January 27, 2020

The Honorable Michael F. Doyle   The Honorable Robert E. Latta
U.S. House of Representatives   U.S. House of Representatives
306 Cannon House Office Building   2467 Rayburn House Office Building
Washington, DC 20515   Washington, DC 20515

Dear Chairman Doyle and Ranking Member Latta,

Ahead of tomorrow's hearing, "Empowering and Connecting Communities through Digital Equity and Internet Adoption," I write urging the Committee to not increase funding for ineffective government programs.

Internet access is no longer a luxury few can afford. In the past, individuals would go to internet cafes and pay by the minute to get online. Now, access is freely available to nearly everyone at local coffee shops, fast food restaurants, public libraries, and schools. The rise of smartphones has also dramatically increased individuals' access to the internet, with the FCC finding that 99.8 percent of Americans have mobile LTE with speeds of at least 5 Mbps/1 Mbps.[1]

While the aim to increase broadband adoption and digital literacy, or understanding of available digital tools, is a worthy goal, experience shows that government programs are largely ineffective at achieving it.

In 2012, the Federal Communications Commission (FCC) introduced 14 experimental programs for its broadband adoption Lifeline pilot program.[2] The pilot program authorized approximately $13.8 million to examine how factors like discounted broadband service, digital literacy training, and broadband speeds affected adoption rates among low-income consumers who were not currently subscribed to broadband.

But in practice, fewer consumers participated in the pilot programs than the wireline and mobile providers expected, according to the FCC's staff report on the project.[3] For example, one of the providers, XChange Telecom, sent approximately 9,000 mailers to their subscribers, in addition to making phone calls to market their subsidized program. Despite their efforts, only 214 individuals signed up.

This demonstrates how it is exceedingly difficult to encourage individuals to participate in subdivided programs about broadband adoption and digital literacy. As Technology Policy Institute President Scott Wallsten wrote "subsidies are likely to go to people who already

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[1] Wireline Competition Bureau, "2019 Broadband Deployment Report," (Federal Communications Commission, May 29, 2019), https://docs.fcc.gov/public/attachments/FCC-19-44A1.pdf

[2] Wireline Competition Bureau, "In the Matter of Lifeline and Link Up Reform and Modernization," (Federal Communications Commission, December 19, 2019), https://www.fcc.gov/document/14-projects-chosen-lifeline-broadband-pilot-program-competition

[3] Wireline Competition Bureau, "Low-Income Broadband Program Staff Report," (Federal Communications Commission, May 22, 2015), https://www.fcc.gov/general/low-income-broadband-pilot-program-0

subscribe rather than working to close the digital divide."[4] Also it is likely that at this point in time, unconnected individuals who may also lack digital literacy Likely prefer to remain unconnected. According to National Telecommunications and Information Administration data, 58 percent of offline households claim to lack the need or interest in broadband.[5]

Another interesting discovery from the project was the lengths consumers will go to avoid digital literacy trainings. In one project in particular, participants opted to give up $10 in monthly savings or a free computer to avoid digital literacy courses. According to the FCC's staff report on the program, "requiring [eligible telecommunications carriers] to offer or provide digital literacy training does not appear to be an efficient or effective model for converting non-adopters to adopters."[6]

Judging by this project, government programs to increase broadband adoption and digital literacy do not work. Any attempt to replicate this program on a larger scale would likely waste taxpayer dollars.

As a further example, programs to increase adoption have not only been ineffective, they've been abused. The FCC Inspector General report for 2018 found that the percentage of improper payments from the Lifeline program was 18.47 percent.[7] In one particularly egregious case, one recipient of Lifeline funds became rich off these subsidies, using millions of taxpayer dollars to pay for vacations, tuition, and real estate.[8] If digital literacy programs funded by taxpayer dollars were to be instituted, proper checks and guard rails would need to be put in place to prevent the fraud and abuse that has been rampant throughout government programs giving away dollars under the guise of digital adoption and literacy.

The goal to increase broadband adoption in the United States is admirable, but we must consider past experiences before creating expensive, ineffective programs. If you should have any questions regarding this issue, please reach out to me at kmcauliffe@atr.org or 202-785-0266.

Sincerely,

Katie McAuliffe
Executive Director, Digital Liberty
Federal Affairs Manager, Americans for Tax Reform

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[4] Scott Wallsten, "Learning from the FCC's Lifeline Broadband Pilot Projects," (Technology Policy Institute, March 2016), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2757149

[5] Rafi Goldberg, "Unplugged: NTIA Survey Finds Some Americans Still Avoid Home Internet Use," (National Telecommunications and Information Administration, April 15, 2019), https://www.ntia.doc.gov/blog/2019/unplugged-ntia-survey-finds-some-americans-still-avoid-home-internet-use

[6] Wireline Competition Bureau, "Low-Income Broadband Program Staff Report," (Federal Communications Commission, May 22, 2015), https://www.fcc.gov/general/low-income-broadband-pilot-program-0

[7] Mark Stephens to Chairman Ron Johnson, August 27, 2019. https://www.fcc.gov/sites/default/files/improper-payments-compliance-report-fy2018.pdf

[8] Katie McAuliffe, "Fraud still plagues the FCC's Universal Service Fund," (The Hill, February 14, 2017), https://thehill.com/blogs/pundits-blog/technology/319446-fraud-still-plagues-the-fccs-universal-service-fund