NEWS

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FCC REPORTS: MAJOR REFORMS TO LIFELINE PROGRAM ON TRACK TO CUT AT LEAST AN ADDITIONAL $400 MILLION IN WASTE, FRAUD, AND ABUSE IN 2013; REFORMS ON SCHEDULE TO SAVE MORE THAN $2 BILLION BY END OF 2014

Progress builds on savings from 2012, which totaled more than $214 million as a direct result of reforms

Washington, D.C. – Today the FCC announced that savings from its comprehensive reform of Lifeline are on track to reach at least an additional $400 million in 2013, adding to the more than $214 million saved in 2012 by cutting waste, fraud, and abuse.

FCC Wireline Competition Bureau Chief Julie Veach said, "While Lifeline since 1985 has helped tens of millions of low-income Americans afford basic phone service – providing some of our most vulnerable citizens a communications lifeline to jobs, family, emergency services and more – the program rules we inherited were designed for the age of the rotary phone and failed to protect the program from abuse.

"In his first year on the job, Chairman Genachowski launched fundamental reform of Lifeline for today's wireless and broadband-driven communications marketplace, and the reforms we adopted eliminated approximately $214 million in waste, fraud and abuse in 2012 and are on track to save the program more than $2 billion through 2014, fundamentally altering the course of the program. This will preserve Lifeline for those who truly need it."

Since 1985, the Lifeline program has provided a discount on phone service for qualifying low-income consumers to ensure that all Americans have the opportunities and security that phone service brings, including being able to connect to jobs, family, and emergency services.

Commission decisions in 2005 and 2008 allowed the program to subsidize wireless service. But without adequate protections in place, the program experienced rapid growth, and waste, fraud, and abuse were threatening its future. Over the past three years, the FCC has taken a series of steps to fundamentally reform the program, including:

- In March 2010, the National Broadband Plan recommended consideration of specific reforms to Lifeline to eliminate waste, fraud, and abuse, including duplicate payments.

- In May 2010, the Commission directed the Federal-State Joint Board on Universal Service to make specific proposals for program reforms, and called out eligibility reviews and documentation requirements as particular areas of focus.

- In 2011, the Commission adopted a Notice of Proposed Rulemaking to comprehensively reform the program, including proposals developed by the Joint Board.

- Also in 2011, the Commission adopted an order to eliminate duplicative Lifeline payments, which began saving the program money that year.

- In January 2012, the Commission unanimously adopted comprehensive reform to Lifeline, including:

  - Requiring that Lifeline customers certify their eligibility with carriers every year. Carriers must de-enroll subscribers who are no longer eligible or do not recertify.

    - Subscribers had to recertify by Dec 31, 2012 and carriers were required to report the results to the FCC by January 31, 2013. De-enrollments will be reflected in the disbursements for the first quarter of 2013.

    - Analysis of six major carriers shows that 33% of their Lifeline subscribers – 3.3 million subscribers – did not recertify.

    - As many as 4 million subscribers may be de-enrolled as a result of the 2012 annual recertification requirement, saving over $400 million in 2013 in payments for ineligible subscriptions.

  - Eliminating "Link Up" subsidies for new connections, which were acting as unnecessary "bounties" for new sign-ups. As a result, Link Up expenditures dropped from roughly $14 million per month in May – the final month Link Up payments were sent to providers -- to less than $200,000 in December 2012. Link Up is still available in some Tribal areas.

  - Requiring carriers to obtain proof of income eligibility from new subscribers. These changes took effect in June 2012 and were first reflected in August disbursements, which dropped by nearly $40 million in one month.

  - Clarifying that Lifeline subscriptions are limited to one per household, and scrubbing subscriber roles of duplicates. The FCC has reviewed over 12 million subscriber records and eliminated 1.1 million duplicate subscriptions, which will result in $128 million in annualized savings. The process of examining subscriber rolls state-by-state continues as the FCC develops a comprehensive database that will automatically check for duplicate subscriptions.

  - Requiring providers to verify the continued eligibility of their subscribers for Lifeline on annual basis.

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