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## United States Senate

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August 15, 2013

0858

The Honorable Mignon Clyburn  
Acting Chairwoman  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

Dear Chairwoman Clyburn:

I write to express serious concerns about the Lifeline program, a part of the Universal Service Fund (USF) that, according to the Congressional Budget Office, outlayed more than \$9.3 billion in FY2012.

The original intent of the Lifeline program was to provide discounted, subsidized phone service to qualifying low-income consumers so that they would have a way to contact employers, family members, and emergency services. Although the initial program was limited to land lines, it has now been expanded to include wireless or cellular phones. Crucially, participation in the program is supposed to be limited to those who have an income that is at or below 135% of the poverty level or participate in one of the many federal assistance programs, such as SNAP or Medicaid. Federal rules limit Lifeline phones to one per household. I am concerned that these basic, but fundamental, rules are not being enforced.

In a recent article in National Review, "Me and My Obamaphones," the writer offers a "confession" that readers are paying her phone bill and details how she does not meet any of the eligibility requirements listed above, but has received three Lifeline phones. (That article is attached.) The failure to check applicants' eligibility might be one of the reasons the Lifeline program has more than doubled in recent years—from \$822 million in 2008 to over \$2 billion in the latest annual report from the Universal Service Administrative Company (USAC).

I want to understand what your agency is doing to eliminate abuses within the program, and why previous efforts appear to be insufficient. To this end, please respond to the following:

1. What is the process for verifying eligibility from those seeking to enroll? Is this controlled by the FCC, the states, or the service providers?
2. Is there a verification process for those currently enrolled to assure continued eligibility? Please provide the details of the process and the number of individuals found ineligible through this review.
3. In the initial verification process, how does the FCC or service provider crosscheck to see whether a participant is participating in a qualified federal program or not living in a household where a Lifeline phone is already present?
4. How long does it take to process an application for Lifeline service and are providers required to delay providing a phone or service if they become aware that another application is pending or that another provider is servicing an account?
5. The underlying intent of Lifeline was to provide "security." Are the phones, often provided free-of-charge by providers, limited in capability? That is, are the phones capable of texting or using social media or other web-enabled applications?
6. How much service does participation in the Lifeline program provide? Does the program provide any funding for data or text transmissions? How many minutes per month does the program pay for participants?
7. How are participating service providers selected and are there eligibility requirements for providers? Explain the financial incentives for providers and how they are compensated.
8. There appears to be an ongoing recruitment process to enroll people in Lifeline. Is the FCC in charge of the recruiting process and how are those recruiters paid? Is payment for recruiters provided through USF? Are recruiters offered bonuses for the number of individuals enrolled or for those who apply, or are you aware of any other type of incentives that could increase taxpayer costs by targeting individuals for enrollment beyond the intended scope of the program? The USAC Annual report indicates that in 2012, administrative expenses were \$110 million. Of that, how much was spent on recruitment material and personnel for the Lifeline program?
9. What is the process for monitoring provider activity? Have any providers been sanctioned or debarred by the FCC for over-enrollment or failing to properly verify eligibility?
10. According to the FCC's own review, a number of customers have been found to be in violation of the one phone per household limit. In those instances, are those customers disqualified from participation the program? Are there any sanctions for customers that violate the parameters of the program, criminal or otherwise?

It is important that all federal programs be effectively administered and that these programs adhere to the highest standards in order to protect the funds provided by the American people. The news article suggests serious flaws in this program. These public concerns must be addressed.

Please have your staff provide this information both in hard copy and in an electronic, searchable format no later than September 26, 2013, to William Smith on the Senate Committee on the Budget. If you have any questions, please contact me or have your staff contact Mr. Smith at (202) 224-6308 or [william\\_smith@budget.senate.gov](mailto:william_smith@budget.senate.gov).

Very truly yours,

A handwritten signature in blue ink, appearing to read "Jeff Sessions", with a stylized flourish at the end.

Jeff Sessions  
Ranking Member

cc: FCC Commissioner Ajit Pai  
FCC Commissioner Jessica Rosenworcel



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## Me and My Obamaphones

Not on welfare or below the poverty line? Never mind — here's your free phone.

By Jillian Kay Melchior

**C**onfession: You're paying my phone bill.

In the past month, I have received three shiny new cell phones, courtesy of American taxpayers, that should never have fallen into my hands.

The Federal Communications Commission oversees the so-called Lifeline program, created in 1984 to make sure impoverished Americans had telephone service available to call their moms, bosses, and 911. In 2008, the FCC expanded the program to offer subsidized cell-phone service, and since then, the expenses of running the program have soared. In 2012, the program's costs had risen to \$2.189 billion, up from \$822 million before wireless carriers were included. As of June, there were 13.8 million active Lifeline subscriptions.

To be eligible for Lifeline, the applicant is supposed to be receiving some significant government benefit — food stamps, Medicaid, Supplemental Security Income, public housing assistance, etc. But because welfare eligibility has expanded under the Obama administration, more people than ever before are qualified to receive “free” cell-phone service — part of the reason why Lifeline mobiles have become commonly known as Obamaphones. Alternatively, applicants can qualify if their household income is less than 136 percent of the federal poverty line.

But as with any federal program with too much funding, too little oversight, and perverse financial incentives, Lifeline has become infamous for rampant fraud and abuse. There have been news reports about recipients flaunting dozens of subsidized phones. And in February, the *Wall Street Journal* reported on an FCC audit of the top five Lifeline providers, which found that “41% of their more than six million subscribers either couldn't demonstrate their eligibility or didn't respond to requests for certification.”

The FCC supposedly buckled down on eligibility standards last year and established

other safeguards aimed at reducing fraud. I was curious about how tough it was to get one of these phones, so last month, I hit the streets of New York. And out of respect for the law and my journalistic integrity, I did not lie to obtain a phone.

Now is the point, I suppose, where I should explain that I really, really shouldn't have received a single phone. Despite what you hear, not all 20-something writers in the Big City are starving. Given my earnings, even if I were supporting a family of eight, my income would still rule me out. Nor do I receive any type of government benefit. By the Lifeline program's standards, I am unambiguously ineligible.

My first task was figuring out where to register. The rule of thumb is that wherever you can sign up for food stamps, you can apply for an Obamaphone.

Representatives from SafeLink and Assurance, two of the leading New York Lifeline vendors, stand outside the food-stamp offices, paired like Mormon missionaries, young and polite and earnest. They carry electronic tablets and ask all passersby whether they've received their free phone "yet" — as if it were an inevitability.

They approached me for the first time outside the food-stamp office at Tenth Avenue and 216th Street, on the northern tip of Manhattan. The SafeLink vendor, a man probably in his mid 20s, asked me whether I was enrolled in any benefit programs.

"No," I said, "but I'd certainly like to be. I'm hoping to be." And indeed, while doing research for another story, I had gone through the motions of applying for New York City welfare, which I also don't qualify for. I showed him my Human Resources Administration paperwork packet and the case number assigned to me. I reiterated that though I had once applied, I had never been approved for any sort of benefit.

He brought out his electronic tablet immediately to sign me up for phone service. He asked if I had an insurance card, so I pulled out my trusty Blue Cross Blue Shield. He looked at it for a second, puzzled, then asked if I had Medicaid. No, I told him, just private insurance through my work plan.

"Private insurance? What's that?" he asked, maybe not facetiously. My BCBS card was nevertheless photographed, as well as the first page of my Human Resources Administration paperwork. He asked for my name and my home address, and that was about it. The whole process took less than five minutes, and I had to provide no documentation verifying my income level or (nonexistent) welfare status.

The SafeLink vendor then referred me to his opposite number, a rep from Assurance. She too took down my information, registering me for another Obamaphone.

Traveling to several of the welfare offices in the city, I learned this was common practice. Obamaphone reps come in twos, and both will sign you up if they can.

That's a very questionable practice, given the Lifeline program's rules: Each eligible household may receive only one Lifeline subsidy, and obtaining multiple subsidized phones from multiple Lifeline carriers is "a flat-out violation of our rules," says Michelle Schaefer, an attorney-adviser from the FCC's Telecommunications Access Policy Division, Wireline Competition Bureau.

Schaefer also tells me that "consumers are, on their applications, required to certify under penalty of perjury that they will only be receiving one Lifeline discount."

But when I went around New York signing up for multiple phones, I never even saw the applications; SafeLink and Assurance vendors filled out the necessary forms on their tablets on my behalf, clicking through so quickly that it must have been nearly muscle memory. And nobody mentioned perjury.

Granted, the first question the wireless reps asked was usually whether I was already enrolled in the Lifeline program. I told the truth: I had signed up recently, but the phone hadn't arrived in the mail yet. Almost always, that got me re-entered into the system without hesitation.

When I did receive my SafeLink phone a few days later, I started informing vendors that I did have one Lifeline phone. They assured me that the Lifeline program permitted me to have one phone from *each* participating wireless provider — which simply isn't true.

Maybe there's a disconnect between the corporate offices of wireless providers and their men on the street; a letter I later received from Assurance mentioned that "a household is not permitted to receive Lifeline benefits from multiple providers. Violation of the one-per-household rule constitutes a violation of federal rules and will result in de-enrollment from the Lifeline program and potentially prosecution by the United States government."

But the wireless providers aren't doing much due diligence, if my experience is indicative.

At the Union Square location, a SafeLink rep noted that I was already approved for a phone and declined to re-enter my information — but the rep from Assurance, standing only a few feet away, readily signed me up.

At the welfare office on Schermerhorn Street in Brooklyn, a vendor hesitated when I told her that I'd already applied but the phone had not yet been delivered. "Surely your system will catch if I'm actually enrolled," I told her. She shrugged and signed me up once more.

At the DeKalb Avenue office in Brooklyn, when I told the rep I wasn't receiving welfare, I was signed up for a phone but cautioned that I might well be denied upon secondary review.

And at one Lifeline location in East Harlem, I walked up to the wireless representative talking very loudly on my own smartphone. I hung up only to answer her questions. Now, keep in mind that the program is supposed to provide cell-phone service to people too poor to afford any phone whatsoever — but my application for a subsidized mobile was happily submitted, even as I dinked around very obviously on my existing smartphone.

So here's the final count: I was able to apply on the street for one SafeLink phone and seven Assurance phones. I received one SafeLink phone and two Assurance phones, no questions asked. For several other applications, Assurance sent me requests for more financial information.

Finally, I received one other letter, full of grammatical errors, informing me that "there is already an Assurance Wireless account established at this address" and requesting further information about my application. I find it curious that Assurance caught a duplicate only once, considering that I've got seven entries in their system, and that they have on file my name, address, HRA case number, and, in some instances, photos of my insurance card and driver's license. SafeLink was slightly better about catching duplications on the street, but it still gave me a phone when it shouldn't have.

Since receiving my undeserved phones, I've repeatedly tried to reach both SafeLink and Assurance press reps for comment, all to no avail. Their corporate offices have sent me the numbers of their customer-service centers, which are easily accessible and happy to offer plan upgrades to Lifeline clients.



Representative Tim Griffin (R., Ark.) has long opposed the Lifeline wireless subsidies, making it a pet cause. He reiterated the basic point I had learned from this experience: The problems began when the federal government got in the business of providing free cell phones, and the FCC's recent reforms aren't sufficient.

"I saw all the horror stories of people getting 10, 20, 30, 40 phones," Griffin says, "the [wireless] companies not paying a lot of attention and in some cases no attention to who was getting them and whether they were getting duplicates."

And if you've been wondering why the companies are so eager to hand out free phones, the incentive is built into the program. As Griffin explains, "Of course, the way the program was set up, [wireless companies] were getting money for every one they could give out, so they gave out as many as they could."

And still do.

— *Jillian Kay Melchior is a Thomas L. Rhodes Fellow for the Franklin Center for Government and Public Integrity.*