



Digital Infrastructure and Video Competition Act (DIVCA) & State Video Franchise Holder Employment

2019 ANNUAL REPORT TO THE GOVERNOR AND THE
LEGISLATURE



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I. BACKGROUND

This Report has been prepared in accordance with California Public Utilities (Pub. Util.) Code § 914.3 and § 914.4, which provide for annual reporting to the Governor and Legislature of certain information which is submitted to the California Public Utilities Commission (CPUC) by state video franchise (SVF) holders pursuant to the Digital Infrastructure and Video Competition Act (DIVCA).¹

DIVCA was signed into law in 2006, transferring responsibility for issuing cable television franchises from cities and counties to the CPUC.² DIVCA contains dual State policy goals: the promotion of video competition and the deployment of more and better broadband services. As of December 31, 2018, the CPUC had issued 56 State video franchises and 203 amendments to those franchises. Due to consolidations, mergers and business closures, there were 25 SVF holders at the end of 2018. A complete list of SVF holders is available on the CPUC website in the Video Franchising section of the Communications Division's webpage at: <https://www.cpuc.ca.gov/General.aspx?id=2134>.

DIVCA requires SVF holders to provide certain information to the CPUC by April 1 annually. The CPUC is required by § 914.3 and § 914.4 to aggregate the data received from SVF holders and report it to the Governor and the Legislature each year by December 31.

This Report provides the information required by those Sections regarding data submitted by SVF holders on April 1, 2019. The data provided by SVF holders is as of December 31, 2018, and also includes any services that they may still offer pursuant to grandfathered local franchises.

¹ See, Cal. Pub. Util. Code § 5800 et seq. All statutory references are to the Cal. Pub. Util. Code, unless otherwise noted.

² Cal. Pub. Util. Code § 5840(a).

Prior annual DIVCA reports detail the methods of analyzing video, broadband, employment data, and the background/history of DIVCA. In addition, prior annual reports contain analyses of historic data collected since DIVCA's implementation.³ This report will not repeat that information and that information can be found in the prior reports on the Video Franchising page of the CPUC website at: <https://www.cpuc.ca.gov/General.aspx?id=2241>.

II. INFORMATION REQUIRED BY PUB. UTIL. CODE § 914.3

Pub. Util. Code § 914.3 directs the CPUC to submit to the Governor and the Legislature a report that includes, based on year-end data, on an aggregate basis, the information submitted by SVF holders pursuant to subdivision (b) of § 5960.

§ 5960 (b) describes that information as follows:

(1) Broadband information:⁴

(A) The number of households to which the Holder makes broadband available in California.

(B) The number of households that subscribe to broadband that the Holder makes available in California.

(C) Whether the broadband provided by the Holder utilizes wireline-based facilities or another technology.

(2) Video information:

(A) If the Holder is a telephone corporation:⁵

³ <http://www.cpuc.ca.gov/General.aspx?id=2241>. Further, the limitations and challenges of broadband data collection and reporting are described in the California Broadband Data Processing and Validation document available at: <ftp://ftp.cpuc.ca.gov/telco/BB%20Mapping/California%20Broadband%20Validation%20Methods%20-%20Version%20FINAL.pdf>.

⁴ For a discussion of how raw broadband data submitted by SVF Holders is validated and corrected prior to its use, see Appendix C.

⁵ There are four telephone corporations in California that are SVF Holders. As used in the context of

- (i) The number of households in the Holder's telephone service area.
- (ii) The number of households in the Holder's telephone service area that are offered video service by the Holder.
- (B) If the Holder is not a telephone corporation:⁶
 - (i) The number of households in the Holder's video service area.
 - (ii) The number of households in the Holder's video service area that are offered video service by the Holder.
- (3) Low-income household information:
 - (A) The number of low-income households in the Holder's video service area.
 - (B) The number of low-income households in the Holder's video service area that are offered video service by the Holder.

When drawing conclusions from this Report, it is important to keep in mind that only services offered by SVF holders and their locally-franchised affiliates are reflected. Broadband and video services offered by cable companies who only have local franchises, and wireless and satellite Internet Service Providers (ISPs) are, by definition, excluded.

The following sections set forth the aggregated totals for information submitted by SVF holders specified in § 5960(b).

A. Broadband Information

1. Households Offered Broadband and Households Subscribing to Broadband

DIVCA, "telephone corporation" refers to SVF Holders who were Incumbent Local Exchange Companies at the time DIVCA was enacted. This includes: AT&T, Frontier (now including Verizon), Consolidated Communications, and Sierra Communications.

⁶As used in the context of DIVCA, SVF Holders that are "not a telephone corporation" refers to entities that were Incumbent cable operators at the time DIVCA was enacted and new entrants since then. There are 21 "non-telephone corporations" that are SVF holders in California. Of these 21, 15 were Incumbent cable operators at the time DIVCA was enacted and six are new entrants since that date.

Table 1 shows the number of households offered broadband and households subscribing to the broadband, and whether wireline or other technologies are being used.⁷ Wireline technologies typically include service based on cable modems deployed by Incumbent cable operators⁸ and various digital subscriber line (xDSL) technologies deployed by telephone corporations, and fiber optic technologies deployed by Incumbent cable operators, telephone corporations and new entrants. Non-wireline technologies typically consist of licensed or unlicensed point-to-point and point-to-multipoint microwave, including WiFi.

Appendix A provides a detailed analysis of urban and rural broadband deployment at various speeds for both SVF holders and all broadband providers in the State.

**Table 1
Households Offered and Subscribing to Broadband, by Technology**

Technology	Households Offered Broadband	Households Subscribing to Broadband
Wireline	12,566,024	11,152,464
Other Technologies	22,293	2,200

B. Video Information

1. Video Data from SVF holders that are Telephone Corporations

For SVF holders that are telephone corporations, Table 2 shows the aggregate

⁷The number of Households Offered Broadband shown in Table 1 may overstate the actual totals because of the data limitations discussed in Appendix C.

⁸ Cal. Pub. Util. Code § 5830 (i) defines Incumbent cable operator as a "cable operator ... serving subscribers under a franchise in a particular city, county, or city and county franchise area on January 1, 2007."

number of households in their video service areas and the number that are offered video service.⁹

Appendix B shows the number of census tracts that have video service offered by multiple SVF holders.

Table 2
Video Service Offered by Telephone Corporations

	Number of Households in Video Service Areas	Number of Households Offered Video
Households	12,469,165	8,431,891

2. Video Data for SVF holders that are not Telephone Corporations

For SVF holders that are not telephone corporations, Table 3 shows the aggregate number of households in video service areas and the number of households offered video. Note that Table 3 shows that the number of households offered video exceeds the number of households in video service areas. Because multiple SVF holders sometimes provide video service in the same census tract,¹⁰ total households offered video in a census tract sometimes exceeds the actual number of households in the census tract.

Because the data is NOT submitted at the household level, in the census tracts where more than one SVF holder offers video service, this results in double or triple

⁹ DIVCA requires AT&T to offer video service to 50% of the households in its telephone service area, and Frontier to offer video service to 40% of the households in its telephone service area. Neither incumbent cable operators nor new entrants have numeric deployment requirements.

¹⁰ Unlike broadband data, which is submitted to the CPUC at a census block level, video data is submitted to the CPUC at a census tract level.

counting the number of households offered video service. Even in those circumstances, however, there may be areas where no SVF holders offer video services.

Table 3
Video Service Offered by Non-Telephone Corporations

	Number of Households in Video Service Areas	Number of Households Offered Video
Households	12,712,846	14,543,667

C. Low-Income Households Offered Video

SVF holders also provide data to the CPUC indicating the number of low-income households in their video service areas, and the number of low-income households to which they offer video service. SVF holders determine the number of low-income households by applying the percentage of low-income households that existed in each census tract in 2007¹¹ to the total number of households in each tract at the end of 2018. Note that the household numbers shown are aggregations for all SVF holders. The total number of low-income households offered video exceeds the actual number of low-income households in the service areas because multiple SVF holders may be providing video service in the same area.

¹¹ The 2007 low-income household percentage is used in accordance with Cal. Pub. Util. Code § 5890 (j)(4), which specifies “where the average annual HH income is less than \$35K based on the US Census Bureau estimates adjusted annually to reflect rates of change and distribution through January 1, 2007.”

Table 4
Video Service Offered In Low-Income Areas

	Low-Income Households in Video Service Areas	Low-Income Households Offered Video
Households	3,904,645	6,676,828

III. EMPLOYMENT INFORMATION REQUIRED BY PUB. UTIL. CODE § 914.4

Pub. Util. Code § 5920 requires the CPUC to collect certain employment information from SVF holders employing more than 750 full-time employees in California. Pub. Util. Code § 914.4 directs the CPUC to report this information to the Assembly Committee on Utilities and Commerce and the Senate Committee on Energy, Utilities and Communications and to post the information on its website annually.¹² In this Report, we combine the broadband and video information above required by § 914.3 with the employment information required by § 914.4.

This is the seventh report on SVF holder employment data.¹³ The data in this Report are current as of December 31, 2018.

¹² Cal. Pub. Util. Code §§ 914.4, 5920.

¹³ This Report and previous DIVCA Employment Reports which were published as stand-alone documents can be found at this link on the CPUC website:
<http://www.cpuc.ca.gov/General.aspx?id=2241>.

Pursuant to Cal. Pub. Util. Code § 5920, the following information is submitted to the CPUC by the qualifying SVF holders:

- Number of California residents employed by each SVF holder on a full-time basis (see Table 5);
- Percentage of the State-issued video franchise holder's total domestic workforce that resides in California (see Section B);
- Employees categorized by occupation (see Table 6);
- Average wages and salaries (including benefits) categorized by occupation (see Table 7);
- Number of out-of-State residents employed by independent contractors, which personally provide services to the franchise holder, unless the holder is contractually prohibited from disclosing this information to the public (see Section E); and
- Forecast of the number of net new positions expected to be created during the next year (2019) (see Section F).

The following five SVF holders had more than 750 full-time employees in California and were therefore required to report employment data for 2018:

- AT&T California (AT&T)
- Frontier
- Comcast
- Charter Communications
- Cox Communications

The employees of SVF holders that are described in this Report may be involved in wireline telephone, video, and/or data services. DIVCA does not require SVF holders to categorize their employees by the type of services they work on. The data presented include employees of companies that may be providing video services through existing locally-franchised affiliates of SVF holders. The business operations for which Frontier and AT&T submitted employment data include their wireline telephone, broadband and video operations. Employees of AT&T's mobile operations were not included.

A. Number of Employees of Five Largest SVF holders

Table 5 shows that the five reporting SVF holders with more than 750 employees reported a total of 30,379 employees in California, as of December 31, 2018.

Table 5
Total Number of Employees of SVF holders

SVF holder	2018 Employees
AT&T	10,901
Frontier	3,519
Comcast	4,266
Cox	1,617
Charter	10,076
Total	30,379

B. Percentage of SVF Holders' Workforce Residing in California

Table 6
Percentage of Workforce Residing in California

SVF holder	% Workforce Residing in CA
AT&T	99.6%
Frontier	100%
Comcast	Did not provide
Cox	99.7%
Charter	Did not provide

C. Total Employees by Occupation

Table 7 categorizes the 30,379 employees who were employed by the five reporting SVF holders at the end of 2018 into eight different occupational categories. Skilled craft workers made up the largest category of workers for all the SVF holders.

Most SVF holders that are required to report employee information under DIVCA provide the CPUC with copies of their U.S Equal Opportunity Commission EEO-1 filings. The CPUC uses the same categories listed in these filings to show the statistics below. However, some similar categories have been grouped together for the purposes of this report.

Table 7
Total CA Employees by Occupation – 2018

Occupational Categories	AT&T	Frontier	Comcast	Cox	Charter	Total
Exec / Sr. Leaders	0	6	33	0	3	21
Officials / Managers	178	124	730	275	1,212	2,348
Professionals	1,026	78	446	125	610	2,488
Technicians	1,455	0	488	218	214	2,375
Sales / Associates	245	345	533	288	2,147	3,604
Office / Clerical	2,337	0	594	204	2,334	5,849
Skilled Crafts	5,660	2,966	1,359	472	3,537	14,863
Oper/Labor/Serv	0	0	83	35	19	153
Total	10,901	3,519	4,266	1,617	10,076	30,379

D. Average Wages Categorized by Occupation

Table 8
Average Wages of Occupations by SVF Holder

Occupational Categories	AT&T	Frontier	Comcast	Cox	Charter
Exec / Sr. Leaders	N/A	\$233,350	\$291,297	N/A	\$666,099
Officials / Managers	\$113,404	\$129,961	\$110,289	\$122,516	\$128,222
Professionals	\$93,190	\$72,078	\$96,741	\$98,937	\$107,167
Technicians	\$74,765	N/A	\$94,181	\$82,190	\$92,756
Sales / Associates	\$46,564	\$89,372	\$72,651	\$84,264	\$73,095
Office / Clerical	\$74,240	N/A	\$52,066	\$64,869	\$54,691
Skilled Crafts	\$85,335	\$75,066	\$69,766	\$73,307	\$62,773
Oper/Labor/Serv	N/A	N/A	\$56,604	\$51,094	\$65,766

E. Number of Out-of-State Residents Employed by Independent Contractors

None of the five companies reported out-of-State residents employed by independent contractors, companies, and consultants hired by the SVF Holder.

F. Forecasts of Job Creation

AT&T and Charter were the only two SVF holders that provided forecasts for job creation in 2019. AT&T forecasts an increase of 34 employees in 2019. Charter forecasts an increase of 936 employees in 2019.

APPENDIX A - Urban/Rural Digital Divide

Table 9, below, analyzes broadband deployment in both rural and urban areas by speed benchmarks.

The blue section of Table 9 shows broadband deployment by SVF holders only. The brown portion of the Table 9 contains broadband deployment for all Internet service providers (SVF holders plus those ISPs who do not provide video programming.) It demonstrates that ISPs, which are not video providers, play an important role in broadband deployment in rural areas and are less significant in urban areas.

- SVF holders have deployed broadband at advertised speeds **≥ 6/1 Mbps** to 50.9% of rural households compared to 97.6% of urban households.
- SVF holders have deployed broadband at advertised speeds of **≥ 25/3 Mbps** to 44.0% of rural households compared to 97.3% of urban households.
- SVF holders have deployed broadband at advertised speeds of **≥ 100 Mbps** downstream, to 36.8% of rural households compared to 97% of urban households.

Table 9

SVF Holders and Fixed Broadband Deployment Comparison

Speed Benchmarks	SVF Holders Deployment						Broadband Deployment By All Internet Service Providers					
	Urban		Rural		Statewide		Urban		Rural		Statewide	
	Households	Percentage	Households	Percentage	Households	Percentage	Households	Percentage	Households	Percentage	Households	Percentage
≥ 6/1	12,095,071	97.6%	350,242	50.9%	12,445,313	95.1%	12,161,412	98.1%	540,127	78.5%	12,701,539	97.1%
≥ 25/3	12,064,860	97.3%	302,652	44.0%	12,367,512	94.5%	12,134,279	97.9%	460,456	67.0%	12,594,735	96.3%
≥ 100 down	12,023,962	97.0%	253,193	36.8%	12,277,155	93.8%	12,092,377	97.5%	319,041	46.4%	12,411,418	94.9%

APPENDIX B - Video Providers Per Census Tract

Table 10, below, shows the number of census tracts that have video service offered by zero, one, two, three, four or five SVF holders. Multiple SVF holders offer video service in over 95% of the census tracts in the State.

Table 10

Number of SVF Holders Per Census Tract	0	1	2	3	4	5
Number of Census Tracts	39	305	6,029	1,524	158	2

APPENDIX C - Methods Used to Validate Broadband Deployment Data

The method of estimating the availability of SVF holder-provided broadband services begins with SVF holders providing data at specified granularities; by census block, for providers of fixed broadband services. This data is validated by CPUC staff using other available commercial and government data, as well as subscriber data provided by SVF holders. For example, if an SVF holder reports that it offers broadband service in a census block, but they report no customers in that block, staff consults with the SVF holder and may remove that census block from the served category if appropriate. Similarly, public feedback to the CPUC detailing where service is *not* available from a provider invalidates the availability information received from that SVF holder.

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End of DIVCA Video, Broadband and Employment Report

For the Year Ended December 31, 2018