

**M e m o r a n d u m**

**Date:** May 6, 2015

**To:** The Commission  
(Meeting of May 7, 2015)

**From:** Lynn Sadler, Director  
Office of Governmental Affairs (OGA) – Sacramento

**Subject:** **AB 1262 (Wood) – California Advanced Services Fund: Consortia.**  
**As introduced: February 27, 2015**

**RECOMMENDED POSITION:** SUPPORT

**SUMMARY OF BILL**

AB 1262 would amend Public Utilities (PU) Code Section 281 to reallocate \$5 Million of the authorized funding for the California Advanced Services Fund (CASF) Broadband Infrastructure Revolving Loan Account (Loan Account) to the CASF Rural and Urban Regional Consortia Grant Account (Consortia Account).

**CURRENT LAW**

Public Utilities Code Section 281: CASF Program Authorization.

**AUTHOR'S PURPOSE**

The author's purpose is to help bridge the Digital Divide by encouraging broadband deployment through the Rural and Urban Regional Broadband Consortia Grant Account. Legislation is necessary to continue funding the consortia grant activities beyond 2015. Current authorized funding for the Consortia Grant Account has been fully allocated for consortia grantees during the 2012-2015 grant cycle.

**DIVISION ANALYSIS (Communications Division)**

Currently, CASF has a total authorized funding of \$315 million to be collected in surcharges through 2020. PU Code Section 281(d)(1) allocates \$15 million of the total CASF funding to the Loan Account and \$10 million to the Consortia Account. PU Code Section 281(h)(7)(A) provides \$25 million in CASF funding for the Broadband Public Housing Account by transferring \$5 million from the Loan Account and \$20 million from the Broadband Infrastructure Grant Account (Infrastructure Account). The Commission

has until December 31, 2016, to award the moneys available for Public Housing grants, and any funds left after that date shall be transferred back to the Infrastructure and Loan Accounts in proportion to the amount transferred from the respective accounts. Thus, the current funding for each CASF account is as follows:

- |  |               |
|--|---------------|
| • Broadband Infrastructure Grant Account                     | \$270 million |
| • Broadband Infrastructure Revolving Loan Account            | \$10 million  |
| • Rural and Urban Regional Broadband Consortia Grant Account | \$10 million  |
| • Broadband Public Housing Account                           | \$25 million  |

The effective result of this proposed legislation would be to reduce the net funding for the Loan Account to \$5 million given the transfer of \$5 million to the Public Housing Account as required under current law. The Loan Account has been significantly undersubscribed since its inception in 2012, when the Commission adopted guidelines for the Loan Account in Decision 12-02-015. The Commission has awarded only \$126,624 in loans to date for three infrastructure projects submitted on the February 1, 2013, application deadline. With the new rolling application process that started on December 1, 2014, nine applications have been submitted to date, all requesting infrastructure grants only.

This legislation would also increase by \$5 million (i.e., from \$10 million to \$15 million) the amount available under the Consortia Account. In contrast to the Loan Account, the Commission has awarded a total of \$9.26 million in grant funding for 16 consortia groups, with only around \$250,000 remaining in the Consortia Account for new consortia projects or grants around the state, after taking into account the administrative costs associated with the program. In 2015, 13 of the 16 consortia will have exhausted their funding and will cease to continue broadband deployment activities under the original CASF grant. Only, three consortia groups have approved CASF grant funding through June 2016.

The 16 Regional Consortia across the state have yielded several benefits that are critical to bridging the Digital Divide such as:

- Collaborating with Internet Service Providers (ISPs) to develop regional strategic plans for broadband infrastructure priority investments, aimed at increasing access to broadband;
- Promotion of increased access, utilization, outreach and adoption of broadband with non-users;
- Promotion of increased awareness and understanding among policymakers of the importance of broadband access for economic development and regional wellbeing;
- Verifying, troubleshooting and increasing the accuracy of the California Interactive Broadband Map, by way of conducting mobile and wired speed tests in their regions as well as providing feedback to update the Map;

- Creating regional initiatives to improve quality, speed, and coverage of wireless, wireline and fiber broadband infrastructure in the region.
- Implementing a regional approach to broadband issues and increasing the program's efficiency by reducing duplicative efforts. For example, one consortium encouraged a CASF applicant to combine multiple applications into one, resulting in reduction of overhead while serving more households.

To continue the sustainability of the accomplishments the consortia have achieved thus far, it is imperative for many of the regional consortia to secure future funding to carry-out their regional broadband deployment strategic plans beyond 2015.

The additional \$ 5 million allotment for the Consortia Account as proposed in the bill can be used to fund activities of current consortia grantees and/or new consortia groups to achieve Commission program goals.

If the additional funding is enacted, the Commission would conduct a solicitation for proposals to award and encumber the funds in new grants following the rules and guidelines that the Commission adopted in Decision 11-06-038. This means that the Commission would need to continue its oversight of the Consortia program area for at least another three years through 2019, and therefore would require staff to implement and administer another set of programmatic activities of the regional consortia grantees.

### **SAFETY IMPACT**

No direct safety impact. However, public safety representatives supported the extension of funding for the CASF program in 2013 (SB 730 discussed below). To the extent that consortia funding continues to support statewide deployment of ubiquitous, cost-effective broadband access that informed support of funding for CASF, this bill benefits safety by supporting the public safety community and broadband deployment that benefits public safety.

### **RELIABILITY IMPACT**

No direct impact on reliability. However, the above-mentioned expansion of CASF funding was premised on expanding broadband capacity in under and un-served areas of the state. Increased capacity can provide excess capacity and backup internet services to private suppliers, which benefits reliability.

### **RATEPAYER IMPACT**

This legislation will have no ratepayer impact since it is not increasing the total funding for the CASF program, currently at \$315 million. It is reallocating the funding between the CASF Loan Account and the Consortia Account.

## **FISCAL IMPACT**

The legislation will effectively extend the CASF Consortia Grant program area; thus, the CPUC workload associated with its implementation and oversight will continue beyond 2017. The Commission requested and received approval for limited-term Public Utilities Regulatory Analyst (PURA) IV and Staff Services Analyst (SSA) positions as a result of prior legislations (i.e., SB 1193 and SB 1040) and Budget Change Proposal for Fiscal Year 2011-12. These positions will expire on December 31, 2017. Extension of these positions would be required in order for the Commission to carry out the workload beyond 2017.

The PURA IV position is primarily responsible for implementing the CASF Consortia program area—ensuring that applications are evaluated and scored according to the requirements and scoring criteria adopted, recommending projects to be funded through the CPUC’s resolution process, representing the CPUC on CASF matters at public meetings or workshops, preparing CASF reports as required by legislation, monitoring and tracking progress of the regional consortia grantees. The SSA position spends a portion of their time on the Consortia Grant program in addition to supporting the Infrastructure and Public Housing programs. The SSA will continue to help with the necessary role of keeping track of the CASF projects and grantees, Commission mandated compliance requirements, and program revenues and expenditures.

The total yearly impact of extending the current limited term positions beyond 2017 will be approximately \$144,572.

## **ECONOMIC IMPACT**

The bill will continue regional consortia activities designed to promote broadband deployment, access, and adoption in various regions of the State. Deployment of high-quality advanced communications services to all Californians will promote economic growth, job creation, and the substantial social benefits of advanced information and communications technologies, as envisioned in PU Code Section 281.

## **LEGAL IMPACT**

None.

## **LEGISLATIVE HISTORY:**

- SB 1193, Padilla (2008)  
Amended Pub. Util. Code sec. 270  
Added sec. 281
- AB 1555, Perez (2009)  
Amended Pub. Util. Code sec. 281.

- SB 1040, Padilla (2010)  
Amended Pub. Util. Code sec. 281
- SB 740, Padilla (2013)  
Amended Pub. Util. Code sec. 281
- AB 1299, Bradford (2013)  
Amended Pub. Util. Code sec. 281

## **PROGRAM BACKGROUND**

The Commission established the CASF in Decision (D.) 07-12-054 to provide \$100 million dollars in grants for the construction of broadband facilities in unserved and underserved areas of the state. The decision required that the Commission grant awards for infrastructure projects based on a competitive application and scoring process. The decision limited eligibility for project grants to “telephone corporations” as defined by PU Code Sec. 234 and required that these entities must hold either a Certificate of Public Convenience and Necessity (CPCN) or a Wireless Identification Registration (WIR). In adopting this requirement the Commission stated, “[w]e consider the CPCN requirement necessary in order to ensure that the Commission has jurisdiction to control against waste, fraud, and abuse in the administration of our program.”

In Resolution T-17143, the Commission adopted specific application requirements, timelines, and scoring criteria for parties seeking CASF grants. The resolution confirmed that eligibility for CASF grants was limited to entities holding either a CPCN or WIR but did not rule out reconsidering the issue in future if the CASF had a surplus or if other circumstances justified reconsideration of the issue. This restriction on eligibility was subsequently reflected in statute when the Legislature codified the CASF program effective January 1, 2009. (SB 1193, Padilla). Stats. 2008; Ch.393.

In February of 2009, the federal American Investment and Recovery Act (ARRA) was signed into law. ARRA appropriated funds to establish a federal grant program administered by the National Telecommunications and Information Administration (NTIA) in the U.S. Department of Commerce, for the construction of broadband facilities. In July 2009, the Legislature enacted AB 1555 (Perez), Stats. 2009, Ch. 24., which amended PU Code Sec. 281 to give the Commission the authority to provide CASF matching grants to ARRA entities that were not telephone corporations if those entities met the requirements of the CASF program.

Subsequently, the Commission issued Resolution T-17233 in order to ensure the financial, technical and managerial competence of CASF/ARRA non-telco applicants. The Resolution imposed additional requirements on these entities, including the submission of information sufficient to conduct a thorough background check; an affidavit agreeing to comply with specific Commission rules; an agreement to allow the Commission to inspect the applicant’s accounts, books, papers and documents related

to the application and award of CASF funds; and a mandatory performance bond for the full amount of any CASF grant.

In 2010, the Legislature enacted SB 1040 (Padilla) Stats.2010, Ch.317, which authorized an additional \$125 million for the CASF program, to be allocated to three subaccounts as follows:

- \$100 Million available for infrastructure grants in the Broadband Infrastructure Grant Account;
- \$15 million available for infrastructure loans in the Broadband Infrastructure Revolving Loan Account; and
- \$10 Million available for grants to regional consortia to fund activities to facilitate broadband deployment other than the capital costs of broadband facilities in the Rural and Urban Regional Broadband Consortia Grant Account.

In June of 2011, the Commission adopted D.11-06-038 to implement the provision of SB 1040 relating to the Consortia Grant program. In Resolution T-17349 (December 2, 2011), the Commission approved Year 1 budgets and three-year budget allowances for seven regional consortia totaling \$1.7 million. Subsequently, the Commission approved an additional seven grants in Resolution T-17355 (February 16, 2012) for \$1.05 million. In 2014, the Commission approved additional funding of \$167,000 for the Gold County Consortium's Tahoe Prosperity Project in Resolution T-17440 and also approved grants to two additional consortia in [Resolution T-17445](#) for a total 2-year CASF grant of \$550,000. Grant funds will be used to promote ubiquitous broadband deployment and to advance broadband adoption in unserved and underserved areas by:

- Increasing sustainability of broadband infrastructure and projects;
- Promoting broadband deployment (availability) for residences in California;
- Promoting broadband access and adoption (knowledge of service options and ability to utilize services as well as subscription of services) for residences in California;
- Increasing the rate of broadband adoption by facilitating the impact of consumer education, outreach, and training;
- Supporting those community-based parties, especially anchor institutions, who are working to increase deployment, access, and adoption.

In February of 2012, the Commission subsequently implemented the infrastructure grant and loan accounts created by SB 1040 through D.12-12-015. It also revised the application and scoring process adopted in Resolution T-17143 and addressed a number of policy issues related to the grant and loan programs. Among those issues was whether the Commission should seek the legislative authority necessary to extend CASF grants and loans to entities other than those holding a CPCN or WIR given that ARRA funding for broadband projects had been exhausted. The decision rejected pursuing such authority for the following reasons. First, it cited reports by the staff that

non-certificated or registered entities that had applied for ARRA grants had required significant assistance from the staff to negotiate the application/grant processes. Moreover, it noted that few grants had been issued to these entities because many of these applicants had failed to obtain ARRA grants. Finally, the Commission recognized that it might not have the regulatory tools to enforce the conditions attached to grants awards made to non-certificated entities.

In October of 2012, the Commission issued R.12-10-012 to revisit the eligibility issue it had considered in D.12-05-015. The rulemaking sought comment on the Commission's proposal to change the CASF eligibility rules to permit any facilities based broadband service provider, including commercial and nonprofit entities, to apply for CASF grants and loans contingent upon obtaining the required legislative authority.

During the 2013-2014 Legislative Session, the Legislature passed [SB 740](#) to expand eligibility for CASF Infrastructure Grants/Loans. The legislation requires that the Commission give priority to last mile projects serving unserved households, that newly eligible non-CPCN/ WIR holders must provide a last mile connection to an unserved household, that the CPUC must give existing providers the opportunity to upgrade their networks in areas serving underserved households before funds are awarded to a new provider, and that local governments may apply for funds only if its project provides a connection to an unserved household or business and no other eligible entity has applied.

Additionally, during the 2013-2014 Legislative Session, the Legislature passed [AB 1299](#). AB 1299 created an additional account under the CASF called the [Broadband Public Housing Account](#) to support projects to deploy local area networks and to increase adoption rates in publicly supported housing communities. These efforts will be funded through \$20 million from the CASF Broadband Infrastructure Account and \$5 million from the Revolving Loan Account, respectively.

On February 27, 2014, the Commission approved [D.14-02-018](#) which amends the eligibility rules for the CASF Program according to the definition of eligibility in SB 740. The Decision gives the Commission the authority to enforce the terms and conditions of the grant awards and to impose penalties under PU Code §§ [2111 and 2108](#)

[Resolution T-17443](#) (approved June 26, 2014) implements new timelines for applicants to CASF, including how and when local government agencies and non-telephone corporations may apply pursuant to Senate Bill (SB) 740. The Resolution also describes how existing providers may exercise their right of first refusal as provided under SB 740. In addition, this Resolution lists areas in California that various CASF-funded regional consortia groups and state agencies have identified as [priorities](#) for broadband infrastructure deployment.

The California Advanced Services Fund (CASF) was expanded in September 2013 with the passage and subsequent signing into law by Governor Brown of [Assembly Bill \(AB\) 1299](#). AB 1299 adds a fourth account to the CASF program dedicated to broadband access and adoption in publicly supported housing communities. On December 18,

2014, the Commission approved the rules implementing the new Broadband Public Housing Account (BPHA) in D.14-12-039.

## **OTHER STATES' INFORMATION**

Other states have taken a variety of approaches outside the scope of this analysis. For example, in Wisconsin a consortium of private entities provide mapping and planning expertise after selection by the Public Service Commission through a Request for Proposals.<sup>1</sup> Yet other states formed task forces that include local representatives or technology teams.

## **SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION**

- (1) The CASF Revolving Loan Account is undersubscribed. Therefore reducing the total funding for this account is not expected to have any significant impact on CASF infrastructure project applications.
- (2) With only \$250,000 left in the Consortia Account, AB 1262 provides the additional funding needed to continue with the implementation of the Consortia program area.
- (3) Consortia have been critical to representing the local interest and identifying communities and projects in need of broadband deployment in their regions. Past CASF grants allowed Consortia to identify “priority areas” but were not enough to allow them to address those priorities. The funds allocated here will go further to close the digital divide than they would sitting in an underused loan account.

## **SUMMARY OF SUGGESTED AMENDMENTS**

No amendments to the bill are suggested at this time.

## **STATUS**

AB 1262 (Wood) awaits consideration on the Assembly Floor.

## **SUPPORT/OPPOSITION**

### Support

Anza Electric Cooperative, Inc.  
 California Center for Rural Policy at Humboldt State University  
 California State Association of Counties (CSAC)  
 California State University, San Bernardino  
 Central Coast Broadband Consortium

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<sup>1</sup> See, e.g., National Conference of State Legislatures, “State Broadband Task Forces, Commissions or Authorities and Other Broadband Resources” (Dec. 2014), <http://www.ncsl.org/research/telecommunications-and-information-technology/state-broadband-task-forces-commissions.aspx>



Central Sierra Connect Broadband Consortia  
Cities of Bishop, California City, Ridgecrest, Riverside, and Tehachapi  
Connect Capital Area Broadband Consortium  
Contra Costa Economic Partnership  
Corporation for Education Network Initiatives in California (CENIC)  
Counties of Alpine, Del Norte, El Dorado, Humboldt, Mariposa, Modoc, Mono, Nevada,  
Sacramento, Sierra, Tehama, Trinity, Tuolumne, Ventura, and Yolo  
Eastern Sierra Connect Regional Broadband Consortium  
Gold Country Broadband Consortium  
Inyo Networks, Inc.  
Kern Community College Districts  
Lake Tahoe South Shore Chamber of Commerce  
North Bay/North Coast Broadband Consortium  
North Lake Tahoe Chamber/CVB/Resort Association  
Northeastern CA Connect Consortium  
Praxis Associates, Inc.  
Riverside County Innovation Center  
Rural County Representatives of California  
San Bernardino Community College District  
San Bernardino County 211  
San Diego Imperial Regional Broadband Consortium  
San Joaquin Valley Regional Broadband Consortium  
Sierra Economic Development Corporation  
Sierra Ecosystems Associates  
SmartRiverside  
Tahoe Prosperity Center  
Town of Mammoth Lakes  
Tuolumne County Economic Development Authority  
Upstate CA Connect Consortium  
Volcano Communications Group  
West Kern Community College Districts  
Yuba Community College Districts

Opposition

None on file.

**VOTES:**

None yet.

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**BILL LANGUAGE**

AB 1262 (Wood) Telecommunications: universal service: California Advanced Services Fund. As introduced 2/27/15.

**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 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, 2015, to approve funding for infrastructure projects that will provide broadband access to no less than 98 percent of California households.

(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.

(d) (1) All moneys collected by the surcharge authorized by the commission pursuant to Decision 07-12-054 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 on and after January 1, 2011, shall be deposited in the following amounts in the following accounts:

(A) One hundred ninety million dollars (\$190,000,000) into the Broadband Infrastructure Grant Account.

(B) ~~Ten~~ *Fifteen* million dollars ~~(\$10,000,000)~~ *(\$15,000,000)* into the Rural and Urban Regional Broadband Consortia Grant Account.

(C) ~~Fifteen~~ *Ten* million dollars ~~(\$15,000,000)~~ *(\$10,000,000)* 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. On and after January 1, 2011, the commission may collect an additional sum not to exceed two hundred fifteen million dollars (\$215,000,000), for a sum total of moneys collected by imposing the surcharge described in paragraph (1) not to exceed three hundred fifteen million dollars (\$315,000,000). The commission may collect the additional sum beginning with the calendar year starting on January 1, 2011, and continuing through the 2020 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.

(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) 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.

(3) Notwithstanding subdivision (b) of Section 270, 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.

(f) 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, elementary and secondary education, health care, libraries, postsecondary 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.

(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.

(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 (16 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 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) 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.

(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) (A) To provide funding for the purposes of this subdivision, the commission shall transfer to the Broadband Public Housing Account twenty million dollars (\$20,000,000) from the Broadband Infrastructure Grant Account and five million dollars (\$5,000,000) from the Broadband Revolving Loan Account. Any moneys in the Broadband Public Housing Account that have not been awarded pursuant to this subdivision by December 31, 2016, shall be transferred back to the Broadband Infrastructure Grant Account and Broadband Infrastructure Revolving Loan Account in proportion to the amount transferred from the respective accounts.

(B) The commission shall transfer funds pursuant to subparagraph (A) only if the commission is otherwise authorized to collect funds for purposes of this section in excess of the total amount authorized pursuant to paragraph (3) of subdivision (d).

(i) (1) The commission shall 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 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, and April 1, 2017. The commission shall report its final findings to the Legislature by April 1, 2021. 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, 2022, 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.

(j) (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 households and areas of the state.

(H) The status of the California Advanced Services Fund balance and the projected amount to be collected in each year through 2020 to fund approved projects.

(2) (A) The requirement for submitting a report imposed under paragraph (1) is inoperative on January 1, 2021, 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:*

*The immediate continuation of assistance with broadband deployment is a primary purpose of the Rural and Urban Regional Broadband Consortia Grant Account. In order to ensure funding for regular broadband consortia activities, adequate funding must be made available. The Rural and Urban Regional Broadband Consortia Grant Account has been exhausted and unless moneys are made available immediately, deployment activities could cease.*