
THIRD READING

Bill No: AB 14
Author: Aguiar-Curry (D), Bloom (D), Cristina Garcia (D), Eduardo 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: 9/2/21 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, allows the California Public Utilities Commission (CPUC) to limit cost-shifts for the surcharge, and authorizes the CPUC to collect specified information about affordable internet plans from internet service providers.

Senate Floor Amendments of 9/2/21 delete provisions related to the California Department of Education (CDE) and address chaptering issues with SB 156 (Senate Budget and Fiscal Review Committee, Chapter 112, Statutes of 2021) and SB 4 (Gonzalez, 2021).

ANALYSIS:

Existing law:

- 1) Establishes the CASF, which is administered by the 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 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)

- 9) 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))
- 10) 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)

This bill:

- 1) Extends the sunset for the CASF surcharge from the end of the 2022 calendar year to December 31, 2032.
- 2) Deletes existing law allowing VoIP providers to establish alternative methods for calculating their contributions to the CASF.
- 3) Establishes a \$100 million cap on the maximum amount of annual funding the CPUC can collect to fund the Deaf and Disabled Telephone Program (DDTP).
- 4) 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. This bill extends the CASF and its funding through the 2032 calendar year.

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 copper 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.

The CPUC administers six different Universal Service Fund programs. While each of these programs are administered under different statutes, the CPUC manages their surcharge mechanisms collectively. The CASF and the DDTP are the only two programs that have statutory restrictions that limit the CPUC's ability to shift the Universal Service Fund surcharges to a mechanism that limits cost-shifts between different customer classes. 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 deletes existing law that authorizes IP-enabled telecommunications providers to establish their own methods for CASF contributions and deletes restrictions related to the DDTP's surcharge. The bill instead caps the total amount of funds that the CPUC can annually collect at no more than \$100 million. 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 9/1/21)

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, and

Whittier

Community Clinic Association of Los Angeles County

Counties of Alameda, Butte, El Dorado, Imperial, Mariposa, Monterey, Napa, San

Diego, Santa Clara, Tulare, and 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 9/1/21)

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

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