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March 24, 2016

Ms. Marlene Dortch, Esq.
Secretary
Federal Communications Commission
445 12th Street S.W.
Washington, D.C. 20554

RE: Notice of *Ex Parte* Communication, Lifeline and Link Up Reform Modernization WC Docker No. 11-42; Telecommunications Carriers Eligible for Universal Service Support WC Docket 09-197; Connect America Fund WC Docket No. 10 - 90

Dear Ms. Dortch:

This letter reports on telephone meetings held on March 24, 2016 with Nicholas Degani, Legal Advisor, Officer of Commissioner Ajit Pai, Federal Communications Commission (FCC); Travis Litman, Senior Legal Advisor, Office of Commissioner Jessica Rosenworcel, FCC; and, Erin McGrath, Legal Advisor, Wireless and Public Safety (on behalf of Amy Bender, Legal Advisor, Wireline), Office of Commissioner Michael O'Rielly, FCC. Representatives from the Multicultural Media, Telecom and Internet Council ("MMTC") included Nicol Turner-Lee, Ph.D., Vice President and Chief Research and Policy Officer; and, Devan Hankerson, MPP, Director of Research. Other individuals in attendance were Coleman Bazelon, Ph.D., Principal, The Brattle Group; and, Olga Ukhaneva, Assistant Research Professor, Georgetown's Center for Business and Public Policy. The purpose of the meeting was to brief FCC officials on a new White Paper commissioned by MMTC entitled, "Lifeline to High-Speed Internet Access: An Economic Analysis of Administrative Costs and the Impact on Consumers"[1] ("White Paper"), in which the other representatives were co-authors.

During the meeting, the authors shared the general findings of the White Paper, which supported the Commission's plan to modernize the Lifeline program to include high-speed Internet services. However, the authors highlighted that the FCC's estimated costs for Lifeline program administration

[1] NICOL TURNER-LEE, COLEMAN BAZELON, OLGA UKHANEVA, AND DEVAN HANKERSON, LIFELINE TO HIGH SPEED-INTERNET ACCESS: AN ECONOMIC ANALYSIS OF ADMINISTRATIVE COSTS AND THE IMPACT ON CONSUMERS (Multicultural Media Internet and Telecom Council) (2016), http://mmtconline/WhitePapers/March2016-Lifeline-Analysis-Consumer-Impact.pdf (last visited Mar 25, 2016).

were very outdated and the actual program administration costs were significantly higher than reported by the Commission, deterring innovation and competition.

The authors also shared four key findings below from the report that should encourage policymakers to streamline the eligibility verification, enrollment and de-enrollment processes for the Lifeline program and immediately remove service providers from administering these processes 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. For comparison purposes, the administrative costs for the Supplemental Nutrition Assistance Program (SNAP) that serves nearly double the amount of subscribers are 6.1 percent of its total budget.

- Further, 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.

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.

During these meetings, the authors explained that even though the cost savings cannot be directly shifted to increase the actual program benefit, since they are incurred by service providers and not reflected in the current Lifeline budget, consumers still pay these hidden costs through Universal Service Fund (USF) contributions. Moreover, the authors shared that if the Commission were to better control these costs, the savings could generate more attractive service offerings and shift the administrative functions to agencies that have extensive eligibility verification experience and could scale the program. The greatest return would be to consumers whose time, dignity, and choices would be better respected under a streamlined program.

Dr. Nicol Turner-Lee also mentioned to Commission staff that MMTC, along with national and regional civil rights and social justice organizations, would be filing a letter on March 24, 2016 to urge the Commission to avoid the imposition of any mandatory or voluntary co-pay requirements on eligible low-income consumers who are often economically vulnerable, unbanked, and unconnected.

MMTC and the White Paper's co-authors hope that the Commission finds the data significant, and prompt the agency to institute Lifeline policy reforms that improve administrative efficiencies that make the program more attractive to other service providers who, in turn, can offer Lifeline subscribers more competitive and affordable services.

Respectfully submitted,

Nicol Turner-Lee

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