

## FCC Adopts Lifeline Reform Order; Link Up Eliminated Except in Tribal Lands

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The Federal Communications Commission (FCC) yesterday (Jan. 31, 2012) adopted its long-awaited *Report and Order and Further Notice of Proposed Rulemaking* (Order and Rulemaking) reforming and modernizing the federal Low Income program, with the goals of preserving this important program while introducing significant program funding reductions and cost savings. The Order sets a savings target of \$200 million in 2012, and seeks to save up to \$2 billion over the next three years.

As we have described in our [Mar. 7, 2011](#) and [Aug. 9, 2011](#) advisories, the Low Income component of the Universal Service program has provided subsidies for telephone services to low income Americans by paying a portion of their monthly recurring charges (Lifeline) and service activation fees (Link Up). The full text of the FCC's Order has not yet been released; we will provide a more detailed report when it becomes available. Based upon the FCC's brief [News Release](#), FCC Commissioner and staff statements during the FCC's meeting and a subsequent press conference yesterday, we can report the following key elements of the Order:

- The Link Up program will be eliminated *except* in Tribal lands. Support for Toll Limitation Service (TLS) will also be phased out.
- The several current “tiers” of Lifeline support in non-Tribal areas will be replaced with a flat \$9.25 monthly Lifeline subsidy on an interim basis—a slight net increase in many states.
- The establishment of a “one-per-household” limitation based on the definition of a household as an “economic unit” that shares income and expenses; thus, separate families living under the same roof and persons housed in shelters or other group living arrangements are eligible.
- The Order does not impose any immediate cap or budget on the Lifeline program, or impose a minimum charge requirement on subscribers, but instead has ordered a six-month and a one-year staff report on the impacts of the Order. In addition, Lifeline ETCs that draw over \$5 million in annual support from the program will undergo bi-annual audits. The upcoming Rulemaking will seek comments on several related issues, including a possible future budget for the program.
- A “National Lifeline Accountability Database” will be established, to prevent duplicate Lifeline subscriptions by the same household. This builds upon an “interim” non-duplication effort that the FCC has overseen over the past year in 12 states and will be continuing in 17 more states this year. The FCC hopes to have the national database in service within 12 months.
- The FCC plans to augment this anti-duplication database with a national eligibility database, to be operational by the end of 2013, to enable fully automated verification of applicants' initial and ongoing Lifeline eligibility as measured by the three most common qualifying federal benefit programs (Food Stamps, Medicaid, and Supplemental Security Income). The Rulemaking will seek input on specific parameters of this database. Until the eligibility database is operational, Lifeline ETCs must require new subscribers to show documentation of eligibility under one of the applicable programs. Further, ETCs must de-enroll subscribers that do not use the Lifeline service over a 60-day period.

- Lifeline support will henceforth be available for bundled service plans combining voice and broadband, or packages including optional calling features.
- The Order initiates a “Broadband Adoption Pilot Program,” funded with up to \$25 million in savings from the aforementioned reforms, to determine how Lifeline can best be adapted to increase broadband use by Low income consumers. The FCC will solicit applications from broadband providers for projects that will address challenges to broadband adoption, including device costs and digital literacy.
- In addition to several issues described above, the Rulemaking will seek comment on whether incumbent LECs should be permitted to opt out of the Lifeline program, and how savings from other USF programs might be applied to increase digital literacy training at schools and libraries.

We will advise you further once the full text of the FCC’s Order is released. In the meantime, please feel free to contact us with any questions.

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