

## Technical Appendix: Low-Income Support Program

In 1984, the Commission established a Lifeline program designed to promote universal service by providing low-income individuals with discounts on the monthly cost of telephone service.<sup>1</sup> The Commission expanded that program in 1985.<sup>2</sup> After passage of the Telecommunications Act of 1996 (1996 Act),<sup>3</sup> the Commission adopted expanded universal service low-income rules, including rules to facilitate Link Up support to help low-income households pay the initial costs of commencing telephone service.<sup>4</sup> In June 2000, the Commission further expanded the Lifeline and Link Up programs to address the particularly dire needs of low-income households living on Tribal lands.<sup>5</sup> In April 2004, the Commission released a report and order expanding the federal default eligibility criteria to include an income-based criterion and additional means-tested programs.<sup>6</sup> The report and order adopted federal certification and verification procedures that require states, under certain circumstances, to establish procedures to minimize potential abuse in the program. To target low-income consumers more effectively, the Commission adopted outreach guidelines and issued a voluntary survey to gather data and information from states regarding the administration of Lifeline/Link Up programs. The report and order also contained a further notice of proposed rulemaking which proposed adding a broader income-based standard than the one adopted in the order to further increase penetration rates.

The Commission's rules are designed to satisfy the 1996 Act's mandates that rates be "affordable" and access be provided to "low-income consumers" in all regions of the nation. The rules require low-income support to be competitively and technologically neutral by requiring equitable and nondiscriminatory contributions from all providers of interstate telecommunications services and by

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- 1 *MTS and WATS Market Structure, and Amendment of Part 67 of the Commission's Rules and Establishment of a Joint Board*, CC Docket Nos. 78-72 and 80-286, Recommended Decision, 49 Fed. Reg. 48325 (rel. Nov. 23, 1984) (recommending the adoption of federal Lifeline assistance measures); *MTS and WATS Market Structure, and Amendment of Part 67 of the Commission's Rules and Establishment of a Joint Board*, CC Docket Nos. 78-72 and 80-286, Decision and Order, FCC 84-637, 50 Fed. Reg. 939 (rel. Dec. 28, 1984) (adopting the Joint Board's recommendation).
  - 2 *MTS and WATS Market Structure, and Amendment of Part 67 of the Commission's Rules and Establishment of a Joint Board*, CC Docket Nos. 78-72 and 80-286, Decision and Order, FCC 85-643, 51 Fed. Reg. 1371 (rel. Dec. 27, 1985).
  - 3 Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996 Act), *codified at* 47 U.S.C. §§ 151 *et seq.* We refer to the Communications Act of 1934, as amended, as "the Communications Act" or "the Act" or "the 1934 Act."
  - 4 *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, FCC 97-157, 12 FCC Rcd 8776, 8952-94, paras. 326-409 (1997) (*1997 Universal Service Order*).
  - 5 *Federal-State Joint Board on Universal Service; Promoting Deployment and Subscriberhip in Unserved and Underserved Areas, Including Tribal and Insular Areas*, CC Docket No. 96-45, Twelfth Report and Order and Memorandum Opinion and Order, and Further Notice of Proposed Rulemaking, FCC 00-208, 15 FCC Rcd 12208 (2000) (*Twelfth Report and Order*).
  - 6 *Lifeline and Link-Up*, WC Docket No. 03-109, Report and Order and Further Notice of Proposed Rulemaking, 19 FCC Rcd 8302 (2004).

allowing all eligible telecommunications carriers, including wireless carriers, to receive support for offering Lifeline and Link Up service.<sup>7</sup>

### Eligibility for Lifeline and Link Up

In states that provide state Lifeline and Link Up support, Lifeline and Link Up are available to all subscribers who meet state eligibility requirements. Although states have some latitude in selecting means tests, state commissions must establish narrowly targeted qualification criteria that are based solely on income or factors directly related to income for low-income residents to be eligible for Lifeline and Link Up.<sup>8</sup> In addition, states with geographic areas classified as Tribal lands must ensure that their qualification criteria are reasonably designed to apply to low-income residents of Tribal lands.<sup>9</sup> To receive Lifeline and Link Up in a state that does not mandate state Lifeline support, consumers must certify that their household income is at or below 135% of the Federal Poverty Guidelines, or that they participate in one of the following seven federal programs: Medicaid, Food Stamps, Supplemental Security Income (SSI), Federal Public Housing Assistance (Section 8), the Low-Income Home Energy Assistance Program (LIHEAP), the National School Lunch Program's free lunch program, or Temporary Assistance for Needy Families (TANF).<sup>10</sup> In such states, carriers must obtain signed statements from the consumer certifying that he or she receives benefits from one of these programs, identifying the program or programs from which the consumer receives benefits; or that the consumer's household meets the income requirement and the consumer has presented documentation of income that accurately represents his or her household income.<sup>11</sup> The consumer must also agree to notify the carrier if he or she ceases to participate in the program or programs or if the consumer's household income exceeds 135% of the Federal Poverty Guidelines.

Low-income consumers living on Tribal lands qualify to receive federal Lifeline support if: (1) they qualify under state criteria in a state that provides Lifeline support; (2) their household income is at or below 135% of the Federal Poverty Guidelines; (3) they receive benefits from one of the seven federal programs listed above; or (4) they participate in one of the following Tribal-specific federal assistance programs: Bureau of Indian Affairs General Assistance (GA), Tribally-administered Temporary Assistance for Needy Families (Tribal TANF), or Head Start (meeting the income-qualifying standard).<sup>12</sup>

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7        *1997 Universal Service Order*, 12 FCC Rcd at 8968-73. See 47 U.S.C. § 254(d), (e).

8        47 C.F.R. § 54.409(a).

9        47 C.F.R. § 54.409(a).

10       47 C.F.R. § 54.409(b).

11       47 C.F.R. § 54.409(d).

12       47 C.F.R. § 54.409(a)-(d).

## Lifeline Support

Under the Commission's rules, there are four tiers of federal Lifeline support. Eligible telecommunications carriers receive monthly universal service support reimbursement for each qualifying low-income consumer served.<sup>13</sup> All eligible telecommunications carriers receive Tier 1 support, which provides a discount to the consumer equal to the incumbent carrier's subscriber line charge.<sup>14</sup> Tier 2 support provides an additional \$1.75 per month in federal support, if all relevant state regulatory authorities approve such a reduction<sup>15</sup> (all fifty states have approved).

Tier 3 of federal support is based on the amount of additional support mandated by the relevant state or otherwise provided by a carrier. Federal support is available to match one-half of the non-federal support provided, up to a maximum of \$1.75 per month in federal support, assuming that the carrier has all necessary approvals to pass on the full amount of this total support in discounts to subscribers.<sup>16</sup> Only eligible residents in states that have established their own Lifeline/Link Up programs receive Tier 3 support.

Eligible residents of Tribal lands also qualify to receive Tier 4 support if they meet the eligibility standards described above. Tier 4 support provides up to an additional \$25 per month towards reducing basic local service rates. Eligible residents of Tribal lands that receive Tier 4 support must be charged at least \$1 per month for local phone service after the discount.

Link Up provides qualified low-income individuals with a one-time discount on initial connection charges (up to a maximum of \$30 or one-half of the customary connection charge, whichever is less).<sup>17</sup> In addition, Link Up subscribers can choose to schedule deferred payments of up to \$200 over a one-year period, with the customary interest charges paid by federal support.<sup>18</sup>

Eligible residents of Tribal lands can receive additional Link Up support to fully cover any charges between \$60 and \$130, representing up to a maximum of \$100 in discounts on initial connection charges of \$130 or more.<sup>19</sup>

## Lifeline Duplicative Payments Order

On June 21, 2011, the Commission issued the *2011 Duplicative Program Payments Order*.<sup>20</sup> In

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13 47 C.F.R. § 54.405(a)-(b).

14 47 C.F.R. § 54.403(a)(1).

15 47 C.F.R. § 54.403(a)(2).

16 47 C.F.R. § 54.403(a)(3).

17 47 C.F.R. § 54.411(a)(1).

18 47 C.F.R. § 54.411(a)(2).

19 47 C.F.R. § 54.411(a)(3).

20 *See Lifeline and Link Up Reform and Modernization, Federal-State Joint Board on Universal Service, Lifeline and Link Up*, CC Docket No. 96-45, Report and Order, WC Docket Nos. 11-42, 03-109, 26 FCC Rcd 9022 (2011) (*2011 Duplicative Program Payments Order*).

that order, the Commission amended the Lifeline program rules to clarify that qualifying Lifeline consumers may not receive more than one Lifeline-supported service at the same time.<sup>21</sup> The Commission also amended the Lifeline program rules to clarify that an eligible telecommunications carrier (ETC) may only make Lifeline service available to consumers who are not currently receiving Lifeline service.<sup>22</sup> In conjunction with the *2011 Duplicative Program Payments Order*, the Commission also issued the *June 21 Guidance Letter*, which set forth a process that the Universal Service Administrative Company (USAC), the entity that administers the Lifeline program for the government, must follow to identify and resolve duplicative claims for Lifeline support.<sup>23</sup>

### Services Designated for Support

Voice telephony services are supported by federal universal service support mechanisms.<sup>24</sup> Eligible voice telephony services must provide voice grade access to the public switched network or its functional equivalent; minutes of use for local service provided at no additional charge to end users; access to the emergency services provided by local government or other public safety organizations, such as 911 and enhanced 911, to the extent the local government in an eligible carrier's service area has implemented 911 or enhanced 911 systems; and toll limitation for qualifying low-income consumers.<sup>25</sup>

### Advertising

Carriers offering Lifeline and Link Up are required to publicize the availability of those programs using media of general distribution "in a manner reasonably designed to reach those most likely to qualify for support."<sup>26</sup>

### Support Mechanism

The federal portion of the program is funded by the federal universal service support mechanisms, which include contributions from providers of interstate and international telecommunications, including payphone aggregators and private network operators that offer service to

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21 *2011 Duplicative Program Payments Order*, 26 FCC Rcd at 9026-27, paras. 7-8.

22 *2011 Duplicative Program Payments Order*, 26 FCC Rcd at 9027, para. 8.

23 See Letter from Sharon E. Gillett, Chief, Wireline Competition Bureau, Federal Communications Commission, to D. Scott Barash, Acting Chief Executive Officer, Universal Service Administrative Company, 26 FCC Rcd 8588 (Wireline Comp. Bur. June 21, 2011) (June 21 Guidance Letter).

24 47 C.F.R. § 54.101(a); *Connect America Fund, A National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carrier,; High-Cost Universal Service Support, Developing a Unified Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service, Lifeline and Link Up, Universal Service Reform – Mobility Fund*, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, GN Docket No. 09-51, CC Docket Nos. 01-92, 96-45, WT Docket No. 10-208, Order on Reconsideration, FCC 11-189 (rel. Dec. 23, 2011) (*USF/ICC Order on Reconsideration*).

25 47 C.F.R. § 54.101(a); *USF/ICC Order on Reconsideration*, FCC 11-189, at para. 3.

26 47 C.F.R. §§ 54.405(b), 54.411(d). See also *Twelfth Report and Order*, 15 FCC Rcd at 12250, para.78 (amending sections 54.405 and 54.411 of the Commission's rules).

others for a fee on a non-common-carrier basis. These carriers and service providers may pass on contribution expenses to their customers.