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## FCC Plan to Cap Lifeline Program Criticized by Consumer Groups

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By Paul Barbagallo

A proposal by Federal Communications Commission Chairman Julius Genachowski to expand the federal Lifeline program to include broadband internet service has been met with praise from telecommunications industry groups and some members of Congress, though several consumer watchdog organizations voiced concern over whether there will be enough funding to connect more Americans to the internet.

In an order sent to the other FCC commissioners in advance of the agency's Jan. 31 meeting, Genachowski has proposed creating, for the first time, a broadband adoption pilot program aimed at low-income consumers.

However, his order also would institute a cap on future Lifeline spending, which some groups argue could leave minorities and other disadvantaged Americans behind.

"With only 32 percent of those eligible for Lifeline using the program now, it's at best premature to be seriously considering a cap," David Honig, president and executive director of the Minority Media and Telecommunications Council, which represents minority, civil rights, and religious national organizations in proceedings before the FCC, told Bloomberg BNA Jan. 10.

The Lifeline program was originally started in 1984 to ensure that everyone had telephone service for emergencies.

To be eligible for a \$10 monthly discount on phone service, which comes from a tax applied to phone bills, a person must meet federal low-income guidelines or qualify for one of a handful of social service programs, including food stamps or Medicaid.

Although the program has been successful in helping lower-income families maintain basic telephone service, many of those Americans who can take advantage of Lifeline simply do not. To some, this should be attributed to poor outreach from the phone companies, the FCC, and state utility commissions, to which carriers seeking eligibility apply.

### Fraud, Abuse Seen.

At the same time, the program has also been beset by fraud and abuse. In recent cases, phone companies and wireless carriers have sought and received reimbursement for service to the same residence. All told, the overall size of the Lifeline fund increased from \$667 million in 2000 to \$1.3 billion in 2010, leading officials to increase fees that consumers pay to support it.

According to a November report from the Government Accountability Office, the increases are also due to the addition of prepaid wireless service from America Movil SAB's TracFone, a marketer of subsidized SafeLink phones.

This trend has led Genachowski to propose measures in his order to prevent multiple service providers from claiming Lifeline subsidies for the same households. To address the issue, he has proposed creating a national database of Lifeline users to prevent multiple carriers from receiving support from the same customer.

The order would further establish new national eligibility criteria to allow all low-income consumers who meet federal standards to participate in the program, while recognizing the "unique" circumstances of those living on tribal lands. The order would also allow states to add on to the criteria if they saw fit.

Meanwhile, Genachowski also called for participating companies to undergo independent audits every two years.

### Complaints About Cap.

It is for this reason that consumer groups have called on the FCC to delay any decision to cap the size of the Lifeline program. With increased oversight, more funds would be available.

"We need to figure out who needs what money to do what to make a successful broadband [Lifeline] program," Cheryl Leanza, co-chair of the leadership conference task force on media telecom for the Leadership Conference on Civil and Human Rights, told Bloomberg BNA. "This cap is just a knee-jerk reaction."

Speaking to the core mission of the FCC order, Leanza said the commission should be as "innovative" and "expedient" as possible in implementing the new pilot program.

Leanza estimates that it will take regulators until 2015 to fully establish a broadband-centric Lifeline program.

"We're hoping it could move faster," she said.

### Expand Broadband Adoption.

Matt Wood, policy director at Free Press, said the FCC should not be looking to put limits on a program that can address the real problem: Broadband adoption.

"Right now, 90 to 100 percent of the country has access to broadband. But adoption rates are still down in the 60s. Over time, the FCC must look for ways to shift money away from broadband deployment and toward broadband adoption, and this is an opportunity," Wood told Bloomberg BNA.

The FCC and NTIA attribute non-adoption rates to, among other things, cost, low education, and a lack of digital literacy. Based on studies conducted by both agencies, less than a third

of the poorest Americans subscribe to broadband, while nearly 90 percent of the nation's more prosperous individuals do.

According to a 2010 FCC survey, less than half of the adults with high school degrees are broadband users at home, while 82 percent of adults who have attended or graduated from college use broadband at home. Scarcely more than half of Americans in households with annual incomes of \$50,000 or below have broadband service at home, compared with 87 percent of those in households with incomes above that level.

In the same study, the FCC found that nearly 25 percent of non-adopters of broadband are "uncomfortable with computers" and said they lack the necessary skill sets needed to surf the web. Another 19 percent questioned the relevance of broadband to their lives. Some said the internet is a "waste of time" while the dial-up internet users surveyed said they are content with their current services.

Another study by the Digital Impact Group and Econsult Corporation estimates that the direct economic cost to the nation of non-adoption is \$55 billion a year.

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