

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
2000 L Street, N.W., Suite 200
Washington, D.C. 20036

SCHOOLS & LIBRARIES COMMITTEE MEETING
Monday, January 24, 2011

MINUTES

The quarterly meeting of the Schools & Libraries Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday, January 23, 2011. Ms. Anne Campbell, Committee Chair, called the meeting to order at 9:00 a.m. Eastern Time, with six of the seven Committee members present:

Abshire, Dr. Sheryl	Campbell, Anne – Chair
Barash, Scott – Acting CEO	McClure, Dave – <i>by telephone</i>
Bryant, Dr. Anne – Vice Chair	Talbott, Dr. Brian

Members of the Committee not present:

Ridley, Carolyn

Other members of the Board of Directors (Board) and officers of the corporation present:

Belden, Richard – Chief Operating Officer
Blackwell, Mel – Vice President, Schools & Libraries Division
Boyle, Anne – Member of the Board
Capozzi, David – Acting General Counsel and Assistant Secretary
Case, David – Vice President of Finance, Chief Financial Officer and Assistant Treasurer
Feiss, Geoff – Member of the Board
Gillan, Joseph – Member of the Board
Jacobs, Ellis – Member of the Board
Sanders, Dr. Jay – Member of the Board
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Ayer, Catriona	USAC
Beard, Jay	USAC
Betancourt, Laura	USAC
Delmar, Teleshia	USAC
Falkowitz, Ed	USAC

<u>NAME</u>	<u>COMPANY</u>
Frelow, Leslie	USAC
Green, Trish	FCC – <i>by telephone</i>
Harrington, John	Funds For Learning
Hopper, Melissa	USAC
Hughes, Jeff	USAC
Iversen, Eric	USAC
Kaplan, Peter	Funds For Learning
Lee, Jay	USAC
Lenhardt, Chris	USAC
McDonald, George	E-Rate Central
Miller, Jack	Solix
Nuzzo, Patsy	USAC
Parry, John	Solix
Schrieber, Johnnay	USAC
Short, Don	USAC
Smith, Chris	USAC
Thorsell, Dean	SAIC
Visser, Marijke	ALA
Walsh, Jeff	USAC
Wu, Bonnie	USAC

ACTION ITEMS:

a1. Approval of Schools & Libraries Committee Meeting Minutes of October 25, 2010 and December 17, 2010. On a motion duly made and seconded, the Committee approved the minutes, as written, of the Schools & Libraries Committee meetings of October 25, 2010 and December 17, 2010.

a2. Recommendation for Annual Election of Committee Chair and Vice Chair. Dr. Talbott nominated Ms. Campbell to serve as Committee Chair and Dr. Bryant to serve as Committee Vice Chair.

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

RESOLVED, that the USAC Schools & Libraries Committee recommends that the USAC Board of Directors elect **Anne Campbell** as Chair and **Dr. Anne Bryant** as Vice Chair of the Committee for a term that begins immediately upon the adoption of this resolution by the Board and ends when a successor to the Chair and/or Vice Chair has been elected, when the Chair or Vice Chair resigns from the Committee or the Board, is removed by resolution of the Board, or the Chair and/or Vice Chair's Board term expires.

a3. Approval of 2nd Quarter 2011 and 2011 Annual Schools and Libraries Support Mechanism Programmatic Budgets. Mr. Belden presented this item to

the Committee, noting that the proposed revised budget is approximately \$1 million less than the budget presented in October with the primary reductions attributable to a reduction in fees paid to contractors and cancellation of USAC's 2011 employee compensation merit increases.

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

RESOLVED, that the USAC Schools and Libraries Committee approves a 2nd Quarter 2011 Schools and Libraries Support Mechanism budget of \$14.0 million; and

RESOLVED FURTHER, that the USAC Schools and Libraries Committee directs USAC staff to submit a collection requirement of \$14.0 million for Schools and Libraries Support Mechanism administrative expenses in the required January 31, 2011 filing to the FCC on behalf of the Committee; and

RESOLVED FURTHER, that the USAC Schools and Libraries Committee approves an annual 2011 Schools and Libraries Support Mechanism budget of \$59.3 million.

- a4. Approval of 2nd Quarter 2011 Schools and Libraries Support Mechanism Demand Projection for the January 31, 2011 FCC Filing.** Mr. Blackwell presented this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee, having reviewed at its meeting on January 24, 2011, a summary of the 2nd Quarter 2011 support mechanism demand estimates, including administrative costs, hereby directs USAC management to proceed with the required January 31, 2011 filing to the FCC on behalf of the Committee. Management may make adjustments if the variance is equal to or less than \$10.0 million or may seek approval from the Schools & Libraries Committee Chair to make adjustments if the variance is greater than \$10.0 million but no more than \$15.0 million.

- a5. Action on Two USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Audit Reports.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that this matter be discussed in *Executive Session* because the reports relate to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures.

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

RESOLVED, that the USAC Schools & Libraries Committee determines that discussion of the USAC Internal Audit Division Schools & Libraries Support Mechanism Beneficiary Audit Reports labeled SL2010LR002 and SL2010LR003 shall be conducted in *Executive Session*.

- a6. Action on One USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Limited Review Report.** Mr. Chris Lenhardt presented this item to the Committee, noting that the audit report contained no findings.

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

RESOLVED, that the USAC Schools & Libraries Committee, having reviewed the USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Limited Review Report labeled SL2010LR004 together with management's responses thereto, accepts the recommendation of USAC management and hereby deems such report final.

- a7. Action on Three USAC Internal Audit Division Schools and Libraries Support Mechanism Round 2 Beneficiary Follow-Up Performance Audit Reports.** Mr. Lenhardt presented this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee, having reviewed the USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Audit Reports labeled SL2007BE115, SL2007BE160 and SL2007BE242 together with management's responses thereto, accepts the recommendation of USAC management and hereby deems such reports final.

- a8. Consideration of Approval to Deny Requests for Priority 2 Services at a Discount Rate of 80% and Below for Funding Year 2010.** Mr. Blackwell presented this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee authorizes staff to deny, upon FCC approval, waves for Funding Year 2010 with the parameters set at 80 percent and below for Priority 2 services.

- a9. Consideration of Rural Health Care and Schools and Libraries Program Support Services Contract.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

RESOLVED, that the USAC Schools & Libraries Committee determines that consideration of the contract extension for the Rural Health Care and Schools and Libraries Program Support Services Agreement shall be conducted in *Executive Session*.

a10. Miscellaneous.

a10-1. Solicit Ideas for the April 2011 Committee Agenda. Ms. Campbell reminded members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Ms. Campbell, Dr. Bryant, Mr. Barash or Mr. Blackwell between quarterly meetings.

a10-2. Board Materials. Mr. Barash requested the Committee provide feedback regarding the materials provided to the Board and committees.

INFORMATION ITEMS:

- i1. Schools and Libraries Support Mechanism Update.** Mr. Blackwell presented this item to the Committee, noting that:

- The Funding Year 2011 application filing window will open at 12:00 p.m. Eastern Time on Tuesday, January 11, 2011 and close at 11:59 p.m. Eastern Time on Thursday, March 24, 2011.
- On November 8, 2010, the FCC released an Erratum to the Sixth Report and Order (FCC 10-175, released on September 28, 2010), which amended the order and the Eligible Services List (ESL) for Funding Year 2011, which was released as part of the order.
- USAC released Funding Year 2010 Wave 32 Funding Commitment Decision Letters (FCDLs) on December 28, 2010. As of December 31, 2010, funding commitments total approximately \$2.07 billion.

- USAC released Funding Year 2009 Wave 77 FCDLs on December 29, 2010. As of December 31, 2010, funding commitments total approximately \$2.81 billion.
- USAC released Funding Year 2008 Wave 80R FCDLs on December 15, 2010. As of December 31, 2010, funding commitments total approximately \$2.51 billion.
- On November 8, 2010, the FCC released Public Notice DA 10-2128, which announced the application deadline for the E-rate Deployed Ubiquitously (EDU) 2011 Pilot Program.
- On November 19, 2010, the FCC released Public Notice DA 10-2218, which announced the implementation date for revised FCC Forms 470 and 471 and accompanying instructions.
- Round 2 of the FCC OIG USF audit program for Schools and Libraries Program beneficiaries has concluded. The audits focused on disbursements made between July 1, 2006 and June 30, 2007. All audit reports have been reviewed and approved by the Committee. USAC staff has conducted outreach and education to nearly 260 beneficiaries where required. The final summary report should be completed during 1st Quarter 2011.
- Round 3 of the FCC OIG USF audit program for Schools and Libraries Program beneficiaries has concluded. The compliance attestation audits focused on disbursements made between July 1, 2007 and June 30, 2008. All audit reports have been reviewed and approved by the Committee. USAC staff has conducted follow-up activities with nearly all 345 beneficiaries.
- USAC deployed the revised Funding Year 2011 FCC Forms 470 and 471 on schedule. USAC staff also continues work on the Siebel stabilization project.
- USAC staff conducted eight successful one-day regional training sessions for both applicants and service providers. The trainings were held in Washington, DC; Newark, NJ; Minneapolis, MN; Los Angeles, CA; Kansas City, MO; Jacksonville, FL; Portland, OR; and Dallas/Fort Worth, TX. USAC staff also conducted two half-day service provider training sessions in Atlanta, GA and Albuquerque, NM.
- USAC continued other aggressive outreach activities as well. The Helping Applicants to Succeed (HATS) program completed its second year of being managed in-house by USAC. In 2010, USAC conducted 272 HATS visits; with 192 in person visits, two visits via video conference and 78 via telephone. In addition over 1,000 proactive applicant outreach contacts were made on various matters. USAC staff has developed an outreach plan for 2011.

- The average time to process an invoice line was 27 days in November 2010. The invoicing team processed 92.8 percent of incoming invoice lines within 30 days.
- USAC staff exceeded appeals processing goals this quarter with 90 percent of appeals completed in the quarter being processed within 90 days of receipt.

i2. Information on One Schools and Libraries Support Mechanism Beneficiary Audit Report Conducted by the FCC Office of Inspector General. Mr. Scott presented this item to the Committee.

i3. Schools and Libraries Program Risk Assessment. Mr. Blackwell presented this item to the Committee. Mr. Barash, responding to a question from Ms. Campbell, noted that funds for the Schools and Libraries Program risk assessment review, which the FCC has directed USAC to undertake, are not presently budgeted. Mr. Barash also stated that once projected costs are known, the program operations budget will be revised and presented to the Committee, and FCC staff will be notified.

At 10:49 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential and proprietary items noted above. The Committee then recessed until 11:00 a.m. Eastern Time, at which time it reconvened in *Executive Session*.

EXECUTIVE SESSION:

a5. Action on Two USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Audit Reports. Mr. Lenhardt presented this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee, having reviewed the USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Audit Reports labeled SL2010LR002 and SL2010LR003 together with management's responses thereto, accepts the recommendation of USAC management and hereby deems such reports final.

a9. Consideration of Rural Health Care and Schools and Libraries Program Support Services Contract. Mr. Barash presented this item to the Committee.

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

RESOLVED, that the USAC Schools & Libraries Committee accepts management's recommendation and hereby approves an extension to the contract between USAC and Solix, Inc. under the terms set forth by management in the issue paper for Rural Health Care and Schools and Libraries Program support services for the period July 1, 2011 through June 30, 2012 along with a one-year option to be utilized, if necessary, to support the transition of operational support services to a new vendor; and

RESOLVED FURTHER, that management is hereby authorized to finalize the terms and conditions of the proposed agreement, and upon receiving FCC approval, execute the proposed contract extension with Solix, Inc. and proceed with its implementation.

At 11:19 a.m. Eastern Time, the Committee adjourned from *Executive Session* and immediately reconvened in *Open Session*, at which time, Ms. Campbell reported that in *Executive Session*, the Committee voted on items a5 and a9 above. On a motion duly made and seconded, the Committee adjourned at 11:21 a.m. Eastern Time.

/s/ David A. Capozzi
Assistant Secretary