

(Without Reference to File)

CONCURRENCE IN SENATE AMENDMENTS

AB 14 (Aguiar-Curry, et al.)

As Amended September 2, 2021

2/3 vote. Urgency.

SUMMARY

This bill extends the California Advanced Services Fund (CASF) program to encourage deployment of broadband service to unserved Californians. The bill also revises the surcharge collection methodology for interconnected Voice over Internet Protocol (VoIP) service and the Deaf and Disabled Telecommunications Program (DDTP).

Senate Amendments

- 1) Extends the goal of the CASF program from 2026 to 2032.
- 2) Authorizes the California Public Utilities Commission's (CPUC) to continue imposing an existing surcharge through December 31, 2032.
- 3) Repeals existing law authorizing specific surcharge collection methodologies used by service providers to determine surcharge amounts for VoIP service.
- 4) Revises the surcharge collection methodology for the DDTP program by authorizing the CPUC to collect a sum not to exceed \$100 million per year instead of a set percentage of total intrastate telephone service revenues.
- 5) Authorizes the CPUC to require each internet service provider (ISP) to report certain information relative to each free, low-cost, income-qualified, or affordable internet service plan advertised by the provider.
- 6) Provide that the provisions of this bill shall only become effective if SB 4 (Gonzalez) of the current legislative session is enacted and takes effect on or before January 1, 2022.

COMMENTS

- 1) *Program background.* The goal of the CASF program is a state-funded broadband program administered by the CPUC. The CASF consists of several subaccounts, each with funding allocated for a specific purpose (ie; Infrastructure, consortia support, public housing, and adoption). In 2017, the program was reauthorized under AB 1665 (Eduardo Garcia, et. al), Chapter 851, Statutes of 2017. That bill authorized the CPUC to collect a surcharge from January 1, 2018, through the 2022 calendar year to fund the program at a rate of up to \$66 million per year. 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). As of 2021, the state has not met the CASF program goal; however, demand for CASF grants thoroughly exceeds available funds as thousands of Californian households across the state continue to lack service to even basic internet service.

- 2) *Overview of recent state broadband funding.* The state has recently invested billions in broadband programs, but not all of it is going to CASF. SB 156 (Budget and Fiscal Review Committee), Chapter 112, Statutes of 2021, allocated \$6 billion to broadband infrastructure programs broadly. The majority of that money (\$3.25 billion) is budgeted to build a statewide, publicly owned, open-access broadband middle-mile network overseen by the California Department of Technology and a third-party administrator. The middle-mile will not directly serve households, but rather is the essential backbone infrastructure needed to enable the direct, or "last-mile", connections to households or businesses by internet service providers. Therefore, the \$3.25 billion middle-mile funding will serve a different purpose than CASF and this bill, which is to connect households through last-mile connections. This year's budget also allocated \$750 million for a Loan-Loss Reserve fund. This funding is to assist local governments and non-profits to finance broadband service projects across the state. Like the CASF, the Loan-Loss Reserve fund will be administered by the CPUC.

For last-mile connections, this year's budget allocated \$2 billion dollars to a new CASF subaccount, the Federal Funding Account. The Federal Funding account is funded through federal monies received from the American Rescue Plan Act (ARPA). The Federal Funding account will be used to fund last-mile projects to connect unserved and underserved households to broadband service by applicable federal deadlines. Although the Federal Funding account and its monies fall within the CASF program, that subaccount is separate from the existing CASF Infrastructure grant account. The CASF Infrastructure grant account also funds last-mile infrastructure projects for unserved households but currently has more funding requests than available funds.

In summary, this year's budget allocated \$6 billion dollars to broadband projects broadly; however, only \$2 billion of that funding is allocated to CASF and it all must be spent by 2026 or returned to the federal government. The surcharges collected under this bill could be used to fund the other CASF subaccounts that were not funded with the \$2 billion appropriation under SB 156, such as the adoption and public housing subaccounts. The surcharge could also go towards funding the 37 outstanding CASF Infrastructure grant applications that have been pending since May 2020, but were never acted on, in part, because of a lack of available funding.

- 3) *Surcharge collection mechanism revisions.* The CPUC collects surcharges to fund and administer five telecommunications public purpose programs, including CASF and DDTP. Due to unreliable methodologies used to estimate surcharge amounts owed to the CPUC by providers of telephone service, the CPUC has under collected surcharges leading to structural revenue problems for all the public purpose programs. The changes in this bill revise the surcharge collection mechanism for DDTP and all public purpose programs so that the CPUC may implement a more stable funding mechanism.
- 4) *Contingent enactment with related legislation.* SB 4 (Gonzalez) of the current legislative session would also make changes to the CASF program. Specifically, SB 4 works in tandem with this bill by authorizing the CPUC to increase the annual surcharge collection cap from \$66 million to \$150 million. Both bills contain contingent enactment clauses tying each bill to the other.

According to the Author

"The heartbreaking reality is that one in eight 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. This bill seeks to modernize and sufficiently fund the CASF to provide sufficient service to meet the current and future internet needs of all Californians."

Arguments in Support

Supporters of this bill argue that broadband is an essential service, like water and electricity, and therefore the state must continue to fund projects that will enable Californians to become connected to the internet. Especially during the COVID-19 pandemic, Californians witnessed how the digital-divide separates certain Californians from education, schooling, and other opportunities. By offering a stable source of funding until 2032, this bill will enable California to continue to work towards its broadband infrastructure deployment goals while providing additional funding to support broadband adoption.

Arguments in Opposition

Opponents of this bill argue that additional revenue to fund broadband infrastructure projects is not necessary given that California received billions in federal funds from the American Recovery and Rescue Plan Act and the state had a budget surplus. Further, opponents have argued that certain provisions of the bill give the CPUC authorization to fund a wide-range of projects, such as fairgrounds projects, that are not primarily aimed at connecting unserved households and will not bring the state closer to meeting the CASF program goals.

FISCAL COMMENTS

According to the Senate Appropriations Committee analysis, 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.

VOTES:

ASM COMMUNICATIONS AND CONVEYANCE: 9-1-3

YES: Santiago, Bonta, Cervantes, Eduardo Garcia, Holden, Low, Quirk-Silva, Rodriguez, Carrillo

NO: Patterson

ABS, ABST OR NV: Boerner Horvath, Davies, Mathis

ASM LOCAL GOVERNMENT: 5-2-1

YES: Aguiar-Curry, Bloom, Ramos, Luz Rivas, Robert Rivas

NO: Lackey, Voepel

ABS, ABST OR NV: Boerner Horvath

ASM APPROPRIATIONS: 12-3-1

YES: Lorena Gonzalez, Calderon, Carrillo, Chau, Gabriel, Eduardo Garcia, Levine, Quirk, Robert Rivas, Akilah Weber, Holden, Luz Rivas

NO: Bigelow, Megan Dahle, Davies

ABS, ABST OR NV: Fong

ASSEMBLY FLOOR: 62-7-10

YES: 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

NO: Chen, Davies, Lackey, Nguyen, Patterson, Seyarto, Smith

ABS, ABST OR NV: Bigelow, Boerner Horvath, Megan Dahle, Flora, Fong, Gallagher, Kiley, Mathis, Mayes, Valladares

UPDATED

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