

Date of Hearing: April 29, 2013

ASSEMBLY COMMITTEE ON UTILITIES AND COMMERCE

Steven Bradford, Chair

AB 1299 (Bradford) – As Amended: April 25, 2013

SUBJECT: Telecommunications: universal service programs: California Advanced Services Fund

SUMMARY: Requires the PUC to fund grants for the deployment and adoption of broadband services in publicly supported housing communities using the California Advanced Services Program (CASF). Specifically, this bill:

- 1) Authorizes the PUC to appropriate \$20 million from the Broadband Infrastructure Grant Account to award grants to connect broadband networks to publicly supported multitenant affordable housing dwellings.
- 2) Authorizes the PUC to appropriate \$5 million from the Broadband Infrastructure Grant Account to award grants to fund broadband adoption programs, as specified.
- 3) Defines publicly supported housing community and non-profit affordable housing.
- 4) Specifies if such funds are not awarded by December 31, 2016 that they may be used for another purpose within CASF.
- 5) Requires the PUC to award grants for this program in a manner that reflects the statewide distribution of those publicly supported housing communities.
- 6) States the PUC shall prepare a report beginning January 1, 2015 on the implementation status of the publicly supported housing communities' broadband deployment and adoption efforts.

EXISTING LAW:

- 1) Establishes the CASF in the State Treasury and requires that moneys in those funds are the proceeds of rates and are held in trust for the benefit of ratepayers and to compensate telephone corporations for their costs of providing universal service and may be expended only to accomplish specified telecommunications universal service programs, upon appropriation in the annual Budget Act or upon supplemental appropriation. (Public Utilities Code 270)
- 2) Requires the PUC to develop, implement and administer the CASF to encourage deployment of high-quality advanced communications services to all Californians that will promote economic growth, job creation, and substantial social benefits of advanced information and communications technologies, as provided in specific decisions of the PUC and in the CASF statute. (Public Utilities Code 281)
- 3) Requires that \$100 million, collected by a surcharge authorized by the PUC, after January 1, 2011, is to be deposited into the Broadband Infrastructure Account. (Public Utilities Code

281)

- 4) Authorizes the PUC to collect an additional sum not to exceed \$125 million after January 1, 2011, for a sum of total moneys collected through the surcharge not to exceed \$225 million. (Public Utilities Code 281)
- 5) Authorizes the PUC to collect the additional sum through the 2015 calendar year. (Public Utilities Code 281)

FISCAL EFFECT: Unknown.

COMMENTS: According to the author, "the term Digital Divide refers to the gap that prevents access to the Internet by individuals, households, businesses and geographic areas at different socio-economic levels. Closing the Digital Divide is essential to economic prosperity and quality of life for all Californians. Access to broadband internet technology affords citizens with the opportunity to communicate with family and friends, conduct personal and business activities, achieve academic success, research employment offerings, and access community resources. Many students in California's schools are not learning the skills necessary for tomorrow's world. These students are at greater risk of falling behind in academic achievement. While few suggest the Digital Divide is the primary cause of the educational achievement gap, a growing body of evidence suggests that digital inequalities can evolve into future disparities in academic achievement and career success. Thus, it is imperative that statewide broadband policies are realized in all California communities so that benefits of broadband can be made available to everyone, regardless of their location or income.

AB 1299 recognizes that bridging the Digital Divide will require new public policy that encourages investment in deployment and adoption of broadband technology in publicly subsidized affordable housing developments."

1) The CASF: In 2007, as part of a High-Cost Fund-B rulemaking, the PUC created the CASF to help promote the deployment of broadband infrastructure in unserved areas of the state. As part of the decision, the PUC reduced the annual allocation of money to the High-Cost Fund-B by \$315.4 million and implemented a phased-in reduction in the ratepayer surcharge from 1.3% on all intrastate calls to .25%.

The PUC created the program and assessed a surcharge on telephone ratepayers to fund the program, however, the PUC did not have clear legislative authority to assess the surcharge or to expend the funds. SB 1193 (Padilla) Chapter 393, Statutes of 2008, provided that authority by statutorily establishing the CASF; however, SB 1193 prohibited the PUC from collecting more than \$100 million.

The PUC prioritized CASF expenditures to areas where no facilities-based provider offered broadband service. A secondary priority was for funding in underserved areas where no facilities-based provider offered broadband service at benchmark download transmission speeds of at least 3 megabits per second and upload speeds of at least 1 megabit per second. By Resolution T-17143, dated June 12, 2008, the PUC adopted filing requirements and scoring criteria for the award of CASF funds and a timeline for further filings and for final approval of awards.

After the enactment of the American Reinvestment and Recovery Act of 2009 (Recovery Act), the PUC revised the CASF program to allow California companies to use CASF grants as a match for Recovery Act broadband grants. AB 1555 (Perez Chapter 24, Statutes of 2009) expanded CASF eligibility to any entity applying for CASF funding in conjunction with a Recovery Act funding request.

Subsequently Governor Schwarzenegger signed into law SB 1040 (Padilla, Chapter 317, Statutes of 2010) which provided an additional \$125 million, and expanded the program into three accounts:

- \$100 million to the Broadband Infrastructure Grant Account (for a total of \$200 million),
- \$10 million to the Rural and Regional Urban Consortia Account, and
- \$15 million to the Broadband Infrastructure Loan Account.

The Broadband Infrastructure Grant Account funds the capital costs of broadband infrastructure projects in unserved and underserved areas in California. Carriers eligible to apply for a grant award must hold a certificate of public convenience and necessity (CPCN) or Wireless Identification Registration (WIR) from the PUC.

The Rural and Urban Regional Broadband Consortia Grant Account provides funding for the cost of broadband deployment and adoption activities other than the capital cost of facilities. Eligible recipients include, but is not limited to local and regional governments, public safety, K-12 education, health care and community based organizations.

The Revolving Loan Account supplements financing for projects also receiving CASF grant funding. Up to twenty percent of total project cost is eligible for financing. Applicant and project eligibility is the same as the Infrastructure Grant Account.

2) CASF awards and expenditures: As of December 31, 2012, the cumulative total CASF award funding is as follows:

- *The Broadband Infrastructure Grant Account*: The PUC authorized \$41.08 million for 34 projects that will benefit 255,246 households when completed.
 - Unserved areas \$2.31 million for 15 projects benefitting 16,530 households
 - Underserved areas: \$38.77 million for 19 projects benefitting 238,716 households
 - At total of 1,777 new subscribers since program initiation (45% subscription rate).
- *The Rural and Urban Regional Broadband Consortia Grant Account*: The PUC authorized \$2.85 million for 14 consortia grantees in 2012, and has provided grantees with a three-year budget allowance of \$8.55 million.
- *The Broadband Infrastructure Revolving Loan Account*: As of year-end the PUC had not received any loan applications. Currently, there are 7 loan applications pending.

3) Have we closed the digital divide: This question was the topic of an informational hearing in March 2013. The hearing examined efforts to close the Digital Divide in California, examined the status of broadband deployment by communications providers, and discussed barriers and possible remedies to deploying broadband infrastructure in unserved and underserved areas of the state, specifically urban communities. Much of the testimony provided by several of the panelists confirmed that California has made notable strides over the last decade to close the Digital Divide thus a gap remains in many of the rural and urban areas of the state. According to the PUC's California Broadband Report, statewide as of June 2011, an estimated 72.9% of all households subscribe to fixed broadband services. It found that of households which have been determined to have geographic access to fixed broadband services, an estimated 74.6% subscribe.

4) Broadband in affordable housing communities: Barriers exist in certain publicly supported and non-profit affordable housing developments in California. AB 1299 authorizes the PUC to appropriate \$20 million from the Broadband Infrastructure Grant Account to fund grants for deployment of broadband services and adoption programs in publicly-supported housing communities. Representatives from publicly-supported and non-profit housing communities, situated primarily in urban areas, testified at the hearing that a majority of their properties lack reliable broadband connectivity. The housing panelists claimed the costs associated with building or upgrading the infrastructure and maintaining the network is the primary barrier to receiving broadband services for the many disadvantaged residents that reside in these affordable housing developments. California Emerging Technology Fund (CETF) conservatively estimates there are 200,000-250,000 such publicly-supported housing units in California – the exact number is being determined by further investigation by CETF staff. Obtaining an approximate figure on the number of unserved or underserved Californians who reside in affordable housing dwellings is practically impossible. However, the bill allows the PUC to develop the appropriate policies and criteria to awards grants that would effectively achieve the goal of closing the digital gap in public housing communities while also ensuring grants are distributed in a manner that reflects the statewide distribution of the publicly supported housing communities.

5) If you build it will they come? Provisions in this bill authorize the PUC to appropriate \$5 million to fund grants for broadband adoption programs in publicly supported housing communities. Deploying broadband services in a publicly supported housing community would ensure the standard cables, and infrastructure required for power, television and telephone service is installed – which is a first step. On the other hand it does not offer a guarantee that disadvantaged residents will see the value in subscribing to the broadband service. Factors contributing to a disadvantaged residents' lack of enthusiasm to subscribe to voice, cable or internet service is notably the costs associated with the subscription. In addition, a housing resident may have limited knowledge in understanding the benefits of digital literacy and the societal benefits of adopting broadband services. Representatives from the housing panel testified at the hearing that some of their properties have free computer learning centers which provide their residents with opportunity to access the internet. Children who reside at these properties can also utilize the computer learning center to complete homework or conduct research for other activities. With this bill, a publicly supported housing community would be eligible to apply for a grant provided that the units in the housing community to be served have existing broadband services or will have broadband services at the time the grant for adoption is implement. Eligible housing communities will also have the ability to collaborate with a non-profit or public agency to assist in implementation of a broadband adoption program.

- 6) Accountability and transparency: CASF is a public purpose program funded by surcharges assessed on end user's telephone bills throughout the state. It is therefore important that the program achieve its objective and be transparent throughout the process. AB 1299 recognizes this need and does so by requiring the PUC to prepare a report due January 1, 2015 on the implementation status of the publicly supported housing broadband deployment and adoption efforts. Furthermore, provisions in this bill authorize the PUC to use any funds not awarded by December 31, 2016 for any other purpose permitted under CASF.

REGISTERED SUPPORT / OPPOSITION:

Support

AT&T (if amended)
Boys & Girls Clubs of Santa Monica
California Cable & Telecommunications Association (CCTA)
California Center for Rural Policy (CCRP)
City and County of San Francisco
Division of Ratepayer Advocates (DRA)
Housing Authority of the City of Los Angeles
Humboldt State University
International Institute of Los Angeles
Kids Progress, Inc.
Laura Baca, Pupil Services and Attendance Counselor, UCLA YouthSource Center
LINC Housing
Los Angeles Regional Broadband Consortia
Mutual Housing California
Non-Profit Housing Association of Northern California (NPH)
Shields for Families
UCLA Community Based Learning Program
Verizon

Opposition

None on file.

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