SENATE RULES COMMITTEE
Office of Senate Floor Analyses
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THIRD READING

Bill No: AB 74
Author: Lorena Gonzalez (D) and Santiago (D), et al.
Amended: 9/1/21 in Senate
Vote: 21

SENATE ENERGY, U. & C. COMMITTEE: 12-0, 7/12/21
AYES: Hueso, Dahle, Becker, Bradford, Dodd, Eggman, Gonzalez, Hertzberg, McGuire, Min, Rubio, Stern
NO VOTE RECORDED: Borgeas, Grove

SENATE APPROPRIATIONS COMMITTEE: 5-1, 8/26/21
AYES: Portantino, Bradford, Kamlager, Laird, McGuire
NOES: Jones
NO VOTE RECORDED: Bates

ASSEMBLY FLOOR: 78-0, 6/1/21 - See last page for vote

SUBJECT: Communications: universal service: lifeline program

SOURCE: Author

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).

Senate Floor Amendments of 9/1/21 delete rolling recertification deadlines and remove a goal for California Lifeline enrollment rates to match those for the federal Lifeline program.

ANALYSIS:

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.

2) 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) Provide an option for Lifeline subscribers to receive communications regarding their Lifeline subscription in an electronic format, including, but not limited to, email and short message service.

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, with a goal of achieving recertification rates equivalent to those achieved 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 requires 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 provide an option for Lifeline subscribers to receive communications regarding their Lifeline subscription in an electronic format, which may include email and short message service (SMS) notifications.

California's Lifeline participation rate exceeds federal rates, but recertification remains a challenge. This bill requires the CPUC to update Lifeline program rules with the goal of achieving recertification rates similar to those 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 is exploring 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. Despite having one of the highest Lifeline participation rates in the nation, California's recertification rate is lower than that of the federal Lifeline program.

One size does not fit all: California likely needs state-specific resources to improve Lifeline recertification without lowering participation. 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.

Related/Prior Legislation

SB 394 (Hueso, 2021) modifies 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 was passed by the Legislature.

SB 546 (Wilk, 2021) requires 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 a two-year measure.

SB 203 (Bradford, Chapter 335, Statutes of 2020), as passed by the Senate Energy, Utilities and Communications 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.

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

According to the Senate Appropriations Committee:

- The CPUC estimates 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.

- 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.

SUPPORT: (Verified 9/1/21)

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

OPPOSITION: (Verified 9/1/21)

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."

ASSEMBLY FLOOR: 78-0, 6/1/21
AYES: Aguiar-Curry, Arambula, Bauer-Kahan, Bennett, Berman, Bigelow, Bloom, Boerner Horvath, Bryan, Burke, Calderon, Carrillo, Cervantes, Chau, Chen, Chiu, Choi, Cooley, Cooper, Cunningham, Megan Dahle, Daly, Davies, Flora, Fong, Friedman, Gabriel, Gallagher, Cristina Garcia, Eduardo Garcia, Gipson, Lorena Gonzalez, Gray, Grayson, Holden, Irwin, Jones-Sawyer, Kalra, Kiley, Lackey, Lee, Levine, Low, Maienschein, Mathis, Mayes, McCarty, Medina, Mullin, Muratsuchi, Nazarian, Nguyen, O'Donnell, Patterson, Petrie-Norris, Quirk, Quirk-Silva, Ramos, Reyes, Luz Rivas, Robert Rivas, Rodriguez, Blanca Rubio, Salas, Santiago, Seyarto, Smith, Stone, Ting, Valladares, Villapudua, Voepel, Waldron, Ward, Akilah Weber, Wicks, Wood, Rendon
NO VOTE RECORDED: Frazier

Prepared by: Sarah Smith / E., U., & C. / (916) 651-4107
9/2/21 16:30:24

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