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Part II

Federal Communications Commission

47 CFR Part 54
Lifeline and Link Up Reform and Modernization; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Proposed Rule

FEDERAL COMMUNICATIONS COMMISSION

47 CFR Part 54

[WC Docket Nos. 11–42 and 03–109, CC Docket No. 96–45; FCC 11–32]

Lifeline and Link Up Reform and Modernization; Federal-State Joint Board on Universal Service; Lifeline and Link-Up

AGENCY: Federal Communications Commission.

ACTION: Proposed rule.

SUMMARY: In this document, the Federal Communications Commission (Commission) puts forward a set of proposals to reform and modernize Lifeline/Link Up, including recommendations of the Federal-State Joint Board on Universal Service, Government Accountability Office, and the National Broadband Plan. The reforms proposed will significantly bolster protections against waste, fraud, and abuse; control the size of the program; strengthen program administration and accountability; improve enrollment and outreach efforts; and support pilot projects that would assist the Commission in assessing strategies to increase broadband adoption, while not increasing overall program size.

DATES: Comments are due on or before April 21, 2011, reply comments on Sections IV, V (Subsection A), VII (Subsections B & D) are due on or before May 10, 2011, and reply comments on the remaining sections are due on or before May 25, 2011.

ADDRESSES: You may submit comments, identified by CC Docket No. 96–45 and WC Docket Nos. 03–109 and 11–42, by any of the following methods:

- *Federal eRulemaking Portal: http://www.regulations.gov.* Follow the instructions for submitting comments.
- *Federal Communications Commission's Web Site: http://fjallfoss.fcc.gov/ecfs2/.* Follow the instructions for submitting comments.
- *People with Disabilities:* Contact the FCC to request reasonable accommodations (accessible format documents, sign language interpreters, CART, *etc.*) by e-mail: *FCC504@fcc.gov* or phone: (202) 418–0530 or TTY: (202) 418–0432.
- In addition to filing comments with the Secretary, a copy of any comments on the Paperwork Reduction Act information collection requirements contained herein should be submitted to the Federal Communications Commission via e-mail to *PRA@fcc.gov* and to *Cathy.Williams@fcc.gov* and to Nicholas A. Fraser, Office of Management and Budget, via e-mail to *Nicholas_A._Fraser@omb.eop.gov* or via fax at 202–395–5167.

For detailed instructions for submitting comments and additional information on the rulemaking process, *see* the **SUPPLEMENTARY INFORMATION** section of this document.

FOR FURTHER INFORMATION CONTACT: Kimberly Scardino, Wireline Competition Bureau, (202) 418–1442 or TTY: (202) 418–0484. For additional information concerning the Paperwork Reduction Act information collection requirements contained in this document contact Cathy Williams on (202) 418–2918.

SUPPLEMENTARY INFORMATION: This is a synopsis of the Commission's Notice of Proposed Rulemaking (NPRM) in WC Docket Nos. 03–109 and 11–42, CC Docket No. 96–45, FCC 11–32, adopted March 3, 2011, and released March 4, 2011. The complete text of this document is available for inspection and copying during normal business hours in the FCC Reference Information Center, Portals II, 445 12th Street, SW., Room CY–A257, Washington, DC 20554. The document may also be purchased from the Commission's duplicating contractor, Best Copy and Printing, Inc., 445 12th Street, SW., Room CY–B402, Washington, DC 20554, telephone (800) 378–3160 or (202) 863–2893, facsimile (202) 863–2898, or via the Internet at *http://www.bcpiweb.com.* It is also available on the Commission's Web site at *http://www.fcc.gov.*

Pursuant to §§ 1. 1.415 and 1.419 of the Commission's rules, interested parties may file comments and reply comments on or before the dates indicated on the first page of this document. Comments may be filed using: (1) The Commission's Electronic Comment Filing System (ECFS); (2) the Federal Government's eRulemaking Portal; or (3) by filing paper copies. *See* Electronic Filing of Documents in Rulemaking Proceedings, 63 FR 24121, May 1, 1998.

- *Electronic Filers:* Comments may be filed electronically using the Internet by accessing the ECFS: *http://www.fcc.gov/cgb/ecfs/*or the Federal eRulemaking Portal: *http://www.regulations.gov.* Filers should follow the instructions provided on the Web site for submitting comments.
  - For ECFS filers, if multiple docket or rulemaking numbers appear in the caption of this proceeding, filers must transmit one electronic copy of the comments for each docket or rulemaking number referenced in the caption. In completing the transmittal screen, filers should include their full name, U.S. Postal Service mailing address, and the applicable docket or rulemaking number. Parties may also submit an electronic comment by Internet e-mail. To get filing instructions, filers should send an e-mail to *ecfs@fcc.gov,* and include the following words in the body of the message, "get form." A sample form and directions will be sent in response.
  - *Paper Filers:* Parties who choose to file by paper must file an original and four copies of each filing. If more than one docket or rulemaking number appears in the caption of this proceeding, filers must submit two additional copies for each additional docket or rulemaking number.
- Filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail (although we continue to experience delays in receiving U.S. Postal Service mail). All filings must be addressed to the Commission's Secretary, Office of the Secretary, Federal Communications Commission.
  - The Commission's contractor will receive hand-delivered or messenger-delivered paper filings for the Commission's Secretary at 236 Massachusetts Avenue, NE., Suite 110, Washington, DC 20002. The filing hours at this location are 8 a.m. to 7 p.m. All hand deliveries must be held together with rubber bands or fasteners. Any envelopes must be disposed of before entering the building.
  - Commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail) must be sent to 9300 East Hampton Drive, Capitol Heights, MD 20743.
  - U.S. Postal Service first-class, Express, and Priority mail should be addressed to 445 12th Street, SW., Washington, DC 20554.

In addition, one copy of each pleading must be sent to the Commission's duplicating contractor, Best Copy and Printing, Inc, 445 12th Street, SW., Room CY–B402, Washington, DC 20554; Web site: *http://www.bcpiweb.com;* phone: 1–800–378–3160. Furthermore, three copies of each pleading must be sent to Kimberly Scardino, Telecommunications Access Policy Division, Wireline Competition Bureau, 445 12th Street, Room 5–B448, Washington, DC 20554; e-mail *Kimberly.Scardino@fcc.gov,* and Charles Tyler, Telecommunications Access Policy Division, Wireline Competition Bureau, 445 12th Street, SW., Room 5–A452, Washington, DC 20554; e-mail: *Charles.Tyler@fcc.gov.*

Filings and comments are also available for public inspection and copying during regular business hours at the FCC Reference Information Center, Portals II, 445 12th Street, SW., Room CY–A257, Washington, DC 20554. Copies may also be purchased from the Commission's duplicating contractor, BCPI, 445 12th Street, SW., Room CY–B402, Washington, DC 20554. Customers may contact BCPI through its Web site: *http://www.bcpiweb.com,* by e-mail at *fcc@bcpiweb.com,* by telephone at (202) 488–5300 or (800) 378–3160 (voice), (202) 488–5562 (tty), or by facsimile at (202) 488–5563.

To request materials in accessible formats for people with disabilities (braille, large print, electronic files, audio format), send an e-mail to *fcc504@fcc.gov* or call the Consumer & Governmental Affairs Bureau at (202) 418–0530 (voice) or (202) 418–0432 (TTY). Contact the FCC to request reasonable accommodations for filing comments (accessible format documents, sign language interpreters, CART, *etc.*) by e-mail: *FCC504@fcc.gov;* phone: (202) 418–0530 or TTY: (202) 418–0432.

To view or obtain a copy of this information collection request (ICR) submitted to OMB: (1) Go to this OMB/GSA Web page: *http://www.reginfo.gov/public/do/PRAMain,* (2) look for the section of the Web page called "Currently Under Review," (3) click on the downward-pointing arrow in the "Select Agency" box below the "Currently Under Review" heading, (4) select "Federal Communications Commission" from the list of agencies presented in the "Select Agency" box, (5) click the "Submit" button to the right of the "Select Agency" box, and (6) when the list of FCC ICRs currently under review appears, look for the OMB control number of this ICR as shown in the Supplementary Information section below (or its title if there is no OMB control number) and then click on the ICR Reference Number. A copy of the FCC submission to OMB will be displayed.

For further information regarding this proceeding, contact Kimberly Scardino, Wireline Competition Bureau at (202) 418–1442, *Kimberly.Scardino@fcc.gov.*

Initial Paperwork Reduction Act of 1995 Analysis

This document contains proposed information collection requirements. The Commission, as part of its continuing effort to reduce paperwork burdens, invites the general public and the Office of Management and Budget (OMB) to comment on the information collection requirements contained in this document, as required by the Paperwork Reduction Act of 1995, Public Law 104–13. Public and agency comments are due May 23, 2011.

Comments on the proposed information collection requirements should address: (a) Whether the proposed collection of information is necessary for the proper performance of the functions of the Commission, including whether the information shall have practical utility; (b) the accuracy of the Commission's burden estimates; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on the respondents, including the use of automated collection techniques or other forms of information technology. In addition, pursuant to the Small Business Paperwork Relief Act of 2002, Public Law 107–198, *see* 44 U.S.C. 3506(c)(4), we seek specific comment on how we might further reduce the information collection burden for small business concerns with fewer than 25 employees.

OMB Control Number: 3060–0819.

Tile: Lifeline Assistance (Lifeline) Connection Assistance (Link-Up) Reporting Worksheet and Instructions (47 CFR 54.400–54.417).

Form Number: 497.

Type of Review: Revision of a currently approved collection.

Respondents: Individuals or households; Business or other for-profit.

Number of Respondents and Responses: 8,601,400 respondents; 8,601,400 responses.

Estimated Time per Response: 2.5 Hours.

Obligation to Respond: Required to retain benefits.

Frequency of Response: On occasion, Monthly, Annually, Other 1-Time.

Total Annual Burden: 878,874 hours.

Annual Cost Burden: $829,487.5.

Privacy Impact Assessment: Yes. The Commission is preparing the Privacy Impact Assessment.

Nature and Extent of Confidentiality: The Commission is not requesting that the respondents submit confidential information to the FCC. Respondents may, however, request confidential treatment for information they believe to be confidential under 47 CFR 0.459 of the Commission's rules.

Needs and Uses: Eligible Telecommunications carriers are permitted to receive universal service support reimbursement for offering certain services to qualifying low-income customers. The telecommunciations carriers must file FCC Form 497 to solicit reimbursement. Collection of this data is necessary for the administor to accurately provide settlements for the low-income programs according to Commission rules. The Commission has issued a Notice of Proposed Rulemaking (FCC 11–32) that proposes new and/or modified Commission rules to improve the effectiveness of the low-income support mechanism. As part of the Lifeline and Link Up Reform and Modernization NPRM, the Commission proposes a series of revisions to the information collected by ETCs and their Lifeline and Link Up subscribers, and provided to USAC to strengthen protections against waste, fraud, and abuse. The NPRM also proposes a Lifeline Broadband Pilot Program.

I. Introduction

1. Lifeline and Link Up are a critical part of the Commission's universal service mission, ensuring that we implement Congress's directive to ensure the availability of basic communications services to all Americans, including low-income consumers. For more than two decades, Lifeline and Link Up (together, "Lifeline/Link Up" or "the program") have helped tens of millions of Americans afford basic phone service, providing a "lifeline" for essential daily communications as well as emergencies. But recent technological, market, and regulatory changes have put increasing strain on the program. Today, we begin to comprehensively reform and modernize the Lifeline and Link Up program. Building on proposals from the National Broadband Plan, as well as recent recommendations from the Federal-State Joint Board on Universal Service ("Joint Board") and the Government Accountability Office (GAO), the reforms proposed here will significantly bolster protections against waste, fraud, and abuse; control the size of the program; strengthen program administration and accountability; improve enrollment and outreach efforts; and support pilot projects that would assist the Commission in assessing strategies to increase broadband adoption, while not increasing overall program size.

2. Our effort is consistent with the Commission's ongoing commitment to re-examine and modernize all components of USF to increase accountability and efficiency, while supporting broadband deployment and adoption. The Commission has already made important strides in this area: We have modernized our E-rate program so schools and libraries can get faster Internet connections and access 21st century learning tools. We have proposed changes to our rural health

care program so patients at rural clinics can benefit from broadband-enabled care such as remote consultations with specialists anywhere in the country. And we have proposed a Mobility Fund and a Connect America Fund to spur the build out of broadband networks, both mobile and fixed, in areas of the country that are uneconomic to serve.

3. The Commission has not systematically re-examined Lifeline/Link Up since the passage of the 1996 Act. During this period, consumers have increasingly turned to wireless service, and Lifeline/Link Up now provides many participants discounts on wireless phone service. In the last several years, Lifeline/Link Up has grown significantly, from an inflation-adjusted $667 million in 2000 to $1.3 billion in 2010, with new participation by firms, such as pre-paid wireless providers, that focus on serving low-income consumers. The time has come to review the program holistically, address the risks and challenges it now presents, and ensure that it is on a firm footing to efficiently and effectively achieve its statutory purpose.

4. Accordingly, last year the Commission asked the Joint Board to recommend reforms focused on eliminating waste, fraud, and abuse; controlling costs; and improving program performance and accountability. In response, the Joint Board recommended that the Commission: (1) Encourage automatic enrollment as a best practice for all States; (2) adopt uniform minimum verification procedures and sampling criteria that would apply to all ETCs in all States; (3) allow States to utilize different and/or additional verification procedures so long as these procedures are at least as effective in detecting waste, fraud, and abuse as the uniform minimum required procedures; (4) require all ETCs in all States to submit the data results of their verification sampling to the Commission, the States, and the Universal Service Administrative Company and make the results publicly available; and (5) adopt mandatory outreach requirements for all ETCs that receive low-income support and maintain advisory guidelines for States with respect to performing low-income outreach. We seek comment on the Joint Board's recommendations here. The Wireline Competition Bureau has also taken a number of steps to combat waste, fraud, and abuse, including requiring one provider to contact annually all of its Lifeline subscribers to ensure those customers are only receiving one benefit per household and requiring another provider to remove customers from its Lifeline roster if they do not use their phones for sixty days. And late last year, the GAO issued a report with recommendations for program reforms, which also inform our proposals here.

5. This Notice of Proposed Rulemaking (NPRM) puts forward a set of proposals to reform and modernize Lifeline/Link Up, including recommendations of the Joint Board, GAO, and the National Broadband Plan.

6. We begin by proposing specific performance goals for the program, and metrics to measure its performance in advancing the universal service objectives established by Congress. We then propose immediate steps to address waste, fraud, and abuse and to bolster mechanisms to detect and deter rule violations. In particular, we propose to strengthen our rules and improve the incentives of program participants to ensure that the program does not provide multiple, duplicative discounts to the same residential address. We also propose to eliminate reimbursement for certain services, including initiation fees that may be inflated or selectively applied only to low-income households. To reduce waste by ensuring that the program supports only communications services that consumers actually use, we propose to eliminate funding for services that go unused for more than sixty days. We seek comment on expanding oversight, including through more extensive audits. We also seek comment on a proposal to impose an annual funding cap on Lifeline/Link Up, either temporarily—until implementation of the reforms proposed in this NPRM—or permanently.

7. This NPRM also addresses the unique situations facing residents on Tribal lands, who historically have had phone penetration substantially below the national average. We propose to clarify eligibility requirements for low-income Tribal households, and to permit Tribal enrollment based on participation in the Food Distribution Program on Indian Reservations.

8. This NPRM also seeks comment on a number of proposals to streamline and improve overall program administration. We ask whether the current system—in which responsibility for enrolling customers and ensuring their continued eligibility is split among carriers, State agencies, and third-party administrators—provides the right framework for prudent management of public resources and effective program administration. We propose to require all States to utilize the same baseline eligibility requirements that exist in our Federal rules, which could streamline enrollment and facilitate verification of ongoing eligibility, and seek comment on allowing States to use eligibility standards that supplement the minimum Federal uniform standards. Consistent with the recommendation of the Joint Board, we propose uniform national standards for the minimum verification of ongoing customer eligibility to stay enrolled in Lifeline and seek comment on whether States should be permitted to impose additional verification requirements beyond that Federal standard. We also seek comment on a proposal to use an automated information management system to prevent duplicate claims for support, provide real-time electronic verification of consumer eligibility, and provide a means of ongoing verification of eligibility.

9. We also ask how the program should be modernized in light of significant marketplace changes in the last fifteen years. We seek to develop a record on what basic services the program should support, and we seek comment on whether the current framework for determining reimbursement levels remains appropriate in an environment when many service offerings are not rate regulated.

10. We also propose reforms to put Lifeline/Link Up on a more solid footing to achieve Congress's goal of addressing the 21st century challenge of helping low-income households adopt broadband. Although access to affordable voice service remains vital to consumers, supporting basic voice service alone may no longer be adequate to meet the basic communications needs of low-income Americans. Broadband is becoming an essential communications platform. Broadband can help working parents stay involved in their child's education, enroll in and complete a distance-learning class to improve professional skills, and complete everyday tasks like paying bills and shopping for necessities. Broadband can help children in inner-city neighborhoods and remote rural towns access high-quality online educational content that might not otherwise be available to them. Broadband can help the unemployed search for jobs and apply for job postings, many of which are simply not available offline.

11. But many low-income Americans cannot afford a home broadband connection. Our 2010 Broadband Consumer Survey found that while 93 percent of households with incomes greater than $75,000 have broadband at home, only 40 percent of adults with household incomes less than $20,000 have broadband at home. And consumers cited cost as a primary

obstacle to adoption. This gap in broadband adoption is significantly greater than the gap in telephone penetration rates. While Lifeline and Link Up have significantly narrowed the telephone subscribership gap between low-income households and the national average, a new divide has emerged for broadband.

12. Consistent with our statutory obligation to ensure access to quality, affordable communications, we seek comment on proposals to ensure Lifeline and Link Up meet the modern communications needs of low-income consumers. In particular, we propose that eligible households be permitted to use Lifeline discounts on bundled voice and broadband service offerings. We also seek comment on how best to design a broadband pilot program that will help inform the Commission's inquiry into meeting the 21st century communications needs of low-income consumers.

II. Establishing Program Goals and Measuring Performance

13. As we move forward to reform and modernize the Commission's low-income support mechanisms, we seek comment on the program's performance goals, consistent with our statutory obligations, and on how best to measure the program's performance in achieving those goals.

14. In establishing performance goals, we are guided in the first instance by the Act. Section 254(b) outlines the principles upon which the Commission and the Joint Board are to base policies for the "preservation and advancement of universal service." These principles include the notion that quality services should be available at "just, reasonable and affordable" rates, and that consumers in all regions of the nation, including low-income consumers, should have access to telecommunications and information services that are reasonably comparable to services in urban areas at reasonably comparable rates. The statute specifies that there should be specific, predictable, and sufficient Federal and State mechanisms to preserve and advance universal service. Section 254(c)(1) of the Act also sets forth certain criteria that we should consider when deciding what services are eligible for universal service support, including the extent to which those services are "essential to education, public health, or public safety;" and "consistent with the public interest, convenience, and necessity."

15. Historically, the primary goal for the Lifeline/Link Up program has been to facilitate the availability of affordable phone service to low-income households. Over time, telephone penetration rates for low-income consumers have increased, although they still remain below the national average and a six percent gap has remained relatively stable in recent years.

16. In 2007, the Commission took initial steps to improve the management of the low-income program by adopting measures of efficiency and effectiveness. At that time, however, the Commission concluded that it did not have sufficient data to determine appropriate performance goals. In 2010, GAO noted that while the Commission had developed performance measures, it had not quantified its goal of increased telephone subscribership among low-income households. GAO also noted the importance of developing baseline and trend data for past performance, and of identifying target performance levels for multi-year goals.

17. Clear performance goals and measures should enable the Commission to determine not just whether Federal funding is used for intended purposes, but whether that funding is accomplishing the program's ultimate objectives. We now propose to establish explicit performance goals in order to provide a basis for determining whether Lifeline/Link Up is successfully promoting and advancing the availability of quality services at just, reasonable, and affordable rates for low income consumers.

18. Consistent with the Act and GAO's recommendations, we seek comment on three specific goals and related performance measures for the Lifeline/Link Up program.

19. We propose that our first performance goal be to preserve and advance the availability of voice service for low-income Americans. We note the vital role that voice telephony continues to play for consumers, particularly for public safety and public health. We propose to define "availability" of voice service for purposes of Lifeline/Link Up to mean that low-income households have access to that service. We propose to adopt a goal of eliminating any difference in the availability of voice service for low-income consumers compared to non-low-income consumers.

20. We seek comment on how to measure availability of voice services for low-income households. The Commission has historically measured telephone penetration, which measures voice service subscriptions, as a proxy for availability. We propose to establish as an outcome measure the difference between voice service subscribership rates for low-income households eligible for the Lifeline and Link Up program and voice service subscribership rates for the households in the next higher income level as defined in the CPS. Based on the most recent information this would suggest a target subscribership rate for low-income households of 96.9 percent, which is the subscribership rate for households with incomes in the $35,000–$39,999 range. We seek comment on whether we should use another measure of availability. We seek comment on how we should define "low-income household" for the purpose of this performance goal in light of the differing eligibility standards that exist today from State to State. For instance, for simplicity, should we use 135% of the Federal Poverty Guidelines for a family of four as the threshold for monitoring program performance? We seek comment on whether we should instead compare subscribership rates for eligible low-income households with some other measure, such as the mean or median subscribership rate for all non-low income households.

21. We propose as our second performance goal to ensure that low-income consumers can access supported services at just, reasonable, and affordable rates. We have concluded in the past that the concept of affordability has both an absolute and a relative component. The absolute component takes into account whether an individual has enough money to pay for a service, and the relative component takes into account whether the cost of a service would require a consumer to spend a disproportionate amount of his or her income on that service. Comparing subscribership or adoption rates among low-income households to nationwide subscribership and adoption rates may be useful in evaluating whether supported services are available to low-income households and affordable in absolute terms, but those comparisons may not be dispositive in evaluating whether low-income households can afford those services in relative terms. We seek comment on whether an appropriate performance measure for this goal would be to compare the percentage of low-income household income spent on a voice service to the percentage of household income spent on voice service for the next highest income range as identified by the Bureau of Labor Statistics.

22. As our third performance goal, we propose to ensure that our universal service policies provide Lifeline/Link Up support that is sufficient but not excessive to achieve our goals. Administering USF requires balancing

competing demands, recognizing that increased demand for funds imposes a greater contribution burden on consumers and businesses. As we have noted previously, the principles outlined in section 254 require us to ensure that quality services are affordable for all consumers but we must also be "mindful of the effects that expanded universal service mechanisms may have on consumers." This goal includes ensuring that the Lifeline/Link Up program is accountable and fiscally responsible, with support disbursed efficiently and effectively only to those who need it.

23. In the *Connect America Fund Notice,* 76 FR 11632, March 2, 2011, we sought comment on measuring the relative contribution burden on consumers over time, defined as total inflation-adjusted expenditures of the Fund each year, divided by the number of American households. We seek comment here on whether a similar measure would be appropriate for Lifeline/Link Up, specifically tracking whether the inflation-adjusted Lifeline/Link Up expenditure per American household is increasing or decreasing over time. In 2010, the contribution burden for Lifeline/Link Up was equivalent to approximately $0.95 per U.S. household per month.

24. We also recognize that a key component of achieving our goal of providing support that is sufficient but not excessive is to protect the universal service fund against waste, fraud, and abuse. That benefits consumers and keeps rates more affordable for all consumers by reducing the need to collect funds for the program that are not appropriately utilized. We propose a number of rule changes in this NPRM that would reduce waste, fraud, and abuse in the program. We seek comment on whether we should establish as a performance measure keeping erroneous payments in the program below a specified level, for instance by reducing levels of ineligible recipients to a specified percentage.

25. We also seek comment on appropriate efficiency metrics. For example, is there a way to measure increases in the percentage of low-income household subscribership relative to the amount of funding spent per household receiving Lifeline/Link Up? We seek comment on this and other measures of efficiency.

26. Although we are committed to taking all necessary steps to eliminate reduce waste, fraud, and abuse, we also recognize the potential negative impact of increased government regulatory burden, especially on small companies, of some of the measures that can assist in detecting and deterring waste, fraud and abuse. We seek comment on how best to balance these competing interests.

27. We seek comment on whether these three goals and associated performance measures are appropriate for the Lifeline/Link Up program and ask that commenters consider the reform proposals below in light of the proposed goals and performance measures outlined here. Are there additional or alternative goals and performance measures that we should consider? To the extent that these three goals and performance measures, or any others that the Commission may adopt, may be in tension with each other, commenters should suggest how we should prioritize among competing goals.

28. Last month we sought comment on whether broadband should be a supported service. If broadband becomes a supported service, should we adopt a performance goal of advancing the availability of broadband to low-income households? Analogous to our proposal in the voice context, we seek comment on whether the Commission should establish as an outcome measure the difference between the broadband penetration rates for low-income households and non-low-income households in the next higher income level as defined in the CPS, if broadband becomes a supported service. Should we consider broadband usage in addition to broadband adoption? Unlike voice service, there is a much larger gap in penetration rates for broadband between low-income households and the general population. Should we establish a specific numerical target for narrowing that gap over a particular time period?

29. If Lifeline is modernized to support broadband, how should we measure affordability for broadband? Should we measure affordability separately for voice, broadband, and bundled offerings? We seek comment on what data we would need to monitor the program's progress if we were to adopt such a performance measure, and the least burdensome means of obtaining such data.

30. We invite commenters to propose additional or alternative goals and measures for the program. We also seek comment on how our performance measures should take into account the actions of other governmental agencies, such as State regulators, that may impact the Commission's ability to meet its universal service goals. We note that developing the record on these issues is consistent with GAO's suggestions.

III. Immediate Reforms To Eliminate Waste, Fraud, and Abuse

31. We are committed to eliminating waste, fraud, and abuse in Lifeline/Link Up, and to identifying and penalizing program violations when they occur. We recognize that the recent expansion in program demand, as well as marketplace developments, present increased concerns about potential waste and misconduct. We propose to strengthen our rules to more rigorously ensure that the program subsidizes no more than one subscription per eligible residential address, and to improve audits of the program. We also propose rule changes to ensure that carriers are reimbursed only for the provision of Lifeline services to current customers. Finally, we propose to modify our rules to the extent that they offer unnecessary reimbursement to carriers for expenses that may be inflated or unjustified. The continued success of Lifeline/Link Up depends on targeting support to those who qualify, and ensuring that support does not extend beyond the confines of our rules.

A. Duplicate Claims

32. We propose rules that will reduce the likelihood that residents of a single address will receive more than one subsidized service through the program. We understand that there may be reasons to create limited exceptions to the one-per-residential-address rule that we propose in Section V. In this proceeding, we plan to develop a full record to craft appropriately narrow exceptions to application of this proposed rule. We intend to consult with ETCs, Tribal communities, the States, and other interested parties to devise a rule that maximizes the number of Americans with access to communications services, but also protects the fund from waste, fraud, and abuse.

33. In addition, it may be necessary for the Commission to take action on an interim basis while this proceeding is pending to address immediately the harm done to the Fund by USAC reimbursing ETCs for duplicate claims. The purpose of the Lifeline program is to provide telecommunications access to low-income subscribers. Recent audit results indicate there is a risk that a significant number of Lifeline consumers may be unnecessarily and improperly receiving support for more than one service per residential address. To address the problem of wasteful, duplicate Lifeline support, it may soon be necessary to adopt interim rules in this area while the record develops on

the issues on which we are seeking comment.

34. To ensure that Lifeline support is limited to the amount necessary to provide access to telecommunications service for low-income subscribers, we propose several approaches to address duplicative support. We propose to adopt a new section 54.408 and to adopt several amendments to sections 54.400, 54.405, and 54.410 that would facilitate the enforcement of a one-per-residential address limitation. We also propose to amend section 54.410 to require ETCs to submit to USAC unique household-identifying information for every supported household to help determine whether two or more ETCs are providing Lifeline-supported service to the same residential address. We also propose remedies to address situations in which a consumer has received duplicate support and to deter such abuses. These proposals are a first step in deterring waste, fraud, and abuse, and we recognize there may be other appropriate actions that would take longer to implement, such as the creation of a database.

35. With these proposed rules, we seek to create incentives for carriers to avoid requesting support for duplicative services, and to impose penalties for those who continue to do so. We also seek to ensure that our rules protect subscribers' privacy and service providers' proprietary business information.

36. *Measures To Assist in Detecting Duplicate Claims.* A unique household identifier may be helpful to ensure that a residential address does not receive more than one subscription that is subsidized by the program. Specifically, we seek comment on amending section 54.410 by requiring ETCs to provide such information as customer names, addresses, social security numbers (either the full number or the last four digits), birthdates, or other unique household-identifying information to USAC on their Forms 497. Would the benefits of requiring subscribers to provide such information outweigh the burdens, including possibly deterring some households from applying for benefits?

37. We seek comment on the best way to accomplish this efficiently and effectively consistent with privacy statutes, such as the Electronic Communications Privacy Act (ECPA) and section 222 of the Communications Act. For example, what information could an ETC be required to provide to USAC on its Form 497 that would ensure that a household is not receiving multiple subsidized subscriptions at the residence? What measures could USAC put in place to ensure compliance with ECPA or other applicable laws, such as requiring ETCs first to obtain subscriber consent to share information? To the extent that use of customer proprietary network information (CPNI) is needed to ensure that a subscriber at a single residential address is not receiving multiple subsidized subscriptions, how do commenters suggest we ensure compliance with section 222 of the Communications Act and our implementing rules? Are there other laws we need to consider and address? We also seek comment on how best to address any other concerns about privacy, security, or proprietary data issues resulting from collection of this data. To streamline enforcement, we propose to require all ETCs to provide USAC with data in a consistent electronic format to facilitate USAC's detection of duplicate claims. We seek comment on the burdens this would impose on carriers participating in the program.

38. *Remedies To Address Duplicate Claims.* On January 21, 2011, the Wireline Competition Bureau provided guidance to USAC on how to resolve duplicate subsidies when more than one ETC seeks support from USAC for the same subscriber. We propose to amend section 54.405 to codify this guidance. We propose that when a duplicate subsidy is discovered, USAC is to notify the ETCs to discontinue including the duplicate subscriber in their list of subscribers for which the ETCs are claiming Lifeline support on the FCC Form 497. ETCs must notify the subscriber by phone, and in writing where possible, and explain that the subscriber has 30 days to select one Lifeline provider or face de-enrollment from the program. Once the subscriber selects a single Lifeline provider for the household by signing a new certification, the chosen ETC must so notify USAC and the other ETC. The selected ETC may then seek reimbursement for the subscriber going forward, while the other ETC must de-enroll the household from its Lifeline service and may not seek reimbursement for that subscriber going forward. We seek comment on this proposal.

39. Several ETCs and trade associations have suggested an alternative duplicate resolution process to the Commission. Under their proposal, USAC would send written notification, approved by the Commission, to all subscribers it identifies as receiving duplicate Lifeline subsidies. Such notice would require them to select one Lifeline provider from a list of providers on a form, which the subscriber would send back to USAC within 30 days. USAC would, in turn, notify the affected ETCs about the written notification to the subscriber, and the ETCs would continue to provide Lifeline-supported service to the subscriber and seek reimbursement from the Fund until the USAC resolution process is complete. When USAC receives a completed form from the customer with its selection, it would notify only the ETC not selected by the subscriber, and that ETC would be required to de-enroll the subscriber from its Lifeline service. Under this proposal, if USAC does not receive a completed form from the customer, USAC would be instructed to either notify both ETCs to de-enroll the subscriber, or contact the subscriber by phone to determine the subscriber's provider selection. We seek comment on this proposal. Specifically, we seek comment on the advantages and disadvantages of USAC notifying the subscribers receiving duplicate support, as opposed to requiring ETCs to do so. Would subscribers be more or less likely to respond to an inquiry from USAC (an entity they likely are unfamiliar with) as opposed to their service provider? Would the form that USAC sends to the subscriber include every ETC serving the area or just the two ETCs involved with the request for duplicative support? To what extent would implementation of such a proposal increase administrative costs for USAC, and thereby impact the size of the Fund?

40. In the alternative, we could adopt a rule that when duplicate payments are identified, ETCs must notify the customer that they have 30 days to select a single ETC to provide Lifeline service going forward. If the customer makes a timely selection, the carrier not selected will no longer receive Lifeline support for that customer. If the customer fails to make a timely selection, the carrier that has provided continuous Lifeline service to the customer for the longest period of time would continue to receive Lifeline support and the other carrier would no longer receive support for that customer. We seek comment on this proposal.

41. We also seek comment on whether consumers receiving duplicative support should be de-enrolled in Lifeline after violating the one-per-residential-address requirement one or more times. After more than one duplicate subsidy is discovered, should the consumer listed as the subscriber, or the entire household, be de-enrolled from Lifeline? If de-enrollment is temporary, for how long should the exclusion from the program last? If

permanently, on what basis? Should we deny eligibility only if there is evidence of intent to violate the "single support per residential address" provision, or if this is not the subscriber or household's first such violation? Should we impose stricter penalties on a consumer or household with multiple violations? Should we impose stricter penalties on a household receiving more than two Lifeline/Link Up subsidies? Should we first provide an opportunity for the subscriber to demonstrate that the household's dual enrollment was due to an inadvertent mistake or misunderstanding of applicable requirements? What information would need to be collected and maintained by USAC in order to ensure that certain subscribers are prohibited from participating in the program in the future? If we do not permanently or temporarily bar such subscribers, what would be an appropriate remedy? Finally, we seek comment the potential impact on the telephone penetration rate among low-income households if this proposal were adopted.

42. We also propose a mechanism for reimbursing the Universal Service Fund in the event of duplicate claims. Our rules currently direct USAC to suspend or delay discounts, offsets, and support amounts provided to a carrier if the carrier fails to provide adequate verification of those discounts, offsets, or support amounts upon reasonable request, or "if directed by the Commission to do so." We propose that USAC be required to seek recovery for funds from all ETCs with duplicates for the applicable period—*i.e.,* if one or more individual residing at the same address have been obtaining Lifeline support from two or more providers simultaneously, USAC would be required to seek recovery from all implicated providers for all support received during the period of duplicative service, which we propose to define as the period beginning at the time a duplicate is identified until the time at which it can be demonstrated that the consumer or household is no longer receiving duplicate benefits. This approach would create appropriately strong incentives for providers to take measures to ensure that they are not seeking excessive support. We note that in this situation support would have been provided in contravention of our "single support per residential address" rule, and thus, arguably, neither ETC should have received support during the period of duplicative support. Further, if the customer does not reply to the notice and is terminated from Lifeline by both ETCs, we propose that USAC recover all Lifeline support sought for that subscriber from both ETCs for the period of time between when the duplicate was first identified to the point at which the customer is terminated from the Lifeline program. We seek comment on this proposal. We also seek comment on, alternatively, requiring that USAC seek recovery only from the ETC that is not chosen by the consumer for the period of time over which duplicate Lifeline support was provided. We seek comment on this proposal. Further, we seek comment on whether we should enable ETCs to avoid reimbursement obligations if they demonstrate responsible efforts to avoid duplicative funding. What would those efforts be and how could they be shown? Should we establish certain minimum safeguards that could act as a safe harbor for ETCs? Should we restrict recovery only upon a showing of negligence by the ETC? Should the ETCs be permitted to seek reimbursement for any recovered funds from the subscriber? For all of the above proposals, and any other approaches suggested by commenters, we seek comment on how we should determine the period of duplicative coverage.

43. *Addresses.* Several stakeholders have noted that customers have not been permitted to obtain Lifeline or Link Up service when using a P.O. Box as their mailing address. Rather, ETCs have required applicants seeking support to provide a unique residential address. This practice has been used to ensure that the subscriber is eligible for supported service and is not receiving more than one subsidized service. We note that the other information we propose to collect—such as name, birth date, and social security number—are unique to individuals but do not fully address concerns that different members of the same household are receiving subsidized service. In contrast, address information might be particularly suitable to prevent that situation. We seek comment on whether to codify as a rule the current practice of requiring unique residential addresses, in order to assist both ETCs and USAC in determining whether an applicant is already receiving Lifeline- or Link Up-supported services. Under such a rule, ETCs would be required to collect the residential addresses of their Lifeline and Link Up applicants before they provided discounted service. Even if a customer receives mail at a P.O. Box, the customer would have to provide a residential address to which its service would be tied.

44. We seek comment on this proposal. Are there circumstances where a residential address could not be provided? Are there privacy concerns that we should take into account when requiring customers to provide a residential address? How should we treat transient applicants who do not have a fixed address, or consumers who use rural route addresses, for whom there may be no other U.S. Postal Service address? Is there substitute information that we should require in the event that no residential address is available?

B. Pro Rata Reporting Requirements

45. We propose to codify the rule that all ETCs must report partial or pro rata dollars when claiming reimbursement for Lifeline customers who receive service for less than a month. Such a rule would ensure that all ETCs comply with the requirement that support may only be claimed for active subscribers, and thereby minimize waste of Lifeline funds. Carriers routinely bill customers for partial months, and should have the capacity in their billing systems to determine whether a customer is a Lifeline subscriber for the full billing period. We seek comment on our proposal.

C. Eliminating Reimbursement for Toll Limitation Service

46. We propose amending our rules to eliminate Lifeline support for the costs of providing TLS to Lifeline customers. This rule, adopted more than a decade ago, may have outlived its usefulness, given reductions in long-distance calling rates. We also note that there is great variance in TLS costs claimed by ETCs seeking reimbursement, ranging from $0 to $36 per Lifeline customer per month. Such variance may be due in part to the ambiguity of our rule governing TLS support, which States that support for TLS will be equal to the ETC's incremental costs, but does not define incremental TLS costs eligible for Lifeline reimbursement. It is unclear, however, whether providing TLS imposes *any* incremental costs on carriers, since a number of ETCs do not seek any reimbursement for TLS costs, despite providing TLS to their subscribers. Moreover, the wide variance in support sought by ETCs suggests that some may be inflating their true costs. Elimination of Lifeline support for TLS could save the program roughly $23 million in 2011, which, in turn, could be used to conduct pilot programs to provide broadband support or otherwise utilized to provide eligible households with Lifeline discounts. We seek comment on this proposal. In the alternative, should we adopt a flat amount of reimbursement for TLS, and

if so, what would be an appropriate amount?

D. Customary Charges Eligible for Link Up

47. *Defining Customary Charge.* We seek to eliminate any incentive or opportunity for carriers to impose charges on program participants in order to increase universal service support, as that would represent a waste of funds. We therefore propose to amend our rules to define "customary charge for commencing telecommunications service" as the ordinary initiation charge that an ETC routinely imposes on all customers within a State. We seek comment on our proposed amendment.

48. We also propose that Link Up rules make clear that activation charges that are waived, reduced, or eliminated when activation is accompanied by purchase of additional products, services, or minutes are not customary charges eligible for universal service support. TracFone's petition indicates that it supports this proposal, but other ETCs disagree, arguing that there are legitimate reasons for an ETC to waive customary activation charges for low-income consumers, including compliance with some State requirements. For instance, some commenters suggest we create an exception to the proposed rule in instances where a State commission has ordered ETCs to waive the remainder of the connection charge not reimbursed by USF. We seek comment on whether, if we amend our rules as described, we should recognize exceptions for certain categories or types of fee waivers or reductions.

49. We also seek to develop a record regarding the prevalence of situations in which ETCs seek reimbursement for connecting the same customer more than one time, at the same location. For example, if a customer's service was disconnected for non-payment, do ETCs ever impose another connection charge to resume service to that address? Do they do so frequently, or as a matter of course? How would we evaluate whether such charges are reasonable? We seek comment on whether our rules should be clarified to prohibit ETCs from seeking more than one Link Up subsidy for the same customer at the same location.

50. We seek comment on whether our Link Up rules should be further amended to address concerns with waste, fraud and abuse in this area. For example, one commenter suggests that we require each ETC to certify that its activation charge is equally applicable to all customers. We seek comment on whether such a certification process would effectively prevent waste, and how burdensome such a certification requirement would be. In addition, we seek comment on whether we should adopt a rule that prohibits resellers from imposing a connection charge on consumers when the underlying wholesale provider has not assessed a similar connection charge on the reseller.

51. *Link Up Support Amount.* Historically, incumbent telephone companies incurred costs in initiating service, such as the cost of visiting the housing unit to physically connect a telephone line to initiate service. In contrast, today, service initiation in virtually all instances for both wireless and wireline providers is done remotely via software, with the actual costs of installation likely to be significantly lower than several decades ago.

52. Our rules specifying Link Up amounts have not been updated to reflect the changes in the industry that have occurred relating to service initiation. We seek comment on what the typical service initiation fee is for non-Lifeline subscribers and ask whether we should reduce the current $30 cap on Link Up support to some lower figure.

53. Our current rules specify that ETCs may receive Link Up support for the revenue they forgo in reducing their customary charge for commencing telecommunications service. In order to receive Link Up support, ETCs are required to keep accurate records of the revenues they forgo in reducing their customary charge for commencing service. The forgone revenues for which the ETCs may receive reimbursement shall include only the difference between the carrier's customary connection and the charges actually assessed to the participating low-income consumer. Moreover, the reduction shall be half of the customary charge or $30, whichever is less. As discussed above, there is concern that some ETCs may be inflating connection charges in an effort to collect money from the Fund. In order to make Link Up reimbursement more transparent and limit potential waste of funds, we seek comment on whether we should require all ETCs seeking Link Up reimbursement to submit cost support to USAC for the revenues they forgo in reducing their customary charges. Since ETCs are required to keep accurate records of the revenues they forgo for Link Up, it may not be too burdensome to require the ETCs to submit such data to USAC. We seek comment on this proposal and whether there are alternative ways to ensure that Link Up reimbursement is based on actual revenues forgone as a result of connecting low-income consumers. We also seek comment on what underlying costs may be recovered through Link Up. For instance, should Link Up be provided for costs associated with marketing and customer acquisition, or limited to costs associated with activating a phone line or establishing a billing relationship?

E. Customer Usage of Lifeline-Supported Service

54. We want to ensure that Lifeline support is used for the benefit of low-income subscribers that are actually using the supported service, and we propose to amend our rules to prevent ETCs from obtaining Lifeline support for inactive consumers. Specifically, we propose to prohibit ETCs from seeking reimbursement from the Universal Service Fund for any Lifeline customer who has failed to use his or her service for 60 consecutive days. We seek comment on whether a customer's failure to use service for a specific period of time may reasonably demonstrate, or serve as a proxy for, service discontinuation. If so, we seek comment on whether 60 days is a reasonable period, or whether the period of inactivity should be shorter (*e.g.,* 30 days) or longer (*e.g.,* 90 days).

55. The proposed rule is intended to (1) prevent subsidies going to ETCs for customers that are not using the service; and (2) eliminate incentives that carriers might have to ignore or fail to report that a customer has (or appears to have) discontinued service. We do not seek to penalize subscribers for non-usage, and our proposed rule would not affect the terms or conditions of service that might exist between the ETC and the customer. Nor do we propose to require ETCs to disconnect subscribers for non-usage. We recognize that some customers may use their telephones sparingly, for emergencies or occasional communication. To protect consumers, we propose to require ETCs to alert customers if the ETC imposes any obligation to use service during a specified period of time in order to maintain subsidized service. We seek comment on how ETCs can best inform their Lifeline customers of any requirement to use the phone during a specified period of time. We also seek comment on whether our proposed rules could affect access to 911 services, and if so, how we can ensure that consumers maintain access to emergency services. We note that the Commission's rules require commercial mobile radio service (CMRS) providers subject to the Commission's 911 rules to transmit all wireless 911 calls, including

those from non-service initialized phones, to Public Safety Answering Points (PSAPs). We do not seek to modify this rule and our proposed rule would still require ETCs to transmit a Lifeline customer's wireless 911 calls, even if the ETC is no longer providing service to that customer.

56. Although the concern that ETCs may continue to count subscribers that have stopped using service appears greatest with respect to pre-paid wireless service, those concerns are not limited to pre-paid wireless service. We seek comment on whether the rules we propose in this subsection should be limited to particular types of service, or should apply to all types of service.

57. *Minimum Consumer Charges.* In the *2010 Recommended Decision,* the Joint Board expressed concern about consumers receiving Lifeline service offerings that are offered at no cost to the subscriber. In particular, the Joint Board raised concerns about prepaid wireless ETCs, which do not provide a monthly bill and, in some cases, provide handsets and service at no charge to consumers. The Joint Board recommended that, to guard against waste, fraud, and abuse in the Lifeline program, the Commission consider whether a minimum monthly rate should be paid by all Lifeline subscribers, including eligible Tribal subscribers.

58. We seek comment on how best to prevent waste of universal service funds without creating unnecessary obstacles for low-income households to obtaining vital communications services. For instance, one option would be to adopt a rule requiring all ETCs in all States to collect some minimum monthly amount from participating households. If we were to adopt such a rule, what should that monthly amount be—*e.g.,* $1 or some other amount? Alternatively, should we consider requiring ETCs to assess a monthly fee on all Lifeline consumers equivalent to half of the customary monthly Lifeline charges or half of the maximum subsidy provided for under our rules, whichever is less? Would either of these requirements, if adopted, appropriately balance the need to guard against waste, fraud, and abuse in the Lifeline program by ensuring that low-income households have the incentive to make appropriate use of their Lifeline-supported services, with the need to avoid deterring eligible consumers from participating in the program?

59. Another option would be to require ETCs to collect some amount, such as $10 or $15, on a one-time basis from each Lifeline household prior to commencing Lifeline service. Such a rule could create appropriate incentives to ensure that Lifeline consumers genuinely want phone service and should deter situations in which Lifeline-supported service has been activated on a phone that is unused or improperly transferred to third parties.

60. Would either of these proposals create an unreasonable barrier to enrollment for households that need support but cannot afford to pay any fee? What would be the proper amount of financial contribution from low-income consumers that would appropriately balance our dual objectives of deterring waste, fraud, and abuse, while enabling those in need to obtain phone service? Should this amount vary based on the income of the qualifying low-income household?

61. We seek comment on the administrative burdens for ETCs of a requirement to collect a minimal amount, such as $1 per month, from participating consumers. We acknowledge that in other, non-Lifeline contexts, carriers may choose not to bill their customers monthly, and it may not be cost-effective to send a bill to collect such a small amount. Should we allow ETCs to collect a monthly fee on a bi-monthly basis? If we were to adopt a program-wide monthly fee requirement, should we explicitly prohibit carriers from waiving the fee? How can we adopt an approach that is technologically neutral and can be implemented easily by ETCs with diverse business models?

62. *Application of Minimum Charge to Tribal Consumers.* The Commission's rules currently require that the basic local residential rate for Tier 4 subscribers (*i.e.,* eligible low-income households residing on Tribal lands) may not fall below $1 per month. We have learned anecdotally that some carriers do not currently collect the $1 from their Tribal customers. While the Commission's current rules specify what the carrier must charge the Tribal subscriber, they do not explicitly require the ETC to collect such amounts, thereby allowing ETCs to waive the $1 per month fee.

63. If we adopt a proposal to require all ETCs to collect a minimum monthly fee from subscribers, we seek comment on whether to amend section 54.403(a)(4)(i) of the Commission's rules to specifically require a $1 monthly payment to be provided by each participating household to their ETC. Would this proposal, if adopted, adequately balance our objective of ensuring affordable service for eligible Tribal consumers while also guarding against waste, fraud, and abuse in the Lifeline program?

64. How would any of these proposals impact subscribership for low-income households on Tribal lands, which continue to lag significantly behind subscribership for the nation as a whole?

F. De-Enrollment Procedures

65. We propose rules requiring ETCs to de-enroll their Lifeline customers or households from the program under specified circumstances. Specifically, we propose to require ETCs to de-enroll their Lifeline subscribers when: (1) The subscriber is receiving duplicate support and fails to select one ETC in the allotted time after being notified of a duplicate claim; (2) the subscriber does not use his or her Lifeline-supported service for 60 days and fails to confirm continued desire to maintain the service; or (3) the customer does not respond to the eligibility verification survey. Under our proposed rules, the subscriber would receive notice that they could be de-enrolled from the program if they did not take action by a specified date. Should that timeframe be 60 days?

66. Some ETCs have argued that section 54.405(d) of our rules requires that they give customers 60-days' notice prior to terminating their Lifeline benefits. In addition, some State laws may require similar notice provisions. The notice provisions currently set forth in section 54.405(d) of our rules are tied to consumer eligibility for Lifeline, and are not applicable to situations involving subscriber non-responsiveness as a result of a duplicate claim or non-usage of the Lifeline service. For administrative simplicity, should the same timeframe be adopted for mandatory de-enrollment in the circumstances described above, or should we adopt a shorter period, such as de-enrollment within a 30-day period? We seek comment on our proposal to require ETCs to de-enroll Lifeline subscribers involved in the three scenarios described above. Would a shorter period be consistent with specific State notification requirements that may exist in non-default States? To the extent that commenters object to our proposal for mandatory de-enrollment, they should offer specific alternative solutions to protect the fund against waste, fraud, and abuse.

G. Audits

67. Waste, fraud, and abuse in the universal service program jeopardizes the availability of funds for supported services and imposes unjustifiable costs on carriers and ratepayers. We therefore seek to ensure there is a focused and effective system for identifying and

deterring program abuse. We seek comment on ways to improve the current low-income audit program in light of growing concerns about such issues as duplicate payments and consumer ineligibility. In particular, we seek comment on ways to improve the audit process to reduce improper payments and assess risks. In doing so, how can audits be targeted to better uncover the scope of errors associated with improper payments? What additional measures should be taken to mitigate the potential for program violations? Are there additional measures or incentives, beyond those that currently exist, that we should implement to encourage people to report abuses? Should we impose additional penalties, beyond de-enrollment from the program, to discourage program abuse?

68. With the growth of newly designated ETCs in a number of States, there may be a need for a more rigorous audit program to provide assurance that new participants have established adequate internal controls to meet their obligations. For that reason, we propose that all new ETCs be audited after the first year of providing Lifeline-supported service. We seek comment on the appropriate geographic scope of the initial audit. How should such audits be designed to ensure that any problem areas are easily and thoroughly identified? Most audits examine an ETC's compliance with a wide variety of Commission requirements. Should initial audits focus on a smaller number of more important requirements, and if so, which ones? Although we seek comment on more rigorous, focused audits for new program participants, we note that we will also continue to direct USAC to conduct random audits to ensure ongoing compliance with our rules.

69. We also seek comment on how to improve the Commission's directive to USAC to establish a systematic approach to assessing internal controls and learning from audit findings. For example, we propose that negative audit findings above a specified dollar threshold, or impacting a specific percentage of an ETC's Lifeline customers, trigger shorter intervals between audits, an expanded audit for the company at issue, and/or an additional audit the following year in the relevant study area. What should that dollar threshold be? Would the cost associated with such audits outweigh the benefits that would accrue? What follow-up should the Commission require of USAC in light of negative Lifeline/Link Up audit findings?

70. We also seek comment on appropriate Commission responses to multiple findings of non-compliance, including repeated non-compliance above the specified thresholds or multiple findings of non-compliance with Lifeline or Link Up requirements in a single audit.

71. The Commission's rules already direct USAC to "suspend or delay discounts, offsets and support amounts provided to a carrier if the carrier fails to provide adequate verification of discounts, offsets and support amounts provided upon reasonable request." Should we establish a threshold (either aggregate dollar amount or percentage of support payments) that would automatically result in a freeze on future payments from the program until the carrier remediates identified issues? Under what circumstances should we consider revoking an ETC's grant of forbearance or designation as an ETC? We seek comment on other consequences that should result from negative audit findings.

72. In 2005, the Commission sought comment on subjecting all USF recipients to independent audits, but ultimately did not adopt any such requirement. In light of increased concerns about potential waste, fraud, and abuse in the program, we again seek comment on whether to require some or all ETCs in the program to engage an independent firm to assess compliance with the program's requirements. If we were to impose such a requirement, how often should we require the review (*e.g.,* annually, or every few years)? Should all ETCs that participate in the program be subject to the requirement, or only some? If we were to limit this requirement to only certain ETCs, what would be the appropriate criteria for imposing such a requirement? For example, we might impose the requirement on ETCs that have been found to have committed violations in the past, that receive more than a particular amount of program support, or that have experienced significant increases in program support. Audits paid for by the ETCs could create a self-policing environment that would guard against waste, fraud, and abuse, but would also impose an expense on providers. We seek comment on the advantages and disadvantages of such a system, and on the burden of such a requirement on different carriers, including small ETCs. Commenters should discuss whether a lack of negative audit findings, or alternatively, proof of resolution of all negative findings, should impact the scope or frequency of future audits. We also seek comment on what type of audit engagements should be required, if we were to adopt such a requirement. If we were to adopt such a requirement, we propose to mandate that covered ETCs provide audit reports to the FCC, USAC, and relevant States, and that the FCC and USAC should be deemed authorized users of such reports.

IV. Clarifying Consumer Eligibility Rules

A. One-per-Residence

73. In this NPRM, we propose to adopt a one-per-residential address requirement in section 54.408 of our rules. We seek comment on whether codifying this requirement as "one-per-residence" would aid in administration of the requirement by providing a bright line that could be determined by reference to external sources. The Commission has not codified any definition of a "household" for purposes of Lifeline and Link Up, and various qualifying programs may utilize different definitions of households. We also note that in other contexts, consumers seeking benefits from State or other Federal assistance programs may undergo a more robust process to qualify for benefits, such as an interview by social service agencies to determine eligibility, which may provide an additional level of assurance that the applicant in fact complies with relevant program criteria. We seek to adopt a rule that provides a bright line that is easy for USAC and ETCs to administer.

74. The one-per-residential address rule that we propose to adopt is consistent with our existing single-line per residence requirement. But some ETCs dispute the validity of the single-line-per residence limitation, which raises concern that they are not adhering to an existing requirement that is designed to minimize waste, fraud and abuse; target support where it is needed most; and maximize the number of Americans with access to communications services. As noted above, it may be necessary for the Commission to take action on an interim basis while this proceeding is pending to address concerns with USAC reimbursing ETCs for duplicate claims.

75. We understand that there may be situations—such as residents of commercially zoned buildings, those living on Tribal lands, and group living facilities—where application of the one-per-residential address rule may produce unintended consequences that would deprive deserving low-income consumers of the support that they otherwise would be entitled to. We encourage ETCs, Tribal Communities, the States and other interested parties to

provide input on a rule that maximizes the number of Americans with access to communications services, but also protects the fund from waste, fraud and abuse.

76. We seek comment on how best to achieve the purposes for which the single line per residence requirement was designed. We propose to maintain this longstanding requirement, which balances our statutory obligation to ensure that low-income consumers have access to phone service at reasonable rates and to ensure that support is sufficient, but not excessive. We seek comment below on how to define a "residential address" for the purposes of the Lifeline and Link Up programs. We also seek comment on how best to interpret the one-per-residential address restriction in light of current service offerings and in the context of group living arrangements or other situations that may pose unique circumstances."

77. In addition, we seek input on whether a different approach would better serve the needs of low-income consumers in light of our statutory obligations, as well as the changing communications marketplace. We note that several commenters in the Joint Board proceeding suggested that the Lifeline/Link-Up program should provide support for one wireless service per eligible adult, rather than one service per residential address, with some suggesting that would be in keeping with the statutory principle that low-income consumers should have access to services that are reasonably comparable to the services enjoyed in urban areas. This approach would take into account the fact that telephone use has changed since we first implemented the 1996 Act. Fifteen years ago, wireless service was not a mainstream consumer offering; today, 93 percent of the general population has wireless service. At the same time, providing support to each low-income adult rather than to each residential address could significantly increase the size of the program. Would allowing support for one wireless subscription per eligible adult be inconsistent with our statutory obligation to ensure that support is sufficient, but not excessive? We seek comment on whether the benefit that wireless service affords low-income consumers outweighs concerns associated with growth of the fund. If the funding dedicated to the program were capped, as discussed more fully below, a one-per-adult rule would likely mean that a much smaller benefit would be available to each program participant than under a one-per-residential address rule. We seek comment on these issues.

1. Defining "Residence"

78. We propose a rule in section 54.408 to limit program support to a single subscription per U.S. Postal Service address, and seek comment on whether this approach would promote affordable access to telephone service consistent with the goals of section 254. Under this proposal, where unrelated individuals and/or families share a U.S. Postal Service address, such individuals and/or families would be limited to one subscription for that "residence." We seek comment on whether this approach best serves program goals. The program was established to ensure that all consumers, even those of limited means, would have a "lifeline"—a basic telephone service to connect them to the rest of society. Supporting one service at each residential address may effectively fulfill this goal, and may also help prevent waste and abuse of program resources. Moreover, this approach may be more administratively feasible than other options for defining who is eligible for support, such as family-based definitions that require an accurate determination of whether people living together are independent or related.

79. Pursuant to this proposal, upon receiving an application for Lifeline support, an ETC could use the U.S. Postal Service residential address as a proxy to determine whether the ETC is already providing Lifeline support to that address. If so, the ETC would reject the application for support. Additionally, as discussed *infra,* we propose to require that Lifeline subscribers initially certify when applying for service, and thereafter verify annually, that they are receiving support for only one line per residential address (defined for these purposes as all of the persons who reside at a unique U.S. Postal Service address).

80. We recognize that there may be some residences for which there is no unique U.S. Postal Service address. For example, we understand that there are apartment buildings where the residents live separately, but their units lack distinct identifiers and mail is delivered to and distributed by a single point of contact such as the building manager. Similarly, when multiple persons or families share a residence, unique addresses may not be available. Customers in rural areas may share a rural route address. We seek comment on what actions could be taken in such situations to ensure that Lifeline and Link Up benefits are available to eligible consumers. Is there other information that a carrier could collect to verify that the residence does not already receive support from the program? Alternatively, if one subsidized service were available for such locations, would that satisfy the congressional goal of ensuring affordable access to telephone service?

81. As noted above, some customers rely on a P.O. Box rather than a U.S. Postal Service residential address. How should we determine eligibility in those situations? Should we require ETCs to collect additional verifying information, and if so, what?

82. Our rules also limit support to the subscriber's principal residence. We seek comment on how to ensure that a subscriber does not obtain support at more than one location. We propose that each subscriber provide unique identifying information (as discussed in Section IV) to prevent the same subscriber from receiving support at multiple locations. We seek comment on this proposal. We also seek comment on whether we should require subscribers to certify that the address provided is their principal residence, in order to receive Lifeline and Link Up support.

83. We seek comment on whether our U.S. Postal Service address-based proposal should be modified to accommodate different types of living situations, and if so, how. For example, should the proposed definition of "residential address" be modified to accommodate certain living arrangements? Should there be an exception for unrelated adult roommates or multiple families sharing a residence? Should we allow more than one discount per residence in the case of multi-generational families, for example if the low-income family includes an eligible adult child or elderly relative? Commenters that propose a different definition of "residence" from the one we propose above, or exceptions to that definition, should explain how the Commission could ensure, in administratively feasible ways, that support is being provided appropriately, however that term is defined.

2. Application of the One-per-Residence Rule to Commercially Zoned Buildings

84. Although the Commission's rules provide low income support for residential customers, the Commission has learned of instances where otherwise eligible applicants have been denied Lifeline and Link Up service because they live in facilities that are zoned for commercial, rather than residential use. This may occur, for example, when individuals reside in single-room occupancy buildings, lodging houses, rooming houses,

shelters, and other group quarters. This appears to be a particular problem in urban areas.

85. We seek comment on how we can ensure that consumers have access to low-income support even if they reside in a commercially-zoned location. We note that commercial residences tend to be group living facilities rather than individual residences. If the Commission adopted special rules for group living facilities, would those rules resolve concerns about providing support to eligible subscribers who live in commercially-zoned areas? Are there additional steps we should take to verify that Lifeline and Link Up subsidies are not being provided to commercial entities?

3. Application of the One-per-Residence Rule in Tribal Communities

86. On some Tribal lands, several households may occupy a single housing unit. We seek comment on whether we should adopt a special definition of "residence" on Tribal lands that will ensure that Lifeline and Link Up service is provided to eligible consumers. For example, to the extent there are multi-generational families sharing a residence in Tribal communities, should there be an exception to our proposed one-per-residence rule? How can the Commission ensure that the program does not provide duplicative support to households on Tribal lands? In order to craft a rule that appropriately takes into account conditions on Tribal lands, we seek additional information about housing arrangements in Tribal areas.

87. Some commenters responding to the "*One-Per-Household*" *Public Notice* state that residents of Tribal Lands frequently lack unique U.S. Postal Service addresses, and instead receive mail at communal P.O. boxes. We thus seek comment on how to apply the "one-per-residence" rule to Tribal lands if we were to adopt the proposal generally to define residential address on the basis of a U.S. Postal Service address. Given the very low telephone penetration rate on Tribal lands, we do not want our rules to impose barriers to consumers or households living on Tribal lands that are eligible for, and desperately need, Lifeline discounts. At the same time, we must act as responsible stewards of the Fund. If the Commission were to exempt Tribal members from providing a unique U.S. Postal Service address, what measures should the Commission adopt to guard against the possibility of waste, fraud, and abuse?

4. Ensuring Access for Residents of Group Living Quarters

88. Some commenters have suggested that the Commission should consider how better to ensure that the program is effectively serving low-income residents of group living quarters, such as residential facilities for seniors or for victims of domestic violence. We seek comment on how eligibility should be defined for residents of group living quarters, including the effects on eligibility when a resident moves out of a group living facility, and what measures are necessary to prevent waste, fraud, and abuse.

89. Under the proposed rule, related or unrelated, living together at a single postal address, residents of a group living facility—which could be dozens or even hundreds of individuals—would be eligible for only a single Lifeline supported service. Is this approach adequate to ensure availability of basic communications services to all Americans, including low-income consumers, as section 254 requires? If not, how should the program support service to low-income consumers residing in group living facilities? Should the program provide support to each separate and unrelated individual or family (*e.g.,* a married couple living together at a nursing home) living in group facilities?

90. Alternatively, should we create an exception to our proposed one-per-residence rule for eligible consumers in a group living facility to obtain Lifeline or Link Up service? Is there an administratively feasible way to approach this challenge that also provides protections against waste, fraud, and abuse? For instance, should we require the administrator of group living facilities to certify to ETCs and/or USAC the number of separate and unrelated individuals or families in the facility? In that situation, the facility would be responsible for applying for Lifeline/Link Up support on behalf of its residents. Under this approach, how could our rules ensure verification of the income eligibility of the subscribers for which a group facility is seeking support? Should the facility be required to provide the ETC documentation of the residents' eligibility?

91. Should we require that consumers residing in group facilities provide certification from facility staff that corroborates applicants' residence in a group living facility, as well as information about the number and types of persons served by the facility? Should the Commission set different eligibility criteria for permanent and temporary residents of group living facilities?

92. We seek comment on the feasibility of making Lifeline funding available to agencies or non-profit organizations that are able to provide communications services to residents of group living facilities. As the Joint Board acknowledged, such institutions do not qualify as ETCs eligible for support, and we therefore seek comment on the application of section 254(e) of the Act, which limits the recipients of universal service support to ETCs. If funding were made available to such organizations, what if any additional measures would be needed to guard against waste, fraud, and abuse? For example, in a situation where the applicant lacks a residential or mailing address, how would the ETC verify the customer's initial and ongoing eligibility for Lifeline services?

B. Tribal Lifeline Eligibility

93. It is well established that Federally recognized Tribes have sovereignty, and exercise jurisdiction over their members and territory with the obligation to "maintain peace and good order, improve their condition, establish school systems, and aid their people" within their jurisdictions. In 2000, the Commission formally recognized Tribal sovereignty in its *Statement of Policy on Establishing a Government-to-Government Relationship with Indian Tribes.* The Federal government also has a trust relationship with Indian Tribes, as reflected in the Constitution of the United States, treaties, Federal statutes, Executive orders, and numerous court decisions. Consistent with this relationship, the Commission, in its June 2000 *Tribal Order,* 65 FR 47941, August 4, 2000, adopted measures to promote telecommunications subscribership and infrastructure deployment within American Indian and Alaska Native Tribal communities. Accordingly, in the *Tribal Order,* the Commission modified its rules to create enhanced Lifeline and Link Up programs intended to provide access to telecommunications services for low-income consumers living on Tribal lands.

94. *Income-based eligibility.* The Commission's current rules regarding Tribal eligibility for Lifeline support have been subject to differing interpretations. Specifically, ETCs, USAC, and Tribal groups have indicated there has been inconsistency and confusion among Federal default and non-default states regarding whether residents of Tribal lands may qualify for participation in the program based on income, even though there is language in Commission orders so indicating.

95. We propose to revise sections 54.409(a) and 54.409(c) to more clearly reflect that residents of Tribal lands are eligible for Lifeline and Link Up support based on: (1) Income; (2) participation in any Tribal-specific Federal assistance program identified in our rules; or (3) any other program identified in section 54.409(b) of our Lifeline and Link Up rules. We seek comment on this proposal.

96. *Program-based eligibility.* Under section 54.409 of the Commission's rules, participation in the Federal Food Stamp Program (or the Supplemental Nutrition Assistance Program (SNAP) as it is currently named), qualifies residents of Tribal lands for Lifeline/Link Up support. The Lifeline/Link Up rules do not, however, grant eligibility based on participation in the Food Distribution Program on Indian Reservations (FDPIR), a Federal program that provides food to low-income households living on Indian reservations, and to Native American families residing in designated areas near reservations and in the State of Oklahoma. As discussed more fully below, eligible residents of Tribal lands for the purposes of the Lifeline/Link Up program are qualifying low-income households on a reservation, where "reservation" is defined as any Federally-recognized Indian Tribe's reservation, pueblo, or colony, including former reservations in Oklahoma, and Alaska Native regions.

97. The service and eligibility criteria for FDPIR are similar to those of SNAP, and are based on income levels that must be recertified on a periodic basis. A household may not participate in both FDPIR and SNAP, and any given reservation could have certain households participating in FDPIR and others participating in SNAP. Approximately 276 Tribes currently receive benefits under FDPIR, suggesting that there are households on Tribal lands that are not be served by the Lifeline/Link Up program simply because they have chosen to receive FDPIR benefits instead of SNAP benefits. Further, we understand that Tribal elders, a particularly vulnerable population, often seek FDPIR benefits rather than SNAP benefits. As such, allowing residents on Tribal lands to qualify for low-income support based on participation in FDPIR is consistent with the purpose of the current Tribal eligibility criteria, furthers the goal of providing access to telecommunications services by low-income households on Tribal lands, and the goal of targeting those in the greatest need.

98. Accordingly, we propose to amend section 54.409(c) of the Commission's rules to allow program eligibility for residents of Tribal lands participating in FDPIR. We seek comment on this proposal. We also seek comment on whether there are any other Federally- or Tribally-administered, income-based assistance programs, such as those focused on the elderly, which should be included in our program eligibility rules for residents of Tribal lands.

99. *Location-based conditions.* In the *Tribal Order,* the Commission defined the terms "Tribal lands," "reservation," and "near reservation" for the purposes of establishing eligibility for the Tribal Lifeline and Link-Up programs. Specifically, the Commission modified its rules to provide support to individuals residing on "any federally recognized Indian [T]ribe's reservation, Pueblo, or Colony, including former reservations in Oklahoma, Alaska Native regions established pursuant to the Alaska Native Claims settlement Act (85 Stat. 688), and Indian allotments," as well as those residing in "those areas or communities adjacent or contiguous to reservations that are designated as such by the Department of Interior's Commissioner of Indian Affairs, and whose designations are published in the Federal Register."

100. In its August 2000 *Tribal Stay Order and Further Notice,* 65 FR 58721, October 2, 2000, however, the Commission stayed implementation of the Tribal Lifeline and Link Up programs as they applied to qualified low-income households "near reservations." The Commission noted that, after its adoption of the definition of "Tribal lands" in the *Tribal Order,* it learned that the term "near reservation," as defined by the Bureau of Indian Affairs (BIA), might include "wide geographic areas that do not possess the characteristics that warranted the targeting of enhanced Lifeline and Link[-]Up support to reservations, such as geographic isolation, high rates of poverty, and low telephone subscribership." Accordingly, in its *Tribal Stay Order and Further Notice* and its May 2003 *Second Tribal Order,* 68 FR 41936, July 16, 2003, the Commission sought comment on how to identify geographic areas adjacent to reservations that share similar characteristics with the reservations. Since then, the Commission has not taken further action regarding the definition of "near reservation," and currently provides enhanced low-income support only to those living on, not near, Tribal lands.

101. We now propose to amend section 54.400(e) of our rules to remove the term and definition of "near reservation," as its inclusion in the rules creates confusion. We also propose to adopt a new rule section 54.402 to adopt a designation process for those Tribal groups and communities seeking designation as Tribal lands under the Commission's rules. We seek comment on this proposal. The designation process we propose is consistent with the process recently proposed by the Commission in the *Rural Radio Service Second R&O.* That Order addresses the definitions of "Tribal lands" and "near reservation areas" for the purpose of determining whether a radio station application seeking to serve a Tribal community of license is a "licensable community" that qualifies for special consideration. The Commission adopted a process whereby an applicant seeking to establish eligibility may submit any probative evidence of a connection between a defined community or area and the Tribe itself. We propose to adopt a similar process for Tribal groups and communities seeking to receive Lifeline and Link Up support, but whose land is not defined by section 54.400(e). Use of such a process would serve the public interest by affording flexibility to Tribes in non-landed situations, particularly given that the circumstances of such Tribes are so varied.

102. We propose to delegate authority to resolve such designations to the Wireline Competition Bureau. We propose that such a request to designate an area as a Tribal land for purposes of Lifeline and Link Up should be formally requested by an official of a Federally recognized Tribe who has proper jurisdiction. The request should explain why the communities or areas associated with the Tribe do not fit the definition of Tribal lands set forth in the Commission's Lifeline/Link Up program rules, but which are regions so Native in their character or location, as to support the purpose of providing enhanced Tribal Lifeline/Link Up program support. A showing should also detail how providing program support to the area would aid the Tribe in serving the needs and interests of its citizens in that community, and thus further the Commission's goals of providing Tribal support. Most probative would be evidence that a Tribe delivers services to the area at issue. However, the Tribe could offer other evidence, including the Federal government's provision of services to Tribal members in the identified area. Probative evidence might also include a showing that the Census Bureau defines the area as a Tribal service area that is used by agencies like the Department of Housing

and Urban Development. Further, persuasive evidence of a nexus between a community and a Tribe might also include showings that a Tribal government has a defined seat, such as a headquarters or office, in the area, combined with evidence that Tribal citizens live and/or are served by the Tribal government in the area at issue. A Tribe might also provide evidence that a majority of members of the Tribal council or board live within a certain radius of the area. An applicant might also show that more than 50 percent of Tribal members live exclusively in the geographical area. Additionally, Tribes might provide other indicia of a connection, such as Tribal institutions (*e.g.,* hospitals or clinics, museums, businesses) or activities (*e.g.,* conferences, festivals, fairs). We seek comment on any other factors that could help determine whether a geographical area is predominantly Tribal, such that low-income residents in the area should receive the benefits of enhanced Tribal program support.

103. In addition to the showing required, it is important that an applicant seeking to take advantage of enhanced Tribal program support set forth a clearly defined area to be covered. The need for such a demonstration is in line with the purposes of enabling Tribes to serve their citizens, to perpetuate Tribal culture, and to promote self-government. In evaluating such requests, we propose to delineate the "Tribal Lands" equivalents as narrowly as possible and view most favorably proposals that describe narrowly defined Tribal lands, to enable the provision of services to Tribal citizens rather than to non-Tribal members living in adjacent areas or communities. We seek comment on this proposal.

104. *ETC Designation on Tribal lands.* Additionally, we acknowledge that carriers serving households residing on Tribal lands could benefit from greater clarity regarding the ETC designation process for Tribal lands. However, as this issue has broader applicability beyond just the Lifeline/Link Up program, the corresponding issues and request for comment are addressed in the Office of Native Affairs and Policy's *Native Nations Notice of Inquiry.* For example, the *Notice of Inquiry* seeks comment on how specific an ETC designation including Tribal lands should be, particularly for carriers seeking designation for the sole purpose of participating in the Lifeline program. The *Notice of Inquiry* also seeks comment on the nature of consultation with Tribal governments that should be included in the ETC designation process and whether carriers and Tribal governments should be required to file a proposed plan to serve with the Tribal lands. Finally, the *Notice of Inquiry* seeks comment on whether varying amounts of Lifeline support should be available on Tribal lands. We also seek comment on these issues and on the Lifeline program proposals contained in the *Native Nations Notice of Inquiry.*

105. *Self-Certification of Tribal land residence.* Section 54.409(c) of the Commission's rules require that ETCs offering Lifeline services to residents of Tribal lands must obtain the consumer's signature on a document certifying that the consumer receives benefits from at least one of the qualifying programs and lives on a reservation. On April 25, 2008, Qwest Communications International Inc. (Qwest) filed a request for review of certain USAC audit findings. The USAC audit found that, among other things, Qwest provided Tier 4 support for subscribers who were not residing on eligible Tribal lands and did not provide Tier 4 support to subscribers who were eligible residents of Tribal lands. Qwest asked the Commission to find that USAC erred when it concluded that Qwest is inappropriately seeking enhanced Lifeline support for customers that do not reside on Tribal lands. Qwest argued that it has fulfilled its obligation to ascertain whether a customer lives on a reservation by obtaining a signed certifications stating that the customer lives on a reservation. USAC responded that Qwest should establish additional controls. The Commission sought comment on the Qwest Petition in 2008.

106. As discussed above, Tribal land addresses are often not straightforward. AT&T and the US Telecom Association (USTelecom) filed comments supporting Qwest, stating that the Commission did not intend ETCs to take additional steps beyond obtaining a self-certification, to determine whether an applicant lives on Tribal lands. Alltel Communications, LLC (Alltel, which subsequently was acquired by Verizon), Rural Cellular Corporation (Rural Cellular), and Smith Bagley, Inc. (SBI) also filed reply comments supporting Qwest. Alltel acknowledged that Tribal lands are historically underserved areas in which residents and experience very low telephone penetration rates. Alltel argued that an increased burden on ETCs to verify Tribal residency would not improve service on Tribal lands, but would only serve to discourage ETCs from serving these areas as conducting additional verification procedures is very challenging due to the unique living arrangements and identification practices of many Tribes. For example, the Rosebud Sioux Tribe acknowledged that there are no physical addresses on the Rosebud Indian Reservation. Additionally, the Spirit Lake Tribe stated that all mail sent to the reservation is addressed to P.O. Boxes or General Delivery.

107. We propose to amend section 54.409(c) of the Commission's rules to disallow self-certification of income or program eligibility for residents of Tribal lands receiving Lifeline/Link Up support, consistent with our proposal below to require all Lifeline/Link Up recipients to provide proof of income or participation in a qualifying program. We propose to require a consumer receiving low-income support and living on Tribal lands to show documented proof of participation in an eligible program or eligibility based on income, like all other low-income consumers as there do not appear to be unique reasons why Tribal households should be exempt from a general requirement to produce documentation of qualification for program support. We seek comment on this proposal.

108. We do, however, recognize there may be challenges in verifying Tribal residency due to unique living arrangements on Tribal lands, and therefore maintain the self-certification requirement as to Tribal land residence. We propose to clarify that receipt of self-certification of residence on Tribal lands, along with documentation of income or participation in an eligible program, is sufficient documentation for an ETC to provide enhanced Lifeline support. The current rules do not require the ETC to establish further verification processes or controls to ascertain that the customer is a Tribal member or lives on Tribal lands before providing enhanced Lifeline support. We seek comment on this proposed clarification.

V. Constraining the Size of the Low-Income Fund

109. We are mindful of the impact of the growth in the program on the consumers and businesses that ultimately support USF through fees on their phone bills. As we undertake comprehensive reform and modernization of USF, we are committed to controlling costs and constraining the overall size of the Fund. Many of the proposals contained herein to eliminate waste, fraud, and abuse and improve program administration could reduce expenditures and the size of the program. For example, eliminating duplicate claims and tightening our rules on customary charges eligible for Link Up support should result in

reduced expenditures. We note that fund growth is not necessarily indicative of waste, fraud, and abuse. We recognize that demand for low-income support fluctuates based on a number of factors, including changes in qualifying assistance programs and macroeconomic conditions. We also note that the program has an ultimate cap in that only a defined population of eligible low-income households may participate in the program, and support is limited to a maximum of $10 per month per household (other than on Tribal lands). We seek comment generally on how to balance these principles, while retaining our commitment to enabling households in economic distress to obtain access to essential communications services.

110. In light of concerns about the growth of Lifeline/Link Up, we seek comment on a proposal to cap the size of the Lifeline/Link Up program, for example at the 2010 disbursement level of $1.3 billion. We ask whether and how a capped fund could continue to ensure telephone access for low-income households and support potential expansion for broadband as discussed below. We seek comment on whether any cap should be permanent or temporary, perhaps lasting for a set period of years or until the implementation of structural reforms proposed in this NPRM.

111. If the Commission were to cap the program, either as an interim measure or permanently, what would be an appropriate cap level? How should such a level be determined? For example, should it be higher or lower than the 2010 size of the program? Should a cap be indexed to inflation, similar to other USF program funds subject to caps, or adjusted based on unemployment rates? We seek comment on whether there should be exceptions to a cap. For example, should low-income support for eligible residents of Tribal lands be exempt, given the very low telephone penetration rate on Tribal lands, as well as the unique circumstances and challenges faced by residents of Tribal lands? If we were to adopt a cap, should that cap be adjusted, for instance, if national or local unemployment exceeded a specified level?

112. We also seek comment on the appropriate way to administer a cap. Is a national cap more efficient, or would a State-by-State cap be a more equitable way to administer the Low Income program fund? As noted above, the Act contemplates achieving reasonably comparable access in all regions of the country. Should regional differences be accounted for under a cap?

113. If the Commission were to cap the program, we may also need to implement methods for prioritizing support among potential recipients. Should current participants in the program receive priority funding within a capped system? Alternatively, should funding be available on a first-come, first-served basis after a specified date for re-enrollment in the program? If so, given that disbursements vary monthly, how could ETCs be notified when the cap had been reached? If a participant loses services for any reason, such as non-use, should that participant necessarily receive funding upon re-enrollment, or would that person potentially have to wait until the next funding year? Should monthly benefits be reduced to ensure that all eligible households that seek to participate in the program can do so, even if they would receive a smaller benefit than program participants currently receive? We seek comments on these issues and other practical and operational issues that would need to be addressed if the program were capped.

114. If the Commission adopts a rule capping the low-income fund, should that cap be maintained if the Commission decides to support broadband with program funds? Would the inclusion of broadband necessitate different a different approach to prioritizing benefit allocations?

VI. Improving Program Administration

115. In this section, we seek comment on how to improve key aspects of the current administration of Lifeline/Link Up, consistent with our goals of reducing waste, fraud, and abuse and modernizing the program. As discussed above, the Commission has historically provided considerable discretion to the States to administer key aspects of the program, such as eligibility, enrollment, and ongoing verification of eligibility. In order to bolster oversight of this Federal program, we propose a core set of Federal eligibility, certification, and verification requirements that would apply in all States, while seeking comment on allowing States to adopt additional measures that could complement the Federal standards. Specifically, we propose to eliminate the option of self-certifying eligibility and to require all consumers in all States to present documentation of program eligibility when enrolling. We propose to increase sample sizes for ongoing verification and to require ETCs in all States to submit verification data to USAC and the Commission.

116. We also seek comment on ways to reduce barriers to participation in the program by service providers and low-income households, specifically through the use of coordinated enrollment with other social service assistance programs and the development of a national database that could be used for enrollment and verification of ongoing eligibility. These proposals are intended to improve administrative efficiency, improve service delivery, and protect and improve program access for eligible beneficiaries.

A. Eligibility Criteria for Lifeline and Link Up

117. We propose to amend our rules to require all States to utilize, at a minimum, the program criteria currently utilized by Federal default states. We further propose to allow States to maintain existing State-specific eligibility criteria that supplement the Federal criteria. Currently, some States' criteria are more permissive than the Federal criteria. For example, Georgia extends program eligibility to senior citizens participating in low-income discount plans offered by local power and gas companies. If we were no longer to allow States to utilize these existing State-specific eligibility criteria, current subscribers would become ineligible for Lifeline benefits, which could result in considerable consumer disruption. We seek comment on whether, going forward, States should be able to impose additional permissive eligibility criteria they deem appropriate, so long as these additional eligibility criteria are reasonably tied to income and the State in question provides additional monetary support to supplement the Federal support. We recognize that more permissive eligibility criteria could increase the number of Lifeline subscribers, and seek comment on how to strike the right balance between national uniformity and State flexibility to address local circumstances. We further seek comment on the nature and magnitude of the potential impact, costs, and benefits of imposition of our proposed minimum eligibility requirements.

118. Today, ETCs operating in multiple States have to develop State-specific policies and procedures to assure compliance with State-specific program eligibility requirements. More uniform eligibility requirements could potentially lead to more streamlined and effective enrollment of eligible consumers, while lessening regulatory burdens on service providers. Moreover, as we explore cost-effective ways to strengthen the process of certification and validation of household eligibility, more uniform requirements could also lessen administrative costs for the program and facilitate more effective

monitoring and auditing. We ask whether requiring all States to utilize the Federal eligibility criteria would simplify ETC processes for enrolling eligible households and verifying ongoing eligibility.

119. Would establishing a Federal baseline of eligibility criteria place any burdens upon the States? What administrative changes would be required in those States where enrollment and ongoing verification of eligibility functions are performed by a State governmental agency or third-party administrator? Would any such burdens be justified by the benefits of a minimum uniform system? From the perspective of States or service providers, what are the benefits or burdens of maintaining the current system in which requirements vary from State to State? We ask whether allowing States to maintain and add permissive eligibility criteria beyond any minimum uniform criteria would prevent existing eligible Lifeline customers from losing Lifeline support. Finally, we ask whether a Federal baseline of eligibility criteria would increase program participation.

120. In its *2010 Recommended Decision,* the Joint Board also recommended that we seek comment on raising the program's income eligibility criteria of 135 percent or below of Federal Poverty Guidelines to 150 percent or below of the FPGs. We seek comment on raising the Federal income threshold for program participation to 150 percent or below of the Federal Poverty Guidelines. Some Federal programs linked by the low-income program, such as LIHEAP, already have a 150 percent threshold. A number of commenters in the Joint Board proceeding urged that the income eligibility standard be increased in 150 percent. The FPG formula has been criticized as dated and inaccurate, with the Consumer Groups noting that some studies have suggested income levels for economic "self-sufficiency" at 161 percent of the poverty level. In 2004, the Commission sought comment on whether the income-based criteria for Federal default states should be increased to 150 percent of the Federal Poverty Guidelines. At that time, the Commission presented a staff analysis that concluded that raising the income threshold might only have minimal on telephone penetration rates, but could result in many new Lifeline subscribers, potentially resulting in an additional $200 million in demand for Lifeline. We seek to update the record on this issue. We also seek comment on lowering the threshold from the current level (135 percent of the FPG).

B. Certification and Verification of Consumer Eligibility for Lifeline

121. The applicability of Federal and State rules governing initial certification and ongoing verification of consumers' eligibility for support currently depends on whether the customer resides in a Federal default state or non-Federal default state. Accordingly, ETCs providing service in multiple States may be required to comply with various State and/or Federal certification and verification procedures. "Certification" refers to the initial determination of eligibility for the program; "verification" refers to subsequent determinations of ongoing eligibility.

122. We believe it is time to take a fresh look at these rules, taking into account both our experience with the program over the past 15 years and the many changes in service offerings since the program began. Our analysis is informed by the Joint Board's Recommended Decision, and by the recent GAO review of the program. According to GAO, some States find that consumers are deterred from enrolling by the difficulty of certification and verification procedures. GAO also notes that there are risks associated with the self-certification of subscriber eligibility and the accuracy of amounts claimed by ETCs for reimbursement. Our proposals are intended to improve the integrity of the program by improving Federal requirements and introducing greater consistency throughout the country. We seek to balance the need to ensure that the program supports only intended beneficiaries, with the need for administratively workable requirements that do not impose excessive burdens or costs.

123. *One-per-residential address certification and verification.* We propose to amend section 54.410 of our rules to require that all ETCs obtain a certification when initially enrolling a subscriber in Lifeline that only one Lifeline service will be received at that address. We also propose to amend section 54.410 of our rules to require that all ETCs obtain a certification from every subscriber verified during the annual verification process that the subscriber is receiving Lifeline support for only one line per residence. Requiring "one-per-residence" certification initially at sign-up and then on an ongoing basis should highlight and remind the consumer that support is available for only one line per residence and reduce inadvertent program violations. We seek comment on these proposals.

124. The form used for such certification shall explain in clear and simple terms that this Federal benefit is available for only one line per residence, and that consumers are not permitted to receive benefits from multiple providers. Further, the certification form shall contain language stating that violation of this requirement would constitute a violation of the Commission's rules and may constitute the Federal crime of fraud, which will be prosecuted to the fullest extent. We seek comment on this proposal and ask whether there is any other language that should be required on the form.

125. We propose that compliance with the one-per-residence rule shall be verified annually, using the same procedures and forms described above. Annual one-per-residence verification results should be reported along with the sampling data to USAC and the Commission, as discussed more fully below. Finally, any subscriber indicating they are receiving more than one subsidy per address shall be de-enrolled pursuant to the process for duplicates described above. Any non-responders shall also be de-enrolled pursuant to the termination process identified in our rules. We seek comment on these proposals.

126. *Modifying certification procedures.* We propose to amend section 54.409(d)(1) to eliminate the self-certification option and require all consumers in all States to present documents to establish eligibility for the program. We are concerned that the self-certification process does not provide adequate assurance that support is being provided only to qualifying customers. Self-certification offers minimal protection against those intentionally seeking to defraud the program and fails to exclude customers that are not eligible to participate but simply misunderstand the eligibility requirements. This proposal would reduce the number of ineligible consumers in the program and reduce opportunities for waste, fraud, and abuse.

127. We seek comment on this proposed rule change to eliminate self-certification for program eligibility. Will the rule change help identify and eliminate ineligible consumers from enrolling in the program? To the extent that any commenter opposes this proposed change, we encourage alternative suggestions that we could implement quickly to reduce opportunities for ineligible customers to participate in the program. We seek comment on whether this proposed change would present an undue burden on ETCs and/or consumers.

128. We also propose to amend section 54.409(d)(3) to require that a

consumer notify the ETC within 30 days if the consumer has knowledge that he or she no longer qualifies for Lifeline program support. A consumer would be required to notify its carrier upon knowledge that they no longer meet the income criteria, no longer participate in a qualifying program, are receiving duplicate support, or otherwise no longer qualify for program support. We seek comment on this proposal.

129. *Modifying annual verification procedures.* We are concerned that although the current sampling methodology for Federal default states may provide some insights into the percentage of ineligible subscribers for a given ETC, we are concerned that it may not adequately protect the program from waste, fraud, and abuse as it does not result in de-enrollment of all ineligible subscribers.

130. We propose changes to our annual verification procedures in three areas. First, consistent with the Joint Board's recommendation, we propose to amend section 54.410 of the Commission's rules to adopt a uniform Federal rule to serve as a minimum threshold for verification sampling. Second, we propose to require ETCs to de-enroll from the program consumers who decline to respond to an ETC's verification attempts. Third, consistent with the Joint Board recommendations, we propose uniform procedures for the collection and submission of verification data across all states. We seek comment on these proposals and ask whether there are other verification issues for which we should consider adopting a set of uniform procedures. We also seek comment how these proposals would impact existing ETC compliance plans for specific wireless providers.

131. We propose that these uniform minimum standards apply to all ETCs in all states regardless of any variances in state eligibility criteria. We recognize that individual states may have state-specific Lifeline programs, and therefore may have concerns that are not applicable to ETCs in all states. Therefore, we propose that states be allowed to implement additional verification procedures beyond the uniform minimum required procedures to accommodate those differences. We seek comment on this proposal. We also seek comment on whether there are any state verification processes that would be useful to adopt as a minimum uniform verification requirement to be applicable in all states.

132. The Joint Board also recommended that "states be allowed to utilize different and/or additional verification procedures so long as those procedures are at least as effective in detecting waste, fraud, and abuse as the uniform minimum required procedures." We seek comment on this proposal. For commenters that support this option, how, if at all could the Commission monitor whether different state procedures are "at least as effective" as the Federal standards? Would this proposal adequately address our concerns about the administrative burdens created by inconsistent standards among states?

133. *Uniform sampling methodology.* We propose to amend section 54.410 of the Commission's rules to establish a uniform methodology for conducting verification sampling that would apply to all ETCs in all states and provide additional protections against waste, fraud and abuse.

134. As noted above, the Commission's rules require ETCs in Federal default states to implement procedures to verify annually the continued eligibility of a statistically valid random sample of Lifeline consumers and provide findings to USAC. The Commission has previously specified that the size of annual samples should be based on a number of factors, including the number of Lifeline subscribers served by the ETC and the previously estimated proportion of Lifeline subscribers served that are "inappropriately taking" Lifeline service. The Joint Board recommended that the Commission reconsider the equation used to calculate acceptable sample sizes, suggesting that current samples are not large enough to reveal the percentage of ineligible consumers receiving support. The Joint Board also stated that a uniform minimum standard for conducting the "statistically valid random sample" would help ensure accuracy, improve consistency among the sampling data, and assist in analyzing regional and national verification issues.

135. There are several potential issues with our current sampling methodology. First, although our calculation method is designed so that poor results from prior years require an ETC to sample a larger number of customers in following years, the current methodology assumes that no more than six percent of customers would be found ineligible in any given year. As such, the tables that many ETCs use to determine the number of customers they must survey do not contemplate a situation in which more than six percent of customers are found ineligible. To illustrate the point, the minimum number of customers surveyed increases as the number found ineligible in the previous year increases from zero to fifty percent. However, because our instructions set a "cut off" of six percent ineligible, an ETC with 400,000 Lifeline subscribers (half of whom were estimated to be ineligible) would only need to survey 244 customers. As such, some ETCs may be sampling too few customers for their annual verification survey results to be statistically valid.

136. Second, our current methodology creates little incentive for the ETCs to obtain responses from all consumers in the sample; the only consequence for non-response is to de-enroll an admittedly small number of consumers in the sample population. The penalties for non-response largely fall on the subscriber (who may lose service despite eligibility), while there is little incentive for the ETC to educate customers about the importance of a prompt response.

137. Third, a statistically valid sample by definition provides only a basis for estimating the total number of ineligible consumers for a particular ETC; it does not result in de-enrollment of *all* (or even most) ineligible subscribers for that ETC. A hypothetical example illustrates the problem: If the annual verification survey estimates that half of a large ETC's customers are ineligible in one year, the ETC need only survey 0.27% of its customers the following year. In other words, if an ETC has 400,000 Lifeline subscribers and half (or 200,000) were estimated to be ineligible, the ETC would only need to survey 1,082 Lifeline customers the following year for the sample to be statistically valid (and assuming the same ineligibility rate, would then de-enroll no more than half, or 541, of the sampled customers for ineligibility). In short, the current methodology fails to identify the ineligibles who are not part of the sample.

138. Given these potential issues, we propose to amend section 54.410 of the Commission's rules to establish a uniform methodology to be used by all states for determining minimum verification sample sizes to provide additional protections against waste, fraud and abuse. Specifically, we set forth two alternative proposals for determining how many Lifeline customers an ETC must survey each year. The first alternative is a sample-and-census proposal, which would allow an ETC to sample its customers so long as the rate of ineligibility among responders to the survey is below a fixed threshold. If that ineligibility rate exceeds the threshold, however, the ETC would be required to take a census of all customers. The second alternative is to modify the current formula used in the Federal default states and apply it

uniformly to all states. Both alternative proposals are intended to address the three issues with our current sampling methodology, but in distinct ways. We describe each alternative below and invite comment on the relative advantages and disadvantages of these two alternatives.

139. We describe the possible implementation of the sample-and-census approach by providing an example using 5 percent as the threshold for a full census: Each year, ETCs would sample enough customers so that at least 300 customers respond to the verification survey; if the lower bound of the confidence interval for the estimate of ineligible subscribers is at or above 5 percent of total respondents, then the ETC would be required to take a census of all Lifeline customers that year and verify that each and every customer is eligible to participate in the Lifeline program. We seek comment on each component of the sample-and-census approach: (1) The minimum number of customers that must respond to the survey for each ETC, (2) the threshold rate that would determine when the number of ineligible respondents is unacceptably high, and (3) the census requirement to remove ineligible customers from Lifeline's rolls if that threshold is crossed.

140. First, we seek comment on the appropriate minimum number of respondents needed for an accurate sample. We note that under our current rules, an ETC with 400,000 Lifeline subscribers in a given state is required to sample no more than 244 customers, while an ETC with 10,000 subscribers is required to sample no more than 238 customers, and an ETC with 500 subscribers is required to sample no more than 164 customers. Our objective is to establish a minimum required number of respondents that would provide sufficient assurance that the results of the sample are indicative of the population at large, regardless of the expected margin of error. As set forth more fully in Appendix C, a sample size of 300 would have a margin of error no greater than 5.7 percent, regardless of the number of ineligibles ultimately identified. Thus, for instance, if there were 300 respondents, and the survey identified a 10 percent ineligibility rate, that would suggest the actual eligibility rate in the entire subscriber base is somewhere between 6.6 percent and 13.4 percent. Should we consider a larger or smaller sample size based on the number of Lifeline customers an ETC has in a state? Reducing the required number of respondents for smaller ETCs could result, for example, in sizably larger margins of error. On the other hand, a uniform number of respondents applicable to all ETCs could require smaller ETCs to survey all or most of their Lifeline customers each year, which could be burdensome. Such a requirement also could pose burdens to the extent that not all of the surveyed subscribers respond to the survey. Our goal is to establish a minimum number of respondents that is expansive enough to fully understand the scope of violations and de-enroll those who are ineligible, but that does not impose unnecessary costs on the program or on ETCs. We seek comment on how to appropriately balance the costs and benefits associated with implementing a standard minimum number of respondents, including the burdens that may be imposed on consumers as well as ETCs.

141. Next, we seek comment on the threshold rate that would be used to determine when the number of ineligible customers found in the survey warrants a full census. For these purposes, we distinguish between Lifeline subscribers that fail to respond to a verification attempt and those that are affirmatively are found to be ineligible. The example above set the threshold at 5% of respondents. Is this threshold appropriate? If not, what should be the triggering threshold? Should the threshold be higher in recognition of the fact that program rules allow a subscriber to remain in the program for a period of sixty days after becoming ineligible? Should it be lower, in order to further reduce waste, fraud, and abuse? In the same vein, should we establish an analogous threshold for the percentage of customers who do not respond to the ETC's verification survey? In other words, is there a level of non-responsiveness that should be deemed acceptable? If so, how could the Commission determine that threshold? If non-response rates exceed a specified threshold, should that level of non-response also trigger a full census, or are less burdensome measures to verify subscriber eligibility more appropriate.

142. Finally, we seek comment on the census component, *i.e.,* on the requirement that an ETC must verify the eligibility of all Lifeline customers in a state if the ineligibility rate of survey respondents exceeds the threshold. Should an ETC be required to conduct the census immediately, *i.e.,* within a specified number of months of completing the survey, or the following year (in place of the annual verification sample)? If the number of ineligible respondents found during the census exceeds the threshold rate, should the ETC be required to conduct another census the following year in lieu of a statistically valid sample? Should an ETC whose ineligibility rate exceeds the threshold be required to perform a census of all Lifeline customers each year until the ETC can establish that fewer than 5 percent of respondents are ineligible?

143. Should we establish another, higher threshold of ineligibility that would trigger a proceeding to determine whether that ETC's ability to participate in the Lifeline program should be revoked? For example, if two censuses in a row show that more then 10% of a particular ETC's Lifeline customers are ineligible, would that be evidence that the ETC has failed to implement adequate internal controls to assure compliance with Commission rules to such degree that it would be appropriate to revoke that ETC's designation to receive Federal Lifeline and Link Up support? If so, what would be the effect on subscribers receiving service from the offending ETC? For example, should subscribers be offered an automatic transfer to a different ETC or be required to re-enroll?

144. In the alternative, we seek comment on how to modify the current formula used in Federal default states and applying that revised formula in all states. We propose to eliminate the current cap on the estimated ineligibility rate of 6 percent. Should we require a larger sample size that would gradually increase the number of customers that an ETC must survey each year when a specified level of ineligibility is found? We recognize that a statistically valid sample is likely sufficient when the percentage of customers found ineligible is very low and the sample size is sufficiently large. But if the number of ineligible subscribers (including those that do not respond to the verification survey) becomes significant, should ETCs be required to verify eligibility of a proportionately larger number of customers than necessary for a statistically valid sample, to provide increasing incentives for the ETC to root out any potential waste, fraud, and abuse? We seek comment on potential modifications to the existing formula to better comport with our goals for revising the annual verification sampling procedures of ETCs.

145. We seek comment on both alternative proposals. To what extent would each proposal address the potential issues with today's methodology? Each proposal would eliminate the 6 percent "cut-off" that may distort the statistical reliability of today's sampling methodology. Each could incentivize ETCs to educate their customers and increase the response

rates of customers—the sample-and-census proposal would do so by putting the onus on ETCs to get a sufficient number of respondents, while a modified formula potentially could allow smaller verification surveys the following year if more customers respond to the verification survey. The first proposal includes a method for weeding out ineligible customers when one year's survey suggests that the number of ineligible customers is unacceptably high. Under the second approach, it could take several years to more fully identify ineligible subscribers for a given ETC and in the meanwhile, ineligible consumers would continue to receive support in contravention of our rules. We also acknowledge while our current statistical sampling methodology may work well for ETCs with a large number of subscribers, there is a risk of highly uncertain results for ETCs with small Lifeline subscriber populations.

146. We seek comment on these two proposals. We also seek comment on alternative proposals. Are there other ways to modify the current Federal methodology to improve it as we seek to make that the uniform minimum Federal standard in all states? We also seek comment on methods used by non-Federal default states to select a sample of subscribers that might provide a model for a uniform Federal standard. What sample size and confidence intervals are used by the various states that require statistical sampling?

147. *Procedures to be followed after sampling.* When an ETC samples its customers, there are three possible outcomes: (1) Some subscribers will not respond; (2) some respondents are eligible; and (3) other respondents are ineligible.

148. We propose to require ETCs to de-enroll from the program consumers who decline to respond to the ETC's verification attempts. Our rules require ETCs in all states and territories to terminate Lifeline service if the carrier has a reasonable basis to believe that a subscriber no longer satisfies the qualifying criteria. Codifying the specific requirement that they be de-enrolled for non-response in our rules would further protect the program from waste, fraud, and abuse. ETCs conducting verification surveys typically receive responses from only some of the consumers surveyed. We note that ETCs already routinely de-enroll customers that do not respond to the ETC's verification efforts, so this rule would not impose significant burdens on ETCs. We seek comment on this proposal.

149. *Collection and submission of verification sampling data.* Under current rules, the Commission has access to verification results only from ETCs in Federal default states and in a handful of states that require ETCs to submit information annually to USAC. The Joint Board noted that gathering the same minimal data from all states would provide the Commission a more complete picture of how the Lifeline program is utilized, and would help identify regional and national verification issues. A more comprehensive data set would also allow the Commission to continue refining its rules and policies to reduce waste, fraud, and abuse in the program. We propose to require all states to submit verification sampling data to USAC. We seek comment on this proposal.

150. Consistent with the Joint Board's recommendation, we seek comment on whether verification results submitted to USAC and the Commission should be shared with all states. The Joint Board also points out that making aggregate verification results available to the public could better inform interested parties about whether universal service funds are being used for their intended purposes. Accordingly, we seek comment on whether the Commission should periodically publish aggregated verification results. Finally, we seek comment on whether information relating to any other Lifeline or Link-Up eligibility criteria should be gathered by ETCs and submitted to USAC and the Commission during the certification and verification processes.

151. *Certification and verification best practices.* Consistent with the Joint Board's recommendation, we seek comment on states' certification and verification practices. The Joint Board noted that it received limited information regarding state certification and verification practices. More comprehensive data on states' practices would assist the Commission with establishing appropriate uniform minimum standards. Therefore, we seek to build the record regarding best practices for certifying and verifying household eligibility. We encourage states, ETCs, Tribal governments, consumer groups, and others to provide us with their experiences with different certification and verification procedures, and to identify those that could be adopted as uniform minimum standards for all states.

152. In particular, we seek data on how program eligibility is verified in particular states, how frequently verification is required, by whom verification is conducted, and the scope of the verification process (*e.g.,* the proportion of subscribers that are sampled). We also seek data on whether states impose different verification responsibilities on different types of carriers. For example, we understand that in some states Lifeline-only pre-paid wireless carriers may be subject to verification requirements different from other types of carriers.

153. *Certification and verification responsibilities and cost.* Consistent with the Joint Board's *2010 Recommended Decision,* we seek to develop a fuller record on who should be certifying and verifying continued eligibility. In the Federal default states ETCs perform these functions, while in other states, third-party administrators or social services agencies may perform them. Comprehensive data on certification and verification responsibilities and costs would assist the Commission in determining the most appropriate entity to certify and verify Lifeline consumers' eligibility. Specifically, as suggested by the Joint Board, we seek comment on the costs of requiring ETCs, states, or third-parties to undertake certification and verification procedures.

154. Requiring ETCs to verify eligibility by interacting with consumers may present challenges, including consumers' hesitancy to provide personal information to ETCs. We also note that to the extent an ETC is seeking to build a Lifeline customer base, it may not have the same incentives to verify continued eligibility for benefits as would a neutral third party or government agency. Additionally, Federal, state, or Tribal agencies administering qualifying programs may be able to provide more reliable and more accurate information than consumers for verifying program or income eligibility. Therefore, we seek comment on whether ETCs should continue to be responsible for conducting eligibility certification and verification directly with Lifeline consumers, and on how income-based eligibility can be verified if not directly through the consumer. Further, we seek comment on the relative merits of relying upon ETCs, state agencies, Tribal governments, or other third-party entities to conduct initial certification and subsequent verification of eligibility. We seek comparisons of state practices or procedures, including how various practices have impacted the number of ineligible subscribers and duplicates, and other forms of waste, fraud, and abuse.

C. Coordinated Enrollment

155. We agree with the Joint Board's recommendation that coordinated enrollment should be encouraged as a best practice by the states. Coordinated enrollment can provide an important protection against fraud because eligibility is certified by the appropriate state or Tribal agency. We also agree with the Joint Board and many commenters that there are certain administrative, technological, and funding issues associated with coordinated enrollment. We seek comment on whether mandating coordinated enrollment would be appropriate, though we note that the record is not yet well developed on this issue. We seek further information about the costs and benefits of coordinated enrollment. We also seek to understand what if any steps the Commission might take to facilitate coordinated enrollment in all states.

156. *Administrative issues.* We seek to build on the information we have collected from states and Tribal governments that are developing electronic interfaces to administer the Lifeline/Link Up program through coordinated enrollment. In the Joint Board proceeding, a few states provided detailed information regarding their coordinated enrollment best practices. For example, California explained that it moved from an automatic enrollment system to a system that pre-qualifies eligible consumers who must then affirmatively accept the service. Additionally, the GAO Report noted that states in its survey found that using various types of automatic enrollment procedures has a positive impact on reaching and enrolling eligible consumers. We seek comment on ways to ensure that coordinated enrollment provides fair and equivalent access to all providers of Lifeline service in a state, how to provide prompt and accurate notification of customer eligibility to carriers, and whether and how to ensure that a coordinated enrollment program would not prevent eligible consumers from qualifying under the income criteria. We also seek comment on how many and which states and Native Nations would require changes in state or Tribal laws to effectuate coordinated enrollment.

157. *Technological issues.* Individual states or Tribal governments may face unique technological circumstances and burdens that make it impractical or unduly burdensome to implement coordinated enrollment. For example, the ability of a state or Tribal government to implement coordinated enrollment may depend upon the capabilities of existing data processing equipment, software, and data communication networks. We seek comment on these burdens and seek detailed information on the technological hurdles that states or Tribal governments would face, and how these challenges can be overcome. How many states and Tribal governments would need to upgrade or add data processing equipment, software, data networks, or other technology solutions in order to implement coordinated enrollment?

158. *Funding issues.* We are aware that there could be significant costs associated with coordinated enrollment, including the costs of safeguarding consumers' privacy and security, administering the program, and developing and maintaining software and equipment. How have states that have implemented coordinated enrollment funded associated costs? If the Commission were to mandate coordinated enrollment, should states and Tribal governments be required to provide all of the necessary funding, or should the Universal Service Fund bear some of those costs, and if so, what portion? We ask states that have developed or are developing coordinated enrollment programs to provide data on the associated costs. We also seek comment on the overall cost savings, if any, associated with coordinated enrollment, and on any other benefits that arise from coordinated enrollment. For example, have coordinated enrollment procedures helped states or Tribal governments better target benefits to intended beneficiaries? We ask for comment on the extent to which coordinated enrollment might lead to increased participation in the low income program. We seek comment on whether coordinated enrollment would reduce fraud if participants were required to use a coordinated enrollment process in order to obtain benefits. We encourage commenters to quantify, to the extent possible, the magnitude of any administrative costs and potential savings of coordinated enrollment.

D. Database

159. *Administration.* We seek comment on who should administer the program database. Should USAC be the primary administrator of a centralized system, or should the Commission select another third-party to administer the database? Is a governmental agency in a better position to safeguard consumers' highly sensitive information, such as household income, than a third-party? Several commenters note that state social service agencies interact most closely with the program's target population, and may be most competent to deal with low-income households' sensitive documents. What models or best practices are there in other contexts for social service programs?

160. *Functionality.* We have heard from several ETCs that a national database may be the best means to protect against waste, fraud, and abuse. We seek comment on how we can create and implement a database that would enable efficient enrollment by households in the program, but also guard against waste, fraud and abuse. For example, AT&T proposes a national PIN database that would answer two questions: (1) Has a consumer been deemed eligible by the state; and (2) is the consumer already receiving Lifeline discounts? Under AT&T's proposal, states would assume responsibility for determining consumer eligibility and assigning a PIN that would be provided in blocks to various states by USAC. ETCs would access the database and be able to determine and change the status of a consumer.

161. We seek comment on what functions should be served by a centralized database and the priorities for implementation. We are interested in understanding whether there are databases or systems used to facilitate other government-supported programs that can serve as models.

162. First, we seek comment on the functionality that should be included in any information system that facilitates enrollment certification, and ongoing verification of eligibility. For example, how could a system simplify the certification process and provide real-time electronic verification of consumer eligibility? How can we ensure that the database provides ongoing verification of consumer eligibility? In addition, we seek comment on the type of information that the database would need to contain regarding a consumer's current Lifeline enrollment status. How would ETCs access eligibility information? CGM notes that Wisconsin provides real-time certification of customer eligibility at the time of enrollment. Could Wisconsin's system provide a model for a nationwide database?

163. In addition, we seek comment on whether a nationwide database could efficiently and effectively facilitate ongoing verification of customer eligibility. We seek comment on how a database would receive updates on changes in consumers' eligibility from appropriate social service agencies so that eligibility for Lifeline could be monitored in a timely manner. For

example, if a database is linked to a Federal or state system that contains information regarding customer enrollment in a qualifying program and the subscriber becomes ineligible in that qualifying program sometime after enrolling in Lifeline, how would the system notify the ETC that the subscriber is no longer eligible for Lifeline? Would the system alert the ETCs on a periodic basis or every time a subscriber drops out of the qualifying program? We seek comment on the procedures ETCs would follow when a subscriber becomes ineligible. For example, would the subscriber be given a grace period to secure alternative service once de-enrolled in Lifeline? How, if at all, could a database be updated to reflect changes in income eligibility?

164. We also seek comment on whether a national database would resolve the issue of annual verification by providing an effective means of verifying customer eligibility monthly, quarterly, or annually? How could a nationwide database accommodate the differences in state Lifeline practices, which include varying Lifeline eligibility criteria and verification mechanisms? Additionally, we seek comment on the impact a national database would have on carriers' administrative burden.

165. Second, we seek comment on the functionality required to eliminate duplicate claims for support and generally guard against waste, fraud, and abuse. Stakeholders have stated that a national database could eliminate fraudulent and duplicate claims for Lifeline support by performing a pre-qualification address verification. Currently, only Texas has a database that can identify duplicate claims, but the database does not allow ETCs to determine immediately if a household is enrolled in another program. Rather, ETCs must wait to hear from the system administrator whether the potential household is being served by another ETC. Because the Texas database is not updated in real-time, stakeholders report that there is significant lag-time in signing up customers. Is it necessary or desirable to update the database on a real-time basis?

166. Third, we seek comment on how the database would be populated and by whom. Some commenters have pointed out that a national database populated by the states as well as ETCs could simplify the certification process by providing accurate and up-to-date information on eligibility. Other commenters explain that state social service agencies are best situated to provide these inputs. We seek comment on what authority the Commission has to require state social service agencies to provide inputs in the database. We seek comment on who should be charged with populating the database.

167. A national database would need to have the ability to normalize or standardize data into a common format in order to account for variations in consumer- or ETC-provided data fields, especially addresses. What entity or entities would be responsible for populating a national database with the necessary customer eligibility information? Would ETCs populate the database for all customer data, and if that is the responsibility of ETCs, should we impose different deadlines for completion depending on the number of Lifeline subscribers for each ETC. Would a phased implementation schedule be an appropriate way to populate such a national database? If we were to adopt such an approach, what threshold should we establish to determine when different providers are required to participate, and should that be based on the size of the ETC (total subscribers) or the number of low-income subscribers it has?

168. Fourth, we seek comment on the system requirements of a national database. For example, Emerios noted that a database must be flexible enough to allow for consumers to easily switch between providers, and CTIA points out that a database should include enough fields so that if the fund supports other services in the future that the database would remain relevant and useful. We seek comment on these issues as well as other matters implicated by a national database.

169. *Costs and Funding.* We seek comment on the best way to fund and maintain a national database. Should database administration be funded completely or partially from the Universal Service Fund? Alternatively, if fees are assessed on ETCs to fund a national database, should fees be assessed on a per Lifeline-applicant basis, per instance of accessing the database (per "dip" into the database), or both? Emerios estimates that a centralized database would cost approximately $1 per application to administer. CGM and YourTel suggest that ETCs pay $.05–$.10 per dip. How many "dips" would be expected per year? Is there some other ETC assessment mechanism that would be more appropriate, such as a one-time flat fee? Verizon suggests that California's model of funding a third-party administrator using a customer-billed surcharge is an effective strategy. Are there examples of funding for program participation databases in other contexts that could serve as a model?

170. We seek comment on what costs the states might incur if a national database were established. For example, what costs would be associated with set-up, continuous operation, and updating of appropriate state databases that may be used for state low-income programs, as well as establishing appropriate telecommunications and information links and electronic data interfaces (EDIs) with a national database. Additionally, would existing state databases need to be modified in order to be compatible with a national database and at what cost? Could a national database have the inherent capability to perform seamless data protocol conversions while interacting with the state databases? The existing proposals have not addressed how the related non-recurring and recurring costs would be allocated among the individual states, the national/Federal level, and ETCs. However, as Emerios points out, states could be incentivized to connect to an existing national database because of the reduced costs of interfacing with a single database rather than potentially interacting with numerous providers. Thus, even in the absence of a state mandate to interface with a national database, states may find moving towards automation to be fiscally sound. Alternatively, are there Federal agencies with which we could partner to populate consumer eligibility data?

171. *Data Security and Privacy Issues.* We note that the privacy-based limitations on the government's access to customer information in Title II of Electronic Communications Privacy Act (ECPA), section 222 of the Communications Act, and our implementing rules and the privacy provisions of the Cable Act, may be implicated by collection of the data discussed here. We seek comment on whether any of these pre-existing regulatory or statutory requirements would impose any restrictions on the storage by a database administrator of customer eligibility, certification, and verification data. We seek comment on how best to address these concerns. We ask commenters to suggest ways in which a database could comply with any such requirements, and how could it be set up both to get useful data and to minimize the burden on consumers and reporting entities? Are the concerns alleviated if consumers provide information directly to the Commission, or if the ETC obtains consumer consent through a waiver at the time of enrollment? If the latter, what steps could the Commission take to ensure

that consumers have provided consent? How could the Commission address any other privacy issues, and any other legal impediments to the creation and maintenance of such a database? Are there other databases that have been constructed that could serve as a model for developing a database for Lifeline/Link Up? Specifically, we seek input from the states that have developed similar databases on how best to achieve our goal of allowing ETCs to access relevant data while protecting consumers' privacy.

172. We note that different states have different laws governing privacy of consumer data. We seek comment to better understand the differences in state privacy and security laws concerning the program eligibility data. We also seek comment to explore how to construct an IT platform that could ensure data security while enabling convenient access for all Lifeline providers across the country. Emerios points out that having a single platform, populated by ETCs, which all states can access, decreases the risk of security breaches by reducing the number of portals for inputting sensitive information. Would a national database be a more effective way to ensure consumer privacy than requiring individual ETCs to gather documentation establishing household eligibility?

173. *State/Regional Database.* We also seek comment regarding the feasibility and potential advantages and disadvantages of regional and state databases as opposed to, or in addition to, a national database. We seek comment on several key factors that parallel the critical issues outlined above for a national database, such as administration, cost and funding, privacy, and data security issues. We are interested in the advantages and disadvantages of these possible models. Consistent with the goal of preventing waste, fraud, and abuse, where a state has taken steps to automate the process to streamline or enhance eligibility and certification procedures and/or to prevent duplicate claims, we propose to require all ETCs operating in that state to utilize that state-managed process. We seek comment on this proposal.

E. Electronic Signature

174. Section 54.409(d) requires carriers to "obtain [a] consumer's signature on a document certifying under penalty of perjury" that the consumer meets certain Lifeline eligibility requirements. Section 54.410 requires carriers to verify continued eligibility by surveying consumers who must prove their continued eligibility and "self-certify under penalty of perjury" to certain requirements relevant to continued eligibility. Virgin Mobile has requested to enroll Lifeline consumers online by allowing applicants to electronically sign the application and to enroll customers by telephone using an Interactive Voice Response (IVR) system, which records and saves by phone an applicant's certification of eligibility.

175. The Electronic Signatures in Global and National Commerce Act (E–Sign Act) and Government Paperwork Elimination Act make clear that electronic signatures have the same legal effect as written signatures. We propose to allow consumers to electronically sign the "penalty of perjury" requirements of sections 54.409(d) and 54.410 of the Commission's rules. Because there is no general Commission rule on use of electronic signatures, we seek comment on the rules defining and guidelines for accepting electronic signatures for Lifeline enrollment, certification, and verification. For example, should sections 54.409(d) and 54.410 be amended to make clear that electronic signature is an acceptable "signature on a document" as required by the rules? We seek comment on how we can ensure that ETCs maintain copies of the household certifications in the event of duplicates or other questions concerning compliance with our rules.

176. We seek comment on whether an IVR telephone system is an acceptable method to verify a consumer's signature under sections 54.409(d) and 54.410 of the Commission's rules. Unlike section 54.410, section 54.409(d) specifically requires a signature by an eligible consumer, and we seek comment on whether an interactive voice response (IVR) telephone system satisfies the signature requirement of the rules. We note that the Commission has allowed the use of automated processes in other instances requiring verification by adopting rules specifically authorizing the use of such automated processes. How would ETCs satisfy the recordkeeping requirements of section 54.417 using an IVR telephone system?

VII. Consumer Outreach & Marketing

177. Section 214(e)(1)(B) of the Act requires ETCs to advertise the availability of services supported by universal service funds "using media of general distribution." Over the years, the Commission has highlighted the importance of outreach to low-income consumers, including by adopting outreach guidelines in its *2004 Lifeline and Link Up Order,* 69 FR 34590, June 22, 2004.

178. Advertising the availability of discounted services available to low-income households falls into two related categories: Outreach and marketing. Outreach entails increasing public awareness of the program, while marketing relates to how ETCs describe and sell their USF-supported products to consumers. The Commission wants to ensure that eligible consumers are made aware of the availability of Lifeline and Link Up and seeks comment below on effective outreach methods to low-income households. Moreover, as discussed below, some ETCs are energetically marketing Lifeline- and Link Up-supported products. We seek comment on whether we should impose marketing guidelines on ETCs to ensure that consumers fully understand the benefit being offered, which may help prevent the problem of duplicate support.

179. In its *2010 Recommended Decision,* the Joint Board looked at both outreach and marketing and urged the Commission to adopt mandatory outreach requirements for all ETCs that receive low-income support from the Universal Service Fund. In support, the Joint Board cited USAC data showing that, in 2009, only 36 percent of eligible consumers participated in Lifeline. Based on this statistic, the Joint Board expressed concern that current outreach is ineffective or that some ETCs are neglecting low-income outreach altogether. The Joint Board also recommended that the Commission review carrier best practices on community-based outreach; clarify the role of the states in performing low-income outreach, including working with ETCs to formulate methods to reach households that do not currently have telephone and/or broadband service; and monitor ETCs' outreach efforts. With respect to marketing, the Joint Board encouraged the Commission to provide ETCs with the flexibility to market their service offerings to eligible consumers in accordance with their respective business models, and recommended that the Commission seek comment on whether ETCs should be required to submit a marketing plan to the state or Commission describing outreach efforts.

180. *Outreach to Households Without Telephone Service.* In 2004, the Commission adopted an outreach guideline recommended by the Joint Board that states and carriers utilize materials and methods designed to reach low-income households that do not currently have telephone service. In its *2010 Recommended Decision,* the Joint Board recommended that states should assist ETCs in two primary ways

in formulating methods to reach households that do not currently have telephone and/or broadband service. First, states can identify appropriate community institutions to participate in public-private partnerships. Second, states can assist ETC outreach efforts by identifying unserved and underserved populations for whom outreach would be beneficial.

181. We seek comment on the efficacy of current efforts by states and ETCs to reach low-income consumers without phone service, and what more can be done to improve outreach, particularly in states where adoption of phone service is below the national average. We seek examples of public-private partnerships that have been effective in reaching low-income households without phone service. In addition, we would like to better understand how state social service agencies or public utility commissions identify unserved populations in their states, and whether and how they could share such information with ETCs operating within their states. We also seek comment on the role of Tribal governments and organizations in identifying and reaching out to members of their communities who lack telephone service and could benefit from Lifeline and Link Up. Moreover, we are interested in any data regarding whether outreach to low-income households results in increased telephone penetration rates.

182. *Outreach to Non-English Speaking Populations.* The Commission has encouraged states and carriers to use advertising that can be read or accessed by any sizable non-English speaking populations within the ETC's service area. The Joint Board also emphasized the importance of outreach to non-English speaking communities in its *2010 Recommended Decision.* We seek comment on whether current outreach efforts to non-English speaking communities by states and ETCs are effective, or whether more should be done in this area. As discussed in more detail below, we seek information on community-based partnerships or initiatives that have been effective in educating non-English speaking populations about the Lifeline/Link Up program.

183. *Role of the States and Outreach with Government Assistance Programs.* Since 2004, the Commission has urged states and carriers to coordinate their outreach efforts with governmental agencies that administer any of the relevant government assistance programs. The Commission's 2004 outreach guidelines make clear that states play an important role in working with ETCs to advertise the availability of Lifeline supported services. Recently, the National Broadband Plan noted that requiring ETCs to conduct Lifeline outreach may not be the most effective way to reach underserved, low-income populations. Rather, the Broadband Plan suggested that state social service agencies should take a more active role in consumer outreach by making Lifeline and Link-Up applications routinely available when the agencies discuss other assistance programs with consumers. A few ETCs have pointed out that social service agencies are in a much better position than ETCs to approach potential consumers with information about Lifeline-assisted programs.

184. We seek comment on what steps this Commission could take to encourage state and Tribal social service agencies to take a more active role in reaching potential Lifeline-eligible consumers going forward. For example, should we encourage the states to distribute to low income consumers comparative guides detailing the competitive Lifeline offerings available in their states? We seek comment on who should bear the cost associated with state outreach efforts, and whether outreach costs should come out of the Universal Service Fund. And we ask commenters to identify any best practices in the area of state outreach. We also inquire whether coordinating outreach with government assistance programs should be the preferred method of outreach, as opposed to imposing mandatory outreach requirements on ETCs.

185. *Outreach by ETCs.* As noted above, the Commission has not imposed mandatory outreach obligations on ETCs, but rather adopted outreach guidelines in 2004 designed to encourage states and carriers to work together to educate consumers about Lifeline-assisted programs. The Joint Board's *2010 Recommended Decision* recommended that the Commission adopt mandatory outreach requirements for all ETCs that receive low-income support from the Universal Service Fund. Looking at the current Lifeline participation rate, the Joint Board expressed concern that ETCs may not be doing enough to promote their Lifeline offerings to low-income households. The Joint Board also recommended that the Commission seek comment on whether ETCs should be required to submit a marketing plan to the state or Commission outlining their outreach efforts.

186. We seek comment on whether we should impose specific outreach requirements on ETCs, as recommended by the Joint Board. If the Commission were to adopt mandatory requirements, what should those requirements be? Would a uniform national rule be effective in achieving program goals, and what burdens would such a rule place on ETCs? In response to the Recommended Decision, Qwest argues that ETC advertisements do not necessarily result in more customers enrolling in the program, and that the better approach is for the state or social services agencies to promote the program. TracFone notes that it spent $41 million on advertising in 2010 to promote its Lifeline-supported SafeLink product, which included targeted marketing and advertisements in community newspapers. We seek to develop a fuller record on this issue, as suggested by the Joint Board. We are interested in understanding what are the most effective outreach methods to reach consumers, and how the Commission could evaluate the impact of outreach methods over time.

187. *Community-Based Outreach.* In its *2010 Recommended Decision,* the Joint Board noted that community-based outreach may be an effective means to reach low-income households and encouraged the Commission to collect data on best practices in this area. We ask ETCs, community-based organizations, and other interested parties to highlight community-based outreach that has been successful in educating low-income households about the Lifeline program. For example, we seek comment on the role of Tribal governments and other Tribal organizations in reaching low-income households on Tribal lands.

188. *Marketing and Uniform Language to Describe Lifeline.* Some ETCs market their Lifeline-supported products under a trade name. For example, TracFone offers Lifeline-supported service under the name SAFELINK WIRELESS®, while Virgin Mobile's competing offering is Assurance Wireless. Some eligible consumers may not understand that these products are Lifeline-supported offerings, and therefore may not realize they are violating our prohibition against having more than one Lifeline-supported service per household. To prevent consumer confusion and reduce the number of consumers receiving duplicate support, we seek comment on whether we should require all ETCs to include language in the name of their service offering or in description of the service to make clear that the offering is supported by Lifeline. Should ETCs be required to expressly identify the service as a Lifeline-supported product in all advertising and outreach to

consumers? Would it inhibit effective marketing by ETCs to require such language on the product name, potentially reducing competition for Lifeline-supported services? We seek comment on whether the other actions we propose in this NPRM to eliminate waste, fraud, and abuse alleviate the need to set policies related to the marketing of Lifeline services to consumers.

189. We also seek comment on whether ETCs should be required to include in all marketing and advertising materials for Lifeline-supported offerings clear and prominent language explaining that consumers are entitled to only one Lifeline subsidy per household. Should the Commission develop model language that would be required for ETCs to use, or that would be a safe harbor for ETCs to use? If so, what should that language be? We request that ETCs provide us with the language they currently use to describe their Lifeline and Link Up service offerings.

VIII. Modernizing the Low Income Program To Align With Changes in Technology and Market Dynamics

A. The Current Lifeline Program

1. Voice Services Eligible for Discounts

190. In light of the marketplace changes noted above, it is also an appropriate time to evaluate the definition of "Lifeline" to ensure it is keeping pace with the basic connectivity needs of low-income consumers. We question whether Lifeline should continue to be defined as "basic local service." As noted above, distinctions between local and long distance calling are becoming irrelevant in light of flat rate service offerings that do not distinguish between local and toll calls. Is the "local" qualifier outdated in light of marketplace changes? How should we define "basic" voice telephony for purposes of the Lifeline and Link Up programs?

191. We propose, consistent with the *USF/ICC Transformation NPRM,* 76 FR 11632, March 2, 2011, to amend the definition of "Lifeline" in section 54.401 to provide support for a set of defined functionalities known as "voice telephony service." This amended definition may provide simplicity for ETCs who provide and advertise Lifeline services, and will ensure consistency across universal service support mechanisms.

192. We seek comment on this proposal. Should this definition of voice telephony service encompass the nine functionalities currently specified in section 54.401? Is there any reason to modify the functionalities to be provided to ensure quality service for low-income customers? As noted by the Commission in the *USF/ICC Transformation NPRM,* with respect to the performance characteristics for voice telephony service, "voice grade access" to the public switched network is defined in section 54.101 of the Commission's rules as "a functionality that enables a user of telecommunications services to transmit voice communications, including signaling the network that the caller wishes to place a call, and to receive voice communications, including receiving a signal indicating there is an incoming call. For the purposes of this part, bandwidth for voice grade access should be, at a minimum, 300 to 3,000 Hertz." Is this definition appropriate for Lifeline households? How should we define services supported by Lifeline in a way that is technologically neutral and can evolve over time as technologies used to deliver voice service change in the years ahead?

2. Support Amounts for Voice Service

193. We seek comment on whether there is a more appropriate reimbursement framework than the current four-tier system for determining Federal support amounts for the program that will provide support for low-income households that is sufficient, but not excessive, consistent with section 254. Should the low-income tiers of support be modified in light of the marketplace changes that have occurred since the *Universal Service First Report and Order,* 62 FR 32862, June 17, 1997? Such a change could be an important step toward reducing waste in the Lifeline program. How can the Commission ensure that low-income households can continue to benefit from the expanded array of service offerings, including pre-paid wireless service, while ensuring that universal service funds are primarily benefiting consumers, rather than the carriers that serve those consumers?

194. Given the growth of the program in recent years, it is vital that the Commission ensure that funds are distributed in a targeted and meaningful way. In particular, we seek comment on whether it makes sense to continue to tie Lifeline support amounts to the Federal subscriber line charge, which may not be the appropriate metric of whether service is affordable to a low-income household. Should we adopt a different framework for carriers that do not charge a subscriber line charge, or that do not allocate their costs between the intrastate and interstate jurisdictions? Is there an amount that would better ensure affordable service for eligible households? What might be the appropriate reimbursement structure be in the future, when voice service is provided as an application over broadband networks, potentially at no additional cost to the consumers?

195. We also seek comment on whether to maintain Tiers 2 and 3 of Lifeline support as currently set forth in the Commission's rules. Should consumers be entitled to a higher or lower baseline Federal support amount, justifying a change in the amount of available Tier 2 support? Similarly, should the Commission raise or lower the amount of Federal matching support that is available under Tier 3? Finally, does $25 remain a reasonable additional reimbursement rate for consumers receiving enhanced Tribal support pursuant to Tier 4? Does providing such a flat amount effectively create a price floor for carriers serving Tribal lands, even though it may be possible in some instances to serve eligible households at a lower cost (*i.e.,* for less than $25 per month)? We emphasize that in asking this question we are not seeking to limit benefits for low-income households, but rather looking at ways to restructure support levels to create incentives for carrier efficiency.

196. If the Commission were to create a new reimbursement structure for carriers providing Lifeline service to low-income households, should the reimbursement mechanism be different for wireless and wireline ETCs, based on their potentially divergent costs for providing service? Would there be any reason to adopt a different framework for pre-paid wireless providers as opposed to post-paid? Should the Commission maintain a tiered reimbursement structure? If so, what costs should be used as the basis for setting a support amount? Would adoption of a single, uniform flat discount amount without tiers be appropriate? Would a percentage discount rate, subject to an overall dollar cap, better assist low-income households in securing the best retail rates offered by their chosen ETC? In the alternative, should we establish national parameters of a basic Lifeline service, and require ETCs to specify the minimum price per household they would accept to provide such service? We seek comment on these alternatives.

3. Minimum Service Requirements for Voice Service

197. We seek comment on the advantages and disadvantages of adopting minimum standards for all ETCs offering Lifeline service. In the section above, we asked whether we

should establish national parameters for a basic Lifeline service. Accordingly, if we were to adopt minimum service requirements for Lifeline-only ETCs, what should those requirements be? Should we establish a set minimum number of monthly minutes to be included in ETCs' Lifeline service offerings, and if so, what would be an appropriate number of minutes? Should we establish a minimum number of free long-distance calls? Is there a need for service quality standards when consumers often have the choice of several Lifeline providers? We seek comment on whether the Commission should impose minimum service requirements on all ETCs, as opposed to just wireless ETCs, and how we could impose standards that are technologically neutral. We note that wireless providers offer the benefits of mobility and often additional features and functionality, such as voicemail, caller ID, and call waiting, at no extra charge. Similarly, low-income households that select Lifeline offerings from wireless providers may have the ability to call distant family members and friends without incurring toll charges. Can uniform minimum standards be developed for all technologies, or is there a benefit to having standards tailored to different technologies? What are the relevant attributes or features that should be standardized across Lifeline offerings?

198. We also seek comment on the relevant costs and benefits associated with setting minimum standards of service. We note that minimum standards of service could increase the costs of Lifeline service to ETCs and could thus provide a disincentive for additional carriers to seek ETC status for the program. Would minimum standards deter companies from seeking ETC designation? Would high minimum standards make Lifeline offerings more attractive to low-income households, and thereby increase demand for the program?

4. Support for Bundled Services

199. We seek comment on amending the Commission's rules to adopt a uniform Federal requirement that Lifeline and Link Up discounts may be used on any Lifeline calling plan offered by an ETC with a voice component, including bundled service packages combining voice and broadband, or packages containing optional calling features. We note that section 254(f) of the Act bars states from adopting regulations that are inconsistent with the rules established by the Commission to preserve and advance universal service.

200. In a number of states where ETCs are not precluded by state requirements from allowing consumers to apply their Lifeline discounts to the purchase of bundled packages or optional services, many carriers—including large carriers like Sprint Nextel, Verizon Wireless, and AT&T Mobility—limit Lifeline offerings to basic voice service. We seek comment on whether to adopt a national rule that would require all ETCs to offer Lifeline and Link Up discounts on all of their service plans with a voice component. Under such a rule, ETCs could be required to apply Federal Lifeline support to reduce the cost of any calling plan or package selected by an eligible low-income household that allows local calling, rather than offering a discount only on the carrier's lowest tariffed or otherwise generally available residential rate plan. However, each eligible household's Lifeline discount would be capped at the amount the subscriber would have received if it had selected a basic voice plan. Additionally, we seek comment on requiring all ETCs to permit eligible households to apply the Link Up discount amounts set forth in section 54.411(a) of the Commission's rules to any service plan with a voice component. As with the Lifeline program, each eligible household's Link Up discount could be capped at the amount the household would have received pursuant to the Commission's rules if it had selected a basic voice plan.

201. We seek comment on whether amending our rules in this way would further the statutory principle that consumers have access to quality services at "just, reasonable, and affordable rates." Restrictions on use of Lifeline discounts, whether imposed under state law or by an ETC, may preclude a significant number of eligible low-income households from the expanded service options available in the marketplace, such as packages that include broadband or data service. Further, as compared to carriers' basic plans, bundled packages of services may offer better value for Lifeline and Link Up consumers.

202. We seek to develop a fuller record on current ETC practices regarding the provision of Lifeline discounts on bundled offerings. To what extent do ETCs currently offer Lifeline and/or Link Up discounts on plans that include bundles of services or optional calling features? If so, what services are Lifeline and Link Up consumers permitted to purchase? We also seek comment on the extent to which specific states mandate that ETCs allow the application of Lifeline and/or Link Up discounts to expanded service plans. Is there any evidence that Lifeline and Link Up participation rates have been positively affected by policies requiring the extension of program discounts to the purchase of bundled packages and optional services? Where available, commenters are encouraged to submit supporting documentation of ETC or state practices along with any written submissions.

203. We seek comment on the potential administrative and practical consequences of amending our rules in this fashion. What changes to internal back office systems (*e.g.,* for ordering service and billing) would be required to implement such a rule, and what costs would that impose on ETCs? How long would it take to implement such a change? If we were to adopt such a rule, should ETCs be obligated to offer a Lifeline discount on all of their service plans, including premium plans and packages? Conversely, are there certain service plans or packages that ETCs should not be required to make available to consumers seeking to apply Lifeline discounts? Should consumers be prohibited from applying a Lifeline discount to bundled offerings that contain a video component?

204. Would allowing consumers to choose from an array of expanded packages create a greater likelihood that Lifeline and Link Up consumers may be unable to pay for the remaining portion of their chosen calling plan and therefore risk termination of voice service? What are the options for reducing that risk? If we were to adopt such a rule, one option would be to require ETCs to offer methods of managing usage (whether minutes of use or data) that otherwise would yield higher monthly charges beyond the monthly fee. For instance, Lifeline consumers could elect to set maximum usage amounts for themselves that may not be exceeded per billing cycle. We seek comment on the feasibility of this proposal. What capabilities exist today, or are anticipated in the near term, for carriers to assist Lifeline consumers in managing their service usage? What would be the administrative burdens and costs for a carrier if it were required to offer this to Lifeline subscribers?

205. We seek comment on how we can identify and measure the potential benefits of this proposal. As residential broadband usage becomes more common, many companies have begun offering consumers the option to purchase broadband as part of a "bundled package" that provides a combination of voice, data, and video services to the customer, delivered over a shared infrastructure. As noted above,

compared to carriers' basic plans, bundled packages of services may offer better value for consumers. Would this proposal, if adopted, be likely to make broadband more affordable for low-income households and stimulate broadband adoption by low-income households?

206. We also seek comment on how we can identify and measure the potential costs of this proposal. For example, would this proposed rule change be likely to have an impact on the size of the universal service fund? What are the potential costs to carriers (*e.g.,* administrative costs) in complying with the proposed rule? Finally, are there any potential costs to consumers associated with the proposed rule? To the extent that it is available, commenters are encouraged to submit supporting data along with any written submissions.

B. The Transition to Broadband

1. Support for Broadband

207. The Commission seeks comment on revising the definition of "Lifeline" to ensure it is keeping pace with the needs of low-income households, consistent with the statutory principle that "consumers in all regions of the country, including low-income consumers * * * should have access to telecommunications and information services." Lifeline/Link Up does not currently support broadband. We seek comment on whether the Commission should amend the definition of Lifeline to explicitly allow support for broadband.

208. As noted above, the Commission has sought comment in the *USF/ICC Transformation NPRM* on whether to make broadband a supported service and has sought comment on extending universal service support to broadband. If the Commission does not make broadband a supported service, what would be the legal basis for our authority to support broadband in the Lifeline and Link Up program? If the Commission makes broadband a supported service, what are the associated practical and operational challenges that we would need to address when expanding Lifeline support to broadband? For example, how should a broadband Lifeline service be defined and measured? Should Lifeline support be available on services that do not meet whatever speed threshold the Commission ultimately adopts for purposes of setting infrastructure deployment requirements under the Connect America Fund? For instance, some parties have suggested that for purposes of Lifeline, consumers should be free to choose to use discounts on services that provide 768 kbps or 1.5 Mbps downstream, rather than being forced to use the discount only on higher-speed offerings. Should there be any minimum performance requirements for Lifeline broadband offerings?

209. What would be the appropriate framework for determining support levels for broadband services, given that the price of the retail service is not regulated at either the Federal or state level? We are mindful of the need to ensure that contributions to our universal service support mechanisms do not jeopardize our ability to promote quality services at affordable rates for all consumers. How should we balance these competing goals as we consider modernizing Lifeline and Linkup to support broadband?

210. If broadband is made a supported service, should we impose any terms and conditions on the Lifeline support that is available for broadband? For example, should there be any limitations on the types of services that are offered as part of a Lifeline plan? We sought comment above on whether low-income households should be able to use their Lifeline discounts on any plan with a voice component; should ETCs similarly be required to offer Lifeline discounts on all broadband plans, or just some? We note that several wireless ETCs currently offer text messaging services as part of their Lifeline calling plans. Should consumers be permitted to select "data only" Lifeline plans? Is there a risk that low-income households might incur excessive charges for data plans, absent some form of data or usage cap? We note that some Lifeline consumers already subscribe to broadband services. We ask that ETCs provide any data they may have regarding broadband subscribership among current Lifeline recipients. We also recognize that our analysis of these questions may depend, in part, on what we learn from the broadband pilots described below.

2. Broadband Pilot

211. We propose to set aside a discrete amount of universal service funds reclaimed from eliminating inefficiencies and/or waste, fraud, and abuse to create a pilot program to evaluate whether and how Lifeline/LinkUp can effectively support broadband adoption by low-income households. A broadband pilot program could help us gather comprehensive and statistically significant data about the effectiveness of different approaches in making broadband more affordable for low-income Americans and providing support that is sufficient but not excessive. This data could assist the Commission in considering the costs and benefits of various approaches prior to using Lifeline to support broadband on a permanent basis. We recognize that the ultimate success of using Lifeline funds to support broadband may hinge on the sufficiency and effectiveness of preliminary testing conducted through a pilot program. As identified by the GAO, the Commission has recognized the importance of developing an assessment of the telecommunications needs of low-income households to inform the design and implementation of broadband pilot programs.

212. *Scope of the Pilot Program.* We propose using the pilot program to fund a series of projects that would test different approaches to providing support for broadband to low-income consumers across different geographic areas. The projects could also try to take into account unique barriers faced by certain groups of low-income non-adopters such as Tribal communities or Americans for whom English may be a second language. While individual projects might involve only one type of provider or technology, the overall objective would be to design a pilot program that would be competitively and technologically neutral.

213. We propose structuring the pilot program as a joint effort among the Commission, one or more broadband providers, and/or one or more non-profit institutions or independent researchers with experience in program design and evaluation. The pilot also could include participation from other stakeholders such as private foundations; non-profits experienced in outreach and digital literacy training; desktop computer, laptop, or mobile device manufactures or retailers; and state social service or economic development agencies. We seek comment on these proposals to structure the pilot program as a joint effort among a variety of stakeholders focused on conducting a series of projects to test different approaches to providing support. We expect that the projects would test several variations on program design, including experimenting with different techniques to combine discounts on service and/or hardware with efforts to address other barriers to broadband adoption such as digital literacy.

214. Consistent with our historic role in providing support for services and not equipment, we seek comment on funding projects that would test variations in the monthly discount for broadband services, including variations on the discount amount, the duration of

the discount (limited or unlimited, phased-down over time or constant), and the treatment of bundled services. We also propose to test variations in Linkup-like discounts to reduce or eliminate installation fees, activation fees, or similar upfront charges associated with the initiation of service. We seek comment on these proposals.

215. We propose to require at least some pilot participants to either offer hardware directly or partner with other entities to provide the necessary devices as a condition of participating in the pilot program. The cost of customer equipment necessary to access the Internet (including computers or other devices) has been shown to be a major barrier to adoption, particularly for low-income households. Some stakeholders have suggested that the cost of Internet-enabled devices poses a significant burden on an ETC's ability to provide affordable broadband to low-income consumers. It would be valuable for pilot projects to test variations in discounts to reduce the cost of hardware, including discounts for air cards or modems. Because we intend to evaluate the impact of ETCs' providing different types of discounts on hardware versus not providing any discount, some consumers would not be offered discounted hardware. If we require some applicants for pilot program funding to offer discounted hardware, should all applicants be required to agree to do so even though we do not expect all consumers to receive discounts? We seek comment on these proposals.

216. We propose that applicants for pilot program funding should be prepared to experiment with different approaches to overcoming digital literacy barriers, other non-cost barriers to adoption, and variations in other program design elements that may help the Commission implement a permanent support mechanism. The National Broadband Plan and subsequent research identified the lack of digital literacy among low-income Americans as a major barrier to broadband adoption. Skills such as being able to use a computer or other Internet-enabled device to retrieve and interpret information or to communicate and collaborate with other users, and even such fundamental steps as navigating a Web site and creating a username and password, may pose significant difficulties for many consumers. Any program seeking to effectively increase adoption of broadband may need to address this barrier. We specifically seek comment on what subset of the following additional program design elements should be tested:

- Training methods;
- Outreach methods;
- Contract terms;
- Product offerings/service restrictions or requirements (such as establishing minimum or maximum speed offerings for consumers participating in the pilot); and/or
- Administration/enrollment methods such as automated enrollment through low-income housing facilities or other social service entities.

We also seek comment on how the Commission should take into account elements beyond its control, such as programs or services provided by the private sector, other governmental agencies, or non-profits in conjunction with support provided as part of a broadband Lifeline and Link Up program.

217. We intend for the pilot program as a whole to test the impact of these varying factors; we are not suggesting that each project funded through the pilot test every variable of interest to the Commission. We seek comment on this proposal. We also ask commenters to consider how many settings of key variables should be tested for each program design element (*e.g.* discount amount, duration of the discount). How many households should participate to test each element and variation in a way suitable for generalizing to a large scale program? Should all elements be tested simultaneously, or should they be sequenced in some manner?

218. We note that the goal of the pilot program is to conduct experiments to collect information that would help inform future policy decisions. The pilot is not intended to have an immediate impact on low-income consumers on a large-scale. Similarly, the structure and rules governing pilot projects may differ in important ways from rules that the Commission may ultimately adopt to expand Lifeline to support broadband.

219. *Pilot Program Funding.* We seek comment on how much money should be allocated to support discounts on broadband and administrative costs associated with the pilot projects. Because the goal of the pilot program is to conduct test projects that would produce meaningful data by experimenting with different program design elements, we believe that only a relatively small sample size is needed to develop statistically valid results. Depending on the parameters assessed by different pilot programs, the program may be able to gather statistically valid data from a smaller number of participating households.

220. Consistent with our over-arching objective of ensuring fiscal responsibility, we propose to fund the pilot projects by utilizing at least some of the savings from the proposal to eliminate reimbursement for Toll Limitation Services, as well as some of the savings realized by eliminating waste, fraud, and abuse from the program. USAC's most recent projections forecast total annual 2011 TLS support of approximately $23 million. Are there other funding sources available that we should consider in implementing these pilot programs? Should we require entities applying for pilot program funding to contribute some sort of matching funds or in-kind contribution?

221. *Duration of Pilot Program.* Commenters have recommended pilot programs ranging from six months to multiple years. USTelecom suggested, for instance, that a period of 18 to 24 months would be needed to produce "meaningful data that would permit the Commission to thoughtfully design a permanent program." We seek comment on the appropriate duration of a pilot program. Commenters who suggest schedules should explain the relative advantages and disadvantages of specific lengths of time.

222. At the Commission's broadband pilot roundtable, several parties suggested that it might be appropriate to provide subsidies only for a limited period of time to address the initial adoption hurdle of realizing the benefit of broadband. If some of the variables tested include variations on the length of time that a subsidy is available or a reduction in the amount of subsidy over time, for how long would researchers need to follow subscribers after the reduction to test whether adoption outcomes stay the same, or whether consumers drop service when the subsidy is eliminated or reduced?

223. *Role of the States.* We seek comment on the role that states should play in any pilot program integrating broadband service into the low-income program. For instance, could states assist in identifying target populations or assist in administration? Are there services or funding support that states are uniquely situated to provide in a broadband pilot program? How should low-income universal service support for broadband be integrated into other Federal, state, regional, private, or non-profit programs that help address barriers to broadband adoption?

224. *Consumer Eligibility To Participate in Pilot Projects.* We propose using the Lifeline eligibility rules currently in effect in Federal default states as a uniform set of consumer

eligibility requirements to be used in all pilot projects. We believe uniform eligibility rules will lower administrative costs associated with the pilots and help the Commission more easily compare results from different pilot projects. Is there any reason to allow some pilot projects to deviate from the Federal default rules? For example, should the Commission consider funding a pilot project that tested the impact of more stringent or more lenient eligibility requirements to help assess the potential impact such requirements might have? Alternatively, are there reasons that the Commission should consider pilot projects that limit eligibility to a more narrowly defined group of households currently eligible under the Federal default rules, such as households with children participating in the National School Lunch Program?

225. *Eligibility To Apply for Funding for Proposed Pilot Projects.* We seek comment on whether funding for the pilot program should be limited to ETCs or whether non-ETCs could be eligible to receive funding during the pilot. Several commenters have suggested eligibility for funding for broadband pilots, or any broadband Lifeline support, should be independent from the traditional ETC requirements established under section 214 of the Act. Could we forbear from our current ETC requirements to allow non-ETCs (*e.g,* broadband providers who are not ETCs or non-providers) to participate in the pilot? Forbearance from our ETC requirements may encourage participation by a greater number of broadband providers. What are the advantages and disadvantages of having a larger number of providers seek funding for pilot projects?

226. We propose to allow non-ETCs (*e.g.,* non-providers) to submit applications for pilot funding provided they have identified ETCs, which would receive the support disbursements, as partners. We believe allowing non-ETCs to apply for funding may increase participation by allowing ETCs to rely on other entities to help with pilot program administration. This approach may also encourage more multi-stakeholder partnerships designed to simultaneously address multiple barriers to adoption. We seek comment on this proposal.

227. We also seek comment on limiting program participation to ETCs that partner with entities approved by the NTIA's State Broadband Data & Development (SBDD) Program. The SBDD program, led by state entities or non-profit organizations working at their direction, facilitates the integration of broadband and information technology into state and local economies. The program awarded a total of $293 million to 56 grantees or their designees and the grantees use this funding to support the use of broadband technology. Among other objectives, these state-created projects use the grants to research and investigate barriers to broadband adoption and created state and local task forces to expand broadband access and adoption. ETCs could work with the SBDD grantees and other stakeholders to develop pilot projects that integrate Federal universal service support into a state's existing or planned adoption efforts. The potential benefits of encouraging ETCs to partner with these SBDD grantees to participate in this pilot program are numerous: Each of the grantees was selected by a state government that may be well positioned to develop targeted, state-specific adoption approaches; many of the grantees have experience with training, outreach, and surmounting barriers to adoption; and such a pilot could leverage the work already conducted by NTIA, such as the due diligence it performed on the grantees and ongoing program oversight over those grantees. We seek comment on limiting eligibility in the pilot program only to ETCs that are partnering with SBDD grantees. Is there another group of Federal or state program grantees that we should consider including in the pilot?

228. *Proposals.* We propose to require entities interested in applying for pilot program funding to submit specific information about the proposed project, such as applicant information, including any and all private or corporate partners or investors; a detailed description of the program, including length of operation; product offerings and service restrictions; discount or discounts provided, the duration of the discounts; treatment of bundled services; whether discounts would reduce or eliminate installation fees, activation fees, or other upfront costs; how to address (if at all) the cost of hardware, including aircards, modems, laptops, desktops, or other mobile devices; training and outreach; testing; identification of costs associated with implementing the program, including equipment and training costs; how the project complies with relevant program rules, adequately protects against waste, fraud, and abuse, and achieves the goals of the program discussed above. We also propose to require applicants to provide a brief description of how their program would help inform the Commission's future decision-making related to providing low-income support to broadband on a nationwide basis. We seek comment on this process for submission of pilot proposals.

229. *Pilot Evaluation.* We seek comment on how to evaluate the results of pilot projects and what reporting requirements should be adopted for pilot participants. How could the Commission evaluate whether approaches tested during the pilot program further the proposed goal of providing affordable broadband service? Should one goal of the pilot be to test the impact of the project's approach on increasing adoption? For instance, should we assess the total number of new adopters; new adopters as a percentage of eligible program participants; the number of program participants as a percentage of eligible participants; average percentage of participants' discretionary income spent on discounted broadband service through the pilot relative to the national average percentage of household discretionary income spent on broadband? How could we evaluate the relative impact of the service discount compared to other potential factors that may be tested, such as the provision of training or equipment? We propose that the Commission also seek to develop information about the cost per participant and cost per new adopter through the pilot program. This information could assist the Commission in assessing the costs and benefits of particular approaches to whether broadband should be supported, and if so, how. We seek comment on this proposal and whether there are other types of data that the Commission should review to evaluate whether a given approach would provide support that is sufficient but not excessive.

230. We seek comment on other types of information the Commission should consider when assessing projects funded through the pilot program. For instance, how best can the Commission evaluate program administration costs and the feasibility of expanding any given test project to a national scale?

231. *Delegation of Authority.* We propose to delegate authority to the Wireline Competition Bureau to select pilot participants and take other necessary steps to implement the proposed program. We seek comment on this proposal.

232. *Previously Submitted Proposals.* A number of entities have developed and submitted ideas for different types of broadband low-income pilots. For instance, US Telecom explains that an efficient broadband pilot program design should include three

components: research; program design and implementation; and evaluation. Nexus Communications proposes that a broadband pilot be conducted in four different cities using "smart phones" that would enable the Commission to obtain real-word data with regard to community response to four different pricing and service arrangements. One Economy proposes two distinct pilot programs, one involving a 4G public private partnership and another one involving a reverse auction design.

233. We seek comment on these proposals. We ask commenters to identify how these proposals could be improved or altered and to explain how any measures that they suggest are consistent with our proposed goals of ensuring just, reasonable, and affordable service and providing support that is sufficient but not excessive.

234. Finally, as discussed above, a number of other broadband adoption programs are currently underway, and other stakeholders have suggested that they may conduct their own projects on these issues. We are interested in learning more about the status of these projects and what data we can gather from those efforts. Is there information or data that the Commission is uniquely positioned to gather? What data can the Commission rely on outside sources to collect, and how could it design pilots to complement any private sector research efforts? Can the Commission gather sufficient information from existing adoption programs to inform its policies sufficiently to implement a long-term low-income support for broadband program without launching Lifeline and Link Up pilots? We welcome information from industry, academic institutions, governmental agencies, and other stakeholders that could assist in our evaluation of strategies to extend Lifeline to broadband.

C. Eligible Telecommunications Carrier Requirements

235. We seek comment on whether the Commission should forbear from applying the Act's facilities requirement to all carriers that seek limited ETC designation to participate in the Lifeline program. Should every wireless reseller be eligible to become an ETC so long as it fulfills the conditions we have previously imposed as conditions of forbearance? If so, should the Commission adopt rules codifying the conditions rather than imposing them on a case-by-case basis?

236. Some of those conditions previously imposed on resellers may have some benefit even if applied to facilities-based carriers that participate in the Lifeline program, such as the condition that carriers directly deal with their customers (rather than use a third-party intermediary, like a retailer). Should the Commission adopt any of these conditions as rules that would apply to all ETCs that participate in the Lifeline program? Other conditions—such as the requirement to provide appropriate access to 911 and E911—may be applicable to facilities-based carriers that use their own facilities only in part. Should the Commission adopt such conditions as rules that would apply to ETCs that use other carriers' facilities to offer access to emergency services? In short, what rules should the Commission adopt if it forbears from the facilities requirement for a class of carriers?

237. More broadly, should the Commission consider issuing blanket forbearance for other purposes? For example, several carriers have requested forbearance from the facilities requirement for purposes of participating in the Commission's Link Up program, but the Commission has thus far found that no carrier has shown that such forbearance would be in the public interest. Would blanket forbearance from the facilities requirement for this purpose, taking into account the differences between the Lifeline and Link Up programs, be in the public interest? What rules would be necessary to ensure that any such forbearance protects consumers, is in the public interest, and would not encourage waste, fraud, and abuse of universal service funds?

238. Other carriers have requested forbearance from the Act's redefinition process as applied to low-income-only ETCs. Should the Commission consider forbearing from this process for a class of carriers, and if so, what rules and conditions would be necessary to protect the public interest?

239. AT&T has proposed that the Commission adopt an entirely new ETC regulatory framework. Specifically, AT&T argues that we should allow all providers of voice and broadband services to provide Lifeline discounts on a competitively neutral basis where they offer service. Under this proposal, we would establish a "Lifeline Provider" registration process whereby provider participation is not tied to the existing section 214 requirements or ETC designations, and not necessarily mandatory. Under this framework, each provider of eligible voice and broadband Internet access service, including resellers and wireless providers, would be eligible to provide Lifeline discounts to qualifying households in the areas where the provider offers the service.

240. Consistent with this alternative approach, AT&T proposes that the Commission abolish the current Lifeline tier support structure set forth in section 54.403 of our rules and replace it with a flat, fixed-dollar discount amount that could be applied to the retail price of one eligible voice service and one eligible broadband service. Similarly, AT&T proposes a flat discount approach to Link-Up. AT&T's ETC proposal also includes a recommendation that we automate program eligibility and verification processes and procedures, which is discussed in more detail above in the Database section of this NPRM.

241. We seek comment on AT&T's proposal, which would enable all providers of voice and broadband services to offer Lifeline discounts to eligible low-income households. In particular, we ask commenters to address: (1) Whether the current ETC designation process should be revised for Lifeline providers and, if so, how; (2) whether current ETCs should be able to opt out of providing Lifeline services; (3) whether it should be mandatory or optional for ETCs to participate in the Lifeline program; (4) whether consumers should be entitled to a single discount off of a single service or whether consumers should be allowed to receive multiple Lifeline discounts on multiple services, (*e.g.* voice and broadband); (5) how this new regulatory framework would be administered; (6) what processes and procedures would be necessary to support this new framework; (7) what additional steps the Commission should take to guard against waste, fraud, and abuse in the program if additional providers offering multiple services were to participate in the program; (8) the legal basis for adopting such a proposal; (9) whether there are any issues we would need to account for in terms of transition to this type of model, such as service contracts; and (10) how this proposal would impact the states, including their current roles associated with granting ETCs authority to operate in their states and overseeing their performance.

IX. Other Matters

242. We propose to eliminate section 54.418 of our rules, which required ETCs to notify low-income consumers of the DTV transition. This rule is now obsolete given the completion of the DTV transition. We seek comment on this proposal.

X. Procedural Matters

243. The proposed rules are attached. In addition to the changes discussed above, the proposed rules include non-substantive changes to the rules

applicable to the program. We seek comment on such changes.

A. Paperwork Reduction Act Analysis

244. This document contains proposed new information collection requirements. The Commission, as part of its continuing effort to reduce paperwork burdens, invites the general public and the Office of Management and Budget (OMB) to comment on the information collection requirements contained in this document, as required by the Paperwork Reduction Act of 1995. In addition, pursuant to the Small Business Paperwork Relief Act of 2002, we seek specific comment on how we might "further reduce the information collection burden for small business concerns with fewer than 25 employees."

B. Initial Regulatory Flexibility Analysis

245. Pursuant to the Regulatory Flexibility Act (RFA), the Commission has prepared this Initial Regulatory Flexibility Analysis (IRFA) of the possible significant economic impact on small entities by the policies and rules proposed in this Notice of Proposed Rulemaking. Written public comments are requested on this IRFA. Comments must be identified as responses to the IRFA and must be filed on or before the dates indicated on the first page of this NPRM. The Commission will send a copy of the NPRM, including the IRFA, to the Chief Counsel for Advocacy of the Small Business Administration. In addition, the NPRM and IRFA (or summaries thereof) will be published in the **Federal Register**.

C. Need for, and Objectives of, the Notice of Proposed Rulemaking

246. The Commission is required by section 254 of the Act to promulgate rules to implement the universal service provisions of section 254. On May 8, 1997, the Commission adopted rules that reformed its system of universal service support mechanisms so that universal service is preserved and advanced as markets move toward competition. Among other programs, the Commission adopted a program to provide discounts that make basic, local telephone service affordable for low-income consumers.

247. This NPRM is one in a series of rulemaking proceedings designed to implement the National Broadband Plan's (NBP) vision of improving and modernizing the universal service programs. In this NPRM, we propose and seek comment on comprehensive reforms to the universal service low-income support mechanism. We propose and seek comment on a package of reforms that address each of the major recommendations by the Universal Service Joint Board regarding the low-income program. We also propose a series of recommendations in accordance with a report on the program by the Government Accountability Office (GAO).

248. Specifically, we propose and seek comment on the following reforms and modernizations that may be implemented in funding year 2011 (January 1, 2011 to December 31, 2011): (1) Strengthening the Commission's rules to ensure that the low-income program subsidizes no more than one service per eligible residential address; (2) reducing waste, fraud, and abuse by addressing duplicate claims, subscriber reporting, and de-enrollment procedures; (3) streamlining and improving program administration through the establishment of uniform eligibility, verification, and certification requirements; and (4) establishing a centralized database for reporting.

D. Legal Basis

249. This NPRM, including publication of proposed rules, is authorized under sections 1, 2, 4(i)–(j), 201(b), 254, 257, 303(r), and 503 of the Communications Act of 1934, as amended, and section 706 of the Telecommunications Act of 1996, as amended, 47 U.S.C. 151, 152, 154(i)–(j), 201(b), 254, 257, 303(r), 503, 1302.

E. Description and Estimate of the Number of Small Entities To Which the Proposed Rules Will Apply

250. The RFA directs agencies to provide a description of and, where feasible, an estimate of the number of small entities that may be affected by the proposed rules, if adopted. The RFA generally defines the term "small entity" as having the same meaning as the terms "small business," "small organization," and "small governmental jurisdiction." In addition, the term "small business" has the same meaning as the term "small business concern" under the Small Business Act. A small business concern is one that: (1) Is independently owned and operated; (2) is not dominant in its field of operation; and (3) satisfies any additional criteria established by the Small Business Administration (SBA). Nationwide, there are a total of approximately 29.6 million small businesses, according to the SBA. A "small organization" is generally "any not-for-profit enterprise which is independently owned and operated and is not dominant in its field." Nationwide, as of 2002, there were approximately 1.6 million small organizations. The term "small governmental jurisdiction" is defined generally as "governments of cities, towns, townships, villages, school districts, or special districts, with a population of less than fifty thousand." Census Bureau data for 2002 indicate that there were 87,525 local governmental jurisdictions in the United States. We estimate that, of this total, 84,377 entities were "small governmental jurisdictions." Thus, we estimate that most governmental jurisdictions are small.

1. Wireline Providers

251. *Incumbent Local Exchange Carriers (Incumbent LECs).* Neither the Commission nor the SBA has developed a small business size standard specifically for incumbent local exchange services. The appropriate size standard under SBA rules is for the category Wired Telecommunications Carriers. Under that size standard, such a business is small if it has 1,500 or fewer employees. Census Bureau data for 2007, which now supersede data from the 2002 Census, show that there were 3,188 firms in this category that operated for the entire year. Of this total, 3,144 had employment of 999 or fewer and 44 firms had had employment of 1000 or more. According to Commission data, 1,307 carriers reported that they were incumbent local exchange service providers. Of these 1,307 carriers, an estimated 1,006 have 1,500 or fewer employees and 301 have more than 1,500 employees. Consequently, the Commission estimates that most providers of local exchange service are small entities that may be affected by the rules and policies proposed in the NPRM. Thus under this category and the associated small business size standard, the majority of these incumbent local exchange service providers can be considered small providers.

252. *Competitive Local Exchange Carriers (Competitive LECs), Competitive Access Providers (CAPs), Shared-Tenant Service Providers, and Other Local Service Providers.* Neither the Commission nor the SBA has developed a small business size standard specifically for these service providers. The appropriate size standard under SBA rules is for the category Wired Telecommunications Carriers. Under that size standard, such a business is small if it has 1,500 or fewer employees. Census Bureau data for 2007, which now supersede data from the 2002 Census, show that there were 3,188 firms in this category that operated for the entire year. Of this total, 3,144 had employment of 999 or fewer and 44 firms had had employment

of 1,000 employees or more. Thus under this category and the associated small business size standard, the majority of these Competitive LECs, CAPs, Shared-Tenant Service Providers, and Other Local Service Providers can be considered small entities. According to Commission data, 1,442 carriers reported that they were engaged in the provision of either competitive local exchange services or competitive access provider services. Of these 1,442 carriers, an estimated 1,256 have 1,500 or fewer employees and 186 have more than 1,500 employees. In addition, 17 carriers have reported that they are Shared-Tenant Service Providers, and all 17 are estimated to have 1,500 or fewer employees. In addition, 72 carriers have reported that they are Other Local Service Providers. Seventy of which have 1,500 or fewer employees and two have more than 1,500 employees. Consequently, the Commission estimates that most providers of competitive local exchange service, competitive access providers, Shared-Tenant Service Providers, and Other Local Service Providers are small entities that may be affected by rules adopted pursuant to the NPRM.

253. *Interexchange Carriers.* Neither the Commission nor the SBA has developed a small business size standard specifically for providers of interexchange services. The appropriate size standard under SBA rules is for the category Wired Telecommunications Carriers. Under that size standard, such a business is small if it has 1,500 or fewer employees. Census Bureau data for 2007, which now supersede data from the 2002 Census, show that there were 3,188 firms in this category that operated for the entire year. Of this total, 3,144 had employment of 999 or fewer, and 44 firms had had employment of 1,000 employees or more. Thus under this category and the associated small business size standard, the majority of these Interexchange carriers can be considered small entities. According to Commission data, 359 companies reported that their primary telecommunications service activity was the provision of interexchange services. Of these 359 companies, an estimated 317 have 1,500 or fewer employees and 42 have more than 1,500 employees. Consequently, the Commission estimates that the majority of interexchange service providers are small entities that may be affected by rules adopted pursuant to the NPRM.

254. *Operator Service Providers (OSPs).* Neither the Commission nor the SBA has developed a small business size standard specifically for operator service providers. The appropriate size standard under SBA rules is the category Wired Telecommunications Carriers. Under that size standard, such a business is small if it has 1,500 or fewer employees. Under that size standard, such a business is small if it has 1,500 or fewer employees. Census Bureau data for 2007, which now supersede 2002 Census data, show that there were 3,188 firms in this category that operated for the entire year. Of the total, 3,144 had employment of 999 or fewer, and 44 firms had had employment of 1,000 employees or more. Thus under this category and the associated small business size standard, the majority of these interexchange carriers can be considered small entities. According to Commission data, 33 carriers have reported that they are engaged in the provision of operator services. Of these, an estimated 31 have 1,500 or fewer employees and 2 have more than 1,500 employees. Consequently, the Commission estimates that the majority of OSPs are small entities that may be affected by our proposed action.

255. *Local Resellers.* The SBA has developed a small business size standard for the category of Telecommunications Resellers. Under that size standard, such a business is small if it has 1,500 or fewer employees. Census data for 2007 show that 1,523 firms provided resale services during that year. Of that number, 1,522 operated with fewer than 1000 employees and one operated with more than 1,000. Thus under this category and the associated small business size standard, the majority of these local resellers can be considered small entities. According to Commission data, 213 carriers have reported that they are engaged in the provision of local resale services. Of these, an estimated 211 have 1,500 or fewer employees and two have more than 1,500 employees. Consequently, the Commission estimates that the majority of local resellers are small entities that may be affected by rules adopted pursuant to the NPRM.

256. *Toll Resellers.* The SBA has developed a small business size standard for the category of Telecommunications Resellers. Under that size standard, such a business is small if it has 1,500 or fewer employees. Census data for 2007 show that 1,523 firms provided resale services during that year. Of that number, 1,522 operated with fewer than 1,000 employees and one operated with more than 1,000. Thus under this category and the associated small business size standard, the majority of these resellers can be considered small entities. According to Commission data, 881 carriers have reported that they are engaged in the provision of toll resale services. Of these, an estimated 857 have 1,500 or fewer employees and 24 have more than 1,500 employees. Consequently, the Commission estimates that the majority of toll resellers are small entities that may be affected by our action.

257. *Pre-paid Calling Card Providers.* Neither the Commission nor the SBA has developed a small business size standard specifically for pre-paid calling card providers. The appropriate size standard under SBA rules is for the category Telecommunications Resellers. Under that size standard, such a business is small if it has 1,500 or fewer employees. Census data for 2007 show that 1,523 firms provided resale services during that year. Of that number, 1,522 operated with fewer than 1,000 employees and one operated with more than 1,000. Thus under this category and the associated small business size standard, the majority of these pre-paid calling card providers can be considered small entities. According to Commission data, 193 carriers have reported that they are engaged in the provision of pre-paid calling cards. Of these, an estimated all 193 have 1,500 or fewer employees and none have more than 1,500 employees. Consequently, the Commission estimates that the majority of pre-paid calling card providers are small entities that may be affected by rules adopted pursuant to the NPRM.

258. *800 and 800-Like Service Subscribers.* Neither the Commission nor the SBA has developed a small business size standard specifically for 800 and 800-like service ("toll free") subscribers. The appropriate size standard under SBA rules is for the category Telecommunications Resellers. Under that size standard, such a business is small if it has 1,500 or fewer employees. Census data for 2007 show that 1,523 firms provided resale services during that year. Of that number, 1,522 operated with fewer than 1000 employees and one operated with more than 1,000. Thus under this category and the associated small business size standard, the majority of resellers in this classification can be considered small entities. To focus specifically on the number of subscribers than on those firms which make subscription service available, the most reliable source of information regarding the number of these service subscribers appears to be data the Commission collects on the 800, 888, 877, and 866 numbers in use. According to our data, at of September 2009, the number of 800 numbers

assigned was 7,860,000; the number of 888 numbers assigned was 5,888,687; the number of 877 numbers assigned was 4,721,866; and the number of 866 numbers assigned was 7,867,736. The Commission does not have data specifying the number of these subscribers that are not independently owned and operated or have more than 1,500 employees, and thus are unable at this time to estimate with greater precision the number of toll free subscribers that would qualify as small businesses under the SBA size standard. Consequently, the Commission estimates that there are 7,860,000 or fewer small entity 800 subscribers; 5,888,687 or fewer small entity 888 subscribers; 4,721,866 or fewer small entity 877 subscribers; and 7,867,736 or fewer small entity 866 subscribers. We do not believe 800 and 800-Like Service Subscribers will be effected by our proposed rules, however we choose to include this category and seek comment on whether there will be an effect on small entities within this category.

2. Wireless Carriers and Service Providers

259. Below, for those services subject to auctions, the Commission notes that, as a general matter, the number of winning bidders that qualify as small businesses at the close of an auction does not necessarily represent the number of small businesses currently in service. Also, the Commission does not generally track subsequent business size unless, in the context of assignments or transfers, unjust enrichment issues are implicated.

260. *Wireless Telecommunications Carriers (except Satellite).* Since 2007, the Census Bureau has placed wireless firms within this new, broad, economic census category. Prior to that time, such firms were within the now-superseded categories of Paging and Cellular and Other Wireless Telecommunications. Under the present and prior categories, the SBA has deemed a wireless business to be small if it has 1,500 or fewer employees. For the category of Wireless Telecommunications Carriers (except Satellite), Census data for 2007, which supersede data contained in the 2002 Census, show that there were 1,383 firms that operated that year. Of those 1,383, 1,368 had fewer than 100 employees, and 15 firms had more than 100 employees. Thus under this category and the associated small business size standard, the majority of firms can be considered small. Similarly, according to Commission data, 413 carriers reported that they were engaged in the provision of wireless telephony, including cellular service, Personal Communications Service, and Specialized Mobile Radio Telephony services. Of these, an estimated 261 have 1,500 or fewer employees and 152 have more than 1,500 employees. Consequently, the Commission estimates that approximately half or more of these firms can be considered small. Thus, using available data, we estimate that the majority of wireless firms can be considered small.

261. *Wireless Communications Services.* This service can be used for fixed, mobile, radiolocation, and digital audio broadcasting satellite uses. The Commission defined "small business" for the wireless communications services (WCS) auction as an entity with average gross revenues of $40 million for each of the three preceding years, and a "very small business" as an entity with average gross revenues of $15 million for each of the three preceding years. The SBA has approved these definitions. The Commission auctioned geographic area licenses in the WCS service. In the auction, which commenced on April 15, 1997 and closed on April 25, 1997, seven bidders won 31 licenses that qualified as very small business entities, and one bidder won one license that qualified as a small business entity.

262. *Satellite Telecommunications Providers.* Two economic census categories address the satellite industry. The first category has a small business size standard of $15 million or less in average annual receipts, under SBA rules. The second has a size standard of $25 million or less in annual receipts.

263. The category of Satellite Telecommunications "comprises establishments primarily engaged in providing telecommunications services to other establishments in the telecommunications and broadcasting industries by forwarding and receiving communications signals via a system of satellites or reselling satellite telecommunications." Census Bureau data for 2007 show that 512 Satellite Telecommunications firms that operated for that entire year. Of this total, 464 firms had annual receipts of under $10 million, and 18 firms had receipts of $10 million to $24,999,999. Consequently, the Commission estimates that the majority of Satellite Telecommunications firms are small entities that might be affected by our action.

264. The second category, *i.e.,* All Other Telecommunications, comprises "establishments primarily engaged in providing specialized telecommunications services, such as satellite tracking, communications telemetry, and radar station operation. This industry also includes establishments primarily engaged in providing satellite terminal stations and associated facilities connected with one or more terrestrial systems and capable of transmitting telecommunications to, and receiving telecommunications from, satellite systems. Establishments providing Internet services or voice over Internet protocol (VoIP) services via client-supplied telecommunications connections are also included in this industry." For this category, Census Bureau data for 2007 show that there were a total of 2,383 firms that operated for the entire year. Of this total, 2,347 firms had annual receipts of under $25 million and 12 firms had annual receipts of $25 million to $49,999,999. Consequently, the Commission estimates that the majority of All Other Telecommunications firms are small entities that might be affected by our action.

265. *Common Carrier Paging.* The SBA considers paging to be a wireless telecommunications service and classifies it under the industry classification Wireless Telecommunications Carriers (except satellite). Under that classification, the applicable size standard is that a business is small if it has 1,500 or fewer employees. For the general category of Wireless Telecommunications Carriers (except Satellite), Census data for 2007, which supersede data contained in the 2002 Census, show that there were 1,383 firms that operated that year. Of those 1,383, 1,368 had fewer than 100 employees, and 15 firms had more than 100 employees. Thus under this category and the associated small business size standard, the majority of firms can be considered small. The 2007 census also contains data for the specific category of Paging "that is classified under the seven-number North American Industry Classification System (NAICS) code 5172101. According to Commission data, 291 carriers have reported that they are engaged in paging or messaging service. Of these, an estimated 289 have 1,500 or fewer employees, and 2 have more than 1,500 employees. Consequently, the Commission estimates that the majority of paging providers are small entities that may be affected by our action. In addition, in the Paging Third Report and Order, the Commission developed a small business size standard for "small businesses" and "very small businesses" for purposes of determining their eligibility for special provisions such as bidding credits and installment payments. A "small business" is an

entity that, together with its affiliates and controlling principals, has average gross revenues not exceeding $15 million for the preceding three years. Additionally, a "very small business" is an entity that, together with its affiliates and controlling principals, has average gross revenues that are not more than $3 million for the preceding three years. The SBA has approved these small business size standards. An auction of Metropolitan Economic Area licenses commenced on February 24, 2000, and closed on March 2, 2000. Of the 985 licenses auctioned, 440 were sold. Fifty-seven companies claiming small business status won.

266. *Wireless Telephony.* Wireless telephony includes cellular, personal communications services, and specialized mobile radio telephony carriers. As noted, the SBA has developed a small business size standard for Wireless Telecommunications Carriers (except Satellite). Under the SBA small business size standard, a business is small if it has 1,500 or fewer employees. According to the *2008 Trends Report,* 434 carriers reported that they were engaged in wireless telephony. Of these, an estimated 222 have 1,500 or fewer employees and 212 have more than 1,500 employees. We have estimated that 222 of these are small under the SBA small business size standard.

3. Internet Service Providers

267. The 2007 Economic Census places these firms, whose services might include voice over Internet protocol (VoIP), in either of two categories, depending on whether the service is provided over the provider's own telecommunications facilities (*e.g.,* cable and DSL ISPs), or over client-supplied telecommunications connections (*e.g.,* dial-up ISPs). The former are within the category of Wired Telecommunications Carriers, which has an SBA small business size standard of 1,500 or fewer employees. The latter are within the category of All Other Telecommunications, which has a size standard of annual receipts of $25 million or less. The most current Census Bureau data for all such firms, however, are the 2002 data for the previous census category called Internet Service Providers. That category had a small business size standard of $21 million or less in annual receipts, which was revised in late 2005 to $23 million. The 2002 data show that there were 2,529 such firms that operated for the entire year. Of those, 2,437 firms had annual receipts of under $10 million, and an additional 47 firms had receipts of between $10 million and $24,999,999. Consequently, we estimate that the majority of ISP firms are small entities.

F. Description of Projected Reporting, Recordkeeping, and Other Compliance Requirements

268. The reporting and recordkeeping requirements in this NPRM could have an impact on both small and large entities. Though the impact may be more financially burdensome for smaller entities, we believe the impact of such requirements is outweighed by their corresponding benefits to entities and consumers. Further, these requirements are necessary to ensure that the statutory goals of section 254 of the Telecommunications Act of 1996 are met without waste, fraud, or abuse.

269. The Commission proposes several reporting, recordkeeping, and compliance requirements for the low-income program. We propose that Eligible Telecommunications Carriers (ETCs) seeking support would extend their reporting to the Universal Service Administrative Company (USAC) to include reporting of subscribers' partial participation. Further, we propose de-enrollment procedures to reduce waste in the program. We also propose to retain the existing verification requirements for Federal default states and extend these requirements to the remainder of states.

270. *Duplicate Claims and One-Per-Residential Address.* The Commission proposes several reporting and recordkeeping requirements to reduce the likelihood that a residential address will receive more than one subsidized service through the low-income program. Specifically, we propose an information solicitation and submission process to enable USAC to identify duplicate claims of support and violations of the proposed rules, which, if adopted, will help USAC determine whether two or more ETCs are providing Lifeline-supported service to the same residential address. ETCs would be required to solicit identifying residential address information and certification from Lifeline subscribers. ETCs would then submit this data to USAC. Under the proposal, USAC would then notify ETCs of any duplicate claims of support. ETCs would also be required to notify customers with duplicate Lifeline service by phone and in writing when possible that the subscriber must select one Lifeline provider or face termination from the program. The selected ETC would then notify USAC as well as any other ETC providing Lifeline service to the customer.

271. *Line 9 Reporting.* To help ensure that ETCs seek reimbursement only for active Lifeline subscribers, the Commission proposes to require ETCs to report partial or pro rata dollars when claiming reimbursement on Form 497. Compliance with the proposed rule would require ETCs to report the number of subscribers beginning or terminating Lifeline service mid-month as well as the length of service provided during that month to each partial-month subscriber, which is similar to ETCs' billing of partial-month service to non-Lifeline consumers.

272. *De-Enrollment Procedures and Customer Usage Requirements.* As part of the effort to reduce waste in the program, and in accordance with the proposed one-per-residential address codification, the Commission proposes to require ETCs to de-enroll their Lifeline subscribers who: (1) Select another ETC after being notified of a duplicate claim; and (2) subscribers who do not use their phone for 60 days. Compliance with the proposed de-enrollment procedures would require ETCs to monitor whether a Lifeline phone was used during any 60-day period. After de-enrollment, the ETC would need to notify USAC of the de-enrollment. USAC could then pursue recovery actions against the ETC for past inappropriate support.

273. *Verification.* The Commission's rules currently require ETCs in Federal default states to implement procedures to verify annually the continued eligibility of a statistically-valid random sample of Lifeline subscribers and to provide the results to USAC. We propose to extend these standards to all states. Furthermore, in accordance with the proposed one-per-residential address requirement, we propose to require ETCs to verify consumer certifications upon enrollment and annually thereafter.

274. *Service Deposit or Minimum Service Fee.* Though we do not propose any rules on a service deposit for commencing Lifeline service or a minimum service fee for maintaining service, we seek comment on whether such rules would balance the competing needs of program efficacy with program efficiency. Specifically, we seek comment as to whether requiring ETCs to bill consumers would pose a disproportionate burden upon small entities, especially those, like pre-paid wireless resellers, that do not currently bill their consumers on a monthly basis.

275. *Database.* We propose a comprehensive reform to the low-income program: we recommend the creation of a centralized database for online certification and verification of low-income subscribers. In the NPRM, we seek comment on which entity or

entities would be best suited to create and maintain such a database. Compliance with requirements associated with a centralized database would include reporting of information solicited from Lifeline subscribers for the purposes of certifying and verifying their eligibility.

G. Steps Taken to Minimize Significant Economic Impact on Small Entities, and Significant Alternatives Considered

276. The RFA requires an agency to describe any significant alternatives that it has considered in reaching its approach, which may include the following four alternatives, among others: (1) The establishment of differing compliance or reporting requirements or timetables that take into account the resources available to small entities; (2) the clarification, consolidation, or simplification of compliance or reporting requirements under the rule for small entities; (3) the use of performance, rather than design, standards; and (4) an exemption from coverage of the rule, or any part thereof, for small entities.

277. In this NPRM, we make a number of proposals that may have an economic impact on small entities that participate in the universal service low-income support mechanism. Specifically, as addressed above, we seek comment on: (1) Mitigating duplicate claims of service through increased reporting to USAC, in accordance with the proposed one-per-residential address rule; (2) requiring the reporting of consumers' partial-month Lifeline participation; (3) establishing clear de-enrollment procedures; and (4) establishing a uniform verification regime. If adopted, these proposals will help USAC and ETCs reduce waste, fraud, and abuse in the low-income support mechanism.

278. In seeking to minimize the burdens imposed on small entities where doing so does not compromise the goals of the universal service mechanism, we have invited comment on how these proposals might be made less burdensome for small entities. We again invite commenters to discuss the benefits of such changes on small entities and whether these benefits are outweighed by resulting costs to ETCs that might also be small entities. We anticipate that the record will reflect whether the overall benefits of such programmatic changes would outweigh the burdens on small entities, and if so, commenters will suggest alternative ways in which the Commission could lessen the overall burdens on small entities. We encourage small entities to comment.

279. We have taken the following steps to minimize the impact on small entities. First, to ease the administrative burden on applicants, we propose an approach that minimizes reporting requirements by appropriating Form 497 for further information collection rather than creating an additional form. In accordance with the E-Sign Act, we propose to allow consumers to sign their certifications electronically, eliminating significant reporting and mailing burdens currently placed on all entities. In order to minimize the impact on ETCs, including small entities, we have placed the burden of checking addresses for duplicate claims upon USAC, rather than ETCs. Furthermore, in an effort to make verification simpler for all ETCs, we have proposed uniform rules of eligibility and verification. Most significantly, however, we contemplate a phased structure for reporting to a centralized database: Large entities would begin populating the proposed database initially, with small entities following suit after a period of time during which the process will be made less burdensome when possible.

H. Federal Rules That May Duplicate, or Conflict With Proposed Rules

280. None.

I. Ex Parte Presentations

281. The rulemaking this NPRM initiates shall be treated as a "permit-but-disclose" proceeding in accordance with the Commission's *ex parte* rules. Persons making oral *ex parte* presentations are reminded that memoranda summarizing the presentations must contain summaries of the substance of the presentations and not merely a listing of the subjects discussed. More than a one- or two-sentence description of the views and arguments presented generally is required. Other requirements pertaining to oral and written presentations are set forth in section 1.1206(b) of the Commission's rules.

J. Comment Filing Procedures

282. Pursuant to §§ 1.415 and 1.419 of the Commission's rules, 47 CFR 1.415, 1.419, interested parties may file comments and reply comments on or before the dates indicated on the first page of this document. Comments may be filed using: (1) The Commission's Electronic Comment Filing System (ECFS), (2) the Federal Government's eRulemaking Portal, or (3) by filing paper copies. *See Electronic Filing of Documents in Rulemaking Proceedings,* 63 FR 24121, May 1, 1998.

- *Electronic Filers:* Comments may be filed electronically using the Internet by accessing the ECFS: *http://fjallfoss.fcc.gov/ecfs2/* or the Federal eRulemaking Portal: *http://www.regulations.gov.*
- *Paper Filers:* Parties who choose to file by paper must file an original and four copies of each filing. If more than one docket or rulemaking number appears in the caption of this proceeding, filers must submit two additional copies for each additional docket or rulemaking number. Filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail. All filings must be addressed to the Commission's Secretary, Office of the Secretary, Federal Communications Commission.
- All hand-delivered or messenger-delivered paper filings for the Commission's Secretary must be delivered to FCC Headquarters at 445 12th St., SW., Room TW–A325, Washington, DC 20554. The filing hours are 8 a.m. to 7 p.m. All hand deliveries must be held together with rubber bands or fasteners. Any envelopes must be disposed of *before* entering the building.
- Commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail) must be sent to 9300 East Hampton Drive, Capitol Heights, MD 20743.
- U.S. Postal Service first-class, Express, and Priority mail must be addressed to 445 12th Street, SW., Washington, DC 20554.

283. In addition, one copy of each paper filing must be sent to each of the following: (i) The Commission's duplicating contractor, Best Copy and Printing, Inc., 445 12th Street, SW., Room CY–B402, Washington, DC 20554; Web site: *http://www.bcpiweb.com;* phone: 1–800–378–3160; (ii) Kimberly Scardino, Telecommunications Access Policy Division, Wireline Competition Bureau, 445 12th Street, SW., Room 5–B448, Washington, DC 20554; e-mail: *Kimberly.Scardino@fcc.gov*; and (iii) Charles Tyler, Telecommunications, Access Policy Division, Wireline Competition Bureau, 445 12th Street, SW., Room 5–A452, Washington, DC 20554, e-mail: *Charles.Tyler@fcc.gov.*

284. *People with Disabilities:* To request materials in accessible formats for people with disabilities (braille, large print, electronic files, audio format), send an e-mail to *fcc504@fcc.gov* or call the Consumer & Governmental Affairs Bureau at 202–418–0530 (voice), 202–418–0432 (tty).

285. Filings and comments are also available for public inspection and copying during regular business hours at the FCC Reference Information Center, Portals II, 445 12th Street, SW.,

Room CY–A257, Washington, DC, 20554. Copies may also be purchased from the Commission's duplicating contractor, BCPI, 445 12th Street, SW., Room CY–B402, Washington, DC 20554. Customers may contact BCPI through its Web site: *http://www.bcpiweb.com,* by e-mail at *fcc@bcpiweb.com,* by telephone at (202) 488–5300 or (800) 378–3160, or by facsimile at (202) 488–5563.

286. Comments and reply comments must include a short and concise summary of the substantive arguments raised in the pleading. Comments and reply comments must also comply with section 1.49 and all other applicable sections of the Commission's rules. We direct all interested parties to include the name of the filing party and the date of the filing on each page of their comments and reply comments. All parties are encouraged to utilize a table of contents, regardless of the length of their submission. We also strongly encourage parties to track the organization set forth in the NPRM in order to facilitate our internal review process.

287. For further information, contact Kimberly Scardino at (202) 418–1442 in the Telecommunications Access Policy Division, Wireline Competition Bureau.

List of Subjects in 47 CFR Part 54

Communications common carriers, Reporting and recordkeeping requirements, Telecommunications, Telephone.

Federal Communications Commission.

Bulah P. Wheeler,

Deputy Manager.

Proposed Rules

For the reasons discussed in the preamble, the Federal Communications Commission proposes to amend 47 CFR part 54 to read as follows:

PART 54—UNIVERSAL SERVICE

1. The authority citation for part 54 continues to read as follows:

Authority: 47 U.S.C. 1, 4(i), 201, 205, 214, and 254 unless otherwise noted.

§ 54.101 [Amended]

2. Amend § 54.101 by removing and reserving paragraph (a)(9).

3. Amend § 54.400 by:

a. Revising paragraphs (a) and (b)

b. Removing paragraph (c);

c. redesignating paragraphs (e) and (f) as paragraphs (c) and (d), respectively;

d. Revising newly redesignated paragraph (c); and

e. Adding new paragraph (e).

The revisions and addition read as follows:

§ 54.400 Terms and definitions.

(a) *Qualifying low-income consumer.* A "qualifying low-income consumer" is a consumer who meets the qualifications for Lifeline, as specified in § 54.409, and complies with the one-per-residence limitation, as specified in § 54.402.

(b) *Duplicate support.* Duplicate support exists when two or more ETCs are receiving Lifeline or Link Up support for the same residential address at the same time; or an ETC is receiving two or more Lifeline or Link Up support reimbursements for the same residence at the same time.

(c) *Eligible resident of Tribal lands.* An "eligible resident of Tribal lands" is a "qualifying low-income consumer," as defined in paragraph (a) of this section, living on a reservation or on Tribal lands designated as such by the Commission. A "reservation" is defined as any Federally recognized Indian Tribe's reservation, pueblo, or colony, including former reservations in Oklahoma, Alaska Native regions established pursuant to the Alaska Native Claims Settlement Act (85 Stat. 688), and Indian allotments. "Tribal lands" also shall mean any land designated as Tribal lands by the Commission for purposes of this subpart pursuant to the designation process in § 54.402.

* * * * *

(e) *Customary charge for commencing telecommunications service.* A "customary charge for commencing telecommunications service" is the ordinary charge an ETC routinely imposes on all customers within a state to initiate service. Such a charge is limited to an actual charge assessed on all customers to initiate service with that ETC. A charge imposed only on Lifeline and/or Link Up customers to initiate service is not a customary charge for commencing telecommunications service. Activation charges waived, reduced, or eliminated with the purchase of additional products, services, or minutes are not customary charges eligible for universal service support.

4. Amend § 54.401 by revising paragraph (a)(3) and removing and reserving paragraph (c), to read as follows:

§ 54.401 Lifeline defined.

(a) * * *

(3) That provides voice telephony service as specified in § 54.101(a).

* * * * *

5. Add § 54.402, to read as follows:

§ 54.402 Tribal lands designation process.

The Commission may designate specific areas as Tribal lands for purposes of this subpart for areas or communities that fall outside the boundaries of a designated reservation, but which maintain the same characteristics as those defined. A request for designation must be formally requested by an official of a Federally recognized Tribe who has proper jurisdiction and must be filed pursuant to the Commission's rules. Good cause for the designation may be shown by providing evidence of a nexus between the area or community and the Tribe, such as identifying an area in which the Federal government delivers services to Tribal citizens; detailing how program support to the area would aid the Tribe in serving the needs and interests of its citizens in that community and further the Commission's goals of providing Tribal support. The region or community areas associated with the Tribe, as outlined and described in a grant of designation request, shall be considered Tribal lands for the purposes of this Subpart.

6. Amend § 54.403 by revising paragraphs (a)(4) introductory text, (b), and (c) to read as follows:

§ 54.403 Lifeline support amount.

(a) * * *

(4) *Tier Four.* Additional Federal Lifeline support of up to $25 per month will be made available to an eligible telecommunications carrier providing Lifeline service to an eligible resident of Tribal lands, as defined in § 54.400(c), to the extent that the eligible telecommunications carrier certifies to the Administrator that it will pass through the full Tier-Four amount to qualifying eligible residents of Tribal lands and that it has received any non-Federal regulatory approvals necessary to implement the required rate reduction, to the extent that:

* * * * *

(b) *Maximum Lifeline Support Amount.* (1) For a qualifying low-income consumer who is not an eligible resident of Tribal lands, as defined in § 54.400(c), the Federal Lifeline support amount shall not exceed $3.50 plus the tariffed rate in effect for the primary residential End User Common Line charge of the incumbent local exchange carrier serving the area in which the qualifying low-income consumer receives service, as determined in accordance with § 69.104 or § 69.152(d) and (q) of this chapter, whichever is applicable.

(2) For an eligible resident of Tribal lands, the Federal Lifeline support amount shall not exceed $28.50 plus

that same End User Common Line charge.

(3) For a qualifying low-income consumer who purchases a bundled service package or a service plan that includes optional calling features, the Federal Lifeline support amount shall not exceed the maximum Lifeline support amount as determined in accordance with § 54.403(b)(1) or (2) of this subpart, whichever is applicable.

(c) *Application of Discount Amount.* Eligible telecommunications carriers that charge Federal End User Common Line charges or equivalent Federal charges shall apply Tier-One Federal Lifeline support to waive the Federal End-User Common Line charges for Lifeline consumers. Such carriers shall apply any additional Federal support amount to a qualifying low-income consumer's intrastate rate, if the carrier has received the non-Federal regulatory approvals necessary to implement the required rate reduction. Other eligible telecommunications carriers shall apply the Tier-One Federal Lifeline support amount, plus any additional support amount, to reduce the cost of any eligible residential Lifeline service plan or package selected by a qualified low-income consumer that provides voice telephony service with the performance characteristics listed in § 54.101(a), and charge Lifeline consumers the resulting amount.

7. Amend § 54.405 by adding a heading to the beginning of paragraph (c) and adding paragraph (e) to read as follows:

§ 54.405 Carrier obligation to offer Lifeline.

* * * * *

(c) *Termination for ineligibility.* * * *

* * * * *

(e) *De-enroll for disqualification.* Notwithstanding § 54.405(c) of this section, notify Lifeline subscribers of impending termination of Lifeline service if the subscriber fails:

(1) To respond to notifications regarding duplicate support;

(2) To respond to ETC verification attempts made pursuant to § 54.410(d); or

(3) To use the supported service during a 60-day period. ETCs shall provide the subscriber 30 days following the date of the impending termination letter in which to demonstrate that Lifeline service shall not be terminated. ETCs shall terminate the Lifeline service if the subscriber fails to demonstrate that Lifeline service shall not be terminated. ETCs shall not seek Lifeline reimbursement for the subscriber during the 30-day period.

8. Amend § 54.407 by revising paragraph (b) and adding paragraph (d) to read as follows:

§ 54.407 Reimbursement for offering Lifeline.

* * * * *

(b) The eligible telecommunications carrier may receive universal service support reimbursement for each qualifying low-income consumer who has used the supported service to initiate or receive a voice call within the last 60 days.

* * * * *

(d) The eligible telecommunications carrier seeking support must report partial or pro rata dollars when claiming reimbursement for discounted services to low-income consumers who receive service for less than a month.

9. Add § 54.408 to read as follows:

§ 54.408 One-per-residence.

(a) Lifeline and Link Up support is limited to one Lifeline discount and/or one Link Up discount per billing residential address.

(1) *Billing Residential address.* For purposes of the Lifeline and Link Up programs, a "billing residential address" is a unique residential address recognized by the U.S. Postal Service address.

(2) Lifeline and Link Up support is available only to establish service at the qualifying low-income consumer's primary residential address. The consumer must initially certify at enrollment that the consumer's billing residential address of record is his or her primary residential address.

(b) To be considered an eligible consumer for the purposes of Lifeline and Link Up support, a consumer must meet the criteria set forth in section § 54.409 of this part.

10. Revise § 54.409 to read as follows:

§ 54.409 Consumer qualification for Lifeline.

(a) To qualify to receive Lifeline service, a consumer's household income, as defined in § 54.400(d), must be at or below 135% of the Federal Poverty Guidelines, or a consumer must participate in one of the following Federal assistance programs: Medicaid; Supplemental Nutrition Assistance Program; Supplemental Security Income; Federal Public Housing Assistance (Section 8); Low-Income Home Energy Assistance Program; National School Lunch Program's free lunch program; or Temporary Assistance for Needy Families.

(b) A consumer that is an eligible resident of Tribal lands, as defined by § 54.400(c) or § 54.402, shall be a "qualifying low-income consumer," as defined by 54.400(a), and shall qualify to receive Tiers One, Two, and Four Lifeline support if the consumer's residence:

(1) Has income that meets the threshold established in paragraph (a) of this section or participates in one of the Federal assistance programs identified in paragraph (a) of this section; or

(2) Participates in one of the following Tribal-specific Federal assistance programs: Bureau of Indian Affairs general assistance, Tribally administered Temporary Assistance for Need Families (TANF); Head Start (but only those households meeting its income qualifying standard); or Food Distribution Program on Indian Reservations (FDPIR). Such qualifying low-income consumer shall also qualify for Tier Three Lifeline support if the carrier offering the Lifeline service is not subject to the regulations of the state and provides carrier-matching funds, as described in § 54.403(a)(3).

(c) Each eligible telecommunications carrier providing Lifeline service to a qualifying low-income consumer pursuant to paragraphs (a) or (b) of this section must obtain that consumer's signature on a document certifying under penalty of perjury that:

(1) The consumer's residence receives benefits from one of the programs listed in paragraph (a) or (b) of this section, and that the consumer presented documentation of program participation, as described in 54.410(b), which accurately represents the program participation of the consumer's residence; or the consumer's residence meets the income requirement of paragraph (a) of this section, and that the consumer presented documentation of income, as described in §§ 54.400(f), 54.410(a), which accurately represents the consumer's income; and

(2) If an eligible resident of Tribal lands, that the consumer lives on a reservation or Tribal lands, as defined in § 54.400(c) and § 54.402; and

(3) The consumer will notify the carrier within 30 days if that consumer ceases to participate in the program or programs, if the consumer's income exceeds 135% of the Federal Poverty Guidelines, or if the consumer otherwise ceases to meet the criteria for receiving program support.

11. Revise § 54.410 to read as follows:

§ 54.410 Certification and Verification of Consumer Qualification for Lifeline.

(a) *Certification of income qualification.* Prior to enrollment in Lifeline, consumers qualifying for Lifeline under an income-based criterion must present documentation of their income and certify that they will be receiving support for only one Lifeline discount per residence. By six months from the effective date of these rules, eligible telecommunications carriers in all states must implement certification procedures to document consumer-income-based eligibility for Lifeline prior to a consumer's enrollment if the consumer is qualifying under the income-based criterion specified in § 54.409(a). Acceptable documentation of income eligibility includes the prior year's state or Federal tax return, current income statement from an employer or paycheck stub, a Social Security statement of benefits, a Veterans Administration statement of benefits, a retirement/pension statement of benefits, an Unemployment/Workers' Compensation statement of benefits, Federal notice letter of participation in General Assistance, a divorce decree, child support, or other official document. If the consumer presents documentation of income that does not cover a full year, such as current pay stubs, the consumer must present the same type of documentation covering three consecutive months within that calendar year. States that mandate state Lifeline support may impose additional standards on eligible telecommunications carriers operating in their states to ensure compliance with the state Lifeline program.

(b) *Certification of program qualification.* Consumers qualifying for Lifeline under a program-based criterion must present documentation of their household participation in a qualifying program and certify that they will be receiving support for only one Lifeline discount per residence prior to enrollment in Lifeline. By six months from the effective date of these rules, eligible telecommunications carriers in all states must implement certification procedures to document consumer-program-based eligibility for Lifeline prior to a consumer's enrollment if the consumer is qualifying under the program-based criterion specified in § 54.409(a) and (b). Acceptable documentation of program eligibility includes the prior year's statement of benefits from the program, program participation documents, Federal notice letter of participation in the program, or other official document. If the consumer presents documentation of program participation that does not cover a full year, such as current program benefits, the consumer must present the same type of documentation covering three consecutive months within that calendar year. States that mandate State Lifeline support may impose additional standards on eligible telecommunications carriers operating in their States to ensure compliance with the State Lifeline program.

(c) *Self-certifications.* After income and program based certification procedures are implemented, eligible telecommunications carriers are required to make and obtain certain self-certifications, under penalty of perjury, related to the Lifeline program. Eligible telecommunications carriers must retain records of all self-certifications.

(1) An officer of the eligible telecommunications carrier must certify that the eligible telecommunications carrier has procedures in place to review income and program documentation and that, to the best of his or her knowledge, the carrier was presented with documentation of the consumer's income qualification or program participation.

(2) Lifeline and Link Up subscribers must initially certify at enrollment and during continued verification that they are receiving support for only one line per residence, consistent with the one-per-residence limitation as specified in § 54.408.

(3) Consumers qualifying for Lifeline under an income-based criterion must certify the number of individuals in their residence on the document required in § 54.409(c).

(d) *Verification of continued eligibility.* Consumers qualifying for Lifeline shall be required to verify continued eligibility on an annual basis. By [DATE 6 MONTHS AFTER EFFECTIVE DATE OF FINAL RULE], eligible telecommunications carriers in all States shall implement procedures to verify annually the continued eligibility of a statistically valid sample [TBD] of their Lifeline subscribers for continued eligibility.

(1) Eligible telecommunications carriers shall require each customer to certify that they are receiving support for only one line per residence. Eligible telecommunications carriers may verify directly with a State that particular customers continue to be eligible by virtue of participation in a qualifying program or income level. To the extent eligible telecommunications carriers cannot obtain the necessary information from the State, they may verify directly with the customers.

(2) All eligible telecommunications carriers will be required to provide the results of their verification efforts to the Commission and the Administrator on the Annual Lifeline Certification and Verification Form (currently OMB 3060–0819) by August 31 each year. Eligible telecommunications carriers shall submit data to the Commission and Administrator regarding consumer qualifications for eligibility, including program-based and income-based eligibility, the number of customers that qualify based on income and program participation, the number of subscribers that qualify for each eligible program, the number of non-responders, and the number of customers de-enrolled and in the process of being terminated or de-enrolled. Eligible telecommunications carriers shall submit each customer name, address, and number of individuals in the customer's residence for those customers qualifying based on income criterion.

(e) *Preventing and Resolving Duplicate Support.* ETCs shall provide the Administrator with their Lifeline and Link Up customer names, addresses, social security numbers, and/or other unique residence-identifying information as specified in the form and format requested on the Form 497 for the purpose of preventing and resolving situations involving duplicate support.

12. Amend § 54.413 by revising the first sentence in paragraph (b) to read as follows:

§ 54.413 Reimbursement for revenue forgone in offering a Link Up program.

* * * * *

(b) In order to receive universal service support reimbursement for providing Link Up, eligible telecommunications carriers must keep accurate records of the revenues they forgo in reducing their customary charge for commencing telecommunications service, as defined in § 54.400(e), and for providing a deferred schedule for payment of the charges assessed for commencing service for which the consumer does not pay interest, in conformity with § 54.411. * * *

13. Revise § 54.415 to read as follows:

§ 54.415 Consumer qualification for Link Up.

(a) The consumer qualification criteria for Link Up shall be the criteria set forth in § 54.409(a).

(b) Notwithstanding paragraph (a) of this section, the consumer qualification criteria for an eligible resident of Tribal lands, as defined in § 54.400(c) and § 54.402, shall qualify to receive Link Up support.

14. Revise § 54.416 to read as follows:

§ 54.416 Certification of consumer qualification for Link Up.

Consumers qualifying under income-based or program-based criteria must present documentation of their qualification prior to enrollment in Link Up consistent with the requirements set forth in §§ 54.410(a) and (b).

15. Amend § 54.417 by revising paragraph (a) and the last sentence in paragraph (b) to read as follows:

§ 54.417 Recordkeeping requirements.

(a) Eligible telecommunications carriers must maintain records to document compliance with all Commission and State requirements governing the Lifeline/Link Up programs for the three full preceding calendar years and provide that documentation to the Commission or Administrator upon request. Notwithstanding the preceding sentence, eligible telecommunications carriers must maintain the documentation required in §§ 54.409(c) and 54.410(c) for as long as the consumer receives Lifeline service from that eligible telecommunications carrier or until audited by the Administrator. If an eligible telecommunications carrier provides Lifeline discounted wholesale services to a reseller, it must obtain a certification from that reseller that it is complying with all Commission requirements governing the Lifeline/ Link Up programs.

(b) * * * To the extent such a reseller provides discounted services to low-income consumers, it is obligated to comply with the eligible telecommunications carrier requirements listed in this subpart.

§ 54.418 [Removed and Reserved]

16. Remove and reserve § 54.418.

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