

Governor's 2021–22 May Revision Broadband Proposal

The Administration is proposing a \$7 billion infrastructure initiative to comprehensively address the state's broadband infrastructure and affordability needs. Pairing statewide open-access middle-mile infrastructure and last-mile funding aimed at local governments and private providers with broadband service subsidies will result in higher quality and more affordable broadband services statewide. The proposal includes -

Infrastructure Access

Middle Mile – \$4 billion

- Building and managing a critical open-access statewide “middle-mile” network through a combination of federal American Rescue Plan Act and state funds overseen by the California Department of Technology in coordination with the California Public Utilities Commission.
- Incentivizing providers to expand affordable service to unserved and underserved areas by substantially reducing their upfront infrastructure costs, creating new opportunities for municipal fiber networks, and promoting affordability for consumers.
- Creating an essential backbone infrastructure is a foundational step towards the entire state having accessible and affordable broadband service. Moreover, the generational investment will create tens of thousands of well-paying jobs to help the state's economy recover from the COVID-19 Pandemic.

Last Mile Proposals – \$3 billion

To complement the middle-mile proposal, the Governor's proposal includes funding for a comprehensive strategy to build last-mile infrastructure to provide Californians with access to high-speed broadband service. These include -

California Advanced Services Fund (CASF) Program Rule Changes

- Extending the program goal to December 31, 2026; but not extending surcharge collection for program.
- Defining unserved areas eligible for grants as those where no provider offers at least 25 megabits per second (Mbps) downstream/3 Mbps upstream.
- Requiring deployed infrastructure can provide minimum broadband speeds of 100 Mbps down/20 Mbps up.
- Prioritizing areas unserved by 10 Mbps down/1 Mbps up.
- Expanding the ability of CASF to match or leverage federal and non-state funds for broadband infrastructure and adoption.
- Establishing a Federal Funding Account and Loan Loss Reserve Fund (see below).
- Removing Right of First Refusal for existing facility based broadband providers.
- Removing restrictions on local governments applying for CASF.
- Broadening low-income community eligibility for the Broadband Public Housing Account.

Loan Loss Reserve Account – \$500 million

- Creating a new state funded “Loan Loss Reserve” Fund to assist local governments in deploying municipal networks, with the goal of expanding the ability of local governments to issue bonds to finance the building of broadband infrastructure.
- This Fund would provide collateral to local governments issuing bonds for broadband to get local governments better borrowing rates and terms.
- Could leverage three to ten times the guaranteed amount in bond funds (e.g., a \$10 million guarantee could support a \$30-100 million bond issuance).
- Borrowed funding would be returned through the operating funds of a last-mile project upon maturity.
- Public broadband infrastructure can be a cost-effective and revenue-generating solution for providing high-speed broadband in communities with limited or no broadband access that improves access, lowers costs, and improves customer service.

Federal Funding Account – \$2 billion

- Establishing a new federally funded subaccount in the CASF program to quickly deploy last-mile broadband connections in areas traditionally excluded by existing programs.
- The goal of this subaccount is to actively target areas through a solicitation process as opposed to a “wait-and-see” application process that is currently utilized.
- This streamlined federally funded subaccount will allow the expenditure of federal funds by the 2024 federal deadline, and projects built by 2026.

Rural Telephone Company Broadband Proposal – \$500 million

- Providing funding to support small telephone companies in their build out of future-proof broadband infrastructure to hard-to-reach rural communities.

Broadband Service Affordability

Including Broadband in LifeLine

- Expanding the California LifeLine program to include a standalone broadband subsidy. This will reduce the cost burden of broadband service for the most low-income and vulnerable Californians.

Expansion of High-Cost Fund Subsidies to Include Broadband

The California High-Cost Fund B (CHCF-B) Program provides state funding support for telephone companies providing wireline voice service to rural, sparsely populated, topographically challenging, and difficult to serve areas of the state with the goal of ensuring equity between rural and urban customers. The Administration's proposal includes -

- Updating the program to provide subsidies for broadband in addition to voice services.
- Expanding program eligibility to include local governments, tribes, and broadband-only providers.
- Providing support for the maintenance of critical supporting broadband infrastructure in remote areas of the state that continue to be expensive and unprofitable for both telephone service and high-speed broadband.