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LIFELINE: IMPROVING ACCOUNTABILITY AND EFFECTIVENESS

HEARING

BEFORE THE

SUBCOMMITTEE ON COMMUNICATIONS, TECHNOLOGY, INNOVATION, AND THE INTERNET

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION
UNITED STATES SENATE

ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

JUNE 2, 2015

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ONE HUNDRED FOURTEENTH CONGRESS

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LIFELINE: IMPROVING ACCOUNTABILITY AND EFFECTIVENESS

TUESDAY, JUNE 2, 2015

U.S. SENATE,
SUBCOMMITTEE ON COMMUNICATIONS, TECHNOLOGY,
INNOVATION, AND THE INTERNET,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The Subcommittee met, pursuant to notice, at 9:31 a.m. in room SR–253, Russell Senate Office Building, Hon. Roger Wicker, Chairman of the Subcommittee, presiding.

Present: Senators Wicker [presiding], Ayotte, Fischer, Moran, Sullivan, Gardner, Daines, Schatz, Nelson, McCaskill, Blumenthal, Markey, Booker, Manchin, and Peters.

OPENING STATEMENT OF HON. ROGER F. WICKER, U.S. SENATOR FROM MISSISSIPPI

Senator WICKER. This subcommittee hearing on Communications, Technology, Innovation, and the Internet will come to order.

I think we will go ahead. We have a vote at 10:30, and we will probably be able to extend past that. Senator Schatz will be here shortly, but I don't think he will mind us going ahead and taking care of some of the preliminaries.

Today, we examine the state of the FCC's Lifeline program, focusing our attention on two key issues: Is the program effective in reaching those it is meant to serve? And what more needs to be done to root out waste, fraud, and abuse in order to ensure the program is accountable to the consumers who fund it and, of course, ultimately, to the American public?

The Lifeline program was established as part of the Universal Service Fund in 1985. The goal of the Universal Service Fund has always been to achieve universal service throughout the Nation. Lifeline, specifically, is intended to make telephone service available to qualifying low-income households. As mobile phone usage spiked in the early 2000s, Lifeline was extended to cover the cost of prepaid wireless service plans in addition to traditional landline service.

Lifeline, like the entire Universal Service Fund, is paid for through a charge on consumers' phone bills. This major expansion of the program to wireless brought with it a dramatic increase in Lifeline disbursements, from $800 million in 2009 to $2.2 billion at its peak in 2012.

The FCC implemented reforms in 2012 to address the rising cost of the program as well as problems identified by a 2010 GAO

study. This has revealed a significant lack of agency control over waste, fraud, and abuse.

Since the FCC's report in 2012, positive strides have been made, including a reduction in the size of the program from $2.2 billion in 2012 to $1.7 billion by the end of 2014. Certain reforms, however, still have yet to be implemented, contributing to lingering problems with the program.

To examine the problems that persist with Lifeline, Chairman Thune requested that GAO study and report on the status of the FCC's reforms and the extent to which the FCC has evaluated the program's effectiveness. GAO's study, which was released earlier this year, revealed major outstanding issues. These include verification of eligibility, program growth, and extremely low participation in the FCC broadband adoption pilot program, the Commission's first step toward expanding Lifeline to cover the cost of broadband services.

There are many benefits of broadband, which we saw at our last subcommittee hearing on connecting patients through telehealth.

But today we are here to focus on our oversight role to ensure the Lifeline program is furthering its intended purpose and providing connectivity to those who cannot afford it. Before again expanding the program, we need to consider what problems remain and how we can address them, since consumers are bearing the cost of funding the program with increasing phone bills. Today we will examine outstanding reform issues and explore what can be done to curb issues.

I look forward to the testimony of our distinguished panel, and I now turn to my distinguished colleague, the Ranking Member, Mr. Schatz.

STATEMENT OF HON. BRIAN SCHATZ,
U.S. SENATOR FROM HAWAII

Senator SCHATZ. Thank you, Chairman Wicker. Good morning. And I thank the witnesses for participating in today's hearing.

When Lifeline began almost three decades ago, the goal was to make sure that all Americans had the securities and opportunities that came with phone service, whether you needed to call an ambulance or call for a job interview.

Just like that landline was necessary in the 1980s, everyone needs a broadband connection to participate in today's society, to perform the most basic tasks, like a video chat with your doctor, applying for a job, doing your homework, or paying for a parking ticket. Expanding Lifeline subsidies to broadband simply recognizes the reality of how people communicate today. Being connected today means being connected to the Internet.

However, the program does need an overhaul. We must learn from the mistakes of the past, and we have to work on parallel tracks. That means reforming Lifeline and expanding it to broadband at the same time.

Before discussing how to improve Lifeline, I also want to recognize, as does the GAO, that the FCC has made important progress since 2012. Reforms have helped to reduce Lifeline's spending by nearly 24 percent in the last 3 years. The FCC initiated 16 enforce-

ment actions against ETCs, which led to more than $1 million in plan penalties.

While progress has been made, we all agree Lifeline must be executed more efficiently, and the FCC recognizes that as well. In fact, last week, Chairman Wheeler circulated a set of proposals to revamp Lifeline. Based on the information we have seen so far, it seems that all of the tough issues are on the table for discussion.

The FCC is proposing to overhaul the way they determine eligibility. The FCC will seek feedback on the right amount for the subsidy and whether subscribers should contribute themselves. The FCC will also be reviewing the need for a budget. Lifeline is the only USF program operating without one today.

These reforms are necessary to ensure that Lifeline works well, but as we expand Lifeline to broadband, other considerations might come into play. For example, if the subsidy amount is the same for voice and broadband, we might assume that broadband services will cost the Lifeline subscriber more than a voice connection. We can also assume that faster service will be more expensive. We must consider how these program decisions will influence subscriber decisions.

Most importantly, we need to consider training. The FCC and others have recognized that the cost of the service is only one of the barriers to broadband adoption, and study after study shows that simply making technology available is not enough. Successful programs provide training and tools so that people know how to use the technology in a way that is relevant to their life.

The Internet Essentials program is the largest broadband adoption program for low-income Americans. That program seems to have successfully addressed this skills gap, and we need to take a look at this to make sure that Lifeline can do the same.

We have to revamp Lifeline in order to make it an efficient program for participating carriers and for the contributors who help to pay for the program. Most important, we must make it work for the people who need it the most. This program, if done well, can empower low-income Americans with the access and the skills that they need to participate in the 21st century.

I thank the Chairman.

Senator WICKER. Thank you, Senator Schatz, for a very insightful and appropriate opening statement.

I now turn to the distinguished Ranking Member of the full committee, Mr. Nelson, for his opening statement.

STATEMENT OF HON. BILL NELSON,
U.S. SENATOR FROM FLORIDA

Senator NELSON. Thank you, Mr. Chairman. And I will make it very concise so we can get on. I am delighted to see our Commissioner from Florida here.

It has been stated that the concept of universal service is the foundation of our Nation's communications policies. And, therefore, it is critical that we not forget the importance of the FCC's Lifeline program to keeping that universal service goal.

We have seen now for over 30 years Lifeline provide basic telephone service. Without this relatively small subsidy, many of those families would go without and find themselves cutoff from any kind

of communication with family and friends and employers and emergency services.

In the intervening time, there have been attempts at modernization of the program to eliminate waste and fraud and improve accountability—and where there have been cases of abuse, the FCC has responded with targeted programs. But now the FCC is contemplating how to improve it to better meet 21st-century communications needs, including what has been mentioned, broadband. And so I commend the FCC for beginning this inquiry.

As this digital economy continues, access to broadband is absolutely necessary. And at a time when a lot of employers require—an overwhelming number of employers require, if you are going to apply for a job, you have to apply online, then those that are economically disconnected, we have to provide for them to be able to do this.

When 7 out of 10 teachers assign homework that requires access to the Internet, obviously we must close the homework gap to address those low-income students who cannot do their homework because they don't have a broadband connection.

At the same time, basic voice telephone service is essential as well. Any modernization of Lifeline should keep in mind the need for the balance between the voice and the broadband. And I have stated this as we have visited with the FCC. I am confident that the FCC will keep this critical balance in mind.

Thank you, Mr. Chairman.

[The prepared statement of Senator Nelson follows:]

PREPARED STATEMENT OF HON. BILL NELSON, U.S. SENATOR FROM FLORIDA

I want to welcome all of our witnesses. In particular, I would like to thank Commissioner Ronald Brisé for coming up from Tallahassee. You have been deeply involved in Lifeline and other universal service issues both during your time in the Florida House and on the Florida Public Service Commission.

The concept of universal service has long been a foundation of our Nation's communications policies. With this enduring principle in mind, it is critical that we not forget the importance of the FCC's Lifeline program to advancing our universal service goals. For three decades, we have seen Lifeline provide basic telephone service to millions of vulnerable Americans. Without this relatively small subsidy, many of these families would go without and find themselves cut off from family, friends, employers and emergency services.

Over the past few years, the FCC has undertaken modernization of the Lifeline program to eliminate waste, fraud, and abuse, and improve accountability. Where cases of abuse in the program have been identified, the FCC has responded with targeted reforms and robust enforcement actions against bad actors.

Now, the FCC is contemplating how to improve the Lifeline program to better meet 21st century communications needs, including improving access to broadband. I commend the FCC for beginning this inquiry.

There is no denying that, as we move to a digital economy, access to broadband has become essential. At a time when an overwhelming majority of employers require online job applications, we must help the economically disconnected have the opportunity to compete in the digital economy. When seven out of 10 teachers assign homework that requires access to the Internet, we must work to close the so-called homework gap to address those low-income students who cannot do their homework because they lack a broadband connection.

At the same time, basic voice telephone service remains an important communications service for many of our most vulnerable populations, including the poor and elderly.

Any modernization of Lifeline should keep in mind the need to balance preserving support for voice service with a proposed expansion to cover broadband. I am confident the FCC will carefully consider this critical balance.

Finally, the Lifeline program has always been a bipartisan program. It was created during the Reagan administration and expanded to wireless services in the Bush administration. In Florida, this program has enjoyed the support of governors of both parties and the state legislature. We should not lose sight of the broad support for the goals of this important program.

I look forward to hearing from the witnesses here today.

Senator WICKER. And thank you very much, Mr. Ranking Member.

We now proceed to the opening statements of our witnesses. And I think we will go from left to right as I look out over the audience.

Our first witness will be Commissioner Ronald A. Brisé, Florida Public Service Commission, Member of the Board of Directors of the National Association of Regulatory Utility Commissioners.

He will be followed by Mr. Michael Clements, Acting Director for Physical Infrastructure Issues at GAO, and then Mr. Scott Bergman, Vice President, Regulatory Affairs, CTIA—The Wireless Association. Our next witness will be Mr. Randolph May, President of The Free State Foundation. And our fifth witness will be Ms. Jessica González, Executive Vice President and General Counsel, National Hispanic Media Coalition.

We very much appreciate each of the witnesses being with us today. And we hope that they will be as successful as previous panels have been in adhering to the strict 5-minute rule for opening statements.

Of course, your entire statement will be submitted to the record and will be printed therein.

So let's begin by hearing from Commissioner Brisé.

STATEMENT OF RONALD A. BRISÉ, COMMISSIONER, FLORIDA PUBLIC SERVICE COMMISSION, NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS (NARUC)

Mr. BRISÉ. Good morning, Chairman Wicker, Ranking Member Schatz, and all the members of the Subcommittee. And to my Senator, Senator Nelson, thank you for allowing me to be here this morning testifying today.

I am representing NARUC, the National Association of Regulatory Utility Commissioners, the state commission experts on these topics in your states.

You, Congress, established the universal service and the low-income Lifeline program as shared responsibilities of Federal and state regulators. I take this responsibility seriously as an individual, as do my colleagues across this nation.

There are three points that I would like to make this morning.

First, as my written testimony demonstrates, NARUC's member commissions have proven time and time again to be a crucial bulwark against fraud, waste, and abuse. Neither Congress nor the FCC should do anything to these state cops off the beat or diminish their authority.

Continued coordination is absolutely crucial. The explosive growth in the program in the past decade shows what happens when proper safeguards are not in place. Florida, like many other states, implemented a real-time verification procedure before the FCC revised its rules. We also, like other states, have stopped some

abuse through revoking or, in some cases, not granting the ETC designations.

Second, it is time for policymakers to formally consider expanding the Lifeline program to cover broadband. But that involves building a solid record, and there are a myriad of questions that need examination.

Which takes me to my last point. The joint board process established by Congress should be used again because it works. Indeed, state experience filtered through the joint board process was the basis for the last set of changes that the FCC made to its Lifeline rules—changes that clearly eliminated quite a bit of fraud and inefficiency in the program.

Any expansion raises a host of questions that should be first examined by a Federal joint board to appropriately balance the interests of those that pay the costs of the program with the program's policy goals.

Whether Congress or FCC acts, the joint board process will improve any final action. Lifeline certainly is a program that we all support, and the joint board process will be useful as a starting point in any discussions as the reforms move forward.

As a nation, we should not continue to subsidize access to voice services alone. Broadband is vital to the economic growth and opportunity. I, my state colleagues, and NARUC stand ready and willing to work with you, the FCC, industry, the low-income community, and you in Congress on these issues.

Thank you for the opportunity to testify, and I look forward to answering your questions.

[The prepared statement of Mr. Brisé follows:]

PREPARED STATEMENT OF COMMISSIONER RONALD A. BRISÉ, FLORIDA PUBLIC SERVICE COMMISSION ON BEHALF OF THE NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS (NARUC)

Chairman Wicker, Ranking Member Schatz, and Members of the Subcommittee, thank you for the opportunity to testify today on the low-income Lifeline Program.

I am a Commissioner with the Florida Public Service Commission (PSC) and currently serve as a NARUC representative on the Federal State Joint Board on Universal Service, the Board of Directors of the Universal Service Administrative Company, and on the FCC's Intergovernmental Advisory Committee. NARUC—like Congress—is a *bipartisan* organization. NARUC's members include public utility commissions (PUCs) in all of your states, the District of Columbia and U.S. territories with jurisdiction over telecommunications, electricity, natural gas, water and other utilities. NARUC member commissioners are *the* in-State experts on the impact of FCC programs in *your* state and on *your* constituents. The Universal Service Fund (USF) and the low-income Lifeline program we are discussing today are shared responsibilities of Federal and State regulators. I personally take this responsibility seriously, as do my colleagues across the country.

Currently, Lifeline provides low-income consumers with discounts on monthly telephone service enabling them to connect to the vital telecommunications network. Established in 1985, the Federal program provides discounts for voice communications on monthly wireless or wired phone bills ($9.25 a month) to low-income households. At least half the states provide matching Lifeline funds ranging from $.75 to $8.50 a month with most states averaging about $3.50.

NARUC has a long history of supporting this vital social program.[1]

[1] *See,* NARUC's July 2000 *Resolution regarding Universal Service for Low Income Households* at: *http://www.naruc.org/Resolutions/lifeline_summer00.pdf;* July 2005 *Resolution Supporting the efforts of the FCC and NARUC to promote Lifeline Awareness* at: *http://www.naruc.org/Resolutions/LifelineAwareness_s0705.pdf;* July 2009 *Resolution Proclaiming National Telephone Discount Lifeline Awareness Week,* at *http://www.naruc.org/Resolutions/Resolution%20on%20Lifeline%20Awareness%20Week.pdf.*

We have also supported transitioning the program to include broadband service.[2] Specifically, NARUC supports changes to "defray a meaningful amount of the program participant's average cost for the installation/activation and monthly charges for broadband service and acquisition of enabling devices."[3] We also believe a Joint Board referral on lifeline issues to, among other things, as per our February 2009 Resolution, evaluate the FCC's Pilot program[4] and "to make recommendations regarding its continuation and configuration as a national program," should precede final FCC action.[5] Our subsequent July 2011 Resolution specifically "urges the FCC . . . and the states to work within the existing Federal Universal Service Fund's budget . . . to improve broadband service adoption . . . through coordinated Lifeline and Link-Up Broadband Service Pilot Program projects."

As technology continues to move forward, it is critical to the economic well-being of our Nation that all Americans can communicate effectively. Broadband has become a vital communications conduit. It is time for Congress and the FCC to consider expansion.

However, our experiences during the rapid expansion the Lifeline program since 2005 illustrates why sound safeguards, careful consideration, and continued oversight are necessary.

NARUC and its members were quick to identify many of the concerns policymakers continue to focus on today.

The Lifeline program grew from about $800 million in 2008 to $2.2 billion in 2012.

This explosive growth in the program indicated the business plans of the new prepaid wireless ETCs were both profitable and popular. Unfortunately, as later FCC enforcement actions would demonstrate,[6] the framework in place was not adequate to shield the program from extensive fraud and abuse. The FCC's recent reforms, based on a Federal-State Joint Board recommended decision, were a significant step forward. But some problems still remain.[7]

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[2] *See,* NARUC's February 2008 *Resolution to Support Equal Access to Communication Technologies by People with Disabilities,* at *http://www.naruc.org/Resolutions/People%20with%20Disabilities%20Resolution1.pdf;* February 2009 *Resolution on Lifeline and Link-Up Program Support for Broadband Internet Access Services and Devices,* at: *http://www.naruc.org/Resolutions/TC%20Resolution%20on%20Lifeline%20and%20Link-Up%20Program%20Support%20for%20Broadband%20Internet%20Access%20Services%20and%20Devices.pdf;* November 2009 *Resolution on Legislation to Establish a (Permanent) Broadband Lifeline Assistance Program,* at *http://www.naruc.org/Resolutions/Resolution%20on%20Legislation%20to%20Establish%20a%20Broadband%20Lifeline%20Assistance%20Program.pdf.*

[3] *See,* NARUC's July 2011 *Resolution Supporting Low-Income Broadband Adoption Program,* at *http://www.naruc.org/Resolutions/Resolution%20Supporting%20a%20Low-Income%20Broadband%20Adoption%20Program.pdf*

[4] *See,* Veach, Julie, Chief, FCC Wireline Competition Bureau, *Driving Lifeline Updates with Data:* FCC Blog (May 22, 2015—1:10 PM) at: *https://www.fcc.gov/blog/driving-lifeline-updates-data. See also,* the *FCC's Low-Income Broadband Pilot Program data sets* at: *https://www.fcc.gov/encyclopedia/low-income-broadband-pilot-program* and the *WCB Low-Income Broadband Pilot Program Staff Report* (May 22, 2015) at: *https://www.fcc.gov/document/wcb-low-income-broadband-pilot-program-staff-report.*

[5] The recent GAO Report suggests some additional review may be warranted. *See* GAO–15–335 *Report to the Chairman, Committee on Commerce, Science, and Transportation, U.S. Senate: Telecommunications: FCC Should Evaluate the Efficiency and Effectiveness of the Lifeline Program* (March 2015) *http://www.gao.gov/assets/670/669209.pdf* ("The usefulness of information FCC gathered through its broadband pilot program may be limited due to the lack of an evaluation plan and other challenges . . . Although GAO previously recommended in 2010 that FCC develop a needs assessment and implementation and evaluation plans for the pilot, FCC did not do so and now faces difficulties in evaluating the program without established benchmarks.")

[6] According to the FCC, by November 1, 2013, "over 2 million duplicate subscriptions were eliminated, and the FCC's reform's are on track to save the fund over $2 billion over three years." *FCC Proposes Nearly $33 Million in Penalties Against Lifeline Providers That Sought Duplicate Payments for Ineligible Subscribers,* FCC Press Release (November 01, 2013), at *https://transition.fcc.gov/eb/News__Releases/DOC-323858A1.html; FCC Proposes Nearly $44 Million in Fines Against 3 Lifeline Providers,* FCC Press release (December 11, 2013) at *https://transition.fcc.gov/eb/News__Releases/DOC-324620A1.html; FCC Proposes $14.4 Million Forfeitures to Protect Lifeline Service,* FCC Press Release (June 25, 2013) at *https://transition.fcc.gov/eb/News__Releases/DOC-323565A1.html.*

[7] *See, e.g., AT&T and SNET to Pay $10.9 Million for Overbilling Federal Lifeline Program,* FCC Press Release (April 29, 2015), at: *https://transition.fcc.gov/eb/News__Releases/DOC-333257A1.html See also, Notice of suspension and initiation of debarment proceeding, to Mr. Wes Yui Chew from Jeffrey J. Gee, Chief, Investigations and Hearings Division, FCC Enforcement Bureau,* File No. EB–IHD–15–00019046, DA 15–630 (May 26, 2015), at: *https://apps.fcc.gov/edocs__public/attachmatch/DA-15-630A1.docx,* disbarring the addressee for his conviction of money laundering for transferring $20,455,829.10 to his personal bank account while knowing that Icon had thousands fewer lifeline customers than it reported. *See also,* footnote 5, *supra.*

States Remain a Crucial Safeguard Against Waste, Fraud and Abuse

As both Congress and the FCC consider whether to expand the program to include broadband service, it certainly would be prudent to reevaluate current safeguards and consider possible improvements.

A 2009 NARUC resolution, responding to the post-2005 expansion, pointed out that "some states are developing real-time access to information necessary to verify household eligibility and ensure that a household receives only one Lifeline Subsidy" and called upon both states and the FCC to "review existing procedures to verify eligibility. . .including consideration of real-time verification."[8]

My State, Florida, was one that implemented a real-time verification procedure in 2007. Consumers participating in the Supplemental Nutrition Assistance Program, Medicaid, or Temporary Assistance for Needy Families programs can electronically apply for Lifeline through the Florida Department of Children and Families or on the Florida PSC Website. In either case, applicants are verified as participants in one of those qualifying programs in real-time. Implementation of the electronic Lifeline Coordinated Enrollment Process in Florida has been a major success with over 734,000 applications received since 2007.

Our federalist system allows states like Florida to act as laboratories for programs providing useful and tested templates to guide Federal (and other State) policy makers' decisions.

We commend the FCC for its 2012 reforms[9] and aggressive enforcement to reduce waste, fraud and abuse, as well as its coordination with NARUC and States. Coordinated action removed more than 2 million duplicate subsidies, and brought the fund down to about $1.6 billion in 2014. At the same time, the Federal USF contribution factor remains in double digits—currently set at 17.4 percent of interstate revenues.

Florida was not alone. Both before and after the FCC's 2012 action, several states enacted prophylactic measures such as databases on duplicates and eligibility and periodic compliance audits of carriers.

According to an informal survey of our members, at least five states established programs to eliminate duplicative support and have been allowed to opt out of the FCC's National Lifeline Accountability Database.[10] At least 15 of the states that responded to our informal surveys use State social service databases to confirm consumer eligibility for participation in the Lifeline program.[11] At least one (more) state has initiated a pilot program. In two more, the largest Incumbent Local Exchange Carrier has a contract to access the social service database to confirm eligibility. But the costs of establishing these verification systems can be high. States, like the Federal government, are not immune to current economic conditions and fiscal restraints. As often happens, the FCC's announcement that it was creating databases was likely an incentive for other states to defer expending scarce resources to create a State-specific database.

Also, in many States, including mine, Eligible Telecommunications Carriers (ETCs) have been reluctant to take the steps and incur costs necessary to utilize available State social service databases for verification. This problem remains despite a specific FCC rule requiring all ETCs to utilize existing State databases.[12] Though some may ascribe more venial motivations, it is clear that carriers are also hoping to avoid some compliance costs by waiting for a national database. This is a problem for states that offer eligibility verification resources. We have been unable to locate any formal agency action to enforce this rule.

Thirteen responding states have programs to periodically conduct compliance audits on ETCs and/or of Lifeline recipients.[13] For example, California, in addition to

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[8] *See, Resolution on Lifeline Service Verification (November 2009),* available online at: *http://www.naruc.org/Resolutions/Resolution%20on%20Lifeline%20Service%20Verification.pdf.*

[9] *See, FCC Reforms, Modernizes Lifeline Program for Low-Income Americans,* FCC Press Release, (January 31, 2012), at: *https://www.fcc.gov/document/fcc-reforms-modernizes-lifeline-program-low-income-americans.*

[10] States establishing their own program to eliminate duplicates: California, Texas, Vermont, Oregon, and Puerto Rico.

[11] States responding to either the 2013 or 2015 they have a system or program in place to confirm the eligibility of Lifeline subscribers by using social service agency databases: CA, FL, ID, IL, IN, KS, MI, NE, NC, NY, OR, PA, WA, WI, WY. MN has a pilot program ongoing. In AZ & GA the largest ILEC in the state has contracted for access to the social service database but no other ETC has access at this point.

[12] *See* 47 C.F.R. §54.410(c)(i)(A).

[13] States responding to either the 2013 or 2015 surveys that have requirements for requiring periodic compliance audits on lifeline carriers or recipients: CA, CO, FL, KS, ME, MA, MO, MS, NE, NJ, OH, OR, WI.

financial and compliance audit provisions, has had annual renewal/recertification requirements since 2006.

In some cases, states have revoked or refused to grant an ETC designation pursuant to Section 214(e) of the 1996 Act. This capability is a crucial component for policing the fund to eliminate bad actors. Six states responding to our survey have refused an application for ETC designation filed by a carrier. Seven others, including Florida, revoked designations for questionable practices and/or violating program rules.[14] But these numbers do not tell the whole story. In many cases, a carrier whose ETC application or existing ETC designation is being challenged will withdraw its application or relinquish its ETC status once it becomes clear it will not be granted or may be revoked. Such actions are not reflected in any statistics. Florida, for example, has had 19 ETC filings withdrawn. Moreover, many states require ETCs to certify—when they are seeking designation or submitting annual filings—that it is in compliance with all Federal and State rules and whether the provider's ETC designation has been suspended or revoked in any jurisdiction.

Unfortunately, the ability of our members to audit and investigate waste, fraud, and abuse by wireless ETCs is hampered in some states because of current (but reversible) limitations on oversight over wireless carriers.[15] For others, the ability to effectively oversee any broadband Internet access Lifeline providers might be hampered by other State laws targeting IP-based services.[16] Questions remain: Can the FCC marshal the resources to properly oversee the program for all States? Should Congress encourage states to play a stronger compliance role? These are questions for Congress and this committee to consider.

Partnership, Not Preemption

The Lifeline program, however modified, will continue to benefit from coordinated Federal and State oversight. There is simply no reason to reduce the number of State regulatory "cops" on the beat or further limit their enforcement/oversight authority.

Managing the total size of the USF, and eliminating fraud and waste, is important to protect the consumers who pay for these programs through bill surcharges. Those surcharges burden consumers and can directly undermine and negatively affect the competitive market if effective accountability/screening mechanisms are not in place.

NARUC represents states that are both net donors to and net recipients from the Federal lifeline programs. However, I come from a net donor State. As you might expect, I am *personally* and particularly sensitive to the clear need to balance the growth in the fund with the program's policy goals. Like all net donor States, Florida is necessarily concerned about the disparity between what Florida customers pay into the Federal USF versus what that USF disburses to our citizens. In 2013, for all Federal USF programs—including lifeline, Floridians paid-in $539 million but only received back $256 million—leaving Florida as a net contributor of $283 million.

In the Joint Board process, which includes State Commissioners from both net donor and recipient States, Congress has provided an excellent vehicle to:

- limit unintended disruptions to State programs,[17]

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[14] States responding they had revoked a carrier's ETC designation: FL, KS, KY, MI, MN, WA, WI. Florida revoked the designations of two companies for abuse of the Lifeline program, one of which faces criminal charges in Tampa Federal court this summer. *See* Florida PSC Docket No. 080065, *Investigation of Vilaire Communications, Inc.'s eligible telecommunications carrier status and competitive local exchange company certificate status in the state of Florida,* and Docket No. 110082–TP, *Initiation of show cause proceedings against American Dial Tone, Inc., All American Telecom, Inc., Bellerud Communications, LLC, BLC Management LLC d/b/a Angles Communication Solutions, and LifeConnex Telecom, LLC for apparent violations of Chapter 364, F.S., Chapters 25–4 and 25–24, F.A.C., and FPSC Orders.*

[15] State Commissions generally designate carrier participation in the Lifeline program for wireline carriers. That is not always the case for wireless providers. Ten states and the District of Columbia do NOT grant ETC status for wireless carriers because they lack the jurisdiction under State statute, *i.e.,* Alabama, Connecticut, Delaware, New Hampshire, North Carolina, New York, Tennessee, Texas, the Commonwealth of Virginia, Florida and the District of Columbia. In these jurisdictions a crucial line of defense against abuse—State oversight—is non-existent or at least more limited.

[16] Several states continue to designate wireless ETCs despite not having specific authority over them. It is anticipated that this will also be the case if the program is expanded to cover broadband. Additionally, many states with limited regulatory authority often work informally to resolve consumer complaints.

[17] See Appendix B "Impacts on State."

- assure national policy decisions benefit directly from States' experiences (as was reflected in the pragmatic reforms the FCC adopted to the lifeline program—based—in part on existing State compliance mechanisms),
- critique proposals to update the program's policy goals, and
- maintain the crucial enforcement and compliance partnership.

Our 2009 resolution suggests a referral would be a useful pre-requisite to final FCC action expanding the program.[18]

Indeed, the last 2010 Lifeline Recommended decision, in ¶76–78,[19] highlights the need for additional Joint Board input before expansion of the Lifeline program to broadband services:

> 76. Although the Referral Order requested that the Joint Board consider whether the extension of the Lifeline program to include broadband services would alter its recommendations . . . it is difficult to consider whether any of the instant recommendations should be modified prior to the appropriate consideration of the broadband services that might be included in such an extension of the low-income program. Indeed, some members of the Joint Board would have preferred a more extensive referral on these issues, and at least one commenter noted that the Joint Board should have a more extensive role in the consideration of extending the Universal Service Fund's support to broadband. [] At the same time, the Joint Board recognizes the need to ensure continued support for existing voice networks.
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> 77. Neither the Commission nor this Joint Board can adequately address potential changes to create a Broadband Lifeline plan without initially determining the definition of the broadband services or functionalities to be supported, sources of funding, the funding and contribution rules, and the overall approach to using low-income support to achieve universal broadband service. In fact, the Joint Board would like to emphasize that, as the Commission moves forward with considering the National Broadband Plan's recommendations on these and other universal service related issues, there are many practical issues to be considered. They include, but are not necessarily limited to: Conceptually, how should "broadband" eligible for Federal USF Lifeline support be defined and measured, including consideration of typical (actual) versus advertised upload and download speeds; Technology type and technology neutral funding mechanisms; Price, affordability, subscribership, and penetration; Broadband usage, when that usage is subject to some sort of data or usage cap; How best to ensure availability of broadband service in unserved and/or underserved areas; Terms and conditions for data plans that include some form of broadband Internet access or other broadband service; and Once broadband is defined and a determination is made as to what to support and how to provide that support, it would still be necessary to determine whether the Lifeline discount would be applied as a percentage or a fixed dollar discount off of some currently undefined price, or some other measure.
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> 78. Furthermore, given the lack of a definition for the term "broadband" as a supported service, and how such service would be calculated and distributed, it would be extremely difficult, if not impossible, to comply with even the Commission's de minimis broadband-related requests that were included in the Referral Order.[] In fact, NASUCA points out in its comments that "it is difficult to comment on 'broadband Lifeline' because the details have not been fleshed out, adding further that reclassification is needed in order to ensure the legality of broadband Lifeline support." [] The sheer number of issues relevant to defining broadband creates a great deal of uncertainty. This uncertainty is a significant issue, in and of itself, because it makes it impossible to predict the impact of adding support for broadband or the recommendations for possible changes to eligibility, verification, and outreach, or to measure the impact of such changes to the overall size of the fund." {Footnotes omitted.}

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[18] Over *8 years* have passed since the November 2007 USF Joint Board initially recommended broadband Internet access be a supported service. Our 2009 resolution, which was after that referral (and cites it in the 4th Whereas), recognized that the record was already stale and specifically recommends that: "the FCC direct the Federal State Joint Board on Universal Service to conduct an evaluation of the (Lifeline Broadband) Pilot program and make recommendations regarding its continuation and configuration as a national program." It has been almost 5 years since the last recommended decision on Lifeline discussed, *infra. See, e.g.,* footnote 19, *infra.*

[19] Federal-State Joint Board on Universal Service Recommended Decision, November 4, 2010, at *http://www.universalservice.org/__res/documents/about/pdf/fcc-orders/2010-fcc-orders/FCC-10J-3.pdf.*

Since this recommended decision, the FCC has issued several crucial orders that could impact any changes to the program and suggest that a referral is appropriate and will be a useful exercise.[20]

Certainly, the process works. I was pleased the FCC took action on Lifeline in 2010. In May of that year the FCC asked the Federal-State Joint Board on Universal Service to review the existing eligibility, verification, and outreach rules for the Lifeline and Link-Up universal service programs.[21] The FCC also opened and maintains a robust and open dialogue with NARUC and the States. I give the FCC, especially the Wireline Competition Bureau, FCC Commissioner Clyburn—the former Chair of the Federal State Joint Board on Universal Service, her staff and, of course, the other sitting FCC Commissioners, much credit for tackling this issue and seeking vital State input throughout the process. This was a textbook example of how the Congressionally-established Joint Board process can be properly utilized to address issues quickly and provide an excellent basic template for FCC action on this issue.

The Universal Service Joint Board came back with a recommended decision in record time—around six months—in November of 2010. It addressed the Lifeline questions asked by the FCC and more—recommending that the FCC take into consideration the additional issues of broadband, overall fund size, and prepaid wireless Lifeline service as it moved forward with universal service reform.[22] In the January 31, 2012 *Report and Order and Further Notice of Proposed Rulemaking,* the FCC either enacted or sought additional comments on all of the Joint Board recommendations. Again, this is exactly how the congressionally mandated Federal-State Joint Board process should be used. The FCC should consider a referral here before taking final action.[23]

Responsibility and Review

Whatever else the FCC does, as both Congress and the FCC consider expanding the program to include broadband service, it certainly would be prudent to reevaluate current safeguards and consider possible improvements in oversight.[24]

Continued coordination with states is crucial. And the FCC generally has continued coordination and outreach with NARUC's member commissions about possible new problems or compliance issues with the Lifeline program, through, in part, the commendable efforts of its new Enforcement Chief, Travis LeBlanc, USF Strike Force Director, Loyaan Egal, former Wireline Competition Bureau (WCB) Chief Julie Veach and her replacement Matt DelNero, WCB Deputy Bureau Chief Ryan

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[20] *See, e.g., In the Matter of Protecting and promoting the Open Internet,* GN Docket No. 14–28 (FCC No. 15–24) (rel. March 12, 2015), published in the Federal Register April 13, 2015 (80 Fed. Reg. 19737), at: *https://www.federalregister.gov/articles/2015/04/13/2015-07841/protecting-and-promoting-the-open-internet.* The full text of the decision is at: *https://apps.fcc.gov/edocs_public/attachmatch/FCC-15-24A1.pdf.* (Among other things, reclassifying broadband as a Title II "telecommunications service."); *Connect America Fund,* Report and Order and Further Notice of Proposed Rulemaking, 26 F.C.C. Rcd 17663 (2011); and *Federal State Joint Board on Universal Service; Universal Service Contribution Methodology; A National Broadband Plan For Our Future,* WC Docket Nos. 96–45, 06–122, GN Docket No. 09–51, Order, 29 FCC Rcd 9784 (2014).

[21] *Federal-State Joint Board On Universal Service; Lifeline and Link-Up,* CC Docket No. 96–45, WC Docket No. 03–109, Order, 25 FCC Rcd 5079 (2010).

[22] *Federal-State Joint Board on Universal Service Recommended Decision,* November 4, 2010, at *http://www.universalservice.org/__res/documents/about/pdf/fcc-orders/2010-fcc-orders/FCC-10J-3.pdf.*

[23] Questions such as confidentiality of a Lifeline applicant's information, number of entities with access to the database, possible "opt out" provisions of the national eligibility database for States, the interaction of State and Federal databases, and many other issues require additional illumination—and the Joint Board process is an idea vehicle to conduct the needed review.

[24] On April 25, 2013, NARUC President (and Washington State Commissioner) Phil Jones testified before the U.S. House of Representatives Energy and Commerce Committee, Subcommittee on Communications and Technology for NARUC on *The Lifeline Fund: Money Well Spent?* The text of his testimony is available online at *http://www.naruc.org/Testimony/13%200425%20NARUC%20Pres%20%20P%20%20Jones%20House%20CT%20Subcmte%20Lifeline%20Testimony%20FINAL%20__2__.pdf.* In response to a question from Chairman Walden, Commissioner Jones said that when prepaid wireless carriers came in to his commission to obtain ETC designation., he asked them for cost information and they refused to give them data. The carriers stated that the requested data dealt with "rates" and states are preempted from regulating wireless rates. *See,* Archived Video, *April 25, 2015 House Energy and Commerce Committee Lifeline Hearing* at: *http://energycommerce.house.gov/hearing/lifeline-fund-money-well-spent.* Certainly, in considering the efficient level of benefits that must be offered to attract Lifeline service providers—one crucial input is the actual carrier costs (or a reasonable approximation thereof) of providing the service. Without such information, it is unclear how to determine if current subsidy levels are either too generous or not generous enough to assure carrier participation in the program.

Palmer, Consumer and Governmental Affair Bureau Chief Kris Monteith, and CGB Intergovernmental Affairs Chief Greg Vadas, among many other staff. The Universal Service Administration Company should also be commended for its recognition of the important role states necessarily play in this process.

NARUC has not had an opportunity to formally consider specific positions on the Chairman Wheeler's May 28, 2015 proposal to issue a rulemaking on Lifeline services.[25] And, while we have no resolution on point, it certainly seems logical, as the NPRM suggests, for the FCC to require providers to retain documentation of eligibility for a time that is *at least long enough to allow for effective oversight and audits of the carriers' qualification procedures.* That proposal also seems to raise questions that would benefit from a Joint Board recommended decision.

In preparation for my testimony here today, NARUC did a quick informal (and necessarily incomplete) survey of our members to elicit suggestions on improving the Lifeline program. The ideas provided by those that responded to last week's survey (combined with a similar survey conducted about a year ago under similar circumstances) are shown in appendix A to this testimony.

None of these ideas have been considered formally by NARUC or any specific State commission. Accordingly none are endorsed by the association or any specific member of the association.

However, as they were offered by those most familiar with the on-the-ground implementation of the Lifeline program, they certainly can provide a useful starting point in any discussion of needed reforms.

The FCC's National Lifeline Accountability Database (NLAD) is up and running. This is a major step forward and can only significantly reduce duplicative support nationally. As with implementation of any new process, issues arise. Some NARUC commissions received complaints about the recertification process. For example, there are cases of recipients being improperly de-enrolled for duplicative service after they switched Lifeline providers or being told they were already in the database despite only subscribing to one Lifeline service. This is apparently an issue with how and when the database wasn't updated promptly. These concerns have already been shared with USAC and they have been very responsive. I am told corrections are in progress now.

Although NARUC has not formally taken any position on such access, it does seem logical that providing State (read-only) access to the NLAD database would also be a step forward. Such access allows State PUCs to address such complaints as well as better monitor the in-State activity within the program. Indeed, the USAC recently held a webinar for State Commissions to learn what states would need and expect from access to the database. It seems likely USAC will look for ways to grant access to the duplicates database in the near future. Certainly, USAC has been very responsive to State concerns.

I urge Congress to support the FCC and USAC efforts to complete the national eligibility database. NARUC fully recognizes the heavy lift facing the FCC in creating the much more complicated national eligibility database. The FCC needs more input on this and as some states have functioning databases, we are uniquely positioned to offer vital input to achieve this monumental task. This is another of many issues that would benefit from a Joint Board referral.

Lifeline will once again be a major topic of discussion at the NARUC Summer Meeting this July in New York City. FCC Commissioners Mignon Clyburn and Michael O'Rielly will attend to jointly discuss their competing proposals for reforming Lifeline.[26]

I am proud to say that Florida has been a leader in Lifeline reform and continues enforcing safeguards to prevent waste, fraud, and abuse of the Universal Service Fund. Florida's leadership in instigating a National ETC State Coordinating Group (SCG) to monitor prospective and existing ETCs across the country, has fostered additional information sharing with all 50 states and the District of Columbia. Chair-

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[25] *FCC Chairman Wheeler Seeks Comment On Modernizing Lifeline To Make 21st Century Broadband Affordable For Low-Income Households* (May, 28, 2015), at: *https://www.fcc.gov/document/chairman-seeks-comment-modernizing-reforming-lifeline-broadband.* See also, Wheeler, Tom, FCC Chairman, A lifeline for Low-Income Americans: FCC Blog (May 28, 2015-01:25 PM) *https://www.fcc.gov/blog/lifeline-low-income-americans.*

[26] *See,* Clyburn, Mignon, FCC Commissioner, *Reforming Lifeline for the Broadband Era:* Speech to the American Enterprise Institute in Washington, DC (November 12, 2014), online at: *https://www.fcc.gov/document/commissioner-clyburn-remarks-american-enterprise-institute;* O'Rielly, Michael, FCC Commissioner, *Sound Principles for Lifeline Reform:* FCC Blog (February 13, 2015—03:51 PM), online at: *https://www.fcc.gov/blog/sound-principles-lifeline-reform.*

man Wheeler's FCC USF Strikeforce[27] has reached out to both the SCG (and NARUC's full and Staff Telecommunications Committees) in its efforts to ensure the efficiency and viability of the Lifeline program.

Let me close by reiterating my support for the Lifeline program with proper verification and accountability measures in place. This vital program is supported by the FCC and State commissions for voice services. It is time to consider how to migrate the program to some level of broadband service. We appreciate the efforts of the FCC and USAC working with states on these crucial issues. A continued partnership will minimize fraud, waste, and abuse in the program. NARUC's member commissions stand ready and willing to work with the FCC, industry, the low-income community, and you in Congress on these issues. Thank you for the opportunity to testify. I look forward to your questions.

APPENDIX A

States suggestions on how to further improve the Lifeline program

Below is a list of ideas offered by individual NARUC members and staff that work on Lifeline on a regular basis. ***The suggestions have not been considered or endorsed by NARUC or any specific State commission.*** *NARUC specified that NARUC would not attribute particular responses to any State or individual. This anonymity encouraged a broader range of recommendations for the consideration of the Subcommittee.*

Databases:

- *The FCC should develop & implement the national eligibility database as soon as possible as it will help eliminate much waste, fraud and abuse.*
- *FCC should work with states on ways to incentivize the utilization of State social service databases to be used for Lifeline eligibility verification.*
- *Provide states access to the recently created National Lifeline Accountability Database (NLAD, aka. Duplicates database). Access to the database will allow State commissions to resolve complaints regarding de-enrollment/duplicates and better monitor enrollment/de-enrollment in the program with specific states (USAC is apparently working on this now).*

Marketing of Lifeline and Consumer Information:

- *Require ETCs to provide customers with consumer helpline at the FCC and State level agencies.*
- *The FCC/Congress should prohibit the practice of advertising "free government cellphones" and handing out free cellphones from tents and temporary kiosks. Providing information on the program and how to apply could be allowed at such temporary locations but the customer should be directed to a permanent facility before obtaining a phone after eligibility is verified.*
- *The FCC should require all ETCs to call their service "Lifeline" and prohibit the misleading practices used by some carriers of "doing business as", e.g., Assurance Wireless and SafeLink to avoid customer confusion.*

Enforcement:

- *The FCC should prohibit someone that falsifies an application from participating in the program for some period of time and/or require reimbursements to the fund of any losses caused by the fraud prior to re-qualifying for the program.*
- *The FCC should impose significant fines and, when appropriate because of the magnitude of the abuse (and the threshold should be small) suspend companies AND their officers from any participation in the Lifeline programs when ETCs or their officers/principals/owners/third party vendors violate rules. Repeat offenders should be permanently banned program participation.*
- *The FCC should prohibit any ETCs with a validation/recertification rate of less than a reasonable benchmark, such as 75 percent, from enrolling new customers and subject them to an FCC/USAC/State audit.*

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[27] *See, FCC Chairman Wheeler Announces Universal Service Fund Task Force,* FCC Press Release (July 14, 2014), at *https://www.fcc.gov/document/fcc-chairman-wheeler-announces-universal-service-fund-strike-force.*

- *The FCC should require more than one month of reimbursement of lifeline funds whenever duplicate Lifeline recipients are discovered.*
- *The FCC should remind ETCs that where available they are required to utilize State social service databases to verify eligibility.*

Eligibility Verification/Recertification Process:

- *Take the of verification of consumer eligibility out of the hands of the ETC/carrier*
- *The FCC should simplify the recertification process to assure eligible customers are not de-enrolled from the program mistakenly.*
- *The FCC should consider requiring all ETCs located in a particular State to use the same Lifeline application form that lists all Lifeline providers in that State so applicants will be more likely to ask questions if they already have service.*
- *If an ETC elects to have USAC undertake recertification then the carrier should notify the customer to expect USAC notices on recertification.*
- *ETCs using USAC for recertification should be allowed to attempt contact with the customer after a specified time of non-response to USAC.*
- *The FCC should establish a program for retention of customer eligibility verification documentation by all ETCs (TracFone petition).*
- *The FCC should prohibit the use of third-party agents hired by carriers to sign up Lifeline subscribers*
- *The FCC should grant the USTelecom petition filed April 2, 2012 for reconsideration of 47 C.F.R. §§54.410(b)(2)(ii) and 54.410(c)(2)(ii) to allow states that administer the Lifeline program and determine eligibility to provide lists to carriers of subscribers that qualify for Lifeline instead of requiring that copies of application forms be provided to carriers.*

Transparency/Operational Changes:

- *The cost basis of Lifeline subsidy level should be reexamined on a periodic basis to evaluate the subsidy against the benefit (i.e., for wireless does the set number of minutes align with the monthly Lifeline amount. A separate level for wireless, wirelines voice and Broadband. For example, Should the subsidy be less for prepaid wireless or the amount of minutes increased?).*
- *Require a customer to contact the ETC each month and verify identity to receive their free allotment of minutes.*
- *FCC should clarify FCC Form 555's (Annual Lifeline Eligible Telecommunications Carrier Certification Form) filed by the carriers are not confidential (if confidential ETCs can deny State PUC access).*
- *FCC should publish an annual report of the findings in the annual FCC Form 555 FCC should conduct a cost study to establish a subsidy level that appropriately reflects services offered.*
- *The FCC or USAC should create a list of customer service contacts for each ETC for use by Federal and State officials.*
- *Modify USF contributions before expanding program to broadband*

APPENDIX B

Impact of FCC Reform on States

This information illustrates the crucial role the states play in Lifeline enforcement and why State input for any program changes is vital to efficient implementation. The FCC reforms to address waste, fraud and abuse also had some unintended consequences on states with existing programs. NARUC again removed all attribution and indicia of particular states to encourage responses. *These comments are, like the statements in Appendix A—not specifically considered or endorsed by NARUC or any specific State Commission.*

- The expansion of the Lifeline eligibility criteria in the FCC's reform order proved to be very costly to states.
  - Added social service programs were not in existing state databases and it was costly to add the needed data
  - The state low income program database was not matching the national database since the state has a different set of eligibility requirements.

- Programs added to eligibility lists were ones that the State Lifeline administrator did not have control over or access to.
- Addition of "income level" to eligibility criteria complicated process since there is no database, requiring manual collection of sensitive personal financial information to verify consumer eligibility.
- Forced the State to spend hundreds of thousands of dollars to expand the scope of our state database queries and expand hours of access to it. For example, adding the Free School Lunch program has required creating an additional interface to obtain data from another database

- The State required the ETC "kick in" a certain amount in matching funds as a requirement of being an ETC. After the reform the ETCs interpreted the FCC rules to mean this was no longer required.
- The changes, while adding complexity to our efforts given the additional requirements, have enhanced our ability to review Lifeline provider's activities and identify concerns.
- As a result the State increased the amount of matching support for *landline* Lifeline ETCs.
- As a result some states reduced the State matching level.
- The State expanded and strengthened requirements for ETC applications and annual reporting.
- Under the old system there were tiered levels and matching effect. This was replaced with the flat Federal $9.25 monthly subsidy. As a result, the State regulations no longer matched the Federal regulations causing confusion. The State continues to evaluate if and how to alter State laws and rules to reflect the new Federal regime.

Senator WICKER. Thank you, Mr. Commissioner.

Mr. Clements?

STATEMENT OF MICHAEL CLEMENTS, ACTING DIRECTOR, PHYSICAL INFRASTRUCTURE ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Mr. CLEMENTS. Chairman Wicker, Ranking Member Schatz, and members of the Subcommittee, good morning. I am pleased to be here today to discuss our March 2015 report on FCC's Lifeline program.

My statement today will highlight three key findings from our report: first, FCC's progress with program reforms; second, the need for program evaluation; and, third, the challenges with the broadband pilot program.

Our work highlights that FCC needs sufficient and reliable information to make important policy choices for the Lifeline program, both for support of voice service and also the possible support of broadband service.

Our first key finding: FCC has made progress implementing Lifeline reforms, but some reform efforts remain incomplete.

As has been mentioned, in 2012, FCC adopted a reform order that sought to improve internal controls, addressing problems we identified in 2010, and also to evaluate the inclusion of broadband into the program. The order included 11 key reforms, and FCC has fully implemented eight of those reforms, including the National Lifeline Accountability Data base, which companies query to verify an applicant's identity and check whether the applicant already receives Lifeline service.

FCC has ongoing work to implement the three remaining reform efforts.

Our second key finding: FCC has not evaluated the efficiency or effectiveness of the Lifeline program.

FCC officials have told us that the structure of the program has made it difficult to determine a causal connection between the program itself and whether low-income households subscribe to telephone service. However, FCC officials noted that two academic studies have assessed the program.

These studies suggest that many low-income households would choose to subscribe to telephone service in the absence of a Lifeline subsidy. Thus, the Lifeline program as it is currently structured may be an inefficient and costly mechanism to increase telephone subscribership among low-income households.

Our work on program evaluation has shown that it can allow agencies to understand whether the program is addressing the problem it is intended to and also assess the effectiveness of the program. Therefore, we recommended that FCC conduct a program evaluation to determine the extent to which the program is efficiently and effectively reaching its performance goals.

The results of such an evaluation could assist the FCC in making changes to improve both the design and management of the program. FCC agreed and said staff would address our recommendation.

Our third key finding: The lack of an evaluation plan and other challenges may limit the usefulness of the broadband pilot program.

FCC's broadband pilot program included 14 projects that tested an array of options. For example, one project we reviewed offered consumers three different discount levels and four different broadband speeds, thereby testing 12 different program options.

We identified several challenges with the broadband pilot program. First, FCC did not conduct a needs assessment or implementation and evaluation plans for the broadband pilot, as we recommended in 2010. Second, FCC officials noted that there was a lack of third-party or FCC oversight of the program, meaning that the pilot projects themselves were largely responsible for administration of the program. Third, the pilot projects experienced lower than anticipated enrollment, and a preliminary finding from the pilot was that service offered at deeply discounted or free monthly rates had high participation rates.

To conclude, FCC needs sufficient and reliable information to make important policy choices for the Lifeline program. To help accomplish this, we recommended that FCC conduct a program evaluation, and FCC agreed with that recommendation. This information will allow FCC to make sure that low-income households have access to the valuable services they need while minimizing the burden on households and businesses that support the program.

Chairman Wicker, Ranking Member Schatz, and members of the Subcommittee, this completes my prepared statement. I would be pleased to respond to any questions you may have at this time. Thank you.

[The prepared statement of Mr. Clements follows:]

PREPARED STATEMENT OF MICHAEL CLEMENTS, ACTING DIRECTOR, PHYSICAL INFRASTRUCTURE ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Telecommunications

FCC Should Evaluate the Efficiency and Effectiveness of the Lifeline Program

Chairman Wicker, Ranking Member Schatz, and Members of the Subcommittee:

I am pleased to be here today as you discuss the Federal Communications Commission's (FCC) efforts to promote telephone subscribership among low-income households. Through the Lifeline program, companies provide discounts to eligible low-income households for telephone service. The Lifeline program supports these companies through the Universal Service Fund, which is funded through mandatory fees that are usually passed along to consumers through a charge applied to their monthly telephone bills. The Lifeline program was created in the mid-1980s and has traditionally centered on wireline residential telephone service. However, FCC actions in 2005 and 2008 paved the way for prepaid wireless companies to begin offering Lifeline service in 2008; at the time, FCC did not quantify or estimate the potential increases in participation from its decision. Subsequently, Lifeline experienced rapid growth in participation and disbursements. In particular, from mid-2008 to mid-2012, Lifeline enrollment increased from 6.8 million households to 18.1 million households and annual disbursements increased from $820 million in 2008 to $2.2 billion in 2012, a 167 percent increase. In 2010, we found that the Lifeline program lacked some features of internal controls, such as the ability to detect duplicate benefits across companies.[1] We recommended that FCC take actions to improve management and oversight, including conducting a robust risk assessment and implementing a systematic process for considering the results of company audits; FCC agreed with our recommendations.

To comprehensively reform and modernize the program, among other things, FCC adopted a Reform Order in January 2012 that sought to improve the program's internal controls and included a pilot program to evaluate the inclusion of broadband into the program (see Table 1 for the Order's key reforms).[2] For example, to reduce the number of ineligible consumers in the program, the Order adopted measures to check consumers' initial and ongoing eligibility for Lifeline. After FCC began implementing the Order in mid-2012, Lifeline participation declined to 12.4 million households by the end of 2014, while disbursements declined to approximately $1.7 billion in 2014.

Table 1.—Key Reforms Contained in the Federal Communications Commission (FCC) Lifeline Reform Order (2012)

Lifeline reform	Description
One-per-household rule	The Order limits Lifeline to a single subscription per household.
Elimination of Link-Up support on non-Tribal lands and phase out support for toll limitation service	The Link Up program was originally designed to offset the activation charges wireline providers charged to install telephone service; the Order eliminated Link Up on non-Tribal lands. In addition, subsidies for toll limitation service, which allowed consumers to block or restrict long-distance telephone service, were phased out and eliminated beginning January 2014.
Uniform eligibility criteria	Requires all states to use, at a minimum, eligibility criteria including (1) household income at or below 135 percent of the Federal poverty guidelines or (2) participation in at least one of the following: Supplemental Nutrition Assistance Program, Medicaid, Supplemental Security Income, Temporary Assistance for Needy Families, National School Lunch Program's free lunch program, Low-Income Home Energy Assistance Program, and Federal Public Housing Assistance or Section 8. Households residing on Tribal lands may be eligible through additional programs.
Non usage requirements	Lifeline providers delivering service without a monthly bill must notify and de-enroll subscribers that do not use the service after a specified period of time—60 consecutive days of nonuse and a 30-day notice period.
Payments based upon actual support claims	Lifeline providers receive payment based on actual support claims. Before this, payments were based on projections that were "trued up" against actual claims.

[1] *Telecommunications: Improved Management Can Enhance FCC Decision Making for the Universal Service Fund Low-Income Program,* GAO–11–11 (Washington, D.C.: Oct. 28, 2010).

[2] See *Lifeline and Link Up Reform and Modernization, Report and Order and Further Notice of Proposed Rulemaking,* 27 FCC Rcd. 6656 (2012). See also 47 C.F.R. §§ 54.400–54.422.

Table 1.—Key Reforms Contained in the Federal Communications Commission (FCC) Lifeline Reform Order (2012)—Continued

Lifeline reform	Description
Independent and first year audit requirements	In addition to audits that were previously ongoing, Lifeline providers that receive more than $5 million in annual support are required to hire independent auditors to conduct an audit of their compliance with the Lifeline rules on a biennial basis. In addition, all new Lifeline providers are audited by the program administrator—the Universal Service Administrative Company (USAC)—within their first year of service.
National Lifeline Accountability Database (NLAD)	Lifeline providers are required to query NLAD at enrollment to verify an applicant's identity and to verify the individual is not already receiving Lifeline services. NLAD also checks applicants' addresses against U.S. Postal Service software in part to ensure compliance with the one-per-household requirement.
Broadband pilot program	The Order called for a pilot program to gather data on whether and how Lifeline could be structured to promote broadband and called on FCC to select, fund, and gather data from pilot projects offering broadband to Lifeline-eligible consumers. FCC selected 14 pilot projects that completed offering subsidized service at the end of October 2014. In May 2015, FCC published the results of these projects.
Flat-rate reimbursement	The Order implemented an interim $9.25 flat rate reimbursement on non-Tribal lands. Previously, Lifeline had a tiered structure of support, with average monthly non-Tribal support ranging from $4.25 to $10.00 per subscriber in September 2011.
Initial eligibility verification and annual recertification procedures	Effective June 2012, Lifeline providers must verify an applicant's eligibility at enrollment and annually through recertification. In addition, to reduce the burden on consumers and providers, the Order directed FCC and USAC to establish an automated means for determining eligibility.
Performance goals and measures	The Order specified three performance goals: (1) to ensure the availability of voice service for low-income Americans, (2) to ensure the availability of broadband for low-income Americans, and (3) to minimize the Universal Service Fund contribution burden on consumers and businesses. The Order directed FCC to define performance measures to evaluate progress made towards these goals.

Source: GAO summary of FCC Order.

My remarks today highlight key findings from our recently issued report, Telecommunications: FCC Should Evaluate the Efficiency and Effectiveness of the Lifeline Program.[3] I will discuss: (1) the status of FCC's Lifeline reform efforts, (2) the extent to which FCC has evaluated the effectiveness of the program, and (3) how FCC plans to evaluate the broadband pilot program and the extent to which the pilot program will enable FCC to decide whether and how to include broadband in the Lifeline program. For our report, we reviewed FCC orders and other relevant information; analyzed 2008–2012 Census Bureau data to estimate trends in the number of households that would satisfy the Federal Lifeline criteria; and interviewed FCC officials, officials at four broadband pilot projects selected based on features such as technology, and officials from 12 Lifeline providers and four states that were selected based on factors such as disbursements and participation. We also reviewed two academic studies that examined the effect of the Lifeline program. More detailed information on our objectives, scope, and methodology can be found in the issued report. We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

FCC Has Made Progress Implementing Lifeline Reforms, but Some Reform Efforts Remain Incomplete

Our March 2015 report found that FCC has made progress implementing reform efforts contained in the Order.[4] In particular, FCC has implemented eight reforms, including the one-subscription-per-household rule, uniform eligibility criteria, non-

[3] GAO–15–335 (Washington, D.C.: Mar. 24, 2015).

[4] We did not evaluate the effectiveness of these reform efforts. GAO has ongoing work assessing the internal controls of the Lifeline program. Results from this work will be available in fall 2015.

usage requirements, payments based on actual claims, and the audit requirements. Furthermore, FCC eliminated Link-up on non-Tribal lands and support for toll limitation service, and the National Lifeline Accountability Database (NLAD) is operational in 46 states and the District of Columbia. In May 2015, FCC reported the results of the broadband pilot program.[5] However, FCC has not fully implemented three reform efforts:

- Flat-rate reimbursement: To simplify administration of the Lifeline program, FCC established a uniform, interim flat rate of $9.25 per month for non-Tribal subscribers. FCC sought comment on the interim rate, but has not issued a final rule with a permanent reimbursement rate.
- Initial eligibility verification and annual recertification procedures: To reduce the number of ineligible consumers receiving program benefits, the Order required that Lifeline providers verify an applicant's eligibility at enrollment and annually through recertification; these requirements have gone into effect. In addition, to reduce the burden on consumers and Lifeline providers, the Order called for an automated means for determining Lifeline eligibility by the end of 2013. FCC has not met this time-frame or revised any timeframes for how or when this automated means would be available.
- Performance goals and measures: FCC established three outcome-based goals: (1) to ensure the availability of voice service for low-income Americans, (2) to ensure the availability of broadband for low-income Americans, and (3) to minimize the Universal Service Fund contribution burden on consumers and businesses. FCC identified performance measures it will use to evaluate progress towards these goals, but it has not yet fully defined these measures. FCC officials noted they are working on defining them using the Census Bureau's American Community Survey data, which were made available in late 2014.

FCC Has not Evaluated the Extent to which Lifeline is Efficiently and Effectively Reaching its Performance Goals

In our March 2015 report, we found that FCC has not evaluated the effectiveness of the Lifeline program, which could hinder its ability to efficiently achieve program goals. Once adopted, performance measures can help FCC track the Lifeline Program's progress toward its goals. However, performance measures alone will not fully explain the contribution of the Lifeline program toward reaching program goals, because performance measurement does not assess what would have occurred in the absence of the program. According to FCC, Lifeline has been instrumental in narrowing the penetration gap (the percentage of households with telephone service) between low-income and non-low-income households. In particular, FCC noted that since the inception of Lifeline, the gap between telephone penetration rates for low-income and non-low-income households has narrowed from about 12 percent in 1984 to 4 percent in 2011. Although FCC attributes the penetration rate improvement to Lifeline, several factors could play a role. For example, changes to income levels and prices have increased the affordability of telephone service, and technological improvements, such as mobility of service, have increased the value of telephone service to households.

FCC officials stated that the structure of the program has made it difficult for the commission to determine causal connections between the program and the penetration rate. However, FCC officials noted that two academic studies have assessed the program.[6] These studies suggest that household demand for telephone service—even among low-income households—is relatively insensitive to changes in the price of the service and household income. This suggests that many low-income households would choose to subscribe to telephone service in the absence of the Lifeline subsidy. For example, one study found that many households would choose to subscribe to telephone service in the absence of the subsidy.[7] As a result, we concluded that the Lifeline program, as currently structured, may be a rather inefficient and costly mechanism to increase telephone subscribership among low-income households, because several households receive the subsidy for every additional household that subscribes to telephone service due to the subsidy. FCC officials said that this view does not take into account the Lifeline program's purpose of making telephone

[5] Federal Communications Commission, Wireline Competition Bureau, *Low-Income Broadband Pilot Program Staff Report,* WC Docket No. 11–42 (May 22, 2015).

[6] Olga Ukhaneva, "Universal Service in a Wireless World" (Paper presented at The 42nd Research Conference on Communication, Information and Internet Policy, Washington, D.C., September 2014). Daniel A. Ackerberg, David R. DeRemer, Michael H. Riordan, Gregory L. Rosston, and Bradley S. Wimmer, *Estimating the Impact of Low-Income Universal Service Programs,* Center for Economic Studies, CES–13–33 (2013).

[7] Olga Ukhaneva, "Universal Service in a Wireless World" (2013).

service affordable for low-income households. However, in the Order, the commission did not adopt affordability as one of the program's performance goals; rather, it adopted availability of voice service for low-income Americans, measured by the penetration rate.[8]

These research findings raise questions about the design of Lifeline and FCC's actions to expand the pool of eligible households. We estimated approximately 40 million households were eligible for Lifeline in 2012.[9] The Order established minimum Lifeline eligibility, including households with incomes at or below 135 percent of the Federal poverty guidelines, which expanded eligibility in some states that had more limited eligibility criteria. Further, FCC proposed adding qualifying programs, such as the Special Supplemental Nutrition Program of Women, Infants, and Children (WIC) program, and increasing income eligibility to 150 percent of the Federal poverty guidelines. We estimated that over 2 million additional households would have been eligible for Lifeline in 2012 if WIC were included in the list of qualifying programs. These proposed changes would add households with higher income levels than current Lifeline-eligible households. Given that the telephone penetration rate increases with income, making additional households with higher incomes eligible for Lifeline may increase telephone penetration somewhat, but at a high cost, since a majority of these households likely already purchase telephone service. This raises questions about expanding eligibility and the balance between Lifeline's goals of increasing penetration rates while minimizing the burden on consumers and businesses that fund the program.

In our March 2015 report, we recommended that FCC conduct a program evaluation to determine the extent to which the Lifeline program is efficiently and effectively reaching its performance goals of ensuring the availability of voice service for low-income Americans while minimizing program costs. Our prior work on Federal agencies that have used program evaluation for decision making has shown that it can allow agencies to understand whether a program is addressing the problem it is intended to and assess the value or effectiveness of the program. The results of an evaluation could be used to clarify FCC's and others' understanding of how the Lifeline program does or does not address the problem of interest—subscription to telephone service among low-income households—and to assist FCC in making changes to improve program design or management. We believe that without such an evaluation, it will be difficult for FCC to determine whether the Lifeline program is increasing the telephone penetration rate among low-income customers, while minimizing the burden on those that contribute to the Universal Service Fund. FCC agreed that it should evaluate the extent to which the Lifeline program is efficiently and effectively reaching its performance goals and said that it would address our recommendation.

Usefulness of Broadband Pilot Program May Be Limited by FCC's Lack of Evaluation Plan and Other Challenges

In our March 2015 report we also found that FCC's broadband pilot program includes 14 projects that test an array of options and will generate information that FCC intends to use to decide whether and how to incorporate broadband into Lifeline. According to FCC, the pilot projects are expected to provide high-quality data on how the Lifeline program could be structured to promote broadband adoption by low-income households. FCC noted the diversity of the 14 projects, which differed by geography (*e.g.,* urban, rural, Tribal), types of technologies (*e.g.,* fixed and mobile), and discount amounts. FCC selected projects that were designed as field experiments and offered randomized variation to consumers. For example, one project we reviewed offered customers three different discount levels and a choice of four different broadband speeds, thereby testing 12 different program options. FCC officials said they aimed to test and reveal "causal effects" of variables. FCC officials said this approach would, for example, test how effective a $20 monthly subsidy was relative to a $10 subsidy, which would help FCC evaluate the relative costs and benefits of different subsidy amounts. However, FCC officials noted that there was a lack of FCC or third party oversight of the program, meaning that pilot projects themselves were largely responsible for administration of the program.

We found that FCC did not conduct a needs assessment or develop implementation and evaluation plans for the broadband pilot program, as we had previously

[8] FCC officials noted that voice service is only available to low-income consumers to the extent it is affordable. In the Order, FCC found that affordability is a component of the goal of ensuring the availability of voice service. See ¶ 28 of Order.

[9] We estimated the number of Lifeline-eligible households using Census Bureau data. The Census data approximate, but do not completely align with, Lifeline eligibility. For example, the Census data do not reflect state Lifeline eligibility that extends beyond the FCC minimum requirements or qualifying programs specific to Tribal areas.

recommended in October 2010. At that time, we recommended that if FCC conducted a broadband pilot program, it should conduct a needs assessment and develop implementation and evaluation plans, which we noted are critical elements for the proper development of pilot programs.[10] We noted that a needs assessment could provide information on the telecommunications needs of low-income households and the most cost-effective means to meet those needs. Although FCC did not publish a needs assessment, FCC officials said they consulted with stakeholders and reviewed research on low-income broadband adoption when designing the program. Well-developed plans for implementing and evaluating pilot programs include key features such as clear and measurable objectives, clearly articulated methodology, benchmarks to assess success, and detailed evaluation time frames. FCC officials said they did not set out with an evaluation plan because they did not want to prejudge the results by setting benchmark targets ahead of time. FCC officials said they are optimistic that the information gathered from the pilot projects will enable FCC to make recommendations regarding how broadband could be incorporated into Lifeline.[11] FCC officials noted that the pilot program is one of many factors it will consider when deciding whether and how to incorporate broadband into Lifeline, and to the extent the pilot program had flaws, those flaws will be taken into consideration. Since our report was issued, FCC released a report on the broadband pilot program, which discusses data collected from the 14 projects.

We also found that the broadband pilot projects experienced challenges, such as lower-than-anticipated enrollment. The pilot projects enrolled approximately 12 percent of the 74,000 low-income consumers that FCC indicated would receive broadband through the pilot projects. According to FCC's May 2015 report, 8,634 consumers received service for any period of time during the pilot. FCC officials said that the 74,000 consumers was an estimate and was not a reliable number and should not be interpreted as a program goal. FCC officials said they calculated this figure by adding together the enrollment estimates provided by projects, which varied in their methodologies. For example, some projects estimated serving all eligible consumers, while others predicted that only a fraction of those eligible would enroll. FCC officials told us they do not view the pilot's low enrollment as a problem, as the program sought variation. Due to the low enrollment in the pilot program, a small fraction of the total money FCC authorized for the program was spent. Specifically, FCC officials reported that about $1.7 million of the $13.8 million authorized was disbursed to projects.

FCC and pilot project officials we spoke to noted that a preliminary finding from the pilot was that service offered at deeply discounted or free monthly rates had high participation.[12] FCC officials and representatives from the four pilot projects we interviewed noted that broadband offered at no or the lowest cost per month resulted in the highest participation. For example, we found one project that offered service at no monthly cost to the consumer reported 100 percent of its 709 enrollees were enrolled in plans with no monthly cost as of October 2013, with no customers enrolled in its plans with a $20 monthly fee. This information raises questions about the feasibility of including broadband service in the Lifeline program, since on a nationwide scale, offering broadband service at no monthly cost would require significant resources and may conflict with FCC's goal to minimize the contribution burden.

Chairman Wicker, Ranking Member Schatz, and Members of the Subcommittee, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

Senator WICKER. Thank you, sir. We appreciate your testimony. Mr. Bergman?

STATEMENT OF SCOTT BERGMANN, VICE PRESIDENT, REGULATORY AFFAIRS, CTIA—THE WIRELESS ASSOCIATION®

Mr. BERGMANN. Chairman Wicker, Ranking Member Schatz, and members of the Subcommittee, on behalf of CTIA, thank you for

[10] GAO–11–11.

[11] Under the Administrative Procedure Act, the law that governs agency rulemakings, FCC must give notice and seek public comment on any proposed regulations prior to their enactment through a Notice of Proposed Rulemaking. See 5 U.S.C. § 553. FCC officials noted that the commission may draw on many sources of information in crafting its final rule, such as outside studies.

[12] In its May 2015 report, FCC noted that the cost to consumers affects their adoption choice.

the opportunity to speak about the important role of mobile wireless services in the Federal Lifeline program.

Thirty years after its creation, Lifeline continues to advance the goal of ensuring that every American has access to telecommunication services that enable public safety, health care, educational, occupational, and other important communications.

CTIA appreciates the opportunity to work with the Subcommittee, the FCC, and interested parties to ensure that Lifeline is efficient and fiscally responsible while continually evolving to connect all Americans to essential communication services.

Increasingly, consumers and particularly low-income consumers view wireless as their primary means of communications, and Lifeline has evolved to reflect that reality. The CDC's most recent data show that 44 percent of all households are now wireless-only. Low-income households are significantly more likely to have cut the cord.

Recognizing this trend, the FCC established a framework to enable wireless participation in Lifeline in 2005, and today the majority of Lifeline subscribers have chosen mobile wireless. They use wireless Lifeline services to communicate with 911 and medical professionals, seek job and learning opportunities, and access critical government services.

Robust competition from the wireless industry has increased the effectiveness of the program, enabling greater participation by eligible consumers and offering more services without increasing the subsidy amount.

The wireless industry is also the largest funder of Federal universal service programs. Wireless carriers and their consumers currently pay 44 percent of the USF contribution burden. So CTIA's members have a significant interest in ensuring that all universal service programs are fiscally responsible and managed efficiently.

For this reason, CTIA advocated for Lifeline reforms that deter waste, fraud, and abuse. We supported the FCC's efforts to enact new and much needed Lifeline accountability measures in 2012, and we supported the development of a duplicates database to ensure that no one double dips from Lifeline. The National Lifeline Accountability Data base has been an important and successful tool in combating misuse of Lifeline.

The FCC announced last week that the database and a dozen other reforms adopted in 2012 have reduced Lifeline spending by nearly 24 percent. Yet more can be done.

The role of carriers today in determining Lifeline eligibility is unique among Federal low-income programs. So, as part of the 2012 reforms, the FCC committed to develop an automated means of determining Lifeline eligibility. An automated approach could reduce fraud and abuse, lower barriers to carrier participation, and permit opportunities for coordinated enrollment and automatic de-enrollment.

Last week, the FCC announced a proceeding to consider changes to Lifeline, including whether Lifeline should be expanded to support broadband access. CTIA and our member companies are committed to this evolution, consistent with Congress's directive in section 254 of the Communications Act to provide an evolving level of service.

As the FCC and this subcommittee examine opportunities for expanding Lifeline to broadband, there are a number of important considerations that must be weighed, and let me highlight three.

First, we urge the FCC to ensure that any Lifeline reforms reflect consumers' clear preference for mobile services to meet their voice and broadband communications needs.

In addition, the FCC must also carefully balance appropriate subsidy levels so that it can meet its objectives while minimizing burdens on consumers who fund the Federal Universal Service Fund.

And, finally, we are encouraged that the FCC will also evaluate transitioning decisions about consumer eligibility into the hands of appropriate government agencies.

Over the nearly three decades since its creation, Lifeline has served an important purpose. It should evolve to meet the communications needs of the 21st century. CTIA believes this objective can be achieved in a way that both recognizes low-income Americans' reliance on mobile wireless services and ensures the fiscal integrity of the program.

Thank you for the opportunity to testify today, and I look forward to your questions.

[The prepared statement of Mr. Bergmann follows:]

PREPARED STATEMENT OF SCOTT BERGMANN, VICE PRESIDENT OF REGULATORY AFFAIRS, CTIA—THE WIRELESS ASSOCIATION®

Chairman Wicker, Ranking Member Schatz, and members of the Subcommittee, on behalf of CTIA—The Wireless Association® ("CTIA"), thank you for the opportunity to speak with you today on the subject of the Federal Universal Service Fund's (USF) Lifeline program.

Throughout its history, the Lifeline program has helped advance the goal of ensuring that every American has access to telecommunications services that enable public safety, health care, educational, occupational, and other important communications for low-income consumers. The wireless industry plays an increasingly important role in furthering that objective. CTIA looks forward to working with the Subcommittee, the Federal Communications Commission ("Commission" or "FCC"), and other industry stakeholders to ensure that the FCC's Lifeline program is run in an efficient, responsible manner that fulfills the mission of connecting all Americans to essential communications services.

Today, my testimony will focus on three areas. First, I will discuss how wireless has become the communications platform of choice for consumers, including the low-income, people with disabilities, older adult, and minority communities. Second, I will provide a brief history of the Lifeline program and demonstrate that wireless has brought competition and efficiency to the Lifeline program. Third and finally, I will offer CTIA's views on additional steps the FCC should consider to further improve administration of the Lifeline program and meet the evolving needs of low-income consumers.

Wireless is the 21st Century Communications Platform of Choice

As the Subcommittee is aware, consumers increasingly view wireless as their primary means of communications, particularly for low-income and diverse, underserved communities. Year-over-year, the Center for Disease Control reports indicate that the number of households relying exclusively on a wireless connection for voice services is increasing, up to 44 percent of U.S. households by July 2014. (CDC Wireless Substitution: Early Release Estimates from the National Health Interview Survey, January–June 2014, released December 2014). Indeed, the CDC report demonstrates that low-income consumers are significantly more likely to reside in wireless-only households than other consumers, with over 59 percent of adults living in poverty relying exclusively on wireless services.

The findings of the Pew Internet & American Life Project illustrate the importance of mobile wireless services to low income consumers. Pew found that approximately 60 percent of Americans with incomes less than $30,000 per year use wire-

less for occupational or health reasons compared to 30 percent of Americans earning more than $75,000 per year. That is, low-income consumers are roughly twice as likely to use mobile wireless services for work and health reasons as their more affluent counterparts.

A growing number of consumers are also using their wireless service as their on-ramp to the Internet. According to the Pew Internet & American Life Project, 13 percent of Americans with incomes of less than $30,000 per year are "totally smartphone dependent," while another 24 percent of low-income consumers report that they primarily rely on the smartphone for Internet access and have limited options other than their cell phones for getting online. An additional 19 percent of low income Americans report using smartphones to access the Internet but have no Internet access at home.

In particular, wireless empowers people with disabilities, older adults, and underserved communities. Specifically, some reports suggest that more than 84 percent of people with disabilities own a wireless device. (Wireless Technology Use and Disability: Results from a National Survey, Wireless RERC, released 2013). In addition, 77 percent of older adults have a cell phone, up from 69 percent in April 2012. (Pew Internet Research Report, Older Adults and Technology Use, April 3, 2014). Importantly, African American and Latino/Hispanic consumers are significantly more likely to rely exclusively on wireless broadband, according to recent data from Pew.

Wireless and the Lifeline Program

The Evolution of the Lifeline Program

The Lifeline program was created by the FCC in 1985 to ensure that any increase in local rates that occurred following the break-up of the Bell System would not put phone service out of reach for low-income households. The FCC was concerned that changes in the long distance industry structure could force low-income consumers to drop voice service, which, the FCC found, "had become crucial to full participation in our society and economy."

That notion—that access to telecommunications service is essential to full participation in our economy—led Congress to enact Section 254 of the Act as part of the Telecommunications Act of 1996, which includes specific universal service principles to ensure that low-income consumers have access to telecommunications service. The 1996 amendments also directed the FCC to consider "such other principles as the Joint Board and the Commission determine are necessary and appropriate." Upon the recommendation of the Federal-State Joint Board, the Commission adopted rules that universal service support mechanisms should be "competitively neutral" and "not unfairly advantage one provider, nor favor one technology." The Commission also endorsed the Joint Board's recommendation that "all eligible telecommunications carriers, not just ILECs, should be able to receive support for serving qualifying low-income consumers."

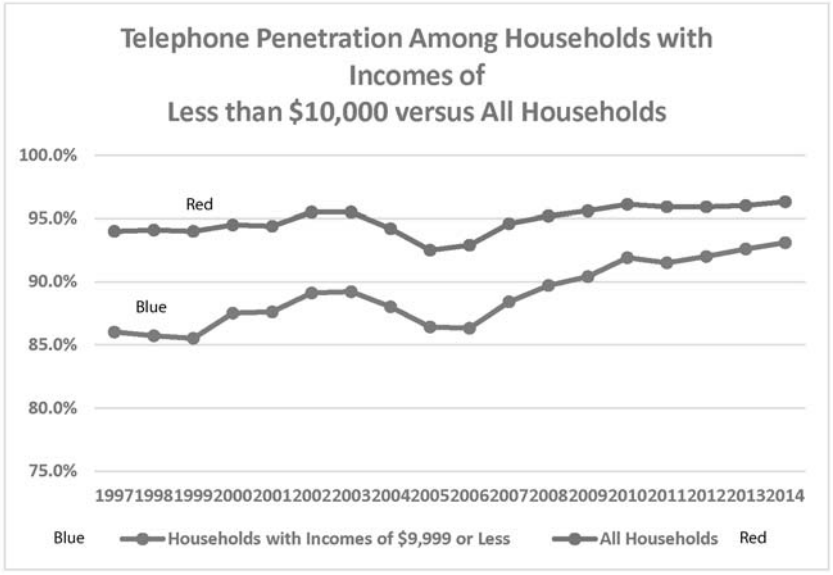
In 2005, the Commission established a framework to enable wireless participation in the Federal USF program. First, the FCC permitted wireless providers serving rural areas to be designated as "eligible telecommunications carriers," or "ETCs," making them eligible for support from the high-cost fund and enabling consumers in rural areas to access mobile wireless services. Designation of wireless providers as ETCs was conditioned on the offering of Lifeline services to qualified low-income consumers. Second, in response to the unique challenges posed by Hurricane Katrina, the FCC further modernized the Lifeline program by granting relief from the statutory requirement that a carrier designated as an ETC for purposes of Federal universal service support provide service over its own facilities. The Commission concluded that the requirement that a Lifeline provider be facilities-based would impede greater provision of Lifeline services and that forbearance from the facilities requirement would promote competitive market conditions.

In the decade since Hurricane Katrina, the FCC's reforms to the Lifeline program have enabled wireless providers to bring competitive telecommunications services to millions of low-income consumers. Nearly three decades after its creation, and through an evolution shaped by Congress and FCC leaders from both parties, Lifeline has been a critical component in the effort to expand telephone subscribership among low-income consumers. As the NAACP has explained to Congress, without the wireless services made available through the Lifeline program "our most vulnerable populations would not have the ability to call 911, contact prospective and current employers, connect with health, social, and educational services, or keep in touch with family and friends." (Letter from NAACP *et al.* to Chairman Walden and Ranking Member Eshoo, Apr. 23, 2013)

The Lifeline Program Enables Opportunity

Today, Lifeline enables more than 12 million low-income consumers to communicate with 9–1–1 and medical professionals, seek educational and occupational opportunities, and access critical government services. The impact of the Lifeline program has been especially dramatic with respect to households with incomes of less than $10,000. Telephone penetration for those lowest income households increased from 80 percent in 1984 to 93.1 percent in 2014. And the gap in telephone subscribership between low-income households and all households shrank from more than 11 percent to less than 4 percent.

In particular, since 2005, when the FCC first started permitting wireless carriers to receive Lifeline funds, the gap has nearly halved, from 6.3 percent to 3.2 percent. To put this in perspective, for every 1 percent increase in telephone penetration, approximately 1.2 million households gain access. These low-income consumers realize the value and opportunity to reach critical services and communicate with family and care givers that wireless offers through Lifeline support.



Source: FCC Monitoring Reports

Wireless Brings Competition and Efficiency to the Lifeline Program

In the decade since wireless entered the Federal Lifeline program, competition among wireless ETCs has more than quadrupled available voice minutes from about 60 to 250 and more, including added text messages and other services, such as roaming, while the subsidy amount has remained steady at $9.25 since 2011. In other words, wireless competition has greatly increased the efficiency of the Lifeline program by offering more services to low-income consumers without increasing the subsidy amount.

It may be helpful to clarify that the current Lifeline program only supports voice *services,* not devices. Thus, the Lifeline program does not fund "free cell phones." Nor are smartphones and tablets supported through the Lifeline program. The truth is that some wireless providers offer a basic feature phone at low-or no-cost simply to enable the low-income consumer to access Lifeline-eligible voice services. Lifeline-eligible consumers can choose from a very limited selection of provider-offered phones. For example, Sprint's Assurance® Wireless affiliate offers a single wireless handset—the Kyocera Jax—for use by Lifeline customers and TracFone's Safelink Wireless® provides only two handset options with its Lifeline offering. Commenters can argue whether the existing Lifeline subsidy offers *too little* or *too much,* but wireless competition in the Lifeline program has efficiently and effectively brought innovative products and affordable services to low-income consumers.

The FCC's Reforms to Lifeline Are Successful, but Unfinished

CTIA's member companies have a significant interest in ensuring that the full range of universal service programs are administered in a responsible manner that prevents waste, fraud, and abuse. Contributions from wireless carriers and their consumers currently make up 44 percent of the overall Federal USF. CTIA has long advocated for reforms to the USF that deter waste, fraud, and abuse to minimize the impact on wireless consumers who support these contributions. CTIA and its members share the view of the Government Accountability Office (GAO), expressed in its recent report, that the FCC has made progress in reforming the Lifeline program to improve its benefits and reduce waste, fraud, and abuse, but also believe there is more work to be done.

Specifically, we supported the FCC in its efforts to enact new Lifeline accountability measures in 2011 and 2012. In particular, CTIA called for and supported the adoption of a "duplicates" database, the National Lifeline Accountability Database ("NLAD"), to address the issue of consumers seeking more than one Lifeline benefit from multiple providers. The NLAD launched for all states in March 2014 and has already demonstrated great success, largely eliminating the problem of consumers receiving multiple Lifeline benefits. The database is a comprehensive list of all Lifeline customers against which a carrier must run a check to make sure they are not signing up a customer who is already receiving the Lifeline benefit. CTIA's position has and always will be that no consumer should "double dip" from the Lifeline program, and the NLAD has been a critical tool in combating misuse of Lifeline funds by consumers.

The Commission also adopted additional reform measures—as described by the GAO in its recent report—which included rules eliminating Lifeline support for more than one connection per household, standards for determining Lifeline eligibility, requirements for ETCs to review Lifeline subscribers' eligibility (something carriers previously were prohibited from doing), a monthly minimum usage requirement that is intended to ensure that support is awarded only in instances that will actually benefit low-income consumers, a requirement that providers annually recertify the eligibility of their Lifeline subscribers, and rigorous audit requirements. The FCC also eliminated subsidies that had been questioned, including toll limitation support and Link-Up support outside of tribal areas. The FCC announced last week that these reforms have reduced Lifeline spending by nearly 24 percent.

Yet, more work is necessary. In the 2012 Lifeline Reform Order, the Commission directed "the Bureau and USAC to take all necessary actions so that, as soon as possible and no later than the end of 2013, there will be an automated means to determine Lifeline eligibility for, at a minimum, the three most common programs through which consumers qualify for Lifeline." Unfortunately, these efforts have not moved as quickly as with the NLAD. CTIA continues to strongly support the development of an automated mechanism for determining eligibility, which we believe will be the most effective way to improve administration of the program. It is important that the Commission complete its work to create and operationalize an automated eligibility mechanism as soon as possible to continue to reduce fraud and abuse.

Lifeline for the 21st Century

Federal Universal Service Policy Must Recognize Consumer Preferences for Mobile Wireless

The FCC has announced that it will open a proceeding to consider whether Lifeline can effectively encourage providers to offer broadband service to low-income consumers and CTIA and its member companies are committed to this evolution, consistent with Congress's directive to provide an "evolving level" of services through the USF. As the Commission and this Subcommittee examines opportunities for expanding broadband access for low-income consumers, there are a number of important questions that must be addressed and we welcome the opportunity to highlight some of the central considerations.

First, we urge the Commission to ensure any reforms reflect consumers' clear preference for wireless services to meet their voice and data communications needs. As the data on low-income adoption of mobile services described above demonstrates, it is clear that mobile wireless broadband will be integral to developing solutions targeted for low-income consumers. The FCC's reforms must not exclude—intentionally or unintentionally—wireless solutions and should encourage greater wireless participation in the program to meet the needs of low-income Americans.

At the same time, the Commission must carefully balance appropriate subsidy levels and funding requirements to minimize burdens on consumers who fund Federal universal service programs. Given that wireless consumers contribute 44 per-

cent of the overall Federal USF, CTIA has a strong interest in ensuring that consumers are not subject to an unreasonable contribution burden. As the Commission and the Subcommittee consider potential increases to the size and scope of programs supported by USF, Congress should continue to evaluate how all of the universal service programs are funded and whether it may be more appropriate to support programs of general benefit to the public out of general revenue funds.

Similarly, the role of carriers in determining eligibility in the Lifeline program is unique across Federal low-income support programs. As the FCC considers reform, we are encouraged that the FCC will evaluate transitioning eligibility decisions into the hands of appropriate government agencies. Such an approach could reduce the current significant regulatory burdens and risks for providers interested in participating in the program, and permit opportunities for coordinated enrollment and automatic de-enrollment when participants are no longer eligible to participate in the program.

We look forward to working with this Subcommittee and the FCC as it seeks to evolve this critical program in a manner that is fiscally responsible as well as responsive to Americans' reliance on mobile solutions.

Barriers to the Lifeline Program are Barriers to Communication

Notwithstanding the Commission's recent reforms, questions have also been raised about additional proposals that may inadvertently act as barriers to low income access to basic communications services. For example, some have suggested that the FCC impose a mandatory minimum charge on Lifeline subscribers. CTIA remains concerned that such approach may have a significantly adverse impact on participation in the Lifeline program. While a minimum charge of $5.00 per month may seem modest to some, it may represent a significant financial burden for those who fall within the income threshold for Lifeline eligibility. For those subscribers who do not have a bank account or credit of any sort, as is the case for a significant number of Lifeline subscribers, the logistics of simply making a co-payment may be an even more formidable challenge. For carriers to accept a co-payment, arrangements will have to be made with retailers and others to accept payment, increasing the cost of program administration, with the also likely effect that consumers will receive fewer minutes of use. Finally, the FCC's recent report on the Broadband Pilot Projects demonstrates the price sensitivity of low-income consumers with respect to broadband services. Unsurprisingly, increasing the cost of service had an adverse impact on low-income participation.

While CTIA appreciates the interest some have expressed in limiting the size of the Lifeline program through a cap or budget on the total amounts that USAC may distribute, CTIA believes that capping the Lifeline program may be counterproductive to encouraging low-income consumers to adopt essential communications services. A cap or budget on the Lifeline program will inherently exclude—or reduce the benefits for—an undetermined number of the eligible low-income consumers. Because the Lifeline program provides support only to means-tested recipients and serves a purpose more akin to other low-income government programs that aren't subject to caps or budgets, it is reasonable for the Commission to distinguish this program from other Federal USF programs that are appropriately subject to a cap. Moreover, while there was significant growth in the Lifeline program between 2008 and 2011, that growth correlated to increased demand for other social welfare programs during the economic downturn. As the economy has improved and the 2012 reforms have been implemented, the level of funding authorized for support of Lifeline has reduced from a high of $2.18 billion in 2012 to $1.6 billion in 2014. We believe that a properly administered fund can address fund growth while continuing to meet the Lifeline program's core mission.

Over the nearly three decades since its creation, the Lifeline program has served an important purpose by enabling low-income consumers to access essential communications services, justifiably earning bi-partisan support. CTIA appreciates the opportunity to work with the Subcommittee, the Commission, and other interested parties to ensure that low-income Americans continue to have affordable access to increasingly essential communications services of the 21st Century. CTIA believes this objective can be accomplished in a way that both recognizes the important role of wireless for low-income Americans *and* ensures the fiscal integrity of the program, and we look forward to engaging with you to accomplish these objectives.

Thank you for the opportunity to testify today. If CTIA can provide any additional information you would find helpful, please let us know.

Senator WICKER. And thank you very, very much.

Mr. May?

STATEMENT OF RANDOLPH J. MAY, PRESIDENT, THE FREE STATE FOUNDATION

Mr. MAY. Chairman Wicker, Ranking Member Schatz, Ranking Member Nelson, and members of the Committee, thank you for inviting me to testify.

I am President of the Free State Foundation, a free market think tank primarily devoted to focusing its research in the communications law and policy area. I have served as Associate General Counsel of the FCC, and I have been closely involved in the communications policy area for over 35 years.

The principle of promoting universal service has been central to communications policy for many decades, and this is as it should be. The universal service principle supports access to basic communications service for all Americans. And Lifeline is an important means of effectuating the policy of promoting universal service through a safety net mechanism.

Indeed, if Lifeline service is properly formulated and implemented so that it aids low-income persons in an efficient and effective manner, free from fraud and waste, then it should be a cornerstone of the Nation's universal service policy. This is because Lifeline is the most targeted means of providing subsidies to those in need of assistance.

Before turning to my specific reviews, I want to make an often-overlooked point. Many of the existing FCC regulations are unnecessary, and they have the effect of raising the price of access to communications services for all consumers, including low-income persons.

Likewise, the USF surcharge that all consumers pay for all interstate calls currently stands at 17.4 percent. Call it what you will, but the reality is this is a tax that depresses usage for all consumers, including low-income persons.

That said, I support a properly implemented Lifeline program that is further reformed so the program remains viable. Lifeline should be a safety net that operates within boundaries to aid those truly in need, not another Federal entitlement program that evolves in a way so that its subsidies inevitably expand to subsidize those further up the income scale.

This boundary constraint becomes more important as the gap in telephone penetration rates between low-income and non-low-income persons has narrowed over time, because studies show that many households receiving the subsidy would choose to subscribe in the absence of the subsidy.

Regarding near-term reforms, the Commission should take further steps to prevent waste and fraud. I won't take time to address them here, but I do in my written testimony.

As for expanding Lifeline support to include broadband service, the Commission and Congress should proceed with caution. While there is considerable merit to the notion that at some point and in some way broadband service should be supported with Lifeline subsidies, any revamping of the original concept of Lifeline as a safety net for access to basic voice service should be undertaken in a way that doesn't threaten the existing program's sustainability.

The results from the FCC's broadband pilot program demonstrate the challenges inherent in attempting to expand the pro-

gram to include broadband without substantially increasing the total amount of subsidies provided.

GAO reports that the FCC did not conduct a needs assessment or develop implementation and evaluation plans prior to establishing the broadband pilot. A proper needs assessment, along with these plans, should be undertaken before committing to a major revamp of the program that could involve substantial cost.

The realization that expanding the program to include broadband likely will be costly should prompt consideration of significant reforms in the way the current program is structured. For example, ultimately, it probably makes sense to provide a nontransferable, portable voucher that an eligible subsidy recipient can take to any participating service provider. Any provider that accepts a voucher would agree to provide a Commission-defined basic broadband service to voucher recipients at no more than the Commission-defined subsidized rate.

Obviously, it is far easier to describe the concept for a voucher program than it is to formulate the parameters of an efficient and effective program. But a portable voucher structure gives purchasing power directly to low-income individuals, allowing them to participate in the communications marketplace like any other consumer. And it allows the fund to benefit directly from competition among broadband providers.

Moreover, in order to provide more accountability to the Lifeline program, indeed to each of the USF programs, consideration should be given to funding them through the appropriations process rather than through subscriber surcharges.

To conclude, I support continuation of a Lifeline program that provides subsidy support to those truly in need. But in order for the program to remain viable and sustain public support, meaningful reforms aimed at reducing waste, fraud, and abuse should continue to be pursued. And any expansion to include broadband should be pursued cautiously.

Thank you for giving me the opportunity to testify today, and I will be pleased, of course, to answer any of your questions.

[The prepared statement of Mr. May follows:]

PREPARED STATEMENT OF RANDOLPH J. MAY, PRESIDENT,
THE FREE STATE FOUNDATION

Mr. Chairman, Ranking Member Schatz, and Members of the Committee, thank you for inviting me to testify. I am President of The Free State Foundation, a nonprofit, nonpartisan research and educational foundation located in Rockville, Maryland. The Free State Foundation is a free market-oriented think tank that focuses its research primarily in the communications law and policy and administrative law and regulatory practice areas. I have served as Associate General Counsel at the Federal Communications Commission and have been closely involved with communications law and policy for over thirty-five years. I am a past Chair of the American Bar Association's Section of Administrative Law and Regulatory Practice. And I am currently a public member of the Administrative Conference of the United States and a Fellow at the National Academy of Public Administration.

The principle of promoting universal service has been central to Federal and state communications policy for many decades, and this is as it should be. The universal service principle supports access to basic communications service for all Americans. And Lifeline service, the focus of today's hearing, is an important means of effectuating the policy of promoting universal service through a "safety net" mechanism. Indeed, if Lifeline service is properly formulated and implemented, so that it aids low-income persons in an efficient and effective manner, free from fraud and waste, then it should be a cornerstone of the Nation's universal service policy. This is be-

cause Lifeline is the most targeted means of providing subsidies to those truly in need of assistance.

Importantly, keeping all members of society connected, regardless of income, redounds to the benefit of those who can afford to pay as well as those who cannot afford to pay for access to the network. This result is attributable to the "network effects" principle: The larger the number of people a network reaches, the more valuable the network is to each user.

Now I will turn to some of my specific views, having in mind the context of where matters stand today. But, first, from my free market-oriented perspective, I want to make an important, too often overlooked, point. Many of the FCC's existing regulations are unduly burdensome, if not outright unnecessary, and these regulations have the effect of raising the price of access to—and, therefore, decreasing the availability of—communications services for all consumers, including low-income persons. And, in the same vein, the USF surcharge (from an economic perspective, in reality, a "tax") that all consumers pay for all interstate and international calls currently stands at 17.4 percent.[1] This surcharge also has the effect of depressing usage for all consumers, including those at the lower end of the income scale.

That said, as a long-time supporter of a properly formulated and implemented Lifeline subsidy program, I support measures to further reform the program so it remains viable,[2] and so it sustains public support. In my view, Lifeline should be a "safety net" that operates within boundaries to aid those truly in need, not another Federal entitlement program that is structured, or that evolves, in a way so that its subsidies inexorably expand to subsidize those further up the income scale who are not truly in need.[3] From the perspective of sound policy, this "program boundary" constraint becomes more important as the gap in telephone penetration rates between low-income and non-low-income persons narrows. As the March 15, 2015, GAO Report points out, as the penetration rate gap has narrowed over time, studies show that, due to price insensitivity, "many households receiving the Lifeline subsidy would choose to subscribe to telephone service in the absence of the subsidy."[4] Thus, GAO cautions that the Lifeline program, as currently structured, "may be a rather inefficient and costly mechanism to increase telephone subscribership among low-income households. . . ."[5]

Regarding near-term reforms, the Commission should take steps to prevent waste and fraud that go beyond those salutary steps it took in the 2012 *Lifeline Reform Order.*[6] For example, while the FCC's rules require service providers to determine eligibility for Lifeline, they prohibit the carrier from retaining any documentation provided by the consumer to demonstrate eligibility after a determination has been made. The Commission's concern that the privacy of Lifeline subscribers be protected is not unwarranted, but as TracFone and other carriers contend, there should be a means to do this without getting rid of records that might help prevent fraud and abuse.[7] Another reform proposed by TracFone to inhibit fraud and abuse would prohibit in-person distribution to prospective Lifeline customers. While this proposal may not be necessary if the document retention proposal is adopted as a means of discouraging fraud, in light of earlier reports concerning questionable on-street distribution of handsets, it may still warrant consideration if in-person distribution abuses continue.[8] While the 2012 order's requirement for annual recertification was

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[1] FCC Contribution Factor and Quarterly Filings, available at: *https://www.fcc.gov/encyclopedia/contribution-factor-quarterly-filings-universal-service-fund-usf-management-support*

[2] Lifeline and Link Up Reform and Modernization, Report and Order and Further Notice of Proposed Rulemaking (Lifeline Reform Order), 27 FCC Rcd 6656 (2012). I acknowledge that this order, championed by Commissioner Mignon Clyburn, was a positive step in the direction of reform.

[3] For this reason, I do not favor Lifeline eligibility criteria that provide subsidies to those persons whose income places them above the federally-defined poverty level, or at least much above the poverty level.

[4] GAO Report, "FCC Should Evaluate the Efficiency and Effectiveness of the Lifeline Program," March 2015, at 14.

[5] *Id.*

[6] After adoption of the *Lifeline Reform Order,* annual Lifeline disbursements declined from $2.2 billion in 2012 to $1.7 billion in 2014. According to the GAO report, this was due, at least in part, to the reduction in the number of ineligible households receiving support. GAO Report, at 24. The establishment of the National Lifeline Accountability Database (NLAD) played a positive role in achieving this reduction.

[7] See TracFone Supplement to Petition to Require Retention of Program-Based Eligibility Documentation, May 30, 2012, available at: *http://apps.fcc.gov/ecfs/document/view?id=7021920913*

[8] I supported this TracFone proposal in June 2013 in comments filed with the FCC, available at: *http://www.freestatefoundation.org/images/TracFone__Petition__for__Rulemaking__Comments__061713.pdf.* If such a in-person prohibition were adopted, there would not appear to be a need to apply it to in-store distribution from established outlets.

a step in the right direction as a means of weeding out ineligible recipients, the use of some form of Electronic Benefit Transfer card associated with an underlying Lifeline-qualifying program could be considered as a further reform. Without waiting for the annual recertification to come around, such an electronic payment vehicle has the advantage of promptly de-enrolling from Lifeline a cardholder who is de-enrolled from the associated benefits program to which the card is tied.

With regard to expanding Lifeline support to include broadband service, the Commission—and Congress—should proceed with caution. While there is considerable merit to the notion that, at some point and in some way, broadband service should be supported with Lifeline subsidies, any such revamping of the original concept of Lifeline—as a "safety net" for access to basic voice service—should be undertaken in a way that does not threaten the sustainability of the existing program. The results from the FCC's broadband pilot program demonstrate the challenges inherent in attempting to expand the program to include broadband without, at the same time, increasing substantially the total amount of subsidies provided. As the GAO report points out, for one pilot project, with no monthly cost to subscribe, there was 100 percent enrollment. With a $20 monthly fee, there were no enrollees. The GAO report concludes, in understated fashion: "This raises questions about the feasibility of including broadband service in the Lifeline program, since on a nationwide scale, offering broadband service at no monthly cost would require significant resources and may conflict with [the] FCC's goal to minimize the contribution burden."[9] The GAO Report goes on to say: "In addition, representatives from the projects we interviewed noted other challenges, such as difficulties with marketing the program and getting customers to pay their bills."[10]

Another consideration, often overlooked in discussing expansion of Lifeline subsidies to broadband, is that the devices used to access broadband service, whether a laptop, tablet, or smartphone, are, on average, considerably more expensive than the phone handsets typically used to access Lifeline-supported voice services.[11] Support for "access" without the means to acquire the associated devices is meaningless. This is just another factor relating to cost that must be considered in deciding whether Lifeline should be expanded to include broadband.[12]

It is worth noting that GAO reports that "the FCC did not adopt our previous recommendation to conduct a needs assessment or develop implementation and evaluation plans prior to establishing the [pilot broadband] program."[13] While the efficacy of such measures may vary depending on their execution, a proper needs assessment, along with evaluation and implementation plans, is warranted when considering a major revamp of the Lifeline program that could involve a substantial increase in subsidies.

So, realistically, any expansion of the Lifeline program to include broadband, if it is to meet the objectives of its proponents, is likely to be costly. This realization should prompt consideration of significant reforms in the way the current program is structured. I have discussed many of these more fundamental restructuring reforms in the past. For example, ultimately, it probably makes sense to restructure Lifeline to provide a nontransferable portable voucher that an eligible subsidy recipient can take to any participating service provider. Any provider that accepts a voucher for broadband would agree to provide a Commission-defined basic broadband service to voucher recipients at no more than the Commission-defined subsidized rate. Obviously, it is far easier to describe the concept for a voucher program in broad outline than it is to formulate and implement the parameters of such an efficient and effective program. But, as a group of Free State Foundation-affiliated scholars said in a September 2014 Response responding to the House Commerce Committee's #CommActUpdate Universal Service White Paper: "[A] portable

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[9] GAO Report, at 34. As pointed out above, the "contribution burden" surcharge is currently set at a hefty 17.4 percent.

[10] Id. As the Pew Research Center reports consistently have confirmed for years, lack of "digital literacy" and lack of interest are substantial obstacles to expanding access to broadband, more important for many people than the ability to pay or the price of service. Digital literacy programs may be worthwhile, but they certainly are not without costs either.

[11] If Lifeline is expanded to include broadband, wireless services should play a prominent role. Pew reports that those with lower incomes and levels of educational attainment are much more dependent on smartphones for online access than those with higher incomes and levels of educational attainment. See "U. S. Smartphone Use in 2015," April 1, 2015, available at: *http://www.pewinternet.org/2015/04/01/us-smartphone-use-in-2015/*

[12] Another separate factor to consider is this: The FCC has just ratcheted up the definition of what constitutes "broadband" to 25 Mbps from 10 Mbps, a standard which only recently had been adopted. Obviously, providing "broadband" service at higher and higher speeds is more costly. And it is unlikely that proponents of expansion of Lifeline to include broadband will be receptive to providing a level of service the Commission has deemed not to be "broadband."

[13] *Id.*

voucher structure gives purchasing power directly to low-income individuals, allowing them to participate in the telecommunications marketplace like any other consumer. And it allows the fund to benefit directly from competition among broadband providers. To attract recipients and avoid customer defection, providers must compete on price and service as they do in the marketplace generally." [14]

Moreover, in order to provide more accountability to the Lifeline program –indeed, to each of the USF programs—consideration should be given to funding them through the Federal budget and appropriations process rather than through subscriber surcharges. As the Free State Foundation-affiliated scholars said in the September 2014 #CommActUpdate Response, this "would improve the transparency of the program by vesting oversight in Congress," rather than in the "murky, semi-private Universal Service Administrative Company." Funding universal service programs through the appropriations process "would also apply a hard budgetary cap to expenditures established for a definite period of time, requiring the Commission to wring inefficiencies out of the system in order to serve the public within congressional funding restraints." [15]

In summary, I support continuation of a Lifeline program that provides subsidy support to those truly in need. But in order for the program to remain viable and sustain public support, meaningful reforms aimed at reducing waste, fraud, and abuse should continue to be pursued. And, when considering proposals to expand Lifeline to include broadband service, in light of the additional costs likely to be involved, policymakers should proceed cautiously.

Thank you for giving me the opportunity to testify today. I will be pleased to answer any questions.

Senator WICKER. Thank you, Mr. May.

Ms. González?

STATEMENT OF JESSICA J. GONZÁLEZ, EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL, NATIONAL HISPANIC MEDIA COALITION

Ms. GONZÁLEZ. Thank you, Chairman Wicker, Ranking Member Schatz, Ranking Member Nelson, and members of the Committee. Thank you for inviting me to testify.

As a former Lifeline recipient, I know firsthand how effective and life-changing it can be. In 2004, when I was laid off from my teaching job, I was on Lifeline for a short time. With my subscription, I was able to list a reliable phone number on my resume and use my phone to communicate with the law school admissions and financial aid offices that ultimately enabled me to become an attorney.

I can think of no better way of improving Lifeline than by supporting the FCC's process to modernize it for the broadband age. Home broadband access is critical to nearly every facet of modern American life. More than 80 percent of Fortune 500 companies, including huge employers like Walmart and Target, only accept job applications online. In the next decade, nearly 80 percent of jobs will require digital literacy skills. Students with home broadband graduate at higher rates than those without, and small businesses with broadband yield $200,000 more in annual revenues.

Yet, despite the breakneck pace to embrace the benefits of Internet through all sectors of our economy and society, we as a country have not demonstrated a similar sense of urgency when it comes to ensuring that all Americans can access the Internet.

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[14] Response to Questions in the Fifth White Paper, "Universal Service Policy and the Role of the Federal Communications Commission," September 19, 2014, available at: *http://freestatefoundation.org/images/Response__to__Questions__in__the__Fifth__White__Paper__091914.pdf*

[15] *Id.*

Thirty percent of Americans lack home broadband access. The unconnected are more likely to be poor, African-American, Latino, Native American, rural, and/or seniors. For people under 65, the primary reason cited for non-adoption is cost.

The divide touches all parts of American life but is particularly striking in education, rural life, and health care. I have time to address just one now.

As a former public school teacher, I would be remiss not to underscore how the digital divide is creating strikingly unequal provision of public education across this great country. FCC Commissioner Rosenworcel has raised concerns about what she calls the homework gap—that is, that 7 in 10 teachers assign homework that requires broadband, but 1 in 3 households do not subscribe, including 5 million households with U.S. schoolchildren.

Nearly 100 percent of high school students say that their teachers assign homework that requires broadband. Fifty percent have been able to complete it at certain times, and 42 percent say they have received a lower grade because of lack of access.

A close friend of mine is still teaching the fourth grade in Inglewood, California. Inglewood is a low-income neighborhood; the majority of residents of African-American and Latino. Some of her students have come to school with shoes three sizes too big, jackets with holes in them, or, worse, hungry, and they are expected to learn and succeed before their basic needs are met.

And with new state standards, these children, half of whom she estimates do not have broadband at home, will be taking their standardized exams online. The standards direct teachers to integrate tech into lesson plans and homework.

The textbooks, shared one to every two to three students, are teeming with digital learning opportunities, yet she cannot assign online homework or even integrate tech into lessons because her students do not have the right tools.

Simple research projects that should take a couple of days in classes where every student is connected drag on for weeks, as her students wait for their precious 30 minutes per week in the computer lab.

In the beginning of the school year, my friend invited me to speak to her kids, and I was met with a roomful of bright, ambitious, and enthusiastic kids. They have little in the way of material possessions, but they have big dreams and unique ideas about how to give back to this country. It is our job to arm them with the tools to do so.

To balk at this task, to delay isn't just to throw aside the core American value of educational equality; it is giving up on our country's future. Tomorrow is too late. We must act boldly, and we must act now.

Lifeline, the only government initiative that addresses affordability, is well suited for the task. It already provides many with a pathway out of poverty. In fact, over 4.2 million households represented by members of this subcommittee alone currently rely on Lifeline telephone service. An estimated 90 percent of them are without home broadband.

I will be forever grateful for the investment that this country made in my future, and I will fight to give other Americans similar opportunity. Modernizing Lifeline is one fight worth fighting.

Thank you.

[The prepared statement of Ms. González follows:]

PREPARED STATEMENT OF JESSICA J. GONZÁLEZ, EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL, NATIONAL HISPANIC MEDIA COALITION

Chairman Wicker, Ranking Member Schatz, esteemed members of the Subcommittee, thank you for inviting me to testify.[1] Lifeline has tremendous potential to dramatically improve the lives of millions of Americans. This is an exciting moment in history: we have the opportunity to explore important improvements to the program and to modernize it for the digital age. This will provide a pathway out of poverty—a pathway to success—to some of our country's poorest people.

As a former Lifeline recipient, I know firsthand how life-changing it can be. In 2004, after being laid off from my teaching job, I was on Lifeline for a short while. With my Lifeline telephone subscription, I was able to list a reliable phone number on my resume as I searched for jobs and use my phone to communicate with the law school admissions and financial aid offices that ultimately made it possible for me to become an attorney.

Today, Lifeline infrastructure can—and should—be modernized to enable all Americans to participate in our society. As we look forward to the release of the Federal Communications Commission's ("FCC") related notice of proposed rulemaking, and applaud yesterday's introduction of the Lifeline-centric Broadband Adoption Act of 2015, it appears we will have ample opportunity to do more than explore improvements to the program, and hopefully adopt a number of improvements at the FCC within the year.

One of the questions posed in this hearing is how to improve the effectiveness of Lifeline. Lifeline is a program designed to help make modern communications services affordable to low-income families by providing a modest, $9.25 subsidy for households participating in a number of other assistance programs or living below 135 percent poverty. Yet, it has not been modernized to fully support broadband connections. As members of this subcommittee are well aware, broadband Internet access has become an essential service, and it has become increasingly critical in promoting the economy, public health, public safety, and education. I can think of no better way of improving the effectiveness of Lifeline than by supporting the FCC's efforts to modernize it for the broadband age and encouraging the agency to complete the process by the end of this year.

I do not need to elaborate to this subcommittee how critical home broadband access is to nearly every facet of modern American life. The FCC's Broadband Adoption Taskforce has defined the digital divide that exists between those that have broadband and those that do not as an "opportunity divide" that manifests itself in a number of ways.[2] For instance, more than 80 percent of Fortune 500 companies, including huge employers like Wal-Mart and Target, only accept job applications online.[3] In the next decade, nearly 80 percent of jobs will require some digital literacy skills.[4] And students with broadband at home graduate at a higher rate than students who lack such access.[5] Consumers with broadband at home can save up to $7,000 per year on goods and services, and annual revenues of small businesses with broadband access are, on average, $200,000 higher than those without broadband.[6]

Yet, despite the breakneck pace to embrace the efficiencies and benefits of the Internet through all sectors of our economy and society, we, as a country, have not demonstrated a similar sense of urgency when it comes to ensuring that all Americans are able to access the Internet. Many of those that could benefit most from broadband remain unconnected. According to a 2013 Pew Research Center study, 30

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[1] I would like to thank my colleagues, Michael Scurato and Elizabeth Ruiz, for assisting me with the preparation of this testimony.

[2] FCC Broadband Adoption Taskforce, *Broadband Adoption Presentation to FCC Open Meeting,* at slide 4–5 (Nov. 30. 2011), *available at* http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC–311281A1.pdf ("Broadband Adoption Taskforce Presentation").

[3] *Id.* at slide 10.

[4] *Id.* at slide 11.

[5] *Id.* at slide 14.

[6] *Id.* at slide 19.

percent of Americans lack home broadband.[7] These people are more likely to be poor, African American, Latino, Native American, rural and/or seniors.[8] For people under 65, the primary reason cited for non-adoption is cost.[9]

Furthermore, in recent years, broadband adoption has remained stagnant.[10] And, perhaps more troubling, the latest data indicates that broadband adoption actually posted a slight decline among lower-income communities.[11] Those who are unsubscribing from broadband cite cost as their number one reason for disconnecting.[12] Fewer than half of households earning less than $25,000 have broadband at home.[13]

Three instances where the broadband opportunity divide is particularly striking are education, rural life and healthcare.

As a former public school teacher, I would be remiss not to underscore how the digital divide is creating strikingly unequal provision of public education across this great country. In recent years, FCC Commissioner Jessica Rosenworcel has raised serious concerns about what she calls the Homework Gap, which refers to the following phenomenon. Seven in ten teachers assign homework that requires broadband access yet, according FCC data, one in three households do not subscribe to broadband services.[14] Five million households with school-aged children are falling into this gap.[15] A recent survey by the Hispanic Heritage Foundation and the Family Online Safety Institute revealed that nearly 100 percent of high school students say they are required to access the Internet to complete homework assignments outside of school.[16] Nearly 50 percent reported that they have been unable to complete a homework assignment because they did not have access to the Internet or a computer, and 42 percent say they received a lower grade on an assignment because of lack of Internet access.[17] Pew research shows that half of teachers in low-income communities say their students' lack of home broadband access has been a barrier to integrating technology into their lessons.[18]

A very dear friend of mine teaches fourth grade in Inglewood, California, a Los Angeles suburb. Inglewood is a low-income neighborhood and the majority of residents are Latino or African American. My friend tells me how some her students have come to school with shoes three sizes too big, or jackets with holes in them, or worse, hungry. And they are expected to learn and succeed without having their basic needs met. With the new state Common Core standards, these children—nearly half of whom, she estimates, do not have home broadband access—will be taking standardized exams online. The state standards direct teachers to integrate technology into lesson plans and homework. The textbooks—often shared one to every two or three students—are teeming with digital learning opportunities. Yet, she cannot assign online homework or even integrate technology into her lessons because

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[7] Aaron Smith and Kathryn Zickuhr, *Home Broadband 2013: Trends and demographic differences in home broadband adoption,* Pew Research Center (Aug. 26, 2013), available at *http://www.pewinternet.org/2013/08/26/home-broadband-2013/*.

[8] *Id.*

[9] John B. Horrigan, PhD, *Closing Online Access Gaps for Older Adults,* Time Warner Cable Research Program on Digital Communications at 11 (Fall 2014), available at *http://www.twcresearchprogram.com/pdf/TWC%20Horrigan%20Project%20GOAL%20Paper.pdf.*

[10] Dep't of Commerce, Nat'l Telecomm. & Info. Admin., *Exploring the Digital Nation: Embracing the Mobile Internet* at 15 (Oct. 2014), available at *http://www.ntia.doc.gov/files/ntia/publications/exploring__the__digital__nation__embracing__the__mobile__internet__10162014.pdf.* ("In 2012, 75 percent of households reported having Internet at home, representing a 3 percentage-point increase from 2011") ("Digital Nation 2014").

[11] *Id.* at 16 (reporting based on 2012 Census data that 48 percent of households earning less than $25,000 use broadband at home); *Computer and Internet Use in the United States: 2013,* American Community Survey Reports at 3 (Nov. 2014), available at *http://www.census.gov/history/pdf/2013computeruse.pdf* (reporting based on 2013 Census data that 47.2 percent of households earning less than $25,000 have high speed Internet access at home, down from 48 percent in 2012).

[12] Digital Nation 2014 at 30.

[13] *Id.* at 16.

[14] *Remarks of Commissioner Jessica Rosenworcel,* Taking the Pulse of the High School Student Experience in America, Hispanic Heritage Foundation, Washington, DC (April 29, 2015), available at *https://apps.fcc.gov/edocs__public/attachmatch/DOC-333274A1.pdf* ("Remarks of Comr. Rosenworcel").

[15] *Id.*

[16] Hispanic Heritage Foundation and Family Online Safety Institute, *Taking the Pulse of the High School Student Experience in America* (April 28, 2015), available at *http://www.hispanicheritage.org/hispanic-heritage-foundation-mycollegeoptions-family-online-safety-institute-and-other-partners-announce-findings-of-new-study-titled-taking-the-pulse-of-the-high-school-student-experience/*.

[17] *Id.*

[18] Remarks of Comr. Rosenworcel.

she knows that many of her students do not have adequate Internet access, and thus would be on unfair footing.

Her students have access to the school computer lab for 30 minutes a week, and she has only two computer modules in her classroom, both of which are old and in disrepair. She tells me that simple research assignments that would take a day or two in classrooms where 100 percent of students have home broadband access, carry on for weeks and sometimes months. But currently, she spends her time teaching basic computing and Internet navigation skills so her students can be minimally prepared for California's move to online exams.

In the beginning of the school year, my friend invited me to speak with her students and tell them about my journey to becoming an attorney. I was met with a room full of bright, ambitious and enthusiastic kids. I asked them about their dreams, and they told me that they wanted to be veterinarians, fashion designers, teachers and police officers. These kids have so little in the way of material possessions, but they have big ambitions and big desires to give back to our society.

It is our job to arm them with the tools to do so. To balk at this task is not just to throw aside the core American principle of educational equality, it is giving up on our own future as a country—overlooking aspiring talent just because their parents do not have the resources to provide Internet access. Tomorrow is too late. We must act boldly, and we must act now!

Simply put, it is past time that the Federal government took serious steps to address the affordability of broadband for low-income families. After all, affordability is the main barrier to broadband adoption for many segments of the population and it is, by a wide margin, the number one reason that families that have previously adopted broadband cancel their service and fall offline.[19] This is a task for which Lifeline, the only government initiative that directly addresses the affordability barrier to adoption of communications services, is particularly well suited.

For rural communities, the promise of broadband to lower geographic barriers and provide access to an incredible world of new services and resources cannot be overstated. We, as a country, continue to invest significant sums through other Universal Service Fund programs to ensure that every corner of our Nation has access to advanced telecommunications networks. While this important work continues, we would only be completing half the job if we deliver access to communities while failing to address the significant number of rural families who cannot afford to adopt the service once their home is connected. In fact, extensive research has shown broadband adoption, not access, is the primary driver of positive economic outcomes.[20] Researchers analyzed county-level data to compare non-metro areas in terms of broadband availability, adoption and economic growth between 2001 and 2010. They found that rural counties that reached or exceeded a broadband adoption rate of 60 percent or higher experienced higher income growth and less growth in unemployment.[21] Those where household broadband adoption was less than 40 percent exhibited lower growth in number of businesses and total number of jobs. Broadband adoption is the key to prosperity for rural Americans.

Data shows that, for lower-income rural households where broadband is available, affordability is the main barrier to adoption.[22] Lifeline, which exists to directly address affordability of communications services, can help.

Finally, for low-income communities, particularly in rural areas, broadband is becoming increasingly important to improving access to healthcare and driving down costs. The FCC recently told the story of the residents of Ruleville, Mississippi, a rural community with a population of just over 3,000 in which 58 percent of children live in poverty.[23] The town, as the FCC recounted, has one doctor, one hospital, and skyrocketing levels of diabetes, obesity, and unemployment. Despite all of this, the town is at the forefront of the broadband medicine revolution.[24] One of its greatest success stories is its ability to remotely monitor diabetes patients over broadband connections. Not only has this improved the quality of lives of patients, but hospital visits for diabetes-related issues have fallen significantly.[25]

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[19] Digital Nation 2014 at 30.

[20] Econ. Research Serv./USDA, *Broadband Internet's Value for Rural America,* ERR–78 at 15 (Aug. 2009), available at *http://www.ers.usda.gov/media/155154/err78__1__.pdf.*

[21] *Rural economies benefit from broadband,* Nat'l Agric. & Rural Dev. Policy Ctr. (Aug. 5, 2014), available at *http://www.nardep.info/BenefitsBroadband8.html.*

[22] *Rural Broadband At A Glance,* USDA (2013 ed.), available at *http://www.ers.usda.gov/media/1133263/eb-23.pdf.*

[23] P. Michele Ellison, *Just Around the Broadband Bend,* Official FCC Blog (Feb. 23, 2015), available at *https://www.fcc.gov/blog/just-around-broadband-bend.*

[24] *Id.*

[25] *Id.*

This is just one example of how helping low-income people afford broadband could positively impact health outcomes by allowing more individuals to access quality healthcare while helping doctors be more effective and efficient.

While I do not have time to elaborate on how important broadband has become to accessing job opportunities and trainings, providing independence and dignity to seniors living on fixed incomes, and maximizing the efficiency of other government agencies and programs, I will say that addressing the affordability barrier to broadband adoption is a key component of ensuring a whole host of positive outcomes for our country.

Lifeline is not a silver bullet answer to the digital divide, but it has tremendous potential to dramatically change the landscape. We already have Lifeline infrastructure throughout the country that is helping families stay connected with telephone service. And according to comments that TracFone, one of the Nation's largest Lifeline providers, filed with the NTIA several years back, 90 percent of its SafeLink subscribers did not have home broadband access.[26] In other words, we have mechanisms and agents in place to reach the unconnected. The question is whether we will activate them.

Lifeline already provides so many with a pathway out of poverty and a means to contribute to our economy and society. In fact, more than 4.2 million households represented by members of this subcommittee alone currently rely on Lifeline telephone service. Most of them surely need home broadband as well.

I will be forever grateful for the investments that this country made in my future, and I will fight for the rest of my life to give back and make this a better country for everyone in it. Modernizing Lifeline for the digital age is, I believe, one such fight. Thank you. I look forward to your questions.

Senator WICKER. Thank you very much.

Because our schedules are more flexible this morning, Senator Schatz and I will defer our questions. I will yield my 5 minutes at this point to Senator Ayotte, and then Senator Schatz will yield his 5 minutes to Senator Nelson, and we will proceed from there.

Let's stick to the 5-minute timeframe.

Senator Ayotte?

STATEMENT OF HON. KELLY AYOTTE, U.S. SENATOR FROM NEW HAMPSHIRE

Senator AYOTTE. I want to thank the Chairman and Ranking Member and all of you for being here.

Mr. Clements, I wanted to follow up on an issue that I have in my state that is a different issue, and that is that if you look at New Hampshire and some of the challenges we face in terms of universal access and even in more economically challenged areas of my state, they are in rural areas. And, in fact, New Hampshire citizens only receive 37 cents back on the dollar of what they put in overall in the Universal Service Fund.

And yet, as we look at some of the providers that are trying to build out more broadband capacity, meaning on the infrastructure piece of that portion of the Connect America Fund, the Universal Service Fund, as I listen to this challenge, I think to myself, if we are going to extend Lifeline on broadband, what would help my constituents most is if—with a lack of capacity on infrastructure in more rural areas in my state, really the expansion of broadband isn't going to give the access to a big number of constituents that I have, who might be eligible for this program but otherwise the

[26] *Comments of TracFone Wireless, Inc.,* USDA, Rural Util. Serv., Broadband Initiatives Program, RIN: 0572–ZA01, Dep't of Commerce, Nat'l Telecomm. & Info. Admin., Broadband Technology Opportunities Program, RIN: 0660–ZA28, Dkt. No. 0907141137–05 at 5 (Nov. 30, 2009), available at *http://www.ntia.doc.gov/files/ntia/broadbandgrants/comments/rfi2/TracFone%20-%20Comments%20to%20NTIA%20and%20RUS%20sent%2011-30-09.2.pdf.*

just basic infrastructure isn't there because they live in rural America.

So, as we look at potentially the FCC considers expanding this into broadband, how do my constituents deal with that challenge? Because you can expand it all you want, but if you don't have the infrastructure in rural America, you are not going to have an ability to expand broadband or access to broadband whatsoever.

Mr. CLEMENTS. Sure. In our report, we focused on the Lifeline program itself, and we do realize that the Connect America Fund is designed to try to get those more advanced services to the people that you are——

Senator AYOTTE. Or any service, in some areas.

Mr. CLEMENTS. Any service, as you are mentioning.

In terms of the Lifeline program itself, one could argue that, to the extent that the consumers now have additional resources, creates additional demand for broadband service in rural areas, because there is a higher probability that a consumer would subscribe, therefore, that might also encourage companies to provide the service.

It could be another avenue to encourage companies, because the number of consumers that might subscribe will increase in those areas.

Senator AYOTTE. Mr. May, have you looked at this issue separately also, thinking about—you proposed a whole new formula. So for a state where I would argue my constituents aren't getting the value on what they are contributing on this, you know, what are your thoughts on areas like in rural New Hampshire, where we can expand Lifeline all we want, but if you don't have basic infrastructure of any broadband access, it is not going to help them?

Mr. MAY. Senator Ayotte, you make an excellent point that if you don't have the infrastructure Lifeline is maybe nice in theory but meaningless in practice.

And it just so happens I was driving from Keene, New Hampshire, to the Manchester airport this past weekend after visiting my son in Keene, and I can testify that there may be some places on that route that lack access——

Senator AYOTTE. Yes.

Mr. MAY.—between those two points.

Senator AYOTTE. Yes.

Mr. MAY. Look, the FCC has a program, Connect America Fund. I am supportive of targeting funds to unserved areas, and, you know, that is important. And, you know, beyond that, in terms of exactly what changes need to be made and whatever, I can't, I can't tell you. It is just important that the funds be targeted, I think, to unserved areas.

I guess what I would say is, in the past, based on my observations and studies in terms of the way the programs have worked, as you know, subsidies have gone to areas, really, that don't need them——

Senator AYOTTE. Right.

Mr. MAY.—because there are duplicate providers, and that is just a fact. So that really shouldn't happen.

And so one of the points I will make over and over is just focus on the unserved areas. You should have some form of, ideally, com-

petitive bidding so that you have people that come in and provide service on the least-cost basis. And that is what you need to do.

Senator AYOTTE. Thank you.

I also wanted to follow up, Mr. Clements, on this pilot program. So, as the FCC considers the expansion of Lifeline into the broadband area, you seem to be quite critical of the basis upon which they are making this information on the pilot. And so do we have sufficient information based on this pilot to, you know, make this decision, in terms of expansion?

Mr. CLEMENTS. The pilot had some weaknesses that I had mentioned, in terms of the needs assessment and implementation and evaluation plans.

The pilot did provide some information, and FCC came out with a staff report recently. The one, I think, critical finding there was that the participation rate was relatively low. Of consumers that were offered service, about 10 to 12 percent ultimately accepted service. Discount rates were in the $20 range.

That raises questions in terms of the type of discount that you are going to need to offer to get people to actually subscribe to service.

Senator AYOTTE. Thank you.

Senator WICKER. Thank you very much.

And next, Senator Booker.

STATEMENT OF HON. CORY BOOKER,
U.S. SENATOR FROM NEW JERSEY

Senator BOOKER. Thank you, Mr. Chairman.

Just jumping in real quick, I want to highlight, Ms. González, the urgency for the need of more penetration, more access. You spoke simply about applying for jobs, but obviously we have platforms now that provide access to life and opportunity well beyond just simply a job application. You have the sharing economy now, platforms, everything from—in fact, there are thousands of people in New Jersey who make their living or augment their income from things like eBay or other shared-economy platforms. We have people that, even beyond their homework, that use things like the Khan Academy to supplement their education. This has become a world where without the Internet you really do close off opportunities.

And so I just would love for you to expand for a moment for me on, you know, your passion, which is obvious, about the digital divide and how it affects low-income communities and communities of—low-income communities in urban areas, as well as rural areas, and some of the impact that you see with the lack of broadband access that Lifeline could cover.

Could you elaborate on that for me?

Ms. GONZÁLEZ. Sure. Thank you. Thank you, Senator Booker.

You know, we have always said this is a good investment, not just in these individuals who are receiving the subsidy but also in our digital economy. Having more consumers online is good for everyone. There are more people to, you know, shop and spend and develop economy, but there are also a lot of people, as you mentioned, who have small businesses.

I was here a couple months ago testifying with Etsy. And they were talking about this online marketplace where there are moms who are stay-at-home moms and picking up an extra $30,000, $40,000, $50,000 a year for their families, often making the difference between making ends meet and not, during children's naps.

And so, when you think about the opportunities that are being missed out on right now by those who can't afford to connect, it is harming our economy and the well-being of individuals.

I think there are a lot of other instances, too, as health care and telemedicine—I know this subcommittee has already looked at this recently, but the opportunity for remote health-care monitoring is critical and could change the way that especially low-income people—as, you know, if you have to take a couple buses to get to the doctor, it is really hard to get there when you don't have reliable transportation.

And so there are just so many different opportunities for civic participation, engaging in, you know, political processes and debates. The list goes on and on. I think education is the most glaring one, because as we wait to, you know, provide affordable access, students are already, already this year, in 27 states, taking their exams online, and they don't have the skills.

Senator BOOKER. Let me interrupt you because Senator Wicker is tough on time, and—thank you for somebody getting that joke.

Mr. May, in past writings, you have described the dismissal of Lifeline programs as another social giveaway as shortsighted. And you have also discussed the overall importance of the Lifeline program to not just low-income users themselves but to the communication networks as a whole.

In your testimony, you also note that universal service has been a principle of the American communications policy for decades, as it should be.

So the simple question is, can you just elaborate for the Committee on what you see as the national benefits of having a low-income program such as Lifeline?

Mr. MAY. Thank you, Senator Booker.

I don't recall those first quotes. There may be another Mr. May.

But I have been a longtime supporter of Lifeline, and in this sense: because, in my view, there is a role for a social safety net program. I think everyone should have the opportunity to have access to the network. Universal service—I think this is the point—universal service actually not only benefits those low-income people that are able then to have access, but it benefits those who can pay because of what we call "network effects," that everyone benefits more, the more people that are on in a network.

So I have been a supporter of Lifeline, but here is a part that some people don't like to hear as much as the other. One reason I support Lifeline is because if you implement it properly, it should be, as I said, the most targeted means of providing support to those in need.

I will just say that some of the other USF programs aren't, even by design, as targeted. And, therefore, you know, we only have a limited amount of money, and so Lifeline can give subsidies to those that need them if it is implemented and if it is free from waste, fraud, and abuse and so forth.

Senator BOOKER. And I will add in the 2 seconds I have left that the network idea, the engagement, is also important, not only for economic reasons, educational reasons, but also citizen participation——

Mr. MAY. Sure.

Senator BOOKER.—and the well-being of our society.

Mr. MAY. Sure.

Senator BOOKER. Thank you.

Senator WICKER. Thank you, Senator Booker——

Senator BOOKER. Thank you, Mr. Chairman.

Senator WICKER.—for being so mindful of the time.

Senator BOOKER. Mr. Chairman, would I be able to enter for the record just a list of many of the statements from industry, civil rights, advocacy groups' strong support for the Broadband Adoption Act of 2015, which is some legislation I introduced yesterday, and a series of over 60 civil rights and advocacy groups that are supporting this, including industry groups, and, finally, a letter from Multicultural Media, Telecom, and Internet Council, also expressing support for these goals? May I enter that into the record?

Senator WICKER. Without objection——

Senator BOOKER. Thank you.

Senator WICKER.—that will be entered.

[The information referred to follows:]

May 11, 2015

Hon. TOM WHEELER
Chairman
Hon. MIGNON CLYBURN
Hon. AJIT PAI
Hon. JESSICA ROSENWORCEL
Hon. MICHAEL O'RIELLY
Commissioners
Federal Communications Commission
Washington, DC.

Dear Chairman Wheeler and Commissioners:

RE: LIFELINE REFORM, WC DOCKETS 11–42 AND 03–109

The 36 organizations set out below write on behalf of telecommunications consumers across America to call for the rapid and comprehensive reform of the Commission's critically important Lifeline universal service program.

A bi-partisan effort is required to modernize this program so that millions of Americans can realize the full potential of the digital broadband age, and obtain this benefit in an efficient and effective program. At Stanford University's Rebele Symposium on April 1, 2015, Commissioner Clyburn called the Internet the "*great equalizer of our time,*" accurately noting how society's increasing dependence on the rapid exchange of information makes broadband connectivity essential for the average American to access education, employment opportunities, improved health care, civic engagement, family communications and a host of other services.

According to the Pew Research Center, today 70 percent of American adults have a broadband connection, and 90 percent with incomes of $100,000 or more have broadband at home. Yet disparities in broadband access by income still persist. Sixty-four percent of Americans with incomes of less than $30,000, 54 percent of citizens with incomes under $20,000, and 42 percent of those with incomes less than $10,000 have broadband service at home. Pew also reports that senior citizens typically have been the slowest adopters of home broadband; only 47 percent of U.S. adults age 65 and older have broadband at home.

A modernized Lifeline program aimed at making broadband more affordable and available for the Nation's low-income, older and less able consumers is a fundamental tool in the fight to break the cycle of poverty and connect the under-connected.

In a February 2015 FCC blog article, Commissioner O'Rielly noted that common sense principles that help to protect the universal service fund and ratepayers

against waste, fraud and abuse should also be part of the Commission's reforms of its Lifeline universal service program. We believe that a twenty-first century program with "adequate controls and deterrents" can be run far more efficiently and with better safeguards against fraud, waste and abuse than the existing program.

Success in upgrading this 30 year-old program will require policy makers to embrace a new approach. Commissioner Clyburn outlined her thoughts on the subject in a 2012 speech at the American Enterprise Institute referencing immediate Lifeline reform where she stated that reform must occur 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."

On behalf of the constituents that entrust our organizations to ensuring parity in telecommunications services and other public benefits, we believe that the Commission has the tools necessary to create a new twenty-first century model for the Lifeline program that would serve the needs of low income consumers in an efficient, secure and respectful fashion. To do so, any future modernization effort should be guided by the following core principles:

- Empowering consumer choice.
  - At bottom, the success of any new Lifeline program will depend on its ability to treat Lifeline customers similarly to other customers in the marketplace. The best way to achieve this is to deliver benefits directly and, when feasible, electronically to Lifeline consumers in a way that allows them to choose the eligible voice and broadband services available in the market that best meet their needs. This will allow market forces to drive increased value for Lifeline consumers as it does for all other customers. It will also help preserve the dignity of Lifeline consumers, putting them on equal footing with other consumers on issues such as privacy.
- Leveraging the efficiencies of coordinated enrollment through existing assistance programs.
  - An intelligently designed program can achieve new program efficiencies, improve Lifeline participation, and reduce waste, fraud and abuse. We should further these goals, simplify the consumer experience, and better protect consumer privacy *by allowing consumers to enroll in Lifeline at the same time as they apply for other government benefits.* This process would also de-enroll consumers from Lifeline only when they are no longer covered by one of the qualifying low-income assistance programs.

    Eliminating a service providers' role in eligibility, enrollment and de-enrollment will increase overall program efficiency and bolster the integrity of the program by eliminating harmful incentives and opportunities for waste, fraud, and abuse.
- Encouraging broader provider participation in Lifeline.
  - The current Lifeline program was built for a marketplace that looks very different today. As such, the existing structure and program requirements contain unnecessary barriers that currently discourage participation across the broad spectrum of service providers. Increased participation and competition will offer consumers a greater range of service options.
  - The program should also incentivize public private partnerships and coordinated outreach. The challenge of digital adoption is too large and too important to think that it can be solved by an isolated effort of a few.

This letter represents diverse and strong support for rapidly reforming and improving Lifeline. In light of this emerging consensus and the millions whose lives can be improved by a reformed program, we urge you to prioritize action on Lifeline reform in the days ahead, and we encourage you to be creative and realistic in budget needs and interagency coordination as you accommodate this program.

We appreciate your interest in improving this vital program and look forward to working with the Commission as it moves forward to bring Lifeline service into the twenty-first century.

Sincerely,

1. American Foundation for the Blind
2. Asian & Pacific Islander American Health Forum
3. Asian Americans Advancing Justice (AAJC)
4. Asian Pacific American Labor Alliance (APALA)

5. Asian Pacific Islander American Public Affairs Association (APAPA)
6. Consumer Policy Solutions
7. Council for Native Hawaiian Advancement
8. Dialogue on Diversity
9. Filipina Women's Network
10. Hawaiian Community Assets
11. Hispanic Technology and Telecommunications Partnership (HTTP)
12. Hmong National Development
13. International Leadership Foundation
14. Japanese American Citizens League (JACL)
15. League of United Latin American Citizens (LULAC)
16. LGBT Technology Partnership & Institute
17. MANA—A National Latina Organization
18. Multicultural Media, Telecom and Internet Council (MMTC)
19. National Association of Neighborhoods
20. National Action Network
21. NAACP
22. National Black Caucus of State Legislators
23. National Coalition on Black Civic Participation and Black Women's Roundtable
24. National Council of Asian Pacific Americans (NCAPA)
25. National Policy Alliance
26. National Puerto Rican Chamber of Commerce
27. National Urban League (NUL)
28. National Organization of Black County Officials (NOBCO)
29. NOBEL Women
30. OCA—Asian Pacific American Advocates
31. Rainbow PUSH Coalition
32. The Association of People with Disabilities (AAPD)
33. National Farmers Union
34. National Grange
35. Southeast Asia Resource Action Center (SEARAC)
36. U.S. Black Chambers, Inc.

The contact person for this letter is Kim M. Keenan, President, Multicultural Media, Telecom and Internet Council, 3636 16th St. N.W., Suite B–366, Washington, DC 20010, kkeenan@mmtconline.org.

May 28, 2015

MODERNIZING THE LIFELINE PROGRAM: STATEMENTS OF SUPPORT

Below are statements from more than 50 national and regional civil rights organizations, policymakers, media rights advocates and other community groups in support of modernizing the Lifeline Program. These groups that represent diverse constituencies include the National Council of La Raza, American Civil Liberties Union, Center for Media Justice, NAACP, Benton Foundation, National Hispanic Media Coalition, Public Knowledge, the American Library Association and The Leadership Conference on Civil and Human Rights.

National

Michael Copps, Former FCC Commissioner and Common Cause Special Advisor, Common Cause

"It's high time we bring Lifeline into the 21st century. Our lives are increasingly digital and communications for ALL Americans must be digital, too. A Lifeline program without broadband underlying it means second-class citizenship for millions of citizens. They can't afford that; our Nation can't, either."

Eric Rodriguez, VP Office of Policy and Research, The National Council of La Raza

"The National Council of La Raza (NCLR) strongly supports the prompt modernization of the Lifeline program to include broadband services. Of all demographic groups, Latinos have the least access to home Internet connections, with only 53 percent of Latino households connected to broadband. Internet usage is critical, as it increases employment and income, enhances educational opportunities, expands health care access, and improves overall social well-being. The expansion of Lifeline to support broadband services will give millions of Latinos opportunities for social and economic advancement."

Gabe Rottman, Legislative Counsel/Policy Advisor, American Civil Liberties Union (ACLU)

"A key free speech challenge of the modern age is providing equal, open, quality access to information services for all. A modernized Lifeline is essential to closing the digital divide that prevents us from meeting this challenge. Access to modern telecommunications infrastructure is a question of both civil rights and civil liberties."

Jessica J. Gonzalez, Executive Vice President and General Counsel, National Hispanic Media Coalition

"I have long said, and I know from personal experience, that Lifeline is a vital pathway out of poverty for millions of Americans. It is the only Federal program that directly addresses the affordability of communications services for low-income consumers. I applaud the FCC for starting a process to modernize and refocus the program—a necessary step to ensuring the program can become an effective bridge across the digital divide. This is crucial to ensuring that our neighbors can access broadband and fully participate in our 21st century society and economy."

Hilary Shelton, Director, NAACP Washington Bureau and Sr. VP for Policy and Advocacy, NAACP

"The NAACP strongly supports the Lifeline program. Lifeline is a much-needed program. It is in our society's best interest to empower everyone, especially our most vulnerable citizens, with the ability to connect with emergency services, prospective and current employers, health, social, and educational services, civic engagement programs, and keep in touch with family and friends. There are currently as many as 16 million low-income households who, without the Lifeline benefits, would have to choose between feeding their children and going without the dial tone that could save their lives, connect with their children's schools, or put them on a better economic path through employment. It is because of Lifeline's essential role that the NAACP supports the next step, adopting it for broadband Internet access. This will further enhance the core mission of the program and ensure that those Americans who are currently without are still engaged, and provide them with the necessary communication tools to improve themselves."

Wade Henderson, President and CEO, The Leadership Conference on Civil and Human Rights

"In today's information age, the Internet is as vital to the lives of everyday Americans as electricity was in the last century, and can play a critical role in moving people out of poverty and into the new economy, by providing access to job opportunities, health care, social services, and education.

And yet, there are still far too many disparities in Internet adoption, particularly among communities of color, low-income communities, people with limited English proficiency, and people with disabilities. The FCC has the power to address this disparity by modernizing the Lifeline program to include broadband.

Modernizing the program will give broadband access to millions of low-income people. At a time when those most in need of the advantages of broadband do not or cannot use it because of cost, reducing the high cost of broadband service is a concrete step our Nation can take toward an inclusive economic recovery."

Kristine DeBry, V.P., Policy Strategy Center, Public Knowledge

"People increasingly depend on the Internet for access to jobs, education, news, services, communications, and everything else under the sun. Low-income communities are no different. Public Knowledge supports modernization of America's low-income phone support program to allow consumers to choose broadband support. Updating the program recognizes the fundamental importance of connecting low-income communities to the jobs, education, and services they need."

Arabella Martinez, CEO, Latino Community Foundation

"In California, only 52 percent of all Latino families are connected to the Internet at home. This means that almost half of all Latino children don't have access to the vital tools necessary for success. Latino families want to be connected, but the cost of service is still out of reach for many families in our state. We can do better. We can establish an affordable high-speed Internet service plan for all low-income households.

We must join forces and fight to ensure that all families have access to the same opportunities. The dreams of our children and the resilience of our parents requires nothing less."

Olivia Wein, Attorney, National Consumer Law Center

"The National Consumer Law Center, on behalf of its low-income clients, strongly supports the modernization of Lifeline to include broadband service. The lack of affordable broadband service hurts children whose educational opportunities are limited and hampers workers' ability to apply for jobs or establish entrepreneurial businesses. Internet access affects every facet of modern life, from access to healthcare to participation in commerce. In an information age, access to modern communication services enhances the competitiveness of individuals and communities. Three out of four Federal Universal Service programs have already shifted from supporting voice to supporting broadband. It is Lifeline's turn."

Courtney Young, President, American Library Association

"Every day, America's libraries stand witness to the transformative power of broadband access and use—as well as to the gaps in broadband adoption that persist for many of our most vulnerable residents, from the most remote rural communities to urban centers and spanning families with school-age children to older adults. The Universal Service Fund's Lifeline program has failed to keep pace with this pressing reality and demands 21st Century updates. The American Library Association urges the Federal Communications Commission to move swiftly to modernize Lifeline and increase affordable broadband access for millions of low-income Americans. Further, we urge policymakers at all levels to support libraries and other community institutions in building the digital literacy skills essential for sustainable broadband adoption."

Tracy Rosenberg, Executive Director, Media Alliance

"Lifeline telephone service has been crucially important in maintaining family and community support networks for people struggling with economic instability. In the 21st century, the Internet is the new telephone. Isolation and disenfranchisement weakens the country's fabric and creates more social divides. It's important for the FCC to open a new Lifeline rule-making and determine the best use of subsidized communication services to help increase connectivity and support challenged populations in surviving economic stress."

Hannah Sassaman, Policy Director, Media Mobilizing Project

"Access to the Internet is a human right. In today's challenging economy, low-income community members can't apply for a family-sustaining job, let alone for college, without reliable access to the Internet. Here in Philadelphia, we have the third worst broadband penetration of any big city in the country—because so many of us are poor. It is the responsibility of our elected officials and appointed leaders to protect and expand Lifeline service for the millions of us who struggle on the wrong side of the digital divide."

Larry Gross, Executive Director, Coalition for Economic Survival (CES)

"Lifeline phone service is crucial to our low-income members. For many it is the only way they'd be able to access the Internet. This digital divide has especially far-reaching consequences when it comes to education. For children in low-income school districts, inadequate access to technology can hinder them from learning the tech skills that are crucial to success in today's economy. Smart phones have helped bridge the divide, as they provide Internet access to populations previously at a digital disadvantage. The Internet provides a diverse array of online resources for low-income disabled and homebound older adults to manage their health and mental health problems and maintain social connections. We must ensure that Lifeline rates continue."

Debbie Goldman, Telecommunications Policy Director, Communications Workers of America

"It's long past time to update the Lifeline program to support broadband. The Communications Workers of America applauds FCC action to bring this important program into the 21st century."

Mark Erpelding, Executive Director, Open Access Connections

"Open Access Connections has worked hard to promote and increase usage of the Federal Lifeline program. We see first hand how access to a Lifeline supported phone can help a homeless and low-income person find housing, employment, and economic success.

The need for affordable Internet is greatly increasing for the homeless and low-income communities we serve. Access to the Internet is increasingly becoming a necessity in participating in today's society. Because of the increased usage of the Internet in everyday life, it is absolutely critical that the Lifeline program be expanded to increase broadband access."

Ana Montes, Organizing Director, The Utility Reform Network

"Communications and information services are essential tools for everyday living and is as important as access to energy and water. Without Universal Services Programs like Lifeline Telephone service, people who are low income and come from the most vulnerable populations would have lacked access to important services like public safety or emergency services, health information, education, access to employers, children's schools or the ability to communicate with families and friends.

We now live in a world where the Internet has become increasingly important, yet the digital divide has grown. We need to close the gap by making broadband affordable, reliable and accessible to all so that everyone can participate in today's society. We need to expand Universal Services in order to promote digital inclusion and avoid digital exclusion for those who cannot afford it."

Orson Aguilar, Executive Director, The Greenlining Institute

"For decades, Lifeline has served as just that—a lifeline helping low income families stay connected to family, friends, doctors, employers, and schools. Today, more of these daily essentials are moving online, yet too many of our families can't afford broadband, and are once again left behind. This disproportionate disconnection creates ripple effects in just about every aspect of life—but they can and must be reversed. Connected communities have better rates of employment, better rates of civic participation, and better educational, health, and wealth outcomes. It's time to modernize Lifeline and bring to all communities the wealth of opportunities offered by fast, reliable, open broadband."

Joshua Stager, Policy Counsel, New America's Open Technology Institute

"From homeless veterans trying to secure jobs and housing to pediatricians providing care for low-income children, many of the most vulnerable Americans rely on Lifeline for critical services. Extending Lifeline benefits to broadband is a prudent step that reflects Americans' increasing reliance on Internet-based services. OTI strongly supports the Commission's efforts to modernize this vital program."

Chuck Sherwood, Senior Associate, TeleDimensions, Inc.

"On behalf of Rita Stull and myself, we support the FCC's Lifeline service as a key connectivity resource to make Digital Inclusion available to all who live in the United States. Without Lifeline service available to all they will not be able to fully participate in the Community, Educational and Economic Development opportunities that are so important in our 21st Century Information and Innovation Economy."

Thomas Kamber, Executive Director, Older Adults Technology Services (OATS)

"Since 2004, Older Adults Technology Services (OATS) has been harnessing the power of technology to change the way we age. The modernization of the Lifeline Program would strengthen our programs empowering older adults to live successful, independent, more connected lives."

Angela Siefer, Director, National Digital Inclusion Alliance

"To improve the daily lives of all community members, the National Digital Inclusion Alliance calls for public policies for digital inclusion that reflect what we've learned from experience. Broadband adoption is most effectively promoted by community-driven efforts that combine affordable home broadband service, public broadband access, and locally trusted technology training and support. The mod-

ernization of the Lifeline Program would provide a valuable resource, allowing local resources to be stretched further."

Danielle Chynoweth, Organizing Director, Media Action Grassroots Network (MAG-Net)

"Affordable broadband is key to democracy in that it addresses deepening racial and economic disparities. Modernizing the Lifeline program and extending it to include broadband ensures that our communities—people of color, low-income families and rural communities—can access jobs, education and other essential needs."

Malkia Cyril, Executive Director, Center for Media Justice

"The potential of the Internet is in decentralizing who can drive democratic governance in this country. The struggle for black lives is evidence of the social and political power of owning and controlling your own story. Yet there are still 100 million Americans who lack affordable access to the Internet and critical to addressing this growing divide and building a more participatory democracy is modernizing the Lifeline program."

James P. Steyer, Founder and CEO, Common Sense Kids Action

"At a time when access to high-speed Internet is critical for education, healthcare, jobs, and civic engagement, we must bring high-speed connectivity to the millions of low-income households with school age children that do not have high-speed Internet today. This will help to ensure all kids have equal opportunity to do their homework and that parents have the opportunity to look for and apply for jobs and engage in other important activities. We urge the FCC to act now to bridge the digital divide, and reform and improve the Lifeline program to make broadband more affordable and accessible for today's low-income consumers and their children."

Cecilia Zamora, Executive Director, Latino Council

"The Latino Council is writing this letter in support of the Lifeline Telephone Program. We understand that the FCC will be evaluating the program and making recommendation for its "modernization". According to the latest research by the Pew Research Center, 44 percent of low-income smartphone owners have had to cancel or suspend their service due to financial constraints. And for those whose only access to the Internet is their smartphone, 48 percent have had to cancel or shut off their cell phone for a period of time because the cost of maintaining the service was a financial hardship.

The Latino Council is a community-based organization helping nonprofits, government agencies, community organizations, and businesses increase their capacity to create effective outcomes with the Latino community. We accomplish this through research, cultural assessment, strategic planning and leadership development. The Latino Council also advocates and supports improved services for the Latino community.

We believe that the Lifeline Telephone Program increases access for phone service for the most vulnerable in our community, especially Latino seniors. We hope that the evaluation by the FCC and discussion by the Senate will recognize the significance of this program and make recommendations that will continue Lifeline for our poorest communities."

David Jessup, Jr., Chief Executive Officer, Digi-Bridge

"Digi-Bridge aims to equip educational institutions and the communities they serve with the necessary resources and support to teach 21st century learners the fundamentals of technology and beyond. The educational achievement gap in our country will only continue to widen if we don't address the technological needs of the communities being served by our learning institutions. Reform of the Lifeline Program will support Digi-Bridge's efforts to eradicate the digital divide, as costs associated with connectivity have continued to serve as a real barrier to access."

Alisson Walsh, Community Outreach Manager, Mobile Beacon

"Through our nationwide Education Broadband Service license Mobile Beacon is able to offer low income families affordable broadband service for $10. for unlimited data per month. However, our reach and coverage area does not nearly meet the ever-growing digital gaps throughout the Nation.

The modernization of the Lifeline Program would help establish uniform broadband access and adoption—a much needed solution to the patchwork of offerings that can often confuse eligible families and individuals."

Michael W. Kwan, National President, OCA—Asian Pacific American Advocates

"OCA is ecstatic that the FCC is moving quickly in their attempts to modernize the Lifeline program and include broadband as an option. As our country further

moves online, increased access to fast and affordable broadband is more necessary than ever before. Although studies have indicated that 81 percent of Asian Americans use broadband, we know that income, educational achievement, and cost are all indicators of how likely a household will adopt it.

Asian Pacific American communities encompass some of the highest poverty and lowest educational attainment rates within our country. Even though aggregated Asian Pacific American (APA) data show high adoption rates, that 81 percent hides broadband adoption and access disparities similar to those found in education, healthcare, and employment. A modernized Lifeline program will allow low-income families to ensure that there is a constant line of communication between the parents and their children; allow children to supplement their schooling; and provide these families with the opportunity to better their livelihoods. Asian Pacific Americans need a modern Lifeline program, and we are hopeful that the FCC will make that a reality."

Amina Fazlullah, Director of Policy, Benton Foundation

"The FCC's January 2012 reforms of its Lifeline program have saved U.S. ratepayers billions, strengthening oversight and eliminating waste, fraud and abuse. With these reforms now fully implemented, the Benton Foundation welcomes the FCC taking the next step to modernize Lifeline to reflect the reality of 2015: home broadband service is no longer a luxury, but an essential service for education, public health, public safety, jobs and the economy. In 1996, Congress decided that "universal service" should be an evolving level of telecommunications services. Broadband services to the home are widely deployed and subscribed to by households that can afford them. Now is the time for the FCC to begin support for families that are not able to afford broadband service."

John Windhausen, Executive Director, SHLB Coalition

The SHLB Coalition welcomes the upcoming proceeding to reform the Lifeline program so that it increases the opportunities for low-income persons to benefit from broadband Internet service at home. Schools, libraries and other anchor institutions often provide digital literacy training and open, middle-mile connections that can help to foster residential broadband deployment and adoption. The SHLB Coalition Mission is to support open, affordable, high-speed broadband for anchor institutions and their communities, and we look forward to playing an active role in supporting this important initiative."

Regional

Randall Chapman, Executive Director, Texas Legal Services Center

"TLSC is a statewide provider of Legal Aid and publishes legal self-help information through the website, www.TexasLawHelp.org. In 2014 over 1 million unique visitors went to the site, but many seniors and vulnerable persons have been stymied due to the high costs associated with broadband access. We recommend much needed improvements by the FCC in the Lifeline program to facilitate broadband access."

Ellis Jacobs, Senior Attorney, Advocates for Basic Legal Equality (ABLE)

"I'm an attorney who represents low income people in Dayton, Ohio. Most of my clients have no access to the Internet at home or on their phones. As a result, it is difficult for them to access employment, training and other opportunities. Since they can't receive e-mail and frequently have lifeline phones with inadequate minutes, it is also difficult for me to stay in touch with them."

Jim Jacob, President and CEO, New Jersey SHARES

"Communications Lifeline is a critically needed safety-net for low-income households, seniors and persons with disabilities in New Jersey. Affordable landline telephone service is needed to keep our most vulnerable neighbors connected to medical providers, caregivers and the community-at-large. Communication Lifeline helps to prevent households from being isolated and allows neighbors to help neighbors. Every year New Jersey SHARES assists thousands of applicants to receive communications lifeline service and stay connected. These families and individuals succeed because of access to this program."

Arleen Novotney, Administrator, ACCES

"Our membership serves Low-income communities throughout CA including the designated disadvantaged communities with energy efficiency education and services. As with the lifeline cell service, broadband is now a vital service needed by all. We are supporting this proposed program."

Peg Dierkers, Executive Director, Pennsylvania Coalition Against Domestic Violence

"The importance of Lifeline programs cannot be understated. Lifeline, quite literally, save lives. Lifeline ensures that those most vulnerable in our communities, like victims of domestic violence, are able to access emergency assistance, supportive services, and friends and family within their supportive network."

Julie Berlin, Manager of the Tenderloin Technology Lab, St. Anthony Foundation

"St. Anthony's Tech Lab provides education and access to San Francisco's lowest income community members. 20 percent of recent survey respondents have no device and 50 percent have no Internet access on the device they own; thus 70 percent have no Internet access, unless they go to a computer center or the library. Without regular Internet access, homeless and extremely low-income individuals in San Francisco lack access to information, services and support in areas of housing, employment, medical care, hygiene and technology. Modern life requires Internet access for entire communities, especially for members of the community with limited access to essential resources."

Michael Liimatta, President and CEO, Connecting for Good

"Connecting for Good is a nonprofit organization that has been bridging the Digital Divide since 2011 using wireless Internet, community technology centers, low cost refurbished PCs and free digital life skills classes.

In the past two years we have helped over 3,000 low income people in Kansas City get online, the majority live in public housing. In the Kansas City Public Schools, which has a high low income and minority student population, 70 percent of children do not have Internet connections at home. This puts them at a serious academic disadvantage. Without the ability to get online these families also lack access to valuable resources that lead to better quality of life that contribute to better health, social services and upward mobility through increased employment and training opportunities.

We believe that in our digital society, connectivity equals opportunity. For this reason we support LifeLine reform that leads to increasing broadband adoption for low income families."

Roberta M. Rael, Executive Director, Generation Justice

Generation Justice understands access to Internet service as foundational for building healthy and thriving communities of color in New Mexico. That is why we strongly support the Lifeline Program and urge the FCC to move forward with its modernization. Extending the Lifeline Program will allow New Mexicans—people of color, immigrants, youth and students, those living in rural areas of our state, and Native communities—to connect with family, their children's schools, civic information, and employment opportunities.

Cheryl Leanza, Policy Advisor, United Church of Christ, OC Inc.

"Broadband is essential for every aspect of modern life. Today, even connections to our religious communities often takes place via broadband. For all people to have equal opportunity, broadband must be affordable and Lifeline is the only way to make it happen. Without affordable access, digital literacy will not increase, broadband adoption will not occur. Affordable access is the linchpin."

Cheptoo Kositany-Buckner, Deputy Director, Strategic Initiatives, Kansas City Public Library

"70 percent of the kids who attend the Kansas City School District do not have Internet access at home. Children without Internet access in the evening will be increasingly disadvantaged in the classroom. Without home access to the Internet many pupils will struggle to complete their homework and miss out on online resources to support their learning. This digital divide will have a truly damaging impact on children's prospects and causing the most disadvantaged to fall further behind."

Theodora Higginson, Co-Director, Tech Goes Home

"From our experience, two of the main reasons people lack home access are the prohibitively high costs and a lack of understanding about how the Internet can help them save money and improve their access to opportunities. In order to address these barriers, Tech Goes Home works with schools and community organizations to connect underserved populations with free digital literacy training, as well as low cost home Internet access and discounted computers. Digital citizenship to us is a three-legged stool, consisting of skills, Internet access, and hardware, and without any one of the legs, the stool would fall. A modernized Lifeline program is critical to bridging the opportunity gap."

Lynda Goff, Executive Director, WinstonNet

"For the past 15 years WinstonNet's has been working with low income and disconnected residents in Winston-Salem/Forsyth County, NC by providing dozens of public computer centers, free WiFi hotspots, digital literacy training and affordable home computers. Upgrading the Lifeline Program into the 21st Century would strengthen and support our programs and positively affect the lives of thousands of children, adults and seniors in our community by providing an affordable solution to access important and necessary online services in the areas of education, healthcare, jobs, banking and much more."

Dan McLaughlin, Program Officer, Seeds of Literacy

"Seeds of Literacy is an adult literacy program providing basic education and GED preparation free of charge to people in greater Cleveland. Because the GED examination is now offered only by computer, our students must be comfortable with online operations to take it successfully. Since the majority of our students are low-income—in a city where more than half of low-income households have no home Internet access—digital illiteracy and the cost of broadband are often significant barriers to their success. An opportunity for truly affordable high-speed Internet access through the Lifeline program could go a long way toward removing those barriers."

Brian J. Cummins, Councilman Ward 14, Cleveland City Council

"As an elected Member of Cleveland City Council, I represent some 25,000 residents in the City of Cleveland, the majority of whom live in households with incomes well below the national median. Recent Census and FCC data suggest that up to half of my constituents still lack home Internet access. This is a serious barrier to our community's economic and educational progress and it isolates many of our poorer citizens from day-to-day civic and community activities, which increasingly depend on online communication. For the last two years I've supported a community technology training center and other digital inclusion initiatives, but the cost of home broadband remains a major problem for participants. A truly affordable broadband option added to the Lifeline program could make a very big difference for the people I represent."

Debbie Fisher, Director of HOPE Village Initiative, Focus: HOPE

"According to 2013 Census data, more than a third of all households in Cleveland and Detroit still have no home Internet access of any kind—not even mobile or dialup. Most are low-income; for households with incomes below $20,000 the "disconnected" percentage is above 50 percent. This is a huge obstacle not just for the households themselves, but for our government, healthcare, education, banking, human services and civic-sector institutions who need to engage online with all our neighbors.

So we strongly support Lifeline and Lifeline reform to provide meaningful broadband access for all low-income households. By "meaningful" we mean:

(a) truly affordable cost, *e.g.,* no more than $10–15 a month

(b) mainstream home broadband data speeds and (for mobile users) real smart devices

(c) the widest possible range of providers as well as support for innovative community partnerships

(d) support for community-based marketing, including digital literacy training."

Bill Callahan, Director, Connect Your Community

"Connect Your Community is a collaborative of organizations in Greater Cleveland and Detroit working to close the large, persistent digital divide in our cities through grassroots training, affordable access and support initiatives. (*http://connect yourcommunity.org*)

According to 2013 Census data, more than a third of all households in Cleveland and Detroit still have no home Internet access of any kind—not even mobile or dialup. Most are low-income; for households with incomes below $20,000 the "disconnected" percentage is above 50 percent. This is a huge obstacle not just for the households themselves, but for our government, healthcare, education, banking, human services and civic-sector institutions who need to engage online with all our neighbors.

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(c) the widest possible range of providers as well as support for innovative community partnerships

(d) support for community-based marketing, including digital literacy training."

Patrick J. Gossman, Ph.D., Executive Director, Community Telecommunications Network

"The Community Telecommunications Network is a non-profit organization representing K–12, Higher Education and Public Television in Southeast Michigan. Our mission is to improve the quality of life and much of our focus is on education. Our largest project has worked to get broadband into the homes of low-income households for which numerous barricades exist. One of those hurdles is the cost of home broadband access.

According to Pew Research, low-income homes with children are four times more likely to be without broadband than their middle or upper-income counterparts. This is the "homework gap" which needs to be resolved to give these children a better chance to learn and compete in the modern world. Reducing the cost of access is one important step necessary to address this problem."

Charlaine Mazzei, Executive Director, Del Norte Senior Center

"As a local non-profit agency providing CSBG and LIHEAP services, the Del Norte Senior Center comes in contact with hundreds of low-income individuals and families every year. Increasingly, we see these families rely on cellular services as not only their only telephone service, but their only access to Internet services as well. In a rural community such as ours, broadband Internet access is both expensive and limited. The Internet is no longer a luxury, and those without access will be left behind. We must continue to view Lifeline services as essential to poverty reduction and full participation in society."

Arturo Trejo, Environmental Justice Organizer, Southwest Workers' Union

"As a multi-cutural, and multi-lingual social justice group, Southwest Workers' Union recognizes the hardships of socio-economic injustice for people of color, and workers. We continue to organize with our community on towards a living wage, and other basic needs capitalism imposes on folks of color in both urban, and rural parts in the south. As an organization we know the purposes of communications, and the importance of it to connect families, social media, and allies in different communities. We stand in solidarity for justice for the communities who are placed under the risk of losing access to Internet services due to modernity, and other capitalistic politics."

Tim Hawkins, Director of Operations, Community Action of Ventura County, Inc.

"Support services for low-income families are not easy to access in Ventura County if a family has transportation issues (which many do) or no Internet access (which many don't). Having access to broadband would make the already hectic lives of low-income families less so by making program applications, bill paying and information gathering both easier and cheaper. The high price of broadband is a huge obstacle for low-income families. In this day and age, broadband access is a prerequisite for social and economic inclusion and those who go without fall farther behind the ever-widening gap of inequality."

Elizabeth Marx, Staff Attorney, Pennsylvania Utility Law Project (PULP)

"Access to affordable and reliable telecommunication service critical to the safety, welfare, and economic stability of all households, as it enables individuals to contact emergency services, seek employment, contact a place of work, school, or childcare center, reach out to supportive government and social service agencies, friends, and/or family, engage in civil or criminal court proceedings, and attend to other sensitive matters. Today, with the ever-increasing reliance on the web for communication and information needs, access to the broadband Internet has become just as important to the health, safety, and welfare of our citizenry, especially to our children whose studies and coursework are increasingly dependent on having ready access to the Internet. We therefore urge the continuation of Lifeline telecommunication service, and encourage expansion of programming to provide low or no-cost access to broadband Internet services."

Patty Bailey, Director, Healthy Homes & Health Services, MAAC

"MAAC has previously contracted with Richard Health & Associates in educating and enrolling low to moderate income households into the Lifeline Program.

Through these contracts we have enrolled over 10,000 households. MAAC supports Lifeline and the FCC moving forward to extend it to broadband.

Henry Martin, Executive Director and Attorney, Watsonville Law Center

"Public services, employment information, financial services, health care and wellness information, and consumer information is increasing available primarily on mobile devices. Affordable access to high-speed data on a mobile telephone improves quality of life, improves access to essential information and services, and is a means of accessing the digital world when access to a stand-alone device is not an affordable option.

For information providers, mobile devices are often the most convenient and cost-effective means of distributing information to individuals and communities. Improving access to high-speed data on mobile telephones is a means of ensuring low-income communities benefit from rapidly increasing information technology. If low-income families are not seen as part of the mobile digital information community, they will be left behind by information producers. As a nonprofit service provider serving low-income, limited-English proficient families in a rural area, we urge you to ensure equal access to high-speed data on mobile telephones for low-income and rural communities."

Malcolm Yeung, Deputy Director, Chinatown Community Development Center

"Chinatown Community Development Center is committed to building community and enhancing the quality of life for San Francisco's residents. We support the modernization of the Lifeline Telephone Program and making broadband access a reality for low income communities we serve including the elderly, the disabled, and families with children. The modernization of the program will bridge the technological and affordability gap for our constituents as many cannot afford a computer, face financial hardships with paying for broadband services, yet they rely on their phones to connect for their medical needs, social services, access to jobs, and school."

Danna MacKenzie, Executive Director, Office of Broadband Development, State of Minnesota

"In Minnesota, our survey results show that low income and senior residents adopt broadband at a rate 20 percent below the state adoption rate (59 percent v. 79 percent). The top two reasons provided for not adopting are relevance and cost. Updating Lifeline rules will provide a critical tool for shrinking this gap."

Wanda Davis, Executive Director, Ashbury Senior Computer Community Center

"Ashbury Senior Computer Community Center (ASC [3]), a 501c–3 non-profit grassroots organization, established in October of 2002, is proud to be an empowering technology resource center in greater Cleveland. Our mission is to bridge the gap in the "Digital Divide" thus fostering a movement of "Digital Inclusion" in our inner-city communities by providing high quality, accessible, and free technology classes in a supportive, appropriately-paced, and nurturing environment. The modernization of the Lifeline Program is essential to our community's growth and will enhance the quality of life for all our community members."

Sean McLaughlin, Executive Director, Access Humboldt

"Access Humboldt seeks universal access to open networks for local communities in Humboldt County on the Redwood Coast of California, working to inform public policy deliberations, convening local discussions of regulatory policies, and articulating principles for Localism and Diversity.

We support timely reform of the Lifeline program to secure connectivity for those who cannot afford service in a manner that supports digital inclusion, training and community empowerment to meet our human potentials, securing independence for all."

Juanita Budd, Executive Director, Austin Free—Net

"Austin Free-Net (AFN) focuses on digital literacy and broadband adoption through partnering with 3 types of organizations: 1. An equipment provider; 2. An Internet provider; and 3. A training provider. AFN provides the training component; we offer a customized training program for each client. This methodology has generated much success and amazing outcomes. A national broadband subsidy through the Lifeline Program would support local efforts working toward broadband adoption for all Americans."

Sunne McPeak, President and CEO, California Emerging Technology Fund

"The CETF Board of Directors supports an Internet Lifeline Program that addresses the 3 primary barriers to broadband adoption: (1) Cost; (2) Relevance; and (3) Digital Literacy. This includes the:

- Establishment of an affordable high-speed Internet service plan for all low-income households offered by and through all broadband providers in the $10/month range.
- Capitalization of an independent fund to support community-based organizations (CBOs), schools and libraries (as "trusted messengers") to assist in enrolling eligible low-income households and participate in true public-private partnerships.
- Establishment of an oversight advisory body to ensure transparency and accountability with a broad base of stakeholders and community leaders knowledgeable about broadband adoption."

Olga Talamante, Executive Director, Chicana Latina Foundation

"Chicana Latina Foundation and CETF support an Internet Lifeline Inclusion Program that addresses the 3 primary barriers to broadband adoption: (1) Cost; (2) Relevance; and (3) Digital Literacy. This includes the:

- Establishment of an affordable high-speed Internet service plan for all low-income households offered by and through all broadband providers in the $10/month range.
- Capitalization of an independent fund to support community-based organizations (CBOs), schools and libraries (as "trusted messengers") to assist in enrolling eligible low-income households and participate in true public-private partnerships.
- Establishment of an oversight advisory body to ensure transparency and accountability with a broad base of stakeholders and community leaders knowledgeable about broadband adoption.

We are very concerned about the large number of Americans that are not able to enjoy the benefits of Internet connectivity. This affects their ability to do well in school, find jobs, enhance their education and skill set, get better prices that are available only on the Internet and be part of the growing civic engagement via the Internet. We are particularly concerned about the impact on people who live in rural areas."

Barrie Hathaway, Executive Director, The Stride Center

"The Stride Center and CETF support an Internet Lifeline Inclusion Program that addresses the 3 primary barriers to broadband adoption: (1) Cost; (2) Relevance; and (3) Digital Literacy. This includes the:

- Establishment of an affordable high-speed Internet service plan for all low-income households offered by and through all broadband providers in the $10/month range.
- Capitalization of an independent fund to support community-based organizations (CBOs), schools and libraries (as "trusted messengers") to assist in enrolling eligible low-income households and participate in true public-private partnerships.
- Establishment of an oversight advisory body to ensure transparency and accountability with a broad base of stakeholders and community leaders knowledgeable about broadband adoption."

Teresa Favuzzi, Executive Director, California Foundation for Independent Living Centers

"The California Foundation for Independent Living Centers (CFILC) respectfully urges the Federal Communication Commission (FCC) to support the establishment of a Lifeline for Broadband Program to meet the Internet service plan needs of people with disabilities. The following comments are submitted as part of a coordinated effort to demonstrate broad-based support by various communities of interest throughout the Nation for the creation of a new "Lifeline" program that would ensure that advanced communication services are affordable, provide genuine consumer choice, and offer competitive options to meet today's communications needs.

CFILC is a statewide non-profit membership organization of 21 Independent Living Centers located throughout the State of California. Our centers provide programs and services to over 100,000 people with disabilities annually. We also advocate on Federal and California state legislation, regulations, and budget issues to support and promote independent living and the community integration of people with disabilities.

In addition, CFILC is a member organization that has partnered with the California Emerging Technology Fund (CETF) on a number of issues that have been considered by the FCC. Our most recent collaboration with CETF strongly supports

the establishment of an Internet Lifeline Inclusion Program that addresses the three major barriers affecting broadband adoption by people with disabilities. They include: (1) Cost; (2) Relevance, (3) Digital Literacy, and (4) Access.

Accordingly, we urge the FCC to establish an Internet Lifeline Inclusion Program that offers affordable high-speed Internet Service Plans for all low-income households offered by and through all broadband providers within a $10 per month range that is also available to the Deaf and Hard of Hearing Communities that require video rely services in order to communicate with the hearing world. Concurrently, there is also a need to ensure the capitalization of an independent fund to support community-based organizations (CBOs), schools, and libraries as trusted messengers to assist in the enrollment of eligible low-income households and to participate in genuine public/private partnerships. Finally, CFILC supports the creation of an oversight advisory body to ensure transparency and accountability among a broad base of stakeholders and community leaders knowledgeable about broadband adoption.

The creation of such an Internet Lifeline Inclusion Program is critical because closing the existing Digital Divide is one of the most important issues affecting people with disabilities as a community that is disproportionately affected by the divide. According to the American Association of People with Disabilities (AAPD), 54 percent of adults with disabilities use the Internet, compared to 81 percent of non-disabled adults. In addition, only 41 percent of disabled adults have access to broadband services at home, while 69 percent of those without a disability have such access.

The failure to close this divide for people with disabilities would result in significant, negative consequences. More so than ever before, people with disabilities are increasingly dependent upon having access to affordable Internet service plans and broadband technology.

Improvements in Assistive Technology have enabled people with disabilities to live independently in their homes and communities as a viable alternative to more costly and dehumanizing institutionalization in nursing homes and other institutions. Access to affordable Internet services is a vital part of acquiring the advanced technology that supports in Assistive Technology devices, software, and hardware because they require sufficient, minimum, broadband capacity to operate and maintain those applications.

Enabling people to live independently is an issue that warrants bi-partisan support. Advanced technology and adequate broadband services allow people with disabilities to pursue and compete for educational and job training opportunities and avoid institutionalization that is often up to eight times more expensive than living at home with appropriate supportive services.

For all of these reasons, CFILC urges the commission to adopt initiatives that will bridge the affordability gap and create links to technology that connects, empowers, and supports independent living for people with disabilities.

Today, advanced technology has the promise of becoming the greatest equalizer for genuine independence and educational and job opportunities. The Lifeline Program that was originally established over 30 years is outdated and no longer meets the growing demand for access to advanced technology. If the FCC takes decisive action in this regard it can help lead our Nation in new directions that will reshape access to affordable Internet services that will reap dividends for all Americans.”

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Catalog of Public Endorsements

National Hispanic Media Coalition (NHMC)
National Cable & Telecommunications Association (NCTA)
Verizon
United Church of Christ (UCC)
The Leadership Conference on Civil and Human Rights
Common Sense Media
Lifeline Connects—members include: Blue Jay Wireless, Global Connection Inc. of America, i-wireless, LLC and Telrite Corporation
CTIA—The Wireless Association: represents U.S. wireless communications industry
National Consumer Law Center
The Common Cause
Public Knowledge

National Hispanic Media Coalition

http://www.nhmc.org/?utm__source=NHMC+Supports+Introduction+of+the+Broadband+Adoption+Act&utm__campaign=NHMC+Supports+Introduction+of+the+Broadband+Adoption+Act&utm__medium=e-mail

NHMC Supports Introduction of the Broadband Adoption Act

Commends Representative Matsui, Senator Murphy, Senator Booker, and others

WASHINGTON—Today, a pair of bills were *introduced* in the U.S. House of Representatives and the U.S. Senate, which instruct the Federal Communications Commission (FCC) to modernize Lifeline to fully support broadband services and take additional steps to ensure the health of the program. The legislation aligns closely with proposals circulated by FCC Chairman Tom Wheeler last week and the bills' authors applauded the FCC's initiative and recognized the agency's existing authority to modernize Lifeline.

Currently, Lifeline defrays the high cost of telephone service and, in some instances, bundled voice telephone and broadband service, for poor families. Lifeline has evolved since its inception during President Ronald Reagan's Administration. It was updated to include access to wireless phone services during President George W. Bush's Administration in 2005, and it was also *significantly reformed* to eliminate waste, fraud, and abuse in 2012.

For nearly a decade, NHMC has *advocated* for Lifeline to further evolve to include access to meaningful broadband services to help close the digital divide. Currently, 30 percent of Americans lack home broadband. Those without home broadband are disproportionately poor, Latino, African American, Native Americans, rural, and/or seniors. Cost is the main barrier to adoption for people under sixty five years of age. At the same time, broadband is critical to nearly every facet of modern American life, including education, jobs, healthcare, civic participation, and more.

The following statement can be attributed to Jessica J. Gonzalez, NHMC's Executive Vice President and General Counsel:

> "I applaud our champions in Congress—Representative Matsui, Senator Murphy, Senator Booker, and all of their co-sponsors—who understand the tremendous, untapped potential of Lifeline. Lifeline could offer a bridge across the digital divide and represents a crucial investment in the people of this country. This legislation and current FCC efforts to modernize Lifeline are about the core American values of creating access to opportunity and a pathway out of poverty for millions of Americans."

The bills, referred to as the Broadband Adoption Act of 2015, were introduced by Congresswoman Doris Matsui (D–CA) in the House and Senator Chris Murphy (D–CT) and Senator Cory Booker (D–NJ) in the Senate. The bills were supported by an impressive list of co-sponsors including: Congressman Frank Pallone (D–NJ), Congresswoman Anna Eshoo (D–CA), Congressman Michael Doyle (D–PA), Congressman Ben Ray Lujan (D–NM), Congressman Peter Welch (D–VT), Senator Edward Markey (D–MA), Senator Ron Wyden (D–OR), and Senator Richard Blumenthal (D–CT).

More than *70 national and regional* civil rights organizations, policymakers, media rights advocates and other community groups have recently gone on the record in support of modernizing the Lifeline.

Gonzalez will testify in support of Lifeline modernization before the U.S. Senate Commerce Subcommittee on Communications, Technology, Innovation, and the Internet on Tuesday, June 2 at 9:30 a.m. *A live stream of the hearing will be available at this link.* You can follow the conversation on Twitter by following @NHMC, @JGonzalezNHMC, and @michaelscurato. To access the written testimony, *click here.*

About NHMC

The *National Hispanic Media Coalition* (NHMC) is a media advocacy and civil rights organization for the advancement of Latinos, working towards a media that is fair and inclusive of Latinos, and towards universal, affordable, and open access to communications. Learn more at *www.nhmc.org.* Receive real-time updates on *Facebook* and Twitter *@NHMC.*

National Cable & Telecommunications Association

https://www.ncta.com/news-and-events/media-room/content/statement-ncta-regarding-reintroduction-broadband-adoption-act

FOR IMMEDIATE RELEASE
June 1, 2015

CONTACT: Brian Dietz/Joy Sims
202–222–2350

Statement of NCTA Regarding the Reintroduction of the Broadband Adoption Act

"We welcome the reintroduction of the Broadband Adoption Act by Rep. Doris Matsui and Senators Chris Murphy and Cory Booker, and the renewed focus it shines on the important issue of broadband adoption. While broadband is the fastest growing consumer technology in history, a small but significant percentage of U.S. consumers do not yet subscribe or see the relevance of the Internet in their daily lives. The cable industry has invested hundreds of billions of dollars to build networks that reach 93 percent of homes and we have worked closely with local, state and Federal government agencies and non-profits to educate consumers about the benefits of broadband. We look forward to working with all interested stakeholders in developing new, cost-effective strategies that will encourage all Americans to realize the benefits of fast broadband networks."

NCTA is the principal trade association for the U.S. cable industry, representing cable operators serving more than 80 percent of the Nation's cable television households and more than 200 cable program networks. The cable industry is the Nation's largest broadband provider of high-speed Internet access, serving more than 54 million customers, after investing $230 billion since 1996 to build two-way interactive networks with fiber optic technology. Cable companies also provide state-of-the-art digital telephone service to more than 28 million American consumers.

Verizon

http://publicpolicy.verizon.com/blog/entry/statement-verizon-supports-efforts-to-modernize-lifeline

Verizon Supports Efforts to Modernize Lifeline

Today, Representative Doris Matsui (D–CA), Senator Chris Murphy (D–CT) and Senator Cory Booker (D–NJ) introduced the Broadband Adoption Act of 2015. The followong statement should be attributed to Peter Davidson, Verizon senior vice president, Federal Government relations:

> "Verizon supports efforts to reform, modernize and add accountability to the Lifeline program, and the bill introduced by Representative Matsui and Senators Murphy and Booker is an important contribution to those efforts. Among other things, the bill includes several accountability provisions that will help protect consumers who pay for the fund. We look forward to working with the sponsors and other interested stakeholders on ways to modernize the program."

United Church of Christ

http://uccmediajustice.org/p/salsa/web/blog/public/?blog__entry__KEY=7551

In response to the introduction of the Broadband Adoption Act today, the following can be attributed to Cheryl Leanza, policy advisor to UCC OC Inc.:

> I welcome today's introduction of the Broadband Adoption Act. Congresswoman Matsui, Senator Murphy and Senator Booker, along with all the Act's co-sponsors, deserve praise. This proposed legislation is timely in light of the Federal Communications Commission's upcoming proceeding considering modernization of the Lifeline program.

Universalizing broadband adoption is critical—broadband is essential for every aspect of modern life. As I said last week, affordable access is the linchpin to digital literacy and relevance and hence it is the key to adoption. Universal Adoption is the key to individual and national economic security.

The Leadership Conference on Civil and Human Rights

http://www.civilrights.org/press/2015/lifeline-modernization-bill.html

Nancy Zirkin, executive vice president and director of policy of The Leadership Conference on Civil and Human Rights, issued the following statement after the bicameral introduction of the Broadband Adoption Act, which would incorporate broadband within the Lifeline program:

> "For Americans trying to move out of poverty and succeed in our modern economy, broadband access is absolutely crucial. This bill will help put modern communication services within reach for some of our Nation's most vulnerable communities, helping low-income households afford the broadband access they need to thrive in today's information age.
>
> High-speed Internet today is vital to accessing job opportunities, health care, social services, and education. But for millions of low-income and minority Americans—the people who are in most need of the advantages of broadband—such service is simply out of reach. By helping reduce the high cost of broadband services, this bill will help narrow the digital divide and move our Nation toward an inclusive economic recovery.
>
> We thank Representative Matsui and Senators Murphy and Booker for introducing this important legislation, and urge their colleagues to support its passage."

Nancy Zirkin is executive vice president and director of policy of The Leadership Conference on Civil and Human Rights, a coalition charged by its diverse membership of more than 200 national organizations to promote and protect the rights of all persons in the United States. The Leadership Conference works toward an America as good as its ideals. For more information on The Leadership Conference, visit *www.civilrights.org.*

Common Sense Media

"Common Sense applauds Sens. Booker and Murphy and Rep. Matsui for their important bicameral efforts to bring high-speed Internet access to all American homes. High-speed broadband at home is considered essential for the vast majority of Americans, and for good reason. Unfortunately, millions of low-income Americans—including millions of low-income kids—do not have broadband at home, and are being left behind. The Broadband Adoption Act of 2015 will make broadband more affordable and accessible for low-income Americans, enabling more children and their families to connect to 21st century education, jobs, and other critical opportunities that benefit our overall economy."

—Jim Steyer, Common Sense Media CEO and Founder

Lifeline Connects

LIFELINE CONNECTS COALITION LAUDS INTRODUCTION OF BROADBAND ADOPTION ACT OF 2015

Broadband Affordability is Key to Alleviating Poverty and Promoting Opportunity

Washington, D.C.—Lifeline Connects, a coalition of Lifeline providers committed to advancing the Federal Communication Commission's goal of protecting and preserving the integrity of the Lifeline Low-Income communications program, today released the following statement in support of the Broadband Adoption Act of 2015, introduced by Representative Doris Matsui (D–CA) in the House and by Senators Chris Murphy (D–CT) and Cory Booker (D–NJ) in the Senate. The legislation seeks to modernize the Lifeline program to include broadband access for qualifying low-income Americans for whom the cost of service remains a barrier to adoption.

According to John Heitmann on behalf of Lifeline Connects, "Broadband access has become a fundamental requirement of social and economic inclusion and ensures that every segment of our population can fully participate in the information age. Access to the Internet and the availability of information drive economic development and job growth, as well as advancements in healthcare and education."

"The nation needs a new paradigm for alleviating poverty and promoting opportunity for poor families and communities across America. We strongly commend the bill sponsors' efforts to make broadband affordable for the most vulnerable members of our society. This legislation is an important step in ensuring access for low-income households that in many cases have been excluded from the digital revolution."

About Lifeline Connects

Lifeline Connects is a coalition of telecommunications service providers who believe that all Americans deserve access to affordable telephone and broadband service.

Its members are Blue Jay Wireless, Global Connection Inc. of America, i-wireless, LLC and Telrite Corporation. Lifeline Connects is committed to educating and separating myths from facts about the Lifeline program, sharing best practices on compliance and industry self-regulation and proposing additional reforms to preserve the integrity of the program.

CTIA—The Wireless Association

http://www.ctia.org/resource-library/press-releases/archive/ctia-the-wireless-association-statement-on-the-matsui-booker-lifeline-legislation

CTIA—The Wireless Association® Statement on the Matsui-Booker Lifeline Legislation

WASHINGTON, June 1, 2015—The following statement should be attributed to CTIA—The Wireless Association® Vice President of Government Affairs Jot Carpenter:

> "We appreciate Congresswoman Matsui and Senator Booker for releasing their Lifeline modernization legislation. As we will say in our *testimony* [PDF] tomorrow at the Senate Subcommittee on Communications' hearing, we support efforts to expand mobile broadband use while carefully and efficiently administering the Lifeline program to prevent waste, fraud and abuse and safeguarding the interests of the consumers who support all universal service programs."

CTIA—The Wireless Association® (*www.ctia.org*) represents the U.S. wireless communications industry. With members from wireless carriers and their suppliers to providers and manufacturers of wireless data services and products, the association brings together a dynamic group of companies that enable consumers to lead a 21st century connected life. CTIA members benefit from its vigorous advocacy at all levels of government for policies that foster the continued innovation, investment and economic impact of America's competitive and world-leading mobile ecosystem. The association also coordinates the industry's voluntary best practices and initiatives and convenes the industry's leading wireless tradeshow. CTIA was founded in 1984 and is based in Washington, D.C.

Twitter: *@ctia* Blog: *http://ctia.it/Na6erv* Facebook: *http://ctia.it/LCm4Nn*

LinkedIn Group: *http://ctia.it/Na6cA2* Google+: *http://ctia.it/12PfCrO*

Press Contact: Amy Storey, *astorey@ctia.org,* 202–736–3207

National Consumer Law Center

http://www.nclc.org/images/pdf/energy__utility__telecom/telecommunications/pr__broadband__adoption__act6115.pdf

Olivia Wein—contact

NCLC ADVOCATES SUPPORT BROADBAND ADOPTION ACT OF 2015

Today, U.S. Congresswoman Doris Matsui (D–CA), U.S. Senator Chris Murphy (D–CT), and U.S. Senator Cory Booker (D–NJ) introduced legislation to modernize the Federal Lifeline Assistance Program to include broadband service to eligible low-income households.

National Consumer Law Center Attorney Olivia Wein praised today's action on behalf of NCLC's low income clients:

> "The Broadband Adoption Act of 2015 addresses a critical need in our nation—closing the digital divide by bringing affordable broadband within the reach of struggling households. The lack of affordable broadband service hurts children whose educational opportunities are limited and hampers workers' ability to apply for jobs or establish entrepreneurial businesses. Internet access affects every facet of modern life, from access to healthcare to participation in commerce. In an information age, access to modern communication services enhances the competitiveness of individuals and communities. Representative Matsui and Senators Murphy and Booker have demonstrated great leadership on this issue by introducing this legislation."

Since 1969, the nonprofit National Consumer Law Center® (NCLC®) has used its expertise in consumer law and energy policy to work for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the United States. NCLC's expertise includes policy analysis and advocacy; consumer law and energy publications; litigation; expert witness services, and training and advice for advocates. NCLC works with nonprofit and legal services organizations, private attorneys, policymakers, and Federal and state government and courts across the Nation to stop exploitative practices, help financially stressed families build and retain wealth, and advance economic fairness. *www.nclc.org*

Common Cause

http://www.commoncause.org/democracy-wire/closing-the-digital-divide.html

CLOSING THE DIGITAL DIVIDE

By Todd O'Boyle

The fight to close the digital divide just got a major boost.

Rep. Doris Matsui, D–CA, and Sens. Cory Booker, D–NJ, and Chris Murphy, D–CT, introduced the Broadband Adoption Act of 2015 today to modernize Lifeline, a program which helps connect low-income households to telecommunications.

For decades, qualifying households have received a federally-subsidized discount on their monthly bills for a wired or wireless telephone connection. The original program helped build out the American telephone network, and make it a global model of universal service. This bill would give beneficiaries a third choice: a basic broadband connection.

Broadband is key to citizenship and opportunity in the 21st century; yet America trails other nations in terms of quality, affordable, and ubiquitous broadband service—we rank 30th by some measures! Affordability is among the largest barriers to broadband adoption.

With news breaking that the Federal Communications Commission (FCC) is moving forward with Lifeline reforms, this bill couldn't come at a better time.

This is great news—and brings us one step closer to the goal of universal broadband service.

"This strong public interest leadership shows the way forward for the FCC. It's time to modernize Lifeline so more American families can benefit from the democracy and opportunity engine of the 21st century. It's everyone's need and everyone's right," said former FCC Commissioner and Common Cause Special Adviser Michael Copps.

Office: *Common Cause National*

Issues: *Media and Democracy*

Public Knowledge

https://www.publicknowledge.org/press-release/public-knowledge-applauds-introduction-of-broadband-adoption-act

PUBLIC KNOWLEDGE APPLAUDS INTRODUCTION OF BROADBAND ADOPTION ACT

By Shiva Stella

Today, Congresswoman Doris Matsui (D-Calif.), Senator Chris Murphy (D-Conn.), and Senator Cory Booker (D–N.J.) introduced the Broadband Adoption Act to modernize the Lifeline Assistance Program. The bill would instruct the Federal Communications Commission to establish a Lifeline broadband assistance program, allowing broadband Internet services to be available as an option for eligible Lifeline households for the first time. Public Knowledge supports the bill and applauds Congresswoman Matsui for her continued efforts in championing Lifeline.

The following can be attributed to Kristine DeBry, Vice President of the Policy Strategy Center at Public Knowledge:

> "This legislation acknowledges the critical role broadband plays in providing access to jobs, education, news, services, healthcare, and essential communication to low-income individuals. When the Lifeline program was created in the 1980s, voice calls were the critical connection people needed, and now that connection should include broadband.
>
> "Low-income Americans face multiple challenges to accessing broadband service. Without confronting these challenges, the digital divide persists—separating Americans from their own jobs, schools, libraries and healthcare facilities. Lifeline helps address the cost obstacle that too many Americans face in connecting to opportunity. It is a critical program in the FCC's commitment to making broadband service available for everyone.

"We commend Congresswoman Matsui for her long history of leadership in this issue. We're also pleased to see Sen. Murphy and Sen. Booker supporting Lifeline modernization in the Senate. Americans need broadband Internet to connect with and provide for their families, and we believe this bill is a great step forward for struggling communities."

If you would like more information about broadband as an essential service, please view our latest white paper, *Universal Service in an All-IP World.*

Senator WICKER. Thank you.

Senator Fischer?

STATEMENT OF HON. DEB FISCHER, U.S. SENATOR FROM NEBRASKA

Senator FISCHER. Thank you, Mr. Chairman.

Given the waste, fraud, and abuse that has already been identified and the rest that I believe still exists, I think we need to take a look at considering a cap and a co-pay for this program. After all, the other three USF programs are capped, but this one is not.

There is a range of issues that deserve attention. They are reconsidering whether the ETC should be mandated to participate, requiring a budget and improved enforcement, clarifying the states' role, better defining what kind of Lifeline marketing is permissible, determining eligibility and benefits, and ultimately evaluating the FCC's proposal to transition to a broadband subsidy.

My first question is about transparency for rate payers and the families who subsidize the Lifeline services.

What I hear in Nebraska from rate payers is they are already appalled by the charges that they have on their phone bills. This is a regressive tax; let's not forget that. And everyone pays the same rate no matter their income.

The USF fees on our bills, I think, are either going to increase or potentially we are going to see a crowding out of the other programs that Universal Service Fund already has, and that is, like,

the High Cost fund for rural communications or the E-Rate or telehealth.

I would ask Mr. Clements, do you think that Chairman Wheeler, his latest Lifeline proposal should be made public before the Commission votes on it on June 18th so that the public, the rate payers, can know whether their phone bills are going to go up in order to have other people have their Internet service subsidized?

Mr. CLEMENTS. That is not an issue that we looked at. I think what he is proposing is a notice of proposed rulemaking, so I don't believe the final order, in terms of any changes in the rates, would take place until after that process is complete.

Senator FISCHER. Mr. May, would you like to address that? Do you think that we should be seeing the proposal be made public before there is a vote on it?

Mr. MAY. Thank you, Senator.

You know, I just testified over in the House; they had a hearing on reforming the process of the FCC. And I testified that draft orders should be made public before the Commission votes. You know, because they have Sunshine meetings; that is what they are called. So it seems to me, consistent with that, the public could have the item in front of them and know more—they could actually have the item in front of them. I think that could be a good thing. It is more important, I think, on the final orders, as Mr. Brisé said.

The one thing I would say is, you know, Chairman Wheeler now is beginning to release a lot of details—and this is different from past practice—about what is in these proposed orders.

And one thing that I believe, really going to the substance of your point, is that it is pretty clear that if the program is expanded to broadband, I think we have to be pretty clear-eyed about it and understand that it is probably going to increase the cost of Lifeline, and then people have to figure out how you want to pay for that, if you do.

Because, you know, let's be frank, the cost of broadband service is much more expensive than providing ordinary basic service. And that is not even taking into account the equipment that you need, which is more expensive. You know, a laptop or a smartphone is more expensive than a dumb-phone.

And you have the literacy programs. You know, someone mentioned the Comcast Internet Essentials program. I think that type of thing is a good thing because that is helpful for adoption and providing equipment. But there is a cost.

Senator FISCHER. But I think, sir, exactly, there is a cost, and we need to make sure that our citizens in our states and across this country realize that. The Universal Service Fund right now has revenue that is limited, and it is divided up between programs. And when we are looking at a huge increase in cost on this one program, either rate payers are going to pay for it or other programs will be cut back. That is a reality that we need to make clear here.

Mr. MAY. Well, you said, I think, that many of your constituents know that they are paying the 17 percent tax——

Senator FISCHER. In Nebraska, we are very open about listing it.

Mr. MAY.—in Nebraska, but, you know, in a lot of places, unfortunately, a lot of consumers aren't as aware of it. I think if more were aware of it, there would actually be more pressure on the——

Senator FISCHER. Or if other states followed the 1996 law and set up their program——

Mr. MAY. Yes. You know, then there would be pressure to really grapple with, you know, the waste, fraud, and abuse and inefficiency.

Senator FISCHER. Correct.

Thank you, Mr. Chairman.

Senator WICKER. And thank you very much.

Senator Markey, followed by Senator Daines.

STATEMENT OF HON. EDWARD MARKEY,
U.S. SENATOR FROM MASSACHUSETTS

Senator MARKEY. Thank you, Mr. Chairman, very much.

The Federal Communications Commission Act of 1934, it has at its core this principle of universal service. It was kind of a brilliant insight that that society had in our country. Here is what it said; it said capitalism can't work if we don't have everybody as part of this new, modern telecommunications system with a black rotary-dial phone, so we are going to have to find a way of ensuring that everyone has access to it.

And so, yes, there was a system set up that said that, kind of, my father and mother in urban America who were doing OK would be subsidizing people in rural America or subsidizing poor people so they would have a phone too.

And how did capitalism work? Well, of course, now that everyone had a phone, everyone could plug into this incredible capitalist system that we had in America, and we got the return on investment 2, 3, 4, 5, 10 times over because everyone was now part of this capitalist system with a telephone.

So that is what we are talking about here today, the same system. Now, there is no question that my mother and father subsidized rural America for probably 50 years, making sure they had phones, making sure poor people had phones, no question about it. But it was part of a capitalistic plan.

And so now we are talking about modernizing that system, because broadband is to the 21st century what a black rotary-dial phone was to the 20th century, no question about it.

So, Ms. González, do you think that in the 21st century that the system should be technology-neutral and it should remain open to ongoing reinterpretation so that we are ensuring that the lowest income people in our country or the most rural societies in our country should have access to the most modern technology?

Ms. GONZÁLEZ. Yes, sir, Senator Markey. I do think it needs to evolve and needs to build in choice.

Senator MARKEY. And why is that?

Ms. GONZÁLEZ. Because, I mean, I think just every facet of modern American life can be—we can better people's lives with broadband. We can advance the economy, we can give people access to health care. You know, back 50 years ago, you could start a small business without the Internet; today you cannot. And it is

just as simple as that. There are economic reasons, there are moral reasons. It just makes good sense.

Senator MARKEY. I agree with you. I think that in the same way that a black, rotary-dial phone played that huge role in the 20th century, for better or worse, broadband, the Internet, is now economic oxygen for every family in America. You have to be connected to it, you have to be able to fully participate in it, or else you are going to get left behind economically in our country. And we need the same kind of modern plan for this century as was brilliantly put together in the 20th century. We became the model for the rest of the world.

How would you go about determining, Ms. González, what the standard should be for the 21st century with regard to access to broadband?

Ms. GONZÁLEZ. I think we need to look at how we provide sufficient capacity to perform the basic functions that we expect one can perform with broadband. So, for instance, one should be able to access digital education, should access health care, social services, job opportunities, closing the homework gap, emergency communications, civic discourse and participation.

We need to develop some sort of mechanism to ensure outreach is sufficient and that the service is available throughout the month, it doesn't cutoff halfway through the month. And the standards need to evolve over time as the way we communicate evolves.

Senator MARKEY. Yes. So, obviously, we don't want to have a digital divide in the country. We don't want digital haves and digital have-nots. Because that is the key word, "digital." Who has it, and who doesn't? And if you don't have it, you are out of the system, you are out of capitalism. You can't pretend that that family is going to be able to fully participate in what the modern America, the modern world has become.

And so I praise the FCC for their beginning this process, and I praise Senator Booker and Senator Murphy, Senator Blumenthal. I have joined with them in introducing a Lifeline piece of legislation into this committee. I think it is a very important discussion for us. Without modern telecommunications technologies, we are going to leave behind too many people in our country.

Thank you, Mr. Chairman.

Senator WICKER. Thank you, Senator Markey.

Senator Daines?

STATEMENT OF HON. STEVE DAINES,
U.S. SENATOR FROM MONTANA

Senator DAINES. Thank you, Mr. Chairman.

I am going to pick up where Senator Fischer left off about the Lifeline program. I am curious—and this is probably a question for Mr. Clements—I am curious to understand why the Lifeline program is the only Universal Service Fund program that has been funded without a cap. The other three USF programs—the High Cost, which serves rural areas; schools and libraries; the rural health care—all have program caps.

In fact, the GAO has specifically noted, and I quote, "The Low-Income Program has no funding cap, and the addition of broadband and other future telecommunications technology without key man-

agement information and evaluation tools has the potential to further increase the cost to consumers, who pay for the program through their telecommunication bills."

So my question, Mr. Clements: What are the reasons the FCC has not put a cap on the Lifeline program?

Mr. CLEMENTS. I can't speak for why FCC has not done that.

Senator DAINES. What are your thoughts?

Mr. CLEMENTS. We haven't done enough work to say whether a cap would be effective or not.

Senator DAINES. Do you think they should consider implementing a cap? And why would the other three programs have a cap and this one doesn't?

Mr. CLEMENTS. They have recently added caps, for example, to the High Cost program. Before, that was not capped, as well. So, in part of the reform of the High Cost program, they have implemented that.

To the extent that a cap would help control program growth and control waste, fraud, and abuse, we would generally be in support of that.

Senator DAINES. And, I guess, I mean, it is the GAO, after all. Are you concerned the Lifeline fund could continue to increase without sufficient oversight, thus increasing all consumer phone bills?

Mr. CLEMENTS. I think this is why we recommended the program evaluation, to get a better sense of—you have two moving parts. You have the subsidy amount, and so if we are talking about moving to broadband, that subsidy amount may need to go up. And then you have the eligible base, the population that could benefit from the program. You can move the two parts and still keep the total disbursements about the same if you wanted to.

Senator DAINES. But it is just back to what—there is the old Sesame Street saying, "One of these things is not like the other." Why is this one program singled out without a cap and every other program has a cap?

Mr. CLEMENTS. Again, I can't speak for why.

Senator DAINES. I am going to ask Mr. Bergmann, perhaps, a similar question. Why shouldn't the Lifeline program be subject to a cap in the way that other portions of the USF program are?

Mr. BERGMANN. Thank you, Senator.

And, you know, just to share a little bit about the perspective of the wireless industry, we share your concerns in making sure that the burdens on consumers are kept to a minimum, because 44 percent of the universal service contribution fund comes from wireless carriers and their customers. And the way technology is evolving, that is going to be 50 percent soon. So we certainly share that interest.

I think part of the reason that the Commission and the wireless industry has been concerned about a hard cap is that the low-income Lifeline program is structured a little bit differently than those other USF programs. So, first, it is directed to individuals, as opposed to carriers. And the second is that it is means-tested, so directly looking at the eligibility of those customers, as opposed to the other programs, which are based on, sort of, other proxies.

So, you know, as we look at the typical customer profile, you know, we see that the average Lifeline customer has an income of $12,000. About half of them are middle-aged. About a third of them have disabilities. So the challenge for us is how would you implement it so that you get that fiscal discipline without forcing the next eligible customer to miss out on that opportunity.

Senator DAINES. But would a cap perhaps be an important step forward to help drive this desire to eliminate the waste, fraud, and abuse in the system?

Mr. BERGMANN. So I think, from our perspective, the best thing that the Commission could do to address those issues is by addressing this issue of determining eligibility.

They have taken important steps with the development of the duplicates database, but the Commission said in 2012 that it would adopt an automated way to determine who is eligible. It hasn't moved forward with that yet. So we are hopeful that that will be part of the FCC's proceeding coming up.

Senator DAINES. Mr. Bergmann, let me shift gears here and move to tribal access for a moment. As of the first quarter of 2015, there were 6,546 Lifeline subscribers in Montana; 3,800-plus were listed as tribal, and about 2,700 were listed as non-tribal.

Mr. Bergmann, since almost 60 percent of Montanans receiving Lifeline services are from tribal lands in my state, what are some of the challenges the wireless industry faces in bringing service to our tribal lands?

Mr. BERGMANN. So thank you, Senator.

Tribal areas present some of the most difficult challenges to serve in the country. They tend to be in rural areas; those tend to be high-cost areas. And, you know, for anyone who has had a chance to visit tribal areas, there can often be, sort of, eye-popping economic challenges.

So, you know, one element of that, I think, is that the FCC has set up special rules for Lifeline for tribal areas so that there are higher support amounts. Link Up continues.

But looking outside of Lifeline, I would also say that there is probably more that could be done to facilitate the build-out of networks, to Senator Ayotte's question, trying to make sure that we have the networks there to support those services. So tower siting on tribal lands has traditionally been a challenging issue, and it is something that we would love to work on to try to promote.

Senator DAINES. Thank you.

Senator WICKER. Thank you, Senator Daines.

Senator Blumenthal?

STATEMENT OF HON. RICHARD BLUMENTHAL,
U.S. SENATOR FROM CONNECTICUT

Senator BLUMENTHAL. Thanks, Mr. Chairman. And appreciate your having this hearing on a really important topic and the testimony that we have heard. Excellent testimony from the panel so far.

The so-called digital divide really threatens to become a digital chasm or canyon, as access to this really critical service diminishes as people become faced with the inability to pay for it. And access to broadband is every bit as important today as the availability of

phone service was 30 years ago. So defending this vital lifeline—it really is a lifeline—I think ought to attract unanimity from this panel and from the U.S. Senate.

But there still are the myths and the bogeymen about waste, fraud, and abuse. There is no question that some of it exists, and the FCC is focusing on it, and it should, with even greater vigor and vigilance. But it has taken some steps.

And I would like to ask members of the panel, for example, Mr. Clements and Ms. González, about the steps that have been taken already—for example, the cross-checks on databases, so that double or triple subsidies for the same household can be eliminated. The number of households has diminished, from 18 million to 12 million, I believe, as a result.

And what are the steps that you think are most important remaining to be taken to eliminate waste, fraud, and abuse? And I assume a cap is not one of them.

Ms. GONZÁLEZ. Thank you, Senator Blumenthal. I will begin.

When I looked through the GAO report, on page 9 there is a table of all the reforms that the FCC proposed in 2012, and seven of them have been fully implemented.

They have adopted a one-per-household rule. They have eliminated Link Up on non-tribal lands. Develop uniform eligibility criteria. Establish non-usage requirements, so if someone isn't using their service, it is terminated. The payments to the eligible telecommunications carriers are based on actual support claims. They have conducted independent and first-year audits. And they have developed the National Accountability Data base in 46 states and the District of Columbia. That has eliminated 1.28 million duplicates.

The GAO—I am stealing your thunder, I am afraid.

[Laughter.]

Ms. GONZÁLEZ.—also identified four that were in progress. The FCC has developed a $9.25 flat rate, and they are still evaluating what a permanent reimbursement rate is. I am not sure if it is appropriate to develop a permanent rate. I think it is something that might need to be reviewed periodically.

Senator BLUMENTHAL. So these steps really represent profoundly significant progress toward eliminating waste, fraud, and abuse; would you agree?

Ms. GONZÁLEZ. I agree. I think it demonstrates serious efforts to curb those problems.

Senator BLUMENTHAL. Does anyone on the panel disagree? I mean, these steps strike me as a serious, sustained effort to combat waste and fraud in this program, and we should credit the FCC and suggest additional steps, if there are any, that would go in that direction.

But it should not be an impediment to broadband access under this program. The fact that there are defects in what has been done before shouldn't prevent the FCC from extending Lifeline to broadband. And we will do it by legislation, if necessary.

Do you have a comment, Mr. Clements?

And does anyone on the panel disagree?

Mr. May?

Mr. MAY. I mean, I don't disagree in a broad sense, but I will just say they have taken steps and they have had a positive impact, but GAO and others have identified some other steps that they could take. It is not clear to me why they haven't taken some of these steps.

One example is—and the proposals were made several years ago—just to require document retention when you sign up someone so you can later check. I think you identified that. They haven't done that.

So, in the way that I would think about some of these things is, why not have them take the remaining steps and implement them before you then move on to think about expanding the program?

Senator BLUMENTHAL. Well, you know, even government agencies can do two things at once.

Mr. MAY. But they haven't.

Senator BLUMENTHAL. They are capable of doing two things at once, and they have, by the way, Mr. May. They have done many, many things at once. The FCC is moving forward on some very visionary and courageous steps even as we speak in other areas.

So maybe they haven't to your satisfaction, but may I just suggest—and I welcome your comment; I think it is a very constructive and important comment—that they should do steps to eliminate waste, fraud, and abuse even as they expand broadband.

Thank you, Mr. Chairman.

Senator WICKER. Thank you, Senator Blumenthal.

Senator Manchin?

STATEMENT OF HON. JOE MANCHIN,
U.S. SENATOR FROM WEST VIRGINIA

Senator MANCHIN. First of all, thank you all, and I appreciate very much your being here.

You know, when you look at the program in my little state of West Virginia, you know, there are a lot of people that depend on it. But I have to be honest. And, Ms. González, your testimony was so compelling, but unfortunately we don't hear that in West Virginia.

I hear more people complaining about people using these funds for illicit purposes versus legitimate purposes. And they are upset about it. And that is the state's, really, challenge. My little state, and they see all the money being thrown at it. And if you look at it, 2005 was an $800 million program. It has gone to over $2.2 billion.

And they are just sick and tired of it, and there is no confidence. So I don't know how you restore confidence back into the system to where people think that their tax—and, really, they think it is their tax dollars, first of all. If they knew it was their long-distance, they would be more outraged than what they are now. They just think it is overall tax dollars going to the program.

So there is no support. I hear no support. In a state that is really challenged and needs it. I have probably half a million people who don't have broadband high-speed available. And yet you are expanding your program to people who don't have the basic infrastructure in a lot of rural states. I think Kelly spoke about—I know

that Senator Sullivan will have the same in Alaska. And there is going to be a lot of abuse in that.

So what we didn't understand is when Senator Daines was asking you, just cap it. You will be more—if it is capped and you only have a certain amount of money to work with, you are going to be much more efficient and effective with it.

You know, people have just lost confidence that we have any common sense here, any common sense to really control the out-of-control spending. And that is coming from a Democrat in a state that depends on an awful lot of government programs that help them.

So, sooner or later, we are going to have to get real about this. You know, I can't go back and look at them with all good—just with good intentions. But, you know, I am compassionate about helping people, and they need help. But when a majority of the people that are receiving it use it for illicit purposes and not for legitimate purposes——

You know, they still believe that Lifeline is when your grandmother falls down and she pushes a button and someone comes and helps her. That is what we are dealing with. I mean, people just don't know. So we have done a very poor job of doing it. And there is an old saying, they have told their story before we have told our story.

So, Ms. González, how do we have more people like yourself that has really been benefited by this program? And then how all of you can control the program, it would be good to hear any of your inputs on that.

So anybody here that would want to speak, we can just go right down the line.

Mr. BRISÉ. Sure. I will go ahead and start, Senator.

The first thing, I will say that coming from a state that is a donor state and having a state that has about 47 percent of the people who would today be eligible actually participate, there is an issue that exists in terms of people actually knowing that the program exists and how it operates.

Now, there are a couple things that I think that the FCC has done that has worked to assure that there is less waste, fraud, and abuse, but there is a lot more that can be done.

Senator MANCHIN. Sure.

Mr. BRISÉ. One is the national eligibility database. That needs to continually be worked on, or that needs to be worked on, so it can be implemented. Now, that is a challenge because that is going to require the state input so that there is input into the state databases for some of those services that are provided.

The other thing that I believe is also important in this space is recognizing the overall goal, as NARUC has supported, that we have to be firm and express what the values of the program are and identifying the bad actors. States have played a very important role in identifying many of the bad actors.

Senator MANCHIN. Is there any quid pro quo on a state that doesn't monitor, oversee, and basically run a program more efficiently? Do you have any ability to pull back from the Federal Government, pull back the services, the amount of people they can help?

I mean, I am advocate of the program. I think it does, hearing Ms. González—and I am sure there are many more like you that have really benefited from legitimate uses. But with that being said, sometimes we throw the baby out with the bathwater.

But if a state doesn't get its act together and turn in this information, is there any quid pro quo back on that state?

Mr. BRISÉ. Not that I am aware of.

Senator MANCHIN. Does anybody know that?

So nothing. So, basically, as we usually do in America, we reward you for bad behavior. That is an awful question, isn't it? You know, because it is just so true. I mean, we hold nobody accountable or responsible for their actions.

How do we——

Senator WICKER. Well, perhaps, Senator Manchin, the other four panelists could supplement their testimony with an answer, because——

Senator MANCHIN. If anybody——

Senator WICKER.—you asked the question to all of them, and we do have a vote on.

Senator MANCHIN. Yes, I know.

Senator WICKER. So if panelists could submit written answers to Senator Manchin.

Senator MANCHIN. If you could tell us this: Basically, do you believe that the reforms that are going into place are tough enough? Do you believe we should put caps and we should put benchmarks to make sure they are meeting them before we just continue on with a program that a lot of people don't have confidence in? I think that would be my question.

Senator WICKER. Thank you. And we will proceed in that fashion.

Senator Sullivan?

STATEMENT OF HON. DAN SULLIVAN,
U.S. SENATOR FROM ALASKA

Senator SULLIVAN. Thank you, Mr. Chairman.

And I do want to mention that I think Senator Manchin is raising a lot of important points, and I would agree with a lot of those. I think it is important that you are able to kind of address some of the issues he has raised in a lot of detail, because there are issues of confidence with regard to the program.

You know, like a lot of rural states, big rural states in particular, the issue of expanding broadband, certainly in my state of Alaska, is a really important goal. And many of our carriers in the state are using the USF as a way to expand broadband infrastructure.

Maybe, Mr. May, you can answer this question, but I will open it up to all the panelists.

There is a concern that if the Lifeline support is expanded to include broadband service that it would diminish the overall funding, USF program funding, to build out broadband infrastructure.

Can you address that, and is that a concern? Is there a zero-sum element to the funding in what we are trying to do? I know that it was asked earlier, but I would just be very interested because this is a critical question for my state.

Mr. MAY. Thank you, Senator.

You know, in theory, the USF fund and the Lifeline fund are two separate programs, and the money——

Senator SULLIVAN. When you say that, "in theory," what about in practice?

Mr. MAY. Well, no, in practice they are, as well. I just—what I started to say is that, to the extent that public confidence has eroded along the lines that Senator Manchin was inferring in the Lifeline program because of some of the problems that he has had, I think ultimately if that public confidence erodes it might affect how people view potentially all of these programs. And that is what I meant.

But the USF fund is different. I don't think you were here, but when I was responding to Senator Ayotte I said I support the USF High Cost fund program as long as those funds are really targeted to unserved areas. Sometimes in the past they have been targeted in a way that duplicative carriers are supported.

So, you know, one thing that I would say about——

Senator SULLIVAN. So, I mean, just to be clear, so you are saying that you look at the High Cost, the E-Rate, the Rural Health programs, Lifeline program, there is not a—if you are expanding one, you are not necessarily diminishing from——

Mr. MAY. No.

Senator SULLIVAN.—others?

Mr. MAY. No. Because they are not—I mean, you have caps on the High Cost fund, for example, but there isn't a cap on the Lifeline fund. If the Lifeline fund expands, it is not because, you know, more eligibles are receiving funds. It is per se diminishing the High Cost fund. At least that is my understanding of the way it works.

Senator SULLIVAN. I would be interested in other panelists' views on that.

Mr. CLEMENTS. I think what would happen in that case is the contribution factor simply increases. So the other three programs are fixed. If Lifeline were to double in disbursements, then the contribution burden would go up.

Senator SULLIVAN. OK.

Let me ask another question relating to the program. You know, I think that there have been some concerns about how carriers are being asked to determine and verify individual eligibility within the Lifeline program.

Can you comment on that, how that works, Mr. Clements, just to give us a sense of how that operates? And does it impact some of the issues that Senator Manchin was talking about?

Mr. CLEMENTS. Sure.

The current process requires at enrollment the carrier to verify an applicant's eligibility. We found the most common approach to doing that is the carrier will look at some type of documentation. For example, an applicant will arrive at the location and show a SNAP card. And it is at that point that the applicant, if the document is valid, would be enrolled. The carrier is doing that.

FCC had considered an approach where there would be a database that the carrier could simply query, but it has not implemented that database yet.

Senator SULLIVAN. And do you think that is an effective way to look at eligibility? Are the carriers concerned about liability or just

the burden of that, particularly given some of the concerns Senator Manchin mentioned?

Mr. CLEMENTS. Some carriers have expressed concerns to us about the burden. I think it depends upon which carrier it is. Some of the wireline carriers are more hesitant, where they view that as a burden, that—it would be better to have the government do it. Some of the wireless carriers would prefer that the carrier themselves would do that.

Senator WICKER. Thank you, Senator Sullivan.

Senator SULLIVAN. Thank you, Mr. Chairman.

Senator WICKER. Senator Schatz and I are going to try to wrap this hearing up before voting. We appreciate the members' and witnesses' being mindful of the time.

Let me just ask you, Mr. Clements, the FCC has not implemented a Lifeline eligibility database, and you report this. We were told that it would be done by the end of 2013. The FCC is now planning to move forward with the Lifeline program to fund broadband before it has implemented the database to verify that all consumers who sign up are actually eligible.

I think there has been broad support in this hearing, as we have all heard, for the concept of the program. We want eligible people to participate, and we want to be able to prevent ineligible people.

So how many folks are out there that are participating? Can you enlighten us? How big is this problem? And does it concern you that we would be moving forward as a government without having the eligibility database?

Mr. CLEMENTS. I believe the total number of participants is around 12 million households.

The problem the FCC has encountered with the database——

Senator WICKER. No, but of that number, how many are ineligible?

Mr. CLEMENTS. We don't know how many are ineligible. We do have additional work for Senator McCaskill looking at sort of specifically looking at the Internet controls.

Senator WICKER. So that is part of the problem that Senator Manchin was talking about, as I understand it. There are 12 participants, and we have no idea how many are ineligible? Is that right?

Mr. CLEMENTS. We don't know that, no.

Senator WICKER. Does anyone on the panel care to take a stab at that?

Mr. May?

Mr. MAY. Well, you know, I think the answer is, until you implement some of the further reforms like the national database, that might lead to a reduction in the number of persons receiving the benefit by virtue of doing that. Then you would have an idea at that point how many—some idea, order of magnitude, how many people might have been ineligible or were, after you have implemented the reforms. But you don't know until you do that, I don't think.

Senator WICKER. So, as a free market advocate, you have no idea, and you don't even have a hunch.

Mr. MAY. I don't have a hunch, no, sir.

Senator WICKER. OK. Well, I think that is helpful information to the Subcommittee, Senator Schatz.

Mr. Bergmann, tell us about how automatic disenrollment would work and be helpful.

Mr. BERGMANN. So thank you, Senator. And I think that really sort of tees off your last question, which is having an automated means of determining eligibility. That is something that the Commission talked about doing in 2012 and we certainly hope will be part of the reforms going forward.

But one of the benefits, I think, of an automated means of determining eligibility is that you will have more real-time information about when subscribers are actually eligible and when they are not eligible, right? So, right now, a carrier makes an initial determination, and then you wait a year. There is an annual recertification process.

But an automated system would allow you to figure out when someone is no longer eligible—right? I think we all view Lifeline as a hand up, not a handout. So when they are no longer eligible for Lifeline, then you would be able to automatically de-enroll a subscriber, saving the program money.

Senator WICKER. Thank you very much.

Senator Schatz?

Senator SCHATZ. How long is it going to take to develop the national eligibility database, Mr. Clements?

Mr. CLEMENTS. We don't know that. And I think FCC has encountered a number of problems in developing a database. One of the problems is there——

Senator SCHATZ. Is it possible?

I mean, I understand the principle here, that you have the eligibility determination made by the carriers, and so there is a conflict and there is a sort of disincentive to find people to be ineligible, and so the rational solution becomes, well, let's develop a national database. But that sounds enormously difficult and time-consuming and maybe not possible at all.

Would you care to comment on that?

Mr. CLEMENTS. There are challenges with it. And one of the challenges is that you have seven programs that an eligible household could apply for and qualify for the program. In addition to the income, a lot of those data are housed at the state level. And so that has been a problem of creating the nationwide database, because data are housed at the state level.

There are also privacy concerns——

Senator SCHATZ. You have the responsibility for the data housed at the state level. In some instances, you actually don't have the data at the state level at all. It is not just a matter of integrating systems and matching up statutory requirements. In some instances, the states just actually don't have the information. Isn't that correct?

Mr. CLEMENTS. I would have to get back with you. I am not sure.

Senator SCHATZ. Commissioner Brisé?

Mr. BRISÉ. Thank you very much. Thank you for the opportunity to address that particular issue.

There are 15 states that have these eligibility databases currently. And so my state is one of them. So what happens in that

case, someone who wants to participate in the Lifeline program, they interact with the Department of Children and Families. That sort of creates information that the carrier can have access to, and they know that that individual is eligible to receive the program.

Now, part of the challenge, as you have correctly identified, is ensuring that these databases talk to a national database for that to happen. We believe at NARUC that this issue is ripe for a joint board referral, because that way you can have the states around the table or at the table to discuss ways for us to do this effectively in a way that all of the states can get around and have a process that makes sense and get it moving much quicker than the FCC moving at it alone.

Senator SCHATZ. I will just finish with this. It just seems to me that, as we grapple with the eligibility determination question and the mechanics of that, which are enormously difficult, there is just no way that any of that is going to get settled, as a practical matter, before the FCC moves forward on broadband.

And my concern is no objection to moving forward on broadband, but that at a minimum we take the lessons we have learned from Lifeline for voice and we encourage the FCC to use those lessons and not repeat those mistakes and find ourselves 8 years from now trying to clean up another mess that I think we this time could have seen coming.

Thank you, Mr. Chairman.

Senator WICKER. And thank you, Senator Schatz.

We are going to make a dash to the floor to make this cloture vote.

The hearing record will remain open for 2 weeks. During this time, Senators are asked to submit any questions for the record. Upon receipt, the witnesses are requested to submit their written answers to the Committee as soon as possible.

Thank you very much.

And this concludes the hearing.

[Whereupon, at 10:59 a.m., the hearing was adjourned.]

A P P E N D I X

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. HON. JOHN THUNE TO COMMISSIONER RONALD A. BRISÉ

Question 1. Based on studies submitted by the FCC, the GAO Report concluded that many low-income households would choose to subscribe to telephone service even without the subsidy. To reduce waste, fraud, and abuse in the program and ensure it is working efficiently, would you be in favor of a rule that limits Lifeline benefits only to consumers who do not already subscribe to phone service, broadband service, or a pay TV service?

Answer. NARUC has not taken a position on this issue. Lifeline was established to help those in need connect to and stay connected to the phone network. Limiting Lifeline to those who do not already have phone service or broadband will reduce the number of enrollments but it could also have other impacts. This issue has both empirical and policy dimensions. In the end, Federal policy makers, either in Congress or at the FCC, must balance the anticipated costs and benefits of this approach and set specific program goals. In Florida, we do collect information on whether a Lifeline applicant currently has phone service. On the Florida application for consumers applying for Medicaid, SNAP, or TANF through Department of Children and Families (DCF), we ask whether the applicant wants to receive a $9.25 per month discount on their phone service from the Lifeline Assistance Program if approved by DCF to receive one of its Lifeline-qualifying programs. If the applicants answer yes, they are asked if they presently have phone service and if so, what their phone number is and whose name is on the bill. They are then asked to choose the name of their telephone provider from a drop-down menu which appears with the names of all the Florida ETCs. If an applicant checks that they do not presently have phone service but want to receive Lifeline Assistance, they are advised to contact their local provider and sign up for service.

Question 2. Several carriers that entered the Lifeline market in recent years have chosen to offer free monthly service and handsets to low-income consumers. This practice raises questions about whether the program should fully subsidize Lifeline services, particularly when the size of the Universal Service Fund continues to grow. Should Lifeline subscribers be required to pay some amount of money in order to be eligible for the program?

Answer. Historically the Lifeline program was a discount over residential retail service. Until recently, there was never an opportunity for free service—only an opportunity for discounted services.

NARUC has not taken a position on the issue of imposing a minimum monthly charge and, personally, I have not formed an opinion either. I was not a member of the Joint Board when the Lifeline Recommended Decision was released on November 4, 2010. However, in paragraph 79 of that Recommended Decision, that Federal State Joint Board on Universal Service noted, in a discussion of prepaid wireless lifeline services, the following:

> In particular, the Joint Board supports the further examination of those Lifeline offerings that are offered at no cost to the subscriber. The relevant decisions to expand USF Lifeline funding to include prepaid wireless Lifeline-only carriers were made largely by the FCC in the context of various forbearance and waiver petitions and without advice or consultation from the Joint Board . . . Our concerns include the implications of demand for a service or product that is essentially free. When the Commission last considered the issue of free service for Lifeline customers, it was determined that the local residential rate charged to Lifeline-eligible Tribal members should not fall below a monthly minimum of $1.00, even if the Lifeline credit exceeded the amount of their bill for local service. The Commission should develop a record, and determine whether this re-

quirement for a minimum monthly rate should be made applicable to all Lifeline subscribers and not just to eligible Tribal members." [1]

For wireline service, customers also pay what is effectively a minimum fee—their regular phone bill less the Lifeline discount. Georgia considered a minimum $5 monthly lifeline charge but ultimately decided against it. Oklahoma is the only state, to my knowledge, that requires a monthly minimum charge. Oklahoma established a $1 monthly minimum charge for Lifeline subscribers as a method to deter duplicate service. However, now that the national duplicates database is up and running the monthly minimum charge will be eliminated later this year.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JOE MANCHIN TO COMMISSIONER RONALD A. BRISÉ

Question 1. The Lifeline Program, originally created in 1985, can and should be a targeted means of providing subsidies to those who are truly in need of assistance, but, first, we must address the rampant waste, fraud and abuse that made the program a household name.

Question 1a: Do you believe that the enacted reforms to the Lifeline program are tough enough?

Answer. The reforms instituted by the FCC have reduced waste, fraud and abuse. Most of those reforms were specifically recommended by the Federal State USF Joint Board.[1] In particular, the National Lifeline Accountability Database (NLAD) has unquestionably had an impact. However, as both Congress and the FCC consider whether to expand the program to include broadband service, it certainly would be prudent to conduct an in-depth evaluation of the impact of the existing safeguards and consider possible improvements.

In July 2013, after the first round of Lifeline recertifications following the FCC's reforms, NARUC passed a resolution commending the FCC for the reforms. However, that resolution also urged the FCC to: (1) closely examine the recertification process, (2) "promptly initiate a collaborative process with the States to develop and implement a mechanism for States and/or the Universal Service Administrative Company to efficiently administer determination of eligibility and recertification for consumers to participate in the Lifeline program . . . to minimize waste, fraud and abuse, and to learn from State Lifeline enrollment and recertification processes, databases and systems," [2] and (3) ensure the NLAD and eligibility databases are operational by December 2013. While the NLAD is operational, the national eligibility database is not. The FCC should continue to utilize the Congressionally-mandated federal-state partnership to promote efficiency in Federal universal service programs.

As pointed out in my testimony, States play a crucial role in policing the Lifeline program. Several states have indicated that they use State social service databases to confirm consumer eligibility for participation in the Lifeline program. Indeed, coordinated action between NARUC and the States have removed more than 2 million duplicate subsidies. I commend FCC Commissioner Clyburn for her role in tackling this issue and seeking vital State input throughout the process. While it is hard to quantify program savings that are a direct result of State action, it is safe to say it is in the millions of dollars.

While, other than in our 2013 resolution, NARUC has not taken a specific position on whether other reforms are needed, Appendix A to my testimony includes a list of ideas offered by individual NARUC members and staff that work on Lifeline on a regular basis. *The suggestions have not been considered or endorsed by NARUC or any specific State commission.*[3] Furthermore, the FCC could refer to the Federal State Joint Board questions on further reforms to address waste, fraud and abuse.

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[1] *In the Matter of Federal State Joint Board on Universal Service,* CC Docket No. 96–45, *Lifeline and Linkup,* WC Docket No. 03–109, Recommended Decision (FCC10J–3), rel. November 4, 2010, at paragraph 79, available online at *http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC–10J–3A1.doc.*

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[2] *NARUC Resolution to Improve Lifeline Annual Recertification Process,* adopted July 24, 2013, online at: *http://www.naruc.org/Resolutions/Resolution%20to%20Improve%20Lifeline%20Annual%20Recertification%20Process.pdf.*

[3] In gathering information for this hearing, NARUC asked for suggestions on reforming the program. NARUC specified that we would not attribute particular responses to any State or individual. This anonymity encouraged a broader range of recommendations.

Question 1b. Do you believe that we should cap the program and establish specific benchmarks to measure programmatic success before we expand this program that, quite frankly, a lot of people do not have confidence in?

Answer. NARUC and the States are sensitive to growth in the fund and the associated contribution factor, but we have not taken a specific position on whether the program should be capped or be given a budget. Neither have I personally. On the question of whether specific benchmarks to measure programmatic success should be established prior to the program being expanded, NARUC, once again, doesn't have a specific position. NARUC supports expanding the program to cover broadband services and we have called for improved oversight and eligibility verification procedures for the program overall. Measuring programmatic success seems prudent for any publicly funded program.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. AMY KLOBUCHAR TO COMMISSIONER RONALD A. BRISÉ

Question 1. Commissioner Brisé, you mentioned that Florida has a real-time verification procedure for Lifeline eligibility. Can you explain how this system works and if this is something that can be scaled on a national level?

Answer. The Florida Public Service Commission (FPSC) has worked diligently to streamline the Lifeline enrollment process and to eliminate the possibility of fraud, waste, and abuse. The Florida Lifeline Coordinated Enrollment Process is a streamlined, efficient, and verifiable process consistent with the vision of the FCC. The FCC has used the Florida Coordinated Enrollment Process as an example in both the 2012 Lifeline Reform Order (FCC 12–11, § 175), and 2015 Lifeline Second Further Notice of Proposed Rulemaking, Order on Reconsideration, Second Report and Order, and Memorandum Opinion and Order (FCC 15–71, Footnote 215). It is the type of process which could be adapted for national use provided confidentiality requirements are adhered to. Florida Statutes provide that personal identifying information of a Lifeline participant must be kept confidential.

Applicants in Florida can enroll in Lifeline by using the FPSC/Florida Department of Children and Families (DCF) Lifeline Coordinated Enrollment Process, or the FPSC On-Line Lifeline Coordinated Enrollment Process for Applicants already Participating in Medicaid, Supplemental Nutrition Assistance Program (SNAP), or Temporary Assistance to Needy Families (TANF). Eligible Telecommunications Carriers (ETCs) can receive real-time verification of applicants participating in the Medicaid, SNAP, or TANF programs by logging in to the DCF computer portal.

Florida Public Service Commission (FPSC)/Florida Department of Children and Families (DCF) Lifeline Coordinated Enrollment Process

A Florida consumer applying for Medicaid, SNAP, or TANF must apply for the assistance through DCF which is the administrator of those programs in Florida. Included within DCF's application is a question asking whether the applicant wants to receive a $9.25 per month discount on their phone service from the Lifeline Assistance program if approved by DCF to receive one of its Lifeline-qualifying programs.

If the applicants answer in the affirmative, they are asked if they presently have phone service and if so, what their phone number is and whose name is on the bill. They are then asked to choose the name of their telephone provider from a drop-down menu which appears with the names of all the Florida ETCs. If an applicant checks that they do not presently have phone service but want to receive Lifeline Assistance, they are advised to contact their local provider and sign up for service.

The application then lists all the attestations and certifications required in the Lifeline Reform Order, and asks if the residential address listed on the application is permanent or temporary. The applicants have to check whether they have read and understand each of the certifications.

The DCF holds this information until a determination is made as to whether the applicant gets approved for Medicaid, SNAP, or TANF. Once an applicant has been approved for one of these programs, and has indicated they want to participate in the Lifeline program, the DCF computer automatically sends a message to the FPSC computer indicating this person has been approved for a Lifeline qualifying program and has requested Lifeline Assistance.

The FPSC computer automatically queries the DCF message to retrieve the name of the applicant's ETC provider. The FPSC computer then generates an automatic message to the appropriate ETC advising them that it has a Lifeline applicant's information available for retrieval on the FPSC's confidential website. The only time an ETC receives the message from the FPSC is when an applicant has been certified

that they participate in Medicaid, SNAP, or TANF. The ETC can only view the Lifeline applications of applicants who have applied to that specific ETC through the coordinated enrollment process.

The ETC retrieves the Lifeline applicant's information by logging in to the confidential FPSC website to download the spreadsheet with the names, addresses and other information of the applicants. The spreadsheet indicates whether the application was originated on the DCF website or the FPSC (see below) website.

By Florida Statute, ETCs have 60 days to place the applicant on Lifeline. By FPSC rule, the ETC has to apply the Lifeline credit back to the date of the FPSC e-mail message sent to them advising that an applicant has been approved for Lifeline.

Florida PSC On-Line Lifeline Coordinated Enrollment Process for Applicants Already Participating in Medicaid, SNAP, or TANF

Consumers already participating in Medicaid, SNAP, or TANF can apply for Lifeline at: *https://secure.floridapsc.com/(S(ui5byg45jksr2efy0c0x0k45))/public/lifeline/lifelineapplication2.aspx*

Lifeline applications on the FPSC website are available in English, Spanish, and Creole. The applicants provide their name, address, telephone number, date of birth, and last four digits of their social security number. They indicate whether their address is permanent or temporary, and whether they have a different billing address. They select the name of their provider from a drop-down box listing all Florida ETCs, and then indicate whether they are participating in Medicaid, SNAP, or TANF. The application includes all the attestations and certifications required in the Lifeline Reform Order.

Once the applicant agrees to the terms and conditions at the bottom of the application and hits the submit button, the FPSC computer automatically conducts a query in the DCF computer to verify the applicant is actually participating in the program(s) checked by the applicant. If the DCF computer response message confirms participation in a qualifying Lifeline program, the FPSC computer automatically generates an e-mail to the appropriate ETC that it has a Lifeline applicant's information available for retrieval on the FPSC confidential website.

If the DCF computer cannot verify participation in the Lifeline qualifying program, FPSC staff generates a letter to the applicant notifying them we could not confirm participation in the Lifeline qualifying program they checked. We include a hard-copy Lifeline application with the letter along with a listing of all Florida ETCs and FPSC staff telephone numbers if assistance is needed.

If the applicant desires to qualify using a Lifeline qualifying program other than Medicaid, SNAP, or TANF, they are directed to use a hard-copy Lifeline application which can be downloaded from the FPSC website. Applicants wishing to qualify using Supplemental Security Income, Federal Public Housing Assistance, Low-Income Home Energy Assistance Program, National School Lunch Free Lunch Program, or Bureau of Indian Affairs Programs can complete this form, and submit it to their telephone provider along with verification that they are currently participating in one of these programs. A list of acceptable documentation is included on the application and can be viewed at: *http://www.floridapsc.com/utilities/telecomm/lifeline/LifelinePDFs/ApplicationEnglish.pdf.*

Real-Time Computer Portal Verification

In 2008, the FPSC and the Florida DCF began working on the concept of a computer portal which would allow ETCs to verify in real-time whether Lifeline applicants are enrolled in a DCF qualifying eligible program (SNAP, TANF, or Medicaid). The ETC enters the first and last names of the person, the last four digits of their social security number, and their date of birth.

DCF's computer automatically replies in real-time with information as to whether that person is or is not participating in a DCF qualifying Lifeline program (without identifying the program). Certification and verification can be accomplished using this process if the applicant, in the case of certification, or an existing Lifeline customer in the case of verification, participates in the SNAP, TANF, or Medicaid programs which are administered by the DCF. If a program other than Food Stamps, TANF, or Medicaid is used for certification, the provider would have to turn to the agency administering that program, which could be the Department of Education (free school lunch program), the Social Security Administration (Supplemental Security Income), or a county-level agency (Low-Income Home Energy Assistance Plan). However, FPSC data shows that over ninety percent of applicants apply using the Lifeline automatic enrollment process since they qualify for Lifeline via participation in SNAP, TANF, or Medicaid.

As the GAO witness, Michael Clements, stated at the hearing the data needed to confirm eligibility resides at the State level. About seventeen States currently utilize their social service databases to confirm eligibility and about another seven are considering making the jump. The FCC has realized the difficulty in creating a national eligibility verification database. Congress and the FCC should be collaborating with the States to incentivize the use of State databases. The Federal government can learn much from the States that utilize their databases, such as Florida. Working with States to utilize their social service databases to verify eligibility is most likely the quickest, easiest and least costly way to reach a nearly universal eligibility verification system. This would be a perfect issue to refer to the Federal State Joint Board on Universal Service.

Question 2. Commissioner Brisé, Mr. Bergman and Ms. Gonzalez, how would you propose verification for Lifeline eligibility if the program was expanded to broadband?

Answer. NARUC supports expanding the program to cover broadband services and we have called for improved eligibility verification procedures for the program overall. We have not taken a position on whether the eligibility criteria should be modified when the program is expanded to include broadband. On eligibility, NARUC adopted a resolution in 2013 that specifically urged the FCC to "promptly initiate a collaborative process with the States to develop and implement a mechanism for States and/or the Universal Service Administrative Company to efficiently administer determination of eligibility and recertification for consumers to participate in the Lifeline program in an effort to minimize waste, fraud and abuse, and to learn from State Lifeline enrollment and recertification processes, databases and systems."[4] The resolution also encouraged the FCC to ensure the national lifeline accountability database (NLAD or duplicates data base) and eligibility databases are up and running by the end of 2013. While the NLAD is up and running the national eligibility database is still a work in progress. As previously stated, Congress and the FCC should be incentivizing States to use their databases to confirm eligibility. NARUC will be considering a policy resolution at our upcoming Summer Meeting in New York City on "ETC Designation for Lifeline Broadband Services." The draft resolution notes that the FCC's Second FNPRM on Lifeline seeks comment on whether the national designation of ETCs for Broadband Lifeline Service would be preferable to the state-by-state ETC designation process currently used for Lifeline Service (see para. 140, pg. 51). Specifically, the draft resolution would urge the FCC to refrain from disrupting the existing Federal-State partnership in the provision of Lifeline Services by preempting the authority of States to designate ETCs for the provision of advanced telecommunications services. Rather or not the resolution is adopted, as noted in my testimony at the hearing, States play an integral role in combating waste, fraud and abuse in the program. While it is difficult to measure the amount of savings as a result of collective State policing of the program it is fair to say it is in the millions. Therefore, it makes little sense to remove States from their role in administering and policing the program.

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. JOHN THUNE TO MICHAEL CLEMENTS

Question. Based on studies submitted by the FCC, the GAO Report concluded that many low-income households would choose to subscribe to telephone service even without the subsidy. To reduce waste, fraud, and abuse in the program and ensure it is working efficiently, would you be in favor of a rule that limits Lifeline benefits only to consumers who do not already subscribe to phone service, broadband service, or a pay TV service?

Answer. We did not examine alternative approaches to determine eligibility, and therefore we have not conducted the work necessary to recommend a particular approach. The studies we reviewed suggest that many low-income households would choose to subscribe to telephone service in the absence of the Lifeline subsidy; this is because household demand for telephone service—even among low-income households—is relatively insensitive to changes in the price of the service and household income. Therefore, we recommended that FCC conduct a program evaluation to determine the extent to which the Lifeline program is efficiently and effectively reaching its performance goals (GAO–15–335). Such an evaluation might reveal that FCC could reduce the eligible population, while better meeting its dual goals to increase

[4] *NARUC Resolution to Improve Lifeline Annual Recertification Process,* adopted July 24, 2013, online at: *http://www.naruc.org/Resolutions/Resolution%20to%20Improve%20Lifeline%20Annual%20Recertification%20Process.pdf.*

subscribership and reducing the contribution burden. Reducing the eligible population might allow FCC to reduce the contribution burden, increase the reimbursement rate to facilitate inclusion of broadband, or both, while ensuring that the Lifeline program meets its performance goals. In June 2015, FCC sought comment on modifying the way low-income households qualify for Lifeline to, as it noted, target the program to low-income consumers most in need of the support.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JOE MANCHIN TO MICHAEL CLEMENTS

Question 1. The Lifeline Program, originally created in 1985, can and should be a targeted means of providing subsidies to those who are truly in need of assistance, but, first, we must address the rampant waste, fraud and abuse that made the program a household name.

Question 1a. Do you believe that the enacted reforms to the Lifeline program are tough enough?

Answer. In 2012, FCC adopted a Reform Order that sought to improve the Lifeline program's internal controls, addressing problems we identified in 2010 (GAO–11–11). Among the key reforms, FCC implemented the National Lifeline Accountability Database, which companies query to verify the applicant is not already receiving Lifeline services, and initial eligibility verification and annual recertification procedures, which require companies to verify eligibility at enrollment and annually through recertification. As we noted, these reform efforts contributed to declines in enrollment and disbursements (GAO–15–335). In particular, enrollment declined from 18.1 million in 2012 to 12.4 million in 2014. Thus, FCC's reform efforts appear to have resolved some problems with duplicate and ineligible enrollment. However, at this time, we cannot say whether the reforms have eliminated all waste, fraud, and abuse. We have ongoing work, which we anticipate completing in fall 2015, assessing the internal controls of the Lifeline program that could better address this question.

Question 1b. Do you believe that we should cap the program and establish specific benchmarks to measure programmatic success before we expand this program that, quite frankly, a lot of people do not have confidence in?

Answer. We did not examine a program cap, and therefore we have not conducted the work necessary to answer this question. However, in our March 2015 report, we noted that many low-income households would choose to subscribe to telephone service in the absence of the Lifeline subsidy (GAO–15–335). Thus, we reported that FCC might reduce the eligible population, while better meeting its dual goals to increase subscribership and reduce the contribution burden. Regarding benchmarks for success, on two occasions we have recommended that FCC take action in this direction. In 2010, we recommended that FCC define performance goals and develop quantifiable measures for the Lifeline program (GAO–11–11). FCC subsequently established three outcome-based performance goals; FCC is working on defining performance measures that it will use to evaluate progress towards the performance goals. In our March 2015 report, we recommended that FCC conduct a program evaluation to determine the extent to which the Lifeline program is efficiently and effectively reaching its performance goals. Such an evaluation could assist FCC in making changes to improve the design or management of the program.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JOHN THUNE TO SCOTT BERGMANN

Question 1. Based on studies submitted by the FCC, the GAO Report concluded that many low-income households would choose to subscribe to telephone service even without the subsidy. To reduce waste, fraud, and abuse in the program and ensure it is working efficiently, would you be in favor of a rule that limits Lifeline benefits only to consumers who do not already subscribe to phone service, broadband service, or a pay TV service?

Answer. CTIA supports an efficient and effective Lifeline program that recognizes all Americans' preference for wireless, including low-income consumers. For this reason, the FCC's reforms and modifications to the Lifeline program should ensure wireless remains a choice for low income consumers.

The wireless industry has a strong incentive to ensure an efficient Lifeline program because wireless consumers and providers bear 44 percent of the total Federal universal service contribution burden to support high-cost, E-Rate, rural health and

Lifeline programs. Thus, CTIA continues to encourage the FCC to adopt tools to evaluate the effectiveness of Lifeline and other Federal USF programs.

CTIA agrees with GAO that better tools to monitor the effectiveness of the program, including the efficacy of the current eligibility requirements, would assist in improving program administration. Data available today show that, in the time since wireless carriers began providing Lifeline, the gap in telephone penetration between low-income households and other households has been cut nearly in half, from about 6 percent to about 3 percent. Thus, we believe that the program has helped consumers without service to obtain much-needed connections.

Consideration of eligibility proposals should also take into account the challenging economic situation faced by typical Lifeline consumers. For example, data from a representative wireless ETC found that the average Lifeline consumer has an annual income of $14,000 and is about 50 years old, while about a third have some form of disability. CTIA looks forward to working with Congress and the FCC to adopt meaningful tools to evaluate the effectiveness of Lifeline, modify the program as appropriate to maximize its ability to achieve its goals, and recognize low-income consumer preference for wireless.

Question 2. The FCC recently changed its definition of "broadband" to increase it from 10 Mbps to 25 Mbps. I am concerned about the unintended consequences that the new definition may have for low-income citizens who benefit from Lifeline. If the FCC moves to expand Lifeline to broadband, what challenges could the new definition of broadband pose to Lifeline providers and consumers who participate in the program?

Answer. CTIA shares your concerns about the unintended consequences of defining broadband services in ways that may not reflect the preferences of all Americans, including low-income consumers. For this reason, the FCC's reforms and modifications to the Lifeline program should ensure low income consumers can choose wireless to meet their evolving communications needs.

In its recent Section 706 report, the FCC concluded that it would treat "advanced communications capability" as service providing at least 25 Mbps down and 3 Mbps up. CTIA believes that this definition fails to fully capture the significant consumer adoption of mobile broadband services. Indeed, considering low income consumers alone, recent data from the Pew Research Center show that low-income households are twice-as likely to rely on wireless for occupational or medical communications as higher-income households.

In the universal service context, the FCC defines and support broadband services at other thresholds. In its recent Lifeline Further Notice of Proposed Rulemaking, the FCC has asked a number of questions about how Lifeline broadband services should be defined, including by looking at the services that are typically offered and subscribed to in urban areas. CTIA will continue to support universal service broadband standards that correspond to the offerings that consumers are purchasing in the marketplace, and are set based on competitively and technologically neutral standards consistent with the direction established by Congress in Sec. 254(b).

Question 3. Several carriers that entered the Lifeline market in recent years have chosen to offer free monthly service and handsets to low-income consumers. This practice raises questions about whether the program should fully subsidize Lifeline services, particularly when the size of the Universal Service Fund continues to grow. Should Lifeline subscribers be required to pay some amount of money in order to be eligible for the program?

Answer. CTIA supports an efficient and effective Lifeline program that recognizes low-income consumer preferences for wireless. Wireless participation in the Lifeline program has brought competition and innovative service offerings to low income consumers. Wireless has continuously added services, including increasing voice and text, while operating under a consistent subsidy level. For this reason, the FCC's reforms and modifications to the Lifeline program should ensure wireless remains a choice for low income consumers.

CTIA also supports an efficient and effective Lifeline program that deters waste, fraud and abuse. The wireless industry has a strong incentive to ensure an efficient Lifeline program because wireless consumers and providers bear 44 percent of the total Federal universal service contribution burden to support high-cost, E-Rate, rural health and Lifeline programs. CTIA believes that the best way to ensure that only eligible consumers participate in the program is for the Commission to act on its 2012 commitment to provide an automated mechanism for determining customer eligibility. CTIA is pleased that the Commission has sought comment on this issue in its June 2015 Lifeline Notice of Proposed Rulemaking.

With respect to a minimum charge or co-payment, we remain concerned about the consequences of limiting eligibility in Lifeline to low-income consumers who can pay a minimum charge. Minimum payments present unique logistical issues for low-income consumers who are less likely to have credit cards or even bank accounts to facilitate a payment. CTIA will continue to work with the Commission and other stakeholders to adopt meaningful tools to evaluate the effectiveness of Lifeline, modify the program as appropriate to maximize its ability to achieve its goals, and recognize low-income consumer preference for wireless.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. ROGER F. WICKER TO SCOTT BERGMANN

Question 1. Mr. Bergmann, would expanding the Lifeline program to include broadband be likely to increase the size of the funding requirements associated with Lifeline? Commissioner O'Rielly has suggested that it is time to consider a cap on the size of the Lifeline program. Why shouldn't the Lifeline program be subject to a cap in the way that other portions of the USF program are?

Answer. To evaluate the impact of the FCC's proposed changes to the program, it will be important to consider the services supported, the scope of eligible consumers, and the subsidy amount proposed. We appreciate your question because the wireless industry has a strong incentive to ensure an efficient and effective Lifeline program that minimizes the contribution burden on consumers. Wireless consumers and providers bear 44 percent of the total Federal universal service contribution burden to support high-cost, E-Rate, rural health and Lifeline program. CTIA looks forward to working with Congress and the FCC to carefully evaluate the impact of the proposed expansion of the program, and to continue recognize low-income consumer preference for mobile wireless services.

While CTIA supports an efficient and effective Lifeline program, we remain concerned about establishing a cap on Lifeline that may inadvertently limit low-income consumer participation. Lifeline is different from other universal service programs that the FCC administers, such as high-cost, because it is means-tested and directed to the individual consumer. In the recent Further Notice of Proposed Rulemaking on Lifeline reform, the FCC seeks comment on issues that could arise if the program were to be capped. For example, the FCC asks how it would determine which consumers would be kept out of the program if a cap was reached or whether the FCC should reduce the support amount if more eligible consumers entered the program, and if so, how low-income consumers could budget from month to month. Particularly given the profile of the typical Lifeline consumer—data from a representative wireless ETC found that the average Lifeline consumer has an annual income of $14,000 and is about 50 years old, while about a third have some form of disability—implementation of a cap presents a difficult challenge.

CTIA looks forward to working with Congress and the FCC to adopt meaningful tools to evaluate the effectiveness of Lifeline, modify the program as appropriate to maximize its ability to achieve its goals, and recognize low-income consumer preference for wireless.

Question 2. Mr. Bergmann, What impact does the FCC's recent move to classify mobile broadband as Title II have on wireless ability to meet consumer demand?

Answer. CTIA is concerned that the FCC's Open Internet Order will add regulatory burdens and uncertainty that will harm low income consumers and create barriers to low income adoption. The FCC's Open Internet decision was unnecessary because mobile consumers already have access to an open mobile Internet and a world-leading mobile broadband ecosystem. The Commission's decision to apply burdensome rules and monopoly-era Title II common carrier regulation to mobile broadband will only chill investment and innovation and increase costs for consumers.

As an example, consumers today can choose from over 700 different service offerings with varying levels of usage and price which is why no one is surprised that more than 44 percent of households are "cutting the cord" for wireless, including an even greater percentage of low-income households. However, the FCC's unwillingness to recognize the benefits of pro-consumer offerings based on a set allowance of data or new innovative offerings like zero rating may inhibit the development of services that would enable more consumers, including low-income Americans, to adopt mobile broadband services. Mobile wireless data allowances appropriately distribute the cost of service among consumers by limiting subsidies to heavy mobile data users. Zero rating enables service providers and application developers to incubate competitive services by offering innovative content (*e.g.*, music, games, or video) at little or no charge to consumers. Experimentation and differentiation with service

offerings to reach low-income consumers is what we need to address the Lifeline challenge. Unfortunately, the FCC's approach to net neutrality runs directly counter to this principle and may lead to a one-size-fits-all Internet that will fail to meet the needs of low-income consumers.

Instead of promoting greater industry investment and innovation, the FCC opted to resuscitate a command-and-control regulatory regime, including a process where innovators may be forced to first seek permission from the FCC before rolling out new services. The FCC's decision ignores substantial evidence demonstrating that the competitive, constantly innovating mobile broadband industry provides Americans with faster networks, a wide variety of devices, and an array of service plans designed to meet the needs of high and low income consumers. CTIA is hopeful that the courts will recognize the error in the Commission's order. In the meantime, CTIA looks forward to working with Congress to preserve an open Internet, end the substantial uncertainty around the FCC's order, and ensure America's wireless industry has the flexibility to develop and offer innovative service offerings that will incent low income consumers to adopt broadband.

Question 3. Mr. Bergmann, are wireless companies concerned about the overall Universal Service Fund burden on your consumers? Do you favor shifting funds from other USF programs to fund Lifeline?

Answer. As noted in our response to Question 1, wireless consumers and providers bear 44 percent of the total Federal universal service contribution burden to support high-cost, E-Rate, rural health and Lifeline program. To reduce the overall universal service burden, CTIA has advocated for tools to evaluate the effectiveness and efficiency of *all* of the universal service programs.

CTIA recognizes that Congress established multiple universal service programs to meet specific objectives. As each of these programs evolves to meet new communications needs, we encourage Congress to take an active role in making sure that these programs work efficiently, individually and collectively, to achieve the broad goals of increasing connectivity. For example, the FCC currently provides the largest single share of universal service support, which is nearly four times the amount of support for Lifeline, to wireline companies serving rural areas. As the FCC and Congress evaluate the overlap and relationship between these programs, CTIA urges policymakers to continue to recognize consumer preference for mobile wireless services.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JOE MANCHIN TO SCOTT BERGMANN

Question 1. The Lifeline Program, originally created in 1985, can and should be a targeted means of providing subsidies to those who are truly in need of assistance, but, first, we must address the rampant waste, fraud and abuse that made the program a household name.

Question 1a. Do you believe that the enacted reforms to the Lifeline program are tough enough?

Answer. CTIA supports an efficient and effective Lifeline program that recognizes low-income consumer preferences for wireless. The wireless industry has a strong incentive to ensure an efficient Lifeline program because wireless consumers and providers bear 44 percent of the total Federal universal service contribution burden to support high-cost, E-Rate, rural health and Lifeline programs. The contribution burden on wireless consumers and providers has increased as almost half of all U.S. households have "cut the cord" for wireless which will continue to grow as consumers take advantage of the value that competitive wireless services offer.

The Commission made significant strides in reducing waste, fraud, and abuse through its 2012 Lifeline Reform Order and subsequent implementation efforts. CTIA supports those efforts, though there is more to be done. CTIA continues to support the Commission's 2012 commitment to provide an automated mechanism for determining customer eligibility. This key reform, which would better align eligibility decisions with the government agencies that administer underlying benefit programs, is particularly important as the Commission contemplates expanding the Lifeline program. CTIA is pleased that the Commission has sought comment on this issue in its June 2015 Lifeline Notice of Proposed Rulemaking, and CTIA will continue to work with the Commission and other stakeholders towards a solution that ensures that only eligible consumers receive Lifeline benefits. In addition, CTIA continues to encourage the FCC to adopt tools to evaluate the effectiveness of Lifeline and other Federal USF programs.

Question 1b. Do you believe that we should cap the program and establish specific benchmarks to measure programmatic success before we expand this program that, quite frankly, a lot of people do not have confidence in?

Answer. CTIA and our member companies support an efficient and effective Lifeline program. We agree that specific benchmarks to measure programmatic success should be developed. CTIA looks forward to working with Congress and the FCC to adopt meaningful tools to evaluate the effectiveness of Lifeline, strengthen program administration, and recognize low-income consumer preference for mobile wireless services.

In the recent Further Notice of Proposed Rulemaking on Lifeline reform, the FCC seeks comment on issues that could arise if the program were to be capped. We should carefully consider whether a cap is appropriate for the Lifeline program. Lifeline is different from other universal service programs that the FCC administers, such as high-cost, because it is means-tested and the benefits flow directly to individual consumers. In addition, The FCC asks how it would determine which consumers would be kept out of the program if a cap was reached or whether the FCC should reduce the support amount if more eligible consumers entered the program, and if so, how low-income consumers could budget from month to month. Particularly given the profile of the typical Lifeline consumer—data from a representative wireless ETC show that the average Lifeline consumer has an annual income of $14,000 and is about 50 years old, while about a third have some form of disability—implementation of a cap presents a difficult challenge. For these reasons, CTIA is concerned that establishing a cap on Lifeline may limit low-income consumer participation and we believe that other reforms can ensure an efficient and effective Lifeline program.

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. AMY KLOBUCHAR TO SCOTT BERGMANN

Question. Commissioner Brise, Mr. Bergmann and Ms. Gonzalez, how would you propose verification for Lifeline eligibility if the program was expanded to broadband?

Answer. CTIA continues to support the Commission's 2012 commitment to provide an automated mechanism for determining customer eligibility. This key reform, which would better align eligibility decisions with the government agencies that administer underlying benefit programs, is particularly important as the Commission contemplates expanding the Lifeline program. CTIA is pleased that the Commission has sought comment on this issue in its June 2015 Lifeline Notice of Proposed Rulemaking, and CTIA will continue to work with the Commission and other stakeholders towards a solution that ensures that only eligible consumers receive Lifeline benefits.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JOHN THUNE TO RANDOLPH J. MAY

Question 1. Based on studies submitted by the FCC, the GAO Report concluded that many low-income households would choose to subscribe to telephone service even without the subsidy. To reduce waste, fraud, and abuse in the program and ensure it is working efficiently, would you be in favor of a rule that limits Lifeline benefits only to consumers who do not already subscribe to phone service, broadband service, or a pay TV service?

Answer. While such a restriction has some appeal as a matter of policy, consistent with the idea that Lifeline service should be a "safety net," implementation of such a rule may be problematical in certain respects. For example, although it may be easy to require a subscriber certification to the effect that phone, broadband, or pay TV subscriptions do not already exist, in today's environment, with multiple providers for each of these services, and variations on the level and quality of the services, actual verification would not necessarily be easy absent a specific delineation of the services. It would be necessary for this purpose to define with some specificity the level of service already subscribed to that would be disqualifying for subsidy eligibility.

Question 2. The FCC recently changed its definition of "broadband" to increase it from 10 Mbps to 25 Mbps. I am concerned about the unintended consequences that the new definition may have for low-income citizens who benefit from Lifeline. If the FCC moves to expand Lifeline to broadband, what challenges could the new defi-

nition of broadband pose to Lifeline providers and consumers who participate in the program?

Answer. In my prepared written testimony at footnote 12, I noted the FCC's recent ratcheting up of the definition of broadband to 25 Mbps from 10 Mbps. I stated that, "[o]bviously, providing 'broadband' service at higher speeds is more costly." And, I said: "[I]t is unlikely the proponents of expansion of Lifeline to include broadband will be receptive to providing a level of service the Commission has deemed not to be 'broadband.'" Indeed, Gigi Sohn, counselor to FCC Chairman TomWheeler, recently stated at a fiber-to-the-home conference that 25 Mbps represented a "snail's pace" for broadband. So, if the Commission were to expand the program to include broadband, the challenge posed by the FCC's recent definitional change is that the Lifeline program necessarily would become even more costly than it otherwise would be absent such definitional change. Many broadband providers offer tiered levels of service so that the price increases as bandwidth availability increases, demonstrating that the cost of providing service increases with bandwidth speed. It is almost certain there will be ongoing efforts, at least with the current composition of the FCC, to continue to ratchet up the definition of broadband service so that it encompasses speeds far beyond 25 Mbps, thereby increasing the amount of the subsidy.

Question 3. Several carriers that entered the Lifeline market in recent years have chosen to offer free monthly service and handsets to low-income consumers. This practice raises questions about whether the program should fully subsidize Lifeline services, particularly when the size of the Universal Service Fund continues to grow. Should Lifeline subscribers be required to pay some amount of money in order to be eligible for the program?

Answer. In light of the expansion of the Lifeline fund in recent years, I understand why some call for initiation of some form of "co-pay" requirement on the theory that recipients should have "some skin in the game." But I would prefer avoiding imposition of such requirement, at least for now, as long as other reforms aimed at curbing fraud or abuse are implemented and given a chance to work. While, as GAO has reported, there undoubtedly are many (perhaps even most) recipients of Lifeline subsidies who would subscribe to phone service absent receiving "free" service, there surely are other eligible low-income persons who may decide not to do so after taking into account various other needs, such as for food, transportation, clothing, or the like. For those low-income persons who are truly in need of a "safety net," and who prove their eligibility, it is preferable that they not be forced to choose among basic needs. This assumes that the benefit remains at a level consistent with the notion of a "safety net."

Response to Written Question Submitted by Hon. Roger F. Wicker to Randolph J. May

Question. Mr. May, you state in your testimony that you do not "favor Lifeline eligibility criteria that provide subsidies to those persons whose income places them above the federally-defined poverty level, or at least much above the poverty level." Do you favor tightening the eligibility criteria for Lifeline in some way to ensure that the program serves those people who need it the most? For example, eliminating categorical eligibility based on enrollment in programs such as Food Stamps or SSI, or changing the income eligibility criteria to make Lifeline available to only those persons who are at the federally-defined poverty level?

Answer. Yes, I do have a concern about tying eligibility for the Lifeline program to other Federal programs whose eligibility requirements are above the federally-defined poverty level. The reason is that if the eligibility level increases much above the defined poverty level, the program becomes more than a "safety net" program. While I would not object *per se* to tying the Lifeline benefit to some other benefit program, I would prefer that such program to be administered to benefit those at, or at least close to, the federally-defined poverty level. That way Lifeline remains a true "safety net," not a program that benefits those further up the income scale.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. HON. JOE MANCHIN TO RANDOLPH J. MAY

Question 1. The Lifeline Program, originally created in 1985, can and should be a targeted means of providing subsidies to those who are truly in need of assistance, but, first, we must address the rampant waste, fraud and abuse that made the program a household name.

Question 1a. Do you believe that the enacted reforms to the Lifeline program are tough enough?

Answer. No, the reforms adopted thus far are not sufficient. In my prepared testimony, I suggested additional reforms that should be considered and implemented, such as a record retention requirement applicable to the service providers and a possible prohibition on in-person distribution of "free" phones at other than established retail outlets.

Question 1b. Do you believe that we should cap the program and establish specific benchmarks to measure programmatic success before we expand this program that, quite frankly, a lot of people do not have confidence in?

Answer. I am concerned about expansion of the Lifeline program to include broadband before additional reforms to curb fraud and abuse are implemented and shown to be effective. If the reforms are adopted and prove to be effective, in considering whether to expand the program to include broadband subscription subsidies, I would favor adoption of a projected budget for the program, as distinct from a inviolable hard cap with an automatic shut-off. The budget will be dependent on variables, such as defining the level of broadband services that qualify for support, defining the level of support per eligible recipient, projecting demand based on eligibility, and so forth. So, while a budget could be adopted for a specified period to aid in formulating the parameters of the program so it that remains fiscally responsible, I would prefer avoiding imposition of a hard cap that, *per se,* would require cutting off subsidies to those that otherwise meet eligibility requirements. For example, in the event of a severe economic downturn, which is not necessarily predictable, there may be more persons who qualify to receive subsidies than projected when formulating the budget. In my view, these persons should not be denied Lifeline service because a hard "cap" has been reached. This does not mean, of course, that the parameters of the program should not be constantly evaluated and adjusted to ensure that it is operated in a fiscally responsible manner. After all, all USF subsidies, whether for Lifeline or otherwise, are paid for by consumers—presently all users of interstate telecommunications services.

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. JOHN THUNE TO JESSICA J. GONZÁLEZ

Question. Based on studies submitted by the FCC, the GAO Report concluded that many low-income households would choose to subscribe to telephone service even without the subsidy. To reduce waste, fraud, and abuse in the program and ensure it is working efficiently, would you be in favor of a rule that limits Lifeline benefits only to consumers who do not already subscribe to phone service, broadband service, or a pay TV service?

Answer. I would not be in favor of the contemplated rule because I do not believe that such a rigid economic analysis fully captures the impact of the subsidy on low-income families. Many feel that access to communications services is a necessity and acquiring such services should be highly prioritized. For families that would otherwise qualify for Lifeline, taking on a bill for a communications services necessarily comes at the expense of other important needs, such as food, healthcare costs, clothing, school supplies, and any number of other things that so many take for granted. It does not suggest that providing these households with a modest subsidy is a poor use of funds.

To demonstrate the plight of many low-income families, the Economic Policy Institute (EPI) provides a useful tool to calculate estimated family budgets in a variety of geographic regions.[1] EPI's estimated budgets measure community-specific costs to determine how much income a family needs to attain "a secure yet modest" standard of living.

In Rapid City, South Dakota, just 2 hours west of the Chairman's hometown of Murdo, EPI estimates that a family of 3 (2 parents, 1 child) needs to earn nearly $54,000 per year in order to cover housing, food, child care, transportation,

[1] Family Budget Calculator, Economic Policy Institute, *http://www.epi.org/resources/budget/*
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healthcare, taxes, and other necessities. However, a family of 3 living at 135 percent of the Federal poverty guideline, and therefore eligible to receive Lifeline support, would earn slightly more than $27,000 per year—about half of what it actually needs to cover expenses.[2] While a family living in these circumstances may prioritize access to communications in its budget, perhaps due to a desire to be able to contact 911 in an emergency, remain in touch with a child's school, or communicate with healthcare professionals, it is clear that such prioritization would have to come at the expense of other needs.

For some families, this difficult balancing act can ultimately prove unsustainable, particularly when it comes to being able to afford a high-speed Internet access connection. Households that have had to cancel Internet access service overwhelmingly cite cost as the main reason why (43 percent cite cost vs. 21 percent citing loss of need or relevance).[3] Smartphone users tell a similar story, with 44 percent of people making less than $30,000 per year reporting that they have had to cancel or suspend service due to the financial burden.[4] It is important to note that these are precisely the people that the contemplated rule would exclude from Lifeline, even though they are ultimately unable to afford service. Perhaps it should not be a surprise that the adoption rate for people making less than $25,000 dropped slightly between 2012 and 2013, from 48 percent to 47.2 percent.[5]

In light of the information shared above, it is my contention that Lifeline is helping to meet our statutory Universal Service goals regardless of whether or not a struggling family would choose to subscribe to a communications service without the subsidy.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JOE MANCHIN TO JESSICA J. GONZÁLEZ

Question 1. The Lifeline Program, originally created in 1985, can and should be a targeted means of providing subsidies to those who are truly in need of assistance, but, first, we must address the rampant waste, fraud and abuse that made the program a household name.

Question 1a. Do you believe that the enacted reforms to the Lifeline program are tough enough?

Answer. I believe that the FCC's enacted reforms, along with aggressive enforcement actions, have gone a long way towards ridding Lifeline of instances of waste, fraud, and abuse. In fact, there is some evidence to suggest that the FCC's recent reforms may have placed too great a burden on some subscribers who would otherwise be eligible to receive the benefit.

According to the testimony offered by Michael Clements of the Government Accountability Office at this hearing, of the eleven reforms contained in the FCC's 2012 reform order, eight have already been implemented.[1] These tough reforms included a clarification of the one-per-household rule, audit requirements for a number of providers, ensuring that payments are based on actual support, establishing a uniform floor of eligibility criteria, automatic de-enrollment for subscribers not using the service, elimination of Link-Up support on non-tribal lands, an annual recertification procedure for all subscribers, and the creation of the National Lifeline Accountability Database. Of the three reforms that the FCC is still considering, only one directly addresses program integrity—the creation of an automatic eligibility verification procedure.

The FCC's reforms, along with our improving economy, have greatly reduced the size of Lifeline in recent years. According to Commissioner Clyburn, the reforms "have saved the fund over $2.75 billion, put the program on a sounder footing, eliminated duplicates and, according to reports since our reform, Lifeline has better efficiency indices when it comes to waste and fraud prevention, than most of our other

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[2] 2015 Federal Poverty Guidelines—135 percent, Universal Service Administrative Company, *http://www.usac.org/__res/documents/li/pdf/handouts/Income__Requirements.pdf.*

[3] Dep't of Commerce, Nat'l Telecomm. & Info. Admin., *Exploring the Digital Nation: Embracing the Mobile Internet* (Oct. 2014), available at *http://www.ntia.doc.gov/files/ntia/publications/exploring__the__digital__nation__embracing__the__mobile__internet__10162014.pdf.*

[4] Aaron Smith, "U.S. Smartphone Use in 2015," Pew Research Center (April 1, 2015), available at *http://www.pewinternet.org/2015/04/01/us-smartphone-use-in-2015/.*

[5] *Computer and Internet Use in the United States: 2013,* American Community Survey Reports at 3 (Nov. 2014), available at *http://www.census.gov/history/pdf/2013computeruse.pdf* (reporting based on 2013 Census data that 47.2 percent of households earning less than $25,000 have high speed Internet access at home, down from 48 percent in 2012).

[1] Testimony of Michael Clements, Acting Director, Physical Infrastructure Issues, Government Accountability Office (June 2, 2015), available at *http://www.gao.gov/assets/680/670687.pdf.*

universal service or Telecommunications Relay Service programs."[2] Indeed, the overall size of the program has declined by about 25 percent since 2012, and continues to shrink.[3]

However, I must point out that not all of these savings are indicative of waste, fraud, and abuse. Evidence suggests that a number of subscribers who no longer utilize Lifeline may have simply failed to comply with new and unfamiliar annual requirements to submit eligibility paperwork. As Commissioner Clyburn noted in a response to an inquiry from Senator Jeff Sessions shortly after many of the 2012 reforms were implemented:

> "Based on the results of the 2012 Lifeline recertification process, *approximately one-third of all subscribers that were enrolled in the program in June 2012 were de-enrolled for failure to recertify their eligibility.* Approximately 0.5 percent of all subscribers subject to recertification responded that they were no longer eligible. Just under 4 percent of the total subscribers subject to recertification were determined to be ineligible via a state administrator or an ETC accessing a state eligibility database. The remaining consumers were de-enrolled for failure to respond to the recertification attempts. Subscribers in this last group are not necessarily ineligible for service; some may have simply failed to recertify or decided they no longer wanted the benefit."[4] (emphasis added)

Moreover, since the 2012 reforms, FCC Chairman Wheeler has developed a USF strike force to stop fraud and abuse. The FCC, through enforcement actions, has proposed more than $90 million in fines against companies for violating rules. Additionally, FCC consent decrees have recovered $600,000 in payments to the U.S. Treasury and more than $400,000 in repayments to the Universal Service Fund (USF). Further, the FCC has issued citations to more than 300 Lifeline customers with duplicative subscriptions.[5]

While I believe that a many government initiatives, including Lifeline, can be continually improved, and NHMC intends to fully participate in upcoming efforts to modernize Lifeline, the reforms that have been enacted have gone a very long way towards making sure that Lifeline is free of excessive waste, fraud, and abuse and ready to meet the needs of the 21st century.

Question 1b. Do you believe that we should cap the program and establish specific benchmarks to measure programmatic success before we expand this program that, quite frankly, a lot of people do not have confidence in?

Answer. I do not believe that it would be appropriate to cap Lifeline at a level that would require service to be denied to households that would otherwise be eligible.

Lifeline was developed in furtherance of the FCC's statutorily defined goals to achieve "universal" service in this country and ensure that all Americans, including the poor, have access to affordable communications services. I believe that any cap on Lifeline that prevents an eligible household that requests the benefit from receiving it would frustrate our country's universal service goals.

At the FCC, proponents of a cap on Lifeline have suggested capping it its current size—$1.6 billion.[6] I think that would be a disastrous mistake. By all accounts, Lifeline is a severely underutilized program. Some estimates indicate that only a quarter to a third of eligible households currently subscribe to Lifeline. Capping the program at a level that would exclude so many potentially eligible households would be unwise.

I continue to believe that the best way to constrain the size of this program is to redouble our efforts at reducing the number of families living in poverty in this country. Given that the program's eligibility is tied to income or participation in other government benefit programs, the program will naturally decrease in size as

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[2] Statement of Commissioner Mignon Clyburn, Federal Communications Commission, Lifeline Modernization Notice of Proposed Rulemaking (rel. June 22, 2015), available at *http://transition.fcc.gov/Daily__Releases/Daily__Business/2015/db0622/FCC-15-71A3.pdf.*

[3] 2014 Annual Report, Universal Service Administrative Company, *http://www.usac.org/__res/documents/about/pdf/annual-reports/usac-annual-report-2014.pdf.*

[4] Letter from Acting Chairwoman Mignon Clyburn to Senator Jeff Sessions (Sept. 27, 2013), available at *http://www.budget.senate.gov/republican/public/index.cfm/files/serve?File__id=10178adb-99c4-4866-9265-a05870eff559.*

[5] *See* Press Release, Federal Communications Commission, "FCC Proposes Nearly $44 Million In Fines Against 3 Lifeline Providers, Brings Total Proposed Lifeline Fines to $90 Million in Past Three Months" (Dec. 11, 2013), available at *https://apps.fcc.gov/edocs__public/attachmatch/DOC-9324620A1.pdf.*

[6] *See* Statement of Commissioner Michael O'Rielly, Federal Communications Commission, Lifeline Modernization Notice of Proposed Rulemaking (rel. June 22, 2015), available at *http://transition.fcc.gov/Daily__Releases/Daily__Business/2015/db0622/FCC-15-71A6.pdf.*

people get back on their feet. If we are able to help families get out of poverty, they will no longer be eligible for Lifeline.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. AMY KLOBUCHAR TO JESSICA J. GONZÁLEZ

Question 1. Access to the Internet through reliable broadband connections is critical for our students to achieve success. FCC Commissioner Rosenworcel has talked about the need to address the "homework gap," which occurs when kids are not able to complete homework assignments because they do not have Internet access.

Question 1a. Ms. Gonzalez, do you think that expanding the Lifeline program to broadband will help bridge this gap?

Answer. I agree with Commissioner Rosenworcel that the "homework gap" is one of the cruelest parts of the digital divide. Simply put, students who find themselves on the wrong side of the "homework gap" are being denied access to an education. Completing basic tasks that we expect from our students, like completing a homework assignment or researching a term paper, are rendered extraordinarily difficult, if not impossible, for students who lack access to the Internet at home. Taking advantage of next-generation educational tools like online tutoring or accessing any number of supplemental learning materials is often out of reach for these students. Lifeline has the potential to help alleviate this problem.

The data that reveals the "homework gap" is truly startling. Seven in ten teachers assign homework that requires broadband access yet one in three households do not subscribe to broadband services.[1] Five million households with school-aged children are falling into this gap.[2] A recent survey by the Hispanic Heritage Foundation and the Family Online Safety Institute revealed that nearly 100 percent of high school students report being required to access the Internet to complete homework assignments outside of school.[3] Nearly 50 percent reported that they have been unable to complete a homework assignment because they did not have access to the Internet or a computer, and 42 percent say they received a lower grade on an assignment because of lack of Internet access.[4] Pew research shows that half of teachers in low-income communities say their students' lack of home broadband access has been a barrier to integrating technology into their lessons.[5]

According to Pew, "Low-income households—and especially black and Hispanic ones—make up a disproportionate share" of the five million households that find themselves on the wrong side of the "homework gap."[6] Indeed, nearly 40 percent of households with school-aged children that earn less than $25,000 per year lack broadband at home.[7] For these families, being unable to afford a broadband connection is a major barrier to adoption.

Based on conversations that I have had with a friend who teaches fourth grade in a very poor Los Angeles suburb, in many classrooms across this country, far more than 40 percent of the students may lack broadband at home. A family of three (two parents, one child) earning less than $25,000 per year would be eligible to receive Lifeline support based on income as it would fall below 135 percent of the Federal poverty guidelines.[8] While we clearly have a long way to go towards making sure that all of our students have the opportunity to succeed, helping make essential educational tools, like Internet access, more affordable is certainly the least that we can do. Lifeline is ready to help and is targeted to the families that need it the most.

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[1] Remarks of Commissioner Jessica Rosenworcel, *Taking the Pulse of the High School Student Experience in America,* Hispanic Heritage Foundation, Washington, DC (April 29, 2015), available at *https://apps.fcc.gov/edocs_public/attachmatch/DOC-333274A1.pdf* ("Remarks of Comr. Rosenworcel").

[2] *Id.*

[3] Hispanic Heritage Foundation and Family Online Safety Institute, *Taking the Pulse of the High School Student Experience in America* (April 28, 2015), available at *http://www.hispanicheritage.org/hispanic-heritage-foundation-mycollegeoptions-family-online-safety-institute-and-other-partners-announce-findings-of-new-study-titled-taking-the-pulse-of-the-high-school-student-experience/*.

[4] *Id.*

[5] Remarks of Comr. Rosenworcel.

[6] John B. Horrigan, "The numbers behind the broadband 'homework gap,'" Pew Research Center Fact Tank (April 20, 2015) available at *http://www.pewresearch.org/fact-tank/2015/04/20/the-numbers-behind-the-broadband-homework-gap/*.

[7] *Id.*

[8] 2015 Federal Poverty Guidelines—135 percent, Universal Service Administrative Company, *http://www.usac.org/__res/documents/li/pdf/handouts/Income__Requirements.pdf.*

Question 1b. Do you think that the lack of affordable broadband access impacts our national shortage of workers educated in STEM fields?

Answer. Yes, I do. Beyond STEM fields, if not remedied, lack of affordable broadband access may weaken our national workforce as a whole and make it difficult to fill even positions that we do not typically consider needing technical knowledge.

To demonstrate our national challenge with boosting our STEM workforce, and the potential role that low broadband adoption rates could play, one needs to look no further than the Latino community. Latinos are among the fastest growing segments of our population and workforce and are expected to comprise 29 percent of the population by 2060.[9] However, Latinos are currently among the least likely to have home broadband, with nearly half of Latinos lacking a home connection,[10] and the most likely to cite cost as the primary barrier to adoption.[11] As a practical matter, it is exceedingly difficult for a student with and interest in pursuing a STEM career to act on that interest without access to a computer connected to broadband at home.

Given this reality, it is not surprising that Latinos are vastly underrepresented in the STEM workforce. Latinos held only 7 percent of the STEM jobs in 2011.[12] Without action to ensure that more Latinos, and other underrepresented groups, are able to engage in this important field, our ability to compete globally as a country could be severely diminished.

However, we risk jeopardizing more than STEM jobs if we are unable to help more Americans connect to broadband. By the end of the decade, nearly 77 percent of jobs will require some level of digital skills.[13] We must ensure that everyone in this country can access the Internet and prepare themselves for the digital age.

Question 2. Commissioner Brise, Mr. Bergman and Ms. Gonzalez, how would you propose verification for Lifeline eligibility if the program was expanded to broadband?

Answer. On June 18, 2015, the FCC voted to open a proceeding with the goal of further reforming and modernizing Lifeline. In the item released by the FCC, the question of whether or not the current methods of verifying eligibility should be altered is on the table and addressed through a number of questions that NHMC is in the process of reviewing. While the FCC's 2012 reforms went a long way towards ensuring that only eligible individuals are able to receive the benefit and eliminating waste, fraud, and abuse from Lifeline, we are happy to engage in the FCC's process to explore further improvements. I will gladly share our forthcoming comments with your office, once they are completed, if they explore this issue with greater depth.

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[9] Sandra L. Colby and Jennifer M. Ortman, "Projections of the Size and Composition of the U.S. Population: 2014 to 2060," U.S. Census Bureau (Mar. 2015), available at *http://www.census.gov/content/dam/Census/library/publications/2015/demo/p25-1143.pdf.*

[10] Aaron Smith and Kathryn Zickuhr, *Home Broadband 2013: Trends and demographic differences in home broadband adoption,* Pew Research Center (Aug. 26, 2013), available at *http://www.pewinternet.org/2013/08/26/home-broadband-2013/.*

[11] Dep't of Commerce, Nat'l Telecomm. & Info. Admin., *Exploring the Digital Nation: Embracing the Mobile Internet* at 15 (Oct. 2014), available at *http://www.ntia.doc.gov/files/ntia/publications/exploring__the__digital__nation__embracing__the__mobile__internet__10162014.pdf.*

[12] Liana Christin Landivar, "Disparities in STEM Employment by Sex, Race, and Hispanic Origin," U.S. Census Bureau (Sept. 2013), available at *https://www.census.gov/prod/2013pubs/acs-24.pdf.*

[13] Remarks of Comr. Rosenworcel.

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