
**SENATE COMMITTEE ON ENERGY, UTILITIES AND
COMMUNICATIONS**
Senator Ben Hueso, Chair
2017 - 2018 Regular

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SUBJECT: Telecommunications: California Advanced Services Fund

DIGEST: This bill makes numerous changes to an existing program to address the digital divide, the California Advanced Services Fund (CASF) program, including: repealing the existing program goal and funding authorization to instead authorize the CPUC to collect an additional \$330 million, via a \$66 million annual surcharge on telephone bills, for deposit into the CASF beginning January 1, 2018 through 2022, and adjust the program goal to provide broadband access to no less than 98 percent of California households in each consortia region.

ANALYSIS:

Existing law:

- 1) Finds and declares that the policies for telecommunications in California include to:
 - a) continue our universal service commitment by assuring the continued affordability and widespread availability of high-quality telecommunications services to all Californians and
 - b) focus efforts on providing educational institutions, health care institutions, community-based organizations, and governmental institutions with access to advanced telecommunications services in recognition of their economic and societal impact. (Public Utilities Code §709)
- 2) Establishes CASF and requires the California Public Utilities Commission (CPUC) to develop, implement, and administer CASF to encourage deployment of high-quality advanced communications services to all Californians that will promote economic growth, job creation, and the substantial social benefits of advanced information and communications technologies, consistent with this section.

- 3) Establishes the goal of CASF is to approve funding for infrastructure projects that will provide broadband access to no less than 98 percent of California households by December 31, 2015.
- 4) Requires the CPUC, in approving infrastructure projects, to give priority to projects that provide last-mile broadband access to households that are unserved by an existing facilities-based broadband provider.
- 5) Requires the CPUC to establish the following accounts within CASF:
 - a) The Broadband Infrastructure Grant Account (Infrastructure Account).
 - b) The Rural and Urban Regional Broadband Consortia Grant Account (Consortia Account).
 - c) The Broadband Infrastructure Revolving Loan Account (Loan Account).
 - d) The Broadband Public Housing Account (Public Housing Account).
- 6) Authorizes the CPUC to collect a sum total of monies, collected by imposing the specified surcharge, in an amount not to exceed \$315 million until 2020; in an amount not to exceed \$25 million per year, unless CPUC determines that collecting a higher amount in any year will not result in an increase in the total amount of all surcharges collected from telephone customers that year.
- 7) Requires monies in the Consortia Account to be available for grants to eligible consortia to fund the cost of broadband deployment activities other than the capital cost of facilities, as specified by CPUC.
- 8) Specifies that an eligible consortium may include, as specified by the CPUC, representatives of organizations, including, but not limited to, local and regional government, public safety, elementary and secondary education, health care, libraries, postsecondary education, community-based organizations, tourism, parks and recreation, agricultural, business, workforce organizations, and air pollution control or air quality management districts, as specified.
- 9) Requires monies in the Loan Account to be available to finance capital costs of broadband facilities not funded by a grant from the Infrastructure Account.
- 10) Requires monies in the Public Housing Account to be available for the CPUC to award grants and loans, as specified, to an eligible publicly supported community if that entity otherwise meets eligibility requirements and complies with CASF requirements established by the CPUC.

- 11) Requires any monies in the Public Housing Account that have not been awarded, as specified, by December 31, 2020, to be transferred back to the Infrastructure Account and Loan Account in proportion to the amount transferred from the respective accounts.

(Public Utilities Code §281)

- 12) Requires the CPUC to conduct two interim financial audits and a final financial audit and two interim performance audits and a final performance audit of the implementation and effectiveness of CASF to ensure that funds have been expended in accordance with the approved terms of the grant awards and loan agreements, as specified. (Public Utilities Code §912.2)
- 13) Requires the CPUC to provide a report to the Legislature by April 1st of each year, as specified. (Public Utilities Code §914.7)

This bill:

- 1) Finds and declares that the availability of high-speed internet access is essential 21st century infrastructure and vital to the operation and management of other critical infrastructure, among other declarations.
- 2) Authorizes the CPUC to collect up to \$330 million beginning January 1, 2018 through the 2022 calendar year, in an amount not to exceed \$66 million dollars per year.
- 3) Requires the \$330 million collected to be allocated, as follows:
 - a) \$300 million into the Infrastructure Account
 - b) \$10 million into the Consortia Account
 - c) \$20 million into the Broadband Adoption Account
- 4) Extends the date of the CASF goal from 2015 to 2022 and modifies the goal to approve funding for broadband infrastructure projects that will provide broadband access to no less than 98 percent of California households in each consortia region, as identified by the CPUC as of January 1, 2017, instead of 98 percent statewide.
- 5) Requires the CPUC to be responsible for achieving the goals of the program.
- 6) Creates the Broadband Adoption Account within CASF and eliminates the Loan Account.

- 7) Requires the CPUC to approve projects that provide last-mile broadband access to households that are unserved, thereby eliminating funding for middle-mile projects.
- 8) Explicitly requires the CPUC to award grants from the Infrastructure Account on a technology-neutral basis, including both wireline and wireless technology.
- 9) Requires the CPUC to consult with regional consortia, stakeholders, local governments, existing facility-based providers, and consumers regarding areas and cost-effective strategies to achieve the broadband access goal through public workshops conducted at least annually no later than April 30th of each year through 2022.
- 10) Requires the CPUC to identify unserved areas and delineate the areas in the annual report prepared pursuant to 914.7.
- 11) Requires the CPUC to annually offer an existing facility-based provider the opportunity to demonstrate that it will provide broadband access to a delineated unserved area within a reasonable timeframe.
- 12) Prohibits the CPUC from approving funding for a project providing broadband access to a delineated unserved area if the existing facility-based provider demonstrates to the CPUC that it will, within a reasonable timeframe, upgrade the existing service to provide broadband access throughout the project area.
- 13) Prohibits the CPUC from publicly disclosing any information submitted to the CPUC that includes the provider's plans for future broadband deployment.
- 14) Authorizes, but does not require, an existing facility-based provider to apply for funding from the Infrastructure Account to make an upgrade.
- 15) Defines "reasonable timeframe" to be either: (1) the timeframe that the CPUC would otherwise allow for the completion of a project funded by this subdivision or (2) if an existing facility-based provider makes an upgrade with funding from the Connect America Fund program or similar federal public program funding broadband infrastructure to be consistent with the upgrade deadlines associated with that program and with the construction deadlines applicable to projects funded by the Broadband Infrastructure.

- 16) Requires projects eligible for grant awards to meet both of the following requirements:
 - a) The project deploys infrastructure capable of providing broadband access at speeds of a minimum of 10 megabits per second (Mbps) downstream and 1 Mbps upstream to unserved households in census blocks where no provider offers access at speeds of 6 Mbps downstream and 1 Mbps upstream.
 - b) All or a significant portion of the project deploys last-mile infrastructure to provide service to unserved households. Prohibits projects that only deploy middle-mile infrastructure from being eligible for grant funding. Requires the CPUC, for projects that include funding for middle-mile infrastructure, to verify that the proposed middle-mile infrastructure is indispensable for accessing the last-mile infrastructure.
- 17) Requires an individual household or property owner to be eligible to apply for a grant to offset the costs of connecting the household or property to an existing or proposed facility-based provider. Requires that any infrastructure built to connect a household or property with funds provided under this paragraph to become the property of, and part of, the network of the facility-based provider to which it is connected.
- 18) Requires any application and any amendment to an application for project funding to be served to those on the service list and posted on the CPUC's internet web site at least 30 days before publishing the corresponding draft resolution.
- 19) Authorizes a CASF grant to include funding for the following costs:
 - a) Costs directly related to the deployment of infrastructure.
 - b) Costs to lease access to property or for Internet backhaul services for a period not to exceed five years.
 - c) Cost incurred by an existing facility-based provider to upgrade its existing facilities to provide for interconnection.
- 20) Prohibits a grant funded by CASF from including costs of broadband infrastructure already funded by the Connect America Fund program or other similar federal public program that funds that infrastructure. Explicitly states this provision does not apply to funding from the federal high-cost support programs that support operation, including High Cost Loop Support, Connect

America Fund- Broadband Loop Support (CAF-BLS), or the Alternative Connect America Cost Model (A-CAM).

- 21) Authorizes the CPUC to award grants to fund all or a portion of the project on a case-by-case basis, with consideration for specified factors.
- 22) Authorize the CPUC to require each infrastructure grant applicant to indicate steps taken to first obtain any available funding from the Connect America Fund program or similar federal public programs.
- 23) Requires that monies in the Consortia Account are available for grants to eligible consortia to facilitate deployment of broadband service by assisting infrastructure applicants in the project development or grant application process.
- 24) Requires each consortium to conduct an annual audit of its expenditures for programs funded and to submit to the CPUC an annual report that includes specified information regarding the number of project applications assisted, costs, other activities.
- 25) Requires all monies in the Loan Account that are unencumbered as of January 1, 2018 to be transferred to the Infrastructure Account, including all repayments of loans.
- 26) Authorizes a publicly supported community eligible for funding via the Public Housing Account, only after all funds available for the Public Housing Account have been awarded, to submit an application for funding from the Infrastructure Account.
- 27) Authorizes a publicly supported community eligible for funding via the Public Housing Account for adoption activities, only after all funds available for the Public Housing Account have been awarded, to submit an application for funding from the Broadband Adoption Grant Account.
- 28) Requires that moneys in the Broadband Adoption Account are to be available to the CPUC to award grants for digital literacy training programs and public education and outreach programs to increase broadband adoption by consumers in low-income, disadvantaged communities, senior communities, schools, and public libraries.
 - a) Eligible applicants are schools, public libraries, nonprofit organizations, and community-based organizations with program to increase broadband

- adoption by providing public education, outreach, or digital literacy training.
- b) Requires payment for an adoption grant is to be based on the actual verification of broadband subscriptions.
 - c) Requires payment for a grant for digital literacy programs is to be based on a participant's verified completion of the program.
 - d) Requires the CPUC to give preference to applications for program in low-income and disadvantaged communities.
 - e) Requires the CPUC to develop, by June 30, 2018, criteria for awarding grants and a process and methodology for verifying broadband adoption based on new subscriptions. Requires the CPUC to be prepared to accept applications for grants from the Broadband Adoption Account no later than July 1, 2018.
- 29) Makes changes to the report to the Legislature, including: moves the reporting date to April 1, 2019, thereby not requiring a report in 2018, information regarding the remaining unserved areas in the state, the expected benefits to be derived from the fund expended from the CASF in the prior year, the cost per household for each project, and other specified information.

Background

About the California Advanced Service Fund (CASF). The CPUC established the CASF program in Decision 07-12-054 in 2017 and it was soon after codified by SB 1193 (Padilla, Chapter 393, Statutes of 2008) as a new universal service program to encourage deployment of broadband services to all Californians that will promote economic growth, job creation, and substantial social benefits of advanced information and communications technologies. The CASF provides grants to bridge the "digital divide" in areas that are unserved and underserved by broadband service in the state in order to provide access to no less than 98 percent of California households by December 31, 2015. An "unserved" area is an area that is not served by any form of wireline or wireless facilities-based broadband, such that internet connectivity is available only through dial-up service. An "underserved" area is an area where broadband is available, but no wireline or wireless facilities-based provider offers service at advertised data transfer speeds of at least 6 Mbps download and 1.5 Mbps upload. Statute requires the CPUC to prioritize CASF investments to unserved areas, followed by underserved areas. Current law requires CPUC to prioritize projects that provide last-mile broadband

access to households that are unserved. The CPUC has established a maximum grant award limit of 70 percent of total costs for projects in unserved areas, and 60 percent of total costs for projects in underserved areas. Although there is no prohibition on the authority for the CPUC to award grants of up to 100 percent of the total costs for projects; the CPUC has established such limits to ensure applicants are invested in projects.

Current CASF Program Surcharge. Currently, the CPUC is authorized to collect \$315 million for CASF through 2020, but not to exceed \$25 million per year, unless CPUC determines that collecting a higher amount in any year will not result in an increase in the total amount of all surcharges collected from telephone customers that year. CASF is funded by a surcharge rate on revenues collected by telecommunications carriers from end-users of intrastate services. As of December 2016, the CASF surcharge rate is set at 0 percent, as all authorized funds have been collected.

Table 1 below illustrates the surcharge collection rate history for CASF.

TABLE 1: CASF Surcharge Collection (Source: CPUC Resolution T-17536)

Year	Surcharge Rate	Surcharge Collection	Running Total
FY 2008 and 2009	0.25%	\$116 million	\$116 million
FY 2010	0.00%	\$0	\$116 million
FY 2011	0.14%	\$11.2 million	\$127.2 million
FY 2012	0.14%	\$23.6 million	\$150.8 million
FY 2013	0.164%	\$33.6 million	\$184.4 million
FY 2014	0.464%	\$60.5 million	\$244.9 million
FY 2015	0.464%	\$56.1 million	\$301 million
FY 2016 (through November)	0.464%	\$22.5 million	\$323.5 million
Total		\$323.5 million	

CASF Account Status. CASF funding is allocated into four accounts, the Infrastructure Account, the Consortia Account, the Loan Account, and the Public Housing Account. As of January 2017, the status of each CASF account is as follows:

Infrastructure Account: Authorized to collect \$270 million to fund capital costs of broadband infrastructure projects in unserved and underserved areas. Approximately \$153 million has been awarded for 58 approved projects. Six additional projects are pending at a cost of approximately \$71 million if approved. Cost per household of all approved “last mile” projects is \$1,644. Approved “last-mile” projects will build facilities to 57,846 households; 44 percent of the 15,887 already built connections subscribe to broadband service. Fund balance, if pending applications are awarded: \$34, 257,543.

Loan Account: Authorized to collect \$5 million to provide supplemental financing for projects that are also applying for funds from the Infrastructure Account. Approximately \$600,000 has been awarded for three approved projects. One additional project is pending at a cost of approximately \$243,000 if approved. Loans are provided for up to 20 percent of total project cost, with a maximum amount of \$500,000. Fund balance, if the pending application is awarded: \$3,464,018.

Consortia Account: Authorized to collect \$15 million to fund the cost of broadband deployment activities other than the capital cost of facilities. Regional consortia serve as the umbrella organization, coordinating efforts across public, private and community-based organization to increase deployment, access and adoption. Just over \$13 million has been awarded to consortia groups, 17 for prior rounds and 16 for the new round (with four approved in January), covering 54 of 58 counties. Fund balance, if pending application is awarded: \$795,942.

Public Housing Account: Authorized to collect \$25 million to provide grants and loans dedicated to broadband access and adoption in publicly supported housing communities. Approved infrastructure grants expected to provide free or low-cost connectivity to 17,430 public housing units. Nearly all applications received are for housing communities that already have access to broadband services and wired units. Also provides grants and loans to publicly supported housing communities to support programs designated to increase adoption rates for broadband services for residents, including on-site digital literacy training. Approximately \$9.3 million has been awarded for 332 approved projects (275 infrastructure and 57 adoption). As of February, there are 256 additional applications (155 infrastructure and 101 adoption) pending at a cost of approximately \$10 million if approved. Remaining funds are transferred back to the Infrastructure Account and Loan Account by December 31, 2020. Fund balance, if pending applications are awarded: \$5,477,569.

CASF Goal Nearly Accomplished – Broadband Access to 98 Percent Households Statewide. As of the end of last year, California has nearly met the CASF goal to provide broadband access to 98 percent households statewide. According to the CPUC’s 2016 annual report, statewide, 95.2 percent of California households have wireline broadband availability at served speeds and 97.6 percent of California households have combined wireline and wireless broadband availability at served speeds. The CPUC estimates that with respect to wireline availability, California remains approximately 359,000 households, or 2.8 percent, of meeting its 98 percent served goal. With combined technologies – fixed wireless and mobile –

there remain just 0.4 percentage points from reaching the 98 percent goal, representing 57,768 households. However, fixed wireless providers do not guarantee availability to all households within a census block. Rough terrain and prevalence of trees can further reduce availability of served speeds by fixed wireless providers.

CASF Digital Divide – Rural Deployment Lags. The statewide percentage numbers for served households mask the urban and rural digital divide illustrated in the table below. The 98 percent statewide goal has largely been met for households in urban areas, but lags for households in rural areas, with approximately 47 percent of the rural areas served by wireline.

Table 2. Percentage of Rural and Urban Household Availability by Technology
(Source: CPUC 2016 CASF Annual Report to the Legislature)

	Statewide Households Served	Urban Households Served	Rural Households Served
Wireline	95.2%	97.9%	46.5%
Fixed Wireless	30.6%	-	-
Mobile	7.8%	7.7%	9.9%
Combined Technologies	97.6%	-	-

The rural versus urban divide is further underscored by “served” broadband status by county, which identifies only six counties – all with large populations and high population density – that exceed the 98 percent goal. These counties are: Alameda, Contra Costa, Los Angeles, San Francisco, San Mateo, and Ventura. The majority of the state’s counties have broadband access to 75 percent and above households. However, there are several rural counties that lag much further behind, although with much smaller populations and generally very low population density, in particular: Amador (4.5%), Mono (18.8%), Sierra (0%), Trinity (24.8%), Modoc (41.6%), and Plumas (26.7%). Costs to deploy to rural communities are much higher than for urban areas, since the low population density results in the cost per household calculation that must spread costs among a more limited number of households. Therefore, efforts to reach the 98 percent goal – whether statewide or regional – will likely come at a much higher per household average cost than in the past, generally \$1,500 per household. Although, it’s important to note that some CASF infrastructure build-outs have already come at a whopping \$23,000 per household. However, such a high price tag should generally not occur since that cost is unsustainable for this program. Nonetheless, it’s important for the members of the Legislature to expect to yield much less bang for each future CASF buck as the remaining unserved communities are generally remote and isolated. *However, recognizing the limited funding and need to maximize the efficient use of funds, the author and committee may wish to include intent language that Legislature intends*

to maximize the use of private investment and maximize California's draw of federal funds, and use CASF Infrastructure funds largely to fund projects to deploy broadband service where private investment and federal funds are not available.

Provider Commitments for Broadband Build-outs. The CPUC's approval of service provider license transfers to Frontier (from the purchase of Verizon wireline services) and Charter (from its 2016 merger with Time Warner Cable) include build-out requirements that will assist with broadband deployment in the state – including in rural areas. However, it is currently unclear whether these build-out commitments will completely help meet the 98 percent CASF goal, as some commitments require improvements in existing service areas that may already be deemed served under CASF. Additionally, there seems to generally be less visibility on the progress of these outstanding commitments. The Legislature would be well-suited to ensure better monitoring and oversight of these provider commitments.

Connect America Fund (CAF). The Connect America Fund (CAF) is a program established by the Federal Communications Commission to expand access to voice and broadband services through funding to local telephone companies to subsidize the cost of building new network infrastructure or performing network upgrades to provide voice and broadband services in areas where they are unavailable. Companies that accept CAF II funds, including AT&T, Consolidated Communications, Frontier (including those from former Verizon landline), have six years to plan and provide broadband to consumers. Companies that accept CAF funds must meet certain requirements for voice and broadband services, including offering broadband at speeds of at least 10 Mbps/1 Mbps. Carriers receiving CAF support must build-out broadband infrastructure to 40 percent of funded locations by the end of 2017, 60 percent by end of 2018, and 100 percent by the end of 2020. AT&T will receive \$60 million annually through 2020 to provide access to over 141,000 locations. Frontier will receive \$38 million annually through 2020 to provide access to over 90,000 locations. However, CAF II commitments extend to “eligible locations” and do not necessarily include connectivity for all households in those locations. Furthermore, the program's upload speed is 500Kbps below the CASF upload speed standard of 1.5 Mbps. However, CAF II build-outs require regularly reporting that provides the CPUC and stakeholders visibility on the progress of the projects. *In recognition that state funds should be maximized and utilized efficiently, the author and committee may wish to amend this bill to provide CAF build-outs the time to be completed (until no later than July 1, 2020) and preclude CASF grants in these locations until that time, unless a provider has notified the CPUC that its projects are completed in any of CAF identified census blocks. Additionally, this bill should provide intent*

language to encourage leveraging of CAF build-outs in order to reach as many unserved CASF areas as possible.

CPUC Attempts to Prioritize Unserved Areas. In February 2017, the CPUC released a preliminary staff white paper, “High Impact Areas for Broadband Availability,” for public comment, which identified areas throughout the state for deploying broadband infrastructure. The CPUC staff offered a new approach in the staff white paper to ensure a uniform methodology for identification of areas and to provide greater focus in light of limited remaining CASF infrastructure grant program funds. The CPUC employed the following criteria to identify the high impact areas that would provide the biggest bang for the CASF buck: sufficient potential for subscribers to maintain a network, relatively high household density, presence of unserved households, lack of significant competition, and lack of challenging terrain that would drive up deployment costs. The preliminary white paper identified 46 areas of interest and proposed to narrow these to 13 high impact areas. As of this analysis, the CPUC staff have held a public workshop and solicited public comments on the preliminary white paper. The CPUC has since developed further recommendations to streamline and improve the impact and reach of the program with the existing funds, including a staff workshop in May where they considered several different policies. However, the timing of this bill has affected the CPUC’s adoption of any changes to the program.

This Bill. This bill would authorize the collection of an additional \$330 million for CASF over the next five years and allocate the funds to three CASF accounts: \$300 million for the Infrastructure Account, \$10 million for Consortia Account, and \$20 million for a new Broadband Adoption Account.

98 Percent Goal – Statewide vs. by Regional Consortia. This bill would alter the current CASF goal by reducing the eligibility speed to 6 Mbps/1 Mbps from the current 6 Mbps/1.5 Mbps and exclude CAF II areas, as well as, areas where incumbent providers claim they plan to deploy service. Based on the analysis by the CPUC, the eligible households for this program may be reduced from just over 300,000 households to between about 20,000 to roughly 127,000 households. Such a change would benefit mostly rural areas that have not met the 98 percent goal, as well as, Orange County. This goal would preclude Bay Area, East Bay, Pacific Coast, Los Angeles, and the Inland Empire (Riveride and San Bernardino). However, it’s important to note that the regional consortia are not all constructed alike – as they each represent a varied number of population, counties, and geographic territory. In fact, no two consortia are the same. Therefore, such a goal is also quite arbitrary and has its own shortcomings, where more densely populated areas that meet the “unserved” definition may not qualify for CASF grants, even if those projects would be more cost-effective on a per household basis (such as

communities in Riverside County) as compared to those in the most remote areas. Additionally, in a regional consortia constructed of several counties, there may be some counties that exceed the 98 percent goal, but would still qualify for CASF grants, perhaps at the detriment of other counties within the same regional consortia, as could be the case in San Diego which could result in grants in San Diego County but not in Imperial County to meet the 98 percent goal. *However, if the goal as proposed in this bill remains, the committee may wish to preclude the approval of grants in regional consortia that have already met the 98 percent goal in order to ensure the state meets the goal as directed in this bill and avoid a need for additional funding in the future in order to attain the same goal. Conversely, the author and committee may wish to adjust the goal by increasing the speed eligibility to 10:1, in order to provide for more eligible households, approximately 20,000 more, but limit the amount available for these build-outs to no more than \$30 million of the funds in the Infrastructure Account, thereby supporting a minimum level of speed for more communities but minimizing over-builds.*

CASF-eligible Households, excluding CAF II, at 6/1 or Greater (Source: CPUC CD Staff Draft Proposal May 17, 2017)							
Consortium	Total HH	HH > 6/1 or CAF II, wireless	% Served Wireline/Wireless	HH to Get to 98%	HH > 6/1 or CAF II Wireline only	%Served Wireline Only	HH to Get to 98%
Bay Area	1,248,443	1,247,360	99.92	-	1,227,785	98.35	-
Capital Area	655,740	654,547	99.82	-	636,207	97.02	6,419
Central Coast	240,806	231,541	96.0	4,449	229,175	95.17	6,814
Central Sierra	63,416	61,198	96.5	949	57,835	91.20	4,313
East Bay	1,109,698	1,103,509	99.44	-	1,091,817	98.39	-
Eastern Sierra	13,889	13,096	94.3	515	12,583	90.60	1,028
Gold Country	250,964	248,849	99.16	-	229,853	91.59	16,091
Inland Empire	1,344,217	1,329,353	98.9	-	1,328,739	98.85	-
Los Angeles	3,308,022	3,301,377	99.89	-	3,300,908	99.78	-
North Bay					364,827	96.11	7,153
North Coast	379,571	373,723	98.46	-			
North East	224,746	220,927	98.31	-	185,051	82.34	35,200
Orange County	1,024,810	990,987	96.7	13,327	990,967	96.70	13,347
Pacific Coast	523,007	514,258	98.33	-	513,724	98.23	-
Redwood Coast	71,526	69,873	97.69	223	63,802	89.20	6,293
San Diego (Imperial)	1,175,840	1,153,235	98.08	-	1,148,683	97.70	3,641
San Joaquin	1,263,434	1,252,910	99.17	-	1,217,662	96.38	20,503
Upstate	43,819	42,746	97.56	197	36,604	83.53	6,339
Grand Total	12,941,948	12,809,487	99.99	19,660	12,636,222	97.64	127,141

Surcharge. Based on the previous surcharge rates, the \$66 million per year authorized in this bill may be about a 0.50 surcharge rate on telephone users. While broadband connectivity for those who lack it is of pressing need, as noted above, there are many other efforts to address broadband access that have not been realized. *If this committee would prefer a slower collection schedule to allow for CAF and commitment build-outs to play out, it may wish to recommend a lower level of annual collection, in line with the existing program, around \$33 million per year, over a ten year horizon, instead of the five years proposed in this bill.*

Adjustments to Accounts. This bill appropriately dissolves the Broadband Loan Account which had little activity. However, this bill does not include any new funding for the Public Housing Account. Instead, this bill provides that when remaining funds from the Public Housing Account are expended, applicants can apply for funding from the Infrastructure Account. However, the lack of clarity has raised concerns that the Infrastructure Account funds will be used up by public housing applications and concerns by public housing applicants that there won't be any future funding. *In order to provide more clarity for all parties, the author and committee may wish to be explicit about the allocation amount to the Public Housing Account, \$25 million of the moneys proposed in the Infrastructure Account.*

State's Top Digital Divide Issue. This bill establishes an Adoption Account and funds it with \$20 million to assist with digital inclusion through literacy and training, including for areas that may already have infrastructure access, but lack knowledge or understanding about the Internet. Without question, this is a likely a major challenge for communities across all Legislative districts. A recent Pew Research Center report showed that adoption of technology for adult learning in both personal and job-related activities varies by people's socio-economic status, their race and ethnicity, and their level of access to home broadband and smartphones. Another report showed that some users are unable to make the internet and mobile devices function adequately for key activities such as looking for jobs. Based on research by Pew, as well as, the California Emerging Technology Fund (sponsor of this bill), factors that contribute to a person's digital access and literacy include: income, educational attainment, age, language (including preference for Spanish speaking), and cost of service. As such this bill appropriately includes income as an important criteria for prioritizing Adoption projects. However, this bill relies on subscription of broadband service as a metric for success. Unfortunately, if income is a barrier, as it is well-documented to be, subscription of service would be limiting for many households. *Instead, the author and committee should amend the direction for the Adoption program to allow for access to broadband service by supporting grants to anchor institutions, including libraries, cities, community-based organizations, in order to help address the need*

for access outside of school, for adults and children. This bill does not define low-income and it also includes a definition for disadvantaged community that includes environmental factors, along with socioeconomic vulnerabilities, that may not be applicable in this issue area. *Instead, the author and committee may wish to direct the CPUC to establish a proceeding to determine how best to prioritize Adoption Fund projects with consideration for the criteria mentioned above, most especially the income of the community being served, existing access to service, and include other performance metrics, beyond subscription of service.*

Right of First Refusal. This bill attempts to maximize CASF funding, in order to ensure the most efficient use of the funds. In consideration of the costs associated with these projects, efforts to appropriately leverage and maximize funds are appropriate. However, this bill includes provisions that allow incumbent providers to the right of first refusal to prevent CASF grant from funding an area they plan to build out within a “reasonable time period.” While it would not be wise to fund projects in areas where other projects may be funded by others, this bill allows incumbents to make a claim for these areas but have no penalty for failing to upgrade facilities if those build-outs never materialize, as can be the case. Although assessing a penalty may be difficult, communities lacking access should not be held hostage to a company’s wishful thinking. This bill appropriately provides the CPUC with the authority to determine if the build-out plans are within a reasonable timeframe. However, the CPUC may need more tools to enforce these provisions and ensure that a provider’s claims (outside of CAF II build-outs) are demonstrated sooner than a couple of years, in order to ensure communities are not held hostage by these claims and allow these communities to pursue grants from CASF.

Line Extension. This bill allows an individual property owner to apply for an infrastructure grant in order to build a line extension to their property. The author argues that such cases may be warranted when a driveway is very long, or the property is far from the community. This bill also states that in cases when a property owner is awarded funds for a line extension, the line becomes the property of the provider providing the service. As such, it would be much simpler to have the provider include the line extension in their application for a CASF grant, rather than encouraging property owners to apply for these funds themselves. This bill doesn’t include an income means, so these funds could be benefitting someone who can already afford the line, but is choosing not to pay for it. This bill also does not cap the amount that can be used from the Infrastructure Account for this purpose. *The author and committee may wish to delete this provision.* *Should the author and committee not delete this provision, the amount for this purpose should be capped at no more than \$5 million total and require an income means for any grant distributed for this purpose, and require the CPUC to*

adopt a cap on the amount spent per household, including requiring a percentage to be paid by the landowner.

Commitments for Service as a Condition of Award. When a CASF grant is awarded, providers must commit to a fixed rate of service for a specified time period. Such a condition seems reasonable considering the CASF award is paying for the majority, if not all, of the capital costs for the infrastructure build out.

Leveraging Funds. This bill appropriately authorizes the CPUC to encourage applicants to demonstrate attempts to secure funding from other sources, in particular federal programs. However, some providers may not be eligible for some federal funds. *Therefore, the author and committee may wish to amend this bill to account for the applicant's pursuit for federal funds for which they are eligible for.*

Public Release of Provider's Plans. This bill prohibits the public release of a provider's plans for future broadband deployment. However, a well-administered CASF program requires the release of some information related to a provider's plans for future broadband deployment in order to avoid over-builds and encourage other willing project developers from applying for project funding in areas where incumbent provider may not wish to build. *As such, the author and committee may wish to amend this bill to allow for the public release of specified information, including area designated for deployment, the number of households or locations to be served, name of the provider and estimated completion date of the deployment.*

Public Display of CASF Applications. Additionally, *the author and committee may wish to require the CPUC to ensure that it is prominently displaying a list of all pending CASF applications, application challenge deadlines, and notice of amendments to pending applications.*

Prior/Related Legislation

SB 1193 (Padilla, Chapter 393, Statutes of 2008) established CASF and gave CPUC authority to assess a surcharge on communication service ratepayers (wireline, wireless, and voice over internet protocol customers) receiving intrastate telecommunication services to fund the program.

SB 1040 (Padilla, Chapter 317, Statutes of 2010) extended CASF indefinitely, established subaccounts within CASF, and increased CASF funding to \$225 million.

SB 740 (Padilla, Chapter 522, Statutes of 2013) authorized an additional \$90 million funding for a CASF grant subaccount. Currently, the CASF program has a total authorized funding of \$315 million to be collected in surcharges through the year 2020.

AB 1299 (Bradford, Chapter 507, Statutes of 2013) required the CPUC to fund grants for the deployment and adoption of broadband services in publicly supported communities using the Public Housing Account established within the CASF, utilizing \$25 million mostly from the CASF Infrastructure Account.

AB 1262 (Wood, Chapter 242, Statutes of 2015) reallocated \$5 million from the CASF Loan Account to the Consortia Account.

SB 745 (Hueso, Chapter 710, Statutes of 2016) extended the date remaining funds from the Public Housing Account are transferred back to other Accounts from December 31, 2016, to December 31, 2020, and limits eligibility to unserved public housing developments. The bill made additional changes, including information required in the CPUC CASF annual report to the Legislature, and others.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

SUPPORT:

California Emerging Technology Fund (Source)
Access Sonoma Broadband
Anza Electric Cooperative, Inc.
AT&T
Boyle Heights Arts Conservatory
Brawley Chamber of Commerce
CalCom
California Cable & Telecommunications Association
California Catholic Conference
California Partnership for the San Joaquin Valley
California State University, San Bernardino
California's Independent Telecommunications Companies
California-Nevada Conference of Operating Engineers
Centro Binacional para el Desarrollo Indigena Oaxaqueño
City of Cathedral City
City of Coachella
City of Parlier
Coldwell Banker Borrego

Communications Workers of America, District 9
County of El Dorado, Supervisor Frentzen
County of Riverside
County of San Bernardino
Desert Regional Consortia
First 5 Fresno County
First 5 Monterey County
Fresno County Economic Development Corporation
Frontier Communications, support if amended
Great Harvest Community Center
Greenfield Communications, Inc.
Harris & Associates
High Desert Community Foundation
Imperial County Board of Supervisors
Inland Congregations United for Change
Inland Empire Economic Partnership
Inland Empire United Way
Kern Community College District
La Cuna De Aztlan Radio
Lake County Broadband Solutions
Los Angeles Community College District
Mixteco/Indigena Community Organizing Project
Mono County Board of Supervisors
National Public Lands News.com
Newberry Springs Community Alliance
North Bay Leadership Council
Office of Community and Economic Development at Fresno State
Ollin, Inc.
Peoples' Self-Help Housing
Placer County Board of Supervisors
Pueblo y Salud, Inc.
Reading and Beyond
Redwoods Community College District
Richard Design Associates, Inc.
San Diego East County Economic Development Council
San Diego State University-Imperial Valley
SmartRiverside
Sonoma County Economic Development Board
Spiral Internet
The Dahm Team Real Estate Company, Inc.
Town of Yucca Valley
TruConnect Communications, Inc.

United Way Bay Area
United Ways of California
Workforce Development Board of Madera County
Yuba Community College District
An Individual

OPPOSITION:

California Central for Rural Policy
California State Association of Counties
Central Coast Broadband Consortium
Inyo Networks
Mendocino County Board of Supervisors
North Bay/North coast Broadband Consortium
Rural County Representatives of California

ARGUMENTS IN SUPPORT: According to the author:

The Internet for All Now Act is a landmark piece of legislation to ensure California continues to be a national leader in Digital Inclusion. Internet access should be treated as a right, not a luxury. It is a basic necessity to access education, health care and economic opportunity. AB 1665 extends the CASF and authorizes additional collections of a modest surcharge on telephone bills to support broadband infrastructure deployment and adoption in unserved and disadvantaged communities to ensure broadband is accessible to no less than 98 percent of households per region in California. Although California is a powerhouse of technology and innovation, the digital divide is still evident in rural communities and low-income neighborhoods across the state. Too many Californians—especially people of color, people living in rural areas and in areas with high poverty rates—do not have access to this crucial broadband technology. AB 1665 will ensure vulnerable communities across the state are not left behind in the 21st century.

ARGUMENTS IN OPPOSITION: In expressing their opposition to this bill, the Central Coast Broadband Consortium (CCBC) states their support for the CASF program but oppose the provisions of this bill that prescribe the eligibility speed of 6 Mbps down/1 Mbps up and lock it and the 10 Mbps/1 Mbps program standard into statute. They argue that the federal standards are not supportive of the speeds Californians need. They also express opposition to this bill's inclusion of an incumbent provider's first right of refusal that would exclude independent service providers. Moreover, the CCBC oppose the prohibition of funding middle

mile projects which they believe have been the “greatest successes of CASF program” by introducing competitive, market-based dynamic for middle mile projects. The CCBC urge that these technical decisions should be deferred to the CPUC.

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