FEDERAL COMMUNICATIONS COMMISSION

Mignon L. Clyburn
Acting Chairwoman

June 20, 2013

The Honorable Steve Stockman
U.S. House of Representatives
2400 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Stockman:

Thank you for your letter regarding the Universal Service Fund's Lifeline program. I appreciate your interest in this matter and am pleased to provide the enclosed letter on this issue from the Chief of the Wireline Competition Bureau's Telecommunications Access Policy Division.

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

Sincerely,

Mignon L. Clyburn

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Enclosure

Federal Communications Commission
Washington, D.C. 20554

June 20, 2013

The Honorable Steve Stockman
U. S. House of Representatives
2400 Rayburn House Office Building
Washington, DC 20515-0102

Dear Congressman Stockman:

Thank you for your inquiry concerning the federal universal service Lifeline program. Specifically, you expressed concern with the Commission's efforts to address waste, fraud, and abuse in the Lifeline program.

Lifeline is a critical part of the Commission's universal service mission that is designed to implement Congress' directive to ensure the availability of basic telecommunications services to all Americans, including low-income consumers. Lifeline, which is supported by the federal universal service fund, provides discounts off an eligible consumer's basic monthly wireline or wireless service.

In your letter, you expressed concern about the provision of Lifeline service by prepaid wireless operators and about the potential for increase in the size of the Lifeline program. In 2009 the Commission began the process of overhauling the program to make it more accountable; to root out waste, fraud, and abuse; and to modernize it to meet the communications needs of low-income Americans, while minimizing the burden on the consumers and businesses that fund the program. These steps have fundamentally altered the course of the program. Disbursements have declined steadily from $185.1 million in December 2012 to $145.8 million in May of this year. As you noted in your letter, the changes implemented by the Commission are expected to lead to $2 billion in savings through the end of 2014.

The Lifeline program is on track to save the estimated $2 billion by the end of 2014. These savings will be achieved through reform and modernization of all aspects of the program. The reforms include: (1) requiring consumers to provide proof of eligibility at enrollment; (2) requiring consumers to certify that they understand key program rules and to recertify annually their continued eligibility for support; (3) limiting the Lifeline benefit to one per household; (4) eliminating Link Up support for all providers except those that receive high-cost universal service support on Tribal lands; (5) establishing a uniform, nationwide floor for consumers' eligibility to participate in the program, which states may supplement; (6) enhanced requirements concerning marketing and advertising practices of supported carriers; and (7) putting in place a robust audit requirement for providers entering the Lifeline program and an ongoing independent audit requirement for providers drawing more than $5 million from the Fund.

In addition to the reforms described above, the Commission, in partnership with the Universal Service Administrative Company (USAC), the administrator of the Fund, has also identified and cut substantial amounts of duplicative Lifeline support, resulting in the de-enrollment of hundreds of thousands of subscribers with more than one Lifeline supported service. And at our direction, USAC is building the National Lifeline Accountability Database that will, by the end of this year, detect and prevent duplicative support before it occurs. These reforms are in place, are working as intended, and are cutting waste, fraud and abuse from the program while ensuring that low-income consumers have access to basic communications.

In your letter, you also asked about the ETC designation process. Under section 214(e)(2) of the Communications Act, states designate providers as ETCs to participate in the Lifeline program, including in most cases wireless ETCs. Currently, all but ten states and the District of Columbia handle the designation of Lifeline-only wireless ETCs to participate in the program. States have broad authority to conduct thorough reviews of ETC applications. The Commission's new rules require that providers demonstrate that they are "financially and technically capable of providing Lifeline service in compliance with program rules." In deciding whether to designate a provider to participate in Lifeline, a state must, among other things, review how long the company has been in business, whether the provider intends to rely exclusively on universal service disbursements to operate its business, whether the provider receives or will receive revenue from other sources, and whether it has been subject to enforcement action or ETC revocation proceedings in any state.

As part of its ongoing commitment to fight waste, fraud, an and abuse in the program, the Commission now requires that all non-facilities-based providers seeking to become Lifeline-only ETCs, which includes prepaid Lifeline-only carriers, first have a compliance plan approved by the Wireline Competition Bureau before being designated as an Eligible Telecommunications Carrier by a state or the Commission. Commission staff thoroughly reviews these plans to ensure that providers have procedures in place to adhere to the new stringent program requirements.

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

Sincerely,

Kimberly A. Scardino
Chief
Telecommunications Access Policy Division
Wireline Competition Bureau