

Opening Statement of Chairman Ron Johnson
Thursday, September 14, 2017
“FCC’s Lifeline Program: A Case Study of Government Waste and Mismanagement”

Good morning and welcome. Today we will examine the Lifeline program, one of four programs funded by the Universal Service Fund. Congress established the Universal Service Fund in 1996 under the premise that “[c]onsumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services.”

Since its inception, the Lifeline program has been plagued by waste, fraud, and abuse. This redirects valuable taxpayer dollars away from universal service. Today, we will hear from the non-partisan Government Accountability Office, which has spent a year analyzing this program. Its findings are staggering. Out of a sample of 3.4 million Lifeline subscribers, GAO was unable to verify whether 1.2 million subscribers were enrolled in the public-assistance program they claimed on their Lifeline application to qualify for the program. GAO also identified 6,378 beneficiaries that appeared on the Social Security Administration’s Death Master File and 5,510 potential duplicates. Based on these findings, we are likely allocating approximately \$140 million annually to fraudulent subscribers.

GAO’s review went even further. A GAO undercover investigator was able to gain employment with one Lifeline provider and fraudulently sign consumers up for Lifeline service. Since it is industry practice to compensate Lifeline employees through commissions, GAO raised concerns with the ease in which its investigator gained employment and registered subscribers.

Finally, and importantly, GAO found that while 38.8 million U.S. households are eligible for Lifeline, only 32 percent, or 12.5 million are actually enrolled in the program. Other studies have revealed that 7 out of 8 Lifeline subscribers (and 19 out of 20 wireless Lifeline subscribers) would have subscribed to phone service *without* the Lifeline subsidy through commercially available options. As we consider reforms to the program, we must consider ways to target those who actually need this lifeline. I would also like to explore today whether some Lifeline money would be better spent in other universal service programs with higher adoption rates and lower rates of fraud, such as the high cost fund. In my home state of Wisconsin, I frequently meet with broadband providers trying to connect homes in rural parts of the state. Chairman Pai joined me for one of these meetings in June of this year. Redirecting Lifeline money could incentive tighter controls and increase overall universal service.

Supporters of the Lifeline program brush off GAO’s findings, arguing that GAO analyzed data from 2014 which did not take into account changes the Federal Communications Commission (FCC) made in 2015 and 2016 to reform the Lifeline program. First, the main reform was the establishment of a National Lifeline Eligibility Verifier, which will not be operational until 2019. Second, the National Verifier will only address the issue of eligibility. It will not prevent duplicates, fake addresses, or phantom subscribers. Third, the picture painted from this report shows a program with systematic weaknesses that cannot be solved overnight. Continued oversight and reforms will be necessary. FCC Chairman Ajit Pai and the Universal Service Administrative Company Acting CEO Vickie Robinson are both here to discuss their plans for implementing these necessary reforms.

I thank all of our witnesses for being here today. I look forward to your testimony.