

# The Universal Service Fund: Lifeline Program Modernization



## Background:

On January 31, 2012, the Federal Communications Commission ([FCC](#)) adopted an order that changes parts of the Universal Service Fund (USF) known as the “Lifeline Program.” This order represents the next step in the FCC’s ongoing effort to reform the whole of the USF, and follows an order adopted late in 2011 that reforms the USF’s High-Cost Fund and the Intercarrier Compensation System.

The current Lifeline program has, over the past two decades, provided funds to help ensure that low-income households could afford basic telephone service. The order adopted today is intended to eliminate waste, fraud, and abuse from Lifeline, and modernize Lifeline to transition it from a telephone-oriented program to one centered on broadband services.

Only thirty-seven percent of low-income households adopt and use broadband-- a rate barely half the national average. Every day, this broadband adoption gap limits economic opportunity, education, and healthcare for low-income Americans. This broadband adoption gap needs to be closed, and closed quickly before it becomes a perpetual chasm.

As an organization working to increase broadband adoption for the past ten years, [Connected Nation](#) supports the migration of existing voice subsidy programs to broadband and welcomes the FCC’s adoption of a broadband low-income pilot program targeted at studying this problem. Our research led us early on to work directly with disadvantaged communities and key digital literacy partners like schools and public libraries. We look forward to working with our government and provider partners to develop unique and innovative programs that are effective, actionable, and quickly scalable to close the low-income broadband adoption gap.

## What does the Lifeline order do to promote broadband adoption?

The Lifeline program going forward will have an express goal of ensuring broadband availability for all low-income Americans, and will begin funding efforts to increase broadband adoption and digital literacy. It will be funded by projected savings from other program reforms (outlined below). Lifeline will begin allowing recipient households to use Lifeline subsidies for bundle packages that can include voice and broadband services, and information gathered from the program pilot projects will be used to inform future, broader FCC efforts.

This will include:

- A Broadband Pilot Adoption Program – broadband providers will be able to submit applications to the FCC under this pilot program for projects designed to increase broadband adoption among Lifeline-eligible consumers. Lifeline funding will be used in this pilot program to defray the monthly cost of eligible subscribers’ broadband bills, and applicants will need to craft proposals that also address other barriers to broadband adoption, such as the cost of broadband-enabled devices and digital literacy (for more data on barriers to broadband adoption, see [Connected Nation’s research](#)).
- Digital literacy training at schools and libraries – in this order, the FCC seeks comments in a Further Notice of Proposed Rulemaking (FNPRM) on using USF funding to subsidize efforts by schools and



libraries to provide digital literacy training ([Connect Ohio](#) has a statewide digital literacy training program known as [Every Citizen Online](#) currently underway at libraries across Ohio).

- Expansion of current FCC broadband adoption efforts – the order builds on the FCC’s “[Connect to Compete](#)” initiative, of which Connected Nation is a partner, to address barriers to broadband adoption through digital literacy training and low-cost broadband offerings.

### What does the order do to achieve savings and eliminate waste, fraud, and abuse?

The FCC projects that significant savings can be achieved through the adoption of its Lifeline reform order. FCC staff project that savings in 2012 will be at least \$200 million, with projected savings of \$600 million per year in later years. This savings will be used to fund the broadband adoption efforts outlined above and reduce the overall burden of the USF on consumers.

The order achieves its savings and eliminates waste, fraud, and abuse in several ways:

- A National Lifeline Accountability Database will be established to prevent multiple providers from receiving a subsidy for the same subscriber.
- An eligibility database that will prevent fraud and assist consumers and providers in determining eligibility. The order will limit eligible households to only one subsidy.
- The Link Up program (which currently provides support for service connection costs) is largely eliminated, except for Tribal Areas; as well as a phase out of some services such as Toll Limitation.
- Establishes a set budget for Lifeline.
- Establishment of clear goals and metrics, and the establishment of a “uniform, flat rate of reimbursement.”