

Waste Action Alert

*A publication of the RSC Sunset Caucus from co-chairs Kevin Brady (R-TX) and Jason Chaffetz (R-UT)
Rep. Jim Jordan (R-OH), RSC Chairman*

Reform the Universal Service Fund

October 12, 2011

Program or Item Targeted: The Lifeline program, (a sub-program of the Low Income program), within the Universal Service Fund (USF).

One-Year Cost of Program or Item: \$1.6 billion in 2011

Background on Program or Item to Be Sunseted: The Lifeline program subsidizes eligible telephone companies to lower the monthly bills for low income households. The FCC recently began allowing certain pre-paid wireless carriers to offer free cell phone service to eligible individuals. This caused the Lifeline program to double in size from 2008 to 2011, making it the fastest growing program in the Universal Service Fund.

Why This Program or Item Is Wasteful: Before 2008, spending on this low-income program was relatively stable, between \$802 million to \$823 million per year. Spending drastically changed in 2009 when program participation jumped from 7.1 to 8.6 million in one year and support payments swelled to \$1.025 billion. In 2010, spending for the Lifeline program expanded to \$1.3 billion and the payout estimation for 2011 is \$1.6 billion. This is unsustainable.

The addition of subsidized wireless service has created unintended consequences. For example, current law restricts the Lifeline program support to one phone line per household. However, there has been a great deal of confusion among beneficiaries who have been encouraged to sign up with multiple carriers for Lifeline service, violating the one phone line restriction. In addition, regulators have found repeated instances of postings on Craigslist, advertising the sale of Lifeline-subsidized wireless phones and service. The FCC has not finalized anti-waste mechanisms to identify or prevent these issues.

MEMBER ACTION ITEM: Rep. Blake Farenthold has introduced the Lifeline Reform Act, H.R. 3118. The Act provides statutory benchmarks for the FCC to end duplication and fraud. Specifically, it prevents telephone companies from cherry-picking legal requirements to qualify for USF subsidies, requires consumers to pay some cost for service, freezes the \$9 billion fund at its current form and dedicates \$500 million per year to deficit reduction. All RSC Members are encouraged to cosponsor H.R. 3118 by contacting Jessica Blake at Jessica.Blake@mail.house.gov.

If you would like to participate in eliminating wasteful programs with the RSC Sunset Caucus please e-mail Curtis.Rhyne@mail.house.gov.

Note: Not every item featured in the Waste Action Alerts is necessarily endorsed by the RSC. These Alerts highlight the individual initiatives of members of the RSC Sunset Caucus.

*"The RSC Sunset Caucus uncovers government waste and seeks to eliminate it,
working to sunset programs that taxpayers shouldn't be paying for."*