

UNFINISHED BUSINESS

Bill No: SB 1191
Author: Ochoa Bogh (R), et al.
Amended: 6/8/26
Vote: 27 - Urgency

SENATE ENERGY, U. & C. COMMITTEE: 15-0, 4/7/26

AYES: Allen, Ochoa Bogh, Archuleta, Arreguín, Becker, Caballero, Gonzalez, Hurtado, McNerney, Reyes, Richardson, Rubio, Stern, Strickland, Wahab

NO VOTE RECORDED: Dahle, Grove

SENATE APPROPRIATIONS COMMITTEE: 7-0, 5/14/26

AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

SENATE FLOOR: 33-0, 5/22/26

AYES: Archuleta, Arreguín, Ashby, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Ochoa Bogh, Pérez, Reyes, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener

NO VOTE RECORDED: Allen, Alvarado-Gil, Becker, Hurtado, Niello, Padilla, Stern

ASSEMBLY FLOOR: 72-0, 8/20/26 - See last page for vote

SUBJECT: Communications: universal service programs

SOURCE: California Communications Association
California Independent Telephone Companies

DIGEST: This bill extends the operation of the California High-Cost Funds (CHCF-A and CHCF-B) from January 1, 2028, to January 1, 2033.

Assembly Amendments make technical, non-substantive changes and add a co-author.

ANALYSIS:

Existing law:

- 1) Establishes the following Universal Service Funds at the California Public Utilities Commission (CPUC) to support the state's universal telecommunications service goals:
 - a) California High-Cost Fund – A
 - b) California High-Cost Fund – B
 - c) The Universal Lifeline Telephone Service Trust Administrative Committee Fund
 - d) Deaf and Disabled Telecommunications Program
 - e) California Teleconnect Fund
 - f) California Advanced Services Fund (Public Utilities Code §270)
- 2) Separately establishes each of the Universal Service Funds and requires revenues collected for each fund to be deposited into their respective accounts based on a schedule specified by the CPUC. Existing law clarifies that moneys collected for each of the universal service programs can only be used to fund the program for which those moneys were collected. Existing law prohibits the use of moneys collected for any universal service program for any purpose other than the program for which the funds were collected and the administrative costs of that program. (Public Utilities Code §§275, 276, 277, 278, 280, 281)
- 3) Establishes the basis for which the CPUC must assess telecommunication surcharges that fund universal service programs. Under existing law, these surcharges apply to both traditional telephone lines and Voice over Internet Protocol (VoIP) counted as 9-1-1 access lines, as specified. (Public Utilities Code §285)
- 4) Establishes the CHCF-A program to provide support to small independent telephone companies in rural, high-cost areas of the state to ensure residents' access to affordable telecommunications services in these communities. Existing law requires the CPUC to regulate the rates of telephone corporations receiving CHCF-A subsidies, and it requires the CPUC to use subsidies from

the CHCF-A fund to cover those reasonable costs that A-Fund cannot recover through rates. (Public Utilities Code §275 and §275.6)

- 5) Establishes the CHCF-B program to provide support to large telecommunications “Carriers of Last Resort” in high-cost areas of the state to ensure residents’ access to basic telephone services. (Public Utilities Code §276 and §276.5)
- 6) Authorizes the CPUC to administer a surcharge to fund the CHCF-A and CHCF-B. (Public Utilities Code §§275-276.5)
- 7) Sunsets the CHCF-A and B programs on January 1, 2028. (Public Utilities Code §§275-276.5)

This bill extends the sunset date on the CHCF-A and CHCF-B programs from January 1, 2028, to January 1, 2033.

Background

A brief history of California’s High- Cost telecommunications programs. The CHCF-A and CHCF-B are two of California’s six universal service programs. Collectively, the universal service programs are established by statute to ensure that all Californians have access to affordable, high-quality telecommunications services. The CPUC established California’s High-Cost Fund in 1988 through AB 1466 (N. Waters, Chapter 755, Statutes of 1987), which required the CPUC to develop a program to reduce telephone rate disparities between small independent telephone companies serving rural areas and companies serving urban areas. The High-Cost Fund subsidized small to mid-sized telephone companies serving rural and small metropolitan communities through subsidies administered by Pacific Bell. Until 1995, local telephone service was generally provided through one telephone utility in each service territory. In 1995, the CPUC issued a decision opening California’s local telephone exchanges to competition between companies. In 1996, the CPUC issued a decision modifying the High-Cost Fund to address increased competition between different types of carriers in local exchange markets. These modifications included splitting the High-Cost Fund into the CHCF-A and CHCF-B programs.

In addition to establishing these two different programs, the CPUC’s decision also relieved Pacific Bell of its administrative duties for the High-Cost Fund by making the CPUC the administrator of the CHCF-A and CHCF-B. Since the creation of

the CHCF-A and CHCF-B, the Legislature has regularly extended the operation of the High-Cost Funds. This bill extends the existing sunset from January 1, 2028, to January 1, 2033.

CHCF-A. Under existing law, the CHCF-A program provides rate support to small independent telephone corporations. This rate assistance is intended to ensure that residents in rural communities can access telecommunications services at rates comparable to those for similar services in urban areas. Rural telecommunications rates can significantly exceed urban rates due to higher infrastructure costs and a lack of economies of scale. CHCF-A companies are generally rate-regulated carriers of last resort (COLRs) who must provide telephone service to any customer in their service territory requesting service. These companies tend to also operate in some of the highest fire threat rural communities where little competition exists because few competitive carriers have opted to expand service to these locations.

CHCF-B. The CHCF-B program provides subsidies to large telecommunications companies that provide basic telephone services as COLRs in high-cost areas. Like the CHCF-A program, these subsidies are intended to keep telephone rates in high-cost areas of the state comparable to rates charged in urban areas. Unlike companies in the CHCF-A program, the large providers in the CHCF-B program are not rate-regulated by the CPUC and generally operate in areas of the state where some degree of telecommunications competition exists.

Status of High-Cost Fund Surcharge Revenue. California's high-cost funds are financed by a surcharge on in-state telecommunications services. This bill extends the CPUC's authority to collect those surcharges; however, this extension does not necessarily mean that consumers will inherently pay both surcharges. In 2021, the Legislature passed a package of bills to improve funding for telecommunications services, including broadband deployment. These bills also updated the surcharge mechanism funding universal service programs to ensure that these programs retained adequate funding as consumers increasingly migrate towards wireless and internet-based communications. On April 1, 2023, the CPUC established a single surcharge on each access line to fund all the universal service programs. In August 2025, the CPUC set the universal service fund surcharge at 90 cents per access line per month. Each universal service program comprises a different portion of this monthly charge. In recent years, the CPUC has declined to collect surcharge revenue for the CHCF-B program due to ongoing surpluses for this program. The revenue needed for the CHCF-A fund is largely determined by rates established in the small telephone corporations' general rate cases. CHCF-A subsidies have

remained relatively stable and have not risen with the rate of inflation. The most recent annual report on the small independent telephone corporations' use of the CHCF-A subsidies shows that between 2019 and 2022, these companies' draw from the CHCF-A fund declined slightly.

Related/Prior Legislation

SB 857 (Hueso, Chapter 706, Statutes of 2022) extended the operation of the CHCF-A and B programs from January 1, 2023, to January 1, 2028.

SB 4 (Gonzalez, Chapter 671, Statutes of 2021) and AB 14 (Aguiar-Curry, Chapter 658, Statutes of 2021) made various changes to update and extend the operation of the California Advanced Services Fund to 2032, including updating the mechanism for collecting surcharges funding universal service programs to include VoIP lines.

AB 1959 (Wood, Chapter 256, Statutes of 2018) extended the operation of the CHCF-A and B programs from January 1, 2019, to January 1, 2023.

SB 1364 (Fuller, Chapter 520, Statutes of 2014) extended the operation of the CHCF-A and B programs from January 1, 2015, to January 1, 2019.

SB 3 (Padilla, Chapter 695, Statutes of 2011) extended the operation of the CHCF-A and B programs from January 1, 2012, to January 1, 2015.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Assembly Appropriations Committee, this bill results in ongoing annual costs, through 2033 at least, for the CPUC to continue to administer the high-cost fund programs. The CPUC reports it dedicates two regulatory analysts to the programs, at a combined annual cost of \$419,000 (California High-Cost Fund A and California High-Cost Fund B).

SUPPORT: (Verified 8/20/26)

California Communications Association (co-source)
California Independent Telephone Companies (co-source)
Rural County Representatives of California
USTelecom - the Broadband Association

OPPOSITION: (Verified 8/20/26)

None received

ARGUMENTS IN SUPPORT: According to the author:

SB 1191 continues California's commitment to universal service by extending its High-Cost Fund programs to ensure rural communities have access to reliable and affordable telecommunications services. Without the support of these funds, rural residents would find it very difficult to cover the high cost of delivering telecommunications services in remote, rugged and sparsely populated areas of the state. SB 1191 will help keep rural communities connected to the network and the essential services it provides, like 911 and reverse 911, by keeping telecommunication services affordable.

ASSEMBLY FLOOR: 72-0, 8/20/26

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Fariás, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Connolly, Davies, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Johnson, Kalra, Krell, Lackey, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NO VOTE RECORDED: Chen, DeMaio, Jackson, Lee, Macedo, Sanchez, Ta

Prepared by: Sarah Smith / E., U. & C. / (916) 651-4107
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