

FEDERAL COMMUNICATIONS COMMISSION

June 20, 2013

Mignon L. Clyburn
Acting Chairwoman


The Honorable Charles E. Grassley
United States Senate
135 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Grassley:

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

Enclosure



Federal Communications Commission
Washington, D.C. 20554

June 20, 2013

The Honorable Charles Grassley
United States Senate
135 Hart Senate Office Building
Washington, DC 20510

Dear Senator Grassley:

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. Below, I provide some background on the Lifeline program and responses to your questions.

For more than 25 years, the Lifeline program has helped ensure that the neediest among us have basic access to our nation's communications networks. The program started in 1985; then, in the Telecommunications Act of 1996, Congress codified the principle that "consumers in all regions, including low-income consumers . . . should have access to telecommunications and information services." The Commission's Lifeline program implements that directive. Since its beginnings, Lifeline has helped millions of low-income Americans afford basic telephone service, which in turn has allowed them to find jobs, access health care, connect with family, and call for help in an emergency.

In your letter, you ask about what procedures have been implemented to help curb waste, fraud, and abuse in the Lifeline program. In 2009, noting that in preceding years the Lifeline program had grown both in importance to low-income consumers and in dollars spent, the Commission started overhauling the program. The goal was to make the program more accountable, to root out waste, fraud, and abuse, and to modernize the program to meet the needs of low-income Americans, while minimizing the burden on consumers and businesses that fund 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 person per household; (4) establishing a National Accountability Database to permanently detect and prevent duplicative support in violation of the one-per-household rule; (5) eliminating Link Up support for all providers except those that receive high-cost universal service support on Tribal lands; (6) establishing a uniform,

nationwide floor for consumers' eligibility to participate in the program, which states may supplement; (7) enhanced requirements concerning marketing and advertising practices of supported carriers; and (8) 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.

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. The changes implemented by the Commission are expected to lead to \$2 billion in savings through the end of 2014. In addition, subscribership has declined steadily since August 2012 from 18.2 million subscribers down to 13.2 million in April 2013.

With regard to your questions about individual Lifeline subscriber usage (i.e., number of minutes used, whether additional minutes are purchased from carrier, whether calls are made to "adult lines," etc), the Commission does not have such information, as the Commission does not track information about individual subscribers.

With regard to questions about the Commission taking action against those who have violated the Lifeline requirements, the Commission has a number of pending investigations on these matters. Recently, the Commission's Enforcement Bureau pursued actions against two providers that resulted in an enforcement action worth over \$1 million.

In response to your question about "[h]ow much does each American pay per year to subsidize the Lifeline program," the monthly Lifeline contribution is approximately \$1.67 per household, or 25 to 30 cents per line.

In response to your questions about Lifeline and broadband, I note that at this time, the Lifeline subsidy does not apply on a national basis to broadband services. Consistent with the language and purposes of the Communications Act, the 2012 Lifeline Reform Order establishes as a core program goal ensuring universal availability of broadband for low-income Americans. Using a portion of the savings from the Lifeline program reforms, the Commission currently has underway a broadband pilot program that will provide critical data and rigorous analysis regarding how Lifeline can potentially help efficiently and effectively increase broadband adoption and retention among low-income consumers.

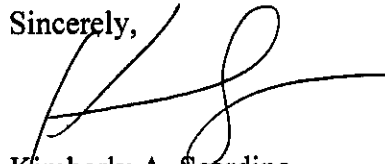
With regard to your questions about the need for any further changes to the Lifeline program, the Commission continues to review the impact of its reforms and will assess on that basis whether further reform is needed.

Finally, in your letter, you refer to Lifeline subscribers receiving "a free phone . . . courtesy of the federal government." Please note that the Lifeline subsidy provides a discount off of an eligible consumer's basic monthly wireline or wireless service. The Lifeline subsidy does not apply to equipment. To the extent, providers of wireless

Lifeline service choose to provide a free phone, similar to what is done for non-Lifeline customers, this is an independent business decision.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'K. Scardino', with a long horizontal flourish extending to the right.

Kimberly A. Scardino
Chief

Telecommunications Access Policy Division
Wireline Competition Bureau