

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

**Date:** May 9, 2008

**To:** The Commission  
(Meeting of May 15, 2008)

**From:** Pamela Loomis, Deputy Director  
Office of Governmental Affairs (OGA) — Sacramento

**Subject:** **SB 1437 (Padilla) - Education technology: California Virtual Campus.**  
**As amended April 22, 2008**

**LEGISLATIVE SUBCOMMITTEE RECOMMENDATION: SUPPORT**

**SUMMARY OF BILL:**

- Section 1 of the bill would establish a “California Virtual Campus” program at the community college level for online learning and directs the Board of Governors of the California Community Colleges (CCC) February 28, 2009, to require the California Virtual Campus to establish memorandums of understanding with at least 10 community-based organizations (CBOs) serving low-income residents to provide high-speed network connectivity with the CBOs and access to online studies for the residents (10 pilot projects).

On or before July 1, 2013, the board would have to submit a report to the California Public Utilities Commission (Commission) or its designee on the success of these joint efforts and whether they met certain criteria. If the Commission (or its designee) determines on or before January 1, 2014, that the 10 pilot projects have not successfully met the criteria, then Section 2 (which makes CCCs eligible for California Teleconnect Fund (CTF) discounts) shall be repealed on January 1, 2014.

- Section 2 of this bill, which adds new Public Utilities Code Section (PU Code) 280.1, would add the California Community Colleges (CCC) as qualifying schools for purposes of determining eligibility for the 50 percent discounts on telecommunications services funded by the CTF program (PU Code 280.1).
- However Section 2 states that new PU Code 280.1 shall only be implemented upon a finding by the Commission “*that barriers to participation in the California Teleconnect Fund discounts for community-based organizations have been removed.*” This language is

undoubtedly a reference to the fact that service providers have refused to honor the CTF discount for digital subscriber line (DSL) and other advanced communication services (Internet services), arguing that they are interstate information services not subject to this Commission's regulatory authority.

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

- The question of whether to add the California community colleges as entities eligible for discounts under the CTF program is currently pending before the Commission in the OIR on Public Policy Programs (Rulemaking 06-05-028). Therefore the Commission may not want to take a position on this bill at this time.
- However, should the Commission wish to take a position on this bill, the staff recommends that the Commission support adding community colleges to the CTF program as this would advance the state's universal service and broadband deployment goals.
- The Chancellor's Office states that 30% of the community college students are low income. Both the Legislature and this Commission have found that an important state goal is to ensure that low income citizens benefit from advanced communications services. Also under this bill, the community colleges would provide access to advanced communications to non-student residents in their communities.
- Furthermore, the Governor's Broadband Taskforce Report also recommended that the CCCs be eligible for CTF discounts.

### **SUMMARY OF SUGGESTED AMENDMENTS:**

None.

### **DIVISION ANALYSIS (Communications Division):**

- The Chancellor's Office estimates the cost of including the 109 CCCs in the CTF to be approximately \$7.2 million a year, which is 50% of the CCCs' total annual telecommunications costs of \$14.5 million<sup>1</sup>.
- The Communications Division reviews and approves applications for discounts under the CTF. The CD also processes and approves funding claims and disburses funding.
- The Communications Division also monitors the CTF funding needs and recommends changes to the surcharge as necessary by preparing an analysis and resolution for Commission consideration.

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<sup>1</sup> Amount provided by the California Community Colleges Chancellor's Office.

- The new personnel years in expanded work duties which would be created if this bill were enacted are:
  - 0.25 Accounting Technician (CTF claims processing)
  - 0.25 PURA III (CTF claims processing)
  - 0.25 PURA V (Implement changes/analyze applications/review program)
  - 0.25 Program and Project Supervisor (Supervise initial phase of implementation)
  - Program Manager (Manage initial phase of implementation)
  - Program Technician
  
- For Fiscal Year (FY) 2007-2008, the CTF budget is \$25.057 million and the surcharge is .13%. For FY 2008-2009, the CTF budget is \$32.202 million, which is 0.28515% increase from FY 07-08 budget. On April 24, 2008, the surcharge was lowered to .079%, effective June 1, 2008. If this bill were enacted, the surcharge may have to be increased, but not until the 2009-2010 budget year.

#### **PROGRAM BACKGROUND:**

- In CPUC Decision No. 96-10-066, issued on October 25, 1996 in compliance with Assembly Bill 3643, (Polanco), Chapter 278, Statutes of 1994, the Commission established the California Teleconnect Fund (CTF) to provide discounts on selected telecommunications services to qualified entities. An All End User Surcharge applied to customers' intrastate-billed services funds the program. The surcharge appears on customers' monthly telephone bills as a percentage applied to the intrastate-billed services. The surcharge is updated as need in order to ensure there is adequate funding for the discounts received by the participants.
  
- D. 96-10-10-066 identified the entities qualified to participate in the program as follows:
  - All public school grades K-12 that do not have endowments over \$50 Million
  - Private schools grades K-12 that do not have endowments over \$150 Million
  - Libraries eligible to participate in state-based plans for funds under Title III of the Library Services and Technology Act Libraries
  - Municipal, county or hospital district owned and operated hospitals and health clinics
  - Non-profit community based organizations providing health care, job placement, job training or educational instruction (participant must be IRS tax-exempt under a Internal Code Section 501(c)3 or 501(d) and must have Form 990 unless exempt – making less than \$25,000 annually or tax exempt status letter states that participant is not required to file Form 990)
  
- When the CTF program was first implemented, the discount amount and the types and quantities of eligible services varied according to the category of participating entity. However, several sections were added to PU Code to expand the organizations eligible for CTF funding since then.

- Senate Bill 1863 (Bowen), Chapter 308, Statutes of 2002, added Section 884 of the PU Code. Section 884(a) states: "...that any program administered by the Commission addressing the inequality of access to advanced telecommunications services by providing those services to schools and libraries at a discounted price should also provide comparable discounts to a nonprofit community technology program."
- Section 884(b), was also added to the code and defines community technology program as: "...a community-based nonprofit organization that is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and engages in diffusing technology into local communities and training local communities that have no access or have limited access to the Internet and other technologies."
- On May 8, 2003 as a result of SB 1863, the Commission issued Resolution T-16742. The resolution expanded the list of services available to hospital, health clinics and CBOs to match that available to schools and libraries and added hospital district owned hospitals and health clinics to the list of eligible entities. The table below illustrates that all eligible entities now receive 50% CTF discount.

Qualifying entity	Eligible Services	CTF Discount
School, library, Municipal, County Government or Hospital District Owned and Operated Hospital and Health Clinic, Community Based Organization	All Measured Business Service lines Switched 56 lines ISDN DSL T-1 DSL T-1 DS-3 and up and Including OC 192 services or their functional equivalents.	50%

- The 50% CTF discount applies only to the monthly cost of service line indicated above.
- PU Code Section 270 created, among other public purpose programs fund in the State Treasury, the CTF AC Fund. PU Code Section 280(b) created the CTF AC, which is an advisory board to advise the Commission regarding the development, implementation, and administration of a program to advance universal service by providing discounted rates to qualifying schools, libraries, hospitals, health clinics, and community organizations.
- FY 08-09 CTF Budget is \$33,202,000 Million and the cap is currently set at \$55 Million.
- This issue is pending before the Commission in the OIR on Public Policy Programs (Rulemaking 06-05-028).

**LEGISLATIVE HISTORY:**

**FISCAL IMPACT:**

Fiscal impact to the CTF would be approximately \$7.2 million. The current CPUC personnel can probably absorb the additional work duties created by the bill.

**STATUS:**

SB 1437 is currently on the Assembly Appropriations Committee suspense file (April 28, 2008; Vote: 14-1).

**SUPPORT/OPPOSITION:**

Support: TechNet

Opposition: None on file.

**STAFF CONTACTS:**

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**Date:** May 9, 2008

**BILL LANGUAGE:**

BILL NUMBER: SB 1437 AMENDED  
BILL TEXT

AMENDED IN SENATE APRIL 22, 2008  
AMENDED IN SENATE MARCH 24, 2008

INTRODUCED BY Senator Padilla  
( Coauthors: Senators  
Romero, Simitian, and Torlakson )

FEBRUARY 21, 2008

An act to add and repeal Article 2 (commencing with Section 78910.10) of Chapter 7 of Part 48 of Division 7 of Title 3 of the Education Code, and to add and repeal Section 280.1 of the Public Utilities Code, relating to education technology.

## LEGISLATIVE COUNSEL'S DIGEST

SB 1437, as amended, Padilla. Education ~~technology.~~  
*technology: California Virtual Campus.*

(1) Existing law establishes the California Community Colleges, under the administration of the Board of Governors of the California Community Colleges, as one of the segments of public postsecondary education in this state. Existing law establishes various programs for the purpose of enhancing and implementing education technology to community college districts.

This bill would, pursuant to funding provided to the Board of Governors of the California Community Colleges, recognize the California Virtual Campus for specified purposes relating to education technology. The bill would require the California Virtual Campus ~~, in partnership with the K-12 High Speed Network,~~ to facilitate ongoing collaboration and joint efforts with other educational entities and community-based organizations. The bill would require the California Virtual Campus grant recipients to accomplish specified objectives relating to online education. The bill would require the board of governors, ~~on or before January 31~~ *by February 28*, 2009, to require the California Virtual Campus to establish a memorandum of understanding with at least 10 community-based organizations, *as specified*, that provide residents in low-income neighborhoods with access to high-speed networking and computers. *The bill would require that the 10 community-based organizations be selected by a 6-member committee convened by the California Virtual Campus. The bill would require the California Virtual Campus to ensure that pilot program participants have access to adequate technical and operational support.* The bill would require, on or before July 1, 2013, the board to contract for an independent evaluation of, and submit a report, to the Public Utilities Commission on the achievements of the California Virtual Campus' joint efforts with community-based organizations. *The*

*bill would bind the University of California only to the extent that the Regents of the University of California, by resolution, make it binding.* The bill would repeal these provisions of law on January 1, 2014.

(2) Existing law requires the Public Utilities Commission to develop, implement, and administer a program to advance universal service by providing discounted rates to qualifying schools, as specified. Existing law creates the California Teleconnect Fund Administrative Committee to advise the commission regarding the development, implementation, and administration of the program. Revenues collected by telephone corporations in rates authorized by the commission fund the program and are deposited in the California Teleconnect Fund Administrative Committee Fund.

This bill would include the California Community Colleges as qualifying schools ~~district~~ for purposes of determining eligibility for the California Teleconnect Fund program. The bill would repeal these provisions on January 1, 2014, in the event that the Public Utilities Commission determines , on or before January 1, 2014, that the 10 pilot projects established under (1) have not successfully met specified requirements.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Article 2 (commencing with Section 78910.10) is added to Chapter 7 of Part 48 of Division 7 of Title 3 of the Education Code, to read:

Article 2. California Virtual Campus

78910.10. (a) (1) The California Virtual Campus, pursuant to funding provided to the Board of Governors of the California Community Colleges in the annual Budget Act, is hereby recognized and shall have all of the following purposes:

(A) To enrich formal and informal educational experiences and improve students' academic performance by supporting the development of highly engaging, research-based innovations in teaching and learning in K-12 public schools and the California Community Colleges, the California State University, and the University of California.

(B) To enhance the awareness of, and access to, highly engaging online courses of study, emphasizing courses of study that support a diverse and highly skilled science, technology, engineering, and mathematics workforce.

(C) To support education research, the implementation of research-based practices, and promote economic development through the use of next generation advanced network infrastructure, services, and network technologies that enable collaboration and resource sharing between formal and informal educators in K-12 public schools, the California Community Colleges, the California State University, the University of California, independent colleges and universities, public libraries, and community-based organizations at locations across the state.

(D) To increase access to next generation Internet services, 21st

century workforce development programs, and e-government services for students and staff served or employed by education entities and students served primarily online through partnerships with public libraries and community-based organizations.

(E) To enhance access to health care education and training programs to current or future health care workers.

(F) To manage digital assets and develop contracts for services necessary to provide the technical and management support needed to maximize the benefits of the high-speed, high-bandwidth network infrastructure available to public *higher* education entities in California.

(G) Through the aggregation of demand for network enabled technologies and related services from public education entities, and through partnerships with the private sector, to provide education entities with access to technical support and staff who can facilitate statewide efforts that support innovations in teaching and learning that are necessary to provide for a ~~well-educated~~ *well-educated* citizenry, and economic and 21st century workforce development.

(2) To accomplish the purposes of paragraph (1), the California ~~Virtual Campus, in partnership with the K-12 High Speed Network established pursuant to Chapter 19 (commencing with Section 11800), shall facilitate ongoing collaboration and joint efforts~~

*Virtual Campus shall facilitate ongoing collaboration and joint efforts* ~~between~~ among local educational agencies, the California Community Colleges, the California State University, the University of California, independent colleges and universities, public libraries, and community-based organizations relating to the use of technology resources and high-speed Internet connectivity to support teaching, learning, workforce development, and research.

(b) For purposes of this article, the following terms have the following meanings:

(1) "Online courses of study" means any of the following:

(A) Online teaching, learning, and research resources, including, but not necessarily limited to, books, course materials, video materials, interactive lessons, tests, or software, the copyrights of which have expired, or have been released with an intellectual property license that permits their free use or repurposing by others without the permission of the original authors or creators of the learning materials or resources.

(B) Professional development opportunities for formal and informal educators who desire to use the resources in subparagraph (A).

(C) Online instruction.

(2) "Online instruction" means technology enabled online real time (synchronous) interaction between the instructor and the student, near time (asynchronous) interaction between the instructor and the student, or any combination thereof.

(c) The California Virtual Campus grant recipient shall accomplish all of the following:

(1) Convene at least four meetings annually with representatives ~~from the Department of Education, the K-12 High Speed Network,~~ *from the State Department of Education and related programs administered through the department, local education agencies, the California Community Colleges, the California State University, the University of California, independent colleges and universities, the California State Librarian*



Library , and representatives from community-based organizations to coordinate and obtain assistance with the implementation of efforts delineated in this article, to identify and maintain an up-to-date list of the technology resources and tools that are necessary to support innovation in teaching and learning, and to identify opportunities for leveraging resources and expertise for meeting ~~such~~ those needs in an efficient and cost-effective manner.

(2) Lead efforts to make online courses of study available across the state that include, but are not limited to, the following:

(A) Developing online courses of study that are pedagogically sound and fully accessible, in compliance with the federal Americans with Disabilities Act (Public Law 101-336), by students with varying learning styles and disabilities.

(B) Overseeing the development of at least 12 model online courses of study that, collectively, would allow students to meet the requirements of the Intersegmental General Education Transfer Curriculum (IGETC) and at least two courses that support basic skills education courses in English, English as a second language, or mathematics.

(C) Ensuring that courses of study or any portion thereof that are funded by the state are freely accessible to the entities listed in paragraph (1). The California Virtual Campus may allow courses of study funded by the state to be accessible to the general public if it determines that access would not inhibit its ability to provide appropriate protection of the state's intellectual property rights.

(3) Ensure that the learning objects created as part of the California Virtual Campus online courses of study with state General Fund revenues are linked to digital content libraries that serve as a single point of contact for information about course content freely available to California educators and students.

(4) Develop formal partnership agreements between the entities listed in paragraph (1) and the California Virtual Campus, including course articulation agreements ~~which~~ that allow qualified high school students to accelerate the completion of requirements for a high school diploma and a two-year or four-year degree, agreements that allow students' transcripts to be aggregated and accessed through the California Virtual Campus, and agreements that provide opportunities for part-time faculty teaching online to obtain full-time employment teaching online.

(5) Develop formal partnership agreements with the entities listed in paragraph (1) and others to enhance access to professional development courses that introduce faculty, teachers, staff, and college course developers to the conceptual development, creation, and production methodologies that underlie the development of online courses of study and support students' successful completion of ~~the course~~ those courses . The professional development opportunities shall include, but not necessarily be limited to, all of the following:

(A) Addressing issues relating to copyright, permission for the use or reuse of material, use of resources in the public domain, and other intellectual property concepts.

(B) Accessibility for students with disabilities.

(C) Factors to ensure that content is culturally relevant to a diverse student body.

(D) Delivery options that incorporate multiple learning styles and strategies.

(6) Develop formal partnership agreements with entities, including , *but not limited to*, those listed in paragraph (1), to ensure access to online professional learning communities that incorporate the use of Internet-based collaboration tools and to support joint discussions between K-12 educators, higher education faculty and staff, and others to examine student performance data, student learning objectives, curriculum, and other issues that relate to students' academic success and preparation for the workforce.

(7) In partnership with entities, including those listed in paragraph (1), develop an e-portfolio system that allows enrolled students to demonstrate their attainment of academic learning objectives, skills and knowledge that relate to their career interests, and completion of prerequisites for enrollment in courses or training programs. The e-portfolio system shall do all of the following:

(A) Ensure that student privacy is protected in accordance with existing law.

(B) Comply with accessibility laws for students with disabilities.

(C) Be designed in a manner that supports the use of e-portfolio content in the accreditation requirements of schools, colleges, and universities.

(8) In partnership with entities, including those listed in paragraph (1), identify opportunities to enhance students' access to medical education and medical services through the use of high-speed Internet connections to the campuses, and opportunities for education programs and services to support the telemedicine efforts taking place within the state.

(d) The board shall contract with an independent third party with expertise in online teaching, learning, and the development of online courses of study to evaluate the California Virtual Campus. The evaluation shall include, but not be limited to, an assessment of the number of faculty, teachers, consortia, informal educators, and students that use the online courses of study, the quality of students' experiences, student grades earned, and the cost of the online course content, comparing the online course content with traditional textbooks. The board may require additional information that it determines to be necessary to evaluate the effectiveness and viability of the California Virtual Campus. This evaluation shall be submitted to the Legislature no later than three years after funding has been provided to enable the California Virtual Campus to develop and promote the availability of the online courses of study.

78910.15. (a) By ~~January 31~~ February 28

, 2009, the board shall require the California Virtual Campus to establish memorandums of understanding with at least 10 community-based organizations *specified in paragraph (2) of subdivision (c) of Section 280.5 of the Public Utilities Code*, that provide residents in low-income neighborhoods with access to high-speed networking and computers. The memorandum of understanding shall document the California Virtual Campus' commitment to do all of the following:

(1) Provide high-speed network connectivity to the site.

(2) Provide access to online courses of study and tutoring services.

(3) Work with the community-based organization and local educational agencies to plan and promote joint educational offerings that are delivered online and supported by the staff of a

community-based organization that can facilitate student use of technology.

(b) *The 10 community-based organizations shall be selected on a competitive basis by a six-member selection committee convened by the California Virtual Campus. Members of the selection committee shall include:*

(1) *Two representatives of community-based organizations appointed by the Chancellor of the California Community Colleges.*

(2) *One community college representative appointed by the Chancellor of the California Community Colleges.*

(3) *One representative from a K-12 school district appointed by the Superintendent of Public Instruction.*

(4) *One representative from the California State University appointed by the Chancellor of the California State University system.*

(5) *One representative appointed by the California Emerging Technologies Fund Committee.*

(c) *The selection committee convened pursuant to subdivision (b) shall ensure that no less than one community-based organization is selected from each of the nine economic regions identified by the California Economic Strategy Panel, and that all sites are willing and able to support academic offerings as outlined in the request for proposals.*

(d) *The California Virtual Campus shall ensure that pilot project participants have access to adequate technical and operational support from an individual or entity under contract with the California Virtual Campus with expertise in the operation and management of community-based organizations to enable the site to successfully meet obligations set forth in the memorandum of understanding.*

~~(b)~~

(e) *On or before July 1, 2013, the board shall contract for an independent evaluation and shall submit a report to the Public Utilities Commission ~~or its designee~~, or its designee, that documents the extent to which the California Virtual Campus' joint efforts with the 10 community-based organizations have achieved all of the following:*

(1) *Increased the range of offerings available at each site to address the digital divide in accordance with subdivision (e) of Section 280.5 of the Public Utilities Code.*

(2) *Provided for equity of access to high-speed communications networks, the Internet, and other services that provide social benefits in accordance with the legislative findings and declarations contained in Section 871.7 of the Public Utilities Code, including, but not necessarily limited to, all of the following:*

(A) *Improving the quality of life among the residents of California.*

(B) *Expanding access to public and private resources for education, training, and commerce.*

(C) *Increasing access to public resources enhancing public health and safety.*

(D) *Assisting in bridging the ~~"digital divide"~~ digital divide through expanded access to new technologies by low-income, disabled, or otherwise disadvantaged Californians.*

(E) *Shifting traffic patterns by enabling telecommuting, thereby helping to improve air quality in all areas of the state and*

mitigating the need for highway expansion.

(3) Supported participation in online offerings provided by the California Virtual Campus in accordance with Section 78910.10.

~~(e)~~

(f) In the event that the board determines that the joint efforts of the California Virtual Campus and the community-based organizations have been successful pursuant to subdivision ~~(b)~~ (e) , the board shall submit a plan to the Legislature and the Governor by January 1, 2015, which contains recommendations for expanding the number of sites partnering with the California Virtual Campus, conditions for expansion, and recommendations for ways of addressing any potential funding requirements.

78910.20. (a) The California Virtual Campus shall form a business advisory group that shall assist with the development of a plan which outlines methods for the California Virtual Campus and the entities listed in paragraph (1) of subdivision (c) of Section 78910.10 to work together to strengthen the preparation of a diverse and highly skilled science, technology, engineering, and mathematics workforce, and to address workforce shortages. The plan shall identify existing resources and programs that will be more accessible due to the use of network enabled technologies, and methods that are effective due to the use of network enabled technologies.

(b) By March 1, 2009, the California Virtual Campus shall submit the plan developed in accordance with subdivision (a) to the board, the Legislature, and the Governor.

*78910.25. This article shall bind the University of California only to the extent that the Regents of the University of California, by resolution, make it binding.*

78910.30. This article shall remain in effect until January 1, 2014, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2014, deletes or extends that date.

SEC. 2. Section 280.1 is added to the Public Utilities Code, to read:

280.1. (a) It is the intent of the Legislature that this section be implemented by the commission upon a finding that barriers to participation in the California Teleconnect Fund discounts for community-based organizations have been removed.

(b) Notwithstanding any other provision of law, California Community Colleges shall be deemed to be qualifying schools for the purposes of determining eligibility for programs to advance universal service pursuant to Section 280 ~~of the Public Utilities Code~~ .

(c) Funds received pursuant to subdivision (b) and Section 280 shall supplement and not supplant funds provided in the annual Budget Act for telecommunications, technology, and related programs.

(d) In the event that the commission or its designee determines on or before January 1, 2014, that the 10 pilot projects established pursuant to Section 78910.15. of the Education Code have not successfully met the requirements of that section, this section shall be repealed on January 1, 2014.

~~78910.25. This article shall bind the University of California only to the extent that the Regents of the University of California, by resolution, make it binding.~~