
THIRD READING

Bill No: AB 14
Author: Aguiar-Curry (D), Bloom (D), C. Garcia (D), E. Garcia (D), Low (D),
Petrie-Norris (D), Quirk (D), Quirk-Silva (D), Reyes (D), Robert
Rivas (D), Santiago (D), Stone (D), Weber (D) and Bonta (D), et al.
Amended: 7/12/21 in Senate
Vote: 27 - Urgency

SENATE ENERGY, U. & C. COMMITTEE: 11-1, 7/5/21
AYES: Hueso, Becker, Bradford, Dodd, Eggman, Gonzalez, Hertzberg, McGuire,
Min, Rubio, Stern
NOES: Dahle
NO VOTE RECORDED: Borgeas, Grove

SENATE APPROPRIATIONS COMMITTEE: 5-2, 8/26/21
AYES: Portantino, Bradford, Kamlager, Laird, McGuire
NOES: Bates, Jones

ASSEMBLY FLOOR: 62-7, 6/2/21 - See last page for vote

SUBJECT: Communications: broadband services: California Advanced
Services Fund

SOURCE: Author

DIGEST: This bill extends the sunset for the California Advanced Services Fund (CASF) surcharge, modifies the mechanism for calculating the surcharge, and makes various other changes to the CASF, including deleting language from existing law that provides federal funding for last-mile broadband deployment through the CASF.

ANALYSIS:

Existing law:

- 1) Establishes the CASF, which is administered by the California Public Utilities

Commission (CPUC) to fund broadband infrastructure deployment in unserved areas. (Public Utilities Code §281)

- 2) Specifies that the goal of the CASF is to, by December 31, 2026, approve funding for infrastructure projects that will provide broadband access to no less than 98 percent of California households in each consortia region, as identified by the commission on or before January 1, 2022. (Public Utilities Code §281(b))
- 3) Defines an unserved area for the purposes of CASF eligibility as an area for which there is no facility-based broadband provider offering at least one tier of broadband service at speeds of at least 25 mbps downstream, 3 mbps upstream, and a latency that is sufficiently low to allow real time interactive applications, based on updated federal and state broadband mapping data. (Public Utilities Code §281(b))
- 4) Requires the CPUC to prioritize CASF projects in unserved areas where internet connectivity is available only at speeds at or below 10 mbps downstream and one mbps upstream or areas with no internet connectivity. (Public Utilities Code §281(b))
- 5) Requires the CASF to deploy infrastructure capable of speeds of at least 100 mbps downstream and 20 mbps upstream. (Public Utilities Code §281(f))
- 6) Allows the CPUC to collect a surcharge to fund the CASF until December 31, 2022, and establishes accounts within the CASF. Existing law establishes specified minimum funding amounts for each account within the CASF. (Public Utilities Code §281(d))
- 7) Caps the amount of revenue the CPUC may collect for the CASF at no more than \$66 million per year or \$330 million total, unless the CPUC determines that collecting a higher amount in any year would not increase the total amount of total surcharges collected per year. (Public Utilities Code §281(d))
- 8) Defines a “low-income community” for the purposes of CASF as publicly supported housing developments, and other housing developments or mobilehome parks with low-income residents. Under existing law, low-income communities, including public housing communities, are eligible for funding from the Broadband Public Housing Account within the CASF.
- 9) Requires projects that receive CASF funds to report specified information to the CPUC about contractors and subcontractors performing work on the project. (Public Utilities Code §281(l))

- 10) Allocates \$2 billion in federal stimulus funds to the CASF for the purpose of funding last-mile broadband deployment and specifies that \$1 billion of those funds must be reserved for projects in rural counties and \$1 billion must be reserved for projects in urban counties. (Public Utilities Code §281(n))
- 11) Defines Voice over Internet Protocol (VoIP) as a service enabling two-way voice communications, requires a broadband connection, and permits the user to receive calls originating over the publicly switched telephone network. (Public Utilities Code §285)
- 12) Requires the CPUC to direct interconnected VoIP providers to collect surcharges on California intrastate revenues and deposit those funds in the accounts for the state's telecommunications universal service programs, including the CASF. Existing law allows VoIP providers to use one of several specified methods to identify the appropriate surcharge amount or develop an alternative method for calculating their surcharge contributions. (Public Utilities Code §285(e))
- 13) Requires the CPUC to conduct an interim and final audit of the CASF, which the CPUC must submit to the Legislature by April 1, 2020, and April 1, 2023, respectively. (Public Utilities Code §912)
- 14) Establishes the Governor's Office of Business and Economic Development (GO-Biz) and specifies the Office's duties, including the coordination and development of policies that advance the state's economic development goals. (Government Code §12096.3)

This bill:

- 1) Authorizes local educational agencies to report specified information regarding students' computing and internet needs to the Department of Education (CDE) and requires the CDE to post that information on its website.
- 2) Extends the operation of the CASF indefinitely and extends the sunset for the CASF surcharge from the end of the 2022 calendar year to December 31, 2032, or the date on which 98 percent of California households in each consortia region are served by broadband, whichever occurs earlier.
- 3) Requires GO-Biz to coordinate with relevant local and state agencies and national organizations to identify opportunities to streamline permitting requirements for broadband infrastructure deployment.

- 4) Defines anchor institutions as schools maintaining kindergarten or any of grades 1 to 12, inclusive, institutions of higher learning, community colleges, fairgrounds, libraries, hospitals, health clinics, public safety entities, government buildings, and community facilities owned or operated by local governments or nonprofits.
- 5) Deletes existing law allowing VoIP providers to establish alternative methods for calculating their contributions to the CASF.
- 6) Restricts eligibility for funds from the Broadband Public Housing Account to only publicly-subsidized communities by deleting existing law extending eligibility to other low-income communities, including mixed-income developments and mobile home communities, which are not public housing developments.
- 7) Deletes existing law allocating \$2 billion in federal infrastructure stimulus funding to the CASF for the purposes of last-mile broadband deployment. This bill removes existing law that reserves \$1 billion of these funds for projects in rural counties and \$1 billion for projects in urban counties.
- 8) Limits the CPUC's ability to update the definition of an "unserved" community by deleting existing law that authorizes the CPUC to update communities' service status based on revised broadband mapping data.
- 9) Requires each internet service provider to report the following information regarding each free, low-cost, income-qualified, or affordable internet service plan offered by the provider: (a) the plan's cost, including taxes and fees; (b) eligibility requirements; (c) data limitations; (d) number of California residents enrolled; and (e) a description of the provider's outreach efforts to increase awareness about the plan.

Background

The CASF's Role in Addressing the Digital Divide. The CASF is administered by the CPUC to provide grants for broadband infrastructure and adoption. Lack of broadband access generally stems from two primary causes: a lack of sufficient infrastructure and a lack of affordable broadband service. The CASF helps address the degree to which a lack of infrastructure limits broadband access. The CASF is funded by an end user surcharge on in-state telecommunications services. Under existing law, the CASF is scheduled to sunset on December 31, 2022. While this bill extends the goal of CASF operations indefinitely, it extends the surcharge through the 2032 calendar year or the date on which the CASF reaches its goal of

serving 98 percent of households in each broadband consortia region, depending on which date occurs earlier. This goal-based alternative for the surcharge sunset date will likely require the CPUC to collect a substantially greater amount of household-level service data from broadband providers to monitor the extent to which the households in each broadband consortia region are served. Without new data, it is not clear that the CPUC would have sufficient information to sunset the CASF surcharge earlier than December 31, 2032.

Conflicts with Budget Act. This bill makes various changes that conflict with recently enacted legislation regarding broadband funding in the 2021 Budget Act. In July 2021, the Legislature passed SB 156 (Committee on Budget and Fiscal Review, Chapter 112, Statutes of 2021) to enact statutory changes to support the use of federal funding from the American Recovery Plan Act (ARPA) for broadband infrastructure investments in California. In addition to funding state-owned open access middle mile broadband infrastructure, SB 156 also established the Federal Funding Account within CASF an allocated \$2 billion to the CASF Federal Funding Account for the purpose of deploying last-mile broadband infrastructure to unserved and underserved communities. SB 156 specifies that \$1 billion of the ARPA funds in CASF must be reserved for broadband projects in rural communities and \$1 billion must be reserved for projects in urban communities. SB 156 also made a number of other changes to CASF to streamline the program and expand low-income communities' access to funding. As currently drafted, this bill does not incorporate the changes that SB 156 made to CASF statutes. Consequently, this bill would delete a number of recently passed policies needed to expend ARPA funds as stipulated in the 2021 Budget Act. For example, the bill deletes the allocation of ARPA funds to the CASF for last-mile broadband projects and deletes language that expands low-income communities' eligibility for funding from the CASF's Broadband Public Housing Account. Additionally, this bill's definition of an "unserved" area does not conform to the definition passed by the Legislature in SB 156. This lack of conformity may limit the CPUC's ability to streamline CASF grants and expend federal stimulus funds before deadlines in ARPA.

This bill makes changes needed to stabilize the CASF's funding. The CASF is one of several Universal Service Fund programs funded through a surcharge on consumers' intrastate telecommunications. Currently, the CASF surcharge is assessed at approximately one percent of a user's in-state telecommunications services. However, existing law allows IP-based telecommunications providers to establish their own alternative methods for calculating their contributions to the CASF. Generally, this authorization has led to proportionately lower CASF revenue collections from VoIP and wireless providers and cost-shifting of CASF

revenue obligations to traditional telephone users. As more consumers shift to VoIP for telephone service, the projected total amount of revenue the CASF can collect has declined. Prior to December 2020 adjustments to the CASF surcharge rate, the CASF was on track to only collect \$187 million out of the \$330 million total funding authorized under existing law. Even with surcharge rate increases, the CASF may never collect its total authorized revenue if the revenues disproportionately rely on surcharges paid by traditional telephone users.

On March 4, 2021, the CPUC opened a rulemaking (R. 21-03-002) to update the surcharge mechanism for the state's Universal Service Fund programs. The first phase of this proceeding is intended to consider shifting the surcharge mechanism for all the Universal Service Fund public purpose programs to a flat surcharge assessed on access lines by January 1, 2022. This bill increases the amount of revenue that the CPUC can collect for CASF on an annual basis and deletes existing law that authorizes IP-enabled telecommunications providers to establish their own methods for CASF contributions. As a result, this bill eliminates restrictions in existing law that limit the CPUC's ability to take steps in its ongoing rulemaking to reduce cost-shifting and under-collection of Universal Service Fund surcharges.

Related/Prior Legislation

SB 4 (Gonzalez, 2021) extends the CASF and make various changes to the program, including extending and updating the CASF's surcharge and preserving various changes made by recent budget legislation. The bill is currently pending in the Assembly.

SB 156 (Committee on Budget and Fiscal Review, Chapter 112, Statutes of 2021) made various changes necessary to implement the Budget Act of 2021. The bill provided federal funding for the construction of state-owned middle mile broadband infrastructure and allocated \$2 billion of federal funds to the CASF for the purpose of funding projects that deploy last-mile broadband infrastructure.

SB 1130 (Gonzalez, 2020) would have extended and modified the CASF, including increasing minimum speed standards for CASF-funded infrastructure, expanded the communities eligible for the CASF, and set open access requirements for certain infrastructure projects. The bill died in the Assembly.

AB 570 (Aguiar-Curry, 2020) would have extended and modified the CASF, including increasing the minimum speed standards for CASF-funded infrastructure, expanding the communities eligible for CASF monies, allowing the

CPUC to collect additional CASF revenue, and authorizing the issuance of up to \$1 billion in bonds secured by the CASF. The bill died in the Senate.

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

According to the Senate Appropriations Committee:

- Ongoing cost pressure of up to \$150 million annually (CASF) due to authorizing the CPUC, through imposition of a surcharge, to collect up to that amount starting on January 1, 2022, and continuing through the 2032 calendar year or until the commission has approved funding for infrastructure projects that will provide broadband access to no less than 98 percent of California households in each consortia region, whichever occurs first.
- Additional cost pressure is possible due to the likelihood that expanding the areas eligible for CASF funding will increase the number of applications submitted.
- The CDE estimates one-time costs of around \$1 million (General Fund or special fund) to update an existing data reporting system, and ongoing costs of \$300,000 annually (General Fund or special fund) for staff to support the data-reporting program.
- Unknown one-time and ongoing costs, both likely in the millions of dollars (CASF), for the CPUC to incorporate rule changes into the CASF Proceeding (20-08-021) and adopt multiple new programmatic processes, among other things.
- Minor and absorbable costs for GO-Biz to coordinate with relevant local and state agencies and national organizations to identify opportunities to streamline permitting requirements for broadband infrastructure deployment.

SUPPORT: (Verified 8/26/21)

California State Insurance Commissioner Ricardo Lara
California State Superintendent of Public Instruction Tony Thurmond
3CORE, Inc.
AARP
Association of California Healthcare Districts
Association of California School Administrators
Broadband Connect Initiative
California Cable and Telecommunications Association, if amended

California Commission on the Status of Women & Girls
California County Superintendents Educational Services Association
California Faculty Association
California Federation of Teachers
California Forward Action Fund
California Latino Legislative Caucus
California Legislative Women's Caucus
California Pan-Ethnic Health Network
California State Student Association
California State University, Chico-North State Planning & Develop. Collective
California State University, Fresno-Office of Community & Economic Develop.
California Telehealth Policy Coalition
Central Valley Community Foundation
Cities of Alameda, Arcata, Beverly Hills, Bishop, Brea, Chico, Colton, Fountain Valley, Goleta, Hidden Hills, Inglewood, Lakeport, Lawndale, Los Angeles, Moorpark, Mountain View, Novato, Oceanside, San Pablo, San Rafael, Santa Monica, Thousand Oaks, Torrance, Tustin, Ventura, Vista, Walnut Creek, Whittier
Community Clinic Association of Los Angeles County
Counties of Alameda, Butte, El Dorado, Imperial, Mariposa, Monterey, Napa, San Diego, Santa Clara, Tulare, Yuba
Economic Development Collaborative-Ventura County
Economic Vitality Corp. of San Luis Obispo
Eden Housing
Fresno Business Council
GENup
Greater Oxnard Organization of Democrats
Gilroy City Council
Imperial County Transportation Commission
Inland Empire Community Foundation
Kern Community College District
League of California Cities
Local Government Commission
Los Angeles Community College District
Los Angeles County Business Federation
National Association of Social Workers, California Chapter
North Bay Leadership Council
OCHIN
Parent Institute of Quality Education
REACH Central Coast

Sacramento Area Council of Governments
San Diego Association of Governments
San Joaquin Valley Redevelopment Center
Santa Clara County Office of Education
Sierra Business Council
Siskiyou Works
SJV Partnership
South Bay Cities Council of Governments
Stanislaus Community Foundation
Tahoe Prosperity Center
Teach Plus
The Fresno Center
The Greenlining Institute
The Rural Caucus of the California Democratic Party
The Utility Reform Network
UNITE-LA
University of California Student Association
Valley Vision
Western Center on Law & Poverty
Writers Guild of America West
Yuba Community College District

OPPOSITION: (Verified 8/26/21)

California Taxpayers Association

ARGUMENTS IN SUPPORT: According to the author, “The heartbreaking is reality that 1 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 Sen. Gonzalez and nearly two dozen of our Legislative colleagues, we seek to modernize and sufficiently fund the California Advanced Services Fund to provide sufficient service to meet the current and future internet needs of all Californians.”

ARGUMENTS IN OPPOSITION: The California Taxpayers Association (CalTax) opposes this bill because it extends an existing surcharge to fund the CASF. In opposition, CalTax states, “Given that California will be receiving \$27 billion in federal funds and the governor and legislative leaders announced a historic agreement on broadband infrastructure that would invest \$5.25 billion in broadband expansion projects, the Legislature should delay action on AB 14 until

it is clear what broadband infrastructure needs remain once federal funds and new state funds have been exhausted.”

ASSEMBLY FLOOR: 62-7, 6/2/21

AYES: Aguiar-Curry, Arambula, Bauer-Kahan, Bennett, Berman, Bloom, Bryan, Burke, Calderon, Carrillo, Cervantes, Chau, Chiu, Choi, Cooley, Cooper, Cunningham, Daly, Frazier, Friedman, Gabriel, Cristina Garcia, Eduardo Garcia, Gipson, Lorena Gonzalez, Gray, Grayson, Holden, Irwin, Jones-Sawyer, Kalra, Lee, Levine, Low, Maienschein, McCarty, Medina, Mullin, Muratsuchi, Nazarian, O'Donnell, Petrie-Norris, Quirk, Quirk-Silva, Ramos, Reyes, Luz Rivas, Robert Rivas, Rodriguez, Blanca Rubio, Salas, Santiago, Stone, Ting, Villapudua, Voepel, Waldron, Ward, Akilah Weber, Wicks, Wood, Rendon

NOES: Chen, Davies, Lackey, Nguyen, Patterson, Seyarto, Smith

NO VOTE RECORDED: Bigelow, Boerner Horvath, Megan Dahle, Flora, Fong, Gallagher, Kiley, Mathis, Mayes, Valladares

Prepared by: Sarah Smith / E., U., & C. / (916) 651-4107
8/28/21 11:05:11

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