Before the United States House of Representatives
Committee on Energy and Commerce
Subcommittee on Communications and Technology

"The Lifeline Fund: Money Well Spent?"

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Summary

The Lifeline Program successfully implements the Telecommunications Act's goal of ensuring that "consumers in all regions of the Nation, including low-income consumers…have access to telecommunications and information services… that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas."

Rural telecom providers are proud to play a prominent role in delivering Lifeline service to qualified low-income consumers.

The Lifeline Program has suffered from exponential growth in recent years which almost entirely is attributable to an influx of prepaid wireless providers providing free wireless service. Lifeline support grew from $800 million to $2.2 billion in just a few years, while finding in other programs remained relatively flat. Similarly, the number of wireless providers grew from 41 in 2004 to nearly 700 today. Continued growth in the Lifeline Program could jeopardize the integrity of universal service in general, including vital support for our nation's schools and libraries, rural health care providers and high cost rural broadband investment.

MTA commends the FCC for implementing a number of substantial and effective reforms last year under the *Lifeline Reform Order*, which aimed at curtailing waste, fraud and abuse in the Lifeline Program.

Despite the savings achieved by FCC's reforms, there is reason to believe that the savings may bottom out in the near future, and the Lifeline Program may return to a pattern of continued growth. Most of the *Lifeline Reform Order's* savings have been implemented. Moreover, the level of support for prepaid wireless providers—combined with a waiver of facilities-based service—appears to create financial incentives for continued entry of prepaid wireless providers into the Lifeline "market."

MTA suggests that more can be done to optimize efficiencies in the Lifeline Program:

- The Lifeline Program is the only universal service program that has not been put on a budget. It's time to put the program on a budget.

- The Lifeline funding mechanism resembles the "identical support" mechanism in the High Cost Program, which the FCC has eliminated because high-cost identical support "bears no relation to the efficient cost of providing mobile voice service." Thus, MTA recommends that Lifeline support for prepaid wireless providers should be cost-based. Alternatively, the FCC could establish a benchmark support level of $3 for prepaid wireless providers, and wireless providers could provide to the FCC cost data demonstrating why $3 is insufficient.

MTA's recommendations could save the Lifeline Program as much as $1 billion while serving the same number of qualified low-income consumers. Or, if the program were capped at today's level, MTA's recommendation would provide room for considerable future growth in low-income subscribership.

I. Introduction

MR. CHAIRMAN and members of the Committee, it is an honor to be invited to testify before you today. My name is Geoff Feiss, and I am the General Manager of the Montana Telecommunications Association (MTA), which represents small and large, commercial and cooperative, national and local incumbent telecommunications providers serving commercial and residential consumers of Montana with a full spectrum of advanced telecommunications services. Montana's rural telecom providers employ over 1,000 Montanans and have deployed over 20,000 miles of fiber optic facilities in the state to deliver advanced telecommunications services in many cases to as much as 100% of their consumers—in a state where the *average* number of households per square mile is less than four.

I am also a member of the board of directors of the Universal Service Administrative Company (USAC), which administers the federal universal service program, including Lifeline. (Please note, however, that I am testifying today in behalf of MTA, and not USAC.)

It is my pleasure to discuss the federal universal service Low Income Program, otherwise known as the Lifeline Program. All of MTA's members are proud to offer Lifeline service to qualified low-income consumers, including Tribal members, in Montana. The Lifeline Program continues to facilitate valuable access to vital telecommunications services for to low-income consumers. MTA and it members fully embrace the benefits of the Lifeline Program and its foundation in the principles of Universal Service as provided in the Telecommunications Act of 1996:

> Consumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services…that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas. 47 U.S.C. §254. (Emphasis added.)

While MTA fully supports the policy and principles underlying the Lifeline Program, we are concerned that despite recent reforms implemented by the Federal Communications Commission (FCC), additional efficiencies can be attained to preserve scarce universal service resources. If the Lifeline Program returns to it's recent growth pattern, it could undermine the integrity of the universal service fund in general, including the Rural Health Care Program, the Schools and Libraries Program and the High Cost Program.

The Lifeline Program is the only universal service program that has no budget. The Rural Health Care Program is limited to $400 million annually; the Schools and Libraries Program is budgeted at $2.25 billion, with an inflation adjustment that puts it at $2.33 billion;[1] and High Cost at $4.5 billion. When the FCC released the *Lifeline Reform Order* last year (1/31/12), commissioners stated that the Commission would take a look in early 2013 to see how and whether the reforms adopted by the *Order* affected the program and would put the program on a budget at that time.

> After evaluating the impact of today's fundamental overhaul of the program and addressing key issues teed up in the Further Notice of Proposed Rulemaking, including the appropriate monthly support amount, the Commission will be in a position to adopt a budget for the program in early 2013.[2] (Emphasis added.)

It's time to put the Lifeline Program on a budget and make sure that recent reforms in fact keep futuregrowth in the program checked. MTA offers several recommendations in this regard.

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[1] Annualized, based on $583.81 2Q13 USAC demand projection.

[2] Statement of FCC Chairman, Julius Genachowski. *Lifeline Reform Order*, FCC 12-11. Rel. February 6, 2012. p.288.

II. Background:

The dramatic growth of the Lifeline fund is well documented. The Lifeline Program "hovered" between $600 and $800 million annually from 1996 to 2004. Then prepaid wireless providers discovered the mechanism and flooded the market, in what Sen. McCaskill describes as the "wireless explosion." As of the beginning of 2013, the program spent $2.2 billion.

In 2004, there were 41 competitive (i.e., non-incumbent) Lifeline providers. Today there are nearly 700. Of the total Lifeline support disbursed in 1Q13, nearly 80% (or $1.45 billon) went to wireless providers, many of whom own no facilities and do little more than market resold services and handsets to consumers. While the rate of growth of Lifeline funding and new wireless providers entering the market appears at least temporarily to be slowing, the FCC and states continue to approve new Lifeline-only applications for designation as "eligible telecommunications providers" (ETCs), which enables them to receive Lifeline support. To my knowledge, no application for Lifeline-only ETC designation has been denied anywhere in the U.S. Thus, the door to the Lifeline program is hardly closed, and it appears that many new wireless providers clearly continue to see value in rushing through it. Moreover, the FCC has waived study area and facilities requirements that apply to all other ETCs; this is why it is that most of these Lifeline-only ETCs can merely resell existing service. In other words, prepaid wireless ETCs do not deploy any new telecommunications infrastructure, contrary to the FCC's intention to transform universal serve into a broadband deployment program.

From a "demand" perspective, growth of the Lifeline program since 2008 has been the most significant source of growth in the universal service contribution factor, which is 15.5% as of 2Q13. That means that most consumers are paying a fee of 15.5% of their long distance (interstate) telecom bills. The good news is that the current contribution factor is down from 16.1% in the previous quarter (1Q13); and that is down even further from an all-time high of 17.9% in 1Q12, just prior to the FCC's *Lifeline Reform Order* reforms.

The bad news is that the contribution factor is 15.5%. As noted above, the reason, from a demand perspective, that the contribution factor remains high is almost entirely attributable to the demands of Lifeline program, since the other components of universal service have been relatively flat, if not declining. (The other primary reason for growth in the factor is the declining base of interstate telecommunications revenues, which is why contribution reform is another important, but lingering, issue that needs to be addressed.)

While the FCC's Lifeline Reform Order successfully has achieved substantial savings in the Lifeline Program, there are reasons to be concerned that the Lifeline Program will return to a pattern of growth, which threatens to put increasing pressure on the Universal Service Fund. Further reform, therefore, is necessary.

The FCC announced earlier this year that its *Reform Order* resulted in "savings" of $213 million by year-end 2012.[3] This is true, to an extent. These savings "reduce" the Lifeline fund to $2.2 billion from $2.4 billion. For example, the *Lifeline Reform Order* eliminated the Link-up program, except for Tribal low-income consumers. The Link-up program subsidizes the cost of installing service. It was growing exponentially. Link-up support demand (the amount given to Lifeline providers) had doubled in four quarters from $23.51 million in 3Q11 to $46.11 million in 2Q12. The FCC even questioned whether some Lifeline providers were charging the Lifeline Program for Link-up support for installation charges that they would not otherwise have charged consumers but for the subsidy they could receive from the Lifeline Program.[4] By eliminating Link-up support for all but Tribal consumers, the demand for Link-up support plummeted from a high of $46.11 million in 2Q12 to $0.23 million in 4Q12.[5]

Similarly, the Commission launched an in-depth data validation (IDV) initiative in 2011 with USAC to identify and eliminate duplicate support, whereby consumers receive Lifeline-supported service from more than one provider. The IDV initiative—which continues today—has identified an average of 10% of all Lifeline subscribers as duplicate subscribers. Overall, the initiative is on track to save a total of over $200 million of Lifeline support.

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[3] "Wireline Competition Bureau Issues Final Report on Lifeline Program Savings Target. WC Docket No. 11-42. DA13-130. Rel. January, 31, 2013.

[4] See discussion of the Link-Up Program in the FCC's *Lifeline Reform Order* (FCC 12-11, Rel. Feb. 6, 2012) ¶¶ 240-254. For example, "Providing support for half of a 'customary' charge up to a flat $30 amount creates incentives for carriers to set their customary charge at $60 in order to maximize their draw from the program…" (¶247.)

[5] $0.05 million in 1Q13. $0.18 million in 2Q13.

The *Lifeline Reform Order* also required all Lifeline providers to re-certify 100% of their Lifeline subscribers by the end of 2012. As a result of the recertification process, some Lifeline providers de-enrolled as many as 50% of their Lifeline subscribers by the end of 2012.[6] USAC does not yet have data verifying or refuting how many of the de-enrolled subscribers will have in fact re-enrolled in 2013, but it appears that the recertification process overall may result in a 29% overall de-enrollment of Lifeline subscribers. At least some of the de-enrolled subscribers may re-enroll in 2013. In other words, the year-end 2012 "snapshot" of savings attributable to decertification may be inflated.

Further, the *Lifeline Reform Order's* "one-per-household" rule has yet to be fully implemented. One can expect additional savings to be attained upon implementation of this rule this year.

By and large, however, the savings that the *Lifeline Reform Order* aimed at attaining largely have been attained. That is, the savings have mostly "bottomed out." It is more likely that the "dip" in the growth of Lifeline support is going to reach is low water mark in 2013, and then begin to climb again.

A number of factors point to the potential for returned growth in demand on the Lifeline fund. For example, the *Reform Order* broadened the eligibility criteria for qualifying low-income subscribers.[7] Moreover, Lifeline support is being expanded to include broadband access. Currently, broadband expansion is a pilot program; but If the pilot program grows into a permanent feature of the Lifeline Program, one can assume further demand on the Lifeline fund. Further, only about 55% of eligible low-income consumers

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[6] Spencer Ante. "Millions Improperly Claimed U.S. Phone Subsidies. Wall Street Journal. February 11, 2013. "A review of five top recipients of Lifeline support conduced by the FCC for the Journal showed that 41% of their more than six million subscribers either couldn't demonstrate their eligibility or didn't respond to requests for certification." In Montana, as many as 50% of lifeline subscribers were de-enrolled by the end of 2012 as a result of subscribers' failure to re-certify their Lifeline eligibility.

[7] Eligibility is based on household income at or below 135% of Federal Poverty Guidelines, or participation in one of the following federal assistance programs: Medicaid; Supplemental Nutrition Assistance Program (SNAP), formerly known as Food Stamps; Supplemental Security Income (SSI); Federal Public Housing Assistance; Low-Income Home Energy Assistance Program (LIHEAP); National School Lunch Program's free lunch program; and Temporary Assistance for Needy Families (TANF). Low-income consumers living on Tribal lands may also qualify by participation in one of several additional assistance programs: Bureau of Indian Affairs general assistance; Tribally-administered TANF; or Head Start (only those meeting its income-qualifying standards).

currently are served by the Lifeline Program, according to USAC. It may be unreasonable to assume that the Lifeline Program will reach 100% of all consumers who are eligible; but it is not unreasonable to assume that there is considerable room for more growth in subscribership. Finally, there are more Lifeline-only ETC applications in the pipeline. In Montana alone, there are two such applications pending Public Service Commission designation. Given states' and the FCC's lenience in approving Lifeline-only ETC designations, there is no reason to believe that more designations are not pending approval. Indeed, the FCC encourages more ETC applications by waiving facilities and study area requirements, not to mention providing financial incentives for prepaid wireless providers to enter the market, as discussed further below.

In summary, as Sen. Claire McCaskill pointed out last month, "the FCC in early 2012 enacted reforms aimed at addressing waste, fraud and abuse in the [Lifeline] program. These efforts resulted in the program coming in $214 million under its projected cost in 2012. But, in real dollars, the program still grew from $1.75 billion in 2011 to $2.2 billion in 2012—a staggering increase of 26% in one year."[8] While the *Lifeline Reform Order* may continue to have a positive effect on diminishing the rate of growth of the Lifeline Program, the savings from the *Order* are likely to bottom out in 2013. Demand for Lifeline support is likely going to return to its former growth path. Moreover, since Lifeline is the only universal service element that is not on a budget, its growth will directly affect the contribution factor. And since the contribution base continues to shrink in the absence of substantive contributions reform, any growth in Lifeline demand necessarily will increase the contribution factor, thereby putting all universal service programs in jeopardy.

III. Recommendations

The Lifeline Program should be put on a budget, like the rest of the programs in the Universal Service Fund (Schools and Libraries, Rural Health Care, and High Cost) – none of which, again, have actually been growing to any significant degree. As noted above, the Commission indicated that it would implement a Lifeline Program budget when it adopted

[8] McCaskill Amendment #484. S.Con.Res.8. March 22, 2013.

the *Lifeline Reform Order* a year ago.[9] One option is to cap the Lifeline Program at the year-end 2012 level of $2.2 billion. As discussed below, this would be a less-than-optimal solution, as it would lock in waste and inefficiency that currently continue to affect the Lifeline Program. Alternatively, as discussed below, the Lifeline fund can be reduced from its current level by reducing the amount of support per prepaid wireless subscriber without reducing the total number of Lifeline subscribers. (I should note that I do not recommend imposing a statutory cap on the Lifeline Program or on any of the universal service programs for that matter. Rather, the FCC should be encouraged to continue exploring ways to improve efficiency in the Program while adhering to the statutory principles of universal service. In short, the FCC should have the flexibility to adjust its rules as circumstances dictate.)

In addition to the general recommendation to put the Lifeline Program on a budget, a variety of proposals has been proffered by Members of Congress. For example, Sen. Tom Coburn proposed an amendment to the FY2014 Budget Resolution to collect a $5 participation fee from the Lifeline Program's 16.5 million participations, saving over $82 million, according to his analysis.[10] "However, if the fee decreases fraud and abuse in the program by even 3%, savings could be over $127 million total," according to Sen. Coburn's statement.

There is nothing in statute or rule that mandates that Lifeline service should be free. In fact, the statute provides that Americans should have access to "comparable" service at comparable rates. Sen. Coburn's proposal therefore makes sense for a number of reasons. Assuming the participation fee were remitted back to the Lifeline fund (i.e., not to providers), it could help sustain the fund's financial viability and reduce pressure on the contribution factor. A fee would more reasonably meet the "comparable rates" provision of the Telecommunications Act. And, as Sen. Coburn noted, it "would both promote self-sufficiency and root out rampant waste, fraud and abuse."

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[9] Ironically, the FCC put the horses in front of the cart when it released *the Lifeline Reform Order*. The Commission issued reforms first, with the intent to review the effects of its reforms before determining an appropriate budget for the program. It would have been far less disruptive if the Commission had proposed reforms to the high cost program fist, and then determined an appropriate budget subsequently.

[10] Coburn Budget Amendment #413. March 22, 2013

By comparison, wireline Lifeline consumers pay around $16 for their Lifeline-discounted service, assuming the average local wireline rate is around $25. Thus, by requiring some minimal lifeline service rate that subscribers pay, the Commission could create a disincentive for abuse and could stretch the Lifeline dollar even further.

Sen. Mark Pryor, Chairman of the Communications, Technology and the Internet Subcommittee of the U.S. Senate Committee on Commerce, Science and Transportation, recommends "the following immediate steps to further reform Lifeline and restore faith in the program:

- Eliminate the participation of prepaid wireless providers and other mobile virtual network operators in the Lifeline program…
- Place a hard cap on the amount of Lifeline support that the universal service program should fund each year. That cap should be set far below the current $2.2 billion "budget" for the program...
- Freeze new [ETC] certifications for participation in the Lifeline program until the FCC's Inspector General can conduct an immediate investigation into all Lifeline provider certification programs…
- Study the effectiveness of the current Lifeline discount system and the actual cost to low-income Americans for prepaid wireless service as compared to traditional wireline service."[11]

MTA concurs generally with Sen. Pryor's recommendations.[12] For example, as noted herein, the FCC has encouraged the wireless explosion in part by waiving any facilities requirements for Lifeline-only competitive ETCs. These "virtual network operators," as Sen. Pryor calls them, have little if any investment in broadband infrastructure. Congress or the FCC might reconsider the facilities waiver, and provide Lifeline support only to facilities-based providers.

Moreover, It is interesting to note the parallels between the current situation facing the Lifeline Program and the similar circumstances that beset the universal service high cost program only a few years ago. Early in the last decade, competitive—primarily wireless—ETCs flooded the High Cost Program. High-cost support ballooned by $1 billion in just a few years. When the level of support to competitive ETCs reached $1 billion—

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[11] Sen. Mark Pryor. Letter to FCC Chairman Julius Genachowski. March 13, 2013.

[12] See also letter from Congressman Steve Stockman to FCC Chairman, Julius Genachowski, March 8, 2013. "[W]e urge the FCC to take prompt action to constrain growth of the Lifeline program by setting a budget in the same vein as has for other aspects of the USF program, and by taking meaningful steps to set more proper incentives for carrier participation in the program than exist in the current version."

half of the level of support that the Lifeline Program now demands—the FCC put a cap on competitive ETC support.[13] The Commission found that

> growth has been due to increased support provided to competitive ETCs, which <u>receive high-cost support based on the per-line support that the incumbent LECs receive, rather than on the competitive ETCs' own costs</u>. While support to incumbent LECs has been flat since 2003, competitive ETC support, in the seven years from 2001 through 2007, has grown from under $17 million to $1.18 billion – an average annual growth rate of over 100 percent. We find that the continued growth of the fund at this rate is not sustainable and would require excessive (and ever growing) contributions from consumers to pay for this fund growth.[14] (Emphasis added.)

In short, the Commission found that the amount of support that competitive ETCs were receiving had no relationship to the cost of providing service. While wireline high-cost support is based on providers' cost of providing service, competitive ETCs were receiving "identical support," the same level of per-line support that wireline providers received, without consideration of their cost of providing service.

The FCC's "*Transformation Order*"[15] adopted in 2011 finds that the amount of high-cost support that competitive ETCs receive "bears no relation to the efficient cost of providing mobile voice service." The *Order* continues to state that the amount of support received by competitive ETCs cannot "reasonably [be] calculated to be sufficient <u>but not excessive</u> for universal service purposes."[16] (Emphasis added.) Thus, the *Transformation Order* phases out competitive ETC support altogether.

Lifeline support, particularly for prepaid wireless providers, resembles the high-cost "identical support" which the FCC has eliminated. The FCC concluded that identical support had contributed to the "ballooning" of high-cost universal service support. As noted above, when the competitive ETC support reached $1 billion, the FCC capped the program in 2008, and eventually eliminated it in the *Transformation Order*. Yet, unlike wireless

[13] "CETC Order." WC Docket No. 05-337; CC Docket No. 96-45. FCC 08-122. Rel. May 1, 2008. "In this Order, we take action to rein in the explosive growth in high-cost universal service support disbursements…" ¶1.
[14] *Id*. ¶6.
[15] "Transformation Order." WC Docket Nos. 10-90; 05-337; et al. FCC 11-161. Rel. November 18, 2011.
[16] *Id*. ¶¶ 504, 510.

competitive ETCs under the high-cost program, wireless competitive ETCs under the Lifeline Program invest practically nothing in infrastructure; and they have ballooned the Lifeline support fund by substantially more than $1 billion—the amount of support at which the FCC put the brakes on high-cost support for competitive ETCs.

The Lifeline dollar can be stretched significantly further so that lifeline support can reach the same, if not more, eligible consumers, while shrinking the size of the Lifeline fund. The Lifeline Program runs in much the same way as the high-cost identical support mechanism. All Lifeline providers get $9.25 of Lifeline support per subscriber, regardless of what it costs to provide Lifeline service. The $9.25 support level is based on wireline costs, not wireless, particularly not prepaid wireless costs. In fact, the Lifeline Program originally was established to help mitigate the effects of the subscriber line charge (SLC)—which wireless providers never incurred. That is, the amount of lifeline discount has no analogous counterpart in the prepaid wireless ecosystem, where SLCs never existed.

As currently structured, the amount of per-subscriber Lifeline support appears to create a financial incentive for wireless providers to rush into the Lifeline Program. The fact that Lifeline-only competitive ETCs can offer prepaid wireless service for free, and the number of Lifeline-only competitive ETCs has ballooned to 700 in only a few years, leads one to surmise that at least in part the wireless explosion is attributable to a generous support mechanism which "bears no relation to the efficient cost of providing mobile voice service" or cannot "reasonably [be] calculated to be sufficient but not excessive."[17]

So, to the extent that Lifeline support resembles identical support, specifically as it applies to prepaid wireless providers, MTA recommends removing the financial incentives which attract the prepaid wireless providers and turn the Program into a business plan. This can be done in one of two ways. The FCC could make wireless Lifeline support cost-based. Rate of return ETCs, such as those MTA represents, receive high-cost support based on their cost of providing service. These companies must produce detailed financial reports to the FCC and USAC and are subject to robust industry scrutiny and audits by

[17] Prepaid wireless ETCs not only can offer their service for free, but they face no comparability standard with regard to the quality of service they offer. While most wireless calling plans include unlimited minutes, for example, prepaid wireless Lifeline-only ETCs offer a limited number of minutes for free, and charge subscribers for running over their limits.

USAC and NECA. The FCC could require prepaid wireless providers to submit similar cost data by which a cost-based level of support could be determined. Or, the Commission could establish a "benchmark discount" level of support for prepaid wireless providers of, say, $3 or less.[18] Given that prepaid wireless providers have little CAPEX (especially with no facilities requirements) and their OPEX is marginal, a $3 default benchmark is not unreasonable. If a prepaid wireless ETC objects to the $3 benchmark, it could appeal to the FCC with data demonstrating why it needs more than $3 of Lifeline support per subscriber. Otherwise, the benchmark rate would apply.

A $3 support benchmark for prepaid wireless providers could reduce the current Lifeline Program by around $1 billion while serving the same number of eligible subscribers.[19] (Or, reducing the level of per-subscriber support for prepaid wireless providers could "free up" additional resources to serve more eligible low-income subscribers if the Lifeline fund were capped at today's level.) The "safe harbor" benchmark concept already is established. Wireless providers assess universal service fees are based on a "safe harbor" amount of interstate traffic. Carriers may appeal to the FCC if the safe harbor amount is inappropriate. To my knowledge, no provider has appealed the safe harbor rate.

IV. Conclusion

The Lifeline Program continues to fulfill an essential principle of universal service: to provide access to comparable telecommunications services to Americans, regardless of their economic circumstances. MTA member companies, and rural telecom providers across the nation, are proud to deliver Lifeline services to qualified low-income consumers throughout their service areas. The FCC has undertaken substantial and constructive reforms to weed out waste, fraud and abuse that have afflicted the Lifeline Program. MTA commends the FCC for implementing these reforms, and encourages Congress to work

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[18] The FCC may need to undertake a general cost study to establish a national average prepaid wireless cost benchmark.

[19] Assumes 77% of all Lifeline support, or almost $1.5 billion, is received by wireless ETCs, most of which are prepaid wireless Lifeline-only competitive ETCs. A two-thirds reduction in support (going from $9.25 per subscriber to $3 per subscriber) would reduce Lifeline support by about $1 billion.

with the FCC to continue the search for greater efficiencies in the Lifeline support mechanism.

In this regard, MTA suggests that Lifeline support for prepaid wireless Lifeline-only ETCs resembles the “identical support” mechanism in the High Cost Program, which the FCC has eliminated.   The FCC should put the Lifeline Program on a budget like all other universal service programs. Additionally, the Commission either could make Lifeline support a cost-based mechanism, like the high-cost mechanism, or it could establish a $3 default Lifeline support benchmark level of support for prepaid wireless ETCs. With a $3 default level of support for prepaid wireless Lifeline-only ETCs, the size of the Lifeline fund could be reduced while serving the same number of qualified low-income subscribers, and continuing to implement the Congressional policy of providing comparable service at comparable rates for qualifying low-income subscribers. (Or, the fund could be capped at today’s level and support even more subscribership.) And, any further growth of the Program would be curtailed without putting additional pressure on the contribution factor or jeopardizing the other goals universal service.

Respectfully submitted,

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