FCC Chairman Outlines Details of Proposal to Fund Broadband Adoption by Low-Income Households; Lifeline Service to be Expanded and Modernized

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Citing the fact that less than half of the nation's low-income households do not subscribe to broadband, today Federal Communications Commission Chairman Tom Wheeler and Commissioner Mignon Clyburn laid out the details of a proposal to lower the cost of subscribing to broadband. The proposal to revamp the Commission's $1.6 billion per year Lifeline program is the most significant initiative ever undertaken by the federal government to promote broadband adoption.

The FCC's Lifeline program was created in 1985 and since that time has only directly subsidized the provision of voice telephone service for eligible low-income households. Today, over 10% of American households (12.9 million) participate in the program, and voice telephone service is near universal adoption (97.6%). Voice adoption is high even in economically challenged areas like Puerto Rico, with a 94.3% adoption rate. Because of the Lifeline program and parallel state programs, voice adoption in the lowest-income households that make less than $10,000 per year is over 90%.

The Lifeline program today provides most eligible households a $9.25 per month discount for voice service. (Eligible households in Tribal Lands receive a higher subsidy.) To be eligible, a household must either have an income that is at or below 135% of the federal Poverty Guidelines, or participate in a public assistance program like Medicaid, the National School Lunch Program, or the Supplemental Nutrition Assistance Program. Households today must demonstrate their eligibility annually. The $9.25 discount can be used to lower the cost of traditional dial tone service or mobile voice service.

The FCC Chairman's proposal tries to build off that foundation by expanding the program to broadband. A Fact Sheet released today by the FCC outlines many of the components of this proposal.

Expand to Broadband

The centerpiece of the Chairman's proposal is the simplest—an eligible low-income household would be able to use its $9.25 per month subsidy to purchase standalone broadband service (like DSL, cable, or mobile broadband), to purchase a voice only service, or to reduce the cost of a bundle of voice and broadband service.

Subsidized services must meet certain quality standards. For fixed broadband service like DSL or cable modem, the broadband speed must be 10 Mbps download/1 Mbps upload and have a data allowance of at least 150 GB month. The FCC will increase the qualifying broadband speed over time, in order to "ensure that Lifeline subscribers receive services meeting 21st Century needs."

Qualifying mobile voice service must offer Lifeline subscribers unlimited minutes. However, eventually all mobile voice providers will have to offer both unlimited minutes and a mobile broadband data package to their Lifeline customers. A mobile provider could also choose only to offer mobile broadband service, such as a 4G/Wi-Fi "hot spot" service. To qualify, a mobile broadband service must offer at least 3G speeds and 500 MB of data per month today, and 2 GB per month in 2018.

Encourage Broad Provider Participation

For consumers to receive the Lifeline discount, they will need to purchase a qualifying service from a provider that participates in the program. The Chairman's proposal is trying to encourage as many broadband providers and institutions as possible to participate in the program, so as to give consumers a wide array of choices and competition.

Today, Lifeline voice providers must be certified as an "eligible telecommunications carrier" (ETC) by the appropriate state public utility commission. That process involves ensuring that voice service complies with 911 requirements and other service quality standards.

To ease these requirements for broadband service, the Chairman proposes to create a new process that would allow a provider to become a "Lifeline Broadband Provider" on a nationwide basis. The FCC would then determine whether broadband-only providers meet certain minimum qualification and service standards. The Chairman believes that this process would open the door to a host of new providers that would enter the low-income market, including cable and wireless companies that have not participated in the state-based ETC process.

Centralize Household Eligibility

To determine whether a particular low-income household is eligible for the program, the proposal also would create a third-party National Eligibility Verifier.

Today, voice service providers must investigate and determine whether their customers are eligible for the Lifeline program. This process has unfortunately been wrought with error and the potential for abuse. Moreover, it frequently requires low-income individuals to share personal income and even tax return information with their telephone or wireless company regularly. As a result, less than one-third of all households that qualify for Lifeline actually enroll.

Last year, the FCC proposed centralizing this process with a national third-party verification system, and that proposal received near-unanimous endorsement from consumer and public interest advocates and the industry. The National Eligibility Verifier would employ a number of methods to verify a household's eligibility, including electronic validation through other public assistance programs, including independent income eligibility. Connected Nation, the Telecommunications Regulatory Board of Puerto Rico, and many others have argued that the Lifeline eligibility process must allow a household to verify income directly and not rely solely upon proof of enrollment in another federal assistance program.

Set an Annual Budget of $2.25 Billion

The Chairman's proposal also would set an annual budget for the Lifeline program of $2.25 billion, indexed to inflation. To account for increased demand for the service given its expansion to broadband, this budget amount is more than 30% higher than 2014 program outlays of $1.63 billion.

This would be the first time the FCC has placed a budget on the Lifeline program. Traditionally, the program has grown as the country's population and need have grown. Recently, many providers and Commissioner Michael O'Reilly have argued that the Lifeline program should be capped at a certain funding level.

By setting a budget but not imposing a cap, the Chairman's proposal appears to be an attempt to compromise. When the Lifeline program reaches 90% of the budget, FCC staff is to inform the Commission, and the Commission is to take action to either reduce spending or increase the budget within six months. Earlier today, Commissioner O'Reilly said that "it's impossible to tell whether the 'budget mechanism' is actually a budget in any real sense of the word."

What's Next?

The FCC will vote on the Chairman's proposal at its upcoming March 31, 2016, meeting. The proposal is likely to be adopted, although there might be revisions to it in the next three weeks.

At that point in time, there will be a series of activities that will need to happen in short order for low-income consumers to start to take advantage of the changes. In particular,

- The FCC will need to establish the process for Lifeline Broadband Provider qualification or certification, and interested providers will need to complete this process, and
- The FCC and the Universal Service Administrative Company will need to select a vendor for the Lifeline National Eligibility Verifier and that verifier will need to establish systems and processes.

In addition, many states that run their own state universal service programs for low-income households may also need or desire to revise their own programs in response to the new federal Lifeline program. Currently, 17 states, the District of Columbia, and the Territory of Puerto Rico run independent state Lifeline funds. Many of these directly parallel the federal program by providing additional state subsidies on top of the $9.25 per month available from the federal program. In 2014, these state funds collectively provided over $200 million in direct financial support to low-income families for voice telephone subscriptions.

The timelines in the Chairman's proposal are pegged to start on December 1, 2016, which indicates that some of the changes to the program will take effect then. As a result, low-income families could begin to see their broadband bills lowered by the end of this year.

For more information about these issues, as well as other broadband policy issues, please contact Connected Nation at policy@connectednation.org.

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