

FCC Lifeline Program Will Subsidize Broadband for Low-Income Households

March 31, 2016

Low-income consumers will soon be able to apply a \$9.25 per month discount to a qualifying home or mobile broadband subscription, through a broadband adoption program that could reach over 14 million American households without a broadband connection today.

Today, in a 3-2 vote, the [Federal Communications Commission](#) (FCC) voted to expand its Lifeline universal service program, which currently subsidizes voice telephone service for low-income households, to allow those households to use the program to lower the cost of broadband service.

The expansion to broadband will make the Lifeline program the largest federal broadband adoption program in history. The FCC established an annual budget for the Lifeline program at \$2.25 billion per year. Negotiations over the budget consumed the five Commissioners yesterday and today, until an effort to reach a unanimous decision on the program budget fell through this morning.

The [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 for discounted dialtone or mobile voice service.

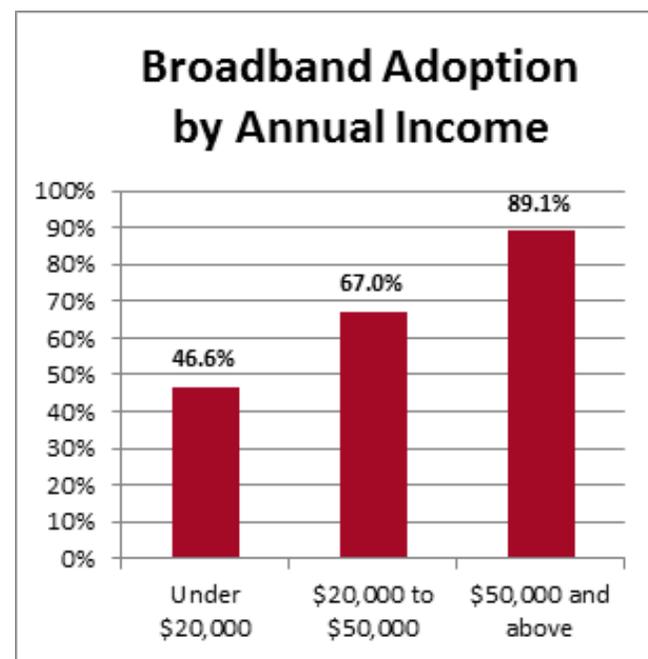
The full text of the FCC's decision has not been released. This Policy Brief summarizes the key points of the [FCC News Release](#) and oral statements by the Commissioners at the meeting.

The Low-Income Broadband Adoption Gap

According to the U.S. Census, 24.9% U.S. households do not subscribe to broadband service. In many cities and communities in the country, broadband adoption is far below that average. For example, San Juan, Puerto Rico, has a home broadband adoption rate of only 45%, and fewer than half of the households in Detroit (49%) subscribe.

The majority of households making less than \$20,000 per year do not subscribe to broadband service, compared to 89% of households that make more than \$50,000. Connected Nation research has shown that cost is the largest reason that low-income households do not purchase broadband service.

By comparison, there is virtually no "voice service adoption gap," with voice telephone service at near universal adoption (97.6%). Because of the federal Lifeline and parallel state funds, voice adoption is high even in economically challenged areas like Puerto Rico, with a 94.3% adoption rate. Even among households that make less than \$10,000 per year, over 90% have voice service.



Lifeline Broadband Could Reach 10% of the U.S. Population

The FCC estimates 14.2 million households, containing 34.4 million people, qualify for Lifeline and do not have a home or mobile broadband subscription today. This represents 10% of the population of the United States, and includes:

- 3.9 million households with children under 18,
- 6.4 million low-income seniors, and
- 1.3 million low-income veterans.

Altogether, the Lifeline broadband program could reach nearly a majority of Americans that do not adopt broadband today. Connected Nation and FCC staff research has shown that among price-conscious, non-adopting adults, a \$9.25/month discount could increase broadband adoption by 11.5%.

Expanding Lifeline to Broadband: The Details

The FCC action today would, for the first time, allow eligible low-income consumers to apply a \$9.25 per month Lifeline discount to qualifying broadband plans. In doing so, the FCC took actions to (1) streamline and centralize the process of determining which households are eligible, (2) define the type of services to which the discount could be applied, (3) encourage service providers to offer qualifying plans, and (4) set a program budget.

Household Income Eligibility. To receive the Lifeline discount today, a household must prove that it either participates in a set of federal or state income-based public assistance programs or that its annual household income is at or below 135% of the federal poverty line. Currently, the household must provide supporting documentation to its local telephone or mobile voice service provider annually.

Out of concern that the current process is costly and offers opportunities for abuse, the FCC will streamline and centralize this income verification process. It will contract with an independent third-party firm to operate as a National Eligibility Verifier, which will manage applications and enrollments by households, similar to how many public assistance programs like Medicaid and Temporary Assistance for Needy Families operate. That National Eligibility Verifier will work with federal public assistance programs that have electronic validation (like Veterans Pension, Medicaid, and the Supplemental Nutrition Assistance Program) to streamline the income verification process and notify providers of customer eligibility.

The FCC did not alter the underlying income threshold for the program (at or below 135% of the federal poverty level). Allowing individuals to demonstrate eligibility directly to the national verifier is particularly important in Puerto Rico, where, despite endemic poverty, federal public assistance programs like nutrition assistance and Medicaid have significantly lower income qualification thresholds than in the mainland.

Service Qualification. The FCC established a set of minimum service standards for the broadband and voice service to which Lifeline households can use the discount.

The following broadband services offered by participating providers will be eligible:

- 10 Mbps download/1 Mbps upload with a 150 GB per month data allowance for a fixed broadband service, such as cable, fiber, DSL, or fixed wireless.
- Mobile broadband service with a 500 MB per month 3G data allowance (increasing to 2 GB per month by December 2018).
- Mobile voice service plans that include at least 500 minutes/month, increasing to 1000 minutes/month in 2018.
- By 2021, Lifeline mobile voice plans will need to include mobile data service to remain eligible; support for mobile voice-only plans will start to decrease in 2019.

Equipment offered as part of a Lifeline broadband package must have Wi-Fi functionality with tethering. This would allow subscriber to use their Lifeline service as a “hot spot” for school-provided devices and other services.

The \$9.25/month discount can only be used once per month, so enrolled low-income households will need to choose which service best suits their connectivity needs. A provider does not have to offer all of these services to have its service packages qualify for the discount. For instance, a provider could focus on selling Wi-Fi enabled 3G or 4G “hot spots” to eligible low-income households, and those consumers could apply their \$9.25/month Lifeline discount to that purchase.

These minimum service standards have been among the most controversial aspects of the FCC’s action. FCC Chairman Tom Wheeler and Commissioner Mignon Clyburn had originally proposed to include unlimited voice minutes in Lifeline service packages beginning this December and would have quickly required mobile voice providers to bundle data packages with that voice service. Mobile providers argued that they would have been unable to offer Lifeline services to customers for the \$9.25/month subsidy level. The final compromise resulted in a more gradual transition of mobile Lifeline services to fully include broadband by 2021.

National Process for Broadband Provider Participation. The FCC also took steps today to make it easier for broadband service providers to participate in the program. The original, voice-centric Lifeline program generally relied upon state-licensed telephone companies, designated as “eligible telecommunications carriers” (ETCs), to offer Lifeline voice service. For providers offering Lifeline voice packages, that state-based ETC process will remain in place. However, for broadband service providers, the FCC created a process of certifying Lifeline Broadband Providers on a national basis.

The FCC created this new process in order to encourage as many broadband providers as possible to develop Lifeline service plans targeted at the low-income community. Entities like nonprofits and community organizations will be able to use this process to offer broadband service packages to the low-income communities they serve, hopefully enabling a wide range of low-cost broadband choices.

Many state public utility commissions and governors have strongly opposed the FCC’s creation of this national process, rather than rely on the current state-based ETC process.

Annual Budget. The FCC set an annual budget mechanism for the Lifeline program of \$2.25 billion, indexed to inflation. This budgeted amount is more than 30% higher than 2014 program outlays of \$1.63 billion. In dissents, Commissioners Pai and Michael O’Reilly sharply criticized negotiations among the five Commissioners over this budget, arguing that it should operate as a hard cap on program expenditures. Negotiations over the budget consumed the Commissioners overnight before the vote.

Next Steps: Implementation and Outreach

The FCC vote today will spark a flurry of activity over the next several months. The FCC will need to establish the National Eligibility Verification system, establish the national broadband certification process, and create a Digital Inclusion Plan for the program. The FCC will develop the Digital Inclusion Plan in collaboration with nonprofits and community organizations, to determine strategies that will help maximize the impact of the broadband Lifeline program.

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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