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### CURRENT PROJECTS

#### **Bell Atlantic (Pennsylvania) Lifeline Services Program**

The Pennsylvania public utilities commission should approve modifications to the Bell Atlantic Telephone Company Lifeline Services Program in Pennsylvania, Fisher, Sheehan and Colton, Public Finance and General Economics (FSC) has said. In testifying on behalf of the Pennsylvania Utility Law Project (PULP) in "global" hearings regarding local telecommunication competition in Bell Atlantic's service territory, FSC said that Bell Atlantic's Lifeline Services Program should:

- ◆ Be available to consumers with annual incomes of up to 150% of Poverty, rather than being limited to consumers with incomes of at or below 100% of the federal Poverty Level;
- ◆ Implement "automatic enrollment" for consumers receiving benefits through either Temporary Assistance to Needy Families (TANF) or General Assistance; and
- ◆ Use categorical eligibility for consumers receiving benefits through the Low-Income Home Energy Assistance Program (LIHEAP); state Medical

Assistance; state Blind Assistance; and food stamps.

Lifeline eligibility should be expanded to 150% of Poverty since 100% is no longer an adequate measure of "being poor," FSC told the PUC. When the Poverty guideline was first created in the 1960s, FSC explained, it assumed that families spent one-third of their incomes on food.

In 1969 the basic procedure was changed, and thereafter the previous year's figure was simply increased by the amount of the Consumer Price Index (CPI) without further reference to the 3:1 formula. The operative logic of the Poverty Level, however, is *still* that total non-food expenses bear a constant relationship to food costs of two-thirds (non-food) to one-third (food), FSC said.

Set against this, however, is the relative decline in food as the driving component of the low-income budget. In the years since 1960, non-food living expenses such as housing, medical and utility costs have risen at a rate far greater than food costs.

Households receiving benefits through public assistance programs such as TANF and General Assistance should be automatically enrolled in Lifeline since they present the greatest potential for increased telephone penetration but are the most difficult consumers to identify and enroll.

While fewer than four percent of all Pennsylvania households go without telephone service, FSC said, and fewer than 10% of Pennsylvania households with incomes below \$10,000, more than 45% of households receiving welfare benefits are without phones. Nonetheless, since Bell Atlantic does not know who its low-income customers are, let alone which of those customers receive welfare payments, the task of identifying and enrolling such customers in a Lifeline

program is difficult. The task is made even more difficult because so many households are not customers of Bell Atlantic. Automatic enrollment of TANF and General Assistance recipients furthers the objective of increasing low-income telephone penetration through Lifeline.

Categorical eligibility should be established for households receiving benefits through LIHEAP, food stamps, medical assistance, or SBA, FSC said. Under categorical eligibility, a consumer is required only to indicate their participation in the benefit program. After that participation is confirmed by the state, the individual is enrolled without being required to present individualized income information for verification. At present, Bell Atlantic extends categorical eligibility to TANF and General Assistance. Anyone not participating in one of those programs, however, must provide verified information on their individualized income.

Reverifying income after a government agency has already once done so doesn't "buy Bell Atlantic any improvement in program performance," FSC said. Bell Atlantic doesn't need to know exact income levels, and is in no better position to more accurately verify income than an agency establishing benefit program eligibility. In addition, given a limited administrative budget, duplicating income verification diverts limited administrative funds away from the important tasks of outreach and enrollment.

FSC's testimony regarding Bell Atlantic's Lifeline Services program can be obtained by sending an e-mail request to FSC at: publications@fsconline.com.

### **Planning a Consumer Education Program**

Consumer education programs adopted as part of a state electric restructuring decision should take into account the diversity of consumers to be found throughout a state or community, FSC recently wrote for the Central Missouri Counties Human Development Corporation (Columbia, MO).

Consumer education is almost universally considered an essential component to any move toward electric restructuring by state policymakers. The need for education to help implement retail choice arises before, during and after the process of restructuring. The purpose a paper written for CMC-HDC was to explain how to design a consumer education program.

The design of an electric restructuring consumer education program involves five steps:

1. **Engage in research:** Long before a state begins the actual implementation of a consumer education program, an effective program must incorporate a planning component. The first step in the planning process should be a consumer research step. A consumer research section of the education plan should involve four primary inquiries: (a) what do people know about restructuring (thus informing decisions about what people need to learn); (b) who do people turn to for information and how do they get their information; (c) who are major influencers of behavior and opinion; and (d) who do different information sources reach.

In engaging in each of these steps, there is a need for educators to segment its research and analysis by relevant consumer groups. Such groups may be demarcated by age, race/ethnicity, socio-economic status, or some other factor. Indeed, determining what the relevant factors are will be part of the initial inquiry. The primary reason for the need to engage in this research step is to take into account the diversity of consumers receiving education. Programs that fail to account for these differences will fail their basic education function.

2. **Develop a strategic plan:** After completing the basic background research, the second step of a consumer education program involves setting goals, objectives, strategies and tactics.

Basic planning doctrine calls for broad policy goals to be translated into objectives. Objectives

are then matched with specific strategic approaches which are then implemented through specific tactics. Objectives are to be: (a) attainable; and (b) measurable. Without these attributes, it is impossible to know to what extent, if at all, program strategies and tactics are working. An adequate planning process would allow a measurement of whether the objective has been accomplished and, if not, enable the planner to trace that failure to a specific strategy or tactic that did not do what it was intended to do.

3. **Develop program content:** The third step in the process is to decide what needs to be said. A four phase consumer education program, modeled after the program proposed in Vermont, would include: *Phase 1:* Understanding Restructuring (designed to explain to electric customers the expected changes in the electric industry resulting from restructuring. Its objective would be to raise the aided and unaided awareness of restructuring to predetermined levels); *Phase 2:* Getting Ready for Choice (designed to explain to electric customers the need to make a choice and to educate consumers both about their household energy consumption and about their options in energy sources (including energy efficiency)); *Phase 3:* Making a Good Choice (designed to educate electric consumers to help them through the choice-making process. It would educate consumers on what types of offers they might expect to see, what consumers should do in response to various offers, what information to look for in particular, and who to call with questions); and *Phase 4:* Continuing to Make Good Choices (designed to educate consumers on how to evaluate their home energy bill on a continuing basis. This phase would allow consumers to use their bills as feedback on what they are doing with their own household energy consumption).

4. **Determine the delivery mechanisms:** The fourth step in developing a retail choice education program involves deciding on the *mechanisms* for delivering the content of the education program. FSC offered several warnings, including: (a) beware the community outreach which involves a passive effort. A

consumer education effort instead should be proactive; (b) beware a proposed community outreach that demonstrates an unstated cultural and socio-economic bias. A program delivered almost exclusively through membership organizations, for example, misses the vast majority of low-income consumers who do not join organizations; and (c) beware the proposed outreach plan that relies extensively on mass media (sometimes referred to as "external communications"). Such a plan generally includes the use of television, radio and newspapers. Citing research from Ohio, FSC said that one well-established premise of public communication/education campaign design is that mass mediated messages are rarely effective.

5. **Evaluate and adjust:** A final component that needs to exist in a consumer education campaign is an evaluation and adjustment component. An evaluation mechanism is most meaningful when implemented in conjunction with the planning process laid out above. Without measurable objectives, for example, it is not possible to determine whether the education program is accomplishing what it was intended to accomplish, let alone decide whether any failure that might exist flows from a strategic miscalculation or an error in tactics. Moreover, without being able to trace a tactic back through a strategy to a measurable objective, it is impossible to determine whether a failed tactic flows from a design failure or an implementation failure.

FSC said that program monitoring should be designed to determine: (a) whether (and to what extent) the stated objectives are being met; (b) if not, where the consumer education process is breaking down; and (c) what should be changed in the education process to redress shortcomings.

FSC's report *Designing Consumer Education Programs in a Restructured Electric Industry* can be obtained by sending an e-mail request to FSC at: [publications@fsconline.com](mailto:publications@fsconline.com). The report contains an eleven step process to be recommended for regulators and recommended legislative language.

## Measuring LIHEAP's Performance: Outcome Criteria for Low-Income Energy Affordability Programs

As states enter the world of competitive natural gas and electric companies, increasing sums of public dollars are being devoted to promoting low-income home energy affordability. Virtually every state that has adopted restructuring legislation, or issued a restructuring order, has done so with some type of provision for low-income affordability funding.

What does that money buy? Aside from the number of dollars distributed, the number of consumers assisted, the number of weatherization measures installed, what are the *results* of these low-income affordability expenditures?

At the federal level, the question of defining and measuring "outcomes" is required by the Government Performance and Results Act of 1993 (GPRA). Through GPRA, Congress has required federal agencies to address not simply the question "what have we done," but also the question "what have we accomplished"?

Fisher, Sheehan and Colton, Public Finance and General Economics (FSC) recently completed work that begins to define the "outcomes" of low-income affordability expenditures made through the Low-Income Home Energy Assistance Program (LIHEAP). The report can be used to determine whether LIHEAP expenditures generate positive outcomes. In addition, the FSC report presents an analytic approach that is as applicable to a utility rate discount or energy efficiency program as it is to the federal LIHEAP program.

The report generates several important findings:

1. *Many* consumer responses exist to an inability-to-pay home energy bills, only one limited set of which involves *not* paying the bill.
2. The range of negative options available to a consumer facing unaffordable home energy

bills far outstrips the range of constructive options available to such a low-income consumer. Low-income customers frequently have little incentive, and even fewer choices, to pursue constructive responses to bill unaffordability.

3. Public policy would be well-served to expand the constructive options that are available to consumers, and to provide incentives for consumers to pursue those constructive responses when they are available.
4. Bill payment and bill affordability are not synonymous terms. Quite simply, it is possible for a person to pay an unaffordable bill. Indeed, it is possible for a person to make continuing, full and timely payments of an unaffordable bill. Merely because a bill has been paid does not mean that it is affordable.
5. In designing a low-income energy assistance program, the concept of a "sustainable" energy bill may be a more appropriate objective than "affordability." The concept of "sustainability" eliminates the exclusive (or primary) focus on bill payment. The sustainability of bill payment must consider the underlying forces at work behind the bill payment. It looks not simply at *whether* a bill gets paid, but at *how* a bill gets paid.

The FSC report takes responses from a simple survey form that was circulated to nearly 500 individuals involved with the delivery of low-income energy assistance in one form or another throughout the country. Individuals receiving the request included state LIHEAP administrators; state administrators of the federal low-income weatherization assistance program (WAP); state and local community action administrators; and local Legal Services Corporation (LSC) and other community-based low-income advocates. In addition, survey requests were sent to each state office that is a member of the National Association of State Utility Consumer Advocates (NASUCA) as well as to the consumer services staffmember at each state public utility

commission.

The survey form requested recipients to fill in the blank left by the following statement: when my clients cannot afford to pay their home energy bills, the things they do include:

\_\_\_\_\_ . A total of 106 surveys were returned, all of which provided more than one response.

The surveys identified 70 different actions customers take in response to nonpayment. The responses were then grouped into 14 descriptive categories. Each separately-identified household action was then further categorized as a before-the-fact, contemporaneous, or after-the-fact response to unaffordability. Each of the household actions was also, in turn, categorized as a "constructive," a "negative," or a "neutral" response. Finally, the action was categorized as having its basis in actual bill payment or not.

FSC's report *Measuring LIHEAP's Results: Responding to Home Energy Unaffordability* can be obtained by sending an e-mail request to FSC at: [publications@fsconline.com](mailto:publications@fsconline.com).

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Fisher, Sheehan and Colton, Public Finance and General Economics (FSC) is a small research and consulting firm with offices in Belmont (MA), Scappoose (OR), and Iowa City (IA).

FSC specializes in providing economic, financial and regulatory consulting. The areas in which FSC has worked include infrastructure financing, public enterprise planning and development, natural resource economics, community economic development, telecommunications, public sector labor economics, planning and zoning, regulatory economics, energy law and economics, fair housing, and public welfare policy.