

Date of Hearing: April 26, 2017

ASSEMBLY COMMITTEE ON COMMUNICATIONS AND CONVEYANCE

Miguel Santiago, Chair

AB 1665 (Eduardo Garcia) – As Introduced February 17, 2017

**SUBJECT:** Telecommunications: California Advanced Services Fund

**SUMMARY:** Makes various changes to the California Advanced Services Fund (CASF). Specifically, **this bill:**

- 1) Authorizes the California Public Utilities Commission (CPUC) to collect an unspecified amount, beginning on January 1, 2018, and continuing through the 2027 calendar year, not to exceed an unspecified amount each year, unless the CPUC determines that collecting a higher amount in any year will not result in an increase in the total amount of all surcharges collected from telephone customers that year.
- 2) Requires CPUC to transfer unspecified amounts of moneys received from the surcharge imposed to fund the accounts in CASF.
- 3) Extends the date for the goal of CASF to approve funding for infrastructure projects that will provide broadband access to no less than 98 percent of California households from December 31, 2015, to December 31, 2023.
- 4) Creates the Broadband Adoption Account (Adoption Account) within CASF.
- 5) Requires CPUC to be responsible for achieving the goals of CASF.
- 6) Requires CPUC to recognize that broadband advanced communications services include both wireline and wireless technologies, and that both shall be eligible for grants from the Broadband Infrastructure Account (Infrastructure Account) based on the objective functionality needs for the customers to be served in any specified project application.
- 7) Requires CPUC to identify priority unserved and underserved areas and delineate the priority areas in the biennial reports, as specified.
- 8) Requires CPUC to consult regional consortia, stakeholders, and consumers regarding priority areas and cost-effective strategies to achieve the broadband access goals through public workshops conducted at least annually no later than April 30 of each year.
- 9) Requires CPUC to provide a report to the Legislature by April 1, 2019, and April 1 of each odd-numbered year thereafter, as specified.
- 10) Sunsets the CASF on January 1, 2030.
- 11) Makes additional minor and technical changes.

**EXISTING LAW:**

- 1) Establishes CASF and requires CPUC to develop, implement, and administer CASF to encourage deployment of high-quality advanced communications services to all Californians

that will promote economic growth, job creation, and the substantial social benefits of advanced information and communications technologies, consistent with this section. (Public Utilities Code (PUC) Section 281)

- 2) Establishes the goal of CASF is to approve funding for infrastructure projects that will provide broadband access to no less than 98 percent of California households by December 31, 2015. (PUC Section 281)
- 3) Requires CPUC, in approving infrastructure projects, to give priority to projects that provide last-mile broadband access to households that are unserved by an existing facilities-based broadband provider. (PUC Section 281)
- 4) Requires CPUC to establish the following accounts within CASF:
  - a) The Infrastructure Account.
  - b) The Rural and Urban Regional Broadband Consortia Grant Account (Consortia Account).
  - c) The Broadband Infrastructure Revolving Loan Account (Loan Account).
  - d) The Broadband Public Housing Account (Public Housing Account). (PUC Section 281)
- 5) Authorizes CPUC to collect a sum total of moneys, collected by imposing the specified surcharge, in an amount not to exceed \$315 million until 2020; in an amount not to exceed \$25 million per year, unless CPUC determines that collecting a higher amount in any year will not result in an increase in the total amount of all surcharges collected from telephone customers that year. (PUC Section 281)
- 6) Requires moneys in the Consortia Account to be available for grants to eligible consortia to fund the cost of broadband deployment activities other than the capital cost of facilities, as specified by CPUC. (PUC Section 281)
- 7) Specifies that an eligible consortium may include, as specified by CPUC, representatives of organizations, including, but not limited to, local and regional government, public safety, elementary and secondary education, health care, libraries, postsecondary education, community-based organizations, tourism, parks and recreation, agricultural, business, workforce organizations, and air pollution control or air quality management districts, as specified. (PUC Section 281)
- 8) Requires moneys in the Loan Account to be available to finance capital costs of broadband facilities not funded by a grant from the Infrastructure Account. (PUC Section 281)
- 9) Requires moneys in the Broadband Public Housing Account to be available for CPUC to award grants and loans, as specified, to an eligible publicly supported community if that entity otherwise meets eligibility requirements and complies with CASF requirements established by CPUC. (PUC Section 281)
- 10) Requires any moneys in the Public Housing Account that have not been awarded, as specified, by December 31, 2020, to be transferred back to the Infrastructure Account and

Loan Account in proportion to the amount transferred from the respective accounts. (PUC Section 281)

- 11) Requires CPUC to provide a report to the Legislature by April 1 of each year, as specified. (PUC Section 914.7)
- 12) Requires CPUC to conduct two interim financial audits and a final financial audit and two interim performance audits and a final performance audit of the implementation and effectiveness of CASF to ensure that funds have been expended in accordance with the approved terms of the grant awards and loan agreements, as specified. (PUC Section 912.2)

**FISCAL EFFECT:** Unknown. This bill has been keyed fiscal by the Legislative Counsel.

**COMMENTS:**

- 1) **Authors Statement:** 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:** CASF is a universal service program created by CPUC and statutorily established by the Legislature through SB 1193 (Padilla) Chapter 393, Statutes of 2008, to encourage the deployment of broadband services in unserved and underserved areas of the state. The CASF is funded through a surcharge collected on all telecommunication end-users. As of December 2016, the CASF surcharge rate is set at 0%, as all authorized funds have been collected.
- 3) **Current Status of CASF:** Currently, CPUC is authorized to collect \$315 million for CASF through 2020, but not to exceed \$25 million per year, unless CPUC determines that collecting a higher amount in any year will not result in an increase in the total amount of all 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:

**Infrastructure Account:** Authorizes 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.

**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.

**Consortia 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.

**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.

- 4) **CASF Infrastructure Account:** The infrastructure account provides funding for the capital costs of broadband infrastructure projects in unserved and underserved areas throughout the state. An unserved area is an area that is not served by any form of wireline or wireless facilities based broadband, except dial-up. The CPUC defines an underserved area as an area where broadband service is lower than 6 megabits per second (Mbps)/1.5Mbps. Current law requires CPUC to prioritize projects that provide last-mile broadband access to households that are unserved. The CPUC has established a maximum grant award limit of 70% of total costs for projects in unserved areas, and 60% of total costs for projects in underserved areas. Although there is no prohibition on the authority for the CPUC to award grants of up to 100% of the total costs for projects; the CPUC has established such limits to ensure applicants are invested in projects by having “skin in the game.”

Arguably since the creation of CASF, most areas that have been served by CASF funds are projects in which applicants feel that their cost, combined with CASF funds, warrant an investment in deploying broadband in such areas. However, this leaves most of the remaining unserved areas of state, mostly in rural and small communities, still without broadband connectivity due to the lack of investment by providers who feel that the difficulties associated with deploying and maintaining such a network in the area for a limited amount of potential customers, even combined with CASF funds, would not result in a positive return on investment. Arguably, the remaining unserved households potentially are households in which even a 70% total cost CASF grant still does not provide enough incentive for a provider to build. Hence, CPUC should consider awarding grants that offer funding for 100% of total costs when warranted.

The author may wish to consider an amendment to specify that the CPUC has the discretion to award grants up to 100% of total costs for projects.

In addition, in order to provide greater incentive for providers to apply for CASF to reach the remaining unserved households, CASF funds should be made available for the cost directly related to the deployment of last-mile infrastructure as well as recurring cost associated with leasing property where existing infrastructure are located for a specified period of time. In addition, in situations where there may be households still unable to be served due to structural or physical impediments related to their property, such residential properties owners should be able to apply for CASF funds in order to access service, subject to the same obligations as any other applicant.

The author may wish to consider an amendment to authorize CASF funds to be used for the deployment of broadband infrastructure and recurring costs related to deployment, and authorize individual household property owners to be eligible to apply for funds.

- 5) **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 funds, including AT&T, Consolidated Communications, Frontier, and Verizon, have six years to plan and provide broadband to consumers. Companies that accept CAF funds must meet certain requirements for voice and broadband services, including offering broadband at speeds of at least 10Mbps/1Mbps. The availability of CAF funds provides an opportunity for providers to build to threshold speeds higher than those currently required under CASF. To maximize the benefits of CAF funds, CASF projects should be conformed to CAF requirements, by establishing CASF eligibility for projects where no providers offer access to 6Mbps/1Mbps or greater speeds, with priority still maintained for unserved households, and requiring applicants to commit to building infrastructure capable of providing access at speeds of 10Mbps/1Mbps to households in eligible areas consistent with CAF criterias.

The author may wish to consider an amendment to establish CASF eligibility for areas where no provider offer access to 6Mbps/1Mbps or greater, and require applicants to build infrastructure at speeds of 10Mbps/1Mbps to households in eligible areas.

Although CASF funds should be made available to leverage any federal funds to promote broadband deployment, there are concerns that providers may be able to use CASF funds to overbuild existing areas where a provider is already building facilities with CAF funds. CASF funds should be used for areas where no providers are currently building and not to overbuild areas where a provider has already received CAF funds.

The author may wish to consider an amendment prohibiting the use of CASF funds for any project that overbuilds service area where a provider has expanded broadband with funding from CAF.

- 6) **Project Eligibility:** Currently, priority is given to CASF projects that provide last-mile broadband access to households that are unserved by an existing facilities-based broadband provider. There have been concerns that CASF projects have been approved that do not provide last-mile access to households. Arguably, CASF funds should be used to provide last-mile broadband access to actual households. Access to middle-mile infrastructure is essential to providing last-mile access, however, CASF funds should not be used to build middle-mile infrastructure that do not connect or provide last-mile access to households.

The author may wish to consider an amendment to specify that CASF projects must include provisions to serve to last-mile households.

In addition, although there is no prohibition on the CPUC to limit projects to certain technologies, there are concerns that the CPUC prioritizes wireline projects because of its reliability compared to other non-wireline technologies, such as wireless or satellite. It is less cost effective to build wireline infrastructure in certain areas of the state relative to non-wireline options, including areas which are still unserved.

The author may wish to consider an amendment specifying that the CPUC shall award grants on a technology-neutral basis.

Furthermore, in February 2017, the CPUC released a staff white paper which identified areas throughout the state for deploying broadband infrastructure. Currently, the CPUC accepts

project proposals at any time. However, an impediment to the success of the CASF has been the current application process in which the CPUC waits for applicants to apply. CPUC should take an active role in identify projects areas and expediting the approval process in order to reach the remaining unserved households throughout the state. This bill requires CPUC to be responsible for achieving the goals of CASF, and requires it to identify priority unserved and underserved areas, as specified.

- 7) **Goals:** Currently, the goal of CASF is to approve funding for infrastructure projects that will provide broadband access to no less than 98 percent of California households statewide by December 31, 2015. However, CPUC was unable to meet that goal by the specified date. As of December 2016, CPUC estimates that 95 percent of households statewide have wireline broadband access at served speeds, with 98 percent of households statewide in urban areas being served, but only 47 percent of households in rural areas. When considering access to non-wireline technology as well, the CPUC estimates that 97 percent of households statewide have access to broadband at served speeds.

When the number of households statewide is disaggregated to Consortia regions, there exist noticeable differences between urban and rural areas. For example, approximately 99% of households in the Los Angeles County Regional Broadband Consortium are served, compared to only approximately 54% of households in the Eastern Sierra Connect Regional Consortia. Other Consortia regions include, approximately 75% of households served in the Northeast California Connect Consortium, 76% in the Redwood Coast Connect Regional Consortia, and 54% in the Upstate California Connect Consortium.

The discrepancy between urban and rural areas creates greater inequality and issues over the digital divide. The CPUC could potentially reach a goal of 98 percent statewide, while leaving thousands of households throughout the state still without broadband access. Continued efforts to bridge the digital divide are essential to promoting economic prosperity and improving the quality of life for all Californians. The CPUC estimates that there are approximately 360,000 unserved households statewide that need to be reached in order to reach a 98% statewide goal. That number increases to approximately 424,000 if applied to each Consortia regions. However, there are existing investments being made through CAF funds, as well as builds being done by Frontier and Charter that will reduce the number of unserved households.

The author may wish to consider an amendment to authorize the CPUC to collect an additional \$300 million for the Infrastructure Account over five years.

The author may wish to consider an amendment to establish a goal for CASF to provide broadband access to no less than 98% of households per Consortia Region.

- 8) **CASF Loan Account:** The Loan Account provides supplemental financing for projects also receiving Infrastructure Grant funding. Applicants may receive loans of up to 20% of total project cost (\$500,000 maximum). Since its inception, the Loan Account has been undersubscribed to. In 2015, the Legislature passed AB 1262 (Wood) Chapter 242, Statutes of 2015, which reallocated \$5 million from the Loan Account into the Consortia Account.

The author may wish to consider an amendment to eliminate the loan account.

- 9) **CASF Consortia Account:** The Consortia Account provides funding to eligible consortia to fund the cost of broadband deployment activities other than the capital cost of facilities. Regional consortiums serve as the umbrella organization, coordinating efforts between public, private, and community-based organizations, to increase deployment, access, and adoption of broadband. Eligible consortium may include representatives from local and regional governments, public safety, elementary and secondary education, health care, libraries, postsecondary education, community-based organizations, tourism, parks and recreation, agricultural, business, workforce organizations, and air pollution control or air quality management districts.

Regional Consortia's assist the CPUC in achieving the goals of CASF through a variety of methods including, facilitating and supporting applicants in the project development or grant application process, conducting digital literacy training to promote broadband adoption, and informing communities about available resources. Consortia's report back to the CPUC on their activities and how approved funds are being spent. However, there are concerns that the availability of such information is not readily transparent, and that some funds have been approved by CPUC for purposes outside the original intend of the Consortia Account when CASF was first established.

The author may wish to consider an amendment to authorize CPUC to collect an additional \$10 million for the Consortia Account over five years.

The author may wish to consider an amendment to subject regional consortia's to audits and provide an annual report specifying certain activities.

- 10) **CASF Adoption Account:** In addition to having broadband access, broadband adoption – the percentage of households actually using broadband in areas where it is available – is a critical component of creating greater digital inclusion and bridging the digital divide amongst every segment of our population. By removing barriers to allow individuals to access broadband, as well as increasing awareness and purpose for the use of broadband, more people will be afforded the opportunity to improve their quality of life and promote economic prosperity.

In addition, students are one of the most critical segment of our population in which increasing broadband adoptions is critical in order for them to learn the necessary skills for the future. Students without competent digital literacy are at greater risk of falling behind in academic achievement which can create digital inequalities that can evolve into future disparities in academic achievements and career success. Hence, it is critical that students today have the digital literacy that will result in greater broadband adoption amongst future populations. This bill creates a new Adoption Account within CASF.

The author may wish to consider an amendment to authorize the CPUC to collect \$20 million for the Adoption Account over five years to award grants for digital literacy training programs and public education and outreach programs to increase broadband adoption by consumers.

## 11) Suggested Amendment:

**281.** (a) The commission shall develop, implement, and administer the California Advanced Services Fund program to encourage deployment of high-quality advanced communications services to all Californians that will promote economic growth, job creation, and the substantial social benefits of advanced information and communications technologies, consistent with this section.

(b) (1) The goal of the program is, no later than December 31, ~~2023~~ 2022, to approve funding for infrastructure projects that will provide broadband access to no less than 98 percent of California ~~households~~ households in each consortia region, as identified by the commission.

(2) In approving infrastructure projects, the commission shall give priority to projects that provide last-mile broadband access to households that are unserved by an existing facilities-based broadband provider. The commission shall provide each applicant, and any party challenging an application, the opportunity to demonstrate actual levels of broadband service in the project area, which the commission shall consider in reviewing the application.

(c) The commission shall establish the following accounts within the fund:

(1) The Broadband Infrastructure Grant Account.

(2) The Rural and Urban Regional Broadband Consortia Grant Account.

~~(3) The Broadband Infrastructure Revolving Loan Account.~~

(4) The Broadband Public Housing Account.

(5) The Broadband Adoption Account.

(d) (1) The commission shall transfer the moneys received by the commission from the surcharge imposed to fund the accounts to the Controller for deposit in the California Advanced Services Fund. Moneys collected shall be deposited in the following amounts in the following accounts:

(A) Three hundred million dollars (\$300,000,000) into the Broadband Infrastructure Grant Account.

(B) Ten million dollars (\$10,000,000) into the Rural and Urban Regional Broadband Consortia Grant Account.

~~(C) into the Broadband Infrastructure Revolving Loan Account.~~

~~(D) into the Broadband Public Housing Account.~~

(C) Twenty million dollars (\$20,000,000) into the Broadband Adoption Account.

(2) All interest earned on moneys in the fund shall be deposited in the fund.

(3) The commission may collect a sum not to exceed ~~\_\_\_\_\_~~ three hundred thirty million dollars (\$330,000,000), for a sum total of moneys collected by imposing the surcharge described in paragraph (1) ~~not to exceed \_\_\_\_\_~~. The commission may collect the sum beginning with the calendar year starting on January 1, 2018, and continuing through the ~~2027~~ 2022 calendar year, in an amount not to exceed ~~\_\_\_\_\_~~ sixty-six million dollars (\$66,000,000) per year, unless the commission determines that collecting a higher amount in any year will not result in an increase in the total amount of all surcharges collected from telephone customers that year.

(e) (1) All moneys in the California Advanced Services Fund shall be available, upon appropriation by the Legislature, to the commission for the program administered by the commission pursuant to this section, including the costs incurred by the commission in developing, implementing, and administering the program and the fund.

(2) (A) The commission shall be responsible for achieving the goals of the program. The commission shall ~~recognize that broadband advanced communications services include both wireline and wireless technologies, and that both shall be eligible for award grants from the Broadband Infrastructure Grant Account on a technology-neutral basis, including both wireline and wireless technology~~ based on the objective functionality needs for the customers to be served in any specified project application.

(B) Projects eligible for grants awards shall meet all of the following requirements:

(i) The project deploys infrastructure capable of providing access at speeds of 10 megabits per second (MPS) downstream and one MPS upstream to households in census blocks where no provider offers access at speeds of 6 MPS downstream and one MPS upstream.

(ii) All or a portion of the project deploys last-mile infrastructure to provide service to households. Projects that only deploy middle-mile infrastructure are not eligible for grant funding.

(iii) The project is not receiving any federal funding, including funding from the Connect America Fund, for the deployment of the infrastructure. Grant funding awarded pursuant to this subdivision may be used, if needed, to leverage additional funding for the project.

~~(B)~~ (C) The commission shall identify priority unserved and underserved areas and delineate the priority areas in the biennial reports prepared pursuant to Section 914.7.

~~(C)~~ (D) The commission shall consult regional consortia, stakeholders, and consumers regarding priority areas and cost-effective strategies to achieve the broadband access goal through public workshops conducted at least annually no later than April 30 of each year.

(3) An individual household or property owner shall be eligible to apply for a grant to offset the costs of connecting the household or property to an existing or proposed facility-based provider. Recipients of grant pursuant to this paragraph shall be subject to the same obligations as other grant recipients.

~~(3)~~ (4) ~~Notwithstanding subdivision (b) of Section 270, an~~ An entity that is not a telephone corporation shall be eligible to apply to participate in the program administered by the

commission pursuant to this section to provide access to broadband to an unserved or underserved household, as defined in commission Decision 12-02-015, if the entity otherwise meets the eligibility requirements and complies with program requirements established by the commission. These requirements shall include all of the following:

(A) That projects under this paragraph provide last-mile broadband access to households that are unserved by an existing facilities-based broadband provider and only receive funding to provide broadband access to households that are unserved or underserved, as defined in commission Decision 12-02-015.

(B) That funding for a project providing broadband access to an underserved household shall not be approved until after any existing facilities-based provider has an opportunity to demonstrate to the commission that it will, within a reasonable timeframe, upgrade existing service. An existing facilities-based provider may, but is not required to, apply for funding under this section to make that upgrade.

(C) That the commission shall provide each applicant, and any party challenging an application, the opportunity to demonstrate actual levels of broadband service in the project area, which the commission shall consider in reviewing the application.

(D) That a local governmental agency may be eligible for an infrastructure grant only if the infrastructure project is for an unserved household or business, the commission has conducted an open application process, and no other eligible entity applied.

(E) That the commission shall establish a service list of interested parties to be notified of California Advanced Services Fund applications.

(5) Grants awarded pursuant to this subdivision may be used for both of the following:

(A) Cost directly related to the deployment of last-mile infrastructure to provide access to households and upgrades to middle-mile infrastructure necessary to facilitate access by households, consistent with clause (ii) of subparagraph (B) of paragraph (2).

(B) Cost incurred by grant recipients to lease, for a period not to exceed five years, access to property necessary for interconnection to households and reimbursement of expenses incurred by incumbent providers to accommodate connection with the grant recipients' facilities.

(6) The commission may award grants to fund all or a portion of the project.

(f) (1) Moneys in the Rural and Urban Regional Broadband Consortia Grant Account shall be available for grants to eligible consortia to fund the cost of broadband facilitate deployment activities other than the capital cost of facilities, as specified by the commission. of broadband services by assisting infrastructure applicants in the project development or grant application process. An eligible consortium may include, as specified by the commission, representatives of organizations, including, but not limited to, local and regional government, public safety, elementary and secondary education, health care, libraries, postsecondary education, community-based organizations, tourism, parks and recreation, agricultural, business, workforce organizations, and air pollution control or air quality management

districts, and is not required to have as its lead fiscal agent an entity with a certificate of public convenience and necessity.

(2) Each consortium shall conduct an annual audit of its expenditures for programs funded pursuant to this subdivision and shall submit to the commission an annual report that includes both of the following:

(A) A description of activities completed during the prior year, how each activity promotes the deployment of broadband services, and the cost associated with each activity.

(B) The number of project applications assisted.

~~(g) Moneys in the Broadband Infrastructure Revolving Loan Account shall be available to finance capital costs of broadband facilities not funded by a grant from the Broadband Infrastructure Grant Account. The commission shall periodically set interest rates on the loans based on surveys of existing financial markets.~~

(g) (1) All remaining moneys in the Broadband Infrastructure Revolving Loan Account that are unencumbered as of Jan 1, 2018, shall be transferred to the \_\_\_\_\_.

(2) All repayments of loans funded by the former Broadband infrastructure Revolving Loan Account shall be deposited into the Broadband Infrastructure Grant Account.

(h) (1) For purposes of this subdivision, the following terms have the following meanings:

(A) "Publicly subsidized" means either that the housing development receives financial assistance from the United States Department of Housing and Urban Development pursuant to an annual contribution contract or is financed with low-income housing tax credits, tax-exempt mortgage revenue bonds, general obligation bonds, or local, state, or federal loans or grants and the rents of the occupants, who are lower income households, do not exceed those prescribed by deed restrictions or regulatory agreements pursuant to the terms of the financing or financial assistance.

(B) "Publicly supported community" means a publicly subsidized multifamily housing development that is wholly owned by either of the following:

(i) A public housing agency that has been chartered by the state, or by any city or county in the state, and has been determined to be an eligible public housing agency by the United States Department of Housing and Urban Development.

(ii) An incorporated nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code (26 U.S.C. Sec. 501(c)(3)) that is exempt from taxation under Section 501(a) of that code (26 U.S.C. Sec. 501(a)), and that has received public funding to subsidize the construction or maintenance of housing occupied by residents whose annual income qualifies as "low" or "very low" income according to federal poverty guidelines.

~~(2) Notwithstanding subdivision (b) of Section 270, moneys~~ Moneys in the Broadband Public Housing Account shall be available for the commission to award grants and loans pursuant to this subdivision to an eligible publicly supported community if that entity otherwise meets

eligibility requirements and complies with program requirements established by the commission.

(3) (A) Not more than — twenty million dollars (\$20,000,000) shall be available for grants and loans to a publicly supported community to finance a project to connect a broadband network to that publicly supported community. A publicly supported community may be an eligible applicant only if the publicly supported community can verify to the commission that the publicly supported community has not denied a right of access to any broadband provider that is willing to connect a broadband network to the facility for which the grant or loan is sought and the publically supported community is unserved.

(B) (i) In its review of applications received pursuant to subparagraph (A), the commission shall award grants only to unserved housing developments.

(ii) For purposes of this subparagraph, a housing development is unserved when at least one housing unit within the housing development is not offered broadband Internet service.

(4) (A) Not more than — five million dollars (\$5,000,000) shall be available for grants and loans to a publicly supported community to support programs designed to increase adoption rates for broadband services for residents of that publicly supported community. A publicly supported community may be eligible for funding for a broadband adoption program only if the residential units in the facility to be served have access to broadband services or will have access to broadband services at the time the funding for adoption is implemented.

(B) A publicly supported community may contract with other nonprofit or public agencies to assist in implementation of a broadband adoption program.

(5) To the extent feasible, the commission shall approve projects for funding from the Broadband Public Housing Account in a manner that reflects the statewide distribution of publicly supported communities.

(6) In reviewing a project application under this subdivision, the commission shall consider the availability of other funding sources for that project, any financial contribution from the broadband service provider to the project, the availability of any other public or private broadband adoption or deployment program, including tax credits and other incentives, and whether the applicant has sought funding from, or participated in, any reasonably available program. The commission may require an applicant to provide match funding, and shall not deny funding for a project solely because the applicant is receiving funding from another source.

(7) Any moneys in the Broadband Public Housing Account that have not been awarded pursuant to this subdivision by December 31, 2020, shall be transferred back to the Broadband Infrastructure Grant Account.

(i) (1) For purposes of this section, the following definitions apply:

(A) "Disadvantaged communities" means communities identified as disadvantaged communities pursuant to Section 39711 of the Health and Safety Code.

(B) “Low-income communities” mean \_\_\_\_\_.

(2)(A) Moneys in the Broadband Adoption Account shall be available to the commission to award grants for digital literacy training programs and public education and outreach programs to increase broadband adoption by consumers. Payment pursuant to a grant shall be based on the actual verification of broadband adoption resulting from the program funded by the grant.

(B) Moneys awarded pursuant to this subdivision shall not be used to subsidize the costs of providing broadband access to households.

(3) Eligible applicants are schools, public libraries, nonprofit organizations, and community-based organizations with programs to increase broadband adoption by providing public education, outreach, or digital literacy training.

(4) The commission shall give preference to applications for programs in low-income and disadvantaged communities.

(5) The commission shall develop criteria for awarding grants and a process and methodology for verifying broadband adoption based on new subscriptions.

**912.2.** (a) The commission shall conduct ~~two~~ an interim financial ~~audits~~ audit and a final financial audit and ~~two~~ an interim performance ~~audits~~ audit and a final performance audit of the implementation and effectiveness of the California Advanced Services Fund to ensure that funds have been expended in accordance with the approved terms of the grant awards and loan agreements pursuant to Section 281. The commission shall report its interim findings to the Legislature by ~~April 1, 2011, and April 1, 2017~~ 2020. The commission shall report its final findings to the Legislature by April 1, ~~2021~~ 2023. The reports shall also include an update to the maps in the final report of the California Broadband Task Force and data on the types and numbers of jobs created as a result of the program administered by the commission pursuant to Section 281.

(b) Pursuant to Section 10231.5 of the Government Code, this section is repealed on January 1, ~~2022~~ 2027.

**914.7.** (a) By April 1, 2019, and by April 1 of each ~~odd-numbered~~ year thereafter, until April 1, ~~2029~~ 2023, the commission shall provide a report to the Legislature that includes all of the following information:

(1) The amount of funds expended from the California Advanced Services Fund in the prior ~~two calendar years and cumulatively to December 31 of the immediately preceding even-numbered calendar~~ year.

(2) The recipients of funds expended from the California Advanced Services Fund in the prior ~~two calendar years and cumulatively to December 31 of the immediately preceding even-numbered calendar~~ year.

(3) The geographic regions of the state affected by funds expended from the California Advanced Services Fund in the prior ~~two calendar years and cumulatively to December 31 of the immediately preceding even-numbered calendar year.~~

(4) The progress in achieving the goals of the program and an accounting of the remaining unserved and underserved households in each region of the state as of December 31 of the immediately preceding ~~even-numbered calendar year.~~

(b) This section is repealed on January 1, ~~2030~~ 2024, and as of that date is repealed, unless a later enacted statute that is enacted before January 1, ~~2030~~ 2024, deletes or extends that date.

12) **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. Broadband infrastructure also is vital to the operation and management of other critical infrastructure, such as energy generation systems and the power grid, water supply systems, and public safety and emergency response networks. 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 [...] 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 21<sup>st</sup> century.”

13) **Prior Legislation:** AB 1262 (Wood) of 2015 reallocates \$5 million from the CASF Loan Account to the Consortia Account. *Status: Chaptered by the Secretary of State - Chapter 242, Statutes of 2015.*

SB 1193 (Padilla) of 2008 creates CASF to fund the cost of deploying broadband Internet facilities to unserved and underserved areas of the state. *Status: Chaptered by the Secretary of State – Chapter 393, Statutes of 2008.*

## REGISTERED SUPPORT / OPPOSITION:

### Support

Access Sonoma Broadband  
 Anza Electric Cooperative, Inc.  
 AT&T (if amended)  
 Binational Center for the Development of Oaxacan Indigenous Communities  
 Boyle Heights Arts Conservatory  
 California Cable and Telecommunications Association (in concept)  
 California Foundation for Independent Living Center  
 California Partnership for the San Joaquin Valley  
 California State University, San Bernardino  
 California-Nevada Conference of Operating Engineers  
 City of Cathedral City

City of Coachella  
City of Parlier  
Coldwell Banker Borrego  
County of Riverside  
Doing What Matters for Jobs and the Economy  
El Dorado County Board of Supervisors  
First 5 Monterey County  
First 5 Fresno County  
Frontier Communications (if amended)  
Great Harvest Community Center  
Greenfield Communications, Inc.  
Harris & Associates  
High Desert Community Foundation  
Humboldt County Board of Supervisors  
Inland Congregations United for Change  
Inland Empire Economic Partnership  
Inland Empire United Way 211 San Bernardino County  
La Cuna De Aztlan Radio – KERU 88.5 FM  
Lake County Broadband Solutions  
Mixteco/Indigena Community Organizing Project  
Mono County Board of Supervisors  
National Public Lands News.com  
Newberry Springs Community Alliance  
Office of Community and Economic Development at Fresno State University  
Placer County Board of Supervisors  
Reading and Beyond  
Richard Design Associates, Inc.  
San Bernardino County Board of Supervisors  
San Diego East County Economic Development Council  
San Diego State University Imperial Valley  
Smart Riverside  
Sonoma County Economic Development Board  
Spiral Internet  
The Dahm Team Real Estate Company, Inc.  
TruConnect Communications, Inc.  
Tuolumne County Board of Supervisors  
United Ways of California  
Workforce Development Board of Madera County  
One Individual

**Opposition**

None on file.

**Analysis Prepared by:** Edmond Cheung / C. & C. / (916) 319-2637