



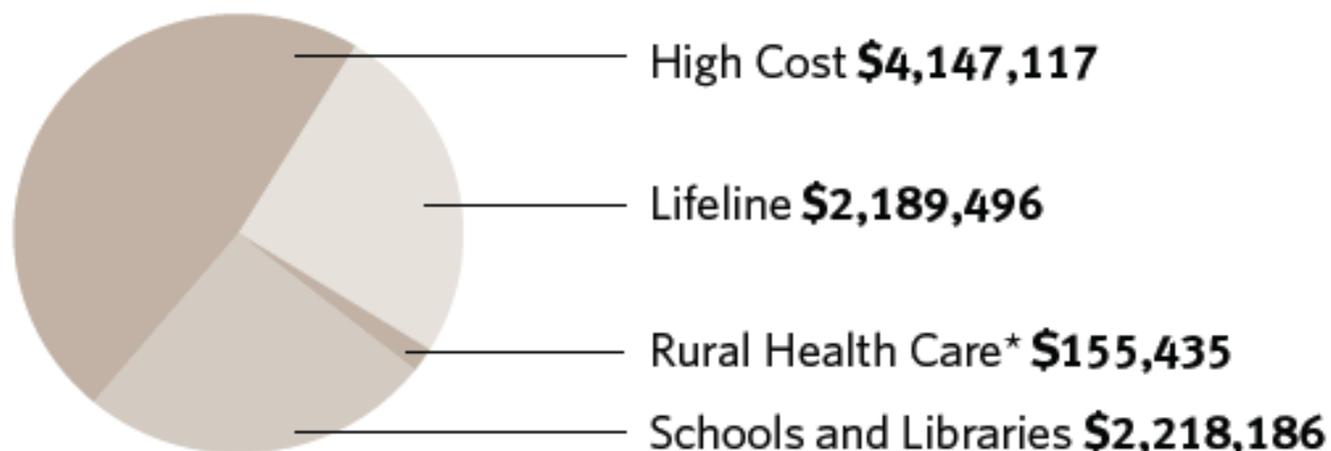
Lifeline

April 22, 2013

2012 USF Disbursements

2012 Approved Disbursements by Program

(Unaudited - *in thousands*)



Total **\$8,710,234**

**Includes RHC Pilot Program disbursements.*

Lifeline Reform Order (Jan. 2012)

Commission comprehensively reformed Lifeline Program in 2012. Reforms include:

- **One Per Household:** Confirmed that consumers may only receive one Lifeline supported service (wireless or wireline) per household.
- **Proof Of Eligibility:** ETCs and/or state administrators must obtain proof of consumer eligibility (consumer may no longer self-certify eligibility).
- **Certification and Recertification:** ETCs and/or state administrations must obtain certifications from new consumers and re-certify each consumer's eligibility once per year.
- **Link Up:** Limited Link-Up, the one-time, non-recurring discount off the cost of initiating phone service, to ETCs on Tribal lands receiving high-cost support.

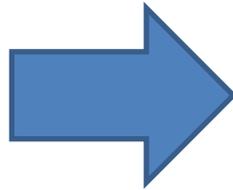
Lifeline Reform Order (cont.)

- **Detection, Prevention and Elimination of Duplicates:**
 - Continued In-Depth Data Validations (IDVs) to detect and eliminate duplicative support.
 - Directed the Universal Service Administrative Company (USAC) to develop the National Lifeline Accountability Database (NLAD).
- **Non-Usage:** Consumers who receive a Lifeline service that does not charge a monthly fee (e.g., pre-paid wireless), must use the service every 60 days or will be de-enrolled.
- **Audits:**
 - First Year Audits: USAC will conduct audits on all new ETCs within their first year of seeking Lifeline support.
 - Biennial Audits: Every two years, ETCs receiving \$5 million or more on an annual basis, as determined at the holding company level, are required to hire an independent auditor to conduct an audit to assess the ETC's overall compliance with the Lifeline program's requirements.

Comparison of Lifeline Subscriber Requirements Before and After Reform

Old Lifeline Rules

- Self-certification of eligibility.
- Only a small number of subscribers had to randomly prove continued eligibility.



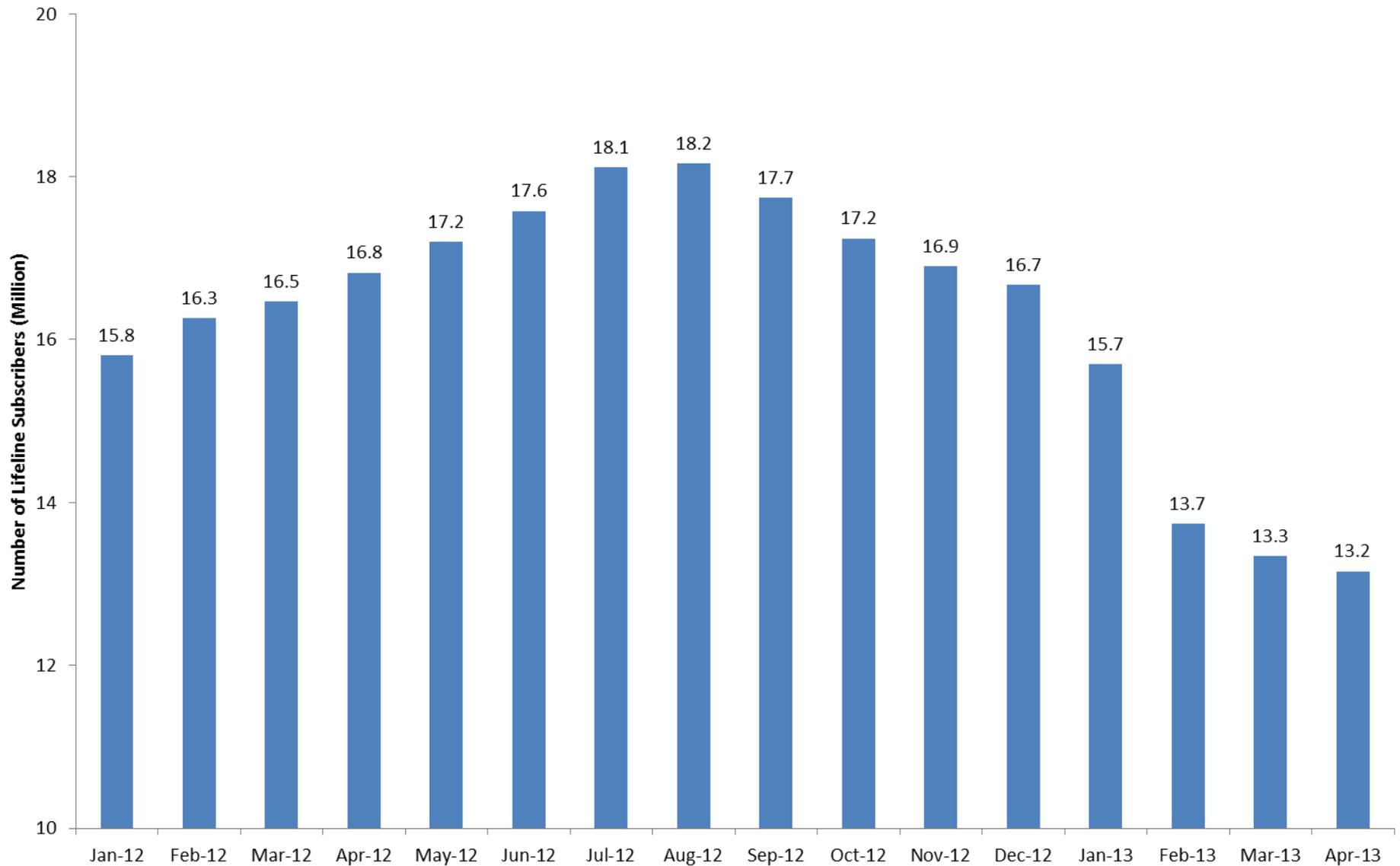
Lifeline Reform Rules

- Proof of eligibility required at sign up.
- One-per-household limitation.
- Subscriber must provide the last four digits of his Social Security Number and his date of birth.
- National Lifeline Accountability Database must be checked prior to enrollment.
- Consumer must certify under penalty of perjury that she is eligible and understands the program rules.
- Subscriber must activate Lifeline service and must use the service at least once every 60-days.
- Subscribers must demonstrate continued eligibility every year.

Substantial Savings From Reform

- Lifeline Reform Order set a target of \$200 million in savings in 2012 compared to what the Commission projected would be spent in the absence of reform.
- Commission exceeded this target and saved over \$213 million.
- Savings Tied to Specific Reforms:
 - IDVs: Since the IDV process began in 2011, USAC has reviewed over 18.8 million subscriber records and eliminated over 1.5 million duplicate subscriptions, which will result in \$180 million in annualized savings.
 - Link Up: Link Up expenditures dropped from roughly \$14 million per month in May to less than \$200,000 in December 2012, resulting in a savings of over \$93 million in 2012.
 - Recertification: \$400 million will be saved in 2013 from the de-enrollment of as many as 4 million subscribers through the 2012 recertification process.
 - Non-Usage Over \$30 million will be saved on an annualized basis from the de-enrollment of over 275,000 subscribers for non-usage in 2012.
- Commission projects that approximately \$2 billion will be saved through 2014 compared to what would have been spent in the absence of reform.

Lifeline subscribers (January 2012 – April 2013)



Overview of Selected Broadband Pilot Projects

Overview

- Using competitive selection process, Wireline Competition Bureau has selected 14 of 24 applications received covering 21 states + Puerto Rico.
- Selected Projects are designed as field experiments to provide data on how the Lifeline program can be structured to increase broadband adoption.
- Total recommended funding is approx. \$13.8 million over 18 months.
- Selected projects will deliver broadband to up to 74,000 low-income consumers who now lack service.

Diversity of Projects

Technological Diversity

- 7 wireline broadband projects
- 5 wireless broadband projects
- 2 projects offering both wireline/wireless technologies

Geographic Diversity

- 7 projects will test discounted service in rural areas, including 2 on Tribal lands
- 7 projects will test discounted service in urban and suburban areas