

Date of Hearing: May 5, 2020

ASSEMBLY COMMITTEE ON COMMUNICATIONS AND CONVEYANCE

Miguel Santiago, Chair

AB 3079 (Eduardo Garcia) – As Introduced February 21, 2020

SUBJECT: Telecommunications: universal service: lifeline program

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

- 1) Requires the California Public Utilities Commission (CPUC) to update its portability freeze rule by July 1, 2021, and include, at a minimum, a six-month duration of the portability freeze in its updated rule.
- 2) Requires the CPUC, before July 1, 2021, as part of an existing proceeding, adopt updated rules for the lifeline program that include, at a minimum, all of the following:
 - a) Methods for increasing the enrollment, participation, and renewal in the program of 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) For purposes of improving the renewal process, a modified recertification process that minimizes the barriers to subscriber recertification, reduces the burden and cost of recertification on the lifeline program, and provides for all of the following:
 - i) When a subscriber transfers a benefit from one lifeline provider to another, the deadline for that subscriber to renew shall be at least one calendar year from the approval date of the benefit transfer;
 - ii) Each lifeline subscriber may complete the annual recertification of eligibility online using an electronic signature, or by telephone using a telephonic signature, and the third-party administrator shall verify the subscriber's identity using personally identifiable information it has on file and shall not require the subscriber to use a CPUC-issued personal identification number for identity certification;
 - iii) Each lifeline subscriber may complete the annual recertification of eligibility by telephone using an interactive voice response system; and,
 - iv) Eliminating the use of mail transactions, except when preferred by the lifeline subscriber.
 - c) Methods for expediting reimbursement to carriers in order to ensure that payments are made within 45 days and that reimbursements over \$2 million dollars incorporate an electronic transfer of funds.
 - d) Methods for increasing the use of community-based organizations and public agencies to enroll subscribers in the lifeline program.

- e) For purposes of enrollment, methods for accepting forms of valid state-issued identification, including, but not limited to, identification issued to eligible inmates released from state prisons, as specified, and identification issued to eligible juveniles released from a state juvenile facility, as specified.
 - f) For purposes of enrollment, an expansion of the program-based qualification method to make eligible participants in other needs-tested state or local programs, including, but not limited to, community college financial assistance programs and low-income auto insurance programs; and,
 - g) A phasing out of the use of third-party originators, also referred to by the CPUC as street teams, to enroll eligible participants into the lifeline program.
- 3) Requires the CPUC to authorize only CPUC-approved telephone corporations to provide service using lifeline program funding.
 - 4) Requires the CPUC, before July 1, 2021, to initiate a proceeding to determine whether a lifeline telephone service subscriber shall be permitted an additional lifeline subscription for broadband services. Requires the CPUC to issue a decision in the proceeding before July 1, 2022.
 - 5) Requires the CPUC, until it certifies that the specified goal has been achieved, to annually report to the Legislature on the implementation of the specified goal and lifeline participation and renewal levels by ZIP Code.

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) 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)
- 3) 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)
- 4) 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)
- 5) Requires the CPUC to adopt a portability freeze rule for the lifeline program by January 15, 2017. The CPUC shall consider including all of the following in the rule:
- a) A 60-day duration of the portability freeze;
 - b) A period of time when a subscriber would be able to terminate lifeline service without penalty, as specified; and,
 - c) A requirement that the administrator of the lifeline program provide a telephone corporation providing lifeline service with real-time information concerning whether a subscriber has enrolled with another telephone corporation during the period of the portability freeze adopted by the CPUC, as specified, and, if the subscriber enrolled during this period, the date of enrollment. (PUC Section 878.5)
- 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, "The California LifeLine Program provides critical services to many hardworking, low-income Californians who would otherwise be

unable to afford phone services. Unfortunately, many eligible individuals are unable to utilize this essential resource due to administrative barriers. AB 3079 proposes several overdue updates to ensure that this program operates as intended and is more easily accessible to the eligible individuals who lack connectivity to this everyday necessity.”

- 2) **Background:** The CPUC is tasked with developing and implementing 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 areas of the state where adequate telecommunications services is lacking, 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. 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 & Pilot Programs:** In 2019, the Legislative Analyst’s Office (LAO) issued a report reviewing the LifeLine program budget estimates and provided recommendations on how the CPUC could improve the accuracy of the estimates, as well as assess and provide 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. 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.

In April 2019, in order to increase program participation, the CPUC adopted Decision 19-04-021 authorizing two pilot programs administered by Boost Mobile, Inc. and iFoster, Inc. The Boost Mobile pilot provides a \$15.00 per month discount towards the purchase of any of Boost's prepaid cellphone plans, while the iFoster pilot program provides categorical program eligibility for California's current and former foster youth ages 13 through 26. Both the pilot programs are ongoing.

This bill requires the CPUC to adopt updated rules for the lifeline program that include methods to increase participation by eligible individuals; a modified recertification process; methods for expediting reimbursement to carriers; methods for increasing the use of community based organizations and public agencies to enroll subscribers; methods for accepting alternative forms of identification including identification issued to eligible released inmates and juveniles; expansion of the program qualification method including community college financial assistance programs and low-income auto insurance programs; and a phasing out the use of street teams.

- 5) **Portability Freeze:** In 2016, the federal Lifeline program adopted a portability freeze which required Lifeline customers to keep their phone discounts with the same service provider for a certain period of time. The Federal Communications Commission (FCC) adopted a 60 days portability freeze for phone service, with certain exceptions. In 2016, the Legislature passed AB 2570 (Quirk) Chapter 577, Statutes of 2016, which required the CPUC to adopt a portability freeze. The CPUC subsequently adopted a 60 day portability freeze in alignment with the federal program.

In December 2017, the FCC eliminated the federal portability freeze for Lifeline services stating that it was doing so to encourage competition and decrease administrative burdens. The FCC concluded that the portability freeze ultimately failed to yield improved service offerings and instead, disadvantaged consumers by unnecessarily restricting consumer choice, diminishing service providers' motivation to offer competitive service offerings, and preventing consumer from obtaining the services they need.

Because the federal and state Lifeline programs are intertwined and administered together by the CPUC, in March 2018, the CPUC temporarily modified the portability freeze on the California LifeLine Program from 60 days to 24 hours. The CPUC adopted the change in order to ensure that California continued to receive the federal Lifeline funding. In August 2018, after receiving input from stakeholders, the CPUC adopted Decision 18-08-027 that made the temporary changes to the portability freeze rules permanent. This bill requires the CPUC to update its portability freeze rule by July 1, 2021, that at minimum includes a six-month duration of the portability freeze.

To the degree this bill expands the California LifeLine Program and its eligibility requirements, this bill could increase the size of the California LifeLine Program to further

increase participation in the program by those eligible. However any misalignment between the California LifeLine program and the federal LifeLine program could have the potential to impact subscribers and their access to the federal LifeLine subsidy. This in turn would require the state to backfill the cost in order to maintain the current level of discount for subscribers adding further fiscal pressure on the state program and potentially ratepayers. Many of those in opposition center their concerns over the misalignment between the state and federal program, especially the portability freeze requirement, and the potential impact on efforts currently underway at the CPUC.

In 2019, the Legislature passed SB 704 (Bradford) which includes substantially similar provisions in this bill. Governor Newsom vetoed SB 704 stating “As LifeLine recently undertook a significant expansion through two new pilot programs that are still ongoing, this bill is premature. Additionally, while this bill may increase access to the LifeLine program, this bill has the potential to more than double the size and cost of the program and should be addressed through the budget.”

- 6) **Arguments in Support:** According to the Western Center on Law and Poverty, the sponsor of the bill, “Before the COVID-19 Public Health Emergency, the California LifeLine Program was underutilized, with only 2 of the 5 million eligible Californians participating, but has provided real access and connectivity to millions of low-income households in every county in the state. Now that social distancing is part of our new status quo, Lifeline is even more essential, not just to ensure connectedness to employment, safety-net services, on-line learning, family, and health care providers but also to make sure that all Californians have the ability to follow the daily updates about social distancing rules and Executive Orders. What’s more, the number of people who will turn to Lifeline for essential, in fact lifesaving, phone services will grow and the ways in which recipients will depend on the program to stay connected will increase.”
- 7) **Arguments in Opposition:** According to The Utility Reform Network (TURN), “TURN cannot emphasize enough its desire for a strong LifeLine program that supports carriers and consumers and its willingness to participate in a [CPUC] process that will address these issues. Yet, this quest for a Legislative solution is a difficult road. The [CPUC] has just opened a new Rulemaking (R.20-02-008) designed to take a holistic review of the LifeLine program, including the possibility of expanding the program to more directly subsidize broadband services. Imposing specific direction and language on the outcome of the [CPUC’s] work at this time, can only serve to delay and complicate this process. These details should not be enshrined in legislation but allowed to be considered more freely by the [CPUC], carriers, staff and consumer advocates to collaboratively determine the best path forward.”
- 8) **Prior Legislation:** SB 704 (Bradford) of 2019 made various changes to the California Lifeline Program including clarifying the definition of a household for program eligibility, requiring the CPUC to update outreach and enrollment rules, and requiring the CPUC to determine whether a Lifeline participant should be allowed to obtain an additional Lifeline subscription for broadband services. *Status: Vetoed by the Governor.*

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 the California Department of Corrections and Rehabilitation and the California Department of Veterans Affairs, 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. *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

Western Center on Law and Poverty (sponsor)
Clínica Monseñor Oscar A. Romero
National Association of Social Worker, California Chapter

Opposition

California Independent Telephone Companies (unless amended)
Consolidated Communications Inc. (unless amended)
The Utility Reform Network

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