

The Future of the Affordable Connectivity Program (ACP): Examining the Impact of Changes to the Eligibility Criteria on Vulnerable Populations

Hernan Galperin and François Bar, USC Annenberg School for Communication

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This report examines the potential impacts of proposed changes in eligibility criteria to the Affordable Connectivity Program (ACP). It is separated into three distinct sections, which were previously published as blog posts at www.arnic.org. The first section analyzes the impact of lowering the ACP household income eligibility threshold from 200% to 135% of the federal poverty line (FPL), thus aligning ACP with other federal support programs such as Lifeline and the EBB (Emergency Broadband Benefit) program that preceded ACP. In the second section, we turn to the potential impact of changes to program-based eligibility criteria, focusing on the largest programs such as Medicaid and SNAP. Finally, the third section provides estimates about potential cost savings associated with the eligibility changes examined in the previous sections.

The analyses presented are based on the ACP eligibility estimation method proposed by Galperin (2022).¹ The use of microdata from the American Community Survey (ACS) allows for disaggregated analyses focusing on vulnerable populations. In particular, we use the definitions laid out in the Infrastructure Act of 2021 which created the ACP program and directs federal and state agencies to improve broadband access for the following “covered populations”: (1) low-income households (at or below 150% of the FPL); (2) aging individuals (60+ years); (3) incarcerated individuals; (4) veterans; (5) individuals with disabilities; (6) individuals with a language barrier; (7) individuals who are members of a racial or ethnic minority group; and (8) individuals who primarily reside in a rural area.

In addition, given the complex policy landscape in Congress for extending ACP benefits, we provide estimates of impact by state and congressional district, distinguishing political jurisdictions by controlling party. The goal is to offer insights into the political costs and benefits of changes to the eligibility criteria, and more broadly of extending the ACP program beyond May 2024 when the allocated funding will likely be exhausted.

¹ Galperin, H. (2022). Estimating participation in the Affordable Connectivity Program (ACP). Measuring the Effectiveness of Digital Inclusion Approaches (MEDIA) Policy Brief # 2. Available at <https://arnicusc.org/publications/estimating-participation-in-acp>.

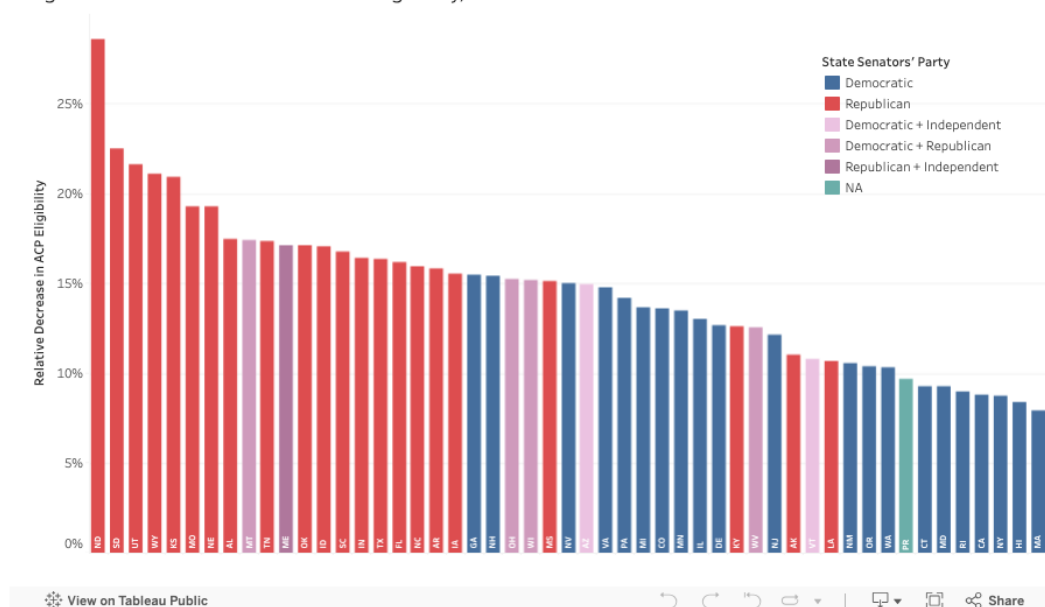
1. Analyzing the Impact of Potential Changes to the ACP Eligibility Criteria on Covered Populations

Congress is discussing a number of different scenarios to continue funding the ACP program once the remaining funds are [depleted](#), which is projected to happen in the first half of 2024. Several of the scenarios being considered involve tightening the current eligibility criteria. In this section we examine the potential impact of lowering the household income eligibility threshold, currently set at 200% of the federal poverty line (FPL). What would happen if this threshold were lowered to 135% of the FPL? How would this affect household eligibility across states and counties, and for disadvantaged populations?

How many households would become ineligible?

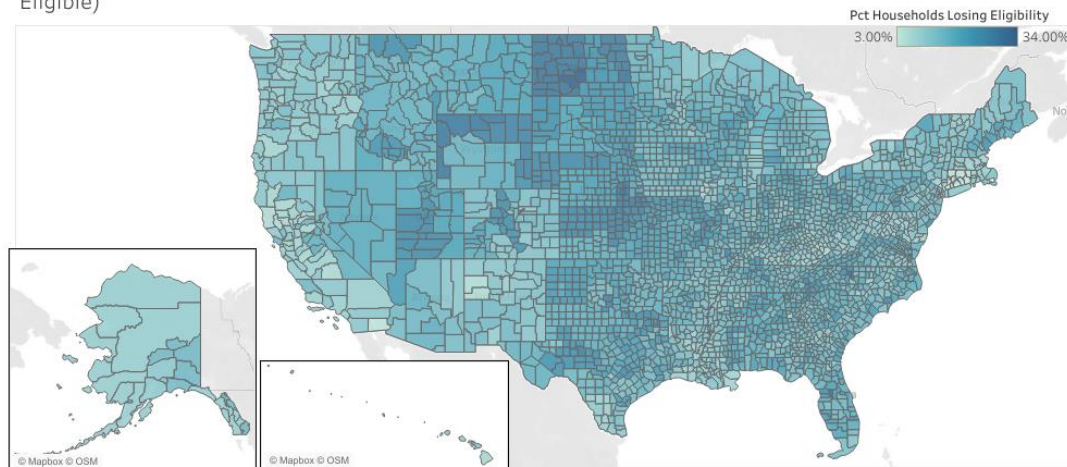
Nationwide, if the ACP income eligibility threshold were lowered to 135% of the FPL (similar to Lifeline and the EBB program that preceded ACP), about 7.4M households that currently qualify to receive ACP benefits would become ineligible. This represents a decrease of 13.6% from the current number of eligible households (about 54.1M). However, the impact varies widely across states (see interactive dashboard [here](#)). In Kansas, Utah and North Dakota, this change would exclude over 20% of currently eligible households. In contrast, in Massachusetts, New York and California the relative impact would be smaller with fewer than 10% of households losing eligibility. In addition, it is worth noting that the relative impact of lowering the income threshold would be larger in states with Republican senators, even though the ACP program is benefitting red and blue states almost equally (see [here](#) for further analysis of ACP uptake by party).

Figure 1: Relative Decrease in ACP Eligibility, if Threshold is Lowered to 135% FPL



Angeles County, CA, where almost 140,000 households would lose eligibility. This represents a reduction in eligibility of 8.2%. The second largest absolute drop in the number of eligible households would occur in Harris County, TX, where about 116,000 households would no longer qualify for ACP. This however represents a much larger percentage drop in eligibility of 14.7%. In relative terms, one of the largest drops in eligibility would occur in Cass County, ND (the state's largest), where almost 1 in 3 currently eligible households would no longer qualify for ACP.

Figure 2: Relative Decrease in Eligibility with Threshold Change from 200% to 135% of FPL (% Drop in HHS Eligible)

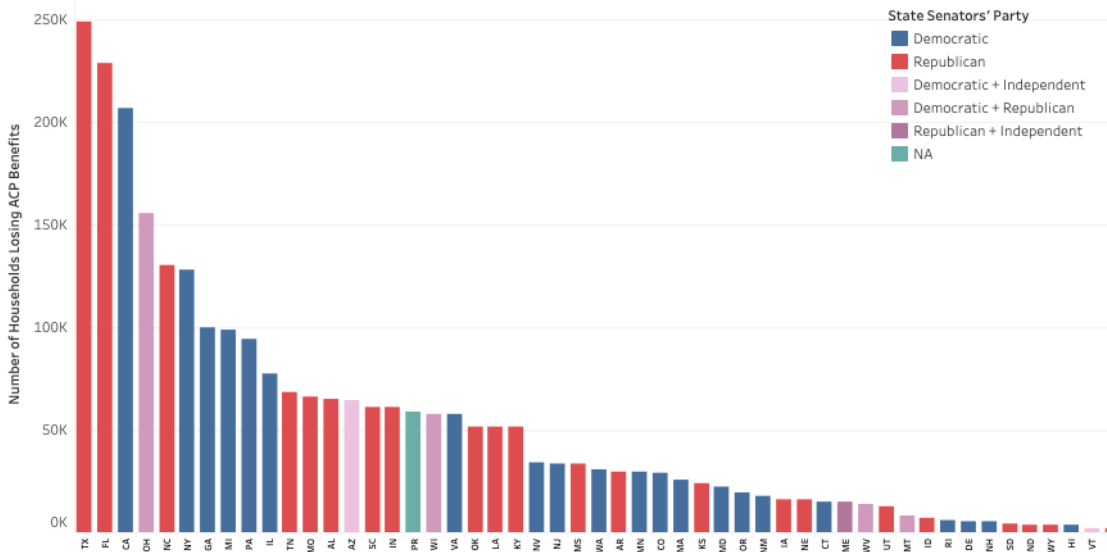


Would lowering the threshold to 135% of the FPL affect urban and rural areas differently? To answer this question, we rely on Census data that flags counties as either urban or rural as defined by the IJA. Of the 7.4M households that would no longer qualify for ACP, about 6M are located in urban areas, with the remaining 1.4M in rural areas. The relative impact however would be larger in rural areas, where about 16% of currently eligible households would no longer qualify for ACP, compared to about 13% in urban areas.

How many households would lose ACP benefits?

According to our estimates about 38% of eligible households are currently enrolled in ACP (for more on how we calculate participation see [here](#)). Because of incomplete participation, estimating how many households would effectively lose ACP benefits as a result of changes to the eligibility criteria requires several assumptions. Our estimate is that about 2.7M of the approximately 21M households currently enrolled in ACP would lose the benefit if the income threshold is lowered to 135% of FPL. In absolute terms, the states that would see the largest drop in beneficiaries are Texas (about 249K households), Florida (about 229K households) and California (207K households). The figure below presents estimates of the numbers of households likely to lose ACP benefits across states (dashboard [here](#)).

Figure 3: Number of Currently Participating Households that will Lose ACP Benefits, if Threshold is Lowered to 135% FPL

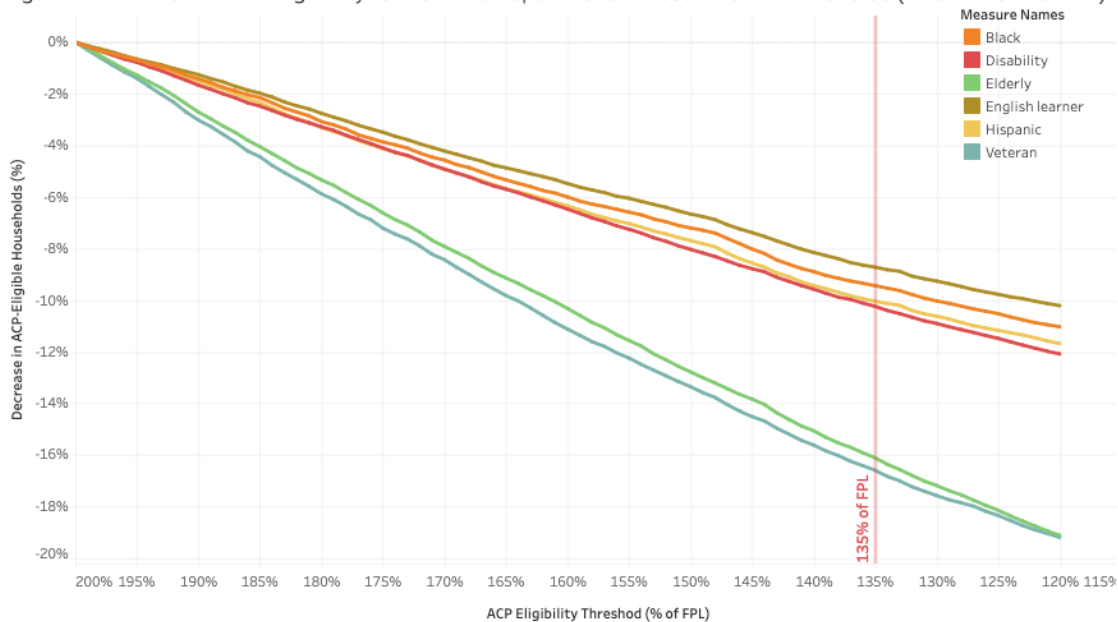


How would changes impact disadvantaged groups?

The Infrastructure Act of 2021 directs federal and state agencies to improve broadband access for underserved “covered populations,” defined as: (1) low-income households (at or below 150% of the FPL); (2) aging individuals (60+ years); (3) incarcerated individuals; (4) veterans; (5) individuals with disabilities; (6) individuals with a language barrier; (7) individuals who are members of a racial or ethnic minority group; and (8) individuals who primarily reside in a rural area. To examine the potential impact of changes in the ACP income eligibility threshold for these groups, we use microdata from the American Community Survey (ACS) to identify households with at least one member belonging to a “covered population” (with the exception of incarcerated individuals which are not captured in ACS data).

The figure below shows the percent drop in eligible households for each of these covered populations across a range of income thresholds, starting at 200% of the FPL (the current criteria) and ending at 120% (dashboard [here](#)). The evidence indicates disparate impacts across populations. In particular, reducing the threshold from 200% to 120% of the FPL would result in about 10% fewer households with linguistic barriers being eligible for ACP. By contrast, the same change would reduce eligibility among households with an aging adult by about 19%.

Figure 4: Decrease in ACP Eligibility for Covered Populations Across Income Thresholds (Income as % of FPL)



Key takeaways

In this section we analyzed the potential impact of changes to the income eligibility threshold. Two results stand out: 1) the impact of lowering the income threshold will be unevenly distributed across states, affecting red states significantly more in terms of percentage drop in eligible households; 2) the impact will also be unevenly distributed across populations, and affect veterans and older adults significantly more than other historically disadvantaged groups.

In the next section, we analyze the impact of potential changes to the ACP eligibility criteria based on participation in SNAP, Medicaid and other safety net programs.

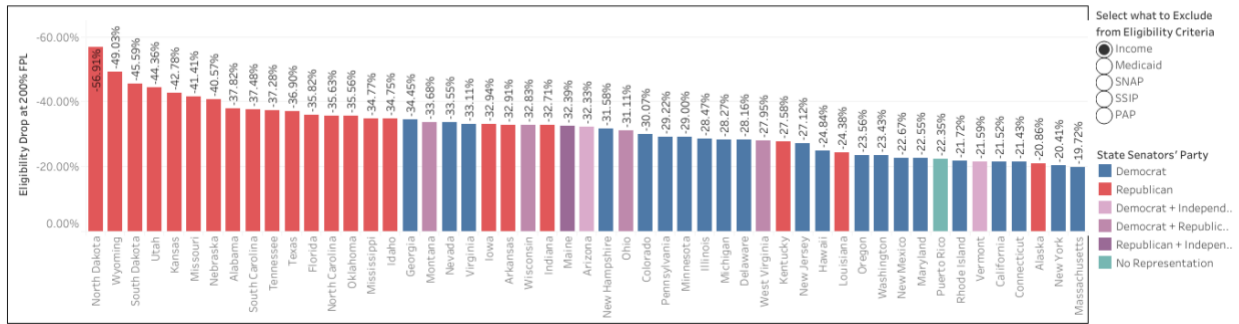
2. Analyzing the Impact of Potential Changes to Program-Based Eligibility

In the first section of this report on the future of the ACP program, we analyzed potential changes to the income threshold used to determine ACP eligibility. In this second, we turn our attention to potential changes to the eligibility criteria based on participation in social benefits programs such as Medicaid, Supplemental Nutrition Assistance (SNAP), Supplemental Security Income (SSI) and Public Assistance Income (PAP). In many ways, these potential changes would have broader impacts than changes to the income threshold since over 90% of ACP applications that go through the National Verifier use program participation rather than income to verify eligibility (see the most recent NV data here). This is unsurprising since program-based eligibility can be automatically verified through NV connections to federal and state program databases, thus reducing the administrative burden on potential recipients.

What would be the impact of dropping income-based eligibility altogether?

If ACP eligibility were solely based on participation in social benefits programs, our estimate is that the number of eligible households nationwide would drop by about 13%. This is similar in magnitude to the drop in eligible households that is estimated if the income threshold is lowered from the current 200% to 135% of the Federal Poverty Line (FPL). However, discontinuing income-based eligibility would disproportionately penalize states that have not expanded Medicaid (all of them red states as shown in the figure below): of the ten states with the largest relative decrease in the number of eligible households, half of them (Wyoming, Kansas, Alabama, South Carolina and Tennessee) are non-expansion states (see dashboard [here](#)).

Relative ACP Eligibility Decrease by State, Compared to Current Situation, if **Income** no Longer Determines Eligibility



What would be the impact if Medicaid or SNAP were no longer qualifying programs?

Conversely, if Medicaid were no longer used as a qualifying program, the impact would disproportionately fall on households in high-income, Democratic states. This is particularly true if the income threshold were kept at 200% of the FPL, whereas if the income threshold were lowered to 135% of the FPL the impact would be significantly larger (tripling in magnitude in several states) and more evenly distributed across red and blue states (see dashboard [here](#)).

Relative ACP Eligibility Decrease by State, Compared to Current Situation, if Medicaid no Longer Determines Eligibility

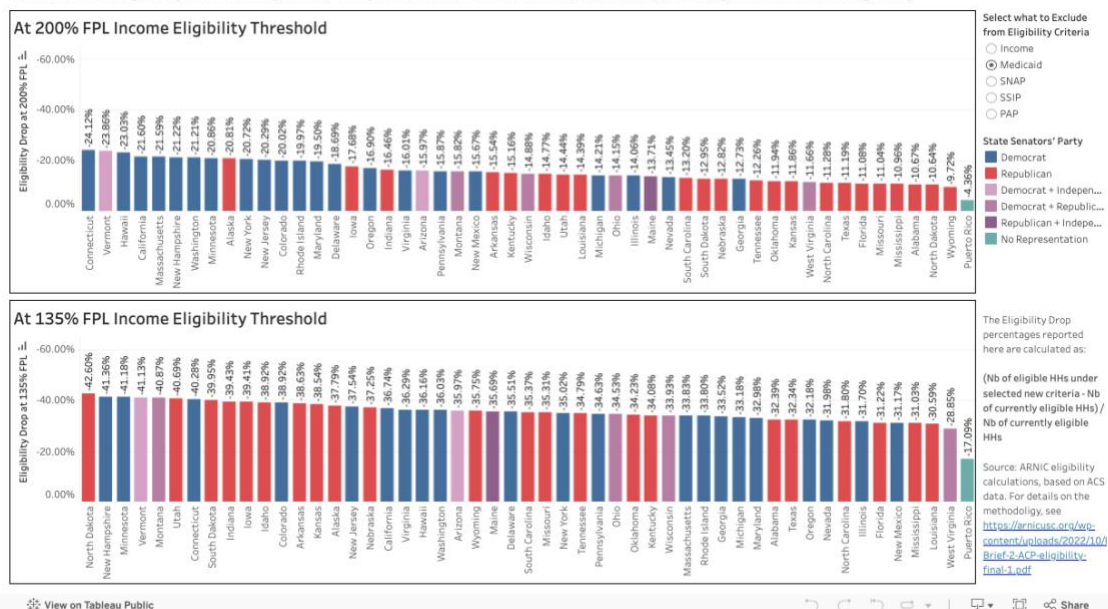


Figure 2. Relative decrease in ACP households by state without Medicaid-based eligibility

Participation in SNAP is the method most used by households to prove eligibility when applying to receive ACP, accounting for [38%](#) of qualification options. Interestingly, discontinuing SNAP as a qualifying program (while keeping the income threshold at 200% of the FPL) would have almost no effect on the number of eligible households (figure below). The most likely explanation is that these households would still be eligible on an income basis or because of participation in Medicaid or other qualifying programs (recent [research](#) by HHS shows that 84% of SNAP recipients also participated in other federal benefit programs). However, when combined with a reduction in the income threshold to 135% of the FPL, the impact of dropping SNAP would be very significant in states with low Medicaid participation (see dashboard [here](#)).

Relative ACP Eligibility Decrease by State, Compared to Current Situation, if SNAP no Longer Determines Eligibility

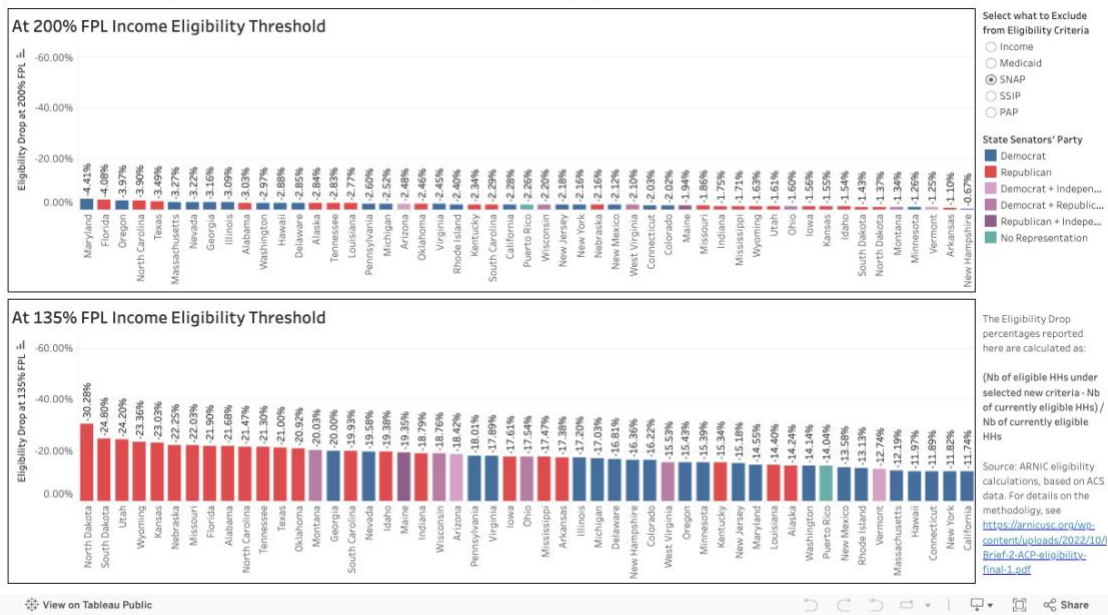


Figure 3: Relative decrease in ACP households by state without SNAP-based eligibility

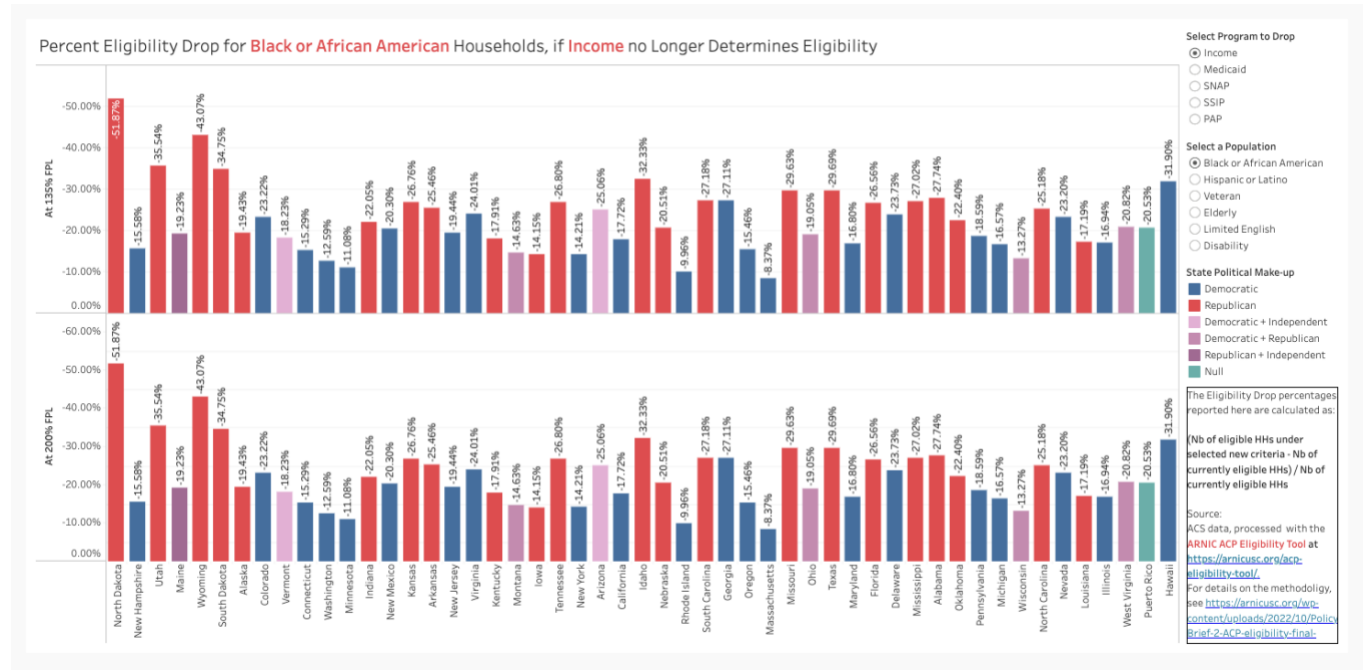
How would these potential changes impact disadvantaged populations?

Turning now to the impact on covered populations as defined in the IJA, if ACP eligibility were solely based on participation in social benefits programs (that is, if income-based eligibility was dropped), veterans and older adults would be affected the most, with about 1 in 3 currently eligible households where a member is a veteran or elderly no longer eligible for ACP. For other populations the relative impact would be somewhat smaller, with a decrease of about 20% in the number of eligible households.

The impact would nonetheless be very significant for specific groups in some states. For example, in Alabama and South Carolina, where Blacks represent about a quarter of the population, dropping income-based eligibility would result in a decrease of about 27% in the number of ACP-eligible Black households. In Texas, which is about 40% Hispanic, the same change would reduce the number of ACP-eligible Hispanic households by about a third.

The pattern is similar if SNAP were no longer used as a qualifying program, with the brunt of the impact on veterans and the elderly. When dropping Medicaid, however, a somewhat different pattern emerges. At the current income threshold of 200% of the FPL, the impact falls disproportionately on veterans (21% fewer households eligible), those that speak English “less than well” (18% decrease) and Hispanic households (17% decrease). If this is combined with a reduction in the income threshold to 135% of the FPL, the relative impact is much larger, and falls mostly on veterans (41% decrease in eligible households), older adults (35% decrease), Hispanics (34% decrease) and those that speak English “less than well” (34% decrease).

The figure below allows users to see the estimated impact of different potential changes to the ACP eligibility criteria on disadvantaged populations at the state level (dashboard [here](#)). To get started, select changes to the eligibility criteria and the subpopulation of interest on the right panel.



Key takeaways

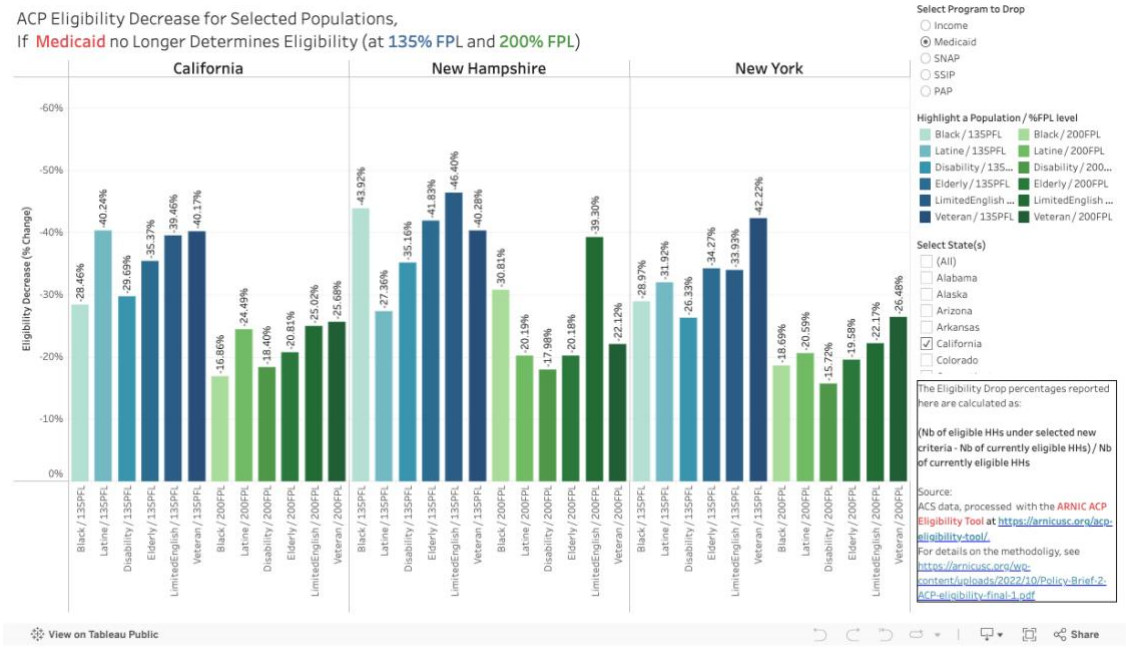
Any potential changes to the ACP eligibility criteria must be carefully assessed and calibrated due to negative impacts for eligibility among vulnerable households. In this section, we evaluate the impact of changes to ACP qualifying programs, with focus on the two most commonly used by applicants: SNAP and Medicaid. The key takeaway is that the level of participation in these programs at the state level largely determines the magnitude and type of impact. Further, combining changes in program-based eligibility with a lower income threshold would result in large drops in eligibility among some of the least connected groups, including veterans, older adults and Hispanic households.

Interactive tools to estimate the impact of changes to the ACP eligibility criteria

With this report, we are releasing several interactive tools that allow for further exploration of the impact of potential changes in ACP eligibility criteria. The [ACP Eligibility Tool](#) lets users specify various combinations of qualifying criteria, including any income level between 0% and 200% of the FPL and different social benefits programs. The results are estimates of the number of eligible households under the selected criteria for different geographies (states, counties, congressional districts, ZIP/ZCTAs, or Metropolitan Divisions). This tool also generates results for most covered populations as defined in the IJA, including older

adults, veterans, racial/ethnic minorities, people with disabilities and those than speak English “less than well.”

The [state-level dashboard](#) illustrates how this data can be visualized. The dashboard allows exploration of state-level results for covered populations. Users can select a combination of program criteria and population of interest to display the relative change in ACP eligibility, at two income levels – the current 200% FPL and 135% FPL—in one or several selected states. To get started, use the right panel to select one or more states, a population of interest, and the changes in ACP eligibility criteria.



3. Money matters: Estimating Cost-savings from Changes to the ACP Eligibility Criteria

A key concern among many policymakers is the long-term cost of the ACP program. In the third section, we examine this question and provide estimates about when funds will be exhausted and how much can be saved by lowering the income eligibility threshold.

The monthly growth in ACP-enrolled households has been consistent over the past several months at about 2.3%, while the average claim per enrolled household in the last 3 months (Aug-Oct) is about \$27.5/month. Assuming no major changes in these numbers, our projection is that ACP funds will be exhausted in 6 months, by the end of May 2024. This is consistent with other [projections](#) and speaks to the urgency of addressing funding needs for this important program.

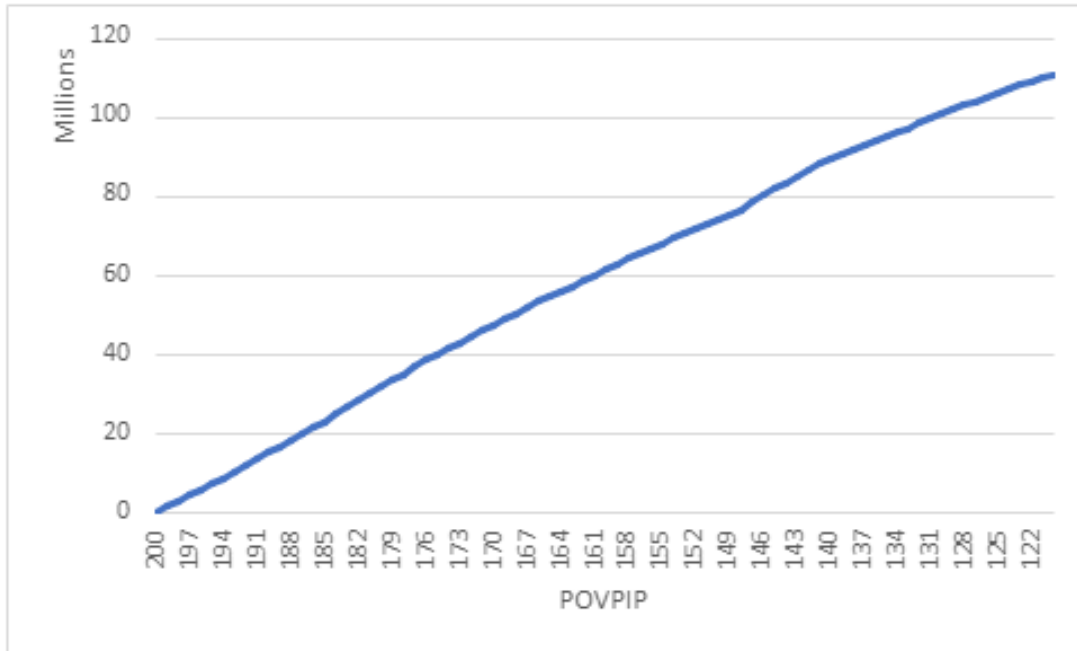
While monthly ACP expenditures are currently hovering around \$600M, there is concern among policymakers about the level of program spending. To inform these debates, we provide estimates of the reduction in monthly ACP spending that will result if the universe of eligible households is reduced by lowering the income eligibility threshold from the current level of 200% of the FPL.

This is how our estimates are obtained: we start by calculating the average claim per ACP subscriber reported by USAC over the January to September 2023 period. The average claim varies by state depending on the number of subscribers that are eligible for the enhanced benefit (up to \$75/month) available to households in Tribal lands. The data is averaged over this period to smooth the variation in monthly claim amounts observed in USAC data.

Second, for each state we estimate the number of households that will become ineligible if the income threshold is lowered from the current level of 200% of the FPL. Third, we multiply this number by the current participation rate to obtain an estimate of the number of participating households that will lose ACP benefits. Note this assumes that the participation rate is similar across income-to-poverty levels (in other words, that households at 185% of the FPL have similar uptake rates than households at 50% of the FPL). This is likely not the case as [research](#) shows that relatively better off households are more likely to participate in social programs, and means that we are probably underestimating the drop in ACP beneficiaries, thus underestimating the potential savings from a decrease in the income eligibility criteria. Finally, we multiply the change in number of beneficiaries by the average claim amount to obtain an estimate of the reduction in program spending at each level of FPL eligibility, starting at the current level of 200% up to 120% of FPL.

The results are presented below. As shown, the expected reduction in program spending is linear to the choice of income eligibility threshold. The line starts at zero, which corresponds to the current level of 200% of FPL. For example, if the income threshold is lowered to 150% of FPL, program spending is expected to decrease by about \$74.4M/month - a reduction of 12.3% from the current level of about \$600M/month. If the threshold is set even lower at 135% of FPL (the current standard for the Lifeline program), monthly spending drops by \$95.2M, which represents

a reduction of about 15.8% from current monthly expenditures. Note these projections are based on current ACP participation levels. As participation changes over time, so will monthly expenditures at each FPL level. The data is available [here](#).



To put these estimates in perspective, consider the Broadband Equity Access and Deployment (BEAD) program, another component of the IIJA that is funding the deployment of networks in underserved areas. The BEAD program received an appropriation of \$42.45 billion, and has an expected implementation timeline of five years, which translates to about \$8.5 billion per year. Lowering the ACP income eligibility threshold to 135% of FPL will reduce ACP program spending by about \$1.14 billion per year, which represents just 13.4% of expected annual spending through BEAD over the next five years.

In other words, lowering the income threshold results in spending cuts that are relatively modest compared to federal funding for network deployment through BEAD. Further, ACP and BEAD are two programs that must work hand-in-hand, so that households in areas that receive BEAD funding are in fact able to afford services and create value for network operators. Ultimately, lowering the ACP income eligibility threshold will reduce service affordability and risk the commercial viability of network operators that receive BEAD funding, while contributing little to reduce program spending in the long term.

About the project

This study is part of the Measuring the Effectiveness of Digital Inclusion Approaches (MEDIA) project, a research program that seeks to analyze broadband inclusion initiatives and provide evidence-based recommendations on how best to connect low-income households to broadband on a sustainable basis. The project is supported by The Pew Charitable Trusts and includes the California Emerging Technology Fund (CETF) as a key research partner. The views expressed herein are those of the author(s) and do not necessarily reflect the views of The Pew Charitable Trusts or the California Emerging Technology Fund.

Principal Investigators:

Dr. Hernan Galperin, Professor, USC Annenberg School for Communication and Journalism

Dr. François Bar, Professor, USC Annenberg School for Communication and Journalism

Research Assistance:

Angel Chavez-Penate, M.A. student, USC Viterbi School

Kyooeun Jang, doctoral student, USC Annenberg School for Communication and Journalism

Further inquiries:

Dr. Hernan Galperin

USC Annenberg School for Communication and Journalism

hgalperi@usc.edu

tel (+1) 213-821-1320

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