

Commissioner Mignon Clyburn
Reforming Lifeline for the Broadband Era
American Enterprise Institute
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Thank you Jeff for that introduction. It is truly a pleasure to be here this morning. While this is my first time at AEI, I trust it will not be my last because I believe there are many issues where we can work together and develop better policies to improve our nation, promote investment and enable markets to work more effectively. One such issue that I hope we can work together on is modernizing the FCC's Lifeline universal service program for the broadband era.

There is a well-known adage that says:

“Give a man a fish, and you feed him for a day; teach a man to fish, and you feed him for a lifetime.”

And for me, that is really at the heart of the program we are here to examine.

Think about it.

As we discuss the prospect of reforming Lifeline, we are looking at allowing millions the opportunity to help themselves by connecting to jobs, employers, online education, and a host of services, which can dramatically improve and enrich their lives. While it is true that relevance and literacy are also barriers to adoption, all of us -- the public and private sectors -- have roles in closing this digital divide. For the FCC, this role centers on assuring that broadband is affordable.

In recent years, Lifeline has been derisively characterized as an “Obamaphone,” although the program was created under President Reagan, and expanded to include cell phone service under the administration of President George W. Bush. Today, it is time to talk about the program in a manner that focuses on reforming it for broadband.

So my hope here today, is that we exercise our collective capacities, and address a series of critical issues that confront a complex challenge: How should we address and eliminate chronic divides and ensure opportunities for the most vulnerable in our society? How do we enable academic excellence for that student in South Dade Florida with no Internet access at home and who is repeatedly unsuccessful in her attempts at securing a terminal at the Cuttler Bay Library branch to complete her homework before closing? What should be done about that father who relied on the recently closed plant for his livelihood, and now needs on-line education to search for a new job?

These are hard questions and I am asking your help in answering. So, let us take a fresh look at this program, which I believe has yet to realize its full potential to change the lives of millions of ordinary people. I do not expect every question to be answered here today; indeed, we may actually raise more questions than answers, but my purpose this morning is to urge the FCC to begin that process and to call on you to engage. For the time is now for Lifeline reform to ensure that we get the most bang for our universal service buck, more efficiently manage the

administrative program burdens, and broaden provider participation, while taking further action to reduce incentives for waste, fraud and abuse.

I. 1985: The Beginnings

The year was 1985. We were in a Cold War with the then USSR. President Reagan was in his second term. Gorbachev became General Secretary of the Communist Party, and Margaret Thatcher was Britain's Prime Minister. A gallon of gas was about \$1. You could mail a letter for \$0.22 ... Yes, for those under 30, we mailed bills and handwrote and typed letters back then. There was neon fashion, big hair and stonewashed jeans. The top movie of the year was the original "Back to the Future"; at night, we watched *The Cosby Show*, *Miami Vice*, and the *Golden Girls*, mostly on over-the-air-TV, and we listened to "Shout" by Tears For Fears, "Crazy for You" by Madonna and "Mr. Telephone Man" by New Edition, on the radio!

On the telecom and technology side, Judge Greene had recently approved the divestiture of AT&T, leading to the creation of seven so-called baby Bell operating companies, which provided local telephone service. AT&T was providing long distance, alongside MCI and Sprint. Commercial cell service had barely begun, cable was beginning to explode, and it would be another four years before we saw the World Wide Web.

That year also marked the creation of two programs designed to promote universal service for low-income consumers. Lifeline reduced qualifying consumers' monthly charges, and Link Up provided federal support to lessen the amount eligible consumers would pay for initial connection charges. The FCC established these programs because it found that "[a]ccess to telephone service has become crucial, to full participation in our society and economy, which are increasingly depending upon the rapid exchange of information. In many cases, particularly for the elderly, poor, and disabled, the telephone is truly a lifeline to the outside world. ... Our responsibilities under the Communications Act require us to take steps to prevent degradation of universal service and the division of our society . . . into information 'haves' and 'have nots.'"¹

Lifeline has significantly increased penetration rate for phone service for low-income households since the '80s, and as the FCC predicted in 1985, it has been a "true lifeline to the outside world."

This includes Tim, a wheelchair-bound Air Force Veteran, suffering from Lyme disease, who uses his Lifeline wireless phone to stay connected in case of emergencies, and as a "link to live a higher quality life." His service has allowed him to be a more active member of his community. Then there is Denise, who had been struggling to find work, but after receiving her Lifeline service, she was able to update her resume to include her phone number, and within one month, had obtained full time employment. And Juanita, a single mother of four, used her Lifeline service to call 911, when her six year old son had a fishing lure hooked in his leg.

¹ *MTS and WATS Market Structure*, CC Docket 78-72; Amendment of Part 67 of the Commission's Rules and Establishment of a Joint Board, CC Docket No 80-286, 50 FR 939 at 941, para 9 (1985).

While these stories show the tremendous need for the program, the impact of a modernized framework would be so much greater, and could represent one of the best investments the federal government could make.

II. Need to Reform

You see, the policy reasons for adopting the Lifeline program in 1985 remain the same, but just as our fashions, viewing patterns and technologies have shifted over the past 30 years, the mechanism to achieve the goals for Lifeline, is in need of a change. Yesterday, it was voice-only, today it is broadband-enabled networks that are “crucial to full participation in our society and economy which are increasingly depending upon the rapid exchange of information.” And quite frankly, today’s broadband “have nots,” are experiencing the same type of “division in our society” that the FCC sought to prevent when it created the Lifeline program for voice three decades ago.

I have been in the regulatory space for over 16 years, and have never been more confident about any statement than the one I am about to make: **Broadband is the greatest equalizer of our time.** It is key in helping to break the cycle of persistent poverty. Children living in poverty may have access to a world-class education, enabling them go to college and have a chance at a better life if they have connectivity. The elderly, disabled, rural, urban or those on Tribal lands, looking for full-time jobs will more likely realize their goals if broadband is both affordable and available.

The evidence of the power of broadband is undeniable. In addition to the societal benefits, broadband has become a necessity for an education, employment, improved healthcare, civic engagement and communication. And it is ubiquitous – we use the Internet for everything from sending an email to paying bills, to controlling our thermostat. It is everywhere. Indeed, I suspect some of you are using social media right now.

Yet, we also know, that not all Americans are enjoying these benefits, and there is a clear need to help put broadband within reach for consumers without broadband at home. Affordability may not be the only barrier, but it remains a barrier for too many. According to Pew, 70% of American adults have some sort of broadband connection, and 90% of them with incomes of \$100,000 or more have broadband at home.

What the data also show, however, is that a much smaller portion of American adults with limited incomes have connectivity at home: 64% with incomes of less than \$30,000; 54% of with incomes between \$10,000-\$19,999; and 42% with incomes less than \$10,000. In sum, nearly 1/3 of those making less than \$20,000 per year, are not online at home at all.

But there are good chapters in this book that too often go unread. For instance, the FCC, on a bipartisan basis, took significant action in 2012 to address waste, fraud and abuse in the Lifeline program. Over the past two years, these reforms have realized savings that are projected to exceed \$2.5 billion by the end of 2014. What this means is that spending has been reduced by over 20% over the past two years, but, as incredible as that is, we remain unsatisfied. Why? Because the program continues to look much as it did, when it was established 30 years ago.

As an agency, the FCC has been updating rules and policies to realize the promise of the broadband era with modern, IP networks, and there is no reason why Lifeline should not be similarly reformed. The rest of our universal service programs –the high cost fund, rural health care and E-rate -- have all been recalibrated in part due to recommendations from the National Broadband Plan. Collectively, the FCC is investing nearly \$7 billion annually to ensure the deployment and ongoing operation of broadband-capable networks across our nation: a laudable investment that shows our commitment to universal service.

We are transforming the E-rate program, initially designed in the dial-up era, so that it is in sync with today's realities. In July 2014, the FCC adopted goals to connect all schools with 100 Mbps capacity in the short-term with an ultimate goal of 1 Gig, to ensure that all our children receive a world-class education. But after the dismissal bell rings, if these same children do not have broadband when they get home, they will be without the seamless engagement needed to succeed. Libraries are closing in smaller communities. They often have limited hours and an insufficient number of terminals, so if that child cannot finish homework at school, a written excuse from the librarian (yes, there are written excuses being sent to schools from librarians) might keep them from being penalized grade-wise, but it will not keep them from remaining on the wrong side of the divide.

With our rural health care program, we are investing up to \$400M annually to ensure broadband connectivity of non-urban health care facilities. But if the patients in that clinic cannot afford broadband at home, they will never realize the benefits of remote monitoring, which could truly benefit those with chronic health conditions.

And there is the FCC's high cost program, which invests up to \$4.5 billion annually to make broadband available to more than 8.5 million households and businesses. The Connect America Fund has a budget of \$1.8 billion to connect 4.2 million households, or an average of nearly \$430 per household. High cost support for legacy rate-of-return carriers invests nearly \$2 billion for 4.3 million households and business, an average of \$466 and as high as \$3000 each. But it is important to remember that the high cost program including the Connect America Fund is not intended to ensure service is affordable. To the contrary, it is designed to support the *cost* of the network in rural, higher cost areas. In other words, the program has no means testing at all and could actually be supporting deployment to wealthy vacation homes. Lifeline, on the other hand, is a program with means testing written into it, to directly address affordability for consumers in order to achieve expressed goals of universal service.

To be clear, I support the high cost program and Connect America Fund as I believe it is necessary to connect those unserved homes in rural America to realize our goal of universal broadband. But if we fail to take the next step and provide a mechanism to ensure that broadband rates are *affordable* for low income consumers as required by the statute, we risk investing billions of dollars building technology bridges to nowhere.

III. How to Reform – Principles

So yes, I say that it is past time to modernize Lifeline and I urge you all to think outside the box on how to do so in a manner that increases the value of other federal investment, reduces

administrative burdens, reduces incentives for waste, fraud and abuse, addresses privacy concerns of consumers, streamlines the program to encourage participation and leverages efficiencies from other programs.

I believe that adding broadband to Lifeline is a necessary but insufficient step. We also need other changes to get the most out of Lifeline and today, I am proposing five principles that I believe should guide such reform.

First, we must get the most bang for our universal service buck. We should of course rely as much as possible on market forces to encourage competition but, just as we did in the Connect America Fund, the FCC should establish minimum service standards for any provider that receives the \$9.25 Lifeline subsidy. Doing so will ensure we get the most value for each universal service dollar and better service for Lifeline recipients. And, yes, I believe we can reform in the first instance without increasing the current subsidy while realizing a minimum level of service that includes both voice and broadband.

The reality is that for years, the program has not resulted in providers offering much better or diverse services while all of the other consumers appear to have a healthy set of options. Too many providers offer a similar set of the de minimis 250 minutes with any additional time or texts coming at a huge cost. This level of stagnation must be addressed and modified.

Second, providers should no longer be responsible for determining customer eligibility. We should strip that obligation from them completely. It is amazing to me that Lifeline is the only federal benefits program that I am aware of where the provider determines the consumer's eligibility. When it comes to verifying eligibility for food assistance programs, we don't ask the grocery stores to qualify the recipient, do we? So why should this practice continue in Lifeline? Changing the current construct is necessary to ensure the future integrity of the program, is critical to reduce privacy concerns of consumers, is essential in increasing competitive choice, and will decrease administrative burdens on the providers.

Removing this responsibility from the provider will shore up the integrity of the program by further eliminating incentives for waste, fraud and abuse. We have seen those stories that have captured the dangers and vulnerability of the current framework and a few bad actors — it only takes a few — are weighing heavily on integrity of the program. The only way to truly eliminate negative incentives and put the program on stronger footing is to remove the provider from determining eligibility and replace them with a neutral entity. This could also encourage more providers to participate and further benefit the program by enabling real market forces to increase options and services for consumers.

The consumer would benefit through the reduction of privacy concerns. In order to participate in Lifeline, potential subscribers must provide sensitive information like social security numbers and other confidential financial information to a company they may be unfamiliar. This is often done in a public space and could be both embarrassing and risky. These concerns are significant and real. You may have noticed that just the other day, the FCC proposed a \$10 million Notice of Apparent Liability for Lifeline providers that failed to secure customer sensitive information. Let's allow the consumer to enroll in Lifeline the same time and the same way as other trusted programs. Concerns about privacy will be reduced and the burden

of going to multiple places to receive a benefit in a time of need will be eased. This for me is about bringing dignity to this process.

For the provider, this would mean a substantial reduction in the administrative burdens. Lifeline, like all of our universal service programs, should be more efficient but the current administrative costs of the program are not insubstantial.

Third, we should encourage broader participation through a streamlined approval process. Consistent with the previous principle, we should eliminate any unnecessary barriers that discourage provider participation in Lifeline.

Removing the provider from determining eligibility may address some of their concerns and lessen many of the upfront costs, but I would like to also suggest that we take a fresh look at the obligations in the statute to determine whether eligible telecommunications carriers or those with ETC designation are the only ones that can participate in the program. The FCC adopted the Lifeline program before the 1996 Act and found it had independent authority to do so. In the wake of the 1996 Act, the FCC stated that it “believed we have the authority to extend Lifeline to carriers other than ETCs” but “decline[d] to do so at the present time.” A lot has changed since 1997 and I think it is time to revisit this issue. ETC status is not required to receive E-rate support and we have broad participation from cable companies to electric utilities. We should evaluate a separate more streamlined process for Lifeline participation with the sufficient levels of oversight to guard against waste, fraud and abuse.

Fourth, we should leverage efficiencies from existing programs and institute a coordinated enrollment. Other federal benefit programs, serving the same constituency, are using technology to improve service, reduce fraud and gain efficiencies. So there is absolutely no need for the FCC to reinvent the wheel. For example, one goal in the 2012 Lifeline Reform Order was to coordinate Lifeline enrollment with other government benefit programs that qualify consumers. Despite laudable efforts from Wireline Bureau staff, we have not made as much progress to that end. In most states, to enroll in federal benefit programs administered by state agencies, consumers already must gather their income-related documentation, and for some programs, go through a face-to-face interview. Allowing customers to enroll in Lifeline at the same time as they apply for other government benefits, would provide a better experience for consumers and streamline our efforts.

The Supplemental Nutrition Assistance Program (SNAP) provides financial assistance to eligible households for food through an electronic benefit transfer or EBT card, which functions like a debit card. Food allotments are deposited into beneficiaries’ EBT accounts and consumers can then use the EBT card at any participating retailer the consumer chooses to pay for certain food items. Approximately 40 states use the EBT cards not only to deliver SNAP benefits, but also coordinate to deliver one or more other eligible benefits. Let’s talk about whether there’s a way to coordinate Lifeline benefits in conjunction with other programs like SNAP.

I’m not suggesting that the SNAP framework is necessarily the only answer, but I do believe we should not reinvent the wheel or create additional databases or expenses. Let’s leverage efficiencies and technologies where possible to streamline Lifeline and reduce administrative burdens.

And, while a third party or the government determining eligibility does increase administrative costs to the program, it will be far more efficient and less costly than what the private sector incurs today because we can leverage existing programs. And, I submit that in the end, the Lifeline fund itself may net savings because we will be better positioned to ensure that ineligible consumers are not receiving service.

Fifth, we need public-private partnerships and coordinated outreach efforts. The FCC cannot tackle this alone. Not only is the broadband adoption challenge broader than just affordability but consumers still need devices and may require digital literacy training. We should coordinate with our libraries for training, and food banks to get the word out to qualified consumers. Today, we have no central outreach and the government can ill-afford to be passive when it comes to education and outreach for Lifeline. We must work together to address the challenge. We must work together to close these divides.

IV. Summary

I wish to end by returning to the opening proverb because I believe if we enable people through broadband, they will have access to the tools needed to teach, learn and build. And I believe that if we follow the five principles of reform, we will be able to use an existing framework to increase the value to recipients through current market forces, without raising any existing subsidy, by streamlining and reducing administrative burdens, and encouraging broader participation and more choice for consumers.

Lifeline reform on its own will not solve the many challenges we face when it comes to addressing the needs of those on the other side of the divide. But it is and can be a significant tool that with the proper focus, through meaningful reform and through private-public partnerships can be part of the solution in helping to close chronic divides.

How we achieve the goals so succinctly set forth with the establishment of Lifeline must change, but the policy objectives for the establishment of the program remain as relevant today as they were 30 years ago. Broadband is “crucial to full participation in our society and economy” just as voice was in 1985, and all of us realize that we cannot afford a country of tens and millions of digital “have nots.” Let’s work to realize the objectives established by the “Great Communicator” and modernize Lifeline now.

Thank you.