

Date of Hearing: April 19, 2023

ASSEMBLY COMMITTEE ON COMMUNICATIONS AND CONVEYANCE

Tasha Boerner Horvath, Chair

AB 1231 (Santiago) – As Amended April 7, 2023

SUBJECT: Telecommunications: combining lifeline, federal lifeline, and federal Affordable Connectivity Program subsidies

SUMMARY: This bill would require the California Public Utilities Commission (CPUC) to allow lifeline telephone service subscribers to combine Lifeline, California Lifeline, and Affordable Connectivity Program (ACP) subsidies on the same service line to provide a more robust voice and broadband plan. The bill would also prohibit the CPUC from disallowing any portion of California Lifeline payment to a service provider based on the combination of subsidies. Specifically, **this bill:**

EXISTING LAW:

- 1) Establishes the California Lifeline program by requiring the CPUC to create a class of Lifeline service needed to meet basic communications needs, set rates and charges for the Lifeline program, develop eligibility criteria, and assess progress towards universal service goals, including access to telephone service by income, ethnicity, and geography. Existing law clarifies that minimum communications needs include the ability to make phone calls and access electronic information services. (Public Utilities Code §873)
- 2) Authorizes the CPUC to establish procedures necessary to ensure that the California Lifeline program qualifies for any federal funds available for support of those programs. (Public Utilities Code § 875)
- 3) Establishes that eligible telecommunications carriers shall be eligible to receive specific federal universal telephone service support. (47 U.S. Code § 254)
- 4) Establishes the Affordable Connectivity Program, under the administration of the Federal Communications, which provides a \$30 broadband subsidy to eligible households and a \$75 broadband subsidy to eligible tribal households. (Infrastructure Investment and Jobs Act. Public Law 117–58)

FISCAL EFFECT: Unknown.

COMMENTS:

- 1) *Federal Lifeline and California Lifeline Program.* The federal Lifeline program is a federal universal service program established by the Federal Communications Commission (FCC) that helps make communications services more affordable for low-income consumers. First established in 1985, the program provides subsidies to low-income households to lower the cost of service. The California Lifeline program was enacted in 1987 to “offer high quality basic telephone service at affordable rates to the greatest number of California residents.” The California Lifeline program is administered by the California Public Utilities Commission (CPUC) and funded through telephone user surcharges. California Lifeline is a state program, therefore the Legislature and CPUC have the authority to set the parameters of

the program. Nonetheless, under existing law and Commission precedent, the CPUC aligns the California Lifeline program with the federal Lifeline program to maximize funding and consumer benefits.

Over time, as technologies have evolved, both the federal and state governments have expanded the purposes of the Lifeline programs to offer additional basic communications services, including basic wireless and broadband services. For example, in 2016 the FCC modified federal Lifeline support levels to shift support from voice services to broadband services. Under current FCC rules, federal Lifeline support has been eliminated as of December 1, 2021 for plans that do not meet the FCC's broadband standards. Nonetheless, California has continued to provide subsidies for basic telephone service and the CPUC uses California Lifeline funds to backfill reduced federal support for basic telephone service.

- 2) *Affordable Connectivity Program*. In February 2021 the FCC adopted the Emergency Broadband Benefit Program (EBB) Report and Order to support broadband services and connected devices to help low-income households stay connected during the COVID-19 pandemic. The EBB was a temporary program that provided up to a \$50 per month subsidy for broadband service, either standalone or bundled. Standalone broadband service is a subscription type that is not tied to any other service, whereas bundled service is tied to other types of service like home telephone or wireless telephone.

The 2021 Infrastructure Investment and Jobs Act (IIJA) replaced the EBB with the permanent Affordable Connectivity Program (ACP). The ACP provides a discount of up to \$30 per month for broadband services to qualifying households and a discount of \$75 per month for households on qualifying Tribal lands. Californians who meet the eligibility requirements for California Lifeline and federal Lifeline are also eligible for ACP. Federal Lifeline participants may apply the ACP discount to their service plan, resulting in a total federal subsidy of \$39.25 for a qualifying wireless or wireline broadband service plan.

- 3) *California consumers may utilize all three programs at the same time, but not on the same service line*. Supporters of this bill purport that its provisions would enable low-income Californians to “stack”, or combine, the Lifeline programs with the ACP. However, the underlying issue is not so simple and, nonetheless, existing regulations permit eligible households to utilize all three programs concurrently. The specific exception this bill seeks to eliminate is for combining all three benefits onto the same wireless plan. Under a CPUC decision from 2022, the agency adopted regulations that prohibit provider reimbursement for Lifeline plans where the combined federal Lifeline and ACP benefit of \$39.25 are sufficient to cover the cost of basic service. Described differently, the CPUC's decision preserves California Lifeline program funds where federal funds can instead be utilized to cover the plan.

To demonstrate how the programs currently work in practice, consider these two scenarios. In Scenario 1, a Lifeline customer wishes to enroll in two separate plans: a wireless Lifeline plan (which includes a 6 gigabyte data cap) and wireline home internet. The customer in Scenario 1 would be eligible to use the federal Lifeline and California Lifeline program to cover the full cost of their Lifeline plan, and could use the \$30 ACP benefit to help cover the cost of their second home internet plan. In Scenario 2, the customer only wishes to enroll in a wireless Lifeline plan. In Scenario 2, the federal Lifeline benefit and the ACP benefit would

be applied to cover the full amount of that customer’s bill; the California Lifeline benefit could not be applied.

- 4) *Few states provide supplemental support, and none as generous as California.* Supporters of this bill claim that California is the only state that does not allow wireline and wireless consumers to combine state Lifeline, federal Lifeline, and ACP subsidies to one service plan. First, it is important to note that few states provide supplemental Lifeline support and none are as generous. According to the CPUC, California provides the highest supplemental state subsidies for federal Lifeline services in the nation, up to \$16.23 per month in supplemental support. See the table below for comparisons of California Lifeline support with additional state support offered by other states:

State	Amount
CA	\$16.23
ID	\$2.50
KY	\$6
NE	\$3.50
PR	\$0.75
UT	\$3.50
WI	\$0.75
MD	\$15 (Broadband Only)

The data in the table above is based on information provided by the National Lifeline Association. Maryland is the only state that offers supplemental support near the level of California, except that the \$15 is a broadband specific benefit and not part of a state Lifeline telephone program. Nonetheless, the data demonstrate that providers offering Lifeline service in California have a significant amount of funding to gain to provide more robust service compared to other states that allow the particular type of stacking provided for under this bill. Under this bill, California would be required to reimburse the full California Lifeline support amount (up to \$16.23) to every provider that offer a more “robust” plan. The extent to which the plan must be more robust than the minimum service plan, which includes a 6 gigabyte data cap, is not defined. Presumably, under the provisions of this bill, a provider could merely provide one gigabyte more data allowance per month to qualify for the full California Lifeline subsidy. Further, the CPUC would have no discretion to disallow any portion of the \$16.23 California Lifeline support amount to those providers. Without defining the term “robust”, this bill potentially leaves California ratepayers, who pay to support the fund, on the hook to overpay providers for “robust” Lifeline plans that might not be worth their value. Nonetheless, supporters of this bill argue that it would provide more benefit to Lifeline customers because the additional subsidy would make it economically feasible to provide more robust plans to those customers.

- 5) *Committee Amendments.* It is true that that CPUC’s current decision makes it economically infeasible for Lifeline providers to offer more robust plans that would benefit consumers; however, there is also a public interest in prudent management of California Lifeline funds. To strike a balance between the two interests, the Chair recommends the author amend their bill to authorize additional California Lifeline support based on the extent to which the plan is more robust.

REGISTERED SUPPORT / OPPOSITION:

Support

Boomerang Wireless, LLC

Global Connection INC. Of America D/b/a Standup Wireless

Infiniti Mobile

National Lifeline Association

Truconnect

Opposition

The Utility Reform Network (TURN)

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