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ILSR INSTITUTE FOR Local Self-Reliance

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Broadband Affordability Challenges

This is one of a series of short explainers about high-speed Internet access issues. The full series is available here.

BACKGROUND

Internet access represents one of the most powerful potential equalizers in modern society, serving as a gateway to education, healthcare, community news, job training, maintaining connections, civic participation, and self-enrichment.

Household income is the primary driver for whether or not a family has a home high-speed Internet connection, also known as broadband. The Benton Institute for Broadband and Society published an analysis finding that "[a]mong cities whose poverty rates exceed 20 percent, the wireline broadband subscription rate was 63 percent while the figure for all other cities was 74 percent." According to a Pew Research Center study, more than 40 percent of households earning less than $30,000/year don't have a home broadband connection, compared to just 7 percent of households earning $100,000/year or more. Similarly, among those 65 or older, just 64 percent had home broadband connections in 2021, compared to an average of 82 percent of those aged 18-64. Finally, older adults with less than a high school degree or an income below $25,000 are ten times more likely than the general population to be offline. In fact, a little more than a quarter of those low-income households report depending solely on mobile phone service through their wireless carrier for Internet access.

At the most basic level, if broadband connections are not affordable, then the Internet is not accessible. This is especially true for the economically disadvantaged and those living on a fixed income; 60 percent of adults aged 50 and over in a recent survey responded that the cost of a connection served as an obstacle, no matter where they lived.

THE PROBLEM

The price of broadband access continues to rise steadily, with the average cost of a basic connection hitting $70/month in 2020. This is a trend driven by two factors.
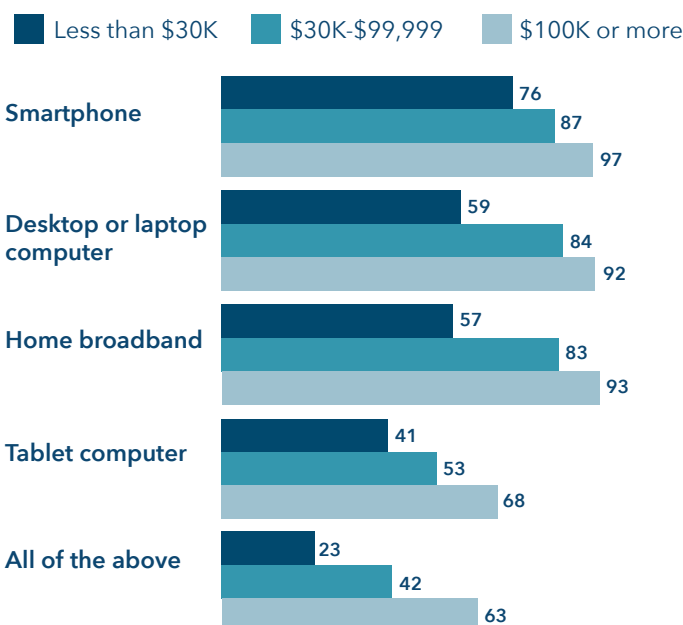• A lack of competition for high-speed access (greater than 100/20 Mbps), leaving a market dominated by monopolies with little pressure to compete on price.

• The Federal Communications Commission's (FCC) long refusal to properly regulate the broadband marketplace by enforcing reasonable price and billing transparency rules, so that subscribers are more informed about what they are paying for and why. In 2022, the FCC began a process to institute a broadband label with standardized information.

At the same time, digital skills challenges make understanding device compatibility, subscription options, and broadband bills difficult. Low–and moderate–income households, especially those composed of older adults, are often not taking advantage of subsidy initiatives (like the Affordable Connectivity Program that is replacing the Emergency Broadband Benefit). While more than 11 million households (as of April 1st, 2022) have signed up, as many as 28 million more eligible ones are missing out.

The good news is that there is some change on the horizon, as well as opportunities for advocates to push policies at the local, state, and federal levels to make broadband access truly affordable.

Americans with lower incomes have lower levels of technology adoption

% of U.S. adults who say they have each of the following, by household income

Less than $30K $30K-$99,999 $100K or more

Smartphone: 76 / 87 / 97
Desktop or laptop computer: 59 / 84 / 92
Home broadband: 57 / 83 / 93
Tablet computer: 41 / 53 / 68
All of the above: 23 / 42 / 63

Note: Respondents who did not give an answer are not shown.
Source: Survey off U.S. adults conducted Jan. 25-Feb. 8, 2021.

Emily Vogels, "Digital divide persists even as Americans with lower incomes make gains in tech adoption," Pew Research Center (June 2021).
PEW RESEARCH CENTER

ILSR Community NETWORKS

EFFORTS AT IMPROVING AFFORDABILITY

Thus far, the United States has not regulated broadband prices to make access more affordable. Until recently, the primary federal acknowledgement that affordability was a barrier to access was the Lifeline benefit, a $9.75/month subsidy that could be used to lower the cost of a broadband subscription. As many have pointed out over the years, it was insufficient.

In response, some states have attempted to do it themselves. In 2021, New York passed the Affordable Broadband Act, which required Internet Service Providers (ISPs) to offer a basic plan at 25 megabits per second (Mbps) for no greater than $15/month, or a 200 Mbps plan for no greater than $20/month. In response, the telecommunications firms sued and a judge issued an injunction against the legislation on the grounds that federal proscriptions against rate regulation overruled state law.

However, a handful of policy changes from recent legislation suggest a renewed federal commitment to affordability efforts. In November 2021, President Biden signed the Infrastructure Investment and Jobs Act.

The legislation established the Affordable Connectivity Program (ACP) supported by a $14 billion allocation, replacing the short-lived Emergency Broadband Benefit with $30/month for qualifying households and up to $100 for a device. Though it will require continual reappropriation, the theoretically-permanent subsidy will help to get and keep low-income households earning up to 200 percent of the federal poverty level online.

Also included in the legislation is more than $42 billion specifically for broadband infrastructure, disbursed via the states through block grants. While the final rules have not yet been adopted by the National Telecommunications and Information Administration (NTIA), the legislation requires that any new networks built using the funds have at least one low-cost option, with information about it available via a public portal that will also let households determine their eligibility. The legislation also requires that Internet Service Providers (ISPs) adopt a standardized broadband nutrition label that clearly outlines both pricing and service offerings, a pro-market move that improves competition and addresses the confusing broadband pricing practices created by the monopoly providers.

Finally, the latest round of broadband infrastructure funding announced through the Department of Agriculture's ReConnect Program indicates a preference for community-driven and locally-owned solutions, which tend to result in more affordable connections. Not only that, it includes $350 million in funding explicitly for Tribal governments and socially vulnerable communities, with no local match required.

The Cost of Connectivity 2020

The United States is #1 for highest average monthly price

United States
$68.38

Asia
$62.41

Europe
$44.71

Modern fees can add 75% to a monthly bill in the U.S., compared to just 30% abroad.

Most U.S. plans use promo rates, after which the rate increases by $22.25 per month, on average.

Municipal networks offer some of the best value in the United States.

Becky Chao, Claire Park, and Joshua Stager, "The Cost of Connectivity," Open Technology Institute (2020): https://www.newamerica.org/oti/reports/cost-connectivity-2020/

ACTION STEPS

There is an **array of actions** that local leaders, state legislators, Congress, community partners, nonprofits, policy advocates, and Internet Service Providers can support to improve broadband affordability in their communities and across the country. These include but are not limited to:

• Make the Affordable Connectivity Program permanent and not dependent upon continual reappropriation. At the same time, increase the benefit amount—for a subset of the population, even $30/month is insufficient to increase adoption rates. Subsidy programs should also allocate funds **for education and outreach efforts** to make sure households know about them and how to take advantage: as of April 2022, only about 31 percent of eligible households were taking advantage of the Affordable Connectivity Program.

• Promote open access network infrastructure, **which increases competition and lowers prices**.

• When talking about affordability, identify it clearly as both a rural and urban issue.

• Target affordability efforts at communal senior living centers, **low-income housing complexes**, and multi-tenant environments, and ensure that programs designed to address the digital divide also address the specific and systemic challenges for people with disabilities, communities of color, and residents in Indian country.

ABOUT ILSR

The Institute for Local Self-Reliance (ILSR) is a 48-year-old national nonprofit research and educational organization. ILSR's mission is to provide innovative strategies, working models, and timely information to support strong, community rooted, environmentally sound, and equitable local economies. To this end, ILSR works with citizens, policymakers, and businesses to design systems, policies, and enterprises that meet local needs, to maximize human, material, natural, and financial resources, and to ensure that the benefits of these systems and resources accrue to all local citizens. Learn more at **www.ilsr.org**.

ABOUT AARP

AARP is the United States' largest nonprofit, nonpartisan organization dedicated to empowering people 50 or older to choose how they live as they age. With nearly 38 million members and offices in every state, Washington D.C., Puerto Rico and the U.S. Virgin Islands, AARP strengthens communities and advocates for what matters most to families, with a focus on health security, financial stability and personal fulfillment. The AARP Livable Communities initiative supports the efforts of local leaders and residents throughout the nation to make their communities more livable and age-friendly. Its programs include the AARP Network of Age-Friendly States and Communities and the annual AARP Community Challenge "quick-action" grant program. Learn more at **AARP.org/Livable** and by signing up for the free, weekly AARP Livable Communities e-Newsletter at **AARP.org/LivableSubscribe**.

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