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November 17, 2014

Marlene Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

**Re: Notice of Lifeline Connects Coalition Oral *Ex Parte* Presentation;  
WC Docket Nos. 11-42, 09-197**

Dear Ms. Dortch:

On November 13, 2014, Brian Lisle and Susan Berlin of Telrite Corporation, Jeni Kues of i-wireless, LLC, Dave Skogen of Global Connection of America Inc., Jaime Palmer and Lauren Moxley of Blue Jay Wireless, LLC, Chuck Campbell of CGM, LLC and John Heitmann and Joshua Guyan of Kelley Drye & Warren LLP met with Ryan Palmer, Jonathan Lechter, and Melanie Tiano of the Wireline Competition Bureau (“Bureau”). The companies represented are the members of the Lifeline Connects Coalition that have joined together to protect and preserve the integrity of the Lifeline program by educating and separating myths from facts about the program, sharing best practices on compliance and industry self-regulation, and by proposing additional reforms dubbed “Lifeline Reform 2.0” to the FCC in a petition for rulemaking filed last year and updated in April 2014.<sup>1</sup>

In the meeting, we discussed Commissioner Clyburn’s speech<sup>2</sup> delivered at an event entitled “Reforming Lifeline for the broadband era” at the American Enterprise Institute on November 12, 2014.<sup>3</sup> The Coalition supports Commissioner Clyburn’s goal of modernizing the Lifeline program for the broadband era. Today’s Lifeline program does not do enough to make

<sup>1</sup> See Lifeline Reform 2.0 *Ex Parte*, WC Docket No. 11-42 at 5-9 (Apr. 14, 2014).

<sup>2</sup> See [http://transition.fcc.gov/Daily\\_Releases/Daily\\_Business/2014/db1112/DOC-330453A1.pdf](http://transition.fcc.gov/Daily_Releases/Daily_Business/2014/db1112/DOC-330453A1.pdf) (last visited Nov. 16, 2014).

<sup>3</sup> See <http://www.aei.org/events/reforming-lifeline-broadband-era/> (last visited Nov. 16, 2014).

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broadband services affordable for low-income Americans. The speech raises many important questions and issues that should be considered as part of a further notice of proposed rulemaking as well as in the context of the Communications Act update underway in Congress.

Among those questions is whether wireless Lifeline eligible telecommunications carriers (“ETCs”) can include broadband in their popular “free” or no cost to consumer offerings, based on the current \$9.25 subsidy. In exploring this issue, the Commission will have to consider the impact proposals will have on program participation by consumers and service providers. Wireless ETCs successfully removed a significant barrier to consumers with their “free” service offerings and the result was a positive and meaningful increase in program participation. The Commission also must be mindful that a program that favors large providers or those with the most expansive retail presence may effectively limit competition and eventually result in less innovation and service to consumers.

The Commission also must assess proposed program administration changes carefully in terms of practicality. In 2012, the Commission acted to take the eligibility determination out of the hands of ETCs.<sup>4</sup> However, the Commission’s 2012 Lifeline Reform Order mandate to develop a national eligibility database remains unrealized nearly a year after it was set to be completed. New proposals, including those that contemplate more complicated interaction with other federal benefit programs, should be assessed with this experience in mind.

New administrative proposals also must be assessed based on their costs. According to the 2013 USAC Annual Report, the percentage of USAC administrative expenses divided by total USF program disbursements was 1.29 percent.<sup>5</sup> By comparison, the Supplemental Nutrition Assistance Program (“SNAP”) utilizes government entities to determine applicant eligibility and annual administrative costs are approximately 9 percent (about \$7 billion) of benefits paid.<sup>6</sup> While

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<sup>4</sup> See *Lifeline and Link Up Reform and Modernization, Lifeline and Link Up, Federal-State Joint Board on Universal Service, Advancing Broadband Availability Through Digital Literacy Training*, WC Docket No. 11-42, WC Docket No. 03-109, CC Docket No. 96-45, WC Docket No. 12-23, Report and Order and Further Notice of Proposed Rulemaking, FCC 12-11, ¶ 403 (rel. Feb. 6, 2012).

<sup>5</sup> See USAC 2013 Annual Report at 5, available at <http://www.usac.org/about/tools/publications/annual-reports/default.aspx> (last visited Nov. 17, 2014).

<sup>6</sup> See Food and Nutrition Service, Supplemental Nutrition Assistance Program, Program Accountability and Administration Division, *State Activity Report, Fiscal Year 2013* at 2 (July 2014), available at <http://www.fns.usda.gov/sites/default/files/snap/2013-state-activity.pdf> (last visited Nov. 17, 2014) (showing total issuance of just over \$76 billion and just under \$7 billion in total costs).

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the administrative costs for the entire USF were \$107 million in 2013, administrative costs for Lifeline would be \$162 million at 9 percent of total disbursements (\$1.8 billion in 2013).

The Commission also must assess the potential impact of coordination with other federal benefit programs based on the Lifeline program's participation rate and overall program costs. Lifeline is dramatically undersubscribed by comparison to many other federal benefits programs. Coordinated enrollment could result in a dramatic increase in program participation and corresponding costs. Because Lifeline is the Commission's only means-tested USF program, these issues require careful consideration. While it is undesirable to defer broadband funding for certain high cost locations and E-rate applicants, it is unacceptable to deny Lifeline service to an eligible consumer.

As part of its Lifeline modernization effort, the Commission should recognize that ETCs are a valuable part of the Lifeline ecosystem. The ETC designation process results in a degree of control and accountability that would not be present in a system with service providers freed from ETC market entry and oversight requirements. To achieve greater program participation, the Commission can and should streamline its own ETC designation process and set guidelines for the states. Additional actions can be taken to even-out and reduce regulatory burdens for ETCs while making sure that markets and consumers pick winners and losers (rather than regulators). Rationalization of the current framework will be an essential element of the Lifeline program's move to broadband. Businesses require predictability and certainty. With broadband capable smartphones being more costly than the handsets they will replace, the Commission must establish a regulatory framework that provides the predictability and certainty necessary for ETCs to invest and put broadband capable devices in the hands of consumers.

The Coalition stands ready to discuss Commissioner Clyburn's proposals and others with the Bureau in any context. There are many questions to be answered and we applaud Commissioner Clyburn for starting the process. The successful transition of the Lifeline program to broadband will require a tremendous focus on the details and collaboration among all stakeholders.

While moving the Lifeline program to broadband is both exciting and essential, there is much unfinished work to be done related to today's program. Accordingly, the Coalition members also discussed: (1) the efforts of the Lifeline Connects Coalition to protect and defend the Lifeline program at the Commission, in the media and on Capitol Hill; (2) the reform proposals of the Lifeline Reform 2.0 Coalition, including minimum requirements for state eligibility databases, retention of proof of eligibility and a "shot clock" for Bureau and Commission review and approval of pending items; (3) matters of importance to the Bureau, or pending or soon to be pending before the Bureau, including federal ETC petitions, the Lifeline Notices of Apparent Liability for alleged intra-company duplicates, In-Depth Validation appeals, and USAC Payment Quality Assurance ("PQA") appeals; (4) compliance plan modifications and Lifeline industry consolidation under the

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Bureau's July Public Notice;<sup>7</sup> and (5) support for the TracFone Petition for Rulemaking and for Interim Relief proposing to count Lifeline subscriber text messaging as "use" of the Lifeline service for purposes of the 60-day non-usage rule,<sup>8</sup> as well as counting data usage as "use" pursuant to the rules.

Pursuant to Section 1.1206(b) of the Commission's rules, this letter is being filed electronically.

Respectfully submitted,



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<sup>7</sup> See *Wireline Competition Bureau Reminds Carriers of Eligible Telecommunications Carrier Designation and Compliance Plan Approval Requirements for Receipt of Federal Lifeline Universal Service Support*, WC Docket Nos. 09-197, 11-42, Public Notice, DA 14-1052 (rel. July 24, 2014).

<sup>8</sup> See *TracFone Petition for Rulemaking and For Interim Relief*, WC Docket No. 11-42 (filed Oct. 1, 2014).