

**STATEMENT OF
CHAIRMAN AJIT PAI**

Re: *Bridging the Digital Divide for Low-Income Consumers*, WC Docket No. 17-287; *Lifeline and Link Up Reform and Modernization*, WC Docket No. 11-42; *Telecommunications Carriers Eligible for Universal Service Support*, WC Docket No. 09-197

This past summer, the Government Accountability Office (GAO) published a report identifying deeply disturbing problems with the Lifeline program. For example, GAO discovered 1,234,929 Lifeline subscribers who apparently were not eligible to participate in the program as well as 6,378 individuals who apparently reenrolled after being reported dead. That limited sample alone constituted more than \$137 million in abuse each year. Just two months ago, the U.S. Senate Homeland Security and Governmental Affairs Committee asked me to testify at a hearing entitled “FCC’s Lifeline Program: A Case Study of Government Waste and Mismanagement.” The message I heard was clear, urgent, and bipartisan. Among other members, Chairman Johnson and Ranking Member McCaskill declared that Lifeline’s problems are serious and persistent—and the time for action is now. As Ranking Member McCaskill put it, “the idea that we can continue a program that is still structurally deficient, in the same way we have been doing it, is frankly a non-starter for me.”¹

It’s a non-starter for the FCC, too. So today, we take action.

The reforms that we implement and propose today seek to accomplish two important objectives: (1) curtail the waste, fraud, and abuse that continue to plague the Lifeline program and (2) make Lifeline more effective at bridging the digital divide on behalf of low-income Americans.

Let’s start with what specifically will change as a result of this *Order*.

First, we will reduce waste by appropriately targeting enhanced Tribal Lifeline support. Right now, the Lifeline program provides subsidies of up to \$9.25 a month to those living in most parts of the country. But it provides up to \$34.25 a month in subsidies to those living on Tribal lands, a \$25 per month bump. In many cases, that enhanced subsidy rightly reflects the limited deployment and high cost of providing service on many Tribal lands. But the definition we’ve used for Tribal lands includes cities like Tulsa, Oklahoma and Reno, Nevada. So any low-income person in Tulsa and Reno is eligible for a \$34.25-per-month subsidy while those living in Wichita, Las Vegas, and the vast majority of cities in the United States only qualify for \$9.25. This makes no sense. I was just in Reno this summer and—consistent with being “the Biggest Little City in the World”—it seems to be a pretty significant population center with good connectivity, especially when compared to Tribal areas I’ve visited, like the Rosebud Sioux Reservation and Navajo Nation. Targeting enhanced Lifeline Tribal support to rural Tribal areas ends this waste and directs federal help to members who really need the help.

Second, we direct enhanced Tribal support to those providers who are actually building networks and deploying infrastructure on Tribal lands. I’ve participated in three official Tribal consultations as Chairman and numerous other meetings with Tribal representatives. I’ve discussed the Lifeline program with Tribal representatives and talked about ways it can be improved. And what I have heard repeatedly is that communities on Tribal lands desperately need broadband investment. That’s why many Tribes and Tribal organizations have weighed in with their support for the step we are taking today, from the Affiliated Tribes of Northwest Indians in Oregon to Gila River in Arizona to the Coeur D’Alene Tribe in

¹ Opening Statement of Senator Claire McCaskill, Hearing before U.S. Senate Committee on Homeland Security and Government, “FCC’s Lifeline Program: A Case Study of Government Waste and Mismanagement” (Sept. 14, 2017), available at <https://www.hsgac.senate.gov/hearings/fccs-lifeline-program-a-case-study-of-government-waste-and-mismanagement>.

Idaho to the Sovereign Councils of Hawaiian Homelands Assembly to the Ohkay Owingeh in New Mexico to the Red Lake Band of Chippewa Indians in Minnesota to the Alatna Village Council in Alaska. These tribes understand that a \$34.25-per-month subsidy is a significant sum that, when aggregated, can greatly improve a facilities-based provider's business case for building out broadband networks on Tribal lands.

Third, we take the simple and common-sense step of requiring independent certification of residency on Tribal lands for those seeking enhanced Tribal support. Until now, the Lifeline program has allowed for self-certification of Tribal residency. That flawed system allowed one reseller to sign up more Tribal customers in Hawaii than there were Tribal residents! Simply put, the honor system is not an adequate safeguard for scarce taxpayer funds. Today, we close this loophole and require residency on Tribal lands to be independently verified.

Fourth, we reverse an anti-consumer rule that the prior Commission established just last year. The so-called "port freeze" allowed Lifeline providers to lock-in consumers for a year when providing broadband service. And this past year, we've heard of Lifeline customers dissatisfied with their service but blocked from switching to a different Lifeline provider because of this rule. All consumers—including low-income consumers—deserve choice and flexibility, and I'm glad that we're repealing this ill-considered rule.

Fifth, we take an important step to ensure that Lifeline consumers are receiving the quality of service they deserve. Right now, some resellers are claiming to meet Lifeline's minimum service standards through "premium Wi-Fi"—a service that might work at the local McDonald's but won't connect students who want to do their homework at home. Low-income families deserve high-quality services, not cheap knock-offs. Today, we say second-class service isn't good enough.

Taken together, these five targeted measures will reduce waste, fraud, and abuse in the program. They will help bridge the digital divide on rural Tribal lands. And they will improve service for Lifeline consumers.

Turning from our reforms to our proposals, we're exploring further ways to crack down on waste, fraud, and abuse—for example, by improving our Lifeline audits and making the National Verifier work better once it's up and running. We take a hard look at wireless resellers—the group of Lifeline providers that have been the subject of the vast majority of Commission investigations for waste, fraud, and abuse. And we finally propose to adopt a real, self-enforcing Lifeline budget for the first time. Some say that the Lifeline program is too important to have a meaningful budget. I say it's too important not to have one. Having an enforceable budget mechanism promotes good government and helps ensure that every dollar spent is spent more wisely. And every other Universal Service Fund program—E-Rate, high cost, and rural health care—has a real budget, and every one of those programs is critical, too.

We also examine how the Lifeline program can support investment in broadband networks where they are needed most—in the low-income communities in our cities, in rural areas, and on Tribal lands that have been digitally redlined. Far too many Americans lack the affordable broadband options that many of us take for granted. And for far too long, policymakers have let unscrupulous wireless resellers waste Lifeline funding rather than demand these funds go to support real digital opportunity and infrastructure in underserved communities.

Finally, I want to make clear my hope that the past shouldn't be prologue. In 2016, we reached a bipartisan deal that, while imperfect, would have addressed some of the problems with the Lifeline program. But that agreement was scuttled at the last moment. As a result, it falls to this Commission to reform the program and make it a more effective tool for bridging the digital divide and expanding digital opportunity. Going forward, I remain willing to work with anyone who shares those goals and is interested in meaningful reform rather than defending a failed status quo.

Thank you to the staff who worked on this item: Allison Baker, Tom Buckley, Tavi Carare, Terry Cavanaugh, Rashann Duvall, Nathan Eagan, Chas Eberle, Jim Eisner, Jeff Gee, Jodie Griffin, Nese Guendelsberger, Garnet Hanley, Trent Harkrader, Christian Hoefly, Jerry Ellig, Allison Jones, Paul Lafontaine, Kalun Lee, Wayne Leighton, Ken Lynch, Marcus Maher, Rick Mallen, Maura McGowan, Betsy McIntyre, Kris Monteith, Keith Morgan, Chuck Needy, Dangkhua Nguyen, Roger Noel, Linda Oliver, Ryan Palmer, Eric Ralph, Bill Richardson, John Schauble, Geoffrey Starks, Mark Stephens, Craig Stroup, Patrick Sun, Geoff Waldau, and Sanford Williams.