

Helping Keep Americans Connected

The USAC Connection High Cost & Low Income monthly newsletter will give you information about upcoming program deadlines, tips to help you ensure timely and proper filings, and other timely information.

High Cost Program

Actual ILEC Local Switching Support Data for 2007 is Due No Later than December 31, 2008

All incumbent ETCs that filed for Local Switching Support (LSS) for calendar year 2007 must file actual LSS data (true-up data) for calendar year 2007 with USAC **no later than December 31, 2008**. If your LSS actual data for calendar year 2007 are not timely filed, **all LSS disbursed for calendar year 2007 will be recovered by USAC**.

A "cost company" serving 50,000 lines or fewer must use the *Local Switching Support Reporting Worksheet for Cost Companies* (Form LSSc) to submit its actual LSS data. An "average schedule" company must use the *Local Switching Support Reporting Worksheet for Average Schedule Companies* (Form LSSa) to submit its actual LSS data. The [High Cost Forms](#) page has both forms.

Whether you are an average schedule or a cost company, you may submit your LSS Form to USAC:

By Email: hcfilings@HCLI.universalservice.org

By Fax: 1-866-873-4666

By Mail: Universal Service Administrative Co.
444 Hoes Lane
Piscataway, NJ 08854

If the National Exchange Carrier Association (NECA) files LSS data on your behalf, NECA must submit the same data as required on the LSS forms. NECA also must file your data with USAC **no later than December 31, 2008**.

Please contact USAC's customer service center at 877-877-4925 if you have any questions.

Low Income Program

Audit Findings Related to the Low Income Program

USAC has identified some common errors made by ETCs in the Low Income Program that auditors have deemed to be audit findings. Over the next few months, we will highlight these common audit findings so that companies can review their practices to ensure they are in compliance with FCC rules.

Common Audit Findings

- Carrier is not using the correct customer eligibility criteria
- Carrier's outreach material contains incorrect eligibility criteria
- Carrier is accepting incomplete customer applications, certifications

Many audit findings are related to consumer eligibility. Specifically, ETCs provide Lifeline to ineligible consumers. To be eligible, a consumer must both meet the established Lifeline and Link Up eligibility criteria and submit a completed certification form. Eligibility criteria and application processes vary by state. Carriers should determine whether they are in a *federal default state* or *state that mandates support* to determine which rules they should follow.

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Lifeline eligibility depends on which category a state falls—*federal default state* or *state that mandates support*.

States that do not mandate support, also known as *federal default states*, do not have their own Lifeline or Link Up programs. Carriers in these states should follow the federal Lifeline and Link Up rules. The FCC lists the following as federal default states: Delaware, Hawaii, Iowa, Indiana, Louisiana, New Hampshire, American Samoa, and Northern Mariana Islands.

States that mandate support, also known as *non-default states*, either have a separate Lifeline fund or require carriers to reduce their intrastate rates to supplement federal Lifeline support. These states are permitted to establish Lifeline certification and verification procedures, and eligibility criteria. Many non-default states have adopted all of the federal rules in lieu of establishing their own.

Carrier is not using the correct customer eligibility criteria

Low-income customers in federal default states and states that follow the federal eligibility criteria qualify for Lifeline and Link Up if they participate in *Food Stamps*, *Low Income Home Energy Assistance (LIHEAP)*, *Medicaid*, *National School Lunch free lunch program (NSL)*, *public housing assistance* or *Section 8*, *Supplemental Security Income (SSI)*, or *Temporary Assistance for Needy Families (TANF)*. Customers also qualify if their household income is at or below 135% of the Federal Poverty Guidelines.

Low-income customers in states that mandate support qualify for Lifeline and Link Up based on the eligibility criteria established by their state. The state may only use income or factors directly related to income. For example, a state cannot use participation in Social Security Disability Insurance (SSDI) as a Lifeline eligibility criterion since participation is not based on income. However, if a state uses household income as a criterion, money received from SSDI would be factored into the household income. Most states use a combination of the federal criteria listed above.

Low-income customers living on federally recognized tribal lands qualify for Tiers One, Two, and Four Lifeline support and Enhanced Link Up if they meet any of the federal criteria or if they participate in *Bureau of Indian Affairs General Assistance*, *Head Start (income eligible)*, or *Tribally Administered TANF*. Tribal customers in states that mandate support may also qualify for state Lifeline and Tier Three support if they meet the eligibility criteria established by their state. However, this is determined on a state-by-state basis.

Carrier's outreach material contains incorrect eligibility criteria

All brochures, applications, certification forms, customer service scripts and any other outreach materials should reflect accurate eligibility criteria. Materials that do not include all criteria and outdated materials may prevent eligible households from receiving Lifeline and Link Up discounts. Outreach materials that list incorrect criteria may allow individuals who are not eligible for Lifeline to the discounts in violation of the federal rules.

Carriers in federal default states should work with USAC to ensure they are using the correct eligibility criteria.

Carriers in states that mandate support should work with their utility commissions, human services, or third party administrator to ensure they are using the correct criteria.

The U.S. Department of Health and Human Services releases the Federal Poverty Guidelines annually. In

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addition to posting the guidelines on its website each year, USAC converts the dollar amounts to reflect 125%, 135%, 150% and 175% to make it easier for carriers serving in states that use a variation of the guidelines as a Lifeline eligibility criterion.

Carrier is accepting incomplete customer applications, certifications

Carriers in federal default states and states that follow the federal rules should ensure that all applications and self-certifications are signed, dated and that the customers have made the following certifications under penalty of perjury: **(1.)** the name of the qualifying eligibility program (if using program-based eligibility); **(2.)** that the household meets the income requirement, that the presented documentation of income accurately represents the consumer's household income, and the total number of household members (if using income guidelines); and **(3.)** that the consumer will notify the carrier if he or she ceases to participate in the program or programs or if the consumer's income exceeds 135% of the Federal Poverty Guidelines.

Carriers in states that mandate support should ensure that all Lifeline and Link Up applications and self-certifications are in compliance with rules established by their state.

All carriers serving residents of federally recognized tribal lands should ensure that customers submit signed and dated certification forms, and have the customers make the following certifications under penalty of perjury: **(1.)** the name of the qualifying eligibility program (if using program-based eligibility); **(2.)** that the household meets the income requirement, that the presented documentation of income accurately represents the consumer's household income, and the total number of household members (if using income guidelines); **(3.)** that the consumer will notify the carrier if that consumer ceases to participate in the program or programs or if the consumer's income exceeds 135% of the Federal Poverty Guidelines; and **(4.)** that the consumer lives on or near a reservation (near reservation only applies in limited areas).

All carriers that use income as a criterion must require consumers to certify under penalty of perjury that the household meets the income requirement, that the presented documentation of income accurately represents the consumer's household income, and the total number of household members.

ETCs Must Notify Lifeline Customers about the Transition to Digital Television (DTV)

The FCC is requiring all ETCs that receive federal universal service funds to provide information about the television broadcasting transition from analog to digital service (the "DTV Transition") to their Lifeline and Link Up customers. See [FCC 08-56](#), released March 3, 2008.

A March 28, 2008, FCC [Public Notice](#) announced that the effective date for the new rule was March 31, 2008. Accordingly, as of March 31, ETCs must begin using bill inserts or language on a monthly bill to notify their Lifeline and Link Up customers about the DTV transition.

However, the FCC released a reconsideration order ([FCC 08-119](#)) April 23 that expanded its rules regarding the method in which ETCs must notify their Lifeline and Link Up customers of the February 2009 DTV transition. ETCs are now permitted to mail customers monthly stand-alone outreach materials (brochures, postcards, etc.) instead of including the notice as a monthly bill insert. The language that must be included on the mailer has not changed.

ETCs are still required to include DTV transition information on all Lifeline and Link Up outreach materials. These revised rules will be effective May 30, 2008. However, carriers may still use stand-alone mailers for the April 30 deadline.

The National Telecommunications and Information Administration (NTIA) has a number of outreach materials relating to the DTV transition, particularly the coupon program, available on its website at www.dtv2009.gov. Please contact NTIA directly to discuss co-branding printed materials or outreach methodology. For more information on these requirements, please see USAC's March 19 [DTV Important Notice](#) or the [March 2008 High Cost & Low Income News](#).

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FCC Record Retention Guidelines for High Cost Program Participants

The Federal Communications Commission (FCC) released a Report and Order August 29, 2007 that among other things adopted measures to safeguard the Universal Service Fund (USF) from waste, fraud, and abuse as well as measures to improve the management, administration, and oversight of the USF.

Included in this order were document retention requirements and administrative limitation periods for the high-cost, low-income, and rural health care universal service programs as well as document retention requirements for USF contributors.

Specifically, the FCC “will require recipients of universal service support for high-cost providers to retain all records that they may require to demonstrate to auditors that the support they received was consistent with the Act and the Commission’s rules, assuming that the audits are conducted within five years of disbursement of such support.”

Below are some record retention guidelines for High Cost eligible telecommunications carriers (ETCs).

- Retain all records relative to a disbursement for 5 years from date of disbursement (i.e., up to 7 years from record creation)
- Rule does not supplant the Part 32 rules on Continuing Property Records
- Data supporting:
 - Line counts
 - Customer records
 - Fixed asset property accounting records
 - Maintenance contracts for the upgrade of equipment
 - Any other relevant documentation

General Records Retention Recommendations

- Evidence of Advertising

For Cost Company Incumbent Carriers

- Trial Balances
- Detailed General Ledger Reports
- Financial Statements
- Cost Studies (all parts)

For Average Schedule Incumbent Carriers

- Network maps or other documentation substantiating the exchanges
- Documentation used to compile access minutes

These requirements apply to “all agents of the recipient” including NECA, cost consultants, or other contractors working on behalf of the beneficiary. All ETCs participating in the High Cost program also must make records available to FCC Office of Inspector General (FCC OIG), USAC, or auditors engaged by FCC OIG or USAC.

More information can be found in the [Understanding USAC High Cost Program Audits](#) section of USAC’s website.