

Senator Alex Padilla

Fact Sheet

SB 740 – PADILLA California Advanced Services Fund

Summary

SB 740 would modify eligibility requirements and funding for the California Advanced Services Fund (CASF) to support broadband infrastructure in the most remote areas of the state that still lack high-speed Internet access. It would give the California Public Utilities Commission (CPUC) flexibility to award CASF grants to entities that are uniquely suited to provide broadband access in the last remaining unserved areas, thereby advancing state policy to ensure that all Californians are connected.

Background

The CASF has been a critical element of California's comprehensive strategy to achieve ubiquitous broadband deployment in order to bring the social and economic benefits of high-speed Internet access to all corners of the state. SB 1193 (Padilla 2007) codified CPUC action to establish the CASF after the California Broadband Task Force reported that about 1.4 million (4 percent) of Californians lacked broadband and nearly 50 percent had only low-speed Internet access. CASF grants have leveraged funds from the California Emerging Technology Fund, federal broadband grants, and private investment so that current projects will leave only about 225,000 households in remote and rural areas unconnected.

The CPUC awards CASF grants for up to 70 percent of broadband infrastructure projects that

meet CPUC requirements. The program is funded by a customer surcharge on intrastate communications service.

Several modifications to the CASF have enhanced the program's success. At the start, only a "telephone corporation" regulated by the CPUC was eligible for funding. But AB 1555 (Perez 2009) suspended this requirement after enactment of the American Reinvestment and Recovery Act of 2009 (ARRA) so California applicants for ARRA broadband grants (telephone corporations and other entities) could use CASF grants to meet the matching funds requirement. The CASF, plus other state broadband initiatives, helped bring more than \$420 million in ARRA broadband grants to California.

SB 1040 (Padilla 2010) authorized a CASF revolving loan program as an option for infrastructure costs not covered by a CASF grant. That bill also specified some funding for urban and regional consortia for non-capital costs of broadband deployment projects.

In October 2012, the CPUC proposed expanding eligibility for infrastructure grants to commercial and nonprofit entities that are not telephone corporations, such as government agencies, tribal entities, and Wireless Internet Service Providers (WISPs). Many of these entities have expressed interest in providing broadband with unique plans and wireless technologies that are viable for "last mile" connection of end users in hard-to-serve

remote and rural areas. However, this eligibility change requires statutory authorization similar to that provided for ARRA broadband projects.

Support

CASF currently has authorized funding of \$225 million through 2015, of which about \$41 million has been awarded, with an additional \$14 million in pending applications. On February 1, the CPUC received applications seeking a total of more than \$200 million for infrastructure projects, including two substantial “middle mile” projects to bring fiber optic backbone infrastructure to far north California counties (\$119 million) and to the central coast areas east of Monterey (\$12 million). If these projects receive grants, very little funding would remain for additional “last mile” projects by WISPs and other entities to connect the 225,000 households that still would lack high-speed Internet access.

Existing Law

Existing law establishes the CASF to provide broadband infrastructure grants and loans but restricts eligible applicants to telephone corporations regulated by the CPUC.

Existing law authorizes total funding for the CASF of \$225 million through 2015 from a customer surcharge on intrastate communications service, with annual collections not to exceed \$25 million.

This Bill

This bill would:

- authorize the CPUC to award CASF broadband infrastructure grants and loans to an entity that is not a telephone corporation if that entity otherwise meets eligibility requirements and complies with program requirements established by the CPUC; and
- authorize collection of an additional \$100 million, for a total of \$325 million through 2020, with annual collections not to exceed \$25 million.