SENATE COMMITTEE ON ENERGY, UTILITIES AND COMMUNICATIONS
Senator Ben Hueso, Chair
2019 - 2020 Regular

Bill No:	SB 704	**Hearing Date:**	4/24/2019
Author:	Bradford		
Version:	4/11/2019 As Amended		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Sarah Smith		

SUBJECT: Telecommunications: Moore Universal Telephone Service Act

DIGEST: This bill clarifies the definition of a household for the purposes of Lifeline program eligibility, requires the California Public Utilities Commission (CPUC) to update outreach and enrollment rules for the program, and requires the CPUC to determine whether a Lifeline participant should allowed to obtain an additional Lifeline subscription for broadband services.

ANALYSIS:

Existing law:

1) Requires every telecommunications carrier providing interstate telecommunications services to contribute, on an equitable and nondiscriminatory basis, to the specific, predictable, and sufficient methods specified by the Federal Communications Commission (FCC) for preserving and advancing universal service. Contributions are deposited into the Universal Service Fund, which is administered by the Universal Service Administrative Company. (47 United States Code §254)

2) Makes various definitions for the purpose of the Lifeline program, including defining a "household" for the purpose of the federal any individual or group of individuals who are living together at the same address as one economic unit. A household may include related and unrelated persons. An "economic unit" consists of all adult individuals contributing to and sharing in the income and expenses of a household. An adult is any person eighteen years or older. If an adult has no or minimal income, and lives with someone who provides financial support to him/her, both people shall be considered part of the same household. Children under the age of 18 living with their parents or guardians are considered to be part of the same household as their parents or guardians. Only one Lifeline subscription per household is allowed. A violation of the one-per-household limitation constitutes a violation of FCC rules and will result in the

subscriber's de-enrollment from the program. (47 Code of Federal Regulations §§54.400 and 54.410)

3) Requires the CPUC to designate a class of Lifeline service necessary to meet minimum communications needs and set rates and eligibility criteria for that service. (Public Utilities Code §873)

4) Establishes eligibility criteria for the California Lifeline program.

5) Defines a "household" for Lifeline eligibility determinations as a residential dwelling that is the principal place of residence of the Lifeline telephone service subscriber. This definition excludes any industrial, commercial, or other nonresidential building. (Public Utilities Code §872)

6) Specifies that a Lifeline program participant may only obtain one Lifeline subscription at his or her principal residence. No other member of the participant's family or household at that residence is eligible for Lifeline telephone service. An applicant for Lifeline telephone service may report only one address as the principal place of residence. (Public Utilities Code §878)

This bill:

1) Requires the CPUC to open a proceeding by July 1, 2020 to determine whether a Lifeline subscriber should be permitted to obtain an additional Lifeline subscription for broadband services. The CPUC must complete this proceeding by July 1, 2022.

2) Requires the CPUC to adopt updated rules for the lifeline program by July 1, 2020, that include the following:
   a) Methods for increasing enrollment, participation, and renewal with participation and renewal rates in other public purpose programs administered by the CPUC, such as the California Alternative Rates for Energy (CARE) program.
   b) Methods for increasing the utilization of community-based or nonprofit organizations (CBOs) and public agencies to conduct enrollment.
   c) Methods for increasing participation in the Lifeline program by members of the vulnerable or disadvantaged groups

3) Redefines a "household" for the purposes of determining Lifeline eligibility as any group of individuals, including the subscriber, who live together at the same address as one economic unit. A household may include related and unrelated individuals. If an adult has no, or minimal, income and lives with

someone who provides financial support to that adult, both persons will be considered part of the same household. A child under 18 years of age and living with a parent or guardian will be considered part of the same household as the parent or guardian.

4) Allows multiple Lifeline subscriptions at the same address if the subscribers are not part of the same household.

5) Allows an otherwise eligible individual who is one of the following to obtain a Lifeline subscription even if another member of his/her household also has a subscription:
   a) A foster youth
   b) A formerly incarcerated individual
   c) A Native American
   d) A veteran
   e) Deaf
   f) Disabled
   g) A member of another vulnerable or disadvantaged group commonly presenting complex guardianship or household compositions that would benefit from inclusion in the Lifeline program, as determined by the CPUC.

6) Makes conforming changes to the definition of an "economic unit" and "adult" for the purposes of determining program eligibility.

7) Repeals the existing definition of a "household" for the Lifeline program and existing provisions prohibiting multiple Lifeline subscriptions at a single address.

Background

The Lifeline programs: federal and state. Lifeline is one of several universal service programs addressing the affordability of communications services. California Lifeline subscribers can participate in both the federal Lifeline program and a California Lifeline program. The federal Lifeline program is regulated by the FCC, and the state Lifeline program is regulated by the CPUC. Both programs are funded through surcharges on telephone bills.

Prior to the 1984 break-up of the Bell telephone system, long-distance services helped subsidize local telephone costs. Following AT&T's divestment of the Bell Operating Companies, long-distance and local telephone services were separated. The Reagan FCC established the Lifeline program to address concerns about the affordability of local telephone service for after this separation. The Lifeline program provides households at or below 135 percent of the federal poverty level with a monthly subsidy to obtain one fixed or wireless line with a participating communications provider, which may include a data package. California Lifeline subscribers may receive $13.75 per month from the state program in addition to the $9.25 from the federal program. As a result, California participants can receive a total of $23 per month towards their Lifeline service.

The inclusion of wireless and broadband. This bill requires the CPUC to open a proceeding to determine whether a Lifeline subscriber should be permitted to obtain an additional Lifeline subscription for broadband services. This bill requires the CPUC to complete the proceeding by July 1, 2022. Initially, Lifeline provided a subsidy to help a low-income household cover the cost of a fixed telephone line. However, the Lifeline program has since evolved to offer support for other communications services. In 2005, the George W. Bush FCC modified the program, enabling subscribers to apply the subsidy to a fixed or wireless telephone line. In 2016, the Obama FCC issued the Lifeline Modernization Order, which made a number of changes to the Lifeline program, including permitting subscribers to apply the subsidy to fixed or mobile broadband services.

The "household" issue. When Lifeline was first established, the program was intended to subsidize one wireline telephone line per household. As a result, Lifeline subscribers have generally been limited on the ability to have more than one program subscription at a single address. As the program has evolved to encompass wireless and broadband services at the federal level, the FCC has also modified the definition of a "household" for the purposes of determining program eligibility. The FCC's definition change intended to recognize more complex co-housing and living situations in which economically independent persons live at the same address.

While the federal regulatory definition of a household has been clarified to enable multiple lifeline subscribers to share the same address, California's statutory definition of a household does not conform to the federal definition. Currently, existing state law defines a household for Lifeline eligibility as "…a residential dwelling that is the principal place of residence of the Lifeline telephone service subscriber." Existing state law also prohibits any other member of a household from having a Lifeline subscription. The lack of conformity to the federal definition of a household does not provide clarity under state law as to whether otherwise eligible individuals with the same address who function as separate households may have separate Lifeline subscriptions. This bill conforms the definition of a household to the definition at the federal level and modifies restrictions on household eligibility rules to allow multiple Lifeline subscriptions at the same address if the subscribers are otherwise eligible for the program and are separate households.

The Legislative Analyst's Office (LAO) review and recommendations. The supplemental report to the 2018-19 Budget Act required the 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 re-certification. In April 2019, the LAO released a report addressing these requirements. In its report, the LAO noted that 40 percent of eligible households are currently 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. While the LAO noted that the Legislature could wait for results from this evaluation before requiring program changes, the report also noted that the Legislature could consider adopting changes that appear to be relatively low cost and a benefit to enrollment.

The LAO's report makes several more specific recommendations for improving Lifeline enrollment. These additional recommendations include suggesting that the Legislature could direct the CPUC to consider outreach and enrollment coordination with other state and local agencies and CBOs that frequently interact with eligible populations. The LAO's report notes that most Lifeline participants are using the program for wireless subscriptions, and 80 percent of wireless Lifeline subscriptions are initiated through "street teams," which are employed by carriers participating in the program to set up temporary booths at which they can enroll eligible households in the program. This bill requires the CPUC to adopt updated rules for the Lifeline program to address methods for increasing enrollment at rates for other low-income programs administered by the CPUC, collaboration with CBOs and other public agencies in outreach and enrollment, and methods for enrolling individuals that are part of specific disadvantaged and vulnerable populations.

This bill is consistent with many of the recommendations made in the LAO's review of the program; however, it also expands Lifeline eligibility for eligible individuals within specific populations that may be more likely to have complex household structures that may make distinctions between economic units at the same address more challenging. The bill would allow eligible individuals to obtain a Lifeline subscription even if another member of the household has a subscription if the eligible individual is one of the following:

- A foster youth
- A formerly incarcerated individual
- A Native American

- A veteran
- Deaf
- Disabled
- A member of another vulnerable or disadvantaged group commonly presenting complex guardianship or household compositions that would benefit from inclusion in the Lifeline program, as determined by the CPUC

Individuals in these groups may be eligible for Lifeline; however, they may have circumstances that make complying with separate household restrictions difficult. These individuals may also live in transitional households with unique legal and economic conditions that make defining a household for the purposes of the Lifeline program more challenging than other eligible persons. To the extent that federal regulations permit these individuals to have multiple Lifeline subscriptions in a single household, this bill could help address universal service challenges for uniquely vulnerable and disadvantaged populations. However, if the FCC or the Universal Service Administrative Company determines that multiple lines within one household constitutes a program violation, households with multiple Lifeline subscriptions may be denied federal Lifeline benefits.

Prior/Related Legislation

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 required the CPUC to adopt rules modifying the program's enrollment and recertification process. 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 2570 (Quirk, Chapter 577, Statutes of 2016) required the CPUC to adopt a portability freeze rule for the Lifeline program by January 15, 2017. The bill required the CPUC to consider a 60-day freeze as part of its proceeding.

AB 1407 (Bradford, 2014) would have phased out the existing Lifeline program for basic landline service and created a new Lifeline discount of $11.85 per month for voice communication services from a telephone corporation or eligible wireless and Voice over Internet Protocol providers. The bill died in the Senate.

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

SUPPORT:

iFoster
Pacoima Beautiful
The Greenlining Institute
TruConnect Mobile
Youth Policy Institute

OPPOSITION:

None received

ARGUMENTS IN SUPPORT: According to the author:

> "SB 704 delivers timely updates to the Lifeline Universal Service program to better-fulfill its mission: ensuring all Californians, especially low-income and disadvantaged families, have access to basic telecommunications service in our modern, network-dependent society."

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