

Low Income Program

AN OVERVIEW



November 2010

Low Income support reimburses eligible telecommunications carriers (ETCs) for providing eligible low-income customers with discounts.

Low Income support consists of three sub-components.

- **Lifeline** reimburses ETCs for discounting eligible customers' monthly bill for basic, local telephone service.
- **Link Up** reimburses ETCs for discounting connection charges incurred when an eligible customer commences service for the first time or at a new address.
- **Toll Limitation Service** (TLS) reimburses ETCs for providing toll blocking and toll control to eligible customers at no cost to the customer.

Low Income Program

COMPONENTS

Lifeline is broken down into four tiers of support:

- **Tier 1 support:** available to all eligible Lifeline subscribers, is equal to the incumbent ETC's actual federal tariffed subscriber line charge (SLC). The SLC rate, and therefore Tier 1 support, is capped at \$6.50.
- **Tier 2 support:** an additional \$1.75 per month of federal Lifeline support, is available if the carrier certifies that it will pass through the full amount of Tier 2 support to its qualifying low-income consumers and if the carrier has received any non-federal regulatory approvals necessary to implement the required rate reduction.

See 47 C.F.R §54.403(a)(1)-(4)

Lifeline tiers of support continued:

- **Tier 3 support:** an additional amount of federal Lifeline support equal to one-half the amount of any state-mandated Lifeline support, or one half of any Lifeline support provided by the carrier, up to a maximum of \$1.75 per month.
- **Tier 4 support:** additional federal Lifeline support of up to \$25 per month available to eligible residents of tribal lands, as defined in 47 C.F.R. § 54.400(e), as long as that amount does not bring the basic local residential rate below \$1 per month per qualifying low-income subscriber.

See 47 C.F.R §54.403(a)(1)-(4)

Link Up reduces the cost of initiating new telephone service.

- 1/2 of customary telephone connection charge (up to a maximum of \$30.00)
- Available only once per customer unless the customer has moved to a new address
- Deferred schedule for payment charges assessed for initiating telephone service, for which consumer does not pay interest

See 47 C.F.R §54.411

Low Income Components

- For eligible tribal customers, additional reduction of up to \$70.00 is available for eligible individuals living on tribal lands
- Covers 100% of charges between \$60.00 and \$130.00 for commencing service at subscriber's principal place of residence

See 47 C.F.R §54.411(a)(3)

Toll Limitation Service (TLS) allows eligible consumers to subscribe to toll blocking or toll control at no cost.

- Consumers must voluntarily elect
- Carriers may not charge a service deposit to customers who elect toll blocking
- Carriers may only claim incremental cost of providing TLS
- Carriers may NOT claim tariffed rate
- Generally not available to wireless carriers.

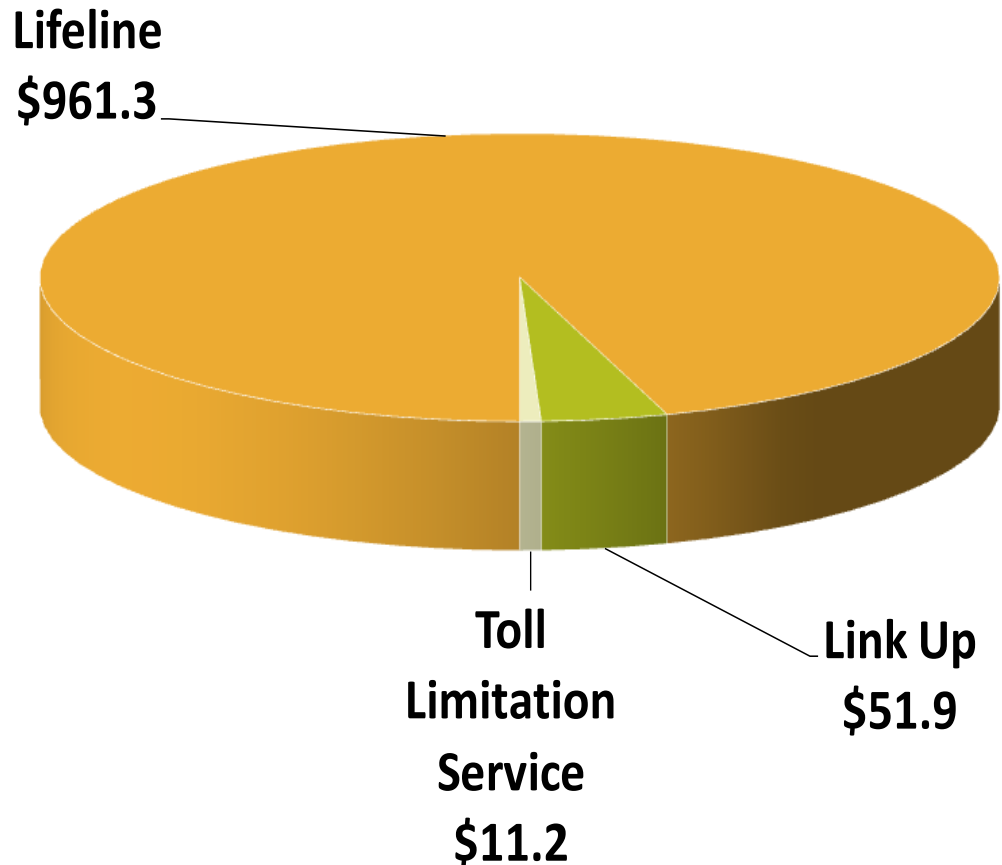
See 47 C.F.R §54.401(a)(3)

See Federal-State Board on Universal Service, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, para. 385-389(1997)

Low Income Program

SUPPORT

2009 Support by Component (in millions)



Total for 2009:
\$1.02 billion

The Low Income Program administered by USAC is the federal portion of what is often a federal-state joint effort.

States that mandate support:

- States that make supplemental intrastate support available in addition to federal support
- These states set their own eligibility criteria and certification and verification procedures

Federal Default States

- States receiving only federal support
- These states follow federal eligibility criteria and federal certification and verification procedures
 - Delaware, Hawaii, Iowa, Indiana, Louisiana, New Hampshire, North Dakota, South Dakota, American Samoa, and the Northern Mariana Islands

Low Income Program

ELIGIBILITY

- States that mandate Low Income support set their own eligibility criteria (must be based on factors related to income)
- Federal default states use federal eligibility criteria

Program-based federal eligibility criteria:

- Medicaid
- Supplemental Nutrition Assistance Program (SNAP) formerly Food Stamps
- Supplemental Security Income (SSI)
- Federal Public Housing Assistance (Section 8)
- Low Income Home Energy Assistance Program (LIHEAP)
- Temporary Assistance to Needy Families (TANF)
- National School Lunch Free Lunch Program

Income-based federal eligibility criteria:

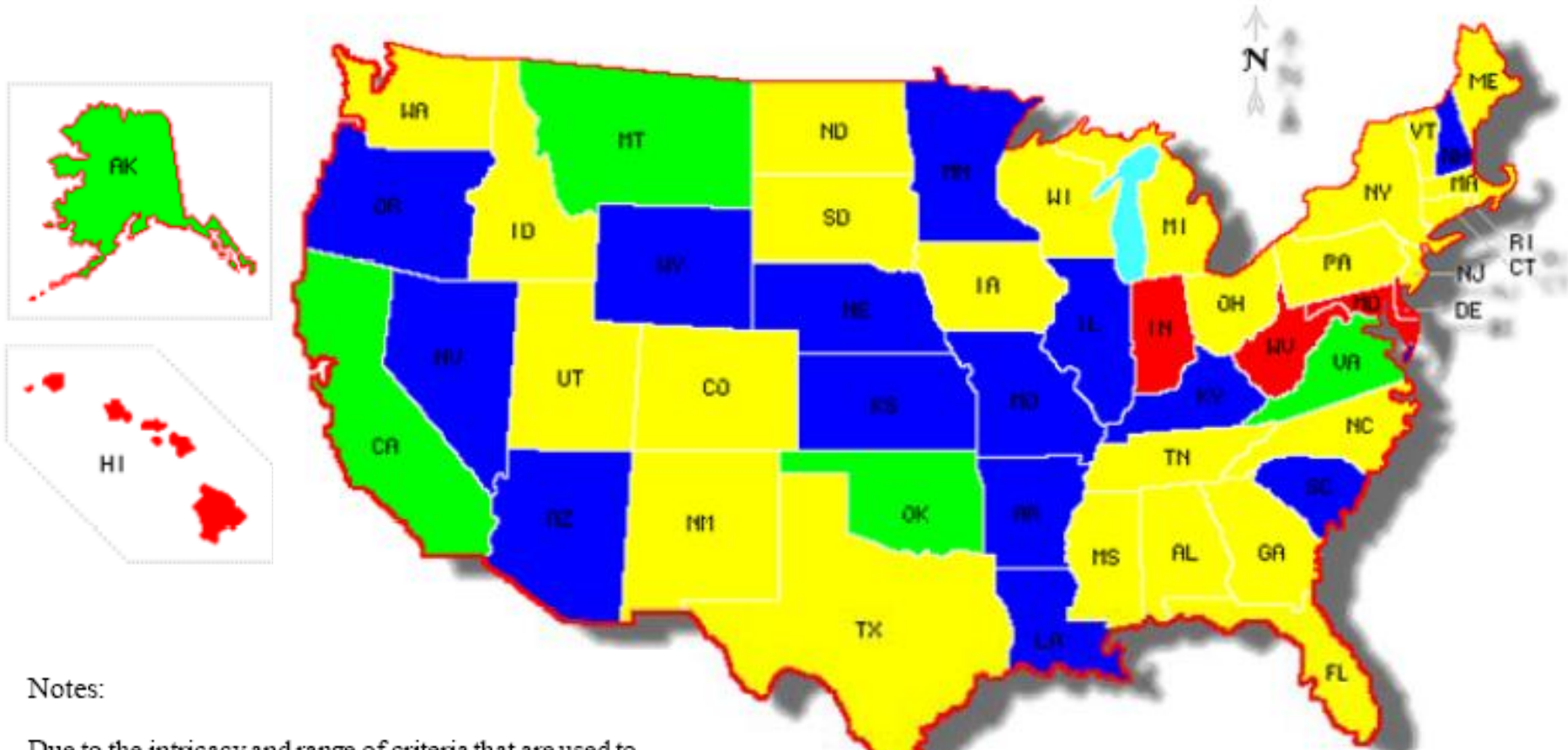
- Household income at or below 135% of the Federal Poverty Guidelines

- Additional federal support is available to eligible consumers who reside on federally recognized tribal lands or reservations
- Eligibility for Lifeline on tribal lands includes all the criteria for non-tribal, plus:
 - Tribally administered TANF
 - Bureau of Indian Affairs (BIA) General Assistance
 - Head Start Program (income-eligible only)

See Twenty-Fifth Order on Reconsideration, Report and Order, Order, and Further Notice of Proposed Rulemaking, CC Docket 96-45, FCC 03-115, para. 13-17 (May 2003)

See 47 C.F.R §54.409(c)

Participation Rates



Notes:

Due to the intricacy and range of criteria that are used to determine eligibility for the Lifeline program and the limitations of the data used, the methodology employed to create this map involves several estimates, assumptions, simplifications, and omissions. Therefore, the rates generated on this map should be treated as estimates only.

District of Columbia = 10% - 20%

2009 Rates

- Below 10%
- 10% - 20%
- 20% - 50%
- Above 50%

Carriers **eligible** for Low Income Program support:

- Must be designated as an Eligible Telecommunications Carrier (ETC) by state commission or FCC
 - States generally grant ETC designation unless a particular state lacks regulatory authority over a certain type of carrier (e.g., wireless); in those cases, carriers must ask FCC for ETC designation
- Must be a facilities-based provider, unless granted forbearance from this requirement by the FCC (e.g., TracFone, Virgin Mobile)

See 47 C.F.R §54.201-209

ETCs that receive **forbearance** from FCC:

- Must comply with conditions in forbearance order
 - for example, obtaining certifications from Public Safety Answering Points (PSAPs) throughout a state
- Must still obtain ETC designations (from states or FCC)

Carriers eligible for support must offer:

- Voice grade access to the public switched network
- Local usage
- Dual tone multi-frequency signaling or its functional equivalent
- Single-party service or its functional equivalent
- Access to emergency services

See 47 C.F.R §54.101 and §54.201(d)(1)-(2)

Carriers eligible for support must:

- Offer access to operator services
- Offer access to interexchange service
- Offer access to directory assistance, and
- Offer toll limitation for qualifying low-income consumers
- Offer all universal services throughout service area
- Advertise availability of services and charges

See 47 C.F.R §54.101 and §54.201(d)(1)-(2)

Low Income Program

CARRIER OBLIGATIONS

Eligible Telecommunications Carriers

- Must obtain a Study Area Code (SAC) from USAC
 - Six digit number
 - Identifies companies' geographic location
 - Identifies ILEC vs. CLEC
 - Need separate SAC for wireline and wireless operations

Eligible Telecommunications Carriers

- Must obtain a Service Provider Identification Number (SPIN) from USAC
 - Nine digit number
 - *Service Provider Identification Number and Contact Information Form (Form 498)* used to collect contact, remittance, and payment information for service providers receiving support from Universal Service Fund programs

Eligible Telecommunications Carriers

- Must notify customers of impending termination if reasonable basis to believe subscriber is no longer eligible
- Must allow customers 60-days after notice of impending termination to provide proof of eligibility
- Must keep accurate records of revenue it forgoes in providing Low Income support in a manner determined by USAC

See 47 C.F.R §54.405(c)-(d), See 47 C.F.R §54.407(c)

Eligible Telecommunications Carriers

Cannot charge Lifeline customers:

- Federal USF fees on the local service portion of their telephone bill
- Local Number Portability fee on their telephone bill

See 47 C.F.R §§ 69.131, 69.158

See 47 C.F.R §54.401(e)

Eligible Telecommunications Carriers

- Must comply with certification and verification requirements
- Must maintain records:
 - Documenting compliance with rules for three years
 - Showing consumer certification for as long as the consumer receives Lifeline

See 47 C.F.R §§ 54.410

See 47 C.F.R §54.417

Competitive Eligible Telecommunications Carriers

CETCs may not claim support from the Universal Service Fund for resold, Lifeline-discounted lines purchased from an Incumbent ETC.

- If the incumbent ETC provides a Lifeline discount to a CETC, the incumbent ETC is eligible to claim support for the discounted amount.
- CETC is guilty of “double dipping” if it accepts a Lifeline discount from incumbent and claims support from the fund.

Non-Facilities Based ETCs with Forbearance

Must provide additional information to USAC

- PSAP certifications
- Affidavit stating use of facilities if not relying on forbearance in a particular state
- Any additional information that is part of the conditions imposed by the FCC or a state

On going initiatives to protect program integrity include:

- Beneficiary audits
- Payment Quality Assurance (PQA)
- In-Depth Data Validation (IDVs)
- Program Support Reviews

How to facilitate Program Integrity inquiries

- Retain accurate records (subscriber lists, certifications)
- Show all calculations
- Make available underlying records (tariffs, contracts, Interconnection agreements)
- Be responsive

Pam Gallant
Director, Low Income Program

To learn more, visit:

www.usac.org/li