

## RURAL BROADBAND INSIGHTS FOR CLOSING THE DIGITAL DIVIDE



WITH PARTNER JONATHAN CHAMBERS

# Co-ops Connect FYI

By Jonathan Chambers • Feb 09, 2024

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## The Best Availability Is Affordability



There is an old saying in sports that the best ability is availability.

For broadband service: **The best availability is *affordability*.**

As I mentioned in the [Jan. 12 newsletter](#), **the Affordable Connectivity Program (ACP) will soon run out of cash.**

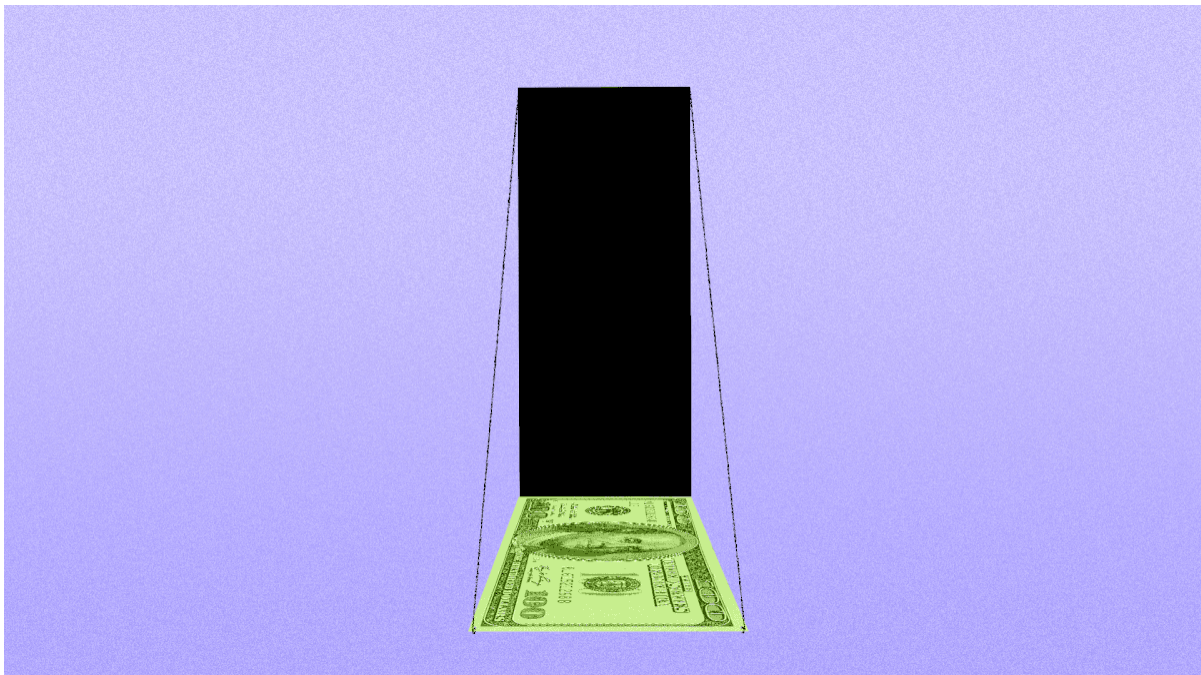
- As of yesterday, the program is no longer accepting new participants.

- While some are seeking more funding from Congress, any new funding will not last through the year.

### **What's next:**

- Next week, I am submitting a petition to the Federal Communications Commission (“FCC” or “the Commission”) seeking a rulemaking to modify the Lifeline program to assist low-income households in affording residential broadband.
- I will ask the FCC to put this petition out for public comment under its expedited procedures, which will enable the FCC to make decisions in time to help low-income households when they lose their ACP subsidy.

## The Broader Context



Over the past decade, Conexon and our rural electric cooperative partners have invested billions of dollars into rural fiber-to-the-premise networks in unserved and underserved areas.

- Collectively, we participated in:

- The FCC’s Connect America Fund Phase II (CAF II) through the Rural Electric Cooperative Consortium (RECC);
  - The Rural Digital Opportunity Fund (RDOF) Auctions also through the RECC;
  - The CARES Act; and
  - The American Rescue Plan Act funding for broadband.
- We intend to participate in state BEAD programs, too.

**Why it matters:**

A large number of Conexon’s customers and the customers of our rural electric cooperative partners are eligible for the ACP (and Lifeline program) benefits.

**The ACP and the BEAD program were meant to work together.**

- Ending ACP just as BEAD launches will weaken the financial case for the deployment of rural broadband.
- **Fortunately**, Section 254 of the 1996 Telecommunications Act gives the Commission authority to ensure broadband services are **available and affordable** to low-income households.

## The Quick and Meaningful Fix



**Conexon is submitting its petition for a targeted purpose.**

Currently, companies that participate in the Lifeline program receive \$9.25 per month to serve households that are near or below the poverty level.

**The \$9.25/month subsidy has long been considered insufficient to make broadband affordable for those living near or below the poverty level.**

**With the ACP out of funds, Conexon is asking** the Commission to act quickly to adjust the Lifeline program so low-income households in most need of subsidized residential broadband service can receive an ***enhanced Lifeline subsidy***:

- **Our proposed enhanced subsidy** is the same as the ACP subsidy: **\$30 per month** (rather than \$9.25 per month).
- This enhanced subsidy would be akin to the Lifeline subsidy for service to tribal lands, which is currently \$34.25 per month.

**The bottom line:**

**Conexon will ask** the Commission to act on the proposed Lifeline reforms to achieve two objectives:

**1. Speedy relief**

# Why Conexon's Proposed Fix Can Work



**To get speedy relief**, Conexon proposes the Commission initially **amend only the subsidy amounts** in the Lifeline program.

Using existing administrative mechanisms, the Commission can leave many elements of Lifeline unchanged, including:

- The eligibility criteria for households
- The administrative procedures for participating carriers
- The limitations of one subsidy per household
- Other procedures that have protected the integrity of the program over the course of the past 40 years

**To ensure the sustainability of these reforms**, Conexon believes it is **ill-advised to reestablish ACP as the Lifeline program**.

- ACP's level of expenditure — **\$1 billion every month** — is unsustainable for the Universal Service Fund.

- Without major reform to the Universal Service Fund contribution methodology, ACP expenditure levels cannot be absorbed by the Lifeline program.

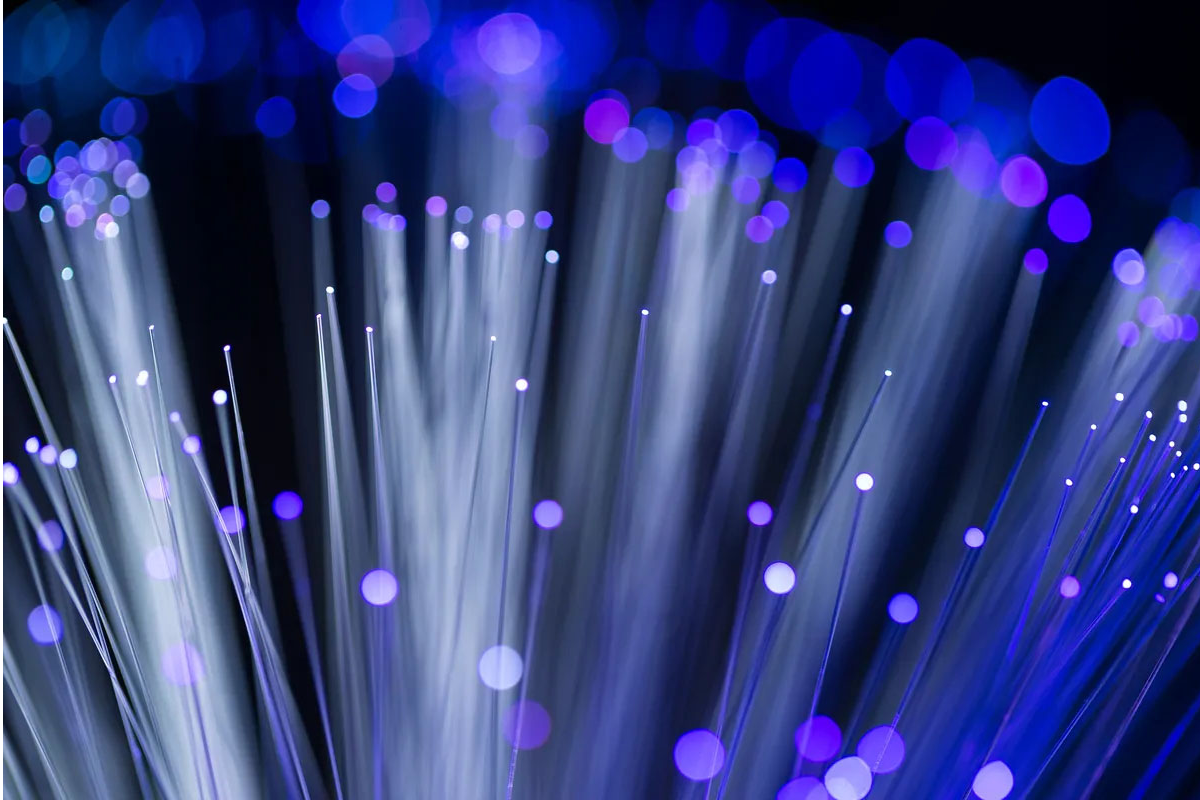
**Later**, the Commission always can take up broader reforms of the Universal Service programs.

- The Commission will be able to reduce expenditures in various high-cost programs as the provisions of BEAD for rural broadband are implemented.
- The Commission may also wish to consider contribution reform, since all FCC Universal Service funding comes from shrinking interstate and international telecommunications revenues.

**Consideration of these larger reforms should not slow the delivery of relief right now.**

To be clear, I recognize that the limited reform I am proposing will not deliver a subsidy to all current ACP recipients. It will help those most in need.

## How Conexon's Proposed Fix Works



**Limiting Lifeline reforms today to a few elements** is smart and beneficial.

**Conexon is proposing** these specific Lifeline reforms:

1. Enhancing the \$9.25 Lifeline benefit by \$20.75, for a **total benefit of \$30 (the same as the lower-tier ACP benefit)**.
2. Adopting NTIA's definition of broadband in BEAD for this enhanced benefit, *i.e.*, **100/20 Mbps fixed wireline or wireless** service at a household.

**Eligibility for the enhanced Lifeline benefit would remain unchanged** at 135% of the poverty level.

And, assuming the Commission transparently releases the data regarding ACP expenditures for public review, it should seek comment on enhanced subsidies for other low-income households, including households at 150% and 200% of the poverty level, other forms of broadband and telecommunications services, as well as a higher benefit for low-income households in high-cost areas.

**The final word:**

**I have no illusions about the prospects for reform.**

- **To be clear, the FCC:**

- Is not required to act.
- Is not required to use expedited procedures.
- Is not required to initiate a rulemaking.
- Is not required even to seek comment on this petition.
- Is not required to use its authority to help low-income households hurt by the loss of ACP benefits.

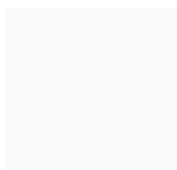
- **Indeed**, the FCC may ignore the petition altogether.

**Nevertheless**, I think it is worth a sincere effort to help those most in need – including by petitioning those empowered to make change with a ready solution.

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