Assembly
California Legislature

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OVERSIGHT HEARING

California's Broadband Programs

Wednesday, February 12, 2025

State Capitol, Room 437

1:30PM – 3:30PM

BACKGROUND

A high-speed internet connection, or broadband internet-access service as it is formally known, is widely considered to be an essential service to participate in modern life. Access to broadband internet enables basic communication, economic development, and access to education, telehealth, news and entertainment. While in the early years of the internet the average person's need for the internet may have been limited to basic e-mail and web browsing that required lower speeds and bandwidth, over time consumer demands have increased exponentially as higher speeds are required for accessing advanced functions and larger stores of data used for video streaming, remote school and employment, and even online gaming. Accordingly, the threshold for what qualifies as broadband speeds has crept up over time. Under current federal guidelines, a broadband internet connection is typically considered to be a connection reliably able to deliver speeds above 100 megabits per second download and 20 megabits per second upload, sometimes referred to simply as 100/20. Prior to the new benchmark adopted in 2024 by the Federal Communications Commission, the previous broadband benchmark speeds was 25/3.

Fortunately, the availability of broadband home connectivity has proliferated over the last 30 years, with 94.73% of California households having access to wireline or fixed wireless broadband service at 100/20 speeds as of June 2023 according to California Public Utilities Commission data. Nonetheless, gaps and inequities persist in the availability of broadband service across the state. The "digital divide", as this gap is commonly referred to, describes the gulf between those who have ready access to computers and the internet, and those who do not. Unsurprisingly, lower-income and rural parts of the states are more heavily impacted by the digital divide. For example, the percentage of rural households with broadband availability of 100/20 at home is lower than the statewide average, at 60.03%. However, this does not mean that the digital divide is primarily a rural problem. In terms of sheer numbers, there are about 850,000 households across the state that

are unserved with a broadband internet connection at home at the 100/20 benchmark, with about 480,000 of those being urban households and 370,000 being rural households.

Further exacerbating the digital divide, in addition to the unequal availability of broadband-capable infrastructure to all households, are barriers to broadband adoption. Broadband adoption is generally defined as the process of subscribing to an internet service and having the ability to access the internet on a daily basis, including through competent use of a device such as home computer or laptop. Factors that are barriers to broadband adoption include the cost of service, lack of digital skills and training, and at times apathy about the benefits of broadband connectivity. Nonetheless, statewide broadband adoption remains high with 91% of households in California enjoying high-speed internet access at home, according to statewide survey results from the University of Southern California, the California Emerging Technology Fund and the California Department of Technology.

RECENT LEGISLATIVE HISTORY

In particular over the last five years, as California responded to and emerged from the pandemic, a great deal of public investment and legislative focus has been paid to addressing the digital divide and advancing digital equity across the state. Digital equity generally means the concept that every person and community has the necessary information technology resources – such as a broadband connect and access to digital skills - to participate in society, democracy, and the economy fully. For example, California passed a Digital Equity Bills of Rights pursuant to AB 414 (Reyes, Statutes of 2023) and directed the California Department of Technology develop the state's first State Digital Equity Plan pursuant to AB 2750 (Bonta, Statutes of 2022). Further, California has budgeted billions of dollars to be invested in broadband infrastructure projects across the state, including last-mile and middle-mile infrastructure. The largest investments were made pursuant to SB 156 (Committee of Budget and Fiscal Review, Statutes of 2021), which appropriated $2 billion dollars to the California Public Utilities Commission for last-mile broadband infrastructure and $3.25 billion to the California Department of Technology for middle-mile infrastructure.

CALIFORNIA PUBLIC UTILITIES COMMISSION

The California Public Utilities Commission (CPUC) is a constitutional-agency with the mission of ensuring that Californians have safe, reliable utility service at reasonable rates. Historically, the CPUC has regulated telephone corporations, and since 2007 has administered the California Advanced Services Fund (CASF) program, which was initially established to provide last-mile broadband infrastructure grants to telephone to bridge the "digital divide" in unserved and underserved areas in the state. Last-mile broadband infrastructure is the final physical connection in a network that delivers internet service directly to a user's home or business, and is provided by an internet service provider.

In 2021, pursuant to AB 14 (Aguiar-Curry) and SB 4 (Gonzalez), the authorization for the CASF program was extended until 2032 as well as the authority for the CPUC to collect up to $150 million per year to fund the program. Additionally, that same year SB 156 appropriated $2 billion dollars to the CPUC to also fund the Federal Funding Account (FFA) of the CASF. The goal of the FFA, similar to the existing CASF program, was to provide grants to fund the construction of last-

mile broadband infrastructure in unserved and underserved parts of the state. More recently, the CPUC was also awarded an additional $1.87 billion dollars directly from the federal government to administer the Broadband Equity, Access and Deployment (BEAD) program. Like CASF and FFA, BEAD will also fund grants for the construction of last-mile broadband infrastructure in unserved and underserved parts of the state.

CALIFORNIA DEPARTMENT OF TECHNOLOGY

The California Department of Technology (CDT) resides within the Government Operations Agency (GovOps), and historically managed informational technology needs for state agencies. While SB 156 appropriated last-mile broadband infrastructure funding to the CPUC, that legislation also gave the novel task of developing a statewide open-access middle-mile broadband network to the California Department of Technology. The middle-mile is the physical infrastructure required to enable internet connectivity for homes, businesses and community institutions. The middle-mile is made up of high-capacity fiber lines that carry large amounts of data at high speeds over long distances between local networks and global internet networks. An open-access network gives service providers wholesale access to broadband infrastructure - meaning any network type can interconnect, regardless of technology used, on equal economic and service terms. The goal of the state's open-access middle-mile network is to give internet service providers, especially new market entrants, the infrastructure to connect homes, businesses and community institutions across the state. The state's project is typically referred to as the middle-mile broadband initiative, or MMBI. The MMBI project remains ongoing, with a timeline of being complete by December 31, 2026, which is also when the federal funds currently being used to fund project expire. To date, the state has budgeted about $3.75 billion dollars to complete the MMBI.

In addition to the responsibilities for the MMBI, the CDT also manages the state's digital equity initiatives including the development of the State Digital Equity Plan (SDEP) and administration of federal digital equity grant funding.

ISSUES FOR COMMITTEE CONSIDERATION

As the Committee hears updates and provides oversight related to the administration of the state's broadband programs administered by the California Public Utilities Commission (CPUC) and Department of Technology (CDT), Members may wish to inquire about the following:

- **Progress:** What measurable progress has been made to close the digital divide over the last several years and how many households have been connected?
- **Funding:** Will the state's current level of investment connect all households, or will some continue to be left behind?
- **Timelines:** Are the agencies on track to spend state and federal funds in a timely manner, and is there a risk of timelines expiring before monies are spent?
- **Broadband Speeds:** Are current federal and state benchmarks for broadband speeds sufficient to meet the needs of consumers?

- **Affordability:** How is the state currently addressing affordability, and how can the state better address the broadband affordability barriers to broadband adoption?
- **Federal Changes:** Will changes in the federal administration affect California's current programs or funding levels, or put ongoing projects at risk?
- **Permitting Barriers:** To what extent has local, state, and federal permitting delayed broadband projects across the state; and what can the state do to reduce those barriers?
- **Regulatory Barriers:** What regulatory barriers, if any, have been identified as impediments to further construction of broadband infrastructure and broadband adoption? How can those barriers be addressed legislatively or through the regulatory processes?
- **Rural and Urban:** How have the agencies balanced the relative needs of rural and urban areas to ensure equitable distribution of funds across the state?
- **Interagency Coordination:** How have the agencies coordinated their work, and is there room for improvement or efficiencies among the agencies?
- **Technologies:** What broadband technologies is the state relying on to close the digital divide, and have there been recent technological advancements that would change the state's approach?
- **Regulatory Proceedings:** What major decisions, if any, are pending before each agency in the upcoming year?