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# Congress Should Extend and Revise the Affordable Connectivity Program

**by**

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Amidst a sea of overlapping and duplicative federal broadband funding programs, the Affordable Connectivity Program (ACP) is distinctive. By providing eligible households with a widely redeemable monthly subsidy, it enables millions of lower-income consumers to participate on a relatively equal footing in the competitive marketplace for high-speed Internet access.

But the ACP has at its disposal only a finite pool of money appropriated by Congress, and once that runs out, the program will end. Congress should extend the lifespan of the ACP through legislation that appropriates additional dollars. And at the same time, it should revise the program's eligibility requirements to target its limited resources to those most in need.

The $14.2 billion ACP, established by Congress (via the Infrastructure Investment and Jobs Act (IIJA)), is overseen by the FCC and administered by the Universal Service Administrative Co. (USAC). In addition to a one-time stipend as high as $100 for a device, it provides a monthly subsidy up to $30 ($75 on qualifying Tribal lands) that recipients may apply to the purchase of the Internet service package of their choice from participating Internet service providers (ISPs). According to USAC, as of October 17, 2022, approximately 14.5 million households were enrolled in the ACP.

Stepping back, the two primary broadband policy objectives are (1) achieving ubiquitous availability, and (2) furthering adoption by supporting affordability. With respect to the former, massive private investment, which now amounts to nearly two trillion dollars over the last two decades, has made high-speed Internet service available to the vast majority of Americans. By any reasonable measure, sufficient public resources already have been pledged to extend connectivity to those remaining areas burdened by extraordinary high construction costs, so much so that it is not clear more should be committed at this point.

Regarding furthering adoption, the ACP represents a superior solution to, say, the FCC's Lifeline program. Similar to its predecessor, the pandemic-specific Emergency Broadband Benefit Program (EBBP), the ACP is funded through a direct appropriation rather than the almost certainly unsustainable Universal Service Fund (USF), which taxes a steadily dwindling base of "telecommunications services." It is open to a broader range of providers, not just those designated as an Eligible Telecommunications Carrier. And it is designed to enable the beneficiaries, through the exercise of their preferred choices as consumers, to participate in the marketplace for broadband services.

Consequently, it is essential to consider, moving forward, what is the appropriate role of government generally, and the FCC's Universal Service Fund (USF) specifically, in the broadband marketplace? In a recent report to Congress on the future of USF, the FCC concluded that it "should not abandon its universal service programs." In response, I reiterated the position, set forth in comments I submitted along with Free State Foundation Director of Policy Studies and Senior Fellow Seth Cooper, that "given the expected expenditure of … massive congressionally appropriated funds over the next several years for broadband, it is difficult to forecast with any certainty what more, if any, funding may be needed at that time, and what the precise contours of a federal universal service system should be." This especially applies to the High Cost Fund – but also to the USF overall.

And in a related post to the *FSF Blog*, "A True Assessment of the USF's Future Relevance Demands a Full Accounting of Broadband Subsidies," Free State Foundation Senior Fellow Andrew Long pointed out that the Commission premised its conclusion as to the ongoing need for the USF on an incomplete accounting of the total subsidies firmly committed to the construction of broadband network infrastructure. Specifically, the FCC's *Report on the Future of the Universal Service Fund* states that "we agree with the majority of commenters who caution that the Infrastructure Act will not achieve all of the universal service goals for broadband, and as such, the Commission should not abandon its universal service programs" – an assertion that ignores the hundreds of billions in federal subsidies available for broadband construction projects, in particular the $360 billion entrusted to the Department of Treasury by the American Rescue Plan Act (ARPA).

Recent assessments bear out the validity of the view that more than adequate federal subsidies – via a more than manageable number of programs threatening waste, fraud, and abuse – have been allocated to deploy broadband infrastructure to every location in America. In an ACA Connects-commissioned analysis, business consulting firm Cartesian concluded that $67 billion – that is, the combined total of the $42.45 billion the IIJA appropriated to NTIA's Broadband Equity, Access, and Deployment (BEAD) program and an estimated $25 billion in matching funds – "should be sufficient to make broadband service available to all eligible locations."

And a press report indicates that Jonathan Chambers, a partner at rural ISP co-op Conexon, acknowledged that "[m]illions of dollars from the American Rescue Plan Act, which are currently being deployed by states to extend broadband networks, [are] helping ensure that new broadband money allocated from the Infrastructure, Investment and Jobs Act will be sufficient to extend fiber to all homes in America."

Thus, it is reasonable to conclude, absent compelling evidence to the contrary, that (1) more than adequate subsidies already target remaining unserved areas, and (2) the ACP is a superior vehicle to existing USF programs (such as Lifeline) to ensure affordability. Consequently, the relevance of the USF going forward ought to be considerably less certain than the FCC's report to Congress would suggest. In any event, the above discussion provides support for congressional action to extend the lifespan of the ACP.

But, as previously noted, the ACP has a finite source of dollars at its disposal: the Infrastructure Investment and Jobs Act (IIJA) appropriated $14.2 billion. How long that money will last is uncertain, but it is a direct function of the number of consumers who participate.

In June of this year, at a point when nearly 12 million U.S. households had enrolled in the ACP, Paul Garnett, Founder and CEO of the Vernonburg Group, estimated "that funding for the ACP is likely to run out by mid-2024 – about two years from today." But in the interim, additional households have signed up: USAC reported that almost 14.5 million were enrolled as of October 17, 2022. It is unclear whether the Vernonburg Group's modeling anticipated that roughly 20 percent jump in participation. And the FCC is moving forward with two pilot programs to encourage additional enrollment: the "Your Home, Your Internet Pilot Program" and the "ACP Navigator Pilot Program." Thus, the clock is ticking – and another timely congressional appropriation will be needed.

Given the inherent uncertainties involved, economic and otherwise, it would be prudent to provide a second, one-time appropriation rather than establish an annually recurring source. Without here proposing any specific amount, I note that Mr. Garnett estimates an additional five years would require between $30 and $35 billion.

Finally, in extending ACP funding, Congress should revise the program by lowering the income-based eligibility threshold. The EBBP, the ACP's predecessor program, tied that bar to the requirements established for the Lifeline program: 135 percent of the federal poverty guidelines, or $37,462.50 for a family of four in 2022. The IIJA, however, increased that upper bound to 200 percent: $55,500. This extension of eligibility to households with higher incomes results in more participants in the program – which necessarily shortens the amount of time that the ACP can continue to provide those in need with assistance and increases the burden on taxpayers.

The Information Technology & Innovation Foundation's Joe Kane recently advocated reducing the maximum household income eligibility to 150 percent of the poverty guidelines – pointing out that doing so "would still give a larger benefit to more people than the FCC's other low-income program, Lifeline, while also stretching the money to meet the ACP's primary goals."

I agree that, in a further extension of the ACP program, the maximum eligibility requirement should be lowered. For over two decades I have supported the Lifeline program, such as in this October 2018 post, "Lifeline Matters." Indeed, as I stated in congressional testimony in June 2015, Lifeline represented "an important means of effectuating the policy of promoting universal service through a 'safety net' mechanism." In much the same way as I have stated many times over the years in many different forums, I said that "Lifeline is the most targeted means of providing subsidies to those truly in need of assistance."

But I also said in that congressional testimony, relevant to consideration of an extension of the ACP program, that: "Lifeline should be a 'safety net' that operates within boundaries to aid those truly in need, not another federal entitlement program that is structured, or that evolves, in a way so that its subsidies inexorably expand to subsidize those further up the income scale who are not truly in need." For programs like the American Connectivity Program to be fiscally responsible and sustainable – and to sustain the support of the American public – they must be targeted only to support adoption by those low-income persons truly in need. To that end, an extension of the ACP should be accompanied by a lowering of the income eligibility threshold closer to the federally defined poverty level. It's worth pointing out that, on top of the federal ACP program, many states have their own ACP-like or Lifeline-like programs to subsidize service for low-income persons.

Billions in public dollars have been committed to the policy goals of achieving ubiquitous broadband deployment and furthering adoption by low-income households. I support those goals. Moving forward, lawmakers should acknowledge that sufficient funds likely already have been authorized to accomplish the former goal and that a fiscally responsible, targeted American Connectivity Program represents the preferred, marketplace-based approach to subsidizing broadband service for those low-income persons in need.

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**Further Readings**

Seth L. Cooper, "FCC Inspector General Warns Against Fraud in Broadband Spending Program," *FSF Blog* (September 21, 2022).

Seth L. Cooper, "Senators Urge Fixes to NTIA's NOFO for Broadband Subsidies," *FSF Blog* (August 25, 2022).

Seth L. Cooper and Andrew Magloughlin, "The FCC Should Preserve and Expand Its Broadband Infrastructure Reforms," *Perspectives from FSF Scholars*, Vol. 17, No. 30 (June 8, 2022).

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Andrew Long, "Future Guidance Can Fix NTIA's Flawed "Fiber-First Approach," *Perspectives from FSF Scholars*, Vol. 17, No. 27 (May 24, 2022).

Seth L. Cooper, "MEDIA ADVISORY: NTIA Releases Notice of Funding Opportunity for the BEAD Program," *FSF Blog* (May 13, 2022).

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