

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 07/23)

Fiscal Year 2024-25	Business Unit Number 8660	Department California Public Utilities Commission
Hyperion Budget Request Name 8660-024-BCP-2024-GB		Relevant Program or Subprogram 6685 – Universal Telecommunications Service Programs / 6685064 California Advanced Services Fund Program

Budget Request Title

California Advanced Services Fund Local Assistance Budget Authority Augmentation

Budget Request Summary

The California Public Utilities Commission (CPUC) requests to increase the local assistance budget authority from the California Advanced Services Fund program (Fund 3141) to \$136.211 million for fiscal year 2024-25 and ongoing. Additionally, the CPUC requests budget bill language (BBL) which makes expenditure authority contingent on the CPUC collecting sufficient revenue.

Requires Legislation (submit required legislation with the BCP) <input type="checkbox"/> Trailer Bill Language <input checked="" type="checkbox"/> Budget Bill Language <input type="checkbox"/> N/A	Code Section(s) to be Added/Amended/Repealed Click or tap here to enter text.	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO Click or tap here to enter text.	Date Click or tap to enter a date.

For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), the approval date, and the total project cost.

Project No. Click or tap here to enter text. **Project Approval Document:** Click or tap here to enter text.

Approval Date: Click or tap to enter a date. **Total Project Cost:** Click or tap here to enter text.

If proposal affects another department, does other department concur with proposal? Yes No

Attach comments of affected department, signed and dated by the department director or designee.

Prepared By Robert Osborn	Date 1/4/2024	Reviewed By Ryan Dulin	Date 1/4/2024
Department Director Rachel Peterson	Date 1/4/2024	Agency Secretary Click or tap here to enter text.	Date Click or tap to enter a date.

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE Dept. of Technology

Principal Program Budget Analyst Steve Wells	Date submitted to the Legislature 1/10/2024
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A. Problem Statement

The California Public Utilities Commission (CPUC) does not have adequate local assistance budget authority for the hundreds of millions of dollars in California Advanced Services Fund (CASF) program grant applications and is limited by the baseline local assistance budget authority limit.

To meet the demand of the CASF grant applications received, the CPUC requests to increase the ongoing local assistance budget authority for the CASF program (Fund 3141), from \$72.611 million to \$136.211 million,¹ an increase of \$63.6 million for fiscal year 2024-25, with that amount continuing annually, until further revision by the CPUC.

CASF Program History

The CASF program was first adopted by the CPUC in Decision (D). 07-12-054 and enacted into statute pursuant to Chapter 393, Statutes of 2008. Public Utilities (Pub. Util.) Code section 281 authorizes the CPUC to develop, implement, and administer the CASF program to encourage the deployment of high-quality advanced broadband services to all Californians in order to promote economic growth, job creation, and societal benefits. The program has been revised via multiple bills and CPUC decisions.² Pursuant to Pub. Util. Code section 281 (b)(1)(A), the goal of the CASF program is, no later than December 31, 2032, to approve funding for infrastructure projects that will provide broadband access to no less than 98 percent of Californian households.

Currently, the CASF program consists of the following:

- Broadband Infrastructure Grant Account (Infrastructure Account)
- Line Extension Program (LEP)
- Rural and Urban Regional Broadband Consortium Grant Account (Consortia Account)
- Broadband Public Housing Account (Public Housing Account)
- Broadband Adoption Account (Adoption Account)
- Tribal Technical Assistance (TTA).³

CASF Budget Authority

Pub. Util. Code section 281, codified by Assembly Bill 14 (Stats. 2021, Ch. 685, Sec. 2, effective October 8, 2021) and Senate Bill 4 (Stats. 2021, Ch. 671, Sec. 2, effective October 8, 2021) authorized an increase in the amount to be collected per year by the CPUC to support the CASF program, from a maximum of sixty-six million dollars (\$66,000,000) to one hundred fifty million dollars (\$150,000,000). The prior surcharge mechanism was structurally deficient to allow the CPUC to collect the full \$150,000,000. However, recent structural changes to the surcharge mechanism are forecasted to lead to higher collected amounts for the CASF program to collect the full \$150,000,000. As the CPUC is now able to collect the full amount,

¹ State Operations for the CASF will remain the same (\$13.746 million), until funds are exhausted or further revised by the CPUC.

² More background and historical information about the CASF are available at: <https://www.cpuc.ca.gov/industries-and-topics/internet-and-phone/california-advanced-services-fund>.

³ In August 2020, the CPUC adopted rules for its Tribal Technical Assistance Grant Program, authorizing staff to approve applications for administrative funds grants that Tribes can use “for communications technical assistance, including but not limited to, feasibility studies, market studies, and/or business plans.” See Decision 20-08-005; the Federal Funding Account is a CASF account listed in Pub. Util. Code section 281, although not funded by the surcharge.

additional requisite budget authority is necessary to fund more CASF projects which could not be previously funded.

CASF Local Assistance

The CASF program is funded through a surcharge that collects revenues that are deposited into the CASF Fund (3141). Pursuant to Pub. Util. Code section 270, subd. (b), “moneys in the funds [CASF Fund 3141]... may only be expended... upon appropriation in the annual Budget Act or upon supplemental appropriation.” Local Assistance is an expense category specified in the annual Budget Act used by CASF to fund awards. This BCP augments the CASF program's local assistance budget authority from \$72.611 million to \$136.211 million in order to meet program demand.

CASF Demand

There is increasing demand from stakeholders for CASF projects. For example, on June 1, 2023, the CPUC received 74 infrastructure applications requesting approximately \$527 million in funding. There has also been steady growth in requests for Public Housing Account funding in recent years. Further, Decision 22-05-029 directs staff to submit a proposal for establishing eligibility, verification of eligibility, and protections for tenants of other housing developments and mobile home parks and low-income communities. Staff's proposal may expand account eligibility, which will further increase the number of applications and funding requests.⁴ Similarly, the CPUC expects increased/continued demand for other CASF accounts.

The Workload History of the CASF program charted below demonstrates the need and demand for CASF programs, and the important role they play in closing the Digital Divide in California. The subsidies provided to build and expand broadband facilities to unserved areas of the state is noted as a key priority of state elected leadership.

Workload History

(\$ in thousands)

Workload Measure	PY – 4 2018-19	PY – 3 2019-20	PY – 2 2020-21	PY-1 2021-22	PY 2022-23	CY 2023-24⁵
Infrastructure						
Applications Received	14	54 ⁶	54 ⁷	N/A ⁸	74 ⁹	74

⁴ An Assigned Commissioner's Ruling inviting comments on the Staff Proposal was issued on November 28, 2023 in Rulemaking 20-08-021.

⁵ Status as of November 29, 2023.

⁶ Number of CASF Infrastructure Applications received on May 4, 2020.

⁷ Number of Rural Digital Opportunity Fund (RDOF) “Kicker” and “Adjacent” applications received for funding (as authorized by Decision 21-01-003).

⁸ The Infrastructure Account did not have an Application Cycle during this time.

⁹ Several applications included non-contiguous projects throughout the state; while the number of Applications received was 74, the number of project areas is estimated to be close to 100.

Applications Approved ¹⁰	1	14	14	18	2	0
Total Amount Requested	\$55,409	\$533,118	\$245,832 ¹¹	N/A	\$527,955	\$527,955
Total Amount Approved	\$2,820	\$44,969	\$17,377	\$82,976	\$1,863	\$0
LEP						
Applications Received	0 ¹²	1	2	0	2	3
Applications Approved	0	1	1	1	0	2
Total Amount Requested	0	\$6	\$310	\$0	\$1,773	\$2,173 ¹³
Total Amount Approved	0	\$6	\$0	\$293	\$3	\$1,773
Consortia¹⁴						
Applications Received	10	0	4	4	15	0
Applications Approved	0	9	3	1	15	0
Total Amount Requested	\$4,187	\$0	\$1,588	\$3,600	\$10,333	\$0
Total Amount Approved	\$0	\$3,752	\$1,138	\$300	\$10,333	\$0
Applications Received	1	1	22	0	50	14

¹⁰ Due to the complexity of the applications in the Infrastructure Account, not all applications are approved in the same year.

¹¹ This figure reflects the amount requested from applications received for the Rural Digital Opportunity Fund authorized by Decision 21-01-003.

¹² The Line Extension Program did not exist during this time.

¹³ Presume additional LEP applications in the amount of \$400,000.

¹⁴ In January 2023, the CPUC approved 15 Consortia grants to serve 51 counties to advance broadband deployment (see Resolution T-17778). The CPUC is anticipating providing notice of additional application rounds for regions not currently represented by the 15 Consortia grants when ready.

Public Housing¹⁵						
Applications Approved	28 ¹⁶	1	2	0	50	1
Total Amount Requested	\$406	\$36	\$890	\$0	\$2,918	\$875
Total Amount Approved	\$1,372	\$36	\$112	\$0	\$2,918	\$22
Adoption (There were no funds available for PY 2021-22)						
Applications Received	150	81	78	0	138	96
Applications Approved	134	50	56	0	115	65
Total Amount Requested	\$13,474	\$6,806	\$6,567	\$0	\$29,593	\$15,346
Total Amount Approved	\$8,345	\$1,998	\$2,354	\$0	\$17,797	\$4,903
Tribal Technical Assistance¹⁷ (TTA program created in 2020)						
Applications Received	0	0	28	25	13	5
Applications Approved	0	0	26	25	12	0
Total Amount Requested	0	0	\$1,970	\$2,173	\$1,588	\$720

¹⁵ Low application numbers for PY-3, PY-2, and PY-1 were due to restrictions on applications based on served status language in the statute.

¹⁶ The number of approved applications included projects approved from the prior fiscal year applications.

¹⁷ Other *one-time* funding sources for Tribal technical assistance were recently made available through the National Telecommunications and Information Administration and through the SB 156 Local Agency Technical Assistance program. It is anticipated that the CPUC will receive more requests for the Tribal Technical Assistance as those programs have committed their funding.

Total Amount Approved	0	0	\$1,639	\$2,173	\$1,438	0
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B. Justification

Pursuant to Chapter 671, Statutes of 2021 (Senate Bill 4) and Chapter 658, Statutes of 2021 (Assembly Bill 14), extending the CASF program, the CPUC held a new application cycle for the Infrastructure Account on June 1, 2023. The CPUC received 74 applications requesting approximately \$527 million in funding.

In addition, application cycles for Adoption and Public Housing Accounts are due January 1 and July 1 each year. For the July 1, 2023 application cycle, the CPUC received 96 projects requesting \$15,346,089 for the Adoption Account and 14 projects requesting \$875,255 for the Public Housing Account.

The CPUC received five Tribal Technical Assistance applications requesting \$719,900 in October 2023.

The CPUC approved 15 consortia applications for \$10.3 million in January 2023. The CPUC anticipates that Tribes will apply for Tribal Technical Assistance grants in October 2023 to pursue improved communications (for example, voice and broadband) to develop market studies, feasibility studies and business plans.

The CPUC has been successful in publicizing the availability of grants and facilitating applications. Thus, there has been an increase in requests for funds. The CPUC has also instituted new grant programs, directed at particularly worthy target populations, such as the Tribal Technical Assistance program, further demonstrating the need for additional funding.

Beginning April 1, 2023, the CPUC adopted a single flat fee per access per access line, to support all public purpose programs including CASF, which applies to all telephone corporations including wireline, wireless, and Voice Over Internet Protocol (VOIP). Due to the uncertainty of the total access lines month over month and year over year, it is uncertain whether the full \$150,000,000 will manifest every year. Due to this uncertainty, the CPUC requests BBL which makes expenditure authority contingent on the CPUC collecting sufficient revenue. See proposed provisional language in Section F.

C. Departmentwide and Statewide Considerations

Pub. Util. Code sections 709 (a), (c), and (d) articulate the universal service policies governing the deployment of broadband services in California:

- To continue California's universal service commitment by assuring the continued affordability and widespread availability of high-quality telecommunication services to all Californians.
- To encourage the development and deployment of new technologies and equitable provision of services in a way that efficiently meets consumer needs and encourages the ubiquitous availability of state-of-the-art services.
- To assist in bridging the digital divide by encouraging expanded access to state-of-the-art technologies for rural, inner city, low-income, and disabled Californians.

Pub. Util. Code section 281 (a) directs the CPUC to develop, implement, and administer the CASF 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.

D. Outcomes and Accountability

With the approval of this request, the CPUC will accomplish its regulatory mission and fulfill the statutory mandate by being able to evaluate more funding requests for projects that bridge the Digital Divide.

Projected Outcomes¹⁸

(\$ in thousands)

Workload Measure	CY	BY	BY+1	BY+2	BY+3	BY+4
Infrastructure						
Applications Received ¹⁹	75 ²⁰	75	50	40	40	50 ²¹
Applications Approved	20 ²²	40	30	20	20	25
Total Amount Requested	\$550,000 ²³	\$530,000	\$450,000	\$350,000	\$300,000	\$400,000
Total Amount Approved	\$72,000 ²⁴	\$100,000	\$95,000	\$95,000	\$95,000	\$95,000
LEP						
Applications Received	2	4	4	0 ²⁵	0	0
Applications Approved	2	2	1	0	0	0
Total Amount Requested	\$600	\$500	\$300	\$0	\$0	\$0
Total Amount Approved	\$2,173	\$1,000	\$500	\$300	\$0	\$0
Consortia²⁶						
Applications Received	0	1	12	5	1	12

¹⁸ The CPUC will use the multi-year funding approach to ensure CASF grants awarded/spent is consistent with the authorized \$136.211 million local assistance amount. If approvals exceed available appropriation, the CPUC may postpone relevant application cycle(s).

¹⁹ Presume reduction in CASF applications as BEAD and FFA programs are ramped up; however, due to differences in program eligibility, not all providers will be eligible to apply for federal programs.

²⁰ Presume similar number of applications in April 2024 (74 applications received on June 1, 2023).

²¹ Presume an uptick in applications due to completion of FFA Program

²² Lag period between Applications Received and Approved.

²³ Presume same number as in application cycle for 2023 and presume that many of the current CASF applicants will not be eligible to participate in the new federally funded accounts (FFA and BEAD) due to differing eligibility requirements.

²⁴ Approximate amount of funding available for this time period; includes carry-over from previous year.

²⁵ Presume the LEP fund will be exhausted by this time period.

²⁶ The Consortia Account does not have an annual application window. Rather, application windows are typically opened when previous grants expire. A lower number of applications per year does not mean there is lower demand or need in this account. The estimated "Total Amount Requested" and "Total Amount Approved" are based on program history.

Applications Approved	0	1	11	4	1	11
Total Amount Requested	\$0	\$600	\$7,200	\$5,000	\$600	\$7,200
Total Amount Approved	\$0	\$600	\$6,600	\$4,000	\$600	\$6,600
Public Housing²⁷						
Applications Received	55	65	65	65	65	65
Applications Approved	55	65	65	65	65	65
Total Amount Requested	\$3,300	\$3,900	\$3,900	\$3,900	\$3,900	\$3,900
Total Amount Approved	\$3,300	\$3,900	\$3,900	\$3,900	\$3,900	\$3,900
Adoption²⁸						
Applications Received	140	140	140	140	140	140
Applications Approved	100	100	100	100	100	100
Total Amount Requested	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Total Amount Approved	\$20,500	\$20,500	\$20,500	\$20,500	\$20,500	\$20,500
Tribal Technical Assistance²⁹						
Applications Received	22	22	22	22	22	22
Applications Approved	21	21	21	21	21	21
Total Amount Requested	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900
Total Amount Approved	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700

E. Implementation Plan

Upon approval of this request, the CPUC will continue to monitor the fund balance and approve as many projects as possible based on the increased local assistance budget authority.

²⁷ Staff assumes an increase in number of applications and funding after new rules are released. Numbers are generally based around rounded versions of the last rounds roughly \$3 million request for 50 projects. 15 more applications per year seems a reasonable increase.

²⁸ Grant requests increased with PY 2022-23 after the Adoption Account was refunded and the funding source became more well known. Grant requests for the first round of PY 2023-24 are substantial in comparison to early funding cycles. Given the present demand for funds, assuming continued demand comparable to PY 2022-23 and a little over two-thirds approval rate.

²⁹ Amounts are averages of the Workload History Table numbers. Please see footnote #15 for additional context on TTA applications for FY 22/23.

F. Supplemental Information (If Applicable)

Proposed Provisional Language under budget item 8660-101-3141:

Use of the funds appropriated in this item shall be contingent on the department collecting sufficient revenue. The moneys available and the revenue collected in Fund 3141 must be adequate to support the total fund expenditures.

BCP Fiscal Detail Sheet

BCP Title: California Advances Services Fund Local Assistance Budget Authority Augmentation

BR Name: 8660-024-BCP-2024-GB

Budget Request Summary

Operating Expenses and Equipment

Operating Expenses and Equipment	FY24 Current Year	FY24 Budget Year	FY24 BY+1	FY24 BY+2	FY24 BY+3	FY24 BY+4
54XX - Special Items of Expense	0	63,600	63,600	63,600	63,600	63,600
Total Operating Expenses and Equipment	\$0	\$63,600	\$63,600	\$63,600	\$63,600	\$63,600

Total Budget Request

Total Budget Request	FY24 Current Year	FY24 Budget Year	FY24 BY+1	FY24 BY+2	FY24 BY+3	FY24 BY+4
Total Budget Request	\$0	\$63,600	\$63,600	\$63,600	\$63,600	\$63,600

Fund Summary

Fund Source

Fund Source	FY24 Current Year	FY24 Budget Year	FY24 BY+1	FY24 BY+2	FY24 BY+3	FY24 BY+4
Local Assistance - 3141 - California Advanced Services Fund	0	63,600	63,600	63,600	63,600	63,600
Total Local Assistance Expenditures	\$0	\$63,600	\$63,600	\$63,600	\$63,600	\$63,600
Total All Funds	\$0	\$63,600	\$63,600	\$63,600	\$63,600	\$63,600

Program Summary

Program Funding

Program Funding	FY24 Current Year	FY24 Budget Year	FY24 BY+1	FY24 BY+2	FY24 BY+3	FY24 BY+4
6685064 - California Advanced Services Fund Program	0	63,600	63,600	63,600	63,600	63,600
Total All Programs	\$0	\$63,600	\$63,600	\$63,600	\$63,600	\$63,600