

Questions for the Record from Chairman John Thune

To

Ms. Jessica Gonzalez

*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.* 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.<sup>1</sup> 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, 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.<sup>2</sup> 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).<sup>3</sup> 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.<sup>4</sup> 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.<sup>5</sup>

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.

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<sup>1</sup> Family Budget Calculator, Economic Policy Institute, <http://www.epi.org/resources/budget/>.

<sup>2</sup> 2015 Federal Poverty Guidelines – 135%, Universal Service Administrative Company, [http://www.usac.org/\\_res/documents/li/pdf/handouts/Income\\_Requirements.pdf](http://www.usac.org/_res/documents/li/pdf/handouts/Income_Requirements.pdf).

<sup>3</sup> 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](http://www.ntia.doc.gov/files/ntia/publications/exploring_the_digital_nation_embracing_the_mobile_internet_10162014.pdf).

<sup>4</sup> 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/>.

<sup>5</sup> *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% of households earning less than \$25,000 have high speed Internet access at home, down from 48% in 2012).