Straw Proposal Addressing Specific Support Amount for California LifeLine

R.20-02-008

Prepared by California Public Utilities Commission's Communications Division Staff

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Executive Summary

The California Universal Telephone Service Program must address changes to the special support amount to continue to support the needs of the low-income participants while considering various budgetary constraints for the program. Budget considerations include federal voice subsidy reduction by Federal Communications Commission Order 16-38, diminishing income for the California Universal Telephone Service Program Fund because of "diminishing billing" for the surcharge, and the State Budget Deficit due to the COVID. Staff proposes tiered plans for wireline and wireless service providers to protect the program's budget, meet Moore Act goals, and increase customer choice.

I. Introduction

This California Public Utilities Commission (CPUC) staff straw proposal recommends adjustments to the California Universal Telephone Service Program (California LifeLine or Program) specific support amounts and minimum service standards to address California policy priorities and the upcoming reduction to the federal Lifeline program subsidy for voice services.

The key objectives of the staff proposal are to:

- Address the upcoming federal Lifeline subsidy reduction for voice services to $5.25 starting December 1, 2020 pursuant to Federal Communications Commission (FCC) Order 16-38.[1]
- Update specific support amounts and minimum service standards for December 1, 2020 through November 30, 2020.
- Provide improved mobile broadband service to program participants and explore opportunities to provide fixed broadband service to program participants.
- Provide access to Program options across the state.
- Protect the California LifeLine Fund.[2]

II. Background

A. FCC Order 16-38 and CPUC 2019 Response

In April 2016, the FCC *Lifeline Modernization Order* 16-38 (FCC 16-38)[3] aimed to modernize the Federal Lifeline program for the digital age by increasing minimum service standard (MSS) requirements to include more service for voice, as well as higher broadband data allowances and speeds. In order to reach the full federal subsidy of $9.25, both wireless and wireline carriers must meet increased MSS for mobile or fixed broadband. Prior to the annual effective date of December 1st,[4] the FCC determines the new broadband requirements. Table 1 shows the FCC 16-38 tiered schedule that starts in 2016 and continues through 2021, with subsidy reductions beginning in 2019. Federal subsidy reductions drop by $2 in 2019, $4 in 2020, and $9.25 in 2021. By December 1, 2021, the federal subsidy will be eliminated in full for carriers unable to meet the revised minimum service standards, unless the carrier is the sole Lifeline program provider.

In response to the FCC 16-38, the CPUC decided to make up the $2 federal subsidy reduction for wireline service providers that did not meet the new federal MSS through November 30, 2020.[5] In comments on September 10, 2019, AT&T Services, Inc. (AT&T), the Joint Consumers and the Small Local Exchange

[1] *See* Table 1.
[2] California LifeLine Fund also referred to as Universal LifeLine Telephone Service (ULTS) Fund after Program's former name.
[3] *See* https://docs.fcc.gov/public/attachments/FCC-16-38A1_Rcd.pdf/
[4] The FCC 16-38 broadband minimum service standard update was given in November 2019.
[5] D. 20-02-004 Ordering Paragraph 4.

Carriers (LECs)[6] urged the CPUC to address whether California LifeLine would make up federal reductions.[7] D.20-02-004 determined that a stakeholder process should follow to identify the appropriate level of Program-funded support for program services going forward, in light of policy goals for increasing program participation and access to broadband services. For the $4 subsidy reduction scheduled for December 1, 2020, the CPUC must decide the impacts prior to determining an amount to cover.

Table 1. FCC Order 16-38[8] Lifeline Minimum Service Standards

Date	Mobile Voice	Mobile Broadband	Fixed Broadband	Voice Support Amount (Per Month)	Broadband Support Amount (Per Month)
December 1, 2016*	500 Minutes	Speed: 3G Usage Allowance: 500 MB	Speed: 10/1*** Usage Allowance: 150 GB	$9.25	$9.25
December 1, 2017	750 Minutes	Speed: 3G Usage Allowance: 1 GB	Speed: 15/2*** Usage Allowance: 250GB	$9.25	$9.25
December 1, 2018	1000 Minutes	Speed: 3G or Bureau Determination Usage Allowance: 2 GB	Speed: 18/2 Usage Allowance: 1000 GB	$9.25	$9.25
December 1, 2019	1000 Minutes	Speed: 3G or Bureau Determination Usage Allowance: 3 GB	Speed: 20/3 Usage Allowance: 1024 GB	$7.25	$9.25
December 1, 2020	1000 Minutes	Speed: 3G or Bureau Determination Usage Allowance: Updating Mechanism	Speed: Mechanism Usage Allowance: CAF Standard or Bureau Determination	$5.25	$9.25
December 1, 2021	1000 Minutes**	Speed: 3G or Bureau Determination Usage Allowance: Updating Mechanism	Speed: Mechanism Usage Allowance: CAF Standard or Bureau Determination	$0**	$9.25

* Minimum service standards and support amounts will be implemented on the later of December 1, 2016 or 60 days after PRA approval.
** Continued voice support of $5.25 per month in areas with only one Lifeline provider.
*** Fixed broadband providers that do not offer a product meeting the minimum service standards to a particular customer's residence may receive the $9.25 benefit if that customer purchases a fixed broadband offering that meets or exceeds 4 Mbps download and 1 Mbps upload.

B. State and Federal Lifeline programs

The California LifeLine[9] and Federal Lifeline[10] programs are closely aligned to leverage resources and facilitate offering affordable telephone service to low-income participants. Substantial program alignment is apparent in participant choice for wireline or wireless phone service, eligibility requirements,[11] renewal, and program oversight. One line is available per qualifying household. Enrollment and renewal timelines and eligibility overlap with most participants being eligible for both.[12] Up until November 2019, Lifeline

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[6] The Small LECs include Calaveras Telephone Co., Cal-Ore Telephone Co., Ducor Telephone Co., Foresthill Telephone Co., Happy Valley Telephone Company, Hornitos Telephone Co., Kerman Telephone Co., Pinnacles Telephone Co., The Ponderosa Telephone Co., Sierra Telephone Co., The Siskiyou Telephone Co., Volcano Telephone Co., and Winterhaven Telephone Co..
[7] Comments in R.11-03-013 were filed on September 10, 2019 by AT&T, Center for Accessible Technology, The Utility Reform Network and The Greenlining Institute (Joint Consumers) and the Small LECs, in response to rulings dated August 20, 2019 and August 28, 2019, requesting comments on whether to extend California LifeLine funding for participants that only meet California eligibility criteria and other program issues.
[8] For updated chart: https://www.fcc.gov/general/lifeline-program-low-income-consumers
[9] California Public Utilities Code §871.5. (a) The offering of high-quality basic telephone service at affordable rates to the greatest number of citizens has been a longstanding goal of the state. (d) The furnishing of Lifeline telephone service is in the public interest and should be supported fairly and equitably by every telephone corporation, and the commission, in administering the lifeline telephone service program, should implement the program in a way that is equitable, nondiscriminatory, and without competitive consequences for the telecommunications industry in California.
[10] 47 U.S.C. § 254(b)(1)
[11] Some programs were removed from Federal Lifeline which California LifeLine still cover.
[12]See program eligibility at https://www.cpuc.ca.gov/lifeline/

subsidized up to $14.85 from California and $9.25 from Federal funds per month per household for wireline or wireless phone service.[13]

While the federal and California programs heavily align by design for implementation, California has set different policies. In April 2016, the FCC eliminated certain programs from providing Lifeline program eligibility. In D.18-02-006, the CPUC responded by covering the federal subsidy reduction for those program eligible California participants who would otherwise lose service. The total cost was $6.09 million in fiscal year 2018/2019.[14] The FCC ceased funding reimbursement fees for service connection, activation, or conversion, which the CPUC continues to fund at $39 per participant per instance.[15] In D. 20-02-004, the CPUC authorized California LifeLine replace the $2 reduction of monthly federal support for only wireline voice service plans from December 1, 2019 through November 30, 2020.

Both wireline and wireless service plans are available to California LifeLine participants. For wireline, there are nearly 40 service providers[16] including Carriers of Last Resort, Rate of Return, Small Local Exchange Carriers that offer Lifeline services to homes. Carriers of Last Resort (COLR) are obligated to provide Program service.[17] Small LECs are rate of return carriers that are often located in high cost areas. Their tariffs are set by the FCC following annual cost studies. Rates for Carriers of Last Resort and Small LECs rates are absorbed by customers after the carriers deduct federal, state, and other subsidies or discounts. For wireless, 12 carriers[18] participate in California LifeLine on a voluntary basis. All carriers have been eligible for the Specific Support Amount which is 55% of the highest basic rate of the COLR, which was $14.85 in 2019.

The current misalignment in the policies regarding FCC 16-38 is not regarding the need for improved broadband services for low-income customers. The CPUC is supporting multiple efforts to increase broadband access and quality such as through California High Cost Fund, California Teleconnect Fund, and the Affordability Proceeding.[19] The challenge for the California LifeLine program is providing improved broadband services to participants in light of budget constraints.

III. Analysis

A. Fiscal Impact of Replacing Federal Subsidy to California

The fiscal impact of potentially making up federal subsidy reductions from FCC 16-38 with the California LifeLine Fund merit consideration of alternative options as indicated in D.20-02-004. For this decision, Commission staff projected fiscal impacts for the State to cover the full subsidy reduction for all wireline and wireless LifeLine participants if the full subsidy amount was covered by the State for the full program. The

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[13] State subsidies are prorated per month. There are additional subsidy levels for tribal areas.

[14] D.18-02-006, Ordering Paragraph 1 adds California LifeLine eligibility criteria to include programs that had been delisted by FCC in April 2016. Programs include: Low-Income Home Energy Assistance Program, Temporary Assistance for Needy Families, California Work Opportunity and Responsibility to Kids, Stanislaus County Work Opportunity, Welfare-to-Work, Greater Avenues for Independence, National School Lunch Program, and Women, Infants and Children Program.

[15] D.18-02-006 Ordering Paragraph 10

[16] Wireline carrier include: Astound BB, AT&T, Brighthouse, Cal Ore, Calaveras, Charter, ConnectTo, Cox Comm., Ducor, EnhancedComm, Free Choice, Frontier (Citizens CA), Frontier (Global Valley), Frontier (Golden State), Frontier SWWC 1), Frontier (SWWC), Frontier (Tuolumne), Matrix (Vartec), MCI, Pinnacles, Ponderosa, Race Technologies, Sage, Sebastian (Foresthill), Sebastian (Kerman), Sierra, Siskiyou, SureWest (Roseville), SureWest (Televideo), TC Telephone (1), TC Telephone (2), Tcast (Blue Casa), TDS (Happy Valley), TDS (Hornitos), TDS (Winterhaven), Time Warner Cable, Frontier, Volcano.

[17] Generally applies to carriers before the passage of 1996 Telecommunications act. COLR are required to provide comparable service. The four California COLRs are AT&T California, Frontier California Inc. Frontier Communications of the Southwest, Consolidated Communications of California Company.

[18] Wireless carriers include: AirVoice Wireless, Amerimex, Assurance Wireless, Boomerang Wireless, Global Connection, iWireless, Tag Mobile, Telrite, TruConnect, TracFone, Blue Jay Wireless, American Broadband and Telecommunications

[19] Affordability Proceeding, R.18-07-006.

estimated fiscal impacts for the December 1, 2019 were $37 million for $2 reduction makeup.[20] In D. 20-02-004, the CPUC authorized the California LifeLine Fund to replace the $2 reduction of monthly federal support for only wireline program plans from December 1, 2019 through November 30, 2020.[21] This decision to cover only wireline program participants reduced the estimated fiscal impact to $6 million for the one-year period.

In order to determine estimated impacts for this coming year, estimates were revised to include up-to-date 2019 program participation levels. The revised estimated fiscal impact for California to cover the full subsidy reduction for the program would be $80.7 million, which is beyond sustainable for preservation of the California LifeLine Fund. If the CPUC covers the full subsidy for only wireline as it did last year, the estimated cost is $15.8 million. If the CPUC only covers $2 of the subsidy reduction for wireline, the estimated impact is $7.9 million. These estimates may vary based on program participation levels and if more wirelines carriers are able to reach the FCC MSS.

Table 2. Estimated 12-Month Impacts of Replacing Federal Subsidy on California LifeLine Fund[22]

	2019 total monthly average participation	Annual California Fund impact to cover $2	Annual California Fund impact to cover $4
Total CA LifeLine	1,680,551	$40.3M	$80.7M
Wireline	330,612	$7.9M	$15.8M
Wireless	1,349,938	$32.4M	$64.8M

B. Surcharge and Budget

The California LifeLine Fund is used to fund the administration and services of the California LifeLine program. Funds are allocated to California Service Providers to reimburse them for costs in providing telephone service to California LifeLine participants through an annually determined specific support amount. The SSA is intended to be the maximum reimbursement that a carrier can claim for service to each customer. In Decision 10-11-033, the methodology for the SSA was established and was captured in GO 153 via Resolution T-17321. The SSA calculation is 55% of the highest basic flat rate of Carrier of Last Resorts. It is adjusted annually based on filings to the CPUC by the COLRs by July 31st and takes effect the following calendar year on January 1st. These are formalized in an administrative letter.

There is a pending budget challenge with funding California LifeLine as the revenue source is dwindling. The California LifeLine Fund is supported through all-end-user voice surcharge of 4.75% on wireless and predominately wireline service. The issue is that voice services are decreasing. As voice service decreases, the amount of surcharges decrease, and so does the funding stream for the California LifeLine Fund. This creates a funding challenge for administering the current services in the Program. Meanwhile, there is interest in "modernizing" the Program to include broadband services as noted by California stakeholders and in FCC 16-38, but there is a fundamental misalignment of funding source and service. As The Utility Reform Network (TURN) and Greenlining noted in comments in R.20-02-008 "any expansion of LifeLine service offerings cannot be funded exclusively by the ever-shrinking pool of intrastate revenue primarily generated from voice services while the broadband services that now need the funding are left alone."[23] Many consumer advocacy groups commented that increasing subsidy levels and/or the surcharge base beyond voice are critical to expanding program offerings. The State is aware of these issues and the CPUC is working to

[20] Estimates based on Program participant enrollment from October 2018-September 2019. Estimates for future years were $74.3 million for $4 reduction in 2020, and $171.7 million for $9.25 reduction in 2021.
[21] D.20-02-004, Ordering Paragraph 1. Also, Conclusion of Law 3 noted that not replacing the $2 reduction for wireless participants would not violate the Moore's Act requirements.
[22] Estimates based on $14.85 and do not account for annual adjustments.
[23] Reply Comments filed on May 26, 2020 for R.20-02-008 by TURN and Greenlining Institute.

address this funding challenge by assessing jurisdictional authority over and changes to the surcharge methodology. Resolving this constraint may take years, therefore fiscal prudence of particular importance.

C. Measured Rates

Measured rates are a legacy wireline plan, which comprise a small ratio of Program participants with disproportionately steep costs. As of 2019, nearly 36,000 LifeLine participants or 13% of wireline customers are enrolled in measured rate service. Measured rate service has been retained by LifeLine since the Program's establishment in the 1980s, when tariffs for local, long-distance, and international calls varied, and flat-rate service was less common. Today, however, 87% of LifeLine participants receive flat-rate service, which is standard in the retail market. Most carriers that offer measured rate service do so just for legacy customers.

Measured rate customers receive the same wireline telephone service that flat-rate customers receive, but they pay a lower monthly rate than flat-rate customers and pay for every call after the first 30-60. Currently, the Program is billed for both the standard $14.85 SSA and a rate of up to $.25 per call for every call. This results in increased monthly cost for measured rate customers of $36.65 on average compared to $14.85 for flat rate customers. One carrier gets as much as $114 weighted average per measured rate customer. If all measured rate customers were converted to flat rate, the annual impacts would be over $9.2 million[24] in Program savings with no equivalent loss of benefits to the public.

Measured rate and flat-rate customers are not differently situated but carriers are compensated differently. Staff expects that most customers currently receiving measured rate service would be equally serviced through flat-rate service. The Moore Act states that the Commission, "should implement the program in a way that is equitable, nondiscriminatory, and without competitive consequence for the telecommunications industry in California." Staff finds that current practices spend inequitably, and provide a competitive advantage to companies that provide measured rate service over companies that provide flat-rate service. Staff recommends eliminating measured rate for new participants and converting existing participants to flat rate.

D. Program Participation, Fiscal Impact and COVID Policy

Additional considerations for fiscal impact to the Program cost include projected participation levels. Program participation trends have declined in recent years though increases are likely with the economic impacts of the pandemic and program adjustments. There was a gradual decline over years 2018 and 2019. In 2019, enrollment in wireline program participation declined throughout the year with an average decline of 15% from 2018 averages.[25] For effect, comparing the month enrollments of January of 2018 to December of 2019, shows wireline enrollment down by 24%. Meanwhile, wireless had reduced enrollments by 7% from 2018-2019 and 9% when comparing months January 2018 and December 2019. California LifeLine is working towards addressing these declines through conducting the first program evaluation on these challenges beginning in fiscal year 2020-2021.[26]

The policy decisions that were made in response to COVID are likely reducing the hardship on low-income customers and impacting California Lifeline participation levels in many ways. In response to the pandemic, CPUC and FCC enacted policies to reduce hardship on low-income customers and accounted for their limited ability to engage in a typical capacity. To prevent participants from losing Lifeline phone service, the agencies adopted temporary renewal freezes, which waived the reenrollment requirements.[27] The renewal

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[24] Based on February 2020 claims.

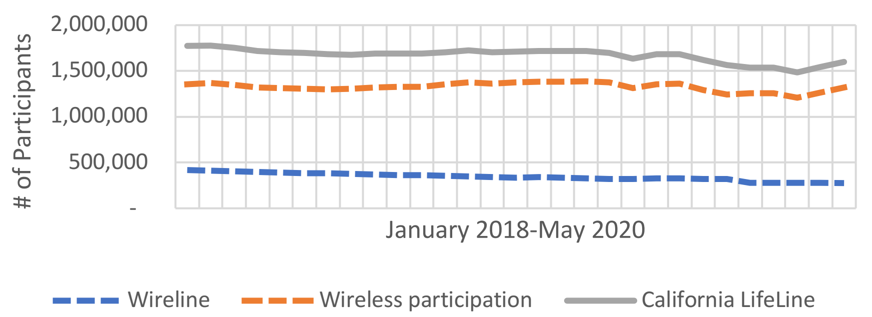
[25] Third Party Administrator LifeLine Customer Counts: https://www.cpuc.ca.gov/InformationForProvidingService/

[26] The Program Assessment was recommended by the Legislative Analyst Office in April 2019 Report.

[27] "Renewal" is required by a participant's one year anniversary enrollment in the program. Participant must prove their program eligibility via income or program. Those who do not provide proof of eligibility lose phone service.

freeze was established on March 19, 2020 [28] with an initial expiration of June 2020 that was extended to August 31, 2020. There is limited data on the participation levels, but after the renewal freeze April 2020 figures showed increased program participation of 4% overall. Wireline participation continued to decline but at a slower rate of .1%.[29] There are many federal, state and local policies around telehealth, remote learning, and broadband which may impact program figures. For example, the FCC created Keep Americans Connected pledge that engaged multiple large national carriers in providing broadband service through June 2020. These may provide relief for low-income customers needs but are limited in longevity. Economic policies may also impact program numbers. For example, the benefits of the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act and local policies such as rent freezes have temporarily allayed the economic hardship. New enrollments (enrollments) in the Program may be an indicator of longer-term financial strain as individuals seek economic relief through social programs and become income eligible. Wireless enrollment figures that had increased at the beginning of the year began to drop in March and have stabilized to 50% of pre-pandemic levels. As of May 2020, enrollment data is still unclear.

Chart 1. California LifeLine Participation



Long-term economic impacts of the pandemic are greatly unknown and are contingent on federal, state and local policies, yet job losses offer another indicator of need in low-income households and subsequent program participation levels. For over a decade, California's unemployment rates decreased to 3.9% in February 2020. Following the California Stay At Home Order, March 2020 unemployment rate was up a statistically significant 1.4 percentage points to 5.3% in California compared to 4.4% nationwide.[30] [31] In April 2020, US Bureau of Labor Statistics show California unemployment rate of 16.4%. For comparison, unemployment numbers from the Great Recession of 2008 peaked at 12.3%, but not until 2010.[32] Among US residents who were working in February 2020, almost 40% of those in households making less than $40,000 a year had lost a job in March.[33] The program has not yet seen the impacts of this economic downturn, but current projections are underway for the State Budget. Staff recommends further tracking of California job loss reports to estimate Program need.

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[28] R.20-02-008 Assigned Commissioner Ruling Temporarily Suspending Renewal Requirements and Requesting Comments

[29] During a renewal freeze, wireline participation for every 100,000 people declines by only 122 in April 2020 rather than 761 monthly averages in 2019.

[30] U.S. Bureau of Labor Statistics.

[31] California unemployment numbers are likely worse than the nation as a result of the State leading the country in pandemic response- Stay At Home Order. The State implemented the policy March 20th, while 6 Bay Area counties began March 16th.

[32] State of California Employment Development Department. Edd.ca.gov/newsroom/unemployment-june-2020.htm

[33] Board of Governors, 2019. Also see Federal Reserve's *Survey of Household Economics and Decision-making and Report on the Economic Well-being of U.S. Households in 2019.*

D. California LifeLine Participant Needs and Choice

"A challenge for the Commission is how to make those communication services that consumers are choosing available to LifeLine customers."[34] Providing high quality telephone service and expanded customer choice may improve participation levels by addressing communications needs during normal and pandemic times. Regarding data consumption for wireless plans, there is evidence supporting a range in consumer needs. LifeLine participants consumption patterns show a range with some participants reaching the higher thresholds of their 3G plans, though preliminary data shows averages are closer to 1GB.[35] It is reasonable to consider "statistics (that) suggest that California LifeLine subscribers would use additional data if they could afford to do so."[36] Several parties[37] reference the FCC's 2018 Communications Marketplace Report (CMR)[38] to understand wireless consumption patterns in the market. CMR showed average data consumption of 6.6 GB per month in 2018. Additionally, mobile data consumption increased by 30% annually from 2015 to 2018. Using CMR data, estimated data consumption in 2019 will be over 8.5 GB per customer and over 11GB in 2020 under normal circumstances. Estimates for 2020 and 2021 are harder to determine based on increased need with COVID and relief programs. Staff notes that data consumption may increase even more depending on available data speeds.

In addressing low-income communications service needs, the Program might consider essential needs to include education and telehealth. Regarding education, the FCC considers broadband to be "essential for all students at all levels of education."[39] In considering increased broadband standards in FCC 16-38, Commissioner Mignon Clyborn commented that part of her rationale was to increase safety for students who wandered about to get WiFi access for school projects.[40] Now with Stay At Home orders, low-income students are increasingly faced with severe challenges with the digital divide. In a recent report *Closing the K–12 Digital Divide in the Age of Distance Learning*, families are seeing numerous challenges with data for educational needs. Nearly 25% of California youth have inadequate internet speeds, which create challenges in remote learning such as slow video download speeds for educational content.[41] Multiple reports from urban and rural students claimed that school work is compromised by limited internet access. [42] NALA and Tracfone[43] both noted that data speed requirements for students would be 3-4G, while Public Advocates and Assurance supported referencing the FCC's CMR. [44] The Commission created an iFoster pilot[45] that offered youth phones with plans that included 3GB high speed data, unlimited low-speed data, unlimited calling and texting, hotspot capabilities. A survey was submitted to 2,800 pilot participants to better understand usage. The participants relied on their phones for telehealth (67%), school-work (89%), communicating with support networks[46] (97%), and communicating with friends and family (99%). In response to COVID, numerous carriers provided temporary relief through affordable and no-cost broadband offers to low-income individuals and students, though this need preceded the pandemic. In rural areas, there is still a need for

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[34] D.10-11-033, page 2.
[35] Confidential Data Request filed on July 7th, 2020 regarding SSA by LifeLine service providers.
[36] Comments filed on June 22, 2020 for R.20-02-008 by Assurance Wireless.
[37] Comments filed on May 8,2020 for R.20-02-008 by Assurance Wireless.
[34] FCC Communications Marketplace Report. *CMR 2018*, 33 FCC Rcd at 12569, Fig. A-8; CTIA Wireless Industry Indices Year-End 2018, at 15, Chart 4. https://www.fcc.gov/communications-marketplace-report-updates
[39] 2016 Broadband Progress Report." Federal Communications Commission. January 29, 2016. Accessed August 9, 2019 from https://www.fcc.gov/reports-research/reports/broadband-progress-reports/2016-broadband-progress-report/
[40] Commissioner Mignon Clyborn Statement. April 27, 2016. https://www.fcc.gov/document/fcc-modernizes-lifeline-program-low-income-consumers/clyburn-statement
41 Boston Consulting Group, *Closing the K–12 Digital Divide in the Age of Distance Learning*, June https://www.commonsensemedia.org/sites/default/files/uploads/pdfs/common_sense_media_report_final_6_29_12-42pm_web_updated.pdf
[42] Marketplace Tech. Gaps in internet access: Low-income . June 24, 2020.
[43] Comments filed on June 22, 2020 for R.20-02-008.
[44] Reply Comments filed on May 26, 2020 for R.20-02-008.
[45] iFoster Pilot was approved in D.19-04-021.
[46] For the pilot survey, social support networks included attorneys, social workers, and mentors.

increased broadband services. There are federal and State funds supporting further development in those areas though many rural areas can only offer fixed broadband speeds of 10/1 Mpbs.[47]

Participants' enrollment in plans and willingness to pay for additional services indicate low-income peoples' values and needs. Through the CARE pilot,[48] the CPUC has gotten more insight into consumer choice in plans through detailed plan information and their willingness to pay for additional services. In the CARE pilot, 16% of participants chose family plans, each with at least 4 lines. Regarding a family Lifeline plan there is stated interest. State and federal Lifeline authorize these plans,[49][50] assuming that each household gets one subsidy. Carriers and consumer advocacy groups expressed support of them being offered.[51] As of 2019, none of the carriers offered family plans for LifeLine participants. Assuming incentives shifted their might be increased plans made available. Lifeline participants also see a need for increased data. In a survey of 2791 people, many in the CARE pilot, who received free LifeLine service, opted to pay extra for unlimited data and hotspots.[52] The pilot is a small sample of the population, but there is some evidence of data needs in the programs. Of participants purchasing data from wireless carriers, averages range from .3 GB to 16GB.[53] Purchases increased by 4% in 2020 over 2019, though the numbers of participants are small. While consumption in the LifeLine program is low on average, it may be due to the fact that average additional data pricing $5-15 per gigabyte[54] places a hurdle. Meanwhile, Small LECs and other wireline carriers show that some of wireline participants often in rural communities pay for additional services such as broadband through bundled services.[55]

Further inquiry into participant rationale will be surveyed in the Program Assessment. In R.20-02-008, the CPUC will continue to explore solutions for increasing access to broadband services for education, telehealth and other essential services.

D. Costs of Providing Wireless Service in California Compared to Other States

Regarding subsidy levels, California LifeLine offers the highest state subsidy levels in the nation, in addition to a connection fee. Meanwhile of the 34 other states where Lifeline providers operate, the state Lifeline subsidy level is an average of $2.64, ranging from $0-$12 excluding California. For example, several California LifeLine wireless providers offer Lifeline service in states with subsidy levels of $3.50 (Kentucky, Nebraska, Utah) or $2.50 plus an administrative reimbursement (Idaho).

Despite substantially higher California LifeLine subsidies, most wireless providers offer similar Lifeline service plans in California when compared with other states. Most wireless providers offer California participants service plans that meet the federal MSS, with the addition of unlimited voice minutes. Several wireless service providers noted that for other states where they provide Lifeline service, they provide service

[47] Confidential Data Request filed on July 7th

[48] D.19-04-021 approved a pilot program for customers enrolled in a California Alternate Rates for Energy (CARE), which provides discounted monthly electric bills for low-income customers.

[49] Federal LifeLine 47 CFR § 54.401(b) Eligible telecommunications carriers may allow qualifying low-income consumers to apply Lifeline discounts to any residential service plan with the minimum service levels set forth in §54.408 that includes fixed or mobile voice telephony service, broadband Internet access service, or a bundle of broadband Internet access service and fixed or mobile voice telephony service; and plans that include optional calling features such as, but not limited to, caller identification, call waiting, voicemail, and three-way calling. (1) Eligible telecommunications carriers may permit qualifying low-income consumers to apply their lifeline discount to family shared data plans.

[50] D. 14-01-036, Ordering Paragraph 18.

[51] Comments filed on May 4, 2020 for R.20-02-008 regarding family plans.

[52] Participants also chose to pay for international calls.

[53] Data Request responded to July 7th by Lifeline service providers regarding SSA.

[54] Comments filed on June 22, 2020 for R.20-02-008.

[55] Comments filed on June 22 for R.20-02-008. Numbers are confidential.

plans that meet the federal MSS for $9.25 but do not provide unlimited minutes or free devices to participants.

In comments in R.20-02-008, several wireless providers noted that wholesale costs for providing Lifeline service are comparable between California and other states. However, many wireless providers asserted that their operational costs are much higher in California than in other states where they provide Lifeline service, due to higher marketing and outreach costs, as well as costs of providing mobile devices.

General Order 153 prohibits the use of SSA funds for marketing, advertising or outreach by program providers. Accordingly, this straw proposal aims to set SSA and MSS levels that do not include use of SSA funds for marketing, advertising or outreach by program providers.

In D.17-01-032, the Commission approved payment of $39 service connection fees by the California LifeLine Fund. Wireless providers asserted that service connection fees would be used to offset the costs of free devices for participants. Accordingly, this straw proposal aims to set SSA and MSS levels that do not include use of SSA funds for providing free devices to participants.

E. Reaching Competitive Plans

California LifeLine may have an opportunity to reach the wider service needs of low-income households. In addition to understanding the needs of eligible participants, it is imperative to understand what carriers within the California Lifeline program offer, their offerings in other states, and their limitations with pricing and billing. Carriers billing systems vary widely which impacts the range of plans that carriers can provide with provided subsidy levels.

For wireline carriers, they have billing structures in place and charge California LifeLine participants a steady range of $7-11 for voice services after the program discount. Small LECs providers noted that if the State did not cover the federal subsidy reduction, that those costs would need to be passed on to their Lifeline customers.[56] In 2019, some of the larger carriers did not receive a $2 subsidy from California, but were still able to continue service to California LifeLine participants. This finding may indicate some flexibility with some providers or participants to absorb the cost.

Wireless carriers have a variety of billing structures which impact their flexibility in reaching different plans. Many carriers that are structured specifically for the Lifeline program and do not have monthly billing systems in place.[57] Carriers provide Lifeline plans to customers at no-cost and offer top-up payments to participants who want additional data or minutes.[58] This approach is something that consumer groups support.[59] Other carriers do have structures in place to allow for monthly payment. This billing structure is critical to seeing if more low-income people would be interested in California LifeLine if there were increased options. Providing a free service is essential for some low-income people. Some carriers have noted that participants are typically not interested in co-payments for service and would prefer free service. Both NALA and Assurance noted that there are barriers with upfront costs even with low fees.[60] NALA also mentioned that the vast majority (85%) preferred free plans. While the size of the group is not known, there is evidence that some low-income people have a willingness to pay. Perhaps, 15% based on NALAs comments. In the CARE pilot, Boost

[56] Small LECs are Rate of Return carriers with traditionally higher costs that have their rates set annually prices by the FCC. In D.20-02-004, CPUC determined to cover the subsidy levels for all wireline providers.
[57] Low-income individuals may not have steady income, bank accounts or credit cards that enable consistent payment for monthly billing.
[58] Customers provide payment on a per need basis for additional services.
[59] Reply Comments filed on May 26 for R.20-02-008 by TURN and Greenlining Institute.
[60] Comments filed on June 22 for R.20-02-008.

Mobile was able to offer pilot participants upgrades to unlimited data plans as well as international calling plans for an additional cost. Consumers groups have also noted that the federal MSS is not high enough.[61] While uniform interest in upgraded plans are not anticipated, meeting this need for some low-income individuals seems attainable with appropriate consumer protections and incentives in place.

Wireline carriers already have billing structure in place and have other challenges with addressing broadband. There are affordable fixed broadband options in the marketplace, some of which are provided to Lifeline participants as bundled service of voice and broadband service. The marketplace plans offered in California vary based on data allowances, speeds, and location. Wireline carriers for LifeLine note that prices range from as low as $29.99 for plans that reach the current federal broadband MSS to plans that cost $58-$200 in rural areas for speeds that may not reach federal MSS.[62] Other stakeholders including Public Advocates Office and City and County of San Francisco relayed lower price ranges of $9-20 though most were not in rural areas. The ability to leverage both federal and State funds can significantly reduce copays for program participants. Frontier offers "Affordable Broadband" at a fixed rate plan of $20.83, with free modem/router and installation to eligible LifeLine customers.[63] Public Advocates Office, CCSF, and Joint Consumers all note that fixed broadband access is essential.

There are a wide range of wireless services in the marketplace. Many Program carriers are offering hotspots and tethering.[64] Program carriers offer extra data at prices that range from $5-15 per GB or less for more data. According to its May 4, 2020 comments, TracFone offers service plans with 14GB data allowances for $30 per month and service plans with 40GB data allowances for $40 per month, minus the $9.25 federal subsidy.

IV. Recommendations for Wireless California Lifeline Plans

Staff proposes new tiers for SSA and MSS levels to incentivize wireless providers to offer improved broadband services to California LifeLine participants while protecting the California LifeLine Fund. Staff envisions that wireless providers will offer both no-cost and, if needed, co-pay plans to participants to increase customer choices particularly for mobile data or subscribe to a family plan. Table 2 outlines the wireless plan subsidy levels and minimum service standard tiers. Each plan is also described.

Staff does not recommend increasing the maximum available SSA for the upcoming year due to program budget constraints. Staff recommends revisiting the surcharge base before increasing maximum subsidy levels available to providers.

Staff recommends that carriers allow participants to shift plans with limitations. Staff recommends annual limits, say 2-3, on frequency of changing plans to reduce administrative burden. If the carrier modifies the offering of a plan, customers should be able to change at no cost to the participant. Regarding the $39 reimbursement fee, carriers are not eligible for the $39 reimbursement when participants convert to another plan of the same carrier. The SSA will be available once per month at a prorated level by plan. Staff recommends input from carriers on parameters of conversions.

A critical component in offering customer choice is ensuring the visibility in options. Staff recommends that each carrier's California LifeLine related marketing, education, and outreach and website clearly display all of their California LifeLine plans for ease of comparison. Staff also recommends each carrier keep a designated URL to the CPUC website for ease of reference. Staff also recommends that the CPUC website include information on the CPUC LifeLine website to improve transparency of offerings across all carriers.

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[61] Comments filed on May 4 for R.20-02-008 by CETF.
[62] Comments filed on June 22 for R.20-02-008 by Small LECs, Frontier, and Consolidated.
[63] On Frontier company website as of July 16, 2020. frontier.com/offer/affordable-broadband-chromebook.
[64] Comments filed on June 22 for R.20-02-008 for multiple wireless providers

Staff recommends annual updates to ensure that the program offerings remain up to date and visible. To keep up with the minimum service standards of higher data plans such as the Data and Family Plans, MSS may need reevaluation each year or every other year. Data plans should be correlated to studies of general market needs (e.g. FCC's CMR) or the Program Assessment's findings of participant needs even if the actual usage levels are lower. Website updates by CPUC and carriers should be done following plan approvals.

Table 3: Dec. 1, 2020 –Nov. 30, 2021 Wireless Plans Subsidy Levels and Minimum Service Standards

Tier	Plan	2020 California Subsidy Level	Dec 1, 2020 Federal Subsidy Level	CA SSA make up for FCC subsidy reduction	Mobile Voice (month)	Mobile Broadband (speed)	Mobile Broadband (allowance)
Tier 1	Basic Plan	$10.85	$5.25 TBD	$0	1000 min	3G	3GB
Tier 2	Standard Plan	$12.85	$9.25	$0	FCC MSS	FCC MSS	Higher of 5GB or FCC MSS
Tier 3	Data Plan	$14.85	$9.25	$0	FCC MSS	FCC MSS	Higher of 8GB or FCC MSS
Tier 4	Unlimited Plan	$14.85	$9.25	$0	FCC MSS	4G	Unlimited
Tier 5	Family Plan (Line 1)	$14.85	$9.25	$0	FCC MSS	FCC MSS	8 GB
(not LifeLine)	Family Plan (Line 2 and on)	N/A	N/A	N/A	Carrier discretion	Carrier discretion	Carrier discretion

A. Basic Plan

The Basic Plan meets the Federal Lifeline MSS of 2019. These include 1000 voice minutes, data allowance of 3GB and speeds of 3G. This plan provides participants with the same offerings as they had received from December 2019 through November 2020. This line is designed to meet MSS Federal subsidy levels of $5.25, while reaching $10.85 from the State. The benefit of the Basic Plan is that participants will have access to a no-cost service plan in locations where providers are unable to offer the higher of 5GB of mobile data or the updated Federal MSS.

B. Standard Plan

The Standard Plan is designed to increase participant access to mobile broadband through the higher of meeting 5GB or MSS for Federal Lifeline. This threshold will at least be 1000 voice minutes, data allowance of 5GB and speeds of 3G. This plan is designed to meet MSS for full Federal subsidy levels of $9.25, while reaching $12.85 from the State. The Standard Plan is designed to provide a service plan that meets the needs of participants who would prefer a no-cost or low-cost plan rather than additional data.

C. Data Plan

The Data Plan is created to provide improved data allowances and speeds each month and provide value to participants. The minimum service standards for the Data Plan must comply with voice of 1000 voice minutes, data speeds of 3G (for the entire data allowance) and data allowance of 8GB. If the FCC MSS is higher, that will be the threshold. Participants must also have the option to purchase additional data for a reasonable price. This line also shall offer tethering and hotspots. This line is designed to meet MSS for State and Federal subsidy levels of $14.85 and $9.25. The benefit of this plan is that it allows eligible participants to sign up for better data plans that meet their needs. For students, this provides improved access for doing school work from home or another safe place. There may be administrative challenges with this plan. Some providers may not be able to offer this data plan due to higher costs and a lack of billing systems to pass on a portion of the costs participants. Carriers must apply for approval of copay levels, if applicable, and pricing for additional data. As technology and communications rapidly change, the minimum service standards for this plan may require more frequent review to reach its intended goals.

D. Unlimited Plan

The Unlimited Plan is created to provide high data users unlimited data allowances and higher speeds each month without needing to pay for additional upgrades. The minimum service standards for the Unlimited Plan must comply with voice of 1000 voice minutes, data speeds of 4G (or more) and an unlimited data allowance. This line also shall offer tethering and hotspots. This line is designed to surpass MSS for State and federal thereby qualifying for full subsidy levels of $14.85 and $9.25. Carriers must apply for approval of reasonable copay levels. Not all carriers may have billing systems in place. As technology and communications rapidly change, the minimum service standards for this plan may require more frequent review to reach its intended goals.

E. Family Plan

The Family Plan is created to give eligible participants access to family plan pricing and convenience. This plan is structured to offer eligible participants one subsidized line, *the primary line,* with the opportunity for additional discounted lines, *additional lines,* at the expense of the participant. To be eligible for the primary line, an individual must meet the same enrollment requirements like program or income eligibility. The minimum service standards for the Family Plan primary line must reach voice minimum of 1000 minutes, federal MSS data speeds (for the entire data allowance), and data allowance of 8 GB. This line also shall offer tethering and hotspots. This line will meet the MSS for State and Federal subsidy levels of $14.85 and $9.25. Additional lines are not included in the LifeLine program and are not eligible for Program discounts. Additional lines of the Family Plan are intended to increase the convenience for participants with children and dependents who will have one service provider and bill. Additionally, they should see cost savings based on the standard discounted plans service providers offer to low-income households. Long-term, carriers may have additional ease in converting *additional lines* to Lifeline program as dependents experience life changing events like college, moving, etc, and are eligible. There may be administrative challenges with this plan. Not all carriers may have billing in place. The intent of this plan is to provide affordable phone service to families who have higher data needs, but the State does not have the authority to provide oversight on additional lines.

V. Recommendations for Wireline California Lifeline Plans

Staff proposes that wireline carriers provide multiple flat-rate plans to California LifeLine participants to better match service level with customer need. In Table 4, the wireline plan subsidy levels and minimum service standards are outlined. Each plan is further described below. Staff recommends eliminating measured rates plans as they are not cost effective. Staff recommends participants of those plans be notified of conversion to flat-rate plan unless they opt for other LifeLine plans, namely wireless.

Staff recommends that carriers allow participants to shift plans with limitations. If the carrier modifies the offering of a plan, customers should be able to change without it impacting the amount of changes. Regarding the $39 reimbursement fee, carriers are not eligible for it when participants move to another plan within the same carrier. The SSA will be available once per month at a prorated level by plan. Staff recommends input from carriers on parameters of conversions.

A critical component in offering customer choice is ensuring the visibility in options. Staff recommends that each carrier's LifeLine related marketing, education, and outreach and website clearly display all of their LifeLine plans for ease of comparison. Staff also recommends each carrier keep a designated carrier link to the CPUC website for ease of reference. Staff also recommends that the CPUC website include information on the CPUC LifeLine website to improve transparency of offerings across all carriers.

Table 4: Dec. 1, 2020 – Nov. 30, 2021 Wireline Plans Subsidy Levels and Minimum Service Standards

Tier	Plan	California Subsidy Level ($)*	Dec 1, 2020 Federal Subsidy Level($)	SSA covered by California	Fixed Broadband (Speed)	Fixed Broadband (Allowance)
Tier A	Standard	$14.85	$5.25	$2	None	None
Tier B	Bundled	$14.85	$9.25	N/A	FCC MSS	FCC MSS
Tier C	Measured	See below	-	-	-	-

** All fixed plans receive $14.85 are eligible for full unlimited local minutes and subject to the annual adjustment*[65]

A. Standard Plan

The Standard Plan will be the previous flat rate plan for LifeLine wireline. Staff proposes that California LifeLine continue to make up $2 of the federal reduction for wireline service plans. Staff recommends making up $2 of the federal subsidy reduction for December 1, 2020 through November 30, 2021 in light of current economic conditions. Staff agrees with party comments that the program should not provide higher subsidies of $4 until the CPUC revisits the surcharge base.

B. Bundled Plan

The Bundled Plan is meant to offer California LifeLine participants with the full communication services that voice and broadband offer. This Bundled Plan is designed to meet MSS Federal subsidy levels of $9.25, while reaching $14.85 from the State. Staff recognizes that potential participants may not be aware of the bundled plans that already exist in the market so this would provide better visibility.

C. Measured Rate Plan

Staff proposes that this measured rate plan only be offered to legacy participants and that new California LifeLine participants only be offered flat rate plans. In order to reach increased cost-effectiveness, staff proposes California subsidy cost caps to $14.85 total for measured rate plans. Staff proposes an upfront SSA of $2 per household per month. Carriers may charge $0.25 per call (not minutes) up to $12.85. If participants surpass the $12.85 allowance and receive bills that exceed $10, customers must be notified on their bill that they have more affordable options through flat rate plans.

[65] D.10.11-033 OP 6. The California LifeLine SSA shall be set at 55% of the highest basic rate provided by COLRs. The COLRs file by July 31st of the preceding calendar year.

VI. Questions for Party Comments

A. Wireless Proposal Questions

1) This straw proposal aims to improve mobile broadband service to program participants in light of the increased needs for distance learning and telehealth. Do you support the straw proposal's approach, or do you recommend an alternative approach to address these critical needs in light of the Program's budget constraints?

2) How would you refine the proposed wireless SSA and MSS tiers? Please be specific with regard to any adjustments to voice or data requirements.

3) What data should the CPUC collect on a regular basis and how should the CPUC facilitate regular reviews and adjustments to the wireless SSA and MSS?

B. Wireline Proposal Questions

4) How would you refine the wireline SSA and MSS proposal? For example, would you adjust the proposal to replace $2 of the federal subsidy decrease for wireline participants for one year?

5) This straw proposal aims to improve access to fixed broadband service to program participants in light of the increased needs for distance learning and telehealth. What other approaches would you propose to address these critical needs in light of the Program's budget constraints?

6) Fixed Broadband Implementation
   a. What are the barriers to providing wireline bundled service to Program participants?
   b. What are the barriers to accessing Lifeline subsidies for wireline bundled service from California and/or the FCC?
   c. Should California LifeLine offer a SSA tier for standalone broadband plans that meet the federal MSS? How could we ensure access to emergency services with a standalone broadband plan?
   d. Why would a California LifeLine provider be interested in receiving a subsidy for a standalone broadband plan rather than a subsidy for bundled voice and broadband?
   e. What Program implementation issues do you anticipate with implementing an SSA tier for standalone broadband plans?
   f. If California LifeLine implements a SSA tier for standalone broadband plans, should the program adjust any rules regarding reimbursable costs? If so, under what authority?

7) Measured Rates
   a. What are the challenges for participants or carriers in transitioning measured rate customers to flat rate service, if any?
   b. To the extent that measured rates are retained with the same cost cap as flat rate plans, how would you recommend adjusting the flat fee and measured rate subsidized by the Program?