

Questions for the Record from Chairman John Thune
To
Commissioner Ron 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?

Response 1. 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?

Response 2: 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 requirement 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.

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.