



- 2) Increased annual PUC administrative costs of approximately \$800,000 to extend five positions and increased annual contract of \$2.5 million with consultants for technical analysis and CEQA review.

**COMMENTS:**

- 1) **Purpose.** According to the author, "Internet access should be treated as a right, not a luxury. It is a basic necessity to access education, health care and economic opportunity. This bill will ensure vulnerable communities across the state are not left behind in the 21st century."
- 2) **Background.** SB 1193 (Padilla) Chapter 393, Statutes of 2008, established the CASF and gave the PUC authority to assess a surcharge on communication service ratepayers (wireline, wireless, and voice over internet protocol customers) receiving intrastate telecommunication services to fund the program.

The PUC is authorized to collect \$315 million for CASF through 2020, but not to exceed \$25 million per year, unless it determines that collecting a higher amount in any year will not result in an increase in the total amount of all surcharges (CASF and other surcharges) collected from telephone customers that year. CASF funding is allocated into four accounts, the Infrastructure Account, the Consortia Account, the Loan Account, and the Public Housing Account. As of January 2017, the status of each CASF account is as follows:

a) Broadband Infrastructure Grant Account:

Authorized to collect \$270 million to fund capital costs of broadband infrastructure projects in unserved and underserved areas. Approximately \$153 million has been awarded for 58 approved projects. Six additional projects are pending at a cost of approximately \$71 million if approved.

b) Broadband Infrastructure Revolving Loan Account:

Authorized to collect \$5 million to provide supplemental financing for projects that are also applying for funds from the Infrastructure Account. Approximately \$600,000 has been awarded for three approved projects. One additional project is pending at a cost of approximately \$243,000 if approved. Up to 20% of total project cost is eligible for financing. Applicant and project eligibility is the same as the Infrastructure Grant Account.

c) Rural and Urban Regional Broadband Consortia Grant Account:

Authorized to collect \$15 million to fund the cost of broadband deployment activities other than the capital cost of facilities. Approximately \$12 million has been awarded for 29 consortia groups. Five additional applications are pending at a cost of approximately \$1.4 million if approved.

d) Broadband Public Housing Account:

Authorized to collect \$25 million to provide grants and loans dedicated to broadband access and adoption in publicly supported housing communities. Approximately \$9.3

million has been awarded for 332 approved projects. 256 additional applications are pending at a cost of approximately \$10 million if approved. Remaining funds are transferred back to the Infrastructure Account and Loan Account by December 31, 2020.

- 3) **Connect America Fund.** The Connect America Fund (CAF) is a program established by the Federal Communications Commission to expand access to voice and broadband services through funding to local telephone companies to subsidize the cost of building new network infrastructure or performing network upgrades to provide voice and broadband services in areas where they are unavailable. Companies that accepted CAF monies, including AT&T, Consolidated Communications, Frontier, and Verizon, have six years to plan and provide broadband to consumers. The availability of CAF monies provides an opportunity for providers to build to threshold speeds higher than those currently required under CASF.
- 4) **Arguments in Support.** According to the United Way of California, “The availability of high-speed Internet access [...] is essential 21<sup>st</sup> century infrastructure for economic competitiveness and quality of life. Economic studies confirm that the use of broadband technologies increases economic productivity as a foundation for increased efficiency in organizational operations and enhanced profitability in business. However, too many Californians – especially people of color, people living in rural areas and people living in areas with high poverty rates – do not have access to this crucial broadband technology. This bill will ensure vulnerable communities across the state are not left behind in the 21<sup>st</sup> century.”

Frontier Communications supports the goal of this bill but is requesting further amendments to ensure this bill is used to leverage state and CAF monies and does not result in customers potentially paying twice for broadband in the same area. Frontier is requesting amendments to prohibit the award of CASF grants for any project that overbuilds a broadband project deployed with specified CAF or other public funding.

Some of Frontier's requested amendments were taken in the Communications and Conveyance Committee, however, Frontier is still requesting amendments to prohibit the awarding of CASF grants for projects that overbuild broadband projects and also to require CASF applicants to indicate any steps taken to obtain available federal funding.

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