

Questions for the Record from Chairman John Thune
To
Acting Director Michael Clements

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?

Response. 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 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.