

FCC CHAIRMAN JULIUS GENACHOWSKI
REMARKS ON REFORMING AND MODERNIZING THE LIFELINE PROGRAM
THIRD WAY
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It's a pleasure to be here to talk about our proposal to reform and modernize Lifeline – an FCC program fulfilling the Congressional directive to help ensure low-income Americans have phone service.

This is one of many FCC initiatives to harness the opportunities of communications technology to benefit our economy and all Americans.

It's an important part of our ongoing effort to modernize our programs for broadband, and to ensure that they are efficient and fiscally responsible.

What's our mission at the FCC?

Since becoming Chairman I've worked to focus the agency on driving innovation and investment, promoting competition, and empowering consumers.

There's never been a more exciting – and challenging – time to be at the FCC.

Broadband Internet – wired and wireless – is the most transformative new technology since electricity.

It's changing almost every aspect of our economy and our lives.

That's why we developed America's first National Broadband Plan – a comprehensive strategy to build a world-leading broadband infrastructure and bring the benefits of high-speed Internet to the American people.

For the past two years we've been working to implement that plan, and 2011 was a year of accomplishment for all of the Commissioners and the staff at the FCC.

We adopted a major modernization and overhaul of the largest part of the Universal Service Fund, and of the related intercarrier compensation system.

We put in place strong and balanced rules to preserve Internet freedom and openness and spur investment and innovation throughout the broadband economy.

And we took many other steps focused on ensuring that the U.S. has a strategic broadband advantage in the global marketplace, and that we drive investment and innovation in the U.S., foster competition, and empower consumers.

One lesson I learned during a decade in the private sector as an executive and an investor, is that an organization's ability to advance its mission depends not just on what it does, but how it does it.

Since Day One, I've made it a priority to improve the way the FCC does business – emphasizing the need for smart, responsible government.

And I want to commend my fellow Commissioners for being vital partners in this effort.

One of my first acts as Chairman was to appoint a special counsel for FCC reform.

I directed her to lead an agency-wide review of our rules and processes.

We've already eliminated more than 200 outdated rules and dozens of unnecessary data collections.

At the same time, we've cracked down on fraud and abuse.

In fiscal 2011, we logged a record \$67 million in enforcement penalties and settlements.

Consistent with a number of Congressional directives to ensure modern communications are available to all Americans, the FCC administers a number of programs to help connect underserved populations – rural Americans, the hearing-impaired, children, and low-income Americans.

These are vital programs, grounded in a longstanding national commitment to the idea that essential infrastructure and platforms—electricity, highways, telephone service, and now broadband—should be available to all Americans, and that we all benefit from universal service.

We've put all of the programs we administer under the microscope – asking the tough questions, and reforming our programs to make sure they are efficient and fiscally responsible.

A program can be efficient and fiscally responsible and still be ineffective.

That's why we've also asked if programs need to be modernized to meet today's needs.

We found that we had inherited a series of programs that needed to be updated for the Internet age, and most also needed careful scrubbing to ensure they were carrying out their missions effectively and efficiently.

And so we've worked to reform and modernize our programs – rooting out waste, fraud, and abuse, and ensuring that our programs are serving the right policy goals in today's broadband world.

For example, we reformed the Video Relay Service, which provides vital communications for people who are deaf or hard-of-hearing.

The program had suffered from serious abuse; now we've made changes to eliminate incentives for fraud and have already saved taxpayers approximately \$250 million.

Our E-Rate program helps connect America's schools and libraries to the Internet.

It's a successful program, and we've reformed it to make it even better.

We eliminated unnecessary restrictions and red tape, giving schools and libraries flexibility to get higher-capacity and more cost-effective broadband services.

We removed barriers that kept schools from opening their computer labs as hot spots for community Internet use when the students aren't in school – allowing what we call “school spots.”

Reflecting the increasing use of digital textbooks and tablets and the need for continuous reinvention of our programs, we're also running a Learning-on-the-Go pilot project to test the use of E-rate funding for off-campus mobile connectivity.

Most recently, we approved a once-in-a-generation overhaul of the multi-billion dollar programs that ensure communications networks reach rural America—the largest part of the universal service fund— and the related intercarrier compensation system.

We took a system that was still focused on supporting 20th century telephone service – and doing so wastefully, paying as much as \$2,000/month for a single phone line in some areas, and subsidizing multiple carriers in other areas – and we transformed it into the Connect America Fund, which will efficiently and effectively spur wired and wireless broadband build-out to hundreds of thousands of homes in the near term, and put us on the path to universal broadband deployment by the end of the decade.

By using smart, market-based policies and cutting waste and inefficiency, we were able to do this while, for the first time, putting the Fund on a budget.

And our intercarrier compensation reforms will eliminate billions of dollars in hidden subsidies on consumers' phone bills and spur the rollout of innovative new communications services.

Tomorrow, I will circulate to my fellow Commissioners an order to reform and modernize the Universal Service Fund's Lifeline program.

This is an opportunity to take another major step forward in our efforts to modernize our programs for the digital age, and to make them efficient and fiscally responsible.

Lifeline is a vitally important program.

It implements Congress's directive that – and I'm quoting the statute – “Consumers in all regions, including low-income consumers ... should have access to telecommunications and information services.”

Over the past two decades, it has helped tens of million of Americans afford basic phone service.

Lifeline recipients rely on their phones to do everything from finding a job to coordinating child care to calling 9-1-1 during an emergency.

The other day, we heard from a local Lifeline recipient who has a chronically ill daughter.

She said her phone has enabled her to make multiple emergency calls to her daughter's doctors at Children's Hospital – meaning this assistance has literally been a lifeline.

But the program has also had its problems, and we can't and won't ignore them.

Some carriers are providing Lifeline service to individuals that already have Lifeline service from another carrier—there's currently no database of recipients that carriers can check against before signing up a new customer.

And we've received reports that some unscrupulous carriers are abusing the program – obtaining support for consumers who did not sign up for Lifeline by mailing them phones already set up for Lifeline service, or signing people up for Lifeline who aren't eligible for the program.

Defrauding a public program designed to help our most vulnerable citizens is flat-out wrong and simply unacceptable, and we have launched multiple investigations into these reported violations.

Where individuals or companies have unlawfully defrauded or abused our programs, we will penalize them, and we will make it clear that it does not pay to rip off the federal government. When someone rips off the government, they are ripping off the American people.

With the reforms we are now proposing, we would also standardize the program's eligibility requirements and clarify rules to further tackle the issues of duplicative or otherwise improper support.

In some cases, old rules may have invited end-runs and created loopholes some carriers are exploiting. This order would close those loopholes.

Lifeline has also lacked adequate cost controls.

As the economy improves or worsens and the Lifeline-eligible population shrinks or grows, the size of the program will naturally fluctuate, and this explains part of the recent growth in Lifeline spending.

That flexibility is crucial to ensuring low-income Americans remain connected to our communications networks, particularly in tough economic times when, for example, the need to call about job opportunities or to obtain basic services is particularly acute.

But much of the program's recent growth stems from waste and inefficiency, and that can't continue.

The program needs cost controls, and it needs a budget designed to address those issues consistent with the program's purpose.

Finally, the program is outdated, focused on phone service when high-speed Internet has become our vital communications platform.

The Commission started the process of reforming the Lifeline program with the release of the National Broadband Plan in early 2010.

Shortly thereafter, we asked the Federal-State Joint Board on Universal Service to examine the Lifeline program and offer recommendations for reform, which it did.

Last year, the FCC proposed rules that built on the Joint Board's recommendations – and the Order being circulated this week implements many of those ideas.

We haven't waited for this Order to take concrete steps.

Last June, the Commission adopted an order clarifying that an eligible consumer may only receive one Lifeline-supported service, creating procedures to detect and de-enroll subscribers with duplicate Lifeline-supported services, and establishing an unprecedented process in partnership with major Lifeline providers to detect and eliminate duplicative Lifeline support—a process now underway in 12 states, that will expand to additional states in the months ahead.

As a result of these actions, we've already identified more than 200,000 duplicative Lifeline subscriptions for elimination – saving millions of dollars every month.

The order to be circulated tomorrow continues this important work.

If approved by the Commission, it would reform the Lifeline program in a number of significant additional ways.

The order would for the first time establish clear goals for the program, and metrics to measure progress toward those goals.

Putting goals and metrics in place is crucial to ensuring the FCC and USAC—which administers the program—are accountable for program performance.

One of the goals is minimizing the contribution burden on consumers and businesses.

Consistent with this goal, the draft Order contains a number of significant measures to constrain the program's growth and make it more efficient.

For example, to prevent multiple carriers from receiving support for the same subscribers, it would create a National Lifeline Accountability Database.

The Order would also set a budget for Lifeline.

Over the next few years, this would help ensure that reforms successfully eliminate unnecessary spending while the program continues to provide enough support to connect eligible consumers to our communications networks.

To ensure accountability, every carrier that receives more than a specified annual amount of support from the program would be subject to independent audits every two years.

The Order would establish national eligibility criteria to ensure access to Lifeline service for all low-income consumers who meet federal standards for participation in the program, with the recognition of the unique circumstances facing Tribal communities.

States would be permitted to add to these criteria.

The Order would make Lifeline reimbursement more transparent and streamlined so that carriers receive funds only for subscribers they actually serve.

The Order would also take a number of steps to protect and empower consumers, including new measures to ensure that consumers are informed of program requirements.

Altogether, our staff estimates that the reforms proposed in this Order could save the Fund as much as \$2 billion over the next few years, keeping money in the pockets of American consumers that otherwise would have been wasted on duplicative benefits, subsidies for ineligible consumers, or fraudulent misuse of Lifeline funds.

These reforms would put the program on a firm footing for the future, so it can more effectively serve low-income consumers, including helping low-income consumers afford broadband.

Which brings us to the final but perhaps most important reform: beginning the process of modernizing Lifeline from telephone service to broadband.

Broadband has gone from being a luxury to a necessity in the 21st century.

It's essential for finding a job, for example, as job postings have moved online, and for landing a job, as companies increasingly require basic digital skills.

But one-third of Americans haven't adopted broadband at home, and the majority of low-income Americans are non-adopters.

We know there are three primary barriers to broadband adoption: cost, digital literacy, and relevance – the fact that too many Americans don't perceive broadband as having value for them.

There's no single solution to closing the adoption gap.

That's why the FCC has taken a number of steps in this area, including launching the Connect to Compete initiative, which enlists government, nonprofit, and private sector leaders to tackle the barriers to adoption.

On digital literacy, partners ranging from Best Buy to the nation's libraries have made significant commitments to teach Americans basic digital skills.

eGovernment is another powerful tool for accelerating broadband adoption. For example, the winners of the FCC's Apps for Communities challenge developed tools to help people find jobs. There are real opportunities to leverage points of contact between the government and low-income Americans to demonstrate the benefits of broadband.

And on cost, members of the Connect to Compete coalition are making broadband service and computers available to low-income Americans at severely discounted rates.

We believe Lifeline – a program that ensures low-income Americans can afford vital communications – can and should be a part of the solution.

That's why the Order I'll circulate to my fellow Commissioners tomorrow includes ensuring the availability of broadband to low-income Americans as an expressed program goal.

And as a first step toward transitioning the program to support broadband, it would establish a Broadband Adoption Pilot Program using savings from other reforms.

The program would test and determine how Lifeline can best be used to increase broadband adoption among Lifeline-eligible consumers.

The program would start by soliciting applications from broadband providers and would select a number of projects to fund, starting this year.

Lifeline would help reduce the monthly cost of broadband service, but applicants would be expected to help address other challenges to broadband adoption, including the cost of devices and a lack of digital literacy.

And data from all projects—together with data from other low-income broadband adoption programs around the country, including BTOP projects, Comcast's Internet Essentials, and CenturyLink's Internet Basics—would be rigorously analyzed to ensure a full understanding of how best to transition Lifeline to support broadband.

And a proposal that accompanies the Order seeks comment on using savings from Universal Service Fund reforms to increase digital literacy training at libraries and schools, which could

eventually arm more Americans with the digital skills they need to fully participate in our 21st century economy and society.

I want to thank the people who contributed ideas to this proposed order, especially the states and the Joint Board, as well as the Government Accountability Office.

I want to commend the staff of the FCC for their hard work crafting this proposal.

Finally, I want to thank my fellow Commissioners for their input, which is reflected in many parts of the draft Order.

I look forward to working with both of them to ensure that the Lifeline program is efficient, fiscally responsible, and that it meets the needs of low-income Americans in a broadband world.