PUBLIC NOTICE

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

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

DA 12-1232
Release Date: July 31, 2012

WIRELINE COMPETITION BUREAU ISSUES PROGRESS REPORT ON THE LIFELINE PROGRAM SAVINGS

WC Docket Nos. 11-42, 03-109, 12-23 and CC Docket No. 96-45

In this report, the Wireline Competition Bureau (Bureau) provides an update on the implementation of the major reforms adopted by the Commission in the *Lifeline Reform Order* and the progress made towards the Commission's $200 million savings target for 2012.[1] The Bureau estimates that the reforms have already generated approximately $42.75 million in savings to the Universal Service Fund (Fund) thus far in 2012 compared to what would have been distributed to Eligible Telecommunications Carriers (ETCs) in the absence of reform. These savings were generated by continuing in-depth data validations (IDVs) to check for and eliminate duplicative Lifeline support, eliminating Link Up support on non-Tribal lands and on Tribal lands for Lifeline-only ETCs, and capping support for Toll Limitation Service (TLS). Based on these savings and anticipated savings in the second half of the year, the Bureau anticipates the reforms will yield at least $200 million in savings to the Fund for 2012.

I. BACKGROUND

The *Lifeline Reform Order* was adopted on January 31, 2012, released on February 6, 2012 and became effective April 2, 2012.[2] In the *Order*, the Commission adopted a number of reforms that are already substantially reducing the amount of waste, fraud and abuse in the program. The Commission projected that these and other reforms, such as the implementation of a database to eliminate duplicative support, would save the Fund approximately $2 billion over the next three years.[3]

In the shorter term, the Commission adopted a savings target of $200 million for 2012. The Commission explained that it expects to realize $200 million in savings in 2012 as compared to the program's *status quo* path in the absence of reform.[4] The Commission directed the Bureau to provide to each Commissioner an interim report, no later than six months after adoption of the *Order*, analyzing the reforms' progress in meeting the savings target.[5]

[1] *See Lifeline and Link Up Reform and Modernization et al*., Report and Order and Further Notice of Proposed Rulemaking, WC Dkt. Nos. 11-42 *et al.,* CC Dkt. No. 96-45, 27 FCC Rcd 6656 (2012) (*Lifeline Reform Order* or *Order*).

[2] *See* 77 Fed Reg. 19125 (Mar. 30, 2012) (correcting 77 Fed. Reg. 12952 (Mar. 2, 2012)).

[3] *See Lifeline Reform Order* at para. 358.

[4] *See id.*

[5] *See id.* The Commission also directed the Bureau to provide to each Commissioner a report, no later than one year after the adoption of the *Order*, evaluating the impact of the reforms; determining whether the reforms have succeeded in meeting the savings target; and, if they have not, analyzing the causes, providing options for realizing those savings, and making specific recommendations for corrective action. *See id.*

II. SAVINGS ALREADY REALIZED IN 2012 AS THE RESULT OF REFORMS TO THE LIFELINE PROGRAM

The following reforms have been implemented and are generating savings to the Fund in 2012:

Continuation of IDVs. In 2011, the Commission directed USAC to begin conducting state-specific IDVs to detect duplicative Lifeline support.[6] USAC conducted three "phases" of IDVs prior to the release of the *Lifeline Reform Order*.[7] Building on the success of the IDV process, in the *Lifeline Reform Order*, the Commission directed USAC to continue with the state-specific IDVs and de-enroll subscribers receiving duplicative support until the National Lifeline Accountability Database becomes operational in 2013.[8] Since the *Order* was adopted in January, USAC has completed a fourth phase of the IDV process.[9] In total, USAC has completed IDVs in 16 states, resulting in approximately $16.5 million in savings to the Fund from January through July 2012. Additional savings will accrue later this year from the de-enrollment of these duplicative subscribers. Phases V and VI currently in progress or planned for later this year will generate further savings in 2012.[10]

Elimination of Link Up Support, effective April 2, 2012.[11] Prior to the release of the *Lifeline Reform Order*, Link Up provided qualifying consumers with discounts of up to $30 (up to $100 for qualifying residents of Tribal lands) off the initial costs of installing a single telecommunications connection.[12] In the *Lifeline Reform Order*, the Commission eliminated Link Up support on non-Tribal lands and on Tribal lands for Lifeline-only ETCs, finding that the existing Link Up support mechanism was not the most efficient means to meet the goals of the program.[13] The first savings from Link Up elimination were identifiable in June 2012 when carriers received reimbursement for service provided in April. Link Up disbursements averaged approximately $13.4 million per month from January through May 2012. In June, Link Up disbursements declined to approximately $400,000 and to zero in July. Therefore, Link Up reforms generated savings of approximately $26 million for June and July 2012.

---

[6] *See Lifeline and Link Up Reform and Modernization et al.,* WC Dkt. Nos. 11-42 *et al.* CC Dkt. No. 96-45, *Report and Order,* 26 FCC Rcd 9022 at 2 (2011) (*June Duplicates Order*).

[7] The following states were included in the first three phases of IDVs: Florida and Tennessee (Phase I); Maryland, Michigan, North Carolina, Washington and Wisconsin (Phase II); Alaska, Arkansas, Louisiana, Ohio and Oklahoma (Phase III). Although these IDVs were conducted in 2011, the Fund will realize annualized savings in 2012 from the duplicative subscribers de-enrolled as part of the process.

[8] *See Lifeline Reform Order* at para. 211. In the *Order,* the Commission directed USAC to establish a National Lifeline Accountability Database. The database and associated processes will facilitate the "scrubbing" of existing duplicate support and prevent existing Lifeline subscribers from obtaining duplicative Lifeline support. *See id*. paras. 179-224.

[9] Phase IV includes Missouri, Washington, New York and Mississippi.

[10] Specifically, USAC has identified duplicative subscribers through IDVs in Pennsylvania, Louisiana and Alabama (Phase V) and plans to de-enroll consumers in those states in August. USAC plans to conduct IDVs and de-enroll duplicative subscribers in Virginia, Illinois, Massachusetts and Washington DC later this year (Phase VI).

[11] *See id*. at para. 515.

[12] *See id*. at para. 242.

[13] *See id.* at paras. 245-253.

Cap on TLS, effective April 2, 2012.[14] In the *Lifeline Reform Order*, the Commission concluded that TLS is no longer necessary to protect consumers from disconnection because of non-payment of toll charges and found that some ETCs were likely charging and receiving reimbursement for TLS in excess of their incremental costs.[15] Therefore, the Commission capped and eliminated TLS support over a two-year period. Beginning in April 2012, TLS support is set at the lesser of an ETC's incremental cost of providing TLS or $3.00 per month.[16] The cap will be reduced to $2.00 per month in 2013, and TLS support will be eliminated at the beginning of 2014.[17] Because ETCs began receiving reduced TLS support for service provided in April, the first impact on the Fund occurred in June 2012. TLS disbursements averaged approximately $685,000 from January through May 2012. In June, TLS disbursements declined to approximately $529,000 per month, and in July they were approximately $588,000. Thus, this year to date, TLS reform has generated approximately $250,000 in savings.

III. ADDITIONAL SOURCES OF SAVINGS IN 2012

Four additional substantial program reforms (usage requirements; certification requirements; recertification requirements; and the requirement for ETCs and state administrators to review proof of eligibility upon enrollment) will result in savings beginning with August reimbursements and continuing through December and beyond.[18] These reforms will greatly reduce the amount of support disbursed by, among other things, de-enrolling ineligible subscribers and preventing ineligible consumers from enrolling in the program. Finally, additional savings will come from USAC's transition from reimbursement based on projected service provided to reimbursement based on actual service provided.[19] Each of these reforms is explained in more detail below.

Usage Requirements, effective May 1, 2012.[20] To ensure that ETCs are only reimbursed for service that is actively utilized by low-income subscribers, ETCs that do not assess or collect a monthly fee from subscribers may not receive Lifeline support for subscribers who must de-enroll subscribers who have not used the service for a consecutive 60-day period.[21] By January 31, 2013, such ETCs must submit to USAC data indicating the number of subscribers de-enrolled as a result of the new non-usage requirement.[22]

Proof of Eligibility, Certification and Re-Certification, effective June 1, 2012.[23] In the *Order*, the

---

[14] *See Lifeline Reform Order* para. 230.

[15] *See id.* at paras. 231-232.

[16] *See id.* at para. 234; 47 C.F.R. § 54.403(c).

[17] *See Lifeline Reform Order* at para. 234.

[18] The annual ETC reports filed by January 31, 2013 after the full year savings target report is released will provide additional information regarding the impact on the Fund of the recertification and de-enrollment rules.

[19] *See Lifeline Reform Order* at paras. 302-309.

[20] *See Wireline Competition Bureau Provides Notice Regarding the Effective Date of Certain Rules Adopted in the Lifeline Reform Order*, Public Notice, WC Dkt. Nos. 11-42 *et al*., CC Dkt. No. 96-45, 27 FCC Rcd 4875 at 3 (2012) (*Effective Date Public Notice*).

[21] *See Lifeline Reform Order* at para. 234; 47 C.F.R. § 54.407(c); 47 C.F.R. § 54.405(e)(3).

[22] *See Lifeline Reform Order* at para. 130; 47 C.F.R. § 54.405(e)(3).

[23] *See Lifeline Reform Order* at para. 515 (stating that Section 54.410 would be effective June 1, 2012); *Effective Date Public Notice* at 4.

Commission took three key steps to substantially reduce the number of ineligible subscribers in the Lifeline program. First, prior to enrolling a new subscriber, an ETC must obtain proof of eligibility by either accessing an official source of eligibility data (such as a state database), receiving notice from a state administrator that the consumer is eligible, or reviewing subscriber-provided documentary proof of eligibility.[24] Second, at the time of enrollment, each new subscriber must make certifications regarding the subscriber's understanding of and compliance with the program rules, including a certification that only one Lifeline benefit per household is allowed.[25] Third, by the end of 2012, each ETC must recertify the eligibility of all subscribers enrolled with that ETC as of June 1, 2012.[26] ETCs must de-enroll Lifeline subscribers whose eligibility they are unable to recertify.[27] By January 31, 2013, ETCs must submit data to USAC reporting the number of subscribers de-enrolled through this process.[28]

Move To Actual Support Claims. Prior to the *Lifeline Reform Order*, ETCs received Lifeline reimbursement based on a projected number of low-income subscribers and were allowed to "true-up" the difference between the projection and actual service provided within two years. In the *Lifeline Reform Order*, the Commission directed each ETC to fully transition from receiving support based on projected service to receiving support based on actual service provided by October 2012.[29] We expect this transition will produce savings in the second half of the year.

The Bureau will continue to monitor the implementation of these reforms in preparation for its one-year report regarding progress towards the Commission's $200 million savings target.

Action by the Chief, Wireline Competition Bureau

For further information, please contact Kimberly Scardino, Telecommunications Access Policy Division, Wireline Competition Bureau at (202) 418-1442 or TTY (202) 418-0484.

- FCC -

---

[24] *See Lifeline Reform Order* at paras. 98-100; 47 C.F.R. § 54.410(b)-(c).

[25] *See Lifeline Reform Order* at paras. 111-119; 47 C.F.R. § 54.410(d).

[26] *See Lifeline Reform Order* at paras. 129-131; 47 C.F.R. § 54.410(f).

[27] *See Lifeline Reform Order* at para. 135; 47 C.F.R. § 54.405(e)(4).

[28] *See Lifeline Reform Order* at para. 130; 47 C.F.R. § 54.416(b).

[29] *See Lifeline Reform Order* at paras. 306-309. The Commission expected that this transition would produce savings in 2012. *See id*. n. 961.