BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON D.C. 20554

In the Matter of:	)	
	)	
Lifeline and Link Up Reform and Modernization	)	WC Docket No. 11-42
	)	
	)	
Lifeline and Link Up	)	WC Docket No. 03-109

Comments of the
Michigan Public Service Commission

On September 23, 2011, the Federal Communications Commission (FCC) issued an Inquiry into the Disbursement Process for the Universal Service Fund Low Income Program (Inquiry) in the above-mentioned dockets. At this time, the Michigan Public Service Commission (MPSC) would like to offer general comments to the Inquiry. The MPSC may address additional questions and issues during the reply comment period.

Introduction

On May 13, 2011 the Federal Communications Commission requested the Universal Service Administrative Company (USAC) to develop a proposal for disbursing Universal Service Fund low income support to eligible telecommunications carriers (ETCs) based upon claims for reimbursement of actual support payments made, instead of projected claims for support. The FCC also requested USAC to estimate the administrative costs to implement the new process and any long-term savings associated with disbursing support based on actual claims.

In the current disbursement process for the Universal Service Fund Low Income Program, ETCs are reimbursed for providing Lifeline and Link Up discounts to qualifying low income consumers. ETCs use FCC Form 497 to request reimbursement. The majority of ETCs file support claims on FCC Form 497 on a monthly basis; however, some ETCs file support claims quarterly. Monthly disbursements are allowed and may be based on a projection for the prior month's support and a true-up for support claims for all FCC Forms 497 filed with USAC during the prior month.

If a carrier does not file an FCC Form 497 during a month, the carrier receives a low income program disbursement equal to the USAC-generated projection for that company. Projections are trued-up when the carrier files an actual support claim on FCC Form 497. USAC stops monthly support disbursements to any company that has not filed its actual support claims on FCC Form 497 for six months. At that point, USAC notifies the company that FCC Form 497 must be filed before any additional support will be provided. If the company fails to file, USAC then must recover the support paid for the six month period from that company.

On August 9, 2011, USAC submitted a proposal to the FCC for disbursing Universal Service Fund low income support to ETCs based upon claims for reimbursement of actual support payments made. If the proposal is adopted, reimbursement based on actual support payments could replace the current administrative process, under which USAC reimburses ETCs for low income support each month based on USAC's projection of payments and on a "true-up" calculated using an ETC's actual support payments.

Discussion

The MPSC agrees with the concept of disbursing Universal Service Fund low income support to ETCs based upon claims for reimbursement of actual support payments made, instead of projected claims for support.

The MPSC believes, as determined by USAC in its August 9, 2011 letter to the FCC that "the most substantial benefit of paying Low Income Program support based on actual support claims is the elimination of the risk to the program if a carrier ceases business operation or drastically reduces its support claims." For example, although USAC makes efforts to recover the support paid to an ETC for projected costs over a six month period, if the company has ceased business operation, it is highly likely that these costs would be unrecoverable.

Although, according to its August 9, 2011 letter, USAC was not able to determine the overall monetary impact of converting to disbursements based on actual costs from disbursements based on projected costs, it appears reasonable to assume that eliminating an entire step in the process (truing up monthly projected costs) should lead to some administrative monetary savings.

Conclusion

In general, the MPSC supports the concept of disbursing Universal Service Fund low income support to ETCs based upon claims for reimbursement of actual support payments made, instead of projected claims for support. The MPSC believes that this change will result in program savings by reducing overestimated payments to companies that either go out of business or considerably reduce their Lifeline and Link Up activity and by eliminating some administrative steps in the reimbursement process which should provide some additional savings.

Respectfully submitted,

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