its business. The subcommittees will provide for continuity of the activities of the former committees to the Schools and Libraries Corporation. The subcommittees are as follows:

Subcommittee	Chair	Committee Members	Schools and Libraries Division Staff to the Subcommittee
Finance	Anne Bryant	Frank Gumper Hank Marockie K.G. Ouye, ex officio	Kate Moore
Audit	Hank Marockie	Brian Talbott Cheryl Parrino K.G. Ouye, ex officio	George McDonald
Programmatic	David Abramson	Brian Talbott Frank Gumper K.G. Ouye, ex officio	Debra Kriete

3. **1999 Division Goals and Objectives** -- Ms. Moore presented the Schools and Libraries Division Goals and Objectives. Ms. Bryant applauded this effort and sought clarification on the purpose of the Technology Leadership Council. After discussion, the Board requested that the references to “charter” be revised to state “convene,” to convey the sense that the Council will serve as an informal advisory group to the Schools and Libraries Division and Committee. The composition of the Council should be revised to reflect the Division’s and Committee’s continuing efforts to regularly communicate with and seek input from applicant and service provider client groups. The Board discussed the proposed reduction in the travel expense budget and sought assurance that the reduction would not reduce the Division’s outreach efforts. Outreach efforts will rely on the Web Site and other Internet-based communications, videoconferences and teleconferences and these means of communication are set forth as a goal in the Division Goals and Objectives. Ms Parrino added that Mel Blackwell, Director of External Communications for USAC, is responsible for the coordinating USAC’s outreach program among all of the various universal service support mechanisms. Chair Ouye urged that effective SLD outreach will continue to require detailed responses to specific, fact intensive questions.

The Board discussed the assumptions underlying the goal of the SLD’s issuance of all funding commitment decisions letters for the second funding year by June 22, 1999. First, the SLD assumed a 100-day application filing window ending March 11, 1999. Second, the SLD assumed that the FCC would provide notice by May 1, 1999, of the

amount of funds to be available for commitments for the second funding year. Mr. Gumper requested that these assumptions be set forth in the Division Goals and Objectives.

On a motion duly made and seconded, the 1999 Division Goals and Objectives was approved subject to the revisions made by the Committee as noted above.

4. **Approval of 1999 Schools and Libraries Division Budget and 2nd Quarter Estimate** -- Ms. Parrino informed the Committee members that the Committee has responsibility to review and approve the direct costs proposed in the Division's budget. The budget proposes a reduction of 16 percent from the October 1998 projection of the 1999 budget. A proportionate share of the support and billing and collection costs is allocated to the Division from USAC, and these costs remain under the oversight of USAC Board. On a motion duly made and seconded, the Committee unanimously approved a 1999 budget of \$28.607 million for the Schools and Libraries Universal Service Program administration, with \$8,639,300 for the first quarter and \$6,437,300 for the second quarter.

5. **Contract Issues -- NECA – NCS Contract** -- On a motion duly made and seconded, the Committee unanimously approved the authorization of the National Exchange Carrier Association (NECA) to enter into a contract with National Computer Systems, Inc. (NCS) in 1999 for services of client service bureau support and data processing support for the processing of applications for the Schools and Libraries Universal Service Support Mechanism at an estimated cost of \$6.974 million.

6. **Contract Issues -- NECA – Spectrum** -- On a motion duly made and seconded, the Committee unanimously approved the authorization of NECA to enter into a contract with Spectrum Technology Group, Inc. in 1999 for services of systems development for the Schools and Libraries Universal Service Support Mechanism such as improvements relating to forms processing and web site operations at an estimated cost of \$1.3 million.

7. **Contract Issues -- NECA – Vestcom** -- The Committee members sought to confirm the quality of NCS' services for the Schools and Libraries Universal Service Support Mechanism. Thereafter, on a motion duly made and seconded, the Committee unanimously approved the authorization of NECA to enter into a contract with Vestcom Mid-Atlantic, Inc. in 1999 for services of letter production and issuance to applicants and service providers for the processing of application for the Schools and Libraries Universal Service Support Mechanism at an estimated cost of \$880,000.

8. **Year 1 Funding Commitment Decision Letter Report** -- The Committee was provided with a report of the status of the issuance of Year 1 funding commitment decisions letters. Through the fifth wave of letters issued as of January 19, 1999, over \$400 million in discounts have been committed to schools and libraries thus far in excess of 13,000 commitment letters. Wave 6 letters will be run on January 25, 1999, and Wave 7 letters will be run on January 31, 1999. While the SLD originally planned to send one decision letter to each applicant, the SLD will instead notify all applicants as quickly as possible of funding decisions on priority 1 services (telecommunications, dedicated and Internet access services).

9. **SLD Forms Processing Statistics** -- The SLD has received over 10,000 Forms 470 this program year, compared to roughly 17,000 last program year. Applicants are encouraged to file Form 470 as soon as possible. The SLD estimates of forms processing for the second application year assumed that 60 percent of the Form 471s would be submitted electronically. To date, actual experience suggests a 50 percent on-line filing rate for Form 471s. In response to Mr. Abramson's inquiry and suggestion that applicants should be provided an immediate electronic notification of successful on-line submission of Form 471, the SLD staff agreed to research the addition of this capability to the SLD Web Site. Ms. Kriete added that for the second funding year Form 471 applications, service providers (in addition to applicants) will a Form 471 Receipt Acknowledgement Letter. This functionality is intended to provide service providers with more advance notification of their potential customers for whom prospective discounts may be provided.

The Committee then discussed the timeframe for which discounts will begin to be provided on applicants' bills for the first program year. Ms. Kriete explained that this timeframe is uncertain given its dependency on when the SLD will complete the issuance of first year funding decision letters. Before prospective discounts may be billed, applicants must complete the process of seeking reimbursement for discounts on services already paid for in full during the first program year, through FCC Form 472, the Billed Entity Applicant Reimbursement Form. Ms. Kriete estimated that an optimistic date for the completion of the BEAR Form processing would be in the late April-early May timeframe. Given that the funding year is scheduled to end on June 30, 1999, Ms. Kriete continued, the SLD staff has received expressions of concern by both applicants and service providers about the feasibility of completing the delivery of all services for the first program year by the June 30, 1999 deadline. In light of these concerns conveyed to the SLD, Ms. Kriete indicated that the SLD staff has initiated dialogue with FCC staff to explore the feasibility of implementing a grace period for completing one-time projects and delivery of one-time services. Ms. Moore stated that the Council of Chief State School Officers (CCSSO) has conferred with the FCC staff and has requested, via the submission of an *ex parte*, that the FCC to implement a grace period. Ms. Kriete stated that she would confer with the Programmatic Subcommittee to seek further

guidance on this subject. In addition, the SLD will confer with service providers to determine their perspective on the feasibility of a grace period.

10. **Outreach Efforts** -- The Committee received a report on the Division's outreach efforts and affirmed the importance of this critical activity.
11. **Appeals and Inquiries** -- On a motion duly made and seconded, the Committee approved the Schools and Libraries Division Policy for Processing Applicant Inquiries and Objections to Funding Commitment Decisions Letters. Ms. Ouye stated that the SLD has released procedures and policies for applicants to follow if they wish to appeal a Funding Commitment Decisions Letter. In addition, it was noted that the SLD Web Site contains information explaining the appeals process.
12. **Operational Procedures** -- Pre-Discount Cost Calculation Worksheet -- Ms. Kriete explained that the Prediscount Cost Calculation Grid has been revised to a worksheet. The new worksheet collects the same information as the Grid, but the SLD has attempted to revise the information collection to make it more user-friendly. On a motion duly made and seconded, the Committee approved the conceptual framework of a prediscount cost calculation worksheet and authorized the Division staff to finalize the form and implementing instructions, and to seek the approval of the FCC and the Office of Management and Budget for the worksheet.

On a motion duly made and seconded, the Committee unanimously agreed to go into Executive Session at 2:45 p.m. for purposes of discussing confidential agenda items.

On a motion duly made and seconded, the Committee unanimously agreed to go into Open Session at 4:00 p.m. for purposes of reporting actions taken during Executive Session. The Committee reported on items 13-17 as follows:

13. **Operational Procedures** -- Post Commitment Corrections Procedures: Change of Services -- On a motion duly made and seconded, the Committee approved the Division staff analysis concerning the legal and operational efficacy of permitting certain, restricted changes of services. The Committee authorized the Division staff to initiate further discussions with the FCC to seek a satisfactory resolution of this outstanding issue.
14. **Approval of Minutes for Monday, December 28, 1998, Final SLC Conference Call** -- On a motion duly made and seconded, the Committee unanimously approved the December 28, 1998, minutes which were approved in Executive Session because their contents addressed personnel matters. Ms. Parrino abstained from the vote.

15. **Form 471, Item 22 Application Denial** -- The Committee was informed of an applicant whose request for services appeared to be unsupported by the necessary resources to use the discounts effectively. The Committee concurred with the Division staff analysis and requested that the Division staff discuss their concern with the FCC and take appropriate action to deny this application.

16. **Authorization to Propose Adjusting the Schools and Libraries Contingency Funding Reserve, Lower the Parameter for Internal Connections for Cycle 6, and Raise the Minimum Threshold for Internal Connections for Cycle 6** -- On a motion duly made and seconded, the Committee unanimously approved the parameter for internal connections discounts to be set at the 77 percent discount level and the minimum threshold of 62 percent below which requests for internal connections would be denied due to lack of available funds.

17. **Options for Streamlining Program Integrity Assurance Procedures to Meet February 15, 1999 Deadline** -- In an effort to respond to the FCC's request that all decision letters be issued by February 15, 1999, for first program year applications, the Committee was presented with a set of modifications to the program integrity procedures to streamline applications processing.

The Committee agreed to recess at 4:00 p.m. ET and reconvene at Noon on Tuesday, January 26, 1999.

A meeting of the Schools and Libraries Committee of the Universal Service Administrative Company (USAC) was held at the Ronald Reagan Building/International Trade Center, 1300 Pennsylvania Avenue, NW, Washington, DC, on Tuesday, January 26, 1999. Ms. Ouye, Chair of the Committee, called the meeting to order at approximately 12:10 p.m. ET. All Committee members were present, representing a quorum, as follows:

Ms. Kathleen "K.G." Ouye
Dr. Henry Marockie
Dr. Brian Talbott
Ms. Anne Bryant
Mr. Frank Gumper
Mr. David Abramson
Ms. Cheryl Parrino

Officers of the Corporation present:

Robert Haga, Acting Secretary/Treasurer

Schools and Libraries Division Staff:

Kate L. Moo

Debra M. Kriete, General Counsel

Others present at the meeting were as follows:

Irene Flannery - FCC

Lisa Zaina – FCC

On a motion duly made and seconded, the Committee unanimously agreed to go into Executive Session at 12:11 p.m. for purposes of discussing confidential agenda items.

On a motion duly made and seconded, the Committee unanimously agreed to go into Open Session at 1:10 p.m. ET for purposes of reporting actions taken during Executive Session. The Committee reported on item 18 as follows:

- 18. Options for Streamlining Program Integrity Assurance Procedures to Meet February 15, 1999 Deadline—Discussion** -- The Committee expressed grave reluctance and hesitation about altering the program integrity review procedures. The Division staff was provided guidance by the Committee members and was authorized to further discuss the issues concerning the completion of issuing year 1 funding decision letters with the FCC.

There being no further business to attend to, Ms. Ouye adjourned the meeting at 1:15 p.m. Eastern Time on January 26, 1999.

Robert Haga

Acting Secretary

Date

012599SLmin

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

February 1, 1999

MINUTES

A meeting of the Schools and Libraries (SL) Committee of the Universal Service Administrative Company (USAC) was held via conference call on Monday, February 1, 1999. The meeting was called to order at 3:30 p.m. Eastern Time by Ms. K. G. Ouye, Chair. Five Committee members were present, representing a quorum:

Kathleen G. Ouye
Frank Gumper
Brian Talbott
Hank Marockie
Cheryl Parrino

Two members were absent:

David Abramson
Anne Bryant
Also present:

Robert Haga, USAC
Kate L. Moore, Schools and Libraries Division
Debra M. Kriete, Schools and Libraries Division
George McDonald, Schools and Libraries Division

New Window Closing Date

The Committee convened to discuss the length of the application window for Year Two. They discussed two options.

Option 1: Close the window earlier to ensure that Year Two discounts are not delayed.

Option 2: Close the window later (on April 6) to allow applicants to apply for Year Two after learning of their discounts for Year One.

Discussion of Option 1 raised the issue that a significant portion of the applicants would not know the status of their request for Year One and will be upset about a shorter window. However, an earlier window would make it easier to get Year Two started on time and would enable the SLD to get the FCC a demand projection sooner.

Discussion of Option 2 raised the prospect of BEARs in Year Two because, depending on when commitment letters go out, service providers may not be able to have billing systems ready for a July 1 start. Service providers may, on the other hand, be able to make adjustments on customer bills in the subsequent bills if the delay was not too great. Option 2 would allow applicants to be better informed as they file applications because they would know the decision of their Year One applications. The Committee also discussed that a longer window would give everyone a fair shot.

The Committee briefly discussed the possibility of not extending the window but, instead, issuing waivers to those applicants who did not receive their Funding Commitment Decision letters for Year One in time. The consensus of the Committee on this option was that it would not be efficient and therefore was not a viable option.

The Committee unanimously agreed on Option 2 with a commitment to work with the service providers to avoid implementing the BEAR in Year Two.

There being no further business to attend to, Ms. Ouye adjourned the meeting at 5:00 p.m. Eastern Time on February 1, 1999.

Robert Haga

Acting Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**Schools and Libraries Programmatic Subcommittee Meeting**

February 8, 1999

MINUTES

A meeting of the Programmatic Subcommittee of the Schools & Libraries Committee of the Universal Service Administrative Company's (USAC) Board of Directors was held on Monday, February 8, 1999, at the USAC office, 2120 L Street, N.W., Suite 600, Washington, DC. Mr. David Abramson, Chair of the Subcommittee called the meeting to order.

All three members were present:	
Abramson, David - <i>by telephone</i>	Talbott, Brian - <i>by telephone</i>
One member was absent:	
Gumper, Frank	
USAC Officers present:	
Parrino, Cheryl - - by telephone	
Officers of the Corporation present:	
Haga, Robert - Acting Secretary/Treasurer	
Others present for the meeting:	
Name	Company
Debra Kriete	USAC
Moore, Kate	USAC

1. Ms. Moore and Ms. Kriete provided a brief overview on a proposed ex parte filing to the Federal Communications Commission. The filing would address three administrative topics: (1) comments on a proposed grace period as an operational means of mitigating the impacts of program delays; (2) a proposed extension of the Billed Entity Applicant Reimbursement process; and (3) a proposed amendment to the invoice processing due date. The Subcommittee discussed several suggestions to improve the clarity of the filing.

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

RESOLVED: The Programmatic Subcommittee of the Schools & Libraries Committee authorizes staff to submit an ex parte filing to the FCC regarding the administrative impact of several proposals before the FCC to modify current program year rules.

There being no further business to attend to, Mr. Abramson adjourned the meeting.

Robert Haga
Acting Secretary/Treasurer

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

February 12, 1999

MINUTES

A meeting of the Schools and Libraries (SL) Committee of the Universal Service Administrative Company (USAC) was held via conference call on Friday, February 12, 1999. The meeting was called to order at 10:27 a.m. Eastern time by K. G. Ouye, Chair. Five of the Committee members were present representing a quorum:

Kathleen Ouye
Brian Talbott
Cheryl Parrino
David Abramson
Hank Marockie

Two members were absent:

Anne Bryant
Frank Gumper

Also present:

Kate Moore, Schools and Libraries Division
Robert Haga, Universal Service Administrative Company
Debra Kriete, Schools and Libraries Division
George McDonald, Schools and Libraries Division

WAVE 9

The Schools and Libraries Committee met to approve parameters (20% for Priority 1 services and 70% for internal connections) for running the funding commitment module and generate Wave 9 of the Funding Commitment Decisions Letters.

The Committee also discussed the issue of making funding commitments on a percentage point-by-percentage point basis or by discount band for internal connections, an issue raised by FCC Commissioner Harold Furchtgott-Roth. The Committee agreed the issue was moot if they accepted the SLD staff recommendation to lower the parameter for internal connections to

70%. The Committee also asked about the Contingency Funding Reserve that would be left after funding internal connections at 70%. Ms. Kriete assured them that she had reviewed the appeals log and could vouch that it provided no evidence of a systemic problem that would account for a significant dollar value of errors, so she believed the Reserve was adequate. The Committee decided that the SLD should indicate to the FCC, when it forwarded notice of the Committee's support for the 70% parameter and the Reserve it would leave, that the Committee assumes no additional rule changes besides those indicated in the analysis of the Reserve.

After a motion by Mr. Marockie and a second by Mr. Talbot, the Committee unanimously approved running the funding commitments for Wave 9 at the 70% level for internal connections.

There being no further business to attend to, Ms. Ouye adjourned the meeting at 11:07 a.m. Eastern Time on February 12, 1999.

Robert Haga

Acting Secretary

Date

021299SLmin

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

February 22, 1999

MINUTES

A meeting of the Schools and Libraries (SL) Committee of the Universal Service Administrative Company (USAC) was held via conference call on Monday, February 22, 1999. The meeting was called to order at 5:00 p.m. Eastern time by Ms. K. G. Ouye, Chair. Four of the Committee members were present representing a quorum:

K.G. Ouye

Anne Bryant

David Abramson

Cheryl Parrino

Three members were absent:

Frank Gumper

Hank Marockie

Brian Talbott

Also present:

Robert Haga, USAC

Kate Moore, Schools and Libraries Division

Debra Kriete, Schools and Libraries Division

George McDonald, Schools and Libraries Division

Wave 10

The Schools and Libraries met to approve parameters (20% for Priority 1 services and 70% for internal connections) for running the funding commitment module and generate Wave 10 of the Funding Commitment Decisions Letters. Kate Moore reported that the SLD staff proposed to run the funding commitment module and the letter module twice to minimize the likelihood of a computer problem delaying the mailing and to give the printer more time to print all the letters. All letters would, however, go out on the same day. SLD staff reported that all required Item 22 reviews would be completed prior to commitment. Kate Moore indicated her understanding that the Committee had empowered the SLD staff to take action on Item 22 reviews if they produced the same fact pattern as the review that had earlier been presented to the Committee. If new fact patterns emerge, then consultation with the Committee would be required. Committee members agreed.

SLD staff reported that with this final wave the total amount committed would be approximately \$1.7 million

The Committee unanimously approved running the commitment module for Wave 10 of the Funding Commitment Decision Letters with a parameter for internal connections of 70%.

There being no further business to attend to, Ms. Ouye adjourned the meeting at 5:31 p.m. Eastern Time on February 22, 1999.

Robert Haga

Acting Secretary

Date

022299SLmin

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Programmatic Subcommittee Meeting

March 22 1999

MINUTES

A conference call meeting of the Schools and Libraries Programmatic Subcommittee (Subcommittee) of the Schools and Libraries Division (SLD) of the Schools and Libraries Committee (Committee) of the Universal Service Administrative Company (USAC) was held on March 22, 1999. Mr. David Abramson, Chair of the Subcommittee, called the meeting to order at 2:15 p.m. Eastern Time.

Two members of the Subcommittee were present, representing a quorum, as follows:	
Abramson, David	Talbott, Dr. Brian
USAC Officers present:	
Parrino, Cheryl - Chief Executive Officer	
Haga, Robert - Acting Secretary/Treasurer	
Others present for the meeting:	
Name	Company
Kate Moore	USAC
Debra Kriete	USAC
Stacy Ison	USAC
Mel Blackwell	USAC

Mr. Abramson asked Ms. Moore to lead the Subcommittee through the agenda items. Mr. Talbott stated that he was comfortable with SLD's recommendations on the agenda items. Mr. Abramson stated that he was comfortable with SLD's recommendations, especially after speaking with Debra Kriete, SLD's outside counsel.

1. **30-Day Appeal Filing Deadline.** Mr. Abramson raised concern for schools who filed appeals in an untimely manner, and had a 90% discount. He thought that it would be unfair if poorer schools received discounts before wealthier schools did, because poorer schools might not have the resources to file appeals in a timely fashion.
2. **Appeal Funding.** Ms. Moore stated that the SLD expects to have sufficient funds to cover all appeals. However, if funds are insufficient, then the SLD would have to discuss with the Federal Communications Commission (FCC) the funding priority of appeals. Ms. Moore expressed that the SLD would have time to comment on FCC proposed rulemaking on this matter. Ms. Moore stated that this time for comment would give the FCC an opportunity to consider strict enforcement of the 30-day filing deadline for appeals as intended. Ms. Moore expressed to the Subcommittee that it ponder the issue whether those who filed appeals in a timely manner would receive funding priority over all those who file appeals in an untimely fashion.

3. **Priority One Services v. Priority Two Services.** Ms. Moore drew attention to needy applicants, and whether priority one services are supposed to preempt priority two services, regardless of when appeals for these services are filed. Ms. Moore stated that the SLD sought the advice of the Subcommittee in order to give meaning to the 30-day deadline, without generating a heavy penalty. Ms. Moore highlighted again the question of whether an appeal for a priority one service, filed in an untimely manner, should have a higher priority over an appeal for a priority two service, filed in a timely manner. Dr. Talbott declared that appeals for priority one services filed within the 30-day window should have priority over all other appeals. Dr. Talbott pointed out that those appeals due to SLD errors would also have higher priority.
Ms. Kriete stated that a key issue is whether a priority two service appeal filed in a timely manner should have priority over a priority one service appeal filed in an untimely manner.
4. **Comments to the FCC.** Ms. Parrino noted how important it is to comment on the FCC rule regarding the appeal filing deadline issue. Ms. Parrino stated that the SLD should pose the question of whether the FCC really meant to allow no funding to those who filed appeals outside of the 30-day window.
Mr. Abramson declared how draconian it would be to deny funding to merited appeals that were filed in an untimely manner. Mr. Abramson asked who would need to see recommended procedure regarding the 30-day appeal filing deadline. Ms. Parrino explained that the FCC would issue a public notice, and then the SLD would comment on the FCC's proposed rulemaking.
Ms. Moore stated that there should probably be an informal conversation with the FCC that will precede the issuance of the public notice. Mr. Abramson agreed that the SLD should have an informal conversation with the FCC regarding the 30-day filing deadline. Ms. Kriete cautioned that the SLD did not want to be seen as influencing a FCC decision if the SLD pursued informal conversations with the FCC. Mr. Haga stated that the SLD could probably talk to the FCC about this issue before the issuance of a public notice.
Mr. Abramson declared that the SLD should probably err on the side of inclusion, and that the SLD should let the FCC know what the SLD is thinking regarding the appeal filing deadline issue. Mr. Abramson expressed concern that the poor school districts that don't have the resources to put together a plan will be penalized by a strict adherence to the 30-day filing requirement. Mr. Talbott asserted that if the SLD did not take a tough stance on the filing deadline, then it might cause an insurmountable amount of problems.
Ms. Moore stated that the FCC has imposed on itself a time requirement for when to review appeals that are sent to it, and that the FCC might have an approach it uses to process appeals filed in an untimely manner. Ms. Kriete informed the members that the FCC takes appeals filed in an untimely manner on a case by case basis. She stated that if one were to file an appeal with the FCC in an untimely manner, one would file a motion for leave to file late. However, Ms. Kriete expressed concern that school and library applicants would not have the knowledge to file a motion for leave with the FCC. Mr. Haga agreed with Ms. Kriete that it is purely discretionary for the FCC to review appeals that are filed with the FCC in an untimely manner.
5. **Appeal Cut-Off Date.** Mr. Blackwell raised the issue of implementing a cut-off date for when the SLD would stop accepting appeals for review. Ms. Moore stated that a reasonable cut-off date would be 30 days from the last issuance of Funding Commitment Decisions Letters (FCDLs) in a wave. She explained that the last FCDLs, in a wave, were issued on February 27, 1999, and 30 days from that date is March 29, 1999. Therefore, Ms. Moore declared that March 29, 1999, would be a reasonable cut-off date for the SLD to cease accepting appeals for review. Ms.

Parrino stated that it would probably be safe to set a cut-off date, because the FCC is probably comfortable with the SLD being more lenient than the FCC would be about the appeal filing deadline.

Ms. Moore observed that the Subcommittee has heard from Mr. Talbott regarding Priority 1 and 2 services, and that the Subcommittee had not heard from Mr. Abramson on that issue. Mr. Abramson stated he agreed with Mr. Talbott. Ms. Kriete suggested that a motion to act on all five agenda items before the Subcommittee was needed. Mr. Talbott moved to approve all five agenda items as presented, and Mr. Abramson seconded that motion. There were no objections or abstentions.

6. **Announcement of USAC General Counsel.** Ms. Moore announced that Ms. Ellen Wolfhagen would succeed Ms. Kriete and become SLD Counsel on April 6, 1999.
7. **Appeal Information.** Ms. Moore informed the Subcommittee that the definition of internal connections is a concern for the appeal review process. Ms. Moore noted that the SLD has classified as internal connections certain components within the Internet access category. Ms. Moore also informed the Subcommittee of another pending issue, whether to allow the change of service to another with the same effective functionality, once the SLD has given a commitment. Regarding the same issue, Mr. Talbott explained that American Samoa has requested to change services. Ms. Kriete raised the issue of changing vendors, and that all change procedures should be brought before the Subcommittee. Ms. Moore noted that the SLD would necessarily involve the FCC, but that the issues would be brought before the Subcommittee for its insight.

Ms. Kriete drew attention to Action Item #5, and that the attachment was an old appeals processing policy. She explained that the language needed to be updated to reflect a change in the appeals processing policy. Ms. Kriete also stated that in order to make sure of compliance with FCC regulations, the policy needs to reflect that the Schools and Libraries Committee delegates authority to the SLD to review appeals.

There being no further business, Mr. Abramson adjourned the meeting at 2:50 p.m. Eastern Time.

Robert Haga
Acting Secretary/Treasurer

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

April 19, 1999

MINUTES

A meeting of the Schools and Libraries (SL) Committee of the Universal Service Administrative Company (USAC) was held at The Westin Grand – Scott Room, 2350 M Street, NW, Washington, DC, on Monday, April 19, 1999. Ms. Kathleen “K.G.” Ouye, Chair of the SL Committee, called the meeting to order at approximately 9:15 a.m. Eastern Time. Mr. Robert Haga, Acting Secretary, called the role. Six Committee members were present, representing a quorum:

Kathleen G. Ouye

David Abramson

Anne Bryant

Hank Marockie

Cheryl Parrino

Brian Talbott

One member was absent:

Frank Gumper

Officers of the Corporation present:

Robert Haga – Acting Secretary/Treasurer

Others present:

Kate L. Moore – President, Schools and Libraries Division

Mickey Revenaugh, Schools and Libraries Division

Ellen Wolfhagen, Schools and Libraries Division

George McDonald, Schools and Libraries Division

Jodie Pozo-Olano, Schools and Libraries Division

Mel Blackwell, Universal Services Administrative Company

1. **Minutes Approval** – On a motion by Anne Bryant, seconded by Brian Talbott, the Committee unanimously approved the minutes of November 24, 1998; January 25 and 26, 1999; February 1, 1999; February 12, 1999; and February 22, 1999. Ms. Bryant raised an item of clarification in the December 15, 1998, minutes, which resulted in deferral.
2. **Schools and Libraries Program Update** – Kate Moore provided a statistical update of the Schools and Libraries program. Ten “waves” of funding commitment letters were issued, with a “ripple” of follow-up commitments, which did not make it into the tenth wave. A total of \$1.665 billion was committed for Year 1 (1998). USAC has committed \$249 million to date in service provider invoices and billed entity reimbursements.

The FCC issued the Tenth Order on Reconsideration on April 2, 1999. That Order resolved two items: (1) based on an issue raised by the Counsel of Chief State School Officers (CCSSO), that ongoing service contracts may be voluntarily extended for an additional six months (to cover the period of Year 1 extension from January 1, 1999, to June 30, 1999), with incremental funding coming from the Reserve Fund; and (2) setting up a grace period for one-time non-recurring costs, so that the money can be expended through September 30, 1999, (which is good for schools that want to get their internal connections placed over the summer). This second item does not require additional money, just a longer period of time in which to spend it. The Schools & Libraries Division (SLD) staff is checking with the FCC’s Common Carrier Bureau staff on how to get the word to applicants.

The Tenth Order also clarified that cash may flow during the appeal process, so that if an applicant appeals part of a funding decision or appeals the discount level of the funding decision, USAC may process invoices to the extent of the portion not under appeal.

Kate Moore also noted that there has been a change in procedures from Year 1 regarding how appeals of missed window deadlines are handled, in that it appears that USAC/SLD does not have the authority to issue waivers to the application window. This is a question of legal interpretation that needs further FCC action to resolve. The SLD is acting, however, on post-commitment appeals that met the prescribed deadlines.

3. **SLD Forms Processing Statistics** – The numbers are up from Year 1. Electronic filing has proven popular; 84% of Form 470s were filed on-line and 28% of Form 471s (which was a pilot program option in Year 2). Electronic filing has produced a lighter data entry load.
4. **1999 Goals and Objectives** – There was general agreement that the goals and objectives are useful in helping track the project milestones for the year. Anne Bryant questioned the costs for Form 471 processing contained in the NECA contract. Kate Moore pointed out that this reflects the intensity of review and the back and forth required to deal with rule changes. David

Abramson pointed out that the expectation is that the cost will be reduced by almost 50% for Year 2.

Hank Marockie noted that the demand numbers are up and attributed it to the resiliency of the applicant community. KG Ouye said that we need to tell the story that demand is continuing and the number of applications is up.

Kate Moore affirmed the wisdom of the Committee in expanding the window for Year 2 applications. KG Ouye pointed out that the Committee's wisdom was shaped by discussions with the FCC and that we are all in this together.

5. **Review of 1998 Actual Expenses** – Two budget adjustments were discussed for the 3rd Quarter filing: (1) the final invoice for NECA; and (2) payment to Withum, Smith and Brown, the temporary accounting professionals hired for PIA (What does PIA stand for?) review processing, hired to meet early 1998 commitments. Kate Moore sought approval for the bills and explained that when the 4th Quarter estimate was established, there was no past experience to base it on and no way to know that a ramp-up in the amount of \$1 million would be needed to meet our PIA goals. The overall 1998 budget tracks fairly closely to estimated amounts with Spectrum and user testing tracking a bit under budget.

Robert Haga stated that the wrong date was listed in the action paper. The correct date was noted as December 31, 1998, by the Committee.

Hank Marockie moved to approve the item as corrected. Anne Bryant seconded the motion.

KG Ouye stated that the critical items were the overall projection of \$200,000 and \$150,000 for temporary accounting services. Kate Moore stated that the SLD was on track with the budget. Ms. Ouye asked if there were any questions and called for approval of the budget. The Committee unanimously adopted the following resolutions:

RESOLVED, That the USAC Schools and Libraries Committee approves NECA expense reimbursement for the month ended 12/31/99 in the amount of \$3,941,000, and

FURTHER RESOLVED, That the USAC Schools and Libraries Committee approves reimbursement for payment of temporary accounting services provided by Withum, Smith & Brown in December 1998 in the amount of \$150,142.50.

6. **3rd Quarter 1999 Programmatic Budget** – Kate Moore drew attention to the handout of the estimated demand which stated that demand was \$2.435 billion and that the estimate had a 95% confidence level plus or minus 4.6%. The report indicated that Priority One services (Telecommunications and Internet Access) made up \$931 million (plus or minus 6%); and the Priority Two services (Internal Connections) figure of \$1.5 billion was plus or minus 6%. Ms. Moore reported that the general profile for Year 2 tracks closely to requests for discounts from last year’s requests for Priority One and Priority Two service, but that there is a slight increase in Priority One requests. The overall requests for last year were for \$2.3 billion over 18 months, including approximately \$150 million for the additional 6 months funding for telecommunications services and Internet access. Ms. Moore stressed that the sample was statistically designed and reflected some higher dollar applications and a sample of other applications to round out the sample. This helped generate statistically reliable bottom line numbers, but Ms. Moore cautioned that the amounts by discount band could vary significantly.

Hank Marockie asked why a sample was taken when the actual number of applications was known. Ms. Moore explained that about fifty percent of the Form 471 applications came in over the last three days. Anne Bryant stated that 15,000 applications, which was almost half of the applications, was a huge sample and suggested that there was a need to tell Congress and the public. Brian Talbott agreed and suggested that state-by-state breakouts would be useful. Ms. Moore concurred and stated that a temporary consultant was hired to make data more accessible.

Mel Blackwell reported that a mailing had been sent to congressional members and Governors’ offices informing them of discounts committed to their districts and states. Jodie Pozo-Olano reported that she has a collection of positive press clips from the smallest of newspapers to the largest papers in every state and agreed to organize them by state to make it easier for Committee members.

7. **Preliminary 3rd Quarter 1999 Projections** – Cheryl Parrino reported that the SLD budget was on target and that there was a slight increase in common costs due to reallocation of some corporate costs. Kate Moore reported that some costs have shifted from last year to this year, specifically Spectrum costs. She indicated that they could in fact be higher than projected and so she would check back with the Finance Committee to keep them posted.

There was some discussion regarding the website with KG Ouye noting its importance to ward off complaints and to provide good customer service. Ms. Ouye asked about the responsiveness of the website and stated that it was human nature to wait to file an application until the end and stressed the need for system support whether there is a form change or not. Kate Moore

reported that the website could support more than 1,000 simultaneous users and 1,200 Form 471 filings.

Hank Marockie suggested that website should not take away from visits to the field. Kate Moore committed to continuing broad and efficient outreach to the field.

Robert Haga reported that a common USAC website had been developed as directed by the FCC's Order and to expect some increase to the SLD budget based on the reallocation of common USAC costs as a result of the Rural Health Care Report filed with the FCC on March 5, 1999.

The Committee further resolved to include demand estimate in the 3rd Quarter filing. Anne Bryant moved the motion. Hank Marockie seconded it. The Committee unanimously adopted the following resolutions:

RESOLVED, That the USAC Schools and Libraries Committee approves a 3rd Quarter 1999 Schools and Libraries Programmatic Budget of \$6,292,800, and

FURTHER RESOLVED, That the USAC Schools and Libraries Committee recommends approving the projection of demand for the Schools and Libraries Program for the third quarter and the filing of that demand with the FCC.

8. **Status of SLD Financial Audit** – Pursuant to FCC rules, a financial audit of the books, records, and operations is required. Kate Moore stated that the FCC has approved the SLD audit plan and has been advised that SLD will negotiate with Arthur Andersen to conduct this audit. The selection of Arthur Andersen is designed to ease the transition of final statements to a single corporate entity status in 1999, given that Arthur Andersen is the auditor for the USAC Corporation.
9. **Approvals of Auditors** –Kate Moore reported that FCC regulations require an “annual audit” to examine “operations and books of account.” In addition, the FCC advised USAC that the November 4, 1998, attest audit opinion did not represent an “annual audit.” Therefore, PricewaterhouseCoopers (PwC) must audit the period of November 4, to December 31, 1998. PwC estimated the cost for this audit at \$50 to \$75 thousand. SLD staff has acknowledged that the procedures used by the PIA for Year 1 appear to be effective, but believe additional efficiencies are possible. Kate Moore stated that the SLD would like to engage PwC in a consulting agreement to review procedures and changes in procedures from Year 1 to Year2.

Kate Moore noted that this audit would be focused, quick, and cost-effective and reported that the preliminary figure for the audit was \$25,000.

Kate Moore sought Committee approval for further contracting with PwC to complete an audit of internal controls in place between November 4 and December 31, 1998, and to review PIA procedures for Year 2. KG Ouye presented a motion to approve \$25,000 for the consulting contract and up to \$75,000 (with approval to go to the Finance Committee if the cost is more) for the audit to cover what was not included in the November attest opinion.

Anne Bryant suggested adding this to the list of expenses incurred because of FCC direction. Cheryl Parrino stated that the rules require a financial audit and an audit of operations annually. Hank Marockie moved for approval, with Brain Talbott seconding it. The Committee unanimously adopted the following resolutions:

RESOLVED, That the USAC Schools and Libraries Committee authorizes the SLD to enter into one or more contracts with PricewaterhouseCoopers to complete an attest audit of the design of SLD operating procedures as they stood effective 12/13/98 and to provide consulting advice on the proposed Year 2 PIA procedures for review of FCC Forms 471,

10. **Programmatic Subcommittee Report** – David Abramson reported that the subcommittee had met to review changes that would potentially streamline the appeals process and address the 30-day filing period for appeals. Kate Moore noted that the FCC has stated that applicants have no more than 30 days to file an appeal of a Funding Commitment Decisions Letter and that USAC/SLD did not appear to have the authority to review appeals filed regarding the Year 2 window. SLD is still awaiting FCC sign-off on granting appeals for applicants who incorrectly classified services and for appeals that were filed claiming the SLD did not contact the applicant to resolve conflicting or insufficient information.
11. **Post-commitment Appeals Process and Status of Appeals** – The contingency funding reserve would cover meritorious appeals and the SLD was targeting early May for completion. Mickey Revenaugh reported that expanded expertise among PIA staff is helping to speed the process along.

As of April 15, 1999 SLD had received 1,662 appeals with 465 total decisions rendered. George McDonald stated that a number of appeals are awaiting FCC approval on policies.

Cheryl Parrino asked if there were trends in the quality of appeals received. Mickey Revenaugh stated that there was no connection between the complexity of the appeal and the merit and that the issues and the ability to document them are evenly spread between large and small applicants.

12. **Year 3 Task Force Report** – Mickey Revenaugh reported that Year 3 presents the first chance to make changes to the application process. The Task Force worked on 10 recommendations, with the biggest impact being on the Forms and processes. Kate Moore stated that the next steps would be to loop in the FCC and that Irene Flannery from the FCC had attended the first meeting of the Task Force.

David Abramson raised the need to involve the Programmatic Subcommittee. Hank Marockie requested crossover with CCSSO (What does this stand for?). Mickey Revenaugh stated that the CCSSO has been very involved in the process. She stated that some recommendations of CCSSO study were outside the context of what could be recommended by SLD, but that most of the concerns were addressed in the Year 3 recommendations.

KG Ouye shared an issue raised by the library community with regard to the discount criteria and that many persons in the library community were actively working on the issue. Mickey Revenaugh stated that clearance is needed to dig into this issue. Ms. Ouye would like the discount determination process to be part of the on-line processes.

Hank Marockie asked if OMB (What does this stand for?) would need to approve revised forms. Mickey Revenaugh stated they would need to be cleared and that is why SLD is working on them now, with the goal of having mock-ups shortly. Hank Marockie asked about a drop-dead date. Ms. Revenaugh reported that Task Force work needs to be completed by the fall of 1999 in time for the Year 3 application process.

KG Ouye asked if recommendations would change the PIA process or create new procedures. Mickey Revenaugh commented that the recommendations would change how and when the information was sought, not the information itself. It was decided that Ms. Revenaugh would work on scheduling a meeting within the next few weeks to complete the package of recommendations. The following resolution was passed unanimously:

RESOLVED, That the USAC Schools and Libraries Committee directs the Schools and Libraries Division staff to proceed immediately to analyze the operational and programmatic costs and benefits of the Year 3 Task Force recommendations, and continue to work with the

Task Force on further suggestions for improvements in the Universal Service Program for Schools and Libraries.

13. **Outreach Activities** – The Committee were given an oral report on outreach activities conducted by the SLD staff from January through April.
14. **Timeline and Key Dates** – Kate Moore presented a consolidated timetable for the SLD to the Committee with highlights on the 2nd Quarter activities.
15. **Media Activity** – Kate Moore reported that with the rollout of funding commitments, the SLD had targeted and received a large amount of local press.

The Committee moved into executive session.

16. **Contingency Planning for 5th Circuit Court of Appeals Decision** – Robert Haga presented to the Committee a “worst case scenario” with respect to the challenge to the FCC’s 1997 Universal Service Order in the 5th Circuit Court. Mr. Haga reported that FCC’s General Counsel anticipates a decision in June or July.

Background was presented on the case, which involves 26 petitioners, with GTE being the sole telecommunications company in the group with the lead appellant, Texas Public Utilities Counsel challenging aspects of the High Cost rules. Oral arguments were heard in December 1998. The FCC is expecting a decision some time this summer and is reviewing what to do if the Court finds its rules unconstitutional.

KG Ouye asked if Congress could make changes. Anne Bryant asked when the court ruling becomes effective. Robert Haga stated he would research these questions.

Anne Bryant stated that the Committee should discuss this situation once the 5th Circuit issues a decision. KG Ouye also suggested that the full USAC Board should hold a discussion when more information is known.

17. **NECA Performance Review** – Kate Moore reported that the contract with NECA expires in December 1999 and that there is a need to evaluate options, including the possibility of seeking

bids from other providers. Hank Marockie asked whether FCC rules require NECA's participation. Robert Haga replied that there are no restrictions on who provides these services.

The Committee discussed options for the timing of seeking bids and how to structure an Request for Proposal (RFP) for these services. The Committee determined that further analysis is needed as well as a closer look at costs. Brian Talbott observed that the mere process of evaluating options might generate cost efficiency.

Cheryl Parrino stated that SLD will come back in July with a proposal that would consider the possibility of collapsing functions. KG Ouye stated that letting the contract expire on December 1999 was not an option but recognized the need for further analysis.

There being no further business to attend to, Ms. KG Ouye adjourned the meeting at 12:43 p.m. Eastern Time.

Robert W. Haga
Acting Secretary/Treasurer

Date

042099SLmin

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**Schools and Libraries Committee Meeting****May 10, 1999****MINUTES**

A meeting of the Schools and Libraries Committee was held by conference call on Monday, May 10, 1999. The Chair K.G. Ouye called the meeting to order.

Five members of the Committee were present, representing a quorum:	
Frank Gumper	Hank Marockie
Cheryl Parrino	Brian Talbott
K. G. Ouye	
Two members were absent:	
David Abramson	Anne Bryant
Officers of the Corporation present:	
Robert Haga	Kate Moore
Others present for the meeting:	
NAME	COMPANY
George McDonald	SLD
Mickey Revenaugh	SLD
Ellen Wolfhagen	SLD
Martin Kehoe	PricewaterhouseCoopers
Violeta Bermudez-Pardo	PricewaterhouseCoopers

The meeting of the Committee was called to hear a presentation from PricewaterhouseCoopers (PwC) of their findings from a review of the SLD's internal controls as they stood on December 31, 1998.

Dr. Marockie asked about the briefing of the FCC. Mr. Kehoe verified that it had occurred via telephone with faxed e-mail slides.

Ms. Parrino inquired as to whether the Committee was interested in the entire briefing or just a discussion of the changes in procedures from the November 4 attest opinion by PwC to the end of 1998 and FCC reaction to those changes. The Committee responded that they would like to focus on the changes. Mr. Kehoe then requested the Committee's patience to listen to the whole briefing and promised that they would expedite it.

Mr. Kehoe presented background on the nature of the engagements and then turned the discussion on materiality to Ms. Moore. She explained the standard of materiality that expenditures not in accordance with program objectives must be less than 2 percent of total program expenditures. She pointed out that the 2 percent rate tied to the NECA performance standard that the SLC Board had seen. This definition of materiality was included in this presentation as a means of affirming that the Schools and Libraries Committee had no issues with the standard. The Committee had no comments.

Mr. Kehoe explained that SLD had mistakenly made commitments on some requests, for example, for telecommunications services to be provided by ineligible telecommunications providers, for applications submitted before the allowable contract date for the related Form 470, and internal connections below the ultimate funding threshold of a discount percentage of 70 percent.

Ms. Moore mentioned that a service provider had brought the telecommunications provider mistake to SLD's attention. The SLC's then General Counsel had worked with USAC to develop a means to check for this in the January/February 1999 timeframe. FCC rules require that telecommunications providers be common carriers. Mr. Kehoe indicated that the sum of these errors was \$10,800,000 in commitments and that errors ranged from items missed in design to items missed at first level of review but caught in SLC management reviews. This shows that SLD management reviews are effective and that the process should be formalized and the results reported to stakeholders, such as the Committee and the FCC. Mr. Gumper pointed out that the errors constituted less than 2 percent of the program.

The Committee discussed the importance of good performance by the contractor and whether the need for SLD management reviews was evidence of less than satisfactory performance. Mr. Kehoe expressed his view that it is an important management principle to monitor performance of outsourced work.

Mr. Talbott complimented PwC on a good job, saying that the recommendations are doable. Ms. Parrino asked when the process will be concluded, and Ms. Moore answered that the goal was to wrap it up by close of business that day. Mr. Kehoe mentioned that it depended on what they got back from SLD; although open questions might trickle over until the next day, the goal was to conclude that night. PwC then left the call.

Dr. Marockie inquired about next steps. Ms. Moore explained that the PwC had given their due diligence briefing to the Committee, and that SLD now needed to get PwC the last information and wrap it up. SLD staff then wants to follow up on recommendations and work with FCC to implement clean-up actions.

Mr. Talbott then asked about an applicant that had drawn media attention for perhaps not being sufficiently connected to the schools that were to receive service under its application. Ms. Moore said that SLD had written the applicant asking for more documentation and is maintaining its policy that it does not comment on individual applicants by name. Mr. Talbott reminded SLD to be on the offensive against program abuses.

There being no other business, the call was then adjourned.

Robert W. Haga Acting Secretary/Treasurer July 26, 1999
Date

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

May 13, 1999

MINUTES

A meeting of the Schools and Libraries Committee was held by conference call on Thursday, May 13, 1999. The Chair, Ms. K.G. Ouye, called the meeting to order.

Five members of the committee were present, representing a quorum:	
David Abramson	Anne Bryant
Cheryl Parrino	Brian Talbott
K. G. Ouye	
Members Absent:	
Frank Gumper	Hank Marockie
Officers of the Corporation present:	
Robert Haga	Kate Moore
Others present for the meeting:	
George McDonald	Schools and Libraries Division
Ellen Wolfhagen	Schools and Libraries Division
Mickey Revenaugh	Schools and Libraries Division
Martin Kehoe	PricewaterhouseCoopers
Violetta Bermudez-Pardo	PricewaterhouseCoopers

The meeting of the Committee was called to supplement the briefing provided to the Committee by PricewaterhouseCoopers (PwC) on May 10, 1999. PwC briefed on their findings related to one additional issue they had identified – the submission of Forms 471 with Contract Award Dates after the date of submission. Mr. Kehoe presented the briefing.

Ms. Moore then briefed the Committee on the plan to address the potential problem and specified the test that, according to the FCC, there must be a signed contract by the 486 service start date.

Ms. Bryant asked about what would be done if there were no signed contract at that time. Ms. Moore said that the SLD would work with the FCC to identify the correct next steps. Ms. Bryant asked if the problem in terms of cash would be \$9,000,000, and Ms. Moore said that

would be the absolute maximum amount. Ms. Bryant commented that this was a pretty small problem. Mr. Kehoe replied that the audit was about design, not operating effectiveness; if they had assessed operating effectiveness there might have been more problems.

Ms. Moore informed the Committee that PwC would be providing a clean opinion on the design of internal controls once SLD completed a letter to PwC on the problems identified. PwC would also be making recommendations to SLD management that would require a management response. The Committee members expressed satisfaction with the briefing.

Ms. Moore and Mr. McDonald said that they were finalizing the numbers and would then send the letter.

There being no other business, the meeting was adjourned.

Robert W. Haga
Acting Secretary/Treasurer

July 26, 1999
Date

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Programmatic Subcommittee Meeting

June 14, 1999

MINUTES

A meeting of the Programmatic Subcommittee of the Schools & Libraries Committee of the Universal Service Administrative Company's (USAC) Board of Directors was held on Monday, June 14, 1999, at the USAC office, 2120 L Street, N.W., Suite 600, Washington, DC. Mr. David Abramson, Chair of the Subcommittee convened the Programmatic Subcommittee.

All three members were present:	
Abramson, David - <i>by telephone</i>	Talbott, Brian - <i>by telephone</i>
Gumper, Frank - <i>by telephone</i>	
USAC Officers present:	
Parrino, Cheryl - - by telephone	
Officers of the Corporation present:	
Haga, Robert - Acting Secretary/Treasurer	
Others present for the meeting:	
Name	Company
Ellen Wolfhagen	USAC
Moore, Kate	USAC

ACTION ITEM:

1. **Approve TEACH Wisconsin Appeal Decision.** Ms. Moore reviewed the two options for Service Provider reimbursements. The options provide different operational mechanisms for Service Providers to issue reimbursements to the applicant after they have received payment from USAC.

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

RESOLVED, That the Schools & Libraries Programmatic Subcommittee authorizes the following actions:

1. The Subcommittee endorses both options as potential ways to meet the needs of TEACH and similarly situated applicants.
2. The Subcommittee authorizes the USAC-SLD management to review these options with the FCC staff.
3. Upon finalizing the procedure, USAC shall send a written letter to TEACH and Ameritech to expressly authorize the appropriate procedures.
4. Upon finalizing the general procedure, USAC should develop a public announcement for the Schools and Libraries Program section of the USAC web site.

INFORMATION ITEMS:

1. **Post-Commitment Change in Services.** Ms. Wolfhagen provided a summary of the post-commitment change in services in situations where either the product/service is obsolete or is a newly available upgrade. These products/services must be under contract and the substitution must be allowed under both the terms of the contract and state and local procurement laws. Service Providers would give USAC a list of products and services to be substituted; USAC would make one determination and then provide approval of the Service Provider, which would then distribute that approval back to applicants, who in turn would submit a new Form 471 for minor modifications.
2. **Update on Consortia.** Ms. Moore provided background on the issue of determining whether the consortium "leader" has the authority to act on behalf of all the consortium members. Year 1 experience led to questions from some consortia members, indicating that the members were unaware of the projects or applications. Ms. Moore discussed procedures to determine whether members of the consortium had specifically authorized the "leader" to act on their behalf. The Subcommittee DIRECTED staff to further develop the procedures so that a uniform approach would be undertaken in review of consortia members.
3. **Year 3 Task Force.** The recommendations proposed by the Year 3 Task Force were shared with the Subcommittee, as well as proposed revisions to the Forms 470 and 471. The purpose of these changes is to achieve operational efficiencies and make applications easier to understand and fill out.
4. **Open issues requiring further staff work.** Ms. Moore provided updates on projects in progress. These included the status of some highly visible applications and the processes for updating Service Provider Identification Numbers (SPINs).

There being no further business to attend to, Mr. Abramson adjourned the meeting.

Robert Haga
Acting Secretary/Treasurer

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

June 17, 1999

MINUTES

A meeting of the Schools and Libraries Committee was held by conference call on Thursday, June 17, 1999. The Chair, Ms. K.G. Ouye, called the meeting to order.

Five members of the committee were present, representing a quorum:	
David Abramson	Anne Bryant
Hank Marockie	Frank Gumper
Cheryl Parrino	K. G. Ouye
Members absent:	
Brian Talbott	
Officers of the Corporation present:	
Robert Haga	Kate Moore
Others present for the meeting	
George McDonald	Mickey Revenaugh
Ellen Wolfhagen	

Action Items:

1. Authority to Run the Appeals Funding Commitment Module for Year 1

On a motion duly made and seconded (by Mr. Marockie and Mr. Abramson), the Subcommittee authorized the Schools and Libraries Division (SLD) to run the Appeals Funding Commitment module for those Funding Request Numbers (FRNs) that have completed Program Integrity Assurance (PIA) review. The appeals module run represents the bulk of approvals; there are still a few in the pipeline, which will be included in the second appeals module run. SLD staff met with the FCC and presented an overview of Year 2 timetables and the status of appeals; the FCC is looking at the status of Year 1 reserves and must approve reducing the reserve, which appeals commitments will do.

2. Approval of Year 1 vs. Year 2 Matrix Re: PIA Procedures

Ms. Moore reminded the Committee that PricewaterhouseCoopers (PwC) was hired on a consulting basis to review changes in SLD's PIA procedures for review of Forms 471 from Year 1 to Year 2 and provide recommendations, if any, on improvements to the internal controls in accordance with the three program objectives that relate to these reviews. These changes are for streamlining and tightening of the procedures. There are two issues that are as yet unresolved, which staff flagged for the Committee: (a) not making *de minimus* adjustments in FRNs; and (b) validating that the telecommunications services Service Provider is truly a common carrier. The purpose of the *de minimus* exception is to allow for PIA review in an efficient manner that does not require taking the time to make very small dollar adjustments on individual FRNs. On the common carrier issue, Mr. Haga informed the Committee that although this is a difficult subject on which to make clear cut distinctions, SLD staff is working on proposals to translate the issue into concrete procedures to address the common carrier definition.

In discussing the matrix comparing Year 1 and Year 2 PIA procedures, the Board focused on the procedures to determine the eligibility of non-traditional K-12 facilities, including those involving pre-kindergarten, education of adults, and juvenile justice. The Committee raised concerns about whether this issue had received attention from the highest policy levels at the FCC, given the ramifications if there were large numbers of separate facilities for pre-K or adult education or juvenile justice facilities that were suddenly included in the list of eligible entities. There was great concern over the potential drain on resources that such facilities could represent. Ms. Moore indicated that SLD staff would review this issue with the FCC and get very clear direction whether inclusion is a legal requirement. The Committee also asked staff to identify the potential cost ramifications. Until this is resolved, SLD will hold applications featuring these facilities.

Given the concerns of the Committee with regard to these facilities, the proposed resolution was amended by separating out the *de minimus* threshold. On a motion duly made and seconded (by Mr. Gumper and Ms. Bryant), the Committee approved the following revised language:

RESOLVED, That the Schools and Libraries Committee approves a *de minimus* adjustment threshold below which FRNs would not be adjusted.

Further, on a motion duly made and seconded (by Ms. Bryant and Mr. Marockie), the Subcommittee endorsed SLD Management's actions to improve and streamline the Form 471 PIA application review and procedures, as outlined in the Year 2/Year 2 matrix, and to seek FCC concurrence on remaining open issues.

3. Year 2 Parameter Analysis and Contingency Funding Reserve

Mr. McDonald reported to the Committee that the parameters sent to the FCC included approving Priority One requests down to the 20% discount level and approving Priority Two requests down to the 80% level. The contingency fund would initially be set at \$4 million. The estimate of money set aside for commitment is \$931 million for Priority One requests, based on the demand estimate produced in April with the reported margin of error. On a motion duly made and seconded (by

Ms. Bryant and Mr. Gumper), the Committee authorized SLD to commit the first wave for Year 2 with the above parameters.

4. **Budget Increase for System Development**

Ms. Moore reported that the Finance Subcommittee discussed this item. The Finance Subcommittee approved an increase of \$1.2 million in systems development to help streamline processes and reduce costs in the longer term.

Clarification was provided in that the total budget for systems development was \$4.8 million, which was split between Spectrum, NECA, and PwC. On a motion duly raised by Ms. Bryant, Chair of the Finance Subcommittee, the Committee approved a revised 1999 annual budget for Systems Development and Maintenance of \$4.807 million, which includes an increase to the Spectrum contract to \$2.5 million and an increase for PwC user acceptance testing to \$500,000.

5. **Programmatic Committee Report: Year 3 Changes**

Ms. Revenaugh reported on the status of the Year 3 Task Force. The focus of the Year 3 Task Force was primarily on the application process and forms. The recommendations were reported out unanimously by the Task Force. The focus for the Committee was recommendations 1-7 and 9. (Recommendation 8, on the Form 486, was changed because the function will be performed in another way. Recommendation 10 is mostly operational; some of the items are being performed already and some require a cost-benefit analysis, which will be provided to the Committee at a later date.) It was noted that although there is no cost-benefit analysis, it is clear that all the recommendations included in this issue paper will reduce costs.

Since the FCC ordered full funding of the program, recommendations 1 and 2 are moot for Year 2. Recommendations 3 and 4 have to do with an "evergreen" Form 470 (meaning that it is filed just once for multiyear contracts). Recommendations 5 and 6 have to do with a timely and predictable window, but only for Form 471. Recommendation 7 provides an additional mechanism in the Form 471 to allow applicants to skip the filing of a Form 486 in certain circumstances (e.g., where they have an ongoing relationship with the Service Provider). Recommendation 9 has to do with the Forms, themselves.

The Task Force had observed that a key concern is that the window has to close in time for FCDL to be issued by May 1 (which allows Service Providers enough time to reflect the discount on prospective bills). On a motion duly made and seconded (by Ms. Bryant and Mr. Gumper), the Committee authorized SLD staff to advance the Task Force recommendations to the FCC as soon as possible.

Information Items:

Ms. Moore provided the following oral updates:

1. **Timing of the Year II Funding Commitment Waves.**

SLD staff originally thought the last wave would be issued in mid-August. However, PIA resources have had to be devoted to follow-up work for the PwC end-of-year

audit. That has now been virtually completed, and those staffers are doing regular PIA work; staff shared a likely scenario for the timing of the waves. SLD staff has heard from the large telephone companies that, if they do not have the last letters by 8/15/99, a BEAR process may be needed for applicants notified after that date.

2. SLD staff is working with the FCC on the issue of holding BEAR checks where a Service Provider is delinquent in contributing to the Universal Service Fund (USF).
3. SLD is awaiting an FCC decision on possible actions to be taken regarding incorrectly made commitments.

There being no further business to attend to, Chair Ouye adjourned the call at 4:00 p.m. eastern time.

Robert W. Haga
Acting Secretary/Treasurer

July 26, 1999
Date

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

July 9, 1999

MINUTES

A meeting of the Schools and Libraries Committee meeting was held by conference call on Friday, July 9, 1999. The Vice Chair Hank Marockie called the meeting to order at 9:05 AM E.D.T.

Four members of the Committee were present, representing a quorum:	
David Abramson	Hank Marockie
Anne Bryant	Cheryl Parrino
Three members were absent:	
Frank Gumper	K.G. Ouye
Brian Talbott	
Officers of the Corporation present:	
Robert Haga	Kate Moore
Others present for the meeting:	
George McDonald SLD	Ellen Wolfhagen SLD

The meeting of the Committee was called to consider four action items.

1. Parameter Analysis and Contingency Funding Reserve for Wave 2 Funding Commitments

Ms. Moore and Mr. McDonald briefed the Committee on the updated parameter analysis, the basis for the Schools and Libraries Division (SLD) staff's recommendations that the Committee approve lowering the funding threshold for internal connections from 80 percent—which was used in Wave 1—to 70 percent. The significant change in the analysis is the inclusion of an assumed rate of 4 percent for denials, modifications, and cancellations in funding requests yet to be reviewed. In Year 1, the denial/modification rate was 16 percent; in Year 2, Wave 1, the denial/modification/ cancellation rate was 13 percent. Based on those figures, staff believes it is a conservative assumption to project a 4 percent denial/modification/cancellation rate going forward in Year 2. That figure will likely be increased for future waves. The Contingency Funding Reserve is increased to provide funds for successful appeals for denials and modifications in Wave 1. Acceptance of the parameter analysis and new funding threshold for internal

connections in Wave 2 was moved and seconded (by Ms. Bryant and Mr. Abramson) and approved unanimously by the Committee.

2. PIA Streamlining Proposal

Ms. Moore briefed the Committee on a proposal to eliminate automatic second-level reviews for a selected group of applications, although they would continue to be subject to a series of random second reviews that are a normal part of the Program Integrity Assurance (PIA) procedures. Ms. Bryant asked whether applicants from Year 1 that presented problems were flagged in the computer system, and Ms. Moore responded that many were. Mr. McDonald explained the positive results of a cost-benefit analysis of the procedure change. The procedure change was moved and seconded (by Ms. Bryant and Ms Parrino) and approved unanimously by the Committee.

3. Eligibility of Non-Traditional Elementary and Secondary School Facilities

Ms. Moore explained that SLD staff was reporting back to the Committee on this topic, which had been discussed during the Committee's June 17 conference call. The Committee had then questioned whether letting states advise the SLD of the eligibility of facilities involved with pre-K education, adult education, and juvenile justice education was appropriate, or whether some or all of these facilities were automatically ineligible. Ms. Moore explained that the SLD staff had reviewed the Elementary and Secondary Education Act of 1965 and FCC rules relating to the Schools and Libraries Program and concluded that the language was clear and supported the earlier direction from FCC staff that states could determine that such facilities are within their legal definition of elementary or secondary school and, therefore, eligible for participation in the program. The staff had also revisited the issue with the FCC staff, and the FCC staff found no room for discretion on this point in the statutory and regulatory language.

Ms. Moore also reported on how the states have responded to the SLD on this point to date: although in most cases we have heard from only a minority of states, among the responders, a majority have reported that pre-K and adult education facilities are not within their definition of elementary or secondary school, but a majority of responding states have reported that juvenile justice education facilities do fall within those definitions.

Committee members agreed that, under the law, the SLD had to permit participation in the program by these facilities when states affirmed their eligibility, but felt strongly that SLD needed to receive documentation from state officials on the state statutes supporting their determination that such facilities are within the definition of elementary or secondary school under state statute.

On a motion by Ms. Bryant and a second by Ms. Parrino, the Committee unanimously approved a resolution that the SLD should comply with the Elementary and Secondary Education Act of 1965's definitions of elementary and secondary school, thereby permitting states to determine what facilities fall within those definitions, and that SLD should require states to submit to the SLD copies of relevant state statutes that support determinations that such facilities are within those definitions.

4. **Committee Approval for Funding Commitment**

Ms. Moore briefed the Committee on SLD staff's proposal to change procedures for approving each wave of funding commitments. Under current procedures, the Committee must approve the parameter analysis before each wave. For Year 2, SLD intends to issue waves weekly. SLD staff recommends that Board approval not be required when there is no change to the funding parameters and no reduction in the Contingency Funding Reserve. Committee members agreed with the recommendation, but suggested SLD staff consult with the Committee Chair or Vice Chair before each wave and provide informational notification to all Committee members. Mr. Abramson moved and Ms. Bryant seconded and the Committee unanimously approved changing commitment procedures so that Committee approval is not required before funding commitment if the funding parameters are unchanged from those previously approved by the Committee; and that there is no reduction in the previously approved Contingency Funding Reserve, but SLD staff are directed to consult with the Chair or Vice Chair before running fund commitment and to inform other Committee members with each wave.

There being no other business, the call was adjourned at 9:40 p.m. Eastern Time.

Robert W. Haga
Acting Secretary/Treasurer

July 26, 1999
Date

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

July 21, 1999

MINUTES

The Schools & Libraries (SL) Committee of the Universal Service Administrative Company (USAC) took action on Thursday, July 21, 1999, on a resolution concerning the authorization to run the regular funding commitment module for unfunded Year 1 applications. The Committee members approved the following resolution by consensus through electronic mail from Ms. Kate Moore, President of the Schools and Libraries Division, and subsequently, by signing a ballot confirming each of their votes. The signed ballots are included as an attachment to these minutes.

1. Authorization to Run the Regular Funding Commitment Module for Unfunded Year One Applications.

The Schools & Libraries Committee unanimously approved the following resolution through means of signed ballots:

RESOLVED, That the Schools and Libraries Committee authorizes SLD Management to run the Regular Funding Commitment Module for Year 1 for those meritorious applications that, for various reasons, were not previously funded and that have now completed PIA review and been approved for funding.

Robert Haga
Acting Secretary & Treasurer

Date

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

July 26, 1999

MINUTES

A meeting of the Schools and Libraries (SL) Committee of the Universal Service Administrative Company (USAC) was held at The Ronald Reagan Building (The International Trade Center), Meridian D & E, 1300 Pennsylvania Avenue, N.W., Washington, D.C., on Monday, July 26, 1999. Ms. Kathleen “K.G.” Ouye, Chair of the SL Committee, called the meeting to order at approximately 9:20 a.m. Eastern Time. Ms. Ellen Wolfhagen, Counsel for the Schools and Libraries Division (SLD), on behalf of Robert Haga, Acting Secretary, called the roll. Six of the seven Committee members were present, representing a quorum:

K.G. Ouye

Brian Talbott

Cheryl Parrino

David Abramson

Frank Gumper

Dr. Hank Marockie

One member was absent: Anne Bryant

Officers of the Corporation present:

Haga, Robert – Acting Secretary/Treasurer

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Barash, Scott	USAC
Bellucci, Vicky	MCI
Dwyer, Shawn	Thomas Group
Fitzgerald, Sara	Funds for Learning
Harcourt, Matt	SLD
Howard, Cathy	USAC
Hutton, Duane	Thomas Group
McDonald, George	SLD
Moore, Kate L.	President, SLD

<u>NAME</u>	<u>COMPANY</u>
Pozo-Olano, Jodie	USAC
Revenaugh, Mickey	SLD
Snegireff, Petre	PricewaterhouseCoopers
Wolfhagen, Ellen	SLD
Valinoti, Beth	FCC

ACTION ITEMS

- a1. **Approval of Minutes** – On a motion by Mr. Talbott, seconded by Dr. Marockie, the Committee unanimously approved the minutes of April 19, 1999; May 10, 1999; May 13, 1999; June 17, 1999; and July 9, 1999. The minutes of December 15, 1998 were approved unanimously with an abstention by Ms. Parrino, who was not a member of the Schools and Libraries Corporation (SLC) at that time.
- a2. **Approval of 1998 SLC Financial Audit** – On July 14, 1999, Arthur Andersen received a letter from the Federal Communications Commission (FCC) staff stating that there were no further comments from the Commission on the audit. Arthur Andersen provided a clean opinion in their audit. The Board is satisfied that Arthur Anderson conducted a meaningful audit and is satisfied with their performance.

On a motion by Mr. Talbott, seconded by Dr. Marockie, the Committee unanimously approved the following resolutions:

RESOLVED, That the USAC Schools and Libraries Committee approves the Universal Service Fund audit as it relates to the administrative expenses of the SLC as detailed in Footnote 3 to the financial statements, and

RESOLVED FURTHER, That the USAC Schools and Libraries Committee recommends that the USAC Board of Directors approve the 1998 financial audit of the Universal Service Fund that includes SLC administrative expenses.

- a3. **Authorization to File 1999 Draft Financial and Operational Audit Plans with the FCC and Authorization to Issue an RFP for the Operational Audit of the Rural Health Care and Schools and Libraries Programs** – Ms. Moore provided a background of the proposed audit plans. The FCC requires two annual audits, one operational (also known as “agreed upon procedures”) and one financial. The operational audit will be conducted in conjunction with an audit of the Rural Health Care (RHC) Division. Every program has completed an audit: Deloitte and Touche conducted the operational audit(s) for RHC; PricewaterhouseCoopers (PwC) for SLD; and Arthur Andersen for USAC. Arthur Andersen conducted the financial audit of all three corporations and of the Universal Service Fund. The Request for Proposals (RFP) process would be an open competition for all offers.

Mr. Gumper inquired about the joint RFP, and Ms. Ouye about target dates. According to Ms. Moore, the target release date for the RFP is August 15, 1999, with a deliverable deadline of November 11, 1999. The proposal calls for the auditor to prepare a detailed plan for the audit that will be filed with the FCC. This will allow the auditors to confer

with the Board at their October 1999 meeting. There is a proposed timetable in the USAC Board notes, Item 3, Attachment B.

On a motion by Dr. Marockie, seconded Ms. Parrino, the Committee unanimously adopted the following resolution:

RESOLVED, That the Schools and Libraries Committee authorizes USAC to file with the FCC audit staff, the proposed draft financial and operational audit plan for the Schools and Libraries Program, and

RESOLVED FURTHER, That the Schools and Libraries Committee authorizes USAC to issue a Request for Proposal (RFP) for the 1999 operational audit of the Schools and Libraries Program.

- a4. **Authorization to Issue a Request for Proposals for the Audit of Beneficiaries** – Ms. Moore briefed the Committee on the proposal to issue an RFP to conduct on-site audits of the beneficiaries of funds to verify that funds received are being used in a manner consistent with program rules. There currently is a line item (\$100,000) in the SLD budget projection for this purpose. USAC management would target the approach to optimize the effectiveness of the audit process.

Mr. Gumper raised the issue of the number of sites that could be visited within this limited budget. Ms. Moore responded that although only a “handful” of sites might be visited, an efficient geographic plan would maximize impact. Ms. Parrino commented on the need to consider the issue in more detail, perhaps combining RHC and SLD fund recipient audits to the extent possible. Mr. Gumper pointed out that there may not be a lot of overlap between program recipients, and that the audit must be robust enough to withstand scrutiny. Ms. Moore observed that the audit would likely cross into FY 2000, so that the FY 1999 budget constraint might be addressed by making provision in the next budget for more field audit work. Mr. Abramson suggested that the size of different school systems and complexity of networks might prohibit a full audit. To that end, the Resolution language was changed to strike the budgetary limit and to add that the RFP will come to the Audit Subcommittee for review.

On a motion by Mr. Marockie to approve the amended resolution, seconded by Mr. Gumper, the Committee unanimously approved the following resolution:

RESOLVED, That the USAC Schools & Libraries Committee authorizes USAC management to issue a Request for Proposals (RFP) to conduct field audits of beneficiaries of the Schools and Libraries and the Rural Health Care Universal Service Support Mechanisms, and

RESOLVED FURTHER, That USAC management will bring the RFP to the Audit Subcommittee for review.

- a5. **Update on Year 3 Improvements** – Ms. Revenaugh reported to the Committee on Year 3 improvements. Recommendations can be grouped into three categories:
- Information – how it flows into SLD and out to applicants and service providers;

- Customer Service – Surveys, getting together a Focus Group in Lawrence, KS to show people the operations there;
- Eligible Services – ways to make information dynamic.

The simplified and streamlined Forms 470 and 471, and their respective instructions, were submitted to FCC and the Office of Management and Budget (OMB) for approval.

The Year 3 task force has completed its work. It is SLD’s responsibility to implement the recommendations in consultation and cooperation with the FCC. There are issues that members of the group would like to address; however those issues do not relate to the administration of the program but the bigger policy questions. Some members of the group may address these on their own initiative:

- Eligible Services
- Discount Matrix
- Timing of Service Provider Payments
- Service Provider Communication Issues

On a motion by Mr. Talbott, seconded by Ms. Parrino, the Committee unanimously adopted the following resolution:

RESOLVED, That the USAC Schools & Libraries Committee recommends that SLD staff move with all due speed to (1) implement those Year 3 Task Force operational recommendations where benefits exceed cost, and (2) develop concrete proposals, with cost/benefit analyses, for those Task Force recommendations still identified as “preliminary.”

- a6. **4th Quarter 1999 Schools and Libraries Programmatic Budget** – Ms. Moore provided the background on the budget and pointed out that it includes the previously approved systems development budget increase. The filing with the FCC will reflect that costs have shifted from quarter to quarter and will adjust collections to the annual budget as approved by the Committee. The contract that NECA has with National Computer Systems, Inc. (NCS) has a revenue cap, which is reflected in the budget.

On a motion duly made Dr. Marockie, seconded by Mr. Talbott, the Committee unanimously adopted the following resolution:

RESOLVED, That the USAC Schools and Libraries Committee approves a 4th Quarter 1999 Schools and Libraries Programmatic Budget of \$5,917,100.

- a7. **4th Quarter 1999 Schools and Libraries Projections and Resolution on the July Filing** – Mr. Haga spoke of the collection filings he makes with the FCC. Asking for one-quarter of \$2.25 billion is consistent with the FCC collection order.

On a motion by Mr. Talbott, seconded by Dr. Marockie, the Committee unanimously adopted the following resolution:

RESOLVED, That the USAC Schools and Libraries Committee recommends to the Board of Directors to approve the projection of demand for the Schools and Libraries Program for the 4th Quarter and the Committee’s recommendation to request that the FCC establish a contribution factor to collect \$562.5 million for the Schools and Libraries

Program for the 4th Quarter, and to authorize USAC staff to file this information in the July FCC filing.

- a8. **Schools and Libraries Subcommittees Responsibilities and Authorities** – Ms. Ouye informed the Committee that this represents a formalization of current operations, as we move to function as part of the Corporation.

On a motion by Mr. Talbott, seconded by Mr. Gumper, the Committee unanimously adopted the following resolutions:

RESOLVED, That the Schools and Libraries Committee determines that each of the three subcommittees is responsible for and is authorized to provide Board-level guidance to SLD management on issues specific to the subcommittee when necessary between regularly scheduled meetings of the full Schools and Libraries Committee, and

RESOLVED FURTHER, That each subcommittee is assigned the responsibilities cited below, and has the delegated authority to act on specific issues described below:

Programmatic:

- Responsibility to provide leadership to the full Committee when programmatic issues are raised.
- Authority to approve formal submissions by the SLD to the FCC on outstanding administrative issues.
- Authority to approve proposed operating procedures that will have an impact on program activities.

Finance:

- Responsibility to provide leadership to the full Committee in the oversight and stewardship of SLD resources.
- Authority to approve shifts in the allocation of budget resources of \$100,000 or more (less than \$100,000 can be shifted with approval of USAC CEO) without increasing overall budget impact.
- Authority to approve adjustments to the overall budget when such delegation occurs on an issue-specific basis.

Audit and Compliance:

- Responsibility to provide leadership to the full Committee in the oversight of SLD management's audit activities and external financial reporting.
- Responsibility to provide leadership to the full Committee in the oversight of SLD management's Program Integrity Assurance process.
- Authority to approve proposed terms of engagement for independent auditors approved by the Schools and Libraries Committee.

- Authority to approve adjustments to audit plans when SLD management needs such approval.

INFORMATION ITEMS:

- i1. **Schools and Libraries Program Update** – Ms. Moore reported on the status of the Schools and Libraries support mechanism. SLD authorized over \$700 million in USAC disbursements. The SLD will issue another Year 1 commitment “ripple.” The last two waves for Year 2 were approved under the new streamlined procedures recommended by the Committee.
- i2. **Schools and Libraries Division Forms Processing Statistics: Program Year 1 and Program Year 2 (As of July 12, 1999)** – Ms. Moore reported on the Schools and Libraries Division (SLD) forms processing status.
- i3. **1999 Goals and Objectives** – Ms. Moore reported on the status of the Schools and Libraries Division’s goals and objectives for the 1999 calendar year. She highlighted the fact that SLD is awaiting direction for the use of the BEAR form for Year 2.
- i4. **Post-Commitment Appeals Process and Status of Appeals** –Ms. Moore reported on the status of post-commitment appeals.
- i5. **Outreach Activities** – Ms. Revenaugh summarized the outreach efforts of the SLD during 2nd Quarter 1999 and provided a preview of 3rd and 4th Quarter plans. In September, there will be a Train the Trainer seminar in Chicago. School and Library representatives from all states will attend. Regional workshops for applicants and service providers will be held in seven locations around the country through the winter.
- i6. **Media Activity** – There has been a tremendous volume of news reports (both good and bad). The Board thanked Ms. Pozo-Olano for the packets she prepared for USAC Board members; they were very useful.
- i7. **Report from Schools and Libraries Committee’s Subcommittees** –No reports were presented.
- i8. **Timeline and Key Dates** – No reports were presented.
- i9. **Miscellaneous** – No report was presented.

Ms. Ouye, Chairperson, moved the Committee into **Executive Session** at 11:05 a.m. Eastern Time for the purposes of discussing the NECA Performance Review. After a recess at 11:30 a.m. Eastern Time, the Committee reconvened at 11:40 a.m. Eastern Time. Ms. Ouye reported out on the action taken in **Executive Session**.

EXECUTIVE SESSION:

- i10. **NECA Performance Review** – Ms. Moore reported on the current status of the NECA contract.

After the discussion, on a motion by Dr Marockie, seconded by Mr. Talbott, the Committee unanimously adopted the following resolution:

RESOLVED, That the USAC Schools and Libraries Committee directs the staff to review the costs currently charged under the NECA contract, consider options for reducing costs to the SLD including but not limited to a) revising certain allocation factors to more reasonably allocate costs compared to actual work performed and b) exploring the potential savings in a contract built on a fixed price concept. Staff are directed to negotiate, as part of any contract extension, improvements based on such options, and

RESOLVED FURTHER, That the USAC Schools and Libraries Committee authorizes SLD to enter into a Service Agreement extension with NECA through December 31, 2000, given there are reasonable performance standards and reasonable reductions in administrative expenses contained in that extension, and

RESOLVED FURTHER, That the USAC Schools and Libraries Committee directs SLD staff to explore with NECA the pros and cons of rebidding or simply extending without bidding NECA's contract with Vestcom. SLD staff will report back to the Committee regarding the pros and cons and a recommendation for proceeding at its October 1999 meeting, and

RESOLVED FURTHER, That the SLD staff should explore the pros and cons of rebidding the NECA contract in the year 2000. SLD staff will report the results of its analysis of the pros and cons of rebidding the NECA contract to the Committee. If this course of action is not taken, SLD staff will report to the Committee why it rejected that course of action and then describe its goals for negotiating a further extension – beyond December 31, 2000 (the for-profit recommendation has been removed) – of the NECA Service Agreement.

There being no further business to attend to, Ms. Ouye adjourned the meeting at 11:45 a.m. Eastern Time.

Robert Haga

Acting Secretary/Treasurer

Date

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Programmatic Subcommittee Meeting

August 11, 1999

MINUTES

The Schools & Libraries Programmatic Subcommittee (SLPS) of the Universal Service Administrative Company (USAC) took action on Wednesday, August 11, 1999, on a resolution. The Subcommittee members-Mr. David Abramson, Mr. Frank Gumper, and Mr. Brian Talbott-approved the following resolution by consensus through electronic mail from Ms. Ellen Wolfhagen, counsel for the Schools and Libraries Division, and subsequently, by signing a ballot confirming each of their votes. The signed ballots are included as an attachment to these minutes.

1. Authorization to File Comments with the FCC Regarding the Restatement of USAC's Administrative Procedures for "Mixed Services FRNs." Ms. Wolfhagen explained on August 10, 1999, in an electronic message to the members of the SLPS that USAC has been requested by the Office of General Counsel at the FCC to make a filing in an appeal case. The filing would be a restatement of USAC's administrative procedures dealing with "mixed services FRNs" (i.e., FRNs which included both priority one and priority two services). In recollection, USAC's administrative procedures were to reclassify to internal connections (priority two) an entire FRN that contained any element of internal connections, in order to ensure that program priority rules were implemented. These procedures were developed in consultation with the Common Carrier Bureau staff and were featured in the management report and subsequent PricewaterhouseCoopers attestation report issued on November 4, 1998.

The Schools & Libraries Programmatic Subcommittee unanimously approved the following resolution through means of signed ballots:

RESOLVED, That the Schools and Libraries Programmatic Subcommittee authorizes USAC staff to submit comments to the FCC on USAC's administrative procedures regarding mixed services FRNs.

Robert Haga
Acting Secretary & Treasurer

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

August 23, 1999

MINUTES

A meeting of the Schools and Libraries (SL) Committee of the Universal Service Administrative Company (USAC) was held via conference call on Monday, August 23, 1999. The meeting was called to order at 1:00 p.m. Eastern Time by Ms. K.G. Ouye, Chair of the SL Committee. Mr. Robert Haga, Acting Secretary, called the roll. Four members were present, representing a quorum, as follows:

Gumper, Frank
Ouye, K.G.

Parrino, Cheryl
Talbot, Brian

One member joined while the meeting was in progress:

Abramson, David

Two members were absent:

Bryant, Anne
Marockie, Dr. Hank

Officers of the Corporation present:

Haga, Robert Acting Secretary and Treasurer

Others present:

<u>NAME</u>	<u>COMPANY</u>
Barash, Scott	USAC
McDonald, George	USAC
Moore, Kate	USAC

ACTION ITEMS:

a1. Parameter Analysis and Contingency Funding Reserve: Wave 8 – Kate Moore introduced and noted that it appears to be a conservative assumption to get to a 65 percent discount level. K.G. Ouye asked why the Schools & Libraries Division (SLD) was able to fund to a lower percentage with demand up for Year 2. Kate Moore responded that the higher funding level allows the lower discount level when compared to last year. On a motion duly made and seconded (by Mr. Gumper and Mr. Talbot), the Committee unanimously adopted the following resolution:

RESOLVED, That the Schools and Libraries Committee authorizes SLD Management to commit the first wave for Year Two with the parameters set at 20 percent for Priority One Services and 65 percent for Priority Two Services and set the Contingency Funding Reserve at \$24 million.

INFORMATION ITEMS:

- i1. Update on Contract Renewal** – Cheryl Parrino introduced and discussed long-term goals for structuring USAC’s outsourcing. Scott Barash provided the Committee with an update of the status of the discussions with NECA and other potential vendors.

The Committee recommended that the information received in the Request for Information (RFI) be used as a benchmark in the negotiations and indicated that it continues to support a competitive process. Brian Talbott added that his experience is that RFIs get about 20-30 percent of the participation of the final process. Kate Moore discussed potential transition costs and operational impacts. The Committee supported the staff recommendation to continue with the course of action approved at the Committee meeting and to report back to the Committee and the Board in October.

- i2. Other Updates** – Kate Moore stated that we are working with the FCC to wrap up pending Year 1 issues and that we are working hard to finalize Year 2 applications. For Year 1 there are \$250 million of committed funds with no corresponding Form 486; however, the forms are coming in very rapidly now. In order to complete the processing of Year 3 before July 1, we hope to begin receiving Form 470s in October and closing the Form 471 window in January. Kate Moore indicated that we would begin an education campaign highlighting these dates as departs from the schedule used in previous years. The Committee requested that staff take the holidays into consideration when it considers the opening and closing of the window.

There being no further business to attend to, Ms. Ouye adjourned the meeting at 1:50 p.m. Eastern Time.

Robert Haga
Acting Secretary

Date
082399SLmin

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Audit and Compliance Committee Meeting

September 2, 1999

MINUTES

A meeting of the Schools and Libraries (SL) Audit and Compliance Subcommittee of the Universal Service Administrative Company (USAC), Board of Directors was held via conference call on Thursday, September 2, 1999. Dr. Henry Marockie, Chair of the SL Audit and Compliance Subcommittee, called the meeting to order at 2:30 p.m. Eastern Time. Mr. Robert Haga, Acting Secretary, called the roll.

Two members were present, representing a quorum, as follows:	
Parrino, Cheryl	Marockie, Henry
One member was absent:	
Talbott , Brian	
Officers of the Corporation present:	
Haga, Robert	Acting Secretary and Treasurer
Moore, Kate	President, Schools and Libraries Division

Action Items:

- 1. Authorization to Issue a Request for Proposals for the Audit of Beneficiaries**
- The Committee discussed Request for Proposals (RFP) to conduct field audits of beneficiaries of the Schools and Libraries and the Rural Health Care Universal Service Support Mechanisms. On a motion duly made, and seconded, the Subcommittee unanimously adopted the following Resolution:

RESOLVED, That the USAC Schools and Libraries Audit Subcommittee approves of the audit strategy for the Schools & Libraries Program, and so authorizes USAC management to issue the Request for Proposals to conduct field audits of beneficiaries of the Schools and Libraries and the Rural Health Care Universal Service Support Mechanisms presented at the September 2, 1999, meeting of the Subcommittee.

There being no further business to attend to, Dr. Marockie adjourned the meeting at 2:41 p.m. Eastern Time.

Robert Haga
Acting Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

September 20, 1999

MINUTES

A meeting of the Schools and Libraries Committee of the Universal Service Administrative Company (USAC) was held on Monday, September 20, 1999, via telephone conference call. Ms. Cheryl Parrino, Chief Executive Officer, called the meeting to order at 11:00 a.m. Eastern Time. Mr. Robert Haga, Acting Secretary, called the roll. Four members were present, representing a quorum:

Bryant, Anne	Parrino, Cheryl
Gumper, Frank	Talbott, Brian

One member joined the call in progress:

Marockie, Hank

Officers of the Corporation present:

Haga, Robert – Acting Secretary and Treasurer

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Barash, D. Scott	USAC
McDonald, George	USAC
Moore, Kate	USAC

At the request of the Committee members, Ms. Bryant served as chair for the meeting.

ACTION ITEMS:

- a1. Authorization to Run the Regular Funding Commitment Module and Appeals Module for Remaining Year 1 Commitments.** Ms. Moore informed the Committee that staff was prepared to make additional Year 1 commitments based on meritorious post-commitment appeals and successful appeals of pre-commitment rejections. Mr. McDonald noted that USAC must issue a new Funding Commitment Decision Letter to Tennessee by September 20, and that sufficient funds had been reserved to cover all of the proposed actions. On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the Schools and Libraries Committee authorizes SLD Management to run the Regular Funding Commitment Module and the Appeals Commitment Module for Year One to fund up to \$49 million in currently planned commitments. Further, the Committee authorizes SLD Management, after consultation with the Committee Chair or Vice Chair, to run the commitment modules for Year 1 to fund up to an additional \$80 million in FCC-directed commitments on FCC appeals. Informational notification should be provided to all Committee members.

- a2. Authorization to File Information Requested by the FCC with respect to the Appeal of Dillon School District #2.** Mr. Barash reviewed the applications and appeal of Dillon School District #2 (Dillon). The FCC asked USAC to file a letter to provide facts concerning a data entry error that led to the cancellation of one of Dillon’s 471 Forms as duplicative, as well as the data entry error committed by Dillon which should have been corrected by the Schools & Libraries Division (SLD). He reviewed that SLD identified these errors and was prepared to correct them, and that providing this information to the FCC would make Dillon’s appeal moot. On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC Schools and Libraries Committee authorizes USAC staff to file information with the FCC regarding the applications of the Dillon School District #2.

INFORMATION ITEMS:

- ii. Year 2 Demand Level.** Ms. Moore informed the Committee that the staff was inputting the final set of applications. Based on the current estimate of demand and commitments made to date, staff was not prepared to recommend lowering the commitment threshold for internal connections below sixty-five percent. Ms. Moore was optimistic that once data entry was complete that it would be possible to lower the threshold.

There being no further business to attend to, Ms. Bryant adjourned the meeting at 11:28 a.m. Eastern Time.

Robert Haga
Acting Secretary

Date

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Programmatic Subcommittee Meeting

September 28, 1999

MINUTES

The Schools & Libraries Programmatic Subcommittee (SLPS) of the Universal Service Administrative Company (USAC) took action on Tuesday, September 28, 1999, on a resolution. Subcommittee members Mr. David Abramson and Mr. Brian Talbott approved the following resolution by consensus through electronic mail from Ms. Ellen Wolfhagen, counsel for the Schools and Libraries Division, and subsequently, by signing a ballot confirming each of their votes. The third member, Mr. Frank Gumper, did not sign a ballot. The signed ballots are included as an attachment to these minutes.

1. Authorization to File Comments Updating the FCC on Schools & Libraries Program Funding Commitments. Ms. Wolfhagen explained on September 28, 1999, in an electronic message to the members of the SLPS that USAC has additional ex parte information for the FCC concerning funding commitments made late in Funding Year 1 of the Schools and Libraries Program that was not available at the time of the original filing. The FCC asked for information about funding commitments made late in the Year 1 process so that they could consider whether to extend the September 30 date by waiver pending consideration of comprehensive revisions to the rules.

The Schools & Libraries Programmatic Subcommittee unanimously approved the following resolution through means of signed ballots:

RESOLVED, That the Schools and Libraries Programmatic Subcommittee authorizes USAC staff to file Ex Parte comments to provide the Commission with additional information that was not available at the time of our original filing concerning funding commitments made late in Funding Year 1 of the Schools and Libraries Program.

Robert Haga
Acting Secretary & Treasurer

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

October 4, 1999

MINUTES

A meeting of the Schools and Libraries Committee of the Universal Service Administrative Company (USAC) was on Monday, October 4, 1999, via telephone conference call. Ms. K.G. Ouye, Chair of the Committee, called the meeting to order at 11:45 a.m. Eastern Time. Mr. Robert Haga, Acting Secretary, called the roll. Five members were present, representing a quorum, as follows:

Bryant, Anne
Gumper, Frank
Ouye K.G.

Parrino, Cheryl
Talbott, Brian

Two members was absent:

Abramson, David

Marockie, Henry

Officers of the Corporation present:

Haga, Robert – Acting Secretary/Treasurer

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Barash, Scott	USAC
Blackwell, Mel	USAC
McDonald, George	USAC
Moore, Kate	USAC

ACTION ITEMS:

- a1. Parameter Analysis and Contingency Funding Reserve: Wave 14** – Ms. Moore reviewed the staff recommendation to move the funding commitment threshold to fifty percent for internal connections. Mr. McDonald reviewed the assumptions and noted that staff was still using conservative assumptions regarding the appeal reserve that will be tightened up as more data is obtained. Ms. Bryant expressed concern about the accuracy of the entry of data. Mr. McDonald noted that USAC did not have large entry errors last year and a significant review of the data entry is performed and should catch any mistakes. He also noted that staff was still verifying the last data entered. Ms. Ouye asked about the affect

on applicants where the Schools & Libraries Division (SLD) had identified mistakes in Year 1 processing. Ms. Moore reported that applications involving affected entities were on hold pending any direction from the FCC, and that staff had taken steps to make sure these issues are not repeated. On a motion duly made and seconded, the Committee unanimously adopted the following resolution:

RESOLVED, That the Schools and Libraries Committee authorizes Schools & Libraries Division management to commit the fourteenth wave for Year 2 with the parameters set at twenty percent for Priority One Services and fifty percent for Priority Two Services and set the Contingency Funding Reserve at \$109 million.

INFORMATION ITEMS:

- i1. Impact of International Revenues on Contribution Base.** Mr. Haga informed the Committee that the original estimate of international revenues was too low and that the total annual amount of revenues that may be affected by the Fifth Circuit decision would be closer to \$1.5 billion. He noted that this might have an impact of up to a tenth of a percent on the contribution factor, and that the FCC should respond to the decision shortly, which would then provide guidance on implementation. Ms. Bryant asked whether this would have any impact on the Schools and Libraries Program. Mr. Haga responded that the decision only affected the contribution methodology of the Universal Service Fund and that there should be no affect on the programs.

On a motion duly made and seconded, the Committee adjourned to *Executive Session* to discuss contractual matters.

- i2. Renewal of Contracts for Outsourced Services.** Ms. Ouye reported out of the *Executive Session* that the Committee discussed the current budget projections and the discussions that have taken place with other potential vendors. No action was taken at this time.

There being no further business to attend to, Ms. Ouye adjourned the meeting at 12:25 p.m. Eastern Time.

Robert Haga
Acting Secretary

Date

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Audit and Compliance Committee Meeting

October 4, 1999

MINUTES

A meeting of the Schools and Libraries (SL) Audit and Compliance Subcommittee of the Universal Service Administrative Company (USAC) was held via telephone conference call on Monday, October 4, 1999. The meeting was called to order at 11:30 a.m. Eastern Time. Mr. Robert Haga, Acting Secretary, called the roll.

Two members were present, representing a quorum, as follows:

Parrino, Cheryl

Talbott, Brian

One member was absent:

Marockie, Henry

Officers of the Corporation present:

Haga, Robert

Acting Secretary and Treasurer

Moore, Kate

President, Schools and Libraries Division

Others present for the meeting:

NAME

COMPANY

Barash, Scott

USAC

McDonald, George

USAC

Action Items

1. Election of Public Accounting Firm for Performance of the 1999 USAC Audit.

The SL Audit and Compliance Subcommittee met in executive session to discuss the selection of a firm to perform the operational and beneficiary audits of the Schools and Libraries Program for 1999. On a motion duly made and seconded, the Subcommittee unanimously adopted the following Resolutions:

RESOLVED, That the Schools and Libraries Committee, having reviewed all three Proposals submitted in response to the bid, recommend that the Executive Committee engage Arthur Andersen for the 1999 USAC Audit of its financial statements and an agreed-upon procedures audit of its internal control environment for the Schools and Libraries Program, and

FURTHER RESOLVED, That the Schools and Libraries Committee, having reviewed all three proposals submitted in response to the beneficiary audit request, recommends that the Executive Committee engage Arthur Andersen for the 1999 beneficiary audit of the Schools and Libraries Program.

There being no further business to attend to, the meeting was adjourned at 11:50 a.m. Eastern Time.

Robert Haga
Acting Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

October 21, 1999

MINUTES

A meeting of the Schools and Libraries Committee of the Universal Service Administrative Company (USAC) was held on Thursday, October 21, 1999, via telephone conference call. Ms. K.G. Ouye, Chair of the Committee, called the meeting to order at 12:00 p.m. Eastern Time. Mr. Robert Haga, Acting Secretary, called the roll. Six members were present, representing a quorum, as follows:

Bryant, Anne	Marockie, Henry
Gumper, Frank	Parrino, Cheryl
Ouye, K.G.	Talbott, Brian

One member joined the call in progress:

Abramson, David

Officers of the Corporation present:

Haga, Robert – Acting Secretary/Treasurer

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Barash, Scott	USAC
Blackwell, Mel	USAC
McDonald, George	USAC
Moore, Kate	USAC
Parker, Ann	USAC

ACTION ITEMS:

a1. COMAD Filing. Mr. Barash informed the Committee that a recent FCC Order requires USAC to file an implementation plan for Year 1 commitment adjustments by October 22, 1999. Ms. Moore stated that the current list of affected carriers might change if new information is presented and noted that the Schools & Libraries Division staff is grateful to GTE and Lucent for their help on this issue. Ms. Ouye asked if staff had plans to address the situation in which Year 1 applicants that had selected ineligible providers may have selected the

same provider for Year 2. The Committee requested that staff include in the plan a request that would permit USAC to work with applicants in that position so that a SPIN change could occur for Year 1 applicants who selected the same service provider in Year 2 before being informed that the provider is ineligible. The Committee also directed Mr. Barash, to the extent possible, not to disclose specific applicant/service provider data concerning the Year 1 commitment adjustments in an effort to be consistent with USAC's operational rule regarding disclosure of requests for funding that have been withdrawn, denied, cancelled, or rescinded.

On a motion duly made and seconded, the Committee adopted the following resolution. Mr. Talbot abstained:

RESOLVED, that the Schools and Libraries Committee authorizes staff to file with the FCC the implementation plan regarding adjustments to commitments of discount funding made to certain schools and libraries.

a2. Request to File Information with the FCC Regarding the Nafesh Academy Appeal. Mr. Haga introduced the item and explained that staff needed Committee approval for the filing. Mr. Barash and Mr. McDonald reviewed the facts concerning the appeal of Nafesh Academy, and stated that the FCC directed USAC to file a letter documenting USAC's processing of Nafesh's funding requests.

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

RESOLVED, That the USAC Schools and Libraries Committee authorizes USAC staff to file information with the FCC regarding the application of the Nafesh Academy.

a3. Parameter Analysis and Contingency Funding Reserve: Wave 17. Mr. McDonald reported that staff now has sufficient information to know that funds are available for the Program to get to 20 percent and that funds may be available for applicants who filed outside the window. Ms. Ouye reviewed the proposed motion and noted that staff is reviewing procedures and will come back with recommendations on what should be funded next.

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

RESOLVED, That the Schools and Libraries Committee authorizes the Schools and Libraries Division management to commit the seventeenth wave for Year 2 with the parameters set at 20 percent for Priority One Services and 20 percent for Internal Connections, and to set the Contingency Funding Reserve at \$94 million.

On a motion duly made and seconded, the Committee unanimously agreed to go into **Executive Session** for purposes of discussing the details of a USAC contract. At the end of the **Executive**

Session, a motion was duly made and seconded to adjourn from the **Executive Session** and return to Open Session to report the actions taken in **Executive Session**.

EXECUTIVE SESSION:

a4. NECA Contract. Ms. Ouye reported that staff had updated the Committee on the status of contract discussions with the National Exchange Carrier Association, Inc (NECA).

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

RESOLVED, That the Schools and Libraries Committee recommends to the Executive Committee and to the Board of Directors that USAC enter into a contract extension with NECA consistent with the recommendation of staff.

There being no further business to attend to, Ms. Ouye adjourned the meeting at 1:15 p.m. Eastern Time.

Robert Haga
Acting Secretary

Date

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

October 25, 1999

MINUTES

A meeting of the School & Libraries (SL) Committee of the Universal Service Administrative Company (USAC) was held at the Georgetown University Marriott Conference Center, 3800 Reservoir Road, N.W., Washington, D.C., on Monday, October 25, 1999. Dr. Henry Marockie, Vice-Chair of the Committee, called the meeting to order at 8:50 a.m. Eastern Time. Mr. Robert Haga, Acting Secretary, called the roll. Four of the seven members were present, representing a quorum:

Abramson, David Marockie, Henry
Gumper, Frank Parrino, Cheryl

One member joined the meeting in progress:

Ouye, K.G – *by telephone*

Two members were absent:

Bryant, Anne
Talbott, Brian

Officers of the Corporation present:

Haga, Robert – Acting Secretary/Treasurer
Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Ayer, Catriona	USAC
Barash, Scott	USAC
Bellucci, Vikey	MCIWorldCom
Balckwell, Mel	USAC
Deyer, Shawn	Thomas Comm.
Fitzgerald, Sara	Funds for Learning, LLC
Harcourt, Matt	USAC
Harrison, Gina	NECA
Heed, Orinm	Funds for Learning, LLC
Henze, Mary	Bell South

<u>NAME</u>	<u>COMPANY</u>
McDonald, George	USAC
Parker, Ann	USAC
Schatz, Linda	USAC
Shirley, Sandra L.	ALA
Snegireff, Petre	PricewaterhouseCoopers
Wolfhagen, Ellen	USAC
Valinoti, Beth	FCC

ACTION ITEMS:

- a1. Approval of all Minutes.** On a motion duly made and seconded, the Committee unanimously approved minutes of the meetings of July 21, July 26, August 23, September 20, and October 4, 1999.
- a2. Delegation of Authority to File Information with the FCC.** Mr. Barash reviewed the recommendation that the Schools and Libraries (SL) Committee should delegate to USAC management the authority to make information filings and documentation with the Federal Communications Commission (FCC), specifically to assist the FCC in its oversight functions.

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

RESOLVED, That the USAC Schools & Libraries Committee grants authority to USAC management to make informational filings with the FCC concerning programmatic matters.

- a3. Approval of Revised 1999 Schools and Libraries Programmatic Budget.** Ms. Moore proposed a revised 1999 budget of \$29.687 million due to increased contracting requirements. Mr. Abramson asked how much per hour was paid to the accounting contractors. Ms. Moore responded that the accounting contractors are paid at a higher rate, but that she would have to get back to the Committee with specific information. Ms. Ouye stated that she and Ms. Bryant had reviewed the changes, and while they were not pleased with the contractors because of this change, the changes were acceptable.

On a motion duly made and seconded the Committee unanimously adopted the following resolutions:

RESOLVED, That the USAC Schools and Libraries Committee approves an Annual 1999 Schools and Libraries Programmatic Budget of \$29.687 million, and

FURTHER RESOLVED, That the USAC Schools and Libraries Committee approves payment of invoices to Withum, Smith & Brown for \$1 million for professional

service rendered in 1999, to Pricewaterhouse Coopers for \$895,000 for user acceptance testing, and to NCS for \$7.028 million for 1999 processing costs.

- a4. Approval of 1st Quarter 2000 Schools and Libraries Programmatic Budget and Information on Estimated 2000 Budget.** Ms. Parrino noted that the year 2000 annual budget would be approved in January and that only the 1st Quarter was before the Committee at this time. Ms. Moore reviewed the quarterly budget. She noted that for the first part of the year we know we will be served by our current contractor and that the 1st quarter of 2000 will see a higher level of activity than any other part of the year due to the closing of the 471 application window in mid-January, as well as other ongoing work.

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

RESOLVED, That the USAC Schools and Libraries Committee approves 1st Quarter 2000 programmatic budget of \$9,126,200.

- a5. Approval of 1st Quarter 2000 Schools and Libraries Projection and Resolution on November 1999 FCC Filing.** The Schools and Libraries Committee of the USAC Board must approve the projection of demand for the Schools and Libraries Program for inclusion in the USAC 1st Quarter 2000 FCC filing. Mr. Abramson asked what had been committed to date and whether there were any plans by outside parties to begin a qualitative analysis of the impact the program is having. Ms. Moore stated that while our efforts are focused on administering the Program, the FCC is working with the Department of Education to evaluate the effect of the Program.

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

RESOLVED, That the USAC Schools and Libraries Committee approves the projection of demand for the Schools and Libraries Program for the 1st Quarter 2000, and directs that USAC request the FCC to establish a contribution factor to collect \$562.5 million for the Schools and Libraries Program for the 1st Quarter 2000, and authorizes USAC staff to file this information in the November 1999 FCC filing.

- a6. Approval of Schools and Libraries Year 3 Window Length.** Ms. Moore reviewed the need for the Schools and Libraries Committee to establish the length of the Form 471 filing window for Program Year 3.

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

RESOLVED, That the USAC Schools & Libraries Committee recommends the Program Year Three Window to be set for a period of at least 70 days, meaning that it would open no later than November 10, 1999, and close January 19, 2000.

- a7. Contract Review and Approval.** With the consent of the Committee, the Chair deferred this item until the end of the Agenda. See *Executive Session*.
- a8. Miscellaneous - Approval for Reimbursing a Board Members to Attend an Event Other Than a Board Meetings.** A member of the Schools and Libraries Committee has requested reimbursement of expenses to attend a meeting of the American Library Association. USAC procedures require that the Committee review and approve the request before any reimbursement is made.

On a motion duly made and seconded, the Committee approved the following resolution by unanimous vote as required by USAC procedures:

RESOLVED, That the USAC Schools and Libraries Committee authorizes USAC to reimburse Ms. Ouye for attendance at the November 12, 1999, American Library Association meeting based on the information submitted in her October 21, 1999, request; her agreement to clearly state that she represents USAC and that she will not advocate policy; her unique relationship with the organization; and the analysis provided by the USAC CEO.

On a motion duly made and seconded, the Committee unanimously agreed at 10:01 a.m. Eastern Time to go into *Executive Session* for the purpose of discussing USAC contract. On a motion duly made and seconded, the Committee unanimously agreed to adjourn at 10:25 a.m. Eastern Time from *Executive Session* and reconvene in Open Session to report out the discussion of the Committee.

EXECUTIVE SESSION:

- a7. Contract Review and Approval.** Mr. Barash provided an update to the Committee regarding the status of USAC's contract negotiations for certain operations of the Schools and Libraries Program and the plan for issuing an RFP. Mr. Barash explained that we have renewed the contract with NECA for an additional six months and that staff anticipates issuing an RFP before the end of the year. Mr. Barash welcomed any input from the Committee for potential vendors.

After a short break, the Committee reconvened at 10:40 a.m. Eastern Time and several information items were brought to the floor.

INFORMATION ITEMS:

- i1. School and Libraries Program Update.** Ms. Moore announced that USAC would be able to commit funds to all approved Schools & Libraries that filed applications within the window period for Year 2. Ms. Moore also thanked the Committee and the staff. There was a brief discussion of what the impact is to fund applications outside of the window.

Year 1 – The Schools & Libraries Division continues to receive and process Forms 486, 472 (BEAR), and 474 (Service Provider Invoices) for Program Year 1 funding commitments. As of October 8 1999, the SLD has authorized USAC to pay over \$1 billion for delivery of E-rate services to schools and libraries. However, there remains an outstanding balance of almost \$160 million in commitments where there is no indication of the commencement of service for associated FRN's. Mr. Gumper asked about the breakout of the \$160 million in outstanding commitments. Ms. Moore said that most is for internal connections and we are contacting applicants to make sure we did not fail to receive a Form 486. She noted that invoices for Year 1 are due no later than December 15, 1999.

- i2. Schools and Libraries Division Forms Processing Statistics: Program Year 1 and Program Year 2 (as of October 8, 1999) .** For information only. No discussion held.
- i3. Progress Report on Schools & Libraries Division's 1999 Goals and Objectives.** For information only. No discussion held.
- i4. Update on Appeals Process and Status of Appeals.** Ms. Wolfhagen reported that 1630 appeals were filed in a timely manner with USAC of which 430 have been granted. In addition, the FCC has 117 appeals pending before it at this time. Ms. Wolfhagen discussed a few notable decisions. Mr. Abramson asked for a copy of the decisions mentioned by Ms. Wolfhagen. Dr. Marockie asked about the status of the Oregon appeal and Ms. Wolfhagen said she would look into it and get back to him.

Mr. Abramson then asked about concerns he had resulting from recent FCC rulings on appeal. He stated that by Program Year 4 the difference between data and voice will be irrelevant and that we should be looking at this issue and the effect on our administrative capabilities. Ms. Ouye stated that we have established a technology advisory panel and that they should review this issue for Year 4.

- i5. Report on Schools & Libraries Division Outreach Activities.** Ms. Schatz reviewed recent and planned Outreach activities. Dr. Marockie noted that it was important to have the on-site visits and personal interaction so that USAC can successfully administer the Program.

Ms. Parrino provided to the Committee USAC's response on the letter from Congressmen Gekas requesting information about the regional training workshops being conducted by the Schools and Libraries Division of USAC.

Mr. Gumper asked when the electronic invoicing system would be operational; Ms. Moore stated that it is currently operational. Mr. Gumper stated that he had a general concern that

outreach is too focused on applicants and that there is not enough emphasis on service providers.

- i6. Report on Legislative and Media Activity.** Ms. Moore stated that GAO is currently reviewing SLD's processes and working on the design of its upcoming study. GAO has met with FCC and SLD staff to begin the audit process. USAC and SLD are cooperating fully with GAO's investigation. They have indicated they hope to complete the review by late spring 2000. Mr. Blackwell provided a brief review of pending legislative activity and recent media coverage of the Program.
- i7. Report from Schools and Libraries Committee's Subcommittees.** For information only. No discussion held.
- i8. Status of the Financial and Operational Audit of USAC.** Ms. Parrino reviewed the requirement to obtain an annual audit to examine our operations and books of account. Ms. Moore stated that the budget includes a large provision for the audit of beneficiaries.
- i9. Status of the Audit of Beneficiaries.** Ms. Parrino stated that staff would be meeting with Arthur Andersen in November and that reviews should begin by January.
- i10. Schools & Libraries Program Timeline and Key Dates.** For information only. No discussion held.
- i11. Review of Issue Concerning Service Provider Identification Number "Ownership".** For information only. No discussion held.
- i12. Miscellaneous.** Ms. Moore stated that on-line 470 filing for the Form is on the web site. Ms. Moore thanked Beth Valinoti for her assistance in shepparding the revised form through the approval process.

There being no further business to attend to, Dr. Marockie adjourned the meeting at 11:20 a.m. Eastern Time.

Robert Haga
Acting Secretary/Treasurer

Date

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Programmatic Subcommittee Meeting

November 5, 1999

MINUTES

The Programmatic Subcommittee of the Schools and Libraries Committee of the Board of Directors of Universal Service Administrative Company (USAC) took action on Friday, November 5, 1999, on a resolution. The Subcommittee members-Mr. David Abramson, Mr. Frank Gumper, and Mr. Brian Talbott-approved the following resolution sent by facsimile from Mr. Scott Barash, General Counsel of USAC, by signing a ballot confirming each of their votes. The signed ballots are included as an attachment to these minutes.

1. Filing with the FCC a letter dated November 4, 1999, concerning extension of the September 30, 1999, deadline for certain SPIN changes. Mr. Barash presented a draft letter for approval to be sent to the FCC that provides information concerning another group of applicants that are in a situation analogous to those mentioned in the September 29, 1999 letter to the FCC: applicants who proposed a change in service providers that was approved by USAC's Schools and Libraries Division ("SLD") under FCC guidelines either late in Program Year 1 or after Year 1 had ended. Many of these applicants will only be able to effectively use the discounts for which they were approved if the September 30, 1999, deadline is extended.

In fairness to this group of applicants, USAC believes that the Commission should consider an extension of the September 30, 1999, deadline for applicants who obtained a valid service provider change after July 1, 1999.

The Programmatic Subcommittee of the Schools and Libraries Committee unanimously approved the following resolution through means of signed ballots:

RESOLVED, That the Programmatic Subcommittee of the Schools Libraries Committee approve for filing with the FCC a letter dated November 4, 1999, concerning extension of the September 30, 1999, deadline for certain SPIN changes.

Robert Haga
Acting Secretary & Treasurer

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Programmatic Subcommittee Meeting

November 8, 1999

MINUTES

The Programmatic Subcommittee of the Schools and Libraries Committee of the Board of Directors of the Universal Service Administrative Company (USAC) took action on Monday, November 8, 1999, on two resolutions. Subcommittee members Mr. Frank Gumper and Mr. Brian Talbott approved the following resolutions sent by facsimile from Mr. Scott Barash, General Counsel of USAC, by signing a ballot confirming each of their votes. The third member, Mr. David Abramson, did not sign a ballot. The signed ballots are included as an attachment to these minutes.

1. Filing with the FCC a Letter Dated November 8, 1999, Concerning Applicants that the Schools & Libraries Division had Placed on Hold During the Review Process that Led to Year 1 Commitment Adjustments. Mr. Barash presented a draft letter for approval to be sent to the FCC that provides information about another group of applicants that are in a situation analogous to those mentioned in the September 29, 1999 and November 4, 1999 letters to the FCC: applicants that the Schools & Libraries Division had Placed on Hold During the Review Process that Led to Year 1 Commitment Adjustments. Many of these applicants will only be able to effectively use the discounts for which they were approved if the September 30, 1999, deadline is extended. In fairness to this group of applicants, USAC believes that the Commission should consider an extension of the September 30, 1999, deadline for applicants whose payments for the non-recurring cost of eligible products and services were delayed as a result of USAC's internal review of that applicant's funding commitments.

The Programmatic Subcommittee of the Schools and Libraries Committee approved the following resolution through means of signed ballots:

RESOLVED, That the Programmatic Subcommittee of the Schools Libraries Committee approve for filing with the FCC a letter dated November 8, 1999, concerning applicants which SLD had placed on hold during the review process that led to Year 1 commitment adjustments.

2. Vendor Interference with the Competitive Process. Mr. Barash explained that is has come to the attention of the SLD that in some cases the competitive process is being thwarted in various ways by vendors. To clarify the procedures for Year 2, SLD management proposes that when the vendor who has acted as either the contact person or the signatory on the Form 470 and is also providing services and may also respond to the RFP, that will be considered a compromise of the competitive procurement process. If the service provider featured on an FRN on a Form 471 was the signatory or the named contact person on the Form 470 referenced in that FRN, that FRN will be denied. If, during PIA review, evidence is found that the contact

person or the signatory on the Form 470 is also providing the kind of services sought by the Form 470 and was also allowed to respond to the RFP, that will also be grounds for FRN denial.

The Programmatic Subcommittee of the Schools and Libraries Committee approved the following resolution through means of signed ballots:

RESOLVED, That the USAC Schools & Libraries Programmatic Subcommittee recommends that the Schools and Libraries Division deny Funding Request Numbers associated with a Form 470 in which the vendor has participated in inappropriate ways, such as being the contact person or the representative of the applicant (signing the Form 470) or otherwise compromising the fair and open nature of the competitive procurement process.

Robert Haga
Acting Secretary & Treasurer

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Programmatic Subcommittee Meeting

November 19, 1999

MINUTES

A meeting of the Programmatic Subcommittee of the Schools and Libraries Committee of the Board of Directors of Universal Service Administrative Company (USAC) was held via telephone conference call. Mr. Frank Gumper, acting as Chair, called the meeting to order at 12:05 p.m. Eastern Time. Mr. Robert Haga, Acting Secretary, called the roll. Two member were present, representing a quorum:

Gumper, Frank

Talbott, Brian

One member was absent:

Abramson, David

Officers of the Corporation present:

Parrino, Cheryl

CEO

Haga, Robert

Acting Secretary/Treasurer

Moore, Kate

President of USAC, Schools and Libraries
Division

Other present for the meeting:

NAME

COMPANY

Barash, Scott

USAC

McDonald, George

USAC

Wolfhagen, Ellen

USAC

Action Item:

1. **Consortia with Unknowing Participants.** Mr. McDonald reviewed the proposal that the Schools and Libraries Division should deny Funding Requests submitted by consortia applicants in cases where proposed recipients are not aware of their inclusion in the application. Mr. McDonald reviewed the process for contacting the school's principal or technology contact. Since many projects are managed at higher levels, we continue to look at all levels that have legal authority to act on behalf of the applicant.

Ms. Moore stated that a possible requirement going forward would include evidence that each consortia lead have agreements with the members of the consortia that has budgetary control.

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

RESOLVED, That the USAC Schools & Libraries Programmatic Subcommittee authorizes the Schools and Libraries Division to deny Funding Request Numbers and entire applications from consortium applicants upon a determination that a significant portion of the requested (based on the threshold set for a particular year) is for services to be provided to entities who did not know and approve of their inclusion in the application prior to its submission to SLD.

The Subcommittee **DIRECTED** Ms. Moore and Ms. Wolfhagen to look at what formal action will be required for subsequent years and whether any additional steps are necessary.

Information Items

1. **Form 470 Program Integrity.** Ms. Moore reported that vendors involved in Form 470 action will be monitored very closely to make sure integrity of competitive bid requirements are maintained. Ms. Wolfhagen reported that in outreach efforts, we have made sure people know it is inappropriate for vendors to sign the Form 470. Ms. Moore anticipates that such Form 470s will be removed from the web site once they are identified.
2. **Year 2 Funding.** Ms. Moore informed the Subcommittee that for Year 2 the program is currently at \$1.92 billion in commitments with a small amount of additional commitments yet to be made where we are actively engaged in contact with the applicant. Ms. Moore said we are examining whether we will be able to fund applications received outside the window period and staff is working with the FCC on refining and clarifying the procedures for outside the window applicants. Ms. Parrino informed the Subcommittee that SLD owes the FCC information about how the process will work and identifying any issues that need clarification.
3. **Miscellaneous.** Ms. Wolfhagen reviewed the status of the Commitment Adjustment Orders. She described the Petitions for Reconsideration that have been filed, and noted that many service providers have raised operational and legal issues about the Orders. USAC is working with the service providers on the operational issues they have raised.

There being no further business to attend to, Mr. Gumper adjourned the meeting at 12:35 p.m. Eastern Time.

Robert Haga
Acting Secretary & Treasurer

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Programmatic Subcommittee Meeting

December 20, 1999

MINUTES

The Programmatic Subcommittee of the Schools and Libraries Committee of the Board of Directors of Universal Service Administrative Company (USAC) took action on Monday, December 20, 1999, on a resolution. The Subcommittee members-Mr. David Abramson, Mr. Frank Gumper, and Mr. Brian Talbott-approved the following resolution sent by facsimile from Mr. Scott Barash, General Counsel of USAC, by signing a ballot confirming each of their votes. The signed ballots are included as an attachment to these minutes.

1. **Approval of Filing with the FCC a Letter Concerning the United Talmudical Academy's Appeal of Their Denial Based on Their Failure to Meet the Items 22 (Selective Review) Criteria and a Potential Modification to Program Procedures.** The Programmatic Subcommittee of the Schools and Libraries Committee unanimously approved the following resolution through means of signed ballots:

RESOLVED, That the Programmatic Subcommittee of the Schools Libraries Committee approve for filing with the FCC a letter concerning the United Talmudical Academy's appeal of their denial based on their failure to meet the Item 22 (selective review) criteria. This letter also address a potential modification to program procedures.

Robert Haga
Acting Secretary & Treasurer