TELEPHONE SERVICE FOR LOW-INCOME HOUSEHOLDS IN FLORIDA:

An Analysis of Options

AN ACTION REPORT SUBMITTED TO THE FACULTY OF THE COLLEGE OF SOCIAL SCIENCE IN CANDIDACY FOR THE DEGREE OF MASTER OF PUBLIC ADMINISTRATION

REUBIN O’D. ASKEW SCHOOL OF PUBLIC ADMINISTRATION AND POLICY

BY

SHAWN M. KELLY

Tallahassee, Florida
April 2003
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APRIL 2002
April 24, 2003

Ms. Beth Salak  
Deputy Director, Division of Competitive Markets and Enforcement  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Mr. Bob Trapp  
Deputy Director, Division of Competitive Markets and Enforcement  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Ms. Cheryl Bulecza-Banks  
Bureau Chief, Public Service Commission, Bureau of Competitive Markets  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Mr. Bob Casey  
Regulatory Analyst Supervisor, Public Service Commission, Bureau of Competitive Markets  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Dear Ms. Salak, Mr. Trapp, Ms. Bulecza-Banks, and Mr. Casey:

I have the honor to submit to you Telephone Service for Low-Income Households in Florida: An Analysis of Options. This report is the product of extensive research and analysis over the spring semester of 2003. Telephone service for low-income households is important because without it, low-income individuals find it harder to get jobs, obtain services, participate in their children’s educations, and manage day-to-day life. Many poor households pay the full price for phone service and do not participate in the available Lifeline program. Regardless of participation, all telecommunications providers are required to contribute a percentage of their revenues, which fully supports the program. With participation low, funds from Florida subsidize other states with high participation.

Having examined several options, my recommendation is Florida should concentrate on making personalized contact with eligible customers to increase awareness of the programs. This policy is recommended based on three evaluation criteria: employee support, administrative cost, and increased enrollment. Personalized contact does well in the criteria because it is relatively inexpensive to mail letters that will increase awareness of the available programs.

Personalized contact with eligible customers will spread knowledge of the programs available to provide phone service at discounted prices and increase participation in these programs. The other two options (automatic enrollment and promotion of programs by phone companies) are either too costly or have not been proven as an effective approach.
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EXECUTIVE SUMMARY

Telephone service is an important part of everyday life that many Americans cannot afford or can barely afford. These people are at a disadvantage because they do not have phone service or are struggling to pay for it. The Lifeline and Link Up programs exist to assist low-income families to obtain basic phone service and to pay the monthly bill. Many low-income families do not participate in these programs because they are unaware of their existence. States are required to administer these programs, but each state is able to promote the program beyond the federal requirements. Florida’s participation is low because not much effort beyond the federal requirements is being made.

There are challenges to funding these programs due to the inability to identify with preciseness those who need the assistance and what type of services they should receive. Increasing funding has been seen as one approach to improve enrollment. Other subsidization programs that have been successful in creating high participation levels and benchmarking may be an ideal approach to improving telephone subsidization programs.

Information for this report was collected using four methods. First, academic literature was used to give insight into implementing an effective system of promoting programs and enrolling eligible households. Second, applicable laws, rules, regulations, and policies from the Public Service Commission (PSC) and the Federal Communications Commission (FCC) were reviewed. Third, social service workers were surveyed and documented viewpoints of phone companies and PSC staff were examined to understand employee support. Fourth, personal communications were made with staff of other state commissions and agencies to obtain statistical data.
This report presents three policy options to providing low-income households with the opportunity to receive telephone service at discounted prices: automatic enrollment, phone company program promotion, and personalized contact with eligible customers. Each option is evaluated against three criteria: employee support, administrative cost, and increased enrollment.

Based on assessment of the options using the three criteria, personalized contact with eligible customers is recommended. Personalized contact with eligible customers would inform low-income households of the programs that exist to help provide them with phone service. All options would most likely increase participation in the available programs, but personalized contact has the most statistical proof of its effectiveness. Employee support, the only questionable score, could improve once employees saw its effectiveness and noticed there would not be a large increase in workload.
I. Problem Statement

Telephone service is an important part of everyday life for most Americans. Phone service allows individuals to keep an open channel of communication with people all over the world and maximize their potential by building a support system. It is also vital in helping ensure safety by allowing individuals to place phone calls to request emergency services (police, fire, and ambulance). Unfortunately, many Americans cannot afford or can barely afford these types of services because the costs are too high to offer at prices that are easily affordable to all. According to staff of the Florida Public Service Commission (PSC), there are 850,000 households in Florida that are eligible to receive subsidies for these services (2002).

Those who cannot afford these services are at a major disadvantage in life because they are unable to build the support system they need to maximize their potential. Also, they are unable to make the necessary calls when their lives are in danger. In 2001, eight percent of households did not have phone service (Florida Public Service Commission, 2002).

Currently, there are programs that exist to help low-income households obtain basic phone service at affordable prices. The Lifeline program is supported by the PSC and has a goal to increase subscribership for low-income households that want telephone service, but cannot afford it (The Future of Universal Service, 2002). A Universal Service fee that all telecommunication providers must contribute as a percentage of their revenues supports the program. The Telecommunications Act mandated this requirement (1996). Besides this federal funding, some states also offer support.

Although there are already existing programs to help low-income households receive phone service, approximately 705,000 eligible households pay the full price and do not take advantage of these services because of a lack of knowledge of opportunities (Florida Public Service Commission, 2002). The purpose of this Action Report is to examine alternative solutions to providing low-income households with the knowledge of the opportunity to receive telephone service at discounted prices.
II. Background and Literature Review

Background

There are federal and state programs in the United States that exist to help low-income households receive basic phone service at affordable prices. Florida residents are able to use federal funds to take advantage of these programs by enrolling directly through the phone company, but there is no state program they can participate in. This section examines: the existence of the Lifeline and Link Up federal programs funded by Universal Service, other state systems that broaden the range of eligible households and promote the programs, and the promotion of Lifeline and Link Up in Florida.

First, the existence of the Lifeline and Link Up federal programs funded by Universal Service will be discussed. Ever since the Telecommunications Act of 1996 (the Act), phone companies have been looked at as more than just a monopoly controlling a necessary service. They are now perceived as a means to obtain funds to subsidize needy households. The main avenue to do this is through the Universal Service fee that all telecommunications service providers are required to pay in an equitable and nondiscriminatory manner as mandated by the Act (1996). This fee is attributed to the bills of regular paying customers so that it does not cut into the profits of the telecommunications provider. This funding method is not without its flaws, but that is another topic with much history and literature on the subject. The concentration here will be placed on the current federal and state programs.

The federal Low-Income program, which provides discounts on monthly telephone service and installation costs, is funded by Universal Service and consists of two branches (Federal Communications Commission, n.d.). The first is Lifeline, which provides discounts on
monthly basic telephone service. The other branch of Low-Income is called Link Up. This part provides discounts for telephone installation. In states that rely solely on federal Low-Income and no state-administered program, the named subscriber must participate in one of the following: Medicaid, food stamps, Supplemental Security Income (SSI), federal public housing assistance, or the Low-Income Home Energy Assistance Program (LIHEAP) (Federal Communications Commission, 2002). There are also programs that qualify low-income consumers living on tribal lands.

The Telecommunications Act (1996) laid out the commitment of the Federal Communications Commission (FCC) and state regulators to promote Universal Service in order to help ensure that low-income consumers have access to affordable phone service. In section 254 of the Act, Congress directed the FCC to establish support mechanisms to preserve and advance Universal Service. The Act also gave states the right to develop their own rules to preserve and advance Universal Service as long as they are consistent with the FCC’s rules. Every state participates in the Lifeline and Link Up programs using federal funding, but some states have their own systems set up to broaden the range of eligible households and promote the programs.

Secondly, other states have different ways to increase Lifeline and Link Up enrollment inside their respective borders. The way to measure relative enrollment in the states is to compare the number of Lifeline customers with the number of people living under the federal poverty guidelines. In August 2000, the Telecommunications Industries Analysis Project (TIAP) surveyed the 50 states to find how these programs were being administered and advertised. The Civil Rights Forum on Communications Policy (2000) compiled a summary of state-by-state
initiatives so they could be compared to a ratio of Lifeline participants to poverty. There were 21 states with lower ratios than Florida’s one to 14.34 ratio. This means for every person participating in the Lifeline program, there are 14.34 poor people. The approaches of some of the states with low ratios will be summarized.

Connecticut had a ratio of one to 3.83. The way it achieved such a low ratio was to expand the eligibility standards beyond the federal requirements. There were a number of additional assistance programs a household could be participating in that would automatically make them eligible for Lifeline and Link Up service. Minnesota and Utah also expanded the eligibility requirements to increase enrollment.

Maine emphasized advertising the programs by sending flyers and personalized letters to eligible customers. This effort helped them achieve the second best ratio of one to two. California went a step further to establish the lowest ratio of one to 1.48. It achieved such a low ratio by creating programs to increase penetration with one of the programs specifically targeting support to low-income households. They also ensure free access to Lifeline information and use a self-verification process to identify eligible households. Massachusetts increased its membership by creating incentives for the phone companies. Representatives of the phone companies receive bonuses for signing up Lifeline customers.

Michigan took the opposite route of offering incentives to phone companies. It instead created disincentives by giving the Michigan Public Service Commission the power to revoke the license of telecommunications providers who do not offer service to all potential customers in the provider’s geographic area within two years.
New York established an automatic computer system that matches the database of their Department of Social Services with the database of the largest phone company to identify needy households. North Dakota established outreach programs for Native American reservations. Its local phone companies and Human Services Department also promote Lifeline and Link Up. Each state has initiatives that have led to different relative enrollment in the Lifeline and Link Up programs compared to Florida.

Finally, the promotion of Lifeline and Link Up in Florida will be discussed. The promotion of Lifeline and Link Up has given them relative enrollment that makes them the 22nd highest state. It also has an interagency agreement with the Department of Elder Affairs, Department of Children and Families, and the Department of Labor (the Department of Labor no longer exists) to promote low-income programs and get a higher enrollment in the Lifeline and Link Up programs (Florida, 2000).

On October 24, 2000, a docket was opened at the Public Service Commission (PSC) in order to propose requirements for Eligible Telecommunications Carriers (ETCs) in order to help promote Lifeline and Link Up. Staff of the PSC developed a recommendation to their commission that would require ETCs to advertise the Lifeline and Link Up programs. After a workshop in 2000 was held with the PSC staff and representatives of the phone companies, the PSC decided to close the docket and not establish the proposed requirements. To this date, phone companies doing business in Florida do not have to make any efforts to promote Lifeline and Link Up beyond the federal contribution they make to the Universal Service fund.

The Lifeline and Link Up programs are federally funded with the Universal Service fee each telecommunications company pays. States must participate in these programs, but certain
states contribute more to their promotion and success. Florida considered making requirements for phone companies to help promote the programs, but decided not to do so.

In summary, the Telecommunications Act of 1996 mandated all telecommunications providers to contribute money to a Universal Service fund. From this came the federal programs that would help low-income households obtain basic phone service at an affordable rate. Some states also have implemented initiatives to make this goal more attainable. Florida has no major initiatives to promote these services and has no supplemental source of funding to the federal Universal Service. Additional requirements were considered for phone companies, but the PSC decided against this.

**Literature Review**

The pertinent literature addresses three important themes: challenges to funding for a Universal Service system, increased funding to increase enrollment in the Lifeline and Link Up programs in Florida, and other successful subsidization programs. The representative works discussed below illuminate these issues.

First, the literature discusses the challenges to funding for a Universal Service system. There is consensus that emerging technologies and a ubiquitous network make it difficult to identify what services should be provided by Universal Service and how these services should be funded (Camp & Tsang, 1999; Holder, 1998; United States General Accounting Office, 2002). Holder (1998) also discussed the challenge of determining who should receive Universal Service.
Economides (1998) believes an economically efficient Universal Service fund can be achieved by following certain criteria (e.g., explicit subsidies, broad funding, narrowly targeted subsidies, achievement in a competitively neutral fashion, minimize distortions to other telecommunications services, and efficient service to subsidized customers). The Organization for the Promotion and Advancement of Small Telecommunications Companies (2000) also laid out criteria to achieve an economically efficient Universal Service fund that would not place disadvantages on small telecommunications companies.

Some consumers feel the phone companies are taking advantage of the Universal Service Requirement in order to boost their revenues. Companies do this by overcharging customers for the Universal Service fee, allowing them to pay the necessary amount toward the federal fund and keep the leftover revenue to allocate elsewhere. Gertzen (2002) describes how a customer of a large phone company is suing the company for overcharging her. According to the author, there are similar lawsuits across the country. This type of gaming definitely exists. Anytime the government requires companies to follow regulations, there will be attempts by companies to manipulate the system to their benefit. The regulating agencies must make an effort to reduce any type of gaming in the system by closely following how the companies administer these requirements.

Second, the literature addresses the theme of increasing funding in order to increase enrollment in the Lifeline and Link Up programs. The Civil Rights Forum states the benefits from additional state funding to the Universal Service fund on the national level (2000). There was not consensus that an increase in funding is the solution to increasing enrollment. Garbacz
and Herbert (1997) disagreed with the benefits of additional funding by concluding that increases in expenditures have little effect on telephone penetration.

Other literature stressed the inefficiencies of subsidized funding methods to increase low-income telephone subscribeship (Alleman, 2000). Mueller and Schement (1995) conducted a survey, which provided evidence that increased funding would not increase enrollment because low-income groups may not wish to have telephone service. This conclusion does not seem to be valid. The reasons given for not wanting phone service are all reasons that could easily be avoided.

Finally, the literature addresses other successful subsidization programs for low-income households. This brings up the issue of making Lifeline and Link Up successful. Subsidies for low-income housing have had a positive effect on housing consumption (Sinai, 2002; Olsen, 2001). These programs tend to target the same consumers as does the Lifeline and Link Up programs. According to Phillips (1997), benchmarking the best-in-class processes is a good way to improve current organizational processes.

Other programs that could possibly be benchmarked are the childcare programs administered by the states. According to a report by the U.S. General Accounting Office (2001), states increase spending on low-income families in order to allow more families to obtain affordable childcare. This increase in spending led to a large increase in childcare enrollment. The literature is important to take into consideration. It would be helpful to understand if efforts in promoting Lifeline and Link Up services would have a beneficial effect on enrollment.

When evaluating the literature, new technologies and a ubiquitous network make it difficult to know what services should be provided by Universal Service and how they should be
funded. An economically efficient Universal Service fund can be achieved even though some telecommunications providers manipulate the system.

An increase in funding will increase Lifeline and Link Up enrollment significantly. Other subsidization programs have increased enrollment by increasing funding. It makes sense that another subsidization program to assist low-income households would benefit from an increase in funding.

In summary, the extant literature gives one a basic understanding of the effect increased expenditures on subsidization programs have on enrollment in these programs. It also helps one to understand the limitations the states have in controlling enrollment. Understanding the effects of the federal program is very important because any state-administered program has to work within the context of the federal program. The present study builds upon this literature by evaluating Florida’s current policy toward Lifeline and Link Up and discusses ways in which enrollment in the programs can be increased.
III. Methodology & Evaluation Criteria

Methodology

Information and data for this report was collected using the following methods:

- Analysis of existing academic literature and database searches in Worldcat in FirstSearch, Eco, and OCLC in FirstSearch from 1997 to the present.

- Review of applicable laws, rules, regulations, and policies from the Public Service Commission and the Federal Communications Commission.

- Six-question surveys were given to 39 social service employees in Department of Children and Families and Department of Health. Documented viewpoints of phone companies and Public Service Commission staff were examined in Docket No. 001589-TL.

- Personal communications were made with staff of other state commissions and agencies.

The academic literature gives insight into the challenges of implementing and executing an efficient and effective system of promoting and enrolling eligible households into a program that provides subsidization to basic telephone service. Reviewing the applicable laws, rules, regulations, and policies of the PSC and FCC provided insight into the boundaries that new initiatives have to work within.

Surveys of Department of Children and Families employees and Department of Health employees that come into contact with low-income individuals and households were conducted to understand the degree in which employees of social service agencies support proposed options that would affect their workload. Approximately 100 surveys were distributed to Department of Children and Families and Department of Health employees located in Tallahassee on February 3, 2003 by giving the surveys to one employee in each building to distribute; 39 surveys were returned and used in this report (the survey was not sanctioned by the school and did not follow
standard protocol). The existing documented viewpoints of phone companies and PSC staff allowed an understanding of the support for additions to the current programs. Email contact was also made with staff of other state public service commissions and agencies in order to obtain statistical data. The researcher’s professional position allowed for easy access to this information. Surveys of phone company employees and interviews with PSC staff were considered, but were not used due to issues of accessibility and relevancy.

**Evaluation Criteria**

Three criteria were used to evaluate the options: employee support, administrative cost, and increased enrollment. Each criterion was measured on a decision matrix with a ranking scale of one to five with one being very bad and five being very good. The scores for each option were summed based on the researcher’s assessment of how well the option meets the criteria.

- **Employee support** is the degree in which social service agencies and phone companies approve the option. It is important to know the degree in which they support each option because employees are more likely to put more effort into options they agree with. The data sources are surveys of social service caseworkers and previously cited opinions of phone companies.

- **Administrative costs** are the additional amounts paid for expenses to implement the management option. With limited funds, decisions are many times made according to the availability of funds. The data sources for administrative costs are reviews of statistical data on the attractiveness of each policy alternative.

- **Increased enrollment** is when more participants partake in the program due to the implementation of a new policy. Only significant increases of at least five percent will be counted as increased enrollment. This is measured by comparing the enrollment in the program before and after the management option was implemented in other states. Data sources for increased enrollment are reviews of statistical data on the difference between past enrollment and current enrollment.
These criteria were selected as representative of the considerations made in the evaluation of telephone service for low-income households. Other criteria were considered, but due to complexities, were not used. Eligible participants’ opinions were not used as a criterion due to confidentiality issues. Ability to be implemented and business consequences were not used due to accurate measurement problems. These alternative criteria are important, but unavailable data make their evaluation unfeasible.
IV. MANAGEMENT POLICY OPTIONS

Section IV explains three options to providing low-income households with the opportunity to receive telephone service at discounted prices: automatic enrollment, phone company program promotion, and personalized contact with eligible customers. Each alternative will be evaluated using the three criteria detailed previously: employee support, administrative costs, and increased enrollment. The options are designed to guide policy makers toward the most viable strategic policy to improve telephone service for low-income households.

This report is designed to provide options at the state level. Three other options were considered, but not used, due to implementation feasibility and time constraints: increased discounts, self-verification, and broader eligibility standards.

Option One: Automatic Enrollment

Households that are eligible to receive telephone assistance may not do so because they are unaware of such programs or they believe that signing up for these programs is not worth the time and effort to them (Florida Public Service Commission, 2002). Automatic enrollment will allow them to easily enroll in telephone assistance programs while applying for other benefits. They are already applying for assistance, so it is no extra effort for them to agree to this. The agency and the local phone company will share information so the company can enroll the customer in the Lifeline program and begin billing them accordingly.

Employee Support: Surveys for this report show employees of social service agencies do not strongly oppose this option. According to Janet Maxwell, Public Assistance Specialist, they may see this as an added task to their caseloads so they are hesitant to fully support it (personal
communication, March 3, 2003). For automatic enrollment to be successful, it would have to be easily applied. Information on households determined eligible would automatically be transferred to the phone company once the client agreed to this. This would be more difficult for households that do not already have an existing phone service because the company would have to contact the customer to schedule installation dates. These customers would have to be targeted differently. For households that already have phone service, the company could simply make the necessary changes in the computer so the customer will receive the discounted price. The exchange of information from social service agency to phone company would act as the verifying process.

A number of problems were identified that gave this option a low score for employee support. There was concern that the workload could become unmanageable. There could also be problems of giving out confidential client information without the client’s release (Janet Maxwell, personal communication, March 3, 2003). Some of the companies in expressed concern to the PSC in Docket No. 001589-TL about the ability to identify eligible individuals and other members of the household that may be receiving assistance, but do not have the phone service in their name (Florida Public Service Commission, 2002).

The FCC requires that the named subscriber must be participating in one of the qualifying programs (Federal Communications Commission, 2002). The problem of determining who should receive the benefits arises. Holder discussed the problem of identifying those who should receive Universal Service (1998). There are cases where people considered to be in poverty are unable to use the available service because they don’t meet any of the requirements1.
These issues tend to make this option difficult to implement successfully. Employee support could be improved if a system was implemented that did not increase the workload and they realized their workload was not increased and their clients were benefiting. In short, added workload, confidentiality issues, and inability to target all of those in poverty lead to low employee support.

**Administrative Cost:** Most of the states identified as having automatic enrollment (New York, Nevada, Oregon) did not supply any statistical data on administrative cost. The computer systems would have to be changed so social service agencies could share information with the phone companies. Once the systems are changed, the ongoing costs to implement the option would be low. Jerry McKim of the Iowa Department of Human Rights stated that the initial cost to implement software is large, but those costs do not continue and the ongoing cost will be low (personal communication, April 4, 2003). His agency is responsible for initiating automatic enrollment through the LIHEAP program. There is one section of the LIHEAP application that asks whether or not the client would like to receive assistance for paying their phone bill. He stated that very little extra effort was required because the information was sent electronically to the telephone company. Mr. McKim stated that $5,000 to $6,000 was spent to implement the necessary software in his agency.

Automatic enrollment would subscribe households that already had phone service. Any administrative cost to do this might be seen as inefficient by some. Alleman, Rappoport, and Weller (2000) believe there is no need to subsidize those subscribers who would be on the network without the subsidy. Instead, those only on the network if subsidized should be targeted. For this to happen, a method of enrolling those who do not have telephone service
would have to be developed. This also means enrolling those who already have phone service would be a waste of funds. Despite this viewpoint, the option of automatic enrollment scores well on administrative cost since the ongoing cost would be relatively low.

**Increased Enrollment:** To be eligible to receive Lifeline and Link Up, a household must first be qualified to receive another type of public assistance. There are approximately 850,000 eligible households, but only about 145,000 receive assistance for basic phone service (Florida Public Service Commission, 2002). At first glance, this would appear that the remaining 705,000 on public assistance could become Lifeline participants, but this is not the case. There are households with members receiving qualifying assistance, but they are not the named subscriber for phone service or head of the household. There are also households that do not have any phone service, so it would be impossible to automatically enroll them. A manual approach would need to be used so that households without phone service could be identified.

According to statements submitted to the PSC, Verizon uses automatic enrollment in Oregon and Nevada (Florida Public Service Commission, 2000). Their relative enrollment is worse than Florida’s, making this method seem to cause an insignificant increase in enrollment (Civil Rights Forum on Communications Policy, 2002). In contrast, New York uses a computer match between the Department of Social Services and the largest phone company’s database leading to its relative enrollment being well above Florida’s. There may be other factors (e.g., the system used, organization cultures, effort given by the social service agencies) involved with relative enrollment that cause enrollment in these states to vary.

As noted, Iowa has automatic enrollment. The only data that could be obtained for New York, Nevada, and Oregon was the enrollment relative to poverty. To determine the effects of
automatic enrollment, it would have to be known when they began this system so that before and after numbers could be compared. A more detailed study would have to be performed in order to see the exact effect of this option on enrollment. This option has an average score on the criterion because some states with the option have low relative enrollment while others have high enrollment or have shown large increases.

In summary, automatic enrollment is questionable for employee support because the potential for an unmanageable increase in workload by social service workers. Telephone companies also question the ability of a system that would accurately verify program eligibility. This would likely change if an adequate computer system was developed. The administrative cost criterion scores highly because the ongoing costs for this type of system would be low. Increased enrollment is also questionable because the lack of statistical evidence that demonstrates an increase in the amount of participants in other states that use this system.

Option Two: Phone Company Program Promotion

Households eligible for assistance may be unaware of such programs due to a lack of advertising and promotion. Companies currently advertise the Lifeline and Link Up programs in their telephone books, but these are usually located on one page that does not tend to catch the reader’s eye. If one is not looking for this source, it may never be found. Knowledge of programs could be expanded if companies made a stronger effort to promote them by putting posters and brochures in areas eligible households are likely to visit. In October of 2000, PSC
staff proposed a rule that would require a minimum amount of advertising (see Proposed RULE 25-4.047 in Appendix) (Florida Public Service Commission, 2000). An open workshop was held which led to the PSC withdrawing the proposed rule because of strong opposition from the companies.

**Employee Support:** Surveys for this report show employees of social service agencies tend to be neutral or in favor of increasing the effort to promote the programs through targeting areas where eligible households are likely to visit. Companies seem to be in opposition of this option. They were highly opposed to advertising through newspaper, radio, and television ads because the costs were too high for the associated benefits (Florida Public Service Commission, 2000). Staff of United Utilities in Alaska believes simply sending out flyers, publishing ads, and posting notices for low-income households is not enough for them to understand these programs (Steve Hamlen, personal communication, February 28, 2003). They believe an outreach effort must consist of face-to-face contact with customers in order to have success.

**PSC staff proposed rules to require phone companies to advertise these programs, but later withdrew the proposal (Florida Public Service Commission, 2000). This shows staff realized this proposal was unreasonable. Overall, this option has a low score for employee support.**

**Administrative Cost:** Administrative cost is high, especially if the phone companies are required to advertise through the newspaper, radio, and television on a weekly basis. BellSouth made estimates on the advertising costs they would incur based on rules the PSC proposed in Docket No. 001589-TL that were almost $700,000 for one year’s production and placement (Florida Public Service Commission, 2000). Companies are already required to contribute a
portion of their revenue to the Universal Service Fund, which supports Lifeline and Link Up (Federal Communications Commission, n.d.). The Department of Social and Health Services (DSHS) in Washington administers the Washington Telephone Assistance Program, which advertises its program in phone books, brochures, and posters and sends out mailings (2002). Although the companies are not doing the advertising, and the cost of $506,000 is bore by DSHS, the cost for administering the promotions would be relatively the same.

Expenditures for administration were 10 percent of overall program expenditures according to the Washington Telephone Assistance Program (2002). Some of this can be attributed to the personal letters that were sent out, another option that will be discussed later. Most likely, more of the cost can be attributed to advertising, since this is more expensive than mailing out letters. According to Anita Sprenger, Universal Service fund manager for the Public Service Commission of Wisconsin, it also performed a promotional effort that was rather costly (personal communication, April 4, 2003). Advertising would require extra funding for the program. Garbacz (1997) believes an increase in funding is not a good solution because the extra cost per household would not be worth the amount of households that would be added to the program. He discusses a direct increase to the subsidy, so this may not apply to additional funding for the promotion of the program.

A problem with newspaper, radio, and television ads is the ongoing costs are high. For the ads to continue, they have to be continuously funded. The Virginia State Corporation Commission (VSCC) designed a brochure to target low-income households applying for food stamps and Medicaid that was relatively inexpensive (Jay Garner, personal communication,
April 4, 2003). For these reasons, the phone company program promotion option has an average score for administrative cost.

**Increased Enrollment:** As mentioned above, Washington has used program promotion and sent personalized letters, which will be discussed in Option Three. They only have data for the combination of both of these options and not the direct statistics attributed to each. This makes it harder to determine exactly how well the option meets the criterion. Since Washington has been performing this outreach, enrollment has been on a steady rise. During fiscal year 2002, participation increased by eleven percent (Washington Telephone Assistance Program, 2002). This was a significant increase, which can partly be attributed to the promotional effort. It is not known exactly how much of this increase can be attributed to the advertising.

Maine only sent out personal letters and their enrollment jumped seventeen percent (Derek Davidson, personal communication, March 3, 2000). The large increase in Maine suggests, but does not prove, most of the increase in Washington was likely due to the letters sent out and not the advertising effort. Wisconsin attempted an advertising effort, but it had no statistically valid numbers to demonstrate how effective its attempts to increase enrollment were (Anita Sprenger, personal communication, April, 4 2002).

VSCC performed an outreach effort as mentioned earlier. It did not require telephone companies to advertise. Instead, it created a brochure for social workers to distribute. This was done by designing a brochure, emailing the social service agencies, and having the social workers print out the brochure to display in their offices. Jay Garner of the VSCC stated that after distributing this brochure to caseworkers, the enrollment increased by seven percent in a five-month period (personal communication, April 4, 2003). This method could prove to be an
approach to promote the programs at a low cost. Since there is some evidence, but no concrete proof to show advertising the program increases enrollment significantly, the option has an average score for the criterion.

In summary, phone company program promotion scores poorly on employee support. The companies are against this option, due to high advertising costs and the belief that promotion of the program should be done by local agencies that have better access to potential participants. Alaska believes simply advertising is not enough to promote the program. It has an average score for administrative cost. The score was average instead of low because there are cheaper ways to promote the program other than advertising through newspapers, radio, and television. It has an average score on the increased enrollment criterion. This method has been proven to increase enrollment in Washington, but other methods were incorporated at the same time, so the increase in enrollment cannot be fully attributed to promotion of the program.

Option Three: Personalized Contact with Eligible Customers

Another way to solve the problem is to identify households, and mail personalized letters to inform them of programs that can help with telephone assistance and instruct them on how to enroll. The most feasible approach would be for the relevant agencies and companies to send out the personalized letters.

Sending program information directly to households would solve the problem of targeting the right people. The social service agencies, the PSC, or the telephone companies could send out letters. It would be the most efficient, however, if the social service agencies distributed the information. If the PSC or phone companies were to send the letters, an extra
step would be required (the social service agencies would first have to forward the client information to the PSC or phone companies before they would be able to send out the information to the customers).

**Employee Support:** Most respondents of the surveys for this report show employees at social service agencies seem to either be in favor of this option or at least not to oppose it. This would increase their workload because they would be required to send program information to every one of their clients that become eligible (Janet Maxwell, personal communication, March 3, 2003). If a system were designed to automatically send letters once a client becomes eligible, then the caseworker would most likely not see a large increase in workload. Holder (1998) was concerned with the problem of identifying those who should receive Universal Service. Sending out personal letters will eliminate targeting those households determined not to be eligible for assistance. Employee support would also most likely increase if they knew their extra effort was worthwhile.

**Administrative Cost:** Maine provided data to show the exact cost of sending out personalized letters. There was approximately $35,000 spent on this effort (Derek Davidson, personal communication, March 3, 2000), a low cost compared to advertising through newspaper, radio, and television ads.

The additional cost for sending out letters and administering this system would be relatively low compared to the total cost of providing assistance. According to DSHS, administrative costs account for 10 percent of total expenditures in Washington (Washington Telephone Assistance Program, 2002). Its main outreach effort is sending letters to eligible households and doing advertisements to promote the program (most of this cost can be attributed
to the promotional effort and not the letters). Even though this approach would have an ongoing cost, the administrative cost will be low. For this reason, making personalized contact with eligible customers has a positive score for the administrative cost criterion.

**Increased Enrollment:** This option seems to be the best way to increase enrollment. Maine sent out letters to eligible recipients and calculated the direct effects it had on enrollment. It saw participation increase by seventeen percent (Derek Davidson, personal communication, March 3, 2000). After adjusting this number for average monthly increase the program was experiencing before the effort, the direct effect was fifteen and a half percent.

Washington also conducted efforts to increase enrollment. It mailed out personalized letters and advertised the program in telephone books, brochures, and posters. It had an increase of eleven percent from the previous year (Washington Telephone Assistance Program, 2002). Although all of the increase cannot be attributed to the letters, most of it is likely a direct result because of it. Out of the 50 states that were sent inquiries via email, only two of 21 responses claimed to have used personalized letters. This makes it difficult to prove if the increases in enrollment were directly caused by the effort or if other factors played a role. The states that did report showed significant increases of more than five percent.

Another aspect of increased enrollment can be the overall telephone penetration rate. Maine has the highest in the country with 98 percent of all households having phone service (Federal Communications Commission, 2003). This shows that its outreach effort is paying off. Maine’s high penetration rate refutes Mueller and Schement’s earlier argument that many low-income groups did not want phone service (Mueller and Schement, 1995). Their belief was many low-income households were trying to avoid bill collectors, ex-spouses, and tele-
marketers. If this were the case, any outreach effort would not be successful in increasing subscribership because telephone service is not desired.

Maine’s success would be an attractive target to benchmark. Phillips, Brown, Kinghorn, and West (1997) discussed the benefits of benchmarking best-in-class processes. The personalized letters sent out by Maine increased enrollment significantly. Using its process as a guide, Florida could also increase its enrollment. The results of Maine’s effort leads to personalized contact with eligible customers scoring highly on the increased enrollment criterion.

In summary, sending personalized letters is somewhat questionable for employee support because the potential increase in workload. Once an efficient system that does not increase workload is established, employees could be more supportive of the option. It scores highly on administrative cost. Identifying eligible recipients and mailing them letters can be relatively inexpensive. It also scores highly on increased enrollment. This method has been proven to work in other states such as Maine and Washington.
Conclusions

The report presented three options to providing low-income households with the opportunity to receive telephone service at discounted prices. Each policy was evaluated based on employee support, administrative cost, and increased enrollment. Table 1 summarizes the results.

Table 1 – Summary of Options and Evaluation Criteria

<table>
<thead>
<tr>
<th>Option</th>
<th>Employee Support</th>
<th>Administrative Cost</th>
<th>Increased Enrollment</th>
<th>SCORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automatic Enrollment</td>
<td>2</td>
<td>5</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Phone Company Program Promotion</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>Personalized Contact with Eligible Customers</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>12</td>
</tr>
</tbody>
</table>

Ranking Scale: 1 to 5, with 1 very negative and 5 very positive

All three of the alternatives would provide an improvement to the way low-income households are made aware of programs that help them pay for phone service. The main goal should be to implement the option that can be done: with the support of employees, at a low administrative cost, and increase enrollment at least five percent.

Automatic enrollment was weak in of employee support. Social service workers were concerned about a large increase in workload. It is strongest option in the area of administrative cost. The initial cost to implement the necessary software would be the only significant concern. Once implemented, the ongoing costs would be low. It is average in the area of increased
enrollment. Some states have shown significant increases using this approach, but no concrete
data was obtained.

Phone company program promotion was weak in employee support. The companies
were highly opposed to promoting the programs through newspaper, radio, and television ads. It
was average in administrative cost. Newspaper, radio, and television ads are very costly, but
cheaper promotional efforts could be used. This cost would be ongoing if the option was to be
continued. It was average in increased enrollment. Some states have shown significant increases
using this approach, but no concrete data were obtained.

Personalized contact with eligible customers has the most employee support. In
implementing this approach, the workload would not be increased by a significant amount. It
also had a low administrative cost, but scored slightly lower than automatic enrollment because
there would be an ongoing cost. Letters would need to be sent out on a continual basis to reach
potential participants. It is the strongest option in increased enrollment. It has been proven in
other states that this approach increases enrollment a significant amount

Assessment of the options using the three evaluation criteria indicates that personalized
contact with eligible customers is the most viable policy to provide low-income households with
telephone service at discounted prices. Therefore, personalized contact with eligible customers
is recommended. This would inform low-income households of the programs to help provide
them with phone service. All options would improve the available programs, but personalized
contact with eligible customers has the most statistical proof of its effectiveness. Employee
support, the only questionable score, would improve once employees saw its effectiveness and
noticed that there would not be a large increase in workload.

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FOOTNOTES

1. The named subscriber in a household may not be receiving benefits, but other members of the household are. Everyone in the household may share the phone, but they will be unable to participate in Lifeline. For instance, a child’s legal guardians who are not the child’s parents may be receiving Temporary Cash Assistance for the child, but not for themselves. The legal guardian is technically not on assistance, but they may be below the poverty level with their income and the child in their custody. This would also be true if a child was on Medicaid, but the parents were not. The child cannot have the phone service in his name because he is a minor, therefore, the family would not be able to enroll in Lifeline.

2. Jerry McKim estimated that there had been less than 20,000 Lifeline participants throughout the history of the program. Once the system was set up, the participation increased to 39,000 in the period between October 1, 2002 and March 31, 2003 (personal communication, April 4, 2003).
REFERENCES


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APPENDIX

Proposed RULE 25-4.047

MEMORANDUM

October 26, 2000

TO: DIVISION OF RECORDS & REPORTING

FROM: MARY ANNE HELTON, ASSOCIATE GENERAL COUNSEL

RE: DOCKET NO. 001589-TL - Proposed RULE 25-4.047, ELIGIBLE TELECOMMUNICATIONS CARRIER (ETC) INFORMATION REQUIREMENTS FOR LIFELINE AND LINK UP SERVICE.

Enclosed are an original and five copies of a Notice of Proposed Rule Development for publication in the Florida Administrative Weekly. The original Notice must be received by the Department of State no later than noon, November 1, 2000.

DEV4047.MAH
Attachments
cc: Wanda Terrell
NOTICE OF PROPOSED RULE DEVELOPMENT

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO: 001589-TL

RULE TITLE: Eligible Telecommunications Carrier (ETC) Information Requirements for lifeline and Link Up Service

RULE NO.: 25-4.047

PURPOSE AND EFFECT: To require all Eligible Telecommunications Carriers (ETCs) to advertise the availability of Lifeline and Link Up throughout the ETCs’ service areas to increase participation in these programs.

SUBJECT AREA TO BE ADDRESSED: Advertisement of Lifeline and Link Up.

SPECIFIC AUTHORITY: 350.127(2), F.S.

LAW IMPLEMENTED: 364.10, 364.0252, F.S.

A RULE DEVELOPMENT WORKSHOP WILL BE HELD AT THE TIME, DATE, AND PLACE SHOWN BELOW:

TIME AND DATE: 1:30 p.m., November 29, 2000

PLACE: Betty Easley Conference Center, Room 152, 4075 Esplanade Way, Tallahassee, Florida 32399-0850.

Any person requiring some accommodation at this workshop because of a physical impairment should call the Division of Records and Reporting at (850) 413-6770 at least 48 hours prior to the hearing. Any person who is hearing or speech impaired should contact the
Florida Public Service Commission by using the Florida Relay Service, which can be reached at: 1-800-955-8771 (TDD).

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE DEVELOPMENT IS: Rick Wright, Division of Competitive Services, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0862.

THE PRELIMINARY TEXT OF THE PROPOSED RULE DEVELOPMENT IS:

25-4.047 Eligible Telecommunications Carrier (ETC) Information Requirements for Lifeline and Link Up Service.

(1) Purpose. The purpose of this rule is to require all Eligible Telecommunications Carriers (ETCs) to advertise the availability of Lifeline and Link Up throughout their service areas.

(2) Definitions.

(a) Eligible Telecommunications Carrier (ETC) means a common carrier designated by the Commission as eligible to receive federal universal service support.

(b) Lifeline means the discount on retail local service available only to qualifying low-income consumers, which is supported by the universal service fund as described in 47 CFR Ch. 1 §54.407(a).

(c) Link Up means the assistance program for qualifying low-income consumers that provides a reduction in the ETC’s customary charge for commencing telecommunications service for a single telecommunications connection at a consumer’s principal place of residence.

(d) Qualifying low-income consumer means a Florida consumer who participates in one of the following programs: Medicaid, Temporary Assistance to Needy Families (TANF),
Supplemental Security Income (SSI), Food Stamps, Federal Public Housing Assistance, or the Low Income Home Energy Assistance Program (LIHEAP).

(3) Advertising Media. Beginning the first calendar quarter after this rule becomes effective, each ETC shall advertise Lifeline and Link Up service offerings in the following media throughout all of its service area at the prescribed intervals:

(a) On television at least ten times a quarter between the hours of 6:00 p.m. and 9:00 p.m. Each advertisement shall last a minimum of thirty seconds.

(b) On a local radio station at least ten times a quarter between the hours of 6:00 a.m. and 9:00 a.m., 12:00 p.m. and 1:00 p.m., or 4:00 p.m. and 6:00 p.m. Each advertisement shall last a minimum of thirty seconds.

(c) In newspapers of general circulation at least once every six months. If the newspaper is published over the weekend, the advertisement must appear in the weekend edition. Each advertisement must be at least one quarter page.

(d) In a bill stuffer at least once a calendar year.

(4) Telephone Directories. Each ETC shall provide a full-page explanation of Lifeline and Link Up in all telephone directories published by or for the ETC that contain informational pages.

(5) Advertisement and Telephone Directory requirements. Each advertisement and telephone directory explanation must:

(a) Be in English and any other language that is predominant in the service area.
(b) Contain a statement that service cannot be disconnected for customers who are enrolled in the Lifeline program as long as all outstanding local service amounts due are timely paid.

(c) Contain a statement that service will be reconnected for customers who are enrolled in the Lifeline program when any overdue local service amounts are paid.

(d) Contain a statement specifying the amount that end-user charges will be reduced per month if enrolled in the Lifeline program.

(e) Contain a description of the requirements to participate in the Lifeline and Link Up programs.

(6) Additional requirements for bill stuffers and telephone directories. Each bill stuffer and telephone directory advertisement must also contain:

(a) Information concerning voluntary toll limitation services and the availability of reduced deposits.

(b) If the directory contains an index, Lifeline and Link Up must be listed in the index.
(7) **Reporting Requirements.** Each ETC shall submit a report to the Division of Competitive Services annually by February 15. The annual report must contain the following information for the preceding calendar year ending December 31, unless otherwise specified:

(a) The number of residential access lines in service.

(b) The number of customers receiving Lifeline Assistance at the end of each month.

(c) The number of Lifeline customers subscribed to toll-blocking services.

(d) The number of customers per month that received assistance through Link Up.

(e) The total dollar amount of connection charges credited to customers receiving assistance through Link Up.

(f) The number of customers that received discounted service under the provisions of Section 364.105, Florida Statutes.

(g) The amount of revenue foregone as a result of the provisions of Section 364.105, Florida Statutes.

(h) A list by calendar year quarter of all bill inserts and messages, as well as all radio, television, and newspaper advertisements, including the number of times each was run.

(i) The total advertising costs to comply with this rule, by calendar year quarter.

Specific Authority: 350.127(2), F.S.

Law Implemented: 364.10, 364.0252, F.S.

History--New ______.
About the Author

Shawn M. Kelly (B.A., economics, Benedictine College; MPA, Florida State University) is a state of Florida employee. Mr. Kelly is interested in utilities regulation, local government, budgeting, and performance auditing. He is currently a Regulatory Analyst for the Florida Public Service Commission, Tallahassee, Florida.