

Date of Hearing: July 10, 2019

ASSEMBLY COMMITTEE ON COMMUNICATIONS AND CONVEYANCE

Miguel Santiago, Chair

SB 704 (Bradford) – As Amended July 2, 2019

SENATE VOTE: 27-7

SUBJECT: Telecommunications: Moore Universal Telephone Service Act

SUMMARY: Makes various changes to the California LifeLine Program. Specifically, **this bill:**

- 1) Requires the California Public Utilities Commission (CPUC), by July 1, 2020, in an existing proceeding, determine whether a lifeline telephone service subscriber shall be permitted an additional lifeline subscription for broadband services. The CPUC shall issue a decision in the proceeding by no later than July 1, 2022.
- 2) Requires the CPUC, by July 1, 2020, as part of an existing proceeding, to update the lifeline program to address, at a minimum, all of the following:
 - a) Allowing subscribers to enroll directly online using an electronic signature;
 - b) Allowing each lifeline subscriber to complete the subscriber's annual recertification of eligibility online using an electronic signature and verify their identity using personally identifiable information on file with the third-party administrator without using a CPUC-issued personal identification number (PIN); and,
 - c) Allowing subscribers to recertify through an interactive voice response system.
- 3) Requires the CPUC, by July 1, 2021, as a part of an existing proceeding, to adopt updated rules for the lifeline program that reflect specified program updates and include, at a minimum, all of the following:
 - a) Methods for increasing enrollment, participation, and renewal in the lifeline program by eligible low-income individuals commensurate with participation and renewal rates in other public purpose programs administered by the CPUC, such as the California Alternative Rates for Energy program;
 - b) Methods for increasing the utilization of community-based or nonprofit organizations, as well as public agencies, to enroll subscribers in the lifeline program;
 - c) Methods for increasing participation in the lifeline program by members of the vulnerable or disadvantaged groups, as specified; and,
 - d) Consideration of methods to phase out the use of for-profit third-party originators to enroll subscribers.

- 4) Requires the CPUC to do all of the following:
 - a) Develop, in consultation with the Department of Corrections and Rehabilitation (CDCR), an outreach and enrollment program for the formerly incarcerated as a part of CDCR's reentry services; and,
 - b) Develop, in consultation with the Department of Veterans Affairs (CalVet), an outreach and enrollment program for veterans.
- 5) Requires the CPUC to accept, for enrollment purposes, identification issued to eligible inmates released from state prisons and identification issued to eligible juvenile offenders released from a state juvenile facility, as specified.
- 6) Requires the CPUC, in addition to any other proof of identification required for enrollment in the lifeline program, to consider accepting, for enrollment purposes, alternative forms of identification to increase participation in the lifeline program by members of vulnerable or disadvantaged groups, as specified.
- 7) Authorizes the CPUC to establish enrollment criteria to increase participation by formerly incarcerated individuals that reflect the distinct challenges they encounter upon release from a juvenile facility, state prison, or other such facility.
- 8) Requires the CPUC and the Department of Social Services (CDSS) to develop and enter into a memorandum of understanding or an interagency agreement by July 1, 2020 that shall, at a minimum, require CDSS to share with the CPUC, to the extent authorized by federal law, on a recurring, nonrecurring, or real-time basis as needed by the CPUC, all of the following:
 - a) Whether or not a particular individual is enrolled in a particular public assistance program administered by CDSS;
 - b) Whether or not a particular individual's income is at or below a certain percentage of the federal poverty guidelines;
 - c) Information from its databases necessary to verify information received on a lifeline application; and,
 - d) A list of participants in public assistance programs administered by CDSS that is relevant to their enrollment or potential enrollment in the lifeline program.
- 9) Requires the CPUC and the Department of Health Care Services (DHCS) to develop and enter into a memorandum of understanding or an interagency agreement by July 1, 2020, that shall, at a minimum, require DHCS to share with the CPUC, to the extent authorized by federal law, on a recurring, nonrecurring, or real-time basis as needed by the CPUC, all of the following:
 - a) Whether or not a particular individual is enrolled in a particular public assistance program administered by DHCS;

- b) Whether or not a particular individual's income is at or below a certain percentage of the federal poverty guidelines;
 - c) Information from its databases necessary to verify information received on a lifeline application; and,
 - d) A list of participants in public assistance programs administered by DHCS that is relevant to their enrollment or potential enrollment in the lifeline program.
- 10) Makes conforming changes to the definition of "adult" to mean any person 18 years of age or older, and "economic unit" to mean all adult individuals contributing to and sharing in the income and expenses of a household for purposes of determining program eligibility.
- 11) Redefines a "household" for the purposes of determining Lifeline eligibility as any group of individuals, including the subscriber, who are living together at the same address and as one economic unit. A household may include related and unrelated persons. If an adult has no, or minimal, income and lives with someone who provides financial support to that adult, both persons shall be part of the same household. A child under 18 years of age and living with a parent or guardian shall be part of the same household as the parent or guardian.
- 12) Requires a lifeline telephone service subscriber to be provided with one lifeline subscription, as defined by the CPUC, per household and no other member of that household is eligible for lifeline telephone service, except as specified. A lifeline telephone service subscriber is eligible for lifeline service at only one address.
- 13) Specifies that multiple lifeline telephone service subscribers may maintain the same address if they are not of the same household.
- 14) Authorizes multiple Lifeline subscriptions at the same address if the subscribers are not part of the same household, as specified.
- 15) Specifies that a lifeline telephone service subscriber who is any of the following shall be provided with one lifeline subscription, as defined by the CPUC and additional to the subscription of any other member of the household, so long as the subscriber is eligible for lifeline service:
- a) A foster youth;
 - b) Formerly incarcerated;
 - c) A Native American;
 - d) A veteran;
 - e) Deaf;
 - f) Disabled; or,

- g) A member of another vulnerable or disadvantaged group commonly presenting complex guardianship or household compositions that would benefit from inclusion in the lifeline program, as determined by the CPUC.

EXISTING LAW:

- 1) Establishes the Moore Universal Telephone Service Act to achieve universal service by making basic telephone service affordable to low-income households through the creation of a lifeline class of service. Requires the CPUC and telephone corporations to employ every means to ensure that every qualified household is informed and afforded the opportunity to subscribe to the service. (Public Utilities Code (PUC) Section 871 et seq.)
- 2) Defines “household” for lifeline eligibility determination to mean a residential dwelling that is the principal place of residence of the lifeline telephone service subscriber, and excludes any industrial, commercial, or other nonresidential building. (PUC Section 872)
- 3) Requires a lifeline telephone service subscriber to be provided with one lifeline subscription, as defined by the CPUC, at his or her principal place of residence, and no other member of that subscriber’s family or household who maintains residence at that place is eligible for lifeline telephone service. An applicant for lifeline telephone service may report only one address in this state as the principal place of residence. (PUC Section 878)
- 4) Requires the CPUC to annually do all of the following:
 - a) Designate a class of lifeline service necessary to meet minimum communications needs;
 - b) Set the rates and charges for that service;
 - c) Develop eligibility criteria for that service; and,
 - d) Assess the degree of achievement of universal service, including telephone penetration rates by income, ethnicity, and geography. (PUC Section 873)
- 5) Specifies that the lifeline telephone service rates and charges shall be as follows:
 - a) In a residential subscriber’s service area where measured service is not available, the lifeline telephone service rates shall not be more than 50 percent of the rates for basic flat rate service, exclusive of federally mandated end user access charges, available to the residential subscriber; and,
 - b) In a residential subscriber’s service area where measured service is available, the subscriber may elect either of the following:
 - i) A lifeline telephone service measured rate of not more than 50 percent of the basic rate for measured service, exclusive of federally mandated end user access charges, available to the residential subscriber; or,

- ii) A lifeline flat rate of not more than 50 percent of the rates for basic flat rate service, exclusive of federally mandated end user access charges, available to the residential subscriber. (PUC Section 874)
- 6) Requires the CPUC to require every telephone corporation providing telephone service within a service area to file a schedule of rates and charges providing a class of lifeline telephone service. Every telephone corporation providing service within a service area shall inform all eligible subscribers of the availability of lifeline telephone service, and how they may qualify for and obtain service, and shall accept applications for lifeline telephone service according to procedures specified by the CPUC. (PUC Section 876)

FISCAL EFFECT: Unknown. This bill has been keyed fiscal by the Legislative Counsel.

COMMENTS:

- 1) **Author's Statement:** According to the author, "SB 704 delivers timely updates to the LifeLine Universal Service program to better fulfill its mission: ensuring all Californians, especially low-income and disadvantaged families, have access to basic telecommunications service in our modern, technology-dependent society. This includes overdue program updates that will lower unnecessary barriers to enrollment and re-enrollment, as well as improve the program's ability to provide essential services to vulnerable, already-eligible populations.
- 2) **Background:** The CPUC is tasked with developing and implementing programs to advance universal service. Universal service means that a minimum level of telecommunications service is available to everyone at a reasonable rate. The CPUC implements a number of public programs to promote universal service, including the California High Cost Fund-A, the California High Cost Fund-B, the California LifeLine Program, the California Teleconnect Fund, the California Advanced Services Fund, and the California Deaf and Disabled Telecommunications Program.

Such universal service programs are generally developed to provide support either for providers in areas of the state where it might not make economic sense to provide telecommunications services to certain areas, such as rural, remote, and sparsely populated areas; or support for individuals who otherwise might struggle to access affordable telecommunications services, such as low income, deaf and disabled, or individuals living in or serving disadvantage communities and institutions.

The universal service programs are funded through a surcharge on each customer's phone bill for intrastate telecommunications services. The surcharge for each program is typically adjusted on an annual basis to ensure adequate funding to cover carrier claims and administrative costs. As of February 2019, the total surcharge for all universal service programs is 6.94 percent of each customer's phone bill for intrastate telecommunications service.

- 3) **California LifeLine Program:** The California LifeLine Program was created in 1984 to provide access for low-income households to affordable basic residential telephone service. The California LifeLine Program helps consumers lower the cost of their phone bills by providing discounts for home phone and cell phone service to qualified California residents. The California LifeLine Program works in conjunction with the federal LifeLine program

which provides an additional discount on phone service for qualifying low-income subscribers. Together each program participant can currently receive a monthly maximum discount of \$13.75 from the California LifeLine Program in addition to a monthly maximum discount of \$9.25 from the Federal LifeLine Program. As of September 2018, the surcharge for Universal Lifeline Telephone Service is 4.75 percent of each customer's phone bill for intrastate telecommunications service.

To qualify for LifeLine, individuals must be enrolled in certain public assistance programs, such as, Medicaid/Medi-Cal; Supplemental Security Income; CalFresh, Food Stamps or Supplemental Nutrition Assistance Program; Women, Infants and Children Program; National School Lunch Program, among others. In addition, individuals may also qualify if their household's total annual gross income is at or below 135 percent of the federal poverty level.

- 4) **LAO Report:** As part of the 2018-19 budget, the Legislature directed the Legislative Analyst's Office (LAO) to review the LifeLine program budget estimates and make recommendations on how the CPUC could improve the accuracy of the estimates, as well as assess and make recommendations about ways to improve participation in the program. The LAO report noted that only about 40 percent of eligible households are enrolled in the program. The report found that there were several reasons why eligible households might not participate in the program, including that households might be unaware of the program or need to renew; prefer a non-LifeLine telephone plan or carrier; or have difficulty completing the enrollment and/or renewal process. The report recommended the Legislature direct the CPUC to conduct a formal evaluation of the major reasons why eligible households do not enroll in the program, and to wait for the results of such an evaluation before directing the CPUC to make major changes to the program. However, the report also noted that the Legislature could consider adopting other changes that appear to be relatively low cost and that are likely to have some enrollment benefits.

This bill makes various changes to the California LifeLine Program that are consistent with many of the recommendation made in the LAO's report. The bill requires the CPUC to update the program in an existing proceeding by July 1, 2020, to allow subscribers to enroll online using an electronic signature; to recertify using personal information already on file with a third party administrator, and to recertify through an interactive voice response system. The bill also requires the CPUC in an existing proceeding, by July 1, 2021, to adopt updated program rules that include methods to increase participation by eligible individuals, including low-income and members of the vulnerable or disadvantaged groups, increase the utilization of community-based or nonprofit organizations, and develop methods to phase out the use of for-profit third-party originators.

- 5) **Veterans & the Formerly Incarcerated Population:** Veterans and the formerly incarcerated population represent a critical group of individuals who may benefit from Lifeline and other public assistance programs. California is home to approximately 1.8 million veterans; more than any other state. In January 2016, the U.S. Department of Housing and Urban Development reported that 40,000 of the nation's homeless were veterans, and 24 percent of them live in California. Of that, 58 percent of California's homeless veterans were unsheltered. Veterans returning to civilian life face a myriad of barriers to employment, including mental health challenges and access to affordable housing. In addition, providing

resources to formerly incarcerated individuals is critical to furthering the goal of reducing recidivism rates in the State.

Certainly Lifeline can help reduce the cost of accessing telecommunications services, especially for those who may have limited incomes or may not have stable housing. Access to affordable telecommunications services not only provides individuals with a means of communications in emergencies, but with the evolution of telecommunications services to include wireless and broadband technology, it also serves as a means for individuals to access additional support and resources.

This bill requires the CPUC to develop an outreach and enrollment program with CDCR and CalVet to increase participation in the lifeline program from veterans and the formerly incarcerated. In addition, this bill requires the CPUC to accept alternative forms of identification issued to released inmates or juvenile offenders for enrollment purposes. The bill requires the CPUC to consider accepting alternative forms of identification to increase participation in the lifeline program by members of the vulnerable or disadvantaged groups, and authorizes it to establish enrollment criteria to increase participation by formerly incarcerated individuals. Furthermore, this bill requires the CPUC to develop and enter into an agreement with CDSS and DHCS that would require the departments to share specified information with the CPUC to assist it in increasing participation in the lifeline program.

- 6) **Household Eligibility:** In 2010, the Legislature passed AB 2213 (Fuentes), Chapter 381, Statutes of 2010, which among other things, specified that a lifeline subscriber can only have one lifeline subscription at their principle place of resident, and no other member of that subscribers family or household is eligible for lifeline service. Since then, Lifeline has expanded to include other communications services, such as wireless telephone and broadband services. As the program evolved so too did the federal definition of a “household” for purposes of determining program eligibility.

The CPUC currently limits Lifeline subscription to one per household, with households being an individual or group of individuals who are living together at the same address as one economic unit. An economic unit consists of all adult individuals contributing to and sharing in the income and expenses of a household. While the federal definition of “household” has changed to recognize more complex co-housing and living arrangements therefore enabling multiple lifeline subscribers to share the same address, the state definition has not.

This bill makes conforming definitional changes to program for the purposes of determining eligibility which would allow multiple lifeline subscribers to live at the same address but are not part of the same household. By providing clarity as to whether otherwise eligible individuals with the same address who function as separate households may have separate Lifeline subscriptions, this bill could help increase participation in the program by uniquely vulnerable and disadvantaged populations, such as veterans or the formerly incarcerated who may reside in veteran homes or halfway houses until they are able to earn enough income to resident on their own.

- 7) **Arguments in Support:** According to The Greenlining Institute, “SB 704 will facilitate increased program participation among low-income families, including many household of color. Additionally, the bill will make it easier for populations who have struggled to participate in the program - including foster youth, veterans, and formerly incarcerated

individuals – to take advantage of the benefits offered by the LifeLine program. But many Californians continue to cite affordability as a barrier to getting telephone service. SB 704 will help ensure that every Californian has access to the educational and employment opportunities that are essential for thriving in today’s economy.”

- 8) **Previous Legislation:** AB 2652 (Quirk) of 2018 requires the CPUC to adopt a portability freeze and a rule to improve the cost-effectiveness of the delivery of the California LifeLine Program. *Status: Vetoed by the Governor.*

AB 3111 (E. Garcia) of 2018 required the CPUC, in consultation with CDCR and CalVet, to develop outreach and enrollment programs for the California LifeLine Program for the formerly incarcerated and veterans. *Status: Died in the Assembly Committee on Appropriations.*

AB 2570 (Quirk) of 2016 required the CPUC to adopt a portability freeze rule for the California LifeLine Program that limits the ability of subscribers to change services. *Status: Chaptered by the Secretary of State, Chapter 577, Statutes of 2016.*

AB 2213 (Fuentes) of 2010 replaced the definition of “residential” for California’s low-income residential telephone service with a definition of “household” and defines household as a residential dwelling that is the principal place of residence of the lifeline telephone service subscriber. *Status: Chaptered by the Secretary of State, Chapter 381, Statutes of 2010.*

REGISTERED SUPPORT / OPPOSITION:

Support

iFoster
The Greenlining Institute

Opposition

None on file.

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