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47 CFR Part 54
Lifeline and Link Up Reform and Modernization, Telecommunications Carriers Eligible for Universal Service Support, Connect America Fund; Proposed Rule

FEDERAL COMMUNICATIONS COMMISSION

47 CFR Part 54

[WC Docket Nos. 11–42, 09–197, 10–90; FCC 15–71]

Lifeline and Link Up Reform and Modernization, Telecommunications Carriers Eligible for Universal Service Support, Connect America Fund

AGENCY: Federal Communications Commission.

ACTION: Proposed rule.

SUMMARY: In this document, the Federal Communications Commission (the Commission) seeks to rebuild the current framework of the Lifeline program and continue its efforts to modernize the Lifeline program so that all consumers can utilize advanced networks.

DATES: Comments are due August 17, 2015. Reply comments are due September 15, 2015.

ADDRESSES: You may submit comments, identified by [docket number and/or rulemaking number], by any of the following methods:

▪ *Federal Communications Commission's Web site: http://apps.fcc.gov/ecfs/.* Follow the instructions for submitting comments.

▪ *Mail: [Optional: Include the mailing address for paper, disk, or CD–ROM submissions needed/requested by your Bureau or Office. Do not include the Office of the Secretary's mailing address here.]*

▪ *People with Disabilities:* Contact the FCC to request reasonable accommodations (accessible format documents, sign language interpreters, CART, etc.) by email: *FCC504@fcc.gov* or phone: 202–418–0530 or TTY: 202–418–0432.

For detailed instructions for submitting comments and additional information on the rulemaking process, see the **SUPPLEMENTARY INFORMATION** section of this document.

FOR FURTHER INFORMATION CONTACT: Jonathan Lechter, Wireline Competition Bureau, (202) 418–7400 or TTY: (202) 418–0484.

SUPPLEMENTARY INFORMATION: This is a summary of the Commission's Second Further Notice of Proposed Rulemaking (Second FNPRM) in WC Docket Nos. 11–42, 09–197, 10–90; FCC 15–71, adopted on June 18, 2015 and released on June 22, 2015. The full text of this document is available for public inspection during regular business hours in the FCC Reference Center, Room CY–A257, 445 12th Street SW., Washington, DC 20554 or at the following Internet address: *https://www.fcc.gov/document/fcc-releases-lifeline-reform-and-modernization-item.*

Pursuant to §§ 1.415 and 1.419 of the Commission's rules, 47 CFR 1.415 and 1.419, interested parties may file comments and reply comments on or before the dates indicated on the first page of this document. Comments may be filed using the Commission's Electronic Comment Filing System (ECFS). *See Electronic Filing of Documents in Rulemaking Proceedings,* 63 FR 24121 (May 1, 1998).

▪ *Electronic Filers:* Comments may be filed electronically using the Internet by accessing the ECFS: *http://apps.fcc.gov/ecfs/.*

▪ *Paper Filers:* Parties who choose to file by paper must file an original and one copy of each filing. If more than one docket or rulemaking number appears in the caption of this proceeding, filers must submit two additional copies for each additional docket or rulemaking number.

Filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail. All filings must be addressed to the Commission's Secretary, Office of the Secretary, Federal Communications Commission.

▪ All hand-delivered or messenger-delivered paper filings for the Commission's Secretary must be delivered to FCC Headquarters at 445 12th St. SW., Room TW–A325, Washington, DC 20554. The filing hours are 8 a.m. to 7 p.m. All hand deliveries must be held together with rubber bands or fasteners. Any envelopes and boxes must be disposed of *before* entering the building.

▪ Commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail) must be sent to 9300 East Hampton Drive, Capitol Heights, MD 20743.

▪ U.S. Postal Service first-class, Express, and Priority mail must be addressed to 445 12th Street SW., Washington DC 20554.

People with Disabilities: To request materials in accessible formats for people with disabilities (braille, large print, electronic files, audio format), send an email to *fcc504@fcc.gov* or call the Consumer & Governmental Affairs Bureau at 202–418–0530 (voice), 202–418–0432 (tty).

I. Introduction

1. For nearly 30 years, the Lifeline program has ensured that qualifying low-income Americans have the opportunities and security that voice service brings, including being able to find jobs, access health care, and connect with family. As the Commission explained at the program's inception, ''[i]n many cases, particularly for the elderly, poor, and disabled, the telephone [has] truly [been] a lifeline to the outside world.'' Thus, ''[a]ccess to telephone service has [been] crucial to full participation in our society and economy which are increasingly dependent upon the rapid exchange of information.'' In 1996, Congress recognized the importance and success of the program and enshrined its mission into the Telecommunications Act of 1996 (1996 Act). Over time, the Lifeline program has evolved from a wireline-only program, to one that supports both wireless and wireline voice communications. Consistent with the Commission's statutory mandate to provide consumers in all regions of the nation, including low-income consumers, with access to telecommunications and information services, the program must continue to evolve to reflect the realities of the 21st Century communications marketplace in a way that ensures both the beneficiaries of the program, as well as those who pay into the universal service fund (USF or Fund), are receiving good value for the dollars invested. The purpose of the Lifeline program is to provide a hand up, not a hand out, to those low-income consumers who truly need assistance connecting to and remaining connected to telecommunications and information services. The program's real success will be evident by the stories of Lifeline beneficiaries who move off of Lifeline because they have used the program as a stepping stone to improve their economic stability.

2. Over the past few years, the Lifeline program has become more efficient and effective through the combined efforts of the Commission and the states. The Lifeline program is heavily dependent on effective oversight at both the Federal and the state level and the Commission has partnered successfully with the states through the Federal-State Joint Board on Universal Service (Joint Board) to ensure that low-income Americans have affordable access to voice telephony service in every state and territory. In addition to working with the Commission on universal service policy initiatives on the Joint Board, many states administer their own low-income programs designed to ensure that their residents have affordable access to telephone service and connections. These activities provide the states the opportunity and

flexibility to develop new and innovative ways to make the Lifeline program more effective and efficient, and ultimately bring recommendations to the Commission for the implementation of improvements on a national scale. As the Commission continues to modernize the Lifeline program, it deeply values the input of the states as it, among other reforms, seeks to streamline the Lifeline administrative process and enhance the program.

3. The Commission's 2012 *Lifeline Reform Order,* 77 FR 12951, March 2, 2012, substantially strengthened protections against waste, fraud, and abuse; improved program administration and accountability; improved enrollment and consumer disclosures; and took some preliminary steps to modernize the program for the 21st Century. These reforms provided a much needed boost of confidence in the Lifeline program among the public and interested parties, increased accountability, and set the Lifeline program on an improved path to more effectively and efficiently provide vital services to the Nation's low-income consumers. In particular, the reforms have resulted in approximately $2.75 billion in savings from 2012 to 2014 against what would have been spent in the absence of reform. Moreover, in the time since the reforms were adopted, the size of the Lifeline program has declined steadily. In 2012, the Universal Service Administrative Company (USAC), the Administrator of the Fund, disbursed approximately $2.2 billion in Lifeline support payments compared to approximately $1.6 billion in Lifeline support payments in 2014. These reforms have been transformational in minimizing the opportunity for Lifeline funds to be used by anyone other than eligible low-income consumers.

4. The Commission is pleased that its previous reforms have taken hold and sustained the integrity of the Fund. However, the Commission's work is not complete. In light of the realities of the 21st Century communications marketplace, the Commission must overhaul the Lifeline program to ensure that it advances the statutory directive for universal service. At the same time, it must ensure that adequate controls are in place as it implements any further changes to the Lifeline program to guard against waste, fraud, and abuse. The Commission therefore, among other things, seeks to revise its documentation retention requirements and establish minimum service standards for any provider that receives a Lifeline subsidy. It also seeks to focus its efforts on targeting funding to those low-income consumers who really need it while at the same time shifting the burden of determining consumer eligibility for Lifeline support from the provider. The Commission further seeks to leverage efficiencies from other existing federal programs and expand its outreach efforts. By rebuilding the existing Lifeline framework, the Commission hopes to more efficiently and effectively address the needs of low-income consumers. It ultimately seeks to equip low-income consumers with the necessary tools and support system to realize the benefits of broadband independent of Lifeline support.

5. Three years ago, the Commission took important steps to reform the Lifeline program. The reforms, adopted in the 2012 *Lifeline Reform Order,* focused on changes to eliminate waste, fraud, and abuse in the Lifeline program by, among other things: Setting a savings target; creating a National Lifeline Accountability Database (NLAD) to prevent multiple carriers from receiving support for the same household; and confirming a one-per-household rule applicable to all consumers and Lifeline providers in the program. It also took preliminary steps to modernize the Lifeline program by, among other things: Adopting express goals for the program; establishing a Broadband Adoption Pilot Program; and allowing Lifeline support for bundled service plans combining voice and broadband or packages including optional calling features. Now, 30 years after the Lifeline program was founded, the Commission believes it is past time for a fundamental, comprehensive restructuring of the program.

6. In the Second FNPRM, the Commission seeks to rebuild the current framework of the Lifeline program and continue its efforts to modernize the Lifeline program so that all consumers can utilize advanced networks. The Commission is joined in this effort by the many stakeholders who have suggested that further programmatic changes are necessary. The Commission also takes steps to promote accountability and transparency for both low-income consumers and the public at-large, and modernize the program. The Commission's efforts in the Second FNPRM are consistent with the Commission's ongoing commitment to monitor, re-examine, reform, and modernize all components of the Fund to increase accountability and efficiency, while supporting broadband deployment and adoption across the Nation.

7. In the Second FNPRM, the Commission proposes and seeks public input on new and additional solutions for the Lifeline program, including reforms that would bring the program closer to its core purpose and promote the availability of modern services for low-income families. The Second FNPRM is organized into five sections and, within those sections, the Commission addresses various issues:

- In Section A, the Commission proposes to modernize the Lifeline program to extract the most value for consumers and the USF. First, it seeks comment on establishing minimum service levels for both broadband and voice service under the Lifeline program to ensure low-income consumers receive ''reasonably comparable'' service per Congress's directive in section 254(b) and proposes to retain the current subsidy to do so. Second, the Commission seeks comment on whether to set a budget for the program. Third, it seeks comment on a transition period to implement these reforms. Fourth, it seeks comment on the legal authority to support the inclusion of broadband into the Lifeline program.
- In Section B, the Commission proposes various ways to further reduce any incentive for waste, fraud, and abuse by having a third-party determine whether a consumer is eligible for Lifeline, and, in doing so, also streamline the eligibility process. First, it seeks comment on establishing a national verifier to make eligibility determinations and perform other functions related to the Lifeline program. Second, it seeks comment on leveraging efficiencies from other federal benefit programs and state agencies that determine eligibility, and work with such programs and agencies to educate consumers and potentially enroll them in the Lifeline program. Third, it seeks comment on whether a third-party entity can directly transfer Lifeline benefits to individual consumers. Fourth, it seeks comment on changing the programs through which consumers qualify for Lifeline to ensure that those consumers most in need can receive support. Fifth, it seeks comment on putting in place standards for eligibility documentation and state eligibility databases.
- In Section C, the Commission proposes ways to increase competition and innovation in the Lifeline marketplace. First, it seeks comment on ways to promote competition among Lifeline providers by streamlining the eligible telecommunications carrier (ETC) designation process. Second, it seeks comment on whether to permit Lifeline providers to opt-out of providing Lifeline supported service in certain circumstances. Third, it seeks

comment on other ways to increase participation in the Lifeline program. Fourth, it seeks comment on ways to encourage states to increase state Lifeline contributions. Fifth, it seeks comment on how to best utilize licensed and unlicensed spectrum bands to provide broadband service to low-income consumers. Sixth, as an alternative to streamlining the Commission's current ETC designation process, it seeks comment on creating a new designation process for participation in Lifeline.

- In Section D, the Commission proposes measures to enhance Lifeline service and update the Lifeline rules to enhance consumer protections and reflect the manner in which consumers currently use Lifeline service. First, it seeks comment on amending its rules to treat the sending of text messages as usage of Lifeline service and, thus, grants in part a petition filed by TracFone Wireless, Inc. (TracFone). Second, it proposes to adopt procedures to allow subscribers to de-enroll from Lifeline upon request. Third, it seeks comment on ways to increase Lifeline provider participation in Wireless Emergency Alerts (WEA).
- In Section E, the Commission proposes a number of ways to increase the efficient administration of the Lifeline program by, among other things, seeking comment on: Changing Tribal enhanced support; enhancing the requirements for electronic signatures; using subscriber data in the NLAD to calculate Lifeline provider support; and rules to minimize disruption to Lifeline subscribers upon the transfer of control of Lifeline providers.

II. Second Further Notice of Proposed Rulemaking

8. In the Second FNRPM, the Commission proposes to modernize and restructure the Lifeline program. First, it proposes to establish minimum service levels for voice and broadband Lifeline service to ensure value for our USF dollars and more robust services for low-income Americans consistent with the Commission's obligations in section 254. Second, it seeks to reset the Lifeline eligibility rules. Third, to encourage increased competition and innovation in the Lifeline market, it seeks comment on ensuring the effectiveness of its administrative rules while also ensuring that they are not unnecessarily burdensome. Fourth, the Commission examines ways to enhance consumer protection. Finally, it seeks comment on other ways to improve administration and ensure efficiency and accountability in the program.

A. The Establishment of Minimum Service Standards

9. The 2012 *Lifeline Reform Order* established clear goals to enable the Commission to determine whether Lifeline is being used for its intended purpose. Specifically the Commission committed itself to: (1) Ensuring the availability of voice service for low-income Americans; (2) ensuring the availability of broadband service for low-income Americans; and (3) minimizing the contribution burden on consumers and businesses. In an effort to further these goals and extract the most value possible from the Lifeline subsidy, the Commission proposes to establish minimum service levels for all Lifeline service offerings to ensure the availability of robust services for low-income consumers. The service standards the Commission proposes to adopt may require low-income consumers to contribute personal funds for such robust service. The Commission seeks comment on these proposals.

1. Minimum Service Standards for Voice

10. While consumers increasingly are migrating to data, voice communications remain essential to daily living and may literally provide a lifeline to 911 and health care providers. Despite years of participation by multiple providers offering voice service in competition with one another, we do not see meaningful improvements in the available offerings. It has been over three years since the 2012 *Lifeline Reform Order* and the standard Lifeline market offering for prepaid wireless service has remained largely unchanged at 250 minutes at no cost to the recipient. Unlike competitive offerings for non-Lifeline customers, minutes and service plans for Lifeline customers have largely been stagnant. The fact that service levels have not increased over time may also suggest that the current program is not structured to drive sufficient competition. The Commission therefore believes it is necessary to establish minimum voice standards to ensure maximum value for each dollar of universal service and that consumers receive reasonable comparable service, and seeks comment on this analysis.

2. Minimum Service Standards for Broadband

11. The ability to use and participate in the economy increasingly requires broadband for education, health care, public safety, and for persons with disabilities to communicate on par with their peers. As the Commission ensures that Lifeline is restructured for the 21st Century, it wants to ensure that any Lifeline offering is sufficient for consumers to participate in the economy.

12. *Education.* As the Commission recognized in the E-rate (more formally known as the schools and libraries universal service support program) modernization proceeding, ''schools and libraries require high-capacity broadband connections to take advantage of digital learning technologies that hold the promise of substantially improving educational experiences and expanding opportunity for students, teachers, parents and whole communities.'' Within schools, ''high-capacity broadband connectivity . . . is transforming learning by providing customized teaching opportunities, giving students and teachers access to interactive content, and offering assessments and analytics that provide students, their teachers, and their parents, real-time information about student performance.'' *Modernizing the E-rate Program for Schools and Libraries,* WC Docket No. 13–184, Notice of Proposed Rulemaking, 28 FCC Rcd 11304, 11305, para. 1 (2013). However, the need for connectivity for educational purposes does not necessarily stop at the end of the school day. Teachers often assign work to their students that requires broadband connectivity outside of school hours to more efficiently and effectively complete the assignment or project. Homework assignments requiring access to the Internet allow teachers and students to work outside the bounds of paper and pencil—students can be assigned additional and individualized problems and concepts to practice specific skills through interactive learning environments that provide students instant feedback. Many homework assignments also require students to integrate technology when creating their own content, such as developing reports, designing PowerPoint presentations, or manipulating data. Online assignments and assessments also provide for immediate feedback from instructors, thus allowing teachers to better direct their focus when teaching and assessing individual student needs. Students who lack broadband access outside of the classroom find it difficult and sometimes impossible to complete their homework assignments and to broadly explore the subjects they are learning in school. As a result, lack of Internet access can lead to reduced academic preparedness and decreased academic performance and classroom engagement

in school. Lack of Internet access also puts some students at a competitive disadvantage with respect to their peers, and limits their educational horizons. As a result, student access to the Internet has become a necessity, not a luxury.

13. Unfortunately, many low-income students do not have access to the Internet at home. Computer ownership and Internet use strongly correlate with a household's income. The higher a household's income, the more likely it is for that household to subscribe to broadband service. In 2013, about 95 percent of the households with incomes of $150,000 or more reported connecting to the Internet, compared to about 48 percent of the households making less than $25,000. There are approximately 29 million American households with school-age children (ages 6 to 17). Approximately 31 percent of those American households with incomes below $50,000 do not have a high-speed connection at home. Thus, while low-income students may be connected to the Internet while at school, they become digitally disconnected immediately upon exiting the school building. As noted in the National Broadband Plan, ''[o]nline educational systems are rapidly taking learning outside the classroom, creating a potential situation where students with access to broadband at home will have an even greater advantage over those students who can only access these resources at their public schools and libraries.'' This lack of access to technology and broadband in low-income households has created a ''homework gap'' between low-income students and the rest of the student population.

14. The ''homework gap'' puts low-income students at a disadvantage. ''If you are a student in a household without broadband, just getting homework done is hard, and applying for a scholarship is challenging.'' Many students who do not have access to the Internet at home head to the library after school and on weekends in order to utilize the library's broadband service to complete assigned homework. However, library hours are limited and even when they are open, they may not be able to fully accommodate the needs of their users. Thus, in many communities, after the library and the computer labs close for the night, there is often only one place for students to go without Internet access at home—the local McDonald's. Some schools have attempted to extend the school day to help students with their homework or partner with after-school programs to ensure that students have the ability and resources needed to complete their assignments, but not all can do so. Moreover, after school programs cannot provide students with the same kind of flexibility and opportunity to access the Internet as those students who do have home access. As technology continues to evolve and teachers continue to integrate technology into their teaching by supplementing their in-class projects and instruction with projects and assignments necessitating Internet access, the ''homework gap'' presumably will widen as many students in low-income households, with a lack of home Internet access, struggle to complete assigned homework and projects.

15. Various successful initiatives have been improving broadband access to underserved groups, some of which contain low-income student populations. For example, Mobile Beacon's Internet Inclusion Initiative, in partnership with EveryoneOn, provides students who do not have Internet access at home with unlimited 4G access and low-cost computers in order to put them on the path to digital opportunity and learning. Comcast's Internet Essentials program provides qualifying low-income households with affordable access to high-speed service from their homes. Additionally, in conjunction with the Knight Foundation, The New York Public Library (NYPL) has implemented a pilot program to expand its efforts to bridge the digital divide by allowing the public to borrow portable Wi-Fi hotspot devices for up to one year (students can borrow the devices for the school year). The NYPL hopes to eventually provide 10,000 hotspots to people involved in their education programs. The Chicago Public Library (CPL) also has implemented a pilot program to provide members of underserved communities in three locations access to both portable WiFi and laptop computers. During the course of the two year pilot program, CPL plans to make 300–500 MiFi hotspots available in several library locations in areas with less than 50 percent broadband adoption rates. While these initiatives are working toward closing the ''digital divide'' and expanding broadband access to underserved populations, including low-income students, none of these initiatives provide for a comprehensive, nationwide solution addressing the ''homework gap'' issue.

16. Building upon the Commission's recent modernization of the E-rate program, where the Commission, among other things, took major steps to close the WiFi gap within schools and libraries, the Commission recognizes the valuable role that the Lifeline program can play beyond the school day in the lives of elementary and secondary-school students living in low-income households. Lifeline can help to extend broadband access beyond the school walls and the school day to ensure that low-income students do not become digitally disconnected once they leave the school building. Lifeline can help to ensure that low-income students have access to the resources needed to complete their research and homework assignments, and compete in the digital age. The Commission thus seeks comments on how the Lifeline program can address the ''homework gap'' issue—the gap between those households with school-age children with home broadband access to complete their school assignments and those low-income households with school-age children without home broadband access. The Commission recognizes that no one program or entity can solve this problem on its own and what is needed is many different organizations, vendors, and communities working together to address this problem. The Commission therefore seeks creative solutions to addressing this gap so that eligible low-income students are provided with affordable, reliable, and quality broadband services in order to effectively complete their homework, and have the same opportunity as their classmates to reach their full potential and feel like they are part of the academic conversation.

17. *Participation in Lifeline by eligible households with school children.* Recognizing that when the Lifeline program provides support for broadband services, it will play an important role in closing the ''homework gap'' by helping children in low income families obtain the educational advantage associated with having home broadband service, the Commission seeks comment on how best to ensure that low income households that include school children are aware of and have the opportunity to participate in a broadband-focused Lifeline program. As an initial matter, the Commission seeks comments on how best to identify such households.

18. The Commission first seeks comments on data it can use from the schools and libraries universal service support program (the E-rate program) to assist its efforts. Currently, school districts use student eligibility for free and reduced school lunches through the National School Lunch Program (NSLP) or an alternative discount mechanism as a proxy for poverty when calculating discounts on eligible services received under the E-rate program. Thus, when

requesting services under the E-rate program, a school district provides the total number of students in the school district eligible for NSLP and the calculated discount rate. How might the Commission use this information to ensure that Lifeline eligible households with school children are aware of the opportunity provided by the Lifeline program? How does the fact that E-rate discount levels are based on the percentage of children eligible for both free and reduced school lunches impact the usefulness of E-rate data for identifying households that are eligible for Lifeline support which is limited to lower-income households?

19. The Commission seeks comments on sources of data that would be useful for identifying Lifeline eligible households with school-age children. Eligibility for free school lunches through the NSLP is already one way to demonstrate eligibility for the Lifeline program. Schools and school districts collect NSLP eligibility information, but they are already burdened with numerous administrative responsibilities and the introduction of other tasks may cause additional administrative burdens. In addition, more and more school districts have moved towards the community eligibility option in the NSLP program, which saves them from collecting individual NSLP eligibility data. How will the movement away from individual NSLP data collection affect the Commission's ability to identify Lifeline eligible households with school children? Are the state databases that directly certify some students' eligibility to participate in NSLP a possible source of information that could help the Commission identify Lifeline eligible households with school children? Are there other non-burdensome methods to identify Lifeline eligible households with students and make sure that those households with school children are aware of the opportunity to receive Lifeline support?

20. The Commission also seeks comments on how it can incentivize Lifeline providers to reach out to those households with school children to provide Lifeline supported services. Commenters should indicate what, if any, practical or administrative implications there may be to utilizing existing data provided to USAC under the E-rate program for this purpose. Are there other ways to use the E-rate program and the data the Commission already collects to address the ''homework gap''?

21. *Health Care.* Congress directed the Commission to consider the extent to which ''supported'' services are ''essential to . . . public health.'' Health care is a necessity that can represent a considerable barrier to low-income consumers due to the time and resource burdens it often presents to patients. However, when patients utilize broadband in the interest of their personal health, it not only improves their own lifestyles, but also reduces health care-related costs for both the patient and the health care providers. Reduction in health care related costs represents a significant benefit for all consumers, but particularly for low-income consumers, who too often must make difficult decisions when deciding how and where to spend the limited money they have. For example, telehealth, the ability to connect with health care professionals remotely via broadband, has significant potential to enrich a patient's life by reducing the need for frequent visits to the doctor and by utilizing e-visits and remote telemetry monitoring. The Veterans Administration conducted a study of over 17,000 patients with chronic conditions, and found that by using telehealth applications, bed days of care were reduced by 25 percent and hospital admissions were reduced by 19 percent. Even when a patient does not directly interact with a health care professional, health care software accessed through broadband can also provide significant benefits to patients. Research has shown that those with a lower socioeconomic status are more prone to develop type 2 diabetes. But a study of type 2 diabetes patients concluded that utilization of software loaded onto broadband-capable mobile phones that provided mobile coaching in combination with blood glucose data, changes in lifestyle behaviors, and patient self-management substantially reduced negative symptoms of type 2 diabetes. Access to broadband can lead to better health care outcomes. The Commission seeks comment on additional broadband health care related initiatives that can significantly improve the health outcomes for low-income consumers.

22. *Individuals with Disabilities.* Broadband adds significant benefit to the daily lives of those with disabilities through ''access to a . . . universe of products, applications, and services that enhance lives, save money, facilitate innovation, and bolster health and well-being.'' *See* Letter from Douglas Orvis II, Counsel, Telecommunications for the Deaf and Hard of Hearing, Inc., to Marlene H. Dortch, Secretary, FCC, WC Docket No. 11–42, at 1–2 (filed June 10, 2015) (TDI June 10, 2015 Letter). U.S. Chamber of Commerce, The Impact of Broadband on People with Disabilities at 2 (Dec. 2009). *http://www.onecommunity.org/wp-content/uploads/2010/01/BroadbandandPeoplewithDisabilities.pdf* (last visited May 26, 2015) (The Impact of Broadband on People with Disabilities). For example, broadband provides the ability to facilitate societal interaction and communications through email, instant messaging, and real-time video conferencing through services like Skype. In fact, individuals who are deaf or hard of hearing rely on video relay service (VRS) to the same extent that other consumers rely on voice service; therefore, broadband must be sufficiently robust to meet this need. Living with a disability often coincides with a lower socioeconomic status because of the limited ability to work, but broadband ''provides employment opportunities by enabling telecommuting and encourages entrepreneurship by providing a robust platform for conveniently launching and managing a home business[.]'' *See* The Impact of Broadband on People with Disabilities at 2. In addition, broadband significantly ''[e]nhances the number and types of educational opportunities available to people with disabilities by enabling a [significant] universe of distance learning applications.'' *See id.* The benefits of broadband to individuals with disabilities are countless, as broadband is a ''flexible and adaptable tool'' that can be used ''to deliver affordable, convenient, and effective services,'' and enable a ''range of social, economic, and health-related benefits.'' *See id.* at 1; *See* TDI June 10, 2015 Letter at 1–3. Due to the limiting nature of many physical and intellectual disabilities, broadband may be further out of reach for individuals with disabilities than the average consumer. The Commission seeks comment on how to ensure the benefits of broadband reach low-income individuals with disabilities. For example, are there unique outreach efforts or eligibility initiatives targeted towards individuals with disabilities that ensure the benefits of broadband are utilized by this community? Additionally, the Commission seeks comment on any data showing the use, benefits, and penetration of broadband for individuals with disabilities so that the Commission may identify trends across different types of communities and regions, particularly those that serve individuals with disabilities.

23. *Public Safety.* Congress directs the Commission to consider the extent to which ''supported'' services are ''essential to . . . public safety,'' and the

National Broadband Plan enumerated several benefits that broadband technologies provide to a cutting-edge public safety communications network. As the Plan observed, broadband ''can help public safety personnel prevent emergencies and respond swiftly when they occur,'' and ''can also provide the public with new ways of calling for help and receiving emergency information.'' The transition to Next Generation 911 (NG911) networks based on broadband technology holds the potential to improve access to 911 through services such as text-to-911, while providing public safety answering points (PSAPs) with more flexible and resilient options for routing 911 calls. In an NG911 environment, IP-based devices and applications will provide consumers with the ability to transmit and receive photos, video, text messages, and real-time telemetry information with first responders and other public-safety professionals. Broadband also ensures that consumers are notified of emergencies and disasters through advanced emergency alerts on a variety of platforms, including geographically-targeted Wireless Emergency Alerts warning wireless subscribers of imminent threats to safety in their area. Yet, for these services to be available when they are needed most, they must also be reliable and resilient, and must provide sufficient privacy and security for consumers to have confidence in their everyday use. Therefore, it is essential that all consumers, including low-income consumers, have access to broadband-capable devices that provide the ability to send and receive critical information, as well as broadband service with sufficient capacity, security, and reliability to be dependable in times of need. Through the Lifeline program, the Commission seeks to ensure that low-income consumers have access to critical broadband public safety communications during an emergency, and service levels comparable to those offered to other residential subscribers. The Commission emphasizes that providers must ensure that all Lifeline service offerings continue to be compliant with all applicable 911 requirements. The Commission seeks comments on the utilization of broadband by low-income consumers to receive public safety alerts and connect with public safety professionals.

24. *Low-Income Broadband Pilot Program.* In 2012, the Commission launched a pilot program to collect data on what policies might overcome the key broadband adoption barriers—cost, relevance, and digital literacy—for low-income consumers and how the Lifeline program could best be structured to provide support for broadband. Each pilot project provided support for broadband service to qualifying low-income consumers for 12 months. In selecting the pilot projects, Commission staff struck a balance between allowing providers enough flexibility in the design of the pilots and ensuring the structure of each project would result in data that would be statistically and economically relevant. On the one hand, the 14 pilot projects shared a set of common elements that reflect the current model of the Lifeline program—*e.g.,* all relied on existing ETCs to provide service, and the ETCs had to confirm that individuals participating in the pilot were eligible and qualified to receive Lifeline benefits. On the other hand, each project tested different subsidy amounts, conditions to receiving service, and different outreach and marketing strategies. The result was a highly diverse set of 14 funded pilot projects that implemented different strategies and provided a range of services across varying geographies.

25. The Wireline Competition Bureau (Bureau) prepared a report to assist the Commission in considering reforms to the Lifeline Program and released for public review and consumption all of the data reported by the participating carriers. The Broadband Pilot Report summarizes each of the 14 pilot projects and the data collected during the course of the projects. As shown from the data summarized in the Broadband Pilot Report, the pilot projects provide an informative perspective on how various policy tools can impact broadband adoption by low-income consumers. For example, patterns within the data indicate that cost to consumers does have an effect on adoption and which service plans they choose. Given the condition in the Pilot Program that participation was limited to consumers that had not subscribed to broadband within the last 60 days, Commission staff recognized that there was a risk of low enrollment in each of the projects relative to the initial provider projections. As a result of this limitation, providers had to market the limited-time project offerings to consumers that either could not afford broadband service or, until that time, did not understand the relevance of broadband. The Commission seeks comment on how this report and the underlying data will provide guidance to the Commission as it considers reforms to the Lifeline program.

26. *Current Offerings.* In the wireline market, some offerings specifically target low-income consumers and typically include a $10 per month broadband product. Participation often is limited to consumers who have not had wireline broadband service from the provider within a certain time period, have no past due bills, and meet certain income and other eligibility restrictions.

27. In the wireless market, direct-to-consumer broadband wireless plans are limited for low-income consumers, and generally require pricey top-ups for minimal broadband. However, low-income consumers are able to receive discounted service on either a smartphone plan or a mobile hotspot plan through some innovative plans. For about $10 per month, Mobile Beacon, a nonprofit licensee of EBS, provides mobile Internet to other nonprofit institutions. The Commission notes Mobile Beacon is not itself a direct-to-consumer wireless provider and consumers must have a relationship with a Mobile Beacon partner institution to receive service. Kajeet offers a similar service to schools, where the school pays a single low monthly fee for a hotspot, CIPA-compliant filtering software and network management, and 4G wireless service. Schools provide the devices to those students which they identify as most in need of connectivity at home.

3. Service Levels

28. The Commission proposes to establish minimum service levels for fixed and mobile voice and broadband service that Lifeline providers must offer to all Lifeline customers in order to be eligible to receive Lifeline reimbursement. The Commission also seeks comment on minimum standards for Tribal Lifeline, recognizing the additional support may allow for greater service offerings. The Commission believes taking such action will extract the maximum value for the program, benefitting both the recipients as well as the ratepayers who contribute to the USF. It also removes the incentive for providers to offer minimal, un-innovative services that benefit providers, who continue to receive USF support above their costs, more than consumers. The Commission also believes it is consistent with its statutory directives. The Commission seeks comment on this proposal.

a. Standard for Setting Minimum Service Levels

29. The Commission seeks comments on how to establish minimum service levels. The Commission looks first to the statute for guidance. Congress indicated that ''[q]uality services should be available at just, reasonable, and affordable rates.'' Specifically with

regard to low-income Americans, Congress directed that they should have ''access to telecommunications and information services, including interexchange services and advanced telecommunications and information services that are reasonably comparable to those services provided in urban areas.'' Congress also stated that, in defining supported services, the Commission should consider the extent to which such services ''are essential to education, public health, or public safety''; are ''subscribed to by a substantial majority of residential customers''; and are ''consistent with the public interest, convenience, and necessity.'' The Commission seeks comment on how to develop minimum standards based on these principles. In particular, would it be appropriate to develop an objective, data-based methodology for establishing such levels? Could the Commission establish an objective standard that could be updated on a regular basis? The Commission also seeks comment on minimum service levels for Tribal Lifeline. Given the higher monthly subsidy, the Commission expects more robust service and seeks comment on how to do so. The Commission seeks comment on these or other approaches.

30. Given that the Lifeline program is specifically targeted at affordability, the Commission seeks comment on how to ensure that the minimum service levels it proposes to adopt result in services that are affordable to low-income Americans. How should the Commission establish minimum service levels that result in affordable but ''reasonably comparable'' offerings?

b. Ensuring ''Reasonably Comparable'' Service for Voice and Broadband

31. The Commission next seeks comment on how minimum service standards based on statutory universal service principles could be applied to various Lifeline offerings to produce different service levels. The Commission seeks comments on whether and how service levels would vary between fixed and mobile broadband service. In addition, the Commission proposes to require providers to offer data-only broadband to Lifeline customers to ensure affordability of the service. In addition to the comment the Commission solicits below, the Commission seeks explicit comment from the states on its proposed course of action. As the Commission's partners in implementation and administration of the Lifeline program, any views or quantifiable data specifically from a state perspective would be invaluable to the Commission as it moves forward with these reforms.

32. *Voice-Only Service.* Some consumers may prefer to use their Lifeline discount for a voice-only service, and the Commission seeks comment on how to require providers to continue offering affordable stand-alone voice service to provide consumers' access to critical employment, health care, public safety, or educational opportunities. The Commission seeks comments on how requiring providers to offer stand-alone voice service affects providers' business models and affordability to the consumer.

33. In the 2012 *Lifeline Reform Order,* the Commission established the program goal of ensuring the availability of quality voice service for low-income consumers. Given the relatively stagnant Lifeline market offerings, the Commission believes that it is appropriate to establish minimum service levels for voice-only service. The Commission seeks comment on whether to establish a standard for mobile and/or fixed voice-only service based on objective data. What usage levels would result from these options? Since the cost of providing voice service has declined drastically, should the Commission require mobile providers to offer unlimited talk and text to Lifeline consumers to maximize the benefit of the Lifeline subsidy? What other approaches should the Commission consider?

34. The *17th Mobile Competition Report,* (DA 14–1862, released December 18, 2014) found that consumers average between 690 and 746 minutes per month, depending on the type of device they use. And according to Nielsen, the average monthly minutes-of-use for a postpaid consumer is 644. These figures suggest that a typical wireless voice consumer uses two-to-three times the amount of voice service offered on a standard plan by typical Lifeline wireless resellers and suggests that low-income consumers do not have comparable offerings. However, in California, where Lifeline consumers and providers benefit from an additional state subsidy, consumers may elect plans in progressively increasing tiers of minutes in exchange for providers receiving progressively larger combined state and federal subsidies. The Commission seeks comments on whether the Commission should adopt a similar framework The Commission also seeks comment on voice and text plans and whether it should use average usage as a baseline for minimum service. The Commission seeks comments on whether it should require unlimited talk and text for voice service.

35. The Commission seeks comments on how to ensure fixed voice service provides ''reasonably comparable'' service that is affordable for low-income consumers. Is there a price to the low-income consumer above which voice telephony service is no longer affordable?

36. A key component of ensuring service remains affordable to the end-user is ensuring Lifeline providers utilize universal service funds consistent with their intended purpose. The Commission seeks comment on whether Lifeline providers are currently passing on reductions in their costs to end-users. Specifically with respect to mobile voice service, the level of Lifeline service has not appreciably increased recently, while the cost per minute to wireless resellers has declined to less than two cents on the wholesale market. The per-minute cost for facilities-based providers is likely lower still. When the declines in costs are coupled with the average minutes of use and stagnant Lifeline service levels, it appears that Lifeline ETCs are not offering consumers ''innovative and sufficient service plans'' or passing on their greater efficiencies to consumers. The Commission seeks comment on these conclusions. Further, it notes that the Commission's rules state that federal universal service support should be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.

37. *Fixed Broadband Service.* Next, the Commission seeks comments on the application of minimum service standards to fixed broadband offerings. Unlike mobile technologies, the prevailing benchmark for fixed broadband is the speed of the service. In addition to speed, the Commission needs to ensure that capacity is sufficient. The Commission seeks comments on whether the Commission should define an objective standard for fixed service by looking at what kinds of services are typically offered or subscribed to ''in urban areas'' or by a substantial majority of Americans. Could the Commission establish an objective standard that could be updated on a regular basis simply by examining new data about fixed broadband service? In the alternative, should the Commission look to the standard, as well as capacity and latency requirements, adopted in the Connect America Fund proceeding to determine the appropriate level of service? The Commission seeks comments on how to address data caps

and if it needs to set a minimum level of capacity for fixed broadband service. Should the Commission consider setting any minimum standards based on the FCC Form 477 data, which is based on what most residential consumers subscribe to? What other criteria should the Commission use? Should providers be required to make available any offering that is at or above a minimum speed to eligible low-income consumers?

38. *Mobile Broadband Service.* The Commission seeks comments on how to apply minimum service standards to mobile broadband offerings. It also seeks comment on whether the Commission should define an objective standard for mobile broadband service by looking at what kinds of services are typically offered or subscribed to ''in urban areas'' or by a substantial majority of Americans. For example, in December 2014, an average American consumer utilized roughly 1.8 GB of data across both 3G and 4G networks. Should a mobile minimum service standard be tied to this average, or a similar metric? Would it be more appropriate to set a standard tied to a different level of consumer usage? Should the Commission consider setting any minimum standards on criteria other than data usage? Today, mobile Lifeline providers may offer a specific service just for Lifeline but providers do not allow such customers to apply the Lifeline discount to other service offerings. Should providers be required to make available any offering that is at or above a minimum speed to eligible low-income consumers?

39. The Commission notes that low-income consumers that are more likely to only have mobile broadband service, likely due to affordability issues, may rely on that service more heavily than the majority of consumers who can offload some of their usage onto their residential fixed connection. The Commission seeks comments on how, if at all, this dynamic should affect its choice of minimum service levels.

40. The Commission seeks comments on how to ensure that this approach results in services that are affordable to low-income consumers. For example, the Commission understands that providers in the Lifeline market have developed their businesses based on the premise that Lifeline was a voice-only market, including the distribution of primarily voice-only handsets at a low price point. Therefore, the Commission seeks comment on whether it should take into account the cost of wireless Consumer Premises Equipment (CPE) passed on to consumers by Lifeline providers in determining whether a particular level of service is affordable. The Commission seeks comments on how these costs would influence affordability of mobile broadband service to low-income consumers.

41. *Minimum Service for Tribal Lifeline.* Low-income consumers living on Tribal lands may receive up to $34.25 per month in a Lifeline discount. Given the additional support, we expect that more robust service will be offered to consumers. The Commission seeks comments on establishing minimum levels of service for voice and broadband for low-income residents living on Tribal lands. The Commission seeks comment on the appropriate standards for mobile data as well as a fixed broadband service. What metric should be used and how should it evolve over time? The Commission notes that the Oklahoma Corporation Commission (OCC) requires wireless ETCs to provide a large number of minutes each month to Lifeline subscribers on Tribal lands, which is significantly higher than what ETCs typically offer to non-Tribal Lifeline consumers. Are other states considering similar minimum service levels on Tribal lands? More generally, what is the level of service provided to residents of Tribal lands, and how does it compare to consumers nationwide?

c. Updating Standards and Compliance

42. The Commission seeks comment on how to set appropriate minimum service levels that evolve with technology and innovation, and how to ensure compliance with those levels. A comparison of subscription rates from 2011 to 2013 show a steady increase in adoption for fixed wireline at 10/1 Mbps level of service. The Commission expects these increases in adoption will continue because carriers will continue to build out networks offering at least 10/1 Mbps service. At the same time, the Commission has not seen a decline in the utilization of wireline voice service, but an increase in wireless voice service. In light of this dynamic, the Commission believes it needs a mechanism to ensure that the minimum service levels it proposes to adopt stay relevant over time.

43. The Commission proposes to delegate to the Wireline Competition Bureau (Bureau) the responsibility for establishing and regularly updating a mechanism setting the minimum service levels that are tied to objective, publicly available data. The Commission seeks comment on this proposal. It also seeks comment on how best to regularly update service levels for both fixed and wireless voice and broadband services to ensure that Lifeline supports an ''evolving level'' of telecommunications service.

44. Alternatively, it may be appropriate to establish explicit procedures by which to ensure those minimum service levels are met and maintained. In the high-cost program, the Commission defined strict broadband performance metrics, and the Bureau recently sought comment on the best mechanism to measure these performance metrics. The Commission seeks comment on whether it would be reasonable to subject Lifeline providers to similar broadband measurement mechanisms.

45. The Commission also seeks comments on how to monitor and ensure compliance with any voice and broadband minimum service levels. Should this be part of an annual certification by Lifeline providers? Should offerings be part of any application to become a Lifeline provider? What information and records should be retained for an audit or review? Should consumer or other credible complaints result in an audit or review of a Lifeline provider provisioning Lifeline service? Should complaints to state/local regulatory agencies, the Commission, and/or public watchdog organizations trigger audits? Are there other events that should trigger an audit? Proposed audit triggers should address both ensuring that performance standards are met and minimizing administrative costs.

d. Support Level

46. The Commission proposes to retain the current, interim non-Tribal Lifeline support amount that the Commission adopted in the 2012 *Lifeline Reform Order,* but the Commission seeks to extract more value for low-income consumers from the subsidy. When it set the interim rate, the Commission sought comment on a permanent support amount that would best meet the Commission's goals. The Commission sought comment on a number of issues associated with establishing a permanent support amount, but received limited comments. Recently, GAO noted that the Commission has not established a permanent support amount. The Commission tentatively concludes that it should set a permanent support amount of $9.25, and seeks comment on this tentative conclusion. If the Commission sets a minimum service level where $9.25 is insufficient to cover broadband service, would an end-user charge be necessary? Since a central goal of the Lifeline program is affordability, how can the Commission assure both a sufficient level of

broadband service while also ensuring the service is affordable to the consumer? The Commission seeks comment on if or how bundles should affect the support level.

47. The Commission also seeks comment on whether the support amount should be reduced for Lifeline supported mobile voice-only service. The cost of provisioning wireless voice service has decreased significantly since the 2012 *Lifeline Reform Order.* Therefore, the Commission questions whether it is necessary to support mobile voice-only Lifeline service with a $9.25 subsidy, and the Commission seeks comments on the level of support needed for mobile voice-only service. The Commission also seeks comments on whether a different level of support would be appropriate for a voice and broadband bundle. If so, what would be appropriate?

48. *Broadband Connection Charge Reimbursement.* The Commission seeks comments on whether to provide a one-time reimbursement to Lifeline consumers to cover any up-front broadband connection charges for fixed residential service. The costs associated with connecting a low-income consumer to fixed broadband exceed the costs of connecting that same consumer to mobile broadband service. For example, the Commission finds that it is more likely that a technician would need to visit a location to connect the consumer to broadband than would be the case for mobile service, resulting in an up-front charge. Such fees may serve as a barrier for low-income consumers to adopt broadband, particularly if consumers pay an ongoing charge for robust Lifeline supported broadband service. The Commission also seeks comments on how best to protect the Fund from any waste, fraud, and abuse if the Commission implements a one-time reimbursement for connection charges. Additionally, the Commission seeks comments on how to appropriately set the level of the broadband connection charge subsidy.

e. Managing Program Finances

49. In the 2012 *Lifeline Reform Order,* the Commission adopted a number of reforms designed to combat waste, fraud, and abuse in the program. These reforms have taken significant strides to address concerns with the program, including through the elimination of duplicate support. In 2012, USAC disbursed approximately $2.2 billion in Lifeline support payments compared to approximately $1.6 billion in Lifeline support payments in 2014. The Commission, in the 2012 *Lifeline Reform Order,* also indicated that the reforms would put the Commission ''in a position to determine the appropriate budget for Lifeline'' after evaluating the impact of the reforms.

50. Accordingly, in light of progress made on these reforms, and consistent with steps the Commission has taken to control spending in other universal service programs, the Commission seeks comments on a budget for the Lifeline program. The purpose of a budget is to ensure that all of the Commission's goals are met as the Lifeline program transitions to broadband, including minimizing the contribution burden on ratepayers, while allowing the Commission to take account of the unique nature and goals of the Lifeline program. The Commission seeks comment on this approach.

51. Adopting a budget for the Lifeline program raises a number of important implementation questions. For example, what should the budget be? The Commission expects that efforts to reduce fraud, waste and abuse should limit any increase in program expenditures that may be associated with the reforms to modernize the program. What data would help ensure Lifeline-supported voice and broadband services are available to qualifying low-income households and that also minimizes the financial burden on all consumers? Today, not every eligible household participates in the Lifeline program. Thus, if the Commission were to adopt the current size of the Lifeline program as a budget, it could foreclose some eligible households from participating in the program. And, there is no data to suggest that the particular size of Lifeline in a given year is the right approach. Ultimately, the size of the Lifeline program is limited by the number of households living in poverty and, as the Commission does better as a society to bring households out of poverty, the program should naturally reduce in size.

52. Additionally, the Lifeline program is a month-to-month program. The Commission wants to avoid a situation where the Commission would be forced to suddenly halt support for individuals that otherwise meet the eligibility requirements. How can the Commission monitor and forecast demand for the program so that the Commission would be in a position to address any possible increases in advance of reaching the budget, should that necessity arise? The Commission seeks comment on these and other implementation questions that would be raised by a budget.

f. Transition

53. The Commission seeks comments on whether any transition is necessary to implement the reforms described in this section. If the Commission adopts the proposal to eliminate the provider from determining whether a consumer is eligible for Lifeline, as discussed, the Commission seeks comments in particular on the appropriate transition to ensure that the Lifeline program has sufficient protections against waste, fraud and abuse. For example, should the Commission have a transition where the providers continue determining eligibility while the third-party process is being established and, if so, how long should there be an overlap to ensure that the third-party process is working as intended? For each of the possible program changes discussed in this document, the Commission seeks comments on whether a transition is necessary and, if so, how to structure any such transition to minimize fraud and protect the integrity of the program while maximizing the value and benefits to consumers.

54. The Commission also seeks to minimize any hardships on consumers affected by the proposed changes and we also seek to alleviate complications resulting from a transition on Lifeline providers. The Commission seeks comments on specific paths to transition that would minimize the impact on both consumers and Lifeline providers.

g. Legal Authority To Support Lifeline Broadband Service

55. In order to establish minimum service levels for both voice and broadband service, the Commission proposes to amend the Commission's rules to include broadband Internet access service, defined consistent with the *Open Internet Order,* 80 FR 19737, April 13, 2015, as a supported service in the Lifeline program. Section 254(c) defines universal service as ''an evolving level of telecommunications service.'' Broadband Internet access service is a ''telecommunications service,'' therefore, including broadband Internet access service as a supported service for Lifeline purposes is consistent with Congress's principles for universal service. Moreover, defining broadband Internet access service as a supported service is also consistent with the criteria in section 254(c)(1)(A) through (D). Should the Commission amend §§ 54.101, 54.400, and 54.401 of the Commission's rules to include broadband as a supported service? The Commission seeks comments on these views.

56. The Commission also seeks comment on other ways to support broadband within the Lifeline program. For example, should the Commission condition a Lifeline provider's receipt of

Lifeline support for voice service (a supported telecommunications service) on its offering of broadband Internet access service? Could the Commission provide the support for broadband-capable networks, similar to what the Commission did in the *USF/ICC Transformation Order,* 76 FR 78384, December 8, 2011. For example, could the Commission use a similar analysis to conclude that providing Lifeline support to facilities-based Lifeline providers encourages the deployment of broadband-capable networks, as does stimulating the demand for wholesale broadband services by providing Lifeline support to non-facilities-based Lifeline providers? Are there other sources of authority that could allow the Commission to adopt rules to provide support for broadband Internet access service in the Lifeline program? How should the Commission view section 706 of the 1996 Act? The Commission asks commenters to take federal appropriations laws into account as they offer their responses to these questions.

B. Third-Party Eligibility Determination

57. The Commission proposes to remove the responsibility of conducting the eligibility determination from the Lifeline providers and seeks comment on various ways to shift this responsibility to a trusted third-party and further reduce waste, fraud, and abuse in the Lifeline program, and leverage other programs serving the same constituency to extract saving for the Fund. By removing that decision from the Lifeline provider, the Commission removes one potential source of waste, fraud, and abuse from the program while also creating more efficiencies overall in the program administration. Doing so also brings much-needed dignity to the program, reduces administrative burdens on providers, which should help to facilitate greater provider participation and competition for consumers. A number of states have been proactive in their efforts to bring further efficiencies into the program by establishing state eligibility databases or other means to verify Lifeline eligibility. The Commission commends these states for working to make the program a prime example of Federal/state partnership, and seeks comment below on the best ways to build off of these successful efforts and extract benefits for Lifeline. The Commission seeks comment on the costs and benefits of each approach for third-party eligibility including the costs to providers, the universal service fund, and the costs and timeframe to transition to an alternative mechanism. In particular, the Commission seeks comment on leveraging eligibility and oversight procedures that already exist within other benefit programs rather than recreating another mechanism just for Lifeline. The Commission also seeks comment on whether to provide eligible consumers with a portable benefit, provided by the third-party verifying eligibility, which they could use with any Lifeline provider. That approach could facilitate consumer choice while also reducing administrative burdens on Lifeline providers. The Commission seeks comment on these and other options below.

1. National Lifeline Eligibility Verifier

58. In this section, the Commission seeks comment on whether the Commission should establish a national Lifeline eligibility verifier (national verifier) to make eligibility determinations and perform other functions related to the Lifeline program. A national verifier would review consumer eligibility documentation to verify Lifeline eligibility, and where feasible, interface with state eligibility databases to verify Lifeline eligibility. A national verifier could operate in a manner similar to the systems some states have already implemented. For example, California has chosen to place the duty of verifying Lifeline eligibility in the hands of a third-party administrator. In California, the state's third-party administrator examines documentary proof of eligibility and verifies that the prospective subscriber has executed a proper Lifeline certification. The Commission seeks comment on whether such an approach could be adopted on a national scale and the costs and timeframe to do so. Because a number of states have already implemented Lifeline eligibility verification systems, the Commission seeks comment and quantifiable data from the states to enrich its understanding of how such systems function when implemented. As the Commission's partners in administering the Lifeline program, the states can provide a unique perspective on these issues that may be overlooked elsewhere. The Commission welcomes and solicits comment from the states on the issues of Lifeline eligibility verification discussed below.

59. *Core Functions of a National Verifier.* The Commission proposes that a national verifier would, at a minimum, review consumers' proof of eligibility and certification forms, and be responsible for determining prospective subscribers' eligibility. The Commission seeks comment on the scope of this core function and other potential responsibilities associated with determining eligibility that the administrator could undertake. Consistent with the responsibilities of Lifeline providers to protect Lifeline applicants' personal information from misappropriation, breach, and unlawful disclosure, it also seeks comment on reasonable data security practices that should be adopted by a national verifier and whether a national verifier should notify consumers if their information has been compromised.

60. *Interfacing with Subscribers and Providers.* The Commission seeks comments on whether consumers should be permitted to directly interface with a national verifier, or whether only providers should be permitted to do so. If consumers are permitted to interface with a national verifier, they could compile and submit all required Lifeline eligibility documentation and obtain approval for Lifeline prior to contacting a provider for service. However, many consumers are likely unfamiliar with many of the Lifeline application documents and program requirements. Therefore, should interaction with a national verifier be limited to providers for reasons of efficiency and expertise? If interaction is limited to providers, how could information be collected and compiled in a manner that reduces administrative burdens on providers and maintains consumer privacy and dignity?

61. If subscribers are not able to directly interface with a national verifier to apply for a Lifeline benefit, are there other ways a national verifier could interact with consumers? For example, California has established a call center to answer consumers' questions about the Lifeline application process. Are there other similar customer service functions the national verifier should implement as part of its responsibilities? Should the Commission establish a process so that a potential subscriber contacts the national verifier to learn about the service and the providers that serve the subscriber's area? Are there any lessons that providers have learned from the implementation of, and their interaction with the NLAD?

62. *Processing Applications.* Next, the Commission seeks comment on whether a provider should be permitted to provision service to a consumer prior to verification of eligibility by a national verifier. Currently, providers are required to evaluate and verify a prospective subscriber's eligibility prior to activating a Lifeline service. Under any implementation of a national verifier, where the verifier must review eligibility documentation, there will be a delay between a national verifier receiving documentation and the time a

national verifier makes an eligibility determination. For example, in California, several days can pass between the time the Lifeline application and supporting documentation is received by the state's third-party verifier and when the consumer is approved for Lifeline. Would a similar, multi-day approval process on the national level negatively impact consumers? If so, does the benefit of reduced waste, fraud, and abuse in the program outweigh any harms a delay may cause? What additional costs would shortening the review process incur?

63. The Commission also seeks comment on whether it should implement a pre-approval process. To mitigate the effects of the delay from the time the consumer submits a Lifeline application and supporting documentation and an eligibility determination, California put a ''pre-approval'' process in place. It is the Commission's understanding that, in California, the pre-approval occurs subsequent to a duplicates check and ID verification, but before the third-party administrator performs a full review of the consumer's documentation for eligibility and occurs in a matter of minutes. The Commission seeks comment on whether we should implement a similar pre-approval process for the national verifier. Would pre-approval increase the chances for waste, fraud, and abuse in the program?

64. The Commission notes that delay of several hours or even days can occur during the period between when the subscriber seeks to obtain Lifeline service from a provider and subsequently provides a completed application and supporting documentation to the third-party entity. What assistance, if any, should providers or a national verifier give to the subscriber in completing a Lifeline application and compiling supporting eligibility documentation to shorten the eligibility verification process? For example, should verifier staff walk applicants through the enrollment process? Would permitting the national verifier to enroll subscribers directly without the subscriber having to apply through the provider shorten this period?

65. The Commission also seeks comment on how providers and/or consumers should transmit and receive Lifeline applications and proof documentation with a national verifier. Should consumers be required to submit their Lifeline applications and proof documentation through a provider who ultimately sends the documentation to a national verifier, or could consumers submit their documentation directly to a national verifier? For example, should the Commission permit consumers to directly submit their Lifeline application and supporting eligibility documentation to a national verifier via U.S. Postal Service, fax, email, or Internet upload? If consumers are not permitted to submit documentation on their own, how should providers submit consumer eligibility documentation to a national verifier? Are some forms of submission better than others in terms of ensuring an expedited response? What are the data privacy and security advantages and disadvantages of each approach, and how can any risk of unauthorized disclosure of personal information be mitigated? The Commission seeks comment on any other submission methods that may benefit consumers, providers, and a national verifier.

66. *Interacting with State Databases.* In this section the Commission seeks comment on the scope of a national verifier's operations and how or whether it should interact with states that have already put in place state eligibility databases and/or processes to check documentary proof of eligibility. The Commission is pleased and encouraged with the fact that several states already have in place eligibility databases and/or processes to check documentary proof of eligibility.

67. While many states have made significant strides in verifying Lifeline eligibility, some states' processes are limited in that they only verify eligibility against some, but not all, Lifeline qualifying programs. The Commission seeks comment on how these states should interact with a national verifier. How would a possible change in the number of qualifying programs, as discussed below, affect this analysis? The Commission also seeks comment on interim steps that could be taken to leverage state databases to confirm eligibility as the Commission moves away from providers determining eligibility. Could the Commission move faster in states that have existing databases and then phase-in the process for other states?

68. The Commission also seeks comment on ways a national verifier could access state eligibility databases to verify subscriber eligibility prior to review of consumer eligibility documentation. Would this step improve the efficiency of the enrollment process? How would requiring a national verifier to utilize a state eligibility database for eligibility verification interplay with any standards set for state databases, as discussed below? Could the national verifier use the NLAD database and have the state databases interface with NLAD? If so, how? Alternatively, what are the drawbacks if the duty to check such databases remains with the state, its agent, and/or individual providers in those states? The Commission encourages interested parties to suggest cost-effective ways a national verifier could utilize state databases.

69. *Existing State Systems for Verifying Eligibility.* In this section the Commission seeks comment on the relationship between a national verifier and states with existing systems for verifying eligibility. The Commission wants to encourage the continued development of eligibility databases at the state level. The Commission seeks comment on whether states should be required to use a national verifier, or whether and how states could ''opt-out'' of a national verifier in those cases where the state has developed a process to examine subscribers' eligibility and/or a state eligibility database and the state wishes to continue to perform the eligibility screening function on its own. The Commission currently permits states to opt-out of utilizing the NLAD, contingent upon a state's system being at least as robust as the processes adopted by the Commission in the *2012 Lifeline Reform Order.* Similarly, it now seeks comment on whether to adopt standards that state systems would have to meet in order to opt-out of a national verifier.

70. The Commission also seeks comment on standards for any database or state-led process used to verify Lifeline program eligibility and how the states must meet these requirements as part of their request to opt-out of a national verifier. The Commission seeks comment on requirements for state eligibility databases generally in order for a state to qualify to opt out of a national verifier. Specifically, the Commission seeks comment on whether state eligibility databases should be required to verify eligibility for each Lifeline qualifying program, or whether such a requirement would impose an unreasonable burden.

71. To ensure the reliability and integrity of the state eligibility databases, the Commission seeks comment on whether we should set a requirement for updating eligibility data on a regular basis, and if so, what the appropriate time frame should be. For example, would the burden of a nightly refresh requirement outweigh the benefit of fully up-to-date data? What specific barriers prevent timely data updates?

72. The Commission seeks comment on whether and to what extent to

include state database consumer privacy protections in any opt-out standard we adopt. Many of the state eligibility databases currently in use only return a ''yes'' or ''no'' response subsequent to an eligibility query. By doing so, the provider is unaware of which Federal Assistance program the consumer qualifies under for Lifeline. The Commission seeks comment on whether the Commission should require this type of ''yes'' or ''no'' response from Lifeline eligibility databases as a means to protect consumers' private information as part of our opt-out threshold. What other types of controls can the Commission adopt to protect consumer privacy?

73. The Commission and USAC may need to be able to audit state databases to monitor compliance. Is direct access to the databases needed to perform a sufficient audit? What are the data privacy and security implications of allowing direct access? How can we reduce the administrative burden on states, while ensuring compliance? What state or Federal rules and statutes may limit the ability of USAC or the FCC to audit the state database?

74. Lastly, the Commission seeks comment on how states may fund and implement any standards for their eligibility databases. Pursuant to § 54.410(a) of the Commission's rules, providers are required to implement procedures to ensure their subscribers are eligible to receive the Lifeline benefit. Could this rule be interpreted to require providers to fund any necessary implementation efforts for state eligibility databases? More generally, the Commission seeks comment on the sources and scope of Commission authority to require minimum standards for state databases so as to opt out of a national verifier.

75. *Alternative State Interaction.* In this section the Commission seeks comment on utilizing state eligibility systems as the primary means of verifying Lifeline eligibility, and utilizing a national verifier to promote and coordinate state eligibility verification efforts. As the Commission note above, a number of states have been proactive in their efforts to bring further efficiencies into the program by establishing state eligibility databases or other means to verify Lifeline eligibility. Therefore, it may be administratively inefficient to create a national verifier that would duplicate the functionality of these databases and systems already in place at the state level. The Commission seeks comment on this idea.

76. The Commission acknowledges that the current tapestry of state eligibility systems is far from uniform and has some shortcomings. It notes, as mentioned above, that many states have Lifeline eligibility verification systems in place but these systems vary in functionality. In addition, other states do not have in place *any* means of verifying Lifeline eligibility. The Commission seeks comment on how to incent states to develop dependable means-tested processes to verify consumer Lifeline eligibility. Does the Commission have the authority to utilize universal service funds to finance the development and implementation of Lifeline eligibility verification systems at the state level? Section 54.410(a) of the Commission's rules requires providers to implement procedures to ensure their subscribers are eligible to receive the Lifeline benefit. Could this rule be interpreted to require providers to fund any necessary implementation efforts for state eligibility databases? The Commission seeks comment on the sources and scope of Commission authority to incent states, either through monetary or other means, to develop Lifeline eligibility verification systems. How can the Commission guarantee all state eligibility verification systems meet specific standards to ensure the reliability and integrity of those systems? If some states decline to develop systems meeting any minimum standards as set by the Commission, would a national verifier as envisioned act to verify consumer Lifeline eligibility? If a national verifier assumes the function of verifying consumer Lifeline eligibility for non-compliant states, what additional functions can a national verifier undertake to assist and encourage states to develop systems to verify Lifeline eligibility that meet Commission standards?

77. In addition, the Commission seeks explicit comment from the states on this alternative course of action. As the Commission's partners in implementation and administration of the Lifeline program, any views or quantifiable data specifically from a state perspective would be beneficial in determining whether to move forward with this alternative option for verifying Lifeline eligibility.

78. *Dispute Resolution.* The Commission seeks comment on any means or process for consumers or providers to contest a rejection of a prospective consumer's eligibility. The Commission seeks comment on a dispute resolution process that consumers may utilize should they believe that they have been wrongly denied Lifeline eligibility. Should the provider act on behalf of the consumer to resolve any eligibility disputes, or should the consumer interface directly with the national verifier? Should resolution of disputes be addressed by the national verifier in the first instance, subject to an appeal to USAC? In developing a dispute resolution/exceptions management process for the national verifier, the Commission generally seeks comment on additional issues such as implementation, transition, and timing of decisions.

79. *Privacy.* Consumer privacy is of the utmost concern to us in establishing a national verifier, and the Commission proposes requiring that any national verifier put in place significant data privacy and security protections against unauthorized misappropriation, breach, or disclosure of personal information. It notes that in response to the *Lifeline FNPRM,* several commenters raised consumer privacy concerns with having a third-party entity review and retain prospective Lifeline subscriber qualifying documentation. Moreover, recently, we have emphasized that Lifeline providers must ''take every reasonable precaution to protect the confidentiality of proprietary or personal customer information,'' including ''all documentation submitted by a consumer or collected by a Lifeline provider to determine a consumer's eligibility for Lifeline service, as well as all personally identifiable information contained therein.'' In order to ensure that consumers' privacy is protected at all stages of the Lifeline eligibility verification process, the Commission seeks comment on how a national verifier can receive, process, and retain eligibility documentation while ensuring adequate protections of consumer privacy. The Commission seeks comment on how the functions of a national verifier would conform to government-wide statutory requirements and regulatory guidance with respect to privacy and information technology. What privacy and data security practices should the Commission require a national verifier to adopt with respect to its receipt, processing, use, sharing, and retention of applicant information? Should the Commission require a national verifier to adopt the minimum practices we require of Lifeline providers in the accompanying Order on Reconsideration? Should a national verifier be required to provide consumers with a privacy policy, and what topics should such a policy include? What responsibility, if any, should a national verifier have to notify consumers of a data breach or other unauthorized access to information

submitted to determine eligibility for Lifeline service? Are consumer privacy concerns mitigated if the Commission adopts a mechanism for coordinated enrollment with other federal benefits programs?

80. *Additional Functions of a National Verifier.* The Commission seeks comment on additional functions that a national verifier could perform to further eliminate waste, fraud, and abuse. For example, should a national verifier become involved in the subscriber recertification process? Given its likely role in determining initial subscriber eligibility, should the duty to recertify subscribers be transitioned from Lifeline providers and/or USAC's current process to the national verifier? If so, the Commission seeks comment on whether any recertification performed by a national verifier should be mandatory. The Commission also seeks comment on how the recertification process as performed by a national verifier should differ, if at all, from the current process as performed by USAC.

81. A national verifier could also interact with the NLAD to check for duplicates. The NLAD has been established to ensure that neither individual consumers nor households receive duplicative Lifeline support. Now that the NLAD is fully operational, Lifeline providers and states are required to access the NLAD prior to enrolling a potential subscriber to determine whether the subscriber already is receiving service and load an eligible subscriber's information into the NLAD. Are there efficiencies if both the national verifier and the NLAD are operated by the same entity? Should a national verifier be required to access the NLAD to check for duplicates on behalf of or in addition to the Lifeline providers and/or states? Should a national verifier also be responsible for loading subscriber information into the NLAD on behalf of Lifeline providers? If so, what kinds of communication and coordination must occur between a national verifier, the NLAD and Lifeline providers? Should a national verifier assist in the process of generating or verifying the accuracy of the Lifeline providers' FCC Form 497s? Lifeline providers are generally designated by wire center and it may be difficult to determine if a particular address is within a wire center where the Lifeline provider is designated to serve. Could a national verifier implement a function so that a Lifeline provider could query a mapping tool to determine whether a prospective subscriber's address is within the Lifeline provider's service area and not be permitted to serve that subscriber if the tool indicates that the subscriber does not reside within the service area? The Commission also seeks comment on any other functions that could be undertaken by a national verifier.

82. Currently, the Commission believes that the administrative burden that Lifeline providers face in verifying subscriber eligibility is significant. A national verifier will lift this financial burden from Lifeline providers. The Commission proposes to require Lifeline providers to reimburse the Fund for part or all of the operations of the national verifier. Under this proposal, how should support be allocated amongst the contributing Lifeline providers? Would Lifeline providers that utilize a national verifier more than other Lifeline providers be required to pay more? The Commission seeks additional comment on any other ways to fund a national verifier outside of utilizing USF funds.

83. Upon the establishment and implementation of a national verifier, the Commission anticipates that Lifeline providers would no longer be permitted to formally verify subscriber eligibility for Lifeline purposes, and the Commission seeks comment on that approach. It also seeks comment on how to handle the transition. Should the Commission define a transition path? If so, how long should such a period last?

84. In the alternative, if we do not adopt a national verifier, the Commission seeks comment on whether, once Lifeline providers review subscriber eligibility, they should be required to send the eligibility documents to USAC so that they can be easily audited and reviewed later. The Commission seeks comment on this approach, including the cost to Lifeline providers and USAC to transmit, store and review such documentation. Are there benefits for USAC to receive such documents in the normal course instead of asking for them at the time of an audit? Under this approach, are there ways that USAC can examine eligibility documents on a regular basis to detect patterns of fraud?

85. *Document Retention.* In the event the Commission establishes a national verifier or otherwise removes the responsibility for determining eligibility from the Lifeline provider, the Commission seeks comment on Lifeline providers' retention obligation for consumer eligibility documentation when the provider is no longer responsible for determining eligibility. How and when should providers cease retaining Lifeline consumer eligibility documentation? The Commission also seeks comment on transitioning to a third party. Should providers be required to send all retained Lifeline consumer eligibility documents to the third party verifier? What type of administrative burden would requiring providers to send retained Lifeline consumer eligibility documentation to a national verifier place on providers? How best can the Commission ensure such documentation will remain available and accessible for the purpose of audits?

2. Coordinated Enrollment With Other Federal and State Programs

86. In this section, the Commission seeks comments on coordinating with federal agencies and their state counterparts to educate consumers about, or simultaneously allow consumers to enroll themselves in, the Lifeline program. The Commission seeks comments on this issue as an alternative, or supplement to, its inquiry regarding whether a third-party should perform consumer eligibility determinations rather than Lifeline providers. Other federal benefit programs which qualify consumers for Lifeline already have mechanisms to confirm eligibility. In this section, the Commission seeks comments on how to leverage such existing processes including verification and additional fraud protections in lieu of creating a separate national verifier to confirm Lifeline.

87. *Background.* One of the goals in the 2012 *Lifeline Reform Order* was to coordinate Lifeline enrollment with other government benefit programs that qualify low-income consumers for federal benefit programs. Coordinated enrollment with other Federal and state agencies will generate efficiencies in the Lifeline program by increasing awareness in the program and making enrollment more convenient for eligible subscribers, while also protecting the Fund against waste, fraud, and abuse by helping to ensure that only eligible consumers are enrolled.

88. In order to qualify for support under the Lifeline program, the Commission's rules require low-income consumers to have a household income at or below 135 percent of the Federal Poverty Guidelines, or receive benefits from at least one of a number of federal assistance programs. Consumers qualifying for Lifeline under program-based criteria receive documentation from that program tying the eligibility and participation of both programs.

89. For example, the Supplemental Nutritional Assistance Program (SNAP) is a qualifying program where coordinated enrollment may be particularly helpful. SNAP, formerly known as Food Stamps, provides financial assistance to eligible

households for food through an electronic benefit transfer (EBT) card, which functions like a debit card. Of roughly 33 million households eligible for traditional Lifeline support through participation in a federal assistance program, approximately 42 percent, or about 14 million households, are eligible for Lifeline through SNAP. In verifying the eligibility of a consumer, Lifeline providers may accept program participation in SNAP (for example through a SNAP EBT card) as acceptable program eligibility documentation. Approximately 40 states use the EBT cards not only to deliver SNAP benefits, but also to coordinate the delivery of other eligible benefits.

90. *Discussion.* Coordinated enrollment with other federal agencies and their state counterparts could streamline the Commission's efforts, produce savings for the Lifeline program and providers, increase checks and protections against fraud, and greatly reduce administrative burdens. For example, coordinated enrollment with other Federal and state benefit programs could: 1) Educate consumers about the possibility of signing up for Lifeline while they sign up for other programs, 2) leverage existing infrastructure and technologies further minimizing waste, fraud, and abuse, while confirming eligibility, 3) provide more dignity to the program and better protect consumer privacy, because it would limit the number of entities to which consumers would disclose personal information, 4) allow consumers to simultaneously apply for Lifeline as they enroll in other programs, and 5) work, together with other benefit programs to transfer Lifeline benefits directly to consumers allowing consumers to redeem Lifeline benefits with the Lifeline provider of their choice.

91. The Commission seeks comment on how best to leverage the existing technologies, databases, and fraud protections that already exist in other federal benefit programs. For example, the SNAP program requires states to cross check any potential subscriber against the Social Security Master Death File, Social Security's Prisoner Verification System, and FNS's Electronic Disqualified Recipient System, prior to certifying individuals for the program, to ensure that no ineligible people receive benefits. If the Commission coordinates with other federal benefit programs, Lifeline receives the benefit of having another agency already conducted these checks, which increases protection against fraud while incrementally more efficient than creating a separate process.

92. How can the Commission better coordinate and build upon the work already invested by state and federal agencies to confirm consumers are eligible for programs. The Commission seeks comment on the incremental costs of adding Lifeline to an existing eligibility database in lieu of setting up a separate national framework. Would such administrative burdens and costs outweigh the benefits of such a proposal? Or would the Lifeline fund actually incur a net savings because of the administrative efficiencies that may result from coordinated enrollment? What are the various administrative, technological, or other barriers to implementation related to such coordinated enrollment? Should states be compensated for eligibility determinations and coordinated enrollment? If so, should it be per subscriber or another metric? Should such costs be borne equally by all Lifeline providers or should it be borne by the Lifeline program? The Commission seeks comment on the timeframe to implement such a change and whether the Commission should first start with a handful of states that already have coordinated enrollment across benefits programs. If so, the Commission seeks comment on how to identify these states.

93. The Commission seeks comment on how the Commission may best facilitate coordinated enrollment with other Federal benefit programs such as the USDA and its state agency counterparts (collectively, ''SNAP Administrators''). For example, should SNAP Administrators merely educate consumers about Lifeline? If so, should SNAP Administrators limit their role to providing relevant materials to their SNAP consumers and informing them that eligibility in SNAP qualifies such consumers for Lifeline, while also directing these consumers to the appropriate sources to apply for Lifeline? If the Commission establishes a national verifier, how may the Commission facilitate coordinated enrollment with SNAP Administrators? In this context, should SNAP administrators play a role in which they ''pre-approve'' consumers who are eligible for SNAP and then forward the Lifeline application to a national verifier to complete the application? What responsibility, if any, should SNAP Administrators have for checking the NLAD prior to providing the consumer's application to a national verifier?

94. Should the Commission pursue coordinated enrollment in a manner that authorizes SNAP administrators to allow consumers who qualify for SNAP to simultaneously sign up for Lifeline as well? Since SNAP Administrators can perform eligibility verifications, does it makes sense for the Commission or USAC to conduct these same checks again for Lifeline? Should the Commission establish a procedure where the Commission and the SNAP Administrators work together on a single, unified application? As the Commission discusses *infra,* the Commission seeks comment on whether the Commission should work with SNAP Administrators, to place Lifeline benefits directly on SNAP EBT cards, thereby transferring the benefit directly to consumers. This approach, in turn, allows consumers themselves to apply the Lifeline benefit to the Lifeline provider of their choice. How may the Commission best facilitate coordinated enrollment under this approach?

95. Are there any legal and practical limitations of having the state or federal benefit administrators serve as agents for the Commission with respect to Lifeline? Are there other ways to coordinate enrollment with other Federal or state agencies? How does having SNAP Administrators or other Federal or state benefit programs affect the need for a national verifier? How can the Commission best coordinate with or rely upon SNAP Administrators when verifying eligibility and enrolling subscribers?

96. The Commission also seeks specific comment on how to encourage coordinated enrollment with other Federal assistance programs that qualify participants for support under the Lifeline program—such as Medicaid; SSI; Federal Public Housing Assistance; LIHEAP; NSLP free lunch program; and Temporary TANF. As noted below, the Lifeline program has the potential to provide essential connectivity to the Nation's veterans. The Commission seeks comment on how we can coordinate its outreach and enrollment efforts to reach low-income veterans. For example, the Veterans Affairs Supportive Housing (VASH) program, a joint effort between the Department of Housing and Urban Development and the Department of Veterans Affairs, provides support to homeless veterans and their families to help them out of homelessness and into permanent housing. The program provides housing assistance and clinical and supportive services to veterans. These services require communication between veterans, veteran families and caseworkers. The Commission seeks comment on how it can coordinate outreach efforts related to the Lifeline program with the VASH program or other federal efforts designed to assist vulnerable veterans.

97. The Commission recognizes that individual states play an important role in the administration of various Federal assistance programs and seeks specific comment from these states about their experiences, best practices, and how to encourage coordinated enrollment with these Federal programs, state administrative agencies, and the Lifeline program. For example, the Commission understands that administration of the SNAP EBT card is performed at the state level and the Commission seeks specific comment from states on issues such as eligibility verification, placing Lifeline benefits on the SNAP EBT card, and any other administrative issues. Because many individual states have implemented coordinated enrollment with Federal assistance programs, the Commission solicits specific comments from these states. The Commission encourages coordinated enrollment and recognizes how it can increase the effectiveness of state eligibility databases. The Commission seeks comments from states operating state eligibility databases and specifically ask how the Commission may work best with such states. If the Commission moves to a third party verification model, should the Commission first attempt to transition with a handful of states already operating eligibility databases before attempting such a transition on a national scale?

3. Transferring Lifeline Benefits Directly to the Consumer

98. In this section, the Commission seeks comments on whether designated third-party entities can directly transfer Lifeline benefits to individual consumers. As discussed, having a third-party make eligibility determinations removes this burden from Lifeline providers and should result in substantial cost savings and efficiencies. The Commission now seeks comment on establishing processes for the national verifier or another federal agency to transfer Lifeline benefits directly to consumers via a portable benefit.

99. *Background.* The Commission has long considered assigning Lifeline benefits directly to the consumer. Under this approach, consumers can take their benefit to the Lifeline providers of their choosing and can receive Lifeline support for whatever service best meets their needs. In the *2012 Lifeline Reform FNPRM,* the Commission sought to further develop the record on MetroPCS's proposal that the Commission implement a voucher-based Lifeline program in which Lifeline discounts would be provided directly to eligible low-income consumers. Under this approach, MetroPCS emphasized that ''[b]y allowing the payment to be made directly to the consumer, it would permit the consumer to decide how and on what telecommunications service to spend the payment.'' The Commission, in the *2012 Lifeline Reform Order,* also considered, but ultimately declined to adopt, AT&T's proposal to transfer Lifeline benefits directly to the consumer by assigning subscribers with a unique identifier or Personal Information Number (PIN) that could be ''deactivated'' once a consumer is no longer eligible for Lifeline. In declining to adopt AT&T's proposal, the Commission reasoned that ''AT&T's proposal assumes that a third-party at the state level (*e.g.,* state PUC) would issue and manage PIN numbers and there is no guarantee that states would be willing or economically able to take-on such an administrative function in the absence of explicit federal support.''

100. *Discussion.* Consistent with the Commission's goal to reduce waste, fraud, and abuse, the Commission seeks comment on having third parties directly assigns Lifeline benefits to individual consumers through a physical media (*e.g.,* like a debit card) or a unique code (*e.g.,* PIN). Should the Commission require a national verifier, or work with other interested Federal and state agencies, to transfer Lifeline benefits directly to the consumer in the form of a portable benefit? Are there other entities that can serve this role or fulfill this task? What are the various administrative, technological, funding, or other barriers to implementation related to providing the portable benefit to the consumer? For example, how can a national verifier and other Federal and state agencies ensure that benefits are transferred to the consumer in a timely fashion following the submission of a Lifeline application? How can Lifeline providers best monitor continued eligibility of consumers once they are selected? How would a portable benefit work with the recertification requirement and permit a consumer to transfer the benefit from one Lifeline provider to another?

101. The Commission also seeks comment on the appropriate mechanism that should be used to transfer the Lifeline benefit directly from a third-party to the consumer. For example, what are the costs and benefits of placing Lifeline benefits on a physical card? The Commission notes that in some states, SNAP as well as other benefits are encoded on the SNAP EBT card, providing the consumer with a single card for several social service needs. Should the Commission work with SNAP administrators to place Lifeline benefits directly on a SNAP EBT card? If so, how would such a process be implemented? What costs have SNAP administrators or other agencies incurred in encoding non-SNAP benefits on the card and would such costs compare with other approaches the Commission seeks comment on today such as the National Verifier? As the Commission discusses above, the Commission seeks comment on how to encourage coordinated enrollment with other Federal and state agencies that administer programs that also qualify participants for Lifeline. Because many individual states have implemented coordinated enrollment with SNAP benefits and other Federal assistance programs, it solicits specific comments from these states regarding their experiences and any best practices which they may have established.

102. The Commission seeks comment on approaches other than a physical card but using alternative approaches such as an online portal or application on a user's device to submit payment. What is the most appropriate way to use an EBT-type card for a communications service? What are the costs and benefits to providers of moving to an EBT-type card? Can USAC pay Lifeline providers each month for EBT card is in use? How would USAC be informed that a card has been associated with a particular provider entitled to the benefit? What protections would need to be in place and how would USAC be notified when a consumer switches providers? Could the EBT card automatically notify USAC of a provider change?

103. If a portable benefit is offered to consumers through a national verifier or state or Federal agency, how would such a benefit be provided? How should secure physical cards be issued to the consumer? How may the Commission best facilitate coordination between third parties determining eligibility and Lifeline providers during the transition? What protections should be put in place to prevent fraud or abuse by, for example, automatically deactivating the card if it is not used for a certain period of time, if the consumer is no longer eligible, or if the consumer reports that the card has been lost or stolen? If the benefit is placed on a federal or state benefit card, can the FCC put in place such protections or must the FCC work within the structures and rules already established by the other relevant agencies? Would the customer need to ''touch'' the Lifeline provider on a monthly basis to reapply the discount?

104. As an alternative, or in addition to, the possibility of placing Lifeline benefits on a physical card, should

consumers' Lifeline benefits be distributed by a national verifier or state or federal agency through a unique identifier or PIN associated with individual consumers? The Commission seeks comment on the pros and cons of such an approach. A pin-based approach may be preferable to a physical card in those cases where the consumer signs up for Lifeline over the phone or online and cannot ''swipe'' the card with the Lifeline provider.

4. Streamline Eligibility for Lifeline Support

105. *Background.* Currently, in order to qualify for support under the Lifeline program, the Commission's rules require low-income consumers to have a household income at or below 135 percent of the Federal Poverty Guidelines or receive benefits from at least one of a number of federal assistance programs. As of March 2014, roughly 42 million households were eligible for support under the Lifeline program with nearly 80 percent of those households (approximately 33 million) eligible based solely on participation in at least one of the federal assistance programs. In addition to income qualification and the federal assistance programs, consumers may also gain entry to the Lifeline program if they are able to meet additional eligibility criteria established by a state.

106. *Discussion.* The Commission seeks comment on the prospect of modifying the way low-income consumers qualify for support under the Lifeline program to target the Lifeline subsidy to those low-income consumers most in need of the support. In exploring these possible changes, we also seek to reduce the administrative burden on Lifeline providers to verify a low-income consumer's eligibility for Lifeline-supported service and any burden to the Fund as a whole, and reduce the likelihood of waste, fraud, and abuse. The Commission seeks comment on how to streamline the program while promoting the Commission's goals of universal service and ensure that all consumers, including the nation's most vulnerable, are connected.

107. The Commission first seeks comment on which federal assistance programs it should continue to use to qualify low-income consumers for support under the Lifeline program. The Commission specifically seeks comments on any potential drawbacks in limiting the qualification criteria for Lifeline support exclusively to households receiving benefits under a specific federal assistance program(s). For example, if the Commission no longer permits consumers to qualify through Tribal-specific programs, what would be the impact to low-income consumers on Tribal lands? In particular, as the Commission noted in the 2012 *Lifeline Reform Order,* because both SNAP and the Food Distribution Program on Indian Reservations (FDPIR) have income-based eligibility criteria, but households may not participate in both programs, some residents of Tribal lands did not qualify for Lifeline support simply because they chose to participate in FDPIR rather than SNAP. When adopting FDPIR as an additional assistance program that would qualify eligible residents of Tribal lands for Lifeline and Link Up, the Commission noted further that members of more than 200 Tribes currently receive benefits under FDPIR, and that elderly Tribal residents often opt for FDPIR benefits. What would become of these low-income consumers' access to affordable voice service under a change to the eligibility rules? What would be the impact on Medicaid recipients if households could no longer qualify for Lifeline support through Medicaid?

108. The Commission also seeks comment on whether it should continue to allow low-income consumers to qualify for Lifeline support based on household income and/or eligibility criteria established by a state. Under the current program, less than four percent of Lifeline subscribers subscribe to the service by relying on income level. Given the relatively low number of consumers using income as their qualifying method, the Commission seeks comment on any changes it should consider to ensure that the Lifeline program is targeted at the neediest.

109. Further, the Commission seeks comment on whether low-income consumers should be permitted to qualify for Lifeline support through programs which do not currently qualify consumers for Lifeline benefits. For example, the Lifeline program has the potential to positively impact the lives of the veterans who have served this country. In the 2012 *Lifeline NPRM,* the Commission sought comment on whether to include homeless veterans programs as qualifying eligibility criteria for support under the Lifeline program. The Commission now seeks comment on whether federal programs targeted at low-income veterans should be considered to qualify those individuals for Lifeline support. Specifically, the Commission seeks comment on whether veterans and their families eligible for the Veterans Pension benefit should qualify those individuals for Lifeline support. To qualify for this program, veterans must have at least 90 days of active duty, including one day during a wartime period, and meet other means-tested criteria such as low-income limits and net worth limitations established by Congress. Should participation in the Veterans Pension program qualify an individual for Lifeline benefits? Given the income and net wealth limitations in the Veterans Pension program, the Commission seeks comment on whether it should serve as a qualifying program for Lifeline. It also seeks comment on ways to increase the awareness of the Lifeline program to low-income veterans. Are veterans aware of and utilizing the Lifeline program? How can the Lifeline program be targeted to better reach low-income veterans? The Commission further seeks comment on how low-income consumers, including low-income veterans, would certify and recertify their eligibility under any proposed alternatives.

110. Additionally, the Commission seeks comments on the extent to which modifying eligibility criteria under the Lifeline program reduces and streamlines Lifeline providers' recordkeeping processes. The Commission anticipates that streamlining the eligibility criteria will reduce the costs and time incurred by Lifeline providers and state administrators and any national verifier. The Commission seeks comments on these anticipated efficiencies and any other potential improvements associated with restructuring the eligibility criteria.

111. In potentially limiting the number of eligible federal assistance programs under the Lifeline program, some current Lifeline consumers will no longer qualify for Lifeline benefits. The Commission therefore recognizes the need for a transition period to allow those low-income consumers to transition to non-supported service with minimal disruption. It thus seeks comment on how such a transition should be structured. For example, should the Commission transition subscribers off of Lifeline support as part of the annual recertification process following the effective date of this Second FNRPM?

5. Standards for Eligibility Documentation

112. In this section, the Commission proposes requiring Lifeline providers to obtain additional information in certain instances to verify that the eligibility documentation being presented by the consumer is valid, including obtaining eligibility documentation that includes identification information or a photograph. It also seeks comment on

ways to further strengthen the qualification and identification verification processes to ensure that only qualifying consumers receive Lifeline benefits.

113. In the 2012 *Lifeline Reform Order,* the Commission adopted measures to verify a low-income consumer's eligibility for Lifeline supported services and required Lifeline providers to confirm an applicant's eligibility prior to enrolling the applicant in the Lifeline Program. However, program eligibility documentation may not contain sufficient information to tie the documentation to the identity of the prospective subscriber and often does not include a photograph.

114. The Commission seeks comment on requiring Lifeline providers to obtain additional information to verify that the eligibility documentation being presented by the consumer is valid and has not expired. Should the consumer be required to provide underlying eligibility documentation that includes subscriber identification information or a photograph? Should we only impose such a requirement in certain circumstances? Are there other more effective means for Lifeline providers to evaluate program eligibility documentation? The Commission believes that requiring prospective subscribers to produce a government issued photo ID would improve the identification verification process and more easily tie the identity of the prospective subscriber to the proffered eligibility documentation. Additionally, in its recent report, GAO noted that many eligible consumers fail to complete the application process because they have difficulty providing information and do not have access to scanners and photocopiers. Therefore, the Commission seeks comment on how to address those factors in requiring consumers to provide additional information.

C. Increasing Competition for Lifeline Consumers

115. In this section, the Commission seeks comment on ways to increase competition and innovation in the Lifeline marketplace. The Commission believes the best way to do this is to increase the number of service providers offering Lifeline services. It therefore seeks comment on the best means to facilitate broader participation in the Lifeline program and encourage competition with most robust service offerings in the Lifeline market. The Commission makes these proposals consistent with the Commission's goal of avoiding waste, fraud, and abuse.

1. Streamlining the ETC Designation Process

116. The Commission seeks comment on streamlining the ETC designation process at the state and federal levels to increase market entry into the Lifeline space. First, the Commission seeks comment on the Commission's authority under section 214(e) to streamline the ETC designation process at the Commission. In the *ETC Designation Order* (FCC 08–100 released April 11, 2008), the Commission adopted requirements consistent with section 214 of the Act, which all ETC applicants must meet to be designated an ETC by the Commission. In line with that decision, the Commission believes it has substantial flexibility to design a more streamlined ETC designation process for federal default states. The Commission seeks comment on this conclusion.

117. Given this broad authority, the Commission seeks comment on ways in which to streamline the Commission's ETC designation process to best promote the universal service goals found in section 254(b). It believes many entities, including many cable companies and wireless providers, are unwilling to become ETCs and some have in fact relinquished their designations. Are there certain requirements that are overly burdensome? Can the Commission simplify or eliminate certain designation requirements while protecting consumers and the Fund? Will establishing a national verifier lessen the need to streamline the ETC designation process? The Commission specifically seeks input from the states on examples of requirements that could be simplified or eliminated in order to make it less difficult for companies to become ETCs under the Lifeline program and suggestions for how the Commission can best refine the ETC designation process.

118. Second, the Commission seeks comment on coordinating and streamlining federal and state ETC designation processes. What are the benefits and drawbacks to a uniform, streamlined approach at both the state and federal levels? How can the Commission best encourage state commissions to adopt a path similar to a federal streamlined approach? The Commission strongly values input from the states on the pros and cons of such an approach and what measures could be adopted to encourage state commissions to adopt a similar streamlined approach.

119. *Proposals for ETC Relief from Lifeline Obligations.* In this section, the Commission seeks comment on proposals in the record that the Commission permit ETCs to opt-out of providing Lifeline supported service in certain circumstances, Pursuant to § 54.405 of the Commission's rules, carriers designated as ETCs are required to offer Lifeline supported service. AT&T, among others, notes in comments in response to the 2012 *Lifeline FNPRM* that competition in the Lifeline program has resulted in multiple areas where several ETCs provision Lifeline supported service to the same potential customer base. The Commission seeks additional comment on whether the Commission should relieve ETCs of the obligation to provide Lifeline supported service, pursuant to their ETC designation, in specific areas where there is a sufficient number of Lifeline providers. In considering this approach, the Commission seeks comment on what constitutes a sufficient number of providers and any other appropriate conditions to protect the public interest. The Commission also seeks comment on how to define an appropriate geographic area. It asks that any party supporting such an opt-out mechanism comment on the process, transition, and other issues associated with permitting ETCs to opt-out of providing Lifeline supported service in areas served by a sufficient number of ETCs offering Lifeline support.

120. The Commission notes that these proposals are similar to those currently under consideration in two other Commission proceedings—the USTelecom forbearance proceeding, and the Connect America Fund proceeding. In both of those proceedings, AT&T and others have argued that the Commission should separate or ''de-link'' carriers' Lifeline obligations from their ETC status. To facilitate our consideration of relevant arguments previously raised in the Connect America Fund and USTelecom forbearance proceedings, we hereby incorporate by reference the pleadings in those proceedings.

121. *Other Measures to Increase Competition.* The Commission seeks comment on other ways to ease market entry. The Commission recognizes that there are many other requirements for new companies wishing to offer Lifeline service. For example, non-facilities-based wireless providers must file and receive approval of a compliance plan prior to entering the market. The Commission appreciates that these requirements may pose challenges for companies. It thus seeks comment on other measures that can be taken to enhance competition and innovation in the market generally. Are there specific state or federal regulatory barriers that make it difficult for companies to participate and remain in the Lifeline

program? Are there economic barriers? The Commission seeks comments generally on such barriers and recommendations to address them.

122. *State Lifeline Support.* The Commission also seeks specific comment on ways that it can increase competition and the quality of service by encouraging states to provide an additional subsidy for Lifeline service. Combined state and federal contributions to Lifeline have long been a critical part of the Lifeline program. The Commission notes that in states that provide a significant separate subsidy, service is more affordable for a given level of service and ETCs generally offer a higher level of service. Are there other ways that the Commission can incent states to provide an increased level of support? Are there ways that the Commission can reduce state Lifeline costs so that the savings can be used for an increased state subsidy? Does the establishment of minimum service levels encourage states to provide a separate subsidy because they understand that their subsidy will go towards robust, quality service? The Commission specifically seeks feedback from the states on ways in which it can increase competition and the quality of service among service providers providing service to low-income consumers under the Lifeline program.

123. *Innovative Services for Low-Income Consumers.* The Commission also seeks comment on how best to utilize unlicensed bands, such as television white space or licensed bands, such as EBS, for the purpose of providing broadband service to low-income consumers. Unlicensed spectrum allows providers to deliver a variety of unlicensed offerings, such as Wi-Fi hotspots, without having to comply with numerous regulations that apply to licensed services. While there is unlicensed spectrum at other frequencies, TV white spaces are uniquely important in that they are lower in frequency than other unlicensed bands, which enables signals to better penetrate walls and trees and may enable a better consumer experience.

124. Recognizing the value of both unlicensed and licensed spectrum as a community and educational asset that can be utilized to improve broadband access and provide for innovative uses among low-income Americans, the Commission seeks comment on how we can augment the Lifeline program through the use of wireless spectrum to extend the Lifeline program's reach to as many low-income consumers as possible. What, if any, additional costs may providers incur as part of employing unlicensed technology for the benefit of low-income consumers? How can the Commission best support the use of these more unconventional ways of providing broadband access to the low-income community?

125. The Commission also seeks comment on other innovative wired or wireless technologies that may be similarly or better suited to provide low-income consumers with affordable broadband access than unlicensed or licensed spectrum or other, more traditional means of providing broadband. In proposing an alternative solution, commenters should describe how the alternative solution will complement the other programmatic changes and approaches the Commission discusses within this item.

2. Creating a New Lifeline Approval Process

126. The Commission also seeks comment on alternative means by which it can increase competition in this space. The Commission's rules current require that a provider become an ETC prior to receiving Lifeline universal service support. As discussed above, evidence in the record indicates that the ETC designation may be an impediment to broader participation in the Lifeline program. Would creating a process to participate in Lifeline that is entirely separate from the ETC designation process required to receive high cost universal service support encourage broader participation by providers? The Commission seeks comment on a new process applying to all entities that provide Lifeline service and ask how to include sufficient oversight to address concerns about waste, fraud, and abuse. The Commission seeks comment on the policy benefits of such an approach, what responsibility the relevant Federal and state entities would have in such a scheme, and the Commission's legal authority to do so.

127. *Background.* In 1985, the Commission created the Lifeline program to reduce qualifying consumers' monthly charges, and created Link Up to reduce the amount eligible consumers would pay for initial connection charges. The Commission did so because it found that ''[a]ccess to telephone service has become crucial, to full participation in our society and economy, which are increasingly depending upon the rapid exchange of information. In many cases, particularly for the elderly, poor, and disabled, the telephone is truly a lifeline to the outside world. Our responsibilities under the Communications Act require us to take steps to prevent degradation of universal service and the division of our society into information 'haves' and 'have nots.' '' The Commission's legal authority for creating and amending the Lifeline program was pursuant to sections 1, 4(i), 201, and 205 of the Communications Act.

128. In the 1996 Act, Congress made explicit the universal service objective of ''quality services'' at ''affordable rates'' and that ''low-income consumers . . . should have access to . . . advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas.'' In so doing, Congress embraced the Commission's Lifeline program and made clear that section 254 did not affect the pre-existing Lifeline program, stating ''[n]othing in this section [254] shall affect the collection, distribution, or administration of the Lifeline Assistance Program.'' The Commission has interpreted section 254(j) to give the Commission the authority and flexibility to retain or modify the Lifeline program even if the Lifeline program has ''inconsistenc[ies] with other portions of the 1996 Act.'' Moreover, the Commission found that, ''by its own terms, section 254(j) applies only to changes made [to Lifeline] pursuant to section 254 itself. Our authority to restrict, expand, or otherwise modify the Lifeline program through provisions other than section 254 has been well established over the past decade.''

129. Importantly, in 1997, when the Commission implemented the Telecommunications Act of 1996 and revised the Lifeline program, it found that it had the authority to provide Lifeline support to include carriers other than ETCs. At that time, however, the Commission decided that for administrative convenience and efficiency, it would only provide Lifeline support to ETCs. The Commission did observe that it would reassess this decision if it appeared Lifeline was not being made available to low-income consumers nationwide.

130. *Discussion.* Some commenters have argued that nothing in the statute requires ETC designation to receive Lifeline support and urged the Commission to revise its rules accordingly. Section 254(e) states that entities must be ETCs to receive ''specific Federal universal service support'' but does not specifically tie this requirement to Lifeline, even though Congress did explicitly mention the Lifeline program in other parts of section 254. Does the legislative history suggest that the Congress did not intend for the ETC to be a precondition to receive Lifeline support? The history of this provision suggests that the ETC was

created to address concerns about cream skimming to ensure deployment in rural areas for high cost support was not compromised, concerns which are not present with an affordability program. The Commission seeks comment on these issues.

131. Given the Commission's desire to promote competition for low-income consumers and the evidence that the ETC process is currently deterring such entry, the Commission seeks comment on revisiting the 1997 decision not to provide Lifeline support to non-ETCs to encourage broader participation in the Lifeline market. The Commission seeks comment on its legal authority to create a separate designation process for Lifeline. In particular, the Commission seeks comment on whether the Commission could provide Lifeline support based on universal service contributions made pursuant to section 254(d) authority, or would it need to adopt a separate mechanism relying on subsidies among rates as it used prior to the 1996 Act? The Commission has found that, ''by its own terms, section 254(j) applies only to changes made pursuant to section 254 itself. Our authority to restrict, expand, or otherwise modify the Lifeline program through provisions other than section 254 has been well established over the past decade.'' Do sections 1, 4(i), 201, and 205 give the Commission authority to do so? Does section 706 of the 1996 Act or other statutory provisions provide the Commission with authority to give certain non-ETCs Lifeline support? As above, the Commission also seeks comment on whether the collection and disbursement of funds under an approach based on section 706 (or other statutory provisions) would comport with federal appropriations laws.

132. The Commission seeks comment on the process and mechanism to designate providers for participation in the Lifeline program and separate from the ETC designation process. What information should providers submit to participate in the Lifeline program? What certifications or other information should be required? Should the Commission use a process similar to certifications in the E-rate or rural health care programs today?

133. In the Second FNPRM, the Commission is proposing and seeking comment on fundamental structural changes to the Lifeline program that further mitigate incentives for waste fraud and abuse, including removing the provider from determining eligibility. How do these changes impact the type of information and oversight necessary for Lifeline providers? For example, if the Commission reforms Lifeline to provide the subsidy to the consumer as a portable benefit, how does that impact the oversight necessary on the provider? Should the Commission consider a ''deemed grant'' approach to streamline approval? Should the Commission retain the use of compliance plans and, if so, should they be modified or changed? The Commission seeks comment on how to ensure sufficient oversight and accountability to reduce waste, fraud and abuse.

134. The Commission seeks comment on the federal-state role in creating a new designation process. Lifeline and universal service generally has always involved federal-state partnerships and the Commission seeks comment on how to continue that work as the Commission seeks comment on a new framework. The Commission seeks comment on pros and cons of creating a national designation versus a state-by-state approach, or a combination thereof where states with individual Lifeline programs could supplement any federal Lifeline designation with additional conditions.

135. The Commission seeks comment on the process of transitioning from designating ETCs to a new designation process. The Commission also seeks comment on opening a window for new providers to participate to help minimize administrative burdens on federal and state agencies. The Commission seeks comment on alternative approaches and how best to ensure that the Commission has sufficient checks and safeguards to address potential waste, fraud and abuse.

D. Modernizing and Enhancing the Program

136. In this section, the Commission seeks comment on two proposals to update its rules to reflect the manner in which consumers use Lifeline service today. The Commission finds that all consumers, including low-income consumers, should have access to the same features, functions, and consumer protections.

1. TracFone Petition for Rulemaking Regarding Texting

137. In light of the widespread use of text messages, and as part of the Commission's continuing efforts to modernize the Lifeline program, the Commission seeks comment on amending the Commission's rules to treat the sending of text messages as usage for the purpose of demonstrating usage sufficient to avoid de-enrollment from Lifeline service. In so doing, the Commission grants in part and denies in part a petition on this filed by TracFone. Specifically, the Commission grants that portion of Tracfone's petition that requests the initiation of a rulemaking proceeding to amend § 54.407(c)(2) of the Commission's rules to allow Lifeline subscribers to establish usage of Lifeline service by sending text messages. The Commission denies, however, the portion of TracFone's petition that requests the initiation of a rulemaking to also include receipt of text messages to count as usage. Because the subscriber cannot control whether others send texts, the receipt of such texts should not be used as a basis for concluding that the subscriber wishes to retain service. The Commission also denies the portion of Tracfone's petition that concerns a request for interim relief allowing subscribers to use text messaging to establish usage during the pendency of the requested rulemaking. While the Commission thinks there is enough merit to TracFone's proposal to seek comment on a rule change, the Commission is not yet certain enough to find good cause to waive the rule to allow text messaging to count as usage.

138. The Commission's rules currently require subscribers of prepaid Lifeline services to use the service at least once every 60 days. The Commission adopted that requirement to ensure that Lifeline providers do not receive Lifeline support for customers who do not actually use the service. The requirement only applies to prepaid services because the Commission found that subscribers to post-paid Lifeline providers do not present the same risk of inactivity as subscribers to pre-paid services.

139. In 2012, the Commission declined to include sending or receiving a text message in the list of activities that qualify as usage for purposes of § 54.407(c)(2) of the Commission's rules, on the basis that text messaging is not a supported service. While it is true that text messaging is not currently a supported service, it is widely used by wireless consumers for their basic communications needs. According to TracFone, the rapid increase in use of texting by subscribers of wireless service, and the reliance on text messaging by individuals who are deaf, hard of hearing, or have difficulty with speech, weigh in favor of amending the Commission's rules to allow text messaging as an activity that constitutes usage of service.

140. Allowing text messages to constitute usage would be a reversal of the Commission's previous decision. However, in light of the changes in consumer behavior highlighted by the extensive use of text messaging, the

Commission proposes to amend § 54.407(c)(2) of the Commission's rules to allow the sending of a text message by a subscriber to constitute usage. Is it appropriate to base a subscriber's intention to use a supported service on that subscriber's use of a non-supported service? The Commission also seeks comment on whether the distinctions between text messaging, voice, and email should remain relevant, for the purposes of the usage rules, given that all such transmissions may occur over the same broadband Internet access service. The Commission also seeks comment on the conclusion that we should not allow the receipt of text messages to qualify as usage, because this would leave control of whether the subscriber ''intended'' to use the service in the hands of others.

2. Subscriber De-Enrollment Procedures

141. In this section, the Commission proposes to adopt procedures to allow subscribers to terminate Lifeline service in a quick and efficient manner. The Commission has received anecdotal evidence that some subscribers cannot readily reach their Lifeline provider to terminate service, or their request to terminate service is not followed. As a result, funds are wasted for services that are either not used or no longer desired.

142. *Background.* In the 2012 *Lifeline Reform Order,* the Commission codified rules requiring Lifeline providers to de-enroll any subscriber indicating that he or she is receiving more than one Lifeline-supported service per household, or if the subscriber neglects to make the required one-per-household certification on his or her certification form. In order to ensure consumers are fully informed about the terms of usage, the Commission also adopted rules requiring pre-paid Lifeline providers to notify their subscribers at service initiation about the non-transferability of the phone service, its usage requirements, and that de-enrollment and deactivation will result following non-usage in any 60-day period of time. The Commission also required Lifeline providers to update the database within one business day of de-enrolling a consumer for non-use. These rules were adopted, among other reasons, to substantially strengthen protections against waste, fraud, and abuse and improve program administration and accountability. The Commission reasoned that ''[a]dopting usage requirements should reduce waste and inefficiencies in the Lifeline program by eliminating support for subscribers who are not using the service and reducing any incentives ETCs may have to continue to report line counts for subscribers that have discontinued their service.''

143. Although § 54.405(e)(1) of the Commission's rules requires Lifeline providers to de-enroll subscribers when an Lifeline provider has a reasonable basis to believe that the subscriber no longer meets the Lifeline-qualifying criteria (including instances where a subscriber informs the Lifeline provider or the state that he or she is ineligible for Lifeline), this provision does not cover those situations where, for whatever reason, subscribers themselves wish to terminate Lifeline services.

144. *Discussion.* The Commission proposes to require Lifeline providers to make readily available a 24 hour customer service number allowing subscribers to de-enroll from Lifeline services, for any reason, and codify the obligation that Lifeline providers must implement the subscriber's decision within two business days of the request. The Commission seeks comment on this proposal.

145. The Commission seeks further comment on requiring Lifeline providers to publicize their 24-hour customer service number in a manner reasonably designed to reach their subscribers and indicate, on all materials describing the service that subscribers may cancel or de-enroll themselves from Lifeline services, for any reason, without having to submit any additional documents. For the purposes of this rule, the Commission proposes that the term ''materials describing the service'' includes all print, audio, video, and web materials used to describe or enroll in the Lifeline service offering, including application and certification forms and materials sent confirming initiation of the service. The Commission seeks comment on a rule requiring Lifeline providers to record such requests for termination and make such records available to state and Federal regulators upon request. The Commission also makes clear that a Lifeline provider's failure to respect their subscribers' wishes to de-enroll from Lifeline service may subject the Lifeline provider to enforcement action.

146. The Commission seeks comment on whether it should require a particular authentication process or leave that decision up to each Lifeline provider. In order to make this process easy for the subscriber wishing to terminate Lifeline service, the Commission proposes that ETCs authenticate subscribers solely through social security numbers, account numbers, or some other personal identification verifying the subscriber's identity. In order to minimize the burden on Lifeline providers implementing these de-enrollment procedures, including any customer authentication processes the Commission adopts, the Commission further proposes that any rules regarding subscriber de-enrollment shall become effective six months after the release of an order implementing such rules, and seeks comment on this proposal. However, the Commission notes that, prior to the effective date of any requirements in this section, a Lifeline provider's failure to de-enroll the subscriber within a reasonable period of time upon request may constitute a violation of the Act and the Commission's rules.

147. The Commission seeks comment on alternative ways to achieve the same goals. Relatedly, the Commission seeks comment on revising § 54.405(e)(1) of the Commission's rules to require Lifeline providers to de-enroll subscribers within five business days. The Commission also seeks comment on any other barriers to implementation the Commission should consider related to subscriber de-enrollment. The Commission believes that these rules will further its interest in reducing waste and fraud, improve program administration and accountability, and facilitate subscriber choice and ultimate control over their Lifeline service.

3. Wireless Emergency Alerts

148. Wireless Emergency Alerts (WEA) play an important role in the nation's alerting and public warning system. Participating carriers send, free-of-charge to their subscribers, text-like messages alerting subscribers of emergencies in their area, falling under one of the following three classes: (1) Presidential alerts, (2) imminent threats, and (3) child abduction emergency, or AMBER, alerts. This system (formerly known as the Commercial Mobile Alert System) allows authorized government agencies to send geographically targeted emergency alerts to commercial wireless subscribers who have WEA-capable mobile devices and whose commercial wireless service provider has elected to offer the service. Under the WARN Act, participation in WEA system by wireless carriers is widespread but entirely voluntary. As a result, not all CMS providers currently provide WEA service or do not intend to provide WEA service through their entire service areas.

149. The Commission seeks comment on ways to increase Lifeline provider participation in WEA. Are there measures the Commission could take to encourage support of WEA, consistent with the Commission's legal authority and core mission to promote the safety

of life and property through communications? To what extent do Lifeline providers, both facilities-based and non-facilities-based, already support WEA today? The Commission observes that under the WARN Act, participation is voluntary; do providers have sufficient incentive to participate in WEA on a voluntary basis? In order to ensure that Lifeline service keeps pace with the IP-based network transitions, as well as evolving consumer needs, the Commission seeks comment on what additional public safety functionalities or capabilities it should consider as a critical component of Lifeline service offerings.

E. Efficient Administration of the Program

150. In this section of the Second FNRPM, the Commission seeks comment on a number of reforms to increase the efficient administration if the program.

1. Program Evaluation

The Government Accountability Office has recommended that the Commission conduct a program evaluation to determine how well Lifeline is serving its intended objectives. For example, one of the goals that the Commission has set for the Lifeline program is increasing the availability of voice service for low-income Americans, measured by the difference in the penetration rate (the percentage of households with telephone service) between low-income households and households with the next highest level of income. Without a program evaluation, however, GAO reports that the Commission is currently unable to determine the extent to which Lifeline has assisted in lowering the gap in penetration rates. The Commission therefore seeks comment on whether a program evaluation is needed to determine the extent to which Lifeline has contributed towards fulfilling its goals, such as narrowing the gap in telephone penetration rates, and at what cost. Is this the right goal for Lifeline program or should it focus on affordability? Should the Commission focus on measuring program efficiency by determining the amount of people who no longer need Lifeline? In measuring the effectiveness of Lifeline on low-income broadband subscribers, how can the Commission capture the benefits that flow from getting consumers connected, such as the ability to obtain employment, education and improve their health care? How should a program evaluation be structured? How expensive would it be to implement? Moreover, if Lifeline is expanded to include broadband support, how could we evaluate the effectiveness of such an expansion? What metrics and timeframe should the Commission use to determine whether such funds were being spent efficiently?

2. Tribal Lands Support

151. The Commission now turns to the universal service support provided to low-income recipients residing on Tribal lands, often referred to as enhanced Tribal support. Enhanced support provides a higher monthly subsidy amount as well as Link Up at service activation. In this section, the Commission seeks additional information on whether and how enhanced Tribal support is being utilized on Tribal lands, and whether the minimum service level for Tribal consumers should be different from the proposed minimum service levels for other consumers. The Commission also seeks comment on narrowly tailoring enhanced support to ensure that it actually supports the deployment of infrastructure. It also seeks comment on requiring additional documentation to demonstrate that a subscriber resides on Tribal lands.

152. *Background.* The Commission recognizes its historic federal trust relationship with federally recognized Tribal Nations, has a longstanding policy of promoting Tribal self-sufficiency and economic development, and has developed a record of helping ensure that Tribal Nations and their members obtain access to communications services. It is well documented that communities on Tribal lands historically have had less access to telecommunications services than any other segment of the U.S. population. Given the difficulties many Tribal consumers face in gaining access to basic services by living on typically remote and underserved Tribal lands, the Commission recognizes the important role of universal service support in helping to provide telecommunications services to the residents of Tribal lands.

153. Under the current rules, Lifeline providers that are authorized to provide service on Tribal lands may receive the $9.25 per month that is offered for any eligible low-income consumer and an additional amount of up to $25 per month for service provided to eligible low-income residents of Tribal lands—a total of up to $34.25 per month for each eligible low-income consumer on Tribal lands. Additionally, under the current enhanced Link Up program, Lifeline providers that receive high-cost support on Tribal lands may receive a one-time support payment of up to $100 for each eligible low-income subscriber on Tribal lands enrolled in the Lifeline program to cover the cost of connecting a consumer to service.

154. In the 2000 *Tribal Order,* 65 FR 12280, August 4, 2000, the Commission adopted several measures to improve low-income support for eligible residents living on Tribal lands, including the adoption of enhanced Lifeline and Link Up support. The Commission stated that the additional support might provide Lifeline providers an incentive to ''deploy telecommunications facilities in areas that previously may have been regarded as high risk and unprofitable'' and also to attract needed financing of facilities on Tribal lands. The Commission noted that, ''unlike in urban areas where there may be a greater concentration of both residential and business customers, carriers may need additional incentives to serve Tribal lands that, due to their extreme geographic remoteness, are sparsely populated and have few businesses.'' The Commission believed the enhanced Lifeline and Link Up support would encourage Lifeline providers to construct facilities on Tribal lands that lacked such facilities, encourage new entrants offering alternative technologies to seek ETC status, and address the high toll charges that Tribal residents incur.

155. In its 2012 Annual Report, the Commission's Office of Native Affairs and Policy provided case studies that showed the benefits of enhanced Tribal support and what some Tribal Nations have been able to achieve in terms of affordable and accessible service on Tribal lands. For many Tribally-owned ETCs, for example, the names Lifeline and Link Up resonate strongly, given the very high levels of unemployment in Tribal lands, the very high percentage of Tribal families with incomes well under the Federal Poverty Guidelines, and the remote nature of Tribal Reservations. For example, seventy-eight percent of Hopi Telecommunications Inc.'s (HTI) residential customers are eligible for Lifeline. The Lifeline and Link Up programs have been vital assets as HTI has expanded the reach and adoption of communications services across the Hopi Reservation. While the Commission recognizes the benefits that enhanced Tribal support have provided to date, however, Tribal Nations have indicated that there is still much that can be done to encourage infrastructure build-out and improve the level of telecommunications service and affordability of those services for Tribal residents.

156. *Impact of Enhanced Lifeline and Link Up.* The Commission seeks

additional information and data on the utilization of enhanced Lifeline and Link Up support for consumers on Tribal lands and the carriers that serve them. How is the enhanced Lifeline support utilized by carriers and how does it benefit consumers on Tribal lands? How much do residents of Tribal lands typically pay per month for voice service without enhanced Lifeline support? Does the additional $25 per month subsidy achieve the intended goal of making voice service affordable for residents of Tribal lands? If not, how should the Commission modify this to better effectuate the intended goal? What types of service plans are offered on Tribal lands, and how do they differ if the consumer receives enhanced Lifeline support from a wireless or a wireline carrier? How many minutes are offered to consumers on Tribal lands receiving enhanced Lifeline support?

157. The Commission also seeks comment, information, and data on the utilization of enhanced Link Up support for the benefit of consumers on Tribal lands and the carriers that serve such consumers. How is the subsidy utilized by carriers and how does it affect the services delivered to consumers on Tribal lands? How much do residents of Tribal lands pay and how much do carriers charge for connecting a Tribal resident to voice service? What are the variables affecting how much is charged? Does the Link Up subsidy achieve the intended goal of making telephone service available and affordable for residents of Tribal lands? If not, how should the rule be modified to better effectuate the intended goal? If enhanced Tribal Link Up was eliminated, what effect would it have on affordability?

158. Additionally, the Commission knows there are many factors that contribute to whether telecommunications service is available and affordable for low-income consumers living on Tribal lands. What policies or practices should the Commission adopt to ensure that the Lifeline and Link Up programs are successful on Tribal lands? What measures should be implemented to prevent waste, fraud, and abuse?

159. *Infrastructure Deployment.* Recognizing that one of the Commission's original intentions in adopting enhanced Tribal Lifeline support was to encourage deployment and infrastructure build-out to and on Tribal lands, the Commission seeks comment on the extent to which new infrastructure development and deployment has resulted from enhanced Tribal support. In particular, the Commission seeks data and comment on where and what types of infrastructure deployments have occurred on Tribal lands in the last 14 years. What drives the successful build-out of telecommunications infrastructure on Tribal lands? Specifically, the Commission seeks comment on what measurable benefits the additional $25 per month in Lifeline support and the $100 in Link Up support provide towards infrastructure deployment and the decisions about where and how to build infrastructure on and to Tribal lands. For example, has enhanced support resulted in additional deployment in areas that may have been regarded as ''high risk and unprofitable,'' or has it attracted needed financing of facilities on unserved Tribal lands, as the Commission originally intended?

160. Lifeline program data show that two-thirds of enhanced Tribal support goes to non-facilities-based Lifeline providers, and it is unclear whether the support is being used to deploy facilities in Tribal areas. The Commission proposes, therefore, to limit enhanced Tribal Lifeline and Link Up support only to those Lifeline providers who have facilities. Should there, for example, be different approaches to enhanced support provided to non-facilities-based Lifeline providers serving Tribal lands? One option would be to limit enhanced Lifeline support only to those ETCs currently receiving high-cost support, similar to the Commission's Link Up reforms. Another option would be to adopt the proposal of the OCC that the Commission limit enhanced Lifeline support to those Lifeline providers that are deploying, building, or maintaining infrastructure on Tribal lands, even if they do not or are not eligible to receive high-cost support. The Commission seeks comment on the benefits and drawbacks to these proposed options. What would be the impact of such limitations on the provision of Lifeline-supported service to residents of Tribal lands? How can the Commission best accomplish the objective of encouraging build out to Tribal lands?

161. If the Commission were to adopt a rule limiting enhanced Lifeline support as proposed above, the Commission seeks comment on whether the annual submission of FCC Form 481 would be sufficient to determine whether a Lifeline provider was deploying, building, or maintaining infrastructure on Tribal lands. Would any changes to that form be required to document that the build-out was occurring on Tribal lands? For those Lifeline providers that either are not receiving or are not eligible for high-cost support, but seek to receive enhanced Lifeline support consistent with the OCC proposal, what documentation would be necessary to ensure that build out was occurring on Tribal lands? Should such a Lifeline provider have to demonstrate that it is continuing to build infrastructure on Tribal lands?

162. The Commission also seeks comment on whether we should focus enhanced Tribal support to those Tribal areas with lower population densities, on the theory that provision of enhanced support in more densely populated areas is inconsistent with the Commission's objectives. In the 2000 *Tribal Order,* the Commission determined that the ''unavailability or unaffordability of telecommunications service on tribal lands is at odds with our statutory goal of ensuring access to such services to '[c]onsumers in all regions of the Nation, including low-income consumers.' '' In response, the Commission established the enhanced Tribal Lifeline subsidy of up to an additional $25 available to qualified residents of Tribal lands in order to incentivize increased ''telecommunications infrastructure deployment and subscribership on tribal lands.'' Given the Commission's desire to use enhanced support to incent the deployment of facilities on Tribal lands, the Commission seeks comment as to whether it is appropriate to provide such enhanced support in areas with large population densities where advanced communications facilities are widely available. The Commission seeks comment on whether it is appropriate, given the Commission's goals, to focus enhanced Tribal support in this manner. Should the Commission focus enhanced support only on areas of low population density that are likely to lack the facilities necessary to serve subscribers? Should the Commission exclude urban, suburban, or high density areas on Tribal lands?

163. Certain Tribal lands have within their boundaries more densely populated locations, such as Tulsa, Oklahoma, which is eligible for enhanced Tribal Lifeline support as it is within a former reservation in Oklahoma, but nonetheless has a comparatively high population density compared to many other Tribal lands. The Commission notes there are other potential locations on Tribal lands, such as Chandler, Arizona; Reno, Nevada; or Anchorage, Alaska. If we adopted an approach that focused Tribal support on less densely populated areas, what level of density would be sufficient to justify the continued receipt of enhanced Tribal lands support? What level of geographic granularity should we

examine to apply any population density-based test? The Commission notes that, with respect to Tulsa, Oklahoma, the history of Tribal lands in Oklahoma has led at least one other federal program to exclude certain higher density Tribal lands from Tribal income assistance programs in Oklahoma. For instance, the United States Department of Agriculture's (USDA) Food Distribution Program on Indian Reservations (FDPIR) excludes from eligibility residents of towns or cities in Oklahoma greater than 10,000. The Commission seeks comment on whether we should implement a similar approach that excludes urban areas on Tribal lands from receiving enhanced Tribal support. The Commission directs ONAP, in coordination with the Bureau, and other Bureaus and Offices as appropriate, to engage in government-to-government consultation with Tribal Nations to develop the record and obtain the perspective of Tribal governments on this question.

164. *Changes to Self-Certification Requirement.* The Commission seeks comment on whether to require additional evidence of residency on Tribal lands beyond self-certification. The Commission recognizes that there may be challenges in verifying Tribal residency, but it is concerned that a lack of verification may provide opportunities for waste, fraud, and abuse, particularly in light of the substantial enhanced support currently available to Lifeline providers operating on Tribal lands. The Commission also seeks comment on the manner in which residents of Tribal lands living at non-standard addresses should prove their residence on Tribal lands. Should the obligation to confirm Tribal residency rest with the Lifeline provider, rather than the subscriber? If the Commission implements a requirement to verify Tribal lands residency, what impact will that have on potential eligible, low-income and current eligible, low-income subscribers of Lifeline? The Commission specifically invites and will foster government-to-government consultation with Tribal Nations on these matters.

3. E-Sign

165. In this section, the Commission seeks comment on ways to strengthen the integrity of electronic signatures in a manner that is both consistent with the Electronic Signatures in Global and National Commerce Act and that increases protections against waste, fraud, and abuse. The Commission also seeks comment on reforms to ensure that the clear intent of the subscriber to enroll in Lifeline and his/her understanding of the rules is reflected in the completed Lifeline application.

166. *Background.* The *2012 Lifeline Reform Order* clarified that Lifeline providers could obtain electronic signatures from potential or current subscribers certifying eligibility pursuant to § 54.410 of the Commission's rules. The Commission determined that electronic signatures and interactive voice response systems allow Lifeline providers to simplify their enrollment procedures for consumers applying for Lifeline service and that it is in the public interest to allow such signatures. While the E-Sign Act contains a strong presumption in favor of permitting electronic signatures or electronic records between private parties in transactions involving interstate or foreign commerce, it also permits federal and state agencies to issue rules and guidance pertaining to electronic signatures and records, consistent with the E-Sign Act. The Commission notes that simply making a signature or record electronic does not inoculate the record from concerns about fraud or abuse. To the extent an electronic signature or record raises concerns about fraud or abuse in the Lifeline context, the Commission and/or USAC may investigate how the signature was obtained and the record (*e.g.,* certification or recertification form) finalized. Illegible signatures, similarities between signatures, or automatically generated signatures, in the absence of more information about how the signature was generated, may well raise questions about whether the named subscriber in fact had ''the intent to sign the record.''

167. *Discussion.* The Commission recognizes the ever increasing use of tablets and other electronic devices to sign up potential Lifeline subscribers, and laud Lifeline provider efforts to reach out to legitimate subscribers who can benefit from Lifeline service. Nevertheless, given the Commission's responsibility to safeguard the Fund from waste, fraud, and abuse, it must ensure that new technologies are deployed with adequate protections and mechanisms that permit oversight. Thus, the Commission seeks comment at this time on the types of techniques or processes whose use might, in the event of an investigation or audit, show that an electronic signature is valid.

168. In responding to this query, commenters may also take note of other proposals in this *Second FNPRM* and state whether coupling certain signature verification processes with additional proposed safeguards may help in demonstrating that a signature is in fact a valid ''electronic signature.'' In other words, does the signature shown on the electronic certification form in fact reflect the subscriber's intent to sign up for Lifeline service?

169. The Commission seeks comment on whether adopting regulations based on what state governments or other federal agencies have done would be suitable in this context. The Commission recognizes that in many instances state and federal regulations concern transactions between a state or federal agency and the public, perhaps allowing for greater government leeway in determining what specific technology should be used. While the Commission does not wish to dictate the use of technologies, it cannot permit a system where a random stray mark, attributed to stylus difficulties, or an automatically generated signature, without more constitute valid signatures. In this regard, the Commission seeks comment on what safeguards Lifeline providers have adopted to date to ensure that an electronic signature represents the named subscriber's ''intent to sign the record.'' The Commission also seeks comment on the utility of requiring service providers to retain the IP, or other unique identifier, such as a MAC address, affiliated with the email or device that was used for signing up a subscriber. The Commission seeks comment on whether such mechanisms might be useful in detecting and ultimately curtailing fraud. For example, would retaining the MAC addresses associated with iPads used by sales agents enable service providers and, if the need should arise, regulators to better monitor the sign-up practices of such agents? Such an approach would assist companies and auditors in determining patterns of fraudulent behavior by agents or a subset of agents within the company.

170. Moreover, as an added protection, to ensure all subscribers truly understand the certifications they are making, the Commission proposes that all written certifications (irrespective of whether they are in paper or electronic form) mandate that subscribers initial their acknowledgement of each of the requirements contained in 47 CFR 54.410(d)(3). In proposing these requirements, the Commission emphasizes that Lifeline service providers remain mindful of their obligation under 15 U.S.C. 7001(e) to ensure that an electronic record be in a form that is capable of being retained and accurately reproduced for later reference. In this regard, the Commission finds that it is consistent with section 7001(e) of the E-Sign Act that Lifeline providers be able to

reproduce their certification and recertification forms, along with the actual signatures placed on the forms, in the event of a federal or state inquiry. The Commission seeks comment on these proposals.

4. The National Lifeline Accountability Database: Applications and Processes

171. As part of the Commission's ongoing efforts to guard against waste, fraud, and abuse in the Lifeline program, we propose a number of additional applications to the NLAD, including the use of the NLAD to calculate Lifeline providers' monthly Lifeline reimbursement. The Commission seeks comment on this proposal and others below.

172. *Using the NLAD for Reimbursement.* The Commission seeks comment on the legal and administrative aspects of transitioning to a process whereby Lifeline providers' support is calculated based on Lifeline provider subscriber information in the NLAD. For example, how would officers continue to make the monthly certifications now required on the FCC Form 497 in the NLAD? Should the Commission consider requiring officers to make a separate electronic certification? The Commission in the 2012 *Lifeline Reform Order* permitted states to opt out of the NLAD by demonstrating that they had a comprehensive system in place to check for duplicative federal Lifeline support. To date, four states and one territory have received permission to opt out of the NLAD and Lifeline providers serving Lifeline subscribers in those states are not required to submit subscriber information to the NLAD. If the Commission decides to calculate Lifeline support based on Lifeline provider submissions to the NLAD, would Lifeline providers operating in states that opted out of the NLAD be required to continue to file FCC Form 497s for those states?

173. The Commission notes that in the national verifier section above, it sought comment on whether it would be equitable and non-discriminatory pursuant to section 254(d) to require only those Lifeline providers that will benefit from the functions of the national verifier to contribute to its implementation and operation through additional USF funds. Since only certain Lifeline providers will utilize the NLAD, just as the national verifier, the Commission seeks comment on whether it is equitable and non-discriminatory to require Lifeline providers that will utilize the benefits of the NLAD to contribute additional USF funds pursuant to section 254(d). Under this proposal, how would support be allocated amongst the contributing Lifeline providers? Would Lifeline providers that utilize the NLAD more than other Lifeline providers be required to pay more? What methodology should the Commission use if implementing this support mechanism?

174. The Commission also asks about methods to address situations in which there is a dispute about a Lifeline provider's subscribership. The Commission's rules, for example, currently require that the NLAD be updated with subscriber de-enrollments within one business day. If Lifeline providers receive reimbursement from the NLAD, should this rule be modified to ensure that Lifeline providers do not receive reimbursement for subscribers that they no longer serve? The NLAD incorporates a dispute resolution process whereby Lifeline providers have an opportunity to ensure that eligible subscribers are not inadvertently rejected by the NLAD as ineligible. How should support for subscribers in the dispute resolution process be treated for the purpose of determining Lifeline support? What additional safeguards against fraud, if any, should be implemented in the NLAD in light of a direct relationship between subscriber counts in the NLAD and receipt of payment?

175. *Transition Period.* The Commission recognizes that using information in the NLAD to generate Lifeline provider support payments may constitute a substantial change in the way Lifeline providers operate and USAC administers the program. The Commission therefore proposes to establish a transition period to ensure that Lifeline providers and USAC have put in place the necessary systems and processes. The Commission seeks comment on the length and contours of such a transition period.

176. *Fees for Using the NLAD TPIV Search.* To date, the costs associated with developing the NLAD, maintaining the applications and all of its functionalities, including the Third-Party Identification Verification (TPIV) check, have come from the Fund. The Commission seeks comment on whether Lifeline providers should pay some or all of the cost for TPIV checks and whether the Commission has the authority to impose such a requirement. These costs are incurred on a per-transaction basis and are paid for by the Fund to the TPIV vendor. At the request of the industry, USAC implemented a process to permit Lifeline providers to submit subscriber information through the TPIV check prior to enrolling the subscriber. Running the TPIV check prior to determining whether to enroll a potential subscriber might be considered a routine customer acquisition cost and, viewed in this light, it might be appropriate to require Lifeline providers to pay this cost. In addition, the TPIV check is run again when the subscriber is actually enrolled in the NLAD. The Commission seeks comment on whether some or all of the costs associated with running a TPIV check within the NLAD should be paid for by Lifeline providers. Are there other ways that the NLAD can recoup the cost of TPIV functionality? The Commission seeks comment on whether the NLAD should recoup the cost of TPIV functionality through additional contributions from Lifeline providers to the Fund that utilize the TPIV functionality. The Commission seeks comment on whether recouping the costs of TPIV functionality through contributions from those Lifeline providers that utilize the functionality would be equitable and non-discriminatory pursuant to section 254(d). Similarly, the Fund currently pays for the recertification process for those Lifeline providers that elect to use USAC. Should Lifeline providers be required to pay for some or all of that cost?

177. *Additional Applications of and Changes to NLAD and Related Processes.* The Commission also seeks comment on using the information stored in the NLAD for other aspects of the Lifeline program. For example, should USAC use subscriber information in the NLAD to perform recertification in those instances where a Lifeline provider selects USAC to perform the recertification? The Commission seeks comment on the manner in which the NLAD currently works and whether there are changes that could be made that would further limit the potential for waste, fraud, and abuse.

5. Assumption of ETC Designations, Assignment of Lifeline Subscriber Base and Exiting the Market

178. The Commission proposes rules to minimize the disruption to Lifeline subscribers associated with the transfer of control of ETCs or the sale of assets and lists of customers receiving benefits under the program, as well as the transfer of ETC designations between providers. The Commission seeks comment on proposals for when it should permit an ETC to assume an ETC designation from another carrier. The Commission also proposes establishing notification requirements when a carrier sells or otherwise transfers Lifeline

subscribers to another provider or exits the market. Today, in order to receive reimbursement for providing Lifeline service to qualified-low-income consumers, a carrier must be an ETC. Although state commissions have primary responsibility for designating ETCs under section 214(e)(2) of the Act, that responsibility shifts to the Commission for carriers ''providing telephone exchange service and exchange access that is not subject to the jurisdiction of a State commission.'' The Bureau has previously determined that the transfer of control of licenses and other authorizations from an entity already designated as an ETC to another entity that has not been designated as an ETC is insufficient for the transferee to assume the ETC status of the acquired ETC. Rather, the transferee must petition the proper designating authority for its own designation. The transferee is an ETC only after the relevant authority determines that the transferee satisfies all the requirements of the Act.

179. The Commission also requires any non-facilities-based carriers seeking to offer Lifeline service to submit to the Bureau and receive approval of a compliance plan. The approval of a compliance plan is limited to the entity, and its ownership, as they are described in the compliance plan approved by the Bureau, and any material changes in ownership or control require modification of the compliance plan that must be approved by the Bureau in advance of the changes. The Commission has not otherwise addressed specific requirements on ETCs that seek to transfer a Lifeline subscriber to another entity.

180. Finally, section 214 of the Act requires domestic telecommunications carriers to obtain authorization to undertake acquisitions of assets such as by the purchase of transmission lines or customers, or through acquisition of corporate control, such as by acquisitions of equity ownership. The Commission treats acquisitions, whether they are through a stock or asset transaction, in the same manner by requiring section 214 approval prior to consummation of the transaction. In cases in which a carrier does not transfer its subscriber base to another entity but instead discontinues service for those customers, the carrier must obtain authorization from the Commission prior to discontinuing the service. In practice, however, today these rules apply to wireline or fixed wireless service ETCs, either facilities-based or resellers. The Commission has forborne from imposing the section 214(a) requirements on commercial mobile radio service (CMRS) providers' provision of domestic telecommunication services.

181. *Assumption of ETC Designations.* The Commission proposes requirements to facilitate assumption of ETC designations in which the Commission is the designating authority (FCC Designated ETCs). In circumstances when an entity seeks to acquire an FCC Designated ETC, the Commission proposes to continue to require an acquiring entity that has not been designated as an ETC by the Commission to file a petition with the Commission seeking ETC designation for the jurisdictions subject to the proposed transaction involving the FCC Designated ETC and await Commission action in determining whether such petition satisfies all the requirements of the Act just as carriers are required to do today. For the questions below, the Commission also seeks comment on applying a similar process if the Commission provides Lifeline support to non-ETCs or creates a separation designation.

182. The Commission proposes that these requirements would apply when the acquiring entity becomes the ETC using a different corporate name or operating entity, and also would apply when the acquiring entity maintains the acquired ETC's corporate name or operating entity. In proposing such requirements, the Commission seeks comment on the approval process and obligations for all impacted entities, including the acquired ETCs. The Commission also proposes that these requirements would not apply to designations in which the acquired entity was designated by the state and the state continues to exercise authority to designate such carriers (State Designated ETCs). The Commission is persuaded that entities it has never evaluated as an ETC should continue to have the obligation to file their own ETC petition and that a more streamlined approach is better suited for transactions where the acquiring entity is an existing FCC Designated ETC.

183. The Commission proposes a more streamlined approach for transactions where the acquiring entity is also an FCC Designated ETC. The Commission has already evaluated whether such entities satisfy the requirements of the Act so there is a presumption it is unnecessary for the Commission to undertake the same analysis again. The Commission seeks comment on requiring an acquiring entity that is an FCC Designated ETC, and where such designation has not been relinquished or revoked, to notify the Commission of its intent to assume control of the FCC Designated ETC held by the acquired entity, details of the transaction, how the acquiring entity is financially and technically capable to offer Lifeline service to the selling carrier's Lifeline subscribers, and how allowing the acquiring entity to assume the selling carrier's ETC designation is in the public interest. To comply with a Commission notification requirement, the Commission seeks comment on the period of time that an acquiring entity would notify the Commission of its intent to acquire or assume the selling carrier's ETC designation and the details contained in such notice, including whether such transaction involved high-cost support prior to consummation of the transaction. If the Commission or Bureau does not act on the ETC's notification within a certain period, the Commission proposes that the transaction would be deemed approved and seek comment on that period of time. If the Commission or Bureau acts on the ETC's notification within the designated period of time via Public Notice or other type of notice to impacted entities, the proposed transaction would not take effect until the Commission or Bureau take affirmative action on the proposed transaction. The Commission seeks comment on this process for the Commission or Bureau to act regarding such transactions, and whether the process should change if there is an underlying transaction connected with the assumption or transfer of the ETC designations (*e.g.,* transfer of licenses required to provision wireless service, obligations specific to section 214 of the Act).

184. The Commission recognizes that states, as designating authorities, have their own procedures to address the assumptions and transfers of ETC designations. The Commission seeks comment from states and third parties on whether we should consider certain state procedures addressing transfer of ETC designations in modifying the Commission's processes.

185. *Requirements for the Assignment of Subscriber Base.* In addition to procedures for the assumption or transfer of ETC designations, the Commission proposes to adopt rules to govern the sale or transfer of its Lifeline subscriber list to another service provider, including any rules regarding the transfer of subscribers between ETCs within the NLAD. To make certain all relevant authorities and the affected Lifeline subscribers are aware of a transaction in which one provider acquires another ETC or its Lifeline subscriber base, the Commission seeks comment propose rules to ensure

adequate notice is given to relevant parties.

186. Specifically, the Commission proposes requiring an acquiring carrier that is not currently subject to the 214 requirements, or already subject to Commission approval of the underlying transaction (*i.e.,* transfer of licenses required to provision wireless service), to provide notice to the affected customers, Commission, USAC, and the state designating authority of the transaction involving assignment of the Lifeline subscriber base. The Commission has previously adopted rules to implement section 214 that require telecommunications carriers other than CMRS providers to seek authorization from the Commission of forthcoming transfers of control or assignment of assets such as subscriber lists from one provider to another. By extension, the Commission is persuaded that the Commission, USAC, state designating authorities, and, most importantly, affected Lifeline subscribers, should have notice of such transactions (including those involving CMRS providers) to ensure that subscribers have the option of choosing alternative providers and that the relevant authorities are on notice of such transfers to ensure compliance with Lifeline program rules. If the Commission were to adopt such requirements, the Commission seeks comment on the time period and content for such notice to each of the affected parties—affected subscribers, the Commission, USAC, and the state designating authority.

Exiting the Lifeline Market. In some circumstances, a Lifeline provider may stop providing Lifeline service and we propose in such situations that the Lifeline provider's subscribers be provided notice of the upcoming event. For example, when ETCs decide to exit the market or transfer to a non-ETC, the Commission seeks comment on whether the ETC should give affirmative notice to the Commission and its affected Lifeline subscribers that it will no longer be providing Lifeline service, if it is not already subject to such an obligation. The Commission notes that CMRS-provider ETCs, for example, are not subject to the Commission's discontinuance rules. The Commission seeks comment on applying this requirement to any ETCs or non-ETCs that are not subject to the Commission's discontinuance rules. The Commission is concerned that the absence of such notification rules in the circumstances described above could lead to consumer disruption or encourage waste and abuse of the Lifeline program. What form should such notices take? Should notices also be sent to states, USAC, or other entities?

187. The Commission proposes that this requirement would be a condition of receipt of Lifeline support. Under this scenario, the Commission is not proposing to reinstate the discontinuance authorization rules for which the Commission has forborne for CMRS providers. The notice requirements the Commission seeks comment on here are not pre-approval requirements but are intended to ensure that Lifeline consumers have the opportunity to seek an alternative provider. The notice provisions would also support the Commission's efforts against waste by requiring providers to inform regulators before exiting the market and attempting either to benefit from exit transactions or to shift funds away before USAC or the Commission could obtain repayment, if appropriate. The Commission seeks comment on such requirements and the impact to the affected subscribers.

188. *Other Requirements.* The Commission also seeks comment on any other notice requirements for the transfer of Lifeline subscribers or discontinuance of service. The Commission notes that some states have specific requirements concerning the transfer of Lifeline subscribers and the Commission seeks comment on whether it should look to a certain state to serve as a model for national rules governing transfer of subscribers among ETCs.

189. In regards to transfers among entities, the Commission also notes that any material changes in ownership or control of entities with approved compliance plans require modification of those compliance plans, which in turn, must be approved by the Bureau in advance of changes. To facilitate transfers between entities with approved compliance plans, should the Commission consider other rules that will minimize disruption to Lifeline subscribers? Should the Commission also consider other rules to minimize disruption to Lifeline subscribers associated with the transfer of control of ETCs receiving benefits under the program, as well as the transfer of ETC designations between providers? Given that a majority of states designate competitive ETCs, the Commission seeks comment from states on these matters. The Commission seeks comment on whether states impose discontinuance of service requirements on CMRS ETCs and if so, whether those states' requirements should serve as a model for the Commission's rules.

6. Shortening the Non-Usage Period

190. As part of the Commission's ongoing efforts to reduce waste and inefficiency in the Lifeline program, the Commission proposes to reduce the non-usage interval to 30 days. In the *Lifeline Reform Order,* the Commission amended its rules to prevent ETCs from receiving Lifeline support for inactive subscribers. At that time, the Commission determined that imposing a 60-day usage period appropriately balanced the interests of subscribers and commenters, as well as the risks associated with potential waste in the program. However, the Commission now seeks comment on whether the 60-day period of time is too long and should be reduced to 30 days. Would reducing the time period benefit the program and help us to better achieve the Commission's goals to reduce waste, fraud, and abuse in the program? How would this change affect consumers? If the Commission modified the non-usage period, should it also modify the notice period?

191. The Commission further seeks comment on how this change would impact ETCs. Would a reduction in the usage period cause administrative burdens for ETCs? If yes, what are the burdens and would there be ways to minimize these burdens? Are there benefits to reducing the non-usage period, for example, to 30 days instead of the current 60 days?

7. Increasing Public Access to Lifeline Program Disbursements and Subscriber Counts

192. To increase transparency and promote accountability in the program, the Commission proposes to direct USAC to modify its online disbursement tool to display the total number of subscribers for which the ETC seeks support for each SAC, including how many are subscribers for which it claims enhanced Tribal support. Making this data more accessible will allow the public to more easily ascertain the number of subscribers that each ETC serves within each SAC on a monthly basis.

193. Within the Lifeline program, ETCs provide discounts to eligible households and receive support from the Fund for the provision of such discounts. ETCs submit an FCC Form 497 to USAC on a monthly or quarterly basis, which lists the number of subscribers it served for the previous month(s) and the requested support amount. USAC has a disbursement tool available on its Web site that provides the disbursement amounts that are authorized for payment for a particular

month within each study area code (SAC) based on the ETC's submission of its FCC Form 497. While the FCC Form 497 includes the number of subscribers the ETC served for the previous month(s), the USAC Web site does not currently display this information.

194. Even though the public can already derive Lifeline subscriber counts from USAC's Web site and Quarterly Reports, we propose this additional transparency step so the public, including state commissions and policymakers at the state and federal levels, can more easily examine these aspects of the program through one resource. In proposing these modifications, the Commission seeks comment on the impact to ETCs. The Commission also seeks comment on whether there are other modifications to USAC's disbursement tool that should be made to promote transparency and accountability in the program. For example, should USAC modify the disbursement tool to provide more clarity on an ETC's adjustments made to its FCC Form 497 filings within the last 12 months?

8. Universal Consumer Certification, Recertification, and Household Worksheet Forms

195. In this section, the Commission seeks comment on adopting forms approved by the Office of Management and Budget (OMB) that all consumers, ETCs, or states, where applicable, must use in order to certify consumers' initial and ongoing eligibility for Lifeline benefits. The Commission believes that standardization of subscriber certification forms will save time by avoiding the need to analyze each form to make sure it contains all of the requirements of the federal rules, and allow for easier compliance checks. The Commission specifically seeks comment on whether the Commission should adopt standard forms for consumers' initial and annual certifications of consumer eligibility as well as the ''one-per-household worksheet'' for when multiple households reside at the same address and seek Lifeline benefits.

196. All ETCs must obtain a signed certification from the consumer that complies with § 54.410 of the Commission's rules. ETCs are required to annually recertify each subscriber's eligibility for Lifeline, and may recertify subscribers by requiring each subscriber to submit an annual re-certification form to the ETC. In instances where multiple households reside at the same address, the consumer must affirmatively certify through the ''one-per-household worksheet'' that other Lifeline recipients residing at that address are part of a separate household, *i.e.,* a separate economic unit that does not share income and expenses.

197. Currently, ETCs (or states, where applicable) may create and use their own forms, so long as their forms comply with the Commission's rules. The Commission has received anecdotal evidence expressing concerns that the forms for these purposes are inconsistent, deficient, or are difficult for consumers to understand. To increase compliance with the rules, facilitate administration of the program and to reduce burdens placed upon ETCs, the Commission proposes creating an official, standardized initial certification form, annual recertification form and ''one-per household'' worksheet. Standardized forms would allow ETCs, the states, and consumers to better interface with any national verifier or state or federal agency that assists with enrollment, as proposed elsewhere in this item. The Commission seeks comment on potential drawbacks to adopting a standardized form. In GAO's most recent report on Lifeline, it notes that many eligible consumers may struggle to complete an application due to lack of literacy or language skills. The Commission thus seeks comment on how to improve the language used on such forms so that consumers are better able to understand their and the ETC's obligations.

198. The URL,*www.usac.org/li/FCCForComment,* displays sample forms that USAC currently uses for recertification and provides to ETCs to use for the household worksheet. While we do not propose to adopt these specific forms, the Commission seeks comment on the sample forms displayed at the URL as a starting point. What are the shortcomings of these forms, if any? What other information should be included on these forms? Are there other mechanisms by which the Commission can increase consistency and uniformity in its certification and recertification practices?

9. Execution Date for Certification and Recertification

199. The Commission proposes to require Lifeline providers to record the subscriber execution date on certification and recertification forms. In the 2012 *Lifeline Reform Order,* the Commission required consumers to make a number of standardized certifications at the time of enrollment. Consumers are required to certify under penalty of perjury that they are eligible to receive Lifeline supported service and that they understand the Lifeline program rules before enrolling in the program. ETCs must also collect specific information about the certifying consumer on the certification form, such as the consumer's date of birth and the last four digits of the consumer's Social Security number or Tribal government identification card number. The 2012 *Lifeline Reform Order* did not, however, require ETCs to obtain from the consumer the date on which the certification form was executed (''execution date'') or to record such date. The lack of an execution date can create confusion regarding which rules should apply to a given subscriber's enrollment.

200. The Commission seeks comment on requiring Lifeline providers to record the subscriber execution date on certification and recertification forms. Mandating an execution date produces a number of benefits for ETCs and regulators. An execution date will ensure that USAC, the Commission, and independent auditors can, among other things, determine the relevant rules that apply to the enrollment or recertification of that subscriber. Obtaining the execution date will also allow USAC to recover funds for enrollment and recertification rule violations more accurately.

201. The Commission seeks additional comment on the manner in which the execution date should be collected and retained. For example, should the execution date appear in a particular designated area on the certification or recertification form? How would this requirement be implemented for subscribers that complete a certification or recertification form online or through other electronic means? How would this obligation interact with the E-Sign Act and any additional requirements the Commission proposes to implement for electronic signatures?

10. Officer Training Certification

202. In order to increase ETC accountability and compliance with the Lifeline rules, the Commission proposes to require an officer of an ETC to certify on each FCC Form 497 that all individuals taking part in that ETC's enrollment and recertification processes have received sufficient training on the Lifeline rules. In the 2012 *Lifeline Reform Order,* the Commission required all subscribers to show documentation of eligibility upon enrollment. The Commission also considered whether to require ETCs, rather than their agents or representatives, to review all documentation of eligibility, but the Commission declined to adopt such a rule at that time. The Commission reasoned that such a measure was unnecessary because ETCs remain

responsible for ensuring the agent's or independent contractor's compliance with the Lifeline rules.

203. Subsequent to the 2012 *Lifeline Reform Order,* there have been allegations of agents hired by ETCs abusing program rules by enrolling unqualified consumers in the Lifeline program. The Indiana Regulatory Commission expressed concern about the acts of agents in the field, and in July 2013, two ETCs fired 700 agents that enrolled consumers in the Lifeline program because the ETCs were uncertain if the agents were complying with the Lifeline rules. The Commission has also acted to increase oversight over the Lifeline enrollment process. The Enforcement Bureau released an enforcement advisory reminding ETCs that they are responsible for the actions of their agents and of ETCs' obligations to ensure compliance with the Lifeline rules. In addition, the Bureau codified the requirement that ETCs verify a Lifeline subscriber's eligibility for Lifeline service prior to activating such service.

204. Interested parties have suggested additional reforms to the Lifeline program intended to reduce agent abuses. In June 2013, the Lifeline Reform 2.0 Coalition filed a petition urging the Commission to establish a rule that requires all ETCs to have only their employees review and approve consumers' documentation of eligibility, rather than an agent or independent contractor, before the ETC activates Lifeline service or seeks reimbursement from the Fund. To minimize any improper financial incentives, the Lifeline Reform 2.0 Coalition argued that the Commission should implement a rule to no longer permit employees who are paid on a commission to review and approve applicants of the program. In responding to the June 2013 Lifeline Reform 2.0 Coalition petition, the Michigan Public Service Commission suggested that the Commission require ETCs to develop quality control procedures tailored to their particular business plan in lieu of having the Commission impose one specific set of procedures.

205. Consistent with the Michigan PSC's suggestion, the Commission now proposes to require an officer of an ETC to certify on each FCC Form 497 that all individuals taking part in that ETC's enrollment and recertification processes have received sufficient training on the Lifeline rules. Under this proposal, ETCs would be required to affirmatively certify on each FCC Form 497 that all individuals, both company employees and third-party agents (''covered individuals''), interfacing with consumers on behalf of the company have received sufficient training on the Lifeline program rules. The Commission seeks comment on how an ETC can show sufficiency of training. The Commission believes that this requirement will not only help to ensure that covered individuals are adequately trained but will also create an environment of compliance at all levels of the company, thereby reducing the risk of waste, fraud, and abuse. In addition, adequate training will have the additional benefit of reducing consumer confusion during the enrollment process. The Commission seeks comment on these views.

206. The Commission proposes to require that ETCs obtain a signature of all covered individuals certifying that the covered individual has completed such training. This would allow auditors, the FCC, and other interested government agencies to ensure that the ETC is acting in accordance with its Form 497 certification. The Commission seeks comment on alternative means to document the training of covered individuals. To ensure that covered individuals remain aware of the current rules, we propose that every covered individual must receive such training before taking part in the enrollment process on behalf of the company and again every twelve months thereafter in order to ensure that every person involved in enrolling and verifying consumers for Lifeline has been adequately educated about the program and its requirements. The Commission seeks additional comment and solicit ideas for any additional safeguards that may be necessary to ensure that agents or other employees enrolling subscribers do not have the opportunity or incentive to defraud the Fund.

207. As the Lifeline program enters its fourth decade, it must continue to evolve to ensure that it is serving its statutory mission. The proposals and questions included herein are intended to solicit the kind of record that will allow the Commission to ensure that it is meeting the requirements of section 254 while strengthening protections against waste, fraud, and abuse.

11. First-Year ETC Audits

208. To ensure the Lifeline audits are the best use of Commission resources, do not unduly burden Lifeline providers and accurately demonstrate a Lifeline provider has complied with Commission rules, the Commission proposes to revise the Commission's rule requiring all first-year Lifeline providers to undergo an audit within the first year of receiving Lifeline benefits.

209. The Commission has directed USAC to establish an audit program for all of the universal service programs, including Lifeline. As part of the audit program, in the *2012 Lifeline Reform Order,* the Commission required USAC to conduct audits of new Lifeline carriers within the first year of their participation in the program, after the carrier completes its first annual recertification of its subscriber base. The Commission specifically declined to adopt a minimum dollar threshold for those audits and instead directed USAC to conduct a more limited audit of smaller newly established ETCs.

210. Since the adoption of the 2012 *Lifeline Reform Order,* USAC has audited a number of first-year Lifeline providers. Many of those Lifeline providers are still ramping up operations within that first year and the number of subscribers they are serving results in a sample size too small to draw conclusions regarding compliance with Commission rules. For example, USAC has two Lifeline providers that it is preparing to audit—Glandorf Telephone Company and NEP Cellcorp, Inc.—that have only one or two subscribers as of March 2015. In addition, although USAC is conducting limited-scope ''desk audits'' of these Lifeline providers, these still impose costs on the Commission, USAC, and Lifeline providers that might not be warranted by the benefits of audits in particular circumstances. If the audits are made even more limited in scope, it would reduce the costs, but it would not further limit their utility.

211. Given the three years of experience auditing these carriers since the adoption of the 2012 *Lifeline Reform Order,* the Commission now believes that, in limited instances, it is not the best use of USF resources to audit every Lifeline provider within the first year of its operations. Instead, if the Lifeline providers have sufficiently limited operations, the Commission proposes to delay the audit until such time it is useful to audit the Lifeline provider. As such, the Commission seeks comment on its proposal to revise § 54.420(b) of the Commission's rules to allow the Office of Managing Director (OMD) to determine if a Lifeline provider should be audited within the first year of receiving Lifeline benefits in the state in which it was granted ETC status. The Commission believes this slight change to its audit requirement will allow for the best use of audit resources and protect against waste, fraud and abuse. The Commission seeks comment on this conclusion.

212. Instead of adopting a bright-line threshold to identify those audits of

first-year Lifeline providers that should be delayed, the Commission proposes to delegate authority to OMD, in its role of overseeing the USF audit programs, to work with USAC to identify those audits of first-year Lifeline providers that will not result in useful audits and permit those carriers to be audited after the one-year deadline, when the auditors can evaluate sufficient data to identify non-compliance and when it might be more cost-effective. The Commission seeks comment on this proposal. Are there particular metric(s), threshold(s), or criteria that the Commission should identify to provide more specific guidance to inform OMD's determination of when an audit is unlikely to be useful given the scope of the Lifeline provider's operations, perhaps based on considerations of the sort discussed below?

213. The Commission also seeks comment on whether, if an audit is delayed, it should establish a deadline by which the audit must be conducted, even if the Lifeline provider still has limited operations. The Commission notes that it can audit any beneficiary at any time. Is there some benefit to a Lifeline provider in knowing that it will definitely be audited within its first year? Alternatively, or in addition, are there procedures that OMD, Bureau, or USAC should follow beyond those typically used in the case of other audits under § 54.707 of the Commission's rules? For example, should a letter or other notification be sent to the Lifeline provider to set a period of time in advance of when the audit was scheduled to occur notifying the provider it will be delayed? After a delay, should USAC notify the Lifeline provider when it has been determined that an audit will be announced? If so, how far in advance? Should any such notification simply inform the Lifeline provider of the forthcoming audit pursuant to § 54.420(b) of the Commission's rules, or is there additional information that should be included?

214. Instead of setting a specific time frame by which an audit must be conducted after the current one-year deadline or delegating authority to OMD, to determine when an audit should be conducted, should the Commission instead adopt a minimum threshold under which audits should not be conducted because they are unlikely to be useful? If so, what metric(s) should be used to define the threshold(s)? Should it be measured in dollars or subscribers, some other metric(s), or some combination? Under such an approach, what metrics would best enable an evaluation of the usefulness of a § 54.420(b) of the Commission's rules audit, in terms of both substance (*i.e.,* the metric(s) bear a strong relationship to whether the audit is likely to be useful) and ease of administration (*e.g.,* the data needed to evaluate the metric are readily available and verifiable, and the metric(s) otherwise can be readily implemented in practice). What should the magnitude of any such threshold(s) be (whether dollars, subscribers, other metric(s), or some combination)? The Commission believes allowing OMD some discretion in determining which carriers should be exempt from the audit requirement will allow for situations in which an audit may be warranted for a first-year Lifeline provider with limited Lifeline operations. The Commission seeks comment on this conclusion.

215. Finally, the Commission seeks comment on whether there are variations or combinations of the forgoing options or other alternatives that the Commission should consider. Commenters advocating particular alternatives should explain how readily they can be used to identify whether an audit is likely to be useful and how readily administrable the alternatives would be.

III. Procedural Matters

F. Initial Regulatory Flexibility Analysis

216. As required by the Regulatory Flexibility Act of 1980, as amended, the Commission has prepared an Initial Regulatory Flexibility Analysis (IRFA) for the Second Further Notice of Proposed Rulemaking (FNPRM), of the possible significant economic impact on a substantial number of small entities by the policies and rules proposed in this Second FNPRM. Written public comments are requested on this IRFA. Comments must be identified as responses to the IRFA and must be filed by the deadlines for comments on the Second FNPRM. The Commission will send a copy of the Second FNPRM, including this IRFA, to the Chief Counsel for Advocacy of the Small Business Administration.

217. The Commission is required by section 254 of the Communications Act of 1934, as amended, to promulgate rules to implement the universal service provisions of section 254. The Lifeline program was implemented in 1985 in the wake of the 1984 divestiture of AT&T. On May 8, 1997, the Commission adopted rules to reform its system of universal service support mechanisms so that universal service is preserved and advanced as markets move toward competition. The Lifeline program is administered by the Universal Service Administrative Company (USAC), the Administrator of the universal service support programs, under Commission direction, although many key attributes of the Lifeline program are currently implemented at the state level, including consumer eligibility, eligible telecommunication carrier (ETC) designations, outreach, and verification. Lifeline support is passed on to the subscriber by the ETC, which provides discounts to eligible households and receives reimbursement from the universal service fund (USF or Fund) for the provision of such discounts.

G. Initial Paperwork Reduction Act Analysis

218. The Second FNPRM seeks comment on a potential new or revised information collection requirement. If the Commission adopts any new or revised information collection requirement, the Commission will publish a separate notice in the **Federal Register** inviting the public to comment on the requirement, as required by the Paperwork Reduction Act of 1995, Public Law 104–13 (44 U.S.C. 3501–3520). In addition, pursuant to the Small Business Paperwork Relief Act of 2002, Public Law 107–198, 44 U.S.C. 3506(c)(4), the Commission seeks specific comment on how it might ''further reduce the information collection burden for small business concerns with fewer than 25 employees.''

H. Comment Filing Procedures

219. *Comments and Replies.* The Commission invites comment on the issues and questions set forth in the FNPRM and IRFA contained herein. Pursuant to §§ 1.415 and 1.419 of the Commission's rules, 47 CFR 1.415 and 1.419, interested parties may file comments on this Second FNPRM on or before 30 days after publication of this Second FNPRM in the **Federal Register** and may file reply comments on or before 60 days after publication of this Second FNPRM in the **Federal Register**. All filings related to this Second FNPRM shall refer to WC Docket Nos. 11–42, 09–197, and 10–90. Comments may be filed using the Commission's Electronic Comment Filing System (ECFS) or by filing paper copies. *See Electronic Filing of Documents in Rulemaking Proceedings,* 63 FR 24121 (1998).

- *Electronic Filers:* Comments may be filed electronically using the Internet by accessing the ECFS: *http://fjallfoss.fcc.gov/ecfs2/.*
- *Paper Filers:* Parties who choose to file by paper must file an original and one copy of each filing.

• Filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail. All filings must be addressed to the Commission's Secretary, Office of the Secretary, Federal Communications Commission.

• All hand-delivered or messenger-delivered paper filings for the Commission's Secretary must be delivered to FCC Headquarters at 445 12th St. SW., Room TW–A325, Washington, DC 20554. The filing hours are 8:00 a.m. to 7:00 p.m. All hand deliveries must be held together with rubber bands or fasteners. Any envelopes and boxes must be disposed of *before* entering the building.

• Commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail) must be sent to 9300 East Hampton Drive, Capitol Heights, MD 20743.

• U.S. Postal Service first-class, Express, and Priority mail must be addressed to 445 12th Street SW., Washington, DC 20554.

220. *People with Disabilities.* To request materials in accessible formats for people with disabilities (braille, large print, electronic files, audio format), send an email to *fcc504@fcc.gov* or call the Consumer & Governmental Affairs Bureau at 202–418–0530 (voice), 202–418–0432 (tty).

221. In addition, one copy of each paper filing must be sent to each of the following: (1) The Commission's duplicating contractor, Best Copy and Printing, Inc., 445 12th Street SW., Room CY–B402, Washington, DC 20554; Web site: *www.bcpiweb.com;* phone: (800) 378–3160; (2) Jonathan Lechter, Telecommunications Access Policy Division, Wireline Competition Bureau, 445 12th Street SW., Room 5–B442, Washington, DC 20554; email: *Jonathan.Lechter@fcc.gov;* and (3) Charles Tyler, Telecommunications Access Policy Division, Wireline Competition Bureau, 445 12th Street SW., Room 5–A452, Washington, DC 20554; email: *Charles.Tyler@fcc.gov.*

222. Filing and comments are also available for public inspection and copying during regular business hours at the FCC Reference Information Center, Portals II, 445 12th Street SW., Room CY–A257, Washington, DC 20554. Copies may also be purchased from the Commission's duplicating contractor, BCPI, 445 12th Street SW., Room CY–B402, Washington, DC 20554. Customers may contact BCPI through its Web site: *www.bcpi.com,* by email at *fcc@bcpiweb.com,* by telephone at (202) 488–5300 or (800) 378–3160 or by facsimile at (202) 488–5563.

223. Comments and reply comments must include a short and concise summary of the substantive arguments raised in the pleading. Comments and reply comments must also comply with section 1.49 and all other applicable sections of the Commission's rules. All interested parties must include the name of the filing party and the date of the filing on each page of their comments and reply comments. All parties are encouraged to utilize a table of contents, regardless of the length of their submission. The Commission also strongly encourages parties to track the organization set forth in the Second FNPRM in order to facilitate the Commission's internal review process.

224. For additional information on this proceeding, contact Jonathan Lechter at (202) 418–7387 in the Telecommunications Access Policy Division, Wireline Competition Bureau.

I. Need for, and Objectives of, the Proposed Rules

225. When the Commission overhauled the Lifeline program in its 2012 *Lifeline Reform Order,* it substantially strengthened protections against waste, fraud and abuse; improved program administration and accountability; improved enrollment and consumer disclosures; and took preliminary steps to modernize the Lifeline program for the 21st Century. While the Commission is pleased that the Commission's previous reforms have taken hold and sustained the integrity of the Fund, it realizes that the Commission's work is not complete. In light of the realities of the 21st Century communications marketplace, the Commission must overhaul the Lifeline program to ensure it complies with the statutory directive to provide consumers in all regions of the nation, including low-income consumers, with access to telecommunications and information services. At the same time, the Commission must ensure that adequate controls are in place as it implements any further changes to the Lifeline program to guard against waste, fraud and abuse.

226. In the Second FNPRM, the Commission therefore seeks comment on a package of potential reforms to modernize and restructure the Lifeline program. First, it proposes to establish minimum service levels for voice and broadband Lifeline service to ensure value for its USF dollars and more robust services for those low-income Americans who need them. Second, the Commission seeks to reset the Lifeline eligibility rules. Third, to encourage increased competition and innovation in the Lifeline market, the Commission seeks comment on ensuring the effectiveness of its administrative rules while also ensuring that they are not unnecessarily burdensome. Fourth, the Commission examines ways to enhance consumer protection. Finally, the Commission seeks comment on other ways to improve administration and ensure efficiency and accountability in the Lifeline program. The rules the Commission proposes in the Second FNPRM are directed at enabling the Commission to meet these goals and objectives for the Lifeline program.

J. Legal Basis

227. The legal basis for the Second FNPRM is contained in sections 1 through 4, 201–205, 254, 303(r), and 403 of the Communications Act of 1934, as amended by the Telecommunications Act of 1996, 47 U.S.C. 151 through 154, 201 through 205, 254, 303(r), and 403.

K. Description and Estimate of the Number of Small Entities To Which the Proposed Rules Will Apply

228. The RFA directs agencies to provide a description of and, where feasible, an estimate of the number of small entities that may be affected by the proposed rules, if adopted. The RFA generally defines the term ''small entity'' as having the same meaning as the terms ''small business,'' ''small organization,'' and ''small governmental jurisdiction.'' In addition, the term ''small business'' has the same meaning as the term ''small business concern'' under the Small Business Act. A small business concern is one that: (1) Is independently owned and operated; (2) is not dominant in its field of operation; and (3) satisfies any additional criteria established by the Small Business Administration (SBA). Nationwide, there are a total of approximately 28.2 million small businesses, according to the SBA. A ''small organization'' is generally ''any not-for-profit enterprise which is independently owned and operated and is not dominant in its field.''

229. Nationwide, as of 2007, there were approximately 1.6 million small organizations. The term ''small governmental jurisdiction'' is defined generally as ''governments of cities, towns, townships, villages, school districts, or special districts, with a population of less than fifty thousand.'' Census Bureau data for 2007 indicate that there were 87,476 local governmental jurisdictions in the United States. We estimate that, of this total, 84,506 entities were ''small governmental jurisdictions.'' Thus, we estimate that most governmental jurisdictions are small.

1. Wireline Providers

230. *Incumbent Local Exchange Carriers (Incumbent LECs).* Neither the Commission nor the SBA has developed a small business size standard specifically for incumbent local exchange services. The appropriate size standard under SBA rules is for the category Wired Telecommunications Carriers. Under that size standard, such a business is small if it has 1,500 or fewer employees. Census Bureau data for 2007 show that there were 3,188 firms in this category that operated for the entire year. Of this total, 3,144 had employment of 999 or fewer and 44 firms had employment of 1,000 or more. According to Commission data, 1,307 carriers reported that they were incumbent local exchange service providers. Of these 1,307 carriers, an estimated 1,006 have 1,500 or fewer employees and 301 have more than 1,500 employees. Thus under this category and the associated small business size standard, the majority of these incumbent local exchange service providers can be considered small.

231. *Competitive Local Exchange Carriers (Competitive LECs), Competitive Access Providers (CAPs), Shared-Tenant Service Providers, and Other Local Service Providers.* Neither the Commission nor the SBA has developed a small business size standard specifically for these service providers. The appropriate category for this service is the category Wired Telecommunications Carriers. Under the category of Wired Telecommunications Carriers, such a business is small if it has 1,500 or fewer employees. Census Bureau data for 2007 show that there were 3,188 firms in this category that operated for the entire year. Of this total, 3,144 had employment of 999 or fewer and 44 firms had 1,000 employees or more. Thus under this category and the associated small business size standard, the majority of these Competitive LECs, CAPs, Shared-Tenant Service Providers, and Other Local Service Providers can be considered small entities. According to Commission data, 1,442 carriers reported that they were engaged in the provision of either competitive local exchange services or competitive access provider services. Of these 1,442 carriers, an estimated 1,256 have 1,500 or fewer employees and 186 have more than 1,500 employees. In addition, 17 carriers have reported that they are Shared-Tenant Service Providers, and all 17 are estimated to have 1,500 or fewer employees. In addition, 72 carriers have reported that they are Other Local Service Providers, seventy of which have 1,500 or fewer employees and two have more than 1,500 employees. Consequently, the Commission estimates that most providers of competitive local exchange service, competitive access providers, Shared-Tenant Service Providers, and Other Local Service Providers are small entities that may be affected by rules adopted pursuant to the Notice.

232. *Interexchange Carriers.* Neither the Commission nor the SBA has developed a small business size standard specifically for providers of interexchange services. The appropriate category for Interexchange Carriers is the category Wired Telecommunications Carriers. Under that size standard, such a business is small if it has 1,500 or fewer employees. Census Bureau data for 2007, which now supersede data from the 2002 Census, show that there were 3,188 firms in this category that operated for the entire year. Of this total, 3,144 had employment of 999 or fewer, and 44 firms had had employment of 1,000 employees or more. Thus under this category and the associated small business size standard, the majority of these Interexchange carriers can be considered small entities. According to Commission data, 359 companies reported that their primary telecommunications service activity was the provision of interexchange services. Of these 359 companies, an estimated 317 have 1,500 or fewer employees and 42 have more than 1,500 employees. Consequently, the Commission estimates that the majority of interexchange service providers are small entities that may be affected by rules adopted pursuant to the Notice.

233. *Operator Service Providers (OSPs).* Neither the Commission nor the SBA has developed a small business size standard specifically for operator service providers. The appropriate category for Operator Service Providers is the category Wired Telecommunications Carriers. Under that size standard, such a business is small if it has 1,500 or fewer employees. Under that size standard, such a business is small if it has 1,500 or fewer employees. Census Bureau data for 2007 show that there were 3,188 firms in this category that operated for the entire year. Of the total, 3,144 had employment of 999 or fewer, and 44 firms had had employment of 1,000 employees or more. Thus under this category and the associated small business size standard, the majority of these interexchange carriers can be considered small entities. According to Commission data, 33 carriers have reported that they are engaged in the provision of operator services. Of these, an estimated 31 have 1,500 or fewer employees and 2 have more than 1,500 employees. Consequently, the Commission estimates that the majority of OSPs are small entities that may be affected by the Commission's proposed action.

234. *Local Resellers.* The SBA has developed a small business size standard for the category of Telecommunications Resellers. Under that size standard, such a business is small if it has 1,500 or fewer employees. Census data for 2007 show that 1,523 firms provided resale services during that year. Of that number, 1,522 operated with fewer than 1000 employees and one operated with more than 1,000. Thus under this category and the associated small business size standard, the majority of these local resellers can be considered small entities. According to Commission data, 213 carriers have reported that they are engaged in the provision of local resale services. Of these, an estimated 211 have 1,500 or fewer employees and two have more than 1,500 employees. Consequently, the Commission estimates that the majority of local resellers are small entities that may be affected by rules adopted pursuant to the Notice.

235. *Toll Resellers.* The SBA has developed a small business size standard for the category of Telecommunications Resellers. Under that size standard, such a business is small if it has 1,500 or fewer employees. Census data for 2007 show that 1,523 firms provided resale services during that year. Of that number, 1,522 operated with fewer than 1000 employees and one operated with more than 1,000. Thus under this category and the associated small business size standard, the majority of these resellers can be considered small entities. According to Commission data, 881 carriers have reported that they are engaged in the provision of toll resale services. Of these, an estimated 857 have 1,500 or fewer employees and 24 have more than 1,500 employees. Consequently, the Commission estimates that the majority of toll resellers are small entities that may be affected by the Commission's action.

236. *Pre-paid Calling Card Providers.* Neither the Commission nor the SBA has developed a small business size standard specifically for pre-paid calling card providers. The appropriate size standard under SBA rules is for the category Telecommunications Resellers. Under that size standard, such a business is small if it has 1,500 or fewer employees. Census data for 2007 show

that 1,523 firms provided resale services during that year. Of that number, 1,522 operated with fewer than 1000 employees and one operated with more than 1,000. Thus under this category and the associated small business size standard, the majority of these pre-paid calling card providers can be considered small entities. According to Commission data, 193 carriers have reported that they are engaged in the provision of pre-paid calling cards. Of these, an estimated all 193 have 1,500 or fewer employees and none have more than 1,500 employees. Consequently, the Commission estimates that the majority of pre-paid calling card providers are small entities that may be affected by rules adopted pursuant to the Notice.

237. *800 and 800-Like Service Subscribers.* Neither the Commission nor the SBA has developed a small business size standard specifically for 800 and 800-like service (''toll free'') subscribers. The appropriate category for these services is the category Telecommunications Resellers. Under that category and corresponding size standard, such a business is small if it has 1,500 or fewer employees. Census data for 2007 show that 1,523 firms provided resale services during that year. Of that number, 1,522 operated with fewer than 1000 employees and one operated with more than 1,000. Thus under this category and the associated small business size standard, the majority of resellers in this classification can be considered small entities. To focus specifically on the number of subscribers than on those firms which make subscription service available, the most reliable source of information regarding the number of these service subscribers appears to be data the Commission collects on the 800, 888, 877, and 866 numbers in use. According to the Commission's data, as of September 2009, the number of 800 numbers assigned was 7,860,000; the number of 888 numbers assigned was 5,888,687; the number of 877 numbers assigned was 4,721,866; and the number of 866 numbers assigned was 7,867,736. The Commission does not have data specifying the number of these subscribers that are not independently owned and operated or have more than 1,500 employees, and thus are unable at this time to estimate with greater precision the number of toll free subscribers that would qualify as small businesses under the SBA size standard. Consequently, the Commission estimates that there are 7,860,000 or fewer small entity 800 subscribers; 5,888,687 or fewer small entity 888 subscribers; 4,721,866 or fewer small entity 877 subscribers; and 7,867,736 or fewer small entity 866 subscribers. We do not believe 800 and 800-Like Service Subscribers will be affected by the Commission's proposed rules, however we choose to include this category and seek comment on whether there will be an effect on small entities within this category.

2. Wireless Carriers and Service Providers

238. *Wireless Telecommunications Carriers (except Satellite).* This industry comprises establishments engaged in operating and maintaining switching and transmission facilities to provide communications via the airwaves. Establishments in this industry have spectrum licenses and provide services using that spectrum, such as cellular phone services, paging services, wireless Internet access, and wireless video services. The appropriate size standard under SBA rules is for the category Wireless Telecommunications Carriers. The size standard for that category is that a business is small if it has 1,500 or fewer employees. For this category, census data for 2007 show that there were 11,163 establishments that operated for the entire year. Of this total, 10,791 establishments had employment of 999 or fewer employees and 372 had employment of 1000 employees or more. Thus under this category and the associated small business size standard, the Commission estimates that the majority of wireless telecommunications carriers (except satellite) are small entities that may be affected by the Commission's proposed action.

239. *Wireless Communications Services.* This service can be used for fixed, mobile, radiolocation, and digital audio broadcasting satellite uses. The Commission defined ''small business'' for the wireless communications services auction as an entity with average gross revenues of $40 million for each of the three preceding years, and a ''very small business'' as an entity with average gross revenues of $15 million for each of the three preceding years. The SBA has approved these definitions. The Commission auctioned geographic area licenses in the WCS service. In the auction, which commenced on April 15, 1997 and closed on April 25, 1997, seven bidders won 31 licenses that qualified as very small business entities, and one bidder won one license that qualified as a small business entity.

240. *Satellite Telecommunications Providers.* Two economic census categories address the satellite industry. The first category has a small business size standard of $32.5 million or less in average annual receipts, under SBA rules. The second has a size standard of $32.5 million or less in annual receipts.

241. The category of *Satellite Telecommunications* ''comprises establishments primarily engaged in providing telecommunications services to other establishments in the telecommunications and broadcasting industries by forwarding and receiving communications signals via a system of satellites or reselling satellite telecommunications.'' Census Bureau data for 2007 show that 512 Satellite Telecommunications firms that operated for that entire year. Of this total, 464 firms had annual receipts of under $10 million, and 18 firms had receipts of $10 million to $24,999,999. Consequently, the Commission estimates that the majority of Satellite Telecommunications firms are small entities that might be affected by the Commission's action.

242. The second category, *i.e.* ''All Other Telecommunications'' comprises ''establishments primarily engaged in providing specialized telecommunications services, such as satellite tracking, communications telemetry, and radar station operation. This industry also includes establishments primarily engaged in providing satellite terminal stations and associated facilities connected with one or more terrestrial systems and capable of transmitting telecommunications to, and receiving telecommunications from, satellite systems. Establishments providing Internet services or voice over Internet protocol (VoIP) services via client-supplied telecommunications connections are also included in this industry.'' The SBA has developed a small business size standard for All Other Telecommunications, which consists of all such firms with gross annual receipts of $32.5 million or less. For this category, Census Bureau data for 2007 show that there were a total of 2,383 firms that operated for the entire year. Of this total, 2,347 firms had annual receipts of under $25 million and 12 firms had annual receipts of $25 million to $49,999,999. Consequently, the Commission estimates that the majority of All Other Telecommunications firms are small entities that might be affected by the Commission's action.

243. *Common Carrier Paging.* As noted, since 2007 the Census Bureau has placed paging providers within the broad economic census category of Wireless Telecommunications Carriers (except Satellite).

244. In addition, in the *Paging Second Report and Order,* the Commission

adopted a size standard for ''small businesses'' for purposes of determining their eligibility for special provisions such as bidding credits and installment payments. A small business is an entity that, together with its affiliates and controlling principals, has average gross revenues not exceeding $15 million for the preceding three years. The SBA has approved this definition. An initial auction of Metropolitan Economic Area (''MEA'') licenses was conducted in the year 2000. Of the 2,499 licenses auctioned, 985 were sold. Fifty-seven companies claiming small business status won 440 licenses. A subsequent auction of MEA and Economic Area (''EA'') licenses was held in the year 2001. Of the 15,514 licenses auctioned, 5,323 were sold. One hundred thirty-two companies claiming small business status purchased 3,724 licenses. A third auction, consisting of 8,874 licenses in each of 175 EAs and 1,328 licenses in all but three of the 51 MEAs, was held in 2003. Seventy-seven bidders claiming small or very small business status won 2,093 licenses.

245. Currently, there are approximately 74,000 Common Carrier Paging licenses. According to the most recent Trends in Telephone Service, 291 carriers reported that they were engaged in the provision of ''paging and messaging'' services. Of these, an estimated 289 have 1,500 or fewer employees and two have more than 1,500 employees. We estimate that the majority of common carrier paging providers would qualify as small entities under the SBA definition.

246. *Wireless Telephony.* Wireless telephony includes cellular, personal communications services, and specialized mobile radio telephony carriers. As noted, the SBA has developed a small business size standard for Wireless Telecommunications Carriers (except Satellite). Under the SBA small business size standard, a business is small if it has 1,500 or fewer employees. According to the 2010 Trends Report, 413 carriers reported that they were engaged in wireless telephony. Of these, an estimated 261 have 1,500 or fewer employees and 152 have more than 1,500 employees. We have estimated that 261 of these are small under the SBA small business size standard.

3. Internet Service Providers

247. The 2007 Economic Census places these firms, whose services might include voice over Internet protocol (VoIP), in either of two categories, depending on whether the service is provided over the provider's own telecommunications facilities (*e.g.,* cable and DSL ISPs), or over client-supplied telecommunications connections (*e.g.,* dial-up ISPs). The former are within the category of Wired Telecommunications Carriers, which has an SBA small business size standard of 1,500 or fewer employees. The latter are within the category of All Other Telecommunications, which has a size standard of annual receipts of $32.5 million or less.

L. Description of Projected Reporting, Recordkeeping, and Other Compliance Requirements for Small Entities

248. In this Second FNPRM, we propose and seek public input on new and additional solutions for the Lifeline program, including reforms that would bring the program closer to its core purpose and promote the availability of modern services for low-income families. The rules we propose in this Second FNPRM are directed at enabling us to meet the Commission's goals and objectives for the Lifeline program. Specifically, the Commission seeks comment on a number of proposed changes that would increase the economic burdens on small entities. These proposed changes include:

249. *Eligibility documentation.* In the *2012 Lifeline Reform Order,* the Commission adopted measures to verify a low-income consumer's eligibility for Lifeline supported services and required Lifeline providers to confirm an applicant's eligibility prior to enrolling the applicant in the Lifeline Program. However, program eligibility documentation may not contain sufficient information to tie the documentation to the identity of the prospective subscriber and often does not include a photograph. In this Second FNPRM, the Commission seeks comment on requiring Lifeline providers to obtain additional information to verify that the eligibility documentation being presented by the consumer is valid and has not expired.

250. *Use of National Lifeline Accountability Database (NLAD) for reimbursement.* In this Second NPRM, the Commission seeks comment on whether the Commission should establish a national Lifeline eligibility verifier (national verifier) to make eligibility determinations and perform other functions related to the Lifeline program. As part of the proposed functions of the national verifier, the Commission seeks comment on using the national verifier to calculate ETCs' support.

251. *Reforms to Increase Efficient Administration of the Lifeline Program.* As part of this Second FNPRM, the Commission seeks comment on a number of reforms to increase the efficient administration if the program, including requiring an officer of an ETC to certify that individuals taking part in the ETC's enrollment and recertification processes have received training, and requiring Lifeline providers to record the subscriber execution date.

M. Steps Taken To Minimize the Significant Economic Impact on Small Entities, and Significant Alternatives Considered

252. The RFA requires an agency to describe any significant, specifically small business, alternatives that it has considered in reaching its proposed approach, which may include the following four alternatives (among others): ''(1) the establishment of differing compliance or reporting requirements or timetables that take into account the resources available to small entities; (2) the clarification, consolidation, or simplification of compliance and reporting requirements under the rule for such small entities; (3) the use of performance rather than design standards; and (4) an exemption from coverage of the rule, or any part thereof, for such small entities.''

253. As indicated above, in the Second FNPRM, while the Commission seeks comment on several proposed changes that would increase the economic burdens on small entities, it also proposes a number of changes that would lessen the economic impact on small entities. In those instances in which a proposed change would increase burdens on small entities, the Commission has determined that the benefits from such changes outweigh the increased burdens on small entities.

4. Proposed Changes That Lessen Economic Impact on Small Entities

254. *National Lifeline eligibility verifier.* The Commission's proposal to remove the responsibility of conducting the eligibility determination from the ETC and shift this responsibility to a trusted third-party lessens the recordkeeping and compliance burden on small entities by relieving them of the obligation to conduct eligibility determinations.

255. *Coordinated enrollment with other federal and state agencies.* The Commission's proposal to coordinate enrollment with other government benefit programs that qualify low-income consumers, thus allowing consumers to enroll themselves, lessens the recordkeeping and compliance burden on small entities by shifting this responsibility to the low-income consumer along with other government benefit programs.

256. *New FCC Forms.* The Commission's proposal to adopt standardized FCC Forms that all ETCs, where applicable, must use in order to certify a consumers' eligibility for Lifeline benefits will decrease burdens on small entities, increase compliance with the Commission's rules, and facilitate administration of the Lifeline program.

257. *Use of National Lifeline Accountability Database (NLAD) for reimbursement.* In the long-term, the Commission's proposal to transition to a process where the NLAD is used to calculate ETCs' support will ultimately reduce the burden on small entities, because they will no longer have to file the FCC Form 497 (Lifeline Worksheet).

258. *First-year ETC audits.* The Commission's proposal to revise its rules to allow the Office of Managing Director to determine if a Lifeline provider should be audited within the first year of receiving Lifeline benefits in the state in which it was granted ETC status, rather than requiring all first-year Lifeline providers to undergo an audit within the first year of receiving Lifeline benefits, will minimize the burden on a substantial number of small entities to respond to requests for information as part of an audit.

5. Proposed Changes That Increase Economic Impact on Small Entities

259. *Eligibility documentation.* The Commission's proposal to require ETCs to obtain additional information in certain instances to verify that the eligibility documentation being presented by the consumer is valid increases the recordkeeping burden on small entities. Such proposal, however, supports the Commission's objective to eliminate waste, fraud, and abuse in the Lifeline program.

260. *Use of National Lifeline Accountability Database (NLAD) for reimbursement.* The Commission's proposal to transition to a process where the NLAD is used to calculate ETCs' support may initially increase the burden upon small entities to change the way in which they calculate support payments. However, the Commission proposes a transition period to ensure that entities and USAC have time to put in place the necessary systems and processes.

261. *Compliance burdens.* Implementing any of the Commission's proposed rules (*e.g.,* requiring an officer of an ETC to certify that individuals taking part in the ETC's enrollment and recertification processes have received training, and requiring Lifeline providers to record the subscriber execution date) would impose some burden on small entities by requiring them to make such certifications and entries on FCC forms, and requiring them to become familiar with the new rules to comply with them. For many of proposed the rules, there is a minimal burden. Thus, these new requirements should not require small businesses to seek outside assistance to comply with the Commission's rule but rather are more routine in nature as part of normal business processes. The importance of bringing the Lifeline program closer to its core purpose and promoting the availability of modern services for low-income families, however, outweighs the minimal burden requiring small entities to comply with the new rules would impose.

N. Federal Rules That May Duplicate, Overlap, or Conflict With the Proposed Rules

262. None

O. Ex Parte Presentations

263. *Permit-But-Disclose.* The proceeding the Second FNPRM initiates shall be treated as a ''permit-but-disclose'' proceeding in accordance with the Commission's *ex parte* rules. Persons making *ex parte* presentations must file a copy of any written presentation or a memorandum summarizing any oral presentation within two business days after the presentation (unless a different deadline applicable to the Sunshine period applies). Persons making oral *ex parte* presentations are reminded that memoranda summarizing the presentation must (1) list all persons attending or otherwise participating in the meeting at which the *ex parte* presentation was made, and (2) summarize all data presented and arguments made during the presentation. If the presentation consisted in whole or in part of the presentation of data or arguments already reflected in the presenter's written comments, memoranda, or other filings in the proceeding, the presenter may provide citations to such data or arguments in his or her prior comments, memoranda, or other filings (specifying the relevant page and/or paragraph numbers where such data or arguments can be found) in lieu of summarizing them in the memorandum. Documents shown or given to Commission staff during *ex parte* meetings are deemed to be written *ex parte* presentations and must be filed consistent with rule 1.1206(b). In proceedings governed by rule 1.49(f) or for which the Commission has made available a method of electronic filing, written *ex parte* presentations and memoranda summarizing oral *ex parte* presentations, and all attachments thereto, must be filed through the electronic comment filing system available for that proceeding, and must be filed in their native format (*e.g.,* .doc, .xml, .ppt, searchable .pdf). Participants in this proceeding should familiarize themselves with the Commission's *ex parte* rules.

List of Subjects in 47 CFR Part 54

Communications common carriers, Reporting and recordkeeping requirements, Telecommunications, Telephone.

Federal Communications Commission.

Marlene H. Dortch,

Secretary.

For the reasons discussed in the preamble, the Federal Communications Commission proposes to amend 47 CFR part 54 as follows:

PART 54—UNIVERSAL SERVICE

■ 1. The authority citation for part 54 continues to read as follows:

Authority: 47 U.S.C. 151, 154(i), 155, 201, 205, 214, 219, 220, 254, 303(r), 403, and 1302 unless otherwise noted.

■ 2. Amend § 54.101 by revising paragraph (a) to read as follows:

§ 54.101 Supported services for rural, insular and high cost areas.

(a) *Services designated for support.* Voice Telephony services and broadband Internet access services shall be supported by federal universal service support mechanisms. 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 services to qualifying low-income consumers as provided in subpart E of this part.

* * * * *

■ 3. Amend § 54.400 by adding and reserving paragraph (k); and adding paragraphs (l) and (m) to read as follows:

§ 54.400 Terms and definitions.

* * * * *

(l) *Broadband Internet access service.* Broadband Internet access service is defined as a mass-market retail service by wire or radio that provides the

capability to transmit data to and receive data from all or substantially all Internet endpoints, including any capabilities that are incidental to and enable the operation of the communications service, but excluding dial-up service.

(m) *Supported services.* Voice Telephony services and broadband Internet access services are supported services for the Lifeline program.

■ 4. Amend § 54.401 by revising paragraphs (a)(2) and (b) to read as follows:

§ 54.401 Lifeline defined.

(a) * * *

(2) That provides qualifying low-income consumers with Voice Telephony service or broadband Internet access service as defined in § 54.400(l). Toll limitation service does not need to be offered for any Lifeline service that does not distinguish between toll and non-toll calls in the pricing of the service. If an eligible telecommunications carrier charges Lifeline subscribers a fee for toll calls that is in addition to the per month or per billing cycle price of the subscribers' Lifeline service, the carrier must offer toll limitation service at no charge to its subscribers as part of its Lifeline service offering.

(b) Eligible telecommunications carriers may allow qualifying low-income consumers to apply Lifeline discounts to any residential service plan that includes Voice Telephony service or broadband Internet access service, including bundled packages of both voice and broadband Internet access services; and plans that include optional calling features such as, but not limited to, caller identification, call waiting, voicemail, and three-way calling. Eligible telecommunications carriers may also permit qualifying low-income consumers to apply their Lifeline discount to family shared calling plans.

* * * * *

■ 5. Amend § 54.405 by revising paragraph (e)(1) and adding paragraph (e)(5) to read as follows:

§ 54.405 Carrier obligation to offer Lifeline.

* * * * *

(e) * * *

(1) *De-enrollment generally.* If an eligible telecommunications carrier has a reasonable basis to believe that a Lifeline subscriber no longer meets the criteria to be considered a qualifying low-income consumer under § 54.409, the carrier must notify the subscriber of impending termination of his or her Lifeline service. Notification of impending termination must be sent in writing separate from the subscriber's monthly bill, if one is provided, and must be written in clear, easily understood language. A carrier providing Lifeline service in a state that has dispute resolution procedures applicable to Lifeline termination, that requires, at a minimum, written notification of impending termination, must comply with the applicable state requirements. The carrier must allow a subscriber 30 days following the date of the impending termination letter required to demonstrate continued eligibility. A subscriber making such a demonstration must present proof of continued eligibility to the carrier consistent with applicable annual re-certification requirements, as described in § 54.410(f). An eligible telecommunications carrier must de-enroll any subscriber who fails to demonstrate continued eligibility within five business days after the expiration of the subscriber's time to respond. A carrier providing Lifeline service in a state that has dispute resolution procedures applicable to Lifeline termination must comply with the applicable state requirements.

* * * * *

(5) *De-enrollment requested by subscriber.* If an eligible telecommunications carrier receives a request from a subscriber to de-enroll, it must de-enroll the subscriber within two business days after the request.

■ 6. Amend § 54.407 by revising paragraph (a), by adding paragraph (c)(2)(v), and by revising paragraph (d) to read as follows:

§ 54.407 Reimbursement for offering Lifeline.

(a) Universal service support for providing Lifeline shall be provided directly to an eligible telecommunications carrier based on the number of actual qualifying low-income customers it serves directly as of the first day of the month in the NLAD.

* * * * *

(c) * * *

(2) * * *

(v) Sending a text message.

(d) In order to receive universal service support reimbursement, an officer of each eligible telecommunications carrier must certify, as part of each request for reimbursement, that:

(1) The ETC is in compliance with all of the rules in this subpart;

(2) The ETC has obtained valid certification and recertification forms to the extent required under this subpart for each of the subscribers for whom it is seeking reimbursement; and

(3) The ETC has provided sufficient training on all of the rules in this subpart to all individuals who interact with consumers during enrollment, recertification, or consumer information calls.

* * * * *

■ 7. Amend § 54.410 by revising paragraphs (d) introductory text, (d)(1) introductory text, (d)(2) introductory text, and by adding paragraph (d)(2)(ix) and by revising paragraphs (d)(3) introductory text, (f)(1), (f)(2)(iii), (f)(3)(iii), and by adding paragraph (h) to read as follows:

§ 54.410 Subscriber eligibility determination and certification.

* * * * *

(d) *FCC Form [XXX] Certification of Eligibility.* Eligible telecommunications carriers and state Lifeline administrators or other state agencies that are responsible for the initial determination of a subscriber's eligibility for Lifeline must use FCC Form [XXX] to enroll a qualifying low-income consumer into the Lifeline program.

(1) The FCC Form [XXX] shall provide the following information in clear, easily understood language:

* * * * *

(2) The FCC Form [XXX] shall require each prospective subscriber to provide the following information:

* * * * *

(ix) The date on which the certification form was executed.

(3) The FCC Form [XXX] shall require each prospective subscriber to initial his or her acknowledgement of each of the following certifications individually and under penalty of perjury:

* * * * *

(f) * * *

(1) All eligible telecommunications carriers must annually re-certify all subscribers using FCC Form [XXX], except for subscribers in states where a state Lifeline administrator or other state agency is responsible for re-certification of subscribers' Lifeline eligibility.

(2) * * *

(iii) Obtaining a signed certification from the subscriber on the FCC Form [XXX] that meets the certification requirements in paragraph (d) of this section.

(3) * * *

(iii) Obtaining a signed certification from the subscriber on the FCC Form [XXX] that meets the certification requirements in paragraph (d) of this section.

* * * * *

(h) *The FCC Form [XXX] One-Per-Household Worksheet.* The prospective subscriber will complete the FCC Form [XXX] One-Per-Household Worksheet

upon initial enrollment. At re-certification, if there are changes to the subscriber's household that would prevent the subscriber from accurately certifying to paragraph (d)(3)(vi) of this section (that is, that the subscriber's household will receive only one Lifeline service and to the best of his or her knowledge, the subscriber's household is not already receiving Lifeline service), then the subscriber must complete a One-Per-Household Worksheet.

■ 8. Amend § 54.420 by revising paragraph (b) to read as follows:

§ 54.420 Low income program audits.

* * * * *

(b) *Audit requirements for new eligible telecommunications carriers.* After a company is designated for the first time in any state or territory, the Administrator will audit that new eligible telecommunications carrier to assess its overall compliance with the rules in this subpart and the company's internal controls regarding these regulatory requirements. This audit should be conducted within the carrier's first twelve months of seeking federal low-income Universal Service Fund support, unless otherwise determined by the Office of Managing Director.

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