

Lifeline Connects Coalition
Fact Checker: Waste, Fraud and Abuse in Lifeline
and in Comparison to other Federal Benefit Programs

Recently and over the past four years, some have called the Lifeline Program “one of the government’s most fraud-infested programs.” *This wasn’t a true statement four years ago and it’s not true today.* The latest statistics from the Federal Communications Commission (FCC) show that the Lifeline Program in 2014 had an improper payment rate of 0.32% which is significantly lower than the federal government average.

The Improper Payments Elimination and Recovery Act (IPERA) requires federal agencies such as the FCC to develop an oversight process to identify and address improper payments from government disbursement programs such as the federal Universal Service Fund (USF).

The IPERA defines an “improper payment” as any payment that should not have been made or that was made in an incorrect amount under statutory, contractual or administrative requirements. An improper payment includes, but does not necessarily involve, fraud. “Significant improper payments” are improper payments exceeding 1.5% of program outlays and \$10 million or \$100 million.

- **Lifeline has a very low improper payment rate.** According to the FCC’s Fiscal Year 2014 Agency Financial Report, “the estimated improper payment rate for [Lifeline] was **0.32%** for fiscal year 2014.” The total extrapolated amount of improper payments was \$5.9 million (out of a \$1.6 billion program). Lifeline is far from “fraud-infested.” Rather, the program is the victim of sensational “gotcha” media pieces and political rhetoric that feed a perception of fraud not borne out by the facts. See <http://www.fcc.gov/document/fiscal-year-2014-agency-financial-report>.
- **Lifeline has an improper payment rate that is much lower than the government average.** According to a March 2015 Government Accountability Office (GAO) study, the estimated federal government-wide improper payments rate for fiscal year 2014 was **4.5%** of program outlays and totaled \$124.7 billion. The error rate was up from 4% in fiscal year 2013. See <http://www.gao.gov/assets/670/669026.pdf>.
- **Lifeline has an improper payment rate that is much lower than that of the E-rate Program.** The FCC FY 2014 report found that the estimated improper payment rate for the Schools and Libraries Program (known as E-rate) was **3.47%** (or 3.81% including the Equipment Inventory Pilot), which is up from 2.21% in 2013. E-rate is certainly not fraud-invested either (its error rate is below the government average), however, its rate of improper payments is nearly **11 times** higher than Lifeline.

Improper Payments: Lifeline in Comparison to other Programs

Lifeline is not “one of the government’s most fraud-infested programs.” Based on GAO studies of fiscal years 2013 and 2014, a comparison of Lifeline to other government programs shows that Lifeline has a comparatively low level of improper payments.

Program	Program Size	Percentage Improper Payments	Comparison of Improper Payments in Program vs. Lifeline
Earned Income Tax Credit	\$17.7 billion (FY 2014)	27.2% (FY 2014)	85 times higher than Lifeline
Small Business Administration Disaster Loan Disbursements	\$121 million (FY 2013)	18.4% (FY 2013)	57.5 times higher than Lifeline
Department of Veterans Affairs State Home Per Diem Grants	\$135 million (FY 2013)	15.94% (FY 2013)	nearly 50 times higher than Lifeline
Medicare Fee-for-Service	\$45 billion (FY 2014)	12.7% (FY 2014)	nearly 40 times higher than Lifeline
Department of Labor Unemployment Insurance	\$5.6 billion (FY 2014)	11.6% (FY 2014)	36.25 times higher than Lifeline
Lifeline	\$1.6 billion (2014)	0.32% (FY 2014)	-

See 2014 <http://www.gao.gov/assets/670/669026.pdf> and 2013 <http://www.gao.gov/assets/670/667332.pdf>.

Improper Payments: Lifeline Historical

Lifeline is not today and has not been “one of the government’s most fraud-infested programs.” Over the past four years, Lifeline’s potential for significant improper payments has remained low. A 2014 FCC study found that the rate of improper payments in the Lifeline Program was extremely low.

Year	IPERA Threshold	Notes	Lifeline Improper Payments
2011	2.5%	Lifeline not at risk	(less than 2.5%)
2012	2.5%	Lifeline not at risk	(less than 2.5%)
2013	2.5%	Lifeline designated as susceptible to significant improper payments	2.5% threshold met
2014	1.5%	Study of actual calendar year 2013 transactions	0.32%