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The Honorable Lena Gonzalez
State Capitol, Room 2068
Sacramento, CA 95814

RE: Senate Bill 1130 (As Amended April 1, 2020) — OPPOSE

Dear Senator Gonzalez:

The CA Cable and Telecommunications Association (“CCTA”) respectfully opposes Senate Bill 1130, which would fundamentally change the California Advanced Services Fund (“CASF”) program by diverting funds intended for broadband infrastructure in rural California communities that have no Internet access to instead pay for government-owned networks in urban areas where private companies already provide service. The monthly fees all customers pay to fund the CASF program would skyrocket under this bill, and the Digital Divide would remain in rural California.

CASF Program Priority is to Connect Rural California

The CASF program is administered by the California Public Utilities Commission (“CPUC”), which awards grants to fund broadband infrastructure to provide Internet access to households that have no service or service with speeds below 6/1 Mbps. As a universal service program funded by customer surcharges, it is designed to extend service where the cost of deployment is so high that no business case exists for private investment without a public subsidy. Grants that would overbuild existing infrastructure already providing service are strictly prohibited.

AB 1665 Enhanced Direction to Get Rural California Connected First

In AB 1665 (Garcia 2017), the Legislature authorized an additional \$300 million for CASF infrastructure grants and made the following key changes to Public Utilities Code Section 281 to ensure that rural California households would get connected before CASF funds were used up to increase speeds of existing service:

- Changed the program goal to approve funding by December 31, 2022, to provide broadband access to 98% of households in *each* consortia region, not 98% *statewide*.
- Required the CPUC to give preference for connecting households that currently have *no* wireline or wireless broadband service.
- Required that grants fund projects to serve households, not just middle-mile infrastructure.

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- Enhanced transparency and challenge procedures to prevent wasting CASF funds for projects that would overbuild existing infrastructure already providing Internet access.
- Allowed award of CASF grants to increase speeds of existing service only *after* 98% of households in each consortia region have service of at least 10/1 Mbps.

SB 1130 Would Divert CASF Funds Away from Connecting Households that Lack Any Service

SB 1130 would completely upend the Legislature's direction that the CASF program fund infrastructure in areas that still lack any Internet connectivity, which is almost entirely in remote rural California. It would change the definition of "unserved" to allow CASF grants for upgrading networks that already provide service at speeds up to 25/25 Mbps, even though parts of rural California still have no service. Oddly, it would allow CASF grants to fund networks that do not serve *any* households and would even *prohibit* a grant recipient from providing service to households. It also would modify a long-standing limitation on when a local government agency is eligible for a CASF grant, overturning the Legislature's recognition that government-owned networks always require more ongoing tax or bond funding, which is nearly always unsustainable.

Monthly Surcharges Customers Pay Will Skyrocket Under SB 1130

The monthly surcharges customers pay to fund the CASF program would need huge increases if SB 1130 were enacted. The bill would massively expand what infrastructure the CASF program can fund, but it provides no alternative source of funds. In addition, the bill's many confusing, ambiguous, and contradictory provisions would create huge administrative costs for the CPUC to implement.

In summary, CCTA opposes SB 1130 because it would greatly impede, not enhance, California's ability to close the Digital Divide, especially in rural California, and would create huge new costs for consumers.

Respectfully,

Carolyn McIntyre

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