

Before the  
**Federal Communications Commission**  
Washington, D.C. 20554

In the Matter of	)	
	)	
Federal-State Joint Board on	)	CC Docket No. 96-45
Universal Service	)	
	)	
Review of Lifeline and Link-up Service	)	FCC 01J-2
For All Low-Income Consumers	)	

To: The Joint Board

**COMMENTS OF VERIZON**<sup>1</sup>

I. Introduction and Summary

The Joint Board should recommend that the Lifeline and Link-Up America programs remain federal-state cooperative arrangements and that the Commission not adopt detailed preemptive regulations for these programs.<sup>2</sup> Lifeline and Link-Up have been an effective part of successful federal and state efforts to increase telephone subscribership among low-income individuals and households. But those programs alone have not resulted in increased penetration among low-income Americans. In fact, there is little correlation between Lifeline penetration and subscribership among low-income households. Instead, it is apparent that the success of Lifeline and Link-Up in helping more people to obtain telephone service is the result of allowing

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<sup>1</sup> The Verizon telephone companies (“Verizon”) are the local exchange carriers affiliated with Verizon Communications Inc. listed in Attachment A.

<sup>2</sup> These Comments are being submitted in response to the Joint Board’s Public Notice, FCC 01J-2, CC Docket No. 96-45 (rel. Oct. 12, 2001).

states to combine those programs with other low-income programs and outreach efforts that are designed to meet local needs. Preemptive federal rules cannot take into account these needs and will not add to overall subscribership. Nor should the Board recommend universal adoption of automatic enrollment in Lifeline by consumers who participate in other specified low-income programs. Automatic enrollment does not increase telephone subscribership, it does not promote competition, and it is expensive and difficult to administer.

II. Lifeline and Link-Up, Coupled With Other State and Local Low-Income Programs, Have Successfully Brought Telephone Service To Millions, and There Is No Reason To Replace State Rules With Detailed Federal Requirements.

Since the Lifeline and Link-Up America programs were adopted in the 1980s, millions of low-income Americans have received telephone service. Among low-income households, telephone subscribership increased from 80.8% in 1984 to 87.5% in 2000. In 2000, nearly 6 million consumers received discounted telephone rates under the Lifeline program, up from just over 5 million in 1997, and nearly double that number have initiated telephone service under Link-Up since its inception. FCC, *Trends in Telephone Service Report*, Tables 7.2 and 7.3 (Aug. 2001) (“Trends”). Total Lifeline support has grown from \$147.5 million in 1997 to \$488 million in 2000. *Id.* at Table 7.4. Lifeline support per line has increased to defray a growing share of the local telephone bill – not just the subscriber line charge – thanks to the Commission’s program initiated in 1997 providing increased federal support and an additional “Tier-Three” federal match if states provide Lifeline support as well. *See* 47 C.F.R. § 54.403(a)(3). Telephone subscribership in the lowest income category increased from 86% in 1997 to 87.5% in 2000.

Alexander Belinfante, FCC Common Carrier Bureau, Industry Analysis Div., *Telephone Subscribership in the United States* (Nov. 2001).<sup>3</sup>

However, that subscribership growth was not entirely the result of the Lifeline and Link-Up American programs but resulted from a combination of those programs coordinated with other state outreach and poverty programs. Statistics show that Lifeline penetration alone does not necessarily equate to higher overall subscribership among low-income consumers. As shown in Attachment B, there is just a minimal correlation among states in the Lifeline penetration rate for households below the federal poverty level and the overall subscribership among low-income households. Indeed, the results indicate that a Lifeline subscribership increase of 20% would raise low-income subscribership penetration by only 0.75%.<sup>4</sup> By way of example, Maryland and Delaware, which have the lowest Lifeline penetration, have low-income subscribership rates of 91.2 and 94.4%, respectively, while Wisconsin, Ohio, and Michigan, with over ten times greater Lifeline penetration rates, have low-income subscribership rates under 89%.

Similarly, seven of the eleven states showing increased subscribership among the lowest-income category of consumers between 1997 – when the current Lifeline support level was adopted – and 2000 had Lifeline penetration of two per cent or less of all access lines, and three below one per cent. In one state, New York, low income subscribership increased in that period even though Lifeline penetration actually declined. And in Missouri, low-income subscribership

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<sup>3</sup> Actual subscribership is higher than reported, because the Commission's subscribership report does not count households with only wireless telephones.

<sup>4</sup> Attachment B includes a table showing estimated Lifeline penetration in each state, calculated by dividing the number of Lifeline recipients by the number of households with incomes below the federal poverty threshold and comparing that result with overall telephone penetration among low-income households. The attachment also includes a scatter chart that displays these figures graphically. That chart demonstrates that there is, at best, a weak correlation between the two sets of data.

rose even though the state provides no Tier-Three support and does not have an extensive outreach program.<sup>5</sup> In sum, greater use of Lifeline by low-income consumers does not translate to greater phone penetration among those consumers.

Even within a state, there are variations in penetration that cannot be explained by levels of Lifeline support. Penetration levels vary widely from county-to-county, as does the gap between ethnic groups. In a study published last year, Penn State Professors Schement and Forbes found that, in comparisons of separate counties in California, New York, and Pennsylvania, the difference in subscribership between Blacks and Whites varied widely. For example, in Jefferson County, New York, penetration among Whites was 41% higher than penetration among Blacks, while in Genesee County, there was little difference. Jorge Reina Schement and Scott C. Forbes, “Identifying Temporary and Permanent Gaps in Universal Service,” *The Information Society*, Vol. 16, No. 2 at 117-126 (2000).<sup>6</sup> They also found that subscribership levels do not necessarily correlate to income levels, both at the high and low end. *Id.*

The reason for all these disparate results, the authors conclude, is that telephone subscribership levels are a function of a number of factors, and those factors “intermix in ways that make parsing them out nearly impossible given the statistical data available.” *Id.* As a result,

gaps [in obtaining telephone service] do exist and are probably local in origin. Closer relationships with public utility commissioners and local organizations could provide not only better data than that provided by the FCC, but could also

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<sup>5</sup> These data were derived from the Commission’s Universal Service Monitoring Report, Tables 2.5 and 6.5 (Oct. 2001), and from Trends at Table 8.2.

<sup>6</sup> An abstract of this article is available at [http://www.slis.indiana.edu/TIS/basic\\_info/tisbib.html#S](http://www.slis.indiana.edu/TIS/basic_info/tisbib.html#S).

lead to preventative, instead of reactive, strategies for reversing both the telephone and PC penetration gaps.

*Id.* at 20-21.

Accordingly, adopting federal regulations designed to increase Lifeline penetration alone will not translate into higher telephone subscribership among low-income households, which is the goal of Lifeline. Present rules give states that provide Lifeline support the right to decide the appropriate low-income qualification criteria for that state, adopting a default set of criteria only if a state fails to specify its own criteria and should continue to do so. *See* 47 C.F.R. § 54.409. The overwhelming majority of states have adopted state-mandated Lifeline support and receive the Tier-Three federal match, and most of those states have taken advantage of their right to set standards. It is clear that the states are fully engaged in the Lifeline program and that this program, along with Link-Up, has successfully brought telephone service to a large number of low-income households.

Yet the default federal lifeline eligibility guidelines are limited to certain national low-income programs. *See* 47 C.F.R. § 54.409(b). By continuing to give the states broad authority over Lifeline, the Commission can allow the states to take local conditions into account in an effort to increase overall subscribership. Additional preemptive federal standards will not take each state's circumstances into account and could provide a disincentive for states to continue to develop unique Lifeline programs and other subscribership to meet their particular needs.

For example, California has an extensive outreach program administered by a state agency that publicizes Lifeline/Link-Up in multiple languages to target various national groups represented in the state's population. Maine's extensive outreach programs help publicize available programs to the widely-disbursed population of that state. By contrast, Rhode Island, a geographically compact state, works through community groups to hold meetings of potentially

eligible consumers to promote the availability of Lifeline and Link-Up. A one-size-fits-all program would not provide states the flexibility to design programs that take into account the state's demographic and geographical characteristics and make rapid adjustments to revise its programs as needed. Preemptive rules may force states to seek waivers or exemptions and await Commission action in order to adjust their programs to unique local circumstances. The ensuing delays would deprive some consumers of service for a period of time – not a result that serves the public interest.

III. Automatic Enrollment Creates More Problems Than It Solves and Should Not Be Expanded.

Some states have adopted automatic enrollment programs, under which consumers who enroll in specified low-income programs and who are already subscribers to the ETC's non-Lifeline local telephone service are automatically subscribed to the ETC's Lifeline telephone service. There are a number of problems with this approach, and the Board should discourage additional states from adopting it. First, it does not increase subscribership. Because the program is targeted only to existing ETC service subscribers, by definition it cannot reach non-subscribers. Therefore, it does not fulfill the principal goal of Lifeline, which is to increase subscribership.

Second, it is inconsistent with the Commission's competitive policies, because it is targeted only to customers of one carrier, the ETC. Consumers who have chosen to subscribe to telephone services from other carriers – wireline or wireless – are not automatically enrolled, nor could they be, because those carriers generally do not offer Lifeline service and their customers could not lawfully be switched to the ETC's service.

Third, even for the ETC's subscribers, Verizon's experience is that the agencies that administer automatic enrollment often are unable to provide it with information that facilitates

enrollment in Lifeline. For example, the agencies may provide an unsorted list of all Lifeline-eligible customers in the state with instructions to enroll them in Lifeline service, or they may give eligible customer names to the wrong telephone company in areas where different ETCs serve adjacent or overlapping communities. In other instances, customer lists may be provided by ZIP code or county that do not correspond with telephone exchange boundaries. The labor and time to sort the lists or find the proper telephone company serving the customer delays initiation of service and increases costs.

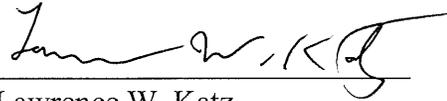
Finally, some eligible consumers object to receiving Lifeline service without their prior consent. Some dislike receiving any assistance for telephone service or object to the service restrictions that Lifeline customers in some states must accept. Automatic enrollment, however, places them into the Lifeline program without their prior consent.

Far more effective are programs in which social service agencies provide information and Lifeline applications directly to qualified consumers. Such programs operate in, among other Verizon states, New Hampshire, Michigan, Hawaii, and New Jersey. All of these states have overall subscribership levels exceeding the national average.

IV. Conclusion

Accordingly, the Board should recommend that the existing Lifeline and Link-Up rules be preserved, retaining the states' present authority to adopt and revise the plans as needed to meet local conditions.

Respectfully submitted,



Lawrence W. Katz  
1515 North Court House Road  
Suite 500  
Arlington, Virginia 22201-2909  
(703) 351-3071

Michael E. Glover  
Edward Shakin  
Of Counsel

Attorney for the Verizon  
telephone companies

December 31, 2001

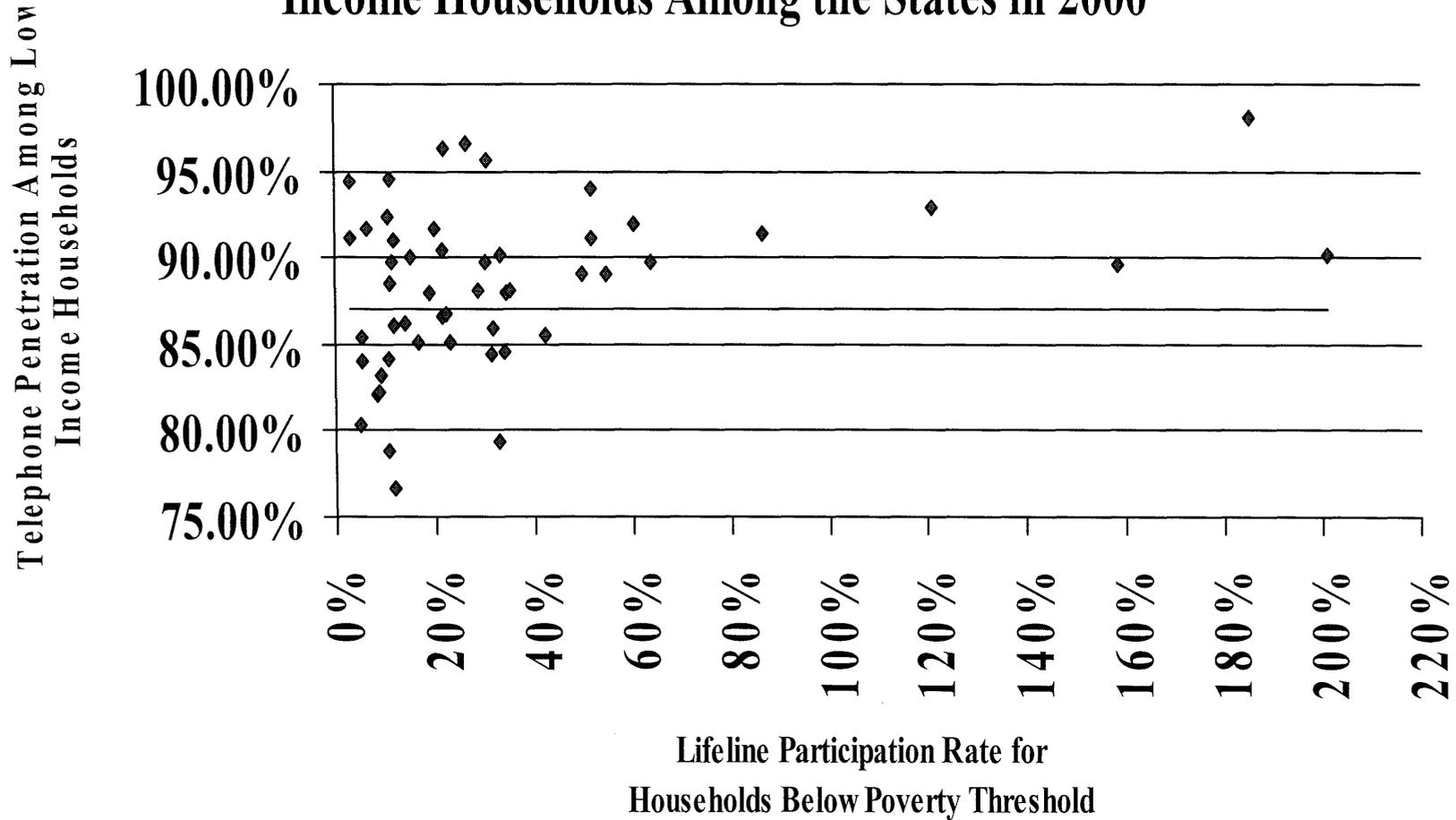
THE VERIZON TELEPHONE COMPANIES

The Verizon telephone companies are the local exchange carriers affiliated with Verizon Communications Inc. These are:

Contel of the South, Inc. d/b/a Verizon Mid-States  
GTE Midwest Incorporated d/b/a Verizon Midwest  
GTE Southwest Incorporated d/b/a Verizon Southwest  
The Micronesian Telecommunications Corporation  
Verizon California Inc.  
Verizon Delaware Inc.  
Verizon Florida Inc.  
Verizon Hawaii Inc.  
Verizon Maryland Inc.  
Verizon New England Inc.  
Verizon New Jersey Inc.  
Verizon New York Inc.  
Verizon North Inc.  
Verizon Northwest Inc.  
Verizon Pennsylvania Inc.  
Verizon South Inc.  
Verizon Virginia Inc.  
Verizon Washington, DC Inc.  
Verizon West Coast Inc.  
Verizon West Virginia Inc.

## Lifeline Participation and Telephone Penetration of Low-Income Households Among the States in 2000

Attachment B



All 50 States and the District of Columbia are represented as data points showing the relative estimate of lifeline penetration, calculated as the number of lifeline recipients divided by the number of households with incomes below the Poverty Threshold, compared to telephone penetration of low income households.

The line represents the results of regressing low-income penetration on lifeline penetration, and yields the Equation: Telephone Penetration = 86.95588 + (0.03750) \* Lifeline Participation.

## Attachment B (Continued)

	Persons per Household	Lifeline Recipients (1) (Units in 000's)	Persons w/ Income Under the Poverty Threshold (2) (Units in 000's)	Households w/ Income Under the Poverty Threshold (Units in 000's)	Lifeline Recipients / Households w/ Income Under Poverty Threshold	Low-Income Telephone Penetration (3)
Maryland	2.61	3.9	362.0	138.7	2.85%	91.18%
Delaware	2.54	0.8	65.0	25.6	2.95%	94.37%
Arkansas	2.49	9.2	486.0	195.2	4.73%	80.28%
West Virginia	2.40	5.3	243.0	101.3	5.23%	84.05%
Louisiana	2.62	15.5	753.0	287.4	5.38%	85.43%
Wyoming	2.48	1.4	52.0	21.0	6.50%	91.65%
Oklahoma	2.49	17.1	504.0	202.4	8.45%	82.13%
Alabama	2.49	21.5	613.0	246.2	8.73%	82.21%
Kansas	2.51	8.5	233.0	92.8	9.20%	83.23%
Illinois	2.63	57.8	1,458.0	554.4	10.43%	78.80%
Virginia	2.54	21.7	520.0	204.7	10.58%	84.21%
Indiana	2.53	19.5	459.0	181.4	10.73%	92.29%
Arizona	2.64	25.3	611.0	231.4	10.92%	88.53%
Pennsylvania	2.48	48.6	1,097.0	442.3	11.00%	94.50%
New Jersey	2.68	29.1	687.0	256.3	11.35%	89.77%
Missouri	2.48	19.0	406.0	163.7	11.59%	86.06%
Tennessee	2.48	38.8	814.0	328.2	11.83%	90.94%
Mississippi	2.63	16.7	369.0	140.3	11.90%	76.70%
South Carolina	2.53	20.8	377.0	149.0	13.97%	86.23%
Iowa	2.46	11.8	192.0	78.0	15.16%	90.06%
North Carolina	2.49	62.5	935.0	375.5	16.64%	85.12%
Montana	2.45	11.1	142.0	58.0	19.08%	87.96%
Florida	2.46	134.3	1,648.0	669.9	20.04%	91.68%
Kentucky	2.47	39.6	457.0	185.0	21.38%	90.39%
Georgia	2.65	73.0	901.0	340.0	21.48%	86.65%
Colorado	2.53	26.6	307.0	121.3	21.96%	96.37%
Oregon	2.51	30.4	342.0	136.3	22.29%	86.68%
Texas	2.74	258.8	3,085.0	1,125.9	22.99%	85.16%
Nebraska	2.49	14.7	139.0	55.8	26.38%	96.63%
Utah	3.13	19.4	211.0	67.4	28.77%	88.09%
Nevada	2.62	17.5	151.0	57.6	30.34%	89.73%
New Hampshire	2.53	6.5	53.0	20.9	30.80%	95.59%
Idaho	2.69	19.7	168.0	62.5	31.54%	84.38%

New Mexico	2.63	36.9	306.0	116.3	31.68%	85.87%
Washington	2.53	68.1	526.0	207.9	32.78%	79.41%
District of Columbia	2.16	11.2	73.0	33.8	33.25%	90.18%
Wisconsin	2.50	62.7	459.0	183.6	34.16%	84.54%
Ohio	2.49	167.2	1,209.0	485.5	34.44%	87.96%
Michigan	2.56	141.5	1,028.0	401.6	35.25%	88.09%
Hawaii	2.92	15.4	106.0	36.3	42.37%	85.58%
Alaska	2.74	8.9	49.0	17.9	49.75%	89.02%
South Dakota	2.50	13.3	64.0	25.6	51.78%	91.10%
Minnesota	2.52	54.7	266.0	105.6	51.84%	94.05%
North Dakota	2.41	13.2	58.0	24.1	54.83%	89.12%
New York	2.61	586.7	2,528.0	968.6	60.58%	91.97%
Massachusetts	2.51	165.5	649.0	258.6	64.01%	89.78%
Connecticut	2.53	64.7	189.0	74.7	86.67%	91.44%
Vermont	2.44	29.7	60.0	24.6	120.94%	92.85%
Rhode Island	2.47	47.4	74.0	30.0	158.25%	89.59%
Maine	2.39	75.2	97.0	40.6	185.25%	98.02%
California	2.87	3,196.7	4,559.0	1,588.5	201.24%	90.13%

Source:

- (1) Commission's Universal Service Monitoring Report, Table 2.5 (Oct. 2001)
- (2) U.S. Bureau of the Census, Table 25 - Poverty Status by State in 2000
- (3) Commission's Universal Service Monitoring Report, Table 6.11 (Oct. 2001)