

Senate Bill No. 1040

Passed the Senate August 25, 2010

Secretary of the Senate

Passed the Assembly August 19, 2010

Chief Clerk of the Assembly

This bill was received by the Governor this _____ day
of _____, 2010, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

An act to amend Section 281 of the Public Utilities Code, relating to telecommunications, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 1040, Padilla. Telecommunications universal service programs: California Advanced Services Fund.

The existing federal Telecommunications Act of 1996 establishes a program for the regulation of telecommunications to attain the goal of local competition, while implementing specific, predictable, and sufficient federal and state mechanisms to preserve and advance universal service, consistent with certain universal service principles. The universal service principles include the principle that consumers in all regions of the nation, including low-income consumers and those in rural, insular, and high-cost areas, should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including telephone corporations, as defined. Existing law, until January 1, 2013, establishes the California Advanced Services Fund (CASF) in the State Treasury, and requires a surcharge, which is imposed by the commission and collected through retail telecommunications customers' bills, to be deposited in that fund. Existing law prohibits the commission from collecting more than \$100,000,000 through the surcharge. Existing law requires the commission to develop, implement, and administer the CASF to provide for transfer payments 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 a specified decision of the commission. Existing law

requires the commission to conduct both a financial audit and a performance audit on the implementation and effectiveness of CASF and to report its findings to the Legislature by December 31, 2010.

This bill would extend the operation of these provisions indefinitely, and would prohibit the commission from collecting more than \$225,000,000 through the CASF surcharge pursuant to a specified schedule. The bill would establish 3 accounts within the fund and allocate a portion of the additional \$125,000,000 that the bill authorizes to be collected, to be deposited into each of the accounts, for specified uses. The bill would require the commission to conduct an interim and final financial audit and interim and final performance audit on the implementation and effectiveness of CASF and to report to the Legislature its interim findings by April 1, 2011, and its final findings by April 1, 2017. The bill would require the commission to annually provide a report to the Legislature, until January 1, 2016, relating to the CASF and containing specified information.

This bill would declare that it is to take effect immediately as an urgency statute.

The people of the State of California do enact as follows:

SECTION 1. Section 281 of the Public Utilities Code is amended to read:

281. (a) The commission shall develop, implement, and administer the California Advanced Services Fund 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, as provided in Decision 07-12-054 and Decision 09-07-020 and this section. 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.

(b) (1) All moneys collected by the surcharge authorized by the commission pursuant to Decision 07-12-054, whether collected before or after January 1, 2009, shall be transmitted to the

commission pursuant to a schedule established by the commission. The commission shall transfer the moneys received to the Controller for deposit in the California Advanced Services Fund. Moneys collected after January 1, 2011, shall be deposited in the following amounts in the following accounts:

(A) One hundred million dollars (\$100,000,000) into the Broadband Infrastructure Grant Account.

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

(C) Fifteen million dollars (\$15,000,000) into the Broadband Infrastructure Revolving Loan Account.

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

(3) The commission shall not collect moneys, by imposing the surcharge described in paragraph (1) for deposit in the fund, in an amount that exceeds one hundred million dollars (\$100,000,000) before January 1, 2011. After January 1, 2011, the commission may collect an additional sum not to exceed one hundred twenty-five million dollars (\$125,000,000), for a sum total of moneys collected by imposing the surcharge described in paragraph (1) not to exceed two hundred twenty-five million dollars (\$225,000,000). The commission may collect the additional sum beginning with the calendar year starting on January 1, 2011, and continuing through the 2015 calendar year, in an amount not to exceed twenty-five million dollars (\$25,000,000) 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.

(c) (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) Notwithstanding any other law and for the sole purpose of providing matching funds pursuant to the federal American Recovery and Reinvestment Act of 2009 (Public Law 111-5), any entity eligible for funding pursuant to that act shall be eligible to apply to participate in the program administered by the commission pursuant to this section, if that entity otherwise satisfies the

eligibility requirements under that program. Nothing in this section shall impede the ability of an incumbent local exchange carrier, as defined by subsection (h) of Section 251 of Title 47 of the United States Code, that is regulated under a rate of return regulatory structure, to recover, in rate base, California infrastructure investment not provided through federal or state grant funds for facilities that provide broadband service and California intrastate voice service.

(d) 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 deployment activities other than the capital cost of facilities, as specified by the commission. An eligible consortium may include, as specified by the commission, representatives of organizations, including, but not limited to, local and regional government, public safety, K-12 education, health care, libraries, higher education, community-based organizations, tourism, parks and recreation, agricultural, and business, and is not required to have as its lead fiscal agent an entity with a certificate of public convenience and necessity.

(e) 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.

(f) (1) The commission shall conduct an interim and final financial audit and an interim and 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 and this section. The commission shall report its interim findings to the Legislature by April 1, 2011. The commission shall report its final findings to the Legislature by April 1, 2017. 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 this section.

(2) (A) The requirement for submitting a report imposed under paragraph (1) is inoperative on January 1, 2018, pursuant to Section 10231.5 of the Government Code.

(B) A report to be submitted pursuant to paragraph (1) shall be submitted in compliance with Section 9795 of the Government Code.

(g) (1) Beginning on January 1, 2012, and annually thereafter, the commission shall provide a report to the Legislature that includes all of the following information:

(A) The amount of funds expended from the California Advanced Services Fund in the prior year.

(B) The recipients of funds expended from the California Advanced Services Fund in the prior year.

(C) The geographic regions of the state affected by funds expended from the California Advanced Services Fund in the prior year.

(D) The expected benefits to be derived from the funds expended from the California Advanced Services Fund in the prior year.

(E) Actual broadband adoption levels from the funds expended from the California Advanced Services Fund in the prior year.

(F) The amount of funds expended from the California Advanced Services Fund used to match federal funds.

(G) An update on the expenditures from California Advanced Services Fund and broadband adoption levels, and an accounting of remaining unserved and underserved areas of the state.

(2) (A) The requirement for submitting a report imposed under paragraph (1) is inoperative on January 1, 2016, pursuant to Section 10231.5 of the Government Code.

(B) A report to be submitted pursuant to paragraph (1) shall be submitted in compliance with Section 9795 of the Government Code.

SEC. 2. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

Numerous grant applications with merit have been filed seeking funding through the California Advanced Services Fund, many of these applications also seeking funding through the federal American Recovery and Reinvestment Act of 2009 (Public Law 111-5), and these grant applications threaten to exceed the existing financial limits of the fund. In order to relieve financial pressure on the fund, enable meritorious projects to go forward, and to

prevent a potential disruptive effect on the grant process, it is necessary that this act take effect immediately.

Approved _____, 2010

Governor