



June 1, 2018

Dear Member of the State Assembly:

On behalf of National Taxpayers Union (NTU) and our members across California, I write to express our deep concerns regarding SB 822, which many have been dubbed the “gold standard” of state net neutrality laws. This proposal, which the Assembly will soon consider, would reinstate harmful net neutrality regulations recently repealed by the Federal Communications Commission (FCC). Despite what proponents claim, SB 822 will not achieve its stated goal of promoting or protecting an open internet. Rather, if SB 822 is enacted, it will leave California businesses and consumers to suffer the consequences of higher costs and reduced services.

This legislation comes on the heels of FCC’s implementation of the Restoring Internet Freedom Order, which overturned the Title II regulations imposed by the Obama administration. Under Title II, the internet was reclassified as a “telecommunications service” and therefore subjected to regulations constructed for telephone monopolies before World War II. Reverting back to the system established under President Clinton in 1996 would not mean the end of a free and open internet, instead it would reinstate the light-touch regulatory approach that enabled it to develop and flourish.

As a result of the Title II regulatory regime, the U.S. is worse off. Reclassification of the internet led to a period of diminished investment from the telecommunications sector, which hurt consumers through higher prices and reduced services. Economic studies indicate that continuing to regulate the internet under Title II would cost up to 700,000 jobs and lower U.S. GDP by \$80 billion over the next decade. Companies are rational actors and are less likely to participate in a system governed by an arbitrary and unfair regulatory environment.

As harmful as the FCC’s rules have been for broadband investment and innovation on a national scale, replacing such rules with a patchwork of state and local requirements would have an even more detrimental effect on the internet and economy. The end result would be less broadband, less innovation, and higher costs on businesses and consumers.

SB 822 opens a Pandora's box for the creation of a hodgepodge of state regulations through their own net neutrality bills, which would create a web of competing internet rules. If each state enacted its own rules, ISPs would have to tailor their products to meet different standards for each state. This would create an unnecessary and costly patchwork of regulations that isn’t beneficial for producers or consumers.

The proper solution is a more uniform standard that balances the costs and benefits of regulation while still protecting consumers. Before California makes a hasty decision, lawmakers should wait for developments from the U.S. Congress in regard to internet regulation. Democrats and Republicans on the Senate Commerce Committee are working on legislation that can preserve a fair and open internet, with a uniform standard across all 50 states.

NTU shares the commitment of lawmakers for an open internet, which is essential to California's economy and consumers. However, this legislation does little to promote those goals and instead jeopardizes the well-being of the internet, broadband development, and California's innovative spirit. For these reasons, we urge you to oppose SB 822.

Sincerely,

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