

Date of Hearing: April 21, 2026

ASSEMBLY COMMITTEE ON COMMUNICATIONS AND CONVEYANCE

Tasha Boerner, Chair

AB 2790 (Committee on Communications and Conveyance) – As Introduced March 16, 2026

SUBJECT: California Teleconnect Fund Administrative Committee Fund

SUMMARY: This bill would implement various changes to the eligibility and administrative procedures for the California Teleconnect Fund (CTF) program administered by the California Public Utilities Commission (CPUC).

Specifically, **this bill:**

- 1) Specifies that schools, school districts, and county offices of education serving preschools, transitional kindergarten, kindergarten, public libraries, and public library systems are eligible for the CTF program.
- 2) Specifies that noninstructional facilities operated by or contracted by eligible entities shall also be eligible for discounted rates pursuant to the program.
- 3) Exempts customers who are ineligible to receive federal E-Rate discounts due to a programmatic restriction or eligibility limitation imposed under federal law from existing state law requiring the CTF program discount to be applied after applying an E-rate discount.
- 4) Strikes inoperative language relating to loans from the CTF program to fund unrelated government programs, including the 2-1-1 system.

EXISTING LAW:

- 1) Establishes the California Teleconnect Fund Administrative Committee Fund. (Public Utilities Code § 270)
- 2) Requires the CPUC to develop, implement, and administer the CTF program to advance universal service by providing discounted rates to qualifying schools maintaining kindergarten or any of grades 1 to 12, inclusive, community colleges, libraries, hospitals, health clinics, and community organizations, as specified. (Public Utilities Code § 280 (a))
- 3) Specifies that moneys appropriated from the California Teleconnect Fund Administrative Committee Fund to the commission shall be utilized exclusively by the commission for the CTF program, including all costs of the board and the commission associated with the administration and oversight of the program and the fund. (Public Utilities Code § 280(d))
- 4) Authorizes moneys from the CTF program fund to be loaned to any other state fund or account to address the 2001–02, 2002–03, and 2003–04 fiscal year budgetary shortfalls. (Public Utilities Code § 280(e))
- 5) Authorizes, until January 1, 2023, the CPUC to expend up to one million five hundred thousand dollars (\$1,500,000) from the California Teleconnect Fund Administrative Committee Fund for one-time costs to help close 2-1-1 service gaps in counties lacking

access to disaster preparedness, response, and recovery information and referral services, where technically feasible, through available 2-1-1 service. (Public Utilities Code § 280(g))

FISCAL EFFECT: Unknown. This bill has been keyed fiscal by the Legislative Counsel.

COMMENTS:

- 1) *CTF Program Background.* The Legislature established the CTF program to advance universal service goals by providing discounted rates on advanced telecommunications services to qualifying entities. Qualifying entities are expressly listed in existing law, which includes schools for kindergarten or any grades 1 to 12, inclusive, community colleges, libraries, hospitals, health clinics, and community organizations. The CTF program offers discounted rates of 50% on recurring monthly charges for advanced communication services to qualifying entities. The CTF program works in tandem with a similar federal program called E-Rate. CTF participants may combine the CTF discount with the federal E-Rate Program to reduce their costs even further.

In addition to educational entities, existing law also authorizes community based organizations (CBOs) to be eligible for a CTF program discount. Pursuant to CPUC regulations, generally CBOs with annual revenue of less than five million (\$5,000,000) dollars are eligible to participate. The CTF discount applies only to charges for internet/broadband services used primarily by community members. Internet/broadband services used primarily by the CBO staff for administrative purposes are not eligible for the CTF discount. Separately, CPUC regulations also establish a subcategory of CBO, a Healthcare/Health Service Community Based Organization (HCBO), for which the revenue cap is higher at fifty million (\$50,000,000) per year. For those HCBOs, the benefit is used to assist those CBOs in delivering licensed healthcare services as their primary function. Those services are limited to services covered by Medi-Cal and/or the Department of Veterans Affairs. Qualifying HCBOs must accept Medi-Cal, Department of Veterans Affairs insurance, and/or provide services without charge or at a minimal fee.

The CTF program approved budget for Fiscal Year (FY) 2025-2026 was \$108 million. This budget has been relatively stable since FY 2019-2020, although the program is down from a high of nearly \$149 million in 2015-2016. The program is funded through an end-user surcharge assessed on telephone access lines assessed by the CUC. The current surcharge rate as of May 1, 2025, is \$0.90-cents per line, of which only \$0.06-cents per line is for CTF. The remaining funds are used to support the state's other universal service programs including the Lifeline program, the California Advanced Services Fund, the Deaf and Disabled Telecommunications Program, and the High-Cost Fund A and B programs.

- 2) *CPUC Rulemaking on Updating the CTF Program.* In August 2025 the CPUC initiated a new rulemaking (Rulemaking R. 25-08-005) to consider updates to the California Teleconnect Fund program rules. The program was last comprehensively updated in 2019, when the CPUC eliminated support for voice and VoIP services and implanted other programmatic changes. Additionally, in December 2024 the CPUC approved a resolution modifying the categories of advanced communication services that are eligible for the CTF program to incorporate mobile broadband services, such as services via Wi-Fi Hotspots and portable satellite devices. Expanding the list of technologies eligible for the CTF discount

aligned the program with the changes to the E-Rate program, changes which have since been repealed by the Trump Administration.

In the rulemaking the CPUC is intending to address modifying the qualifying participant categories and related rules, including modifying the CBO revenue cap, addressing how the program considers school districts and county education offices, HCBOs, government hospitals and healthcare districts, tribes, school annexes, libraries, and backbone services. While the CPUC has proposed to make school districts and county offices of education eligible, some of the stakeholders have expressed concern that the direction of the proceeding so far may impact essential backbone services in noninstructional facilities that may be housed at those locations.

- 3) *What policy issue is this bill addressing and clarifying?* The are two primary policy changes with the CTF program that are the genesis of this bill. First, the Trump Administration has instituted changes to the federal E-Rate program that have impacted participants in the CTF program. Secondly, the CPUC's rulemaking proceeding has raised concerns from stakeholders about the direction of the proceeding, that may result in currently eligible categories becoming ineligible. This bill is intended to provide clarity to the process and update the CTF statute in alignment with those two changes happening in the regulatory space and at the federal level.

In March of this year the Communications and Conveyance committee held an oversight hearing of the CPUC. During that hearing, the public expressed concern about the implementation of the CTF program. Additionally, the State Superintendent of Public Instruction testified that the CPUC had not consulted with the Department of Education about the proposed changes and how those may impact schools. Members of the committee expressed their own concerns about the lack of coordination and potential negative impact on schools. This bill has been introduced as a follow-up to that hearing.

Additionally, changes at the federal level implemented by the Trump Administration have impacted the administration of the E-Rate program. For example, in 2025 the FCC moved to reverse recent expansions of the E-rate program, specifically cutting funding for off-premises Wi-Fi hotspots and school bus Wi-Fi. These changes aimed to limit E-rate usage to on-campus connectivity, dismantling initiatives designed to bridge the "homework gap" and reversing 2024 rules that allowed subsidies for home internet access. Given that state law requires the CTF discount to be applied after E-Rate, this bill proposes to exempt that requirement from customers that have become ineligible because of those changes.

- 4) *Does this bill expand the scope of the CTF program?* Existing law specifically lists the eligible entities for the program: schools maintaining kindergarten or any of grades 1 to 12, inclusive, community colleges, libraries, hospitals, health clinics, and community organizations. This bill would revise that list by adding transitional kindergarten, school districts, and county offices of education, and also specifying that libraries must be public libraries. Additionally, this bill specifies that non-instructional facilities operated or contracted by an eligible entity shall also be eligible, such including data centers. While on one hand this list does add explicit categories, it is not intended as a material expansion of the program.

For example, the program has always supported kindergartens, but the Legislature recently expanded public education to include universal transitional kindergarten. This change is consistent with that policy direction. Additionally, while school districts and county offices of education were not specifically listed, CPUC rules have allowed those entities to apply on behalf of individual school sites. In practice, it is the districts and schools that manage the technology needs of individual school sites, and at those district offices instruction also takes place. Accordingly, this bill clarifies that those entities are eligible, including their non-instructional facilities where data centers may be located. Notably, the E-Rate program already has specific rules for non-instructional facilities, because these facilities are often the backbone of a school network.

5) *This bill repeals inoperative statutes.* Existing law generally requires the CTF program funds to be used for the administration and support of the CTF program, except for two exceptions. First, existing law authorized loans from the CTF program to address the 2001–02, 2002–03, and 2003–04 fiscal year budgetary shortfalls. That statute has since become inoperative. Additionally, existing law authorized the CPUC to expend up to \$1.5 million dollars from the CTF program fund to support 2-1-1 services. That statute has also since become inoperative. This bill strikes those provisions of existing law as maintenance of the codes.

6) *Similar/related legislation.*

- a. AB 2289 (Boerner) of this session would establish the Office of Broadband and Digital Equity, and transfer administration of the CTF program to the Office as of July 1, 2028.
- b. SB 1212 (Hueso), Chapter 841, Statutes of 2016, authorized the CPUC to expend up to \$1.5 million from the California Teleconnect Fund (CTF) Administrative Committee to help close telephone service gaps in counties lacking access to 2-1-1 referral service, including implementation of a coordinated publicly owned database.

REGISTERED SUPPORT / OPPOSITION:

Support

Corporation for Education Network Initiatives in California

Opposition

None on file.

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