***The FCC's Lifeline Program: Expansion Without Real Reforms***
By Mike O'Rielly and Rep. Marsha Blackburn

The Federal Communication Commission's low-income program, known formally as Lifeline, has spent billions of ratepayer dollars to provide phone service for poorer Americans. Due to significant waste, fraud and abuse in the program, however, a good portion of that funding has not been used as intended or designed. More than once, the Government Accountability Office has taken the FCC to task for the failure to control the program, evaluate its flaws and improve accountability. Not surprisingly, a number of people have called upon the FCC to end the program altogether.

The federal Lifeline assistance program was originally established to help offset a charge of up to $2 that resulted from other FCC reforms. The goal was to preserve and promote telephone subscribership among very low-income Americans during a time of industry and marketplace changes. Over time, the program expanded in scope and size. Today, roughly one-third of U.S. households are eligible for a subsidy that typically covers wireless voice service, the cell phone, and even some data usage. These expansions, coupled with insufficient controls, led to rampant abuse.

It would have been wise for the FCC to have heeded warnings about the program and completed the work it began in 2012 to address these serious concerns, including to enforce the program's eligibility rules and prevent people from receiving more than one subsidy. Instead, the agency decided to enlarge the program's scope while failing to fix its underlying problems. More specifically, it proposed last month to expand Lifeline to subsidize broadband services without adequate controls to prevent further misuse of funds.

We have significant concerns about this new course of action. It is not too late to change direction, but doing so would require the FCC to confront the substantial issues plaguing the program and adopt strong solutions. While many reforms are appropriate, two in particular are critical, and the FCC has shown little interest to date in fixing them.

First, the FCC must set a spending cap for the program. All of the other universal service programs have a cap or firm budget and, in 2012, the Commission recognized that it would be appropriate to set one for Lifeline. Furthermore, all five commissioners sat before Congress just months ago, and at least four agreed to a cap. Yet when it came time to vote, the views of two members of the Commission majority magically changed. Congressional testimony should be more than just lip service.

Rather than make good on their promises, a majority of the Commission voted to kick the can down the road, seeking comment on whether to even have a budget and, if so, signaling that it would be set at the maximum possible size. Proposals to set it at the current spending level of $1.6 billion per year—which would be more than enough for an efficiently run consumer discount program—were rejected outright.

Incredibly, the comment was made by Commission leadership that enacting a cap now would be putting the cart before the horse. This bold statement is irresponsible and exposes the scheme to maximize spending before even considering any fiscal responsibility. It also runs completely counter to the Commission's past actions when caps for the other universal service programs, high-cost (that supports network infrastructure in high-cost areas) and E-Rate (that helps fund voice and broadband service for schools and libraries), were made at the same time as reforms. How exactly is this low-income cart different than those?

Past experience with the program shows how imperative it is to adopt a cap. When the FCC previously expanded Lifeline to cover prepaid wireless service, program spending more than doubled. Now the FCC is proposing to expand the program to cover broadband *and* to increase overall eligibility, which could exponentially escalate spending.

Contrary to the views of some, Lifeline is not an entitlement program. Consumers pay over 17 percent extra per month on their phone bills to support universal service programs, including Lifeline. If the FCC fails to control costs and spends too much, hard-working taxpayers facing higher phone bills may drop service altogether. The FCC, therefore, has a responsibility to set a spending limit that balances the goals of the program against the burden on consumers nationwide.

Second, the program must be better targeted to eligible low-income individuals who would not otherwise sign up for service. The GAO found that the Lifeline program may be "inefficient and costly," pointing to academic research that estimated that only 1 out of 8 subscribers (and 1 out of 20 wireless subscribers) would not have service absent the Lifeline subsidy. These findings, which have not been credibly refuted, are extremely troubling since that means that consumers are supporting service for people that would have signed up and paid in full without a subsidy. Yet, the FCC would not even seek comment on this issue.

The main argument against targeting subsidies to those who truly need them in order to increase adoption appears to be that the FCC should instead focus on making service "affordable" – a broader and ill-defined goal. However, the FCC uses adoption as a performance metric for the program. Therefore, adoption is something the FCC must evaluate, consistent with GAO's recommendation, to ensure that the program is operating as intended.

Even if the FCC were to eventually shift to affordability, it would still need a way to measure and evaluate program performance. It is clear that the FCC has no idea how to do that. For example, the FCC asks in its recent release whether program efficiency could be measured by determining the number of people who no longer need Lifeline, yet people may discontinue Lifeline for any number of reasons unrelated to the program.

In addition, it's dangerously misguided to pivot to the amorphous affordability thinking. What is "affordable" could vary substantially across households, and the amount of subsidy needed to make service "affordable" could range dramatically. The FCC could be on the hook for a much more costly program, leaving consumers to foot the bill. It would be hard to imagine a standard better designed to spend more money with less accountability.

Given the significant problems with Lifeline, it is not surprising that many have lost confidence in it. Instead of rushing headlong down a path that will increase spending and multiply concerns about waste, fraud, and abuse, the FCC needs to reevaluate the program and address its serious flaws. This means, at a minimum, an overall cap and better targeting. To do any less would betray the FCC's responsibility to Americans to ensure that their money is well spent.

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