

BEFORE THE HOUSE HEALTH CARE COMMITTEE
House Bill 3268

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Oregon Public Utility Commission

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What is the Oregon Lifeline Program?

The Oregon Telephone Assistance Program is the state counterpart to the Federal Communication Commission's (FCC) Lifeline program and is collectively known as Oregon Lifeline. We administer this federal and state program that makes telecommunications service more affordable to more than 60,000 qualifying low-income Oregonians. The FCC provides \$9.25 per month and the state of Oregon provides an additional \$3.50. Eligible low-income Oregonians can receive Lifeline in the form of a monthly discount on their landline or wireless service or they can receive a monthly allotment of free minutes at no charge ("Free Phone"). Oregon Lifeline helps supports the state's public policy that all Oregonians have access to adequate and affordable telephone service.

A total of thirty-four (34) companies, six (6) of which are wireless, participate in the Oregon Lifeline program. The Communications Act of 1934, as amended in 1996, gives state commissions the authority to determine whether a company (Eligible Telecommunications Carriers – ETC) meets the federal criteria to provide Lifeline service in their state.

Oregon Lifeline is funded through the Residential Service Protection Fund (RSPF). In addition to Oregon Lifeline, RSPF also funds the Oregon Telecommunications Relay Service (OTRS – Oregon Relay) and the Telecommunication Devices Access Program (TDAP). RSPF has its own fund limitation, separate from Utility Program funds, and is only used to support these three programs, staffing levels (steady at 8.0 FTE), administrative overhead, and 10% of one

utility staff member that works on FCC and ETC issues in support of Oregon Lifeline. The current surcharge on landline and wireless customers is \$0.07 and is significantly below the \$0.35 statutory maximum. Proportionally, the funds allocated between the three programs have remained fairly consistent over bienniums and Oregon Lifeline funds are not being strained or diverted to fund the two other programs.

Eligibility

A low-income customer can qualify for the Oregon Lifeline program if their total household income is at or below 135% of the federal Poverty Guidelines or if they participate or receive benefits from one of the following:

- Supplemental Nutrition Assistance Program (SNAP)
- Supplemental Security Income
- Medicaid
- Federal Public Housing Assistance (Section 8)
- Veterans or Survivors Pension

In addition to informing customers of all their options, we perform several administrative functions in making sure that the customer is eligible to receive Lifeline service in accordance with FCC regulations. We ensure that companies comply with program rules and we assist customers daily in resolving any and all Lifeline-related questions, concerns, or complaints that are brought to our attention.

If the Oregon Public Utility Commission were no longer able to perform eligibility functions, the responsibility will default to the thirty-four (34) companies that participate in the program. The companies would be under the same requirements to confirm eligibility except they would not have access to state databases that aid in verification. As a result, the customer may be subject to an additional requirement to provide proof of eligibility or may be delayed in receiving the benefit based on eligibility determination.

Outreach

Companies are required to advertise the availability of Lifeline and it's in their interest to do so. Even though the participation rate appears low in Oregon (16% in 2015), the participation rate in other states ranges from 1 to 52%. We are not aware of any study that explains the reasons for the variations in the participation rates among

states. Nevertheless, we do promote the program and are willing to work with CareOregon and other stakeholders to identify ways to increase participation and inform qualifying low-income Oregonians of all their options for receiving Lifeline service that meet their various needs.

Customer Choice

Customer choice is driven by the market and the companies that offer Lifeline service. Generally, it's a company's decision on whether to offer Lifeline in Oregon. Different companies offer different choices to their customers. For example, i-wireless offers more free minutes to the qualifying customer as a result of Oregon's \$3.50 subsidy. Other companies don't offer free plans; instead, they provide a discount equal to the federal and Oregon subsidy on whatever calling plan the customer chooses.

Activation of Free Lifeline Service

There have been many documented cases and substantiated reports of waste, fraud, and abuse in the Lifeline program across the country due to the free Lifeline model (no charge to the customer). After a public rulemaking process, the Oregon Public Utility Commission adopted safeguards in which low-income Oregonians, upon receipt of a free handset from the company of their choice, must contact the company and provide the last four (4) digits of their social security number to activate the free monthly Lifeline service. Three out of the four companies subject to this requirement had no compliance issues. CareOregon alleges that TracFone left the Oregon Lifeline market due to this requirement, but TracFone did not petition the Oregon Public Utility Commission for relief or propose another solution. CareOregon also states that 45% of TracFone's handsets were not activated. However, neither CareOregon nor TracFone provide an explanation as to why. Our concern is that many handsets may not have been delivered to the intended recipient and in which case, the requirement protects the fund from potential waste, fraud, and abuse.

Conclusion

Not only does the Oregon Public Utility Commission provide an added value of \$3.50 to the Lifeline program, we, based on our thirty (30) year experience, have the

regulatory and legal expertise to administer this federal and state program. We advocate for Oregonians in FCC proceedings and the FCC, in response, has commended Oregon as a model state in the administration of the Lifeline program. We strive to ensure that the funds collected for the program are used in the most efficient manner to benefit the maximum number of Oregonians. In the meantime, we welcome CareOregon and other interested individuals and stakeholders to provide input on how we can improve participation by reaching more low-income Oregonians. Although we have no position on the bill, we wanted to provide a factual overview of the program.