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## Press Release

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### NEW PHOENIX CENTER ANALYSIS FIND FLAWS WITH PROPOSED REFORMS TO FCC'S LIFELINE PROGRAM

#### *Proposed Reforms Are Counterproductive and Will Exacerbate the "Digital Divide"*

WASHINGTON, D.C. – In an effort to expand the use of telecommunications services by low-income Americans, the Federal Communications Commission's Lifeline program offers subsidies to qualifying low-income households. In recent years, the program has undergone significant reform and more modifications have been proposed. Much attention is devoted to improving the administration of the program to reduce waste, fraud and abuse, but some reforms appear motivated by the claim that that nearly all Lifeline subscribers would obtain service even without the subsidy.

In a new analysis released today entitled *A Fresh Look at the Lifeline Program*, Phoenix Center Chief Economist Dr. George S. Ford reviews the evidence supporting that claim and find it lacking. Dr. Ford then offers new empirical evidence showing that in modern times the relationship between regular paid subscriptions and Lifeline accounts reveal no displacement. In addition, Dr. Ford offers theoretical analysis to show that the "free but limited" service packages offered by resellers may explain this result. Dr. Ford's analysis also reveals that many of the Commission's reforms, including proposals to exclude resellers from the program and the scheduled increases in minimum service standards, are counterproductive in that both reforms will increase the alleged displacement of Lifeline for regular accounts.

"Some of the FCC's proposed reforms to the Lifeline Program are based on invalid empirical evidence and inadequate economic analysis," says Dr. Ford. "If reducing the substitution of Lifeline accounts for regular accounts is a goal, then economic reasoning indicates that raising minimum service standards and curbing reseller access to subsidies is counterproductive and will certainly reduce access of many low-income Americans to advanced telecommunications services."

A full copy of PHOENIX CENTER POLICY PAPER NO. 55, *A Fresh Look at the Lifeline Program*, may be downloaded free from the Phoenix Center's web page at: <http://www.phoenix-center.org/pcpp/PCPP55Final.pdf>.

*The Phoenix Center is a non-profit 501(c)(3) organization that studies broad public-policy issues related to governance, social and economic conditions, with a particular emphasis on the law and economics of the digital age.*