

Date of Hearing: April 27, 2022

ASSEMBLY COMMITTEE ON COMMUNICATIONS AND CONVEYANCE

Sharon Quirk-Silva, Chair

AB 2702 (Gipson) – As Amended March 24, 2022

SUBJECT: California Advanced Services Fund: Broadband Public Housing Account

SUMMARY: This bill would make various changes to the California Advanced Services Fund (CASF) Broadband Public Housing Account (PHA) including setting a goal for the account, prioritizing specified types of grants, requiring a streamlined application process, and requiring a minimum budget allocation upon appropriation by the legislature. Specifically, **this bill:**

- 1) Require the commission to prioritize PHA grants and loans that benefit publicly supported housing developments.
- 2) Clarifies that “low-income community” includes farmworker housing.
- 3) Requires the commission, upon appropriation by the legislature, to allocate at least twenty-five million dollars (\$25,000,000) each fiscal year from 2022 to 2025 for the PHA.
- 4) Adopts a goal for the PHA to provide internet connectivity to all residents of publicly supported housing developments on or before December 31, 2025.
- 5) Requires the commission to simplify and streamline the application process for the CASF.
- 6) Requires the CPUC to enable an owner of a publicly supported housing development to submit a single application to requests funds from the PHA and the CASF Broadband Adoption Account.
- 7) Requires the CPUC to also report on the progress made towards the goal of providing internet connectivity to all residents of publicly supported housing developments as part of existing reporting requirements.

EXISTING LAW:

- 1) Establishes the CASF in the State Treasury; requires that the moneys are held in trust and may only be expended pursuant to existing law and upon appropriation in the annual Budget Act or upon supplemental appropriation. (Public Utilities Code § 270)
- 2) Requires the CPUC 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 CPUC and in the CASF statute. (Public Utilities Code § 281(a))
- 3) Requires the commission to establish specified accounts within the CASF (Public Utilities Code § 281(c)):
 - a. The Broadband Infrastructure Grant Account (IGA)
 - b. The Rural and Urban Regional Consortia Grant Account (Consortia Account)

- c. The Broadband Public Housing Account (PHA)
 - d. The Broadband Adoption Account (Adoption Account)
 - e. The Federal Funding Account (FFA)
- 4) Authorizes the commission to make recommendations to the Legislature regarding appropriations from the CASF and the accounts. (Public Utilities Code § 281(d)(3))
 - 5) Authorizes the commission to collect a sum not to exceed one hundred fifty million dollars (\$150,000,000) per year. (Public Utilities Code § 281 (d)(4))
 - 6) Provides that moneys in the PHA shall be available for grants and loans to low-income communities that meet the eligibility requirements and comply with program requirements established by the commission (Public Utilities Code § 281 (i)(2))
 - 7) Provides that moneys in the PHA shall be available for grants and loans to low-income communities to finance projects to connect broadband networks that offer free broadband service for residents of the low-income communities. (Public Utilities Code § 281 (i)(3))

FISCAL EFFECT: Unknown.

COMMENTS:

- 1) *Author's statement.* According to the author, "AB 2702 seeks to ensure that all low-income residents in publicly-subsidized housing have access to and can use high-speed internet / broadband services sufficient to support distance learning, telehealth, and public safety to assist them in getting out of poverty. The digital divide disproportionately affects African Americans and Latinos, and even more so for African Americans and Latinos living in public housing. The majority of California residents in publicly-subsidized multi-unit housing complexes (owned by government housing authorities and non-profit housing organizations) are digitally-disadvantaged without 3 essential conditions to achieve Digital Equity: (1) Internet connectivity in their housing unit; (2) a computing device to meet their need; and (3) digital literacy proficiency to use the technology to save them time and money. Approximately 40% of all residential units in publicly-subsidized housing complexes are not connected today to the Internet although broadband infrastructure may exist in near proximity. And, most residents, especially students, lack a device appropriate for distance learning and telehealth. Neither the complex owners nor the residents can afford the costs of installing high-speed Internet infrastructure or the available reduced-cost service offers."
- 2) *Public Housing Account History.* Pursuant to SB 1299 (Bradford, Chapter 507, Statutes of 2013), the CPUC added a fourth account to the CASF program dedicated to broadband access and adoption in publicly supported housing communities. AB 1299 made \$20 million available in grants and loans to a publicly supported community, as defined in the statute, to finance infrastructure projects for publicly supported communities and \$5 million available in grants and loans to support programs designed to increase adoption rates in those communities. AB 1299 required the Commission to award these funds by December 31, 2016, returning unused funds to other CASF Accounts.

Subsequent legislation, SB 745 (Hueso, Chapter 745, Statutes of 2016)], extended the date of monies available to the Public Housing Account until December 31, 2020. However, SB 745 also limited PHA grants to unserved housing developments, with the term 'unserved' defined

as a housing development where at least one housing unit is not offered broadband service. This additional requirement greatly decreased the pool of eligible project locations. As a result, there was a staggering drop in applications received and approved. For example, in 2015 and 2016 the CPUC approved 349 grants but between 2017-2020 they only approved 3 grants total.

More recent changes the PHA, pursuant to SB 156 (Committee on Budget, Chapter 112, Statutes of 2021), removed previous eligibility limitations and broadened eligibility to “low-income communities”. Pursuant to SB 156 the definition of “low-income community” was revised to include publicly supported housing developments, and other housing developments or mobile home parks with low-income residents, as determined by the commission.

- 3) *Scope of the Problem.* There are more than 5,500 publicly-subsidized housing complexes in California and more than 40% of the residents have no Internet connection in their homes, according to the California Emerging Technology Fund. This problem leaves thousands of households, many of which include school-aged children, without access to reliable internet at basic speeds for school or other enrichment activities. Further, although the PHA account has existed since 2013, the CPUC has only been able to allocate about \$15 million in funding to address the problem. This bill is intended to address those problems by changing the application process and prioritizing funding for publicly supported housing communities.
- 4) *CPUC Proposed Decision on Public Housing Account Rules.* Since the passage of SB 156 the CPUC has been undertaking a public process to implement changes to the PHA, including adopting a definition of “low-income community” and other program rules. Various organizations have participated, including organizations in support of this bill. Earlier this month the CPUC released a proposed decision¹ to implement provisions of SB 156, including updated PHA rules. Some of the CPUC’s proposed rules are at odds with aspects of this bill, including the requirement for a streamlined application process and a funding prioritization for publicly supported housing.

CPUC notes that more statutory changes to the PHA, just as it is about to adopt new rules, may cause further delay in administering the program, particularly if those changes require changes to the adopted rules. In particular, the CPUC is currently planning for an application cycle to begin under new rules on January 1, 2023. That target date could potentially be pushed back if further revisions are needed to implement changes made pursuant to this bill. Nonetheless, it is the proper role of the Legislature to consider and potentially require statutory changes to the PHA as was done with SB 156, which notably is not fully implemented at this time.

- 5) *Requiring minimum program allocations may increase cost pressures on telecommunications surcharges.* The bill proposes to require the commission, upon appropriation by the legislature, to allocate at least twenty-five million dollars (\$25,000,000) each fiscal from 2022 to 2025 for the PHA. However, under SB 156 the minimum funding requirements that were previously set in statute were removed because it created budgeting

¹ CPUC Proposed Decision on Public Housing Account Rules.
<https://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=466472884>

issues related to surcharge collections. In particular, the CPUC was not collecting expected surcharge revenues because of structural issues with their collection methodology. This bill would not only reverse that policy for the PHA, but such a move may increase cost pressures on telecommunications surcharges if the CPUC is required to collect more revenue from telecommunications consumers to cover the statutory obligation.

- 6) *Requiring a single application to access PHA and Broadband Adoption funds may cause unintended consequences.* This bill would require the CPUC to “simplify and streamline” the application process for both the Broadband Public Housing Account and Adoption Account applications, by requiring the CPUC to accept a single application. However, requiring a single application for programs with two distinct purposes and program rules, aside from being potentially impractical, may have the unintended effect of causing delays in the application review process. For example, because PHA grants and Broadband Adoption grants are fundamentally for different types of activities and projects, combining what would otherwise be two separate applications might prevent the two requests from being reviewed concurrently, which adds additional time to the process. Notably, these are the reasons the CPUC is not proposing to adopt a single application for two program in their proposed decision for updated PHA rules, as was requested by some participants, including the California Emerging Technology Fund.
- 7) *Arguments in Support.* Supporters of the bill highlight the fact that residents of public housing are among the poorest and most digitally disadvantaged in the state, and therefore among the worthiest of the state’s investment in broadband connectivity projects. The California Emerging Technology Fund in their letter of support notes that state investment is needed to assist in getting all of the older public housing properties connected, many of which have structures that make it technically and economically challenging to connect them to reliable, high-speed broadband.
- 8) *Related/similar legislation.*
 - a) SB 156 (Committee on Budget and Fiscal Review. Chapter 112 of 2021) among other things, revised the eligibility for the Public Housing Account.
 - b) AB 14 (Aguiar-Curry. Chapter 658, Statutes of 2021) extended the goal of the CASF program from 2026 to 2032, and authorized the CPUC to continue imposing a surcharge to fund the program through December 31, 2032.
 - c) SB 4 (Gonzalez. Chapter 671, Statutes of 2021) increased the annual funding cap for the CASF to \$150 million and expanded projects eligible for CASF grants by revising the definition of an unserved household.
- 9) *Suggested amendments.* The following suggested amendments are substantive in nature and would strike several sections of the bill and address a drafting error.
 - a) Amendment 1: In Section 1 of the bill, strike (a)(9)(B) strike “2022” and replace with “2032” to correct an inaccurate date.
 - b) Amendment 2: In Section 1 of the bill, strike Section (b)(2)(A-C) to remove references to the California State Broadband Action Plan.

- c) Amendment 3: In Section 2 of the bill, strike the proposed Public Utilities Code Section 281(i)(7) to remove the minimum funding allocation for the PHA.
- d) Amendment 4: Strike Section 3 of the bill, proposed Public Utilities Code Section 281.3 to remove the proposed application procedures.

REGISTERED SUPPORT / OPPOSITION:

Support

California Emerging Technology Fund
California School Boards Association
Community Corporation of Santa Monica
Community Development INC
Eah Housing
Inyo County Board of Supervisors
Libby Schaaf, Mayor of Oakland
Linc Housing
Mercy Housing California
National Community Renaissance
Newstart Housing Corporation
People's Self-help Housing Corporation
Telacu Residential Management INC.
Tom Torlakson
Union Station Homeless Services
United Way of Greater Los Angeles

Opposition

None on file

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