



COMMONWEALTH of VIRGINIA
DEPARTMENT OF SOCIAL SERVICES
Office of the Commissioner

Danny TK Avula MD, MPH
Commissioner


April 17, 2023

MEMORANDUM

TO: The Honorable Glenn Youngkin
Governor of Virginia

The Honorable Janet D. Howell
Chair, Senate Finance and Appropriations Committee

The Honorable Barry D. Knight
Chair, House Appropriations Committee

FROM: Danny TK Avula MD, MPH 

SUBJECT: Report on Reimbursement for Broadband Service Costs

This report is submitted in compliance with Item 350.G. of the 2022 Appropriation Act, which states:

G. The Department of Social Services shall design, for consideration by the 2023 General Assembly, a program that provides a fixed reimbursement, which shall not exceed \$15 monthly, for broadband service costs for select households currently participating in the Supplemental Nutrition Assistance Program. The reimbursement payments under the program shall be structured as a direct payment to a broadband provider selected by the qualifying program participant household, provided that the selected broadband provider offers a low-cost broadband service for low-income households within its service area in the Commonwealth. The department shall develop program guidelines in coordination with the Commonwealth Broadband Chief Advisor to govern eligibility for participation in the program and disbursement of program funds. The department shall report on the program design and structure, administrative cost estimates, program guidelines, and other relevant information

related to implementing the program to the Chairs of the House Appropriations and Senate Finance and Appropriations Committees by November 1, 2022.
Please contact me should you have questions at (804) 726-7011.

DK:kc
Attachment

cc: The Honorable John Littel, Secretary of Health and Human Resources

**Virginia Department of Social Services
Broadband Services Program
2022**

Executive Summary

This report is submitted pursuant to the 2022 Appropriations Act Item 350 G, requiring the Virginia Department of Social Services (VDSS) to design a program to provide fixed reimbursement for broadband service costs for select households currently participating in the Supplemental Nutrition Assistance Program (SNAP). The rate of reimbursement shall not exceed \$15 a month and shall be a structured direct payment to a broadband provider who offers a low-cost broadband service for low-income households in Virginia. Previously, the Department sought and received input from the former Commonwealth's Chief Broadband Advisor for this report.

Families in Virginia face distinct challenges to accessing broadband services, including lack of physical infrastructure and affordability of high speed internet service. There are federal programs in place to help support access to broadband services, but the subsidy amount is too low for many families to afford the service. Congress created additional subsidies in the various COVID-19 relief packages, but the vast majority of those subsidies have already ended or will end by 2023.

Virginia can design a program to subsidize broadband connectivity for low-income Virginians either with or without significant ongoing state general funds by investing in capacity at VDSS to operate, with input from the Office of Broadband at the Department of Housing and Community Development, the federal broadband subsidy program on behalf of the federal government. This approach could improve access and increase enrollment among low-income Virginians.

The estimated one-time costs for program and Information Technology system development would be \$3,394,000, with an ongoing need for three positions requiring \$328,078 new dollars annually, to bring more than \$130 million in federal benefits to Virginia households currently unable to afford broadband connectivity.

While our report last year recommended funding of a program in the Commonwealth, after careful consideration, VDSS has decided against requesting funding, as this program is unnecessary at this time due to the following: 1) the amount of funds already provided for additional broadband expansion, including the \$65 billion in funds being distributed through the Infrastructure Investment and Jobs Act of 2021; and 2) the creation of many new state and local programs to increase broadband access. Over the past year, VDSS has relayed information about the Affordable Connectivity Program through emails, social media, and the VDSS public website. VDSS will continue to make this information available to encourage participation in the numerous programs already available to address the need for affordable broadband connectivity.

**Virginia Department of Social Services
Broadband Services Program
2022**

Report Mandate

This report is submitted pursuant to the Item 350.G. of the 2022 Appropriations Act, requiring VDSS to design a program to provide fixed reimbursement for broadband service costs for select households currently participating in the Supplemental Nutrition Assistance Program (SNAP).

G. The Department of Social Services shall design, for consideration by the 2023 General Assembly, a program that provides a fixed reimbursement, which shall not exceed \$15 monthly, for broadband service costs for select households currently participating in the Supplemental Nutrition Assistance Program. The reimbursement payments under the program shall be structured as a direct payment to a broadband provider selected by the qualifying program participant household, provided that the selected broadband provider offers a low-cost broadband service for low-income households within its service area in the Commonwealth. The department shall develop program guidelines in coordination with the Commonwealth Broadband Chief Advisor to govern eligibility for participation in the program and disbursement of program funds. The department shall report on the program design and structure, administrative cost estimates, program guidelines, and other relevant information related to implementing the program to the Chairs of the House Appropriations and Senate Finance and Appropriations Committees by November 1, 2022.

Nature of the Digital Divide

There are two distinct challenges that contribute to the digital divide: households unserved by broadband because of a lack of physical infrastructure (accessibility) and households unserved by broadband because they cannot afford to pay for high-speed internet service (affordability). There are many communities in Virginia where broadband infrastructure exists but service is out of reach because of the cost. In a 2020 study, the State Council of Higher Education for Virginia (SCHEV) estimated that nearly 40% of students living in urban areas lack access to the internet, likely because their household cannot afford it.

The Federal Communications Commission (FCC) recognized the affordability portion of the digital divide, and in 2015 added broadband internet service as an option to Lifeline – a government program that provides subsidies for low-income families who need phone service. At a monthly subsidy rate of \$9.25 and without all Virginia internet service providers (ISP) participating in the program, Lifeline has had a limited impact for those who cannot afford broadband. Families struggling to put food on the table and pay for housing have little or no discretionary income to pay for high-speed internet, and a \$9.25 subsidy cannot fill this gap.

To be eligible for the Lifeline program, a household must have income below 135% of the federal poverty threshold or be a participant in SNAP, Medicaid, SSI, or receive federal public housing assistance.

Federal Broadband Subsidy Efforts

Like other government assistance programs, the COVID-19 pandemic drastically changed broadband subsidies. The society-wide shift to online work and online learning in 2020 elucidated the demand for broadband and the affordability crisis, and it became apparent the \$9.25 monthly rate of Lifeline was insufficient. In response, late in 2020, Congress established the \$3.2 billion, FCC-administered Emergency Broadband Benefit (EBB) program implemented by the same entity on behalf of the FCC, the Universal Service Administrative Company (USAC) as the Lifeline program EBB, which launched in May 2021, provided a \$50-a-month subsidy for eligible households for broadband service. Households were qualified for EBB if at least one member of the household:

- Qualified for the Lifeline Program
- Had been approved for free and reduced price lunch or breakfast
- Had experienced a substantial loss of income through unemployment
- Had received a Federal Pell Grant
- Had gross household income at or below 135 percent of the federal poverty level.
- Met eligibility criteria for a participating ISP existing low-income or COVID-19 program

By December 2021, when the EBB program was replaced by the Affordable Connectivity Program (ACP), the EBB program had served over 9 million households; yet, the program was inadequate at addressing the affordability digital divide in a meaningful fashion. A report by the Benton Institute for Broadband & Society showed that only one in twelve eligible households were enrolled in the EBB program¹. The lack of participation was attributed to two major factors. First, households seeking to participate in EBB must proactively enroll through their ISP or directly with the USAC. If a household cannot afford broadband, then it is unlikely they will engage an ISP. Additionally, low-income households needing assistance seek out VDSS or their local department of social services (LDSS). Having this benefit offered directly by a federal entity with limited capacity for outreach, no physical presence in the Commonwealth, and a complex application process inhibits program awareness and participation. Second, like the Lifeline program, not all ISP are participating, meaning that some households that find out about the program and seek to sign up are unable because their only ISP is not participating.

The \$3.2 billion budget for EBB was exhausted in 2021. The Infrastructure Investment and Jobs Act did not extend the EBB, but it created a permanent ACP with a starting budget of \$14.2 billion. (In total, the Act included distributed \$65 billion for increasing access to broadband.) The new program reduced the monthly subsidy rate to \$30 per month and streamlined the program operations by providing a voucher for eligible households to use on an internet service of their choice, instead of the EBB model of the FCC reimbursing participating ISP. Eligibility for the new

program was broadened from EBB, adding the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) to the list of qualifying programs and moving household

income eligibility from 135 percent of the federal poverty level to 200 percent. The two factors that limited participation in the EBB program – onus on the household to enroll through a federal entity and voluntary participation of an ISP – remain in the new ACP.

Subsidy Program Design and Parameters

The Commonwealth has an opportunity to create a high-impact state broadband subsidy program by seeking a waiver from the FCC to implement its broadband subsidy program through VDSS, instead of the USAC. By housing the program at VDSS, households on SNAP and Medicaid could automatically be enrolled, immediately expanding participation among eligible households.

Additionally, because VDSS knows where SNAP and Medicaid participants live, VDSS, in partnership with the Office of Broadband at the Department of Housing and Community Development, can work directly with an ISP to demonstrate demand and estimate the amount of subsidy, enabling the private market to reduce risk, more efficiently connect eligible households, and expand its broadband footprint.

With federal waiver approval from the FCC, the Virginia Digital Equity Fund would draw down the federal subsidy funds based on the number of eligible participants enrolled by VDSS. Additional state funds or funds from other sources could supplement these federal dollars, increasing the subsidy amount for each household or targeting increases in communities with higher than average broadband costs or targeting households with the lowest incomes. FCC Senior Staff have already shown interest in the idea based on initial discussions.

Drawing on the budget language directing this study, using the 450,198 SNAP households as an estimate of the base population for service, one can estimate Virginia's share of the federal program budget would be approximately \$100 million to \$130 million. If Medicaid were used for the estimation, then this amount would increase significantly. In order to facilitate the drawdown of these federal dollars and implementation of this subsidy in Virginia, VDSS would need state general funds to cover the administrative costs of developing and administering the program.

Once equipped with funding, VDSS would solicit the internet status from SNAP and Medicaid households and begin outreach to all Virginia ISP to entice participation in the program. The Virginia Digital Equity Fund will likely have more success at recruiting an ISP than federal programs for several reasons: 1) VDSS would aggregate households in bulk for each ISP (some of which might not currently have service) and provide more paying customers than traditional subsidies, 2) VDSS is a reliable payer and an ISP could deal with a single entity instead of individually enrolling participating households, and 3) the Commonwealth has strong relationships with most Virginia ISP.

One benefit to aggregating households is the ability to leverage increased demand to lower broadband rates. Previously, many ISP did not provide a service plan for \$30 a month or a specific low-cost plan. However, this trend has changed with the development of many new programs (state, local, and provider) that offer low-cost plans. There could be increased change if VDSS required such a low-cost option in order to participate in the Virginia Digital Equity Program. The opportunity to reliably receive \$30 a month for hundreds or thousands of households, many of which would be new customers, at little effort or cost to the ISP would be persuasive.

Program Operations

The Virginia Digital Equity Fund would be administered by VDSS and VDSS would likely be required to serve the same eligible population as the EBB and not be limited to only SNAP households. Launching the program would require two business analysts to manage data, develop program policy, develop outreach material, conduct outreach and prepare reports. Fiscal and other agency staff working on the program would be charged through indirect costs. There will also be costs for IT systems development and maintenance.

Each month, VDSS would send a payment on behalf of the enrolled participants to their respective ISP. The payment process details would be determined once all ISP are identified, and funding streams are finalized.

Program Outreach

Program outreach would begin with SNAP and Medicaid households. Targeted households would receive a survey and promotional materials to identify all ISP in the Commonwealth that would potentially participate and advertise the program. The Commonwealth's broadband office can also identify all participating ISP by locality and ensure that they are ready to serve customers. Once the program is established and initial participants enrolled, additional recruitment would begin, if needed. The program would be added to the combined application for benefits used by VDSS to and would also be available for households that do not apply for any other benefits.

Cost Projections

- Least cost scenario
Serve 275,000 SNAP households at \$30 monthly subsidy = 99,000,000 total annual budget
 - \$49,500,000 sourced from FCC for subsidization
 - \$49,500,000 sourced from state general fund

- Recommended funding source
Serve 450,198 SNAP and Medicaid households at \$30 monthly rate = \$162,071,280 total annual budget
 - \$125m sourced from FCC for subsidization
 - \$23m sourced from state general fund for administrative and outreach purposes

- Full-service scenario
Serve 450,198 SNAP and Medicaid households at \$50 monthly rate = \$270,118,800 annual budget
 - \$139m sourced from FCC for subsidization
 - \$131m sourced from state general fund for subsidization, administrative and outreach purposes

- Additional costs for all scenarios
 - One time IT cost \$3,394,000
 - IT costs \$500,000 annually
 - Staffing Costs \$328,078 annually
 - Indirect Costs \$144,000

Conclusion

Over the past few years, there has been significant increases in funding to expand access to broadband service. This includes funding for several state and local programs, including an Office of Broadband that was established at the Department of Housing and Community Development, in addition to the \$65 billion in funds distributed through the Infrastructure Investment and Jobs Act of 2021. Additionally, many internet providers, such as Comcast, have created or expanded their low-cost broadband access programs and are regularly advertising these programs to their customer base. As such, VDSS will not request funding to establish a broadband program that would be duplicative of these other programs. VDSS will continue to promote the Affordable Connectivity Program through emails, social media, and their public website. VDSS can also consider promoting other state and local programs in the future.