

Congress of the United States
Washington, DC 20515

1573

November 8, 2011

The Honorable Julius Genachowski
Chairman,
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Dear Chairman Genachowski:

As an increasing number of our constituents have raised concerns to us regarding fraud within the Lifeline and Link Up programs, we respectfully request that the Federal Communications Commission (FCC) provide detailed information on these programs and any other within the Universal Service Fund (USF) which provides free or reduced cost cell phones.

Our constituents have brought to our attention anecdotal evidence that the program is providing more than one cell phone to members of the same household and even instances of multiple phones being provided to one individual. As these stories continue to be relayed to us subsequent to the FCC's June report on strengthening enforcement of the one-phone-per-household rule, we would appreciate a detailed account of the success of this renewed emphasis and an estimate for when the FCC anticipates the elimination of all duplicitous phone plans.

We would also appreciate an explanation of why it took the FCC until June of 2011 to realize the growth of the pre-paid wireless industry might result in an increased opportunity for fraud. Pre-paid wireless has been around for literally years, yet only three months ago did the FCC take steps to curtail these practices. Moreover, we note that instead of giving subscribers thirty days to pick which subsidized service they wanted to keep, the FCC should have immediately ended the plan with the highest cost to the USF.

Additionally, we are concerned about the relationship between the entrance of pre-paid wireless providers to the Lifeline and Link Up programs and if this new market participant will have an adverse budgetary effect on these programs. We would also like to know what steps the FCC is taking to ensure that the subsidies it provides for cell phones do not overwhelm the Lifeline and Link Up programs' traditional uses.

While these phones are not being paid for directly by the Federal government, they are being provided by a program which compels telecommunication users to subsidize costs incurred by other users. As such we must ensure that all steps are taken to eliminate fraud.

We look forward to your timely response and thank you for your thoughtful responses to these questions.

Respectfully,



Jeff Landry
Member of Congress



Todd Young
Member of Congress



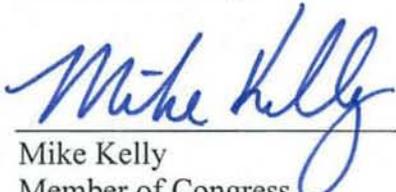
Jack Kingston
Member of Congress



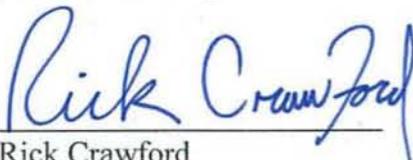
Ron Paul
Member of Congress



Diane Black
Member of Congress



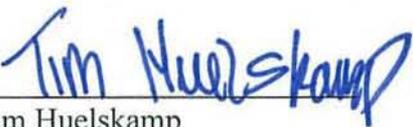
Mike Kelly
Member of Congress



Rick Crawford
Member of Congress



Mick Mulvaney
Member of Congress



Tim Huelskamp
Member of Congress



Kenny Marchant
Member of Congress



FEDERAL COMMUNICATIONS COMMISSION

July 13, 2012

JULIUS GENACHOWSKI
CHAIRMAN

The Honorable Todd Young
U.S. House of Representatives
1721 Longworth House Office Building
Washington, D.C. 20515

Dear Congressman Young:

Thank you for your letter regarding the potential for fraud in the Lifeline Universal Service program. These concerns are important, and have been the subject of serious Commission activity. I am enclosing a letter from the Chief of the Wireline Competition Bureau's Telecommunications Access Policy Division addressing these concerns.

If you have any additional questions or need any further assistance, please do not hesitate to contact me.

Sincerely,

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Julius Genachowski

Enclosure



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Washington, D.C. 20554

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The *Duplicative Program Payments Order* notes that, beginning in June 2011, the Commission directed USAC to undertake a series of in-depth data validations (IDVs) to identify instances of duplicative Lifeline support. Through the IDV process, which has been completed in 12 states, USAC examined 3.6 million customer records and directed eligible telecommunications carriers (ETCs) to de-enroll over 292,000 customers receiving duplicative Lifeline support. USAC found that this process will result in a savings to the federal USF of \$2.9 million per month, or \$35 million annually. The detailed data results of the IDVs as filed by USAC are publicly available on the Commission's electronic filing system (ECFS), dated January 10, 2012.

The Commission followed up the *Duplicative Program Payments Order* by adopting the *Lifeline Reform Order and Further Notice of Proposed Rulemaking (FNPRM)* on January 31, 2012. This *Order and FNPRM* puts in place a new Lifeline structure with enhanced enrollment and recertification procedures and a National Lifeline Accountability Database to verify eligibility and eliminate service duplication, as well as a number of other reforms to eliminate waste, fraud, and abuse in the program, and sets a savings target for 2012 of \$200 million.

As has been clear, the Commission has seen significant growth in the program and the potential for abuse. The January *Lifeline Reform Order and FNPRM* thoroughly evaluates and affirms the value of providing Lifeline support for all eligible services regardless of technology, including wireless and wireline services. Our responsibility is to ensure accountability in the program and prevent waste, fraud and abuse so Lifeline service remains available for low-income consumers who need it. I want to note, as well, the Lifeline program does not support any costs for equipment, including wireless handsets.

I appreciate your interest in this matter. Please let me know if I can be of any further assistance.

Sincerely,

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Trent B. Harkrader
Chief
Telecommunications Access Policy Division
Wireline Competition Bureau

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FEDERAL COMMUNICATIONS COMMISSION

July 13, 2012

JULIUS GENACHOWSKI
CHAIRMAN

The Honorable Jack Kingston
U.S. House of Representatives
2372 Rayburn House Office Building
Washington, D.C. 20515

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Trent B. Harkrader
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FEDERAL COMMUNICATIONS COMMISSION

July 13, 2012

JULIUS GENACHOWSKI
CHAIRMAN

The Honorable Ron Paul
U.S. House of Representatives
203 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Paul:

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JULIUS GENACHOWSKI
CHAIRMAN

The Honorable Diane Black
U.S. House of Representatives
1531 Longworth House Office Building
Washington, D.C. 20515

Dear Congresswoman Black:

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Washington, D.C. 20554

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Wireline Competition Bureau

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FEDERAL COMMUNICATIONS COMMISSION

July 13, 2012

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CHAIRMAN

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U.S. House of Representatives
515 Cannon House Office Building
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Early in Chairman Genachowski's tenure, he asked the Federal-State Joint Board on Universal Service (Joint Board) to conduct a thorough review of the Lifeline program to consider how to eliminate waste and inefficiency, increase accountability, and to modernize the program. While the Joint Board evaluated the program's performance and administration, the Universal Service Administrative Company (USAC) completed a series of audits under the Commission's oversight to test compliance with program rules. Upon receipt of the audit report detailing the extent to which some Lifeline customers received more than one benefit, the Commission was able to take swift, targeted action in January 2011, issuing a letter of guidance to USAC to identify and resolve duplicate claims. A group of industry associations filed a petition for reconsideration of the January 2011 guidance letter, and after a period of public comment, the Commission affirmed the measures to eliminate waste, fraud, and abuse from the Lifeline program in its June 2011 *Duplicative Program Payments Order*.

The *Duplicative Program Payments Order* notes that, beginning in June 2011, the Commission directed USAC to undertake a series of in-depth data validations (IDVs) to identify instances of duplicative Lifeline support. Through the IDV process, which has been completed in 12 states, USAC examined 3.6 million customer records and directed eligible telecommunications carriers (ETCs) to de-enroll over 292,000 customers receiving duplicative Lifeline support. USAC found that this process will result in a savings to the federal USF of \$2.9 million per month, or \$35 million annually. The detailed data results of the IDVs as filed by USAC are publicly available on the Commission's electronic filing system (ECFS), dated January 10, 2012.

The Commission followed up the *Duplicative Program Payments Order* by adopting the *Lifeline Reform Order and Further Notice of Proposed Rulemaking (FNPRM)* on January 31, 2012. This *Order and FNPRM* puts in place a new Lifeline structure with enhanced enrollment and recertification procedures and a National Lifeline Accountability Database to verify

eligibility and eliminate service duplication, as well as a number of other reforms to eliminate waste, fraud and abuse in the program, and sets a savings target for 2012 of \$200 million.

As has been clear, the Commission has seen significant growth in the program and the potential for abuse. The January *Lifeline Reform Order and FNPRM* thoroughly evaluates and affirms the value of providing Lifeline support for all eligible services regardless of technology, including wireless and wireline services. Our responsibility is to ensure accountability in the program and prevent waste, fraud and abuse so Lifeline service remains available for low-income consumers who need it. I want to note, as well, the Lifeline program does not support any costs for equipment, including wireless handsets.

I appreciate your interest in this matter. Please let me know if I can be of any further assistance.

Sincerely,

A handwritten signature in blue ink, appearing to read "T B Harkrader", with a stylized flourish at the end.

Trent B. Harkrader
Chief
Telecommunications Access Policy Division
Wireline Competition Bureau

Enclosure



FEDERAL COMMUNICATIONS COMMISSION

July 13, 2012

JULIUS GENACHOWSKI
CHAIRMAN

The Honorable Tim Huelskamp
U.S. House of Representatives
126 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Huelskamp:

Thank you for your letter regarding the potential for fraud in the Lifeline Universal Service program. These concerns are important, and have been the subject of serious Commission activity. I am enclosing a letter from the Chief of the Wireline Competition Bureau's Telecommunications Access Policy Division addressing these concerns.

If you have any additional questions or need any further assistance, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to be "J. Genachowski", written over a light blue horizontal line.

Julius Genachowski

Enclosure



Federal Communications Commission
Washington, D.C. 20554

July 13, 2012

The Honorable Tim Huelskamp
U.S. House of Representatives
126 Cannon House Office Building
Washington, D.C. 20515

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Page 2 – The Honorable Tim Huelskamp

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Trent B. Harkrader
Chief
Telecommunications Access Policy Division
Wireline Competition Bureau

Enclosure



FEDERAL COMMUNICATIONS COMMISSION

July 13, 2012

JULIUS GENACHOWSKI
CHAIRMAN

The Honorable Kenny Marchant
U.S. House of Representatives
1110 Longworth House Office Building
Washington, D.C. 20515

Dear Congressman Marchant:

Thank you for your letter regarding the potential for fraud in the Lifeline Universal Service program. These concerns are important, and have been the subject of serious Commission activity. I am enclosing a letter from the Chief of the Wireline Competition Bureau's Telecommunications Access Policy Division addressing these concerns.

If you have any additional questions or need any further assistance, please do not hesitate to contact me.

Sincerely,

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Julius Genachowski

Enclosure



Federal Communications Commission
Washington, D.C. 20554

July 13, 2012

The Honorable Kenny Marchant
U.S. House of Representatives
1110 Cannon House Office Building
Washington, D.C. 20515

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Sincerely,

A handwritten signature in blue ink, appearing to read "T+B/H", with a long horizontal flourish extending to the right.

Trent B. Harkrader
Chief
Telecommunications Access Policy Division
Wireline Competition Bureau

Enclosure



NEWS

Federal Communications Commission
445 12th Street, S.W.
Washington, D. C. 20554

News Media Information 202 / 418-0500
Internet: <http://www.fcc.gov>
TTY: 1-888-835-5322

This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action.
See MCI v. FCC, 515 F 2d 385 (D.C. Circ 1974).

FOR IMMEDIATE RELEASE
January 31, 2012

NEWS MEDIA CONTACT:
Mark Wigfield, 202-418-0253
Email: mark.wigfield@fcc.gov

FCC REFORMS, MODERNIZES LIFELINE TO KEEP LOW-INCOME AMERICANS CONNECTED TO JOBS, FAMILY, 911 SERVICES

Changes to Eliminate Waste, Fraud and Abuse and Improve Effectiveness

Washington, D.C. – Acting to reform and modernize a program vital to ensuring affordable communications for low-income consumers, the Federal Communications Commission today approved a comprehensive overhaul of its Lifeline program.

As a universal service program that fulfills Congress's mandate to ensure the availability of communications to all Americans, Lifeline for the past 25 years has helped tens of millions of low-income Americans afford basic phone service. Access to telephone service is essential for finding a job, connecting with family, or getting help in an emergency, and the percentage of low-income households with phone service has increased from 80% in 1985, when Lifeline began, to nearly 92% last year.

But the program faces real challenges, including rules that have failed to keep pace as consumers increasingly choose wireless phone service, and that create perverse incentives for some carriers. The FCC's Lifeline reforms address these and other challenges, including through:

- **Changes to eliminate waste, fraud, and abuse, saving up to \$2 billion over 3 years**
 - Setting a savings target of \$200 million for 2012, and putting the Commission in a position to adopt an appropriate budget for the program in early 2013 after review of a six-month report and one-year report on the effects of the Order.
 - Creation of a National Lifeline Accountability Database to prevent multiple carriers from receiving support for the same subscriber. The database will build on FCC efforts in 2011 that eliminated nearly 270,000 duplicate subscriptions in 12 states following review of over 3.6 million subscriber records, saving \$33 million.
 - Creation of eligibility databases from governmental data sources, enabling fully automated verification of consumers' initial and ongoing Lifeline eligibility. This would reduce the potential for fraud while cutting red tape for consumers and providers. A database based on the three most common federal benefit programs through which consumers qualify for Lifeline will be created no later than the end of 2013.
 - Establishing a one-per-household rule applicable to all providers in the program, defining household as an "economic unit" so that separate low-income families living at the same address can get connected.
 - Establishing clear goals and metrics to measure program performance and effectiveness.