September 15, 2025

Re: ***Universal Service Fund (USF) Working Group - Request for Comment***

To the Members of the Universal Service Fund Working Group:

New America's Open Technology Institute is grateful for the opportunity to inform the Working Group's assessment of federal universal service policy and plans for reforming the Universal Service Fund.

OTI is committed to ensuring that every community has access to digital technology and its benefits, and promotes universal access to communications technologies that are both open and secure in service of that goal. OTI has a long record of proposing and supporting reforms to USF programs, from revitalizing the Lifeline program, to unlocking the potential of the E-Rate program for both schools and libraries to address the "homework gap."

Most recently, OTI has published briefs on key USF topics including affordability and the contribution system, providing context and analysis to assist policymakers in navigating the complexities of the USF and framing the tradeoffs that must be resolved.

In addition to our responses to the Working Group's request for comments below, we want to highlight the following key points that inform our comments to the Working Group:

- We have not lived up to the promise of universal service contained in §254. To do so, policymakers must consider universal service policy holistically, as an evolving concept, and not just through the limited lens of amending existing programs.

- Current USF policies are falling short of providing services at "just, reasonable, and affordable rates."

- USF cannot live up to its purpose without addressing adoption, including providing education and training in digital skills.

- Recent E-Rate reforms should not be rolled back, but expanded to further close the Homework Gap.

- USF funding should derive from these needs, not be capped arbitrarily, and must be scalable to meet program needs.

1. How should Congress evaluate the effectiveness of each USF program in achieving their respective missions to uphold universal service?

OTI urges Congress to adopt a comprehensive approach to evaluating the effectiveness of universal service policy, and not limit its inquiry to a program-level review of existing USF programs.

The 104th Congress staked out an ambitious vision for universal service in the Telecommunications Act of 1996: modern communications services for all Americans, in all regions, at comparable and affordable prices. Bipartisan majorities of a Republican-led Congress overwhelmingly passed the bill that enshrined those aims in §254 of Title 47.

In §254, Congress directed the FCC and telecommunications service providers to ensure Americans in rural areas receive services comparable to those available in urban areas; that low-income consumers have access to those same services at affordable rates; and that critical community institutions like schools, libraries, and healthcare providers be connected.

Moreover, Congress made clear that "comparable" was not a code word for 'basic' or 'bare-bones' services, directing the FCC by statute to pursue universal availability of telecommunications services that are adopted by a majority of residential subscribers; are currently being deployed by providers; are essential to education, public health, or public safety; or simply consistent with necessity, the public interest, or even convenience.

We believe that Congress should begin by assessing what is needed to achieve universal service measured against the lofty goal set in 1996, and identifying where current policies fall short. Such an examination would undoubtedly highlight affordability as a central and persistent barrier to getting and keeping Americans connected, and the insufficiency of existing policies. At the same time, it would also reveal the importance of, and present lack of support for, programs to encourage adoption and empower communities with the digital skills and tools needed to realize the opportunities and potential of universal connectivity.

2. How well has each USF program fulfilled Section 254 of the Communications Act of 1996?

As discussed in more detail below, among existing USF programs Lifeline falls short of fully addressing affordability of modern services. On the other hand, recent reforms to E-Rate have enhanced the effectiveness of that program by enabling online access for students on school buses and at home through wi-fi connections. At the same time, the current portfolio of programs does not take into account at all the barriers to adoption, such as the unmet need for digital skills and literacy education and appropriate devices.

4. What reforms within the four existing USF programs would most improve them?

Lifeline

OTI believes that USF is an appropriate policy vehicle for addressing the issue of broadband affordability. As we explained in our brief on the issue, the value and success of the Affordable Connectivity Program provide valuable data points on what a broadband affordability universal service support mechanism should address. A USF broadband affordability program should:

- Give eligible participants agency and choice.
    - Choice of the right service for their households most pressing needs (mobile or fixed)
    - Choice among providers (including cable providers, broadband-only fiber providers, LEO providers, and not just telephone companies)
- Provide enough support to make service truly affordable
    - At $9.25, the current Lifeline benefit for most households will not give low-income households affordable access to service comparable to what a majority of households subscribe to (studies by CNET and US News pegged the typical home internet bill at between $78 and $89 dollars a month). Lifeline participation is notably higher in states that provide additional financial assistance for Lifeline recipients, or where a substantial number of residents live on tribal lands, where the Lifeline benefit is higher.

In addition, we urged policymakers to take into account additional factors impacting the effectiveness of an affordability program:

- Addressing one-time and fixed costs in addition to recurring costs of service.
    - When Lifeline was established in the 1980s, policymakers recognized that fixed one-time costs, such as service installation fees, posed as much a barrier to connectivity as recurring service charges and established the Link Up program to complement Lifeline. Policymakers should take into consideration the impact of similar one-time costs for devices or equipment in achieving universal service.
- Efficiency of enrollment and impact of administrative burden on eligible participants
    - In order to maximize the impact of an affordability program, policymakers must look beyond the contours of the program itself and to the pathways to enrollment and utilization. A growing literature on administrative burdens highlights the minimal benefit of imposing onerous burdens and requirements on program participants, while also noting that even when participants are able to successfully enroll, may still have suffered a “time tax” to do so, and may face further burdens when trying to utilize a program. To design an effective program policymakers should make sure to take these considerations into account.

E-Rate

E-Rate is the federal government’s flagship program for extending the educational benefits of technology and internet access to every school and student in every community nationwide. E-Rate’s goal is to ensure that all students, regardless of their family income or background, have an equal opportunity to access the internet and technology that will give them the best possible education.

Accordingly, OTI has strongly supported the FCC's efforts to expand E-Rate support to help schools narrow the K-12 Homework Gap—and, specifically, the proposal to use wireless hotspot technology to connect low-income students who lack Internet access at home. OTI, jointly with the Schools Health Libraries Broadband (SHLB) coalition, published 12 in-depth profiles of school districts that have responded to this need by leveraging cost-free public access to unlicensed and CBRS spectrum to connect students lacking internet at home to school networks.

The K-12 Homework Gap is not a new national problem. In early 2020, more than 15 million K-12 students lacked the broadband internet access and/or devices at home necessary to do homework and other educational activities. After the pandemic turned the Homework Gap into a remote learning crisis, the situation temporarily improved as Congress provided billions in subsidies to low-income households through the Affordable Connectivity Program (ACP) and, directly to schools, through the Emergency Connectivity Fund (ECF). Both programs connected millions of students—but both expired last year.

OTI believes that going forward, even an effective affordability program will leave many low-income students without internet access in homes that do not participate, or in homes where a parent is forced to choose between using program support for a line of smartphone service (e.g. that they take to work) or for fixed home broadband. As a result, E-Rate should support the flexibility of schools and libraries to implement Wi-Fi hotspot lending and/or direct wireless connections to low-income students and patrons in need.

And rather than limiting funding to support only commercially-available and off-the-shelf Wi-Fi hotspot devices sold by mobile carriers, E-Rate should also give local school districts the flexibility to seek comparable support for any wireless service that provides Internet access if it is the most cost-effective option or is necessary because mobile carrier signals cannot support remote learning indoors in a particular rural and/or low-income community. This includes broadband service and devices that E-Rate applicants themselves deliver off-campus, which could provide cost savings to the E-Rate program and essential service for many students.

5. What reforms would ensure that the USF contribution factor is sufficient to preserve universal service?

As we explain in our report on the issue, the fundamental issue plaguing the USF contribution system is that the formula used to allocate financial responsibility among telecommunications providers uses an outdated proxy for relative size of telecommunications providers (traditional phone service revenue). As a result, the largest providers of modern communications services, who increasingly earn a greater share of their revenues from mobile and fixed broadband internet services rather than traditional telephone service, are paying a disproportionately small share of the cost of USF programs relative to their size. Acknowledging this mismatch and re-aligning the current formula should be a starting point for discussing contribution reform, even if it's not what policymakers ultimately decide to do.

We urge policymakers to recognize that the USF contribution factor is merely a reflection of the ratio of the cost of USF programs to revenues from traditional telecommunications services (such as traditional local and long distance telephone service). Rather, we recommend that policymakers consider the real world revenues of communications providers (including residential and business wireline and wireless broadband service revenues), which are robust, in determining the feasibility of their supporting USF needs rather than the constrained regulatory construct of the 'contribution base.'

From there, policymakers can accurately assess whether the communications industry is capable of fully supporting USF programs (which for the most part direct money back to the communications industry) or if other revenue sources are needed. As we explain in our report, there are arguments for and against several additional sources of revenue, including digital advertising, cloud services, online gambling, streaming content providers, and other large tech companies. But considering those options without first evaluating an updated and accurate version of the current system would be premature.

We also encourage policymakers to take into consideration the impact of various approaches to contribution reform on consumer households, but caution against automatic assumptions that any change would lead directly to an increase in household costs. Studies on this question have ranged in their conclusions, with some warning of sharp jumps in household bills, while others have found that the practical effect of incorporating broadband service revenue on household bills would be minimal. We believe that better modeling is needed, and that more transparent reporting of broadband and other data service revenue by industry, e.g. on FCC Form 499 would help.

10. Additional Comments

As we call for in our report on the contribution system, universal service cannot truly be achieved without addressing adoption. The rewards of a functioning universal broadband system will never be reaped by a population without the skills and desire to use the internet and connected devices. Indeed, infrastructure gaps have been the major barrier for only a fraction of the offline population for some time now, with the rest deterred by affordability concerns or other barriers to adoption such as low digital skills. The burden of these adoption barriers has grown with recent policy changes such as the end of ACP and the cancellation of the Digital Equity Act, leaving this requirement for universal service unaddressed. Any universal service agenda would be remiss, therefore, in continuing to ignore the barriers to adoption that keep the majority of households offline.

Adoption barriers are varied and interconnected. Some households may be unable to afford a broadband subscription or connected devices, or they may be unable to stay connected over time while juggling other necessities. Even for those households that can afford a broadband subscription, trust in institutions or providers offering service, or confusion over how or when to apply for subsidy programs, can stymie potential sign-ups. And an entire subset of non-adopters cites either lack of interest in getting online or inability to effectively use the internet, both of

which can be remedied (at least in part) by digital skills training and digital navigators that can provide personalized, targeted assistance to users.

Since adoption barriers are often localized and many offline communities are most effectively served by local organizations and individuals with pre-existing relationships and built-in trust, the federal duty here is not to create a top-down program. Rather, it should build on and scale what already works. A host of grassroots digital inclusion organizations across the country, both local and national, offer digital skills courses, personalized assistance with things like signing up for subsidy programs and using connected devices, and other forms of training intended to fill the needs identified in those communities. By instituting adoption and digital literacy as goals of universal service, policymakers could create a mechanism through which to fund these existing organizations and allow them to scale. Legislation to establish a Digital Equity Foundation that would channel both public and private investments into successful digital inclusion efforts and address gaps as they emerge is one example of an approach policymakers can take.

This foundation could help guide and scale existing adoption and digital skills initiatives. It could also serve as a hub for targeted measurements, data collection, and policy leadership on adoption and digital skills policies, much of which is sorely lacking today. In fact, despite the broadly accepted need for digital skills in most jobs and industries today, and the desire at the federal level for the United States to digitally upskill, there is no federal strategy underway to track existing digital skills levels or identify or address gaps. Creating some centralized funding and direction for these efforts would be a way to ensure that current initiatives scale and that they progress toward the same shared goal.

A focus on adoption would be consistent with historic universal service policy, which took telephone penetration rate as its lodestar. Policymakers can and should update and extend that focus to internet connectivity by decisively tackling adoption.

Thank you for the opportunity to contribute to your review.

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