

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

In the Matter of	)	
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Lifeline and Link Up	)	WC Docket No. 03-109
	)	

TO: Federal-State Joint Board on Universal Service

**REPLY COMMENTS OF SMITH BAGLEY, INC.**

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July 30, 2010

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## SUMMARY

Numerous commenters responding to the Commission's *Referral Order* to the Federal-State Joint Board on Universal Service, regarding Lifeline and Link Up program eligibility, verification, and outreach issues, agree with Smith Bagley, Inc. ("SBI") that several steps should be taken by the Commission to enhance participation in the program by low-income individuals and households.

SBI has advocated replacing the one-per-household requirement with eligibility standards that permit each adult in a single household to receive Lifeline assistance, subject to appropriate certification requirements. SBI has also argued that service providers should not bear the brunt of policing the current prohibition against consumers' receipt of Lifeline discounts from multiple carriers. Several commenters agree that requiring carriers to prevent "double dipping" by customers raises significant privacy and competitive issues. At least one commenter agreed that precluding discounts for service from multiple providers does not reflect the way consumers use telecommunications service today.

Several commenters, including state public utility commissions, agree with SBI's proposal that the income eligibility threshold should be increased from 135 percent to 150 percent of the Federal Poverty Guidelines, arguing that this action would help alleviate difficult economic situations currently faced by families throughout the country.

Parties also agree with SBI that, if the Commission decides to expand the Lifeline program to cover broadband Internet access service, then the broadband program should include eligibility criteria and requirements that are the same as, or similar to, those used for the existing program. SBI, in turn, supports the suggestion of several commenters that the Commission should take action to expand Lifeline to cover broadband, particularly in light of recent Commis-

sion findings that low-income Americans do not have adequate access to affordable broadband services.

SBI in its Comments has recommended that the Commission should make residents of homeless shelters automatically eligible for Lifeline assistance, and this position has received strong support in the record, with one commenter observing that the homeless deserve the Commission's commitment to universal service perhaps more than any other class of citizens. Several commenters also agree with SBI's position that the Commission should not adopt additional documentation requirements for purposes of establishing eligibility or verifying continuing eligibility for Lifeline assistance. Several commenters explain that requiring additional documentation would likely discourage qualified low-income consumers from seeking assistance, thus undercutting the core objectives of the program.

There also is support in the record for SBI's view that the Commission should prescribe a standardized set of eligibility and verification rules that would apply in all the states and territories. One commenter explains that the current approach is problematic because varying eligibility and verification requirements in the states and territories complicates compliance and imposes unwarranted costs and burdens on service providers.

SBI has argued in its Comments that the Commission should encourage states and territories to adopt automatic enrollment mechanisms for Lifeline, but that the Commission should stop short of requiring the development and use of such mechanisms. Several commenters endorse this approach, with state public utility commissions indicating that current budgetary limitations would make it difficult for the states to fund automatic enrollment mechanisms at the present time.

Several commenters also agree with SBI's conclusion that consumers would benefit from the establishment of centralized electronic mechanisms for use in certifying and verifying Lifeline eligibility, pointing out that these centralized systems would dramatically improve operational efficiency. There also is support in the record for SBI's proposal that the Commission should consider modifications to the one-per-household rule that reflect the expanding use of wireless services by low-income consumers.

Finally, several carriers and state public utility commissions share SBI's view that the outreach guidelines currently in place are working effectively, and that the Commission therefore should not impose mandatory outreach requirements on service providers.

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**REPLY COMMENTS OF SMITH BAGLEY, INC.**

Smith Bagley, Inc. (“SBI”), by its undersigned counsel and pursuant to the *Public Notice* issued by the Commission on June 15, 2010,<sup>1</sup> hereby submits reply comments relating to various Lifeline and Link Up program eligibility, verification, and outreach issues discussed in the *Referral Order*.<sup>2</sup>

**I. INTRODUCTION**

In its Comments, SBI has suggested several recommendations the Joint Board should make to the Commission concerning Lifeline and Link Up eligibility, verification, and outreach rules that will enable the program to enhance the opportunities for low-income individuals and households to access affordable telecommunications services and broadband Internet access ser-

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<sup>1</sup> Federal-State Joint Board on Universal Service Seeks Comment on Lifeline and Link Up Eligibility, Verification, and Outreach Issues Referred to Joint Board, CC Docket No. 96-45, WC Docket No. 03-109, Public Notice, FCC 10J-2, rel. June 15, 2010 (“*Public Notice*”). Reply comments are due not later than July 30, 2010. *Id.* at p. 1.

<sup>2</sup> *Federal-State Joint Board on Universal Service, Lifeline and Link Up*, CC Docket No. 96-45, WC Docket No. 03-109, Order, rel. May 4, 2010, 2010 WL 1800713 (“*Referral Order*”).

vices. In the following section SBI shows that numerous other commenters in this proceeding have taken positions and made proposals for revising the eligibility, verification, and outreach rules that parallel in many respects the recommendations made by SBI.

The touchstone of these proposals and recommendations is that the Lifeline and Link Up program has an important and well-defined statutory objective: to make telecommunications services and information services accessible and affordable for low-income consumers.<sup>3</sup> The record in this proceeding reflects considerable common ground among state regulatory commissions, consumer groups, and service providers regarding adjustments to the program that should be made to enhance its effectiveness in meeting this statutory goal, and regarding aspects of the program that are not in need of any adjustment or modification.

## **II. DISCUSSION.**

### **A. Consumer Eligibility Requirements.**

There is considerable support in the record for SBI's position that a number of the current Lifeline eligibility requirements under the federal rules are overly restrictive.<sup>4</sup> Commenters express concern that certain aspects of the current rules hinder the ability of numerous low-income consumers to obtain affordable telecommunications services.

#### **1. Income-Based Eligibility.**

SBI has recommended changing the federal Lifeline eligibility rules to allow consumers to qualify under the income-based criteria by demonstrating a household income at or below 150 percent of the Federal Poverty Guidelines ("FPG"), explaining that recent Commission data relating to states on the U.S. mainland illustrate that a drop off in telephone penetration between

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<sup>3</sup> See Section 254(b)(3) of the Communications Act of 1934, 47 U.S.C. § 254(b)(3).

<sup>4</sup> See 47 C.F.R. § 54.409.

households making \$40,000 or more, and those that make less.<sup>5</sup> SBI also indicates in its Comments that, if the income eligibility threshold were raised to 150 percent of the FPG, the thresholds for both a family of four and a family of five would be below \$40,000. This change would, therefore, make Lifeline discounts available to many households with very low incomes who currently cannot afford telephone service.

Numerous commenters support increasing the eligibility threshold to 150 percent of the federal poverty guidelines, or even higher.<sup>6</sup> For example, the Ohio PUC indicates that recently passed legislation in Ohio has expanded income eligibility to 150 percent of the FPG.<sup>7</sup> The Ohio PUC observes that “[g]iven the current economic climate, with wage and job cuts, there is no doubt that families nationwide are experiencing drastic economic situations[,]”<sup>8</sup> and concludes that changing the threshold for income-based eligibility from 135 percent to a higher level such as 150 percent is justified because “doing so would alleviate some economic burden to families choosing to qualify through income and who, for whatever reason, are not taking advantage of qualifying programs that allow others with higher incomes (albeit still low-income) access to Lifeline benefits.”<sup>9</sup>

The Ohio PUC also points to another compelling reason for shifting the threshold to at least 150 percent of the FPG, explaining that the majority of programs qualifying customers for Lifeline have income guidelines that are based on percentages higher than 135 percent of the FPG. “Two qualifying programs, the Supplemental Nutrition Assistance Program (SNAP, or

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<sup>5</sup> SBI Comments at pp. 6-7.

<sup>6</sup> MAG-Net observes that “even low-income families at below 200 percent of the federal poverty level would not find basic telecommunications services affordable.” Media Action Grassroots Network (“MAG-Net”) Comments at p. 9.

<sup>7</sup> Ohio Public Utilities Commission (“Ohio PUC”) Comments at pp. 2-3.

<sup>8</sup> *Id.* at p. 6.

<sup>9</sup> *Id.* at pp. 6-7.

food stamp benefits) and the National School Lunch Program, have their income limits set at 200% and 185%, respectively.”<sup>10</sup> Other commenters echo the view that the income eligibility standard currently is set too low. The Consumer Groups,<sup>11</sup> for example, support an increase to 150 percent of the FPG and argue that, in an environment of growing poverty and working poor, the current federal poverty guideline is outdated and an inaccurate measure of poverty.<sup>12</sup>

Two parties—USTA and Verizon—oppose any expansion of Lifeline eligibility, arguing that telephone penetration rates among low-income households are already high enough.<sup>13</sup> These claims do not square with the facts. According to data recently published by the Commission, as of March 2009, the telephone penetration levels for low-income households in 45 states was below 95 percent, with 16 of those states having telephone penetration levels for low-income households that were below 90 percent.<sup>14</sup> The overall telephone penetration level for all U.S. low-income households was 90.4 percent (based on data through March 2009), compared to an

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<sup>10</sup> *Id.* at pp. 5-6.

<sup>11</sup> The “Consumer Groups” is comprised of 14 civic and other organizations and entities representing low-income consumer groups and individuals using Lifeline and Link Up. Consumer Groups Comments at p. 2.

<sup>12</sup> *Id.* at pp. 7-9. See Benton Foundation, *et al.* (“Benton”), Comments at pp. 5-6; California Public Utilities Commission (“CPUC”) Comments at p. 9 (stating that income limitations used in California approximate 150 percent of the FPG); District of Columbia Public Service Commission (“DC PSC”) Comments at pp. 2-3 (indicating that it uses a threshold of 150 percent of FPG); National Association of State Utility Consumer Advocates (“NASUCA”) Comments at p. 7; PR Wireless, Inc. (“PR Wireless”) Comments at pp. 4-6.

<sup>13</sup> See United States Telecom Association (“USTA”) Comments at pp. 4-5; Verizon Comments at p. 8.

<sup>14</sup> FCC, *Telephone Penetration by Income by State* (May 2010) at 9-10 (Table 3). For purposes of these statistics, the FCC defined low-income households as households with income under \$10,000, expressed in March 1984 dollars. This amount has the same buying power as \$21,000 in 2010. This figure is based on a Consumer Price Index Inflation Calculator maintained by the Bureau of Labor Statistics, accessed at <http://data.bls.gov/cgi-bin/cpicalc.pl>. The calculator uses the average Consumer Price Index for a given calendar year. This data represents changes in prices of all goods and services purchased for consumption by urban households.

overall nationwide telephone penetration rate of 95.6 percent.<sup>15</sup> Further, as SBI has demonstrated in its Comments, data from several states illustrates that telephone penetration levels for households with income below \$40,000 are significantly lower than the levels for households with higher incomes.<sup>16</sup>

SBI, along with numerous other commenters, believes that more should be done to increase the level of subscribership among low-income individuals and families. This issue is particularly important in tribal areas, where economic conditions continue to cause hardships for people residing on or near reservations.<sup>17</sup> Increasing the eligibility threshold to 150 percent of the FPG would be an important step toward making telephone service more affordable, which, in turn, would improve subscribership levels.<sup>18</sup>

## **2. Eligibility Criteria for Broadband Services; Expansion of Lifeline and Link Up To Cover Broadband.**

SBI has suggested in its Comments that, if the Commission decides to expand the Lifeline program to cover broadband services, then the broadband Lifeline program should use the same or similar eligibility requirements as those used by the Commission in the existing Lifeline

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<sup>15</sup> *Id.* at p. 1. While a separate report released by the Commission in February shows an annual average telephone penetration rate of 93.3 percent (through November 2009) for households with incomes below \$15,000, this report also indicates that the penetration level drops to 90.7 percent for households with income below \$10,000. FCC, *Telephone Subscribership in the United States* (Feb. 2010) at 35 (Table 4).

<sup>16</sup> SBI Comments at p. 7.

<sup>17</sup> *See, e.g.*, SBI Petition for Rulemaking Regarding the Expansion of Support Available Pursuant to the Fourth Tier of the Universal Service Lifeline Program, RM Number 11529 (filed March 27, 2009) at p. 3.

<sup>18</sup> SBI also supports the proposal made by the Consumer Groups that the Commission should redefine “income” for purposes of defining Lifeline eligibility by excluding public assistance benefits from the definition. *See* Consumer Groups Comments at pp. 11-12. As the Consumer Groups point out, doing so would be consistent with the manner in which “income” is defined in other federal low-income assistance programs.

program. SBI also has argued that the list of eligible programs and income thresholds, for broadband Lifeline, should be based on a single nationwide standard.<sup>19</sup>

The record provides support for SBI's recommendations. TracFone, for example, argues that the Commission should use the current Lifeline program as a model for broadband, and should establish nationally uniform enrollment procedures and eligibility certification and verification requirements for broadband, comparable to those used in the current Lifeline program.<sup>20</sup>

The Consumer Groups also indicate that, at this early stage, they "see no reason why different eligibility criteria should be used among federal low-income universal services support programs."<sup>21</sup> They argue that "consistent application of the certification and verification requirements, unless there is a good reason to deviate from that, will make the new program less confusing and more efficient to administer."<sup>22</sup> SBI urges the Joint Board to adopt the view that different standards (especially more stringent ones) for broadband would not advance the Commission's Lifeline goals and could actually impede efforts to increase broadband take rates among low-income households.

SBI also agrees with numerous commenters who argue that the Commission should expand the Lifeline and Link Up program to include broadband Internet access services. The urgency of taking this step has been highlighted by a recent Commission finding that low-income Americans are not being provided adequate access to broadband. Specifically, the Commission has concluded that:

[B]roadband is not being deployed to all Americans in a reasonable and timely fashion. Our analysis shows that roughly 80 million American adults do not sub-

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<sup>19</sup> SBI Comments at p. 9.

<sup>20</sup> TracFone Wireless, Inc. ("TracFone"), Comments at p. 4.

<sup>21</sup> Consumer Groups Comments at p. 12.

<sup>22</sup> *Id.* at p. 20.

scribe to broadband at home, and approximately 14 to 24 million Americans do not have access to broadband today. The latter group appears to be disproportionately lower-income Americans and Americans who live in rural areas. The goal of the statute, and the standard against which we measure our progress, is universal broadband availability. We have not achieved this goal today, nor does it appear that we will achieve success without changes to present policies.<sup>23</sup>

MAG-Net succinctly explains why it would be good public policy to expand Lifeline to broadband, arguing that “[t]he Lifeline program should not perpetuate the digital divide, but rather, assist members of low-income communities in bridging it.”<sup>24</sup> As the Commission’s recently-released *Sixth Broadband Deployment Report* demonstrated, the problem of low broadband adoption rates is particularly acute on tribal lands. Specifically, the Commission found that “only 12.5 percent of all households on Native Homeland areas subscribe to a broadband service faster than dialup compared to 56 percent of all households nationwide.”<sup>25</sup> Clearly, people living in tribal areas have a great need for assistance in accessing affordable broadband service.

Finally, SBI agrees with the cautionary note sounded by the Missouri PSC, which indicates that, “[i]f the low-income program is expanded to clearly include broadband service such action may have minimal impact unless larger discounts are available to the qualifying consumer.”<sup>26</sup> Thus, an important element of the Commission’s review of whether to extend the Lifeline

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<sup>23</sup> *Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, as Amended by the Broadband Data Improvement Act; A National Broadband Plan for Our Future*, GN Docket No. 09-137, GN Docket No. 09-51, *Sixth Broadband Deployment Report*, FCC 10-129 (rel. July 20, 2010) (“*Sixth Broadband Deployment Report*”) at para. 28 (footnotes omitted).

<sup>24</sup> MAG-Net Comments at p. 13. See Benton Comments at p. 4; CPUC Comments at p. 26 (advocating the use of broadband pilot projects); DC PSC Comments at pp. 3-5; Leap Wireless International, Inc., and Cricket Communications, Inc., Comments at pp. 2-5; National Hispanic Media Coalition (“NHMC”) Comments at pp. 4-7; USTA Comments at p. 9 (suggesting that broadband pilot programs should be carried out as an initial step).

<sup>25</sup> *Sixth Broadband Deployment Report*, *supra*, at para. 25.

<sup>26</sup> Missouri Public Service Commission (“Missouri PSC”) Comments at p. 6.

and Link Up program to broadband<sup>27</sup> should be an examination of the levels of support that would be needed to achieve affordability and increased levels of subscribership.

### **3. Automatic Qualification of Certain Classes of Customers.**

SBI proposed in its Comments that residents of homeless shelters should automatically qualify for Lifeline and Link Up, noting that providing for automatic qualification would avoid any inadvertent unfairness caused by application of the “one per household” rule, and “would ease burdens associated with application of eligibility criteria in a circumstance in which the use of such criteria would not be necessary in order to avoid waste, fraud, or abuse.”<sup>28</sup>

Several commenters agree with the approach recommended by SBI. Thus, MAG-Net expresses the view that “[p]erhaps more than any other class of individuals, the homeless deserve the Commission’s commitment to universal service.”<sup>29</sup> Some parties disagree, expressing concern that “[t]o confer eligible status on a person simply by their mere presence at a homeless shelter would invite fraud and abuse.”<sup>30</sup>

While there may be some basis for these concerns, they should not bar consideration of automatic enrollment for homeless shelter residents. The Ohio PUC suggests one possible approach. Noting that prepaid wireless is an attractive means of communication for homeless individuals because the service is highly mobile, the Ohio PUC points out that “[n]evertheless, it is also the mobility factor that makes the tracking of these communication devices difficult.”<sup>31</sup> The

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<sup>27</sup> *Referral Order* at para. 12 (citing CONNECTING AMERICA: THE NATIONAL BROADBAND PLAN (“National Broadband Plan”) (rel. Mar. 16, 2010) at 172-73).

<sup>28</sup> SBI Comments at p. 8.

<sup>29</sup> MAG-Net Comments at p. 9. *See* Benton Comments at p. 7; PR Wireless Comments at p. 8; TracFone Comments at pp. 4-5.

<sup>30</sup> Nebraska Public Service Commission (“Nebraska PSC”) Comments at p. 3. *See* Florida Public Service Commission (“Florida PSC”) Comments at p. 4.

<sup>31</sup> Ohio PUC Comments at p. 7.

Ohio PUC suggests that, if homeless shelter residents are made automatically eligible, then the Commission should design sufficient verification measures to confirm ongoing eligibility.<sup>32</sup>

While SBI is concerned that an approach such as the one suggested by the Ohio PUC could undercut the objective of ensuring that homeless individuals are provided with realistic means of benefiting from Lifeline assistance, SBI also is confident that other options can be found to enable automatic enrollment while addressing the concerns raised by the Nebraska PSC regarding the potential for fraud and abuse. For example, Benton urges the Joint Board and the Commission to work with non-profit groups and other organizations serving the homeless, through roundtables and other public forums, to explore options and identify best practices. “With this input, the Lifeline and Link-Up programs could be best tailored to meet the needs of this population and [also could be] designed to thwart fraud, waste and abuse.”<sup>33</sup>

#### **4. Documentation Requirements.**

SBI has argued in its Comments that no additional document collection requirements should be imposed at the federal level for Lifeline eligibility or verification at the present time.<sup>34</sup> Several commenters support SBI’s position. The Consumer Groups argue that “[t]he current level of documentation strikes the right balance[,]”<sup>35</sup> and MAG-Net explains that additional requirements would likely be harmful to the Lifeline and Link Up program:

[A]dding new verification procedures that might be equally as complicated or more so than existing application requirements would likely come at some administrative cost to the Low-Income programs, and would likely result in lower participation. . . . Adding any new and unduly burdensome verification requirements to an already complicated, stigmatized, stressful, and oftentimes byzantine appli-

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<sup>32</sup> *Id.*

<sup>33</sup> Benton Comments at p. 7.

<sup>34</sup> SBI Comments at p. 8.

<sup>35</sup> Consumer Groups Comments at p. 11.

cation process for need-based programs would diminish the programs' effectiveness, not improve it.<sup>36</sup>

The Florida PSC agrees that additional requirements are not advisable, concluding that "adding requirements for additional documentation would burden Lifeline-eligible consumers and may hinder the original intent of Lifeline and Link Up, which is to help low-income households obtain and maintain affordable telephone service."<sup>37</sup>

Several commenters suggest that the Commission should move away from rules requiring service providers to be responsible for verifying consumers' initial and ongoing eligibility for Lifeline and Link Up assistance, and should instead spearhead the establishment of centralized administrative mechanisms and central electronic databases to perform verification procedures.<sup>38</sup> SBI supports efforts to establish these mechanisms and databases because they hold the promise of easing the verification burdens currently placed on service providers. SBI recognizes, however, that implementing centralized administration and database utilization is not a short-term undertaking, because of the administrative, design, logistical, and cost issues involved.<sup>39</sup> SBI there-

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<sup>36</sup> MAG-Net Comments at p. 14.

<sup>37</sup> Florida PSC Comments at pp. 4-5. *See* CPUC Comments at p. 12 (noting that, "[a]s long as the State program eligibility requirements are consistent with federal standards, the consumer should not have to provide additional documentation to prove eligibility for federal low-income programs"); YourTel America, Inc. ("YourTel"), Comments at p. 3. Several commenters argue that steps should be taken to lessen burdens imposed upon carriers by the rules with respect to verifying customers' eligibility. *See* AT&T Inc. ("AT&T") Comments at pp. 5-6; TracFone Comments at p. 10; USTA Comments at p. 5 (arguing that government, not service providers, should be responsible for administering the eligibility process, including periodic verification); Verizon Comments at p. 10 (pointing out that "ETCs are not enforcement agents of the Commission for purposes of verifying Lifeline eligibility of program participants, and it is bad policy to hold carriers liable for misrepresentations by participants at the time of enrollment or verification"). SBI agrees with the concerns expressed by these commenters, and supports reductions in verification burdens currently imposed upon service providers, so long as any such reductions can be effected without creating problems of waste, fraud, and abuse.

<sup>38</sup> *See* AT&T Comments at pp. 4, 15 (advocating use of a national personal identification number ("PIN") database to be administered by the Universal Service Administrative Company ("USAC")); Ohio PUC Comments at pp. 10-11; USTA Comments at pp. 6-7; Verizon Comments at p. 9.

<sup>39</sup> *See* Florida PSC Comments at p. 7.

fore reiterates its view that, in the meantime, no additional verification burdens or requirements should be imposed on service providers.

SBI therefore opposes suggestions that more verification responsibilities should be imposed on ETCs. The Nebraska PSC has reviewed the verification issue from a rather draconian perspective, arguing that service providers should be saddled with the responsibility to verify *all* recipient eligibility.<sup>40</sup> SBI disagrees with the Nebraska PSC's contention that such a step is necessary to guard against fraud and abuse, and agrees with MAG-Net that such sweeping measures would ultimately undercut the Lifeline program.<sup>41</sup> Instead of examining ways to make the program more burdensome for ETCs and consumers, the Commission should focus on assessing whether centralized administration and comprehensive database resources can offer a less burdensome and more effective solution to verification issues.

## **5. Consistency of Eligibility and Certification Requirements.**

SBI has advocated in its Comments that the Commission should adopt a standardized set of eligibility and verification rules for all states and territories, as a means of increasing efficiency and accuracy of reporting.<sup>42</sup>

Several commenters express the same view as SBI, pointing to the fact that a hodgepodge of varying state eligibility and verification requirements adds to carriers' costs and burdens. AT&T, for example, argues that differing federal and state requirements significantly complicate and increase the cost of a service provider's participation, and can be a source of custom-

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<sup>40</sup> Nebraska PSC Comments at pp. 5-6. *See* Missouri PSC Comments at p. 7 (suggesting that ETCs should be required to verify annually a minimum percentage of low-income program participants, and that "[a]n alternative but more thorough approach is to simply require annual verification of all customers which many companies already conduct").

<sup>41</sup> MAG-Net Comments at p. 14.

<sup>42</sup> SBI Comments at p. 9.

er confusion.<sup>43</sup> AT&T points out that these requirements have led many service providers to decide against participating in the Lifeline program. “Because states have adopted various eligibility, certification, and verification requirements, providers operating in multiple states cannot standardize their procedures and systems to take advantage of any efficiencies of scale; instead they must create state-specific processes and systems, further increasing their unrecoverable administrative costs.”<sup>44</sup>

Some commenters suggest that the Commission should establish minimum eligibility and verification requirements, which would serve as a floor for requirements and eligibility criteria that all states would be required to follow.<sup>45</sup> Although minimum federal standards applicable to all states and territories could be a step in the right direction, SBI disagrees that this approach would serve as a permanent resolution of the current problems identified by AT&T and other commenters. As SBI has pointed out in its Comments, Lifeline and Link Up are, after all, federal programs. Standardized requirements applicable across all state and territory jurisdictions would streamline administration of the program, reduce costs, and remove inappropriate burdens currently imposed on service providers.

Finally, SBI opposes the suggestion made by the Nebraska PSC that eligibility determination and verification should be handled at the state level, and must be done on a state-by-state basis. Because of its view that the states are on the “front lines” of these eligibility issues, the Nebraska PSC reasons that the states should be given maximum flexibility in arriving at rules and requirements. In SBI’s view, there is no reason to conclude that consumers would benefit from eligibility and verification rules that vary among the states and territories. Because there

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<sup>43</sup> AT&T Comments at p. 3.

<sup>44</sup> *Id.* at p. 6. *See* SBI Comments at p. 9; TracFone Comments at p. 6; USTA Comments at p. 4.

<sup>45</sup> *See* Consumer Groups Comments at pp. 7, 22-23; CPUC Comments at pp. 12-13; NASUCA Comments at p. 6.

appear to be no such benefits, and because allowing variations among the states and territories clearly imposes costs and burdens on service providers, SBI cannot identify any public policy that would be served by mandating the type of state flexibility suggested by the Nebraska PSC.

**B. Automatic Enrollment.**

SBI has suggested in its Comments that the Commission should continue to encourage, but not require, states and territories to use automatic enrollment for Lifeline,<sup>46</sup> and that states and territories that decide on the implementation of an automatic enrollment program must follow uniform federal guidelines in order to avoid limitations on the eligibility of low-income consumers.<sup>47</sup>

Several commenters argue that the Commission should not impose a requirement that states must develop and implement automatic enrollment mechanisms, agreeing with SBI<sup>48</sup> that budgetary constraints make a mandatory rule inadvisable. For example, the Florida PSC indicates that, although it has implemented a Lifeline automatic enrollment process in Florida, “the FCC should not impose a mandatory automatic enrollment requirement for Lifeline on states . . . [b]ecause of current state budgetary constraints . . . .”<sup>49</sup>

MAG-Net advances a persuasive case for the reasonableness of a Commission-imposed automatic enrollment mechanism:

A Joint Board proposal to require such automatic enrollment opportunities would reflect the common sense awareness that those households eligible for other need-

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<sup>46</sup> SBI Comments at pp. 9-10.

<sup>47</sup> *Id.* at p. 10.

<sup>48</sup> *Id.* at p. 11.

<sup>49</sup> Florida PSC Comments at p. 5. *See* AT&T Comments at pp. 7-8; Consumer Groups Comments at pp. 17-18 (arguing that the Commission should “create an incentive for states to begin to move along a continuum of automatic enrollment activities”); CPUC Comments at 13-14 (indicating that the CPUC would support a federal mandate for automatic enrollment only if the federal government provided the necessary funding, and if the privacy and security of customer information is sufficiently addressed); NASUCA Comments at pp. 7-8; Nebraska PSC Comments at p. 4; PR Wireless Comments at p. 11.

based programs likely cannot afford full-priced, advanced telecommunications services. Such an automatic enrollment process would also eliminate cumbersome administrative burdens and costs, and likely would increase participation of eligible households. The decision also comes without much risk of waste, fraud, and abuse, as the process would depend on the determinations of public agencies that already verify eligibility for these various other federal and state need-based programs.<sup>50</sup>

SBI does not necessarily disagree with this analysis, but reiterates the hard fact that current economic conditions and state budgetary problems appear to make an automatic enrollment mandate impractical unless sources of federal funding could be identified and utilized.

As the Consumer Groups suggest, it makes more sense in the present circumstances for the Commission to encourage states to explore moving along a continuum in the direction of automatic enrollment mechanisms, since these mechanisms would lessen burdens on consumers and enable greater participation in the Lifeline program. SBI believes this is the most appropriate role for the Commission to play, with three caveats that SBI has discussed in its Comments.

First, automatic enrollment mechanisms employed by the states or territories must not prevent consumers from qualifying for Lifeline under household income criteria.<sup>51</sup> Second, state automatic enrollment mechanisms should utilize more than one federal program for eligibility purposes.<sup>52</sup> And, third, automatic enrollment systems should be structured to ensure that incumbents carriers are not selected by default as the service providers for automatically enrolled customers, to the detriment of competitive ETCs, and to eliminate any other potentially anticompetitive effects.<sup>53</sup>

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<sup>50</sup> MAG-Net Comments at 11. *See* Community Voice Mail National Office (“CVMN”) Comments at p. 3 (supporting automatic enrollment programs but noting that “it will be a long time before this level of data integration is possible”).

<sup>51</sup> SBI Comments at p. 10.

<sup>52</sup> *Id.*

<sup>53</sup> *Id.*

### C. Electronic Certification and Verification of Eligibility.

SBI has expressed support for the establishment of a centralized electronic mechanism for certification and verification of Lifeline eligibility, so long as any such mechanism contains sufficient safeguards to protect consumer privacy, and avoids any inadvertent disqualification of eligible consumers or anticompetitive effects.<sup>54</sup>

There is virtually unanimous support for SBI's position among commenters addressing this issue. Verizon, for example, argues that a national database to process enrollment, certification, and verification in real time "could dramatically improve the efficiency of the program."<sup>55</sup> The Nebraska PSC points out that "[a] national database maintained by USAC or other designated body with a goal toward 'real time' verification, would be more efficient both initially and on an on-going basis . . . ."<sup>56</sup> This record reflects wide agreement that Joint Board recommendations aimed at facilitating the development and implementation of electronic certification and verification processes would benefit consumers by enhancing the efficient and effective administration of the Lifeline program.

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<sup>54</sup> *Id.* at p. 11.

<sup>55</sup> Verizon Comments at p. 5. Verizon also proposes the designation of a central administrator, such as USAC, that would interface with state social service agencies and other organizations. *Id.* at pp. 5-6.

<sup>56</sup> Nebraska PSC Comments at p. 6. *See* AT&T Comments at pp. 9-11; CVMN Comments at p. 3; Florida PSC Comments at pp. 5-6 (describing a pilot program in Florida pursuant to which ETCs have access to a computer portal enabling them to verify in real time whether Lifeline applicants are enrolled in qualifying eligible programs); MAG-Net Comments at p. 11; Nexus Communications, Inc., Comments at p. 3; SBI Comments at p. 11; TracFone Comments at p. 8; YourTel Comments at p. 5. *But see* CPUC Comments at pp. 17-18 (indicating that CPUC has established an online certification process for applicants qualifying under program-based eligibility criteria, but that the CPUC has had "only limited take rates from customers on the online process[,] due in part to "lack of access by low-income consumers to computers and Internet access service"). These problems described by the CPUC would not likely occur in the case of centralized eligibility and verification databases that the designed for access by government agencies or ETCs.

**D. Modification of the “One-Per-Household” Requirement.**

In its Comments, SBI suggests that the Joint Board should recommend modifications to the one-per-household rule in light of significant changes in the way in which consumers utilize telephone services.<sup>57</sup>

MAG-Net echoes the concerns expressed by SBI, arguing that the Joint Board should not focus on steps to compel greater compliance with the rule, but instead “should reconsider the one-per-household rule and recommend its revision or elimination.”<sup>58</sup> MAG-Net reasons that “[i]n the way that low-income consumers should not have to choose between other basic necessities and utilities, a low-income consumer should not have to choose between a wireline and a wireless connection when seeking access to modes of communication.”<sup>59</sup>

Given the Commission’s commitment to ensuring that low-income consumers have access to affordable telecommunications and information services, SBI believes that the time is right for the Commission to overhaul the one-per-household rule so that low-income consumers are able to utilize the benefits of mobile wireless telecommunications and information services in a manner comparable to other consumers. As SBI has noted in its Comments, the drawbacks of the current one-per-household rule are particularly with respect to the Navajo Nation and other tribal communities, in light of the economic and other deprivations faced by many Native Americans and the woefully inadequate levels of telephone service being provided on tribal lands.<sup>60</sup>

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<sup>57</sup> SBI Comments at pp. 3-4. SBI explains that many households now subscribe to more than one wireless telephone account on a routine basis. *Id.*

<sup>58</sup> MAG-Net Comments at p. 12. *See* PR Wireless Comments at pp. 11-12.

<sup>59</sup> MAG-Net Comments at p. 12.

<sup>60</sup> *See* SBI Comments at p. 3.

### **E. Duplicate Claims for Lifeline Support.**

In addition to advocating modifications to the one-per-household rule, SBI also has suggested in its Comments that the Commission should eliminate the prohibition on customers receiving Lifeline discounts from multiple providers.<sup>61</sup> This policy recommendation found support in the comments of MAG-Net and PR Wireless.<sup>62</sup> If the Commission is reluctant to repeal this prohibition, then SBI has proposed that the Joint Board should recommend that ETCs should not be made responsible for ensuring that consumers do not receive Lifeline discounts from multiple providers.<sup>63</sup>

Several parties agree that ETCs should not be burdened with the responsibility of policing “double dipping” and suggest measures that could be taken to enforce the rule without assigning to service providers the task of ferreting out duplicate discounts. AT&T, for example, argues that any expansion of an ETC’s role “beyond simply accepting a customer’s certification raises significant privacy and competitive issues”<sup>64</sup> and Verizon points out that a “Lifeline provider has no way of knowing if a beneficiary is inappropriately receiving subsidized service from another provider[,]”<sup>65</sup> and “Lifeline providers cannot be expected to exchange customer information and make a judgment as to which provider should extend Lifeline benefits to an eligible program participant.”<sup>66</sup>

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<sup>61</sup> *See id.* at pp. 5-6.

<sup>62</sup> *See* MAG-Net Comments at p. 12; PR Wireless Comments at pp. 13-14.

<sup>63</sup> *See* SBI Comments at p. 6.

<sup>64</sup> AT&T Comments at p. 13.

<sup>65</sup> Verizon Comments at p. 5. *See* YourTel Comments at p. 5 (observing that, because there are “no tools in place today for carriers to ensure [a customer’s] self-certification is valid, it is impossible to expect that carriers would currently be playing a role in verifying this portion of the self-certification”).

<sup>66</sup> Verizon Comments at p. 5.

The Florida PSC agrees with the latter point made by Verizon, indicating that “[b]ecause of confidentiality issues, providers of Lifeline service have no way to cross-check other Lifeline provider databases to determine if [a] consumer is already receiving Lifeline service.”<sup>67</sup>

Options are available for checking whether customers are receiving duplicate Lifeline discounts without requiring service providers to perform this function. For example, the DC PSC expresses the view that an effective auditing program could protect against duplicate Lifeline discounts. “It may be appropriate to require that USAC audit federal subscriber lists in each state on a regular basis and share the results of those audits with state public utility commissions.”<sup>68</sup>

The record in this proceeding supports the conclusion that the Commission’s current rule, combined with mechanisms such as USAC audits, should serve as a sufficient safeguard against customers receiving Lifeline discounts from more than one service provider. The record also reinforces SBI’s concern that service providers should not be required to gather evidence of multiple discounts or to initiate any actions to eliminate double dipping.

#### **F. Consumer Outreach.**

SBI contends in its Comments that the current Lifeline outreach guidelines, combined with the annual ETC recertification process, ensure adequate outreach efforts by ETCs, and that any attempt by the Commission to replace the guidelines with specific outreach requirements “would create innumerable problems as carriers attempt to apply them in areas with widely diverging cultures, economies, local governments, and demographics.”<sup>69</sup>

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<sup>67</sup> Florida PSC Comments at p. 7.

<sup>68</sup> DC PSC Comments at p. 5. *See* CPUC Comments at 19 (suggesting that for wireless ETCs, the Commission should consider establishing a national process or system, such as a master database, that could be used by the Commission to cross-check applications in each state); Florida PSC Comments at p. 8; YourTel Comments at p. 5.

<sup>69</sup> SBI Comments at p. 11.

Numerous parties agree with SBI that the current outreach guidelines are sufficient, and that the Commission should not prescribe mandatory outreach requirements. Specifically, CPUC opposes any “one-size-fits-all set of outreach requirements[,]”<sup>70</sup> the Florida PSC states that it “would not recommend that the FCC adopt mandatory outreach requirements for ETCs’ compliance[,]”<sup>71</sup> and TracFone concludes that “the current outreach requirements and guidelines are sufficient to promote consumer awareness of the universal service low-income programs.”<sup>72</sup>

SBI agrees with several commenters who argue that, rather than adopting mandatory outreach requirements applicable to service providers, a more effective step would be for the Commission to provide for a greater role for state agencies. USTA argues generally that “consistent government outreach is best and most appropriate[,]”<sup>73</sup> and CPUC points out that “[e]ncouragement or even a requirement from the Federal government for social service agencies, especially those that receive Federal funding and are included in the approved list of public assistance programs for Federal Lifeline eligibility, to participate in educating consumers about Lifeline programs would be beneficial.”<sup>74</sup>

SBI also endorses a modification to the current guidelines suggested by MAG-Net. Specifically, MAG-Net argues that the guidelines should be modified to promote “efforts to increase

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<sup>70</sup> CPUC Comments at p. 26.

<sup>71</sup> Florida PSC Comments at p. 11.

<sup>72</sup> TracFone Comments at p. 12. See AT&T Comments at pp. 16-17; SBI Comments at p. 11; Verizon Comments at pp. 11-12.

<sup>73</sup> USTA Comments at p. 7. SBI also agrees with USTA’s suggestion that the Commission should reject USAC’s erroneous interpretation of the Commission’s rules, whereby USAC has claimed that any service provider publicizing the availability of Lifeline service must include in its advertising a reference to all the supported services listed in Section 54.101(a) of the Commission’s Rules. See USTA Comments at p. 8.

<sup>74</sup> CPUC Comments at p. 25. See AT&T Comments at pp. 16-17; Nebraska PSC Comments at p. 7 (arguing that there should be more coordination between state regulatory commissions and state social service agencies for outreach purposes); NHMC Comments at 3 (favoring a more active role by state social services agencies); YourTel Comments at p. 6.

consumer awareness of the federal and state Lifeline and Link-Up programs should be adapted to promote mobile and broadband services in addition to traditional landline telephony offerings.”<sup>75</sup> Such a change to the current guidelines would be in keeping with the growing consumer preference for mobile wireless services.

Finally, two commenters advocate the imposition of mandatory outreach requirements on service providers. The Consumer Groups claim that such requirements are justified because they could help to improve program participation rates,<sup>76</sup> and Benton recommends the adoption of strong outreach requirements because “ETCs benefit directly from the programs and should be required to meet their obligations regarding outreach.”<sup>77</sup>

SBI agrees that more extensive outreach programs could improve the level of participation in Lifeline and Link Up by low-income consumers. The issue, however, is determining the entities that should bear the responsibility for this heightened outreach effort. SBI, along with numerous other commenters, believes that it would make the most sense to engage state social services agencies in these outreach endeavors. Many of these agencies already have a strong nexus with low-income consumers, making it likely that these contacts could be leveraged in outreach efforts aimed at informing the agencies’ low-income clients regarding the availability of Lifeline and Link Up assistance.

Benton’s concern seems to be that ETCs are not meeting their obligations regarding outreach.<sup>78</sup> To the extent there is any basis for this perception,<sup>79</sup> the solution does not lie in the

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<sup>75</sup> MAG-Net Comments at p. 15.

<sup>76</sup> Consumer Groups Comments at p. 29.

<sup>77</sup> Benton Comments at p. 9.

<sup>78</sup> *Id.*

<sup>79</sup> SBI can vouch for the fact that it takes its outreach responsibilities seriously and that it engages in extensive outreach efforts, including the production and use of advertising materials and brochures

Commission's adoption of onerous mandatory outreach requirements aimed at ETCs, but rather in more effective monitoring of service providers' adherence to the existing guidelines.

### III. CONCLUSION.

There is considerable common ground in this proceeding for the view that the Commission should take several actions that will enhance the opportunity for low-income consumers to participate in the Lifeline and Link Up program, thus enabling these consumers to obtain affordable wireline and wireless telephone services that are comparable to the services available to other consumers in urban areas. At the same time, there is widespread agreement that the Commission should refrain from imposing additional requirements and burdens that would likely add to the costs of service providers and discourage participation in the program.

SBI respectfully requests the Joint Board to take these consensus views into account as it formulates recommendations to the Commission regarding Lifeline and Link Up eligibility, verification, and outreach issues.

Respectfully submitted,



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July 30, 2010

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for the general public that are adapted to reach different communities of interest. *See* SBI Comments at p. 11.