

**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
)	
Federal-State Joint Board on Universal Service)	CC Docket No. 96-45
)	
Lifeline and Link Up)	WC Docket No. 03-109

**Comments of the
Michigan Public Service Commission**

On March 4, 2011, the Federal Communications Commission (FCC) issued a Notice of Proposed Rulemaking (NPRM) in the above-mentioned dockets regarding Lifeline and Link Up Reform and Modernization. The Michigan Public Service Commission (MPSC) commends the FCC's efforts to update the Lifeline and Link Up programs and supports efforts to reduce waste, fraud and abuse associated with the programs. The MPSC offers the following comments on specific questions and concepts discussed in the NPRM. The comments are formatted to track with the headings and subheadings used in the NPRM. The MPSC may, in the future, address additional questions and topics from the NPRM not addressed here in the reply comment period. The MPSC looks forward to reviewing the comments of the other parties in this proceeding and will continue to participate by filing reply comments to the extent that they add to the discussion of how to best modernize the Lifeline and Link up programs.

Introduction

Between 1988 and 1990, the MPSC issued orders authorizing the basic local exchange carriers in the state to adopt the federal Lifeline and Link Up programs.¹ The Lifeline service included a \$4 discount on the monthly bill and Link Up provided a 50% discount on the telephone service installation charge. Two dollars of the \$4 monthly bill discount was funded by the interstate end user line charge (EUCL) and \$2 was funded either through the provider's rates or the intrastate access charge. The \$2 collected through rates or the intrastate access charge was a state-mandated charge for the federal program and is still collected today.

Michigan does not have a state USF.

Lifeline/Link Up eligibility was restricted to residential customers whose income was 130% or less of the federal poverty level. In 1995, the income eligibility requirement was raised to 150% or less of the federal poverty level when Section 316 of the Michigan Telecommunications Act was amended.²

The MPSC does not specify the documentation that eligible telecommunications carriers (ETCs) must request from customers to prove their income. Instead, the MPSC recommends that ETCs require the same type of documentation that is required in states that have adopted the federal default program (the prior year's state, federal, or tribal tax return, a current income statement from an employer or three consecutive months of paycheck stubs, a Social Security statement of benefits, etc.).³ Alternatively, the customer can become eligible for Lifeline/Link

¹ On November 10, 1988, Case No. U-8816, the MPSC authorized Michigan Bell Telephone Company (now AT&T Michigan) to provide Lifeline telephone service. On March 13, 1990, in Case No. U-9385, the MPSC authorized GTE North Incorporated (now Frontier) to institute a Lifeline program. The Michigan Exchange Carriers Association's (MECA) lifeline program was approved by the MPSC on June 14, 1990, Case No. U-9368.

² Section 316 of the Michigan Telecommunications Act (Public Act 179 of 1991, as amended) only applies to residential basic local exchange service providers. Wireless ETCs must adhere to the FCC's 135% or less of poverty guidelines.

³ See, 47 CFR 54.410(a)(2).

Up if they can demonstrate that they receive Medicaid, Food Stamps, Supplemental Security Income, Federal Public Housing Assistance, Low-Income Home Energy Assistance, Temporary Assistance to Needy Families or The National School Lunch Program's Free Lunch.

Verification of customer eligibility is the ETC's responsibility.

Certification is submitted to the MPSC by an officer of each ETC implementing a Lifeline/Link Up program in Michigan, attesting that the ETC is in compliance with certification, verification, and recordkeeping procedures, on or before April 1 of each year. It is the responsibility of all ETCs receiving Lifeline/Link Up funds to keep the necessary records showing that the ETC is in compliance with all federal and state regulations set forth for this program. The MPSC expects the providers to make a good faith effort to implement and maximize participation in the Lifeline/Link Up program. The MPSC advises the public of the Lifeline/Link Up program through consumer forums, consumer alerts, press releases, speakers at events and through the MPSC's complaint line.

IMMEDIATE REFORMS TO ELIMINATE WASTE, FRAUD AND ABUSE

Duplicate Claims

The MPSC would like the FCC to consider requiring ETCs to submit customers' names, addresses (including U.S. Postal Service addresses) and last four digits of social security numbers to the Universal Service Administrative Company (USAC) when filing for reimbursement. The ETCs would submit the data into a central database. The ETCs and USAC could use this information to easily check for duplicates.

All collected information should be considered strictly confidential and not shared with other agencies, etc. The MPSC believes that this effort could help reduce waste, fraud and abuse of the USF.

Remedies to Address Duplicate Claims

The MPSC believes the FCC should adopt a requirement that only one Lifeline participant is allowed per residential address with the exception of group-living facilities. This requirement should be clearly advertised and printed in all Lifeline materials and customers should be advised of this when they apply for Lifeline. The FCC should adopt a rule that ETCs should only be able to receive reimbursement for one customer at the same location with the exception of group living facilities.

The MPSC would like the FCC to 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. If the customer fails to make a selection within the 30 days, the carrier that has provided continuous Lifeline service to the customer for the longest period of time would continue to receive Lifeline support. Again, Lifeline materials should clearly state this rule and customers should be advised of this when they apply for Lifeline discounts.

Eliminating Reimbursement for Toll Limitation Service

The MPSC believes that the ETC should provide the Toll Limitation Service to Lifeline customers without charge and without reimbursement from the USF. As the FCC noted,⁴ various carriers do not seek reimbursement for offering the service.

Customary Charges Eligible for Link Up

To reduce waste, the MPSC believes that the FCC should require all ETCs seeking Link Up reimbursement to submit cost support to USAC for the revenues they forgo in reducing their customary charges. Further more, the MPSC agrees with the FCC's proposed rule that prohibits

⁴ NPRM ¶ 70

resellers from imposing a connection charge on consumers when the underlying wholesale provider has not assessed a similar connection charge on the reseller.

Customer Usage of Lifeline-Supported Service

The MPSC supports the proposed amendment to prohibit ETCs from seeking reimbursement from the USF for any Lifeline customer who has failed to use his or her service for 60 days.

Minimum Consumer Charges

For Lifeline customers that receive telephone service for no charge (e.g., some wireless customers), the MPSC supports the idea of requiring ETCs to collect a one-time \$10 charge. The MPSC agrees that this will deter situations in which Lifeline-supported service has been activated on a phone that is unused or improperly transferred to third parties. The idea of charging customers a minimal monthly fee (such as \$1.00) does not seem cost-effective due to the administrative and billing costs that would be involved.

Audits

If not too costly, the MPSC supports the idea of auditing all new ETCs after the first year of providing Lifeline-supported service. The MPSC believes the FCC should continue directing USAC to conduct random audits of all ETCs to ensure ongoing compliance with the rules.

The MPSC does not support the idea that all ETCs in the program must engage independent firms to assess compliance with the program's requirements. If the FCC adopts this requirement, the FCC should specify standardized content to be collected by the independent auditors.

CLARIFYING CONSUMER ELIGIBILITY RULES

One-Per-Residence

The MPSC does not believe it is necessary to provide wireless Lifeline/Link Up support for each eligible adult per household. The one-per-residence rule seems adequate.

Lifeline subscribers should certify when applying for service, and verify annually, that they are receiving support for only one line per residential address. If, through a verification audit, it is determined that multiple people at the address are receiving Lifeline support (with the exception of group living facilities), ETCs should notify each customer at the address that they have 30 days to select a single ETC to provide Lifeline service at that address. If the customers fail to make a selection within 30 days, the carrier that has provided continuous Lifeline service to the address for the longest period of time would continue to receive Lifeline support. Again, Lifeline materials should clearly state this rule and customers should be advised of this when they apply for Lifeline discounts.

Eligible customers residing in commercially-zoned locations like rooming houses, shelters and other group quarters should be allowed to participate in the Lifeline program.

CONSTRAINING THE SIZE OF THE LOW-INCOME FUND

The MPSC does not oppose placing a national cap on the Low-Income program. The cap should be no lower than \$1.3 billion, the 2010 disbursement level. Lifeline credits per person should not be lower than \$10 per person. Customers currently on the Lifeline service should be given priority, and after that, the service should be offered on a first-come, first-served basis. If a customer loses the Lifeline service due to nonpayment or nonuse, the customer should not be given priority.

IMPROVING PROGRAM ADMINISTRATION

Eligibility Criteria for Lifeline and Link Up

The MPSC does not support the FCC's proposal to amend the rules to require all states to utilize, at a minimum, the program criteria currently utilized by federal default states.

Specifically, the MPSC does not support limiting income eligibility to 135% or less of the Federal Poverty Guidelines (FPG). Currently Michigan's income eligibility criterion is set at 150% or less of the FPG or documented participation in one of a number of low-income programs. Even these low-income programs differ in income eligibility requirements. For example, a pregnant woman in Michigan has to make 185% or less of the FPG to be eligible to receive Medicaid. Because she is eligible for Medicaid, she is also eligible for Lifeline. To participate in the Low-Income Home Energy Assistance Program (LIHEAP), a customer must make 150% or less of FPG. Because he is eligible for LIHEAP, he is also eligible for Lifeline. By changing the income criterion to 135% or less of FPG, many of Michigan's low-income population would not be able to be automatically enrolled in the Lifeline program. Also, many consumers that are currently receiving Lifeline support would no longer be eligible for the program. The MPSC believes that each state should be able to determine the eligibility criterion, enrollment process and ongoing verification method. Many states have laws that direct how the Lifeline program is administered and set the qualification standards. The MPSC requests that the FCC not make any changes that would require states to initiate legislative action to be in compliance. That would be burdensome and challenging.

Certification and Verification of Consumer Eligibility for Lifeline

Modifying certification procedures

The MPSC believes it is a good idea to eliminate the self-certification option and require all consumers in the states to present documents to establish eligibility. The FCC should encourage the states to work closely with social service organizations so that customers are able to easily obtain the documents they need to prove Lifeline eligibility.

The MPSC also supports automatic enrollment as a best practice for all states. Again, the FCC should encourage the states to work closely with social service organizations to make this happen. Automatic enrollment will increase the efficiency of the Lifeline/Link Up program.

Uniform sampling methodology

The MPSC supports the establishment of a uniform methodology for conducting verification sampling that would apply to all ETCs. The FCC's sample-and-census approach sounds reasonable. Agencies or departments with sampling experience should work with the FCC on the appropriate (randomly selected) sample sizes required to make inferences to populations of various sizes. If the eligibility rate (including nonresponsiveness) exceeds 5%, the ETC should be required to review the eligibility of its entire customer base immediately. This will save USF monies immediately and give the ETCs an incentive to keep a close eye on the eligibility of their customers. Lifeline materials should clearly state that customers may be contacted during the year by the ETC and if they don't respond, they could be considered ineligible for Lifeline and de-enrolled from the program. Customers should also be advised of this when they apply for Lifeline.

Collection and submission of verification sampling data

The MPSC would recommend that ETCs in all states submit their verification data results to the FCC, the states and the Universal Service Administrative Company and make the results publicly available. If data is collected in a standardized format, this will allow a nationwide analysis of the statewide verification data and will provide statistics on the progress the country is making in regard to reducing waste in the program. All data should be treated with strict confidentiality.

Database

In Michigan, it is unlikely that the social service agencies will allow the ETCs or the MPSC to have direct access to the confidential information in their databases. The customer will need to request the verification data. The MPSC is willing to work with the social service agencies to encourage them to provide this information to the customer as quickly as possible. We believe that the idea of a central verification database, although a good one, is improbable, unless the agencies that provide the verification data to the database are reimbursed by the USF. The MPSC is concerned about the ability of the USF to cover costs like this in addition to discounts for voice and broadband services. The cost to the non-Lifeline customer could increase at a rapid pace. Whether the USF should invest funds into a central verification database should depend on whether the USF can afford the costs required to collect the data and maintain such a system.

CUSTOMER OUTREACH AND MARKETING

The MPSC supports the FCC imposing basic marketing guidelines on ETCs to ensure that consumers fully understand the benefit being offered. The FCC can offer ideas to help the ETCs with marketing and provide marketing templates.

Role of the States and Outreach with Government Assistance Programs

The MPSC would caution that each state may work differently with its social service networks. The MPSC would be willing to work with the social service agencies and the ETCs to determine the best ways to make the Lifeline and Link Up applications available, discuss ideas on marketing the program, etc.

A Lifeline guide distributed to low-income customers detailing the competitive Lifeline offerings available in the state would be difficult to keep updated and administratively expensive in these difficult economic times. For these reasons, the MPSC Staff does not recommend this practice to be imposed on the states.

Marketing and Uniform Language to Describe Lifeline

The MPSC believes that, in addition to an ETC's trade name for its telephone program, it should be required to identify the service as a Lifeline program in all of its program materials.

The MPSC does not support mandatory outreach requirements for all ETCs but supports that the FCC encourage the states to work with the ETCs to effectively market the program.

MODERNIZING THE LOW INCOME PROGRAM TO ALIGN WITH CHANGES IN TECHNOLOGY AND MARKET DYNAMICS

The Current Lifeline Program

The Tier system seems to work fine to determine the Lifeline credit. The MPSC is also willing to review flat fee proposals, keeping in mind that we have a \$2 state-mandated fee.

The MPSC believes that the FCC should establish a set minimum number of monthly minutes to be included in the ETCs' Lifeline service offerings. The monthly minimum should be no less than 240 minutes.

The MPSC believes that ETCs should be required to offer Lifeline with all of its plans that includes a voice component, including those with broadband. Lifeline materials should explain to customers that their telephone and broadband services can be terminated for nonpayment and, if reconnected, they may not be able to participate in Lifeline (provided there is a cap on funding, and funding is expended).

The Transition to Broadband

The MPSC supports including Broadband as a Lifeline service. As such, the definition of Lifeline should be amended to allow support for broadband. It is essential that the ETCs provide the service at a very reasonable price (no more than \$15 after the discount).

The MPSC supports the idea of conducting broadband pilots as long as they do not unduly delay the full implementation. The MPSC is aware of at least one FCC pilot program which has taken a couple of years to begin implementation. The MPSC also supports a broadband needs assessment of the low-income community and focus groups to assess what types of broadband services are in demand and necessary, what types of outreach programs are more efficient, etc. Furthermore, the MPSC encourages the FCC to explore opportunities to leverage the benefits of the Broadband Planning program under the State Broadband and Development Program, along with each state's efforts at broadband planning as one way of assessing broadband adoption and barriers to adoption. The MPSC, through the ConnectMI program,⁵ has conducted a statewide survey regarding residential broadband adoption. ConnectMI is in the process of initializing a second and more granular residential survey. This survey could also collect information on low income residents for purposes of broadband

⁵ Connect Michigan is a partnership between the MPSC and Connected Nation. Additional information about the program, including a link to Michigan's broadband availability map is available at www.connectmi.org

Lifeline support. This program is overseen by the National Telecommunications and Information Administration (NTIA).

The MPSC does not have specific input on the pilot programs but is willing, on a state level, to assist in the implementation of the pilot programs as needed. Moreover, the MPSC would offer to assist with or be a part of a pilot program in Michigan.

The MPSC believes that current ETCs should not be able to opt out of providing Lifeline services, it should be mandatory for ETCs to participate in the Lifeline program, and customers should be able to apply for Lifeline discounts for both voice and broadband.

CONCLUSION

The MPSC is grateful for the opportunity to participate in the discussions of Lifeline and Link Up modernization. The collaborative efforts between the FCC and the states have often resulted in policies that are effective and efficient. Michigan has been an integral part of this cooperative process for many years and the MPSC looks forward to continuing collaboration with the FCC and the industry to ensure that low income consumers have access to voice and broadband as we work toward ways to achieve the goals of universal telecommunications and broadband service.

Respectfully submitted,

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