



FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

OFFICE OF  
THE CHAIRMAN

March 16, 2016

The Honorable Claire McCaskill  
United States Senate  
730 Hart Senate Office Building  
Washington, D.C. 20510

Dear Senator McCaskill:

Thank you for your letter recognizing both the need for appropriate structural reforms to the Lifeline program and the value of modernizing the program to cover broadband.

Last week, I circulated a proposed Order for my colleagues' consideration that would modernize the Commission's Lifeline program to meet a critical 21st Century need: making broadband more affordable for low-income Americans. At the same time, the proposed Order would put in place a number of key programmatic reforms designed to protect the integrity of the Lifeline program and build on the Commission's recent efforts to root out waste, fraud, and abuse in the program.

Your letter specifically asks for my views on the importance of a "cost-cap or other cost-control mechanism" for the Lifeline program. I agree that such a mechanism is prudent to safeguard the financial stability and integrity of the Lifeline program while ensuring access for all eligible consumers. I have therefore proposed that, for the first time ever, the Commission take the necessary step of implementing a budget mechanism for the Lifeline program. The proposed approach has two parts.

First, the proposed Order would set a Lifeline budget of \$2.25 billion, indexed to inflation, that takes into account current participation rates, possible growth of the program as eligible consumers are made aware of its benefits, and safeguards in place to prevent waste, fraud, and abuse. This proposed budget acts as a ceiling, which allows for responsible organic growth from the current spending level, based on increased participation by eligible consumers generated by the program's support for broadband service. By establishing a reasonable budget in conjunction with complementary structural reforms, our goal is to meaningfully, but responsibly, narrow the digital divide that has left 64.5 million people in the U.S.—disproportionately those with the lowest incomes—without an Internet connection. The Commission took a similar approach in setting a budget for the Connect America Fund to put the Commission on a path to responsibly modernize the high cost universal service fund.

Second, the proposed Order establishes a process for the full Commission to promptly evaluate and address Lifeline funding in advance of the program hitting that \$2.25 billion budget. Specifically, if expenditures in the Lifeline program reach 90% of the budget in a given year, the

proposed Order requires Commission staff to notify the Commission and prepare a written analysis of the causes of the spending growth, with action by the full Commission within six months of receiving the report. This mechanism will ensure that the Commission has the notice and comprehensive information it needs to determine the reasons for growth in the program and a process to promptly make any necessary changes to the program in response.

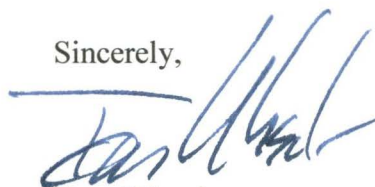
That budget mechanism would work in concert with other proposed structural reforms to further ensure the integrity of the modernized Lifeline program. Under the proposed Order, the Commission would establish a National Eligibility Verifier that removes telecommunications carriers from making eligibility determinations; make targeted changes to encourage robust competition in the Lifeline program; and implement minimum service standards to ensure eligible subscribers' benefits are directed only to quality services that are worthy of universal service funding. I expect that these rules will make Lifeline a truly 21<sup>st</sup> Century program that effectively and responsibly makes broadband service accessible for low-income households.

I also appreciate your recognition of the successful program reforms the Commission has implemented since 2012 to prevent waste, fraud, and abuse in the Lifeline program, such as creating the National Lifeline Accountability Database to prevent subscribers from receiving more than one benefit. As a result of these and other reforms, disbursements in the Lifeline program decreased from nearly \$2.2 billion in 2012 to under \$1.5 billion in 2015. The proposed Lifeline Order now before the Commission builds on these efforts. Through the budget mechanism and other reforms, like implementing a National Eligibility Verifier, the Commission would take the additional steps necessary to shut the door on the program's remaining fiscal vulnerabilities and ensure responsible spending in the program.

The proposed Lifeline Order was designed with two equally important goals in mind—to help connect low-income Americans to the Internet and to ensure the fiscal integrity of the program going forward. We need not choose between the two. We can—and must—have both.

I appreciate your interest in this matter and our work on this issue has benefited from your input and guidance. Your views are important and will be included in the record of the proceeding and considered as part of the Commission's review. Please let me know if I can be of any further assistance.

Sincerely,



Tom Wheeler