American Consumer Institute

An Assessment of the Affordable Connectivity Program:

Keep it, Scrap it, or Modify it?

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Summary

Over the last year, much has been written about the Affordable Connectivity Program (ACP), a federal aid program that provides eligible Americans with a discount on broadband services and equipment. Some have described the program's popularity and success while warning that the program is in danger of running out of funding. Others have expressed concern that the program represents another government handout. After considering all of the pluses and minus of the program, and reviewing what makes this program so unique among other federal aid programs, we conclude that the program deserves to be extended.

Introduction: Progress Denied?

The ACP has a unique focus. Launched in December 2021 as part of the bipartisan Infrastructure Investment and Jobs Act (IIJA) and operated by the Federal Communications Commission (FCC), the ACP is a special federal aid program that builds upon the Emergency Broadband Benefits (EBB) program by helping disadvantaged Americans be able to afford broadband connectivity. This sets it apart from other federal aid programs like unemployment insurance , which pay jobseekers who do not work, and the Conservation Reserve Program which pays landowners not to farm.

The ACP provides low-income consumers with access to broadband services that provide a full array of highly productive and financially beneficial activities that impact nearly every aspect of American daily life. To be sure, participating in today's digital economy is increasingly necessary, and that requires an online connection.

Because Americans use online services and applications daily, access to highspeed broadband services is a must have in today's world. For example, broadband access is necessary for students to participate in virtual learning, employees to work remotely, and patients to have access to telemedicine visits. It also allows consumers to pay rent each month, find government and emergency resources, shop online for money saving deals, utilize transportation services, schedule appointments, and apply for jobs. Broadband's reach into so many different areas of American life means that the ACP's unique focus appears well worth the investment.

However, many Americans, particularly rural consumers, and those of lower income, do not have access to broadband services, and are therefore blocked from receiving the benefits afforded to many others in society. For those consumers without access to online technology, it is simply progress denied; and the ACP is a solution.

How the Program Works and Its Benefits

The ACP provides eligible households with a discount on home or mobile internet services. This discount is good for up to $30 per month, or up to $75 per month for households located on tribal lands or in high-cost areas. In addition, households may receive a one-time discount of up to $100 to purchase a desktop computer, laptop, tablet, or other electronic device, so long as they contribute at least $10 and less than $50 toward the item. Eligibility is determined by Federal Poverty Guidelines and other specific criteria.

The ACP has the potential to be a socioeconomic equalizer that helps close the gap between those Americans with access to broadband and those without. So far, the ACP has proven remarkably effective at making that happen. Despite only existing for over a year and a half, the Universal Service Administrative Company (USAC) calculates that nearly 20 million people have already enrolled in the program at a cost of just $14.2 billion in funding. While still a significant sum, the amount of funding allocated to the program is fairly small compared to other programs included in the $1.2 trillion IIJA spending package. It also saves Americans an estimated $500 million monthly on home internet costs.

The ACP also generates important cost savings for the government itself. As former FCC Commissioner Michael O'Rielly noted in the *Hill*, "broadband adoption reduces governmental costs to function" because online connectivity enables the type of upward mobility that is needed to reduce American reliance on costly social welfare programs.

Americans who enroll in the ACP are less likely to need as much federal assistance in the long run because the program itself encourages self-sufficiency by providing more opportunities for career advancement such as through online GED programs and college courses. In addition, broadband adoption also indirectly saves the government money by reducing the size of government budgets, facilities, and workforces. Cost savings also come from the elimination of physical materials like paper forms, books, and public records that have slowly been replaced by virtual documents.

However, most ACP cost savings can be attributed to the program's market friendly framework, which distributes funding directly to families. Unlike many traditional government federal aid programs that provide subsidies to corporations in the hope that they will keep rates low, the ACP provides families a broadband voucher that can be used to select the technology and service provider of their choice. Vouchers give each household a unique degree of flexibility unavailable to them with most other programs and ensure the subsidy is well spent. As such, the ACP serves as a rare example of a government program that is truly technology neutral and provides consumers with genuine freedom of choice.

Money Well Spent

The ACP also possesses important consumer protections and eligibility requirements that are designed to maximize taxpayer dollars and limit fraud and waste. For instance, service providers are prohibited from excluding Americans on account of their credit status or prior debt history, affording them a higher level of protection and ensuring that ACP dollars go directly to those most in need.

However, the ACP also stipulates that households are only eligible for the program if they first meet certain eligibility criteria such as having an income that is 200 percent or less of the federal poverty line. In addition, eligible households must already participate in another federal assistance program such as the Supplementary Security Income (SSI) program or Medicaid. Furthermore, ACP vouchers are limited to only one monthly service discount per household, and household members must agree to submit detailed background information to the National Verifier and National Lifeline Accountability Database to ensure there are no inconsistencies. If inconsistencies are discovered, participant families may be removed from the program.

Each of these taxpayer protections and safety features are carefully designed to prevent fraud and abuse. While the program is admittedly imperfect, it is none-the-less considerably better than other similar programs like Lifeline which is not subject to the same appropriations process or level of congressional oversight, or the High Cost Program which gives support directly to rural telecommunications carriers. The ACP's unique framework cuts out unnecessary intermediaries and empowers Congress to fix problems as they arise. This makes the ACP one of the government's wiser financial investments and a rare example of money well spent.

Public Approval

The ACP is also unique among programs in that it is overwhelmingly popular with Americans of all political stripes. A poll published earlier this year by the non-profit Digital Progress Institute found broad bipartisan support for the program, with 78 percent of all Americans reporting that they support "continuing" it. These numbers include 64 percent of Republicans, 70 percent of Independents, and 95 percent of Democrats. They also include men and women living in every major region of the country. Voters residing in urban, suburban, and rural environments also voiced support for the program, as did voters of all income and education levels. In fact, no subgroup surveyed reported less than 60 percent support for the program. Perhaps most impressive of all, 49 percent of voters voiced strong support for the program, with just 13 percent voicing strong opposition.

The ACP owes much of its popularity to its effectiveness as a program. For instance, a recent Government Accountability Office report found that the ACP has succeeded in its primary functions to "reduce the digital divide for low-income consumers" as well as "increase awareness and participation in the program." This is important because other studies have consistently found that absent "policy intervention directed by federal and state governments, low-income households will continue to struggle to get internet access and maintain it." That makes the work that the ACP does at connecting disadvantaged Americans even more important.

However, the ACP's positive impact goes well beyond providing disadvantaged Americans with an online connection. As previously noted, broadband produces a spillover effect that touches nearly every facet of American life ranging from employment, education, and healthcare to public safety and environmental sustainability. In addition, the quality of broadband service itself also continues to improve, offering consumers further benefits.

For instance, research suggests that broadband adoption is associated with a wide range of economic benefits including higher income and lower unemployment. This is because broadband makes it easier for people to establish professional connections online and utilize free digital tools to aid them in their job search. No longer does a person have to rely on their limited personal connections or scour newspaper clippings for job advertisements to find a job. They can simply go online from the comfort of their own home. Broadband also provides people with the opportunity to learn digital literacy skills, which are highly sought after by employers, and are frequently rewarded with higher wages.

Economic Benefits

There is also evidence that broadband adoption helps facilitate economic growth and development. A 2021 report by the Interactive Advertising Bureau (IAB) found that the internet economy "now accounts for 12 percent of the U.S. gross domestic product (GDP)" and is responsible for over 17 million jobs. A more recent report by Accenture notes that 5G networks are expected to "create up to 4.5 million jobs and generate $1.5 trillion in gross domestic product" for the economy by 2031.

This is consistent with other research on the matter. A 2021 National Bureau of Economic Research report found that moving to high-quality, universal access to home internet service "would raise weighted earning productivity by an estimated 1.1%" and increase labor productivity by as much as $160 billion per year.

Broadband also benefits the education space. For instance, during the height of the COVID-19 pandemic, most K-12 public schools required students to participate in online distance learning. During this unprecedented time, it was critical that all students had access to adequate broadband connectivity so that they could still participate in synchronous classroom activities and communicate with their teachers and peers. Despite some obvious drawbacks to requiring online learning, many families expressed support for the time and money they saved on transportation costs and school materials like backpacks, binders, and textbooks. Other benefits included after-school access to tutors, speaker presentations, and even virtual field trips.

Broadband connectivity helped make COVID-19 manageable for millions of Americans who would have otherwise had few educational options available to them outside of distance learning. Today, broadband connectivity offers families access to a wide variety of free online education resources and content. It also provides many university students the freedom to decide whether they want to attend class in-person, online, or in a hybrid format.

Broadband adoption has also been found to improve Americans quality of life by expanding access to healthcare. The rise of telemedicine offers patients cost-effective medical services online at just the click of a button. These include access to online health portals like MyChart, where a patient can review their medical history, submit prescription drug refill requests, or even schedule a video appointment. These services are particularly helpful for Americans living with disabilities, such as those with poor eyesight or mobility issues, making attending in-person appointments difficult. Research has consistently found that internet access "significantly facilitates healthcare access and mitigates the negative impact of income inequality on healthcare access."

Broadband also provides important social benefits to society. For instance, Broadband can improve public safety by equipping first responders with the tools they need to respond quickly to disaster situations and medical emergencies. Americans can also utilize broadband services to call for help should the situation require it. An analysis published by Tufts University year found broadband access can even save lives. Specifically, the analysis found that even a "1% increase in broadband access across the US reduced COVID mortality by approximately 19 deaths per 100,000," with the impact being particularly pronounced in urban areas. This was true even after accounting for a variety of socioeconomic factors.

There are other social benefits, including improvements in environmental sustainability and

a reduction in greenhouse gas emissions. The rapid digitization of information has reduced the need for people and businesses to use physical materials that require lots of energy, transportation and other resources to produce, which usually end up in a landfill at the end of their life. A study published earlier this year found that broadband contributes to a "more efficient use of energy by reducing the amount of energy needed to deliver a product or service" and by eliminating wasteful energy consumption practices.

Economic Multiplier

As discussed throughout this analysis, there is a true need to provide all consumers with access to today's digital economy, and all the productive applications and services that it provides to them. And, as also noted here, there are substantial economic benefits that help outweigh the programs' direct costs.

In addition, there are many indirect benefits worth noting. As with any type of economic spending and investment, the direct benefits spawn indirect benefits and induced effects. So, it is the case here. Assuming the initial ACP investment of $14.2 billion and using the Bureau of Labor Statistics' industry type-II multipliers, which include direct, indirect, and induced effects, the investment value of this program will likely yield 160,000 in new jobs and contribute $37 billion to U.S. GDP, including over $9 billion in employment earnings.[1] This figure excludes the benefits from the EBB Program. What these results show is the vast economic benefits of this program.

Why Should the Program Be Extended?

In the context of how this spending targets underserved Americans and provides economic productive services and applications – the benefits of the program are clearly positive. The program continues to be used for very productive purposes, and there are safeguards in place that protect against waste. In addition, the quality of broadband service itself is also continually improving, providing consumers with better and better online experiences.

For instance, the internet is faster than ever before, with 9 out of 10 American households now having access to download speeds of at least 100 Megabits per second (Mbps). This is considerably faster than the 31 Mbps a decade ago and is fast enough for a family of four to stream videos or utilize video communication platforms. ACP high-speed internet plans also offer minimum download speeds of at least 100 Mbps for as little as little as $30 per month, allowing even disadvantaged Americans to share in these improvements.

All these benefits are made possible by broadband and provide a compelling reason for why Congress should extend the ACP. This program provides millions of Americans with the financial assistance they need to participate in the

[1] For more information see "Regional Multipliers: A User Handbook for the Regional Input-Output Modeling System (RIMSII)," Economic and Statistics Administration and Bureau of Economic Analysis, U.S. Department of Commerce, Third Edition, March 1997. The source of multipliers is available for output, earnings and employment are from the United States Bureau of Economic Analysis (BEA) – specifically, Regional Input-Output Modeling System (RIMS II), Regional Product Division, BEA, Table 3.5, Type II multipliers, 50 states, 2021. The figures are based on 2021 data and represent an industry weighted average of ACP's wireless, wireline, and satellite service enrollment.

digital economy and share in these benefits. It also costs very little relative to other government programs and would pay enormous dividends in the long run.

However, should Congress require that additional cost savings be identified in the program, reasonable adjustments can be made. At present, nearly 40 percent of Americans qualify for the ACP, or roughly 48.6 million people. If that figure is accurate, then the program may be too generous in the years to come. If that is the case, a small adjustment to income eligibility would bring the program in line with other social programs. For instance, instead of household income needing to be at or below 200 percent of the poverty line, it could be adjusted to 130 percent, which would be the same as SNAP. Other similar adjustments could be made as needed. It may be that duplicative programs, such as the Universal High Cost program and Lifeline should be reexamined and potentially eliminated in the years to come. What we do know is that the ACP program outperforms these other broadband support programs, some of which are used to subsidize corporations and not consumers, and therefore should be the priority means to target unserved and lower income consumers.

Summary

While the ACP remains one, among many, different federal aid programs that are designed to help disadvantaged Americans, the ACP has routinely proven to be one of the more effective at delivering robust consumer benefits at minimal cost to taxpayers. For this reason, Congress should do the right thing and immediately extend this critical program.

While a permanent extension would be preferable, even a modest multi-year extension would give Congress the time it needs to identify future revenue streams. Only by doing nothing will Congress fail the millions of Americans who have come to rely on the program for their online connections.

The ACP has a role to play in closing the digital divide, it is time Congress to recognize that role and work toward extending the program before it is too late. In the years to come, Congress should also take time to reexamine duplicative subsidy programs which have proved to be costly and ineffective in closing the digital divide.

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