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Mr. Julius Genachowski
Chairman, Federal Communications Commission
445 12th Street SW
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Chairman Genachowski:

The undersigned wish to register our concerns over the rampant, mostly unrestrained, growth of the federal Universal Service Fund's (USF's) Lifeline program. Significant increases in the size of this program threaten the sustainability of universal service in general, to the detriment not only of low income consumers, but also the millions of beneficiaries of the Schools and Libraries, Rural Health Care and High Cost programs.

The Lifeline program was created in 1985 to serve the laudable objective of ensuring quality basic telephone service and 911 connections were available to low-income consumers at just, reasonable and affordable rates. Yet, more recently, the Federal Communications Commission (FCC) has allowed the program to be manipulated, primarily by prepaid wireless providers, into an unintended source of company revenues rather than the true consumer "lifeline" that was intended.

Even in the wake of a January 2012 FCC Lifeline Reform Order, the Lifeline program stands alone among its USF program counterparts as not subject to any control by an annual budget. In just the past three years alone, the program has swelled at an average rate of between two and five percent *per month*, jumping from a total annual cost of around $600 million to more than $2.4 billion. The program's spiraling growth continues to threaten the sustainability of the overall USF.

We can no longer afford to overlook the largely unchecked growth that continues to permeate the Lifeline program while the other universal service programs are restricted to the degree that they are increasingly unable to fulfill their statutory mandates. In short, the uncontrolled growth of the Lifeline program threatens to compromise the legitimate goals of the other programs.

The FCC stated its January Order would finally begin to limit the waste, fraud and abuse associated with the program in recent years, suggesting the reforms would yield savings of $200 million in 2012, and more than $2 billion over three years. While the initial $200 million in savings might be achievable, the longer term objective seems highly unlikely. At best, the program looks poised to grow only somewhat less rapidly than it has in recent years, and depending upon what assumptions are made, it is possible we could see more phenomenal expansion of the Lifeline program in coming years.

Many factors contribute to our concern. First, only 50% of eligible consumers are estimated to receive Lifeline support today. Second, the Order expanded the base of eligibility for Lifeline support to include a host of other low income criteria. Third, the program will soon expand to cover not just voice but broadband level service as well. This confluence of factors could easily lead the Lifeline program to engorge to an annual $4 billion level in no time at all. If there are reliable checks on the program that would somehow offset these factors, it would be useful to have you identify those and to detail the assumptions that lead you to conclude that such checks will control rampant growth and continuing increases in the Lifeline Program over time.

We are further concerned that the Lifeline Order sets up a program that is altogether divorced from the cost required to deliver services to consumers. For example, the Lifeline Order established a flat rate level of support of $9.25 to carriers for each Lifeline subscriber they enroll. There is no relationship between this level of support and the cost of providing such service. Indeed, the torrent (or "gold rush") of new prepaid wireless providers flooding the Lifeline market would appear to indicate that this level of support constitutes a windfall for such providers.

At the same time, the FCC has waived facilities and service area requirements for companies applying for designation as "Lifeline-only" carriers. Consider that neither the FCC nor any state commission in the country has denied a Lifeline-only Eligible Telecommunications Carrier (ETC) application. There are now hundreds of Lifeline-only ETCs, with more in the pipeline. None of these companies provides new broadband infrastructure in unserved areas of the country—a goal of the National Broadband Plan. If anything, this policy discourages, rather than promotes, investment in the kinds of advanced networks and infrastructure that will deliver benefits to all American consumers and businesses.

We are concerned that the recent growth and lack of apparent controls on the Lifeline program creates poor incentives and places USF as a whole in jeopardy. Rural constituents, such as our seniors and other beneficiaries of universal service supported investments in our schools and libraries, rural health care providers and rural broadband infrastructure, are affected negatively by the wake of mismanagement in the Lifeline program.

We understand that the FCC has launched a further notice of proposed rulemaking seeking recommendations for further improving the Lifeline Program to eliminate waste, fraud and abuse, and we applaud such an examination. But we remain concerned that not enough has yet been done to check growth in the Lifeline program or to set appropriate incentives for delivery of critical services to low-income consumers. In this regard, we urge the FCC to take prompt action to constrain growth of the Lifeline program by setting a budget in the same vein as it has for other aspects of the USF program, and by taking meaningful steps to set more proper incentives for carrier participation in the program than exist in the current version.

Please let us know what the FCC is planning to do to rein in the Lifeline program, and please provide details for any assumptions with respect to why you may believe that actions already taken will help to control growth in the program. We look forward to your response and to further steps that can be taken to ensure that this program is a more reasonable and well-governed component of the USF.

Warmest Wishes,

STEVE STOCKMAN
Member of Congress