

Media Contact:

Mark Wigfield, (202) 418-0253
mark.wigfield@fcc.gov

For Immediate Release

**FCC LEARNS THAT SPRINT RECEIVED TENS OF MILLIONS IN
LIFELINE SUBSIDIES—BUT PROVIDED NO SERVICE**

Got Paid for Consumers Who Used No Minutes, No Data

WASHINGTON, September 24, 2019—The Federal Communications Commission has learned that Sprint Corp. claimed monthly subsidies for serving approximately 885,000 Lifeline subscribers, even though those subscribers were not using the service. That would be a violation of a key rule—the “non-usage” rule—designed to prevent waste, fraud, and abuse in the Lifeline program. The 885,000 subscribers represent nearly 30% of Sprint’s Lifeline subscriber base and nearly 10% of the entire Lifeline program’s subscriber base.

“Lifeline is an important component of our efforts to bring digital opportunity to low-income Americans, and stopping waste, fraud, and abuse in the program has been a top priority of mine since I’ve been at the Commission,” Chairman Pai said. “It’s outrageous that a company would claim millions of taxpayer dollars for doing nothing. This shows a careless disregard for program rules and American taxpayers. I have asked our Enforcement Bureau to investigate this matter to determine the full extent of the problem and to propose an appropriate remedy.”

Lifeline helps make phone and broadband service more affordable for low-income consumers. Providers participating in the program receive a \$9.25 monthly subsidy for most Lifeline subscribers, which the company must pass along to the consumers as a discount. For most consumers served by the mobile Lifeline product marketed by Sprint and many other providers, the subsidy makes the service free to the consumer.

However, the program has been fraught with waste, fraud, and abuse. While ongoing FCC reforms have taken a bite out of waste, the latest report by the FCC Inspector General shows that 18.5% of payments made by the program were improper.

The non-usage rule requires Lifeline providers of “free” service to de-enroll subscribers who don’t use their phones—a rule meant to protect Lifeline from wasting payments on service not provided. The FCC developed this and other rules after investigations showed that companies hawked free Lifeline service aggressively and indiscriminately, knowing that they would get paid each month even if consumer didn’t use their phones. And because the consumer paid nothing, he or she had no incentive to relinquish the subscription.

Under the non-usage rule, providers of free service may only be reimbursed for a Lifeline subscriber if that subscriber has used the service at least once in the past 30 days. Providers must de-enroll inactive subscribers after giving them 15 days’ notice. Program-wide, the rule resulted in approximately 3.1 million de-enrollments in 2018.

Sprint's apparent disregard of the non-usage rule initially came to light as a result of an investigation by the Oregon Public Utility Commission.

"I thank the Oregon Public Utility Commission for its work," Pai said. "States are an important partner with the FCC in both helping low-income consumers get access to affordable communications through Lifeline and cracking down on waste, fraud, and abuse in the program."

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Media Relations: (202) 418-0500 / ASL: (844) 432-2275 / TTY: (888) 835-5322 / Twitter: @FCC / www.fcc.gov

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