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ATTACHMENT A

ATTACHMENT A

CALIFORNIA LIFELINE PROGRAM APRIL 25-26, 2016 WORKSHOP AGENDA

- A. California LifeLine Program Budget and Expenses
- B. California LifeLine Program Statistics
- C. Renewal Process
 - 1. Description of the renewal process and of renewal statistics
 - 2. Recent improvements by the California LifeLine Administrator
 - 3. Upcoming improvements of the California LifeLine Administrator
 - 4. Communications Division's proposed change to the renewal process
 - 5. Parties' proposed changes to the renewal process
- D. Service Connection Charge
 - 1. Reimbursement level
 - 2. Frequency of reimbursement
 - 3. Reimbursable activities
 - 4. Participant's contribution
 - 5. Justification for reimbursement
 - 6. Access to real-time information if the reimbursement is limited
- E. Service Conversion Charge
 - 1. Reimbursement level
 - 2. Frequency of reimbursement
 - 3. Reimbursable activities
 - 4. Participant's contribution

5. Justification for reimbursement

F. Consumer Protection

1. Data collected regarding consumers' experiences
2. Degree of involvement of service providers in the enrollment process
3. Disclosures and examples of issues with existing disclosures
4. Managing service providers' sales representatives

G. N11 Obligation

H. Payment Floor

(End of Attachment A)

ATTACHMENT B



WELCOME!

California LifeLine Program
Workshop Day 1
April 25, 2016
9 a.m. to 5 p.m.

R.11-03-013 CJS/KK3/il

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The logo features three overlapping orange circles on the left. To the right, the word "California" is written in a bold, dark blue sans-serif font. Below it, "LIFELINE" is written in a larger, bold font, with "LIFE" in orange and "LINE" in dark blue. Underneath "LIFELINE", the word "program" is written in a smaller, grey sans-serif font.

California LIFELINE program

California LifeLine Team
April 25-26, 2016
www.californialifeline.com

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California LifeLine Program Budget and Expenses



State of California Budget Process

MONTH	ACTIVITY
July	Communications Division forecasts a program budget
October	CPUC votes on program budgets
January	Governor's Budget gets submitted to Legislature
June	Legislature enacts the Governor's Budget

LOCAL ASSISTANCE

- Consists of Claims from Service Providers

STATE OPERATIONS

- Consists of Program Costs, Staff Costs, Contracts Costs, other Program Costs
- The key driver of state operations is the Administrator Expenses



California LifeLine Program Budget

Fiscal Year	Actuals	Forecast	Other Expenses	Total
2014-15	\$295,727,290			\$295,727,290
2015-16	\$190,306,767	\$240,018,912	\$53,204,069*	\$483,529,748
2016-17		\$627,262,000		\$627,262,000

* Fiscal Year 2014-15 claims



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Fiscal Year 2015-16 California LifeLine Budget for Expenditures

LOCAL ASSISTANCE	<u>ACTUALS</u>	<u>PROJECTED</u>	<u>TOTAL</u>
Wireless Service Providers	\$120 million*	\$175 million	\$296 million
Wireline Service Providers	\$ 56 million*	\$ 57 million	<u>\$113 million</u>
			\$409 million
Fiscal Year 2014-15 Claims	\$ 53 million		<u>\$ 53 million</u>
			\$462 million
STATE OPERATION	<u>ACTUALS**</u>	<u>PROJECTED</u>	<u>TOTAL</u>
Administrator	\$11,475,103	\$5,460,035	\$ 16,935,138 Salaries &
Benefits	\$ 442,640	\$ 686,628	\$ 1,129,268 Surcharge Audit
550,031	\$ 275,066	\$ 825,097	Pro-Rata/Cost Allocation
\$1,094,395	\$ 2,272,845	\$ 234,570	\$ 85,992
Other			<u>\$ 320,562</u>
			\$ 21,482,980

TOTAL Fiscal Year 2015-16 Budget

\$483,529,748

*Payments from July 2015 - December 2015

**Payments from July 2015 - February 2016

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Fiscal Year 2015-16 California LifeLine Budget for Local Assistance is About \$409 million

<u>Wireless</u>	<u>July – December</u>	<u>Projected</u>	<u>Total</u>
Specific Support Amount	\$116,384,711	\$116,513,877	\$232,898,588
Administrative Cost	\$ 3,336,297	\$ 3,177,651	\$ 6,513,948
Connection	\$ 783,120	\$ 54,502,177	\$ 55,285,297
Surcharges & Taxes	\$ 0	\$ 1,412,289	<u>\$ 1,412,289</u>
			\$296,110,122

<u>Wireline</u>	<u>July – December</u>	<u>Projected</u>	<u>Total</u>
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Specific Support Amount	\$ 50,449,363	\$ 49,362,374	\$ 99,811,737
Administrative Cost	\$ 823,117	\$ 747,915	\$ 1,571,032
Non-Recurring	\$ 745,085	\$ 1,573,830	\$ 2,318,915
	\$ 3,904,280	\$ 5,126,592	\$ <u>9,030,872</u>

\$112,732,556

Fiscal Year 2015-16 Budget for Local Assistance

\$408,842,678



Local Assistance Wireless Projection Methodology

Fiscal Year 2015-16

Communications Division estimates by the end of Fiscal Year 2015-16, there will be approximately 1,991,478 California LifeLine participants

Wireless

- Specific Support Amount – applied \$13.20
- Administrative Cost – applied \$0.36 (average of wireless administrative costs paid in Fiscal Year 2014-15 through December 2015)
- Connection – average connection charges per month in 2015
- Surcharge & Taxes – applied 16% (California LifeLine 5.5%, DDTP 0.50%, CTF 1.08%, CASF 0.46% CHCF-A 0.35%, 8% tax)



Local Assistance Wireline Projection Methodology

Fiscal Year 2015-16

Communications Division estimates by the end of Fiscal Year 2015-16, there will be approximately 1,991,478 California LifeLine participants

Wireline

- Specific Support Amount – applied \$13.20
- Administrative Cost – applied \$0.20 (average of wireline administrative costs paid in Fiscal Year 2014-15 through December 2015)
- Non-recurring – applied service providers' projections
- Surcharge & Taxes – applied service providers' projections









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California LifeLine Program Statistics



Participation Milestones

March 2011	Launched federal-only Lifeline wireless telephone services
March 2014	Launched California LifeLine wireless telephone services
April 2014	Reversed trend of 81 consecutive month-to-month decreases in program participation dating back to June 2007
February 2015	Number of participants with California LifeLine wireless telephone services (52%) surpassed the number of participants with California LifeLine wireline telephone services
May 2015	More than doubled the California LifeLine Program's participation
Year-over-year growth (2014) = 39.50%	
Year-over-year growth (2015) = 49.50%	





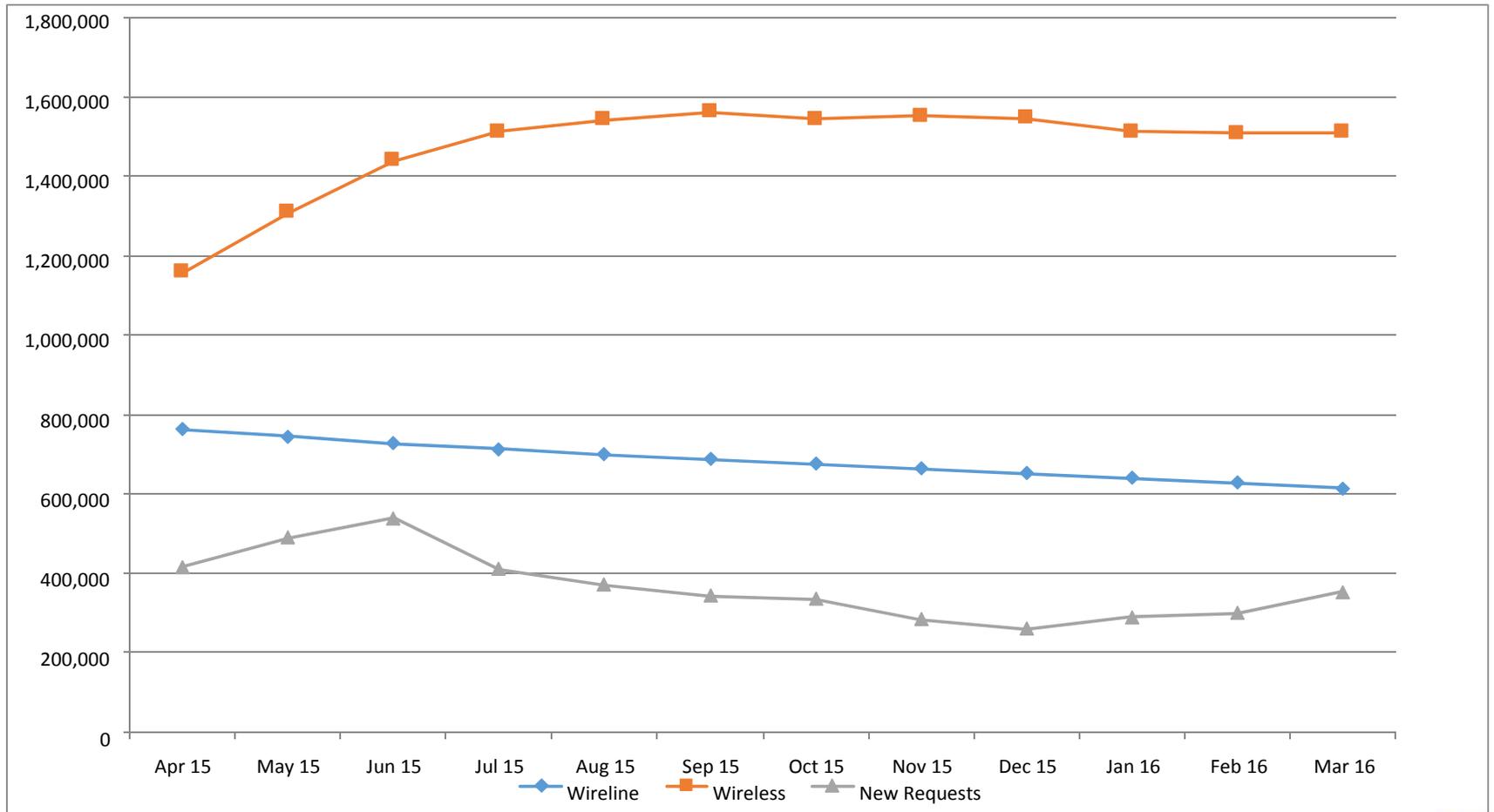
March 2016 Participation Numbers

	Number of Participants	Rate of Change
California LifeLine Program	2,124,120	-10,784 or -0.5%
California LifeLine Wireline	614,804	-12,578 or -2.0%
California LifeLine Wireless	1,509,316	+1,794 or +0.1%





Recent Program Participation Trends



Drop of 36,000 or 1% over the last three months















California LifeLine Program





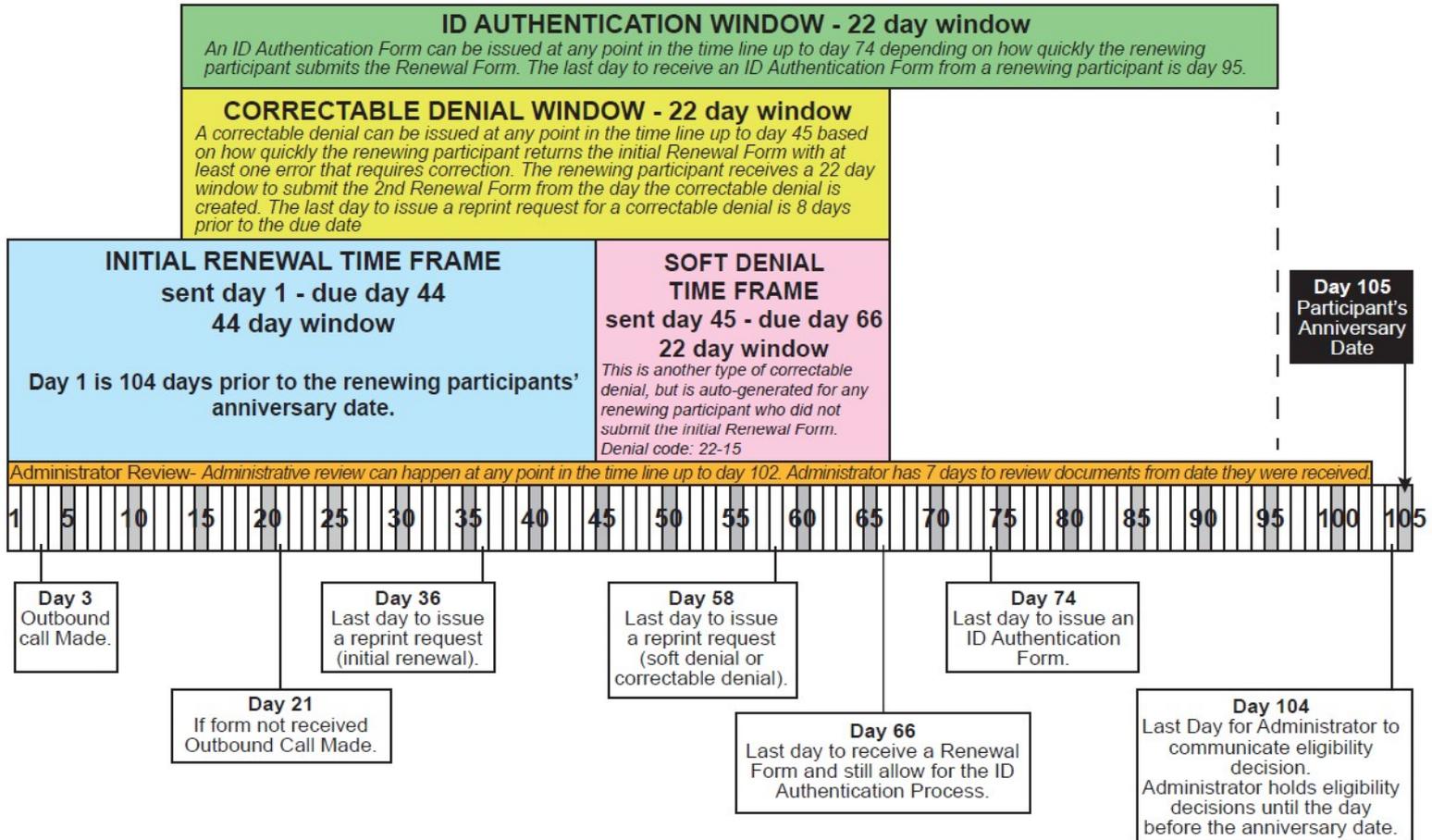
Recent Improvements by the California LifeLine Administrator

- Year 2010: began researching the possible reasons for decreasing volumes of renewals
- Directed the California LifeLine Administrator to implement the following strategies to improve the renewal rates:
 - i. Modify the envelopes
 - ii. Implement mail forwarding
 - iii. Share more information in the expanded return feed with California LifeLine providers about renewing participants by 1) providing the correctable denial codes and 2) developing new status codes
 - iv. Conduct a survey of renewing participants
 - v. Implement a pilot SMS campaign for renewing California LifeLine wireless participants
 - vi. Modify the content of the outbound call campaign for renewals
 - vii. Augment capability of existing Interactive Voice Response (IVR) system's capability to accept renewal forms



- viii. Redesign online renewal form, i.e., Web Enrollment System (WES) Phase 1 launching by **April 1, 2016**

California LifeLine Renewal Process

















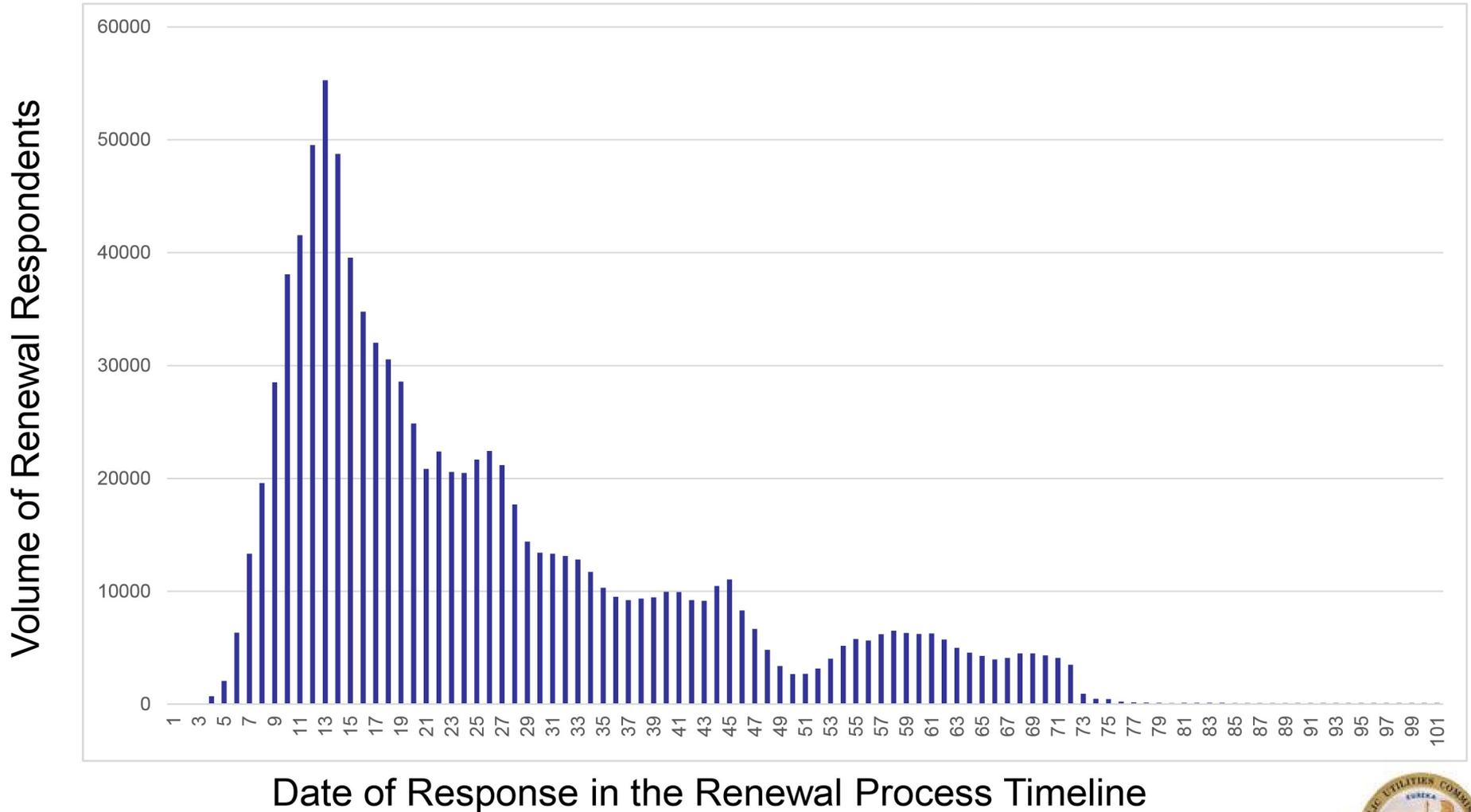








Renewal Response Dates (Year 2015)



Communications Division's Proposed Changes to the Renewal Process

- Reduce the timeline from 105 days to 45 days
 - Renewing participants may submit renewals up to Day 38
 - Response date will be fixed at Day 38
- Consumer would not need to wait until after the Anniversary Date to submit an application
 - Eligibility decision = Denial  Consumer may immediately submit an application
- The California LifeLine Administrator will send the approval (*possibly denial also*) notification for a renewal to both the renewing participant and the California LifeLine provider as soon as the eligibility decision is ready









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Consumer Protection



Possible Sources for Information Regarding Consumers' Experiences

1. Consumer Affairs Branch
2. California LifeLine Administrator
3. Federal Communications Commission (FCC)
4. Consumer Groups
5. California LifeLine Providers

- Currently, complaint processes encourage consumers to contact California LifeLine providers first, CPUC second, and FCC last
- CPUC has incomplete picture of consumers' experiences







California LifeLine Administrator Data



- California had the most number of complaints = more than 52,000
- Florida was the next state with about 35,000 complaints
- Time frame = December 29, 2014 to April 17, 2016
- Published charts do not indicate the types of complaints by state
- Top phone service related problems experienced *nationwide* are:
 - 1) billing
 - 2) availability
 - 3) number portability
 - 4) equipment
 - 5) privacy

Source: <https://consumercomplaints.fcc.gov/hc/en-us/articles/2045377> and <https://consumercomplaints.fcc.gov/hc/en-us>







Data from ALL California LifeLine Providers





Degree of Involvement of Service Providers



Some Existing Disclosures

California LifeLine Wireline and Wireless Service Elements

disclose to each participant before activating service that they are entitled to a voice-grade connection and the conditions under which the participant may terminate service without penalty if one cannot be provided

California LifeLine Wireless Service Element #9

disclosures must include the charges or fees associated with using operator services and the impact of terminating wireless service for contracts lasting more than one year, e.g., the consumer will be subject to the retail rates charged by the service provider and any applicable early termination fees





Some Existing Disclosures

California LifeLine Wireless Service Element #9

prominently disclose and disseminate terms and conditions, including:

- their rates and fees
- the charges, terms, and conditions associated with purchasing additional minutes
- 911 emergency services location accuracy and reliability standards as required in basic service element number I.2.(d) in Appendix A of Decision 12-12-038
- potential service coverage and service quality issues
- safety related considerations when handsets are removed from the home and when there is poor mobile reception
- any charges associated with calling 800 or 800-like toll-free services
- the device's condition if refurbished
- the device's applicability on other provider's wireless networks
- power back-up requirements, including limitations due to power for equipment on towers or other facilities, e.g. that wireless telephone service may not work if the

tower the wireless handset is trying to reach loses commercial or backup power







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N11 Obligation

California LifeLine Wireline and Wireless Service Elements #2

current state and federal laws and regulations

California LifeLine Wireline and Wireless Service Elements #18

provide free access to the California Relay Service via the 711 abbreviated dialing code



N11 Obligation

California LifeLine Wireless Service Element #19

provide free, unlimited access to public safety N11s (211, 311, 511, 711, and 811) for California LifeLine eligible plans with 1,000 or more voice minutes

calls to these special service N11s shall not count against the participant's allotted voice minutes or number of calls

and which may include text, but not video or data



N11 Obligation

California LifeLine Wireless Service Element #20

provide free, unlimited access to 611 for service provider billing and repair services

California LifeLine Wireless Service Element #21

provide access to 411, and disclose charges and conditions associated with 411 access and information







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Actual Expenses for Reimbursing Non-Recurring Charges (Fiscal Years 2013-2014 and 2014-2015)

- Reimbursements of non-recurring charges to California LifeLine wireline comprised **about 1%** of all actual California LifeLine wireline expenditures
- Reimbursements of non-recurring charges to California LifeLine wireless comprised **about 45%** in Fiscal Year 2014-2015 all actual California LifeLine wireless expenditures
- Reimbursements of non-recurring charges to California LifeLine wireless for

Fiscal Year 2014-2015 equaled approximately **\$89 million** most of which (**about 72%**) occurred in the **2nd half** of Fiscal Year 2014-2015

- Reimbursements of non-recurring charges to California LifeLine wireless between January to June 2015 equaled approximately \$64 million (approximately **\$10.7 million per month**)



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Foundation for Reimbursing Service Connection Charges

- **Public Utilities Code §874.(c)**

The lifeline telephone service installation or connection charge, or both, shall not be more than 50 percent of the charge for basic residential service installation or connection, or both. The commission may limit the number of installation and connection charges, or both, that may be incurred at the reduced rate in any given period.

- **General Order 153 §2.46**

Service Connection Charge = A non-recurring charge, for the installation of Basic Residential Telephone Service or the non-regulated residential service



provided by a Non-Traditional Provider, that is paid by the customer applying for such service.

Service Connection Charge

	California LifeLine Wireline	California LifeLine Wireless
Reimbursable Level	Up to \$39	Up to \$39
Frequency of Reimbursement	Unlimited	Up to 2
Reimbursable Activities	<ol style="list-style-type: none"> 1) initial installation 2) re-establishment at the same address 3) re-establishment at a different address 4) switching California LifeLine service providers 	<ol style="list-style-type: none"> 1) initial establishment of California LifeLine service from a consumer who has never been on the California LifeLine Program 2) switching California LifeLine service providers
Participant's Contribution	\$10 or of one-half of the regular service connection charge, whichever is lower	Contribution is not required





FCC's Concerns About Reimbursing Service Connection Charges

FCC found that Link-Up was potentially **susceptible to abuse**, was creating **unhelpful incentives**, and was providing **little public-interest benefit** (FCC 12-11 ¶ 252)

We question whether it makes sense to provide Link Up support to ETCs with high activation fees for voice service when low-income consumers can get Lifeline service from another provider without paying an activation fee...Indeed, the **lack of activation fees assessed by many**

competitive ETCs raises the question of whether the existence of rules allowing ETCs to collect

Link Up support creates an incentive for some ETCs to charge such fees, when they otherwise would not. (FCC 12-11 ¶ 246)

Installation at residence is not required – “Historically, incumbent telephone companies incurred costs in initiating service, such as the cost of visiting the housing unit to physically

connect a telephone line to initiate service. In contrast, today, service initiation in **virtually**



all instances for both wireless and wireline providers is **done remotely via software...**"
(FCC 11-32 ¶ 77 and FCC 12-11 footnote 678)

FCC concerned some ETCs may be **fabricating or inflating** service connection charges to **unnecessarily collect money**
(FCC 11-32 ¶ 46 and 79)

FCC's Concerns About Reimbursing Service Connection Charges

1998	1999	2000	2001	2002	2003
\$42,460,994	\$33,987,623	\$30,440,886	\$30,788,223	\$31,022,462	\$30,685,670

2004	2005	2006	2007	2008	2009
\$32,128,985	\$34,502,959	\$32,700,705	\$31,391,197	\$37,259,935	\$51,028,861

2010	2011	2012	2013	2014
\$76,559,703	\$130,387,708	\$46,710,128	\$567,204	\$636,563



Connection Charges

SERVICE CONNECTION CHARGES (SCNC)	FY 13/14	FY 14/15	FY 15/16 (July to November 2015)
Actual Expenditures on SCNC to California LifeLine Wireless	\$3,724,227	\$87,271,158	\$0
Actual Expenditures on SCNC to California LifeLine Wireline	\$1,739,606	\$1,017,267	\$329,189
TOTAL SCNC Expenditures (California LifeLine Wireless and California LifeLine Wireline)	\$5,463,833	\$88,288,425	\$329,189
SCNC as Percentage of All Actual California LifeLine Wireless Expenditures	69%	44%	
SCNC as Percentage of All Actual California LifeLine Wireline Expenditures	1%	1%	

Estimated \$21 million in possible reimbursements for SCNC between December 24, 2015 and March 31, 2016 for California LifeLine wireless (*excludes Blue Jay Wireless, LLC*)



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Comparing Application Requests to Transfer Requests (January 2015 to March 2016)

- **General Order 153 § 4.2.1 and 4.2.1.1**

California LifeLine Service Providers shall ask the customer whether he/she is currently or within the last 30 days has been enrolled in California LifeLine by another California LifeLine Service Provider.

- **General Order 153 § 4.2.1.1**

If yes, the California LifeLine Service Provider shall then contact the California LifeLine Administrator to validate the customer's approved status. The California LifeLine Service Provider shall inform the customer that the California LifeLine Administrator will notify the customer and the customer's current California LifeLine Service Provider once it

determines whether or not the customer is currently or within the last 30 days has been enrolled in California LifeLine. If the California LifeLine Administrator **cannot confirm** the customer's **continued eligibility**, the customer will be treated as a new California LifeLine applicant and be **subject to the Application Process**.



Comparing Application Requests to Transfer Requests (January 2015 to March 2016)

- **General Order 153 § 5.4.5**

changing his/her California LifeLine Service Provider shall not be required to undergo the Application Process, provided that the subscriber initiates California LifeLine service with his/her new California LifeLine Service Provider within 30 days of disconnecting California LifeLine service with the previous California LifeLine Provider and the subscriber maintains eligibility in all other respects. If a subscriber *changes his or her*

principal place of residence, while maintaining eligibility in all other respects, the subscriber shall not be required to go through the Application Process again

	APPLICATIONS	TRANSFERS
Volume of Requests from Service Providers	5.9 million	Less than 3,000
Volume Determined as Appropriate Request Type by the Administrator and APPROVED	2.2 million	2 million
Volume Determined as Appropriate Request Type by the Administrator and DENIED	1.5 million	200,000
Discrepancy Between How A Service Provider Submitted a Request Versus How the Request Should Have Been Submitted	Over Requested by 2.2 million	Under Requested by 2.2 million
Minimum Cost for Each Eligibility Decision	\$2.16	\$0.00



(March 2014 to March 2016)

- A majority of transfers (about **75%**) occurred after 30 days while more than half (about **58%**) happened after 60 days
- Transfers predominantly comprised of...
 - Inter-carrier transfers (about **98%**)
 - Transfers between California LifeLine wireless telephone service providers only (about **92%**)
 - Transfers occurring after 7 days (about **94%**)
 - One and two time transfers (about **80%**)







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Foundation for Reimbursing Service Conversion Charges

- **General Order 153 §2.47**

Service Conversion Charge = A non-recurring charge, that may be applicable when a customer changes the class, type, or grade of service, such as changing from Measured Rate Service to Flat Rate Service.



Service Conversion Charge

	California LifeLine Wireline	California LifeLine Wireless
Reimbursable Level	Up to \$39	None
Frequency of Reimbursement	Unlimited	None
Reimbursable Activity	change in the class, type, or grade of service, including requests to change from Foreign Exchange Service	None
Participant's Contribution	\$10 or of one-half of the regular service conversion charge, whichever is lower	Not Applicable



Actual Expenses for Reimbursing Service Conversion Charges

SERVICE CONVERSION CHARGES (SCVC)	FY 13/14	FY 14/15	FY 15/16 (July to November 2015)
Actual Expenditures on SCVC to California LifeLine Wireless	\$0	\$2,114,229	\$0
Actual Expenditures on SCVC to California LifeLine Wireline	\$466,349	\$310,535	\$136,803
TOTAL SCVC Expenditures (California LifeLine Wireless and California LifeLine Wireline)	\$466,349	\$2,424,764	
SCVC as Percentage of All Actual California LifeLine Wireless Expenditures	0%	1%	
SCVC as Percentage of All Actual California LifeLine Wireline Expenditures	0.3%	0.2%	







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- **General Order 153 §9.3.2.2**

Beginning January 1, 2013, there will be an assumed payment floor of \$5.00 for California LifeLine Flat Rate Service and \$2.50 for California LifeLine Measured Rate Service, in the calculation of the SSA recovery.

- **Decision 10-11-033**

- requires California LifeLine participants to pay at least \$5 per month
- limit California LifeLine support paid to the lesser of the SSA or the amount that results in the California LifeLine participant having \$5.00 and \$2.50 monthly rates for flat rate service and for measured rate service, respectively
- rationale:
 - i. makes sense so that every California LifeLine participant is contributing some amount to the program
 - ii. help moderate the price fluctuations among the different providers
 - iii. every California LifeLine participant should be invested in the purchase of phone service to understand that there is a cost associated with it





Foundation for All Plans Obligation

- **Decision 14-01-036 Ordering Paragraph 18**

All LifeLine telephone service plans, including bundled, promotional, and family plans, which meet or exceed the minimum service elements and are consistent with California LifeLine rules, shall be eligible for the California LifeLine discounts.

- **General Order 153 Appendix A
(California LifeLine Service Elements)**

All plans, including bundled service, promotional service, and family plans, that meet or exceed the minimum service elements and are consistent with California LifeLine rules shall be eligible for the California LifeLine discounts. The California LifeLine provider must apply the applicable

support to the plan chosen by the California LifeLine participant (Participant) to the extent the plans meet or exceed the minimum service elements.







R.11-03-013 CJS/KK3/111



(END OF ATTACHMENT B)

