

## APPENDIX

The Federal Communications Commission (FCC or Commission) created the federal telephone Lifeline assistance program in 1987,<sup>1</sup> when it adopted the Recommended Decision and Order of the Federal-State Joint Board (Joint Board) in FCC 87J-1 (released March 31, 1987).<sup>2</sup> In its Summary of the Decision and Order, appearing in the Federal Register, 52 Fed. Reg. 21536 (June 8, 1987), the FCC stated that it adopted the Joint Board's conclusions or recommendations that:

[T]he existing lifeline assistance program is a sound response to concerns about the level of telephone subscribership among low-income groups...[;]

the current *Federal* lifeline assistance program be increased to correspond with the proposed subscriber line charge [(SLC)] increases which would provide *federal assistance* to match state contributions on any amount up to the full SLC of \$3.50...[;]

a new lifeline program of *Federal assistance* described as Link Up America, be implemented [to] offset one-half of the charges for commencing telephone service, up to \$30, for households that meet the established criteria. The new Link Up America Program [will] encourage local exchange carriers (LECs) to offer deferred payment schedules for these [new service connection] charges by paying a LEC's interest cost... up to \$200...[; and]

the subscriber line charge waiver and the Link Up America programs [will] be funded by charges assessed on the interexchange carriers (IXCs)....

[T]he lifeline assistance revenue requirement will be covered

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<sup>1</sup> 52 Fed. Reg. 21536 *et. seq.* (June 8, 1987). Also see FCC Report and Order, FCC 87-133, in In the Matter of MTS and WATS Market Structure and Amendment of Part 67 of the Commission's Rules and Establishment of a Joint Board, CC Docket Nos. 78-72 and 80-286, adopted April 16, 1987 and released May 19, 1987.

<sup>2</sup> According to the FCC's statement at 52 Fed. Reg. 21536, *supra*:

Summary of the Decision and Order: In 1986, the FCC "initiated the proceeding to examine the effects of ... (2) the *Federal* lifeline assistance program... [and] the common line tariff and polling system administered by the National Exchange Carrier Association (NECA)." (Emphasis added).

through flat-rate per-line charges assessed on the IXCs ...." 52 Fed. Reg. 21536-37 (emphases added).<sup>3</sup>

The lifeline program is codified in the federal regulations in 47 CFR Parts 36 and 69.<sup>4</sup> Its two components, lifeline and Link-Up America, aim to help low-income households pay for the cost of telephone service.<sup>5</sup>

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<sup>3</sup> The FCC stated in its Report and Order, FCC 87-133, supra (fn. 1):

17. The Joint Board makes two recommendations regarding the federal lifeline assistance. First, the Joint Board recommends a program of federal assistance to qualified low income households that would help defray the one time charges for commencement of service. This program has been described as a program to 'Link Up America,' [fn. omitted] would offset one half of the charges for commencing telephone service up to \$30 dollars for qualifying households ....

18. Second, the Joint Board recommends that the current federal lifeline assistance program be increased to correspond with the proposed subscriber line charge increases. Federal assistance would be available to match state contributions on any amount up to the full subscriber line charges of \$3.50. Thus, with full state matching assistance, a total of \$7.00 in benefits would be available per month to qualifying subscribers... - \$3.50 in federal assistance and \$3.50 in reduced charges for local service ....

20. ... The Joint Board recommends that state Link Up America plans ... be similarly certified before federal benefits are made available. [fn. omitted] [Id., p. 3.] ....

35. The Link-Up America lifeline program also is made possible by subscriber line charge increases .... [T]he national communications policy is to preserve universal service .... [T]he preservation of universal service is a fundamental goal of this Commission. We believe that this program is an appropriate means to achieve our universal service goal and will help assure that no group of Americans are 'locked out' of the information age. We encourage all states to participate in this program. Id., p. 6. (Emphasis added).

The Commission adopted the Joint Board's recommendations, with minor modifications concerning scheduling the subscriber line charge (SLC) increases. Id., p. 7. The recommendations, as adopted, became effective upon publication in the Federal Register.

<sup>4</sup> 47 CFR Part 36, sub-part G, "Lifeline Connection Assistance Expense Allocation," §36.701 et seq.; and 47 CFR Part 69, "Access Charges."

<sup>5</sup> According to an FCC public information fact sheet:

The FCC has two types of programs to promote increased telephone subscribership: ... and [(2)] the 'Lifeline' and 'Link-Up' programs, which are aimed at helping low-income subscribers pay for the cost of service.

Optional Link-Up telephone connection assistance is offered to states and local telephone companies willing to certify that service is offered only to means tested low-income households.

(continued...)

Lifeline connection assistance (a/k/a the Link-up program) is a "reduction in the [connection] charges for... telephone service [at] a single telephone line per household...; and/or... A deferred [payment] schedule for [the connection, without] interest [charges]." 47 CFR §36.711(a)(1) and (2).

The implementing federal regulations state that the "Lifeline Connection Assistance will be available to all residential subscribers who meet the federal criteria, including "the requirements of a state established income test." 47 CFR §36.711 (emphasis added).<sup>6</sup> To be eligible, a "residential subscriber must" meet "a state established income test," and not be a federal income tax dependent (unless the subscriber is over 60 years of age). 47 CFR §36.711(b).<sup>7</sup>

The federal program is optional for states, and New York State has opted to participate. See Exhibit B, annexed. The interexchange carriers (IXCs) must contribute revenues to the

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<sup>5</sup>(...continued)

Studies show 12 million households live below the poverty line, many without telephone service.

According to another FCC public information fact sheet:

2.2 million low-income households received benefits consisting of reductions and/or installment deferred link-up connection and installation service since 1988.

According to FCC policy analyst, Larry Povich, in a December 10, 1993 telephone conversation, the preceding data was derived from the annual monitoring report in Federal-State Joint Board Docket No. 80-286, CC Docket No. 87-339 (issued May 1993).

<sup>6</sup> Also see fn. 3, above.

<sup>7</sup> These criteria reflect a change from the initial criteria, following the Recommended Decision and Order of the Federal-State Joint Board, released January 31, 1989, to modify the two non-income eligibility criteria. FCC 89J-2 (CC Docket No. 88-341). The FCC adopted the recommended changes, in its Decision and Order, FCC 89-78, in In the Matter of MTS and WATS Market Structure, Link-Up America and Amendment of Part 36 of the Commission's Rules and Establishment of a Joint Board, released February 27, 1989, stating:

The preservation of universal service is a basic goal of this Commission. Accordingly, we have adopted the recommendation of the Federal-State Joint Board (Joint Board) that we establish a federal assistance program designed to encourage low-income households, that are not on the telephone network, to subscribe to local exchange service by reducing initial service and installation charges. [Footnote omitted] [Id., p. 1] .... Thus we find that it is in the public interest to eliminate two non-income eligibility criteria of programs to verify income. These eligibility rules are currently foreclosing Link-Up America service to over 15 percent of all applicants, and ... prevented otherwise eligible persons from receiving benefits. Id., p. 2.

National Exchange Carriers Association (NECA),<sup>8</sup> according to a federal formula.<sup>9</sup> The FCC regulations require IXCs to file tariffs that include Lifeline Assistance, 47 CFR §69.4, and the IXCs are assessed Lifeline Assistance charges. 47 CFR §69.5. The IXCs must waive up to \$3.50 of the federal access charge for the eligible low-income household, and the NECA reimburses the participating local telephone company, according to the federal formula in the regulations. Pursuant to its rate making authority, the participating state must at least reduce the subscriber rate by a matching amount.<sup>10</sup>

This federal program creates a direct benefit, reduced cost

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<sup>8</sup> The NECA is governed under 47 CFR Part 69, subpart G, §69.601 et. seq., which directs the association to "administer the Lifeline Assistance charge, ... billing... and collection..., and ... distribution of these revenues to qualified telephone companies based on their share of expenses assigned to the Lifeline Assistance Fund...." 47 CFR §69.603. NECA computes the charge semi-annually, according to a specified formula, bills and collects the charge, and disperses the revenue on a monthly basis. 47 CFR §69.117(b).

<sup>9</sup> 47 CFR §69.117 states:

(a) A ... dollar and cents per line per month [charge] shall be assessed upon all interexchange carriers that use local exchange switching facilities [to provide] interstate ... telecommunications services ....

(b) The charge shall be computed by the [NECA] association on a semi-annual basis by dividing the sum of one-twelfth of the projected annual Lifeline Assistance revenue requirement and .... Beginning April 1, 1989, the association shall bill and collect the charge, and disburse associated revenue, on a monthly basis pursuant to §69.603(d).

<sup>10</sup> FCC policy analyst, Larry Povich, in a November 17, 1993 telephone conversation. Also see fn. 3, above.

telephone service, for the participating low-income household.<sup>11</sup>

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<sup>11</sup> According to an FCC public information fact sheet:

In 1992, \$94 million was reimbursed to *local* telephone companies for their lifeline assistance programs. The monthly lifeline assistance rate assessed large interexchange carriers per presubscribed line served was \$0.06.

According to another FCC public information fact sheet:

In 1992, \$15 million was reimbursed to *local* telephone companies for their link-up connection and installation costs. The monthly link-up assistance rate assessed large interexchange carriers per presubscribed line served was less than \$0.02.

Emphases added.

According to FCC policy analyst, Larry Povich, in a December 10, 1993 telephone conversation, the preceding information was derived from the annual NECA tariff filing, FCC No. 5, "Access Service," effective January 1, 1993.

According to NECA figures projected for the first half of 1994, for all telephone companies in New York State, the benefits will amount to:  
\$11,897,929 in lifeline assistance waiver of end user (access) charges, and  
\$ 2,747,283 in LCA connection assistance.

Data was furnished by the FCC from NECA Tariff FCC No. 5 and confirmed by NECA November 19, 1993 fax letter to PULP.