STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Proceeding on Motion of the Commission To Consider Cost Recovery by Verizon and to Investigate the Future Regulatory Framework	Case 00-C-1945

Testimony of Dr. Trudi J. Renwick, Ph.D.

for the

Public Utility Law Project

February 14, 2002

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Q. Please identify yourself?

A. My name is Trudi J. Renwick.

Q. By whom are you employed?

A. I am employed by the Fiscal Policy Institute as a Senior Economist.

Q. What is your educational background and experience?

A. Attached to this testimony as Exhibit A is a copy of my curriculum vitae.

Q. Are you familiar with the Telephone Lifeline program?

A. Yes, in New York for Verizon customers, the current tariff provides basic residential service at a significant discount to qualifying low-income customers. The funds to supply this discount come first from the federal government through the universal service surcharge collected from all telephone customers and, at the State level, through the Targeted Assistance Fund that is also supported by telephone customers.

Q. What is the purpose of the telephone Lifeline program?

A. The purpose of the Lifeline program is to raise the penetration of telephone usage by reducing by a significant degree the economic barriers to telephone subscribership for low-income customers. The benefits from this increased subscribership flow to the customers who are able to participate as well as to other customers who then have the ability to reach additional customers over the switched network and to society in general because of the benefits and increased functionality for households that are able to maintain telephone service.

Q. How is eligibility for assistance from the Telephone Lifeline program determined?

A. Customers are eligible for Lifeline benefits if they qualify for one of eight government assistance programs. Several of these programs are identified by the federal government in its design for the minimum program that states must implement to qualify for federal universal service support. After states meet this minimum requirement, a state may choose to add additional programs to qualify additional low-income customers for Lifeline benefits. New York already has exercised its option to utilize an expanded list of programs to establish eligibility.

Q. What programs currently qualify a household or individual for Telephone Lifeline assistance in New York?

A. In New York, the programs are:

- Family Assistance
- Food Stamps
- Home Energy Assistance Program (HEAP)
- Medicaid
- Safety Net Assistance
- Supplemental Security Income (SSI)
- Veteran’s Disability Pension (non-service related)
- Veteran’s Surviving Spouse Pension (non-service related)

Q. Which of these programs are not required by the federal regulations?

A. Family Assistance, Safety Net Assistance, Veteran’s Disability Pension, and Veteran’s Surviving Spouse Pension.

Q. Is the qualification for these programs income based?

A. Yes.

Q. What are the income limits for the HEAP program in New York?

A. The income limits for the HEAP program in New York are $2,510 per month for a family of three and $2,988 per month for a family of four.

Q. What are the income limits for the Family Assistance program in New York?

A. The income limits for the Family Assistance program are based on the New York State standard of need which varies by county, family size and type of heating fuel. For a family of three in New York City with heat included in their rent, the Family Assistance income limit is $577 per month.

Q. What are the income limits for the Food Stamp program in New York?

A. The income limits for the food stamp program in New York are $1,585 per month for a three-person family and $1,912 for a four-person family.

Q. What are the income limits for the Medicaid program in New York?

A. The income eligibility limits for Medicaid in New York vary by family and applicant type, e.g. adults, pregnant women and children. As of January 1, 2001, the income eligibility limits for pregnant women and children were $909 per month for a three-person family and $917 per month for a four-person family. Adult income eligibility limits for the Medicaid program vary by county.

Q. What are the income limits for the Safety Net Assistance program in New York?

A. The income limits for the Safety Net Assistance program in New York are the same as the income limits for the Family Assistance program.

Q. What are the income limits for the SSI disability program in New York?

A. The monthly income limits for the SSI disability program in New York were $549 for an individual and $873 for a couple in 2000. For 2002, the income limits for the SSI disability program in New York were $632 per month for individuals and $921 per month for couples living independently.

Q. What are the income limits for the Veteran's Disability Pension program and the Veteran's Surviving Spouse Pension program in New York?

A. The income limits for the Veteran's Disability Pension program are $1,178 per month for a three-person family and $1,315 per month for a four-person family. The income limits for the Veteran's Surviving Spouse Pension program in New York are $835 per month for a three-person family and $971 per month for a four-person family.

Q. What is the enrollment history for the Telephone Lifeline program in New York?

A. After the introduction of automatic enrollment, New York greatly expanded the enrollment of low-income customers in the Lifeline program. The most recent data from the Federal Communications Commission reports the percentage of households in March 2000 having telephone service for individual states and for the nation. According to this data, 92% of New Yorkers with annual household incomes less than $16, 676 had telephone service, while for the nation as a whole only 87.5% of this population had service. For those with incomes less than $33,352, which includes most of those often characterized as the "working poor", the percentage with telephone service was 96.9% in New York compared with 93.3% in the nation. <u>See</u>, "Telephone Penetration by Income by State (Data Through 2000)", Alexander Belinfante, Industry Analysis Division, Common Carrier Bureau, Federal Communications Commission (July 2001).

Q. Don't these statistics demonstrate that the Verizon Lifeline program has been very successful?

A. These statistics show that the program has succeeded in accomplishing its goal of increased telephone subscribership among low-income households and has been more successful in this effort than other states. Other data indicates, however, that the New York program has lost a substantial portion of its effectiveness and has not adapted to the changing public assistance environment since its inception.

Q. When and at what level did enrollment for the Telephone Lifeline program peak?

A. I understand from Verizon's response to PULP's information requests that Verizon's Lifeline subscribership was more than 720,000 customers in December 1996. In comments filed with the Federal Communications Commission, the Universal Service Company reported that Lifeline enrollment in New York in the fourth quarter of 2001 had fallen to 586,000. I understand from the Verizon responses that enrollment has declined further and, as of December 2001, stood at 452,000 customers. Assuming that Lifeline subscribership was never higher than 720,000 customers and has declined no further since December 2001, this is a 37% decline in Lifeline participation over this period.

Q. Is this data the reason you conclude that the performance of the Lifeline program in New York has degraded in recent years?

A. Yes. The loss of over 274,000 customers from the program is a very substantial decline in effectiveness. Some of these customers undoubtedly lost service altogether. Others maintained service by paying the regular residential rate. For flat rate customers, this increased their bills by $9.11 per month. For measured rate customers, the increase was $10.11 per month.

Q. Can you estimate the additional revenue that Verizon received because of the migration of customers from Lifeline to basic residential service?

A. Not precisely, but I believe it is unlikely that Verizon received any additional revenue. This is because, from Verizon's point of view, the difference between the charges for Lifeline and non-Lifeline service is made up from the federal Universal Service Fund and from the State Targeted Assistance Fund. Any revenue gain from a transfer of a customer from Lifeline to non-Lifeline basic service would be offset by revenue losses from reduced federal or State support money.

Q. How much federal support is lost when a customer switches from Lifeline to non-Lifeline service?

A. For measured rate customers, the loss to the State is $7.87 per month, for flat rate customers, the loss is $7.54 per month. To provide a rough estimate, if we assume that the 250,000 customers who lost Lifeline service were evenly divided between flat rate and measured rate service, the annual loss in federal revenue was $1,926,500 per month or $23,115,000 per year.

Q. Do you perceive a trend or pattern to this enrollment decline?

A. Yes, enrollment in the Verizon Lifeline program has been declining steadily.

Q. Do you attribute this loss in enrollment to actions that Verizon has taken?

A. No. I assume that Verizon has administered the program in the same way throughout this period, and I have no information to suggest that Verizon's administrative practices or procedures are responsible for this precipitous decline in enrollment.

Q. To what do you attribute the significant decline in Lifeline enrollment in New York?

A. In New York, customers qualify for Lifeline because of their participation in one or more of several programs providing assistance for low-income households. These programs each have another programmatic purpose, <u>i.e.,</u>

they are administered to provide some assistance other than inexpensive telephone service. These programs are used, however, to identify the low-income households that the Lifeline program is designed to assist, and the significant advantage of using existing programs to do this is in the avoidance of separate means determinations for each prospective Lifeline customer. In this way, very large numbers of Lifeline eligible customers can be identified and helped with very low administrative costs. In recent years, however, several of the programs that are being used for this purpose have changed.

Q. In what way have these programs changed?

A. The enactment of the Personal Responsibility and Work Opportunity Reconciliation act of 1996 (PRWORA) marked an extraordinary turning point in U.S. social policy. The legislation is probably best known for having repealed the Aid to Families with Dependent Children Program and having provided states with block grants to design work-focused, time-limited welfare programs. The law reduced federal requirements and protections for individuals while expanding state discretion and flexibility in numerous aspects of social policy. The law also made major changes affecting child support enforcement, childcare, the Food Stamp Program, disability benefits for children, and the eligibility of immigrants for federal, state and local benefits.

Q. Has this resulted in changes in the enrollment for the Lifeline qualifying programs?

A. In New York, as in other states, enrollment in several of these programs has fallen significantly. Family Assistance caseloads in New York State have fallen from 393,424 in January 1997 to 207,259 in September 2001. Safety Net Assistance cases have declined from 200,309 to 99,516 over the same period. The number of households receiving food stamps has fallen from 918,966 in January 1998 to 654,138 in September 2001.

Q. Has this affected the enrollment of customers in the telephone Lifeline program?

A. I believe that the decline in families receiving public assistance and food stamps has been a major factor in reducing the number of recipients of telephone Lifeline in New York.

Q. Are the incomes of most of the families that no longer receive food stamps and public assistance in excess of the income guidelines for the existing eight Telephone Lifeline assistance programs?

A. No, the studies that have been completed on those that have left public assistance in New York report that the vast majority continue to have incomes below the federal poverty guidelines. A study by the Rockefeller Institute of Government used administrative data to track families who left welfare in the first quarter of 1997. This study found that only 40% of these families had an adult employed in at least one day in each quarter in the year after they left welfare and that outside New York City, the median annual earnings of families with an adult employed in all four quarters were only $12,611 ($1051 per month), far below the $16,660 poverty line for a family of four in 1998. Even in New York City, the median earnings were only a meager $17,431 ($1453 per month). Researchers working with the New York City Human Resources Administration conducted phone interviews in May 1998 with families who left public assistance in November 1997. These researchers were only able to find 211 of 596 randomly selected families and were able to complete interviews with only 126 of these families. Of these families, only

25 percent had incomes above the federal poverty guidelines and less than a third said they were better off financially after leaving public assistance.

Q. Are less New Yorkers meeting the income thresholds today than was true in earlier years?

A. Yes. While most of the benefits of the economic expansion of the 1990s have been skewed toward the upper end of the income distribution, there has been some indication of rising living standards over this period. The number of families in New York with incomes below the official poverty line has decreased from 650,000 in 1998 to 504,000 in 2000, the most recent year for which data from the U.S. Bureau of the Census is available. Despite this decline, one in five families in New York, (980,365) had incomes below 175% of the federal poverty guidelines in 2000. Under the HEAP program, assistance is available (and therefore Telephone Lifeline assistance is available) to families (with seven or fewer members) with incomes less than approximately 180% of the federal poverty guidelines.

Q. How could the Telephone Lifeline Program's design be supplemented to enhance its ability to reach the existing low-income population?

A. There most efficient method of enhancing the Telephone Lifeline Program's ability to reach its target population is by adding to the list of programs, which will qualify a customer for Telephone Lifeline benefits.

Q. Are there other income tested assistance programs for which these low-income New Yorkers are qualified which could be used as a supplemental test for eligibility for participation in the Telephone Lifeline Program?

A. Yes. The three best examples of such programs are: the National School Lunch Program, the State Child Health Plus Program, and the State Earned Income Tax Credit Program. Each of these programs makes an excellent addition to the programs that create Telephone Lifeline Eligibility because each reaches the low-income population through means different from the existing Lifeline qualifying programs. In other words, while the same social service agencies often administer Family Assistance and Food Stamps, they are unlikely to be responsible for the School Lunch program. Similarly, households that qualify for the State Earned Income Tax Credit receive this benefit by filing for it on a State tax return, and not through application or other mechanism of interaction with the local social services infrastructure. Also in the case of each of these programs, there is a high likelihood that participation in these programs will not be significantly affected by the developing changes in the assistance programs occasioned by welfare reform. Accordingly, each program is likely to continue accurately to identify low-income households independently of changes that may be occurring in the other programs now used to establish Telephone Lifeline eligibility.

Q. Aren't most of the families who would be eligible for these supplemental programs already income eligible for the programs that are currently used to certify Telephone Lifeline eligibility?

A. While the income guidelines for these programs often overlap, each program has a series of other eligibility requirements so a household may be eligible for one program but not another. For example, residents living in subsidized housing are not eligible for the HEAP program even if their incomes fall below the guidelines (unless they pay heating costs separately from their heat), but may have been Food Stamp eligible and, before welfare reform, would have received Telephone Lifeline benefits. When their participation in the Food Stamp Program ended, they may have lost the Lifeline benefit. This family, however, is likely to have children participating in Child Health Plus or the Free or Reduced Price National School Lunch Program or to have claimed a State Earned Income Tax Credit, and could retain their Lifeline participation, if these were added to the list of programs used to establish Lifeline eligibility.

Q. What is the National School Lunch program and what are its income eligibility criteria?

A. The National School Lunch program is the federal program by which school age children from low-income households qualify to receive free or reduced price lunch (and in some cases, breakfast) at school. Eligibility for the program is based on family income and the income thresholds are established by federal statute (42 U.S.C. § 1758 (b)(1)(A)), for free lunches, as "130 percent of the applicable family size income levels contained in the nonfarm income poverty guidelines prescribed by the Office of Management and Budget … " and, for reduced price lunch, as "185 percent of the applicable family size income levels contained in the nonfarm income poverty guidelines prescribed by the Office of Management and Budget … ."

Q. Has the National School Lunch Program been used in other jurisdictions as a program to qualify households for Telephone Lifeline assistance?

A. Yes, the FCC recently addressed its concern that telephone subscription was low on Indian and tribal land by expanding the list of programs which could qualify customers for Telephone Lifeline assistance. Among the added programs was the National School Lunch program. The FCC recognized the National School Lunch program to be one of four "more suitable income proxies" for the low-income population that was the subject of its concern. Twelfth Report and Order, Memorandum Opinion and Order, and Further Notice of Proposed Rulemaking, Federal Communications Commission, CC

Docket No. 96-45, FCC 00-208 (adopted June 8, 2000, released June 30, 2000) at ¶ 69.

Q. What is the State Earned Income Tax Credit (EITC) program and what are its income eligibility criteria?

A. The State EITC is administered through the State income tax program. It is modeled on the federal EITC and is targeted on low-income households and, in particular, households of the "working poor" which may not qualify for other assistance programs but which are likely to have significant needs. Under the State EITC, the taxpayer identifies himself or herself on the State tax return as a recipient of the federal EITC and claims the additional State tax credit on the State return. Because of its design, the State EITC adds no additional eligibility criteria to those established for the federal EITC. Under the federal EITC, eligibility is provided for households with two or more children and incomes below $32,121, for households with one child and incomes below $28, 250, and for households with no children and incomes below $10,700.

Q. What is the State Child Health Plus program and what are its income eligibility criteria?

A. The State Child Health Plus program is a health insurance program for children in low-income households that do not qualify for Medicaid. Eligibility is open to all, without regard to income, but family contributions to the premium costs depend upon family income. Children from families with incomes below the Federal Poverty Line (FPL) are generally enrolled in Medicaid rather than Child Health Plus. Children from families with incomes above 192% of the FPL may enroll in Child Health Plus but the family is required to pay the entire cost of the premium. It is therefore reasonable to assume that most Child Health Plus families have incomes between 100% and 200% of the FPL.

Q. Does this conclude your testimony?

A. Yes.

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EDUCATION

PH.D. ECONOMICS — 1991
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Dissertation: *Poverty Among Single-Parent Families*.

M.A. IBERO-AMERICAN STUDIES — 1976
University of Wisconsin - Madison — *Madison, Wisconsin*

B.S.F.S. INTERNATIONAL AFFAIRS — 1974
Georgetown University School of Foreign Service — *Washington, DC*

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Fiscal Policy Institute — *Latham, New York*

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Taught Intro to Economics: Micro.

ECONOMIST — 1993 - 1998
Public Utility Law Project — *Albany, New York*
Economic analysis for public interest law firm representing the interests of low-income utility and energy consumers.

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RESEARCH INTERN — SUMMER 1986
Congressional Budget Office — *Washington, DC*

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Inter-American Development Bank — *Washington, DC*

SPECIAL ASSISTANT TO THE EXECUTIVE DIRECTOR — 1982-1984
Families U.S.A. (formerly the Villers Foundation) — *Washington, DC*

DIRECTOR OF GRANTS AND CONTRACTS — 1980-1982
Antioch School of Law — *Washington, DC*

PROJECT DIRECTOR — 1977-1980
National Association of Farmworker Organizations — *Washington, DC*

PUBLICATIONS

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Self-Sufficiency Standard for New York State Steering Committee

Economic Policy Institute Family Budgets Advisory Committee

Economic Policy Institute Living Wage Campaigns Research Advisory Group

New York State Energy Research and Development Authority System Benefits Charge Advisory Group

New York State Energy Research and Development Authority Residential Energy Affordability Program Low-Income Program Review Group

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