Before The
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Lifeline and Link-Up	)	WC Docket No. 03-109
	)	

COMMENTS OF THE NATIONAL ASSOCIATION OF STATE UTILITY CONSUMER ADVOCATES ON JOINT BOARD RECOMMENDED DECISION

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I. Introduction

The National Association of State Utility Consumer Advocates ("NASUCA")[1] hereby responds to the Notice of Proposed Rulemaking ("NPRM") of the Federal Communications Commission ("Commission") released June 9, 2003 in this docket.[2] The NPRM seeks comment on the Recommended Decision of the Federal-State Joint Board on Universal Service ("Joint Board") released April 2, 2003, regarding changes to the federal Lifeline and Link-Up programs.[3]

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[1] NASUCA is an association of 42 consumer advocates in 40 states and the District of Columbia. NASUCA's members are designated by the laws of their respective states to represent the interests of utility consumers before state and federal regulators and in the courts. See, e.g., Ohio Rev. Code Chapter 4911.

[2] The NPRM (FCC 03-120) was published in the Federal Register at 68 Fed. Reg. 42333 (July 17, 2003).

[3] *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, FCC 03-J2 (April 2, 2003) ("Recommended Decision"). Link-Up assists low-income customers in being connected to the public switched telephone network, while Lifeline is ongoing assistance to maintain that connection. The two programs will generally be referred to collectively here as "Lifeline."

The key findings of the Recommended Decision were:

- That the Commission expand the default federal eligibility criteria to include an income-based criterion -- proposed as 135% of the federal poverty guideline ("FPG") -- and two additional means-tested federal programs, the Temporary Aid to Needy Families program ("TANF") and the National School Lunch free lunch program ("NSL"). Recommended Decision, ¶ 10. The Joint Board did not recommend that the Commission impose a national standard on states that currently provide Lifeline. *Id*.

- That the Commission require states to adopt verification procedures to ensure that consumers receiving benefits are eligible. *Id*.

- That the Commission issue guidelines for state outreach practices. *Id*.

- That the Commission adopt a voluntary project to obtain information concerning the results of changes to state programs based on the Commission's decision. *Id*.

See NPRM, ¶ 1. The Commission also specifically identified certain other subjects for comment based on the Recommended Decision:

- The reasons for differences in low-income penetration rates over time and among states. NPRM, ¶ 2.

- Whether it would be possible to modify the Link-Up program to directly address barriers posed by outstanding unpaid balances for local and long distance services. *Id*.

- The mechanics and timeframe for an appeal process for termination of Lifeline benefits. *Id*.

- Whether a one-year period for the states to adopt verification procedures is reasonable. *Id*.[4]

NASUCA strongly supports the adoption of an income-based eligibility criterion for Lifeline. NASUCA believes, however, that the use of a 150% of FPG -- rather than the 135% standard in the Recommended Decision -- more fully meets the public interest.

[4] In the NPRM, the Commission also sought comment on "several minor changes to clarify and streamline our rules." *Id*., ¶ 3. NASUCA does not oppose any of the three changes proposed by the Commission.

The income-based criterion should be a national standard for any Lifeline program that receives federal funding. NASUCA also supports adding the two named programs to the eligibility list.

The NPRM appears to overlook a key recommendation of the Joint Board: that the Commission "encourage all states, including states that use the federal default criteria, to adopt automatic enrollment as a means of certifying that consumers are eligible … and to encourage enrollment…." Recommended Decision, ¶ 39. As stated in earlier comments, NASUCA strongly believes that automatic enrollment is an effective and efficient means of certifying eligibility and encouraging enrollment.[5] In fact, NASUCA believes that automatic enrollment should be a federal standard, with states unable to offer automatic enrollment eligible to seek waivers from the requirement.

The remainder of the Joint Board recommendations and the other questions raised by the Commission are also discussed herein. The NRPM also generally requested comments on the Recommended Decision. NPRM ¶ 1. In that regard, NASUCA comments on and significantly reinforces the Joint Board's recommendation that states be encouraged not to adopt rules that restrict Lifeline customers from purchasing vertical services.

The measure of Lifeline's effectiveness is whether it enables more low-income consumers in a state to subscribe (and continue to subscribe) to telephone service than would be the case without Lifeline. Thus both adding new subscribers and keeping

[5] *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Comments (December 31, 2001) at 11-18; *id*., Reply Comments (February 28, 2002) at 2-5.

current subscribers on the network are missions of the federal low-income fund. The proposals in NASUCA's comments are intended to address both missions.

II. The Commission should establish floors for the federal program.

It was in 1997, in the *Universal Service Order* (at ¶ 348) that the Commission for the first time directed all states to offer a lifeline program.[6] Before then, only 44 jurisdictions, including the District of Columbia and the U.S. Virgin Islands, offered lifeline. *Id*. The increase in the number of jurisdictions offering the program itself had a significant impact on Lifeline participation and penetration.

Lifeline and Link-Up are federal programs, funded largely with federal dollars even in those states which themselves provide some additional funding, and subject to federal minimum requirements in areas other than eligibility.[7] It is thus entirely appropriate for the Commission to set minimum federal eligibility standards which would apply to all states. This would help to ameliorate the current situation wherein consumers in neighboring states are subject to significantly different eligibility standards for a program that is funded with federal dollars.

Of course, states should still retain the flexibility to broaden the federal eligibility minimums if they wish. Moreover, states that contribute additional funds to Lifeline programs should retain the discretion to set their own eligibility requirements for those programs, but should also offer the "federal" program, with benefit levels and eligibility

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[6] *In the Matter of Federal-State Joint Board on Universal Service*; CC Docket No. 96-45, Report and Order (rel. May 8, 1997) ("*Universal Service Order*").

[7] 47 U.S.C. § 254(d); *Texas Office of Public Utility Counsel v. FCC*, 183 F.3d 393, 448 (5th Cir. 1999).

standards set by the FCC, as an additional option, as recommended in NASUCA's initial comments.[8]

The Joint Board recommends, for example, that income-based eligibility be part of the federal default standard, but that the income-based criterion not be imposed on states that choose their own set of criteria, "[b]ecause we believe that states should maintain the flexibility to respond to the needs of their constituents." Recommended Decision, ¶ 25. The "flexibility" recommended by the Joint Board is not, in fact, flexibility to respond to consumers' needs, but is flexibility to deny federal benefits to consumers who have been determined at the federal level to be needy. The flexibility sought by the Joint Board would be accomplished by allowing states to add consumers to those made eligible under a federal standard, not to restrict the federal standard. See Recommended Decision, ¶ 26.

NASUCA submits that, as explained in more detail below, the various recommendations herein be part of a federally-directed minimum set of standards for the Lifeline program throughout the states. States should, of course, be able to apply for waivers from the federal standards, with the burden on showing the need for a waiver dependent, as usual on the waiver sought.[9]

States that offer their own telephone assistance programs with state-derived benefits should be entitled to place reasonable additional restrictions on the use of that state money. But unless the state opts not to receive any of the federal dollars, the state

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[8] See footnote 5, supra.

[9] For example, the burden of seeking a waiver from the income-based eligibility criterion (see next section) should be substantially greater than the requirement for seeking a waiver for individual programs. For example, a state that does not offer a particular low-income program should not have to use that program for eligibility.

should be required to distribute those federal dollars to those eligible under the federal standard in addition to those eligible under the narrower state standard. On the other hand, a state may adopt, based on its specific needs, eligibility standards that are broader than the federal floor and that allow needy persons who do not qualify under the federal standard to receive Lifeline benefits.

The states should also be required to submit the information discussed in ¶ 10 of the Recommended Decision. See Recommended Decision, Appendix C. A project to obtain information concerning the results of changes to state programs based on the Commission's decision should not be optional for the states.

Attachment 1 to these comments is a compilation showing the ranking of the states on the effective enrollment of Lifeline/Link-Up households. The Appendix shows a dramatic difference between the states in eligible household penetration in 2002. The Commission must investigate the reasons for these differences.[10]

III. A 150% of the federal poverty guideline income eligibility criterion should be part of the federal minimum standard.

The Act directs that there should be federal support for low-income consumers, not just low income customers who participate in other government programs. See 47 U.S.C. § 254(b)(3). Clearly, the need for financial assistance with telecommunications service is not necessarily tied to the need for or participation in other low-income programs. The Commission should extend eligibility for Lifeline to consumers who meet

[10] This investigation should include why some states have low penetration rates, as well as why some states appear to have more Lifeline subscribers than state income levels would indicate.

specific income criteria, not just consumers who participate in other low-income assistance programs. In this, the Joint Board and NASUCA are in agreement.

The Joint Board recommends the use of 135% of the FPG as an eligibility criterion for Lifeline. For the reasons set forth here, in the initial comments to the Joint Board and the reply comments to the Joint Board, however, NASUCA continues to support the use of 150% of the FPG.[11]

A. Why income-based eligibility?

The Joint Board correctly finds that adding an income-based criterion will increase low-income participation in the Lifeline/Link-Up program. *Id*. The Joint Board estimates that adding a 135% income criterion could result in approximately one million additional subscribers receiving Lifeline benefits. *Id*.

NASUCA appreciates and endorses the Joint Board's recommendation on this issue. We continue to believe that adding an income-based criterion to the eligibility list will provide enormous benefits to low-income consumers. It will help consumers who currently cannot afford telephone service to get on the network and it will help the consumers that have to choose between paying for telephone service or groceries to stay on the network.

Several states currently use income as an eligibility criterion. In its comments to the Joint Board, NASUCA noted Ohio, Michigan, California, Nevada, Texas, Minnesota, Tennessee and Wisconsin as examples of states using income-based eligibility. The comments of the Universal Service Administrative Company ("USAC") to the Joint Board listed other states that offer income-based eligibility: Vermont, North Dakota (for

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[11] See footnote 5, supra.

low-income consumers living on reservations), New York, Idaho, Missouri and Pennsylvania (for Sprint and Verizon customers).[12] As one example of the success of income-based eligibility, since 1998, Sprint Pennsylvania's lifeline enrollment numbers have tripled (from 518 in 1998 to 1,563 in 2002).[13] Of the ten states that USAC identifies as having the highest Lifeline participation (USAC Attachment 2), five offer income-based eligibility.

As have numerous other programs, Lifeline should define families as being needy and eligible for assistance at some level above the poverty line. As discussed below, NASUCA recommends that 150% of the federal poverty guidelines ("FPG") be used as the income criterion.

Adding an income-based eligibility criterion would assist families who have been impacted by welfare reform that has limited, or eliminated, aid that families can receive from many low-income programs. Enrollment in an assistance program is a simple means of identifying eligible individuals. Yet in many instances, low income individuals are not enrolled in these programs. For example, cash welfare and food stamp caseloads have declined much faster in recent years than has poverty.[14] The households that have

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[12] *In the Matter of Federal-State Joint Board on Universal* Service, CC Docket No. 96-45, Comments of Universal Service Administrative Company (December 31, 2001).

[13] Source: Pennsylvania Office of Consumer Advocate.

[14] This is a continuing trend: The Temporary Assistance for Needy Families (TANF) Program's Fifth Annual Report to Congress stated that caseloads in the TANF program continued to fall through fiscal year 2001 (10/00-9/01) and into the first half of fiscal year 2002 (10/01-2/02). http://www.acf.dhhs.gov/programs/ofa/annualreport5/index.htm. Also compare September 2002 TANF recipients as found at http://www.acf.dhhs.gov/news/stats/2002tanfrecipients.htm to August 1996 Aid for Dependent Children (AFDC) recipients found at http://www.acf.dhhs.gov/news/stats/afdc.htm.

left or been forced off the rosters of these assistance programs remain "low income," but no longer qualify for Lifeline under the current federal eligibility criteria.

As long as eligibility for Lifeline is exclusively program-based, rather than income-based, decreasing participation in those programs will shrink the lifeline pool. In addition, the reliance on program-based eligibility means that two families with precisely the same income are treated differently under the lifeline program: One family receives the benefit of Lifeline because it receives a separate low-income benefit, while the other family is without a telephone because it does not qualify for or chooses not to accept the separate low-income program's benefits. This does not further the universal service purposes of the Act, and there can be no real debate about the need for assistance of these low-income consumers.

B. The Commission should adopt household income at or below 150% of the federal poverty guideline as an eligibility criterion for Lifeline and Link-Up.

As recommended by the Joint Board, the Commission has sought additional comment on whether 135% of the FPG is appropriate or whether a different FPG level should be used. Notice at ¶1. NASUCA recommends that income eligibility be set at 150% of the FPG. Using Appendix F of the Recommended Decision, NASUCA has been able to estimate that using 150% of the FPG as the threshold will increase telephone subscribership by more than six hundred thousand households, and would extend Lifeline benefits to 2.4 to 2.8 million additional customers. See Section III.C., infra.

The 2003 FPGs by family size are as follows:[15]

[15] 68 Fed. Reg. 6456-6458 (February 7, 2003).

Persons	Poverty Level	135% of Poverty Level	150% of Poverty Level
1	$8,980	$12,123	$13,470
2	$12,120	$16,362	$18,180
3	$15,260	$20,601	$22,890
4	$18,400	$24,840	$27,600
5	$21,540	$29,079	$32,310
6	$24,680	$33,318	$37,020$4,530
7	$27,820	$37,557	$41,730
8	$30,960	$41,796	$46,440
8+	$30,960 plus $3,140 per person	$41,796 plus $4,239 per person	$46,440 plus $4,710 per person

Many federal and state programs for needy families extend eligibility above 100 percent of poverty.[16]

There is increasing indication that the current federal poverty guidelines may understate the extent to which a family may need assistance in order to enjoy a safe and healthful life.[17] One report states that a "basic family budget," the amount of income a family needs to be self-sufficient, is about twice the poverty level.[18] This is a further argument for using at least 150% of the current federal poverty level as the eligibility criterion for Lifeline.

It is generally understood that, for various reasons, some individuals do not participate in low-income programs even though they are eligible. Use of 150% of the

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[16] See "Measuring Poverty: A New Approach," National Research Council, 1995 at XV.

[17] See "U.S. ponders changing definition of 'poor'," St. Petersburg Times (November 24, 2001) at 5A.

[18] "Literature Review on the Working Poor," Community Research Institute, Summer 2002, available at http://www.gvsu.edu/philanthropy/cri/pubs/lit_review_working_poor1.pdf.

FPG as the income criterion would ensure that as many of these individuals would receive the benefits of the federal Lifeline program as possible. Using a lower percentage of the FPG as the income criterion would result in more individuals and families "falling through the cracks."

The Joint Board defends the use of 135% of the FPG because it "strikes an appropriate balance between increasing subscribership and not significantly burdening the universal service support mechanism." Recommended Decision, ¶ 17. NASUCA will discuss the impact on the Universal Service Fund in the next section, but for now the primary reason for using the 150% criterion can be discussed.

LIHEAP is the largest federal program that assists consumers with their utility bills.[19] It has been determined that customers with household income at or below 150% of the FPG should be given such assistance. Without using a 150% of FPG eligibility criterion, two households, one enrolled in LIHEAP and one that is not, will be treated differently for Lifeline purposes even though their incomes are the same.

None of the other programs that automatically qualify a household for Lifeline have eligibility requirements above 150% of the FPG.[20] The two programs that the Joint Board recommends be added to the programmatic eligibility list also do not have eligibility requirements higher than 150% of the FPG.[21]

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[19] 42 U.S.C. § 8624(b)(2)(B).

[20] The other programs are Medicaid, Food Stamps, Supplemental Security Income ("SSI"), federal public housing assistance or Section 8. See Recommended Decision, ¶ 11.

[21] Recommended Decision, ¶¶ 22-24.

C. Impact on subscribership and on the Universal Service Fund

Commission Staff, once again, has made a significant contribution to the record before the Commission.[22] Staff has performed a detailed and logical study that projects the impacts of adding a 135% of FPG eligibility criterion to Lifeline.[23] NASUCA has been able to estimate the incremental and total effects of a 150% eligibility criterion.

Impacts of 135% and 150% of FPG on Lifeline		
Lifeline Households		
Number as of 12/02:		
Baseline Staff Study lifeline subscribers projection for 2004: 6,800,000	Summary information for 2004	
	135% of FPG[24]	150% of FPG[25]
Number of additional Lifeline subscribers	967,000 to 1,136,000	2,471,000 to 2,896,000
Increase over 2004 baseline	14.2% to 16.7%	36.3% to 42.6%
Number of new telephone subscribers	259,000	662,000
% of baseline	3.8%	9.7%
Lifeline Funding		
As of 12/02: $673,000,000		
Baseline Staff Study projection for 2004: $709,000,000		
	135% of FPG	150% of FPG
Additional funding requirements	$105,000,000 to $123,000,000	$269,000,000 to $315,000,000
Increase over 2004 baseline	14.8% to 17.3%	37.9% to 44.4%
Additional funding requirements per new telephone subscriber[26]	$405 to $475	$405 to $475

[22] See CC Docket 96-45, Order of the Deputy Chief of the Telecommunications Access Policy Division (DA 03-1009; rel. March 27, 2003).

[23] Appendix F to the Recommended Decision.

[24] Appendix F at 2.

[25] Attachment 2 details the basis for the figures herein.

[26] Staff derives this number by dividing the total incremental funding requirement by the number of new subscribers. Because maintaining current customers on the network is as much a purpose of Lifeline as is adding new customers, NASUCA does not believe that the total cost of the changes can properly be attributed to the new customers alone.

As of 2002, the Lifeline program represented $673 million out of the $5.35 billion disbursements of the USF, or 12.5%.[27] Appendix F to the Recommended Decision projects the costs of the Lifeline program for 2004 both with and without the 135% of FPG criterion. From that, NASUCA was able to derive the impact of a 150% of FPG criterion.

Appendix F does not project a total for the entire USF in 2004. The Staff Study on the USF contribution mechanism did so, however.[28]

Based on Staff's projections for the size of the total fund, in 2004 the Staff-estimated $709 million cost of lifeline -- without addition of an income-based eligibility criterion -- will be 10.7% of a total fund of $6.625 billion.[29] Under the Joint Board recommendation for a 135% FPG eligibility criterion, *ceteris paribus*, in 2004 the Lifeline program would be $823 million out of the Staff-projected total fund of $6.739 billion, or 12.2%.[30] Under NASUCA's recommendation for a 150% of FPG criterion, in 2004 the Lifeline program would be $1.001 billion out of a $6.917 billion fund, or 14.5%.

The universal service portions of the 1996 Act are designed to benefit consumers. Indeed, the entire 1996 Act is intended to benefit consumers. The preamble of the Act states that it is "intended to promote competition and reduce regulation in order to secure lower prices and higher quality services for American telecommunications

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[27] Universal Service Administrative Company, *2002 Annual Report*, Appendix B.

[28] See footnote 22, supra.

[29] Note that this 10.7% in 2004 is significantly less than the current (2002) low-income share of the total fund.

[30] The projected total includes the total from the Staff Study and the incremental Lifeline cost from Appendix F. Note that this is also less than the current Lifeline share of the fund.

consumers…"[31] The Lifeline programs directly benefit customers who are demonstrably in need. In that respect, the Lifeline program is both a more direct and a more efficient mechanism than any of the high cost universal service funds.[32]

IV. Automatic enrollment should be a federal standard for state Lifeline programs.

The Joint Board recommends that "the Commission encourage all states, including states that use the federal default criteria, to adopt automatic enrollment…"[33] "Automatic enrollment is an electronic interface between a state agency and the carrier that allows low-income individuals to automatically enroll in Lifeline/Link-Up following enrollment in a qualifying public assistance program."[34] As the Joint Board recognizes, a number of states have implemented automatic enrollment as a means of assuring that consumers eligible for Lifeline based on participation in other programs are enrolled in Lifeline.[35]

Instead of merely encouraging states to implement automatic enrollment procedures, NASUCA proposes that the Commission adopt automatic enrollment as a requirement for the federally funded Lifeline program, subject to waiver upon request of individual state commissions. Such a requirement would apply to all state Lifeline

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[31] Preamble, 110 Stat. 56.

[32] Indeed, some in the industry have suggested that needs-based support replace the current high-cost mechanism. See *In the Matter of Federal-State Joint Board on Universal Service*, Comments of SBC (May 5, 2003) at 6. NASUCA disagrees with SBC's conclusion, but would note the importance SBC attaches to low-income support.

[33] Recommended Decision, ¶ 38.

[34] Recommended Decision, ¶ 38.

[35] Recommended Decision, ¶¶ 38, 39; App. E.

services which do not use any state funding, *i.e.* programs funded exclusively with federal USF moneys.

Automatic enrollment will help those consumers who have already identified themselves as low-income and in need of public assistance, so that they may receive Lifeline and Link-Up assistance sooner and with less effort. Automatic enrollment complements the Joint Board's support for adoption of an on-line verification process.[36] The same state and carrier resources may be used for both.

Many carriers with multi-state footprints may already be participating in automatic enrollment in some states but not others. Given the successes of automatic enrollment in many states, concern for the administrative burden on carriers may be overstated.

As noted in the Recommended Decision, New York uses this database matching approach in order to automatically enroll eligible Verizon NY customers in Lifeline.[37] Not included in the Joint Board review are the automatic enrollment programs of Nevada, Texas, Ohio and New Jersey. Texas and Nevada have implemented automatic enrollment on a statewide basis. Ohio and New Jersey have implemented automatic enrollment on a carrier-by-carrier basis. These programs all demonstrate that automatic enrollment can effectively promote basic universal service, for the benefit of the Lifeline eligible of consumers and other telephone subscribers.

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[36] Recommended Decision, ¶ 42. See Section IV, infra.

[37] Recommended Decision, App. E, Part C.2.

Nevada In 1999, Nevada adopted of a state law to implement automatic enrollment, with an opt-out provision for consumers who chose to decline the Lifeline discount.[38]

Texas In 2001, Texas moved to implement automatic enrollment based on electronic matching of the social service department database and telephone subscriber databases.[39]

Ohio In Ohio, various carriers have agreed to assist in the automatic enrollment of eligible customers. Some carriers agreed to automatic enrollment as part of a regulatory agreement. Others proposed automatic enrollment as part of alternative regulatory filings in compliance with state regulations. The overall result is that customers of the three largest carriers in Ohio are screened for Lifeline eligibility, based on LIHEAP and/or other eligibility criteria.

New Jersey Since the comments and reply comments were filed in response to the Public Notice that led to the Recommended Decision, the New Jersey Public Service Commission has approved Verizon New Jersey's proposal to automatically enroll eligible Lifeline consumers. Verizon NJ estimated that "[a]bout 48,000 customers currently participate in the program, and enrollment is initially expected to more than double to about 120,000."[40] Verizon NJ customers eligible for automatic enrollment included

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[38] Nevada Office of Attorney General April 2, 1999 Press Release "Senate Committee Authorizes Enrollment in Federal Program That Will Create Six-to-Nine Million Dollars in Discounts on Telephone Bills of Low Income Nevadans," available at http://ag.state.nv.us/agpress/1999/99_42.htm . *See* Nev. Rev. Stat. § 707.400 *et seq.*

[39] 16 Tex. Admin. Code Sec. 26.412, available at www.puc.state.tx.us/rules/subrules/telecom/26.412/26.412pdf .

[40] "Verizon Lifeline Program Reaches Out to Low-Income Residents and Seniors," Verizon News Release, March 31, 2003, available at http://newscenter.verizon.com/proactive/newsroom/release.vtml?id=79594.

program participants in enumerated federal or state public benefit programs. After the initial effort to identify all customers eligible for automatic enrollment, Verizon NJ committed to automatically add eligible customers every three months. Alternatively, newly eligible customers could submit Lifeline applications in the intervening months.[41]

Merely encouraging states to adopt automatic enrollment, as recommended by the Joint Board, is not the most effective way to assure that telephone subscribers who are already Lifeline eligible based on program participation will in fact receive the Lifeline discount. Automatic enrollment provides the dual benefit of simplifying and speeding up the enrollment of the Lifeline customers. Additionally, it overcomes the need for a consumer to first know about Lifeline and then individually apply. As recognized by New York, Nevada, Ohio, Texas, and New Jersey, automatic enrollment is an effective way of assuring affordable telephone services for all eligible consumers.

Adopting automatic enrollment as a federal requirement, subject to waiver for cause upon request of states, will better promote universal service. Automatic enrollment should not be treated as a Lifeline enhancement for which carriers may extract regulatory concessions in turn for agreeing to implement. While the experience of states like New York, Ohio, and New Jersey in implementing automatic enrollment may have their roots in such agreements, adoption of automatic enrollment as federal policy will promote the interests of telephone subscribers in all states.

Currently, some dozen or more carriers have committed to automatic enrollment of eligible consumers in some states but not others. Concern for the administrative costs to carriers must be tempered by the recognition that these dozen or so carriers have

[41] *Id.*

moved up the learning curve as to how to participate in automatic enrollment, but have not yet broadly applied that experience to benefit customers of their affiliates in other states.

As addressed below, the Joint Board strongly supports adoption of on-line verification as means to test the continued eligibility of Lifeline enrolled customers. Even more states have implemented some on-line verification process than automatic enrollment. Thus some of the investment of state resources that might support automatic enrollment have already been made. Alternatively, overly burdensome administrative costs would support a state's request for waiver from the automatic enrollment requirement.

Automatic enrollment is also competitively neutral. All carriers would participate in the matching of subscriber lists with social service agency client lists. The consumer's already-established carrier of choice -- whether incumbent or competitive -- would then provide the Lifeline discount.

As addressed below, one companion requirement to automatic enrollment would be a prohibition against states adopting vertical service restrictions. This, plus a provision allowing a customer determined to be Lifeline eligible to opt-out, are the key consumer protections necessary to make automatic enrollment work, in promotion of federal universal service policy.

V. On-line verification for Lifeline enrollment and reverification should be a federal standard.

The Joint Board "strongly encourages states to adopt an on-line verification process."[42] On-line verification allows the local company to interface electronically with the low-income assistance agency in determining eligibility. When a customer calls to discuss lifeline, local carriers access a database of low-income program participants on a real-time basis to determine whether the caller is qualified for lifeline. As the Joint Board recognizes in Appendix E to the Recommended Decision, several states -- Illinois, Minnesota and Tennessee -- use on-line verification to both enroll consumers in lifeline programs and to verify continued eligibility. In addition, SBC Michigan uses on-line verification in its lifeline program.

NASUCA agrees with the Joint Board that on-line verification should be adopted by states. On-line verification should supplement automatic enrollment for purposes of enrolling consumers who are not currently subscribers of the local telephone company. Whereas automatic enrollment matches a list of current telephone subscribers with those on the rolls of the human services department, on-line verification allows for the immediate verification that consumers receive public benefits, whether or not the consumer is a current subscriber of the local telephone company.

On-line verification can also be an alternative enrollment method if automatic enrollment is not possible for some reason. Yet on-line verification requires that the customer know that the lifeline program exists. As can be seen from the two phoneless

[42] Recommended Decision, ¶ 42.

studies performed in Ohio, many consumers remain unaware of lifeline programs.[43] This lack of awareness makes outreach an important part of the effort to attract eligible consumers to lifeline.

The Joint Board also recommends the use of on-line verification as a tool for carriers to verify participation in assistance programs in order to confirm continued eligibility for lifeline. Minnesota uses on-line verification to verify continued participation in qualifying programs on an annual basis. This procedure has satisfied Minnesota that its Telephone Assistance Program does not have problems of ineligible lifeline enrollees or fraud.

VI. Verification of eligibility should be kept simple for consumers and carriers alike.

In its recommendation to the Commission, the Joint Board urges states to require consumers who are eligible for lifeline under an income based criterion to submit proof of income eligibility before enrolling in Lifeline.[44] Although NASUCA supports the use of verification measures when performing an audit of the consumer's eligibility status, NASUCA respectfully disagrees with the Joint Board's recommendation as it pertains to initial enrollment. Requiring customers to provide "a tax return …, a current income

[43] See *In the Matter of the Joint Application of SBC Communications Inc., SBC Delaware Inc., Ameritech Corporation, and Ameritech Ohio for Consent and Approval of a Change of Control*, PUCO Case No. 98-1082-TP-AMT ("SBC/Ameritech Ohio"), Opinion and Order (April 8, 1999) at 15; *In the Matter of the Joint Application of Bell Atlantic Corporation and GTE Corporation for Consent and Approval of a Change in Control*, PUCO Case No. 98-1398-TP-AMT ("BellAtlantic/GTE"), Opinion and Order (February 10, 2000) at 33-35. The results of the SBC Ohio study were filed in the public record with the PUCO. SBC/Ameritech Ohio, Report filed May 7, 2001. Verizon asserts that the Verizon Wirthlin study results are confidential. Thus the specific Verizon results cannot be described here. Suffice it to say that the Verizon results are, in fact, consistent with those reached in the SBC Ohio study.

[44] Recommended Decision, ¶ 34.

statement …, a Social Security statement of benefits, a Veterans Administration statement of benefits, a retirement/pension statement of benefits, an Unemployment/Workmen's compensation statement of benefits, a divorce decree or child support document, or other office governmental agency documents"[45] would burden most customers and, if not readily available, could delay the installation of service, if not completely discourage a customer from establishing service. The underlying principle of lifeline is to eliminate the barriers so that consumers can obtain telephone service.

The Joint Board acknowledges that self-certification forms currently contain language that effectively discourages fraud.[46] Certifying income status under penalty of perjury deters customers from providing false information. As a safety net, the company has the right to perform an eligibility audit after the customer establishes service through self-certification, which is something the Joint Board strongly encourages in its recommendation. Further, none of the Ohio telephone companies that offer enrollment based on self-certifying income eligibility have reported cases of abuse or fraud[47] nor was any significant evidence of fraud or abuse reported to the Joint Board.[48] For this reason alone the Commission should not adopt the Joint Board's recommendation, and should instead require use of self-certification.

On the other hand, given the non-intrusive nature of on-line verification, states should be encouraged to undertake an annual on-line reverification for customers who

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[45] Recommended Decision, ¶ 35.

[46] Recommended Decision, ¶ 33.

[47] In Ohio Cincinnati Bell, SBC, Sprint and Verizon -- the four largest local carriers in the state -- offer enrollment based on income eligibility.

[48] Recommended Decision, ¶ 33.

have Lifeline eligibility due to participation in one or more of the qualifying programs. As mentioned above, this is consistent with the procedure currently used in Minnesota.

VII. Outreach guidelines should be provided to the states.

The Joint Board recommends that the Commission provide outreach guidelines to states and carriers. NASUCA agrees with the Joint Board and recommends to the FCC that states and carriers have *effective* outreach guidelines to increase participation in the Lifeline and Link-Up programs. If consumers are unaware of these programs, they cannot participate in them.[49] Effective outreach is a vital component of a successful lifeline program.

The Joint Board recommended that states and carriers develop "outreach materials and methods designed to reach households that do not currently have telephone service."[50] As stated in the Joint Board recommendation, eligible consumers without telephones will not have an opportunity to learn about lifeline programs from the telephone book,[51] nor would they be automatically enrolled in a Lifeline program. Consumer groups that serve low-income consumers have the best chance to find and educate these consumers.

Having a phone, being eligible for lifeline, and not receiving lifeline benefits because of language barriers is yet another problem. Thus the Joint Board also

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[49] A distinction can be made here between consumers who are current telephone subscribers and those who are not. If automatic enrollment is in place, outreach is not as important for current telephone subscribers. However, even with automatic enrollment, consumers who are not current telephone service subscribers need to be made aware of lifeline programs.

[50] Recommended Decision, ¶ 51.

[51] Recommended Decision, ¶ 52.

recommended that "states and carriers should develop outreach advertising that can be read or accessed by any sizable non-English speaking populations within a carrier's service area."[52] NASUCA supports this recommendation of the Joint Board. Appendix E of the Recommended Decision (at II.A.) describes multilingual outreach in a number of states, including Minnesota where applications are available in Arabic, Hmong, Cambodian, Lao, Russian, Somali, Spanish and Vietnamese. Having realized long ago that language barriers prevent eligible consumers from signing up for lifeline, several Ohio outreach organizations have created pamphlets, posters and flyers in Spanish, Vietnamese, and Chinese to reach consumers from those communities. SBC Ohio's Consumer Advisory Board produces its marketing materials in Spanish as well as English.

Finally, the Joint Board recommends that "states and carriers coordinate their outreach efforts with governmental agencies/tribes that administer many of the relevant government assistance programs."[53] NASUCA also supports this recommendation. Governmental agencies that cater to low-income consumers have the best chance to find and educate these consumers. For example, when establishing Sprint/United's Consumer Advisory Board in Ohio, the company sought out representatives from the various Section 8 housing authorities within its service territory. SBC Ohio works closely with the Ohio Department of Aging and the Ohio Department of Development to reach low-income consumers. In fact, during the HEAP enrollment period, the company

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[52] Recommended Decision, ¶ 50.

[53] *Id.*

encourages its outreach organizations to include Lifeline materials during interview sessions.

NASUCA strongly agrees with the Joint Board that outreach guidelines should be established. As noted above, Attachment 1 shows the dramatic difference between the states in 2002 in eligible household penetration. Thus there remains a great deal of work and coordination that must be done to advance Lifeline enrollment in the states.

Additionally, NASUCA also encourages the Commission to adopt policies to encourage the use of Consumer Advisory Boards ("CAB") to assist in the coordination of all of the aforementioned outreach efforts. For example, Ohio's CABs examine the value of various marketing tools such as marketing source reports, newspaper advertisements, consumer outreach groups, pamphlets, flyers, posters, door hangers, radio advertisements and video presentations and also evaluates the geographical locations in which to distribute them. The CAB reviews enrollment reports to determine the success of the overall program, where budget allocations would be most effectively spent, and where more outreach is needed to promote greater enrollment. The CAB is the liaison between state agencies and other consumer groups to facilitate the inner workings of the program processes. To ensure effectiveness, the CAB should consist of members from the state commission staff, the state advocate's staff, company staff and consumer groups representing low income constituents.

In contrast to the 150% of FPG income criterion and other items discussed herein, NASUCA proposes that the outreach guidelines be guidelines rather than mandatory minimum activities. Yet each state should be required to report the outreach efforts undertaken by its Lifeline programs. States should also be required to explain why they do not adopt a CAB for their programs.

VIII. Disconnection policies and payment arrangements

It is clear that local companies' credit, connection, disconnection and reconnection policies impact telephone subscribership. Thus these policies impact the Lifeline and Link-up programs.

- Security deposits can be an impediment to subscribership. The Commission requires, in Link-up, that local companies waive security deposit requirements.
- Given the often-greater burden of paying for toll, the ability of local companies to disconnect local service for non-payment of toll clearly impacts subscribership.
- The ability of local carriers to insist on payment of past due toll balances before local service can be reconnected is also an impediment.

In the 1997 *Universal Service Order* (at ¶ 390), the Commission forbade local companies from disconnecting lifeline customers' local service for nonpayment of toll charges. In *Texas Office of Pub. Util. Counsel v. FCC*, 183 F.3d 393, 421-424 (5 Cir. 1999), however, the Fifth Circuit overturned this aspect of the Commission's ruling.

The Fifth Circuit found that the Commission had not adequately explained, in the *Universal Service Order*, why the "no disconnection of local service for nonpayment of toll" policy was justified as a federal directive. 183 F.3d 422; see also *id*. at 424. Today, the Commission should be able to explain why the recommendations here are justified: To the extent that low-income consumers are disconnected from the local network for nonpayment of toll charges, they cannot be assisted by the Commission's Lifeline and Link-up programs.

Unfortunately, the Recommended Decision does not accept this simple principle. Recommended Decision, ¶ 58. NASUCA submits that the Commission should reiterate its earlier position on disconnection policy, but should address the Fifth Circuit's insistence on a clearer articulation of the basis for the policy. The Commission should also direct policies for connection and reconnection of Lifeline-eligible consumers. See Recommended Decision, ¶ 59.

The experience gained in Ohio, especially with SBC Ohio's lifeline plan, suggests that past due local service bills prevent many customers from subscribing to telephone service. The PUCO found that "the largest enrollment barrier appears to be the payment of arrearages."[54] In addition, the SBC Ohio phoneless study showed that past-due local telephone bills were an impediment to subscribing to local service.[55] The same conclusion can be drawn from the Verizon phoneless study results.

In Ohio, Cincinnati Bell, SBC Ohio, Sprint and Verizon offer special payment arrangements for lifeline-eligible customers with past due local service bills.[56] This allows for easier re-connection of local service for previously disconnected consumers.[57]

For these Ohio companies, the first step in the payment process is the segregation of a lifeline-eligible customer's local service charges from the total balance owed. Local service charges include basic service, vertical services, other regulated local services, and

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[54] *In the Matter of the Application of the Ohio Bell Telephone Company for Approval of an Alternative Form of Regulation*, Case No. 93-487-TP-ALT, Opinion and Order (December 30, 1998) at 30.

[55] See footnote 43, supra.

[56] In Ohio, local service cannot be disconnected for nonpayment of toll bills. Ohio Admin. Code § 4901:1-5-17(A).

[57] An eligible lifeline customer should include customers who have been permanently disconnected, those who have been temporarily disconnected, and those who have not yet been disconnected but are in arrears and wish to subscribe to lifeline.

various surcharges, fees and taxes associated with local service. Next, customers must make an upfront payment of $25 in order to be re-connected to the network for local-only service. The customer is then required to pay the remainder of the outstanding local balance in equal installments over six months. A carrier-specific toll block is then placed on the customer's line until the remainder of the entire balance (which may include toll) is paid off.

This type of payment arrangement should be made available to all Lifeline eligible customers. A requirement that local telephone companies offer such payment arrangements will assist in achieving the Commission's goal of increasing subscribership and increasing participation in lifeline programs.

IX. There should be no restrictions on Lifeline customers' subscription to vertical services

A. Introduction.

Some states do not permit consumers receiving a Lifeline discount to purchase optional vertical services. This is despite the fact that Lifeline discounts are not used directly to support the purchase of vertical services. Lifeline support may only be applied to reduce the price of those services designated by the Commission as part of universal service.[58] Such eligible services do not include vertical services.

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[58] 47 C.F.R. § 54.401.

The Joint Board properly rejected the suggestion that it should adopt rules prohibiting the purchase of vertical services by consumers taking Lifeline services.[59] The Joint Board suggested that, as services are increasingly sold in bundled form, such purchase restrictions will be difficult to maintain.[60] The Joint Board resolved this issue as follows: "Accordingly, the Joint Board recommends that the Commission encourage states not to adopt rules that would restrict Lifeline/Link-Up customers from purchasing vertical services."[61]

NASUCA supports the Joint Board's recommendation that the Commission encourage states not to adopt rules that would restrict the purchase of vertical services. At a minimum, such encouragement should be placed in the Order entered by the Commission on this issue. Yet NASUCA submits that the Commission should go further and prohibit states from restricting the purchase of vertical services by Lifeline customers.[62]

B. Access to Telecommunications Services

It is fundamental that all consumers have the right of access to telecommunications services under the law. The 1996 Act states:

> Consumers in all regions of the Nation, *including low-income consumers* and those in rural, insular, and high cost areas, should have access to

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[59] Recommended Decision, ¶ 62. While NASUCA had advocated for restricting the sale of vertical services to Lifeline/Link-Up customers, NASUCA did not propose any prohibition concerning the purchase of such services. Recommended Decision, n.164.

[60] *Id.*

[61] *Id.*

[62] As Link-Up merely involves the connection to the network, no question involving the purchase of vertical services arises concerning Link-Up.

> telecommunications and information services, including interexchange services and advanced telecommunications and information services . . . .[63]

The Act clearly sets as its requirement that consumers -- and especially low-income consumers -- must have access to "telecommunications services." Telecommunications services are defined broadly to include the type of vertical services at issue here.[64] Any policy that would prohibit low-income Lifeline customers from purchasing vertical services runs contrary to the requirement of Section 254(b)(3).

C. Vertical Service Prohibitions Discourage Consumers from Lifeline Enrollment.

The Joint Board recognized the discouraging effect upon enrollment of the vertical services restriction as it explained: "[R]estrictions on the purchase of vertical services may discourage qualified consumers from enrolling in the Lifeline/Link-Up program, effectively serving as a barrier to participation."[65] NASUCA agrees. NASUCA members have experience with potential Lifeline consumers who face the choice of taking a Lifeline basic rate reduction and relinquishing the purchase of vertical services, or keeping their vertical services and not enrolling in Lifeline. In many cases, the vertical service restriction is one of the main reasons why consumers do *not* enroll in Lifeline.

NASUCA is encouraged by the effort of the Joint Board and Commission to increase Lifeline enrollment. However, one significant flaw in some state Lifeline programs is the prohibition on the purchase of vertical services. So long as such

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[63] 47 U.S.C. § 254(b)(3) (emphasis added).

[64] 47 U.S.C. § 153.

[65] Recommended Decision, ¶ 62.

prohibitions are in place, it will be difficult to persuade consumers to enroll in Lifeline while dropping the vertical services upon which they rely.

D. The Advent of Bundled Services Makes the Vertical Service Restrictions Increasingly Difficult to Apply.

Even assuming that vertical service restrictions were appropriate at one time, such restrictions are increasingly inapplicable where bundled services may become the norm. The Joint Board explained: "We also note that, as more telecommunications services are sold in bundled form, it may be more difficult to maintain a restriction on the purchase of only vertical services."[66]

Carriers of all types now offer bundled services. Increasingly, the bundled package may dominate the market. Such packages charge one price for a bundle of services that may include local and vertical services among others. This will increasingly shut the Lifeline consumer out of the competitive telecommunications market, because many of the packages offered will include vertical services that cannot be purchased by a consumer on Lifeline due to state restrictions.

NASUCA submits that many new competitors enter the market either predominantly or exclusively with bundled packages. A state anti-bundling policy will be anti-competitive to the extent that new Eligible Telecommunications Carriers that enter the market and are subject to such Lifeline restrictions will not be able to offer Lifeline services for their low-income customers. The vertical services exclusion has essentially relied upon the "à la carte" menu of services that has been commonplace

[66] *Id*. at n.166.

among incumbent providers. To the extent that such à la carte services will become less common, the vertical services prohibition will become more unworkable over time.

E. Importance of Access to Vertical Services.

Certainly, many consumers have found access to vertical services to be a necessity. Consumers often use caller identification services, e.g. Caller ID, to avoid calls from unwanted callers. Caller ID is a useful means of keeping track of callers, including threatening callers, and deciding whether to return calls at a later time. Caller ID is sometimes used by the disabled to track calls to return them at a later time. Similarly, Call Waiting can be used to avoid missing important calls from family members in times of emergency, or potential employers during times of unemployment.

Even assuming that denial of access to these services were legal, which it is not, such important uses of these services should not be dismissed as somehow unnecessary or frivolous and thus be denied to low income customers. There is no basis to believe that the advantages of such vertical services are any less important for low-income individuals or any other group. There is no reason to believe that the ability to call back a potential employer from the Caller ID screen or take a call from a distressed family member through Call Waiting, is any less important when the subscriber is poor. Such restrictions on low income customers are not in the public interest.

Further, the Commission should not consider a prohibition on Lifeline customers purchasing vertical services as somehow necessary to meet other regulatory purposes. The Commission has been given a mandate to encourage access to telecommunications services by low income customers. There are no countervailing policy goals that can overcome this statutory mandate.

Simply because state commissions have the authority to design Lifeline programs does not authorize such bodies to prohibit Lifeline customers from purchasing other goods and services, especially where the funding of the programs comes from federal dollars. Such regulatory bodies should have no more authority to prohibit the purchase by Lifeline enrolled consumers of vertical services than they would have authority to prohibit such low-income individuals from buying cable television service or high fat foods. Although it may be argued that low-income telephone consumers would be better off without purchasing such services or items, state and federal regulatory bodies have no explicit or implicit authority to prohibit such purchases on behalf of the poor.

D. Telecommunications Access for the Disabled.

NASUCA also stresses that restrictions on purchases of vertical services by low-income customers is particularly inappropriate given that many low income customers are also disabled. A recent survey explained: "Only three in ten working-age (18-64) people with disabilities are employed full or part-time, compared to eight in ten working-age people without disabilities (32% versus 81%)."[67] This survey also concluded:

> It is not surprising, given the lower rate of employment for people with disabilities, that a significant income gap exists between people with and without disabilities. People with disabilities are much more likely than people without disabilities to live in poverty with very low household incomes of $15,000 or less (29% versus 10%).[68]

It is particularly cruel to deny to those who are both poor and disabled the opportunity to purchase telecommunications services that would aid them in coping with their disabilities simply because they also receive low-income assistance under the

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[67] 2000 National Organization on Disability/Harris Survey of Americans with Disabilities (July 10, 2002), available at www.nod.org/stats .

Lifeline program. For example, a consumer who is mobility-disabled may find it difficult to reach the phone before the caller hangs up. In this instance, it is an aid to the disabled to be able to return the call by using a Caller ID display rather than missing the call entirely. Disabled consumers may also find it advantageous to use Call Waiting rather than miss calls and hope that the caller is persistent. In these and many other ways, the advantages of vertical services are well-known, and frequently used by the disabled.

NASUCA also submits that the prohibition against the disabled Lifeline consumers purchasing vertical services runs afoul of the Commission's own regulations concerning non-discrimination against the disabled in the Lifeline program. It is clear that many of the disabled use vertical services as an aid to deal with their disabilities. The Commission's regulations prohibit discrimination against the disabled in the Commission's programs:

> § 1.1830 General prohibitions against discrimination.
>
> (a) No qualified individual with a disability shall, on the basis of disability, be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination under any program or activity conducted by the Commission.
>
> (b) Discriminatory actions prohibited.
>
> > (1) The Commission, in providing any aid, benefit, or service, may not, directly or through contractual, licensing, or other arrangements, on the basis of disability--
> >
> > > (i) Deny a qualified individual with a disability the opportunity to participate in or benefit from the aid, benefit, or service;
> > >
> > > (ii) Afford a qualified individual with a disability an opportunity to participate in or benefit from the aid, benefit, or service that is not equal to that afforded others;

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[68] *Id*.

> (iii) Provide a qualified individual with a disability with an aid, benefit, or service that is not as effective in affording equal opportunity to obtain the same result, to gain the same benefit, or to reach the same level of achievement as that provided to others;
>
> (iv) Provide different or separate aid, benefits, or services to individuals with disabilities or to any class of individuals with disabilities than is provided to others unless such action is necessary to provide qualified individuals with disabilities with aid, benefits, or services that are as effective as those provided to others;

47 C.F.R. § 1.1830(a), (b)(1)(i)-(iv). The Commission has broadly defined the application of such anti-discrimination requirements as follows:

> (6) The Commission may not administer a licensing or certification program in a manner that subjects qualified individuals with disabilities to discrimination on the basis of disability, nor may the Commission establish requirements for the programs or activities of licensees or certified entities that subject qualified individuals with disabilities to discrimination on the basis of disability.

47 C.F.R. § 1.1830(b)(6).

NASUCA submits that the Lifeline program clearly qualifies as a program subject to such regulations. Moreover, offering a Lifeline benefit while prohibiting the purchase of vertical services by the disabled effectively denies the disabled the benefit of vertical service aids that are available to other customers. This denial of aid to the disabled through the Commission-administered Lifeline program would fail to "[p]rovide a qualified individual with a disability with an aid, benefit, or service that is not as effective in affording equal opportunity to obtain the same result, to gain the same benefit, or to reach the same level of achievement as that provided to others" in violation of 47 C.F.R. § 1.1830(b)(1)(iv). The Commission cannot administer the Lifeline program and allow states to prohibit the Lifeline-enrolled disabled from purchasing vertical services when those same vertical services are offered to the general population.

NASUCA has explained above that the Commission should not permit the states to prohibit the purchase of vertical services for **all** consumers that are enrolled in the federally funded Lifeline program. This is especially appropriate for the disabled. Generally, NASUCA appreciates the efforts of the Commission to require access for the disabled under various provisions of the Act. The Commission must also recognize that under all federally funded Lifeline programs the Commission may not prohibit the disabled from the purchase of disability aids such as vertical services.

X. Conclusion

NASUCA urges the Commission to adopt the recommendations made herein.

Respectfully submitted,

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Attachment 1

State	Expected total households in 2002	Percentage of households that would qualify for Lifeline under existing rules	# of Households that would qualify for Lifeline under existing rules	Lifeline subscribers in 2002	Estimated Lifeline subscription rate in 2000	Percentage of households that took Lifeline in 2002
West Virginia	769,835	20.50%	157,768	4,905	3.60%	3.10%
Delaware	306,248	16.60%	50,955	2,100	1.30%	4.10%
Arkansas	1,047,618	19.60%	204,964	10,100	4.40%	4.90%
Maryland	2,036,447	3.70%	75,334	4,022	5.30%	5.30%
Louisiana	1,572,948	19.70%	310,619	21,265	3.30%	6.80%
South Carolina	1,644,651	15.10%	249,100	21,809	9.00%	8.80%
Tennessee	2,102,004	26.10%	549,416	49,050	5.40%	8.90%
Virginia	2,714,786	8.50%	231,248	20,730	9.90%	9.00%
Missouri	2,237,417	16.00%	358,291	33,322	3.10%	9.30%
Wyoming	199,415	11.50%	22,913	2,126	6.00%	9.30%
Alabama	1,761,832	14.90%	262,403	25,403	7.20%	9.70%
Mississippi	1,046,343	21.90%	229,191	22,566	5.90%	9.80%
New Hampshire	479,659	14.80%	70,869	7,253	7.60%	10.20%
Oregon	1,403,521	24.20%	338,996	36,402	8.90%	10.70%
Kansas	1,067,916	11.00%	117,783	13,775	4.90%	11.70%
New Jersey	3,189,202	12.30%	393,494	46,687	1.70%	11.90%
Hawaii	409,023	26.90%	109,996	14,124	11.40%	12.80%
Indiana	2,341,407	13.20%	308,271	40,326	6.30%	13.10%
Michigan	3,656,658	23.20%	849,595	118,794	15.40%	14.00%
Illinois	4,678,865	12.90%	604,774	87,188	8.30%	14.40%
Iowa	1,164,274	10.60%	123,139	17,800	5.00%	14.50%
Georgia	15.20%	15.20%	462,032	68,266	16.70%	14.80%
Utah	681,789	17.40%	118,576	19,652	16.30%	16.60%
Pennsylvania	4,673,609	12.00%	558,931	94,846	7.20%	17.00%
Florida	6,113,601	13.20%	807,015	142,521	16.20%	17.70%
Minnesota	1,918,320	12.80%	246,362	47,554	23.10%	19.30%

State	Expected total households in 2002	Percentage of households that would qualify for Lifeline under existing rules	# of Households that would qualify for Lifeline under existing rules	Lifeline subscribers in 2002	Estimated Lifeline subscription rate in 2000	Percentage of households that took Lifeline in 2002
North Carolina	3,007,670	15.70%	473,181	99,510	9.60%	21.00%
Nebraska	665,045	10.70%	71,138	15,241	16.40%	21.40%
Kentucky	1,570,895	17.20%	270,659	60,739	9.40%	22.40%
Texas	7,748,894	23.60%	1,825,951	429,970	13.50%	23.50%
Idaho	506,517	21.90%	111,133	27,660	14.00%	24.90%
Nevada	693,961	20.90%	144,769	37,204	7.40%	25.70%
Washington	2,389,029	13.50%	323,471	83,327	19.80%	25.80%
Wisconsin	1,960,085	13.30%	260,727	68,333	22.00%	26.20%
Arizona	1,938,096	13.40%	259,693	73,186	9.10%	28.20%
DC	249,291	18.70%	46,588	13,645	23.70%	29.30%
New York	7,106,239	19.80%	1,408,948	500,671	47.10%	35.50%
Massachusetts	2,541,014	16.10%	407,953	164,600	42.40%	40.30%
Connecticut	1,303,196	11.00%	143,840	58,056	43.30%	40.40%
Montana	358,113	10.70%	38,319	15,815	25.10%	41.30%
Ohio	4,613,808	14.50%	670,995	279,591	16.60%	41.70%
Vermont	235,713	30.20%	71,284	29,911	39.20%	42.00%
New Mexico	688,470	16.20%	111,212	47,356	30.40%	42.60%
Colorado	1,649,034	3.10%	51,370	29,709	48.10%	57.80%
North Dakota	260,412	12.30%	32,152	19,226	37.80%	59.80%
Oklahoma	1,344,760	14.50%	195,367	117,297	1.30%	60.00%
Alaska	205,094	18.70%	38,414	23,302	10.60%	60.70%
South Dakota	278,268	13.00%	36,250	27,117	31.40%	74.80%
Rhode Island	373,633	16.10%	60,325	46,189	73.90%	76.60%
Maine	480,211	15.10%	72,682	85,587	89.60%	117.80%
California	12,720,203	19.30%	2,450,791	3,232,732	135.60%	131.90%
Nationwide					33.10%	37.50%

****Data is derived from Recommended Decision, Appendix F, Tables 1.A and 1.B.**

Attachment 2

I. States with 125% or "Lower" Current Eligibility Standards

Increased lifeline subscription and cost of increasing current 125% eligibility standard to 135%
(Results of Lifeline Staff Analysis, Appendix F, Recommended Decision)

(1)		0.582		0.682	Coefficient representing increased lifeline take rate (a)
(2)		10		10	Increase in eligibility standard from 125% to 135% (a)
(3)		5.82%		6.82%	Increase as percentage (1) x (2)
(4)	15,959,000		15,959,000		Households under 150% in states with 125% eligibility standard-Yr 2000 (b)
(5)	928,000		1,090,000		Increased lifeline subscribers-Yr 2000 (3) x (4)
(6)	6,368,000		6,368,000		Households newly qualifying for lifeline due to 135% eligibility standard-Yr 2000 (b)
(7)		14.6%		17.1%	Percentage of newly qualifying households that subscribe to lifeline (5)/(6)
(8)	6,634,000		6,634,000		Households newly qualifying for lifeline due to 135% eligibility standard-Yr 2004 (c)
(9)	967,000		1,136,000		Increased lifeline subscribers-Yr 2004 (7) x (8)
(10)	$105,000,000		$123,000,000		Cost of going from current 125% eligibility standard to 135% standard (d)

Increased lifeline subscription and cost of increasing current 125% eligibility standard to 150%

(11)		0.582		0.682	Coefficient representing increased lifeline take rate (a)
(12)		25		25	Increase in eligibility standard from 125% to 150% (150 - 125)
(13)		14.55%		17.05%	Increase as percentage (11) x (12)
(14)	15,959,000		15,959,000		Households under 150% in states with 125% eligibility standard-Yr 2000 (b)
(15)	2,322,035		2,721,010		Increased lifeline subscribers-Yr 2000 (13) x (14)
(16)		4.18%		4.18%	Growth from 2000 to 2004 in households newly qualifying for lifeline due to 135% standard [(6)/(8) - 1] (e)
(17)	2,419,029		2,834,670		Increased lifeline subscribers-Yr 2004 (15) x [1 + (16)]
(18)	$ 108.50		$ 108.50		Average annual cost per additional lifeline subscriber assuming 135% eligibility standard instead of current 125% eligibility standard (g)
(19)	$262,464,650		$307,561,669		Cost of going from current 125% eligibility standard to 150% standard (17) x (18)

II. States with 135% Current Eligibility Standards

Increased lifeline subscription and cost of increasing current 135% eligibility standard to 150%

(20)		0.582		0.682	Coefficient representing increased lifeline take rate (a)
(21)		15		15	Increase in eligibility standard from 135% to 150% (150 - 135)
(22)		8.73%		10.23%	Increase as percentage (20) x (21)
(23)	599,500		599,500		Households under 150% in states with 135% eligibility standard-Yr 2004
(24)	52,336		61,329		Increased lifeline subscribers-Yr 2004 (22) x (23)
(25)	$ 120		$ 120		Average annual cost per additional lifeline subscriber assuming 150% elig standard instead of current 135% eligibility standard (h)
(26)	$ 6,280,362		$ 7,359,462		Cost of going from current 135% eligibility standard to 150% standard (24

III. Combined results: Increased Lifeline Subscription and Cost Assuming 150% Eligibility Standard

(27)	2,471,365	2,895,999	Total increased subscribership assuming 150% eligibility standa
(28)	$268,745,012	$314,921,131	Total increased Cost assuming 150% eligibility standard (19) +
(29)	967,000	1,136,000	Increased subscribership assuming 135% eligibility standard (9
(30)	$105,000,000	$123,000,000	Increased cost assuming 135% eligibility standard (10)
(31)	1,504,365	1,759,999	Incremental subscribership assuming 150% eligibility standard
(32)	$163,745,012	$191,921,131	Incremental cost assuming 150% eligibility standard (28) - (30)

IV. Increased Telephone Subscribership Assuming 150% Eligibility Standard

(33)	2,471,365	Total increased lifeline subscribership assuming 150% eligibility standard (27)
(34)	967,000	Increased lifeline subscribership assuming 135% eligibility standard (9)
(35)	2.56	Ratio of increased lifeline subscribership at 150% compared with 135% (33)/(34)
(36)	259,000	Increased telephone subscribership assuming 135% eligibility standard (i)
(37)	661,927	Increased telephone subscribership assuming 150% eligibility standard (35) x (36) (j)

Attachm

Notes:

Both the Staff Analysis and this Attachment 2 present rounded versions of underlying calculations. As a result, reproduction of these calculations may not produce the exact results shown.

(a) Recommended Decision, Appendix F, Table 2.C.
(b) Recommended Decision, Appendix F, Table 2.D.
(c) Recommended Decision, Appendix F, Table 2.F.
(d) Recommended Decision, Appendix F, Table 2.K.
(e) Used as a proxy to estimate growth from 2000 to 2004 in households newly qualifying for lifeline assuming 150% eligibility standard.
(f) Calculated by dividing "Forecasted amount federal expenditures would increase" by "Forecasted additional households on Lifeline with 1.35 PLC" for Low Range and High Range, rounded to nearest $.50. See Recommended Decision, Appendix F, page 14. Used as a proxy to estimate the cost of additional lifeline subscribers assuming 150% eligibility standard.

(g)

-CPS 2000 Data for West (000)-*					
Population a	Under 1.5 x Poverty b	Percent c=b/a	States with 1.33/1.35 Current Eligibility Stnd.** d	Number of Households 2004*** e	Imputed Households Under 150% c*e
63,351	14,038	22.16%	Idaho	538,228	119,266
			Oregon	1,481,615	328,312
			Utah	685,599	151,922
			Total	2,705,442	599,500

* Annual Demographic Survey, URL: http://ferret.bls.census.gov/macro/032001/pov/new02_000.htm
** Idaho, Oregon and Utah are the only states that currently use a 1.33 or 1.35 eligibility criteria.
*** Table 2.B, Appendix F, Recommended Decision.

(h) Recommended Decision, Appendix F, Table 1.D. Used Oregon as conservative proxy since Idaho and Utah have fewer households and the average annual cost of all three states are similar.
(i) Recommended Decision, Appendix F, Table 2.H.
(j) Assumes linear relationship between increased lifeline subscribership and increased telephone subscribership.