Assembly Committee on Utilities and Commerce
Hearing on March 11, 2013
Bridging the Digital Divide in California:
A Foundation for a Better Way of Life

Testimony from the California Emerging Technology Fund
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- The California Emerging Technology Fund (CETF) commends Chairman Bradford and the Assembly Committee on Utilities and Commerce for organizing and convening this hearing on the topic of *Bridging the Digital Divide in California: A Foundation for a Better Way of Life*. Your leadership to close the Digital Divide with an intensified focus on ensuring broadband connectivity for publicly-subsidized affordable housing—which CETF calls "Smart Housing"—is the pivotal dynamic to ensure that more than 200,000 low-income families statewide have access to the tools to better their lives and become more self-sufficient. Absent this kind of leadership, focus and commitment, these disadvantaged Californians are at a huge risk of becoming more disadvantaged and further left behind in this Digital Age.

- CETF is a statewide non-profit organization that the California Public Utilities Commission (CPUC) ordered to be established in approving the mergers of SBC-AT&T and Verizon-MCI in 2005. AT&T and Verizon agreed to contribute $60 million in seed capital to launch CETF in the mission to close the Digital Divide in California through the deployment and adoption of broadband technology—defined as high-speed access to the Internet—including both wireline and wireless infrastructure that are interfaced with a spectrum of information technologies. CETF is technology neutral, defines "closing the Digital Divide" in terms of broadband access and use in the home, and has adopted the goal of 98% deployment and 80% adoption within a 10-year period. Attached is an overview of the performance goals and progress to date. CETF holds itself accountable for promoting policies, funding partners and programs, and facilitating actions to achieve these goals, fully recognizing that there are many factors that impact the ability to reach these goals in the target timeframe.

- CETF developed and adopted in 2007 a Strategic Action Plan that is rooted in research about "best practices" for "what works" which includes 5 Overarching Strategies which are mutually reinforcing and critical factors to leverage the $60 million in seed capital:
  1. Civic Leader Engagement
  2. Venture Philanthropy Grantmaking
  3. Public Policy Initiatives
  4. Public Awareness and Education
  5. Strategic Partnerships

- Grantmaking is a prominent part of the CETF work which has engaged a network of 13 Regional Consortia and more than 70 community-based organizations (CBOs) statewide, but the impact and success of grantmaking is magnified and reinforced by each of the other strategies. CETF grantmaking addresses 3 primary consumer communities: Rural and Remote Areas; Urban Disadvantaged Neighborhoods; and People with Disabilities. Other segments of the population who benefit greatly from broadband access—seniors, youth, unemployed, veterans, non-English speaking—are reached in the context of these primary consumer communities.

- Although the original $60 million in seed capital is a significant amount, it is not sufficient to invest in a lot of broadband infrastructure deployment. Thus, CETF has provided matching funds for the California Telehealth Network (CTN) to help drive deployment into unserved and underserved communities and has invested in Rural Regional Demand Aggregation Projects to attract private investment. The information gathered and generated through the Demand Aggregation Projects proved most valuable and timely for applications to the California Advanced Services Fund (CASF) and the American Recovery and Reinvestment Act (ARRA).

- In order to immediately engage a network of CBOs and Regional Consortia to jumpstart an energized level of activity in closing the Digital Divide, CETF "front loaded" the grantmaking process and committed more than 1/3 of the seed capital in the first two years of operation. CETF also invested in launching the *Get Connected!* Public Awareness and Education Program as a resource for all grantee partners and developing major Public Policy Initiatives such as School2Home. These early efforts provided a foundation to attract 2 ARRA grants from the National Telecommunications and Information Administration (NTIA) for 19 CBOs. The following summarizes CETF grants to date which shows an appropriate geographic distribution and diversity among consumer communities.

CETF Seed Capital Allocations and Distribution	**All CETF Grants**	**All CETF Grants + Major Programs** ***(Get Connected!* and School2Home)**	**All CETF Grants + Major Programs + NTIA Federal Grants**
Total Amount	**$24,509,596**	**$27,920,296**	**$42,270,772**
Statewide	44.7%	41.9%	29.6%
Regional	55.3%	58.1%	70.4%
Northern California (% of Regional)	49.3%	42.0%	46.8%
Southern California (% of Regional)	50.7%	58.0%	53.2%
Los Angeles County (% of Regional, Part of SC)	22.0%	31.0%	30.7%
Rural	24.9%	22.3%	18.3%
Urban	67.7%	70.9%	75.3%
People with Disabilities	7.5%	6.7%	6.4%

- CETF has a goal of leveraging the seed capital 4-fold and to date has met that objective by with more than $94 million in matching funds for CETF grants. CETF also operates efficiently with independent audits finding that 95% of all expenditures are for Program and 5% are for Support. CETF reports to the Legislature through the CPUC

- In addition to working with the network of CBOs and Regional Consortia and a diverse set of stakeholders, CETF works in collaboration with the State Administration (particularly the California Technology Agency, Department of Transportation, Department of Housing and Community Development (HCD), and other members of the California Broadband Council), Legislature and CPUC to advance strategies, programs and projects that contribute to closing the Digital Divide. CETF also works closely with the California Congressional Delegation. In 2011 CETF convened a Policymakers' Roundtable which identified several policy and program opportunities to accelerate broadband deployment and adoption by integrating information technology into all strategies to address major challenges for California. Today, the California Broadband Council, of which CETF is a member, serves as the official Administration-Legislative forum for continued promotion and oversight of public policies to accelerate broadband deployment and adoption.

- While CETF has been a catalyst for focus, action and results, it is the combination of this committed leadership that has produced significant progress in the last 5 years which is summarized on the attached charts. In 2008, California's statewide adoption rate for broadband use at home was 55%--the same as the national average. Today, at 73% adoption statewide, California is 7 percentage points ahead of the nation (at 66%) with impressive gains among priority populations:
  - Low-income households up 27 percentage points (from 33% in 2008 to 60% in 2012).
  - Latino households up 24 percentage points (from 34% in 2008 to 58% in 2012), with a significant 11 percentage point increase for Spanish-speaking residents in the last year (from 35% to 46%).
  - People with disabilities up 20 percentage points (from 36% in 2008 to 56% in 2012).

- California is now rated among the best-performing states by independent, credible source—a much different picture from 5 years ago. Government Technology Magazine 2012 Digital States Survey by the Center for Digital Government gave California an A- grade (behind Michigan and Utah). TechNet ranked California among the top 5 states (behind Washington, Massachusetts, Delaware, and Maryland) in the 2012 State Broadband Index which analyzes how states look to high-speed connectivity to grow strong economies and vibrant communities.

- While California is definitely moving in the right direction, there is still a significant challenge remaining to close the Digital Divide and meet the goals of 98% deployment and 80% adoption. CETF analysis concludes that there are at least another 225,000 households (that existed in 2007 and were unserved) in rural and remote areas to be reached with broadband access to achieve 98% deployment. In addition, broadband to tribal lands for Native Americans that want to be connected must be a priority policy objective. Further, it should be recognized that broadband infrastructure in poorer urban neighborhoods is often inferior to the quality and speeds in surrounding communities. And, at least another 880,000 households need to adopt broadband (become subscribers with home access) to reach the 80% adoption. These sobering realities underscore the importance of this hearing and the wisdom in pursuing broadband connectivity and adoption in publicly-subsidized housing for the lowest-income Californians.

- The original CETF Strategic Action Plan identified "Smart Housing" as a key Public Policy opportunity. Since 2007 CETF has taken the following action that provides a foundation for the results of this hearing and the formulation of a California Smart Housing Initiative:
  - Funded One Economy Corporation (OEC) to connect 8,871 affordable housing units to broadband and distribute 477 AT&T DSL to low-income households.
  - Worked with OEC to convene 3 regional workshops for affordable homebuilders and conducted briefings for State policymakers.
  - Promulgated a Smart Housing Policy and urged the FCC to incorporate it into the National Broadband Plan (see attached).
  - Joined with HCD in writing to the U.S. Department of Housing and Urban Development requesting federal policies and regulations to support Smart Housing (see attached).
  - Compiled and analyzed data to produce the first report on Affordable Housing Broadband Connectivity Costs Report (see attached).
  - Partnered with and funded Non-Profit Housing Association of Northern California (NPH) to develop and publish online a Smart Housing Tool Kit for affordable housing organizations.
  - Coordinated with NPH a letter of support for Smart Housing Policy from leading affordable housing developers (attached).
  - Convened a Roundtable in January 2013 to explore a renewed focus in the Los Angeles region on Smart Housing and to identify opportunities for collaboration.

- There is ample evidence that broadband empowers people and transforms lives. It means a better education, expanded job and economic opportunities, and improved health care access:
  - Better Education
    - Communicating with a child's school and teachers.
    - Navigating the Internet for homework assignments or online tutoring.
    - Accessing homework assignments and grades.
    - Locating and enrolling in continuing education classes.
    - Researching and applying for college, scholarships and financial aid.
  - Expanded Job and Economic Opportunities
    - Learning how to write a check and bank online.
    - Researching and applying for jobs.
    - Writing a resume and job application cover letter.
    - Learning about and developing a business plan.
    - Filing taxes and applying for the Earned Income Tax Credit.
  - Improved Health Care
    - Locating affordable health care services and facilities.
    - Gathering information about health and nutrition.
    - Researching information about medical diagnoses.
    - Finding and evaluating child care.
    - Obtaining information on health insurance.

- Broadband is especially empowering for residents in publicly-subsidized housing and it transforms lives in compelling ways. Consider the experience of these real people who have benefited from broadband access and information technology in affordable housing complexes:
  - Daniel lived in public housing in a community in which he witnessed his share of neighborhood violence. He volunteered to learn and teach other residents Digital Literacy skills that can be used in everyday life. With those skills and confidence gained from knowing that he can make in difference in his own life and that of others, Daniel made the African-American Honor Roll in the City of San Francisco.
  - Yanira was as a grocery delivery driver when she injured her back and couldn't work in that job any longer. With an online course she learned how to write a resume and cover letter, search for job listings, and email applications to companies—when she began she didn't even know how to send e-mails. After just a month, she started a new job in the delivery business making nearly $3 more per hour.
  - Tyre volunteered to provide technology tutoring to neighbors which helped motivate him to graduate high school and gain admission to the University of California.
  - Deborah was able to keep up with her high school homework with the benefit of broadband access and graduated with a 4.0 GPA. She searched the Internet for the right college and was able to apply online for admission and a full scholarship which she received, although could not afford to live on campus. Again she turned to the Internet to find a used car. With broadband access, she was able to chart a future that matched her talents instead of being limited in opportunities. She says that the Internet changed her life.
  - Mothers and daughters at the Los Angeles Housing Partnership are learning together how to design greeting cards in a Digital Literacy class.

- There is not a single agency with responsibility to track the number of publicly-subsidized multi-family housing units in California and determine broadband connectivity. The California Tax Credit Allocation Committee (TCAC) estimates that the current number of low-income multi-family units with low-income housing tax credits is 265,000. This is an estimate because complete data was not gathered for the early years of the TCAC programs, which began in 1987. TCAC administers both a federal and State low-income housing tax credit program.

- TCAC acknowledged in 2008 the need to provide an incentive for developers to connect their tenants to high-speed Internet access and began offering scoring points to developers that provided broadband as an amenity at no charge to tenants. TCAC provided the information below to CETF staff related to the number of units that have been connected to high-speed Internet since 2008 that received a low-income housing tax credit. Only 13% of the total number units receiving a low-income tax credit (9% awards) have been provided broadband as an amenity, pointing to the need for additional action by State policymakers.

Year	Total Low-Income Units	Units Connected to High-Speed Internet
2008	4,640	688
2009	4,840	1,471
2010	4,170	294
2011	6,026	149
TOTAL	**19,676**	**2,602**

- Given the conclusion that there are at least 225,000 households that need broadband access to achieve the 98% deployment goal and 880,000 households to subscribe to broadband at home to achieve the 80% adoption goal, CETF concludes that closing the Digital Divide in California in the foreseeable future will require additional resources and new public policies:
  - Amend, extend and augment the California Advanced Services Fund.
  - Support the position of the California Broadband Council to pursue a partnership with the FCC to implement the National Broadband Plan in California.
  - Collaborate with the FCC to reform the Universal Services Fund to design the Broadband Lifeline Program to optimize impact: allow affordable broadband rates to be implemented in partnership with intermediary organizations and CBOs that have a track record of results.
  - Promote public policies (State and federal) that integrate broadband and information technologies into solutions to address all major problems: broadband in education (CBC proposed policy); broadband in healthcare (sustain the California Telehealth Network); broadband in workforce training (digital competency integrated into all state and local workforce training); broadband in housing (integrated into all publicly-subsidized affordable housing projects); and broadband as a component of all major infrastructure projects.
  - Work with power utilities to deploy broadband to the most disadvantaged neighborhoods and institutions (publicly-subsidized housing, schools, libraries, community centers) using new energy efficiency funds (to enable and support the Smart Grid).

- This hearing is a pivotal point in time to declare the commitment of the State of California to a Smart Housing Policy to ensure that all publicly-subsidized housing will be broadband enabled and that residents will become broadband adopters. Using the TCAC data to project the number of publicly-subsidized housing units in California that need to be broadband connected, a conservative estimate is 200,000-250,000 units. Connecting these units would target about a fourth of the total household adoptions needed to reach the 80% goal.

- Fortunately, there is a "critical mass" of public housing agencies and affordable housing organizations that embrace the concept of a Smart Housing Initiative because of the benefits to their residents. They are ready and willing to be partners in such an effort and have a lot of expertise to offer if called upon to participate.

- CETF is committed to working with you to identify the essential resources and the most cost-effective approaches to launch and sustain a California Smart Housing Initiative.