I. The Structure of Applications and Eligibility Determinations for Lifeline

Some proposals suggested by the Commission’s publication and advocated in the first round of comments, although well-intentioned, could substantially undermine Lifeline’s effectiveness in achieving its goal of allowing low-income people meaningful access to the communications media that are essential to their social and economic integration with the rest of U.S. society. To understand why this is, it is important to separate the steps necessary for a low-income individual to benefit from access. Five distinct events must occur:

1. She or he must learn of the program and apply for it.

2. She or he must verify her or his identity.

3. The program must determine that she or he is not already participating in Lifeline.

4. The program must determine that she or he is one of the following:
   a. a recipient of a qualifying means-tested program administered by the federal government, largely Supplemental Security Income (SSI);
   b. a recipient of a qualifying means-tested program administered by the human services agency of a state government or county agencies working for the state, largely the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), Medicaid (in most states), or the Low-Income Home Energy Assistance Program (LIHEAP) (in many states);
   c. a recipient of another qualifying means-tested program; or
   d. a person with income below the program’s income eligibility limit.

5. She or he must receive an active handset.

In evaluating proposals for going forward, the Commission should assess how well Lifeline is performing at each of these steps and how any proposed changes would positively or negatively affect its performance at each of those steps (including steps that are not the proposal’s target). A proposal that seems to hold promise for improvement at one step may nonetheless prove unwise if it would cause deterioration at another.

Today, Lifeline performs remarkably well at most of these steps, especially given its absence of substantial segregated administrative funds. Specifically:
1. Lifeline has found a uniquely effective approach to outreach and application assistance. Other means-tested programs (such as SNAP, Medicaid, the Earned Income Tax Credit (EITC), and the premium subsidies under the Affordable Care Act (ACA)) spend many millions of dollars on outreach programs of limited effectiveness and billions more on assisting households to apply. Lifeline, by contrast, has relied on the self-interest of service providers to inform low-income households of the availability of Lifeline and to assist them in signing up. Given how vexing the problems of outreach and application assistance have been in other programs, the Commission should be extremely leery of changing Lifeline so that it cannot rely on provider-supported outreach. The alternative is likely to be spending very large sums to pay state human services departments to provide application assistance and additional sums for outreach. The administrative cost-per-case even in well-run states is likely to exceed the value the monthly Lifeline benefit; having such a large fraction of Lifeline resources go to administration is likely to generate harsh criticism of the program and the Commission. And even if the Commission does find these resources, if experience in other programs is any guide, the result is likely to be disappointing, far worse than what Lifeline currently enjoys. Where states are willing to create a check-box on applications for individuals to indicate that they want Lifeline, that of course would be for the good. But it seems unlikely to garner more than a small fraction of eligible non-participants. Providers have self-interest to guide them to cost-effective outreach strategies; studies of outreach in other programs have found that indirect approaches, such as public service announcements and signage, are largely ineffective and that direct approaches, such as going door-to-door in low-income communities or participating in public events where many low-income people appear, work better but are quite expensive. Lifeline’s current model shifts those challenges to providers, who have responded by signing up an impressive fraction of those eligible.

2. The program has had no serious difficulties with verifying identity. The Lifeline benefit is not so valuable that one would expect substantial abuse in this regard, and no studies that I have seen suggest that this is a problem. Indeed, identity verification is not a problem even in programs such as SNAP that distribute a far more valuable benefit and that have extremely flexible standards for how identity may be verified. See 7 C.F.R. §§ 273.2(f)(4) and (5), 273.2(i)(4). On the other hand, programs that have demanded specific kinds of verification of identity, have often found that low-income people are unable to comply. Low-income people who are, or once were, homeless commonly lose many valuable personal documents, including some kinds of identification. Many cannot afford to obtain duplicate identification even once they again have homes. Others may not have the skills or the comfort to interact successfully with public agencies that issue many kinds of identification. Providers have self-interest to guide them to cost-effective outreach strategies; studies of outreach in other programs have found that indirect approaches, such as public service announcements and signage, are largely ineffective and that direct approaches, such as going door-to-door in low-income communities or participating in public events where many low-income people appear, work better but are quite expensive. Lifeline’s current model shifts those challenges to providers, who have responded by signing up an impressive fraction of those eligible.

3. Duplicate participation was a serious actual and perceptual problem in Lifeline before the Commission mandated creation of the duplicates database. Since it has done so, however, duplicate participation appears largely to have disappeared. To be sure, stories and memories of abuses continue to mar the program’s image. This kind of perceptual hangover from program integrity problems is sadly common in means-tested programs. For example, many reporters wrote that the 1996 welfare law would remove undocumented immigrants from the Food Stamp Program and cash welfare despite the fact that all undocumented immigrants and
many lawfully present non-citizens had been ineligible for more than two decades. The image of middle-class students collecting food stamps persisted at least throughout the 1980s despite Congress having removed them from the program in the late 1970s.

The Commission did the right thing in establishing the duplicates database and solved the actual problem; only time, not further action, will cure the perceptual problem concerning duplicate participation. With no actual problem remaining, any further action the Commission might take in this area is likely to be taken as an admission that the problem of duplicate participation remains rampant, actually damaging the program’s image. And some of the measures that have been proposed, such as imposing cost-sharing on recipients, would severely depress participation among eligible low-income people while having no effect on anyone who actually seeks to abuse the program (i.e., a cost-sharing requirement would achieve no improvement at Step 3, where the Commission has largely solved the problem, but would significantly depress participation at Step 1, where the program is in a more precarious position).

4. Applicant seeking to establish financial eligibility in these four kinds of ways present fundamentally different challenges and should receive different policy responses:

a. Because SSI recipients have relatively little direct contact with the Social Security Administration (SSA), many will not have useful documentation of their receipt of benefits. SSA has always had many fewer field offices than state human services agencies and has worked hard to shift most contact with claimants to the telephone or on-line. Its accessibility varies over time. Because the great majority of SSI recipients stay on the program for extended periods — those qualifying by age do not get younger, and those with disabilities severe enough to meet its standards only occasionally become more employable as they age – Lifeline’s integrity is at little risk in accepting older documents, such as award letters, as proof of receipt. A better system would be for Lifeline to assume the burden of verifying SSI receipt by establishing a cooperative agreement with SSA to verify claims of SSI receipt. Doing this in real-time is crucial to accommodating the work of traveling outreach representatives of providers and others that seek to enroll low-income people in Lifeline (Step 1) and to the effective delivery of working handsets to eligible applicants (Step 5).

The Commission and USAC should enter into negotiations with SSA immediately to determine how best to obtain its cooperation in real-time verification of claims of SSI receipt. This may well require a national entity that serves as a liaison between the providers and other enrollers, on the one hand, and SSA, on the other. Because receipt or non-receipt of SSI is an objective fact and easy to audit, there is little reason to doubt that the providers can make accurate determinations of financial eligibility achieved on this basis. The Commission therefore would be ill-advised to spend significant resources establishing another entity to take this responsibility from the providers except to the extent necessary to obtain SSA’s cooperation.

b. As the Center on Budget and Policy Priorities’ analysis demonstrates, the vast majority of persons eligible for Lifeline receive SNAP, Medicaid, or both. (A very small number of additional eligible people receive TANF or LIHEAP but not either SNAP or Medicaid.) In most, though not all states, the state human services agency operates both SNAP and Medi-
caid. (In about a third of the states, counties provide local administration of these programs, but basic eligibility information is held by state agencies in their automated systems.) Because of the large number of Lifeline-eligible people receiving one of these programs and because their information is held by less than seventy statewide agencies (one in most states and two where Medicaid and SNAP administration is separate), the Commission should place a high priority on reaching cooperative agreements with as many of these agencies as possible to verify the receipt of benefits from the programs in question. As the Center on Budget has described in far greater detail, the Commission should be sensitive to these agencies’ concerns about not having to deal with too many different entities seeking to verify receipt of benefits and should be receptive to establishing some sort of clearinghouse for such requests. The Commission should be open to making reasonable sums available on a one-time or occasional basis for states to do the systems programming necessary to respond rapidly to such requests for information. At the same time, however, the Commission should be aware that such cooperative agreements are in those agencies’ interests as well: the alternative will be numerous administratively burdensome requests for verification of eligibility status from individual households. Accordingly, the Commission should press hard for real-time verification systems so that outreach workers can confirm applicants’ eligibility while the applicants are still with them so that the applicants may be handed active handsets on the spot: any other arrangement would reduce the providers’ and other entities’ incentives to conduct outreach (Step 1) and cause some people who have been determined eligible not to have active handsets (Step 5) timely (or, for some, ever).

Realistically, however, some states will decline to enter into such arrangements for philosophical, systems, or resource-constraint reasons. Although this is unfortunate, verification of receipt of SNAP, Medicaid, TANF, and LIHEAP should generally be fairly self-explanatory. Accordingly, taking snapshots of that verification and forwarding it to central authorizers should be relatively easy and reliable. And because receipt or non-receipt of these programs’ benefits is an objective fact and easy to audit, there is little reason to doubt that the providers can make accurate determinations of financial eligibility achieved on this basis. Here again, the Commission would be ill-advised to spend significant resources establishing another entity to take this responsibility from the providers except to the extent necessary to obtain the state agencies’ cooperation.

c. Recipients of other qualifying programs interact with myriad agencies across the country. Each may have its own procedures and its own forms of documentation. Providers and other outreach workers devoted to particular communities may come to learn the ways of the local housing authority and of the people determining eligibility for free meals in the local schools, but no centralized interface is likely to be cost-effective. Some recipients will have intelligible documentation of their receipt of benefits under those programs; others will not. Determining receipt of those benefits will still be easier than determining income (Sub-step d) and so these bases of eligibility should be preserved. But because of the difficulties these programs present, the Commission may wish to take more substantial measures to ensure the objectivity and accuracy of the eligibility determinations providers make. A central verifier therefore makes more sense for this population than it does for those receiving SSI, SNAP, or Medicaid (Sub-steps a and b). A similar effect could be achieved, however, by subjecting the
providers’ determinations to random audits, with rules requiring any rate of ineligibility among the cases audited to be imputed across that provider’s entire body of applications where eligibility was not based on receipt of SSI, SNAP, or Medicaid. That is similar to the system SNAP employs to ensure that states take sufficient care in determining eligibility for benefits paid entirely with federal funds. See 7 C.F.R. §§ 275.10-275.14 (establishing SNAP quality control system, including sampling requirements and regression formula for imputing error rates across caseload).

d. Determining income directly is the most difficult and error-prone method of determining financial eligibility. The Commission should nonetheless retain eligibility on this basis because this is the only way many of the most marginalized and disconnected people may qualify. Childless SNAP recipients unable to find work within three months will be terminated from the program in much of the country beginning January 1, 2016. See 7 U.S.C. § 2015(o). About twenty states have refused to accept ACA’s expansion of Medicaid, leaving many people far below the poverty line ineligible (and many of those just over the poverty line dependent on ACA’s premium subsidies, rather than Medicaid, for health care and thus not qualifying automatically for Lifeline despite being under Lifeline’s income eligibility ceiling). In addition, some of those that are categorically eligible based on their receipt of means-tested benefits such as SSI or housing subsidies may be unable to prove that receipt satisfactorily and may need Lifeline’s income eligibility determination process as an alternative. Those not able to qualify on the basis of receiving other means-tested programs are likely to be among the most disconnected, and often the most destitute. Their budgets are likely hard-pressed by food and housing costs, leaving little or nothing for communications. They also are likely to be either stuck in low-wage jobs or looking for work. In either case, access to broadband (and simply basic telephone service) will be crucial to them.

Determining applicants’ income is the most discretionary function in the Lifeline eligibility determination process. As such, it is an appropriate target for the Commission’s attention to the potential conflict of interest that providers’ outreach workers may have. Either a central verifier (perhaps with access to the states’ New Hire Databases or commercial services such as the Work Number) could significantly improve public perceptions of the program (although we have little evidence that the providers are actually making improper determinations at this stage in troubling numbers). Here again, a regular audit of a sample of each provider’s approvals, with attribution of any error rate to the rest of that provider’s similar cases and appropriate financial recoveries, would likely serve the same purpose. The Commission should choose between a central verifier and random audits with attribution based primarily on cost and on whether the potential central verifier can operate quickly enough to preserve the program’s real-time eligibility determination model that is so crucial at both Step 1 and Step 5.

To repeat, however, the use of a central verifier or random audit system for more difficult financial eligibility determinations – those qualifying on the basis of receipt of benefits from programs with decentralized administration or direct income eligibility decisions – should not cause the Commission to waste resources and introduce unnecessary complexity into the program with respect to the large majority of recipients qualifying through simple, reliable means such as receipt of SSI, SNAP, or Medicaid.
5. Low-income people often find themselves careening from one significant challenge to another. If they do not receive an active handset when they apply, a significant number will not do so for months—or ever. This is particularly true for those in rural areas—who may not have the resources to travel to the nearest wireless provider’s storefront or the internet access to obtain a phone on-line. Any changes to the eligibility determination process (Steps 2, 3, and 4, above) that prevent real-time eligibility determinations from being made will therefore have a direct negative impact on participation among eligible people. Worse, with many having little prior experience with the internet (or even cellphones), the inability of outreach workers to give applicants working handsets means missing an opportunity to train them in the device’s use. Further, with fewer households becoming fully signed up, the rewards for conducting outreach will decline and many providers will send fewer representatives into the field. This will create problems at Step 1, where provider-funded outreach has been the key to the program’s success.

II. Providing Only One Telephone Per Household is Anachronistic and Inconsistent with the Policies of Other Means-Tested Programs.

Most other major means-tested programs vary benefits by household size to reflect the greater needs of larger households. This is consistent with the federal poverty income guidelines, which also rise with household size. For example, SNAP benefits increase dramatically with household sizes; apart from fairly modest economy-of-scale adjustments, its benefits are provided almost on a per-person basis. Cash assistance under the TANF block grant as well as state general assistance programs and Title IV-E foster care assistance are almost always scaled by the number of people (or at least the number of children) in the household. Medicaid and insurance plans purchased through ACA’s insurance exchanges typically provide coverage to each household member (with the premium subsidies generally reflecting the number of people in the household and Medicaid applying the poverty line and its sliding scale based on household size. Housing subsidies are provided on a per-household basis, but the size of the unit a household may rent (and hence the subsidy it receives) depends on the size of the household. The Earned Income Tax Credit is scaled for the number of children in the household (up to three) as well as for whether the wage-earner is single or married. LIHEAP eligibility is scaled to the poverty line, which is adjusted by household size; many states scale its benefit levels to the number of people in the household as well.

In this respect, Lifeline is an extreme outlier in providing only one flat benefit per household. This is an artifact of its origins as a subsidy for landline communications. It has been illogical since Lifeline was opened to wireless—which for everyone else is an individualized rather than household means of communication—and it will be even more so in the broadband era. The Commission may find that some economies of scale are possible if providers are likely to offer service to a family of four for significantly less than four times what they would charge for a single individual. But unless the Commission scales the program’s benefits, children without siblings will be better-able than their peers in large households to do their homework on-line without running out of their data allowances. Lifeline simply no longer has any justification for not following other programs in calibrating its benefit by household size. The Commission can certainly exclude children younger than the age at which most children in middle-income
households obtain telephones, but it should establish a presumption of one Lifeline benefit per school-age child or adult.

Low-income working families particularly need multiple telephones so that parents working away from home can keep track of their children. Low-wage employers commonly are more rigid about lost time than other workplaces with respect to time off to attend to family matters; monitoring their children by telephone is all that many low-income parents can do. And with many low-income families living in high-crime areas, this monitoring is crucial.

Having one device and Lifeline benefit per school-age child or adult also is important to keep the adult’s needs – for example, using the phone to secure employment or to learn when she or he is needed by an existing employer – from clashing with a child’s needs for access to the internet for homework.

III. Explicit or Implicit Cost-Sharing Requirements Will Drastically Reduce Participation, Especially among Those Most in Need of Lifeline.

The concept of requiring low-income people to contribute to the benefits they receive – the purchase requirement under the Food Stamp Act of 1964 or co-payments under Medicaid – long has been popular among middle-income policymakers. And for just as long, it has had severe negative effects on programs’ ability to achieve their objectives. The Food Stamp Program’s purchase requirement was particularly powerful in depressing participation among the very poor – those lacking the money to make the required purchase of food stamps – and on the working poor, who may have somewhat greater gross incomes but also face additional work-related expenses such as work clothes, transportation, and child care. Numerous studies have found that Medicaid co-payments discourage people from seeking care or pharmaceuticals for treating even life-threatening conditions such as hypertension and diabetes.

Requiring Lifeline participants to “have some skin in the game” is likely to be even more disastrous as its benefit, while very important, is less obviously crucial than food or health care. Most serious studies of low-income people’s incomes and budgets not only do not find them to have meaningful excess disposable income available but in fact find them chronically indebted, often paying high interest rates on debts they are unlikely ever to escape. The items that more affluent people can imagine eliminating from our budgets to accommodate a new expense have long-since been purged from low-income people’s lives. And having them fall farther behind on their rent, skip meals, or accumulate even more high-interest credit card debt to pay for Lifeline service may not be a net benefit at all.

Nor is it clear what a co-payment requirement would accomplish. It might allow a better service package to be purchased, but program rules already allow Lifeline benefits to be used either for free service or for discounts on costlier plans. But if many or most low-income Lifeline recipients do not believe they can afford to contribute to get the kind of upgraded service the Commission believes they should have, the Commission should honor that judgment. The Commission lacks the experience and expertise in assessing the totality of low-income people’s budgets to assume that all, or even most, can afford an extra charge. Similarly, the Commission should refrain from setting service standards that will effectively cause free service to disappear.
Because Lifeline would still have a net value, a co-payment charge would not discourage persons intent upon defrauding the program. It would, however, make the program inaccessible to those most hard-pressed today – those that could most benefit from Lifeline’s potential to connect them with better jobs or education.

IV. Events Surrounding the Narrowly Averted Government Shutdown Caution Against Capping Lifeline’s Budget.

Although Congress passed a continuing resolution with hours to spare, its delay caused significant havoc in SNAP and other programs serving low-income people. Neither Congress nor the Administration intended to cut off these benefits, but facing the actual or perceived exhaustion of resources for benefits, program administrators implemented various plans. In SNAP, in particular, this was quite disruptive: USDA announced that its resources would run out a few days into October, which it acknowledged was likely to trigger a rush by recipients to use their benefits before the program deauthorized all food retailers.

If the FCC imposes a cap on Lifeline spending and that cap proves too low due to an economic downturn or other legitimate factors, it will find itself having to take the same disruptive steps. Even if the Commission ultimately decides to raise the cap, its staff and USAC are likely to have to begin implementing similar plans until the Commission can act. The Commission would know better than I how fast that realistically can be, but it is not difficult to imagine factors that would prevent rapid adjustments. If USAC announces that it will terminate all Lifeline subsidies as of a particular date, recipients may feel they must use their minutes and data allocations immediately or lose them. That will leave many with no service subsequently even if the Commission does increase the budget.

The other Universal Service programs are not good analogues to Lifeline because they do not serve individuals directly and hence are not subject to variations in need based on changing economic conditions or administrative practices. Most major public benefit programs are uncapped, while programs more analogous to the grant programs in the Universal Service fund are capped in the federal budget.

The more practical approach is to trigger staff reports to the Commission if budget projections are exceeded by large margins. The Commission then can correct any defects in the program that are leading to unintended expenditures, adjust eligibility or benefit levels if it believes it necessary to lower outlays, or leave the program as-is if it finds the increased spending justified and affordable.