

Date of Hearing: April 28, 2021

ASSEMBLY COMMITTEE ON COMMUNICATIONS AND CONVEYANCE

Miguel Santiago, Chair

AB 1176 (Eduardo Garcia) – As Amended April 19, 2021

SUBJECT: Communications: universal broadband service: California Connect Fund

SUMMARY: Creates the California Connect Fund and Program (Program) to ensure that high-speed broadband service is available to every household in the state at affordable rates.

Specifically, **this bill:**

- 1) Directs the California Public Utilities Commission (CPUC) to develop, implement, and administer the Program on or before January 1, 2023 with the following components:
 - a) Eligibility criteria that may be demonstrated by an annual total household income at or below a certain income level or by the enrollment of a member of the household in specified public-assistance programs;
 - b) Subsidies for all costs identified on a billing statement;
 - c) Subsidies for broadband service at speeds of at least 100 megabits per second (Mbps) downstream, where unavailable, authorize lower speeds with a latency that is sufficiently low to allow real-time interactive applications;
 - d) Funding from a surcharge of \$0.23 per month, per access line, collected by telecommunication providers and applied to each customer's telephone line.
- 2) Requires the CPUC to report annually to the Legislature until the program sunsets on January 1, 2031.

EXISTING LAW:

- 1) Requires the CPUC to develop, implement, and administer a 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 which is the California Teleconnect Fund. (Public Utilities Code Section 280)
- 2) Requires the CPUC to administer the CASF program to deploy high-quality, advanced communications services and specifies that the goal of the CASF program is to approve funding no later than December 31, 2022, for infrastructure projects that will provide broadband access to no less than 98 percent of California households in each broadband consortia region in the state. (Public Utilities Code § 281)
- 3) Requires the CPUC to designate a class of LifeLine service necessary to the meet minimum communications needs and set rates and eligibility criteria for that service. (Public Utilities Code § 873)
- 4) Establishes the California Alternate Rates for Energy (CARE) program which provides a bill credit to low-income electric (30-35%) and gas (20%) customers with annual household

incomes that are no greater than 200 percent of the federal poverty guideline levels. (Public Utilities Code § 739.1)

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

BACKGROUND:

*California Broadband Action Plan*¹ – The Plan was released in December and was prepared in response to an executive order from the Governor. The foundation of the plan is that broadband is essential to economic and workforce development, public safety, education, and an engaged public. The plan was developed by the Broadband Council which solicited extensive engagement and input from state and local agencies, state legislative leaders, tribal nations, broadband industry leaders, nonprofits, and members of the public. The Plan focuses on achieving three long-term goals:

Goal 1: All Californians have high-performance broadband available at home, schools, libraries, and businesses;

Goal 2: All Californians have access to affordable broadband and necessary devices; and

Goal 3: All Californians can access training and support to enable digital inclusion.

Affordability of broadband was identified as one of the five roadblocks preventing Californians from accessing or adopting broadband. The Council reported:

Price matters. When we consider what broadband costs a Californian, we have to account for all of the components in its price tag. The service cost is just one component; there are also taxes, surcharges, rental charges for modems and routers, and the cost of devices used for getting online—such as laptops and tablets. There are also additional unexpected costs of contractual penalties if a family falls behind and has to catch up, cancel, or switch plans. Each of these is a mandatory cost—and barrier—to getting online. Compared to many other countries, broadband in the United States is expensive. Across the Organization for Economic Co-operation and Development (OECD) countries, only Mexico has higher broadband prices than the United States. For a family with a tight budget, it is easy to see how paying for food, electricity, rent, and other necessities would take precedence over purchasing internet services. That is one reason cellular phone subscriptions are the core communications service purchased by many Californians. However, smartphones provide only limited broadband access, and have a limited ability to share service with others – a spouse, children, or an elderly parent – in the household. Over half of Californians without broadband at home cannot afford market prices or do not own a computer. Many lower-income households believe they could afford \$10 to \$15 per month for broadband. Unfortunately, many existing affordable broadband programs cost more per month, have limited eligibility, and limited awareness. Providers limit eligibility for their affordable programs to people living right above the poverty line. This restriction makes them more limited in scope than the federal LifeLine subsidy program, in which most broadband providers do not take part. Affordable broadband programs also do not offer broadband at high speeds. Most affordable programs provide only at least 15/2 Mbps. In a pre-pandemic

¹ Available at: <https://broadbandcouncil.ca.gov/wp-content/uploads/sites/68/2020/12/BB4All-Action-Plan-Final.pdf>

survey, over 70 percent of California non-adopters did not know these programs existed. The state's LifeLine program does not offer broadband by itself. And there are no broadband programs to support families at risk of losing their service, like the Low Income Home Energy Assistance program.

California Emerging Technology Fund Study (CETF) – The recent 2021 Statewide Survey on Broadband Adoption² conducted by the University of Southern California (USC) on behalf of the CETF found that 68% of unconnected and underconnected households cite affordability as an issue in remaining offline, and 38% of these households identified the cost of home Internet service as the number one reason. The USC-CETF Survey further found only 38% of low-income households eligible for available affordable offers are aware of them and only 24% of these households have signed up – a net 9% of eligible households. In addition to the lack of advertising by Internet Service Providers (ISPs) to try to sign up low-income households, many of the available affordable offers were shown to be inadequate to support distance learning and telehealth.

Programs of assistance to offset the costs of broadband service include:

Emergency Broadband Benefit (EBB) program – Administered by the Federal Communication Commission, this is a temporary program to help households struggling to pay for internet service during the pandemic. This new benefit will connect eligible households to jobs, critical healthcare services, and virtual classrooms. An eligible household will be provided a discount of up to \$50 per month towards broadband service and up to \$75 per month for households on Tribal lands. Eligible households can also receive a one-time discount of up to \$100 to purchase a laptop, desktop computer, or tablet from participating providers if they contribute more than \$10 and less than \$50 toward the purchase price. The EBB is limited to one monthly service discount and one device discount per household.

A household is eligible if one member of the household meets at least one of the criteria below:

- Qualifies for the LifeLine program;
- Receives benefits under the free and reduced-price school lunch program or the school breakfast program, including through the USDA Community Eligibility Provision, or did so in the 2019-2020 school year;
- Received a Federal Pell Grant during the current award year;
- Experienced a substantial loss of income since February 29, 2020 and the household had a total income in 2020 below \$99,000 for single filers and \$198,000 for joint filers; or,
- Meets the eligibility criteria for a participating providers' existing low-income or COVID-19 program.

The program has been authorized by the FCC which announced on April 19th that the EBB been opened to participating broadband providers for testing but the start date has not yet been established. The benefit will last until the funds are exhausted which is expected to be only several months.

² The study is available [here](#).

California Teleconnect Fund (CTF) – The fund is a universal service program created in 1996 to provide discounts to telecommunications services for qualifying institutions. CTF provides a 25 percent discount for voice services and a 50 percent discount for broadband services on select communications services to schools, libraries, hospitals and other non-profit organizations. As of February 2021, 508 libraries, 97 community colleges, 212 hospitals and clinics, 6,682 community based organizations, and over 3,732 public and non-profit private schools participate in CTF. CTF is funded through surcharge on each customer's phone bill for intrastate telecommunications services, including traditional wireline, Voice over Internet Protocol and wireless service phone bills. Qualified entities receive a 50% discount on eligible advanced telecommunications services through telecommunications carriers participating in the program. The CTF program is funded through a surcharge on all customers that purchase intrastate telecommunications services and has an adopted budget of \$107 million for Fiscal Year 2020-2021.

California LifeLine Program (LifeLine) – This was created in 1984 to provide access for low-income households to affordable basic residential telephone service. LifeLine helps consumers lower the cost of their phone bills by providing discounts for home phone and cell phone service (mobile broadband) to qualified California residents. LifeLine works in conjunction with the federal LifeLine program which provides an additional discount on phone service for qualifying low-income subscribers. Together each program participant can currently receive a monthly maximum discount of \$13.75 from the California LifeLine Program in addition to a monthly maximum discount of \$9.25 from the federal LifeLine Program. As of December 2020, the surcharge for Universal LifeLine Telephone Service is 4.75 percent of each customer's phone bill for intrastate telecommunications service.

To qualify for LifeLine, individuals must be enrolled in certain public assistance programs, such as, Medicaid/Medi-Cal; Supplemental Security Income; CalFresh, Food Stamps or Supplemental Nutrition Assistance Program; Women, Infants and Children Program; National School Lunch Program, among others. Individuals may also qualify if their household's total annual gross income is at or below 135 percent of the federal poverty level.

COMMENTS:

- 1) Author's Statement. In 2017, the California Legislature approved AB 1665 (E. Garcia), a landmark piece of legislation to extend the California Advanced Service Fund and ensure California continued to be a national leader in Digital Inclusion. However, the COVID-19 pandemic highlighted that access to the internet continues to be a barrier for many across the state, especially for low-income households.

According to the California State Broadband Action Plan completed in December of 2020, broadband affordability remains a large challenge to achieving broadband for all in the state. Over half of Californians without broadband at home cannot afford market prices or do not own a computer. Additionally, there are no broadband programs to support families at risk of losing their service, like the Low-Income Home Energy Assistance program. The availability of high-speed Internet access is essential to 21st century economic competitiveness and quality of life. Without action, California risks exasperating an already widening digital divide.

- 2) Issues to Consider. The author continues to have discussions with several groups and state representatives. There are several broadband bills moving through the Legislature this year which set the foundation for a critical conversation about the funding of broadband deployment and connectivity in the state. As the conversation proceeds, and this and other bills are discussed, the following issues and impacts should be considered:
- a) *Specified Eligibility*: The bill includes a long list of federal and state programs which would establish automatic eligibility if a member of a household is already enrolled in one of those programs. The two other major bill discount programs administered by the CPUC (CARE and LifeLine) have broader statutory eligibility frameworks which have been in place for an extended length of time. Utilizing the existing discount program eligibility guidelines could expedite implementation.
 - b) *Surcharge Application*: The bill directs that the surcharge be assessed per service line and differs from other universal service programs administered by the CPUC which are applied as a percentage of the intrastate revenue portion of the customer's bill.
 - c) *Providers*: The state does not have the legal authority to require broadband providers to participate in a bill discount program. It is voluntary. Consequently the ability of the CPUC to "ensure" that every person has access to broadband may not be reasonable since broadband providers do not have to participate and broadband is not available in all areas or at the speeds required in the bill.
 - d) *Surcharge Amount*: \$0.23 per access line as provided in this bill would generate approximately \$156 million per year. At \$50 per month (as provided by the EBB) for bill assistance, 260,000 customers would be served. The most recent U.S. Census Bureau's supplemental poverty measure shows roughly 7.5 million Californians live in poverty. In comparison, the LifeLine program provides a subsidy of \$15 per month for approximately 1.5 million households and totals \$399 million a year. It is estimated that only 38% of the population eligible for LifeLine are enrolled.

REGISTERED SUPPORT / OPPOSITION:

Support

American Gi Forum of California
 Association of Independent California Colleges & Universities (AICCU)
 California Emerging Technology Fund
 California Medical Association
 California State Association of Counties
 County of Santa Clara
 County Welfare Directors Association of California (CWDA)
 Los Angeles Unified School District
 National Association of Social Workers, California Chapter
 Office of The Riverside County Superintendent of Schools
 Riverside County Public K-12 School District Superintendents
 Southern Boarder Broadband Consortium
 The Greenlining Institute

Valley Vision
Western Center on Law & Poverty, INC.
Individuals

Opposition

California Taxpayers Association

Oppose Unless Amended

The Utility Reform Network (TURN)

Analysis Prepared by: Kellie Smith / C. & C. / (916) 319-2637