

ASSEMBLY THIRD READING

AB 2790 (Committee on Communications and Conveyance)

As Introduced March 16, 2026

Majority vote

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).

Major Provisions

- 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.

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.

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.

- 2) *This bill would impact an ongoing CPUC Proceeding.* In August 2025 the CPUC initiated a new rulemaking (Rulemaking R. 25-08-005) to consider updates to the California Teleconnect Fund program rules. 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.

Given the concern from educational stakeholders, which was reported to the committee during an oversight hearing in late February, the committee initiated this bill to complement the CPUC's ongoing rulemaking and ensure the statute is implemented appropriately in that rulemaking.

- 3) *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. Based on that statute, the CPUC has initiated a rulemaking to add school districts and county offices of education. Similarly, this bill would revise the statute by explicitly 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, this is aligned what the CPUC's interpretation in the proceeding and 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.

- 4) *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.

According to the Author

This a committee bill, and accordingly there is no author's statement.

Arguments in Support

According to the Department of Education, strengthening and clarifying eligibility within the CTF program directly advances educational equity by reducing the cost burden of broadband services

and ensuring that all students – especially those in underserved communities – have access to the digital tool necessary for learning and success.

Arguments in Opposition

None on file.

FISCAL COMMENTS

According to the Assembly Appropriations Committee, by expanding the CTF program eligibility, this bill creates new costs for the CPUC. The CPUC estimates these costs to total approximately \$2.1 million: \$1.1 million in ongoing costs for six new positions and \$1 million in one-time costs.

VOTES**ASM COMMUNICATIONS AND CONVEYANCE: 9-0-0**

YES: Boerner, Hoover, Bonta, Caloza, Castillo, Krell, Lowenthal, Rogers, Blanca Rubio

ASM APPROPRIATIONS: 15-0-0

YES: Wicks, Hoover, Aguiar-Curry, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

UPDATED

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