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

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

COMMENTS OF VERIZON[1]

Introduction

The Commission's recent *Lifeline Order* greatly expanded the federal default eligibility criteria for federal Lifeline and Link-Up assistance, including adding an income-based eligibility criterion of 135% of federal poverty guidelines.[2] The Further Notice of Proposed Rulemaking asks whether the Commission should further expand this eligibility criterion, by increasing the qualifying income to 150% of federal poverty guidelines. *Id.*, ¶¶ 56-57. It should not.

It is premature for the Commission to consider moving to an expanded eligibility criterion. The 135% guidelines have not even been implemented, and it will take years before there is any meaningful data from which to determine the accuracy of staff's predictions about the costs of implementing such standards, and what effect (if any) they will have on increasing telephone penetration. Moreover, Commission staff predicts that expanding the criterion could cost approximately $200 million, but would not produce a statistically significant increase in subscribership and "may only have a minimal impact

[1] The Verizon telephone companies ("Verizon") are the local exchange carriers affiliated with Verizon Communications Inc., and are listed in Attachment A.

[2] *Federal-State Joint Board on Universal Service*, Report and Order and Further Notice of Proposed Rulemaking, 19 FCC Rcd 8302, ¶¶ 2, 7-18 (2004) ("*Lifeline Order*" or "*Lifeline Notice*").

on national telephone penetration rates." *Lifeline Notice*, ¶ 57. It would be a waste of universal service funding to spend $200 million (paid by consumers) on an initiative that the Commission itself acknowledges would have only a "minimal impact."

The Commission also should not require mandatory types of outreach. Again, because the Lifeline Order only recently set out new guidelines to direct states and carriers on suggested methods of outreach, it is premature to determine how effective those guidelines will be, or if there is any need for more stringent requirements. In addition, the Commission was correct in agreeing with the Joint Board that voluntary guidelines, rather than mandatory rules, will encourage partnerships between states and carriers, and provide them with "the flexibility to determine the most appropriate outreach mechanisms for their consumers." *Lifeline Order*, ¶ 44.

I. The Commission Recently Expanded Lifeline Eligibility Criteria, and It Is Premature To Consider Further Expansions Before the Commission Has Time To Evaluate the Impact of the New Criteria

As an initial matter, it is premature for the Commission to consider expanding the 135% income eligibility criterion that it adopted only a few months ago. The Commission has not yet implemented this criterion, or other measures designed to increase participation in the Lifeline program.[3] It is far too soon to determine how successful these measures will be in increasing telephone penetration, or whether the staff's projections on costs and subscribership of implementing the 135% income-based criterion (after those guidelines have been implemented and been in place for a

[3] The *Lifeline Order* also adopted two program-based criteria: participants in the Temporary Assistance for Needy Families program and the National School Lunch's free lunch program now are eligible for Lifeline and Link-Up support. *Lifeline Order*, ¶ 13. In addition, it adopted voluntary outreach guidelines, designed to increase participation in the Lifeline and Link-Up programs. *See id.*, ¶¶ 44-49.

reasonable period) will be borne out.[4] Until the Commission has a chance to weigh the benefits and burdens of the recently adopted 135% federal poverty guidelines criterion, it should not consider moving to *expand* that criterion.

Moreover, all current information points to the conclusion that the Commission should *not* move to a 150% criterion. As the Commission itself notes, "our staff analysis estimates that broadening the income-based criterion to 150% of the [federal poverty guidelines] *may only have a minimal impact on national telephone penetration rates*, but could add many new Lifeline subscribers; potentially resulting in an additional $200 million increase in Lifeline expenditures over the levels predicted for implementation of a 135% standard." *Lifeline Notice*, ¶ 57 (emphasis added). Indeed, the staff analysis predicted that there would be *no* statistically significant increase in telephone subscribership if a 150% income-based criterion were adopted:

> The variable "State has 1.50 poverty guidelines criterion for Lifeline" is not significant. This suggests that raising the [poverty guidelines criterion] from 1.35 to 1.50 would not result in a statistically significant increase in the number of households that take telephone service. . . . *The result suggests that the number of these households with incomes between 1.35 and 1.50 times the [federal poverty guidelines] that would newly take telephone service because of the new availability of Lifeline is too small to be measured.*

Lifeline Order, Appendix K, at K-32 (emphasis added). Statistics also confirm that state penetration rates are not closely correlated with the level of per-line support customers

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4 *See Lifeline Order*, ¶¶ 14, 17 (noting that the Commission "cannot project how many additional persons may become eligible for Lifeline/Link-Up under" new Temporary Assistance to Needy Families criterion, and reaching a similar conclusion regarding estimates for addition of National School Lunch's free lunch program criterion); *see also id.*, at Appendix K (estimating impact of 135% criterion).

receive, or even the average per line rate paid by Lifeline customers.[5] Moreover, staff estimates that the additional costs could be as high as $316-$348 million per year if all states implemented a 150% criterion. *Lifeline Order*, Appendix K, at K-31.

The goal of Lifeline support is *not* to increase the number of persons who receive federal subsidies; rather, it is to increase telephone subscribership among low-income Americans. The statute states that, "consumers in all regions of the Nation, including low-income consumers . . . should have access to telecommunications and information services." 47 U.S.C. § 254(b)(3).[6] Thus, the measure of success does not depend on whether there is an increase in persons participating in the *Lifeline program*, but whether any proposed criterion results in an increase in subscribership to *telephone service*. In other words, regardless of the number of Lifeline subscribers, if approximately 95% of Americans can afford to subscribe to telephone service, that should be deemed a universal service success, because it shows that telephone rates are "affordable." *See* 47 U.S.C. § 254(b)(1). The fact that 100% of those eligible for support do not apply for it should not somehow be viewed as a failure of the Lifeline and Link-Up program, which is a "safety net" for those who cannot afford telephone service without such programs. Expanding support in ways that are not closely targeted to meet the goals of universal service (here, to increase telephone penetration rates) would waste universal service

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[5] *See* Letter from Dee May, Verizon, to Marlene H. Dortch, FCC, WC Docket No. 03-109, at attachment (filed Mar. 18, 2004) (demonstrating that low-income household penetration is not correlated with the level of Lifeline support or rates paid per line per month) ("Verizon March 18th Ex Parte").

[6] *See also Federal-State Joint Board on Universal Service*, Report and Order, 12 FCC Rcd 8776, ¶¶ 332-346 (1997) (discussing the purpose of Lifeline and Link-Up support, and changes designed to address "low subscribership levels" among low-income consumers).

funds, which unnecessarily increases the costs to *all* telephone consumers, including those low-income customers who choose not to receive Lifeline and Link-Up support.

In addition, one central problem with trying to further increase subscribership through a federal program is that subscribership levels vary from state to state.[7] The Commission recently reported that, as of March 2003, states' telephone subscribership rates among low-income households ranged from a high of 98.1% (in Connecticut) to a low of 88.8% (in Arkansas). FCC 2004 Telephone Penetration Report, at 1. Because most states are net payors into the Lifeline system, adopting new criteria that would increase Lifeline costs to telecommunications consumers likely will *hurt* the states with the lowest levels of telephone penetration. Those states' telecommunications consumers, including low-income consumers who are not Lifeline subscribers, will pay increased universal service fees for programs in other states, leaving less room to assess affordable state-based universal service charges.[8] And many of the "payor" states are subsidizing states that have much higher penetration rates than the payors.[9] Rather than increasing

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[7] *See Federal-State Joint Board on Universal Service*, Recommended Decision, 18 FCC Rcd 6589, ¶ 6 (2003) ("*Recommended Decision*") (noting that there are significant differences in low-income telephone penetration rates among the states.); *see also* Verizon March 18th Ex Parte; *see also* Telephone Subscribership in the United States (Data through March 2004), Alexander Belinfante, Industry Analysis and Technology Division, Wireline Competition Bureau, FCC, at Table 2 (rel Aug. 13, 2004) ("*FCC 2004 Telephone Penetration Report*").

[8] During 2001, the Joint Board staff has estimated that 40 of the 50 states were net payors to the Lifeline/Link-Up program – that is, consumers in the vast majority of states paid more than they received out of the federal Lifeline program. *See* Federal-State Joint Board on Universal Service, Universal Service Monitoring Report, Table 2.13 (October 2002).

[9] *See, e.g.,* Federal-State Joint Board on Universal Service, Universal Service Monitoring Report, at Tables 2.2, 2.11 (December 2003) (almost half of Lifeline and Link-Up payments for 2002 ($313 million of $673 million in Lifeline payments, and $112 million of $284 million in Link-Up support) went to California, a state with telephone penetration rates above the national average). *See FCC 2004 Telephone*

the *federal* default criteria for *all* states using a criterion that the Commission's staff has determined would not increase subscribership, the Commission should encourage states to focus ratepayer resources on state- and local-specific solutions targeted to those areas of low subscribership that need particular attention. One way that states can do that is through focusing on the voluntary outreach guidelines recently adopted by the Commission. *See Lifeline Order*, ¶¶ 44-49.

II. The Commission Should Not Mandate the Particular Forms of Outreach, But Rather Allow Carriers and States to Use the Recently Established Guidelines To Target Local- and State-Specific Problems

In the *Lifeline Order*, the Commission agreed with the Joint Board that "we should not require specific outreach procedures, but should instead provide guidelines for states and carriers so that they can adopt their own specific standards and engage in outreach as they see fit." *Lifeline Order*, ¶ 44. It reasoned that it was not necessary to "prescribe specific outreach procedures." *Id.* Rather, it ruled that "encouraging states to establish partnerships with other state agencies and telephone companies will maximize public awareness and participation in the Lifeline/Link-Up program" and that providing guidelines, rather than mandating specific types of outreach, would allow states and carriers "the flexibility to determine the most appropriate outreach mechanisms for their consumers." *Id.*

Having just a few months ago adopted voluntary outreach guidelines and encouraged states, state agencies, and carriers to work together to adopt appropriate outreach that could be targeted to the specific needs of particular communities, it is

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Penetration Report, Table 2 (California penetration rates for March 2004 were 95.9%, above the national average of 94.2%).

premature for the Commission to scrap this model and mandate particular forms of outreach.[10]

Moreover, as the Joint Board noted, the majority of commenters recommended that the Commission *not* require specific outreach procedures.[11] It is proper to focus on general guidelines, rather than specific federal requirements, because that allows carriers, states, and state agencies to work together to develop outreach that is most appropriate to the particular areas. Subscribership levels, and outreach needs, vary dramatically from state to state. For example, recently released statistics confirm that telephone penetration rates vary based on a number of factors, including variations between the states, age groups, and race.[12] And different states have adopted a number of different methods of outreach, tailored to the needs of the particular state.[13] The current system provides states with 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. The Commission should continue to allow states and localities to develop their own specific programs, targeted to the needs in their communities, rather than mandating a federal one-size-fits-all approach.

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[10] *See Lifeline Notice*, ¶ 58 ("For instance, we seek comment on whether the Commission should require ETCs to print and distribute posters, flyers, or other print media advertising Lifeline/Link-Up to state, federal, or tribal public assistance agencies in their service areas. If a percentage of the population in a given area speaks a language other than English, should ETCs be required to distribute materials in that language? If so, what should the benchmark percentage be?").

[11] *Recommended Decision*, ¶ 50.

[12] *FCC 2004 Telephone Penetration Report*, at Tables 2, 4, 6.

[13] *See Recommended Decision*, Appendix E, § II (discussing outreach programs in various states).

Conclusion

The Commission should not expand the income eligibility criterion, or mandate particular outreach for Lifeline/Link-Up.

Respectfully submitted,

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Attachment A

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.