



# Public Service Commission

## -M-E-M-O-R-A-N-D-U-M-

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**DATE:** September 25, 1998  
**TO:** Blanca Bayo, Director, Division of Records and Reporting  
**FROM:** Dan Hoppe, Director, Division of Research and Regulatory Review *DH*  
**RE:** Special Project No. 980000C-SP - Determination of the Amount of Support Necessary to Provide Residential Basic Local Telecommunications Service to Low-Income Customers who Qualify for Lifeline Service

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Attached is a copy of the draft report to the legislature to be made part of the file for anyone requesting it. This contents of this draft report will be discussed at the September 30, 1998 staff workshop.

If you have any questions, you may contact Yiwen Yu at (850)413-6852, Bill McNulty at (850)413-6443 or Anne Marsh at (850)413-6554. Thank you.

DMH:YYU:tfm-bill.bjm  
cc: Mary Andrews Bane  
Division of Communications  
Division of Legal Services

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FPSC-RECORDS/REPORTING

**STUDY TO ESTIMATE THE AMOUNT  
OF SUPPORT NECESSARY TO PROVIDE RESIDENTIAL  
BASIC LOCAL TELECOMMUNICATIONS SERVICE  
TO LOW INCOME CUSTOMERS**

**DRAFT**

Florida Public Service Commission  
Tallahassee, Florida  
September, 1998

## EXECUTIVE SUMMARY

The purpose of this study is to determine the amount of support necessary to provide residential basic local telecommunications service to low-income customers. In response to Chapter 98-277, Section 1, (4)(d), Laws of Florida, the FPSC is required to report this information to the legislature no later than February 15, 1999.

The data for this study was obtained from the various state and federal agencies that administer the Lifeline-qualifying programs. These programs include Temporary Assistance to Needy Families (TANF), Medicaid, Supplemental Security Income (SSI), food stamps, Federal Public Housing Assistance (Section 8), and Low-Income Home Energy Assistance Program (LIHEAP).

The agencies which administer the Lifeline-qualifying programs are the Department of Children and Families (DCF), the U.S. Department of Housing and Urban Development (HUD), the Agency for Health Care Administration (AHCA), and the Florida Department of Community Affairs (DCA). DCF administers Medicaid, TANF, and food stamps; HUD administers Public Housing Assistance, including Section 8; AHCA administers SSI; and DCA administers LIHEAP.

Staff conclusions regarding the amount of support necessary to provide residential basic local telecommunications service to low-income customers are as follows:

- ◆ **The estimated number of customers currently eligible to receive Lifeline Assistance in Florida is 816,278. The estimated annual amount of support necessary to fund Lifeline Assistance for 816,278 participants at the current level of \$3.50 is \$34,283,676.**
- ◆ **The number of customers projected to be eligible to receive Lifeline Assistance in Florida for 1999 is 851,556. The projected annual amount of support necessary to fund Lifeline Assistance for 851,556 participants at the current level of \$3.50 is \$35,765,352.**
- ◆ **The number of customers projected to be eligible to receive Lifeline Assistance in Florida for 2000 is 868,574. The projected annual amount of support necessary to fund Lifeline Assistance for 868,574 participants at the current level of \$3.50 is \$36,480,108.**

The complexity of this issue necessitated that staff make a number of assumptions regarding the project objective and methodology. For example, the legislation was silent as to the time frame for which eligibility for Lifeline-qualifying programs is to be measured, therefore,

staff considered both current and projected data.

The task of counting the number of qualified households was complicated by the fact that many individuals and households participate in more than one qualifying program. The confidential nature of the program participation data, the format in which the various agencies maintain their data, and the limited time and resources of the agencies which administer the qualifying programs resulted in some difficulty in eliminating the duplicative participation by individuals and households among the programs.

Staff relied on the agencies administering the qualifying programs to provide data and assumptions as to the number of households, as opposed to individuals or caseloads, participating in the programs. In addition, staff relied on the administering agencies to identify and eliminate, to the extent possible, those households participating in more than one qualifying program.

Medicaid enrollment forecasts, including TANF and SSI, were projected based on staff's estimate of the 1998 participating households and the August 1998 Florida Revenue Estimating Conferences caseload forecasts. Medicaid participation is expected to increase by 5.6% in 1999 and by 2.5% in 2000. DCF estimated decreases in food stamp enrollment for 1999 of 1.7% and a further decrease of 1.1% in 2000. DCA indicated a zero growth rate in LIHEAP participation because of the limited funding available. HUD indicated expected growth of about 1,000 units per year for Section 8 certificate and voucher programs and no growth for any other Public Housing and Section 8 programs.

## SECTION 1

### INTRODUCTION

In May 1998, the Florida Legislature passed HB 4785 relating to telecommunications services in Florida. One of the major requirements of the bill is for the Florida Public Service Commission (FPSC) to "determine and report to the President of the Senate and the Speaker of the House of Representatives the amount of support necessary to provide residential basic local telecommunications service to low-income customers" by February 15, 1998.<sup>1</sup> For the purpose of this legislation, low-income customers are those who qualify for Florida's Lifeline Assistance Program. This program is designed to defray a portion of the cost of telephone service to low-income residential customers.

The eligibility standards for Lifeline in Florida include participation in any of the following programs: Temporary Assistance to Needy Families (TANF), Medicaid, Supplemental Security Income (SSI), food stamps, Federal Public Housing Assistance (Section 8), and Low-Income Home Energy Assistance Program (LIHEAP). Each Lifeline subscriber currently receives a total of \$10.50 per month in Lifeline assistance, including \$7.00 in federal Lifeline support and \$3.50 in matching state support. Thus, the major task of this study is to estimate the total number of households which participate in at least one of the six qualifying programs and then estimate the annual amount of state support necessary to fund Lifeline Assistance for Florida's low-income customers. In addition, this study is designed to project the number of eligible households and the related support amount for 1999 and 2000. Data used in this study was solicited from each of the relevant state and federal agencies that administer Lifeline qualifying programs.

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<sup>1</sup>Chapter 89-277, Section 1, (4) (d), Laws of Florida.

SECTION 2  
BACKGROUND

Lifeline assistance is part of the federal Universal Service program that is designed to enable low-income residential customers to afford monthly local telephone service. According to the Federal Lifeline program, states that provide matching funds may set their own eligibility standards. Eligibility standards for states which do not provide matching funds are determined by the FCC. The FCC's default eligibility standards include participation in any of the following programs: Medicaid, food stamps, Supplemental Security Income (SSI), Federal Public Housing Assistance (including Section 8), or Low Income Home Energy Assistance Program (LIHEAP).

(Insert description of current state and federal funding amounts.)

Historically, the participation level in Florida's Lifeline Assistance Program has been low.<sup>2</sup> In 1994, the first year of the Florida Lifeline program, there were 61,442 low-income customers participating in Florida's Lifeline program. By 1997, participation had increased to 133,664. Low Lifeline subscribership levels may be due a number of factors, including a low number of eligible households, a low participation rate for eligible households, or a combination of both reasons. The low participation rate for eligible households may result from a lack of knowledge of the Lifeline program on the part of either the low-income customers or the state agencies that administer the qualifying programs, or possibly the reluctance on the part of some low-income customers to participate in what is perceived to be another welfare program.

As a result of the low subscribership levels in Florida's Lifeline program, the FPSC adopted expanded eligibility criteria in its Order No. PSC-98-0328-FOF-TP to include Temporary Assistance to Needy Families (TANF).<sup>3</sup>

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<sup>2</sup>Order No. PSC-98-0328-FOF-TP, p. 5.

<sup>3</sup>This program was previously referred to as "Aid to Families with Dependent Children" (AFDC). Federal welfare reforms replaced AFDC with TANF.

**TABLE 1**  
**LEVELS OF LIFELINE SUPPORT**

	Type of Lifeline Assistance Provided
\$ 3.50	Baseline federal Lifeline support
<u>+\$ 1.75</u>	Additional baseline federal Lifeline support if state approves reduction in the portion of the intrastate rate paid by the end user.
\$ 5.25	Total support available without any state contributions (state must approve rates).
<u>+\$ 1.75</u>	Additional federal Lifeline support is available equal to half of any support from the intrastate jurisdiction, up to a maximum of \$7.00 of total federal support. State support of \$3.50 generates additional federal support of \$1.75. This generates the maximum federal support available.
\$ 7.00	Maximum federal support available.
<u>+\$ 3.50</u>	State support needed to maximize federal support.
\$10.50	<b>Total Lifeline support available in Florida as of April, 1998.</b>

Source: Division of Communications

### SECTION 3

#### METHODOLOGY

The current amount of state matching support for Lifeline Assistance is \$3.50 per month, pursuant to Order No. PSC-98-0328-FOF-TP. The substantive portion of this study deals with estimating the number of low-income households which qualify for the Lifeline program in Florida. The straight-forward multiplication of the state matching amount of \$3.50 times the number of eligible households will yield the estimated state monthly support by LECs in Florida needed to fund Lifeline for low-income customers.

The FPSC solicited program participation data from those state and federal agencies that administer the six Lifeline qualifying programs. State liaison agencies exist for each of the federal programs except for the Public Housing Program, which is administered by the U.S. Department of Housing and Urban Development (HUD). In Florida, the Department of Children and Families (DCF) administers the food stamps, TANF,<sup>4</sup> and non-SSI Medicaid programs and the Agency for Health Care Administration (AHCA) administers the SSI Medicaid program. The Florida Department of Community Affairs (DCA) administers LIHEAP.

Initially, the FPSC sought to estimate the number of current Lifeline eligible customers by attempting to collect the most updated program recipient data from each of the six programs. Data regarding recipient addresses was requested in an electronic format so that the data could be matched electronically to identify and eliminate duplicate households. The address-matching process was expected to result in an accurate estimate of number of eligible Lifeline households, without duplication across the six qualifying programs. In addition, the agencies were requested to provide household rather than individual or caseload data since Lifeline assistance is provided to households.

In order to facilitate this task, several preliminary steps taken were taken. Phone calls were made to each of the six agencies to obtain fundamental information about the qualifying programs and the availability of the required data. Meetings were held between Commission staff

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<sup>4</sup>In Florida, TANF is referred to as the Work And Gain Economic Self-sufficiency (WAGES) program.



and each of the agencies, with the exception of HUD, to gain a better understanding of the way their program data are maintained and manipulated. Data requests were then sent to each agency as the official means of collecting the requested data. Phone calls were made, where necessary, to clarify the data request or to make follow-up inquiries regarding late or missing responses.

Although address-matching could not be performed among all of the agencies for all of the programs, each of the agencies was able to identify and eliminate duplicate households within their own programs. The DCF identified and eliminated duplication in and between participants in the Medicaid, food stamps, and TANF programs. In addition, the DCF eliminated from the resulting household data set any household which participated in SSI. The AHCA identified the total, unduplicated number of households participating in SSI. The number of participants reported by both the DCF and the AHCA provided the participation level for four of the six Lifeline qualifying programs, without duplication of households. HUD performed an address-matching routine of Public Housing and Section 8 recipient households and eliminated households participating in TANF and SSI. While that number still contains some level of duplication between Public Housing/Section 8 households and the households reported in the other three programs (Medicaid, food stamps, and LIHEAP households not receiving TANF or SSI), staff believes that the number of duplicate households is negligible. Finally, no address matching was possible for LIHEAP recipient households against any of the other five programs, nor was it possible to make a precise statistical inference of the proportion of LIHEAP recipients participating in any of the other five programs. However, staff did make a best-guess assumption in order to approximate the appropriate number of households to be included.

An effort was made to obtain projected program participation data for 1999 and 2000 from the agencies. Although the agencies did provide some projections of program participant growth rates, they did not provide sufficient participant forecast data necessary to develop a truly reliable forecast of Lifeline-eligible customers in Florida for 1999 and 2000. Some of the programs, such as LIHEAP, are based on the availability of federal funding which may change in the future, depending upon legislative budgeting. Staff relied on historical data, assumptions regarding conversions of caseload data to household data, assumed growth rate data, and projected caseload and household data provided by the agencies to develop projected household participation levels for 1999 and 2000.

However, LIHEAP represents only a relatively small portion of the participants of the 6 programs (approximately 10 percent). Therefore, staff concluded that, in the absence of household duplication data, a simplifying assumption was necessary. Staff assumed that duplication could potentially exist in approximately half of the LIHEAP households. The sum of the reported number of households from DCF, AHCA, HUD, and one-half of the reported LIHEAP households was estimated to be the number of households currently eligible to receive Lifeline Assistance in Florida.

## SECTION 4

### LEGAL, TECHNICAL, ADMINISTRATIVE ISSUES

Several issues emerged during the data collection process which added a source of potential error to the qualifying household estimation process and prevented staff from conducting address-matching internally. First of all, the legislation is silent regarding the time frame for estimating or projecting the low-income support requirements. This is important because the participation levels in each qualifying program do not remain constant over time. Therefore, staff requested both current and projected data from the agencies.

The second issue involves the ways in which the various agencies maintain and format their participant data. Merging the databases of the different programs in order to identify and eliminate duplicate address information (household counts) is difficult, and in some cases even impossible. Each agency administering the qualifying programs maintains the recipient database for its own management or budget purposes. For example, DCF maintains Medicaid program participation data by individual case or caseload, rather than by household participation. Other agencies maintain program participation data based on household units. Converting all program participation data into recipient household data is time-consuming and burdensome, since address information may not be available or may exist in only written, non-electronic format. In addition, even if the data are in electronic format, any one qualifying program's data format may be incompatible with another program's data format. Staff relied on the agencies to provide data and assumptions as to the number of households, as opposed to individuals or caseloads, participating in the program(s) they administer. In addition staff relied on certain agencies, such as DCF, to identify and eliminate, to the extent possible, those households participating in more than one qualifying program.

Third, even if each of the agencies had program recipient data which could be technically merged for address-matching purposes, there are often customer information confidentiality requirements which prevent release of the data. Agencies usually have little difficulty in providing a total number of recipients. However, to run computerized recipient address matches in order to eliminate participant duplication requires agencies to release confidential recipient data, such as names, social security numbers, or addresses. Agencies are understandably reluctant

or unwilling to share data in circumstances where the legality of such actions is questionable. The confidentiality issue stands as a legal hurdle to the task of eliminating recipient duplication across the six qualifying programs.

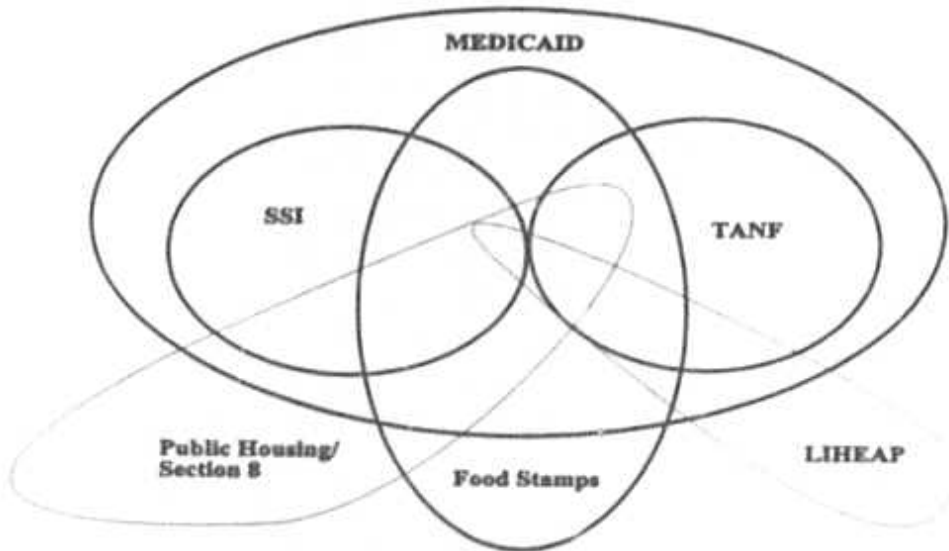
The fourth issue encountered during the Lifeline study is the limited availability of agencies' resources and personnel to respond to FPSC staff's data requests. The administrative agencies were dealing with internal demands which, in some instances, prevented them from responding in a timely fashion to FPSC data requests. In addition, because of the time constraint placed on the agencies to provide the data to staff, their responses were not as complete as they might have been, given more time to respond.

SECTION 5  
THE FINDINGS

**Estimation of Number of Current Eligible Lifeline Customers and Lifeline Support**

A generalized model of the household participation interrelationships between the Lifeline-qualifying programs is depicted in the Venn Diagram in Figure 1. Obviously, elimination of multiple occurrences of households is a major issue when trying to sum the number of participating households in these programs.

**Figure One**  
*Potential Overlapping Relationship among the Lifeline Qualifying Programs*



The result of eliminating duplicate household participation is represented in Table 2. Column 1 identifies the agency, Column 2 identifies the program(s), and Column 3 indicates the estimated total number of households currently participating in programs administered by each agency, without duplication, for the program in question. This is necessary since sometimes a single program may have many sub-programs, and households may participate in more than one sub-program. Column 4 of Table 2 contains the unduplicated number of households participating in a Lifeline-qualifying program after multiple occurrences of households between that program and other programs have been identified and eliminated. This represents the most current program participation data available from the agencies.

TABLE 2

1998 ESTIMATED HOUSEHOLDS PARTICIPATING  
IN LIFELINE-QUALIFYING PROGRAMS IN FLORIDA

Agency	Lifeline-Qualifying Program	Total Households	Unduplicated Households
DCF and AHCA	Total Medicaid	627,437	627,437
DCF	Food Stamps	417,360	50,500
HUD	Public Housing and Section 8	151,178	103,341
DCA	LIHEAP	69,999	35,000*
	Total Lifeline Eligible	---	816,278
	Annual Lifeline Support		\$34,282,676

\* LIHEAP duplication in other programs estimated to be 50%.

As shown in Table 2, the estimated total number of unduplicated households currently participating in Lifeline-qualifying programs is 816,278. This amount is a staff estimate, and staff recognizes the potential for an unknown but relatively small percentage of error in this estimate. The estimated annual amount of state support required to fund Lifeline Assistance, at the approved funding level of \$3.50, is \$34,282,676. This estimated amount of support is based on the assumption that all households which qualify for lifeline assistance receive it.

As of December 31, 1997, only 130,664 customers out of 816,278 qualified customers subscribed for Lifeline Assistance. Thus, Florida customers who subscribe to Lifeline Assistance represent 16 percent of the Florida customers who are estimated to be qualified to receive Lifeline Assistance

#### Medicaid

DCF reported 320,976 households participating in either TANF or Medicaid, but not SSI, during August, 1998. DCF did not include nursing home recipients, since Lifeline service is normally not provided to such nursing home facilities. AHCA reported that 306,461 households received SSI benefits in August, 1998. The sum of these two amounts, 627,437, represents the total number of unduplicated households participating in Medicaid, TANF, and SSI.

Non-SSI Medicaid, including TANF	320,976
SSI Medicaid	306,461
Total Medicaid	627,437

#### Food Stamps

DCF also maintains the database for food stamp recipients, which total 417,360 households. However, DCF determined that only 50,500 of these households do not receive some other type of Medicaid assistance. Therefore, the unduplicated number of food stamp households is 50,500.

#### Public Housing and Section 8

The HUD reported 151,178 households participating in Public Housing or Section 8 programs during July 1998. In order to address the problem of duplication between these and other Lifeline-qualifying programs, HUD provided percentage estimates of Public Housing and Section 8 household participation in "Public Assistance Programs," which include TANF and SSI, primarily. However, some small amount of duplication may remain between Public Housing and Section 8 households and Medicaid general assistance programs. HUD was not able to determine this amount of duplication.

Table 3 contains the HUD data needed to calculate the number of Public Housing and Section 8 households which do not receive public assistance. The total estimated number of these unduplicated households is 103,341. This amount is calculated by subtracting the estimated 47,837 Public Housing and Section 8 households which also receive Public Assistance (TANF, SSI) from the 151,178 total Public Housing and Section 8 Households.

TABLE 3

1998 ESTIMATED HOUSEHOLDS PARTICIPATING IN PUBLIC HOUSING AND SECTION 8 PROGRAMS

Row	Public Housing / Section 8 Recipients	Public Housing	Certificates & Vouchers	Projected Based Section 8	Total
A	Households	43,852	66,596	40,730	151,178
B	Percentage of Households receiving Public Assistance (TANF and SSI)	42%	35%	15%	32%
C	Households Receiving Public Assistance (A*B)	18,418	23,309	6,110	47,837
D	Unduplicated Households (A-C)	25,434	43,287	34,620	103,341

\*Some small amount of duplication may remain between Public Housing and Section 8 households and Medicaid general assistance programs. HUD was not able to determine this amount of duplication.

LIHEAP

LIHEAP reported 69,999 households receiving assistance in Florida in 1997. Actual monthly data for 1998 was unavailable.<sup>45</sup> Efforts by staff to eliminate duplication of LIHEAP households which participate in other programs were unsuccessful, for two primary reasons. First, Florida LIHEAP Administrator Robert Lain indicated that recipient address information is confidential. Second, LIHEAP has no central database for LIHEAP participants in Florida. Instead, 32 field offices, involving non-affiliated cooperating agencies or governments, maintain data pertaining to the LIHEAP program. These field offices often do not maintain their LIHEAP recipient data in electronic format, so that centralized deposit of recipient information is not

<sup>45</sup>DCA only has annual data based on fiscal year numbers, they do not have a system that maintains monthly updates.



that it expected no change in participation levels for any other Public Housing and Section 8 Programs.

DCA did not provide explicit projection data for LIHEAP participation. However, Florida LIHEAP Coordinator Robert Lain indicated that LIHEAP funding has maintained a level of \$13 million to \$14 million in recent years and, assuming this funding level does not change significantly during the next two years, LIHEAP household participation should not change significantly.

**TABLE 4**  
**PROJECTED HOUSEHOLD PARTICIPATION**  
**IN LIFELINE QUALIFYING PROGRAMS IN FLORIDA, 1999-2000**

Lifeline Qualifying Programs	Recipient Households (Unduplicated)*		
	1998	1999	2000
Medicaid Total	627,437	662,574	679,138
Food Stamps	50,500	49,641	49,095
Public Housing	103,341	104,341	105,341
LIHEAP	35,000	35,000	35,000
Total Lifeline Eligible	816,287	851,556	868,574
Annual Lifeline Support	\$34,283,676	\$35,765,352	\$36,480,108

\* LIHEAP duplication in other programs estimated to be 50%. Future percentages of duplication is assumed to be equivalent to current percentages of duplication.

As depicted in Table 4, household participation in the Medicaid and food stamp programs were projected for 1999 and 2000 by multiplying AHCA's and DCF's projected percentage changes in program growth rates for these years by the current estimates of unduplicated households participating in these programs. Household participation in Public Housing and Section 8 programs were projected for 1999 and 2000 by adding 1,000 units, the projected growth in those years, to the current estimate of unduplicated households in these programs. Household participation in LIHEAP was expected to remain at staff's current unduplicated estimated level, or 35,000 households.

As shown in Table 4, staff's projected number of Lifeline-qualified households in Florida for 1999 is 851,556. This estimate is multiplied by \$3.50, the monthly amount of state support

currently approved in Florida, and then multiplied by 12, the number of months in a year, to yield \$35,765,352, the projected 1999 amount of support required to fund Lifeline Assistance in Florida, assuming all who qualified for such assistance received it.

As shown in Table 4, staff's projected number of Lifeline-qualified households in Florida for 2000 is 868,574. This estimate is multiplied by \$3.50, the monthly amount of state support currently approved in Florida, and then multiplied by 12, the number of months in a year, to yield \$36,480,108, the projected 2000 amount of support required to fund Lifeline Assistance in Florida, assuming all who qualified for such assistance received it.