

administrator to manage processing of applications and renewals, databases, integration with service providers and a call center and b) design and implementation of a marketing and outreach program. CPUC reports the remainder of the costs will

In addition, the bill's \$0.23 per-access line surcharge will result in annual revenue of \$154.6 million, based on there being about 56 million access lines in the state.

COMMENTS:

- 1) **Background and Purpose.** SB 1193 (Padilla), Chapter 393, Statutes of 2008, established the California Advanced Services Fund (CASF) and gave the California Public Utilities Commission (CPUC) authority to assess a surcharge on communication service ratepayers (wireline, wireless and voice over internet protocol customers) receiving intrastate telecommunication services. The purpose of this CPUC-sponsored legislation was to fund deployment of broadband infrastructure in unserved areas of the state. The statutory goal of the program is to provide broadband access to no less than 98% of California households in each "consortium" (regional umbrella organizations made up of public, private and community-based organizations that coordinate efforts to promote deployment, access and adoption of broadband technology).

Existing statute limits the amount the CPUC may collect through the CASF surcharge to \$330 million and authorizes the commission to collect the surcharge from January 1, 2018, through the 2022 calendar year. Statute states the surcharge is not to exceed \$66 million per year, though it provides for an exceedingly narrow exception. And statute dedicates the surcharge revenues to specific CASF account, to be used for specific purpose. Demand for CASF grants thoroughly exceeds CASF surcharge revenue, as can be seen in the table below. According to the CPUC, two factors—(a) the ability of communication service providers to self-report their intrastate revenues and (b) the decline in traditional cable landline telephones—has lead to declining surcharge revenue available to CASF (and other CPUC programs).

CASF Accounts Budgets, Awards and Outstanding Requests (dollars in millions)			
CASF Account	Budget	Remainder	Outstanding Requests (as of 4/30/21)
Infrastructure	\$300.0	\$170.0	\$495.0
Public Housing - Infrastructure	\$20.0	\$9.5	not accepting applications
Public Housing -Adoption	\$5.0	\$0.0	not accepting applications
Adoption	\$20.0	\$1.3	\$4.2
Rural and Urban Regional Consortia	\$10	\$4.7	\$3.3

The CASF program has existed for more than a decade, and the state has collected, and disbursed, hundreds of millions of dollars in surcharge revenue. Still, many areas of the state, and many households within the state, lack broadband services that would allow them high-speed connection to the internet, as shown in the following table taken directly from the CPUC’s CASF program page:

Wireline and Fixed Wireless Broadband Availability as of December 31, 2019							Extension Account.	
Speed Benchmarks (Mbps)	Percentage of Total Households with Broadband Availability			Unserved Households				
	Urban	Rural	Statewide	Number of Unserved Households			Percentage of Unserved Households	
	Urban	Rural	Statewide	Urban	Rural	Statewide	Urban	Rural
>=6/1	98.0%	82.7%	97.2%	252,604	119,143	371, 747	2.0%	17.3%
>=25/3	97.8%	73.8%	96.5%	281,507	180,922	462,4 29	2.2%	26.2%
>=100 down	97.5%	48.7%	94.9%	320,504	354,226	674,7 30	2.5%	51.3%

In December of last year, the California Broadband Council released the final draft of its *Broadband for All Action Plan*. The plan identified five roadblocks preventing Californians from accessing or adopting broadband: (a) availability; (b) affordability; (c) accessibility to devices; (d) digital skills (or lack of them); and (e) data. (The California Broadband Council was created by order of the Governor (Executive Order N-73-20) with the purpose of developing the plan, which is to incorporate a goal of 100 megabits per second download

speed to guide infrastructure investment and program implementation to benefit all Californians.)

Several recent bills have attempted to expand access to broadband service, or, as it is often phrased, to “close the digital divide.” For the most part, these bills seek to modify or enhance the CASF program, though some authorize significant new sources of funding for the purpose. This bill, too, significantly modifies the program, and attempts to provide new funding by a) shifting the CASF surcharge, from per-call surcharge to a per-line surcharge and b) instituting \$0.23 surcharge on each of the service provider’s access lines, the proceeds of which are to be deposited in the California Connect Fund, to be used to subsidize the cost of high-speed broadband service. According to the author:

According to the California State Broadband Action Plan completed in December of 2020, broadband affordability remains a large challenge to achieving broadband for all in the state. Over half of Californians without broadband at home cannot afford market prices or do not own a computer. Additionally, there are no broadband programs to support families at risk of losing their service, like the Low-Income Home Energy Assistance program. The availability of high-speed Internet access is essential to 21st century economic competitiveness and quality of life. Without action, California risks exasperating an already widening digital divide.

- 2) **Ambitious Goals, Underwhelming Revenue.** The bill itself proclaims the intent of the Legislature that every Californian have access to high-speed broadband services at affordable rates in order to achieve universal service for all residents. And the bill directs the CPUC to implement the California Connect Program to ensure that high-speed broadband service is available to every household in the state at affordable rates. These are ambitious goals. However, this ambition does not seem to carry over to key aspects of the bill.

The bill would establish a \$0.23 surcharge on each service provider’s access lines. As described above, this analysis assumes the surcharge will generate approximately \$154.6 million annually, not a small sum. However, it does seem a sum inadequate to the task. According to data from the most recent U.S. census, there are approximately 7.5 million Californians living in poverty. If the California Connect Program were to offer broadband subsidies of \$50 each per monthly bill (not an unreasonable assumption, given that is the amount of the monthly discount offered to eligible customers by the federal Emergency Broadband Benefit Program), then only about 260,000 Californians would receive a California Connect Program subsidy. Such an outcome would fall short of ensuring high-speed and affordable broadband service is available to all. The author may wish to consider increasing the amount of surcharge—substantially—in order to achieve the bill’s ambitious goals.

- 3) **Related Legislation.** There are several bills this session that seek to significantly expand broadband access and affordability: AB 34 (Muratsuchi), AB 1425 (Gipson) and SB 41 (Lena Gonzalez), among others. Each of the Assembly bills is pending before this committee.

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