

Questions for the Record from Chairman John Thune
To
Mr. Randolph 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?

Response 1. 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 definition of broadband pose to Lifeline providers and consumers who participate in the program?

Response 2. 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 Tom Wheeler, 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?

Response 3. 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.”

Questions for the Record for Senator Roger Wicker
To
Mr. Randolph May

Question 1. 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?

Response: 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.