

**Before the
Federal Communications Commission**

In the Matter of)	
)	
Bridging the Digital Divide for Low-Income)	WC Docket No. 17-287
Consumers)	
)	
Lifeline and Link Up Reform and Modernization)	WC Docket No. 11-42
)	
Telecommunications Carriers Eligible for Universal)	WC Docket No. 09-197
Service Support)	

**Comments
Missouri Public Service Commission**

The Missouri Public Service Commission (“Missouri Commission”) submits comments in response to the FCC’s Notice of Proposed Rulemaking (NPRM) and Notice of Inquiry.¹ Missouri’s comments are based on four reform principles. Missouri is supportive of several proposals contained in the NPRM. In particular, the Missouri Commission supports eliminating free Lifeline service so that a Lifeline subscriber is expected to pay a reasonable amount for Lifeline service. This action is likely to generate greater accountability within the Lifeline program and significantly curb waste, fraud and abuse. Certain proposals raise concerns because, if implemented, Lifeline service may no longer be available in large portions of Missouri, including major metro areas. Missouri’s recommendations are laid out in detail below, but first, for further understanding, a brief status of the Lifeline program in Missouri is provided.

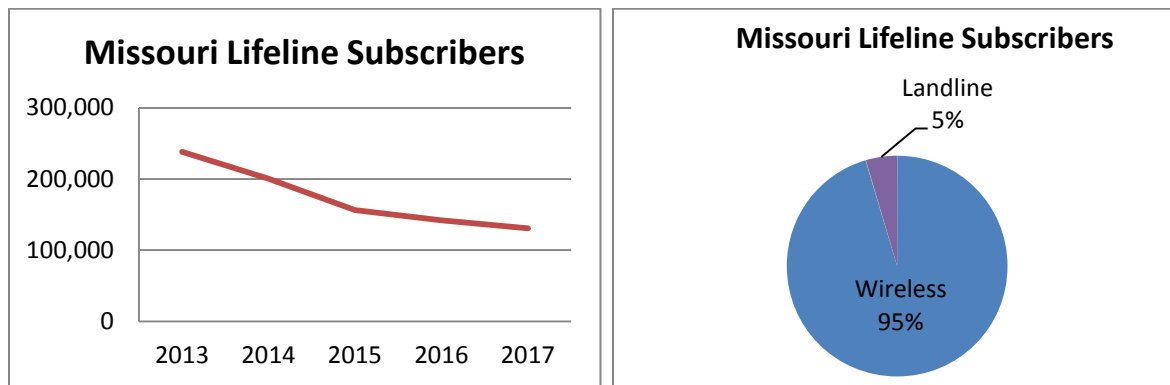
The Lifeline Program in Missouri

Missouri began financially supporting the Lifeline program when the Missouri Universal

¹ Fourth Report and Order, Order on Reconsideration, Memorandum Opinion and Order, Notice of Proposed Rulemaking, and Notice of Inquiry; released in this proceeding on December 1, 2017.

Service Fund became operational in 2005.² The Missouri USF is funded by and solely supports landline companies certificated or registered to provide telecommunications and/or interconnected VoIP service in Missouri.³ The Missouri USF supports the Lifeline program by providing \$6.50 per month per landline Lifeline subscriber.⁴ The Missouri USF currently does not provide broadband-only Lifeline support or high-cost support; however, these issues are scheduled to be considered in a pending rulemaking.⁵ This same rulemaking also proposes to simplify Missouri's rules relating to eligible telecommunications companies (ETCs) and the Lifeline program.

The number of Missouri Lifeline subscribers has been declining for the past several years. The total number (wireless and landline) of Lifeline subscribers declined 44% from 238,450 in 2013 to 134,256 in 2017. Most Missouri Lifeline customers subscribe to wireless service with 128,131 (95%) subscribers versus 6,125 (5%) with Lifeline landline service.⁶ This information is shown in the charts below:



² Section 392.248 RSMo authorized the Missouri Commission to establish the Missouri USF. Existing rules pertaining to the Missouri USF are contained in 4 CSR 240-31.

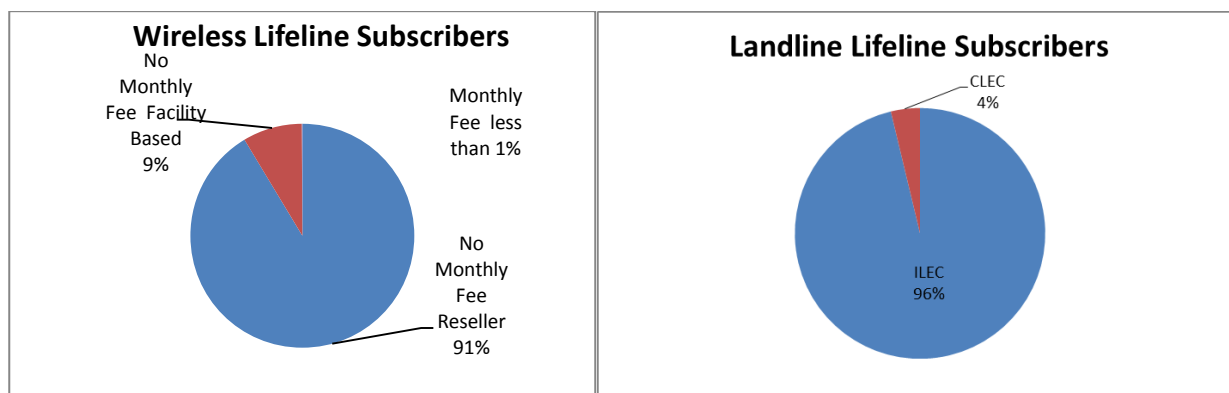
³ Wireless companies do not contribute to or receive support from the Missouri USF.

⁴ This amount was increased from \$3.50 to \$6.50 in 2014. See Case No. TO-2014-0333.

⁵ Case No. TW-2018-0120; *In the Matter of the Commission's Rules Regarding Telecommunications*. See also feedback in Case No. TW-2017-0078; *In the Matter of Staff's Review of the Commission's Chapter 31 rules*.

⁶ Lifeline subscriber quantities from USAC disbursement data as of November 2017.

A further breakdown of Missouri Lifeline subscriber information shows nearly all (99%) wireless Lifeline customers subscribe to Lifeline service with no monthly fee.



Lifeline program participation by facility-based carriers in Missouri is limited. All landline Lifeline service is facility based with 96% landline Lifeline service provided by incumbent local exchange companies (ILECs).⁷ With the exception of most ILECs, no major broadband, cable TV and/or IVoIP providers offer Lifeline service. Only four facility-based wireless companies and four facility-based competitive local exchange companies offer Lifeline service in Missouri.⁸ Seven of these eight companies may only be participating because of their participation in the federal high cost program whereby Lifeline participation has been a requirement. Overall the number of companies with ETC status is declining. For example, in the last five years, Missouri had seven companies relinquish ETC status⁹ and four companies apply for ETC status.¹⁰

⁷ Facility-based status is determined by the company's ETC application filed with the Missouri Commission.

⁸ Facility-based wireless carriers are: Northwest Missouri Cellular, Chariton Valley Wireless, US Cellular and Virgin Mobile USA, L.P. d/b/a Assurance Wireless brought to you by Virgin Mobile. This latter company is indirectly considered facility-based through its affiliation with Sprint.

⁹ The seven companies relinquishing ETC status are: Total Call Mobile, T-Mobile, Unity Telecom LLC, Cricket Communications, Off the Hook Telecom AT&T and Reachout Wireless.

¹⁰ American Wireless, American Assistance, Sage Telecom Communications LLC, and Tempo.

Landline Lifeline subscribership declined significantly this past year as AT&T Missouri, Inc. optioned to exit the Lifeline program effective July 2017.¹¹ AT&T was found to meet federal criteria for relinquishing ETC in that other ETCs offered Lifeline service in AT&T's Missouri service area. ETCs remaining in AT&T's area are primarily wireless resellers offering Lifeline service with no monthly fee.

The availability of voice Lifeline service is expected to become scarcer if the FCC proceeds with plans to phase-out federal support for Lifeline voice service. It also may become less available as a result of federal action taken this past year enabling certain ETCs to no longer offer voice Lifeline service to new subscribers in certain areas.¹² This action potentially affects 31 Missouri counties; however, to date the Missouri Commission is unaware of any company optioning to no longer offer voice Lifeline service to new subscribers in those areas.

Over the years, the Missouri Commission Staff has attempted to ensure companies comply with Lifeline program requirements.¹³ Such attempts typically include data requests requiring an ETC to provide certain information to help confirm company compliance with program requirements.¹⁴ In addition, Staff reviews all Form 555 and Form 481 reports.

¹¹ Case No. IO-2017-0132; *In the Matter of Southwestern Bell Telephone Company, d/b/a AT&T Missouri's Notice of Relinquishment of its Eligible Telecommunications Carrier Designation Pursuant to 47 U.S.C. §214(e)(4) And Notice of Withdrawal from State Lifeline and Disabled Programs.*

¹² Public Notice; DA 17-684, *Wireline Competition Bureau Announces Counties Where Conditional Forbearance from the Lifeline Voice Obligation Applies*; WC Docket No. 11-42; released July 17, 2017. The FCC allows a Lifeline provider to stop offering Lifeline voice service to new customers in a county if three conditions are met: (1) 51% of a county's Lifeline subscribers obtain broadband service, (2) The county has at least 3 other providers of Lifeline broadband service and each provider serves at least 5% of the county's Lifeline subscribers, (3) The company does not receive federal high-cost support in the county.

¹³ For example, see Case No. RC-2016-0278 *In the Matter of the Revocation of the Eligible Telecommunications Carrier Designation of Total Call Mobile, Inc.*

¹⁴ Case No. TW-2014-0012 *In the Matter of a Repository Docket in Which to Gather Information about the Lifeline Program and Evaluate the Purposes and Goals of the Missouri Universal Service Fund.* See also Data Request No. BISR-2011-1622.

Missouri Commission rules also require a company to supplement their Form 481 filing with additional information.¹⁵

Principles for Reforming the Lifeline Program

The Missouri Commission recommends the following four principles be applied in reforming the Lifeline program:

- 1.) ***Simplify a company's participation.*** The Lifeline program should be structured so companies are removed from program administration responsibilities. The FCC's move to a National Verifier is a step in the right direction because it simplifies a company's participation and strengthens program integrity by having a third party handle verification responsibilities. Minimizing requirements placed on participating companies without compromising program accountability should be a goal to encourage more companies to participate in the Lifeline program.
- 2.) ***Strive for greater accountability.*** Reasonable steps should continue to be taken to eliminate fraud and waste within the program.
- 3.) ***Promote consumer choice.*** The Lifeline program is enhanced if consumers have a wide variety of choices in providers and Lifeline service plans.
- 4.) ***Minimize program administrative expenses.*** The current federal USF assessment is extremely high.¹⁶ As USAC is being asked to perform more Lifeline administrative duties, some consideration needs to be given to whether the cost exceeds the benefit.

A. Respecting the States' Role in Program Administration

1. Ensure states have flexibility to adjust the Lifeline program. The FCC has exerted more control over the Lifeline program. States need some flexibility to make state-specific adjustments to the program, if needed. For example, a state may want to continue to provide voice-only Lifeline service if the FCC proceeds with eliminating federal support for the service.¹⁷ Likewise Lifeline service may become unavailable in many areas of Missouri if

¹⁵ 4 CSR 240-31.130(3)(A) identifies annual filing requirements for ETCs offering Lifeline service.

¹⁶ Public Notice, DA 17-1203, CC Docket No. 96-45 released December 14, 2017 indicates the proposed federal USF contribution factor will be 19.5% for the first quarter of 2018.

¹⁷ Will a state be able to use the National Verifier to enroll voice-only Lifeline subscribers?

certain proposals in this pending NPRM are implemented. A state may want some flexibility to address such issues.

2. Collaborate on compliance. States, the FCC and USAC all have a common interest in ensuring compliance with Lifeline program regulations. Greater collaboration may be useful in identifying companies to audit, obtaining/analyzing information and sharing results.

B. Improving Lifeline's Effectiveness for Consumers

1. Concerned about proposals to limit Lifeline broadband support to only last mile providers and/or discontinue support for nonfacility-based Lifeline service.

These proposals raise concerns for the following reasons:

- Large portions of Missouri may not have Lifeline service. As previously pointed out, AT&T's exit from the Lifeline program left only wireless resellers offering Lifeline service within AT&T's service territory in Missouri. If the FCC follows through with both proposals then large geographic areas in Missouri, including large metropolitan areas (St. Louis, Kansas City, Springfield), will have limited, if any, Lifeline service.
- The FCC's proposals will negatively affect most Missouri Lifeline subscribers who currently receive nonfacility-based Lifeline service. These subscribers will likely need to switch to a facility-based provider, if one is available in their area. The Missouri Commission anticipates consumers will be confused and frustrated by both proposals.
- It is doubtful that limiting Lifeline broadband support to only last mile facility-based Lifeline providers will increase any new broadband development. In addition, it is doubtful that this proposal will cause non-participating facility-based companies to participate in the Lifeline program.

2. Proposed remedies seem problematic in ensuring universal service funding is not used to provide free wireless handsets. The FCC wants to ensure wireless resellers are not using universal service funding for non-eligible expenses such as free wireless handsets.¹⁸ All of the FCC's proposed remedies seem problematic by making it much more complicated to participate in the program as well as by increasing the program's administrative expenses. Consumer choices are likely to be reduced by such actions. This issue may not be easily resolved. A

¹⁸ ¶72 of the FCC's NPRM. In an attempt to address this issue the FCC is considering such means as accounting measures, audits, limiting funding to resellers based on what they pay their wholesale carriers and eliminating resellers from the program.

wireless handset is a necessary component for wireless service and it may be difficult for many low-income consumers to afford the up-front cost of a wireless handset or smartphone.

3. Maintain support for Lifeline voice-only service. Federal support for Lifeline voice-only service should not be phased-out. Maintaining support for Lifeline voice-only service promotes the principle of striving for more choices for Lifeline consumers. Many consumers simply want a phone and do not want broadband service. Therefore, consumers qualifying for the Lifeline program should have the choice of subscribing to a voice-only Lifeline service.

4. Eliminate the requirement for a device to be Wi-Fi enabled. The existing requirement for a device to be Wi-Fi enabled should be eliminated for two reasons: (1) Elimination of this element will simplify an ETC's participation in the program by removing a restriction; and, (2) Consumers may benefit through greater choices of more varied Lifeline service offerings.

5. Support TracFone's proposal for conduct-based requirements. TracFone's proposal appears to promote greater accountability for the Lifeline program whereby a significant consequence would occur if an ETC intentionally defrauds the Lifeline program. Besides recommending program suspension for a year TracFone also proposes that financial penalties should apply to ensure an ETC never financially benefits from defrauding the program.

6. Support TracFone's "units" proposal. TracFone wants permission to apply a unit-based plan in meeting Lifeline's minimum standards so that Lifeline benefits can be applied based on how the customer uses the service.¹⁹ TracFone's proposed definition and proposed plan is reasonable as long as all companies define "unit" in the same manner and a proposed unit-based plan can easily demonstrate meeting Lifeline's minimum standards on a standalone basis.²⁰ Prior

¹⁹ Lifeline's current minimum standards require a wireless company to provide 750 minutes of voice service or 1 GB of mobile broadband service.

²⁰ TracFone defines "unit" as either one minute of wireless voice service or 1 MB of mobile broadband service. TracFone's proposed unit plan is 1,000 units per month. A 1,000 unit allowance equals Lifeline's minimum

FCC guidance on minimum service standards has been too strict.²¹ TracFone's proposal may simplify program requirements for ETCs by giving them greater flexibility in offering a plan to meet Lifeline's minimum standards. Consumers may benefit through greater choices and options in Lifeline service plans.

C. Steps to Address Waste, Fraud, and Abuse

1. Support using a risk-based approach for ETC audit selection. Greater flexibility should be provided for the audit selection process for it remains questionable if the current approach is truly beneficial whereby a company is required to be independently audited every two years based solely on the basis that a company receives more than \$5 million annually in Lifeline support. Making this change should simplify an ETC's participation in the program without sacrificing accountability. The FCC, USAC and state commissions should collaborate in identifying companies for audit using risk factors that take into account the potential amount of harm to the fund.

2. Audit undercover work should not be a requirement for all audits. Undercover work has proven to be beneficial; however, it remains unclear if the benefits exceed the costs of always requiring an audit to somehow include undercover work. The only certainty of this proposal is such a requirement will significantly increase an audit's cost. USAC's cost for conducting audits will rise and correspondingly raise program administration expenses. USAC should simply have the discretion to make such decisions on a case-by-case basis.

broadband standard of 1 GB (1 GB = 1,000 MB) if the subscriber solely uses broadband service. A 1,000 unit allowance exceeds Lifeline's minimum voice standard of 750 minutes by 250 minutes (1,000 – 750 = 250) if the subscriber solely uses voice service.

²¹ Public Notice; DA 16-1118, released September 30, 2016 ¶15. The FCC appears to take a strict view of minimum standards whereby Lifeline support can't be substituted between voice and broadband services. TracFone's proposal conflicts with this guidance because it doesn't guarantee minimum usage levels. For instance a subscriber with 500 voice minutes and 5 MB of broadband usage will use-up a 1,000 unit plan but won't meet either minimum service level.

3. Agent commissions should not be prohibited. This proposal seems well intentioned but perhaps unnecessary once the National Verifier is fully implemented and if other proposals are implemented such as eliminating free Lifeline service.

4. USAC should be more involved in manual NLAD dispute resolutions and overrides. One source of fraud involves overrides of the NLAD system.²² The Missouri Commission Staff has observed instances where a significant number of Lifeline subscribers share the same address involving run-down housing units unsuitable for multi-family households as shown in the pictures below:²³

Number of Lifeline Subscribers Sharing Same Address		
		
53 Lifeline subscribers	207 Lifeline subscribers	18 Lifeline subscribers

More oversight of the National Lifeline Accountability Database is needed to prevent such situations from occurring. ETC representatives submitting information to USAC should be registered.

²² Notice of Apparent Liability for Forfeiture and Order. *In the Matter of Total Call Mobile, Inc.*; File No. EB-IHD-14-00017650 NAL/Acct. No. 201632080004; released April 7, 2016; ¶26-28.

²³ Missouri Commission Staff Memorandum; *In the Matter of the Revocation of the Eligible Telecommunication Carrier Designation of Total Call Mobile, Inc.*; Case No. RC-2016-0278; filed September 12, 2016.

5. Limit self-certification directly to the ETC. Lifeline program accountability would be improved if the FCC required proof of eligibility to ensure a subscriber's continued eligibility.²⁴ Until the National Verifier can electronically verify eligibility, Lifeline subscribers should be required to periodically submit proof of eligibility or alternatively have USAC conduct the annual certification.

6. USAC should continue to be receptive to state commission requests for information. In the past, USAC has been very responsive to Missouri Commission Staff requests for certain information.²⁵ This cooperative approach regarding state commission requests should be encouraged. This type of approach may be less onerous for USAC than a requirement to regularly publish certain reports. Such an approach may help minimize Lifeline program administrative expenses.

D. Adopting a Self-Enforcing Budget

1. Unclear how a budget cap will work but if implemented prefer a method minimizing disruption to ETCs and consumers. How a budget cap will work remains unclear.

Presumably federal Lifeline support disbursements will be reduced or stopped if disbursements start to exceed a budget cap. This prospect will undoubtedly complicate any existing ETC's participation in the Lifeline program and may also discourage other companies from participating. Lifeline subscribers will likely be frustrated and confused if they are suddenly required to pay more for a service than anticipated. If the FCC wants to enforce a budget cap then Missouri would prefer a method that causes the least disruption to ETCs and consumers.

²⁴ Existing Missouri Commission PSC rule 4 CSR 240-31.120(2)(C) requires a Lifeline subscriber to submit proof of eligibility at least once every two (2) years unless an ETC has an automated means of verifying subscriber eligibility or alternatively has the annual recertification process administered by USAC.

²⁵ As examples, USAC supplied the Missouri Commission Staff with Missouri NLAD data on two separate occasions. One instance involved tracking the impact of special promotional efforts on Lifeline subscribership in a limited geographic area. The other instance involved Lifeline subscribership in AT&T Missouri, Inc.'s service territory to help respond to AT&T's application to relinquish ETC designation.

2. Avoid an attempt to prioritize Lifeline funding under a budget cap. It is unclear how Lifeline disbursements might be prioritized. Any attempt to try to provide preferential Lifeline funding for certain Lifeline subscribers is likely to be controversial. Consumers will be confused if they learn their Lifeline service is affected by a budget cap but other Lifeline subscribers served by the same company are not affected. Funding prioritization is likely to make the Lifeline program more complicated for ETCs and may even discourage company participation in the Lifeline program.

3. Only expenses directly impacted by a budget cap should be used to determine if a cap is reached. It remains unclear if USAC's expenses will be impacted by a budget cap. If USAC's expenses will not be impacted then USAC's expenses should not be included in determining whether the cap is reached.

E. Improving Provider Incentives for Lifeline Service

1. Lifeline subscribers should be required to pay for Lifeline service. Free Lifeline service can make it easier to perpetuate fraud and waste in the Lifeline program. For example it's unclear whether a customer truly wants and values a service if they do not have to pay for it. Free Lifeline service may also make it easier for companies and Lifeline applicants to defraud the program.²⁶ The establishment of a requirement for Lifeline subscribers to pay for Lifeline service is likely to have a profound impact on the program. It should produce greater accountability and is likely to provide other specific benefits to the Lifeline program, such as:

- Help ensure the subscriber values the service.
- Decrease waste, fraud and abuse problems within the Lifeline program.
- Eliminate the need for a usage requirement currently applied to free Lifeline service.
- May make minimum service standards unnecessary.
- May minimize the impact of a budget cap.

²⁶ For instance, a company attempting to defraud the program could enroll subscribers with minimal or no customer involvement if the customer doesn't have to pay for Lifeline service. Likewise free Lifeline service makes it easier for a Lifeline subscriber who wants to try and defraud the program by receiving multiple Lifeline benefits.

2. Oppose limiting Lifeline benefits to a certain length of time. The FCC is considering limiting a Lifeline subscriber's benefits to a certain length of time such as 1.75 years. This proposal significantly complicates the Lifeline program and will be a hardship to consumers when their benefits are no longer provided..

Summary

The following four principles should be applied as the FCC considers additional reforms to the Lifeline program: (1) Simplify a company's participation, (2) Strive for greater accountability, (3) Promote consumer choice and (4) Minimize program administrative expenses. These comments respond to several proposed reform measures. In particular, the Missouri Commission supports establishing a requirement for Lifeline subscribers to pay for Lifeline service. If implemented, this reform is likely to produce several benefits to the Lifeline program.

Respectfully submitted,



John Van Eschen
Manager, Telecommunications Unit
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102
(573) 751-5525
John.vaneschen@psc.mo.gov

/s/ Whitney Payne
Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751- 8706
Whitney.payne@psc.mo.gov