

United States Senate

WASHINGTON, DC 20510

March 1, 2016

The Honorable Tom Wheeler, Chairman
The Honorable Mignon Clyburn, Commissioner
The Honorable Jessica Rosenworcel, Commissioner
The Honorable Ajit Pai, Commissioner
The Honorable Michael O'Rielly, Commissioner
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Dear Chairman Wheeler and Commissioners Clyburn, Rosenworcel, Pai, and O'Rielly:

At a March 18, 2015 Federal Communications Commission oversight hearing held by the Senate Commerce, Science, and Transportation Committee, I suggested four specific reforms of the Lifeline program that should be implemented by the commission as part of any effort to expand the program to cover broadband service. Given the opportunity to disagree with any of the reforms, a bipartisan majority of the commission raised no objections, and in fact most spoke favorably of the proposed reforms.

Based on my work closely examining the Lifeline program for more than four years and my work over the course of my career in bringing transparency and accountability to government programs, I continue to believe any final Lifeline modernization order should include the following reforms:

1. Take eligibility determination out of the hands of telecommunications carriers;
2. Improve competition among participating telecommunications carriers;
3. Make sure consumers have "skin in the game"; and
4. Place a cost-cap or other cost-control mechanism on the program.

I was pleased to see that the Notice of Proposed Rulemaking approved by the commission on June 18, 2015 proposed removing carriers from eligibility determination and creating minimum service standards for carriers. I was also pleased to see that the NPRM sought to make increasing competition among carriers a priority, which will benefit both the consumers that participate in the program as well ratepayers who fund it. While the NPRM requested comment on whether and how to cap the Lifeline program, I am concerned it did not go further.

When a Republican-majority commission last expanded the Lifeline program in 2008 to allow the participation of pre-paid wireless carriers, the commission did so without putting additional accountability or cost-control measures in place. The result was a program that grew from \$800 million in 2008 to \$2.1 billion in 2012. Although spending on Lifeline in 2014 was down to \$1.6 billion, likely as a result of reforms adopted in 2012, the program is still spending twice what it was in 2008 while reports continue of waste, fraud, and abuse.

Particularly given that the NPRM included no estimate for what expanding the Lifeline program to cover broadband could cost, or for what savings could be realized by other proposed reforms, the commission should adopt a cost cap or other effective cost control for the Lifeline program to prevent a repeat of the unchecked increase in spending that was seen the last time the program was expanded. There is simply no justification for allowing the Lifeline program to remain the only Universal Service Fund program without a cost control mechanism in place.

The goal of a spending cap is not to deny telecommunications services to those who need them most, but rather to ensure the Lifeline program is accomplishing its intended goals. A cap imposed by the commission can also be revisited by the commission should spending approach that level and a determination can be made at that time whether eligibility criteria should be changed, the level of subsidy reduced, or the cap increased.

With the commission poised to vote on a final Lifeline modernization order as early as this month, I request that you each provide a written response by Wednesday, March 16, 2016 indicating your position on applying a cost-control mechanism to the Lifeline program.

Modernizing the Lifeline program to cover broadband service as opposed to basic phone service is a worthy goal and one I support in concept if accompanied by appropriate structural reforms to the program. Commissions under President Ronald Reagan and President George W. Bush created and expanded the Lifeline program without adequate accountability or cost controls in place. In 2012, the commission took its first step in the 30-year history of the Lifeline program to impose some accountability in the program for providers and beneficiaries. Those measures fell short of what was needed. However, this commission has the opportunity to adopt the reforms necessary to both bring the program into the 21st century and restore the confidence of the Congress and the American people that the Lifeline program is working effectively.

Sincerely,



Claire McCaskill
U.S. Senator