

Date of Hearing: August 20, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

SB 716 (Durazo) – As Amended July 17, 2025

Policy Committee: Communications and Conveyance

Vote: 7 - 1

Urgency: No

State Mandated Local Program: Yes

Reimbursable: No

SUMMARY:

This bill makes stand-alone broadband service eligible for the existing California Lifeline subsidy that is currently available only to telephone service.

Specifically, this bill, among other things:

- 1) States that an internet service provider (ISP) is eligible for a Lifeline subsidy if the ISP offers at least one internet service plan that provides broadband internet access service at a speed of at least 100 megabits per second downstream and 20 megabits per second upstream (100/20) and costs \$30 or less per month.
- 2) Authorizes a Lifeline subscriber to apply the Lifeline subsidy to any eligible internet service plan offered by a participating ISP.
- 3) Directs the California Public Utilities Commission (CPUC) to establish a mechanism by which an ISP may voluntarily include stand-alone broadband internet service as a class of Lifeline service and to adopt rules to implement the requirements of this bill by July 1, 2027.
- 4) Authorizes the CPUC to adjust the speeds and monthly cost that an internet service plan must meet in order to be eligible for a Lifeline subsidy, applicable only to an area of the state where no participating ISP offers broadband internet access service at a speed of 100/20 and for \$30 or less per month.
- 5) Makes several additional requirements and allowances of the CPUC, including (a) the CPUC not require a Lifeline subscriber to bundle their voice and internet service plans as a condition of receiving a Lifeline subsidy, (b) the CPUC may adopt a mechanism to ensure a Lifeline subscriber who receives subsidy for stand-alone broadband service has sufficient access to voice service and (c) caps the amount at which the CPUC may set the surcharge that generates Lifeline program revenues at the highest rate collected within the previous four years, as of January 1, 2026. In effect, this is a cap of \$1.11 per service connection.
- 6) By July 1, 2028, requires the CPUC, as part of an annual report required by existing law, report to the Legislature on the performance and fiscal effect of the Lifeline program, including (a) the overall increase or change in program participation, (b) the number of participants switching from telephone to broadband service and (c) the number of participants that applied their subsidy to a bundled service offering.

FISCAL EFFECT:

This bill will result in two general cost categories: (1) costs to the CPUC to administer the subsidy, which are likely to be in the hundreds of thousands of dollars annually, and (2) costs of stand-alone broadband service subsidy payments, which are likely to be in the hundreds of millions of dollars annually.

The CPUC provided the committee its estimates of both these cost categories. To do so, the CPUC assumed the number of people who would newly participate in the Lifeline program as a result of the availability of the stand-alone broadband subsidy. The CPUC, based on experience with the federal Affordable Connectivity Program (ACP) (described below), assumed 1,266,471 households will eventually participate in Lifeline standalone broadband service subsidy, with 30% of those households participating in year one, followed by participation rates increasing by ten percentage points each year thereafter.

Based on those numbers, the CPUC concludes it will need:

- 1) Three permanent positions, at an annual cost of \$689,000 (Universal Lifeline Telephone Service fund), as follows: two regulatory analysts, at an average annual cost of \$210,000 each, and one supervisor, at an annual cost of \$279,000.
- 2) Annual contracts with the California Lifeline Third-party Program Administrator, totaling nearly \$41 million over five years (Universal Lifeline Telephone Service fund), to, among other things, determine participant eligibility, operate and monitor information technology systems, provide subscriber customer service, manage records and databases, and prevent fraud.
- 3) Stand-alone broadband subsidy costs (Universal Lifeline Telephone Service fund) of \$114 million in year one, \$152 million in year two, \$190 million in year three, \$228 million in year four and \$266 million in year five.

The CPUC warns, if program participation increases as assumed above, the Lifeline program budget—\$385 million annually, generated from the current surcharge of \$0.90 per access line—likely could not support current Lifeline telephone program participants, future telephone program participants and new stand-alone broadband program participants, the current fund surplus of \$512 million notwithstanding. The CPUC insists it must retain the ability to adjust the surcharge amount to accommodate changes in program participation.

COMMENTS:

- 1) **Purpose.** The author describes those without home internet access as being “excluded from participation in daily life and opportunity.” The author intends this bill to make home internet available to all Californians, including low-income Californians.
- 2) **Background. *Universal Telephone Service and the Lifeline program.*** State law, through the Moore Universal Telephone Services Act, establishes the state policy of universal service through offering quality basic telephone service at affordable rates to the greatest number of California residents. In furtherance of the universal services policy, the CPUC administers several public purpose programs to ensure every Californian has access to telephone service. One such public purpose program is known as California Lifeline, which subsidizes the cost

of communications services—wireline telephone service, wireless telephone service and voice-over-internet-protocol (VoIP) service—to low-income Californians.

California Lifeline reimburses a participating telephone service provider for its administrative costs and the discounts it offers to each program participant on their monthly service charges. The service provider applies a discount to the participant's bill and submits monthly claims to the CPUC for reimbursement. Currently, a person who qualifies for the Lifeline subsidy may use it to reduce the cost of home broadband internet services only if that service is a bundled with voice service.

The CPUC sets the current subsidy available from the California Lifeline program at \$19.00 a month. In addition, most California Lifeline program participants are eligible for a subsidy of \$9.25 a month from the lifeline program, making most program participants eligible to receive a monthly subsidy on telephone service of \$28.25. Presently, about 1.7 million Californians receive a Lifeline discount, of which about 109,000 are wireline telephone customers and 1.6 are wireless telephone customers. Of the wireline participants, approximately 13,000 subscribe to bundled voice and broadband service

The California Lifeline program is funded by a surcharge on billing for each intrastate telephone service line, as are the other five universal service public purpose programs. The CPUC established a new flat rate surcharge methodology based on each access line and imposed a flat-rate surcharge of \$1.11 for each active access line of telephone services in California, effective April 1, 2023.

Recently, the CPUC projected a surplus of approximately \$512 million in the Universal Lifeline Telephone Service fund at the end of fiscal year 2024-25. This led the CPUC, effective August 1, 2025, to reduce the surcharge to a flat rate of \$0.90 per access line, which, the CPUC projected, would “provide sufficient revenue for all six PPPs through FY 2026-2027.” At the same time, the CPUC increased, from \$0.45 to \$0.55, the portion of the surcharge the CPUC allocates to the Lifeline program, which the CPUC projects will “support the projected 1.75 million subscribers at \$19.00 in subsidy.” However, the CPUC now warns, “At this time, it is difficult to determine whether the current surcharge level of \$0.55 will be enough to cover the projected level of subscribers in the November budget,” and that this bill will “require an increase in annual program costs.”

Bill Expands Eligible Use of the Lifeline Subsidy. As mentioned above, currently, a person who qualifies for the Lifeline subsidy may use it to reduce the cost of home broadband internet services if that service is a bundled with voice service. This bill, instead, would allow such a person to apply the subsidy to the cost of stand-alone broadband internet service. The bill is a response to, among other things, the expiration of a federal program—the ACP, which offered each eligible household a \$30 subsidy to apply to the cost of a home internet plan from a participating ISP.

- 3) **Related Legislation.** This spring, this committee considered and approved AB 353 (Boerner), which requires California ISPs to offer affordable home internet service at \$15 per month. AB 353 is currently in Senate Committee on Energy, Utilities and Communications.