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U.S. | POLITICS

FCC Proposes Internet Subsidy for Low-Income Users

Government's Lifeline program for phone bills would be expanded to provide broadband access

By GAUTHAM NAGESH

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WASHINGTON—Federal Communications Commission Chairman Tom Wheeler on Thursday proposed helping low-income consumers with the cost of broadband Internet access through a program that subsidizes phone bills.

Mr. Wheeler's proposal would expand the government's Lifeline program by giving low-income households the option to apply the subsidy to broadband Internet access, either wired or wireless. The proposal also seeks comment on whether carriers should provide a minimum level of service to consumers as part of the program, and what those service levels should be. The proposal tentatively proposes keeping the subsidy at \$9.25 a month.

Started under President Ronald Reagan, the Lifeline program covers the cost of basic phone service. It was expanded in 2008 under President George W. Bush to include wireless phones, and currently serves roughly 12 million households, which qualify if they are eligible for other federal aid programs like Medicaid or food assistance.

"Over a span of three decades, the program has helped tens of millions of Americans afford basic phone service. But as communications technologies and markets evolve, the Lifeline program also has to evolve to remain relevant," Mr. Wheeler said in a blog post.

According to the FCC, less than half of households making less than \$25,000 a year have Internet access at home, compared with 95% of households with incomes of more than \$150,000. African-American and Hispanic households are also much less likely to have home Internet access compared with the nation as a whole. Mr. Wheeler's proposal is an attempt to tackle this so-called digital divide.

The proposal is likely to draw opposition, especially from the FCC's two Republican Commissioners.

The Lifeline program has drawn criticism in recent years from lawmakers who argue it has become subject to fraud and abuse. Top Republicans of the House Energy and Commerce Committee on Thursday faulted the broadband expansion and said spending on Lifeline and other Universal Service programs should be capped.

"This proposal misses the mark on the reforms we need," Reps. Fred Upton (R., Mich.) and Greg Walden (R., Ore.) said in a statement. "Simply expanding the program without ensuring its effectiveness or longevity is the wrong approach if we're going to do right by those who pay for the program, and those who depend on it."

The commission attempted to address criticism in 2012 with changes such as establishing a database that significantly reduced the number of households receiving duplicate subsidies. Since then, the cost of the program, which is funded by a Universal Service Fund tax on consumer phone bills, has dropped from \$2.1 billion in 2012 to \$1.7 billion in 2014.

The FCC plans to vote at its June 18 meeting on opening the proposal up for comment, giving the public an opportunity to weigh in and suggest changes. Senior FCC officials said on a conference call that they expect the program's overall cost to remain the same, but are open to the idea of setting a cap on the program's size.

It is an open question as to how much Internet access a household can receive for \$9.25 a month. The officials said they are open to carriers offering programs to consumers that would require households to contribute an additional amount beyond the subsidy every month.

The officials also said a large number of low-income consumers tend to use a smartphone to access the Internet, but noted that wireline broadband connections offer great value and that the proposal doesn't take a position on

wireless versus wired technologies.

“Now is the time for the FCC to begin support for families that are not able to afford broadband,” said Amina Fazlullah, director of policy for the Benton Foundation, a telecom advocacy group.

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