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MMTC Releases White Paper on Lifeline Reform and the Need to Reform Administrative Cost Inefficiencies for the Benefit of Consumers

Washington, DC (March 24, 2016): The Multicultural Media, Telecom and Internet Council (MMTC) has released a White Paper titled, “*A Lifeline to High-Speed Internet Access: An Economic Analysis of Administration Costs and the Impact on Consumers.*” The White Paper focuses on the reform of the Lifeline program’s administrative structure to shift responsibilities for eligibility verification and program administration from service providers to a more centralized government process. The paper was commissioned by MMTC with economic analysis provided by Dr. Coleman Bazelon from The Brattle Group and Dr. Olga Ukhaneva from Georgetown’s Center for Business and Public Policy. Dr. Nicol Turner-Lee, MMTC’s Vice President and Chief Research and Policy Officer was the Senior Researcher along with Devan Hankerson, MMTC’s Research Director.

The general findings of the White Paper were that the Federal Communications Commission (FCC) should proceed with the modernization of the Lifeline program to include broadband, or access to high-speed Internet. Given the affordability concerns of low-income, eligible Lifeline subscribers, the program will serve to facilitate first class, digital citizenship for these consumers. In support of the provision of services to include broadband, the authors find that the FCC-reported estimates for Lifeline program administration are outdated and grossly understated for the service providers that currently administer the program attenuating competition and increased innovation in Lifeline products and services. Further, the report highlights four key findings that should encourage policymakers to immediately remove service providers from administering Lifeline program eligibility verification and other functions.

- The data conclude that the actual versus reported administrative costs of the current Lifeline program are higher than any other federally-managed, public assistance program.
- In 2015, Lifeline payments totaled \$1.5 billion, funding support for voice connections to approximately 13 million eligible consumers. According to the FCC’s reported data, program administration amounts to 41 percent of total Lifeline support.
- The authors’ updated analysis of the actual versus expected program administration costs, which are primarily incurred by service providers, yield a more realistic estimate of more than \$977 million, a *59 percent increase* over official FCC reporting.
- The paper concludes that participating service providers incur *\$0.65 of costs to administer the program for every one dollar* expended by the 2015 Lifeline program in supported discounts and costs.

According to the authors, “these cost inefficiencies in program administration are a problem that must be addressed so that the Lifeline program can meet its full potential as a tool to help bring high-speed Internet connections within reach of all consumers.” The authors’ analysis also reveals that if specific functions of Lifeline’s eligibility verification, enrollment, and de-enrollment were shifted to a coordinated enrollment

framework, the expected reduction in administrative costs of service providers is estimated to be between \$687 and \$700 million, which is more than 70 percent of current costs.

In the authors' view, "even though these costs savings cannot be directly shifted to increase the actual program benefit, since they are incurred by service providers and are not reflected in the current Lifeline budget, consumers will benefit from the lower administration costs through more attractive service offerings and the shift of administrative functions to agencies that have extensive experience to scale the program."

"Our report maintains that Lifeline must be reformed to include broadband as soon as it is practicable if it is to remain relevant to our digital future," stated MMTC President and CEO Kim Keenan in the paper's preface. "Moreover, it must be reformed in a fiscally responsible manner. A more competitive and efficient Lifeline program will significantly benefit low-income consumers and empower them in their journey toward economic independence."

The full White Paper is available online, [here](#). The authors are available for requests for interviews. For further information, please email MMTC Director of Communications Marcella Gadson at mgadson@mmtconline.org.

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About MMTC:

The Multicultural Media, Telecom and Internet Council (MMTC) is a non-partisan, national nonprofit organization dedicated to promoting and preserving equal opportunity and civil rights in the mass media, telecommunications and broadband industries, and closing the digital divide. MMTC is generally recognized as the nation's leading advocate for minority advancement in communications.