

The Solix logo features the word "Solix" in a white, sans-serif font with a registered trademark symbol (®) to its upper right. The background of the slide is a dark blue gradient with a vertical yellow-to-orange gradient on the left side. There are decorative elements including a grid of white dots and lines in the top left, and several overlapping circles of varying colors (blue, yellow, orange, purple) and sizes scattered across the slide. A thin white line runs horizontally across the bottom of the slide, with a small white rectangular graphic element on the right side.

**Solix**<sup>®</sup>

*Assisting government in delivering its promise*

***“Running a Successful  
State Universal Service Fund”***

**Presented to the  
NARUC Staff Subcommittee of  
State Universal Service Fund Administrators**

**February 2010**

**[www.solixinc.com](http://www.solixinc.com)**

# Who is Solix?

- A proven neutral administrator of Federal & State public benefit programs that provide approximately \$4.5B in annual support
- A process outsourcing firm employing almost 400 people in New Jersey and hundreds more throughout the country through subcontracting arrangements
- A provider of program administration and eligibility review services for:
  - FCC E-Rate, Rural Healthcare Broadband Pilot & Rural Health Care Programs (under contract to USAC)
  - State USF/TRS Programs
  - Centralized Low Income Telephone & Electric Discount Programs
  - Lifeline Certification and Verification

# Solix Administration Services Overview

- State Universal Service Funds
  - Arizona (\$0.9M)
  - Indiana (\$14M)
  - Nevada (\$0.2M)
  - New Mexico (\$23M)
  - Oklahoma (\$28M)
  - Oregon (\$47M)
  - Pennsylvania (\$34M)
  - Puerto Rico (\$8M)
  - Texas (\$545M)
- Federal E-Rate (\$2.25B) and Rural Health Care & RHC Broadband Pilot Programs (\$400M combined)
- Centralized Low-Income Discount Programs
  - California (Telephone) (\$260M)
  - Texas (Telephone & Electric) (\$190M)
- Intrastate Telecommunications Relay Service Funding
  - Connecticut (\$2.2M) and Hawaii (\$1M)

# Solix-Administered Program Objectives

## Rate Rebalancing/Access Reductions

Arizona, Indiana, New Mexico, Pennsylvania, Texas

## High Cost

Nevada, Oklahoma, Oregon, Texas

## Lifeline/Centralized Lifeline

California, Nevada, Oklahoma, Texas

## Schools, Libraries, & Rural Health Care Facilities

Nevada, Oklahoma

## Extension of Service to Un-Served/Underserved Areas

Nevada, Texas

## Telecommunications Relay Service

Connecticut, Hawaii, Puerto Rico, Texas

# Achieving a Balanced Approach to USF Administration

*Creating processes and systems to collect and distribute funds requires a balanced approach*

Create secure data collection systems with internal controls and reporting capabilities to provide transparency and accountability.

Develop or modify programs quickly while providing efficient and secure collection, payment, and reporting processes.

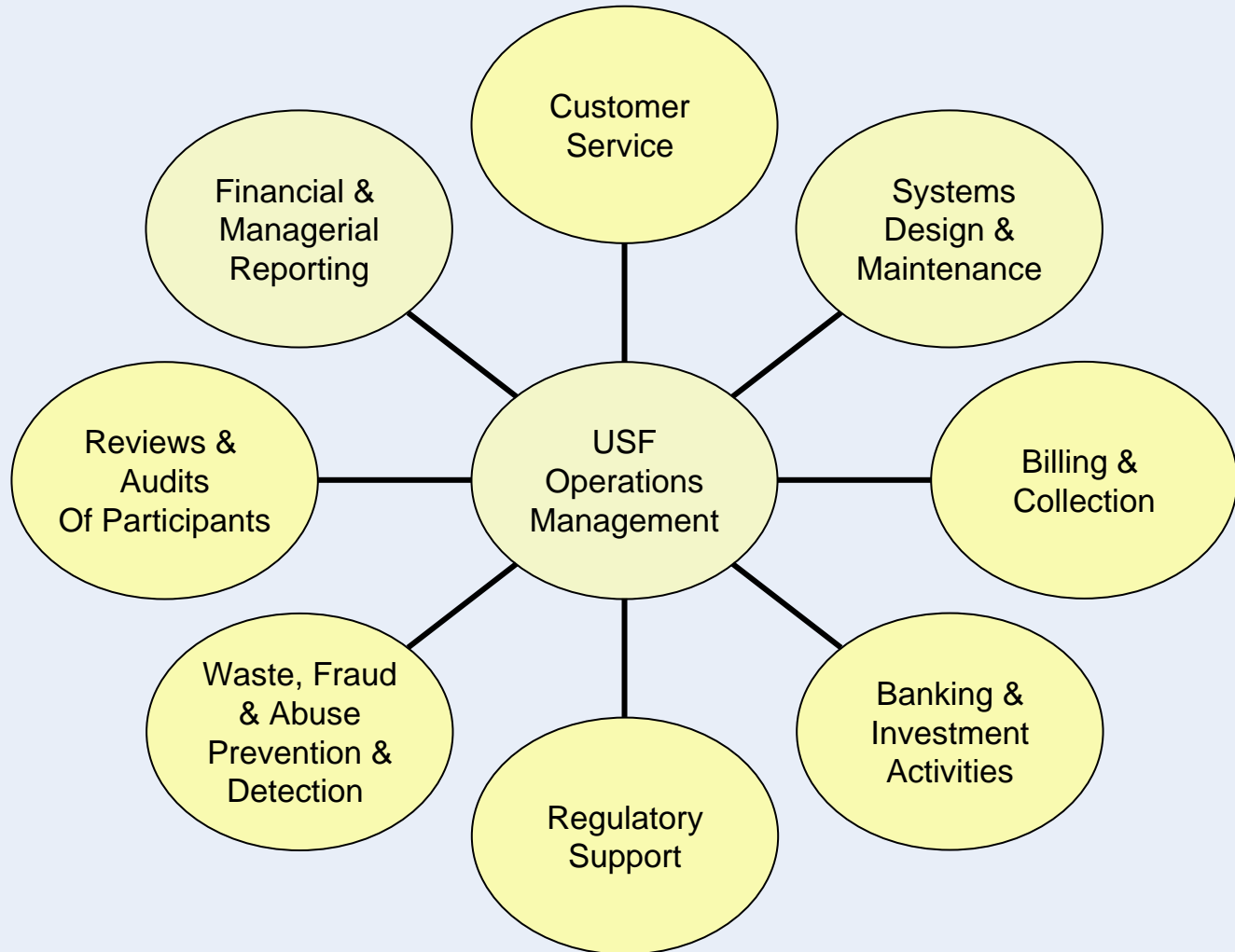


Design the prevention, detection, and investigation of errors, waste, fraud, and abuse into all aspects of processes, policies, and systems.

Draw on productive, experienced personnel who are versed in applying industry best practices.

# USF Administration

## *Multidisciplinary Skills*



# **USF Administration**

## ***Fund Design Considerations***

- **Open, multidirectional communication between the Commission, Administrator, and stakeholders helps to ensure that the Fund is implemented and managed in accordance with the intended statutory and/or regulatory objectives**
- **A single collection mechanism to fund all supported programs (e.g., High Cost, Rate Rebalancing, TRS, etc.) simplifies processes and creates efficiencies**
- **Required contributors should be clearly defined (e.g., ILECs, IXC, Wireless, VoIP, etc.) as well as any exempt categories**

# USF Administration

## *Fund Design Considerations*

- **Assessable revenues should be clearly identified (if used as basis for contributions)**
  - *De minimis* thresholds?
  - Minimum contribution levels?
- **Assessment factor development should account for contingencies such as delinquencies, uncollectible accounts, revenue fluctuations, and working capital requirements**
- **A reasonable lag between collection of assessments and disbursement of support payments reduces cash flow fluctuations and decreases the potential for funding shortfalls**

# **USF Administration**

## ***Fund Design Considerations***

- **The universe of known contributors should be augmented through regular searches to identify additional obligated contributors to maximize participation**
- **Rules and/or procedures should clearly define support request methodology as well as procedures for reviewing and adjusting support (increases or decreases) over time**
- **Flexible and secure tools (e.g., web-based systems) should be designed to allow for thorough data collection, analysis, and reporting**

# **USF Administration**

## ***Fund Design Considerations***

- **Formalize Fund investment policies and objectives**
  - Security
  - Liquidity
  - Yield
- **Implement cash management procedures and banking interfaces to ensure timely investments and sufficient cash flows**
- **Establish fund-specific general accounting system requirements, including A/R, A/P, and financial statements**

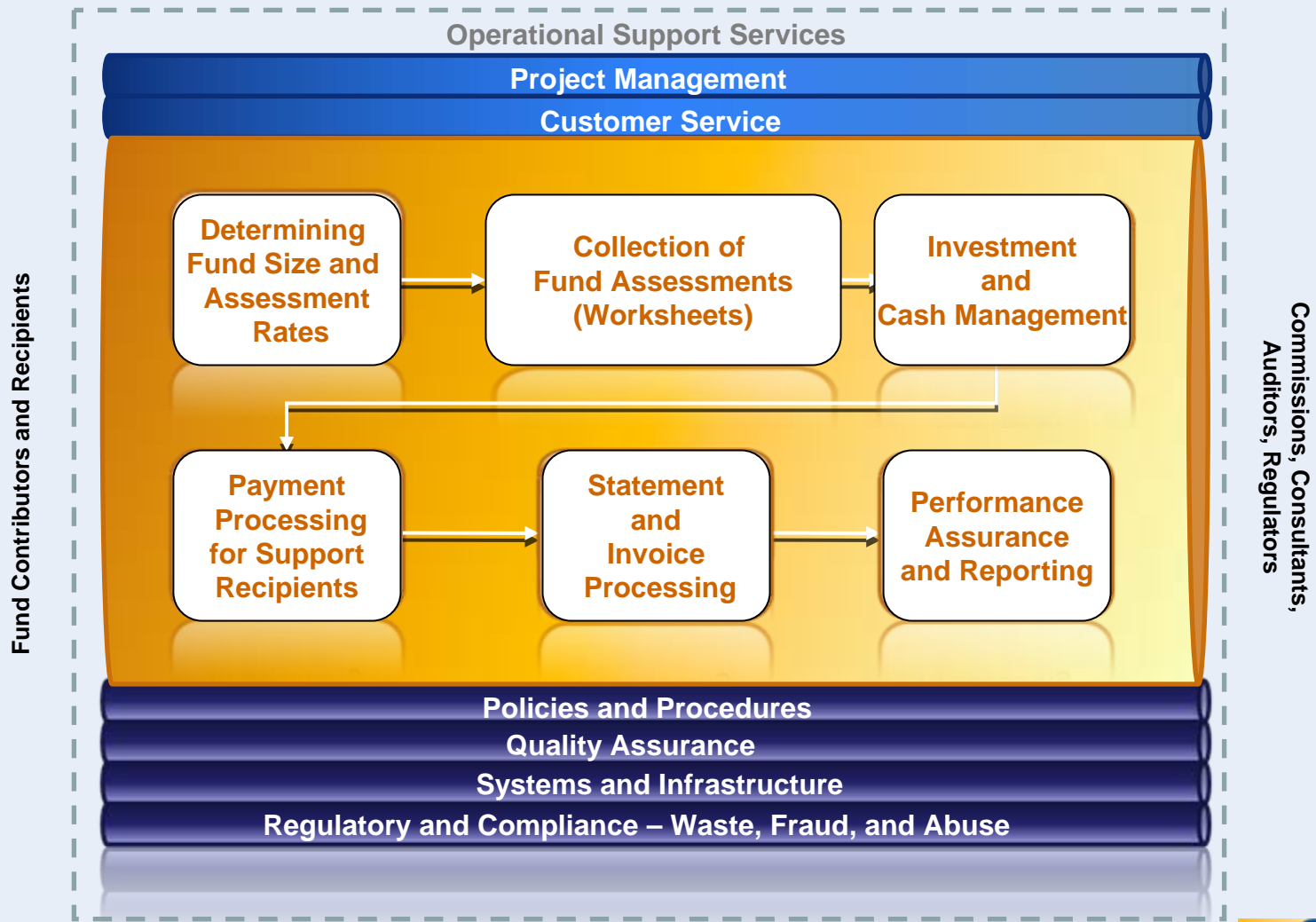
# **USF Administration**

## ***Fund Design Considerations***

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- **Establish delinquency and collection policies**
  - Late payment charges?
  - Late filing charges?
  - Grace period?
  - Waivers?
- **Define reporting requirements and design financial, managerial, and regulatory reports**
- **Plan and conduct outreach and training for fund participants and stakeholders**

# USF Administration Process Overview



# **USF Administration**

## ***Best Practices***

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*People*

*Processes*

*Systems/Automation*

# USF Administration

## *Best Practices*

### People

- Stakeholder management
  - Planning and design consume majority of program launch efforts but stakeholder education and outreach are vital to success
- Customer service
  - Consistent and formal assistance and education for program participants maximizes program effectiveness over time
- Highly trained Operations staff
  - Program operations staff must be educated, trained, and evaluated to ensure compliance with program rules/regulations
  - Cross-training and standardization provide organizational depth and redundancy

# USF Administration

## *Best Practices*

### Processes

- Flexible program evolution and evaluation
  - Programs continually evolve; flexibility and adaptability should be designed into the process
  - Program results should be evaluated against stated objectives to identify and implement improvements
- Internal controls
  - Should include waste, fraud, and abuse controls that supplement quality assurance reviews and audits
  - Proper span of control and segregation of duties
- Documentation
  - Processes should be documented and user-friendly to achieve compliance while ensuring consistent treatment of all participants

# USF Administration

## *Best Practices*

### Systems/Automation

- Robust data collection, reporting, and analysis
  - Secure, web-based data collection systems streamline processes, increase accuracy, and enhance program integrity
  - Financial, managerial, and operational reporting and metrics are crucial to program oversight
- Data and network security
  - Transfer and storage of confidential information must be performed using secure, state-of-the-art technologies to protect all stakeholders
  - Disaster Recovery and Business Continuity Plans should be in place and tested to ensure continuity of operations

# USF Administration

## Automated Process Enhancements

PAPER/MANUAL INTERVENTION	WEB-BASED/ENHANCED
• Paper Worksheet Submissions	• Online Submissions
• Paper Revisions/True-ups	• Online Revisions
• Paper Notifications of Reporting Requirements, Assessment Rates, etc.	• Email Notifications & Web Announcements
• Manual Report Creation/Reconciliation	• Database/Query Reporting with Wide Range of Output Formats
• Manual Registration for New Carriers	• Online, Self Registration
• Third-Party Data Entry	• Carrier Data Entry, 24/7/365
• Spreadsheets/Access Databases that Provide Less Robust Security	• Fully Integrated System with Encryption & Firewall Security
• Manual Audit Trail	• Electronic Audit Trail of All Transactions
• Paper Checks (collections & disbursements)	• Electronic Deposits and/or Fund Transfers (e.g., ACH)
• Paper Invoices & Statements	• Electronic Invoices & Statements

# Benefits of Automating USF Administration Processes

- ✓ Enhanced Customer Experience
- ✓ Process Efficiencies/Flexibility
- ✓ “Real Time” Data Collection
- ✓ Field Limits & Variance Analyses
- ✓ Highly Secure Environment
- ✓ Elimination of Data Entry/Manual Calcs
- ✓ Retrieval of Historic & Revised Data
- ✓ On-Demand & Ad Hoc Reporting
- ✓ Less Paper/Environmentally Friendly

# Contact Information

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