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May 4, 2015

Marlene Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Notice of Lifeline Connects Coalition Oral *Ex Parte* Presentation; WC Docket Nos. 11-42, 09-197

Dear Ms. Dortch:

On April 30, 2015, Brian Lisle of Telrite Corporation; Jeni Kues of i-wireless LLC; Jaime Palmer of Blue Jay Wireless, LLC; Dave Skogen of Global Connection Inc. of America; and John Heitmann and Joshua Guyan of Kelley Drye & Warren LLP met on behalf of the Lifeline Connects Coalition (Coalition)[1] with Trent Harkrader, Jonathan Lechter, Garnet Hanly, Melanie Tiano and Regina Brown from the Wireline Competition Bureau (Bureau) and Eric Feigenbaum from the Office of Media Relations to discuss the Lifeline program. In the meeting, we discussed the membership and role of the Coalition, which formed to protect and preserve the integrity of the Lifeline program by educating and separating myths from facts about the program, sharing best practices on compliance and industry self-regulation, and by proposing additional reforms dubbed "Lifeline Reform 2.0" to the FCC in a petition for rulemaking filed in 2013 and updated in April 2014.[2]

We also discussed the new materials the Coalition has prepared regarding the Lifeline program, which are included in the exhibit. The first document describes the Coalition's 2015 priorities, which are competition, program integrity and broadband. The second document is meant to dispel myths that the Lifeline program is "fraud ridden" by showing that the

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1 The members of the Lifeline Connects Coalition are i-wireless LLC, Telrite Corporation, Blue Jay Wireless, LLC and Global Connection Inc. of America. Descriptions of each company are provided in the attached Exhibit.

2 *See* Lifeline Reform 2.0 *Ex Parte*, WC Docket No. 11-42 at 5-9 (Apr. 14, 2014).

Commission's own Improper Payments Elimination and Recovery Act (IPERA) analysis estimates an improper payment rate of 0.32 percent for Lifeline in 2014. That compares favorably to the Government Accountability Office's estimate for the government-wide level of improper payments, which is 4.5 percent. The third document provides the Coalition's high-level principles for reform following the outline proposed by Commissioner Clyburn in her November 2014 speech to the American Enterprise Institute. Finally, the fourth document draws an important distinction between two different tracks of enforcement efforts related to the Lifeline program – one targeting actual criminal fraud and the other that involves allegations of duplicate enrollments by most of the major Lifeline providers, despite the Commission's failure to provide a clear and consistent definition of a duplicate and the industry's success rate of better than 99 percent at guessing what the Universal Service Administrative Company (USAC) would call a duplicate.

The Coalition members emphasized the need for the Commission and the Bureau to provide greater regulatory certainty, especially as the Lifeline program transitions toward broadband. Such regulatory certainty is an essential element of a healthy Lifeline ecosystem in which Lifeline eligible telecommunications carriers (ETCs) need to be able to attract investment necessary to improve products and services for Lifeline subscribers. Too many applications, appeals and requests for action have gone unanswered, with some items now pending for years.[3] Instead of cancelling the various duplicate Notices of Apparent Liability (NALs) based on responses showing near perfect records at complying with a standard that should be transparent, the Commission delays (and denies) justice while continuing to ignore its own deadlines on related appeals of USAC audits.[4] The Commission's failure to establish minimum standards for state eligibility databases is especially frustrating given that the agency is now more than a year late in delivering the national eligibility database.[5]

While the Commission's failure to act in many instances is inexplicable to investors, several recent agency actions have been even more disturbing. Since the *2012 Lifeline Reform Order*, the industry has struggled to understand the Bureau's role in transactions involving ETC designations or approved compliance plans. Last July, the Bureau "clarified" the order and announced that any "material" changes to an approved compliance plan, including changes in corporate ownership and control, must be pre-approved by the Bureau.[6] The Public Notice provides

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3 *See Ex Parte* Letter from John Heitmann to Marlene Dortch, WC Docket Nos. 11-42, 09-197 (Dec. 9, 2014).

4 *See id*.

5 *See* Lifeline Reform 2.0 *Ex Parte*, WC Docket No. 11-42 at 5-9 (Apr. 14, 2014).

6 *See Wireline Competition Bureau Reminds Carriers of Eligible Telecommunications Carrier Designation and Compliance Plan Approval Requirements for Receipt of Federal Lifeline Universal Service Support*, WC Docket Nos. 09-197, 11-42, Public Notice, DA 14-1052 (rel. July 24, 2014) ("Compliance Plan Change Public Notice").

no guidance on what constitutes a material change and fails to establish timelines for Bureau review and approval of such changes (the last compliance plan was approved in December 2012). At a time when the Commission should be fostering an environment that strengthens Lifeline providers so that they are prepared to play their important part in the transition of Lifeline to broadband, the regulatory uncertainty created first by the *2012 Lifeline Reform Order* and then by the Public Notice serves as a barrier to natural marketplace activity (e.g., industry consolidation) that could result in improved service offerings to consumers.

The Bureau's recent creation of "production duplicates" and the unprecedented resolution of them also upended investments based on the reasonable expectation that an enrollment screened by the National Lifeline Accountability Database (NLAD) would not later be re-screened to effectively revoke an approval. Accordingly, we urged the Bureau to ensure that any future changes to the NLAD duplicate definition are made on the "front end" so that potential duplicate applications are denied or recast as a benefit port and duplicate enrollments are not permitted to enter the NLAD. Although the new third party identity verification (TPIV) dispute resolution process is fundamentally unfair to ETCs and consumers,[7] wireless Lifeline providers are also reticent to use the TPIV dispute resolution process because the last time they did so, the Bureau and USAC used the fact that the TPIV exceptions process was used to enroll applicants as cause to de-enroll subscribers that were later alleged to be duplicates without giving them a choice in Lifeline providers.[8]

We also discussed misconceptions regarding the fact that some Lifeline providers have reported low annual recertification rates and whether that indicates that Lifeline subscribers do not value the service. First, Lifeline providers have reported positive recertification rates as high as nearly ninety percent. Therefore, if an ETC is able to develop the necessary processes to make the recertification process accessible to Lifeline subscribers, the subscribers do recertify because they value the service. Second, the primary reason Lifeline subscribers fail to recertify is not that they

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[7] It is unfair to ETCs because they must incur the costs of activating a phone number and a service plan prior to receiving NLAD approval for the enrollment if they want to enroll an applicant that fails the NLAD TPIV check by submitting a dispute resolution. It is unfair to consumers because they are required to prove the accuracy of all information provided for the enrollment (e.g., first name, last name, date of birth and social security number) even if only one field cannot be matched by Lexis Nexis and even though Lexis Nexis data is not intended to be perfect.

[8] Mandating the de-enrollment of all "production duplicates" that did not pass the initial TPIV check, rather than using the previously announced and established duplicate resolution process utilized in 2014 and in each and every inter-carrier duplicate scrubbing process since 2011, was fundamentally unfair to Lifeline providers that followed the Commission's rules and USAC's processes required at the time for TPIV. *See* Lifeline Reform 2.0 Coalition *Ex Parte* and Request for Immediate Relief, WC Docket No. 11-42 (Mar. 1, 2015) and Lifeline Reform 2.0. *Ex Parte*, WC Docket No. 11-42 (Mar. 17, 2015).

are not eligible or do not value the service, but that the process is long, difficult and involves understanding complicated legalese contained in the disclosures and certifications.

Critical to the evolution of Lifeline toward broadband, we also discussed the need to count the use of data and Internet services on phones as "usage" pursuant to the Commission's rules so that customers that use the advanced services promoted by the Commission are not de-enrolled because they did not make a voice call.

Finally, we expressed appreciation for the Bureau's hard work on the Lifeline program and our desire to continue this dialogue regarding the Lifeline program as the Commission considers a notice of proposed rulemaking.

Pursuant to Section 1.1206(b) of the Commission's rules, this letter is being filed electronically.

Respectfully submitted,

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cc: Trent Harkrader
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EXHIBIT

i-wireless LLC

i-wireless LLC (doing business as Access Wireless) is an eligible telecommunications carrier (ETC) headquartered in Newport, Kentucky, just outside of Cincinnati, Ohio. The Company provides wireless service in all fifty States and is an approved ETC for the Lifeline program in 35 states and the District of Columbia. i-wireless serves approximately 820,000 Lifeline customers nationwide.

Founded in 2005, i-wireless activated its first customer in 2006, and received its first Lifeline ETC designation in 2011. The company directly employs 65 full-time and 20 part-time/contract staff. In addition, our outsourced call center, IT, compliance and accounting vendors employ the equivalent of 110 full-time employees on our behalf.

As a subsidiary of The Kroger Company, the nation's largest traditional grocery retailer, i-wireless is uniquely positioned to serve the needs of a large population of Lifeline-eligible Americans.

Operating 2,625 grocery stores across 34 states and hundreds of small communities, Kroger serves millions of customers that are participants in other entitlement programs, with a strong concentration in both the Supplemental Nutrition Assistance Program (SNAP) and Medicaid programs. Educating these customers about the availability of Lifeline and then providing them with a convenient method of securing the service is a valuable public benefit and a distinct competitive advantage.

The company is strongly determined to provide its customers with the highest-quality Lifeline experience, and it does so by adding value in ways unique to our core grocery retailing relationship. As an example, today this includes providing free and discounted food as a reward for loyalty, loaded in the form of an electronic coupon on the customer's loyalty card and redeemable in-store.

In the future we intend to expand upon this experience, providing our Lifeline customers with access to expanded nutritional information, proprietary grocery savings and free samples, and discounts or free access to a number of other related categories (including fuel, education, financial planning and services, and healthcare).

Access Wireless Lifeline beneficiaries tell their stories about:

Getting a job. "I'm a young Army veteran and a single father. I joined the service when I was 19 as a way to provide for my family. I've served for 6 years including tours in South Korea, Japan, Germany and Afghanistan. I income-qualify for Lifeline service. Since returning home, I've settled in a remote area of Nevada. I find occasional work as a freelance mechanic, but am struggling to find full-time employment. I use my Lifeline phone on my resume when applying for jobs and as a way to keep in touch with my family members that live far away." (Brian S., Nevada)

Keeping a job and coordinating childcare. "I'm a single Mom. My son's father died of a drug overdose and I'm [on] my own trying to support my little boy and I. I work part-time in a call center and rely on family members to help me with childcare. When I get the chance to work overtime and make more money, I use my Lifeline phone to call friends or family and ask for additional help in watching my son. We need the extra money, so it's important that I don't pass up those opportunities to earn some extra cash." (Amy R., Kentucky)

Serving clients. "I used to work in a beauty shop, but I couldn't afford the rent any longer so now I cut hair out of my apartment. My clients need a way to contact me to schedule appointments. I rely on my Lifeline phone so that they can reach me. If they call and I'm not available, they'll go somewhere else." (Charlene P., Arizona)

Emergencies. "I am a single Mom of four boys. I have used my Lifeline phone to call 911 on two separate occasions. Once when a field next to our home caught fire and once when my 6-year old had a fishing lure hooked in his leg. I was able to quickly call for the paramedics. I'm so thankful to have my Lifeline phone." (Juanita E., Tennessee)

"I called 911 from my Lifeline phone because my friend went into a diabetic coma. She was rushed to the hospital and in ICU for over a week." (Melissa E., Georgia)

Healthcare. "I have a fixed income and can barely afford to pay for my medication every month. My daughter lives out of town and my Lifeline phone is the only way that I have to stay in touch with her. I also use it to make my doctor's appointments and get my prescriptions refilled at the pharmacy." (Henry T., Colorado)

Family. "I am a elderly caregiver and am trying to pursue an education while balancing a full-time job and the needs of a family. Having a Lifeline phone allows me to check in to make sure my son got off the school bus okay and made it home safely. I can also check in to make sure that my ailing mother is doing ok." (Charese M., Indiana)

"I am a single Mom with three kids. My ex-husband does not pay child support and I am solely responsible for taking care of our children. I clean houses and offices to make a living, but I need to know where my kids are and that they are okay when I'm working." (Carol S., Colorado)

Blue Jay Wireless, LLC

About Blue Jay

Blue Jay Wireless, LLC ("Blue Jay" or the "Company") is an eligible telecommunications carrier (ETC) headquartered in Carrollton, Texas near Dallas www.bluejaywireless.com. Blue Jay currently employs approximately 100 full time employees and is authorized to provide Lifeline services in 16 states or jurisdictions including Arizona, Colorado, Hawaii, Kentucky, Michigan, Minnesota, Missouri, Nevada, Oklahoma, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, Texas, Wisconsin and Utah with additional licenses pending for national expansion.

Blue Jay Wireless is a prepaid wireless telecommunications company focused on serving the disadvantaged and disabled lower-income consumer demographic in the U.S. with both Lifeline and non-Lifeline services. Blue Jay was founded on the belief that everyone should have access to the safety and convenience of wireless service. Blue Jay provides affordable prepaid wireless service including basic voice and text services with options for data upgrades on nationwide networks. Blue Jay's products and plans are specifically geared toward serving lower income communities (including lower income Spanish speaking communities) and disadvantaged citizens as reflected by its service models, handset options, pricing plans and bilingual customer service support.

Mission Statement

Blue Jay Wireless is driven by its mission for its Samaritans to connect disadvantaged citizens with employers, family and friends so no one is left behind. Blue Jay Samaritans are courageous individuals who inspire us all, each having overcome unique life challenges of their own. Some have graduated homelessness, some have overcome a disability, and many are Veterans which have served in the Military.

Blue Jay Samaritan Program

The Blue Jay Samaritan Program was begun by Blue Jay Wireless in November 2014 as a way to advance career opportunities for people who have already given something to our community in the past or have overcome a unique life challenge. Some Samaritans are people who have overcome a disability or a life challenge and are ready to give back to the community while simultaneously creating an opportunity for themselves. Many Samaritans are Military Veterans who have proven they know how to give to and support the community through the services and sacrifices they have already made. Samaritans are on the front line of our distribution channel and they handle the first steps of new subscriber enrollment. Blue Jay has an established track record of working within the communities it serves to provide employment opportunities to those who need them the most. As an example, to date, Blue Jay has employed over a dozen people from the Samaritan Inn, the largest homeless shelter in Collin County Texas, who have graduated from homelessness to employment. Additionally, as of April 2015, there are approximately **50 Samaritan employees enrolling subscribers for Blue Jay who are Veterans or disabled Veterans** having previously served in the Military. Through its Samaritans and the Lifeline Program, Blue Jay is attempting to help our entire community grow and prosper as we all move into the 21st century together.

Blue Jay Lifeline Beneficiaries Tell Their Stories About Transitioning to Employment

"I had been struggling to find work before I received my Blue Jay Wireless phone. I had no number to put on my applications and had to tell potential employers that I did not have a phone. Once I obtained the phone, I updated my resume to include my number and immediately started receiving calls back. Within one month, I obtained full-time employment. Thank you Blue Jay Wireless for helping me and my family." (Denise)

"I was introduced to Blue Jay Wireless in 2013 while residing at the Samaritan Inn. I was brought on as a temporary employee and was offered a full-time position one week later. I could tell immediately that I was embarking upon something special. The company has renewed my confidence in the old saying "hard work pays off." I am looking forward to being part of the team for years to come." (Jeremy)

"I became a customer of Blue Jay when my family and I fell on hard times and had to enroll in SNAP. The service was a godsend as we could no longer afford the monthly payments we were making for our existing prepaid service. After being hired as a Blue Jay agent, I have been able to support my family. And now I get the opportunity to make a difference in someone else's life by providing others in need with affordable phone service." (Jerardo)

"I applied for a job with Blue Jay through Larimer County Workforce in Colorado. I was attending Employment First job training where Blue Jay presented their Lifeline service offerings for qualified customers. What I enjoy most about working for Blue Jay is having the opportunity to meet and hear the stories of so many people from diverse backgrounds whose lives will be improved by having this phone service." (Greg)

Telrite Corp. d/b/a Life Wireless

Telrite Corp. (doing business as Life Wireless) is an eligible telecommunications carrier (ETC) headquartered in Covington, Georgia and established in 2010. Today over 500 employees and contractors work for Telrite. Under the Life Wireless brand, Telrite provides Lifeline services in 31 jurisdictions – Arizona, Arkansas, Colorado, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Kansas, Maine, Maryland, Michigan, Minnesota, Missouri, Nebraska, Nevada, North Dakota, Ohio, Oklahoma, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, Texas, United States Virgin Islands, Utah, Vermont, Washington, West Virginia and Wisconsin. As of March 2015, Life Wireless served over 657,000 Lifeline customers.

Life Wireless' mission is to drive awareness and availability of the Lifeline program to underserved markets across the U.S. in order to reach those most in need of affordable phone service. Its field representatives organize sales events in the community, often partnering with local nonprofit organizations, helping Life Wireless reach Lifeline-eligible populations overlooked by other Lifeline companies that rely predominantly on advertising (internet, outdoor, mail, etc.) to attract eligible subscribers.

Life Wireless is proud to be a part of the Lifeline program, helping those most in need stay connected to loved ones, employers, medical providers, and emergency service providers. Life Wireless is committed to preserving the integrity of the Lifeline program and has been an industry leader on compliance issues. For example, the company has developed a rigorous program of training and compliance, including mandatory training for field representatives through Life Wireless University, real-time monitoring of all enrollment locations and activity for any anomalies, and daily "photo audits" of enrollment locations to ensure proper placement of required disclosures and orderly appearance of the enrollment site and field representatives.

Since 2014 Life Wireless has participated in "Hiring Our Heroes" events in 17 States leading to 14 individuals becoming representatives of Life Wireless since 2014. "Hiring Our Heroes," a program of the U.S. Chamber of Commerce Foundation, was launched in March 2011 as a nationwide initiative to help veterans, transitioning service members, and military spouses to find meaningful employment opportunities. Life Wireless currently has over 30 veterans on its active field representative roster. In addition to "Hiring for Heroes," Life Wireless actively works with Goodwill of North Georgia and its First Choice Veterans employment program to staff its Marietta, GA network operation and customer service centers and works with various Goodwill operations throughout the country on staffing issues.

Life Wireless Lifeline beneficiaries tell their stories about:

Getting a Job. "I have a 2 year old son and I am currently expecting my second child. I am also taking care of my mother. Recently I have been searching for a job. Before I had this phone I would have to

write down contact numbers of family and friends on job applications in hopes that potential employers would somehow be able to contact me. Within just a few short weeks of receiving this phone I was able to retain employment. Without this phone, it would not have been possible to get this job and help support my family. I am extremely grateful for this service." (Brandy W.)

"This is very helpful without my phone I could not make the phone calls to inquire about employment. I just received a call about an hour ago from an employer to schedule me for an interview. Without this phone that would not have been possible. This service has been very helpful. This phone is a blessing." (Edward B.)

Healthcare. "This has helped a lot with doctors for me and my husband. My husband has blood issues and I am a diabetic. It has helped me be able to talk to the doctors and make appointments for me and my husband. He has to go to the doctor several times a week for blood thinning medicine. We are both looking for a job right now so this cell phone helps with that too. I would not be able to talk to my doctor if it weren't for this phone." (H. Rodriguez)

"I use my lifeline to make doctor appointments and to help with my 78 year old grandmother. My grandmother suffers from arthritis. She fell just the other day and she was able to call me on my phone so that I could come over and help her get back up. This phone also allows me to communicate with my children so that I know they are all safe." (Shandia S.)

Veteran's Care. Tim is a six-year veteran of the U.S. Air Force who is now wheelchair-bound after suffering from Lyme disease. He uses his Life Wireless phone to stay connected in case of emergencies and remain an active member of his community. "Before I had the phone, I would be stranded without communication if something was to go wrong and I was away from home. Regular cell phone plans are so expensive they are beyond my reach, but the Life Wireless phone keeps me rolling," says Tim. "It's become a link for me to live a higher quality life. I'm a much more active member of my community than I was before I had the Life Wireless phone." (Tim H.)

Emergencies. Maria, a single mother from Chicago, used her Life Wireless phone to call 911 when she was assaulted. She credits the phone with saving her life. She also used the phone to contact a domestic violence center, where she found safe temporary housing. "There are two single mothers at the Rescue Center where I am staying that have do not own cell phones," she said. "We are going to help them get a Lifeline phone for their safety in emergency situations also. I strongly believe this program." (Maria R.)

"We had a family emergency. My daughter went into premature labor and had to deliver my grandson via emergency C Section at 29 weeks. He was born weighing 3lbs 8oz so he is in the NICU. Having this phone has allowed me to be able to communicate with my daughter while she was in the hospital, stay informed on the progress of my grandson and arrange for my granddaughter to be cared for while her mother is with my grandson in the hospital. We live in separate cities so communicating over the phone is very important. Having this phone makes it possible for our family to connect and create [a] strong support system for each other during this difficult time." (Margerei B.)

Overview of who we are and what we do:

Global Connection Inc of America, of Norcross GA, was founded in 1998. We provide service to both wireless and wireline customers. Our wireline brand is Real Home Phone and our wireless brand is Stand Up Wireless. We currently employ 55 people, and, through partners, support another 45 US jobs. We currently serve customers in twenty nine states: Alabama, Arizona, Arkansas, Colorado, Florida, Georgia, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, North Carolina, Ohio, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, Tennessee, Texas, Utah, West Virginia and Wisconsin.

Our Wireless and Wireline phone service brands

GCIOA stands out in several important ways:

- We are one of the few Lifeline providers that offer customers a choice between home phone and wireless service, depending on their unique needs.
- We take pride in our "A+" rating from the Better Business Bureau.
- To better serve our customers, we utilize American based call centers, providing dozens of U.S. jobs.
- StandUP Wireless believes it is critical to integrate closely with the communities it serves and has instituted a "For the community, In the community, With the community" strategy. In support of that, we established company branded, brick and morter locations in multiple states including Arizona, Georgia, Louisiana, Maryland, Ohio, Pennsylvania and Wisconsin. In addition to providing local employment, these outlets allow for face-to-face customer sales and service. We have found that this environment is especially valuable to our more senior customers as they benefit from hands on instruction on how to best use our products.
- Global understands that customer requirements are continually evolving and that Internet access is a critical and growing need. That is why we are launching new data-enabled prepaid products through a network of up to 20,000 retail locations in lower income areas. On all of the products, eligible consumers will be able to apply Lifeline discounts after appropriately enrolling in the program. Under this program, customers will be able to purchase an Internet enabled smartphone for $45.00 and have voice, text and data service for as low as $7.95 per month (plus tax and after the Lifeline discount).
- Global is the proud sponsor of the holiday food drives and sports and dance teams of Omaha, Nebraska's Wakonda Elementary School (Go Wildcats!), inner-city basketball in Atlanta, the Gwinnett County Georgia Latino Food Drive and Cultural Expo and Autism Speaks in Philadelphia.

Political image flyer REV003-021315

Lifeline makes a big difference in our customers' lives

Our retail locations

Lifeline Connects Coalition
Lifeline 2015: Competition, Program Integrity and Broadband

The Lifeline Connects Coalition was formed in 2012 in response to concerns about potential waste, fraud and abuse in the federal Universal Service Fund (USF) Low-Income Program known as Lifeline. The Coalition's compliance-centric member companies deliver wireless communications services across the United States and include Blue Jay Wireless, Global Connection, i-wireless, and Telrite Corporation.

A well-run and effective Lifeline program re-engages underserved individuals in our increasingly digital economy by enabling the unemployed to apply for jobs and be reachable to potential employers. Additionally, the program plays a vital role in helping vulnerable populations such as the elderly and disabled to access healthcare services, which can reduce healthcare-related expenses.

Since 2012, the Coalition has advanced best practices and proposals for further reform to enhance the integrity and efficient operation of the of the Lifeline program. Although the 2012 reforms adopted by the Federal Communications Commission (FCC) have stabilized the program and placed it on a sound regulatory footing, other FCC actions or the lack thereof work to the detriment of the program.

Mobile and broadband communications are essential to ensure full participation in our economy and society, and the FCC must do more to ensure that Lifeline continues to serve as the "lifeline" it was intended to be by providing affordable access to these essential forms of communication.

As Congress considers the #CommActUpdate, and the FCC contemplates further reform to the Lifeline program and its transition to broadband, the Coalition offers the following priorities:

Competition and Program Administration. Stakeholders and policymakers all agree that Lifeline subscribers should benefit from competition and the Lifeline program must be run efficiently and effectively.

- **Competition**. Consumers are the ultimate beneficiaries of competition in the Lifeline program, providing them with access to additional airtime, data allowances, higher quality handsets and meaningful choices in service offerings. Today, competition is being artificially constrained by the failure of the FCC to act on long-pending petitions to operate in the 12 "federal jurisdiction states" and other pending items. The resulting regulatory uncertainty deters innovation and investment.

- **Program Integrity**. The FCC's seminal Lifeline program reform – the National Lifeline Accountability Database (NLAD) – was delivered by the Universal Service Administrative Company (USAC) a year late and without some of the functionality mandated by the FCC in its 2012 Lifeline Reform Order. Although the vast majority of duplicate enrollment attempts are blocked by NLAD, the missing functionality and a poorly conceived identity verification process have contributed to duplicate enrollments being approved by NLAD. The Coalition members continue to offer the FCC and USAC advice on improvements to duplicate detection and identity verification through the NLAD.

- **Enrollment and Eligibility**. In most instances, ETCs do not determine a consumer's eligibility for Lifeline. Today's Lifeline program relies primarily on eligibility determinations made by other federal program administrators and leverages enrollment and eligibility verification platforms

built and paid for by ETCs. This public/private partnership approach is highly effective and efficient. Today's Lifeline program administration costs are 1.52%. By comparison, a voucher program such as SNAP has program administration costs of approximately 9%. The Coalition supports the creation of a national Lifeline eligibility verification database. Unfortunately, that database has yet to be created notwithstanding the December 2013 deadline the FCC set for itself. Therefore, the FCC should establish minimum standards for state eligibility databases so that Lifeline providers can effectively confirm applicants' eligibility in real-time.

- **Enforcement.** The FCC vigorously has pursued enforcement actions to root out fraud in the Lifeline program, resulting in criminal charges against a small number of ETCs and citations to several hundred consumers. However, the FCC also has proposed massive penalties against ETCs that have had a much better track record of preventing duplicate enrollments than the FCC has had with the NLAD. These massive proposed fines for alleged duplicate rates of a fraction of one percent threaten the viability of ETCs by creating unnecessary doubt about them and the Lifeline program. In addition, dueling and duplicative investigations by the FCC's new Enforcement Bureau "Strike Force" and Office of Inspector General waste government resources, impose unreasonable costs on ETCs, and deny benefits to eligible consumers. A rational, proportional and effective system of investigations and enforcement is essential to a healthy Lifeline program.

Transition to Broadband. The Lifeline Program must follow the other USF programs and transition to support broadband and data services.

- **Low-Income Consumers Need Internet Access**. Today, access to affordable communications is the single greatest challenge facing those seeking to break the cycle of poverty. The Social Science Research Council has found that the strongest drivers for low-income Americans' need to access the Internet are access to employment, education and government services. Increasingly (and in some cases, exclusively), job applications, healthcare, government services, education and community support are available "online." Lifeline also is the USF program best suited to help solve the "homework gap." However, today's Lifeline program is the only USF program that does not focus support on broadband. To achieve its purpose, Lifeline must do more to bring affordable broadband access to low-income Americans.

- **Mobile Broadband Is the Future of Lifeline**. Low-income Americans already choose to have a phone in their pocket (rather than on the kitchen wall) and studies indicate that is where they are most likely to make the most use of broadband. According to the most recent data published by the Centers for Disease Control and Prevention (CDC), 59.1% of low-income Americans do not have landline phone service and rely on mobile communications. A mobile broadband connection can be used on a bus, on a work break, at a school, in a library and at home. Today, more than 85% of Lifeline benefits support wireless service. A modernized Lifeline program must do more to make affordable access to mobile broadband a reality for low-income Americans.

Lifeline Connects Coalition
Fact Checker: Waste, Fraud and Abuse in Lifeline
and in Comparison to other Federal Benefit Programs

Recently and over the past four years, some have called the Lifeline Program "one of the government's most fraud-infested programs." ***This wasn't a true statement four years ago and it's not true today.*** **The latest statistics from the Federal Communications Commission (FCC) show that the Lifeline Program in 2014 had an improper payment rate of 0.32% which is significantly lower than the federal government average.**

The Improper Payments Elimination and Recovery Act (IPERA) requires federal agencies such as the FCC to develop an oversight process to identify and address improper payments from government disbursement programs such as the federal Universal Service Fund (USF).

The IPERA defines an "improper payment" as any payment that should not have been made or that was made in an incorrect amount under statutory, contractual or administrative requirements. An improper payment includes, but does not necessarily involve, fraud. "Significant improper payments" are improper payments exceeding 1.5% of program outlays and $10 million or $100 million.

- **Lifeline has a very low improper payment rate.** According to the FCC's Fiscal Year 2014 Agency Financial Report, "the estimated improper payment rate for [Lifeline] was **0.32%** for fiscal year 2014." The total extrapolated amount of improper payments was $5.9 million (out of a $1.6 billion program). Lifeline is far from "fraud-infested." Rather, the program is the victim of sensational "gotcha" media pieces and political rhetoric that feed a perception of fraud not borne out by the facts. *See* http://www.fcc.gov/document/fiscal-year-2014-agency-financial-report.

- **Lifeline has an improper payment rate that is much lower than the government average.** According to a March 2015 Government Accountability Office (GAO) study, the estimated federal government-wide improper payments rate for fiscal year 2014 was **4.5%** of program outlays and totaled $124.7 billion. The error rate was up from 4% in fiscal year 2013. *See* http://www.gao.gov/assets/670/669026.pdf.

- **Lifeline has an improper payment rate that is much lower than that of the E-rate Program.** The FCC FY 2014 report found that the estimated improper payment rate for the Schools and Libraries Program (known as E-rate) was **3.47%** (or 3.81% including the Equipment Inventory Pilot), which is up from 2.21% in 2013. E-rate is certainly not fraud-invested either (its error rate is below the government average), however, its rate of improper payments is nearly **11 times** higher than Lifeline.

Improper Payments: Lifeline in Comparison to other Programs

Lifeline is not "one of the government's most fraud-infested programs." Based on GAO studies of fiscal years 2013 and 2014, a comparison of Lifeline to other government programs shows that Lifeline has a comparatively low level of improper payments.

Program	Program Size	Percentage Improper Payments	Comparison of Improper Payments in Program vs. Lifeline
Earned Income Tax Credit	$17.7 billion (FY 2014)	27.2% (FY 2014)	85 times higher than Lifeline
Small Business Administration Disaster Loan Disbursements	$121 million (FY 2013)	18.4% (FY 2013)	57.5 times higher than Lifeline
Department of Veterans Affairs State Home Per Diem Grants	$135 million (FY 2013)	15.94% (FY 2013)	nearly 50 times higher than Lifeline
Medicare Fee-for-Service	$45 billion (FY 2014)	12.7% (FY 2014)	nearly 40 times higher than Lifeline
Department of Labor Unemployment Insurance	$5.6 billion (FY 2014)	11.6% (FY 2014)	36.25 times higher than Lifeline
Lifeline	$1.6 billion (2014)	0.32% (FY 2014)	-

See 2014 http://www.gao.gov/assets/670/669026.pdf and 2013 http://www.gao.gov/assets/670/667332.pdf.

Improper Payments: Lifeline Historical

Lifeline is not today and has not been "one of the government's most fraud-infested programs." Over the past four years, Lifeline's potential for significant improper payments has remained low. A 2014 FCC study found that the rate of improper payments in the Lifeline Program was extremely low.

Year	IPERA Threshold	Notes	Lifeline Improper Payments
2011	2.5%	Lifeline not at risk	(less than 2.5%)
2012	2.5%	Lifeline not at risk	(less than 2.5%)
2013	2.5%	Lifeline designated as susceptible to significant improper payments	2.5% threshold met
2014	1.5%	Study of actual calendar year 2013 transactions	**0.32%**

Lifeline Connects Coalition
2015 Principles for Lifeline Reform

Principles for Reform. *Modernization of the Lifeline program will require smart reforms designed to further a healthy Lifeline ecosystem with government, consumers and service providers each doing their part to ensure the continued success and viability of the program.*

- **Value and Accessibility**. Minimum service standards can help ensure good value is returned for Lifeline subsidy dollars. However, competition is the most important driver of value and the Federal Communications Commission (FCC) should preserve the ability of Lifeline providers to offer "free" services that have proven effective in furthering adoption of mobile technology and program participation. It is unlikely that wireless Lifeline providers can include substantial amounts of broadband in their popular "free" or no cost to consumer offerings, based on the current $9.25 subsidy.

- **Accountability and Dignity.** Today, Lifeline program eligibility determinations are a shared responsibility of ETCs, states and the FCC. Service providers play a role (but in no case are they the sole arbiter of an individual's eligibility) because the FCC has failed to deliver a national Lifeline eligibility database and has failed to provide guidance to states that could offer their own databases. There are few cases where this multifaceted approach has raised concerns of waste, fraud or abuse. Such vulnerabilities can be addressed effectively on a collaborative basis, without the need for creating a massive new bureaucracy or by setting goals that are likely unobtainable from a practical or even financial perspective. More can be done to ensure that consumers and their personal information are treated with dignity and care. While many low-income Americans do not have easy access to retail stores or the Internet, best practices can ensure a dignified enrollment experience that respects the privacy of consumers.

- **Improved Process and Competition.** The Lifeline program would be well served by program administration at the FCC, USAC and state commissions that works on and respects deadlines, provides timely and reliable guidance, nimbly addresses ambiguities and vulnerabilities, and values effective and constructive collaboration with all stakeholders. Streamlined eligible telecommunications carrier (ETC) designation processes and rationalization of audits and enforcement activity also would produce greater industry participation, competition and benefits for consumers.

- **Leveraging Efficiencies.** While the goal of leveraging technology used by and perhaps even coordinating enrollment with other federal benefit programs serving low-income Americans is worth exploring, we live in a country where benefit disbursement reflects a complicated patchwork of federal and state agencies, unique statutory mandates, and public-private partnerships. While program efficiencies and synergies should be sought, the Lifeline program should not be held back for the sake of seeking efficiencies that are not reasonably obtainable by the government for practical, financial or other reasons. In seeking out efficiencies, care should be taken not to unwittingly deter private parties from developing solutions or to limit competition and consumer choice by mandating solutions that favor large service providers. A healthy Lifeline program will attract new entrants and smaller providers focused on serving the needs of low-income Americans.

- **Public-Private Partnerships.** A healthy Lifeline ecosystem requires government, consumers and industry to act affirmatively, creatively and responsibly. A transition to broadband will require healthy service providers that can attract entrepreneurial talent and investment, deliver compelling handsets and products, and successfully tackle the adoption challenges facing low-income Americans.

Lifeline Connects Coalition
Federal Communications Commission Lifeline Enforcement

The FCC recently has been involved with two very different tracks of enforcement with respect to the Lifeline Program. The first involves allegations of criminal fraud committed by certain eligible telecommunications carriers ("ETCs"), their owners and agents. These ETCs, individuals and allegations do not involve Lifeline Connects Coalition member companies. The second track of enforcement involves allegations of duplicate enrollments by most of the major Lifeline providers, despite the FCC's failure to provide a clear and consistent definition of a duplicate, including when differences in data provided by consumers under penalty of perjury should be disregarded.

Allegations of Criminal Fraud

- On April 10, 2014, the Department of Justice announced that three Associated Telecommunications Management Services LLC ("ATMS") executives were indicted on charges of one count of conspiracy to commit wire fraud and 15 substantive counts of wire fraud, false claims and money laundering for their alleged role in a scheme to submit false claims to the Universal Service Administrative Company ("USAC") for Lifeline reimbursements. A federal court in Florida issued a seizure warrant for the defendants' ill-gotten gains ($32 million), a yacht and several luxury cars. This case is pending. The FCC's Office of Inspector General ("OIG") contributed to this case.

- On April 25, 2014, Oscar Perez-Zumaeta was served with a criminal complaint for conspiracy to make false statements to the government by providing to ICON Telecom, an ETC, false subscriber information to seek fraudulent Lifeline reimbursements. The complaint alleges, among other things, that Mr. Perez-Zumaeta engaged in a conspiracy to forge Lifeline recertification forms for thousands of subscribers in Oklahoma. Mr. Perez-Zumaeta was indicted in an Oklahoma City federal court on June 3, 2014. Mr. Perez pleaded guilty to one count of money laundering on November 7, 2014, and was sentenced to 3½ years in prison on April 22, 2015. ICON Telecom's owner entered into a plea agreement on June 12, 2014 and was sentenced to four years in federal prison on April 2, 2015. The FCC's OIG contributed to these cases.

Duplicate Enrollments and the FCC's Lifeline Notices of Apparent Liability ("NALs")

- **NLAD.** More than a year after it was due, the FCC's duplicates database known as the National Lifeline Accountability Database ("NLAD") is now up and running. The NLAD defines a duplicate subscriber as one with the same last name, date of birth AND last four digits of the social security number as another Lifeline subscriber. It uses this standard to screen duplicate Lifeline enrollment attempts in real-time at the time of application. The Lifeline Connects Coalition member companies actively worked with the FCC and USAC on the implementation of the NLAD, and still contribute to bi-weekly calls and webinars regarding changes and clarifications to NLAD operation. No database is perfect, but the NLAD uses a clear and reasonable duplicate definition and is working well.

- **Industry Self-regulation.** Prior to the implementation of the NLAD, the Lifeline Connects Coalition member companies joined with dozens of other ETCs to voluntarily utilize an interim inter-company duplicates database developed by CGM, LLC to prevent over 375,000 duplicate enrollment attempts. This equates to savings to the Lifeline program of over $4 million per month or $50 million annually.

- **Intra-company Duplicates.** Our companies proactively screen-out and block suspected unscrupulous enrollment attempts that could result in intra-company duplicates. We estimate that we are nearly 100% effective in doing so.

- **IDVs.** Prior to the NLAD coming online, USAC conducted state-by-state in-depth validations ("IDVs") to screen duplicate enrollments. For purposes of the IDVs, the FCC instructed USAC to screen subscribers with the same name and same address. Instead, USAC looked for subscribers with similar names and addresses using its own undisclosed standards while ignoring subscriber social security number and date of birth information ETCs are required to collect and consider. Without an FCC rule or guidance, and while required to collect and use more consumer information than USAC reviewed, ETCs were left to guess which accounts included subscriber data close enough to be determined to be duplicates.

- **NALs.** Between September 30, 2013 and February 28, 2014, the FCC has issued 12 NALs to Lifeline service providers proposing fines totaling more than $94 million for allegedly providing duplicate benefits to consumers totaling $340,594. These items remain pending.

  - Lifeline Connects Coalition member companies (and other ETCs receiving these NALs) were nearly 100% perfect in blocking intra-company duplicate enrollments, yet the FCC has proposed massive fines for a miniscule percentage of accounts that USAC found to have largely similar subscriber information.

  - The NALs provide a false perception to the media, Congress and the American public that there has been over $94 million in fraud committed in the Lifeline program, when in fact the alleged overpayments from the fund total $340,594.

  - The FCC has failed to provide a clear and consistent definition of what constitutes a duplicate enrollment attempt by an applicant providing information and certifying to its veracity under penalty of perjury.

  - The FCC exceeded its authority in the NALs by seeking to hold ETCs strictly liable for the acts of apparently unscrupulous applicants seeking to obtain more than one Lifeline benefit.

  - The FCC's proposed fines are excessive and threaten the viability of ETCs and our ability to provide Lifeline services to eligible consumers. The NAL fine structure results in proposed fines of up to 586 times the alleged over-payment in Lifeline disbursements (which have already been restored to the USF). A single alleged duplicate resulting in over-recovery of $9.25 gets converted into more than $25,000 in fines.

  - It is our understanding that the alleged instances of intra-company duplicate enrollments at issue in these NALs typically amount to less than 1% of each ETC's enrollments analyzed, which is well under the 1.5% threshold set by the Improper Payments Elimination and Recovery Act ("IPERA") for "significant improper payments" by a government agency program. Allegations of failure to perfectly screen alleged duplicate enrollments in 100% of cases should be addressed by the established disbursement claim revisions process and not through an enforcement proceeding based on strict liability and excessive fines.

  - **The Lifeline Connects Coalition supports fair and equitable enforcement, however, the NALs and the forfeiture structure announced in them do not represent a rational, fair or equitable approach to enforcement.**