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OVERSIGHT HEARING

The State of Broadband Affordability

Wednesday, January 14, 2026

State Capitol Room 437

1:30PM – 3:30PM

BACKGROUND

The rising cost of living and paying for basic goods and services like groceries, utilities and housing continues to be a top concern for California households. Accordingly, this committee in recent years has maintained a particular focus on addressing the cost of communication services for Californians, with a particular focus on broadband internet service. Recent subscriber data suggest that the state of broadband affordability in California is a mixed bag, with bright spots as well as continued causes for concern and sustained legislative focus. A cause for concern is especially true for lower-income Californians, who face the largest broadband adoption gaps and are struggling to make ends meet across the board. The broadband adoption gap is one facet of the digital divide and is generally described as the gap between households where service is offered or available, and the rate at which those households choose to subscribe to service. According to multiple reports, one of the leading reasons lower-income Californians choose not to subscribe to service is because it is unaffordable for their level of income. On the other hand, evidence also show that higher-income Californians more often benefit from access to multiple providers and subscribe to broadband service at rates nearing 100%.¹ The disparities in broadband adoption rates among lower and higher income Californians suggests that achieving universal service for *all* Californians will not be a one-size-fits-all approach. Instead, focused attention to the segments of the population that are the most sensitive to price and subscribe to service at the lowest rates is likely to lead to larger gains in broadband adoption to achieve universal service.

As this committee continues to focus on affordability, this hearing will be an opportunity to hear from a diverse range of stakeholder groups to explore the industry and consumer perspectives on broadband affordability challenges and triumphs. The remainder of this background document will

¹ Public Advocate's Office. December 2025. "Broadband in California: Pricing, Affordability, and Adoption Trends". <https://www.publicadvocates.cpuc.ca.gov/-/media/cal-advocates-website/files/press-room/reports-and-analyses/251218-public-advocates-office-2025-broadband-pricing-trends-in-california-report.pdf>

provide an overview of some of the public policy and economic factors that contribute to the current state of broadband affordability.

MARKET AND ECONOMIC FACTORS AFFECTING AFFORDABILITY

According to a USTelecom analysis of government and industry data, broadband prices have continued to decrease among various speed levels, including the most popular plans and fastest connection speed levels². Their “2025 Broadband Pricing Index” report attributes the decreasing prices to nationwide network investment and fiber deployment from service providers. Increased competition in the marketplace is also being driven by expanded offerings from fixed-wireless access (FWA) providers repurposing and upgrading existing wireless networks, such as 5G networks, for home-internet service. According to Fitch Ratings, a major global credit reporting agency, FWA providers have continued to gain subscribers at the expense of higher-cost wireline providers³. At a macro level, it appears that competition is benefitting consumers and by-and-large consumers can afford the cost of service. This general assessment of the economic factors contributing to the state of affordability in the broadband marketplace is further supported by California specific data over the years, which show that adoption rates especially for middle and upper-income households remain high⁴. However, as was also previously mentioned, lower income Californians still struggle to afford service despite this phenomena in the general market.

LOW-INCOME HOUSEHOLDS STRUGGLE TO AFFORD BROADBAND SERVICE

If the high broadband adoption rates in middle and upper-income households is a bright spot that demonstrates how critical a broadband connection is, then the statistics for low-income Californians are a cause for concern. On a national level, a recent 2024 Pew Research study notes that only 57% of adults of annual incomes less than \$30,000 have broadband⁵. A 2023 study from the University of Southern California also found differences in broadband adoption rates attributable to income, with that reporting finding that 85% of California adults with incomes less than \$20,000 subscribe⁶. Some reports also demonstrate that the relationship between adoption rates and income are not merely correlated, but are generally causal. For example, the same 2023 study found that about two-thirds of respondents cited cost as the primary reason they chose not to subscribe to service. What can be inferred from these data points is that targeted policies to help low-income households afford the cost of basic home internet service are likely to help drive broadband adoption in this population.

² USTelecom. November 2025. “2025 Broadband Pricing Index”. <https://ustelecom.org/wp-content/uploads/2025/11/2025-BPI.pdf>

³ Fitch Ratings. March 2025. “Fixed Wireless Access Growth Disrupts U.S. Telecom Market.” <https://www.fitchratings.com/research/corporate-finance/fixed-wireless-access-growth-disrupts-us-telecom-market-26-03-2025>

⁴ California Public Utilities Commission. April 2025. “Home Broadband Adoption Report”. <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M563/K203/563203680.PDF>

⁵ Pew Research Center. January 2024. “Americans’ Use of Mobile Technology and Home Broadband.” https://www.pewresearch.org/wp-content/uploads/sites/20/2024/01/PI_2024.01.31_Home-Broadband-Mobile-Use_FINAL.pdf

⁶ University of Southern California. August 2023. “2023 Statewide Digital Equity Survey” <https://broadbandforall.cdt.ca.gov/wp-content/uploads/sites/19/2023/12/2023-Statewide-Digital-Equity-Survey-Final-Remediated-Report.pdf>

RECENT FEDERAL ACTIONS

During the early years of the COVID-19 pandemic as many activities moved to a virtual setting, the digital divide became very apparent to policymakers and the public. In response, the federal government established temporary support programs to address the connectivity challenges for this population. However, due to a lack of additional funding in subsequent years those programs have unfortunately ended. Nonetheless, while it existed, the Affordable Connectivity Program (ACP) was successful at driving broadband adoption. The ACP provided a direct subsidy to households to ensure they were able to afford the broadband they needed for work, school, healthcare and more. The ACP benefit provided a discount of up to \$30 per month toward internet service for eligible households and up to \$75 per month for households on qualifying Tribal lands. Eligible households could also receive a one-time discount to purchase a device such as a laptop, desktop computer, or tablet from participating providers.

In California, about 3 million households participated in the ACP, which was about half of the eligible population of households. Following the end of the ACP program, some of those households have once again been disconnected. While there has been some bipartisan discussion about reupping the ACP with additional funding, such an action is not guaranteed. Among one of the policy considerations of reupping the program would be funding. There has been some discussion about expanding the federal Universal Service Fund (USF) as an ACP replacement. However, some federal lawmakers have expressed reservation about using such a source of funding without reforming how those special funds are collected. Currently, the federal Universal Service Fund is funded entirely by assessments placed on consumers telephone bills for interstate telecommunications services. There is currently a federal bipartisan working that has considered alternative sources of revenue such as assessment on big technology companies, digital advertising, digital gaming, and other digital products⁷.

RECENT REGULATORY DECISIONS IN CALIFORNIA

For decades the California LifeLine program has provided discounts on telephone services to qualified low-income households. While initially the program provided support only for wireline telephone services, as technology progressed the program has been reformed over the years to expand support to wireless telephone and limited data services. Pursuant to a recent regulatory decision adopted in August 2025, the California Public Utilities Commission (CPUC) has established a pilot program under California LifeLine to include support for standalone home internet services⁸. Prior to the creation of this pilot program, the California LifeLine program already provided limited support for home internet services that were bundled with telephone services. While this program is still at early stages of launching, if successful the pilot program has the potential to serve as a model for a state replacement of the federal Affordable Connectivity Program. Like the ACP, internet service provider participation in the pilot program is optional, however at least one major carrier (Verizon) has agreed to participate in the program as a condition of a pending merger that has not yet been approved.

⁷ Broadband Breakfast. June 13, 2025. “USF Working Group Relaunched”. <https://broadbandbreakfast.com/usf-working-group-relaunched/>

⁸ California Public Utilities Commission. Decision D.25-08-050. “Decision Approving Home Broadband Pilot”. <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M578/K668/578668809.PDF>

Under the CPUC's pilot program, the program will operate for a period of three years. Without clear legislative authorization, it is unclear whether the CPUC could have authorized a longer pilot or permanent program. Some internet service providers and consumer advocates alike have questioned whether three years is sufficient to successfully build awareness of the program and justify participation. Consumer advocates have also raised concerns that the population that participated in the ACP may be less likely to trust or enroll in a temporary program, given their experience with the ACP abruptly ending. Given these concerns, some consumer interest groups have supported the Legislature weighing in to codify a permanent expansion of the Lifeline program to fund standalone home broadband. However, as is also the case with the federal ACP, this raises questions about how to sustain and equitably fund the program.

RECENT LEGISLATIVE HISTORY IN CALIFORNIA

In recent years there have been multiple bills introduced in the California legislature to address the broadband affordability problem head on. However, to date, the Legislature has been unsuccessful in delivering a broadband affordability bill to the Governor's desk for signature. A few of the recent bills include:

- AB 353 (Boerner) of this session would require California internet service providers to offer affordable home internet service at \$15 per month for a 50/10mbps plan. The bill was held by the author in the Senate Energy, Utilities & Communications Committee.
- SB 716 (Durazo) of this session would establish a home broadband service subsidy through the California Lifeline program. The bill is currently inactive on the Assembly Floor.
- AB 1588 (Wilson) of 2024, when it passed this committee, would have required that 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.
- 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.

Some of the recent bills introduced have proposed to utilize subsidies, either through the Lifeline program or by establishing a similar but separate program. Beyond subsidies, last year in 2025 following a string of court cases and a Legislative Counsel opinion supporting such legislation, an alternative approach was introduced by Chair Tasha Boerner. That bill, AB 353, would have explicitly required California internet service providers to offer an affordable home internet plan for low-income households. Unlike previous efforts to utilize subsidies, the rate regulation approach would not have required as significant of a fiscal investment on the part of the state to enforce the law. However, that bill was ultimately held by the author in the Senate Committee following developments at the federal level. Specifically, the Trump Administration in official guidance laid out a policy that would prohibit states with broadband rate regulation laws from accessing federal broadband infrastructure funding from the Broadband Equity, Access and Deployment (BEAD) program. California may receive up to \$1.86 billion dollars from that program, although final approval of the states plan is still pending. As a result, this action by the federal government pitted

broadband infrastructure investment funding against state broadband affordability legislation. As we enter the second year of the 2025-2026 legislative session, both AB 353 and SB 716 remain eligible for further action before the year's end.

ISSUES FOR COMMITTEE CONSIDERATION

As the Committee hears updates and perspectives on the state of broadband affordability in California, Members may wish to consider the following points:

- **Rate Regulation vs. Subsidies:** What are the relative trade-offs and benefits of advancing broadband affordability through rate regulation or subsidies?
- **California LifeLine:** Should the Legislature establish a permanent LifeLifeline subsidy for home broadband service, and under what conditions?
- **Fiscal Impact:** What is the potential fiscal impact to the state budget of an expanded Lifeline program?
- **Consumer Surcharges:** As the Lifeline program is funded solely by consumer surcharges, what is the potential impact to customer bills?
- **Surcharge Reforms:** As the federal government consider reforms to the federal surcharge mechanisms, should California consider similar reforms?
- **Federal Partnership:** Are there any opportunities for federal partnership to advance broadband affordability under this Administration?
- **Broadband and Federal Preemption:** Are there legitimate legal barriers to state regulation of broadband internet as a service?
- **Infrastructure Investment:** How is California's billions of dollars of investment in broadband infrastructure helping to drive affordability, or not?
- **Permitting:** Could reforms to permitting requirements drive further private investment in broadband competition, or meaningfully lower the cost of deployment?
- **Mergers and Market Consolidation:** While recent merger agreements have yielded tangible affordability commitments, does market consolidation in the broadband market potentially drive-up prices?
- **Affordability and Public Policy:** How does broadband affordability fit into the general public sentiment about affordability and pricing?