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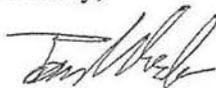
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Sincerely,



Tom Wheeler
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Enclosure: Lifeline Reform Overview



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

December 11, 2013

The Honorable David Schweikert
U.S. House of Representatives
1205 Longworth House Office Building
Washington, D.C. 20515

Dear Congressman Schweikert:

Thank you for your letter to then Chairwoman Clyburn expressing concerns over fraud and abuse of the Commission's Lifeline program. The Communications Act's universal service principles mandate that consumers in all regions of the nation, including low income consumers, should have access to communications services.¹ Lifeline is important to millions of Americans who otherwise could not afford phone service which is necessary for jobs, safety and security, and access to government services.

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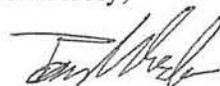
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Sincerely,



Tom Wheeler
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Enclosure: Lifeline Reform Overview



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

December 11, 2013

The Honorable Austin Scott
U.S. House of Representatives
516 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Scott:

Thank you for your letter to then Chairwoman Clyburn expressing concerns over fraud and abuse of the Commission's Lifeline program. The Communications Act's universal service principles mandate that consumers in all regions of the nation, including low income consumers, should have access to communications services.¹ Lifeline is important to millions of Americans who otherwise could not afford phone service which is necessary for jobs, safety and security, and access to government services.

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Enclosure: Lifeline Reform Overview



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

December 11, 2013

The Honorable Brad Wenstrup
U.S. House of Representatives
1223 Longworth House Office Building
Washington, D.C. 20515

Dear Congressman Wenstrup:

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The 2012 *Lifeline Reform Order* took many steps to eliminate waste, fraud, and abuse from the program (see enclosed presentation). These reforms are working. As described above, the targeted In-Depth Data Validations (IDVs) process has eliminated over 2 million duplicate Lifeline subscriptions, saving the Fund approximately \$260 million on an annualized basis. In addition, an annual Lifeline eligibility subscriber recertification process required by the *Lifeline Reform Order* has resulted in \$400 in annual savings from de-enrollments. These two key reforms, in addition to the other measures adopted in the *Lifeline Reform Order*, have substantially reduced the number of duplicative or ineligible Lifeline subscribers. As a result, monthly Lifeline disbursements have substantially decreased since their peak in late 2012.

³ *Lifeline Reform Order*, 27 FCC Rcd at 6708-09, para 110.

While such policy measures are important, nothing is as effective in preventing abuse as strong enforcement of the rules. To that end, the Commission is committed to actively pursuing and prosecuting those who violate the rules. In February of this year, the FCC entered into a consent decree with two companies who paid more than \$1 million in reimbursements and voluntary contributions to the U.S. Treasury to resolve an ongoing FCC Enforcement Bureau investigation. Then on September 30, 2013, the Commission adopted orders proposing more than \$14.4 million in forfeitures against five wireless Lifeline service providers for apparent violations of the Commission's Lifeline rules. These apparent violations involved thousands of consumers who had more than one Lifeline subscription from the same provider, resulting in duplicative support requests and payments. Immediately before I joined the Commission, we proposed \$32.6 million in fines against three companies for apparent violations of the rules. The Commission also proposed a penalty of \$300,000 against one company for its apparent willful and repeated failure to provide timely and complete responses to the agency's requests. And, most recently, as mentioned above, earlier this week the Commission released several orders proposing nearly \$45 million in forfeitures against three wireless Lifeline service providers for apparent violations of the Commission's Lifeline rules. In sum, that is almost \$100 million of proposed forfeitures against parties for violations of the Commission's Lifeline program rules.

Separately, the FCC's Inspector General (OIG) is investigating allegations of fraud on the Low Income Program and is supporting active investigations in coordination with the U.S. Department of Justice and the FBI. Some states have also taken action in this regard. For example, the Nebraska Public Service Commission recently expelled from the program a provider that failed to comply with that state's eligibility verification requirements and in September of this year, an Oklahoma provider withdrew from the program in response to state allegations.

These activities and efforts on the part of my predecessors and colleagues at the Commission demonstrate our shared commitment to root out waste, fraud, and abuse in the Lifeline program. I intend to continue to support and encourage these efforts, and I look forward to working with you as we move forward.

Please let me know if there is any additional information about this matter I can provide.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Wheeler", written in a cursive style.

Tom Wheeler
Chairman

Enclosure: Lifeline Reform Overview



Lifeline Reform Overview and Update

December, 2013



Overview of Lifeline

- Program first started in 1985 to ensure that low-income consumers have access to affordable phone service.
- Section 254(b) of Telecommunications of 1996 Act:

Commission shall “base policies for the preservation and advancement of universal service” on several principles, including ensuring the availability of “quality services at just, reasonable, and **affordable rates**” for “[c]onsumers in all regions of the Nation, **including low-income consumers.**”
- Lifeline services are provided by Eligible Telecommunications Carriers (ETC), most of which are designated by states under Section 214(e) of the Act.
- Consumers qualify based on income or participation in a qualifying assistance program.
- ETCs or states determine whether a consumer is eligible
- Lifeline program subsidizes service (not phones) to qualifying low-income consumers.

Lifeline Reform Order (Jan. 2012)

Commission comprehensively reformed Lifeline Program in 2012. Reforms include:

- **One Per Household:** Confirmed that consumers may only receive one Lifeline service (wireless or wireline) per household.
- **Proof Of Eligibility:** Carriers and/or state administrators must obtain proof of consumer eligibility (consumer may no longer self-certify eligibility).
- **Certification and Recertification:** Carriers and/or state administrations must continue to obtain certifications from new consumers and also re-certify each consumer's eligibility once per year.
- **Link Up:** Eliminated Link-Up, except for Carriers on Tribal lands receiving high-cost support.

Lifeline Reform Order (cont.)

- **Detection, Prevention and Elimination of Duplicates:**
 - Continued targeted audits, known as In-Depth Data Validations (IDVs), to detect and eliminate duplicative support.
 - Directed the Universal Service Administrative Company (USAC) to develop the National Lifeline Accountability Database (NLAD).
- **Non-Usage:** Consumers who receive a Lifeline service that does not charge a monthly fee (e.g., pre-paid wireless), must use the service every 60 days or will be de-enrolled.
- **Audits:**
 - First Year Audits: USAC will conduct audits on all new ETCs within their first year of seeking Lifeline support.
 - Biennial Audits: Every two years, ETCs receiving \$5 million or more on an annual basis, as determined at the holding company level, are required to hire an independent auditor to conduct an audit to assess the ETC's overall compliance with the Lifeline program's requirements.

Comparison of Lifeline Subscriber Requirements Before and After Reform

Old Lifeline Rules

- Self-certification of eligibility.
- Only a small number of randomly selected subscribers had to prove continued eligibility.



Lifeline Reform Rules

- Proof of eligibility required at sign up.
- Full eligibility determination done prior to activating service.
- One-per-household limitation.
- Subscriber must provide the last four digits of Social Security Number and date of birth.
- Consumer must certify under penalty of perjury that the consumer is eligible and understands the program rules.
- If carrier does not charge a monthly service fee (e.g., prepaid wireless), subscriber must activate Lifeline service and must use the service at least once every 60 days.
- Subscribers must demonstrate continued eligibility every year.

Substantial Savings From Reform

- Lifeline Reform Order set a target of \$200 million in savings in 2012 compared to what would be spent absent reform.
 - Commission exceeded this target and saved over \$213 million in 2012.
- Savings Tied to Specific Reforms:
 - Duplicate checks: **Approximately \$260 million** in annualized savings to date.
 - Link Up: Over **\$93 million** in savings in 2012. Link Up expenditures dropped from roughly \$14 million per month in May to less than \$200,000 in December 2012.
 - Recertification: At least **\$400 million** was saved in 2013 from the de-enrollment of as many as 4 million subscribers through the 2012 recertification process.
 - Non-Usage: Over **\$30 million** will be saved on an annualized basis from the de-enrollment of over 275,000 subscribers for non-usage in 2012.
- Commission is on track to meet its projected target of saving \$2 billion through 2014 compared to what would have been spent absent reform.

Active FCC Lifeline Program Enforcement

- FCC Enforcement Bureau has launched numerous investigations of company practices that appear to violate Commission rules.
- December, 2013 – FCC proposes nearly \$45 million in forfeitures against three wireless Lifeline service providers for apparent rule violations.
- September, 2013 – FCC proposes more than \$14.4 million in forfeitures against five wireless Lifeline service providers for apparent rule violations.
- February, 2013 – FCC announces consent decree in which two companies agree to pay more than \$1 million in reimbursements and voluntary contributions to the U.S. Treasury to resolve an ongoing Enforcement Bureau investigation.
- Citations issued to more than 300 Lifeline customers with duplicative subscriptions.
- FCC Office of the Inspector General (OIG) working with the FBI, the Department of Justice and United States Attorney Offices in connection with several ongoing investigations concerning fraud, waste and abuse of the program.
- OIG investigations based on whistleblower allegations, news reports, OIG independent review of disbursements to companies receiving low income support, and referrals of fraudulent activity from state Public Utility Commissions.
- OIG has coordinated with U.S. Postal Office regarding cell phones which have been mailed to bogus addressees in various areas of the country so that companies could claim low income disbursements. As appropriate, information received from postal officials regarding the mailing of phones is investigated by the OIG and other law enforcement authorities.