



CARL T.C. GUTIERREZ
GOVERNOR OF GUAM

SEP 30 1997

Refer to
Legislative Secretary

The Honorable Antonio R. Unpingco
Speaker
Twenty-Fourth Guam Legislature
Guam Legislature Temporary Building
155 Hesler Street
Agana, Guam 96910

OFFICE OF THE LEGISLATIVE SECRETARY	
ACKNOWLEDGMENT RECEIPT	
Received By	<i>Jimi Ammatante</i>
Time	<i>3 p.m.</i>
Date	<i>9-30-97</i>


Dear Speaker Unpingco:

Enclosed please find a copy of Bill No. 365 (COR), "AN ACT TO ADD A NEW §12015.4 TO CHAPTER 12 OF TITLE 12 OF THE GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING TARGETED LIFELINE RATES FOR LOCAL EXCHANGE TELEPHONE SERVICE.", which I have signed into law today as Public Law No. 24-76.

This legislation allows the Guam Telephone Authority (GTA) to take advantage of the federal subsidy offered for providing a special rate for low income customers of the GTA. No local funding is required to participate in this program.

I am happy to sign this legislation into law, and hope that this lifeline rate can be established as soon as possible by the Public Utilities Commission.

Very truly yours,


Carl T. C. Gutierrez
Governor of Guam

Attachment

cc: The Honorable Joanne M. S. Brown
Legislative Secretary

00451

Office of the Speaker
ANTONIO R. UNPINGCO
Date: *9/30/97*
Time: *1:30 P*
Rec'd by: *[Signature]*
Print Name: *Charlene Duena*

TWENTY-FOURTH GUAM LEGISLATURE
1997 (FIRST) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR

This is to certify that Bill No. 365 (COR), "AN ACT TO ADD A NEW §12015.4 TO CHAPTER 12 OF TITLE 12 OF THE GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING TARGETED LIFELINE RATES FOR LOCAL EXCHANGE TELEPHONE SERVICE," was on the 12th day of September, 1997, duly and regularly passed.



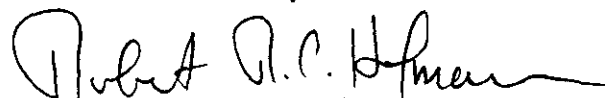
ANTHONY C. BLAZ
Acting Speaker

Attested:



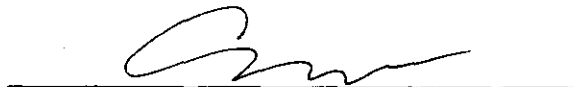
JOANNE M.S. BROWN
Senator and Legislative Secretary

This Act was received by the Governor this 23rd day of September, 1997, at
11:30 o'clock A.M.



Assistant Staff Officer
Governor's Office

APPROVED:



CARL T. C. GUTIERREZ
Governor of Guam

Date: 9-30-97

Public Law No. 24-76

**TWENTY-FOURTH GUAM LEGISLATURE
1997 (FIRST) Regular Session**

Bill No. 365 (COR)

As amended on the Floor.

Introduced by:

C. A. Leon Guerrero
A. C. Lamorena, V
A. C. Blaz
F. B. Aguon, Jr.
E. Barrett-Anderson
J. M.S. Brown
Felix P. Camacho
Francisco P. Camacho
M. C. Charfauros
E. J. Cruz
W. B.S.M. Flores
Mark Forbes
L. F. Kasperbauer
L. Leon Guerrero
V. C. Pangelinan
J. C. Salas
A. L.G. Santos
F. E. Santos
A. R. Unpingco
J. Won Pat-Borja

**AN ACT TO ADD A NEW §12015.4 TO CHAPTER 12
OF TITLE 12 OF THE GUAM CODE ANNOTATED,
RELATIVE TO ESTABLISHING TARGETED
LIFELINE RATES FOR LOCAL EXCHANGE
TELEPHONE SERVICE.**

1 **BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:**
2 **Section 1. Legislative Findings.** The Guam Legislature finds that access
3 to local exchange telephone service is essential to residents' quality of life, and

1 that Lifeline Rates would promote universal service for low income telephone
2 subscribers. In order for the Guam Telephone Authority, or any other provider
3 of local exchange telephone service, to qualify for Federal universal service
4 support for low income customers, there must be established a Targeted Lifeline
5 Rate.

6 **Section 2.** A new §12015.4 is hereby added to Chapter 12 of Title 12 of the
7 Guam Code Annotated to read as follows:

8 **“Section 12015.4. Establishment of Targeted Lifeline Rates for**
9 **Local Exchange Telephone Service.** Notwithstanding any other provision
10 of law, the Commission shall establish and modify from time to time,
11 Targeted Lifeline Rates for local exchange telephone service that are
12 consistent with policies and procedures established by the Federal
13 Communications Commission (‘FCC’).

14 (a) **Eligibility Criteria.** Subscribers are eligible for the
15 Targeted Lifeline Rate for a single residential telephone line if they
16 meet the low income eligibility criteria established by the FCC.

17 (b) **Definition.** In the case of local exchange telephone
18 service a Targeted Lifeline Rate is defined as, the basic residential
19 subscriber line rate less any Federal lifeline program support.”

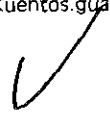
26-24-76



24th Guam Legislature
Sen. Carlotta A. Leon Guerrero

Union Bank Building, Suite 312
194 Hernan Cortez Avenue
Agana, Guam 96910

Tel : (671) 472-3416 / 3418
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sencig@kuentos.guam.net



Chairperson :

Committee on
Transportation,
Telecommunications and
Micronesia Affairs

August 29, 1997

The Honorable Antonio R. Unpingco
Speaker
Twenty-Fourth Guam Legislature
155 Hesler St.
Agana, Guam 96910

Dear Mr. Speaker,

The Committee on Transportation, Telecommunications, and Micronesia Affairs, to which was referred **Bill No. 365, "An Act to establish Targeted Lifeline Rates for Local Exchange Telephone Service"**, has had the same under consideration, and now wishes to report back with the recommendation **To Pass**.

The Committee votes are as follows:

To Pass	<u>9</u>
Not to Pass	<u>0</u>
Abstain	<u>1</u>
Inactive File	<u>0</u>

A copy of the Committee report and all pertinent documents are attached for your information and file.

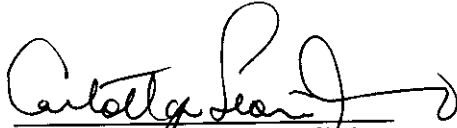
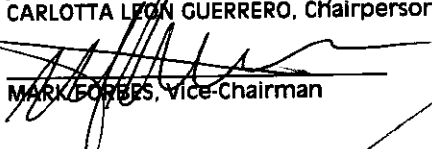
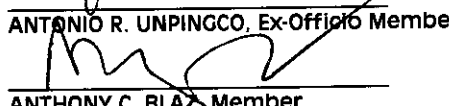
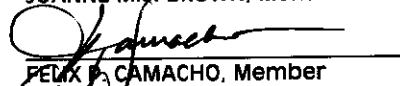

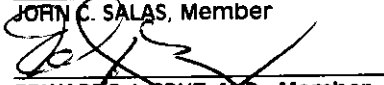
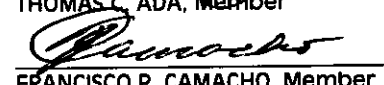


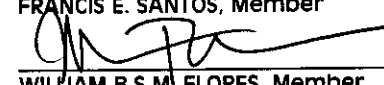
Sincerely yours,

CARLOTTA A. LEON GUERRERO
Chairperson

attachments

Committee on Transportation, Telecommunications, and Micronesian Affairs
 Twenty-Fourth Guam Legislature
Voting Record

Bill No. 365, "AN ACT TO ESTABLISH TARGETED LIFELINE RATES FOR LOCAL EXCHANGE TELEPHONE SERVICE"

	<u>TO PASS</u>	<u>NOT TO PASS</u>	<u>ABSTAIN</u>	<u>INACTIVE FILE</u>
 CARLOTTA LEON GUERRERO, Chairperson	✓	—	—	—
 MARK COBARRUBIAS, Vice-Chairman	✓	—	—	—
ANTONIO R. UNPINGCO, Ex-Officio Member	—	—	—	—
 ANTHONY C. BLAZ, Member	✓	—	—	—
JOANNE M.S. BROWN, Member	✗ <i>not</i>	—	—	—
 FELIX P. CAMACHO, Member	✓	—	—	—
 ALBERTO A. LAMORENA, Member	✓	—	—	—
ELIZABETH BARRETT-ANDERSON, Member	—	—	—	—
LAWRENCE KASPERBAUER, Member	—	—	—	—
JOHN C. SALAS, Member	—	—	—	—
 EDUARDO J. CRUZ, M.D., Member	✓	—	—	—
THOMAS C. ADA, Member	—	—	—	—
 FRANCISCO P. CAMACHO, Member	✓	—	—	—
 LOU LEON GUERRERO, Member	—	—	—	—
 VICENTE C. PANGELINAN, Member	✓	—	—	—
FRANCIS E. SANTOS, Member	—	—	—	—
 WILLIAM B.S.M. FLORES, Member	✓	—	—	—

✓ - need to doc if FAS are eligible

FISCAL NOTE
BUREAU OF BUDGET AND MANAGEMENT RESEARCH

BBMR-F7

Bill Number: 365 (cor)
Amendatory Bill: No

Date Received: August 21, 1997
Date Reviewed: August 29, 1997

Department/Agency Affected: Guam Telephonic Authority
Department/Agency Head: Vivente Camacho, General Manager
Total FY Appropriation to Date: Autonomous

Bill Title (preamble): AN ACT TO ESTABLISH TARGETED LIFELINE RATES FOR LOCAL EXCHANGE TELEPHONE SERVICE.

Change in Law: N/A

Bill's Impact on Present Program Funding:
Increase _____ Decrease _____ Reallocation _____ No Change X

Bill is for:
Operations X Capital Improvement _____ Other _____

FINANCIAL/PROGRAM IMPACT

ESTIMATED SINGLE-YEAR FUND REQUIREMENTS (Per Bill)			
PROGRAM CATEGORY	GENERAL FUND	OTHER	TOTAL
Autonomous	<u>1/</u>		

ESTIMATED MULTI-YEAR FUND REQUIREMENTS (Per Bill)						
FUND	1st	2nd	3rd	4th	5th	TOTAL
GENERAL	<u>1/</u>					
OTHER						
TOTAL						

FUNDS ADEQUATE TO COVER INTENT OF THE BILL? Yes - IF NO, ADD'L AMOUNT REQUIRED \$ _____
AGENCY/PERSON/DATE CONTACTED: _____

ESTIMATED POTENTIAL MULTI-YEAR REVENUES						
FUND	1st	2nd	3rd	4th	5th	TOTAL
GENERAL FUND	<u>1/</u>					
OTHER						
TOTAL						

ANALYST MD DATE 8/21/97 DIRECTOR Joseph Rivera DATE SEP 2 1997
M. Dizon Joseph E. Rivera, Acting

FOOTNOTES: See attached.

11

Bill 365 proposes to establish targeted lifeline rates for local exchange telephone service for low income customers, in order for the Guam Telephone Authority (GTA) or any other provider of local exchange telephone service to qualify for federal universal service support. This legislation does not define or establish the actual rates but authorizes the Public Utilities Commission (PUC) to establish and modify Targeted Lifeline rates that are consistent with policies and procedures established by the Federal Communications Commission (FCC).

The fiscal impact of such a measure will effect not only revenues to GTA and possibly the General Fund as well. The extent of such an impact would depend on what the rates are and the low income eligibility criteria. Until such time the PUC determine these factors the extent to which the fiscal impact of Bill 365 is undeterminable.

**COMMITTEE ON TRANSPORTATION, TELECOMMUNICATIONS,
AND MICRONESIAN AFFAIRS**

COMMITTEE REPORT

ON

BILL 365

**“An Act to establish Targeted Lifeline Rates for
Local Exchange Telephone Service”**

COMMITTEE MEMBERS

Chairperson: Sen. Carlotta A. Leon Guerrero

Vice-Chairperson: Sen. Mark Forbes

Ex-Officio Member: Speaker Antonio R. Unpingco

Sen. Anthony C. Blaz	Sen. Elizabeth Barrett-Anderson
Sen. Joanne S. Brown	Sen. Felix P. Camacho
Sen. Edwardo J. Cruz, M.D.	Sen. Lawrence F. Kasperbauer
Sen. Alberto C. Lamorena V	Sen. John C. Salas
Sen. Thomas C. Ada	Sen. Francisco P. Camacho
Sen. William B.S.M. Flores	Sen. Lou Leon Guerrero
Sen. Vicente C. Pangelinan	Sen. Francis R. Santos

PUBLIC HEARING SCHEDULE

The Committee on Transportation, Telecommunications, and Micronesian Affairs conducted a Public Hearing on Monday, August 25, 1997 at 9:00 a.m. in the Public Hearing room of the Guam Legislature Temporary building in Agana.

Committee Members present: Sen. Carlotta Leon Guerrero, Chair
Sen. Frank Camacho
Sen. Lou Leon Guerrero
Sen. Vicente Pangelinan

Also present: Sen. Frank Aguon, Jr.

SUMMARY OF TESTIMONY

The Guam Telephone Authority (GTA) was represented by Deputy General Manager George Taitano, and Finance Manager Diana Bernardo. GTA testified in support of establishing Targeted Lifeline rates to take advantage of federal Lifeline program support, but believes the legislation should go further by establishing and funding a *local* Lifeline program. Under such a program, additional federal support would be available to match fifty percent of the support generated by a local program (up to \$1.75). In other words, if Guam took full advantage of the federal and local programs together, the reduction would equal \$10.50:

Baseline federal support	\$ 5.25
Guam based support	3.50
Additional federal support	<u>1.75</u>
Total federal and Guam based	\$10.50

Governor's Telecommunications Advisor Bob Kelley testified in support of establishing Targeted Lifeline rates that would take advantage of the maximum federal funds available but *without* requiring local matching funds.

COMMITTEE FINDINGS

The Committee finds that while there was unanimous agreement that a Targeted Lifeline rate be established to take advantage of federal Lifeline program support, there was disagreement between GTA Management and the Governor's Telecommunications Advisor regarding the establishment of a *local* Targeted Lifeline fund.

The Federal Communications Commission has mandated that Local Exchange Carriers waive the \$3.50 service line charge to qualified low income subscribers, and has authorized an additional \$1.75 discount if approved by the local Public Utilities Commission. This \$5.25 discount will be 100% funded through the federal Lifeline program, and will be **revenue neutral** to GTA.

While GTA has suggested establishing a locally-funded Lifeline program (that would provide an additional \$3.50 discount)to take advantage of an additional \$1.75 in

federal support, it did not present any testimony on the cost to GTA, or the cost of a required third-party administrator for the program.

The Committee Chairperson recommended that the issue of establishing a locally-funded program be dealt with separately, in the meantime passage of Bill 365 will allow qualified local subscribers to take advantage of the federal Lifeline program.

COMMITTEE RECOMMENDATION

The Committee on Transportation, Telecommunications, and Micronesia Affairs hereby reports out Bill No. 365 to the Twenty-Fourth Guam Legislature with the recommendation **To Pass**.

24th Guam Legislature
Committee on Rules, Government
Reform and Federal Affairs
Senator Mark Forbes, Chairman



AUG 21 1997

MEMORANDUM

TO: Chairperson
Committee on Transportation, Telecommunications and Micronesian
Affairs

FROM: Acting Chairman *ACB*
Committee on Rules, Government Reform and Federal Affairs

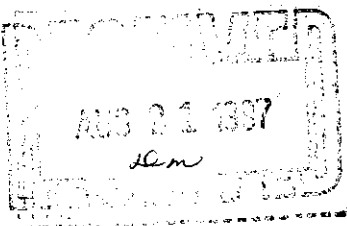
SUBJECT: Referral- Bill No. 365

The above Bill is referred to your Committee as the principal committee. It is recommended you schedule a public hearing at your earliest convenience.

Thank you for your attention to this matter.

ANTHONY C. BLAZ

Attachment





**Guam Telephone Authority
Aturidat Tilifon Guahan**

Post Office Box 9008 • Tamuning, Guam 96931 • Telephone: (671) 646-1427/5527 • Fax: (671) 649-GTA1(4821)
624 North Marine Drive, Tamuning, Guam 96911

**TESTIMONY
OF**

**VICENTE M. CAMACHO
GENERAL MANAGER**

GUAM TELEPHONE AUTHORITY

AUGUST 25, 1997

Good morning, Madame Chair and other members of the Committee on Transportation, Telecommunications and Micronesian Affairs. I am Vicente Camacho, General Manager of GTA. I am happy to appear before you to testify on Bill No. 365, An Act to Establish Targeted Lifeline Rates for Local Exchange Service.

First, I thank the Chair and other members of the Committee for recognizing the importance of establishing a territorial Lifeline program. We all agree on the fact that telephone service is an essential element of quality of life on Guam and we are all proud of the fact that our percentage of telephone subscribership is among the highest in the United States. Nevertheless, we recognize, as you do, that changes in the telecommunications industry that have occurred -- and will occur -- may threaten that essential element for some low income subscribers.

For many years there has been a federal program for support for low income subscribers, called the Lifeline program. Most states have participated in the program, which provides for discounts on monthly telephone bills for qualifying subscribers. After the passage of the new Telecommunications Act in 1996, changes in the federal Lifeline program became necessary. Among these changes were the elimination of the requirement that states -- or in the case of Guam, territories -- have their own Lifeline



program in order to qualify for federal assistance. Now, federal assistance will be available to every subscriber who qualifies, whether or not the state or territory has a Lifeline program of its own.

Under the new rules, the baseline amount of federal support for low income subscribers will be \$3.50, the amount of the federally imposed Subscriber Line Charge. In addition, support of an additional \$1.75 can be available if the Public Utility Commission approves. This total amount of \$5.25 is the amount of federal support that is available under the provisions of Bill No. 365. GTA believes this amount, which satisfies the definition of "targeted lifeline rate" in the Bill, will be very helpful in offsetting residential subscriber charges.

However, we think the legislation can, and should, go further. Under the federal rules, support in addition to the \$5.25 is available in those jurisdictions which establish and fund their own Lifeline programs. GTA believes that the Guam Legislature should establish such a program. If it does, additional federal support equal to one half the support generated from the local program will be available (up to a maximum of \$7.00). In other words, if Guam took full advantage of the federal and local programs together, the reduction in local subscriber rates would equal \$10.50.

\$ 5.25	Baseline Federal Support
3.50	Guam-Based Support
<u>1.75</u>	Additional Federal Support
\$10.50	Total Amount (Federal and Guam-Based)

Bill No. 365 gets us halfway there. With a few changes, it can get us all the way to the maximum federal and local support possible. We have studied Lifeline legislation in other jurisdictions and would like to make some suggestions as to ways that this legislation can be modified so as to maximize the benefits available to Guam subscribers.

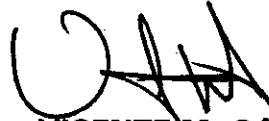
We will, of course, be happy to work with the Committee on legislative

language, but in sum our suggestions are these:

- Authorize the PUC to establish and administer a Targeted Lifeline Fund. Under PUC direction, GTA has already begun to set aside its contribution to such a fund. We have agreed that \$50,000 per month should be contributed by GTA. Unless the Bill is changed to authorize a Guam Targeted Lifeline Program, in addition to the federal program, it is unclear whether this contribution can be applied to a qualified Lifeline program.
- Require that every telecommunications carrier that provides intrastate service on Guam contribute to the Fund according to an equitable and nondiscriminatory formula to be established by the PUC. We do not believe that GTA alone should be responsible for funding universal service, particularly since it is clear that GTA will soon face competition in the provision of local service. All carriers benefit from high telephone subscribership and all carriers should participate in the program to maintain it. This is the approach taken by the FCC and Congress and we believe it is only fair to take the same approach on Guam.
- Require that only carriers who provide residential local exchange service and who participate in the Fund should be able to receive distributions from the Fund. The purpose of the Fund is to support residential local exchange service and its use should be restricted to that purpose. Moreover, if a carrier does not contribute to the Fund, it should not be permitted to receive distributions from it. Otherwise, GTA would be subsidizing its competitors' operations.
- Authorize the PUC to establish rules from the Targeted Lifeline Program that are consistent with Guam law and with federal policies and procedures. This will help to insure consistency with the federal law and with the express direction of the Guam legislature.

GTA believes that with these changes, Bill No. 365 will achieve its true purpose, allowing the citizens of Guam to receive the maximum possible federal and local support for residential telephone rates. It is important that we should take advantage of the greatest possible federal support. Please remember that GTA -- as well as all carriers providing interstate service on Guam -- will be contributors to the federal

program. If Guam subscribers contribute to the federal universal service funds -- through their interstate rates -- shouldn't they also be beneficiaries of the funds? GTA believes so and we sincerely hope you will amend your bill to allow for the greatest possible federal support for residential local rates.



VICENTE M. CAMACHO

Testimony Before the Committee on Transportation,
Telecommunications, and Micronesian Affairs
August 25, 1997

Robert F. Kelley, Jr.
Advisor to the Governor

Madam Chairwoman, and Members of the Committee, Good Morning.

With the implementation of the Telecom Act of 96 and the adoption of the Universal Service REPORT AND ORDER on May 7, 1997 by the Federal Communications Commission (FCC), Guam Low Income Subscribers will be eligible for a discount of \$5.25 of the basic residential rate.

A discount of \$3.50 is mandated by the FCC whether or not Guam changes its law and if we harmonize our local laws with the Federal Communications Commission Order, Guam's qualified residents will receive an additional \$1.75 in federal assistance simply by adjusting the local tariff to reflect the additional \$1.75 discount.

I recommend that any local Lifeline legislation passed be as simple and general as possible and authorize the Guam Public Utilities Commission to set rates and eligibility standards that are consistent with Federal Lifeline and Link Up programs. This will enable the Guam Telephone Authority and any other eligible telecommunications provider to obtain the maximum federal funds available without requiring local matching funds.

For your reference, I am including some paragraphs regarding Lifeline Service with emphasis added from the Final FCC Universal Service Order adapted on May 7, 1997.

328. Third, as the Joint Board recommended, we conclude that Lifeline consumers should have the benefit of certain basic services and policies. We therefore find, as did the Joint Board, that Lifeline service should include: single-party service, voice grade access to the public switched telephone network (PSTN), DTMF or its functional digital equivalent, access to emergency services, access to operator services, access to interexchange service, access to directory assistance, and toll limitation. We also adopt the Joint Board's recommendation to prohibit disconnection of Lifeline service for non-payment of toll charges and service deposit requirements for customers who accept toll limitation.

351. We adopt the Joint Board's recommendation regarding federal Lifeline support amounts in virtually all respects. Lifeline consumers will continue to receive the \$3.50 in federal support that is currently available. Further, as the Joint Board recommended, we will provide for additional federal support in the amount of \$1.75 above the current \$3.50 level. For Lifeline consumers in a given state to receive the additional \$1.75 in federal support, that state need only approve the reduction in the portion of the intrastate rate paid by the end user; no state matching is required. The requirement of state consent before we make available federal Lifeline support in excess of the federal SLC is consistent with our overall deference to the states in areas of traditional state expertise and authority.¹ This approach is consistent with the Joint Board's recommendation because it raises to \$5.25 the level of federal Lifeline support that is available even if the state generates no support from the intrastate jurisdiction. Because the states need not provide matching funds to receive this amount, but only approve the reduction of \$1.75 in the portion of the intrastate rate that is paid by the end user, we believe that the states will participate in this aspect of the program.

374. We also adopt the Joint Board's recommendation² that the Commission apply a specific means-tested eligibility standard, such as participation in a low-income assistance program, in states that choose not to provide matching support from the intrastate jurisdiction. Specifically, we find, as suggested in part by Benton and Edgemont,³ that the default Lifeline eligibility standard in non-participating states will be participation in Medicaid, food stamps, Supplementary Security Income (SSI), federal public housing assistance or Section 8.4 or Low Income Home Energy Assistance

1 See 47 U.S.C. § 152(b). For example, the Link Up program currently provides federal support to reduce state-tariffed connection charges, and operates by allocating carriers' expenses in providing the reduced charges to the interstate jurisdiction. See 47 C.F.R. §§ 67.701, 67.711. *But see* BellSouth comments at 18 (arguing that a federal Lifeline support amount in excess of the SLC would constitute an improper infringement on state ratemaking authority).

2 Recommended Decision, 12 FCC Rcd at 303.

3 Letter from Ellis Jacobs, Edgemont, and Kevin Taglang, Benton, to William F. Caton, FCC, dated February 21, 1997 (Benton and Edgemont Feb. 21 *ex parte*).

4 Section 8 is a federal housing assistance program administered by the Department of Housing and Urban Development.

Program (LIHEAP). While Benton and Edgemont suggest that Lifeline eligibility be based on participation in one of these programs by *any* member of a household, we find that, in the interest of administrative ease and avoiding fraud, waste, and abuse, the named subscriber to the local telecommunications service must participate in one of these assistance programs to qualify for Lifeline. We specifically decline to base eligibility solely on a program, such as Aid to Families with Dependent Children (AFDC), that will be altered significantly by the recently-enacted welfare reform law,⁵ as Catholic Conference observes.⁶ Because we agree with the Joint Board, however, that individuals who are eligible for assistance from low-income assistance programs also should be eligible for Lifeline, participation in at least one of the programs mentioned above shall be the federal eligibility standard applied in states that do not participate in Lifeline. We conclude that basing Lifeline eligibility on participation in any of these low-income assistance programs will achieve our goal of wide Lifeline participation by low-income consumers, because the eligibility criteria for several of these programs vary. Therefore, basing Lifeline eligibility on participation in any of these programs will reach more low-income consumers than basing Lifeline eligibility solely on one of the programs. We further conclude that if participation in Medicaid, food stamps, SSI, public housing assistance or Section 8, or LIHEAP becomes an unworkable standard, as evidenced, for instance, by a disproportionately low number of Lifeline consumers in states where such a standard is used, the Commission shall revise the standard.

377. With respect to verification in states in which the federal default qualification criteria apply, we will require carriers to obtain customers' signatures on a document certifying under penalty of perjury that the customer is receiving benefits from one of the programs included in the default standard,⁷ identifying the program or programs from which the customer receives benefits, and agreeing to notify the carrier if the customer ceases to participate in such program or programs.

380. We also adopt the Joint Board's recommendation⁸ that we amend our Link Up program so that any eligible telecommunications carrier may draw support from the new Link Up support mechanism if that carrier offers to qualifying low-income consumers a reduction of its service connection charges equal to one half of the

⁵ The Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Pub. L. 104-193 (1996).

⁶ Catholic Conference comments at 9-10.

⁷ As discussed *supra*, the default Lifeline eligibility criteria apply in states that choose to have no intrastate support for Lifeline. The default criteria are participation in Medicaid, food stamps, SSI, federal public housing assistance or Section 8, or LIHEAP.

⁸ Recommended Decision, 12 FCC Rcd at 304.

carrier's customary connection charge or \$30.00, whichever is less.⁹ Support shall be available only for the primary residential connection.¹⁰ When the carrier offers eligible customers a deferred payment plan for connection charges, we agree with the Joint Board that we should preserve the current rule providing support to reimburse carriers for waiving interest on the deferred charges. In the absence of evidence that increasing the level of Link Up support for connecting each eligible customer would significantly promote universal service goals, we will maintain the present level of support for Link Up, as the Joint Board recommended.¹¹ To ensure that the opportunity for carrier participation is competitively neutral, we adopt the Joint Board's recommendation¹² to eliminate the requirement that the commencement-of-service charges eligible for support be filed in a state tariff.¹³

381. For the sake of administrative simplicity, we revise our rules to require that the same qualification requirements that apply to Lifeline in each state, including its verification standards, also shall apply to Link Up in that state. This step will advance administrative simplicity while states assess their approaches to universal service and while we seek further recommendations from the Joint Board.¹⁴ We further observe that this rule will change nothing in the majority of states, which already use the same eligibility criteria for both programs.¹⁵ This change, however, will base states' ability to set Link Up eligibility criteria on whether they participate in Lifeline. Accordingly, we eliminate the requirement that states verify Link Up customers' qualifications for the program and instead rely on the states to determine whether the costs of verification outweigh the potential for fraud, waste, and abuse. Because only those states generating intrastate Lifeline support will make this determination, they will have an independent incentive to control fraud, waste, and abuse. In states that do not participate in Lifeline, the federal default Lifeline qualifications also will apply to Link Up.

386. We also adopt the Joint Board's recommendation that carriers providing voluntary toll limitation should be compensated from universal service support mechanisms for the incremental cost of providing toll-limitation services.¹⁶ We disagree with PacTel's proposal that carriers should receive support for their lost

9 Recommended Decision, 12 FCC Rcd at 304.

10 Recommended Decision, 12 FCC Rcd at 304.

11 *Cf., e.g.*, Edgemont comments at 2; New Jersey Advocate comments at 6.

12 Recommended Decision, 12 FCC Rcd at 304.

13 *See* 47 C.F.R. § 36.711(d).

14 In the Recommended Decision, the Joint Board recommended that states should continue to establish means-tested Link Up qualification criteria.

15 *See FCC Monitoring Report*, tbl. 2.4.

16 Recommended Decision, 12 FCC Rcd at 285.

revenues in providing toll-limitation services (defined as the amount customers normally would pay for the service).¹⁷ We find that recovery of the incremental costs of toll-limitation services is adequate cost recovery that does not place an unreasonable burden on the support mechanisms. By definition, incremental costs include the costs that carriers otherwise would not incur if they did not provide toll-limitation service to a given customer, and carriers will be compensated for their costs in providing such service.¹⁸ Because low-income consumers may otherwise be unlikely to purchase toll-limitation services,¹⁹ we do not find it is necessary to support the full retail charge for toll-limitation services the carrier would charge other consumers. We therefore also conclude that universal service support should not contribute to the service's joint and common costs. As discussed below, we require that Lifeline subscribers receive toll-limitation services without charge.

408. Although we find that the changes to Lifeline and Link Up we now adopt will make both programs consistent with the Act and our objective of increasing subscribership among low-income consumers, we find that the public interest would not be served by disrupting the existing Lifeline and Link Up services that ILECs currently offer in most areas of the country. We therefore must select a date on which the current Lifeline and Link Up programs will terminate and the new programs begin.

409. Because the new universal service support mechanisms must be in place in order to fund the revised Lifeline and Link Up programs, we conclude that the new Lifeline and Link Up funding mechanisms will commence on January 1, 1998. Additionally, support for toll limitation for Lifeline subscribers shall begin at that same time, because support for this service also should come from the new support mechanisms.

¹⁷ PacTel comments at 30-31.

¹⁸ For this reason, it is unclear to us what "start-up costs" PacTel is concerned will go uncompensated. See PacTel comments at 30-31.

¹⁹ Recommended Decision, 12 FCC Rcd at 285.