

Date of Hearing: April 25, 2018

ASSEMBLY COMMITTEE ON COMMUNICATIONS AND CONVEYANCE

Miguel Santiago, Chair

AB 2537 (Carrillo) – As Introduced February 14, 2018

**SUBJECT:** Telecommunications universal service programs: Lifeline Oversight Board

**SUMMARY:** Establishes the Lifeline Oversight Board to advise the California Public Utilities Commission (CPUC) on the California LifeLine Program. Specifically, **this bill:**

- 1) Eliminates the Universal Lifeline Telephone Service Trust Administrative Committee (ULTSAC) and establishes the Lifeline Oversight Board, to advise the CPUC on the effective development, implementation, and administration of the lifeline program to ensure lifeline service is available to the people of the state, as specified, and to serve as a liaison between the CPUC and low-income subscribers and their representatives to carry out the program pursuant to the CPUC's direction, control, and approval.
- 2) Specifies that the Lifeline Oversight Board shall be composed of 13 members to be selected as follows:
  - a) Six members, selected by the CPUC, who have expertise in, and experience working with, low-income communities and who are not employed by, or by corporate affiliates of, any state agency or telecommunications or communications corporate entity. These members shall be selected in a manner to ensure an equitable geographic and community-of-interest distribution;
  - b) One member, selected by the Governor, who is a representative of the Governor's office;
  - c) One member, selected by the Governor, who is a representative of the Department of Technology or a similar state agency;
  - d) One member, selected by the CPUC, who is a commissioner or commissioner designee;
  - e) One member, selected by the CPUC, who is a representative of the Office of Ratepayer Advocates;
  - f) One member, selected by the CPUC, who is a representative of a lifeline wireline telephone service provider;
  - g) One member, selected by the CPUC, who is a representative of a lifeline mobile telephony service provider that is unaffiliated with a wireline telephone corporation that offers lifeline services; and,
  - h) One member, selected by the CPUC, who is a representative of a wireline telephone service provider that is a small independent telephone corporation, as specified.

- 3) Requires the Lifeline Oversight Board, to do all of the following:
  - a) Monitor and evaluate the implementation of the lifeline program;
  - b) Advise and assist in the development and analysis of low-income subscribers' needs;
  - c) Monitor the budget for the lifeline program and provide recommendations to maximize the program's effectiveness and delivery;
  - d) Assist in developing outreach, education, marketing, and communications strategies, independent of participating providers' marketing efforts, to increase program participation from within the low-income community;
  - e) Encourage the use of community-based organization (CBO) networks in outreach efforts and program implementation to increase program participation;
  - f) Encourage collaboration between other state-funded programs and community-based stakeholders to increase participation among low-income individuals;
  - g) Provide reports or testimony to the Legislature, as requested, summarizing any needs, audits, and analysis associated with the implementation of the lifeline program;
  - h) Assist in streamlining the lifeline program's application and enrollment process, including options to share enrollment information with other state-funded low-income programs; and,
  - i) Coordinate with the Low-Income Oversight Board, as specified, to maximize the effective implementation and delivery of low-income programs administered by the CPUC by holding one joint meeting per year.
- 4) Requires the specified board to alternate meeting locations between northern, central, and southern California to maximize participation from consumers in those regions.
- 5) Requires the CPUC to do all of the following in conjunction with the specified board:
  - a) Establish a 90-percent lifeline participation goal for all eligible California households;
  - b) Assign staff and provide technical support to the board, and work with the board, interested parties, and CBOs to increase participation in the lifeline program. The assigned staff shall not be members of the board or have a vote on board decisions;
  - c) Ensure the needs of low-income lifeline subscribers are met; and,
  - d) Provide formal notice of board meetings in the CPUC's daily calendar.
- 6) Specifies that members of the board shall be eligible for compensation in accordance with state guidelines for necessary travel.

**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) Establishes the ULTSAC, which is an advisory board to advise the CPUC regarding the development, implementation, and administration of a program to ensure lifeline telephone service is available to the people of the state, as specified, and to carry out the program pursuant to the CPUC's direction, control, and approval. (PUC Section 277)
- 3) Established a Low-Income Oversight Board to advise the CPUC on low-income electric, gas, and water customer issues and to serve as a liaison for the CPUC to low-income ratepayers and representatives. (PUC Section 382.1)
- 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)

- 7) 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)
- 8) Requires the CPUC to require interconnected Voice over Internet Protocol (VoIP) service providers to collect and remit surcharges on their California intrastate revenues in support of specified public purpose program funds. (PUC Section 285)

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

**COMMENTS:**

- 1) **Author's Statement:** According to the author, "The Lifeline Oversight Board represents a restructuring of the existing ULTSAC. This restructure will clarify the scope of the duties and responsibilities of the Board at this critical juncture. The [Lifeline Oversight Board] will more effectively and efficiently uphold the original intent of the board to advise the [CPUC] on practical development, implementation, and administration of the low-income landline and cellphone program. This would in turn strengthen the ability of this program to provide better service to a larger number of deserving low-income households."
- 2) **Background:** Ensuring that everyone has access to safe, reliable, and high-quality telecommunications service is a bedrock principle of telecommunications policy. The CPUC is tasked with developing and implementing programs to advance universal access to necessary services, such as telephone and broadband services. To do so, the CPUC implements a number of public programs to promote universal service, including the California High Cost Fund-A, California High Cost Fund-B, the California LifeLine Program, the California Teleconnect Fund, the Deaf & Disabled Telecommunications Program, and the California Advanced Services Fund.

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 due to the difficulties in building and/or providing services, such as rural, remote, and sparsely populated areas; or support for individuals who are low income, deaf and disabled, or living in or serving disadvantage communities and institutions, that otherwise might struggle to access affordable telecommunications services. Universal service programs serve to give as many subscribers as possible access to the telecommunications network; further complimenting the network and advancing the State's telecommunications objectives.

The universal service programs are funded through a surcharge on each customer's phone bill for landline, wireless, and VoIP 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 March 1, 2018, the total surcharge for all universal service

programs is 7.24 percent of each customer's phone bill for intrastate telecommunications service.

- 3) **California LifeLine Program:** The California LifeLine Program was created in 1984 following the enactment of the Moore Universal Telephone Service Act 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 consumers. Together each program participant can currently receive a monthly maximum discount of \$14.30 from the California LifeLine Program in addition to a monthly maximum discount of \$9.25 from the Federal LifeLine Program. As of March 1, 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, consumers 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, consumer may also qualify if their household's total annual gross income is less than a specified amount. Only one LifeLine discount is allowed per household for each residential address. As of January 2018, there are approximately 1.77 million participants in the California LifeLine Program.

- 4) **Universal Lifeline Telephone Service Trust Administrative Committee:** In 1999, the Legislature passed SB 669 (Polanco) Chapter 677, Statutes of 1999, which established the ULTSAC as an advisory board tasked with advising the CPUC on the development, implementation, and administration of the California LifeLine Program. In 2001, SB 742 (Escutia), Chapter 118, Statutes of 2001, transferred the California Lifeline Program under the state's fiscal and budgetary control. Hence, ULTSAC acts as an advisory board to the CPUC, but the CPUC is responsible for implementing and overseeing the California LifeLine Program.

The CPUC Executive Director is tasked with selecting and approving members on the ULTSAC. Members remain on the board until a successor has been appointed or until the member has been removed or resigns. In March 2018, the CPUC added two additional members to the ULTSAC; a representative from a wireless carrier, and an individual or organization representing the interest of either the deaf or disabled users of Lifeline. The CPUC noted that it was reasonable to add these new members to the board because the program has experienced significant increase in both overall lifeline participants and reimbursement request from lifeline wireless service providers since the introduction of wireless service to the program in 2014. In addition, adding a representative from the deaf or disable community further aligns the board with other public purpose programs.

As a result, the ULTSAC is currently composed of 11 members consisting of the following representatives: a large or mid-sized local exchange carrier (LEC); a small LEC; an inter-exchange carrier, or competitive local exchange carrier (CLEC); a wireless carrier; two consumer organizations, as specified; three CBOs; one individual or organization

representing the interest of either the deaf or disabled users of the Lifeline program; and the CPUC's Office of Ratepayer Advocates.

Aside from the two new positions recently added, the ULTSAC currently has filled five out of the nine other representative positions: one large LEC, one small LEC, one CLEC, one consumer organization, and one representative from the Office of Ratepayer Advocates. Five positions remained vacant, including two consumer organizations and three CBO positions.

According to the author, many of the consumer positions previously held by ratepayer advocates or CBO representatives have been left vacant due to issues regarding the committee's charter. Particularly there are concerns that the scope of the board's responsibilities have not kept pace with the need to promote and strengthen the program. This bill would establish the LifeLine Oversight Board and task it with advising the CPUC on the lifeline program. According to the author, restricting the existing ULTSAC with the LifeLine Oversight Board would clarify the scope of duties and responsibilities of the board which will more effectively and efficiently uphold the original intent of the board. However, seeing that there remain a number of vacancies on the current ULTSAC board, it is unclear if creating a new makeup of the board, which includes adding additional positions, would serve to advance the purpose of the board.

The author may wish to consider an amendment to better align the membership of the LifeLine Oversight Board with the existing makeup of the ULTSAC board.

5) **Suggested Amendment:**

871.9 (b) The Lifeline Oversight Board shall be composed of ~~13~~ 11 members to be selected by the commission as follows:

(1) One member who is a representative of a large or mid-sized local exchange carrier.

(2) One member who is a representative of a small local exchange carrier.

(3) One member who is a representative of an inter-exchange carrier or a competitive local exchange carrier.

(4) One member who is a representative of a wireless carrier.

(5) Two members who are representatives of consumer organizations, each of whom represents a different constituency, based on geographic or economic criteria, on language, or on other criteria which reasonably influence lack of access to basic telephone service.

(6) Three members who are representatives of community based organizations, each of whom represents a different constituency, based upon geographic or economic criteria, on language, or other criteria which reasonably influence lack of access to basic telephone service.

(7) One member who is an individual or a representative of an organization representing the interests of either the deaf or disabled users of the Universal Lifeline Telephone Service program.

(8) One member who is a representative of the Office of Ratepayer Advocates.

~~(1) Six members, selected by the commission, who have expertise in, and experience working with, low income communities and who are not employed by, or by corporate affiliates of, any state agency or telecommunications or communications corporate entity. These members shall be selected in a manner to ensure an equitable geographic and community of interest distribution.~~

~~(2) One member, selected by the Governor, who is a representative of the Governor's office.~~

~~(3) One member, selected by the Governor, who is a representative of the Department of Technology or a similar state agency.~~

~~(4) One member, selected by the commission, who is a commissioner or commissioner designee.~~

~~(5) One member, selected by the commission, who is a representative of the Office of Ratepayer Advocates.~~

~~(6) One member, selected by the commission, who is a representative of a lifeline wireline telephone service provider.~~

~~(7) One member, selected by the commission, who is a representative of a lifeline mobile telephony service provider that is unaffiliated with a wireline telephone corporation that offers lifeline services.~~

~~(8) One member, selected by the commission, who is a representative of a wireline telephone service provider that is a small independent telephone corporation subject to Section 275.6.~~

- 6) **Arguments in Support:** According to The Utility Reform Network, the sponsor of the bill, "In order to achieve higher [Lifeline] participation rates, the Legislature and CPUC created the consumer-majority advisory board, the [ULTSAC], made up of nine members to represent the interests of telecommunication carriers and ratepayers. Unfortunately, many of the consumer positions previously held by ratepayer advocates and [CBOs] are currently vacant. The scope of the committee's responsibilities have simply not kept pace with the need to promote and strengthen the program. AB 2537 seeks to restructure the existing committee and clarify the duties and responsibilities of the proposed Board. With a growing population of eligible ratepayers, it is critical that we effectively and efficiently uphold the intent of the Lifeline program. Enshrining this Board into statute will help to ensure a successful lifeline program."
- 7) **Related 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: Pending in the Assembly Committee on Communications and Conveyance.*

AB 3111 (E. Garcia) of 2018 requires the CPUC, in consultation with the Department of Corrections and Rehabilitation, and the Department of Veteran Affairs, to develop outreach and enrollment programs for the California LifeLine Program for the formerly incarcerated and veterans. *Status: Pending in the Assembly Committee on Communications and Conveyance.*

- 8) **Previous Legislation:** 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.*

SB 742 (Escutia) of 2001 provided for an orderly transition of the Universal Service Telephone Programs, including the Universal Lifeline Telephone Service Program, to state fiscal and budgetary control. *Status: Chaptered by the Secretary of State, Chapter 118, Statutes of 2001.*

SB 669 (Polanco) of 1999 codified six existing CPUC advisory boards, including the ULTSAC, and requires the CPUC to administer the revenues used to fund the boards’ activities. *Status: Chaptered by the Secretary of State, Chapter 677, Statutes of 1999.*

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

The Utility Reform Network (sponsor)  
 Afghan Coalition  
 Armenian Relief Society of Western USA  
 Asian -American Resource Center  
 California Church IMPACT  
 Casa Familiar  
 City of Huron  
 Coalition for Economic Survival  
 Deaf Community Services of San Diego  
 Good Samaritan Family Resource Center, Inc.  
 International Institute of Los Angeles  
 Korean American Community Services  
 Little Tokyo Service Center  
 Madera Coalition for Community Justice  
 Milestone Consulting, LLC  
 Portuguese Organization for Social Services and Opportunity  
 Southeast Asian Community Center  
 Suscol Intertribal Council  
 Tenderloin Housing Clinic & Central City S.R.O. Collaborative

### **Opposition**

None on file.

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