

Date of Hearing: September 9, 2021

**ASSEMBLY COMMITTEE ON COMMUNICATIONS AND CONVEYANCE**

Miguel Santiago, Chair

AB 74 (Lorena Gonzalez and Santiago) – As Amended September 1, 2021

**SUBJECT:** Communications: universal service: lifeline program.

**SUMMARY:** This bill requires the California Public Utilities Commission (CPUC) to make various changes to the enrollment and recertification process for California's Lifeline (Lifeline) program.

Specifically, **this bill:**

- 1) Directs the CPUC to, before March 1, 2022, adopt updated rules for the Lifeline program to minimize barriers to lifeline subscriber recertification and reduces the burden and cost of recertification on the Lifeline program.
- 2) Requires that the updates rules shall do all of the following:
  - a) Allow a Lifeline subscriber to enroll in the program using an electronic signature;
  - b) Enable a Lifeline subscriber to complete the annual recertification using an electronic signature instead of a personal identification number (PIN); and,
  - c) Provide an option for Lifeline subscribers to receive electronic communications regarding their subscription.
- 3) Directs the CPUC to, before January 1, 2023, adopt updated rules for the Lifeline program with the goal of achieving recertification rates equivalent to those of the federal Lifeline program.
- 4) Requires the CPUC to annually publicly report on its internet website the participation and recertification rates of eligible lifeline subscribers.

**EXISTING LAW:**

- 1) Establishes the 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) Requires the CPUC to annually report to the Legislature information relative to the actions undertaken by the CPUC in implementing the Lifeline program.

**FISCAL EFFECT:**

According to the Senate Appropriations Committee analysis:

- 1) One-time costs of \$755,000 and ongoing costs of \$196,000 annually (Universal Lifeline Services Trust) to adopt and implement updated rules for the Lifeline program in order to modify the recertification process with the intent to minimize barriers to recertification
- 2) To the extent that this bill results in increased renewals and greater participation in the Lifeline program, unknown but significant ongoing costs, likely in the tens or hundreds of millions of dollars annually (Universal Lifeline Services Trust), for payment of additional phone subsidies

**COMMENTS:**

- 1) *Lifeline Program Background.* The Lifeline program provides affordable wireline and wireless phone service to approximately 1.9 million low-income customers. In September 1983, the California Legislature enacted the Moore Universal Telephone Service Act (Moore Act) to ensure availability of affordable “basic local telephone service” to all qualifying low-income households. The CPUC administers the program in accordance with the Moore Act and the Federal Communications Commission’s (FCC) Federal Lifeline program regulations.

Applicants may qualify for California Lifeline in two ways: (1) through enrollment in an eligible public-assistance program (program-based eligibility), or (2) meeting an income threshold (income-based eligibility). Under program-based eligibility, households may qualify for the California Lifeline discounts if they provide supporting documentation that at least one household member is enrolled in one or more eligible public-assistance programs such as Medicaid/Medi-Cal, Supplemental Security Income, CalFresh, etc. Under income-based eligibility, a household may qualify for California Lifeline if the household’s total annual gross income is at or less than approximately 150 percent of the Federal Poverty Level.

- 2) *Lifeline Third-Party Administrator.* In 2005, the CPUC transferred the enrollment functions from the participating telephone corporations to a Third-Party Administrator (TPA). Under the CPUC’s oversight and supervision, the TPA handles the application, enrollment, and renewal processes, and determines if an applicant is eligible to enroll in California Lifeline. Through the TPA, California typically administers over 4.6 million annual eligibility determinations for both the federal and state subsidies.
- 3) *Annual Recertification Process.* On an annual basis, Lifeline participants must demonstrate their continued eligibility for the program through a recertification process. Recertification is intended to reduce waste, fraud, and abuse in the program. Under federal recertification rules, the CPUC is required to take certain steps to verify the identity of program participants and their income. To identify subscriber’s identity the CPUC currently uses a unique PIN mailed to participants at the time of recertification in a pink envelope. Participants must use this PIN when submitting information demonstrating that they are still eligible for Lifeline. However, use of a mailed PIN can pose challenges for certain Lifeline subscribers who move frequently or primarily use electronic communications. This bill would require the CPUC to adopt Lifeline rules to eliminate the need for a PIN and instead require the CPUC’s third party-administrator, the organization that conducts the verifications, to verify a subscriber’s identity using personally identifiable information that the third-party administrator already has on file.

- 4) *Temporary suspension of renewal process.* At the onset of the COVID-19 pandemic, in March 2020, the CPUC ratified<sup>1</sup> the Federal Communications Commission's (FCC) temporary suspension of the annual renewal process for the Lifeline program. In the same decision, the CPUC authorized the suspension of the program's renewal process for so long as the renewal process for other state public assistance programs remains suspended, or the federal Lifeline's program renewal process was suspended. On June 28, 2021 the FCC issued the most recent order extending the temporary suspension through September 30, 2021. As authorized, the CPUC also extended the California Lifeline program renewal process through September 30, 2021.
- 5) *Proposed changes to Lifeline recertification process.* There is a currently a proposed decision<sup>2</sup> before the CPUC which would implement a Lifeline working group's recommendations for improving the recertification process. Provisions of this bill that aim to minimize barriers in the recertification process are consistent with the working group's recommendations. For example, one of the recommendations is to authorize the Lifeline third-party program administrator to access state and federal program databases, such as food assistance or public health programs, to verify the eligibility of program participants. Other recommendations are to improve the online renewal portal and improve communication between subscribers and the third-party administrator. The proposed decision is scheduled for a vote at the September 9, 2021 voting meeting.
- 6) *Federal National Verifier vs. State Third-Party Administrator.* This bill establishes the federal Lifeline program's recertification rates as a goal for the California Lifeline program; however the resources that the federal government uses to achieve those recertification rates are not available to the CPUC and may not reflect California's needs. For example, the federal government uses a national verifier to verify a subscriber's eligibility at recertification. Implementation of the national verifier system shifted responsibility for verifying a Lifeline subscriber's eligibility from participating telecommunications companies to the national verifier system, similarly to what California does with the TPA. The national verifier system can check databases of federal programs with adjunctive eligibility to ensure that a Lifeline participant is eligible to remain in the Lifeline program. However, the Government Accountability Office's (GAO) 2021 report<sup>3</sup> indicates that national Lifeline participation rates have declined since the implementation of the national verifier. It is not yet clear if that participation reduction is related to the transition to the national verifier. To the extent that this bill could be interpreted as requiring the CPUC to implement the national verifier as a method for recertifying a Lifeline subscriber's eligibility, this bill could impact the recertification of California Lifeline subscribers that may not be included in federal databases. For example, the CPUC is currently administering the iFoster pilot program as part of the Lifeline program to provide foster youth with affordable telecommunications. Foster youth enrolled in the iFoster program may not be included in federal databases because the iFoster program is unique to California. Further, under the proposed decision pending CPUC adoption the Lifeline program would begin to use databases of other state-assistance programs to increase the recertification rate.

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<sup>1</sup> Decision D. 20-05-043. <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M389/K956/389956939.PDF>

<sup>2</sup> Proposed Decision of Commissioner Shiroma Authorizing Eligibility Verifications Through Database Access. <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M398/K225/398225088.PDF>

<sup>3</sup> GAO Report. *FCC Has Implemented the Lifeline National Verifier but Should Improve Consumer Awareness and Experience.* <https://www.gao.gov/assets/gao-21-235.pdf>

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

National Association of Social Workers, California Chapter  
National Lifeline Association  
The Greenlining Institute  
TracFone Wireless, Inc.  
TruConnect  
Western Center on Law & Poverty

**Opposition**

None on file.

**Analysis Prepared by:** Emilio Perez / C. & C. / (916) 319-2637