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July 27, 2016

Mr. Ajit Pai
Federal Communications Commission
445 12th Street SW
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SUBJECT: California Public Utilities Commission's Response to Federal Communications Commission's Commissioner Ajit Pai's July 5, 2016 Letter Requesting Information about California's Experience Combatting Abuse of the Federal Lifeline Program

Dear Commissioner Pai:

We appreciate your recognition of the California Public Utilities Commission's (CPUC) efforts in safeguarding both state and federal Universal Service Fund dollars. The CPUC takes seriously our fiduciary responsibility to California's ratepayers to ensure that the California LifeLine Program's funds are used in a fiscally sound and responsible manner. The CPUC would be happy to share our lessons learned and successes in protecting both taxpayers nationwide as well as the integrity of the Universal Service Fund. With more than three decades of experience overseeing the California LifeLine Program, the CPUC is well positioned to provide meaningful information. We also value, and would like to nurture, our state-federal partnership. We thank you for requesting California's assistance and input in preventing waste, fraud, and abuse of the valuable universal service program for eligible low-income households.

Background

In 2005, the CPUC transferred the California LifeLine Program's enrollment responsibilities from the service providers to an independent, third-party administrator, the California LifeLine Administrator (Administrator), who is under the CPUC's direct oversight and supervision. The Administrator's sole purpose is to determine eligibility. Consumers and service providers that participate in the federal and/or state program in California must comply with the Administrator's eligibility requirements and enrollment process. Having a California LifeLine Administrator is an important difference between California and those states that rely on service providers to determine eligibility for the federal Lifeline program. In California, the Administrator reviews each piece of underlying document to determine eligibility. Moreover, the California LifeLine Program neither acquires nor relies on certifications by service providers as a part of the enrollment process.

Some of the California LifeLine Administrator's functions are as follows:

- Develops and provides all forms for consumers to obtain or renew their discounts;
- Reviews and analyzes documents submitted;
- Validates submitted information;

- Detects, prevents, and eliminates duplicative support[1] and/or duplicate claims[2] (duplicates);
- Performs de-enrollment functions;
- Notifies consumers and service providers of the eligibility decisions;
- Handles consumer inquiries; and
- Develops and implements all necessary procedures for consumers and service providers for the California LifeLine enrollment process.

Lastly, a key aspect of the California LifeLine Program's enrollment process is its gatekeeping system, the objective of which is to prevent and reduce fraud occurrences, and to keep duplicates from entering into the program in the first place. At the same time, the enrollment process ensures that qualified low-income households benefit from the program. Our gatekeeping system is robust, active (beginning, middle, and end of the enrollment process), and recurring (daily, real-time, monthly, and *ad hoc* basis). We do not enable anyone (service provider or consumer) to bypass or override any of the California LifeLine Program's safeguards.

Responses

The California LifeLine Program's safeguards include, but are not limited to the following:

1. Administrator establishes and implements the enrollment process;
2. Administrator determines eligibility;
3. Administrator reviews all documents submitted to render an eligibility decision;
4. Administrator decides the necessary documents needed for enrollment;
5. CPUC requires a multi-pronged, active, and recurring duplicate check (Dupes Check) performed independently of service providers and consumers;
6. Administrator independently transfers the discounts from one service provider to another carrier or from one telephone line to another telephone line to prevent potential duplicates;
7. CPUC reimburses service providers on a weighted average basis;
8. CPUC requires a stringent identity authentication process (ID Check);
9. Administrator de-enrolls consumers, as applicable;
10. Administrator electronically retains all enrollment-related documents, communications, and database information;
11. Administrator conducts ad hoc and monthly quality assurance reviews of the eligibility decisions that it renders

These safeguards enable the CPUC to enforce the "one-per-household rule" and to prevent waste, fraud, and abuse. One of the fundamental differences between how the CPUC administers the California LifeLine Program and how states in which service providers determine eligibility for the federal Lifeline program is that carriers cannot override the safeguards California has put in place.[3] Therefore, most of the questions in your request are not applicable to California.

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[1] "Individuals receiving two or more Lifeline benefits from ETCs as well as two or more individuals in a household receiving benefits from multiple ETCs" result in duplicative support. *See Lifeline and Link Up Reform and Modernization et al.*, Report and Order and Further Notice of Proposed Rulemaking, WC Dkt. Nos. 11-42 *et al.*, CC Dkt. No. 96-45, FCC 12-11 (rel. Feb. 6, 2012), ¶180.

[2] A duplicate claim occurs when more than one service provider submits a claim for reimbursement for the same consumer or household. *See* Letter from Sharon Gillett, Chief, Wireline Competition Bureau, Federal Communications Commission, to Richard Belden, Chief Operating Officer, Universal Service Administration Company, DA 11-110 (Wireline Comp. Bur. 2011).

[3] For example, because the California LifeLine Program has in place certain safeguards of which Total Call Mobile, Inc. (Total Call) was unable to circumvent, the CPUC continues to reimburse Total Call for its claims notwithstanding the FCC's finding of Total Call's violations of some federal Lifeline program rules, as described in the *Notice of Apparent Liability for Forfeiture and Order*, FCC 16-44 (rel. April 7, 2016).

Nonetheless, we have included detailed information below regarding California's Dupes and ID Checks, monitoring/auditing efforts, and adopted remedies to combat abuse.

Frequency of California's Dupes Check
The Administrator checks for duplicates throughout the enrollment process (beginning, middle, and end) and on a daily, monthly, real-time, and *ad-hoc* basis. For example, when a service provider submits a request for an application or a transfer, the Administrator will query the database on a real-time basis to determine if the individual is active in the database. Additionally, prior to sending an approval notice, the Administrator performs the Dupes Check. The Administrator also performs the Dupes Check on a monthly basis before it prepares the Weighted Average Reports, which are used for substantiating service providers' reimbursement claims. As another level of quality control, the Administrator checks for duplicates on an *ad-hoc* basis and when it implements changes to program administration.

California's Actions Dealing with Potential Duplicates
There is a significant difference between how the federal Lifeline program and the California LifeLine Program treats potential and existing duplicates. The federal Lifeline program depends upon consumer and service provider involvement, which also takes time.[4] The California LifeLine Program's various processes prevent potential and existing duplicates automatically and without the need for input from either the service provider or consumer. These important attributes minimize the existence of duplicates in the first place, and save fund dollars. The Administrator employs three main actions for dealing with duplicates: 1) de-enroll the user; 2) transfer the discounts; or 3) deny the request.

On the infrequent occasion of existing duplicates, the Administrator will automatically de-enroll the relevant records and consumers without the need for input from either the service provider or consumer. When the Administrator receives a request that potentially could result in a duplicate, the Administrator takes the preventative action of either transferring the discounts or denying the request without input from either the service provider or consumer.

The Administrator checks for duplicates through an individual's identity or by an individual's service address. If through the various stages of the Dupes Check, the Administrator determines that the same individual already has the discounts, the Administrator will transfer the discounts from one service provider to another service provider or from one telephone line to another telephone line. In contrast, the federal Lifeline program requires consumers to specifically document that they want to transfer their discounts to another service provider, which takes time while the federal government keeps paying for the duplicate discounted service lines. Also, if the Administrator determines that the same individual has multiple pending requests, the Administrator will only honor the most recent request; and if approved, the Administrator will transfer the discounts from one service provider to another, as applicable. Honoring the most recent request while denying all other pending requests ensures that, by the end of the enrollment process, there will not be duplicate active records for the same individual.

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[4] *See* http://usac.org/li/tools/nlad/dispute-resolution/default.aspx (last visited July 20, 2016) and http://usac.org/li/tools/nlad/benefit-transfers.aspx (last visited July 20, 2016).

Moreover, the CPUC uses a weighted average method as the reimbursement measurement. The monthly Weighted Average Report shows the number of days the participant is active and approved during a given month and any adjustments that are made in prior months. If the participant is active and approved for the entire month, then the value would be 1.00. If more than one service provider serves the participant during the month, then the service providers would share in the weighted value for the participant. For example, if two service providers served the participant equally during the month, each service provider would receive a weighted average count of 0.50. Compensating service providers on a weighted average basis ensures that the California LifeLine Program does not pay the full support amount for the same participant multiple times while maintaining the consumer's choice of service providers.

Factors Used in California's Dupes Check

- Identity
  California's Dupes Check uses LexIDs[5], all of the personal identification information (i.e., full name, date of birth, last four digits of the social security number, service address, and telephone number), *and* the submitted documents to assist California in its efforts to identify potential duplicates and to prevent the existence of duplicates. Reviewing the submitted documents necessitates manual intervention by the Administrator. In contrast, the federal Lifeline program uses three factors[6], i.e., the last name, date of birth, and last four digits of the social security number.

- Service Address
  The CPUC implemented the Household Worksheet requirement as ordered by the Federal Communications Commission. Nonetheless, the CPUC has questioned the effectiveness of this particular requirement.[7] The Administrator determines whether or not a Household Worksheet is required for consumers to complete and submit in order to enroll. The Household Worksheet would be just another step included in the application and renewal packets. The Administrator reviews the Household Worksheet along with the rest of the submitted documents.

- Mailing Address[8]
  The Administrator disseminates application and renewal packets by mail and electronically. Whenever, the Administrator receives notification from the United States Postal Service (USPS) that the USPS could not deliver to a mailing address, the Administrator annotates the record with a bad address flag. If the Administrator neither receives an updated address to which it can possibly attempt another mailing nor the required documents for participation, the Administrator will deny participation for non-response.[9]

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5 LexisNexis yields a LexID for records passing its identity verification service.

6 *See* http://www.usac.org/li/tools/nlad/duplicate-resolution/default.aspx (last visited July 19, 2016).

7 *See* Comments of the California Public Utilities Commission in Response to Second Further Notice of Proposed Rulemaking in Lifeline/Link-Up Reform and Modernization Proceeding, FCC 15-71 (rel. June 22, 2015), at pp. 51 and 54-55, filed September 24, 2015.

8 Service addresses can be different from mailing addresses.

9 Each packet has a unique document number and is pre-populated with information associated with a particular record. Therefore, the Administrator cannot accept copied application and renewal packets. A packet used for one record cannot be utilized for another record.

Based on California's experience since launching California LifeLine wireless telephone services in March 2014, about 6.5% of mailed packets, letters, and postcards were not delivered. California also uses the USPS' mail forwarding service, which has helped to decrease the percentage of returned mail.[10] Most of the non-deliverable mail is associated with households wanting California LifeLine wireless telephone services.

California's ID Check
The California LifeLine Program launched its ID Check on May 1, 2014 and comprises both automated and manual components. The automated component involves using a third-party identity verification service provided by LexisNexis while the manual component compels the Administrator to review the submitted documents, and possibly, request additional documentation from the consumer. California's ID Check has three main steps for the Administrator: 1) query LexisNexis; 2) review the included documentation; and 3) mail the Identity Authentication Form and review any additional submitted documents. Based on experience, we have a 96% passing rate with the majority only going through step 1 of California's ID Check.[11] Failing California's ID Check will result in being denied participation in the California LifeLine Program.

When California's ID Check requires consumers to submit an identity document that proves the consumer's identity, e.g., steps 2 or 3, the identity document must satisfy the following requirements:
1. include a photo;
2. match at least two personal identification information;
3. be current;
4. be one of the documents on the approved list; and
5. be legible.

California finds that having a photo on the identity document greatly assists in preventing and detecting duplicates, fraud, and abuse. Absent demonstration of acceptable proof of eligibility, including identity documentation, the Administrator denies the consumer's request for California LifeLine service. Additionally, the CPUC does not accept letters from employers or local organizations that may be familiar with a household's financial situation as proof of eligibility because doing so would result in a system of self-certification. Lastly, the California LifeLine Program has a guideline comprising of two parts for determining acceptable signatures (Signature Check). California's Signature Check requires the Administrator to manually perform this function. Part 1 of California's Signature Check determines if the signature written on the form is an acceptable signature. Part 2 of California's Signature Check compels the Administrator to perform a matching procedure of the signature to the name on the form.

California's Monitoring/Auditing Efforts
The CPUC employs the following measures to monitor and/or audit all service providers and consumers:

[10] For the months of April and May 2016, less than 5% of the mailed items were not delivered. The California LifeLine Program implemented mail forwarding on September 23, 2 015.
[11] Data based on the timeframe, May 1, 2014 to March 31, 2016, with a volume of 5,204,129 ID checks.

- monitors on a daily basis potentially questionable and/or suspicious activities by all service providers and consumers;
- routinely seeks concerns from the California LifeLine Working Group regarding service providers' marketing and/or selling practices;[12]
- reviews and approves marketing materials submitted by service providers;
- reviews and approves reimbursement claims;
- monitors remittance of surcharges and user fees; and
- closely coordinates with the CPUC's Consumer Affairs Branch to learn about consumers' negative experiences.

California's Adopted Remedies to Combat Abuse
California Public Utilities Code authorizes the CPUC to issue fines and restitutions for utilities it regulates.[13] The CPUC may also rescind a service provider's authority to operate in California. The CPUC has yet to take formal action against service providers offering discounted telephone services under the California LifeLine Program that required the need for penalties. Nonetheless, the CPUC has coordinated with Federal Communications Commission staff and the Universal Service Administrative Company with monitoring and/or auditing efforts.

We hope that you will find the detailed information we have provided helpful. Please feel free to contact Jonathan Lakritz in our Communications Division at (415) 703-1590 if you have any questions.

Sincerely,

Michael Picker
CPUC President

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[12] The CPUC set up bi-monthly conference calls with the California LifeLine Working Group, which comprises of CPUC staff, consumer groups, and service providers.
[13] See http://cpuc.ca.gov/General.aspx?id=2665 (last visited July 20, 2016).