

Verizon, AT&T to pay \$127M for allegedly overcharging government agencies

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Verizon and AT&T have agreed to pay a combined \$127 million to settle lawsuits alleging that they overcharged California and Nevada government entities for wireless service. The lawsuit was filed in 2012 and resulted in a settlement approved on Thursday last week by Sacramento County Superior Court, the plaintiffs' law firm, Constantine Cannon, announced.

"Verizon will pay \$76 million and AT&T \$51 million to settle claims that, for more than a decade, they knowingly ignored cost-saving requirements included in multibillion-dollar contracts offering wireless services to state and local government users in California, Nevada, and other states," the announcement said. "Sprint and T-Mobile previously reached settlements totaling \$11.7 million. Combined, the four major telecom providers will pay \$138.7 million to settle allegations in the lawsuits." Those numbers do not include what the carriers agreed to pay in attorneys' fees, which is \$23.45 million from Verizon and \$13 million from AT&T.

The contracts required that carriers bill government entities "at the 'lowest cost available' and that the carrier[s] identify 'optimized' rate plans that best suited actual usage

patterns that drive cost,” the law firm also said. The lawsuits alleged that the carriers’ contract violations “cheated California and Nevada government entities out of hundreds of millions in savings,” the law firm said.

About 30 government entities in California joined the lawsuit against the carriers. Of the \$76 million from Verizon, \$68 million is for California entities and \$8 million is for Nevada entities. AT&T is paying \$48 million to California entities and \$3 million in Nevada. The lawsuit alleged that government entities would have saved 20 percent or more on their wireless-service costs if the required rate-plan optimization was performed.

The carriers denied the overcharging allegations, with Verizon saying it “settled these meritless claims to avoid a protracted legal battle,” according to the Associated Press. AT&T similarly told the AP that it “‘complied with our contracts and the law’ and denied wrongdoing, but settled to avoid costly litigation.”

Payout split among hundreds of gov’t entities

Nearly 300 state and local entities will get refunds for excessive payments, with some of the biggest payouts going to the state of California itself, the California State University system, the University of California system, Los Angeles County, Orange County, and the city and county governments of Sacramento and Riverside.

About 40 percent of the settlement money will go to OnTheGo Wireless, which sued the carriers on behalf of government entities under the California False Claims Act and Nevada False Claims Act. OnTheGo created software to analyze rate plans and “concluded the carriers failed to provide contractually required cost-saving opportunities to their

government customers,” Constantine Cannon wrote.

“In a tentative ruling, Judge Judy Holzer Hersher found that the reward was justified in part because OnTheGo Wireless discovered and reported overcharging that was unknown to government entities,” according to The San Diego Union-Tribune.

According to a motion to approve the settlement filed by the plaintiffs’ attorneys, Verizon first entered into a purchasing agreement with California in 2005. Government entities joined the lawsuit in December 2015 and, at that time, “brought additional common-law claims for breach of contract, unfair business practices, and unjust enrichment,” the motion said. The motion also said government agencies that intervened in the suit “withstood a scorched-earth discovery campaign, which taxed the resources and time of hundreds of government employees.” OnTheGo lost “all of its business providing outside optimization services to Verizon” because of the lawsuit, the document said.

The Union-Tribune article said that “San Diego County looks to receive the largest local payout from the settlement at just under \$2.1 million,” while the city of San Diego will receive about \$972,000.

The settlement amount “may be a rounding error to Verizon and AT&T, but this is real money to California and Nevada’s schools, local governments and state agencies, who spent years scraping through their budgets to pay what we now know were over-inflated bills,” lead counsel Wayne Lamprey said.

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