

**STATEMENT OF
COMMISSIONER MICHAEL O'RIELLY**

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

I commend the Chairman for undertaking this proceeding to make critical reforms to the Lifeline program. He and his team have worked diligently for years to identify and quantify waste, fraud, and abuse in the program. They have frequently done so in the face of unfair and blistering criticism simply for highlighting the many ways the program has gone off the rails, including by enabling providers to claim support for dead people. These are basic, undeniable facts.

I have raised similar concerns, as has the Government Accountability Office (GAO) in report after report after report. Indeed, given the miserable track record of the program, many have called for ending it altogether. Yet the Chairman, from the very start of his term, has attempted to institute necessary fixes, bringing the program back in line with the statute, directing USAC to improve oversight, and accelerating progress on the National Lifeline Eligibility Verifier (NLEV). Now, we are seeking comment on more fundamental revisions.

Some have argued that changes adopted by the prior Commission are sufficient. But some of those reforms, like the NLEV, won't be completely in place for years – if ever. In the meantime, we can and must do better to safeguard the program and the ratepayer dollars that fund it.

During this latest push to overhaul Lifeline, I have focused on three particular reforms: establishing a real, enforceable budget for the program; targeting the subsidies to those consumers who would not otherwise have service; and returning the program to its original purpose of providing discounted – not free – service by requiring a minimum contribution from as many recipients as feasible. These are reasonable requests that I will continue to press for and will expect to see in any final rules.

First, my call for a real budget – not some phony “budget mechanism” – is not unique to the Lifeline program. All other federal universal service programs are subject to a cap or very firm budget to limit the overall cost to consumers who pay fees to support these programs. A budget is also the first line of defense against a rapid increase in a program's size, and it acts as a deterrent to providers and recipients to prevent oversubscription or abuse. It is unfathomable to me that some of my colleagues, who previously sat before Congress and agreed on the need for a budget, would seek to remove any discussion of a budget from this item. Indeed, had the prior Commission followed through with a bipartisan deal that had been struck to implement a budget, this proceeding might have been in a very different posture.

Second, to avoid excess spending and regulatory overreach, all federal programs must be carefully tailored to solve the identified market failure. The Lifeline program fails miserably in that regard. The GAO and academics have pointed out that only 1 out of 8 subscribers (and 1 out of 20 wireless subscribers) would not have service absent the Lifeline subsidy. Those are failure rates of almost 88 and 95 percent, respectively. Let me repeat: consumers are paying more on their phone bills each month to support service for people that would have signed up and paid in full without a subsidy. A better targeted program would enable more deserving consumers to obtain service without unfairly charging ratepayers.

Third, Lifeline was intended to be a discount program. Many of the problems with waste, fraud, and abuse in the program stem from the fact that, when wireless service was added to the program, the subsidized voice service became free to end users, along with the phone and even a data allowance.

Requiring a minimum contribution would also be consistent with rules for other federal assistance programs.

I recognize that some portion of Lifeline-eligible consumers are truly destitute and could not afford to contribute even one dollar to the service. However, there are other individuals at the top end of the eligibility spectrum that should be able to do so and, in fact, may already pay some additional amount to “top up” their Lifeline plans. In those circumstances, we should be able to find some way to implement a minimum contribution. I’ve already heard some ideas worth exploring, such as requiring a minimum contribution when consumers recertify their eligibility each year.

While some would solve the problem by raising program requirements so that providers cannot economically offer the service for free, that raises its own set of problems. For some consumers, simply having a voice line or the ability to text is the “lifeline” they want, so requiring providers to offer high-speed broadband can be counterproductive.

I appreciate the chance to work with the Chairman and any willing partners on further reforms to stamp out remaining waste, fraud, and abuse, and to ensure that the program is run efficiently, effectively, and in accordance with the statute. But for those that just want to lambaste any possible changes to the program, far from protecting it, you are causing its creditability to further erode and doing a great disservice to its many recipients.

I vote to approve.