

SUPPORTING STATEMENT

This submission is being made pursuant to 44 U.S.C. 3507. The Federal Communications Commission (Commission) seeks approval from the Office of Management and Budget (OMB) to revise the frequency which eligible telecommunications carriers (ETCs) must file FCC Form 497 in order to receive Lifeline and Link Up Support. Currently, ETCs must file such form monthly, but have the option to file it quarterly (submitting forms for each of the three months in such quarter). On September 23, 2011, the Commission issued an *Inquiry into Disbursement Process for the Universal Service Fund Low Income Program*, Public Notice, WC Docket Nos. 11-42 and 03-10, DA 11-1593 (*2011 Disbursement Process PN*) seeking comments on a proposed procedural rule that would require all ETCs to file FCC Form 497 on a monthly basis, upon OMB approval.

A. Justification:

1. *Circumstances that make collection necessary.*

- On November 8, 1996, the Federal-State Joint Board on Universal Service (Joint Board) released a Recommended Decision in which it made recommendations to assist and counsel the Commission in the creation of effective universal service support mechanisms that would ensure that the goals of affordable, quality service and access to advance services are met by means that enhance competition. On November 18, 1996, the Commission's Common Carrier Bureau (now known as the Wireline Competition Bureau) released a Public Notice (DA 96-1891) seeking public comment on the issues addressed in and the recommendations made by the Joint Board in the Recommended Decision. On May 8, 1997, the Commission adopted rules establishing, among other things, that ETCs offering Lifeline/Link Up programs to qualifying low-income customers may receive reimbursement from the federal universal service low-income support mechanism.

- On December 21, 2000, the Commission requested the Joint Board to review the Lifeline and Link Up program for all low-income customers (FCC 00-440). The Joint Board issued its **2003 Recommended Decision** on April 2, 2003 (FCC 03J-2). In its *2003 Recommended Decision*, the Joint Board recommended several changes to improve the effectiveness of the low-income support mechanism. The Commission sought comment on the Joint Board's *2003 Recommended Decision* regarding modifications to the Lifeline and Link Up program in an NPRM (Notice of Proposed Rulemaking) released on June 9, 2003 (FCC 03-120).

- Subscriber Eligibility Certification Requirements: On April 2, 2004, in its Report and Order and Further Notice of Proposed Rulemaking (FCC 04-87) (**2004 Lifeline Order**), the Commission directed ETCs to certify that their Lifeline/ Link Up subscribers are eligible for enrollment in the program. States that operate their own Lifeline/Link Up programs have been allowed to develop their own certification procedures (referred to as non-federal default states). For those states governed by the federal default Lifeline and Link Up rules, subscribers are currently required to provide documentation of income eligibility at enrollment (referred to as federal default states). Additionally, an officer of the ETC enrolling the subscriber in Lifeline/Link Up are required to certify, under penalty of perjury, that the ETC has procedures in place to review income documentation and that, to the best of his or her knowledge, the

company was presented with documentation that the subscriber's household income is at or below 135% of the Federal Poverty Guidelines (FPG). Certification procedures for program-based qualification require subscribers to self-certify, under penalty of perjury, that he or she participates in at least one of the qualification programs enumerated in 47 C.F.R. § 54.410.

- Subscriber Continued Eligibility Verification Requirements: ETCs also must verify their subscribers' continued eligibility for Lifeline service. Currently, states that administer their own Lifeline/Link Up programs are permitted to implement their own verification procedures to validate subscribers' continued eligibility. In states that follow the federal default Lifeline and Link Up rules, ETCs must verify annually the continued eligibility of a statistically valid sample of their Lifeline subscribers. Currently, subscribers who are subject to this verification and qualify under program-based eligibility criteria must prove their continued eligibility by presenting in person or sending a copy of their Medicaid card or other Lifeline-qualifying public assistance card and self-certifying, under penalty of perjury, that they continue to participate in the Lifeline-qualifying public assistance program. Subscribers who are subject to this verification and qualify under the income-based eligibility criteria must prove their continued eligibility by presenting current income documentation. These subscribers must also self-certify, under penalty of perjury, the number of individuals in their household and that the documentation presented accurately represents their annual household income. An officer of the ETC must certify, under penalty of perjury, that the ETC has income verification procedures in place and that, to the best of his or her knowledge, the company was presented with corroborating documentation. The ETC must retain these records for at least three years.

- Filed Proof of Subscriber Continued Eligibility for Lifeline: The 2004 *Lifeline Order* also currently requires ETCs to submit to the Universal Service Administrative Company (USAC or Administrator) proof that they certified that their Lifeline subscribers are eligible for Lifeline, and proof that they verified their subscribers' continued eligibility for Lifeline. Prior to 2009, USAC provided sample certification and verification letters on its website to assist ETCs in complying with the certification and verification requirements. The Annual Lifeline Certification and Verification Letter has been standardized since 2009, and now includes an additional check box to accommodate wireless ETCs serving non-federal default states that do not assert jurisdiction over wireless ETCs. Additionally, a column was added so that carriers may distinguish between "Non-Responding Customers" and "Customers Found to be Ineligible" in their reports.

- Record Retention Requirements: Section 54.707 authorizes audits of contributors and carriers by the Administrator. To that end, relevant data must be available to yield evaluative results. The collection of information associated with the certification and verification procedures for Lifeline/Link Up provides relevant data. In that connection, we currently require ETCs in federal default states to retain subscribers' self-certifications of eligibility, including self-certifications that income documentation accurately reflects household income, for as long as the subscriber receives Lifeline service from that ETC or until the ETC is audited by the Administrator. Similarly, all ETCs are required to maintain records to document compliance with all Commission and state requirements governing the Lifeline/Link Up programs for the three preceding calendar years and provide that documentation to the Commission or Administrator upon request. Also, ETCs must obtain certifications from the non-ETC reseller that it is complying with the Commission's Lifeline and Link Up requirements, including the applicable federal or state certification and verification procedures.

- **FCC Form 497:** Generally, subscribers apply for Lifeline and Link Up support through their local telephone company. ETCs that have provided eligible subscribers with Lifeline discounts file the Lifeline and Link Up Worksheet (Form 497) with USAC to receive Low Income Program support that reimburses them for providing service at discounted rates.

- **De-enrollment of Subscribers receiving Duplicate Lifeline Support.** On June 21, 2011, in the *2011 Lifeline Duplicates Payment Order* (FCC 11-97), the Commission took immediate actions necessary to address waste in the universal service fund created by duplicate claims. To ensure prompt action to eliminate duplicative Lifeline support, we adopted a final rule clarifying that qualifying low-income subscribers may receive no more than a single Lifeline benefit. We also required ETCs upon notification from the Universal Service Administrative Company (USAC) to de-enroll subscribers that are receiving multiple benefits in violation of that rule. Further, we directed the Commission's Wireline Competition Bureau to send a letter to USAC to implement an administrative process to detect and resolve duplicate claims. Pursuant to this process, subscribers found to be receiving Lifeline supported services from two or more ETCs will receive written notification of this fact from USAC and will be given 35 days from the date listed on the written notification to select one Lifeline service provider. ETCs, upon receiving notification from USAC that the ETC has not been chosen by the subscriber as their Lifeline service provider or otherwise not chosen through the resolution process, should the subscriber not make a choice within the provided time frame, will have five days to de-enroll the subscriber.

- **Revised Monthly Filing Requirement for FCC Form 497.** On September 23, 2011, the Commission issued an *Inquiry into Disbursement Process for the Universal Service Fund Low Income Program*, Public Notice, WC Docket Nos. 11-42 and 03-10, DA 11-1593 (*2011 Disbursement Process PN*) seeking comment on a proposal for disbursing Universal Service Fund low income support to ETCs based upon claims for reimbursement of actual support payments made, instead of projected claims for support. Payment based on actual support payments could replace the current administrative process, under which USAC reimburses ETCs for low income support each month based on USAC's projection of payments and on a "true-up" calculated using an ETC's actual support payments. If this procedural rule is adopted, ETCs would be required to file Form 497 monthly, rather than having the option of filing either monthly or quarterly. Currently, the majority of ETCs file support claims on FCC Form 497 on a monthly basis; however, some ETC's file support claims quarterly.

Statutory Authority. Statutory authority is contained in sections 1, 4(i), 201-205, 214, 254, and 403 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 1, 4(i), 201-205, 214, 254, 403.

The changes proposed in the *2011 Disbursement Process PN* (requiring monthly rather than optional monthly/quarterly filing of Form 497), do not affect individuals or households, and thus have no impact under the Privacy Act. As noted on the OMB Form 83i, other portions of this information collection affect individuals or households, and thus, there are impacts under the Privacy Act.

As required by the Privacy Act of 1974, as amended, 5 U.S.C. 552a, the Commission is creating a system of records notice (SORN) to cover the collection, storage, maintenance, and disposal (when appropriate) of any personally identifiable information that the ETC may collect as part of the information collection requirements. In addition, the Commission is also preparing a Privacy Impact Assessment (PIA) as required by OMB Memorandum M-03-22.

2. **Use of information.** All the requirements contained herein are necessary to implement the congressional mandate for universal service. These reporting and recordkeeping requirements are necessary to verify that particular carriers and other respondents are eligible to receive universal service support.
3. **Technological collection techniques.** The Form 497 will be available via the Administrator's website (www.universalservice.org). The Administrator will mail copies of the Form 497 to companies unable to access the website. Respondents may submit completed forms either electronically or by mail.
4. **Efforts to identify duplication.** Not applicable.
5. **Impact on small entities.** The collections of information may affect small entities as well as large entities. In conformance with the Paperwork Reduction Act of 1995, the Commission is making an effort to minimize the burden on all respondents, regardless of size. The Commission has limited the information requirements to those which are necessary to verify eligibility for low income support and compliance with the low income program.
6. **Consequences if information is not collected.** Failing to collect the information would prevent the Commission from implementing section 254 of the Act and may make it difficult for the Commission to ensure that only eligible entities receive universal service support.
7. **Special circumstances.** We do not foresee any special circumstances that would cause an information collection to be conducted under extraordinary circumstances.
8. **Federal Register notice; efforts to consult with persons outside the Commission.** Pursuant to 5 CFR section 1320.8(d), the Commission publish a Notice of Proposed Rulemaking, WC Docket Nos. 03-109 and 11-42; DA 11-1593, in the Federal Register to solicit public comment on the *2011 Disbursement Process PN* and the proposed revisions to the frequency of filing the information collection item (Form 497). See 76 FR 64882 (dated October 19, 2011).
9. **Payments or gifts to respondents.** The Commission does not anticipate providing any payment or gift to respondents.
10. **Assurances of confidentiality.** The Commission is not requesting the respondents submit confidential information to the Commission. If the Commission requests information that the respondents believe is confidential, respondents may request confidential treatment of such information under section 0.459 of the Commission's rules.
11. **Questions of a sensitive nature.** There are no questions of a sensitive nature with respect to the information collected described herein.
12. **Estimates of the hour burden of the collection to respondents.** The following represents the hour burden on the collections of information:
 - **Item (a). REVISED: Form 497 and associated customer information filings:**

- (1) Number of respondents: Approximately 1,400 ETCs.
- (2) Frequency of response: Monthly, quarterly and on occasion reporting requirements. The Disbursement Process PN seeks comment on a proposal for dispersing Universal Service Fund low income support to ETCs based on claims for reimbursement of actual support payments made, instead of projected claims for support. Payment based on actual payments could replace the current administrative process under which USAC reimburses ETC's for support each month based on a USAC projection of payments and on a "true-up" calculated using an ETCs actual support payments. The Commission is also seeking that, if adopted, would require that the FCC Form 497 be filed monthly. The Commission estimates that it takes 1.5 hrs monthly to complete the FCC Form 497 (which has decreased since last reported based on current information provided by USAC).
- (3) Annual hour burden per respondent: 1.5 hours per response x 12 mos. x 1,400 ETCs = **25,200 hours**.
- (4) Total estimate of annualized cost to respondents for the burdens for collection of information: \$1,008,000. (1400 x 18 hrs annually x \$40 hr = \$720.00) (including administrative staff and overtime).
- (5) Explanation of calculation: 1,400 ETCs x \$720.00 annually (18 burden hours per year x \$40.00 per hr) = \$1,008,000. –

The change in frequency of filing Form 497, as proposed in the **2011 Disbursement Process PN** did not affect the previously estimated burden hours for Form 497 since previous estimates were based on monthly filing by all ETCs.

- **Item (b). Certification of eligibility upon enrollment:**

- (1) Number of respondents: 251,400 (1400 ETCs and 250,000 Subscribers). ETCs in federal default states are required to keep one certification per subscriber who qualifies for the Lifeline/Link Up program based on income criteria.

ETCs in all states must annually file one company certification with USAC, demonstrating their compliance with certification and verification requirements.
- (2) Frequency of response: Annually and on occasion. Lifeline/Link Up subscribers are required to certify their eligibility at their initial enrollment. Specifically, certification procedures require ETCs to collect a self-certification from the Lifeline/Link Up applicant (subscriber) at the time of enrollment. Annually, ETCs with both program-based and income-based qualifying subscribers to Lifeline/Link Up must submit to USAC one self-certification concerning the company's compliance with certification and verification rules.

- (3) Annual hour burden per respondent: ETC 112 hours, Subscribers 20,000 hours. Although we do not design a means for the ETC to gather the required documentation for income-based eligibility upon enrollment in the Lifeline/Link Up program, we believe the easiest and most time-efficient method would be for ETCs to require the enrolling subscriber to read and sign a preprinted certification. We estimate that it will take Lifeline/Link Up subscribers .08 hours (approximately 5 minutes) to read and sign a certification (250,000 subscribers x .08 hours = **20,000 hours**). Similarly, we estimate that the ETC officer will take no longer than .08 hours (approximately 5 minutes) to sign the company's self-certification, which has been added to the Form 497. The self-certification will state that the ETC is complying with the relevant Commission or state rules concerning review of documentation and maintenance of records. (1,400 ETCs x .08 hours = **112 hours**). **Total = 20,000 + 112 = 20.112 hours.**
- (4) Total estimate of annualized cost to respondents for the burden for collection of information: \$24,480.
- (5) Explanation of calculation: In federal default states, approximately 250,000 subscribers participate in the Lifeline program based on the income eligibility criteria. We estimate that enrolling subscribers will spend .08 hours (approximately 5 minutes) reading and signing the required certification provided by the ETC. We also estimate that it will cost approximately \$1.00 per hour to complete. 250,000 subscribers (number of respondents) x 1 (number of submissions required) x .08 (hours to read and sign certifications) x \$1 per hour = \$20,000. In addition, approximately 1,400 ETCs will take .08 hours (approximately 5 minutes) to certify company compliance with the relevant federal or state regulations. We estimate that it will cost \$40 per hour for administrative staff time and overhead. 1,400 (number of respondents) x 1 (number of submissions) x .08 hours (hours to prepare certification) x \$40 (administrative staff time and overhead) = \$4,480. Total = \$20,000 + \$4,480 = \$24,480.

• **Item (c). Verification of continued eligibility:**

- (1) Number of respondents: 10,250 will be used for estimation purposes. There will be between 10,250 and 49,000 ETCs and subscribers.

Annually, states must verify the continued eligibility of existing Lifeline customers. The Annual Lifeline Certification and Verification Letter is available on USAC's website. ETCs in federal default states are required to annually certify to USAC that a statistically valid sample of subscribers continue to qualify. Using OMB-mandated values, the 2004 *Lifeline Order* specifies the number of subscribers that will constitute a statistically valid sample. States with their own Lifeline programs may design their own verification programs. States are permitted to impose the verification duties on ETCs or retain the

verification duties within the state government.

ETCs in federal default states must collect certifications from a statistically valid sample of their participants. The actual number of subscribers constituting a statistically valid sample is determined based on the formula established in the 2004 *Lifeline Order*. For every 1,000 subscribers receiving Lifeline support, an ETC must survey between 41 and 196 subscribers to verify that they continue to be eligible. The formula uses a proportion based on the number of ineligible subscribers determined in the previous year, with a ceiling on the percentage that must be sampled. Thus, the sample size for 1,000 subscribers ranges between 41 and 196 subscribers.

We estimate that there will be approximately 250,000 subscribers receiving Lifeline support in federal default states. On average, the range of respondents is between 41 and 196 per 1000 subscribers. This yields a sample size ranging from 10,250 (250,000 divided by 1,000 x 41) to 49,000 (250,000 divided by 1,000 x 196).

- (2) Frequency of response: Annual reporting requirement. For verification requirements, ETCs must collect certifications from participants (subscribers) using income- and program-based criteria to participate in the Lifeline program.
- (3) Annual hour burden per respondent: Under our rules, ETCs in federal default states are required to survey a statistically valid sample of their eligible subscribers to determine continued eligibility. From this sample of subscribers, ETCs must obtain from the sampled subscriber a self-certification of eligibility and review (but not retain) documentation proving continued eligibility. We estimate that reading and signing the self-certification and showing a qualifying document will take approximately .25 hours (approximately 15 minutes). Burden hours will range between 2,562.5 hours (10,250 subscribers x .25 hours) and 12,250 hours (49,000 subscribers x .25 hours). Similarly, we estimate that the ETC officer will take no longer than .08 hours (approximately 5 minutes) to sign the Form 497 (1,400 x .08 hours = 112 hours). Total burden would range between 2,674.5 hours (2,562.5 + 112 = **2,674.5 hours**) and 12,362 hours (12,250 + 112 = 12,362 hours).
- (4) Total estimate of annualized cost to respondents for the burden for collection of information: We estimate that the total cost to respondents will be between \$5,300 and \$8,400.
- (5) Explanation of calculation: The 2004 *Lifeline Order* provides a formula for determining what constitutes a statistically valid sample of Lifeline subscribers to verify continued eligibility. For every 1,000 subscribers, the formula yields a sample size ranging from 41 to 196 subscribers.

We estimate that a range between 10,250 Lifeline subscribers (250,000 divided

by 1,000 x 41) and 49,000 Lifeline subscribers (250,000 subscribers divided by 1,000 x 196 subscribers) will be required to verify continued eligibility. Thus, the annualized cost for subscribers would be between \$820 and \$3,920 [between 10,250 subscribers (number of respondents x 1 (number of submissions required) x .08 (hours to prepare certifications x \$1 per hour = \$820 and 49,000 subscribers (number of respondents) x 1 (number of submissions required) x .08 (hours to prepare certifications) x \$1 per hour = \$3,920].

In addition, approximately 1,400 ETCs will take .08 hours (approximately 5 minutes) to certify compliance with federal regulations. We estimate that it will cost \$40 per hour for administrative staff time and overhead. 1,400 (number of respondents) x 1 (number of submissions) x .08 (hours to prepare certification) x \$40 (administrative staff time and overhead) = \$4,480.

- **Item (d). Resolution of Duplicative Lifeline Claims:**

- (1) Number of respondents: Approximately 50 ETCs (estimated number of ETCs who would be subject to USAC audits for duplicative claims).
- (2) Frequency of response: Monthly.
- (3) Annual hour burden per respondent: 12,000 hours annually (10 hours per month to report all of the subscriber detail for Lifeline subscribers to USAC plus 10 hours per month to process de-enrollment = 20 hours per month). The total annual reporting burden is (50 ETCs x 20 hours each x 12 mos.) = **12,000 hours annually.**
- (4) Total estimate of annualized cost to respondents for the burdens for collection of information: \$480,000.
- (5) Explanation of calculation: We estimate that it will take 50 ETCs, x 20 hours x \$40 per hour, x 12 (number of submissions required) totaling = \$480,000.

- **Item (e). 47 C.F.R. § 54.417 – Lifeline recordkeeping.**

- (1) Number of Respondents: Approximately 1,400 ETCs.
- (2) Frequency of Response: Annually (recordkeeping). Each ETC must keep records verifying the eligibility of a recipient of low income support for as long as the recipient continues to receive supported service and three years after service is terminated. Additionally, each ETC must retain the FCC Form 497 for five years.
- (3) Annual hour burden per respondent: 1 hour annually to maintain records. The total annual reporting burden is **1,400 hours.**

- (4) Total estimate of annualized cost to respondents for the hour burdens for collection of information: \$56,000.
- (5) Explanation of calculation: We estimate that it will take 1,400 ETCs approximately 1 hour to maintain the records. 1,400 (number of respondents) x 1 (number of submissions required) x 1 hour x \$40 per hour (including administrative staff time and overhead) = \$56,000.

Total no. of burden hours for Items (a) through (e): 25,200 + 20,112 + 2,674.5 + 12,000 + 1,400 = 61,386.5.

Note: The total number of burden hours 61,386.5 will be rounded and reported as 61,386 hours on the 83i and 60 Day notice. The total no of respondents & responses will differ slightly since some reporting is done by the ETC only, respondents only or both, and the frequency of responses vary from monthly, annually, or on occasion. Please see each section explaining the number of respondents and responses.

The only revision to this collection is explained in Item 12. (a), revising the frequency which ETCs must file FCC Form 497 in order to receive Lifeline and Link Up Support. Upon OMB approval, ETCs must file FCC Form 497 monthly (previously ETC's had the option to file the Form on a quarterly basis).

13. *Estimates of the cost burden of the collection to respondents.*

(1) Total capital start-up costs component annualized over its expected useful life: \$0. The collections will not require the purchase of additional equipment.

(2) Total operation and maintenance and purchase of services component: \$0. The collections will not result in operating or maintenance expenses.

14. *Estimates of the cost burden to the Commission.* There will be minimal costs to the Commission because the information is collected by the Administrator.

15. *Program change or adjustment. September 2011 Submission* – The public burden for the collections proposed herein continues to be estimated at 61,386 burden hours which results in no increase in burden hours since the last submission.

16. *Collections of information whose results will be published.* Non-confidential information may be made public through reports from the universal service Administrator for the Commission, although the Commission does not have specific plans for doing so at this time.

17. *Display of expiration date for OMB approval of information collection.* The Commission seeks continued approval not to display the expiration date of OMB approval on the form. Display of the expiration date would not be in the public interest because we would have to destroy all unused forms displaying an expiration date and have to update the electronic copy. This would constitute waste and would not be cost effective.

18. *Exceptions to the certification statement for Paperwork Reduction Act submissions (Item 19 of OMB Form 83i).* There are no exceptions to the Certification Statement.