Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

Lifeline and Link Up Reform and Modernization	)	WC Docket No. 11-42
	)	
Lifeline and Link Up	)	WC Docket No. 03-109
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Advancing Broadband Availability Through Digital Literacy Training	)	WC Docket No. 12-23
	)	
	)	

COMMENTS OF VERIZON

Michael E. Glover, *Of Counsel*

Christopher M. Miller
1320 North Courthouse Road
9th Floor
Arlington, VA 22201-2909
(703) 351-3071

Attorneys for Verizon
and Verizon Wireless

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I. INTRODUCTION AND SUMMARY

Verizon supports the Commission's efforts to improve the Lifeline program for beneficiaries, and to make it more efficient.[2] To this end, the Commission should proceed without delay to implement the national database for duplicate claim resolution, add eligibility verification functionality to the database by the end of 2013, and amend the rules so that "resale" of Lifeline service is discontinued. Moreover, the Commission should assess the impact of its recent, extensive reforms before making other operational changes to the program in the near term, such as changing the Lifeline support amount, adding funding for digital literacy training, adding new eligibility criteria, requiring carriers to provide Lifeline discounts on all bundled plans, or extending the record retention rules. In addition, ETCs should be relieved of their

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[1] The Verizon companies participating in this filing are the regulated, wholly owned subsidiaries of Verizon Communications Inc., and Verizon Wireless ("Verizon").

[2] *Lifeline and Link Up Reform and Modernization, et al.*, WC Docket No. 11-42 *et al.*, Report and Order and Further Notice of Proposed Rulemaking, FCC 12-11 (rel. Feb. 6, 2012) ("*Lifeline Reform Order*" or "*FNPRM*," as applicable).

federal service and other obligations in areas where they do not receive legacy high cost support or new funding from the Commission's broadband programs.

II. THE COMMISSION SHOULD CONTINUE EFFORTS TO ADDRESS WASTE AND STREAMLINE THE PROGRAM

Verizon supports the general thrust of the reforms adopted in the *Lifeline Reform Order and FNPRM* to streamline the operation of the program and reduce opportunities for waste, fraud, and abuse. The Commission should continue these efforts by adding eligibility verification functions to the national Lifeline database by year-end 2013 and ending Lifeline resale obligations.

A. The Commission Should Add Eligibility Verification Functions to the National Database by Year-End 2013

Verizon agrees with the Commission that "establishing a fully automated means of verifying consumers' initial and ongoing Lifeline eligibility from governmental data sources would both improve the accuracy of eligibility determinations and ensure that only eligible consumers receive Lifeline benefits, and reduce burdens on consumers as well as ETCs."[3]

In the *Notice*, the Commission asks whether there are reasons to mandate a national eligibility database, rather than a system of state databases. In this proceeding, Verizon consistently has urged the Commission to move forward with a single, national database and a system for processing enrollment, certification, and verification in real time. A national eligibility database would recognize the overall movement in the communications industry away from a localized marketplace. Given that the largest providers of Lifeline services all operate in multiple states, a system under which ETCs could interface with a single national administrator

[3] *FNPRM* at ¶ 403.

for all Lifeline eligibility determinations would be more efficient than a system that requires Lifeline providers to interface with multiple, incompatible state systems.

B. Lifeline Resale Should End

Verizon agrees that it is "[c]onsistent with [the Commission's] obligation to protect the program and reduce waste and abuse in the Fund" to eliminate ILECs' obligations to offer Lifeline on a wholesale basis.[4] As the Commission correctly observes, the current rules – which require ILEC ETCs to offer Lifeline on a wholesale basis, thereby allowing non-ETC carriers to offer Lifeline – create opportunities for waste, fraud, and abuse.[5] Non-ETCs are not subject to the same oversight and may not follow program rules, and ETC resellers may (intentionally or inadvertently) apply for duplicate Lifeline benefits for serving a customer that already received a Lifeline discount at the wholesale level.[6]

As a result, Verizon agrees with the Commission's proposal to eliminate the requirement that ILEC ETCs offer Lifeline on a wholesale basis. To the extent that there ever was a need for non-facilities based carriers to offer Lifeline through resale, that need has been eliminated by the Commission's decision to grant blanket forbearance from the facilities requirement, subject to reasonable conditions, for resellers to become ETCs.[7] As ETCs, these resellers will be subject to greater oversight and accountability, assuring that they will properly offer and administer Lifeline benefits.

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[4] *FNPRM* at ¶ 451.

[5] *Id.* at ¶¶ 449-50.

[6] *Id.*

[7] *Lifeline Reform Order* at ¶¶ 368-80.

The Commission has the legal authority to eliminate this requirement because it is not statutorily required. The *FNPRM* proposes to interpret "retail rate" in the context of section 251(c)(4)(A) not to refer to the ILEC's Lifeline rate, but rather to the ILEC's pre-discount rate for the Lifeline service.[8] This interpretation of "rate" is not necessary because Lifeline is not a "service" for purposes of section 251(c)(4). Rather, Lifeline is a discounting obligation that is imposed on carriers as a result of their status as ETCs (and *not* as ILECs).[9] Thus, it is sufficient for the Commission to clarify that Lifeline is not a "service" that must be discounted for wholesale purposes pursuant to section 251(c)(4)(A).[10] Alternatively, as the Commission notes, it could forbear to the extent necessary from the resale requirement for Lifeline service.[11]

III. THE COMMISSION SHOULD ASSESS THE RESULTS OF THE RECENT REFORMS BEFORE MAKING FURTHER OPERATIONAL CHANGES TO THE LIFELINE PROGRAM

The Commission should assess the impact of the wide-ranging reforms in the *Lifeline Reform Order* before making other operational changes to the program in the near term.

A. The Commission Should Review the Effectiveness of the $9.25 Uniform Lifeline Support Amount before Modifying the Support Amount Again

The Commission seeks comment on whether to continue with a uniform Lifeline support amount, or provide different levels of support based on the type of service, geographic region, or

[8] *FNPRM* at ¶ 452.

[9] The section 251(c) obligations are directed at ILECs. 47 U.S.C. § 251(c).

[10] The Commission generally has determined the scope of services covered by section 251(c)(4). *See, e.g., Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, First Report and Order, 11 FCC Rcd 15499, 15934 ¶ 871 (1996) (subsequent history omitted).

[11] *FNPRM* at ¶¶ 453-57.

other factors, and what the amount or amounts should be.[12] It is too early to determine whether to make such adjustments in the Lifeline program. As the *FNPRM* points out, in order to determine the optimal support amount(s), it would be necessary to "test [price and quantity] data over a period of time."[13] The *Lifeline Reform Order*, however, changed the Lifeline amounts from the previous three-tier structure to a single flat rate.[14] At a minimum, it will be necessary to assess the impact of this recent structural change to a single flat rate "over a period of time" before making any further changes. Attempting to gauge the impact of different hypothetical support amounts on potential voice service penetration based merely on commenters' estimates would be an even less reliable approach.[15] Any future modifications in Lifeline support amounts or structure should be based on actual experience.

The *FNPRM* also asks whether eligible Tribal Lands residents should be permitted to apply their Tribal Lands Lifeline discount to more than one supported service per household.[16] It would be too administratively difficult to permit subscribers to divide their Lifeline discounts, including Tribal Lands Lifeline discounts, among different services. If a Tribal Lands discount amount could be applied to more than one ETC, each ETC serving a given household would have no way of knowing whether it was receiving the correct share of the support amount for

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[12] *Id.* at ¶¶ 462-73.

[13] *Id.* at ¶ 465.

[14] *Lifeline Reform Order* at ¶¶ 54-59.

[15] *FNPRM* at ¶ 467. As a related matter, the Commission seeks comment on one proposal to allow the same household to receive a smaller Lifeline discount (*e.g.*, half the $9.25 subsidy amount) on additional lines. *Id*. ¶ 471. This approach would add administrative complexity and expand the program. The Commission should evaluate the merits and costs of this proposal at a later date.

[16] *Id.* at ¶¶ 474-78.

that household. The database and other consumer eligibility and certification procedures established in the *Lifeline Reform Order* would have to be completely revamped to account for the possibility of multiple ETCs serving the same household.[17] This would make them even more complicated just as the Commission and carriers are trying to get them up and running. Each additional step would increase the possibility of fraud and abuse. The Commission should not undertake such an upheaval of its new eligibility, certification and database procedures until it has had a chance to assess the adequacy of those procedures.

B. Decisions About Expanding Eligibility Criteria Should Come Later

The *FNPRM* proposes to add the Special Supplemental Nutrition Assistance Program for Women, Infants and Children ("WIC") to the list of federal assistance programs qualifying participants for Lifeline eligibility.[18] The Commission should not expand the list of qualifying programs until it has made significant progress towards establishing the national eligibility database, and should not add WIC to the list of qualifying programs unless it has determined that the national Lifeline database can obtain access to WIC eligibility records and determine whether a given household is eligible for Lifeline support based on WIC participation. The additional administrative complexities that would result if WIC-based Lifeline applications could not be verified through the national Lifeline database would far outweigh whatever perceived benefits might accrue from adding WIC to the Lifeline eligibility criteria. Although the Commission asserts that "over 35 percent of WIC participants do not participate in another federal assistance program,"[19] many WIC participants that do not participate in another federal assistance program

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[17] *See Lifeline Reform Order* at ¶¶ 91-217.

[18] *FNPRM* at ¶¶ 483-85.

[19] *Id.* at ¶ 484.

could still qualify for Lifeline under the income criteria. Pursuant to the *Lifeline Reform Order*, all states are now required to utilize, at a minimum, the income criteria currently used by federal default states.[20]

Likewise, Verizon does not oppose providing Lifeline eligibility for homeless veterans, provided that an administrable means of doing so can be found.[21] It might be possible to use participation in a Veterans Affairs outreach program and/or individual certification as eligibility criteria once a national database is up and running, but not before.

C. Carriers Should Retain the Ability to Determine Their Lifeline Service Packages

While *allowing* ETCs to permit Lifeline subscribers to apply their Lifeline discounts to any bundled service package with a voice component enhances customer choice and facilitates competition,[22] *requiring* an ETC to apply the Lifeline discount to any existing service package with a voice component that a customer selects would create significant administrative and billing problems for carriers and increase the burden on the Lifeline program with little corresponding public benefit.[23]

Instead of adopting a prescriptive rule, the Commission should continue its practice of allowing competition among Lifeline providers to drive Lifeline service offerings. Indeed, in

[20] *Lifeline Reform Order* at ¶ 65.

[21] *Id.* at ¶¶ 486-87.

[22] *See* 47 C.F.R. §§ 54.401, 54.403; *see also Lifeline Reform Order* at ¶ 316.

[23] The *FNPRM* misstates the issue as whether ETCs should be required to apply the Lifeline discount to "any *Lifeline* calling plan offered by an ETC with a voice component." *FNPRM* at ¶ 489 (emphasis added). From the context of the discussion, the Commission apparently intended to present the issue as whether ETCs should be required to apply the discount to "any … calling plan offered by an ETC with a voice component." *See id.* at ¶¶ 488-93. The phrase "any Lifeline calling plan" begs the question.

adopting the rule permitting ETCs to apply the Lifeline discount to any service package with a voice component, the Commission observed that "competition in the Lifeline services market may provide additional incentives for ETCs to offer an expanded range of service plans with additional calling features to eligible low-income consumers, including bundled service packages."[24] Similarly, in declining to prescribe a minimum amount of local usage that Lifeline ETCs must provide, the Commission concluded that "service standards should be determined by the communications marketplace."[25] Competition among Lifeline ETCs already has greatly expanded the Lifeline service options available to consumers. There is no reason to depart from this sound policy now.

Such a requirement also would greatly expand carrier administrative burdens, including billing system modifications and customer service training. It also would increase the likelihood that Lifeline customers will purchase more expensive service packages, thereby increasing the risk of being unable to satisfy their monthly account balances. These costs outweigh the questionable public benefits arising from this approach. Requiring ETCs to apply the Lifeline discount to any service package chosen by a customer thus would not significantly further the principle that consumers have access to quality services at "just, reasonable, and affordable rates."[26] The Commission accordingly should continue its policy of allowing competition among ETCs, rather than regulatory fiat, to drive the expansion of Lifeline service offerings.

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[24] *Lifeline Reform Order* at ¶ 317.

[25] *Id.* at ¶ 50.

[26] 47 U.S.C. § 254(b)(1).

D. There Is No Need to Extend the Current Record Retention Rules

The *FNPRM* notes that the *USF/ICC Transformation Order* extended the record retention requirement for recipients of high-cost support from five to ten years in order to provide adequate support for potential litigation under the False Claims Act[27] and proposes to extend the record retention requirement for Lifeline program documentation from three to ten years.[28] The *FNPRM* does not provide any rationale for the additional administrative burden of this expanded record retention requirement, other than the high-cost example. It does not indicate whether there has ever been any litigation under the False Claims Act involving recipients of Lifeline support. And, in any event, the federal False Claims Act was not enacted to establish a new, decade-long document retention requirement across all federal programs. The documentation required under the E-rate program is more similar to Lifeline program documentation, particularly the participant eligibility documentation, than the documentation required under the high-cost program, and the Commission has determined that five years is a sufficient retention period for records involving the E-rate program.[29] Without a stronger showing of need, the Commission should not impose such a burdensome record retention requirement on Lifeline support recipients.

E. USF Funding for Digital Literacy Requires Further Evaluation

In the *Notice*, the Commission seeks comment on the use of universal service support for digital literacy funding, including digital literacy training programs. The Commission asks, in

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[27] *Connect America Fund*, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, 17864 ¶ 620 (2011) ("USF/*ICC Transformation Order*"); 31 U.S.C. §§ 3729-33.

[28] *FNPRM* at ¶¶ 505-06.

[29] *See, e.g.,* 47 C.F.R. § 54.504(a)(1)(x).

particular, whether $50 million in annual funding over a four year period would appropriately balance the goal of advancing digital literacy while minimizing the USF contribution burden on consumers and businesses.

Digital literacy training may play an important role in expanding broadband adoption. However, the Commission should not create new universal service programs until it has had an opportunity to assess progress towards the savings targets established by the *Lifeline Reform Order*. In the *Order*, the Commission set a savings target of $200 million for 2012, and also estimates that 2014 Lifeline disbursements will be at or below the fund's current size of approximately $2.1 billion annually. Before considering new programs, the Commission should allow sufficient time to evaluate whether the *Lifeline Reform Order*'s savings projections are accurate. Without evidence that the order's reforms have succeeded in constraining growth in the Lifeline program, the Commission cannot reasonably assess whether the goals of the proposed digital literacy program can be balanced with the goal of minimizing the USF contribution burden.

IV. ALL ETC OBLIGATIONS SHOULD BE ELIMINATED IN AREAS WHERE CARRIERS DO NOT RECEIVE HIGH COST SUPPORT

The Commission is correct to be concerned about ensuring that obligations and funding are appropriately matched in all universal service programs, including the low-income program.[30] As Verizon consistently has argued, carriers cannot be expected to shoulder universal service obligations as funding is withdrawn.[31] And, if legacy ETC voice obligations were ever truly necessary in areas where carriers receive no high cost support, those obligations are clearly not necessary today and must be eliminated. The Commission should recognize that

[30] *FNPRM* at ¶ 502.

[31] *See, e.g.,* Comments of Verizon, WC Docket Nos. 10-90 *et al*. (filed Jan. 18, 2012) at 3-17.

there is now significant competition for voice services, including voice services targeted to low-income customers, among both traditional and non-traditional service providers.

V. CONCLUSION

The Commission should move forward with its Lifeline program reforms consistent with these comments.

Respectfully submitted,

By: /s/ Christopher M. Miller

Michael E. Glover, *Of Counsel*

Christopher M. Miller
1320 North Courthouse Road
9th Floor
Arlington, VA 22201-2909
(703) 351-3071

Attorneys for Verizon
and Verizon Wireless

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