

GAO Highlights

Highlights of [GAO-15-335](#), a report to the Chairman, Committee on Commerce, Science and Transportation, U.S. Senate

Why GAO Did This Study

Through FCC's Lifeline program, companies provide discounts to eligible low-income households for telephone service. Lifeline supports these companies through the Universal Service Fund (USF). Companies generally pass their USF contribution obligation on to their customers, typically in the form of a line item on their telephone bills. In 2012, FCC adopted reforms to address problems with duplicate and ineligible participants and to explore adding broadband through a pilot program.

GAO was asked to review FCC's reforms. This report examines (1) the status of reform efforts and the extent to which FCC has evaluated program effectiveness, (2) the extent to which households participate and challenges they face in accessing and retaining benefits, and (3) FCC's plans to evaluate the broadband pilot program.

GAO reviewed FCC orders and other relevant documentation; analyzed 2008–2012 Census Bureau data; and interviewed FCC officials, officials at four pilot projects selected based on features such as technology, and officials from 12 Lifeline providers and four states selected based on factors such as disbursements and participation.

What GAO Recommends

FCC should conduct a program evaluation to determine the extent to which the Lifeline program is efficiently and effectively reaching its performance goals. FCC agreed that it should evaluate the extent to which the program is efficiently and effectively reaching its performance goals and said that FCC staff will address GAO's recommendation.

View [GAO-15-335](#). For more information, contact Mark L. Goldstein at (202) 512-2834 or goldsteim@gao.gov.

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TELECOMMUNICATIONS

FCC Should Evaluate the Efficiency and Effectiveness of the Lifeline Program

What GAO Found

The Federal Communications Commission (FCC) has made progress implementing reforms to the Lifeline Program (Lifeline), which reduces the cost of telephone service for eligible low-income households. In 2012, FCC adopted a Reform Order with 11 key reforms that aimed to increase accountability and strengthen internal controls, among other things. FCC has implemented seven of the reforms and partially implemented four. In some cases, FCC needs to make a decision, and in other cases, additional time is needed to fully implement the reform. However, FCC has not evaluated Lifeline's effectiveness in achieving its goals—to ensure the availability of voice service for low-income Americans and minimize the burden on consumers and businesses that fund the program. FCC attributes improvements in the level of low-income households' subscribing to telephone service over the past 30 years to Lifeline, but other factors, such as lower prices, may play a role. FCC officials stated that Lifeline's structure makes evaluation difficult, but referred GAO to academic studies that suggest that many low-income households would subscribe to telephone service without Lifeline. GAO has found that program evaluation can help agencies understand whether a program is addressing an intended problem. Without a program evaluation, FCC does not know whether Lifeline is effectively ensuring the availability of telephone service for low-income households while minimizing program costs.

In 2014, over 12 million households participated in Lifeline, up from about 7 million in 2008. At its peak enrollment in 2012, Lifeline served about 18 million households. The introduction of prepaid wireless service contributed to this growth. After the Reform Order, program disbursements declined from \$2.2 billion in 2012 to \$1.7 billion in 2014, due in part to a reduction in the number of ineligible households receiving benefits. Based on interviews with stakeholders and providers, GAO identified challenges households may face in accessing and retaining benefits, including lack of awareness of the program and difficulty complying with new requirements, such as providing documentation of eligibility. Companies providing Lifeline service have taken steps, such as greater outreach and in-person enrollment, to mitigate these challenges.

The usefulness of information FCC gathered through its broadband pilot program may be limited due to the lack of an evaluation plan and other challenges. The pilot program included 14 projects to test an array of options and provide data on how Lifeline could be structured to promote broadband. According to FCC officials, the 14 projects enrolled about one-tenth of the 74,000 customers anticipated before ending subsidized service in October 2014. Although GAO previously recommended in 2010 that FCC develop a needs assessment and implementation and evaluation plans for the pilot, FCC did not do so and now faces difficulties in evaluating the program without established benchmarks. Although enrollment was lower than anticipated, FCC officials believe information on the number of eligible consumers offered service can provide relevant information regarding the options' effects on broadband adoption. However, FCC did not survey these consumers and does not know why eligible households did not enroll. The pilot projects are substantially complete, and FCC officials noted that the pilot program is one of many factors FCC will consider when deciding whether and how to incorporate broadband into Lifeline.