

PUBLIC SERVICE COMMISSION OF MARYLAND

Report on
Implications of Expanding the Definition of Eligible Subscriber
as it Pertains to Telephone Lifeline and Link Up Service

Prepared for
the Senate Finance Committee and
the House Economic Matters Committee
of the Maryland General Assembly

In Compliance with Section 8-201 of
The Public Utility Companies Article
Annotated Code of Maryland

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Executive Summary

During the 2006 legislative session, the General Assembly enacted HB 1562¹ altering certain provisions of Maryland law pertaining to telephone Lifeline² services. Specifically, HB 1562 expanded the eligibility criteria for Lifeline services to include individuals who receive assistance from the electric universal service program (“EUSP”) under Public Utility Companies Article³ (“PUC”) § 7-512.1 or from Maryland Energy Assistance Program (“MEAP”) under Article 41, Title 6, Subtitle 4 of the Maryland Annotated Code. HB 1562 also expanded the calling options available to eligible low income consumers under the subsidized landline-based Lifeline service program in the State. In addition, the General Assembly required the Public Service Commission (“Commission”) to:

study the implications of expanding the definition of eligible subscriber under § 8-201(a)(2) of the *Public Utility Companies Article* as enacted to include individuals who:

- (1) do not receive the specified assistance or benefits to be eligible for a telephone Lifeline service; and
- (2) reside in subsidized housing, where residential local exchange access and other associated phone services are included as part of the individual’s rent payments.

The Commission concludes that the number of low income households that pay for telephone service in their rent is very small or nonexistent. Thus, while it is the

¹ Chapter 405, 2006 Laws of Maryland amending Public Utility Companies Article § 8-201, *Annotated Code of Maryland*.

² Lifeline and Link Up services in Maryland assist low-income households to gain access to telecommunications services at affordable rates.

³ The Public Utility Companies Article was expanded and renamed the Public Utilities Article (“PUA”) by Acts 2010, Chapter 37.

Commission's determination that the potential demand for Lifeline service is between 102,000 and 318,704 additional households, there are no verifiable households that pay for telephone service in their rent.⁴ Consequently, there is likely no impact associated with expanding the eligibility criteria as proposed by the General Assembly. The Commission's study also found that many low income households already have telephone service and may already subscribe to wireless-based Lifeline service.⁵

Telephone Lifeline and Link Up Service Under Current Eligibility Rules

Provisions of HB 1562 expanded the eligibility criteria for Lifeline services to include individuals who receive assistance from the EUSP under PUA Article §7-512.1 or from MEAP under Article 41, Title 6, Subtitle 4 of the Maryland Annotated Code.

⁴ The lower estimate is based on the number of households that qualify for, but do not participate in the electric universal service program. See *Utility Service Protection Program (USPP) Annual Report Winter 2009-2010*, submitted by the Public Service Commission of Maryland to the Maryland General Assembly in compliance with § 7-307 of the Public Utility Companies Article, Annotated Code of Maryland, table 1. The upper end of the range for the potential increase in the Lifeline population is based on data from the U.S. Census. U.S. Census data for 2011 indicates that the poverty level income for a two-person family is \$14,710 and for a three-person family is \$18,530. (See: <http://aspe.hhs.gov/poverty/11poverty.shtml>) The average household size in Maryland is 2.63 persons per household. Only one Lifeline subscription is available per dwelling unit pursuant to PUA § 8-201 (b)(1). Through linear interpolation, the poverty level income for a household containing 2.63 persons is \$17,116. The electric universal service program provides assistance for families with incomes up to 175% of the poverty level, or up to \$29,954. U.S. Census data indicate that there are 320,856 Maryland households having incomes less than \$24,999 and an additional 166,283 households with incomes between \$25,000 and \$34,999. Assuming those households are evenly distributed within that income range, there would be an additional 82,386 households within the \$25,000-\$34,999 income range that have incomes less than \$29,954 which is at 175% of federal poverty level. Adding that number of families to the number of families with family income less than \$24,999 provides an estimate of 403,242 households with incomes that qualify them for electric universal service assistance. Since 84,538 households already receive benefits from the electric universal service programs, changing the eligibility criteria as proposed by the General Assembly would increase the eligible base by 318,704 households.

⁵ Figures provided by the Federal Communications Commission (FCC) indicate that there are approximately 52,500 households in Maryland that do not have either landline or wireless telephone service within their home. See *Telephone Subscribership in the United States (Data through March 2010)*, Industry Analysis and Technology Division Wireline Competition Bureau Federal Communications Commission, released August 2010, table 3. In addition, 112,453 Lifeline customers were recorded in Maryland at the end of 2010. Lifeline and Link Up subscription data are as reported by the Universal Service Administrative Company (USAC) to the FCC. See Tables LI 08 and LI 09 at <http://www.universalservice.org/about/governance/fcc-filings/2011/quarter-3.aspx>.

Additionally, HB 1562 added a second type of Lifeline service to that already extant in Maryland.

The original Lifeline service authorized in Maryland consists of the dial tone access line and up to thirty local messages per month and is available to eligible customers pursuant to PUA § 8-201(c)(2). That Lifeline service is available from Verizon-Maryland Inc. (“Verizon”) at \$0.66 per month and is available from other landline carriers designated as eligible telecommunication carriers (“ETCs”) at comparably low prices.⁶ Few Maryland customers (less than 5,000) were enrolled in the pre-existing Lifeline program despite the low price, due at least in part to its service restrictions.

The second type of Lifeline service established by HB 1562 is available to eligible customers pursuant to PUA § 8-201(c)(3) at \$10.00 per month and consists of the dial tone access line, an unlimited number of local messages per month, and up to two value-added features of the customer’s choice at tariffed rates. For both types of low-income service, installation and connection charges are assessed at one-half of the tariffed rate pursuant to PUA § 8-201(d) while order processing charges and customer deposits are prohibited pursuant to PUA §§ 8-201(f) and (g), respectively.

In addition to the expanded eligibility criteria noted above, the General Assembly directed the Commission to:

⁶ FCC data indicate that five landline carriers have been granted ETC status by the Commission: Armstrong Telephone Company – Maryland (Armstrong), Verizon, MCI Telecommunications Corp., Budget Phone, Inc. and Nationsline Inc. (Nationsline). FCC data also show that Verizon, and Nationsline and Armstrong provide both Lifeline and Link Up services in Maryland. Lifeline and Link Up reimbursement data are reported by USAC to the FCC. See tables LI 01 and LI 05 at: <http://www.universalservice.org/about/governance/fcc-filings/2011/quarter-3.aspx>.

study the implications of expanding the definition of eligible subscriber under § 8-201(a)(2) of the *Public Utility Companies Article* as enacted to include individuals who:

- (1) do not receive the specified assistance or benefits to be eligible for a telephone Lifeline service; and
- (2) reside in subsidized housing, where residential local exchange access line service, residential local untimed messages, and other associated phone services are included as part of the individual's rent payments.⁷

Currently, under PUA § 8-201, “eligible subscriber” means an individual who is certified to a local exchange company by the Department of Human Resources *as receiving* assistance under any of the following programs:

- The Family Investment Program under Title 5, Subtitle 3 of the Human Services Article, *Annotated Code of Maryland*;
- the electric universal service program under PUA Article § 7-512.1;
- the Maryland Energy Assistance Program under Title 5, Subtitle 5A of the Human Services Article, *Annotated Code of Maryland*;
- State-funded public assistance benefits⁸; or
- Supplemental Security Income (“SSI”) under Title XVI of the federal Social Security Act.

With the exception of SSI, all of the programs listed above are administered by the Maryland Department of Human Services (“DHS”). Participation in all of the DHS

⁷ Uncodified Section 2(a) of HB 1562.

⁸ These are classified under Title 5 of the Human Services Article at various subtitles.

administered programs is based, at least in part, on income. MEAP and EUSP are administered by the Office of Home Energy Programs (“OHEP”), an agency within DHS. In order to receive EUSP, an applicant must also be a customer of a utility.

The OHEP within the Department of Human Resources is charged with certifying low income customers as eligible for the landline-based Lifeline and Link Up benefits made available through the State program, while the FCC’s criteria are used to qualify customers as eligible for the federal programs. To the extent allowed by federal law, OHEP compiles a list of low income beneficiaries participating in the programs listed in PUA § 8-201(a)(2) and provides a list of eligible customers on a monthly basis to all ETCs that request it.⁹

Implications of Expanding Lifeline and Link Up Eligibility

The Commission has investigated the implications of expanding the statutory definition of “eligible subscriber” to include individuals who are eligible for, but do not receive the specified benefits and who reside in subsidized housing where the specified telecommunications services are included as part of the individual’s rent payments. Specifically, the Commission’s Technical Staff (“Staff”) broadly examined the issue of increased eligibility for the Lifeline program with help from OHEP, the Maryland Office of People’s Counsel (“OPC”), the Commission’s Office of External Relations (“OER”), the Department of Housing and Community Development (“DHCD”), and Verizon. The most challenging task was to estimate the number of low-income persons residing in subsidized housing where telephone service is part of the rent.

⁹ See PUA § 8-201(h).

The prospect of making landline-based Lifeline benefits available to low-income telephone customers who live in subsidized housing and pay for their telephone service in their rent payments seeks to address a situation similar to that of master-metered buildings for electric and gas service. In such situations, the apartment building is metered as a single unit, and the individual dwelling units within the building may or may not be sub-metered. The units must be individually metered or sub-metered if constructed after July 1, 1978. If the post-1978 building is sub-metered, the Commission must approve the metering system and processes pursuant to PUA § 7-303(d) and Code of Maryland Regulations (“COMAR”) 20.25. If the building is not sub-metered, the Commission must approve an energy allocation system used to allocate energy costs among the units within the building pursuant to PUA §7-304 and COMAR 20.26. Low income customers living in subsidized housing under a sub-metered or energy allocation regime are not usually eligible for energy cost subsidies through EUSP because they are not utility customers. In these instances, the customer is the landlord.

OHEP does provide a small energy assistance grant to certain electric customers living in subsidized housing. Recipients of these grants are customers of an electric company but their rent reflects a subsidy for energy costs. OHEP contacted its local administering agencies (“LAAs”) to determine whether these persons also received telephone service as part of their subsidized housing allowance. No LAAs indicated that this was the case.

Subsidized rental housing in Maryland is provided through the United States Department of Housing and Urban Development, Section 8 Housing Choice Voucher Program (“Section 8 Program”) and Maryland’s Rental Assistance Program (“RAP”).

Both are administered by DHCD. The Section 8 Program provides vouchers to families whose gross income, adjusted for family size is at or below 50 percent of the median income for the area of the State in which the family resides. Statewide the range of qualifying incomes ranges from \$30,000 (family of one) to \$56,550 (family of eight). The voucher provided under the Section 8 Program pays subsidies for rents, in addition to the tenant's portion. The amount the tenant pays may not exceed 30 percent of adjusted monthly income. A subsidy then makes up the difference between the landlord's rent and the tenant's payment under the program. Housing agencies establish payment standards which represent the maximum amount of subsidy they will pay toward rent and utilities. Hence the assisted family is limited to renting apartments whereby subsidy costs will not exceed the payment standards. Included in the Section 8 Program is a utility allowance for electricity and heating but not telephone service. Persons in the Section 8 Program are expected to provide their own telephone service.

The RAP Program is intended to provide flat rent subsidies to low-income families who are either homeless or have an emergency housing need. Because this program is intended to provide temporary assistance, with the goal of returning participants to permanent housing and self-sufficiency, the RAP allowance is limited to 12 months. As is the case with the Section 8 Program, the RAP allowance is paid directly to the landlord and does not include an allowance for telephone service.

Rents that are subsidized by either the Section 8 Program or RAP are for available apartments located throughout the State. Since subsidized apartments are not concentrated, they are no more likely to provide telephone service as part of the rent than

the typical unsubsidized apartment whose non-participating landlords rent at market rates.

Additionally, Staff asked OPC and the Commission's OER about complaints that might shed some light on the size of this population; however, neither OPC nor OER had a record of any such complaints, nor were personnel in either office aware of situations where low income consumers pay for their telephone service in their rent.

Having conducted the aforementioned investigation, the Commission's Staff has found no evidence that a significant number of individuals reside in housing, subsidized or otherwise, where telephone service is included in rent payments and who are eligible for, but do not receive, benefits from any of the programs listed in PUA § 8-201(a)(2). Based on this evidence, the Commission concludes that the number of instances where low income apartment dwellers pay for their telephone service in their rent is very small or nonexistent.

Estimated Demand for Lifeline and Link Up Services in Maryland

The Commission has made an effort to estimate the degree to which the Lifeline-eligible population would be expanded to accommodate those households that are eligible to receive benefits from any one of the array of programs listed in PUA § 8-201 but do not actually enroll in those programs. The Commission notes that in its 2009-2010 Utility Service Protection Program ("USPP") Annual Report, the Commission found that 84,538 households were enrolled in the USPP and an additional 102,757 households were eligible for USPP benefits, but did not participate.¹⁰ It can be concluded that expanding the definition from those households that receive benefits from the USPP because they

receive energy assistance such as EUSP or MEAP to those that are eligible but not enrolled in those programs would expand the eligible telephone Lifeline population by at least an additional 102,757 households.¹¹

The Commission believes that the number of households that are known to qualify for energy assistance benefits but do not enroll in those programs is understated. Therefore, we believe that the estimate provided above understates the additional number of households that would also be eligible for Lifeline services under the definition of eligibility proposed by the General Assembly. In order to estimate the upper range of the number of additional eligible households, the Commission analyzed the most recently available data from the U.S. Census. Based on that census data research, the Commission believes that there are approximately 403,242 households with income at or below 175 percent of the federal poverty level.¹² Of that number, 84,538 already qualify for landline-based Lifeline as a result of receiving benefits from the electric universal service program. Consequently, expanding Lifeline eligibility from program recipients to those eligible for benefits raises the potential Lifeline-eligible population by as many as 318,704 additional households.

Actual Telephone Subscribership and Lifeline Subscriptions in Maryland

The Commission cannot determine the extent to which any of the additional households referred to in the preceding section of this Report already purchase discount-

¹⁰ See Utility Service Protection Program (USPP) Annual Report Winter 2009-2010 submitted to the Maryland General Assembly in compliance with Public Utility Companies Article § 7-307, table 1.

¹¹ Public Utilities Article § 8-201 (2)(ii) states that any household receiving benefits from the electric universal service program is eligible to receive Lifeline service.

¹² The number of Maryland households with incomes at or less than 175% of the federal poverty level is derived in footnote number 3.

priced landline or wireless telephone service or pay regular subscription prices for landline or wireless telephone service. In other words, the Commission cannot determine the extent to which the potential additional demand for low income telephone services has already been met via qualifying services from the group of landline and wireless service providers that have been authorized to provide such services.

According to the most recent FCC data (March 2010), 97.5 percent of the households in Maryland had telephone service in their homes.¹³ That figure translates into approximately 52,500 households without telephone service in their homes in Maryland.¹⁴ The Commission interprets these data to indicate that approximately one-half to approximately 80 percent of the potential Lifeline-eligible population report that they already have telephone service in their homes from either a landline or wireless provider.

In addition, the number of actual Lifeline customers in Maryland rose from 5,821 in 2008 to 112,453 by the end of 2010.¹⁵ This dramatic increase has resulted almost entirely from consumers purchasing Lifeline service from authorized wireless carriers rather than from increased subscriptions to landline-based Lifeline service made available

¹³ *Telephone Subscribership in the United States*, Industry Analysis and Technology Division, Wireline Competition Bureau Federal Communications Commission, released August 2010, table 3.

¹⁴ See *Telephone Subscribership in the United States (Data through March 2010)*, Industry Analysis and Technology Division Wireline Competition Bureau Federal Communications Commission, released August 2010, table 3. The data indicates a “yes” response to the question asked by the U.S. Census Bureau’s Current Population Survey: “Does this house, apartment, or mobile home have telephone service from which you can both make and receive calls?” In March 2010, 97.5 percent of the respondents in Maryland indicated that a phone existed within the dwelling unit. From that figure, it can be calculated that 2,040,224 of Maryland’s 2,092,538 occupied housing units (which is the same as the number of Maryland households) had a telephone within the unit and 52,313 or 2.5 percent of occupied housing units or households did not have a telephone in the unit. The data are available at: <http://transition.fcc.gov/wcb/iatd/lec.html>

¹⁵ Lifeline and Link Up subscription data are as reported by the USAC to the FCC. See Tables LI 08 and LI 09 at <http://www.universalservice.org/about/governance/fcc-filings/2011/quarter-3.aspx>.

pursuant to PUA § 8-201. As explained more fully in the next section of this Report, the popularity of wireless services among low income individuals appears to have led to increases in Lifeline and Link Up subscribership in Maryland and across the country.

In conclusion, the most direct estimate of the impact of expanding the eligible Lifeline population from those actually receiving benefits to those that are eligible to receive benefits is that the Lifeline population would be enlarged by at least an additional 102,757 households and by as many as 318,704 additional households. The Commission cannot determine the extent to which those additional households (a) already receive Lifeline service from a wireless carrier or (b) forego discounted Lifeline service in favor of full priced telephone service from a landline or wireless carrier.

Recent Trends in the Provision of Lifeline and Link Up Service to Eligible Customers

Telephone lifeline service as defined in PUA § 8-201 specifically pertains to landline voice service. As described in a recent report, consumers of all income classes are increasingly substituting wireless and Internet-based voice service for traditional landline telephone service.¹⁶ This migration away from traditional landline telephone service is evidenced by the number of wireless ETC applications recently approved by the Commission, the number of low income consumers receiving service from those

¹⁶ *Report on the Status of the Deployment of Internet Protocol-enabled Services, Including VoIP Services, in Maryland and the Status of any Federal Legislation or Regulatory Proceedings Before the Federal Communications Commission Relating to Internet Protocol-enabled Services*, Prepared for the Senate Finance Committee and the House Economic Matters Committee of the Maryland General Assembly in Compliance with Section 8-602 of the Public Utilities Article Annotated Code of Maryland, issued by the Department of Business and Economic Development and Public Service Commission of Maryland, December 2010.

wireless carriers and the amounts of low income subsidy reimbursements being paid by the federal low income program to wireless ETCs.

For purposes of enabling wireless carriers to provide Lifeline and Link Up services to eligible low income customers in Maryland, the Commission uses eligibility criteria established by the FCC. Under those eligibility criteria, Lifeline service is available to consumers with incomes at or below 135% of the Federal Poverty Guidelines or to consumers who participate in any one of the following federal assistance programs:

- Medicaid,
- Food Stamps,
- Supplemental Security Income,
- Federal Public Housing Assistance (Section 8),
- Low-Income Home Energy Assistance Program,
- National School Lunch Program’s free lunch program, or
- Temporary Assistance for Needy Families.¹⁷

In addition to Maryland’s two incumbent local exchange carriers (“ILECs”), the Commission has certified three additional landline carriers as eligible to receive reimbursements from federal and state programs for providing services to low income customers. Since the summer of 2009, the Commission has also certified sixteen wireless providers as eligible to be reimbursed from the federal low income programs for providing Lifeline and Link Up service in the State.¹⁸ Wireless providers of Lifeline and

¹⁷ See 47 C.F.R. §54.409 which is available at: <http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr;sid=99205efdc9d866d62410c9fa006d52f1;rgn=div5;view=text;node=47%3A3.0.1.1.7;idno=47;cc=ecfr#47:3.0.1.1.7.1.4.3>

¹⁸ The sixteen certified wireless providers and the dates that their respective ETC application was approved are as follows: TracFone Wireless Inc. (August 19, 2009), Cricket Communications, Inc.

Link Up services typically provide a free wireless handset (Link Up) and a fixed amount of free minutes (typically 68 minutes) of calling time that can be used to make calls to any domestic U.S. location (Lifeline). Wireless and wireline carriers providing Lifeline and Link Up services are reimbursed for the discounts offered through the federal Low Income Universal Service Fund and through a state-specific mechanism established for that purpose.¹⁹

Consumers in Maryland and in other states continue to find wireless Lifeline service to be an attractive substitute for landline-based Lifeline service for various reasons. In contrast to wireline services, wireless service offers lower prices, mobility, no distinction between local, intrastate and interstate toll minutes and no limitations on the number of monthly messages or value added services as is the case with landline Lifeline service defined in PUA § 8-201.

(March 10, 2010), Nexus Communications, Inc. (April 7, 2010), Virgin Mobile (July 9, 2010), Line Up, LLC (September 22, 2010), TerraCom, Inc. (February 2, 2011), Assurance Home Phone Services, Inc. d/b/a/ Surety Wireless (March 2, 2011), Linkup Telecom, Inc. (March 9, 2011), Conexions, LLC d/b/a/ Conexion Wireless (March 30, 2011), Global Connection Inc. of America d/b/a/ Stand Up Wireless (March 30, 2011) and Telrite Corporation (April 6, 2011), i-wireless, LLC (May 11, 2011), True Wireless, LLC (May 18, 2011), Cintex Wireless, LLC (May 18, 2011), TAG Mobile, LLC (May 25, 2011) and US Connect, LLC (June 8, 2011).

¹⁹ Both landline and wireless providers of Lifeline and Link Up services can offer discounts to customers that exceed amounts that are reimbursable by the federal and state low income universal service program. Reimbursements to wireless and landline ETCs from the federal low income programs for Lifeline service are limited to recovery of the subscriber line charge up to a maximum of \$6.50 which is waived for Lifeline customers, an additional \$1.75 per month per discount-priced line, and additional funds up to a maximum of \$1.75 which vary according to the level of state support that is provided. See 47 C.F.R. §54.403. Federal reimbursement to landline and wireless carriers for Link Up service is equal to one-half of the normal connection charge up to a maximum of \$30.00. See 47 C.F.R. §54.411. The state support that is provided in Maryland is limited to carriers that provide services meeting the requirements of PUA § 8-201 and consists of credits on the carrier's state public service company franchise tax liability. Section 8-407 of the Tax-General Article states that "[a] telephone company may claim a credit against the public service company franchise tax equal to all approved and applicable federal and State tariff charges for telephone Lifeline service not billed to eligible subscribers as provided in § 8-201 of the Public Utilities Article."

Based on the most recent data available to the Commission (end of 2010), there are 112,453 Lifeline service customers and 47,283 Link Up customers in Maryland.²⁰ The number of Lifeline recipients in Maryland grew from 5,133 in 2007 to 18,396 in 2009 and to 112,453 in 2010²¹ while the number of low income customers receiving Link Up assistance in Maryland rose from 1,627 in 2007 to 2,117 in 2008, to 2,676 in 2009 and to 47,283 in 2010.²²

Landline and wireless carriers providing Lifeline and Link Up service in Maryland received \$11,234,416 from the federal Low Income fund in 2010 which included \$9,831,933 for Lifeline assistance and \$1,402,212 for Link Up support.²³ Reimbursements from the federal Lifeline program grew from \$676,726 in 2008 to \$1,002,376 in 2009 to the most recent level of \$11,234,416 in 2010. Similarly, federal reimbursement for Link Up discounts grew from just over \$20,000 in the mid-2000s to \$51,006 in 2008, to \$64,721 in 2009 and, most recently to \$1,402,212 in 2010.²⁴

²⁰ Lifeline and Link Up data are as reported by the USAC to the FCC. See Tables LI 08 and LI 09 at <http://www.universalservice.org/about/governance/fcc-filings/2011/quarter-3.aspx>. Lifeline and Link Up subscribership referred to above are as of the end of 2010.

²¹ Lifeline data are as reported by the USAC to the FCC. See <http://www.universalservice.org/about/governance/fcc-filings/2011/quarter-3.aspx>. See table LI 05 and Universal Service Monitoring Report Prepared by Federal and State Staff for the Federal-State Joint Board on Universal Service in CC Docket No. 96-45, tables 2.7 and 2.8.

²² Link Up customer data for 2010 is as reported by the USAC to the FCC. See <http://www.universalservice.org/about/governance/fcc-filings/2011/quarter-3.aspx>. See table LI 08. The number of Link Up beneficiaries for prior years is from Universal Service Monitoring Report Prepared by Federal and State Staff for the Federal-State Joint Board on Universal Service in CC Docket No. 96-45, table 2.10.

²³ Lifeline and Link Up data are as reported by the USAC to the FCC. See <http://www.universalservice.org/about/governance/fcc-filings/2011/quarter-3.aspx>. See table LI 07.

²⁴ Link Up reimbursement data for 2010 is as reported by the USAC to the FCC. See <http://www.universalservice.org/about/governance/fcc-filings/2011/quarter-3.aspx>. See table LI 07 for prior years is from Universal Service Monitoring Report Prepared by Federal and State Staff for the Federal-State Joint Board on Universal Service in CC Docket No. 96-45, table 2.11.

FCC data indicates that federal universal service support payments associated with both the Lifeline and Link Up programs were paid exclusively to landline carriers up through and including 2008.²⁵ In 2009, \$215,771 or 21.5 percent of total federal universal service support (\$1,002,376) was paid to wireless carriers and in 2010 wireless ETCs were reimbursed by \$10,407,234 which represented over 92 percent of the total (\$11,234,416) federal universal service support provided to ETCs in Maryland.²⁶ In contrast, federal universal service support payments to landline carriers rose from \$676,726 in 2008 to \$786,605 in 2009 and to \$827,182 in 2010.²⁷

The above data indicate that the number of universal service recipients in Maryland and the amount of federal universal service support paid to carriers operating in Maryland has risen geometrically since 2008. The growth in both of those figures is due almost exclusively to the activity of wireless carriers, which do not provide Lifeline service as defined by PUA § 8-201, but rather provide service to low income consumers that meet the eligibility requirements of the federal universal service programs. Since this data was measured at the end of 2010, it does not reflect Lifeline and Link Up activity by wireless carriers during 2011 or activity by new wireless ETC's since the end of 2010. Nor does it reflect the impact on Lifeline and Link Up subscribership that the pending wireless ETC applications portend for the future.

²⁵ Federal universal service payments by type of carrier for calendar year 2008 are as reported by the USAC to the FCC. See <http://www.universalservice.org/about/governance/fcc-filings/2011/quarter-3.aspx>. See table LI 05.

²⁶ Federal universal service payments by type of carrier for calendar years 2009 and 2010 are as reported by the USAC to the FCC. See <http://www.universalservice.org/about/governance/fcc-filings/2011/quarter-3.aspx>. See table LI 05.

²⁷ Id.

The data clearly indicate that all consumers, including low income consumers prefer wireless services over landline services. For example, the number of wireless subscribers nationwide grew by 28 percent to 278.9 million in June of 2010 from 217.4 million in June of 2006.²⁸ In Maryland, wireless subscriptions over that period rose by 23 percent from 4.47 million in June of 2006 to 5.50 million in June of 2010.²⁹ More recently, the National Health Interview Survey indicated that 29.7% of households in the country had wireless service but had no landline service.³⁰ That survey indicated that low income consumers were more likely to live in wireless-only households than was the case for higher income consumers. More specifically, the survey found that adults living in poverty (42.8%) and adults living near poverty (35.2%) were more likely than higher income adults (24.1%) to be living in households with only wireless telephones.³¹

Conclusion

Based on the research contained in this Report, the Commission cannot precisely determine the number of additional low-income households which may become eligible for Lifeline service as a result of expanding the definition from households actually receiving benefits to those eligible to receive benefits to the programs listed in PUA § 8-102(2). However, the research indicates that the population of Lifeline eligible

²⁸ Local Telephone Competition: Status as of June 30, 2010. Industry Analysis and Technology Division Wireline Competition Bureau, March 2011, Table 17.

²⁹ *Id.*

³⁰ *Wireless Substitution: Early Release of Estimates From the National Health Interview Survey, July – December 2010*, by Stephen J. Blumberg, Ph.D., and Julian V. Luke, Division of Health Interview Statistics, National Center for Health Statistics. See: <http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201106.pdf>

³¹ *Id.*, p. 3

households in Maryland will expand by at least 102,000 households and by as many as 318,704 households and that that very few, if any, of those additional households will pay for their telephone service in their rent.

The Commission's further analysis indicates that many of Maryland's poorer households already have telephone service. More specifically, examination of the FCC subscription data estimates that there are only 52,500 households in Maryland that do not have a telephone in the dwelling unit. In addition, the USAC data indicates that the number of Lifeline recipients in Maryland has greatly increased as a result of the increased availability of wireless low income offerings. The number of Lifeline subscribers in Maryland has increased from 5,821 households in 2008 to 112,453 households in 2010. Similarly, the number of households receiving Link Up benefits rose from 2,117 to 47,283 from 2008 to 2010. Similarly, reimbursement amounts indicate that virtually all of the increase in Lifeline and Link Up subscribers are due to services provided by wireless ETCs rather than due to carriers providing landline-based Lifeline services defined by PUA §8-201. In summary, this further analysis highlights that industry developments and specifically the proliferation and popularity of wireless services have rectified any perceived deficiencies in Maryland's Lifeline Program.