



Rural Caucus Position Paper
Broadband Funding and Regulation
4.14.21

Catastrophic wildfires and now the pandemic have exposed the severity of California's Digital Divide as a widening chasm that adversely impacts public safety, education, healthcare, and our livelihoods.

We have relied on the U.S. telecommunications industry to meet our broadband needs, utilizing a privatized Single Provider Access network model, overseen by the California Public Utilities Commission (CPUC), whereby one major provider ends up serving a given geographic area. This model actively reduces competition in communities and comes close to creating a monopoly.

And, while the major telecommunications carriers in California continue to invest in bringing more capacity and capabilities into already highly connected densely populated areas (urban/suburban), they have minimized, if not completely ceased, investments in less populated and low-income areas (rural/inner city) because the return on investment is not as profitable.

After nearly four decades, this model has not closed the Digital Divide and will not. A new approach is required, one in which the State of California works with new federal investment and local governments to proactively close the Digital Divide as a matter of public policy.

Of immediate concern, current law authorizing funding sunsets in December 2022. There is not enough money in the coffers to cover existing projects let alone expansion. The need to extend broadband infrastructure in unserved and underserved areas is irrefutable.

There are many legislative efforts underway that would extend and increase resources to expand access to broadband. The Rural Caucus supports these five:

AB 14 (Aguiar-Curry, D-Winters) extends the ongoing surcharge for the California Advanced Services Fund (CASF), raises speed standards to the FCC minimum, expands eligibility to include

local governments and tribes, and eliminates the “Right of First Refusal” provision in current law, which effectively blocks competition.

SB 4 (Gonzalez, D- Long Beach) extends and updates how CASF is funded, requires higher speeds, and creates the Broadband Bond Financing Securitization Account to fund costs related to broadband bond financing and securities, including the deployment of infrastructure by local governments, tribes and/or nonprofits.

AB 34 (Muratsuchi, D-Torrance) would place a general obligation bond measure of up to \$10 billion on the November 2022 ballot to fund increased access to broadband services to rural, urban, suburban, and tribal unserved and underserved communities – monies that would be administered by the Department of Technology.

AB 41 (Wood, D-Santa Rosa) would update California’s “dig once” policy for CalTrans to help expedite the deployment of broadband infrastructure in unserved and underserved communities and includes a provision for more transparency on the part of providers about planned deployment.

SB 28 (Caballero, D-Salinas) would require the Department of Technology, in collaboration with other state agencies, to compile an inventory of state-owned resources that may be available for use in the deployment of broadband networks in rural, unserved, and underserved communities and collaborate on standardized agreements to enable those state-owned resources to be leased or licensed for that purpose. It would also give the CPUC and local governments the authority to review compliance by certain licensees for actual deployment and quality of service.

We are pleased to know that the authors of AB 14 and SB4 are working together. In fact, the language of all these bills is evolving, while negotiations over the state budget between the Governor and the Legislature are underway.

Here follows the Rural Caucus check list of essential elements in whatever bill(s) that emerge.

1. Extend funding.

The CPUC’s cost modeling guesstimates \$7 billion to wire all the unserved areas of the state (depending on definition of unserved). Other guesstimates are as high as \$12 billion.

- CASF is currently the sole source of funding for broadband, which sunsets in 2022. Our priority is making sure that the agreed upon service

fee/surcharge is extended and does **not** disproportionately impact rural communities.

- How much do we anticipate will flow from the Federal Government?
 - The American Rescue Plan will pump more than \$150B into California, including about \$26B with few limits on how those dollars are spent. According to the Assembly Speaker's Budget Director Jason Sisney, those monies can help fund:
 - Direct relief to families and small businesses
 - **Access to high-speed internet**
 - Climate-related programs, including wildfire prevention and drinking water.
 - President Biden's infrastructure proposal aims to deliver universal broadband, including to more than 35 percent of rural Americans who currently lack access to high-speed Internet. California will need to be competitive to secure our fair share, which may mean using state funds to leverage federal dollars. (See AB 34, the bond measure bill)
 - What monies could be carved out of the state budget?
 - The proposed budget contains two positions at the Department of Technology to continue to support the "Broadband for All" workgroup. It does not (**yet**) include a proposal for resources or policy initiatives to expand broadband access. Additional monies should be carved out the state budget, as a onetime appropriation, including a good portion of the flexible funding provided by the American Rescue Plan.
2. Define unserved and underserved to match the FCC standard of 25/3 mbps and be raised if/when that benchmark increases. The higher the minimum, the greater the eligibility.
- a. Acting FCC Chair Rosenworcel has already initiated moves to increase standards.

3. Require that deployment be future proof such that the physical infrastructure has the bandwidth to support the Governor's Executive Order speed goal of 100/20. * The emphasis remains on fiber. Even cutting-edge technology, like low orbiting satellites that still, at some point, need to connect with fiber. (Note: upload speeds are as essential as download, especially for remote learning, telemedicine, making 100/100 symmetrical a preferred objective.
4. Expedite deployment in unserved and underserved areas.
5. Require 100% connectivity as the goal. Broadband for All means broadband for all.
6. Extend eligibility to local and tribal governments and non-profits.
7. Authorize CPUC to secure local and tribal government bonds directly, without middlemen, with CASF funds.
8. Eliminate loopholes in existing legislation that allow incumbents to thwart competition, i.e., the Right of First Refusal provision.
9. Push government agencies to adopt broadband friendly policies to support cost effective deployment like streamlining local land use approvals and construction permit processes.
10. Support/encourage/provide funding for local entities to develop "Dig Once" policies for all new construction and development. so that putting in a new water main, sewer line or undergrounding power includes adding fiber for broadband as a matter of course. (See Jim Wood's bill AB 41)

Furthermore, the Rural Caucus strongly urges that any one of these bills authorize the CPUC (and/or other state agencies) and set a deadline to develop a "roadmap" for broadband deployment to conform with the State Broadband Action Plan. (See page 30 of the Action Plan as the basis for mandating that CPUC create a preferred scenario plan for broadband deployment. **)

A preliminary design and cost estimate for a statewide open access network plan is essential to define and scope the goal of Broadband for All and getting projects shovel worthy to increase California's odds of qualifying for federal dollars.

The Rural Caucus is concerned that the state is not adequately prepared to compete for the massive amount of federal dollars being proffered. We need a statewide, phased, pragmatic plan that would increase California's odds of winning our fair share. Creating such a plan needs to be mandated by the Governor's Office or by legislation. The Jim Wood bill updating the Dig

Broadband Legislation 2021

Once policy seems like the right vehicle. A starting point is the Strategic Broadband Corridors Priority map compiled by the local consortia and submitted to the California Broadband Council in December 2019.

Notes:

* Executive Order <https://www.gov.ca.gov/wp-content/uploads/2020/08/8.14.20-EO-N-73-20.pdf>

** Action Plan <https://broadbandcouncil.ca.gov/wp-content/uploads/sites/68/2020/12/BB4All-Action-Plan-Final-Draft-v26.pdf>