



Oregon Citizens' Utility Board

610 SW Broadway, Suite 400
Portland, OR 97205

(503) 227-1984
www.oregoncub.org

No on HB 3268: Preserve the Residential Service Protection Fund

Proposed HB 3268 “repeals provisions directing [the Oregon] Public Utility Commission to administer [a] residential telecommunication service program” and eliminates the Residential Service Protection Fund that, since 1987, has provided monthly bill assistance to low-income telecommunication customers in Oregon.

Care Oregon, the primary author behind HB 3268, is evidently concerned with Public Utility Commission administration of the Oregon Telephone Assistance Program, Oregon’s complement to the federal Lifeline program. The Residential Service Protection Fund supports the Telephone Assistance Program, as well as two separate programs for hearing and/or visually impaired Oregon telecommunication customers.

CUB strongly opposes HB 3268 because we do not support eliminating the Residential Service Protection Fund and the critical programs it supports.

This document outlines the rationale for CUB’s position with the goal of educating key players about the federal Lifeline program, its interplay with the Oregon Telephone Assistance Program, and the important role of the Oregon Public Utility Commission.

Federal Background:

- In 1985, Congress created the Lifeline program and instructed the Federal Communications Commission to help low-income consumers pay for home telephone service.
- The Federal Communications Commission has reformed the program over the years:
 - 2008: broadened the subsidy to include mobile voice customers.
 - 2012: created a “National Lifeline Accountability Database”.
 - 2016: broadened the subsidy to include fixed and mobile broadband customers, phases out benefits for fixed and mobile voice customers, and establishes a National Verifier program.
- Lifeline, today, provides reduced rates for a range of telecommunication services for millions of low-income customers across all U.S. states and territories. The current federal subsidy is \$9.25/month.

Oregon Background:

- In 1987, the Oregon Legislature created the Residential Service Protection Fund and directed the Public Utility Commission to administer that fund and create three telephone assistance programs:
 - Oregon Telephone Assistance Program: delivers subsidy for low-income households that is currently \$3.50/month.
 - Oregon Telecommunications Relay Service: provides phone connections for the deaf, deaf-blind, speech and/or hearing disabled.
 - Telecommunication Devices Access Program: delivers adaptive telephones and tablets, and speech generating devices to persons in need.
- Fixed or mobile phone customers with access to Oregon Telephone Relay Service maintain the Residential Service Protection Fund through a monthly surcharge (\$0.07). In other words, ratepayer dol-

lars support essential telecommunication programs for low-income households as well as deaf, deaf-blind, and hearing disabled Oregonians.

How Lifeline and Oregon Telephone Assistance Programs Work:

- Phone companies collect a federal universal service charge on customer bills. The Universal Service Administration Company administers this fund. Oregon companies collect a separate \$0.07 surcharge on customer bills to maintain the Residential Service Provider Fund. The Public Utility Commission administers this fund.
- The Residential Service Protections Fund supports the:
 - Oregon Telephone Assistance Program;
 - Oregon Telecommunications Relay Service; and
 - Telecommunication Devices Access Program.
- Eligibility verification processes differ by state, but all programs must adhere to federal guidelines: 135% at or below the federal poverty or participation in one of the following assistance programs:
 - Supplemental Nutrition Assistance Program (SNAP);
 - Medicaid (Oregon Health Plan);
 - Supplemental Security Income (SSI);
 - Federal Housing Assistance;
 - Veterans Pension or Survivors Benefit programs;
 - Tribal Temporary Assistance for Needy Families (TANF);
 - Bureau of Indian Affairs General Assistance;
 - Food Distribution Program on Indian Reservations;
 - Tribal Head Start.
- Prospective Lifeline subscribers must currently apply to the company of their choice (assuming that company is an eligible Lifeline provider). The company takes the first step to verify income eligibility and, depending on the state, records the customer in the National Lifeline Accountability Database.
- The federal Lifeline and Oregon Telephone Assistance Program verifies benefits on a per-household basis and not individually (Oregon had 518,000 eligible households in 2015).
- Four states (Oregon, California, Vermont, and Texas) use their own verification system. Oregon Public Utility Commission's system utilizes an independent database and cross-references with data from the Department of Housing and Community Services.
- Once the Oregon Public Utility Commission (or National Lifeline Accountability Database in other states) confirms the customer's identity, and that the individual/household does not already receive a benefit, the provider can offer the benefit – \$11.75/month in Oregon (\$9.25/federal + \$3.50/state).
- The Universal Service Administration Company reimburses companies for the federal portion and the Oregon Public Utility Commission, via the Residential Service Protection Fund, reimburses the state portion.

Oregon Market and Public Utility Commission Specifics:

- Oregon currently has 34 Lifeline “eligible telecommunication carriers” – 28 phone companies and six wireless carriers. The mobile service providers include: AT&T Mobility (only in certain areas); Snake River PCS; US Cellular (also offering Lifeline eligible mobile broadband service); Access Wireless (by i-Wireless); enTouch (by Boomerang); and Assurance (by Virgin Mobile).

- SafeLink (by TracFone) was also an eligible mobile carrier but discontinued Oregon operations in 2016. Both Cricket Wireless and T-Mobile discontinued Lifeline service in Oregon in 2015.
- In 2012, a Federal Communications Commission reform order established the National Lifeline Accountability Database with the primary goal of curbing waste, fraud, and abuse. Prior to its implementation, nearly 50% of federal subscribers received duplicate benefits.
- A federal audit of Oregon's system, however, confirmed a less than 1% incidence of duplicate benefits, leading the Federal Communications Commission to endorse Oregon's system and not require a switch to the National Lifeline Accountability Database. For example, the Oregon system requires device activation similar to credit card activation.

What Exactly Would HB 3268 Do?

- At its core, HB 3268 would abolish Oregon's \$0.07 monthly surcharge and the Residential Service Protection Fund that collects and maintains these ratepayer dollars. The Fund, as discussed, supports Oregon's complement to the federal Lifeline benefit through the Telephone Assistance Program, as well as two programs serving deaf and visually impaired customers.
- While the bill, as written, would immediately abolish the Oregon Telephone Assistance Program, it would retain the Device Access and Relay System programs until 2020, but without financial support from the Residential Service Protection Fund. The bill would also remove the Oregon Public Utility Commission as the program administrator. However, pursuant to Title IV of the Americans with Disabilities Act, without a designated fund or appropriate program administrator, the responsibility of delivering the Oregon Telecommunication Relay Service would defer to the carriers.
- Eliminating the Oregon Telephone Assistance Program would directly affect more than 60,000 low-income customers by increasing their monthly bills. Oregon's eligible telecommunication carriers would inappropriately have to assume the responsibility to develop and administer subscriber verification processes that align with National Lifeline Accountability Database guidelines.
- HB 3268, evidently, would require "certified" telecommunication companies (not wireless carriers) that provide local exchange services to contribute to the Device Access Program, but not the Relay Service. However, defunding the Relay Service would remove the current mechanism used to determine assessment of the monthly surcharge that maintains the Residential Service Protection Fund.

What Problem Does HB 3268 Solve?

- HB 3268 proponents refer to Oregon's Lifeline/Telephone Assistance Program participation rate (income eligible subscribers/actual subscribers) as evidence that Oregon should defer to the National Lifeline Accountability Database for verification and some yet-to-be-determined state level entity for general program oversight. These same proponents, however, do not propose an alternative state-level entity, such as the Oregon Public Utility Commission, that passes muster with the Universal Service Administration Company and National Lifeline Accountability Database guidelines.
- Lifeline participation rates range from 1% to 50% in states across the country. Oregon's rate in 2015 was 16%, and the national average was approximately 25%. Participation rates for Lifeline, and any low-income assistance/anti-poverty program for that matter, depend on many factors, not the least of which is the size of the eligibility pool. Other factors include increased incidence of waste, fraud, and abuse and unique demographics. Oklahoma, for example, has a large tribal population.

- Improving Oregon’s Lifeline participation rate is an admirable goal, and one that CUB strongly supports and believes is necessary to improve the connectivity and wellbeing of low-income Oregonians. But doing away with the Residential Service Protection Fund is not the answer.
- The 2016 Federal Communications Commission modernization order included broadband service as an additional benefit option to eligible customers. The order also set out a course for a new National Verifier program that, by 2019, will eliminate the companies’ role in verifying subscriber eligibility – a concept the Public Utility Commission has long endorsed. This eventuality makes Care Oregon’s goal of removing Oregon’s Public Utility Commission from the verification process entirely moot.

CUB’s Investigation to Improve Lifeline/Oregon Telephone Assistance Participation

- CUB does not agree with the premise behind HB 3268 that major flaws exist with the Oregon Public Utility Commission’s administration of the Oregon Telecommunications Assistance Program and Residential Service Protection Fund. We base our position on the Commission’s compliance with National Lifeline Accountability Database requirements that predate the federal system’s existence. We also value the opinion of the Oregon Telecommunications Association, and their long-standing support of the Commission’s effective and fiscally responsible program administration.
- CUB does agree with improving good programs, and commits to an independent investigation of opportunities to increase Lifeline/Oregon Telephone Assistance Program participation. For example, we already recognize the opportunity to update relevant Oregon statutes to allow use of Residential Service Protection Fund dollars to benefit fixed or mobile broadband customers to align with last December’s Federal Communications Commission modernization order.
- CUB’s independent assessment of Lifeline and the Residential Service Protection Fund will occur during summer of 2017. We will submit our findings during fall 2017 to Oregon Public Utility Commission Chair, Lisa Hardie and bill sponsors, Representatives Alissa Keny-Guyer and Carla Piluso, and Senators Brian Boquist and Laura Monnes Anderson.

Thank you for your time and consideration and please get in touch with any questions.

Respectfully,

Janice Thompson, Advocacy Director
503.890.9227 | Janice@oregoncub.org

Samuel Pastrick, Consumer Advocate
978.505.3846 | Samuel@oregoncub.org