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December 7, 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, 10-90

Dear Ms. Dortch:

On December 3, 2015, Brian Lisle of Telrite Corporation, Paul McAleese of i-wireless LLC, Chuck Campbell of CGM, LLC, and John Heitmann and Jameson Dempsey of Kelley Drye & Warren LLP met on behalf of the Lifeline Connects Coalition (Coalition)[1] with Ryan Palmer and Charles Eberle from the Wireline Competition Bureau (Bureau) to discuss the Lifeline program and the Second Further Notice of Proposed Rulemaking (FNPRM).[2]

[1] The members of the Lifeline Connects Coalition are i-wireless LLC, Telrite Corporation, Blue Jay Wireless, LLC, and American Broadband & Telecommunications Company.

[2] *See In the Matter of Lifeline and Link Up Reform and Modernization, Telecommunications Carriers Eligible for Universal Service Support, Connect America Fund*, WC Docket Nos. 11-42, 09-197, 10-90, Second Further Notice of Proposed Rulemaking, Order on Reconsideration, Second Report and Order, and Memorandum Opinion and Order, FCC 15-71 (rel. June 22, 2015) (Second FNPRM). In support of our positions, we provided the following supporting materials to the Bureau during the meeting: (1) Wireline Competition Bureau Meeting on Lifeline Second FNPRM Presentation (Dec. 3, 2015); (2) Federal Communications Commission Lifeline Enforcement Overview (Dec. 2015); (3) Lifeline 2015: Competition, Program Integrity and Broadband Position Paper (Dec. 2015); (4) Fact Checker: Waste, Fraud and Abuse in Lifeline and in Comparison to Other Federal Benefit Programs (Dec. 2015); (5) FCC's Lifeline Modernization Rulemaking Position Paper (Dec. 2015); (6) Access Wireless Company Overview (Dec. 2015); (7) Blue Jay Wireless Company Overview (Dec. 2015); and (8) Telrite Corporation Company Overview (Dec. 2015). These materials are attached to this letter as an **Exhibit**.

In the meeting, we emphasized the importance of retaining a fully subsidized "free" service plan option to the continued success of the Lifeline program. Today, approximately 11 million low-income Americans rely on a basic Lifeline service plan at no cost to the consumer. If the Commission were to impose excessive minimum service standards or to mandate a minimum charge, it could drive millions of these eligible low-income subscribers from the program. For this reason, if the Commission would like to set minimum service standards, we proposed that those standards should focus on the quality, not the quantity, of Lifeline service. Specifically, the Commission could require wireless ETCs to provide 3G or above service rather than a minimum number of minutes, texts or megabytes per month. In this way, the Commission can set a service-level baseline without impinging on the ability of consumers to obtain the service that best meets their needs.[3]

We also discussed the Coalition's proposal to extend the benefit port freeze from 60 days to 12 months. A one-year benefit port freeze would have three principal benefits for the Lifeline program. First, extending the benefit port freeze would address, head on, lingering perception problems by tamping down on the ability of "flippers" to obtain multiple phones from ETCs by gaming the benefit-port process.[4] These flippers cloud the fact that the Lifeline program continues to have an extremely low rate of improper payments (0.44%)—both in absolute terms and when compared to the government-wide average of 4.5%—and low administrative costs of 1.52%.[5] Second, extending the benefit port freeze would provide additional certainty and stability in the program, allowing ETCs to offer more value to the subscriber up front through free smartphones and greater voice, text and data offerings. Third, a 12-month benefit port freeze would promote comparability of consumer experience between Lifeline and non-Lifeline subscribers through longer-term carrier relationships and the enhanced value that stems from those relationships.

In addition, we explained our proposed third-party eligibility verification framework, emphasizing that retaining a real-time eligibility verification option is critical both to promoting consumer dignity and to providing an opportunity to educate consumers about the program and how to use their service and handsets; to answer consumer questions; and to help consumers find and install helpful applications. Further, we called for streamlining existing Lifeline regulations, including eliminating the 60-day non-usage rule (or expanding the rule to count text messages as

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[3] Coalition members already provide consumers with baseline plans of up to 500 minutes per month free of charge, along with accessible voice, text and data options—often in $5 increments—that consumers can purchase to customize their plan based on their needs.

[4] Of course, subscribers would always have the ability to de-enroll with their ETC and re-enroll with another ETC.

[5] *See* Fact Checker: Waste, Fraud and Abuse in Lifeline and in Comparison to Other Federal Benefit Programs.

usage) and imposing a 90-day shot clock for review and action on compliance plans, federal ETC petitions and other ETC-related transactions in a manner similar to other shot clocks that the FCC uses and streamlined processing that is used in the section 214 context. Moreover, we reiterated our opposition to any budget that would serve as a cap, and discussed the budget proposals set forth in the submissions of the Center for Budget and Policy Priorities (CBPP) and Professor David Super of Georgetown University Law Center.[6] Finally, we discussed the status of the pending petition on the Commission's new Lifeline FCC Form 497 snapshot rule.[7]

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

Respectfully submitted,

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Counsel for Lifeline Connects Coalition

Enclosure

cc: Ryan Palmer
Charles Eberle

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[6] *See In the Matter of Lifeline and Link Up Reform and Modernization, Telecommunications Carriers Eligible for Universal Service Support, Connect America Fund*, WC Docket Nos. 11-42, 09-197, 10-90, Comments of Professor David Super, Georgetown University Law Center, 18-20 (Aug. 31, 2015); *In the Matter of Lifeline and Link Up Reform and Modernization, Telecommunications Carriers Eligible for Universal Service Support, Connect America Fund*, WC Docket Nos. 11-42, 09-197, 10-90, Comments of the Center on Budget and Policy Priorities, 11-12 (Sept. 29, 2015).

[7] *See* Wireless ETC Petitioners' Petition for Reconsideration and Clarification, WC Docket Nos. 11-42, 09-197, 10-90 (filed Aug. 13, 2015).

EXHIBIT

LIFELINE CONNECTS

Wireline Competition Bureau Meeting on Lifeline Second FNPRM

December 3, 2015

Life wireless
bluejay wireless
i wireless
AMERICAN BROADBAND+TELECOMMUNICATIONS

KELLEY DRYE

Second FNPRM – Our Core Positions

1. The Commission should **enhance competition** to drive service-level innovation, rather than impose minimum service standards that could threaten no cost to consumer offerings
2. The Commission should **focus on streamlining regulations** rather than adding new, unnecessary ones
3. The Commission should **adopt a national third-party eligibility verification framework** that leverages existing state eligibility databases, encourages more, and fills the gaps with market-based solutions, such as multiple, USAC-certified third-party eligibility verifiers that offer real-time enrollment options
4. The Commission should **reject TracFone's proposals** to ban in-person handset distribution and commission-based agents, which are anticompetitive and harm core program goals

1. Competition, not regulation, is the key to driving innovation and consumer value

- The Commission should take steps to **promote competition** and **reduce regulatory overhang**
  - ✓ Adopt a 90-day shot clock for review and action on compliance plans, federal ETC petitions, audits and ETC transactions
  - ✓ Streamline state regulation of the federal Lifeline program
  - ✓ Reject calls to impose any budget that functions as a cap on the Lifeline program
- The Commission should preserve **zero entry/no cost to consumer options** (more than 10 million Lifeline subscribers rely on a "free" service plan today)
- Minimum service standards are unnecessary, administratively infeasible, and would hinder competition and consumer choice, including critical zero entry offerings
- Any minimum service standards should be limited to quality (e.g., 3G and above) and not quantity of service

2. The Commission should focus on streamlining, not adding, regulations

- Expand the benefit port freeze from 60 days to 12 months, which will protect against “flippers” and
  - ✓ Encourage greater upfront investments in subscribers and more beneficial value-added services (e.g., partnerships)
  - ✓ Reduce real and perceived waste, fraud and abuse of the program and ETC resources (e.g., multiple handsets and re-enrollment costs)
  - ✓ Ensure comparability of Lifeline and non-Lifeline consumer experience
  - ✓ Enhance consumer accountability (answering those who call for “skin in the game”)
- Eliminate the 60-day non-usage rule, which
  - ✗ Undermines consumer choice and disrespects one of the core purposes of the Lifeline program (availability in an emergency)
  - ✗ Is not technology neutral, favoring wireline over wireless services
  - ✗ Imposes substantial costs on ETCs and the Lifeline program without meaningful benefit
- Adopt other common sense reforms to streamline existing regulations, as set forth in our comments

3. The Commission should adopt Joint Commenters' national third-party eligibility verifier framework

- The Commission should not adopt a single-source national eligibility verifier framework
- Instead, the Commission should adopt Joint Commenters' proposed national third-party eligibility verifier framework, which would preserve real-time enrollment and keep program costs low and effectiveness high by
  - ✓ Leveraging existing state eligibility databases
  - ✓ Encouraging more state databases through the adoption of baseline standards
  - ✓ Filling the gaps with market-based solutions (i.e., multiple, USAC-certified third-party verifiers) and an à la carte USAC-provided option
- In addition to adopting Joint Commenters' proposed national eligibility verifier framework, the Commission should
  - ✓ Ensure that coordinated Lifeline eligibility education and outreach are technology neutral, carrier neutral and nonexclusive
  - ✓ Retain all existing eligibility programs and add the Veterans Pension Program and programs for Homeless Veterans and Women, Infants and Children (WIC)
  - ✓ Reject calls for a Lifeline direct benefit ("voucher") program, which is unnecessary, costly, and would harm the program

4. The Commission should reject TracFone's anticompetitive and harmful proposals

- The Commission should reject TracFone's proposals to ban in-person handset distribution because
  - ✗ The proposal is **anticompetitive**
  - ✗ The proposal would **harm proven and effective efforts that benefit low-income consumers** because in-person enrollment and handset distribution drives adoption, provides consumer education, promotes dignity, and proactively curbs waste, fraud and abuse at the point of enrollment
- The Commission should similarly reject TracFone's proposal to ban commission-based agents
  - ✗ The proposal is **anticompetitive**
  - ✗ The proposal would **harm proven and effective strategies that benefit low-income consumers** and the Lifeline program as a whole
  - ✗ The Commission and ETCs already have adopted effective strategies to address isolated bad acts of agents
- Rather than adopt TracFone's proposals, the Commission should **require ETCs to conduct a non-commission-based review and approval** of all enrollments before activating the service or seeking reimbursement from the Lifeline program
- Several commenters vigorously oppose TracFone's proposals

Lifeline Connects Coalition
Federal Communications Commission Lifeline Enforcement

The FCC's Lifeline enforcement actions fall into three distinct categories. 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 Enforcement Bureau investigations, settlements and consent decrees regarding failures by certain ETCs to maintain adequate records which resulted in the submission of inaccurate benefit reimbursement claims for ineligible subscribers. The third 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.

Inspector General Investigations and 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-Zumaeta 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 federal government retained the **$27 million** seized during the investigation. The FCC's OIG contributed to these cases.

Enforcement Bureau Lifeline Investigations, Settlements and Consent Decrees

- **AT&T and SNET Consent Decrees.** In April 2015, the FCC settled two related investigations with ETCs – AT&T (and eight of its affiliates) and SNET (from when it was affiliated with AT&T) – over failures to de-enroll subscribers who had neglected to timely respond to the ETCs' required annual Lifeline eligibility recertification notices, and failures to keep accurate certification records. In the consent decrees, the companies agreed to pay a civil penalty – the AT&T entities agreed to pay **$6.9 million**, while SNET agreed to pay **$4 million** – and admit liability. Moreover, each company agreed to implement a robust compliance plan, including a compliance checklist, a compliance manual and compliance training.

- **YourTel/TerraCom Consent Decrees.** In February 2013, the FCC settled investigations with ETCs YourTel and TerraCom for failure to maintain adequate records and submitting inaccurate or duplicative claims for reimbursement. YourTel and TerraCom agreed to reimbursements and contributions totaling over **$1 million**. Moreover, each company agreed to implement a robust compliance plan, including a compliance checklist, a compliance manual and compliance training.

The Commission's Notices of Apparent Liability (NALs) Regarding Alleged Duplicate Enrollments

- **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 originally defined 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, but now uses a definition of duplicate that is unknown to ETCs and looks for similar subscriber information. 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 calls and webinars regarding changes and clarifications to NLAD operation.

- **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 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. These proposed fines vastly exceed the treble damages policy adopted by the Commission in February 2015.

    - 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 proposed 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.**

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

The Lifeline Connects Coalition is a compliance-centric group of companies delivering wireless communications services across the United States. The Coalition's members include American Broadband & Telecommunications, Blue Jay Wireless, i-wireless, and Telrite Corporation. 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 members have advanced best practices and proposals for further reform to enhance the integrity and efficient operation of the of the Lifeline program.

The 2012 reforms adopted by the Federal Communications Commission (FCC) stabilized the Lifeline program and placed it on a sound regulatory footing, and the FCC is currently considering additional changes and reforms to the program through a Further Notice of Proposed Rulemaking.

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. Through Wi-Fi-enabled devices, the Lifeline program also has significant potential to address the "homework gap."

<u>Mobile and broadband communications are essential to ensure full participation in our economy and society</u>, 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 the FCC contemplates further reform to the Lifeline program, including its transition to include broadband service, 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. Using this process, which will now require providers to retain the proof of eligibility for auditing, the Lifeline program has achieved a very low rate of improper payments (0.44%), which is much lower than the government average (4.5%). In addition, today's Lifeline program administration costs are 1.52%. By comparison, a voucher program such as SNAP has program administration costs of approximately 9%. Any decision to "take the eligibility determination away from the Lifeline providers" should embrace a practical approach that does not impose burdensome costs on the Lifeline program and service providers. If the FCC's promised national eligibility database is not possible, the FCC should adopt a national third-party eligibility framework that takes advantage of existing state eligibility databases (with certain minimum standards), encourages states to build more eligibility databases, and fills the gaps with market-based solutions—i.e., multiple, USAC-certified independent third-party eligibility verifiers that ETCs can choose based on their needs (e.g., real-time or not). A one-size-fits-all national verifier would be too inflexible and expensive.

- **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. The FCC has also reached settlement and consent decrees with AT&T and other ETCs for alleged violations of Lifeline program rules. 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" and the "jobs gap" for low-income Americans. 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), 59.3% 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 2015 had an improper payment rate of 0.44% 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 2015 Agency Financial Report, "the estimated improper payment rate for [Lifeline] was **0.44%** for FY 2015." The FCC also clarified that this estimate is the improper payment rate for those Lifeline rules that had previously been identified as subject to the highest improper payments, not the program as a whole. The total extrapolated amount of improper payments was $7.3 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://transition.fcc.gov/Daily_Releases/Daily_Business/2015/db1119/DOC-336480A1.pdf.

- **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 2015 report found that the estimated improper payment rate for the Schools and Libraries Program (known as E-rate) was **6.33%**, which is up from 3.47% in 2014.

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)	62 times higher than Lifeline
Small Business Administration Disaster Loan Disbursements	$121 million (FY 2013)	18.4% (FY 2013)	42 times higher than Lifeline
Department of Veterans Affairs State Home Per Diem Grants	$135 million (FY 2013)	15.94% (FY 2013)	36 times higher than Lifeline
Medicare Fee-for-Service	$45 billion (FY 2014)	12.7% (FY 2014)	29 times higher than Lifeline
Department of Labor Unemployment Insurance	$5.6 billion (FY 2014)	11.6% (FY 2014)	26 times higher than Lifeline
Lifeline	$1.6 billion (2014)	0.44% (FY 2015)	-

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%
2015	1.5%	For Lifeline rules identified with highest improper payment rates	**0.44%**

Lifeline Connects Coalition

Positions on the FCC's Lifeline Modernization Rulemaking

Minimum Service Standards Will Not Deliver Maximum Value

- Lifeline subscribers should be free to choose wireless or wireline plans that include voice-only, text and broadband options. The FCC should not set minimum service levels, but should instead promote market conditions that will produce maximum value for Lifeline subscribers.

- As a result of competition, zero entry (no barrier to adoption, no cost to consumer) service offerings have improved over time from 68 to up to 500 anytime minutes of use. Lifeline providers also have added popular text messaging features, improved the quality of handsets, and improved the availability and quality of customer service for Lifeline subscribers. These improvements were achieved notwithstanding the FCC's elimination of Link Up support and imposition of substantial new regulatory burdens on Lifeline providers. While some (not all) of these regulatory requirements have been beneficial, all impose costs on Lifeline providers with no additional reimbursement. These requirements include:

  - building an interface with the National Lifeline Accountability Database (NLAD)
  - substantial marketing and marketing disclosure requirements
  - review and retention of proof of eligibility for all applicants
  - implementation of the wireless-only 60-day non-usage rule
  - annual recertification of eligibility for all customers
  - numerous audits and investigations often involving redundant inquiries from different FCC bureaus and USAC
  - substantially increased state licensing and regulatory requirements

- If the FCC sets minimum voice and/or broadband levels too high, Lifeline providers will be unable to offer the zero entry (no cost to consumer) services that consumers want, and that have driven adoption and participation in the Lifeline program since the mid-2000s. Elimination of the zero entry wireless Lifeline model would drastically reduce participation in the Lifeline program in contravention of the Communications Act's universal service mandate.

Increasing Competition Will Deliver Maximum Value

- Competition, not regulation of minimum service standards, is the best way to add value for consumers. Shifting the FCC's focus to promoting competition and minimizing regulation will result in better service offerings and more innovation for consumers. Regulatory uncertainty and inaction deter innovation and investment.

- The FCC and certain state commissions inhibit competition by failing to act promptly on applications from would-be competitors and by imposing onerous regulatory burdens with no cost benefit analysis and, in some cases, no authority.

- The FCC's eligible telecommunications carrier (ETC) designation process is too protracted (years) and subjective. The FCC should impose a 90-day shot clock for review and action on compliance plans and federal ETC petitions after which they are "deemed granted." The FCC should encourage states to adopt their own "deemed granted" deadlines and clarify that any additional Lifeline-specific requirements at the state level must be limited to state Lifeline programs.

- No service provider should be forced to provide Lifeline service. The FCC can attract competitors and drive innovation by providing a more rational regulatory environment that affords providers an opportunity for a reasonable profit.

Further Reforms Should Promote Efficient Administration and Limit Regulatory Burdens

- The FCC should extend the benefit port freeze from 60 days to 12 months to encourage greater upfront investments in subscriber relationships, curb abusive "flippers," ensure parity of consumer experience and promote consumer accountability.

- The FCC should eliminate complicated rules that impede consumer choice, impose burdens that outweigh any benefit, or that are not technology neutral. The wireless-only, voice-only 60-day non-usage rule should be eliminated rather than shortened. The current rule imposes substantial costs (that outweigh any perceived benefit) on consumers (e.g., disabled consumers having service denied because they choose to communicate by text rather than voice), carriers (e.g., developing government-mandated usage monitoring and contending with differing interpretations of the FCC's rule), USAC (e.g., attempting to audit compliance with the FCC's convoluted rule), the FCC (e.g., countless hours reviewing consumer call detail records to determine how and when consumers use their Lifeline service) and the Lifeline program (e.g., administrative costs associated with subscriber churn).

- If the FCC retains the non-usage rule, it should recognize the importance of text messaging for low-income consumers—especially those with disabilities—who should not be de-enrolled because they communicate by text rather than voice.
- The FCC should adopt and adhere to deadlines for the review of and action on transactions involving Lifeline providers. Expedited review processes will serve the public interest by helping Lifeline providers attract new investment and achieve economies of scale in the provision of Lifeline service.
- Ever-evolving, over-prescriptive and duplicative application form requirements confuse and demean Lifeline subscribers, impose substantial costs on ETCs, and result in no meaningful benefit to the program.
- The FCC should reject TracFone's anticompetitive and misguided proposals to ban in-person handset distribution and incentive-based compensation, two effective business models that together drive Lifeline adoption, provide essential educational opportunities, promote consumer dignity and enable ETCs to proactively curb waste, fraud and abuse.

Lifeline Budget

- Any budget must take into account FCC decisions about supported services and program administration, while recognizing that the program currently has a participation rate of approximately one-third of eligible households.
- The FCC currently restricts the size of the Lifeline program by restraining competition through inaction on compliance plans and federal ETC petitions. This is not the right approach to managing the size of the Lifeline program.
- The FCC should incentivize states to increase their own funding for Lifeline (e.g., through federal matching funds) without dictating how states should do so. Enhanced subsidies allow ETCs to offer more innovative and robust service offerings.

Third Party Eligibility Verification Should Incorporate Market-Driven Solutions

- In almost all Lifeline enrollments, ETCs verify eligibility rather than determine it. Participation in a Lifeline-qualifying program (e.g., SNAP or Medicaid) determines eligibility and Lifeline providers verify a consumer's eligibility either by reviewing proof of participation (e.g., SNAP card or Medicaid card) or by dipping an eligibility database. Using this process, which will now require providers to retain the proof of eligibility for auditing, the Lifeline program has achieved a very low rate of improper payments (0.44%), which is much lower than the government average (4.5%).
- Any decision to "take the eligibility determination away from the Lifeline providers" should embrace a practical approach that does not impose burdensome costs on the Lifeline program and service providers. If the FCC's promised national eligibility database is not possible, the FCC should adopt a national third-party eligibility framework that takes advantage of existing state eligibility databases (with certain minimum standards), encourages states to build more eligibility databases, and fills the gaps with market-based solutions—i.e., multiple, USAC-certified independent third-party eligibility verifiers that ETCs can choose based on their needs (e.g., real-time or not). A one-size-fits-all national verifier would be too inflexible and expensive.
- Any third-party eligibility verification framework must preserve a real-time enrollment option, which is essential for equality of consumer experience between low-income and non-low-income consumers. Low-income consumers should not receive a second-class activation process in which they are forced to wait days for enrollment approval, a phone or service, because the FCC has not provided a real-time eligibility verification option.
- ETCs should have the option, but not the obligation, to use USAC or a verifier for recertification. Most ETCs are far more successful than USAC at recertifying their subscribers.
- We favor leveraging efficiencies from the Lifeline eligibility programs, such as SNAP and Medicaid, to improve customer awareness of Lifeline benefits, but any such efforts should be technology neutral, carrier neutral and nonexclusive.
- The FCC should retain all existing eligibility programs and add programs for veterans and Women, Infants and Children (WIC).
- Lifeline vouchers are unnecessary to provide consumer choice, would balloon program administration costs (especially if they involve setting up an automated payments process), and would harm the program by adding new potential for fraud and abuse not present in today's Lifeline program.

The Impact of Lifeline

A bridge for those striving for self-sufficiency.

access WIRELESS®

A government-funded Lifeline Assistance Program

This phone is a lifesaver.

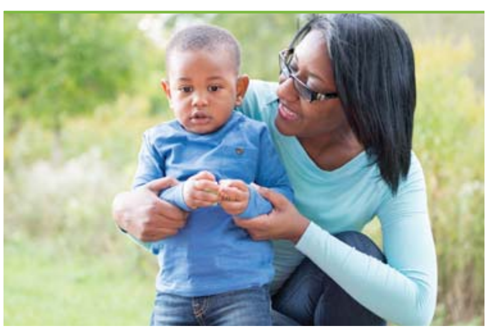
I don't live in a good neighborhood; neighbors don't trust you enough to even use their phone to call 911. If I didn't have my Lifeline phone, I wouldn't have been able to call 911 when my roommate had a stroke. This phone is a lifesaver.

ERIC V.

My income was not enough.

I lost my phone service when I got laid off and couldn't pay the bill any more. I went without any type of phone service for a year, and even though I found another job, the income was not enough to pay for rent, water, electricity and food. I needed to choose not to have something and the phone was on the list. Thanks to Lifeline, I was able to get a phone.

JANET H.



I can take care of my baby.

I'm a single mother and monthly phone service was getting costly. I had to choose my baby's needs over a phone before Lifeline.

JESSICA P.

I'm a vet looking for a job.

When I got out of the Navy, I came to Tampa, not sure what I was going to do. I started looking for a job and I'm still looking. I have this phone because I'm on Food Stamps. I don't want to be on Food Stamps. I don't want to have this free phone, but I don't know what else to do. I'm grateful for the phone. I use it to call the VA and schedule my appointments. I come to the library all of the time to apply for jobs. I don't want to use my phone if I don't have to. The number is on my resume. You need it to get a job. But you don't want people to know you're broke and homeless. If I could get a job, I wouldn't need Food Stamps, and I wouldn't need this phone. I can't wait for that. But I am grateful.

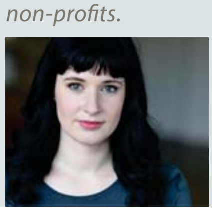
THOMAS M.

Events help streamline Lifeline enrollment.

Access Wireless mobile enrollment events allow Lifeline to reach the very people the program is intended for. Representatives explain what it takes to qualify and process enrollment requests at Access Wireless sponsored events on site at non-profit and social service agencies.

Access to healthy eating recipes.

*Access Wireless has partnered with Workman Publishing to be the sole distributor for donated copies of **Good and Cheap: Eat Well on $4/Day**, a cookbook targeted towards individuals and families on tight budgets. Access Wireless makes the book available for free at select mobile enrollment events, special events and to non-profits.*



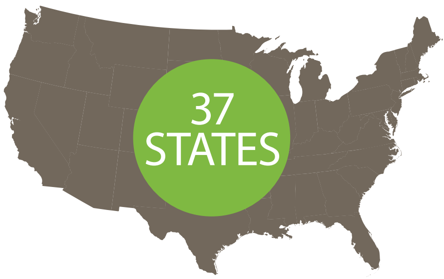
"Good and Cheap: Eat Well on $4/Day" author Leeann Brown

*In October of 2015, Access Wireless sponsored an interactive Q&A session led by "Good and Cheap" author Ms. Brown on how to prepare healthy and delicious meals on a budget at **Bread for the City,** a non-profit providing vulnerable Washington, DC residents with food, clothing, medical care, and legal and social services.*

At-A-Glance

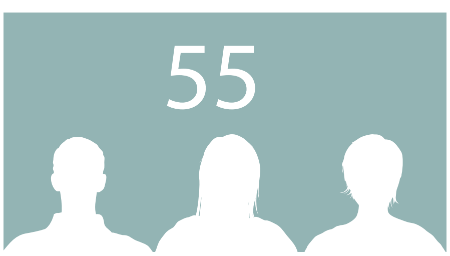
i-wireless LLC, dba Access Wireless

access WIRELESS®
A government-funded Lifeline Assistance Program



Designated as an ETC in 37 states.

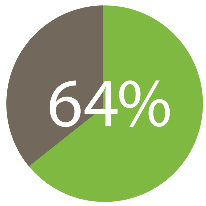
50/50 joint venture with the Kroger Co.



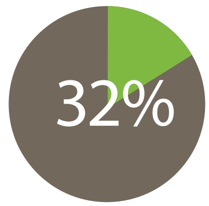
Number of full-time i-wireless employees.

63,000

Number of calls to **911** per month.



Percentage of customers who participate in SNAP.



Percentage of customers who participate in Medicaid.

Number of low-income individuals who benefit from Access Wireless.

Average age of Access Wireless Lifeline subscriber.

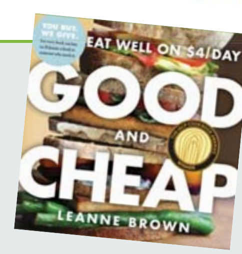
i wireless
A KROGER CO.

945,000

Over 945,00 calls placed to social service agencies per month.

3,525

Number of non-profits & social service agencies who participate in our Community Outreach Program.



85,000

Number of free copies of *Good & Cheap* cookbook distributed.

Filled with inexpensive and healthy recipes, Access Wireless makes the book available for free at select mobile enrollment events, special events and to non-profits.

Blue Jay Wireless, LLC

About Blue Jay

Blue Jay Wireless 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 is a prepaid wireless telecommunications company focused on serving the disadvantaged and disabled lower-income consumer demographic in the United States 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 offerings, 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 military veterans.

Blue Jay Samaritan Program

Blue Jay established its "Samaritan Program" in 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. Blue Jay Samaritans are on the front line of our distribution channel and they handle the first steps of new subscriber enrollment. Blue Jay strives to hire Samaritans 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 their service and the sacrifices they have already made. 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 of December 2015, Blue Jay has approximately 230 Samaritan employees, over 100 of whom are veterans or disabled veterans having previously served in the military.** Through its Samaritans and the Lifeline program, Blue Jay is helping the communities it serves 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 was established in 2010. Today over 600 employees and contractors work for Telrite. Under the Life Wireless brand, Telrite provides Lifeline services in 32 jurisdictions – Arizona, Arkansas, California, 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 September 2015, Life Wireless served over 900,000 Lifeline subscribers.

Life Wireless' mission is to drive awareness and availability of the Lifeline program to underserved markets across the United States 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 over 60 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 40 veterans on its active field representative roster and 8 others likely to be added soon. In addition to "Hiring Our 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 [in] 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.)