



Lifeline

June 18, 2013

Lifeline 101

- Program first started in 1985 to ensure that low-income consumers have access to affordable phone service; program provided reimbursement to incumbent LECs for waiving the newly established subscriber line charge for low-income consumers.
- Section 254(b) of Telecommunications of 1996 Act:
 - Commission shall “base policies for the preservation and advancement of universal service” on the principles that promote the availability of “quality services at just, reasonable and **affordable rates**” for “consumers in all regions of the Nation, **including low income consumers...**”
- Lifeline service provided by Eligible Telecommunications Carriers (ETC), most of which are designated by states.
- ETCs provide service to qualifying low-income consumers and are reimbursed from the Fund.
- Current monthly subscriber support amounts: Basic: \$9.25; Tribal Lands: up to \$34.25.
- Consumers must qualify based on income or participation in a qualifying assistance program (e.g., SNAP, SSI, Medicaid).
- In 2005, Commission permitted non-facilities based wireless ETCs (e.g., TracFone) to enter the market but did not otherwise reform the rules. Other non-facilities based wireless ETCs followed and substantially grew the Lifeline market.

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.
 - **Recertification PN:** Bureau recently released a public notice clarifying the timing of the recertification obligation and explaining the process for USAC recertification in 2013. ETCs must elect to use USAC in the coming week.
- **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.

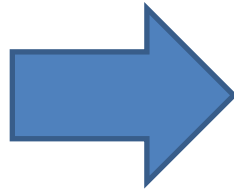
Lifeline Reform Order (cont.)

- **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).
 - Five states; California, Vermont, Puerto Rico, Texas and Oregon have opted out of the NLAD.
 - USAC to hold an NLAD webinar on June 19 to explain next steps.
- **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.



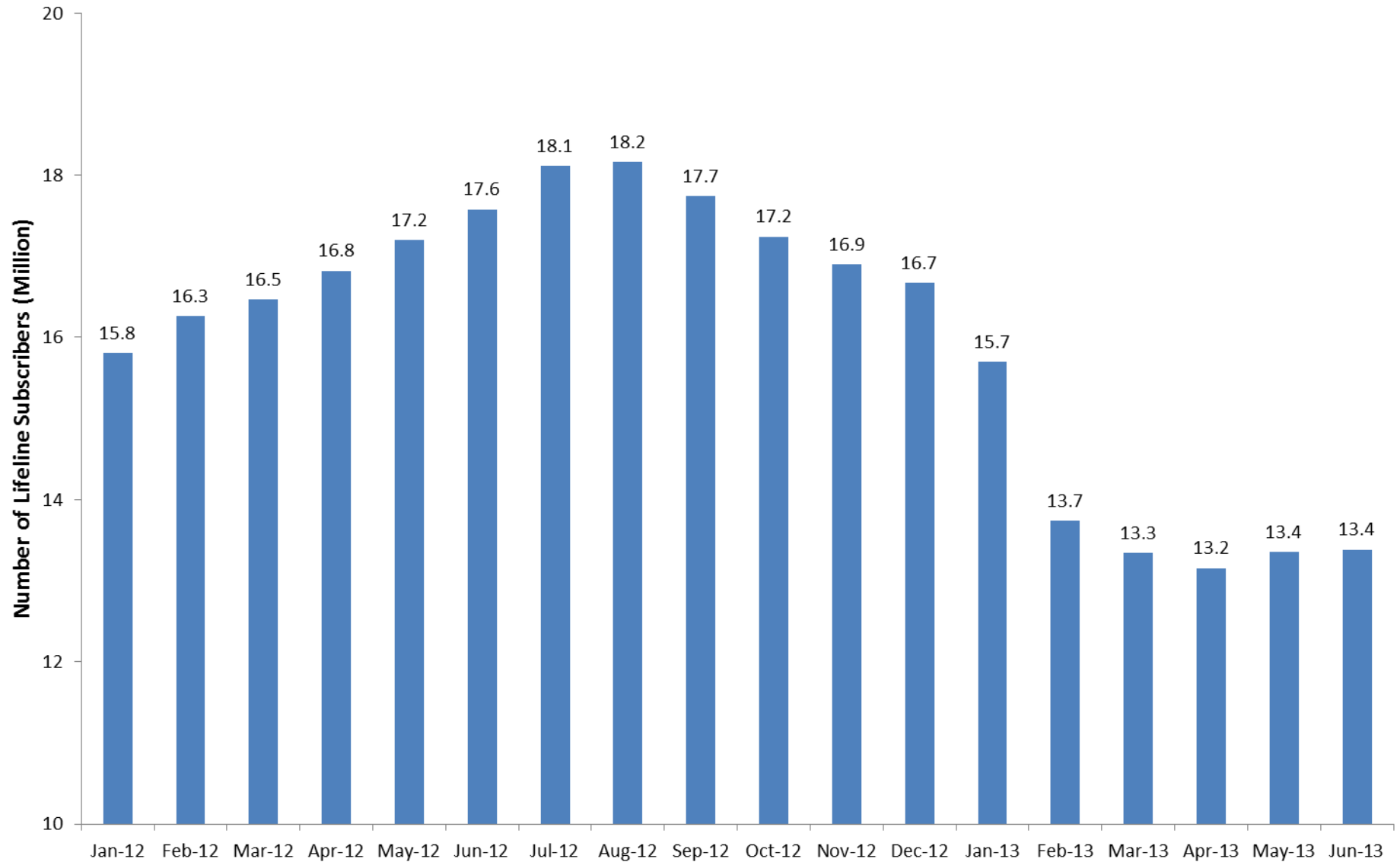
Lifeline Reform Rules

- 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.
- 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 – June 2013)



Overview of Selected Broadband Pilot Projects

- **Overview**

- Using \$14 million in savings from Lifeline reforms, the Wireline Competition Bureau selected 14 high-quality pilot projects to advance broadband adoption through Lifeline covering 21 states + Puerto Rico

- **Diversity of Projects**

- Selected projects include 5 wireless broadband projects; 7 wireline broadband projects, and 2 offering wireline and wireless technologies.
 - Variables that will be experimentally tested include use of digital literacy training, equipment types, speed ranges and usage limits.

- **Timetable for Lifeline Broadband Pilot Projects**

- 18-month Lifeline Broadband Pilot Program is currently underway, which began February 1, 2013.
- Interim Workshop will be scheduled for November 2013 when all new subscribers will be enrolled in the Lifeline Broadband Pilot Program
- Data from the projects will be made public for the benefit of all interested parties, including those that want to use for their own studies and observations