

AB41: Digital Equity in Video Franchising Act of 2023

AB41, the Digital Equity in Video Franchising Act of 2023 (DEVFA) advances long overdue reforms to the 2006 California franchise law, known as DIVCA.

- DIVCA passed in 2006 with the stated goals of increasing competition, speeding deployment of new communications and broadband technologies, and providing Californians with more choices, lower prices, and better cable and broadband services.
- DIVCA has fallen short of all three aims: there is less competition than there was a decade ago, prices have remained steady or increased, and hundreds of thousands of Californians remain stranded on the wrong side of the digital divide.

DEVFA includes four critical reforms:

- Establishes an equal access requirement and strengthens anti-discrimination requirements, and provides for robust reporting and enforcement mechanisms
- Grants the Commission authority to establish service quality requirements and a mechanism for customer complaints
- Establishes a robust application and renewal process for 10-year franchises
- Ensures the Commission has the full range of authority allowed under federal law to exercise proper oversight.

AB41 DEVFA Misinformation versus Facts

<p>Misinformation: Reforming DIVCA doesn't have anything to do with broadband access.</p>	<p>Fact: According to the CPUC's required annual DIVCA reports, which rely on information provided by state video franchise (SVF) holders and other internet service providers (ISPs):</p> <p>As of 2020, 97.7% of all broadband subscriptions in the state of California are through cable companies operating under DIVCA franchises (11,330,159 of 11,596,186 broadband subscriptions.) Reforming franchise law is synonymous with reforming broadband access.</p> <p>[Source: CPUC DIVCA 2020 Annual Report to the Governor and the Legislature]</p>
<p>Misinformation: Broadband is an increasingly competitive market.</p>	<p>Fact: Competition has decreased under DIVCA.</p> <p>At the end of 2008, 80% of CA households (more than 10 million) could choose between two or more broadband providers. By the end of 2019, that number had shrunk to 65% of CA households (8.5 million).</p> <p>[Source: CPUC Annual Reports to the Governor and the Legislature, 2007 - 2020]</p>
<p>Misinformation: The cost of broadband has steadily decreased.</p>	<p>Fact: Broadband has gotten more expensive for California families under DIVCA.</p> <p>While cable broadband providers often obscure the actual price they charge customers, analysis of legally mandated Securities and Exchange Commission filings demonstrate that, accounting for inflation and changes in the consumer price index, cable companies have increased their prices by as much as 157% since 2005, even as their profit margins have reached record levels.</p> <p>[Source: Investor relations Comcast, Charter]</p>
<p>Misinformation: Franchise holders can't afford to serve every household in their service area.</p>	<p>Fact: California's largest franchise holders have reported record profits on broadband services in recent years, and at least one spent more money on stock buybacks than on infrastructure buildout.</p> <p>Comcast reported \$29.4 Billion profit on cable communications "the highest full year adjusted EBITDA on record," and \$13 Billion in stock buybacks in 2022.</p> <p>Charter reported \$21.6 Billion profit in 2022 on \$54 Billion in revenue. This includes \$11.7 Billion in stock buybacks versus just \$3 Billion <i>nationally</i> in line extensions in 2022.</p> <p>[Source: Investor relations Comcast, Charter]</p>
<p>Misinformation: Federal law preempts the kinds of reforms envisioned in DEVFA.</p>	<p>Fact: DEVFA expressly ties the CPUC's franchise authority to limits set by federal law, and merely removes DIVCA's arbitrary prohibitions on the CPUC's ability to conduct proper oversight, protect California families and businesses, and ensure appropriate use of valuable public assets like public rights of way.</p>