

Minnesota Public Utilities Commission
Staff Briefing Papers

Meeting Date: **July 23, 2015***Agenda Item # 1

Company: Local Exchange Companies, Eligible Telecommunications Carriers

Docket Nos. P999/M-15-20
In the Matter of the 2014 Lifeline Re-certification Results

Issues: A. What action should the Commission take regarding the ETCs' 2014 Lifeline Re-certification Results?

B. What action should the Commission take to improve the re-certification procedures in Minnesota?

Staff: Lillian A. Brion..... 651-201-2216 or lillian.brion@state.mn.us

Relevant Documents

PUC ORDER...(14-20) August 5, 2014
ETCs' Re-certification reports... (Summarized in Att. 1 of Department's April 1, 2015 Comments)
..... December 12, 2014 through March 6, 2015
Department of Commerce Comments April 1, 2015

The attached materials are workpapers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

This document can be made available in alternative formats (i.e., large print or audio tape) by calling us at (651) 296-0406. Persons with hearing or speech difficulties may call us through their preferred telecommunications relay service provider.

STATEMENT OF THE ISSUE

- A. What action should the Commission take with respect to the 2014 Lifeline verification surveys by ETCs?
- B. What action should the Commission take to improve the re-certification procedures in Minnesota?

BACKGROUND

Lifeline Program

The federal Lifeline program provides telephone discounts to eligible subscribers, following Congress' intent to provide universal service to all people of the United States. Currently, Lifeline provides a \$9.25 monthly credit to eligible low-income customers in addition to the Minnesota ratepayer-funded Telephone Assistance Program (TAP) monthly credit of \$3.50. The subscriber eligibility criteria is identical for Lifeline and TAP; subscriber's household income should not exceed 135 percent of the Federal Poverty Guideline, or subscriber participation in one or more of specified government programs like Medicaid or Low-Income Home Energy Assistance Program.

Lifeline was first implemented in 1985 to ensure that the breakup of AT&T would not endanger the affordability of local phone service. Only designated local service providers called Eligible Telecommunications Carriers (ETCs) are permitted to receive subsidies from the universal service fund (USF). In 2014, Lifeline (the low income component of the Universal Service Fund or USF) accounted for \$1.6 billion out of \$5.7 billion USF disbursements. The Universal Service Administrative Company (USAC or Administrator) administers Lifeline and the other Universal Service programs for the Federal Communications Commission (FCC).

In the Lifeline Reform Order,¹ the FCC made sweeping changes to the Lifeline program, mainly to increase accountability in the program. 47 C.F.R. §54.410(f) requires all Eligible Telecommunications Carriers (ETCs) to follow certain processes and procedures to ensure that their Lifeline subscribers continue to be eligible for Lifeline services. The FCC cites approximate savings of \$2.75 billion from the reform for the 2012-2014 period. Starting in 2014, carriers participating in Lifeline transitioned to a national database called the National Lifeline Accountability Database created by the USAC, the Universal Service Fund Administrator, to help detect and prevent duplicative support in the Lifeline program. At the present time, additional reforms are being considered for the Lifeline program, including the

¹ FCC REPORT AND ORDER AND FURTHER NOTICE OF PROPOSED RULEMAKING released February 6, 2012 in FCC 12-11.

possible inclusion of support for broadband internet access service and further changes to strengthen program oversight and administration.²

Minnesota's Lifeline Verification Procedures

Previously, the Minnesota Commission established its own verification procedures for reviewing the continued eligibility of customers receiving Lifeline benefits.³ The procedures involved sampling surveys; the base sample sizes dependent on the carrier's size. The Commission also authorized the Minnesota Telecom Alliance (MTA) starting in 2010 to use a trial electronic verification process, where the names and Social Security numbers of sampled Lifeline subscribers are sent to the Minnesota Department of Human Services (DHS) for matching with the DHS' databases. Customers that matched with the databases were deemed verified and eligible to continue receiving Lifeline. Customers that did not match were sent letter surveys in accordance with the regular procedures.

In 2012, the Commission directed the ETCs to adopt the FCC's new Lifeline initial certification and annual re-certification requirements resulting from the Lifeline Reform Order.⁴ Among others, all ETCs are now required to conduct an annual re-certification of their entire subscriber base. The results of the annual re-certification must be submitted to USAC and to the Commission by January 31 of each year. The annual re-certification reporting requirements are listed in §54.416. If an ETC is unable to re-certify a subscriber, it should follow the de-enrollment requirements provided in §54.405(e)(4).

In its Order dated August 5, 2014 in Docket No. P999/M-14-20, the Commission expressed its continued support for the ETCs' use of existing electronic database administered by the Minnesota Department of Human Services. The database match with direct contact for subscribers whose names do not appear in the DHS database was proven in the past years to reduce the number of de-enrolled Lifeline subscribers in Minnesota.

For this year, ETCs filed their Lifeline recertification results using FCC Form 555 in compliance with 47 CFR 54.416 (b) and Paragraph 148 of the Lifeline Order. The Department filed its Comments on April 1, 2015, recommending that the Commission accept the ETCs' filings.

² FCC NPRM and Order on Lifeline Reform, released June 22, 2015, FCC 15-71.

³ MPUC ORDER ESTABLISHING VERIFICATION PROCEDURES dated August 11, 2006 in Docket No. P999/CI-06-517, with latest modifications contained in MPUC ORDER ACCEPTING LIFELINE VERIFICATION REPORTS AND APPROVING SAMPLE SIZE dated March 14, 2011 in Docket No. P999/M-11-212.

⁴ MPUC ORDER ESTABLISHING NEW LIFELINE VERIFICATION PROCEDURES dated June 14, 2012, in Docket No. P999/M-12-194.

2014 LIFELINE RE-CERTIFICATION RESULTS

ETC Reports

The ETCs used one of the following methods in their 2014 re-certification efforts:

A. Direct Contact

ETCs can obtain a signed certification directly from the subscriber following the procedures in 47 C.F.R. 54.410(d) and (f).

B. Use of DHS database

The MTA had initiated use of the DHS database since 2010. The ETCs give the subscribers' names to DHS to match participants in the database. Matches are considered eligible and are re-certified. Non-matching subscribers are directly contacted by the ETCs to verify eligibility. The Commission had encouraged all ETCs to use electronic interface with existing program databases coupled with direct contact with subscribers whose names are not matched in the databases.

C. Election of USAC to conduct the re-certification process

Starting last year, ETCs had the option to elect USAC to conduct the re-certification process on their behalf. The process by which USAC re-certifies Lifeline subscribers is described as follows:⁵

1. USAC will mail each subscriber a letter explaining the re-certification process and the subscriber's obligation to confirm his/her eligibility. This letter will contain information that the subscriber has 30 days to re-certify continued eligibility or face de-enrollment pursuant to §54.405(e)(4). Subscribers will also receive an automated call or text message to prompt a response.
2. USAC will provide subscribers with three methods to respond: 1) a toll-free number where subscribers can re-certify eligibility through an Inter-active Voice Response system; 2) a website where subscribers can verify their identity, read the certification language, and submit their response to the re-certification; 3) mailing a signed re-certification form provided by USAC and mailing the signed form back to USAC.
3. USAC will conduct the re-certification in staggered phases and will provide each electing ETC with a record of the re-certification results. ETCs must use these results to complete FCC Form 555.

⁵ FCC Public Notice Providing Guidance to ETCs on RE-certification Process, released on March 31, 2015 in DA 15-394.

Any subscriber that does not respond within the 30-day window will be considered ineligible and will be de-enrolled from Lifeline.

The Commission received the ETCs' reports on the annual Lifeline re-certifications from December 12, 2014 through March 6, 2015. The ETCs' reports were filed using FCC Form 555 which requires the following information:

1. Certifications by an authorized company officer
 - A. That the ETC has certification procedures in place to review income and program-based eligibility documentation prior to enrolling a customer in the Lifeline program, and was presented with documentation of the eligibility; and/or
 - B. That the ETC confirmed consumer eligibility by relying upon access to a specified program eligibility data source, such as state database or USAC notice of eligibility, prior to enrolling a consumer in the Lifeline program.
 - C. That the ETC has procedures to re-certify the continued eligibility of all its Lifeline customers and has obtained signed certifications from all consumers for their continuing eligibility, or has relied on other sources of eligibility information, or
 - D. That the ETC did not claim low income support for any Lifeline subscribers in February for the current Form 555 calendar year.

2. Aggregated data on the state level reported on the following data fields or columns:
 - A. Number of subscribers claimed in February
 - B. Number of lines provided to wireline resellers
 - C. Number of subscribers initially claimed in February but initially enrolled
 - D. Number of subscribers de-enrolled prior to re-certification attempt
 - E. = (A-B-C-D)
 - F. Number of subscribers ETC contacted directly for re-certification
 - G. Number of subscribers responding to ETC direct contact
 - H. = (F-G)
 - I. Number of subscribers responding that they are no longer eligible
 - J. = (H+I)
 - K. Number of subscribers reviewed through access to an eligibility database, or by USAC
 - L. Number of subscribers de-enrolled or in process to be de-enrolled resulting from finding by USAC or ETC access to eligibility database
 - M. = (F+K)
 - N. Number of subscribers de-enrolled or in process to be de-enrolled resulting from non-response or ineligibility
 - O. = ((N/M) * 100

All of the ETCs' reported data are summarized in the attachments included in the Comments filed by the Department of Commerce (Department) on April 1, 2015.

Department Comments

The Department recommends that the Commission accept the 2014 Lifeline re-certification reports. The Department finds that all ETCs have complied with the requirement to submit their re-certification results to the Commission following required re-certification procedures. The Department also recommends that to minimize de-enrollments, ETCs should be encouraged to use the DHS database to validate eligible subscribers and reduce the number of direct contacts to Lifeline subscribers. Noting that not all ETCs submitted the filings in a timely manner, the Department also recommends that the Commission order all ETCs to file the 2015 Form 555 reports by the January 31, 2016 deadline.

Summaries of the ETC Lifeline Re-certification Results are included in the Department Comments. (The electronic copies can be enlarged and may be easier to read). The attachments contain data summaries for columns A through O as follow:

- Attachment 1 - from all ETCs
- Attachment 2 – from ETCs that used USAC for re-certification
- Attachment 3 – from ETCs that used non-USAC database (mainly DHS) and direct contact
- Attachment 4 – from ETCs that only directly contacted subscribers for re-certification
- Attachment 5 – filings from wireless ETCs

The following tables show 2014 re-certification results, with comparison with 2013 and 2012 data, as well as the 2014 breakdown as to method used, with data also separately shown for wireless ETCs.

Table 1. Summary of Re-certification Results, 2014 Data, with comparison to 2013, 2012 Data

Year	2012	2013	2014
No. of subscribers subject to re-certification	72,327	63,302	64,509
No. of non-responding subscribers	30,140 42.7%	7,983 20.5%	20,640 35.3%
Overall No. of subscribers de-enrolled (both direct contact and database use)	30,852 42.6%	10,435 16.5%	23,699 35.8%

Table 2. 2014 Breakdown as to Re-certification Method Used/ also Wireless

Re-certification Method	USAC	Non-USAC + Direct Contact	Direct Contact Only	Wireless
No. of subscribers subj. to recertification	3,648	3,042	16,604	41,019
No. of non-responding subscribers	0	444	4,512	15,717
No. of subscribers de-enrolled	1,796	483	4,569	16,322
Percentage de-enrolled in 2014	56.7%	15.9%	27.5%	38.4%
<i>Percentage de-enrolled in 2013</i>	<i>56.8%</i>	<i>13.2%</i>	<i>28.5%</i>	<i>16.2%</i>

Among the observations reported by the Department, on pages 5 through 7 of its Comments are:

1. Number of subscribers subject for re-certification.

The number of subscribers for re-certification in 2014 (64,509) remained at about the same level as the previous year (at 63,302), but down from 2012 (72,327). The Department notes the significantly higher number of Lifeline customers served by prepaid wireless ETCs. For the re-certification survey, prepaid wireless ETCs reported 41,019 customers, up from 20,242 for 2013. The prepaid wireless Lifeline subscribers for re-certification represented 63.6 percent of all Minnesota Lifeline subscribers surveyed.

2. De-enrollment rate.

The de-enrollment rate of 35.8 percent was up from 2013's 16.5 percent, but down from 2012's 42.6 percent. The Department observes that the higher de-enrollment rate of prepaid wireless ETCs contributed to the overall increase in de-enrollment rate.

3. Non-response rate.

Non-response rate to ETC's direct contact method continues to be the chief factor in de-enrollments.

4. Using USAC to conduct the re-certification produces poor results.

For the second year since USAC became an option to conduct the re-certification, this re-certification process continued to experience a higher de-enrollment rate than direct contact by ETCs, even without the use of the DHS database.

5. Use of DHS database combined with direct contact of Lifeline subscribers continues to produce the lowest de-enrollment rate.

The de-enrollment rate for ETCs that used the DHS database then followed it up by directly contacting subscribers was 15.9 percent in 2014, up from 13.2 percent in 2013.

6. Prepaid wireless results.

Because of its significant share of the Lifeline market niche, the Department separately reported the re-certification results from the prepaid wireless ETCs. The 2014 de-enrollment rate of Lifeline subscribers served by prepaid wireless carriers was 38.4 percent, considerably higher from the 2013 rate of 16.2 percent.

Based on its analysis, the Department finds that all ETCs have complied with the federal and Commission requirement to submit their 2014 Lifeline re-certification results to the Commission. The Department also noticed that previous years' confusion regarding reports using the DHS database has been sorted out. Since subscribers are eligible for Lifeline support based on both program participation (which are evidenced in the DHS database), and income (which is not determined through the DHS database), the ETCs are now aware that they need to do a direct contact follow up if their subscribers' names do not match up with the DHS database. The Department had also contacted USAC about ambiguous instructions related to the cut-off date for ETC's reporting on number of de-enrolled Lifeline subscribers prior to the re-certification attempt; the Department expects that clarifications will be issued by USAC next year.

Comments from Other Parties

No other party filed comments on the matter.

Staff Analysis

Commission approval of the ETCs' re-certification filings

Staff supports the Department's recommendations and believes that the ETCs have followed the currently required re-certification procedures.

What can be done for next year?

The Commission's objective here is ensuring that eligible customers in Minnesota retain the benefits from Lifeline while at the same time safeguarding the integrity and accountability of the program.

The challenges presented by subscribers' non-responses and the resulting huge de-enrollment numbers (more than 20,000 Minnesotans this year) are not new to Lifeline eligibility verification work. Even before the implementation of the Lifeline Reform Order requiring one hundred percent verification of subscribers' eligibility, when Minnesota was sampling subscribers' eligibility, we'd experienced very high non-responses and de-enrollment rates. From 2008 to 2011, Minnesota went through 38 to 44 percent de-enrollment rates, causing the removal of about 1,000 to 2,000 customers per year from Lifeline. While we discovered that some customers may really be ineligible, it was found that many continue to be eligible, but simply fail to return the survey. The industry agreed that non-responses result from customers not understanding what they were supposed to do or not fully understanding the consequence of not responding.

In 2012, at the first year implementation of the hundred percent verification of subscribers' eligibility, 30,000 Minnesotans were dropped from Lifeline. For 2014, a closer scrutiny of the process by the regulatory agencies and the industry, plus added follow up work initiated by some carriers, may have stemmed the tide and reduced to 10,000 the number of de-enrolled Minnesotans. For example, the Department cited the work by a couple of prepaid wireless ETCs of enhancing the direct contact process by adding telephone calling and website messages to the prescribed written communications used by other ETCs.

The 2014 results show that the problems of non-responses by subscribers and the resulting sizable de-enrollment rates do not appear to be contained. Staff has learned that the national de-enrollment rate is lower, at 28.75 percent.

The Commission may wish to wait and see if 2015 results will again present these recurrent problems. It is also possible that the new FCC Lifeline reform proceeding will address the topic. Or, the Commission may wish to initiate certain actions today to immediately tackle the significant de-enrollment problem.

Commission consideration of possible actions

The Commission may want to solicit comments from the parties as to possible courses of action. For starters, some possible Commission actions may include:

1. Require ETCs with 1,000 or more Lifeline subscribers to use the DHS or similar database combined with direct contact follow up, or show why they cannot do so.

For many years, our experience shows that a combination of using electronic database interface and a direct contact follow up works effectively. The procedure entails ETCs to give the names and social security numbers of Lifeline subscribers to the DHS for matching with the DHS databases.

Customers that matched with the databases were deemed verified and eligible to continue receiving benefits. Customers that did not match were directly contacted for verification of eligibility. This procedure has yielded the most effective results over the years.

The following table lists the ETCs that report 1,000 or more Lifeline subscribers on FCC Form 497, and their respective re-certification method used and survey results in 2014.

ETC	Gross No. of LL Subscribers Form 497	Adj. No. of LL Subscribers for Recertification	No. De-enrolled	% De-enrolled	Method used
Boomerang Wireless	3,802	1,232	381	31%	Direct contact only
Budget Prepay (wireless)	11,239	3,851	2,188	57%	Direct contact only
CenturyLink QC	14,183	13,097	3,866	30%	Direct contact only
Citizens TelCo MN	1,309	1,155	717	58%	USAC
iWireless	4,178	927	398	43%	Direct contact only
Telrite (wireless)	22,365	12,428	4,788	39%	Direct contact only
Terracom (wireless)	5,947	1,114	0	0	DHS+Direct contact
Virgin Mobile (wireless)	23,930	19,024	8,255	40%	Direct contact only
Total	86,953	52,828	20,593	appr.40%	

The data shown above illustrates that even limiting the use of the DHS database to ETCs with 1,000 or more Lifeline subscribers can produce significant results. For 2014, the eight ETCs listed above with 52,828 Lifeline subscribers served 82 percent of all Lifeline subscribers for re-certification in Minnesota.

The above table also highlights the effect of using a database plus direct contact. Terracom (a prepaid wireless ETC) used DHS database plus direct contact and reported zero de-enrollment in 2014. On the other hand, seven ETCs that either used USAC or direct contact resulted in a total of 20,593 de-enrolled subscribers, or an overwhelming 87 percent of the total 23,699 Minnesota customers dropped from Lifeline.

2. Ask the industry to form a task force to make recommendations on the issue.

The Commission may wish to direct the parties to organize a task force to address the matter further and make recommendations regarding future action. There are a number of ways this can be done. For example, the Commission could ask for volunteer members and chairperson of the task force. Or, the Commission could assign the top eight companies listed above to constitute the task force.

Regarding a timeframe, the Commission may set a deadline of 90 days from the Order date to the group's filing of recommendations.

3. Solicit comments.

The Commission may wish to solicit comments from all interested parties. Upon issuance of an Order, the Commission may issue a Notice Soliciting Comments asking all ETCs to file Comments and Reply Comments by certain dates.

COMMISSION OPTIONS

A. What action should the Commission take regarding the ETCs' 2014 Lifeline re-certification results?

1. Accept the Department's analysis regarding the ETCs' 2014 Lifeline re-certification surveys:
 - a. Find that all ETCs have complied with the requirement to submit their re-certification results to the Commission, and the re-certifications results comply with required re-certification procedures;
 - b. To minimize de-enrollments, encourage use of the DHS database to validate eligible subscribers and reduce the number of Lifeline subscribers needing direct contact; and
 - c. Order all ETCs to file FCC Form 555 Lifeline survey results by January 31, 2016 of each year. Since January 31 falls on a weekend in 2016, it should be filed the following business day.
2. Other action determined by the Commission.

B. What action should the Commission take to improve the re-certification procedures in Minnesota?

1. Require ETCs with 1,000 or more Lifeline subscribers to use the DHS or similar database combined with direct contact follow up, or show why they cannot do so.
2. Ask the industry to form a task force to address and make recommendations on the matter.
3. Solicit comments.
4. Other action determined by the Commission.

Staff Recommendation

Staff recommends Option A.1. and Option B.1.