

- 6) Eliminates a requirement in current law that each consortium conduct an annual audit of programs funded by Consortia Account grants and, instead, modifies the content of the annual report current law requires each consortium submit to the CPUC.

FISCAL EFFECT:

This bill creates significant new administrative and analytical costs for the CPUC. Specifically, the CPUC will need, among other things, to revise CASF program guidelines and reconsider CASF account budgets. This work will require the CPUC to conduct a proceeding and likely require resources worth hundreds of thousands of dollars, at least.

For its part, the CPUC estimates this bill will result in one-time costs of \$1.5 million and ongoing costs of nearly \$3.3 million (CASF).

The CPUC describes the work created by this bill as opening and managing a proceeding to make programmatic changes to the Consortia Account rules and budget, and possibly to other CASF account rules and budgets, conducting more rigorous monitoring of project work plans, activities and deliverables to ensure there is no overlap with the CASF Adoption Account, and coordinating with other broadband programs. The CPUC contends this workload will entail nine new positions including a program manager, various analysts and an administrative law judge.

As noted, the committee agrees this bill creates significant new work of the CPUC. However, it is not clear to the committee that the CPUC will need as many additional resources as the CPUC estimates, especially not on an ongoing basis.

COMMENTS:

- 1) **Purpose.** The author believes existing law limits regional broadband consortia authority in ways that inhibits achievement of legislative goals and leaves the consortia underfunded. According to the author:

In 2010, Senator Alex Padilla and the California Emerging Technology Fund (CETF) authored SB 1040, establishing Regional Broadband Consortia to serve as regional partners to the CPUC in deploying broadband and closing the digital divide. Despite this original vision, RBCs have remained underfunded and under-empowered to fulfill their statutory role...Current law limits RBC authority and requires cumbersome annual expenditure audits. Funding levels have been insufficient to allow RBCs to regularly and substantively engage the full range of stakeholders identified in statute.... AB 2279 proposes targeted amendments to expand RBC authority and modernize their funding structure.

- 2) **Background.** SB 1193 (Padilla), Chapter 393, Statutes of 2008, sponsored by the CPUC, established the CASF and gave the CPUC authority to assess a surcharge on communication service ratepayers (wireline, wireless and voice over internet protocol customers) receiving intrastate telecommunication services. The overall purpose of SB 1193 was to fund deployment of broadband infrastructure in unserved areas of the state. The statutory goal of the program is to provide broadband access to no less than 98% of California households in each "consortium" (regional umbrella organizations made up of public, private and

community-based organizations that coordinate efforts to promote deployment, access and adoption of broadband technology).

State law creates within the CASF several accounts, monies in which the CPUC is to expend for specified purposes. Those accounts are the Broadband Infrastructure Grant Account, the Consortia Account, the Broadband Public Housing Account, the Broadband Adoption Account and the Federal Funding Account. Current law limits the amount the CPUC may collect from the CASF fee to \$150 million each year. The CPUC has administrative authority to allocate money among the CASF accounts as it sees fit.

This bill most directly affects the Consortia Account, monies in which statute dedicates to grants to eligible consortia to facilitate deployment of broadband services by assisting infrastructure applicants in the project development or grant application process. As described above, this bill expands the ways the consortia may use monies in the account that are granted to them by the CPUC, and the bill establishes the minimum annual base funding Consortium Account grant per consortium at no less than \$200,000.

The bill sponsor, the California Emerging Technology Fund, acknowledges that providing more in grants from the Consortia Account necessarily creates pressure to provide additional program funding; however, the sponsor contends there are, and have been, persistent balances in some of the other CASF accounts, and any additional funding from the Consortia Account could be accommodated by use of monies in those other CASF accounts. Indeed, the CPUC confirms that, as of June 2025, the CASF program had an ending fund balance of \$521.55 million and a net fund balance of \$398.60 million after outstanding encumbrances.

Nonetheless, the CPUC asserts CASF fund balances should not, and cannot, be used to fund the Consortia Account, as required by this bill.

Whether the CASF fund balances should fund the Consortia Account is a policy question, but it is not clear why the CASF fund balances could not be used for this purpose.

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