

Date of Hearing: July 16, 2025

ASSEMBLY COMMITTEE ON COMMUNICATIONS AND CONVEYANCE

Tasha Boerner, Chair

SB 716 (Durazo) – As Amended May 23, 2025

SENATE VOTE: 29-8

SUBJECT: Lifeline program: broadband internet access service

SUMMARY: This bill would require the California Public Utilities Commission (CPUC) to include standalone broadband internet access service as a class of lifeline service, as part of the California Lifeline program. This bill establishes specified requirements for an internet service provider (ISP) participating in the program, including among other things, offering at least one internet service plan that provides broadband internet access service at a speed of at least 100 megabits per second downstream and 20 megabits per second upstream and costs thirty dollars (\$30) or less per month.

Specifically, **this bill:**

- 1) Requires the CPUC, on or before July 1, 2027, to adopt rules to implement this section.
- 2) Specifies that this bill shall remain in effect only until January 1, 2032, and as of that date is repealed.
- 3) Authorizes the CPUC to adjust the required speed and monthly cost for an area where no participating provider offers service at the specified speed and cost.
- 4) Prohibits the CPUC from requiring a lifeline subscriber to bundle their voice and internet service plans to receive a lifeline subsidy.
- 5) Prohibits the CPUC from providing a lifeline subscriber with more than one lifeline subsidy per household, as specified.
- 6) Establishes that an internet service provider shall not be required to obtain an eligible telecommunications carrier (ETC) designation to offer lifeline service pursuant to this section.
- 7) Requires the CPUC to establish an expedited advice letter process for an internet service provider that is an affiliate of a small telephone corporation to become an eligible telecommunications carrier for the purpose of accessing federal lifeline support.
- 8) Prohibits an internet service provider that offers lifeline service from upselling its internet service plans.
- 9) Requires the CPUC, on or before December 31, 2026, to submit an estimate of any increase to the Universal Service Public Purpose Program surcharge rate required for the implementation of this bill to legislative budget committees, as specified.

EXISTING LAW:

- 1) Establishes the Moore Universal Telephone Service Act, or the California lifeline program. (Public Utilities Code § 871 et. seq.)
- 2) Authorizes the CPUC to annually designate a class of lifeline service necessary to meet minimum communications needs, and to develop eligibility criteria for that service. (Public Utilities Code § 873).
- 3) Requires the CPUC to require every telephone corporation providing telephone service within a service area to file a schedule of rates and charges providing a class of lifeline telephone service. (Public Utilities Code § 876)
- 4) Establishes that a lifeline subscriber shall be provided with one lifeline subscription, as defined by the commission, at the subscriber's principal place of resident, and no other member of that subscriber's family or household, as defined, shall be eligible for lifeline participation. (Public Utilities Code § 878)
- 5) Requires the CPUC to establish a recertification process that minimizes barriers to lifeline subscriber recertification and reduces the burden and cost of recertification for the lifeline program. (Public Utilities Code § 878.6).
- 6) Requires the CPUC to, at least annually, set the rates for lifeline telephone service; and requires telephone corporations providing lifeline telephone service to annually file rates and a statement of projected revenue needs to meet the funding requirements to provide lifeline service to qualified subscribers. (Public Utilities Code § 879)
- 7) Authorizes the CPUC to require each internet service provider to reporting specified enrollment and pricing information to the commission for each free, low-cost, income-qualified, or affordable internet service plan offered by the provider. (Public Utilities Code § 884.2)
- 8) Establishes specified funds, including the Universal Lifeline Telephone Service Trust Administrative Committee Fund, to support the state's universal service programs. (Public Utilities Code § 270)
- 9) Requires that all revenues collected by the telephone corporations in rates authorizes by the CPUC to fund the Lifeline program shall be submitted to the commission pursuant to a schedule set by the CPUC. (Public Utilities Code § 277)
- 10) Authorizes the CPUC to impose surcharges on interconnected VoIP service, to ensure that those providers contribute to the funds enumerated in this section. (Public Utilities Code § 285)

FISCAL EFFECT: According to the Senate Appropriations Committee analysis of the current version of this bill, there will be both one time and ongoing cost pressures. Possibly around \$100,000 once and hundreds of thousands ongoing for the CPUC to develop, deploy, and administer the program. Also, an unknown but likely significant ongoing cost pressure due to expanded Lifeline Program services.

For context, the approved budget of the Lifeline program in Fiscal Years 2025-2026 is about \$528 million dollars, and the fund currently supports about 1.7 million subscribers.

COMMENTS:

- 1) *Author's statement.* According to the author: “Without reliable home internet, families face daily and compounding hardships. Students finish homework in parking lots where they can find free Wi-Fi. Patients miss telehealth appointments because their connection is unreliable or unaffordable. Job seekers struggle to apply for positions or attend virtual interviews. Basic tasks like managing finances, accessing public services, or helping children with schoolwork become exhausting burdens or fall out of reach entirely. SB 716 proposes to close this affordability gap by establishing a permanent, state-level broadband affordability program within California’s Lifeline framework. The bill ensures that eligible households can access reliable, high-speed internet at an affordable price, so that no Californian is excluded from participation in daily life and opportunity simply because of income or circumstance.”
- 2) *Broadband affordability is a barrier to connection for low-income Californians.* Despite the importance and utility of a high-speed home internet connection, a substantial number of households in California do not have subscriptions to high-speed and high-capacity internet services. According to CETF-USC Statewide Broadband Adoption Survey¹ over two-thirds of respondents cited affordability as the reason they chose not to subscribe to broadband; this finding far surpassed any other factor. The affordability of broadband service remains a barrier to low-income households even though the state has invested billions of dollars over the last several years to expand the availability of broadband infrastructure to unserved and underserved locations across the state. Also, although industry data² show that prices for high-speed broadband services continue to decline overall, due in part to greater infrastructure investment and competition in some markets, market prices for the lowest tiered plans are often still unaffordable to the lowest-income residents. Without public policies to support these households, the problem is not likely to solve itself.

For a short time the federal government supported broadband affordability policies through the Affordable Connectivity Program (ACP). The program offered eligible households a \$30 subsidy that they could apply to a home internet plan from a participating ISP. Given that there were not significant barriers to ISP participation, most of the major ISPs offered plans tailored to the \$30 subsidy that would make the cost of service free after the subsidy was applied. Eventually the program ran out of funds and subscribers were unenrolled. At its peak, the ACP program supported about 3 million California households.

Similarly to ACP, this bill intends to help address the home broadband adoption gap by requiring the CPUC to expand the state’s existing Lifeline program to include a standalone home broadband plan as a class of covered services. In doing so, this bill aims to create an incentive for internet service providers to participate in the program, and consumers would benefit through accessing a state-funded subsidy that would be applied to their internet

¹University of Southern California-California Emerging Technology Fund, 2023. “2023 Statewide Digital Equity Survey” <https://s42263.pcdn.co/wp-content/uploads/2023/12/2023-Statewide-Digital-Equity-Survey-Final-Report.pdf>

²USTelecom – the Broadband Association. 2024 Broadband Pricing Index. <https://www.ustelecom.org/research/2024-bpi/>

service subscription cost. In turn, that subscriber's costs for home broadband service would be significantly reduced. However, because Lifeline is an optional program that internet service providers are not required to participate in, it is unclear to what extent internet service providers will willingly choose to participate and therefore to what extent consumers will benefit. There is certainly a lot of potential benefit from this bill.

- 3) *California Lifeline Overview.* The Lifeline program provides affordable wireline and wireless phone service to approximately 1.7 million low-income customers as of July 2025. In September 1983, the California Legislature enacted the Moore Universal Telephone Service Act (Moore Act) to ensure availability of affordable “basic local telephone service” to all qualifying low-income households. As technology has evolved since the 1980's the program has attempted to keep pace. For example, about a decade ago the CPUC began offering wireless telephone plans that included some limited data capability. The CPUC also recently allowed the program subsidy to be applied to home broadband services that are bundled with voice, meaning a subscriber has to subscribe to both services, which is more costly. To date, the program has not been updated to allow an eligible subscriber to apply their subsidy to standalone home broadband service, as proposed by this bill.

Applicants may qualify for Lifeline in two ways: (1) through enrollment in an eligible public-assistance program (program-based eligibility), or (2) meeting an income threshold (income-based eligibility). Under program-based eligibility, households may qualify for the California Lifeline discounts if they provide supporting documentation that at least one household member is enrolled in one or more eligible public-assistance programs such as Medicaid/Medi-Cal, Supplemental Security Income, CalFresh, etc. Under income-based eligibility, a household may qualify for California Lifeline if the household's total annual gross income is at or less than approximately 150% of the Federal Poverty Level.

In total, an eligible applicant or subscriber of the Lifeline program can receive up to \$28.25 per month in subsidies applied to their telecommunications service. A portion of that funding (up to \$19 dollars) comes from the California Lifeline program, and a portion of the money (up to \$9.25) comes from the federal component of the program. However, in order to qualify for the federal portion of the program a provider must obtain what is called an “Eligible Telecommunications Carrier” (ETC) authorization from the CPUC. The CPUC is authorized to grant such authorizations under delegated authority from federal law. While providers without an ETC are not eligible to receive the federal portion of Lifeline funding, in limited instances the CPUC has authorized such providers to receive state Lifeline support. This bill specifies that the CPUC may not require provider to obtain an ETC in order to participate, thus reducing a major regulatory barrier to participation.

Additionally, this bill requires the CPUC to establish an expedited process for an affiliate of a small telephone company to obtain an ETC designation. While typically the CPUC has given ETC designations to telephone corporations, the CalCom Association asserts and federal law³ appears to support a pathway for an internet service provider to obtain an ETC designation. However, in comments to the committee the CPUC has suggested that there may

³ 47 USC § 214(e) specifies that ETCs may receive federal universal service support “using its facilities or a combination of its own facilities resale of another carrier's services.” The FCC has found it appropriate to construe this statutory requirement flexibly to meet the goals of universal service.

be legal barriers to designating, specifically, an affiliate ISP of a small telephone corporation as an ETC. While such a company, or any ISP, would not be prohibited from participating in the program authorized under this bill without an ETC, the effect of not having an ETC would be a reduced amount of federal support and reduced subsidy for the consumer.

- 4) *How is Lifeline funded?* Existing law vests the CPUC with the responsibility for the administration of six state-mandated Public Purpose Programs (PPPs) and their respective end user surcharges. The surcharges are assessed on every telephone access line for interstate services as part of a consumer's bill, including traditional landline telephones, digital landlines (VoIP), and mobile telephone lines. According to the CPUC, there are about 53.5 million access lines in the state, most of which are mobile lines. At least every year the CPUC and Lifeline providers are required to estimate the amount of revenue necessary to support the various programs, including Lifeline, and the projected surcharge amount to cover the revenue requirements. This six PPPs supported by the funds are: the Lifeline program (Universal Telephone Service), the California Advanced Services Fund, the California High Cost Program A and B, the California Teleconnect Fund, and the Deaf & Disabled Telecommunications Program.

The current surcharge amount is \$0.90-cents per access line per month, which was reduced as of May 1, 2025 from \$1.11 per access line per month. Of that total amount, each program is given its appropriate share of the revenue. For the Lifeline program, the current amount is \$0.45-cents per line, down from a previous high of \$0.60-cents per line. The CPUC reduced the surcharge amount because the amount of revenue that was being collected exceeded the current program's needs. For example, in the resolution⁴ adopting the reduced surcharge rate the CPUC estimated that the program would have about a \$512-million dollar surplus, which was about 135% of the authorized program needs at that time.

- 5) *This bill could significantly increase Lifeline program participation.* Existing law specifies that a Lifeline benefit is limited to one per household. A household is not defined strictly as an address, but rather as an economic unit, in order to account for low-income people that lived with roommates under the same roof. Under this bill, a program participant would have to choose to apply their subsidy either to wireless telephone or home internet service, or possibly to a bundled plan. For existing Lifeline participants that may choose to transfer their benefit to a home internet plan, this would not necessarily represent an increase in program enrollment. However, there is reason to believe that more Californian households would choose to participate in a home internet Lifeline program. For example, the ACP program enrolled about 3 million California households, while Lifeline is only at about 1.7 million. Based solely on these enrollment figures, it appears that more Californians are interested in a home internet subsidy than a mobile telephone subsidy program. Therefore, a subsidy for home internet service is likely to interest more Californians than the current Lifeline program offerings.

To the extent that ISPs choose to participate in the program established by this bill, it will likely cause additional cost pressures on the program. Considering that Lifeline supported about 3 million households, and the current Lifeline program enrollment is about 1.7 million,

⁴ California Public Utilities Commission. Resolution T-17818. Adopted April 3, 2025.
<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M562/K398/562398411.PDF>

the cost of the programs could nearly double. In turn, that would put additional expenses on consumer telephone bills. Given the need for broadband affordability support and the lack of partnership from the federal government, it is arguably reasonable for California to absorb these costs into an existing program like Lifeline. On the other hand, Lifeline has historically been a program that supported telephone users and was paid for by telephone surcharge revenue. By expanding the Lifeline program to also cover home broadband services, this bill expands the types of services that telephone revenue will support to non-telephone services.

While the Lifeline fund currently has a sufficient reserve and the CPUC recently reduced the surcharge rate to account for the large surplus, additional cost pressures will naturally change those calculations to an unknown amount. Based on past enrollment trends, it is likely that any increases will not be sudden, but rather increase slowly overtime. At peak enrollment though, it is conceivable that program costs and therefore surcharge costs could increase significantly. These additional costs would be borne solely on telephone access lines, while broadband account holders in the state contribute zero and their internet service provider benefit from increased subscriber rates. This dynamic raises a fundamental question about the sustainability of the Lifeline fund, and the fairness of the contribution mechanism that supports it.

Although, acting consistent with telephone policy precedent, assessing a charge on broadband customers to fund broadband affordability programs might seem like a reasonable solution to some, federal law is a barrier. Under federal law, the Internet Tax and Freedom Act, states are generally prohibited from imposing taxes and other charges on internet service, with limited exceptions. Seemingly, only Congress could provide the explicit authority of states to take such a move by repealing or modifying the Internet Tax and Freedom Act. While that is not likely to happen, there is currently bipartisan work in Congress to change the contribution mechanism for the federal Universal Service Fund (USF).⁵ Some of the proposals discussed in the past have included assessing charges on technology companies who benefit from broadband connectivity, “over-the-top” users like streaming services or e-commerce businesses, and also digital advertising. In the future, depending on the impact of this legislation, the Legislature may be pushed to reckon with a similar question. Nonetheless, in the meantime in order to control potential large increases in telephone surcharges, the committee may wish to amend this bill to cap the surcharge. The committee may also wish to amend this bill to require additional reporting on program enrollment.

- 6) *Upselling low-income customers.* Upselling is a sales technique where a customer is encouraged to purchase a more expensive, upgraded, or premium version of a product or service they were initially considering. Given the target population of this legislation, a population with limited discretionary incomes, upselling from an internet service provider would obviously be a concern. While the ACP program included regulations on inappropriate upselling, not all upselling is necessarily inappropriate. For example, some consumers may not be aware of their bandwidth needs or the flexibility to use their benefit on a premium plan. To the extent that this bill offers a speed floor of 100/20 megabits per second, some participants may need or want more. This bill does specify that ISPs are not prohibited from

⁵ Broadband Breakfast. “USF Working Group Relaunched” Published June 13, 2025.
<https://broadbandbreakfast.com/usf-working-group-relaunched/>

offering information about other plans, however this bill also explicitly prohibits upselling. As an alternative, the committee may wish to amend this bill to prohibit inappropriate upselling. This would provide the commission the flexibility to further develop rules or best practices for avoiding upselling or distinguishing when it crosses a line that is not in the interest of a consumer.

- 7) *Assessing this bill's impact on COLR providers.* Under CPUC rules, telephone corporations that are designated as the carrier of last resort for their service territory are required to participate in and offer Lifeline telephone service. Although this bill intends to establish an optional program, not a mandate for any particular service provider, some providers have requested further clarification in this bill to specify that participation in the broadband portion of Lifeline is optional. Particularly for small telephone corporations who have ISP affiliates that serve very high-cost areas, the \$30 price point in this bill may be impractical. While this bill includes language that authorizes the CPUC to adjust the rate in areas where no provider participates, further clarification may still be reasonable. To that end, the committee may wish to amend this bill to clarify the Lifeline home broadband offering is optional.
- 8) *Similar/related legislation.*
 - a. AB 353 (Boerner) of this session would have required California internet service providers to offer affordable home internet service at \$15 per month for a 50/10mbps plan, and would have exempted ISPs that participated in the program established by the bill. The bill is currently in the possession of the Senate Energy, Utilities & Communications Committee.
 - b. AB 414 (Reyes) Chapter 436, Statutes of 2023, established a digital equity Bill of Rights in statute to support consumers' right to equal access for broadband internet service within a broadband provider's service territory.
 - c. AB 1588 (Wilson) of 2024, when it passed this committee, would have required the California Department of Technology (CDT) to develop and establish the Net Equality Program to ensure the state and state agencies shall only enter into a procurement contract with a qualified internet service provider (ISP) that offers affordable home internet service, as specified. The bill was later amended to address the Lifeline program and was held in Senate Appropriations committee.
 - d. AB 1176 (E. Garcia) of 2021 would have established the California Connect Program under the administration of the CPUC, to utilize subsidies to ensure that high-speed broadband service is available to every household in the state at affordable rates.
- 9) *Committee amendments.* The committee may wish to amend this bill to include the following provisions:
 - a. Add findings and declarations related to funding and contributions.
 - b. Specify the prohibition on inappropriate upselling.
 - c. Specify that the mechanism established by the CPUC is voluntary, and is subject to the requirements and limitations of this section.

- d. Prohibit the CPUC from increasing the surcharge above the highest rate within the previous 4 years as of the date of enactment.
- e. Require the CPUC by July 1, 2028 to report on program performance and fiscal impact, including increases in program participation, participants switching from telephone to broadband service, and the number of participants that applied their subsidy to bundled service.
- f. Other minor and technical changes.

REGISTERED SUPPORT / OPPOSITION:

Support

AARP

Broadband Consortium Pacific Coast

Building Opportunities for Self-sufficiency

California Association of Student Councils

California Emerging Technology Fund

California Human Development

California Rural Legal Assistance Foundation

California School Boards Association

California State Council of Service Employees International Union (seiu California)

Cdp Rural Caucus

Center for Employment Training

Central Coast Broadband Consortium

Central Valley Opportunity Center (CVOC)

Cft- a Union of Educators & Classified Professionals, Aft, Afl-cio

City of Merced

Courage California

Digitallift

Disability Rights California

Economic Development Collaborative, Ventura County

End Child Poverty California Powered by Grace

First Day Foundation

Human-i-t

Ifoster

International Longshore & Warehouse Union Local 13

International Longshore & Warehouse Union Local 63

International Longshore & Warehouse Union Local 94

Janice Hahn, Board Supervisor, Los Angeles

LA Cooperativa Campesina De California

Los Amigos De LA Comunidad, INC.

Manchester Community Technologies

Monterey Bay Economic Partnership

Newstart Housing Corporation

North Bay North Coast Broadband Consortium

Oldtimers Housing Development Corporation

Parent University
Parent University Consortium
Proteus INC.
Redwood Coast Connect Broadband Consortium
Rural Development Centers
San Francisco Tech Council
Southern Border Broadband Consortium
Tech Exchange
Unite Here International Union, Afl-cio
University of California Student Association
Valley Vision
Western Center on Law & Poverty
Winning Strategies
Yuda

Opposition

Calbroadband
California Taxpayers Association
CTIA

Analysis Prepared by: Emilio Perez / C. & C. / (916) 319-2637