

C O N N E C T I O N

**Dear USAC Stakeholders:**

Welcome to the first edition of *USAC Connection*.

Since being appointed CEO last year, I have carefully listened to your ideas on how USAC might improve its outreach and communication with stakeholders. As a result of your suggestions, you will begin to notice improvements in the months ahead about how USAC communicates with its stakeholders.

This newsletter, *USAC Connection*, is just one of the new outreach efforts we are putting in place. The first edition of *USAC Connection* will follow the journey of how USAC went from where it was eight years ago, when it was created, to where it is today.

Many of our stakeholders may be new to USAC, and the articles in this newsletter will hopefully provide  
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## One Fund - Four Programs

The Universal Service Administrative Company (USAC) is an independent, not-for-profit corporation designated as the administrator of the federal Universal Service Fund (USF) by the Federal Communications Commission (FCC). USF support helps provide communities across the country with affordable telecommunications services through USAC's administration of four USF support programs.

**High Cost** support ensures that consumers in all regions of the nation and U.S. territories have access to and pay rates for telecommunications services that are reasonably comparable to those in urban areas.

**Low Income** support, commonly known as Lifeline and Link Up, provides discounts that make basic local telephone service affordable for more than seven million low-income consumers.

**Rural Health Care** support provides reduced rates to rural health care providers for telecommunications and Internet services so they pay no more than their urban counterparts for the same or similar services.

**Schools & Libraries** support, commonly referred to as E-rate, provides affordable telecommunications and Internet access services to connect schools and libraries to the Internet.

USAC has three programmatic divisions to administer the four USF support programs. High Cost and Low Income support is managed by the High Cost and Low Income Division (HCLID). Rural Health Care support is managed by the Rural Health Care Division (RHCD). Schools and Libraries support is managed by the Schools and Libraries Division (SLD).

To assist USAC in administering the four programs, USAC has a diverse 19-member Board of Directors. USAC's board represents both contributors to and beneficiaries of universal service support. The board does not make policy or interpret the intent of statutes or rules or the intent of Congress, the FCC, or any state or federal agency. Board member terms are three years, and there is no limit on number of terms served.

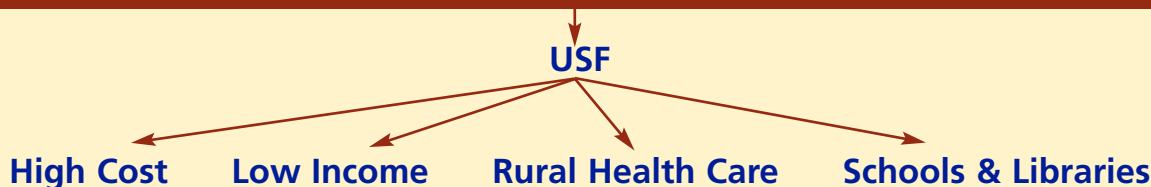
## USAC Key Milestones

**February 8, 1996** Telecommunications Act of 1996 signed into law.

**Summer 1997** The Universal Service Administrative Company (USAC) was created by the National Exchange Carrier Association, Inc. (NECA) at the direction of the FCC to collect data from all telecommunications providers,

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# Contributors - Telecommunications Providers



## High Cost Program

- Ensures that all consumers including those in rural and remote areas have access to telecommunications services
- More than 1,700 companies in 50 states and U.S. territories have received \$18 billion since 1998

## Low Income Program

- Discounts local phone service for over 7 million low-income consumers
- The Low Income Program has distributed almost \$4.5 billion since 1998

## Rural Health Care Program

- Offers reduced rates to rural health care providers for telecommunications and Internet services
- More than 2,600 facilities have received \$112 million since 1998

## Schools & Libraries Program

- Provides discounts to schools & libraries for affordable telecommunications and Internet access
- More than \$13 billion has been committed to schools and libraries since 1998

## Where USF Dollars Go

USAC will have managed an approximately \$7 billion USF in 2005. Here's a breakdown of how USF support will be distributed across the four programs:

<b>High Cost</b>	<b>\$4 billion</b>
<b>Schools &amp; Libraries</b>	<b>\$2.25 billion</b>
<b>Low Income</b>	<b>\$800 million</b>
<b>Rural Health Care</b>	<b>\$44 million</b>

## Dear USAC Stakeholders:

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insights into USAC's role as the administrator of the federal Universal Service Fund.

I look forward to your feedback and suggestions on *USAC Connection* and how USAC can continue to better serve its stakeholders.

Sincerely,

**Lisa M. Zaina,**  
Chief Executive Officer

## USAC Key Milestones

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to determine the total amount of contributions to be paid into the fund, and to administer the High Cost and Low Income support programs. The FCC also adopted rules to create two additional corporations: the Schools & Libraries Corporation (SLC) and the Rural Health Care Corporation (RHCC) to be responsible for administering funds providing support to the Schools & Libraries and Rural Health Care programs.

**Sept. 17, 1997** USAC was incorporated.

**Jan. 1998** USAC, as administrator, disbursed first support payments for High Cost and Low Income support.

**Nov. 20, 1998** FCC directed that SLC and RHCC be merged into USAC, effective January 1, 1999.

**Dec. 31, 1998** Merger with the SLC and RHCC completed.

**Jan. 1, 1999** USAC became the designated administrator of the USF and, to date, has been responsible for the administration of the High Cost, Low Income, Rural Health Care, and Schools & Libraries programs.

# Dos and Don'ts of the Schools & Libraries Program

**Do** retain a printed copy of your Technology Plan and the Approval Letter, whether obtained via mail, e-mail, or if it is posted to a website.

**Do** use funds for maintenance of Internal Connections only for basic services and only for eligible components. (Services beyond general repair, upkeep, and configuration can make an entire funding request ineligible.)

**Do** use price of the eligible products and services as the primary factor when reviewing service provider bids.

**Do** break out ineligible items on Item 21 Attachments and cost-allocate them on your Form 471.

**Do** sign, date, and retain a copy of your contract(s). This applies to both applicants and service providers.

**Do** file a Form 500 if you need to release unused funding or change the service start or contract expiration date.

**Do** notify USAC of closure of any entity that has received USF funding.

**Do** retain service provider bills and proof of payment associated with USF-funded equipment.

**Do** keep copies of all USAC forms and the supporting documentation for five years after the last date of service.

**Do** pay attention to the deadlines for all forms and invoices.

**Do** file your Priority 1 (telecom and Internet access) and Priority 2 (internal connections and basic maintenance of internal connections) funding requests separately. When in doubt, break it out.

**Do not** allow your service provider to fill out your Form 470 or participate in the competitive bidding process other than as a bidder.

**Do not** allow your service provider to waive or donate your portion of the invoice associated with USF-funded equipment or services.

**Do not** store any end-user files or application software on USF-funded equipment or services; any file storage on USF-funded servers must be cost-allocated and removed from the funding request.

**Do not** use USF support to fund redundant (back-up) systems or spare parts.

**Do not** move equipment to a different entity until a three-year window has passed and notify USAC about when and where the equipment was moved.

**Do not** forget the "2 in 5" rule: at any location you can only have internal connections support for 2 out of every 5 years.

**Do not** forget to file and certify your forms online.

## IN THE NEXT ISSUE:

### Spotlight on the Low Income Program

The Low Income Program administered by USAC has made local telephone service affordable for over 7 million low-income consumers. Eligible consumers apply for service and installation through their local telephone companies, which also play an active role in educating consumers about the programs. Within the Low Income Program there are three components that benefit eligible consumers:

**Lifeline** offers discounts on the cost of basic monthly phone service

**Link Up** supports the cost of telephone installation

**Toll Limitation Service** compensates telephone companies for offering no-cost toll limitation services

Learn more about this program in the next issue of *USAC Connection*.

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## Website Redesign

**USAC's website (www.universalservice.org)** has undergone a substantial renovation. We asked usability experts to guide us on how to make the website more user-friendly and easier to navigate. We hope you find the website better designed to alert you to the latest news and filing deadlines. New content will be added regularly.

# In The News...

## September 15

- FCC Chairman Kevin Martin announces a proposal to use \$211 million in Universal Service Fund support for areas affected by Hurricane Katrina.

## September 21

- The FCC issues a waiver order postponing deadlines for USF participants located in areas affected by Hurricane Katrina.

## September 22

- The U.S. Senate Commerce Committee holds a hearing, "Communications in a Disaster," to see how the USF would offer relief for areas impacted by Hurricane Katrina.

## September 28

- The U.S. House Energy & Commerce Subcommittee on Oversight and Investigations holds a hearing, "Guarding Against Waste, Fraud, and Abuse in Post-Katrina Relief and Recovery: The Plans of Inspectors General," to examine how to prevent abuses of the USF in providing emergency relief to areas along the Gulf Coast.

## September 30

- USAC hosts the first "ABC's of the Schools & Libraries Program" training session in Washington, DC.
- USAC releases a report on success stories in the Schools & Libraries Program.

## October 6

- USAC CEO Lisa M. Zaina testifies at a U.S. House Energy & Commerce Subcommittee on Oversight and Investigations hearing on "FCC's E-rate Plan to Assist

Gulf Coast Recovery: Ensuring Effective Implementation."

- USAC hosts the second "ABC's of the Schools & Libraries Program" training session in Chicago.

## October 11

- USAC hosts the third "ABC's of the Schools & Libraries Program" training session in Los Angeles.

## October 14

- The FCC releases the Hurricane Katrina USF Order.

## October 18

- USAC files comments in the FCC rulemaking, "Comprehensive Review of Universal Service Fund Management, Administration, and Oversight."
- The U.S. House Energy and Commerce Subcommittee on Oversight and Investigations releases a report on the Schools & Libraries Program and suggestions for improving the FCC's oversight of the program.

## October 21

- USAC unveils [www.katrina-usf.org](http://www.katrina-usf.org) for information on the FCC's Hurricane Katrina Universal Service Relief package.
- USAC hosts the fourth "ABC's of the Schools & Libraries Program" training session in Newark, NJ.

## November 22

- President signs HR2862 (Fiscal 2006 Commerce-Justice-Science Appropriations bill), which includes a one-year extension of the Anti-deficiency Act exemption for the Universal Service Fund until December 31, 2006.

## Schools & Libraries Outreach Initiative Launched

USAC began a Schools & Libraries Program outreach initiative in mid-January 2005 with plans to visit 1,000 sites per year. The site visits provide USAC with valuable feedback about ways to improve the program, to identify "best practices" for use by other program participants, and to verify the receipt and function of invoiced schools and libraries products and services while ensuring that USF support is used in compliance with FCC rules.

## Schools & Libraries Program Did you know?

USAC released a report that found 93 percent of USF Schools & Libraries Program participants find the program to be of great benefit to their school, school district, or library.

The full report is available in the About USAC section at [www.universalservice.org/about/resource-room](http://www.universalservice.org/about/resource-room).

## USAC Success Story

In each newsletter we will focus on how the Universal Service Fund is making a difference in one of the four program areas. In this issue, the success story is from the Schools & Libraries Program, commonly known as E-rate.

### **ELSA PUBLIC LIBRARY ELSA, TEXAS**

The Elsa Public Library (EPL) is part of a sub-region within the Rio Grande Valley called the Delta Area. The EPL serves as the hub for the Delta Area including the small cities of Edcouch, La Villa, Monte Alto, and La Blanca. The EPL is the only public library in the Delta Area that provides patrons with access to the Internet.

In addition, students from the surrounding school districts depend on the EPL for this public access to the Internet. Many of the students that use the EPL's services come from socio-economically disadvantaged homes and cannot afford personal computers or Internet services, making the services provided by the EPL essential.

### **Do you have a USF success story to share?**

If so, contact Tanya Sullivan at: [tsullivan@universalservice.org](mailto:tsullivan@universalservice.org).

# USAC's Role as Administrator of the Universal Service Fund

USAC's mission as the designated administrator of the federal USF is to administer the four support programs on behalf of the FCC in the most effective and efficient manner in accordance with the FCC's rules. USAC does not set or advocate policy.

USAC and its dedicated professional staff are intimately familiar with the operations of the many aspects of the USF. USAC operations include collecting and disbursing funds, ensuring fund integrity, overseeing program accountability, and communicating with stakeholders.

As the administrator, one of the greatest concerns for USAC is protecting the integrity of the fund. USAC is dedicated to ensuring that the process for program participants is streamlined and easy to use.

USAC's stakeholders include telecommunications consumers living in high-cost rural areas, low-income consumers, schools, libraries, and rural health care providers, all of which are the direct beneficiaries of the four USF programs. Stakeholders also include telecommunications and other service providers that ultimately provide the services to the eligible customers.

In serving these stakeholders, USAC's accountability is to the FCC, on whose behalf USAC administers the USF support programs.

### **USAC's functions and responsibilities include**

- Administration of each of the support programs
- Billing contributors, collecting contributions, and disbursing universal service support
- Reporting quarterly to the FCC on disbursement of funds and administrative costs

### **USAC may not**

- Make policy
- Interpret unclear provisions of the statute or rules
- Interpret the intent of Congress
- Advocate policy positions before the FCC or its staff on issues other than administrative issues relating to the programs

For more information, visit [www.universalservice.org](http://www.universalservice.org).

**USAC and its dedicated professional staff are intimately familiar with the operations of the many aspects of the USF.**