

Date of Hearing: May 12, 2021

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

AB 14 (Aguiar-Curry) – As Introduced December 7, 2020

Policy Committee: Communications and Conveyance
Local Government

Vote: 9 - 1
5 - 2

Urgency: Yes

State Mandated Local Program: Yes

Reimbursable: No

SUMMARY:

This bill makes permanent the California Advanced Services Fund (CASF) program—the state’s program to expand broadband service—and makes significant modifications to the CASF program.

Notably, this bill:

- 1) In effect, makes the CASF program and surcharge permanent by removing various programmatic deadlines, including a deadline on the authority of the California Public Utilities Commission (CPUC) to collect a CASF surcharge on telecommunications customers' charges for intrastate telecommunications services, and state the CASF surcharge is not to exceed and as-of-yet-unspecified percentage of an end user's intrastate telecommunications service costs.
- 2) Authorizes the CPUC to issue \$1 billion in bonds, secured by CASF surcharge revenues, for broadband deployment and adoption, proceeds of which are to be deposited in the Broadband Bond Financing and Securitization Account, created by this bill.
- 3) Eliminates existing statutory surcharge revenue allocations to CASF accounts and instead makes monies in the CASF account generally available to the CPUC, upon appropriation by the Legislature, to achieve CASF program goals
- 4) Makes significant modifications to the CASF program, including (a) expands the program by including tribal governments, special districts and joint powers authorities among the entities eligible to receive CASF grants; and (b) makes an eligible use of grant monies deployment of broadband infrastructure to "anchor institutions," meaning K-12 schools, community colleges, fairgrounds, libraries, hospitals, health clinics, public safety entities, government buildings and community organizations.
- 5) Prioritizes infrastructure grants to unserved and high poverty areas and to projects that provide speeds of 25 mbps downstream and 25 mbps upstream with a goal of 100 mbps downstream.
- 6) Requires the Governor's Office of Business and Economic Development (GO-Biz) to work with stakeholders to develop recommendations and a model for streamlined local land use approval and permitting for broadband infrastructure deployment by June 30, 2021. GO-Biz must post this information on its website, update the recommendations and model, and

provide technical assistance to local governments that adopt the model and recommendations.

- 7) Authorizes a local education agency (LEA) to report its pupils' computing and internet needs for distance learning to the California Department of Education (CDE) and requires the department to compile LEAs' reports annually and post this information on the department's website.

FISCAL EFFECT:

AB 14 will entail significant new costs to the CPUC, likely in the millions of dollars. This work will incorporate rule changes into the existing CASF proceeding at the CPUC, and adopt new programmatic processes. It is likely the changes will expand the areas eligible for CASF funding, and this will lead to a greater number of CASF applications being submitted, in keeping with the author's intent. CPUC staff will need to review, verify and process this greater number of applications, and conduct associated mapping. In addition, CPUC staff will need to provide technical assistance to local government and broadband service providers.

Creation of the Broadband Bond Financing and Securitization Account will require additional staff and consulting work, as will the fiscal and performance audits required by the bill. New information technology systems development and ongoing maintenance, as well as modifications to current systems, will also be needed.

For its part, the CPUC estimates these costs will total just over \$8 million, which entails roughly \$3.5 million for 16 permanent positions and two two-year limited-term positions, as well as \$2.6 million annually to contract with for CEQA-related environmental consulting, and the remainder for various consulting services and IT-related subscriptions and licensing. (The CPUC acts as the lead CEQA agency for CASF projects and notes it currently spends about \$2.8 million for contracts associated with review of just four CASF broadband projects.)

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).

The 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. The statute states the surcharge is not to exceed \$66 million per year, though it provides for an exceedingly narrow exception. And the 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 led 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			Percentage of Unserved Households
				Number of Unserved Households			
>=6/1	Urban	Rural	Statewide	252,604	119,143	371,747	2.0% 17.3%
>=25/3	97.8%	73.8%	96.5%	281,507	180,922	462,429	2.2% 26.2%
>=100 down	97.5%	48.7%	94.9%	320,504	354,226	674,730	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 that purpose. This bill, too, significantly modifies the program, and attempts to provide new funding by allowing the CPUC to issue bonds secured by future revenue from the surcharge this bill extends. According to the author:

The heartbreaking is reality that one in 8 California homes do not have internet access and communities of color face even higher numbers of students and families who remain disconnected. Only miles from our State Capitol there are areas of our state where Californians have no access to broadband connectivity. In partnership with Senator Gonzalez and nearly two dozen of our legislative colleagues, we seek to modernize and sufficiently fund the CASF to provide sufficient service to meet the current and future internet needs of all Californians.

- 2) **Related Legislation.** There are several bills this session that seek to significantly expand broadband access and affordability: AB 34 (Muratsuchi), AB 1176 (E. Garcia), AB 1425 (Gipson) and SB 41 (Lena Gonzalez), among others. Each of the Assembly bills is pending before this committee.

Analysis Prepared by: Jay Dickenson / APPR. / (916) 319-2081