

BEFORE THE PUBLIC SERVICE COMMISSION

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In re: Adoption of the National School Lunch Program and an income-based criterion at or below 135% of the Federal Poverty Guidelines as eligibility criteria for the Lifeline and Link-Up programs.

DOCKET NO. 040604-TL

COMMISSION CLERK

DATE: November 17, 2004

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that one copy of the DIRECT TESTIMONY of JOHN MANN has been furnished by U.S. Mail this 17<sup>th</sup> day of November, 2004, to the following:

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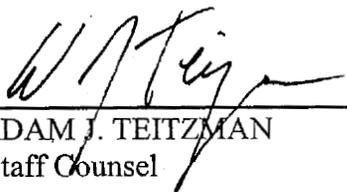
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*Docket No. :* 040604-TL – Adoption of the National School Lunch Program and an income-based criterion at or below 135% of the Federal Poverty Guidelines as eligibility criteria for the Lifeline and Link-Up programs.

*Witness:* Direct Testimony of John E. Mann IV, Appearing on Behalf of the Staff of the Florida Public Service Commission

*Date Filed:* November 17, 2004

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1  
2 Q. Would you please state your name and business address?

3 A. My name is John E. Mann, IV, 2540 Shumard Oak Boulevard, Tallahassee, Florida  
4 32399.

5 Q. By whom are you employed and in what capacity?

6 A. I am employed by the Florida Public Service Commission, Division of Competitive  
7 Markets and Enforcement, Bureau of Competitive Markets, as a Professional Accountant  
8 Specialist.

9 Q. **Please give a brief description of your background and experience.**

10 A. I graduated in 1980 from the University of Southern Illinois with a BA in Political  
11 Science, and obtained an MS in Accounting from the University of West Florida in 1989. I  
12 received my CPA license in 1990.

13 I was employed from 1989 to 1991 with the accounting firm Touche Ross. I began  
14 employment with the Florida Public Service Commission in 1991, having positions in the  
15 Telecommunications, Water and Wastewater, and Policy Analysis & Intergovernmental  
16 Liaison divisions. While at the Commission, I have served as both a rate and policy analyst.  
17 In the capacity of a rate analyst, I was responsible for preparing accounting recommendations  
18 in utility rate cases. As a policy analyst, I was responsible for the review of legislative and  
19 federal telecommunications matters. I was also responsible for the preparation and  
20 presentation of comments to the Federal Communications Commission (FCC), analysis of  
21 state and federal legislative matters, and the creation of presentations to interested  
22 stakeholders. I have been active with the National Association of Regulatory Utility  
23 Commissioners (NARUC) for the past five years as a member of the NARUC  
24 Communications Committee and served as staff chair of both the communications  
25 subcommittee and the Joint Conference established to promote the deployment of broadband

1 services throughout the United States. In addition, I served as one of the program chairs for  
2 the NARUC/NECA National Summit on Broadband Deployment. I have been actively  
3 involved with the National Regulatory Research Institute at Ohio State University, NARUC's  
4 State USF Administrator Committee, and have prepared NARUC research papers on such  
5 topics as right-of-way reform, competitive directory assistance, and equal access to utility  
6 infrastructure. I have also spoken on numerous occasions on issues related to competition in  
7 telecommunications.

8 Q. What are your principle duties as a Professional Accountant Specialist?

9 A. I participate in the analysis of financial and accounting data and the analysis and  
10 evaluation of research in a variety of areas. This involves application of accounting principles  
11 to evaluate and interpret financial and accounting factors affecting public utilities and  
12 consumers, and to determine how policy changes will affect the public utilities and ratepayers.  
13 The results are used to develop reports and recommendations to be presented to the  
14 Commission at agenda conferences, internal affairs or at Commission hearings for the purpose  
15 of developing Commission policy.

16 Q. **Have you ever testified as a member of the Commission staff?**

17 A. **Yes. I have provided expert testimony in Docket No. 930912-WS, a water and**  
18 **wastewater rate proceeding (Poinciana), on behalf of the Florida Commission staff.**

19 Q. What is the purpose of your testimony?

20 A. The purpose of my testimony is to provide support for the adoption of the National  
21 School Lunch (NSL) Program, and income-based eligibility criterion for consumers at or  
22 below 135% of the Federal Poverty Guidelines (FPG) for determining eligibility in the

25 Q. Why should the NSL program be added to the eligibility requirements for Lifeline and

1 Link-Up in Florida?

2 A. The FCC adopted the Federal Universal Service Joint Board's recommendation to  
3 add the temporary assistance to needy families (TANF) and NSL programs to the federal  
4 default eligibility criteria in Order FCC 04- 87, released April 29, 2004. In its Order, the FCC  
5 explained that low-income consumers that come into contact with state agencies while  
6 enrolling in one public assistance program are often made aware of their eligibility to  
7 participate in other public assistance programs. The FCC further explained that adding these  
8 programs will likely help improve participation in Lifeline and Link-Up and, in doing so,  
9 would increase telephone subscribership and/or make rates more affordable for low-income  
10 households.

11 In making its decision to include TANF and NSL programs, the FCC also  
12 acknowledged that it is difficult to project the number of additional persons that may become  
13 eligible for Lifeline and Link-Up by adopting the TANF and NSL programs because many  
14 low-income households typically participate in more than one assistance program once they  
15 meet the qualifying criteria. In Florida, for school year 2003/2004, there were approximately  
16 962,000 children eligible to participate in the NSL program. Although, historically, adding a  
17 new program for eligibility in Lifeline or Link-Up has not substantially increased Lifeline  
18 participation, I believe that adding the NSL program will provide another opportunity for  
19 eligible consumers to gain exposure to Lifeline and Link-Up programs.

20 To be eligible for the NSL free lunch program, a consumer's household income must  
21 be at or below 130% of the FPG, which is \$23,920 for a family of four. In addition, children  
22 are automatically eligible to participate in the NSL free lunch program if their household  
23 receives Food Stamps, benefits under the Food Distribution Program on Indian Reservations  
24 or, in most cases, benefits under the TANF program.

25 Q. Why should an income-based eligibility criterion of 135% of the Federal Poverty

1 Guidelines (FPG) be added for purposes of determining eligibility in the Lifeline and Link-Up  
2 programs in Florida?

3 A. In Order FCC 04-87, the FCC supports participation in Lifeline and Link-Up when a  
4 consumer's income is at or below 135% of the FPG, which is \$24,840 for a family of four.  
5 The FCC explained that adding an income-based criterion to the federal default eligibility  
6 criteria may increase participation in the programs and is a reasonable and cautious approach.

7 In Appendix K of FCC 04-87, the FCC projects that in Year 2005, eight million  
8 additional households would qualify for Lifeline if all states adopted the 135% income-based  
9 criterion. The analysis also projects that 938,473 additional Florida households would qualify  
10 under the 135% criterion, resulting in a total number of Lifeline eligible households of  
11 approximately two million. The analysis also projects that adding an income-based criterion  
12 of 135% could result in approximately 1.17 to 1.29 million new nationwide Lifeline  
13 subscribers in 2005, and approximately 135,981 to 150,523 new Lifeline subscribers in  
14 Florida.

15 Based on the most recent Federal-State Joint Board Monitoring Report, Florida  
16 contributed an estimated \$47.2 million into the Low Income Support Mechanism and received  
17 \$16.6 million in payments. Using FCC data, I estimate that Florida citizens could be faced  
18 with a required additional contribution into the Low Income Support Mechanism of  
19 approximately \$8.5 to \$9.3 million in 2005 from the adoption of the 135% criterion by other  
20 states with no additional support received for Florida if the 135% eligibility criteria is not  
21 adopted by Florida. Florida's new net dollar flow would be a factor of both our contribution  
22 and the number of new Lifeline and Link-Up subscribers in Florida.

23 In light of the FCC's Order adopting the 135% FPG eligibility criterion, I believe that  
24 it is in Florida's best interest to also adopt this criterion. If Florida does not adopt the 135%  
25 criterion for all ETCs, it could result in compounding Florida's status as a net contributor into

1 the Federal Universal Service Fund (USF) Low Income Support Mechanism and keep some  
2 consumers that would otherwise be eligible out of the program. Furthermore, since the FCC's  
3 adoption of the 135% criterion contemplates that it would be applied across the board to all  
4 eligible telecommunications carriers (ETCs), I recommend that the 135% FPG income  
5 criterion be applied to all ETCs in Florida.

6 Q. Why is it appropriate for consumers to be allowed to self-certify for program-based  
7 Lifeline and Link-Up eligibility?

8 A. Florida is an annual net contributor of approximately \$30.6 million dollars into the  
9 USF Low Income Support Mechanism. Lifeline participation in Florida is approximately 14%  
10 of the eligible households, compared to the national average participation of 38%. I believe  
11 that one of the major reasons more eligible consumers have not signed up for the Lifeline and  
12 Link-Up assistance programs is the time-consuming certification process.

13 Presently, eligibility for both Lifeline and Link-Up in Florida is determined by  
14 subscriber enrollment in the TANF, Supplemental Security Income (SSI), Food Stamps,  
15 Medicaid, Federal Public Housing Assistance (Section 8), Low-Income Home Energy  
16 Assistance Plan (LIHEAP), or Bureau of Indian Affairs programs.

17 The Florida Department of Children and Family Services (DCF) certifies eligibility for  
18 Lifeline and Link-Up based upon participation in the TANF, Food Stamp, or Medicaid  
19 programs. DCF has a formal process to notify potential clients about Lifeline and Link-Up  
20 when they apply for TANF, Food Stamp, or Medicaid programs. If, after a review of the  
21 application, DCF determines that the consumer is eligible for one or more of these programs,  
22 the consumer is given a notice of eligibility which advises the consumer to contact an ETC to  
23 apply for Lifeline and Link-Up. The consumer takes the DCF notice to the ETC as proof of  
24 eligibility for the Lifeline and Link-Up programs. The consumer can use this process or  
25 provide other documentation to the ETC as proof of participation in one of the approved

1 programs.

2 If consumers participates in SSI, Section 8, LIHEAP, or Bureau of Indian Affairs  
3 programs, they supply proof of participation in the program directly to their ETC to qualify for  
4 Lifeline and Link-Up.

5 Another basis for eligibility is through an income-based criterion. As a result of a  
6 Commission-approved 2001 settlement agreement between BellSouth and the Florida Office  
7 of Public Counsel (OPC), BellSouth expanded Lifeline eligibility to its subscribers with  
8 annual incomes up to 125% of the FPG. The settlement agreement approved by the  
9 Commission also designated the OPC as the entity responsible for certifying claims of  
10 eligibility for Lifeline customers using 125% of the FPG. Subsequently, both Verizon and  
11 Sprint voluntarily filed tariffs to expand Lifeline eligibility to customers with incomes at or  
12 below 125% or less of the FPG, and the OPC has voluntarily agreed to provide income  
13 certification for Verizon and Sprint.

14 Once a consumer has been approved to receive benefits under one of the program-  
15 based criteria, the consumer can take the documentation provided by the certifying agency to  
16 the appropriate ETC. ETCs often perform additional analyses and have additional  
17 requirements to determine whether the consumer will be given Lifeline credits. Some ETCs  
18 evaluate whether the consumer has an outstanding balance on a previous or current account.  
19 According to FPSC Order No. PSC-99-2503-PAA-TL, issued December 21, 1999, if  
20 consumers have an outstanding balance, they will not be automatically denied Lifeline  
21 benefits, but they may be asked to satisfy the outstanding balance, whether through a payment  
22 plan or payment in full. Another item that the ETCs consider is whether the consumer's  
23 current phone service is under the name of a different person. ETCs often require that  
24 telephone service be in the name of the consumer who has been certified under one of the  
25 state-approved programs. ETCs often research to determine whether a consumer is currently

1 receiving Lifeline benefits to ensure that a consumer receives Lifeline credits on one telephone  
2 line per residence, at the consumer's principal place of residence. This process appears to be  
3 quite lengthy and time-consuming for both the ETC and the consumer.

4 A streamlined certification process would ease the burden on consumers, expedite  
5 needed assistance to the consumer, and result in increased subscribership for the State of  
6 Florida. To accomplish this, I believe a self-certification process for Lifeline programs should  
7 be made available.

8 Under the FCC rules, there are four tiers of monthly federal Lifeline support in Florida.  
9 The first tier of federal support is a credit (\$6.45-\$6.50) for the federal subscriber line charge,  
10 which is available to all eligible subscribers. The second tier of federal support is a \$1.75  
11 credit that is available to subscribers in those states that have approved the credit. The third  
12 tier of federal support is one-half the amount of additional state support up to a maximum of  
13 \$1.75. Because Florida presently requires ETCs to provide an additional \$3.50 credit on  
14 Lifeline customers' bills, Florida Lifeline subscribers currently receive a total monthly credit  
15 up to \$13.50, consisting of up to \$10.00 (\$6.45 or \$6.50 + \$1.75 + \$1.75) in federal support  
16 and \$3.50 in state support. The telephone subscriber may receive a credit less than \$13.45 or  
17 \$13.50 if the subscriber's bill for basic local telephone service is less than the maximum  
18 available credit. At no time is the customer's bill for local service less than zero. The fourth  
19 tier of support, available only to eligible subscribers living on tribal lands, provides an  
20 additional credit up to \$25.00 per month. This amount is limited to the extent that the credit  
21 does not bring the basic local residential rate below \$1.00 per month.

22 Under the federal default rules, if consumers are enrolled in at least one of the  
23 programs identified previously, they may provide proof of eligibility and be automatically  
24 eligible for Lifeline and Link-Up assistance. For states that do not have a state Lifeline  
25 program, the FCC's default rules require ETCs to implement a process whereby consumers

1 may self-certify their eligibility subject to penalty of perjury. States that operate their own  
2 Lifeline program, may adopt more stringent measures.

3 The FCC's rules require all states, including federal default states, to adopt  
4 certification procedures to document income-based eligibility. The FCC specifically limited  
5 self-certification to the program-based criteria because it believed, as I do, that self-  
6 certification on an income basis could result in a greater potential for fraud and abuse in the  
7 Lifeline and Link-Up program. Further, the FCC mandated that certification of income-based  
8 eligibility must be accompanied by supporting documentation to ensure that only qualified  
9 individuals receive Lifeline and Link-Up assistance. By requiring supporting documentation,  
10 I believe the potential for fraud and abuse is reduced to an acceptable level.

11 Consistent with the federal self-certification process, a streamlined certification  
12 process could be initiated whereby consumers could elect to self-certify that they are receiving  
13 benefits from one or more of the Florida approved programs identified earlier, and receive the  
14 \$8.20 or \$8.25 tier one and tier two support immediately. Self-certification would involve a  
15 customers calling their ETC to verbally certify that they are eligible to participate in Lifeline  
16 and Link-Up based on participation in one of the qualifying programs. The utility would  
17 immediately enroll the customer in the Lifeline and Link-Up programs over the phone and  
18 send the customer a self-certification form. Customers would then be required to return the  
19 self-certification form to the utility within 60 days in order to remain eligible for the program.

20 The self-certification form would list the Florida-approved need-based programs, and  
21 have a place for the consumer to check which program(s) qualifies them for Lifeline and Link-  
22 Up. The form would also include notification that the consumer is signing the form truthfully,  
23 under penalty of perjury. The utility would send a re-certification form to the participant on  
24 an annual basis.

25 • In order to minimize fraud by self-certified participants, I believe the Commission

1 should annually require the ETCs to verify their Lifeline customers, based on a statistically  
2 valid sample, to ensure that eligibility standards are being met, and also require that ETCs  
3 disclose both the \$8.20 or \$8.25 and \$13.45 or \$13.50 Lifeline assistance programs, and the  
4 means for qualifying for both, when speaking with prospective participants.

5 If consumers elect to receive the full \$13.45 or \$13.50 Lifeline assistance credit, they  
6 would follow the process currently used today. Also, if consumers who self-certify and are  
7 receiving \$8.20 or \$8.25 in Lifeline benefits decide that they would like to receive the full  
8 \$13.45 or \$13.50 in assistance, they could go through the existing certification process with  
9 one of the appropriate state or federal agencies, or directly to the ETC, while still receiving the  
10 \$8.20 or \$8.25 while waiting for approval.

11 A similar bifurcated Lifeline program exists today in the State of Ohio whereby  
12 Cincinnati Bell Telephone (CBT) customers can receive a Federal Lifeline discount of \$7.09,  
13 or the CBT Lifeline residential rate program discount of \$12.34. The CBT two-tier Lifeline  
14 programs, which are a result of CBT electing alternative regulation, have been in existence  
15 since 1998.

16 I believe the existing Florida Lifeline and Link-Up program involves extensive  
17 administrative actions and costs for the determination of eligibility, certification of eligibility,  
18 determination of qualification by the ETCs and finally, enrollment in the program. To  
19 eliminate administrative overhead and processes that may be obstacles to participation,  
20 continue provision of a subsidy to the eligible and deserving, and increasing enrollment such  
21 that at a minimum, Florida citizens' payments into the low income fund are supporting Florida  
22 citizens, another certification process should be made available to Florida consumers.

23 Both the Federal-State Joint Board on Universal Service and the FCC agree that self-  
24 certification for program-based qualification encourages eligible consumers to participate in  
25 Lifeline and Link Up, and imposes minimal burdens on consumers. They also agree that

1 participation in need-based programs is easily verifiable, and that certification of qualified  
2 program participation, under penalty of perjury, serves as an effective disincentive to abuse of  
3 the system. I believe allowing self-certification will go a long way towards achieving the  
4 stated goals of the Lifeline and Link-Up programs, and will provide assistance to those in need  
5 more quickly and easily.

6 Q. Does this conclude your prefiled testimony?

7 A. Yes.

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