SENATE COMMITTEE ON ENERGY, UTILITIES AND COMMUNICATIONS
Senator Ben Hueso, Chair
2021 - 2022 Regular

Bill No:	AB 74	**Hearing Date:**	7/12/2021
Author:	Lorena Gonzalez		
Version:	6/21/2021 Amended		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Sarah Smith		

SUBJECT: Communications: universal service: lifeline program

DIGEST: This bill requires the California Public Utilities Commission (CPUC) to make various changes to the enrollment and recertification process for California's Lifeline program, including, but not limited to, requiring the CPUC to allow Lifeline subscribers to recertify their eligibility for the program electronically without the use of personal identification number (PIN).

ANALYSIS:

Existing law:

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 includes the ability to make phone calls and access electronic information services. (Public Utilities Code §873)

This bill:

1) Requires the CPUC to modify Lifeline enrollment and recertification rules by March 1, 2022, to do the following:

   a) Enable a Lifeline subscriber to enroll in the Lifeline program directly online using an electronic signature.
   b) Enable a Lifeline subscriber to complete the annual recertification process online using an electronic signature, or by telephone using a telephonic signature. This bill requires the CPUC's third-party administrator for the Lifeline program to verify the Lifeline subscriber's identity using the personally identifiable information that the administrator has on file.

c) Prohibits the CPUC from requiring a Lifeline subscriber to use a PIN to verify their identity during the recertification process.
d) Eliminate the use of mail communications, except when a Lifeline subscriber has notified the third-party administrator that mail communications are preferred.
e) Extend the recertification deadline for a Lifeline subscriber that has transferred to a new service provider to at least 365 days after the date the transfer's approval.

2) Requires the CPUC to consult with Lifeline service providers, the Federal Communications Commission (FCC) and the Universal Service Administrative Company (USAC) to update Lifeline rules by January 1, 2023, to achieve participation and recertification rates equivalent to those achieved by the USAC for the federal Lifeline program.

3) Requires the CPUC to annually post the participation and recertification rate for Lifeline on its internet website.

Background

The Lifeline program helps ensure that low-income Californians have access to affordable communications. The Lifeline program was created in the mid-1980s to ensure that low-income families could afford basic telephone service after the breakup of the Bell telephone system raised concerns about increasing local telephone costs. California's Lifeline program pre-dates the federal Lifeline program. The federal Lifeline program helps lower a participant's communications bill by $9.25 per month and California's Lifeline program provides $14.85 per month in assistance. These discounts are provided directly to the communications provider. When enrolled in both programs, a California Lifeline subscriber can lower their communications bill by approximately $25 per month. The CPUC has broad authority over the Lifeline program, but benefits are coordinated with federal rules. While California administers the Lifeline program at the state level with a third-party administrator, the FCC administers the Lifeline program at the federal level through USAC.

Saying goodbye to pink envelopes. Low-income Californians eligible for Lifeline benefits can enroll in the program directly through a participating telecommunications provider. On an annual basis, Lifeline participants must demonstrate their continued eligibility for the program through a recertification process. While statute does not specify mechanism that the CPUC must use to prevent waste, fraud, and abuse of Lifeline benefits, federal rules generally require agencies administering Lifeline programs to take certain steps to verify the identity of program participants and ensure that participants are eligible for Lifeline benefits. Currently, the CPUC uses a unique PIN, which is 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. Use of a mailed PIN can pose challenges for certain Lifeline subscribers who move frequently or primarily use electronic communications. However, some subscribers that lack sufficient broadband resources may prefer mailed 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 to verify the subscriber's identity using personally identifiable information that the third-party administrator already has on file. This bill also requires the CPUC to shift all its Lifeline subscriber communications to electronic communications unless a subscriber requests otherwise. To the extent that eliminating the use of PIN requires the CPUC to modify its mechanism for complying with federal Lifeline standards for fraud prevention, this bill may require the CPUC to obtain additional FCC approvals for an alternative fraud prevention system.

California's Lifeline participation rate exceeds federal rates, but recertification remains a challenge. This bill requires the CPUC to update Lifeline program rules to help California achieve the participation and recertification rates that the USAC achieves for the federal Lifeline program. However, California's participation rate exceeds USAC's participation rate for the federal Lifeline program. The supplemental report to the 2018-19 Budget Act required the Legislative Analyst's Office (LAO) to review the Lifeline program's caseload and budget estimates and make recommendations on how the CPUC could improve budget and enrollment estimates. The supplemental report also required the LAO to analyze and recommend ways to improve Lifeline enrollment and recertification. In April 2019, the LAO released a report addressing these requirements. In its report, the LAO noted that 40 percent of eligible households were enrolled in the program, and the LAO recommended that the Legislature direct the CPUC to evaluate the reasons why eligible households do not enroll in the program. In February 2020, the CPUC opened a new proceeding (R. 20-02-008) to make program changes to the Lifeline program. As part of this proceeding, the CPUC intends to explore opportunities to update the Lifeline program's rules for recertification and improving program enrollment.

Since the LAO report, participation rates for California's Lifeline program have increased. According to information provided by the CPUC, the California Lifeline program currently has a participation rate of 54 percent based on participation data from all states. While this participation rate indicates that there are a significant number of households eligible for Lifeline that are not enrolled in the program, California's participation rate is the second highest in the nation – only Puerto Rico's Lifeline participation rate exceeds California's rate. By contrast, a 2021 Government Accountability Office (GAO) report indicates the federal Lifeline participation rate is closer to 25 percent. While the federal participation rate is substantially lower than California's participation rate, the federal recertification rate is much higher that California's recertification rate.

One size does not fit all: California likely needs state-specific resources to improve Lifeline recertification without lowering participation. This bill establishes USAC's recertification rates as a goal for the California Lifeline program; however the resources that USAC uses to achieve those recertification rates are not available to the CPUC and may not reflect California's needs. Recertification rates of the California and federal Lifeline programs may differ for a variety of reasons; however, USAC 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. The 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 GAO's 2021 report 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.

Need for amendments. As currently drafted, this bill requires the CPUC to eliminate the use of mail communications unless a subscriber affirmatively notifies the Lifeline program's third party administrator that they prefer to receive communications through the mail. Eliminating the use of mail communications may impact certain subscribers' ability to receive important Lifeline program information, particularly those subscribers without an internet connection. *As a result, the author and committee may wish to amend this bill to clarify that the CPUC's modified Lifeline rules should provide electronic communications in addition to mail communications.*

This bill requires the CPUC to adopt program rules intended to achieve Lifeline recertification rates equivalent to those USAC achieves for the federal Lifeline program; however, this requirement could be interpreted to require the CPUC to use a verification system that may result in the disenrollment of Californians that are not in certain federal databases. This does not appear to be the intent of the author. *Consequently, the committee and the author may wish to amend this bill to clarify that achieving the recertification rates of USAC is a goal, not a requirement to use the same verification system.*

Prior/Related Legislation

SB 394 (Hueso, 2021) would modify the definition of a "household" for the purposes of determining Lifeline eligibility to clarify that eligible individuals that are separate economic units sharing the same physical address can each qualify for Lifeline. The bill is currently pending in the Assembly.

SB 546 (Wilk, 2021) would require the CPUC to continue the iFoster program until the CPUC ensures that those foster youth enrolled in the pilot project will have equivalent telecommunications benefits when the program ends and the CPUC has expanded the eligibility criteria for the Lifeline program to include foster youths. The bill is currently pending in the Assembly

SB 203 (Bradford, Chapter 335, Statutes of 2020), as passed by this committee, would have made a variety of changes to Lifeline enrollment and eligibility, including updating the definition of a household for the Lifeline program to conform to the FCC's definition. The bill was amended into a different subject matter.

SB 704 (Bradford, 2019) would have made various changes to Lifeline enrollment and eligibility, including modifying the program's definition of a household. The bill was vetoed.

AB 2537 (Carrillo, 2018) would have established the Lifeline Oversight Board and specify the board's membership and duties. The bill died in the Senate.

AB 2652 (Quirk, 2018) would have required the CPUC to consider a 60-day portability freeze for Lifeline participants seeking to change providers. The bill also would have modified the Lifeline program's enrollment and recertification process. The bill was vetoed.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

SUPPORT:

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

OPPOSITION:

None received

ARGUMENTS IN SUPPORT: According to the author;

> Mobile phone and broadband connectivity is critical for individuals and families from access to emergency services and healthcare, to telework and remote learning. While the California LifeLine Program provides discounted phone service discounts to low-income households, the difficult and burdensome enrollment and renewal processes can end up preventing households from utilizing the program. AB 74 will reduce barriers to participation in the LifeLine program by revamping and streamlining the outdated process.

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