Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
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Report on the Future of the Universal Service Fund	)	WC Docket No. 21-476
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COMMENTS OF INTERNET INNOVATION ALLIANCE

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February 17, 2022

INTRODUCTION

The Internet Innovation Alliance (IIA) respectfully submits these Comments in response to the Notice[1] issued by the Commission on December 15, 2021.

Thank you for this opportunity to comment on issues related to the future of the Universal Service Fund in light of the broadband investments in the Infrastructure Investment and Jobs Act. The fund urgently needs to be transformed in order to sustainably support access to broadband service for everyone who lives in the United States.

High-speed internet access should be within reach for every American. This driving principle – that neither financial means nor geography should be a barrier to broadband – has guided IIA's activities since the organization's inception in 2004. IIA has long promoted public policies that advance broadband availability and adoption so that all Americans of all ages, races, ethnicities, genders, socioeconomic backgrounds, and education levels can realize the benefits of the internet, from work to education, health care, employment, community building, civic engagement, access to life-saving information and more.

BACKGROUND

Americans increasingly rely on broadband. Nine in 10 U.S. adults (90%) say the internet has been important to them personally during the pandemic, and 58 percent label it as essential, according to the Pew Research Center.[2]

Low-income households, rural Americans and those living on tribal lands are most disadvantaged by lack of connection. In 2019, 98.8 percent of Americans in urban areas had access to broadband speeds of at least 25/3 Mbps, compared with 82.7 percent in rural areas and

[1] https://docs.fcc.gov/public/attachments/FCC-21-127A1.pdf
[2] https://www.pewresearch.org/internet/2021/09/01/the-internet-and-the-pandemic/

79.1 percent on tribal lands, according to the Federal Communications Commission.[3] Among Americans with a household income below $30,000 per year, 43 percent do not have home broadband access.[4] Just as our nation assists America's most vulnerable citizens obtain housing, health care, energy and food, lower income Americans deserve a pathway to getting online. Unfortunately, "universal service" programs intended to provide such critical assistance are falling short.

The communications marketplace has evolved, and the Universal Service Fund is in dire need of reform to catch up with the times. When the FCC was established by the Communications Act of 1934, "universal service" was defined as "a rapid, efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges."[5] The Telecommunications Act of 1996 later added advanced services like broadband to the definition. But, in the 21st century, only IP-based services should be prioritized for "universal" availability, because the internet is today's portal to world. With this in mind, USF-supported services should focus exclusively on advancing the objective of universal broadband.

CONTRIBUTIONS REFORM

While well-intentioned, USF will never be the bridge to universal broadband and will eventually collapse under its own weight without reform. The fund draws from a pool of landline phone service revenues, which shrunk from $72.3 billion in 2010 to $47.5 billion in 2019, as

[3] https://www.fcc.gov/reports-research/reports/broadband-progress-reports/fourteenth-broadband-deployment-report
[4] https://www.pewresearch.org/fact-tank/2021/06/22/digital-divide-persists-even-as-americans-with-lower-incomes-make-gains-in-tech-adoption/
[5] https://www.govinfo.gov/content/pkg/USCODE-1994-title47/html/USCODE-1994-title47-chap4-subchapI-sec151.htm

customers continuously switched to IP-based alternatives that do not pay into USF.[6] During the same time period, the "tax" on these telecommunications services, known as the contribution factor, skyrocketed from 12.9 percent in the fourth quarter of 2010 to 25.0 percent in the fourth quarter of 2019 to make up for the plummeting revenues.[7] In 2021, the contribution factor peaked at 33.4 percent!

Because phone companies pass on the cost of their contributions in the form of charges on customers' monthly phone bills, funding for USF has mutated into a high, regressive tax on a small group of traditional-telephone-using consumers (today, fewer than 37 percent of U.S. adults live in households with a landline phone)[8]. The Government Accountability Office issued a report explaining that a high contribution factor unduly burdens low-income and older Americans, because USF taxes services that these groups disproportionately rely upon and the rate consumes a larger share of their incomes.[9]

No meaningful updates to reflect major changes in the communications marketplace have been made to USF's contribution mechanism in the fund's 25-year existence. Updating the way USF is funded will allow the program to live up to its name by fulfilling the goal of universal access to reliable high-speed broadband.

While there have been some proposals to simply require consumers of mass market fixed and mobile broadband services to contribute to the fund, placing the burden of supporting the USF on consumers alone is not a tenable solution, and one that would likely have a negative impact on affordability for low-income consumers. This could in turn impact broadband

[6] https://news.bloomberglaw.com/tech-and-telecom-law/momentum-grows-to-shore-up-fcc-subsidy-programs-but-deal-elusive
[7] https://www.fcc.gov/general/contribution-factor-quarterly-filings-universal-service-fund-usf-management-support
[8] https://www.statista.com/chart/2072/landline-phones-in-the-united-states/
[9] https://www.gao.gov/assets/gao-21-24.pdf

adoption and undercut efforts to close the digital divide through programs like the Affordable Connectivity Program and the Digital Equity Act.

Because nearly every aspect of the modern economy has benefited from broadband deployment and use, moving to a system of direct appropriations with general tax revenues as a funding base would be appropriate for USF programs. Society broadly benefits from broadband for all. But if adding an $8 billion line item to the annual Congressional budget is deemed unworkable, an alternative approach that should be considered is expanding the USF contribution base to include revenues from large internet companies that depend upon and reap the financial benefits from Americans being online. A 2021 survey by Recon Analytics found that more than 7 in 10 (71.4%) Americans agree that "companies like Google and Facebook that make money through the internet should contribute to provide access for Americans who do not have the internet."[10] Contributing to USF would allow Big Tech content and platform companies to grow their user bases, and spreading financing across the entire internet ecosystem could bring the contribution factor down to a very reasonable penny or two on the dollar. Tying USF funding to those profiting from the gaming, streaming and bandwidth-demanding content users want would greatly improve the sustainability of the fund for present and future generations, unlike simplistic, regressive proposals. The mistake of making the system again reliant solely on a shrinking source of revenue – such as broadband internet service alone – must be avoided.

Congress recently devoted hundreds of billions of dollars for national broadband goals that overlap with the stated purposes of USF programs, including expanded broadband deployment, broadband affordability, and educational and health care connectivity. There's a window of opportunity to restructure the USF funding mechanism now while these new funds

[10] http://reconanalytics.com/2021/04/broadband-for-all-who-pays-71-of-americans-want-google-facebook-amazon-and-the-alike-pay-for-it/

cover immediate needs so that USF can finally meet the nation's broadband needs when these Congressional appropriations run out.

LIFELINE

The Commission should reconcile Lifeline with the Affordable Connectivity Program (ACP), as they share many of the same objectives – including helping Americans who have low incomes to afford broadband – yet they offer different solutions. The $14.2 billion allocated for the ACP will eventually run dry, absent additional appropriations from Congress. If the Lifeline Program absorbs the ACP, it should be modernized as discussed below, so that no one in America is cast into the digital dark if the ACP is not renewed. Alternatively, if the ACP is rolled into USF and siphoning from the same well as other existing USF programs, serious contributions reform will become more critical than ever.

The USF-funded Lifeline Program – originally created to help low-income Americans afford traditional telephone service but expanded to bring internet access within financial reach – is substantially underutilized. The FCC's Universal Service Administrative Co. estimates that there are about 33.2 million Lifeline-eligible households, but less than 6.5 million participate, meaning that only one in five eligible households is taking advantage of the program subsidy.[11] Reimagining the program structure will reverse the pattern of underutilization and missed opportunity.

Unfortunately, Lifeline has been so tied up in red tape that it's cumbersome and expensive to administer, which reduces the number of participating carriers and makes it difficult for consumers to access the benefit. The FCC should rethink or drop eligible telecommunications

[11] https://www.usac.org/lifeline/resources/program-data/

carrier (ETC) requirements, which must be met after receiving the ETC designation that qualifies providers to offer a discount to eligible low-income consumers on their mobile or fixed voice service or broadband service and receive a reimbursement from the federal universal service fund.

Whether ACP alone carries on, the Lifeline program absorbs the ACP, or both programs continue to coexist in tandem, how their benefits are delivered should be modernized to utilize commercially available and widely accepted financial transactions technologies. Currently, both the Lifeline and ACP program rules force service providers to act as middlemen between the federal government and consumers, an unnecessary and costly requirement. The result is that providers must know that a consumer is participating in one or both of these programs, raising privacy concerns for participating consumers. Additionally, providers are unable to treat participating consumers like non-participating consumers due to the necessity of discounting bills to deliver the government benefit. Participating providers are also burdened by a long list of additional ACP and Lifeline regulations, such as multiple annual audits, years of required record-keeping, and the obligation to bill each customer directly, then file reimbursement claims with the federal government.[12]

Extensive and expensive administrative work should not be required of providers participating in the ACP or Lifeline programs. Instead, the government should be responsible to determine consumer eligibility and utilize longstanding and widely-accepted payment technologies to deliver the monthly benefit directly to those consumers in the form of a debit-like card account that would automatically reload each month. Lifeline beneficiaries could then use the card account to shop among carriers and select the specific services that best meet their

[12] https://www.usac.org/lifeline/rules-and-requirements/

needs, with the monthly benefit covering all or a portion of the total bill. Because providers would no longer need to discount bills, they would not need to know anything about a consumer's financial status, better safeguarding the consumer's privacy. Providers would be able to accept payments from the debit card-like accounts using their existing payment processing platforms, eliminating significant burdens and the need to seek reimbursement after the fact, which would further limit opportunities for waste, fraud, and abuse.

E-RATE

E-rate, the Schools and Libraries Program of the Universal Service Fund, is targeted at bringing down the cost of broadband for these anchor institutions – but, during the pandemic, more than half of U.S. students didn't visit them, having received instruction entirely remotely, according to polling by Ipsos Public Affairs.[13] What's more, a January 2022 Harris Poll for Axios showed that 62 percent of parents with school-aged children still favor remote learning to protect students and teachers' "health and safety" as COVID continues to surge.[14] And even despite the pandemic, millions of students across the country still need home broadband for homework. That's why the definition of the "classroom" should be expanded so the E-Rate program can fund student connectivity needs off school premises.

With fewer students frequenting schools and libraries in-person, policymakers should reassess the E-rate program's design to better serve the educational needs of today. The application of technology in schools has evolved over the past 25 years since E-rate began. When the E-rate program was created in 1996, only 14 percent of America's K-12 classrooms had

[13] https://protect-us.mimecast.com/s/EtEuCwpvxlS8W28IxYKWr?domain=educationnext.org
[14] https://www.axios.com/coronavirus-teachers-schools-learning-health-safety-cd8efa26-ba4e-42b8-a5d4-9eb40226ee63.html?utm_source=twitter&utm_medium=social&utm_campaign=editorial&utm_content=health-schools

access to the internet.[15] The FCC should look at the structure of the E-rate program with fresh eyes and reassess whether it fits the reality of our world in 2022.

A large portion of E-rate benefits for which schools apply are never granted. For example, only about two-thirds of benefits that schools applied for in 2018 and 2019 had been granted as of January 2021.[16] It can be assumed that schools are being denied benefits, because our reality has outgrown the program structure.

Schools and libraries have long played crucial roles to not only educate America's children, but to support their overall wellbeing. Policymakers can help make it possible for these institutions to continue their positive impacts by updating the E-rate program to provide greater flexibility for use of funding. Finally, as with the need to cut out the inefficient middleman in the Lifeline and ACP Programs, E-Rate subsidies should be provided directly to these anchor institutions.

E-rate is stuck in the past, leaving it underutilized and its purpose unfulfilled. It's time to modernize the program. Updates must be implemented immediately so E-rate can usefully support the digital classrooms of today, while also considering that any expansion to the program would only be feasible after contributions reform, to avoid adding strain to an already unsustainable contribution factor.

CONCLUSION

With the Infrastructure Investment and Jobs Act (IIJA) calling on the FCC to submit a report on the future of USF and ways the Commission may "improv[e] its effectiveness in

[15] https://www.fcc.gov/consumers/guides/universal-service-program-schools-and-libraries-e-rate#:~:text=When%20the%20E%2DRate%20program,had%20access%20to%20the%20Internet
[16] https://www.fierceeducation.com/accessibility/why-e-rate-for-higher-ed-needs-to-move-times

achieving the universal service goals for broadband," the door has been opened for real change. Congress gave impetus to implementation of a sustainable funding structure, such as expanding the contributions base to include internet-related tech company revenues, and overdue program modernizations. And, thankfully, the FCC can use its own authority to initiate meaningful reform without waiting for additional congressional action.

To place the Universal Service Fund on solid ground, ensure program benefits don't lie fallow, and make expansion of the fund in a world ever-more dependent on broadband possible, the FCC should capitalize on congressional momentum and think big. With a strategic overhaul, USF can live up to its purpose of supporting 21st century connections and stand the test of time.

Respectfully submitted,

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