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Overview and Status of Major Federal and State Broadband Programs and Projects

PRESENTED TO:

Senate Committee on Energy, Utilities and
Communications
Hon. Steven Bradford, Chair



LEGISLATIVE ANALYST'S OFFICE

Overview of the State's 2021 Broadband Infrastructure Spending Plan

The Administration and Legislature Reached a Three-Year, Multibillion Dollar Broadband Infrastructure Agreement in 2021

- In July 2021, the administration and the Legislature agreed to spend \$6 billion over three fiscal years (starting in 2021-22) on broadband infrastructure. Of the \$6 billion in the 2021 agreement, \$4.3 billion came from federal American Rescue Plan (ARP) fiscal relief funds and \$1.7 billion came from the General Fund.

Three Broadband Infrastructure Programs and Projects Funded by Spending Plan

- The 2021 agreement, now spending plan, funds three related broadband infrastructure programs and projects:
 - **Statewide Open-Access Middle-Mile Network.** Middle-mile broadband infrastructure often consists of fiber-optic cables laid over tens or hundreds of miles that, once connected to by an internet service provider (ISP), can help deliver local high-speed internet service. The state is building and leasing a middle-mile network across the state available to ISPs, public entities, and other organizations. The 2021 spending plan appropriated \$3.25 billion in ARP fiscal relief funds for the middle-mile network.
 - **Last-Mile Projects.** Last-mile broadband infrastructure often consists of antennae, cables, poles, wires, and other components that help connect middle-mile infrastructure to communities and individual households. The state will be providing grants to ISPs, public entities, and other organizations to fund last-mile projects. The 2021 spending plan appropriated \$2 billion (\$1.1 billion ARP fiscal relief funds and \$900 million General Fund) for last-mile projects.



Overview of the State's 2021 Broadband Infrastructure Spending Plan

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- **Broadband Loan Loss Reserve Fund.** The Broadband Loan Loss Reserve Fund will be a program within the California Public Utilities Commission's (CPUC's) California Advanced Services Fund (CASF) that will provide local government entities and nonprofit organizations with grants to help them, for example, pay the costs of debt issuance and establish and fund reserves for broadband infrastructure projects. The 2021 spending plan appropriated \$750 million General Fund for the Broadband Loan Loss Reserve Fund.

Two Major Agreed-To Changes Since 2021 Spending Plan

- Since July 2021, the administration and the Legislature have changed the 2021 spending plan in the following ways:
 - **\$1.4 Billion Shift in Funding From Federal ARP Fiscal Relief Funds to General Fund in 2021-22.** Pursuant to Control Section 11.96 of the *2022-23 Budget Act*, the fund source for appropriations totaling \$1.4 billion in 2021-22 shifted from ARP fiscal relief funds to the General Fund—\$887 million for the middle-mile network and \$522 million for last-mile projects. After the shift, there is \$2.9 billion in ARP fiscal relief funds (as compared to \$4.3 billion in the 2021 spending plan) allocated in 2021-22 for broadband infrastructure.
 - **\$550 Million General Fund Added Across 2023-24 and 2024-25 for Increased Middle-Mile Network Costs.** Chapter 48 of 2022 (SB 189, Committee on Budget and Fiscal Review) affirms the Legislature's intent to appropriate \$300 million General Fund in 2023-24 and \$250 million General Fund in 2024-25 for increased costs to build and lease the middle-mile network.



Overview of the State's 2021 Broadband Infrastructure Spending Plan

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Governor's 2023-24 Budget Proposes to Delay Some Broadband Infrastructure Spending

- As part of a package of proposed solutions to address a projected budget shortfall, the Governor's budget proposes to delay some spending currently included in the revised 2021 broadband infrastructure spending plan as follows:
 - ***\$1.1 Billion General Fund in Previous and Planned Appropriations Proposed for Delay.*** The Governor's proposed budget would delay \$1.1 billion General Fund in the 2021 spending plan from 2022-23 and 2023-24 to 2024-25, 2025-26, and 2026-27. Of the \$1.1 billion proposed for delay, \$575 million is for the Broadband Loan Loss Reserve Fund—\$175 million from 2022-23 (of which \$50 million carried over from 2021-22 to 2022-23) and \$400 million from 2023-24—and \$550 million is for last-mile projects from 2023-24.

Broadband Infrastructure Spending Plan Summary Tables

- The tables on the next two pages summarize (1) the state's 2021 broadband infrastructure spending plan, as initially agreed to by the administration and Legislature, and (2) the updated spending plan, as revised by the administration and Legislature, with proposed changes in the *2023-24 Governor's Budget*.



Overview of the State's 2021 Broadband Infrastructure Spending Plan

(Continued)

Original 2021 Broadband Infrastructure Spending Plan

(In Millions)

Program or Project	Fiscal Year	Funding Source		
		Total Funds	General Fund	Federal Funds
Middle-Mile Network	2021-22	\$3,250 ^a	—	\$3,250
	2022-23	—	—	—
	2023-24	—	—	—
	Subtotals	(\$3,250)	(—)	(\$3,250)
Last-Mile Projects	2021-22	\$1,072	—	\$1,072 ^b
	2022-23	125	\$125	—
	2023-24	803	803	—
	Subtotals	(\$2,000)	(\$928)	(\$1,072)
Broadband Loan Loss Reserve Fund	2021-22	\$50	\$50	—
	2022-23	125	125	—
	2023-24	575	575	—
	Subtotals	(\$750)	(\$750)	(—)
All Programs and Projects	2021-22	\$4,372	\$50	\$4,322
	2022-23	250	250	—
	2023-24	1,378	1,378	—
Totals		\$6,000	\$1,678	\$4,322

^a The \$3.250 billion in federal funds for the middle-mile network in 2021-22 was appropriated to the California Department of Technology out of the state's American Rescue Plan (ARP) fiscal relief allocation.

^b The \$1.072 billion in federal funds for last-mile projects in 2021-22 was appropriated to the California Public Utilities Commission, of which \$550 million was the state's allocation from the ARP's Coronavirus Capital Projects Fund and \$522 million was out of the state's ARP fiscal relief allocation.



Overview of the State's 2021 Broadband Infrastructure Spending Plan

(Continued)

Updated Broadband Infrastructure Spending Plan, Delays Proposed in Governor's Budget

(In Millions)

Program or Project	Fiscal Year	Funding Source		
		Total Funds	General Fund	Federal Funds
Middle-Mile Network	2021-22 ^a	\$3,250	\$887	\$2,363 ^b
	2022-23	—	—	—
	2023-24 ^c	300	300	—
	2024-25 ^c	250	250	—
	2025-26	—	—	—
	2026-27	—	—	—
Subtotals		(\$3,800)	(\$1,437)	(\$2,363)
Last-Mile Projects^d	2021-22 ^e	\$1,072	\$522	\$550 ^f
	2022-23	125	125	—
	2023-24	253	253	—
	2024-25	200	200	—
	2025-26	200	200	—
	2026-27	150	150	—
Subtotals		(\$2,000)	(\$1,450)	(\$550)
Broadband Loan Loss Reserve Fund^g	2021-22	—	—	—
	2022-23	—	—	—
	2023-24	\$175	\$175	—
	2024-25	300	300	—
	2025-26	275	275	—
	2026-27	—	—	—
Subtotals		(\$750)	(\$750)	(—)
All Programs and Projects	2021-22	\$4,322	\$1,409	\$2,913
	2022-23	125	125	—
	2023-24	728	728	—
	2024-25	750	750	—
	2025-26	475	475	—
	2026-27	150	150	—
Total		\$6,550	\$3,637	\$2,913

^a Pursuant to Control Section 11.96 of the 2022-23 Budget Act, the Department of Finance shifted \$887 million for the middle-mile network from American Rescue Plan (ARP) fiscal relief funds to General Fund in 2021-22.

^b The remaining \$2.363 billion in federal funds for the middle-mile network in 2021-22 is state ARP fiscal relief funds.

^c The additional \$550 million General Fund for the middle-mile network (\$300 million in 2023-24 and \$250 million in 2024-25) is consistent with the legislative goal to provide these amounts (subsequent to the submission of a statutory report) in Chapter 48 of 2022 (SB 189, Committee on Budget and Fiscal Review).

^d All last-mile project amount and timing changes from the initial spending plan for 2023-24 through 2026-27 are proposed changes in the Governor's 2023-24 budget.

^e Pursuant to Control Section 11.96 of the 2022-23 Budget Act, the Department of Finance shifted \$522 million for last-mile projects from ARP fiscal relief funds to General Fund in 2021-22.

^f The remaining \$550 million in federal funds for last-mile projects in 2021-22 is the state's allocation from the ARP's Coronavirus Capital Projects Fund.

^g All Broadband Loan Loss Reserve Fund amount and timing changes from the initial spending plan for 2021-22 through 2025-26 are proposed changes in the Governor's 2023-24 budget.

Status of Major State Broadband Programs and Projects

Middle-Mile Network

- ***Estimated Length of 10,000 Miles at Total Cost of More Than \$4.5 Billion.*** In May 2022, the California Department of Technology (CDT) presented a network map that spanned an estimated 10,000 miles across the state. According to CDT, the estimated total construction cost of the 10,000 miles at this time is more than \$4.5 billion.
- ***Decisions to Finalize Network Architecture Expected by End of March.*** However, the Legislature only appropriated, or affirmed its intent to appropriate, \$3.8 billion of the more than \$4.5 billion identified. CDT is expected to adjust the architecture of the network (for example, by leasing more miles instead of building them) to reduce the cost of the middle-mile network by the more than \$700 million needed to fit within current and planned appropriations. CDT expects to finish its review of network contract bids and make final decisions about network projects by the end of March.
- ***Signed Contracts to Build and Lease Network Expected by End of 2023.*** All of the contracts necessary to build and lease the network are expected to be signed by the end of 2023. Of the \$3.8 billion in current or planned appropriations for the middle-mile network, \$2.363 billion are ARP fiscal relief funds that must be encumbered by December 31, 2024 and expended by December 31, 2026 according to federal rules.



Status of Major State Broadband Programs and Projects

(Continued)

Last-Mile Projects

- **CPUC Rulemaking Procedure for Federal Funding Account (FFA) Complete.** In April 2022, the CPUC finished its rulemaking procedure for the new FFA within the commission's CASF program, which is partially funded with ARP fiscal relief funds. (Of the \$2 billion in current or planned appropriations for last-mile projects, \$550 million is ARP fiscal relief funds.)
- **First CASF FFA Grant Application Round Expected to Open in June.** The CPUC expects to open its first CASF FFA grant application round in June, receive all grant applications by August, review the applications from August to December, and award grants in January 2024. A second round also is expected to open in January 2024 with second round grant awards in December 2024.
- **At Least Two Rounds Expected, With \$1 Billion in Awards Available in First Round.** The CPUC estimates the total amount of grants available in the first round will be \$1 billion (including all \$550 million in ARP fiscal relief funds). While CPUC expects the total amount of grants available in the second round will be \$1 billion, the Governor's budget proposes to delay some of the last-mile project spending planned for 2023-24 to as late as 2025-26 and 2026-27.



Status of Major State Broadband Programs and Projects

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Broadband Loan Loss Reserve Fund

- ***CPUC Rulemaking Procedure for Broadband Loan Loss Reserve Fund Active.*** The CPUC rulemaking procedure for the Broadband Loan Loss Reserve Fund currently is active, with a proposed decision by the end of June 2023.
- ***First Broadband Loan Loss Reserve Fund Grant Application Round in 2023-24.*** The CPUC expects to open its first Broadband Loan Loss Reserve Fund application round in 2023-24. The CPUC does not know the total amount of funding that will be available in the first round, but the Governor's proposed 2023-24 budget delays \$175 million General Fund for the Broadband Loan Loss Reserve Fund planned for expenditure in prior years to 2023-24.



Recent Major Funding Infusion for Federal Broadband Programs

Federal Infrastructure Investment and Jobs Act (IIJA) Included \$65 Billion Nationwide for Broadband Programs

- IIJA was signed into law on November 15, 2021. The IIJA included \$65 billion total for broadband programs, a majority of which the National Telecommunications and Information Administration (NTIA) manages through six new and existing broadband programs:
 - Broadband Equity, Access, and Deployment (BEAD) Program (new).
 - Broadband Infrastructure Program (existing).
 - Connecting Minority Communities Pilot Program (existing).
 - Digital Equity Act Programs (new).
 - Enabling Middle Mile Broadband Infrastructure Program (new).
 - Tribal Broadband Connectivity Program (existing).
- Most of the remaining funding for broadband programs is overseen by the Federal Communications Commission through the Affordable Connectivity Program, which provides low-income households with monthly subsidies to pay for internet service and one-time subsidies to pay for internet-connected devices.



Recent Major Funding Infusion for Federal Broadband Programs

(Continued)

BEAD Program Received Largest Allocation of Available Funding

- Of the \$65 billion appropriated for broadband programs, \$42.45 billion is allocated for the BEAD program, which provides primarily last-mile broadband infrastructure project grants to states, territories, and other jurisdictions. Excluding 2 percent of program funding for administrative costs (\$849 million), allocations for each state (excluding territories and other jurisdictions) will be calculated as follows:
 - **Initial Allocation of \$100 Million to Each State (\$5.3 Billion of Total Program Funds).** Each state will receive an initial allocation of \$100 million, of which \$5 million will be provided at the program outset to support state planning efforts.
 - **Additional Allocation to States Based on Unserved Locations in High-Cost Areas (\$4.245 Billion of Total Program Funds).** Each state will receive an allocation based on the number of unserved locations in high-cost areas of their state as a percentage of all such locations nationwide.
 - **Allocation of Remaining Funds to States Based on Unserved Locations (\$32.056 Billion of Total Program Funds).** Each state will receive an allocation from remaining program funds based on the number of unserved locations in their state as a percentage of all such locations nationwide.



Status of Major Federal Broadband Programs

BEAD Program

- ***Initial Planning Funds Awarded in November 2022.*** NTIA awarded \$5 million in initial planning funds from the state's initial allocation of \$100 million to support state planning efforts, including a five-year action plan required by NTIA. The state must submit its five-year action plan to NTIA no later than August 28.
- ***State's Program Funding Allocation Expected by End of June.*** NTIA expects to announce how much each state will be allocated from the BEAD program by the end of June. Once NTIA announces the state's allocation, the state must submit an initial proposal to NTIA that describes how the state plans to distribute program funds to ISPs, public entities, and other organizations. Based on NTIA's time line, this proposal will need to be submitted to NTIA before the end of 2023. Once approved by NTIA, not less than 20 percent of the state's program allocation will be made available. Remaining allocation funds will be available once the state submits a final proposal describing how the state complied with its initial proposal and the subsequent results.
- ***Information Forthcoming on State Administration of BEAD Program Funding.*** We have limited information about how the state will administer its BEAD program funding at this time, but we expect the administration will provide more information to the Legislature over the coming months before the allocation announcement from the federal government.



Status of Major Federal Broadband Programs

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Digital Equity Act Programs

- ***\$2.75 Billion Available Nationwide for Digital Equity Grants.***
A smaller amount of appropriated broadband program funding (\$2.75 billion) is allocated to three digital equity grant programs: State Digital Equity Planning Grant Program (\$60 million), State Digital Equity Capacity Grant Program (\$1.44 billion), and Digital Equity Competitive Grant Program (\$1.25 billion).
- ***State Digital Equity Planning Grant Program Award Received in November 2022.*** NTIA awarded \$4 million in State Digital Equity Planning Grant Program funds to support the state's development of a digital equity plan. California's State Digital Equity Plan must be submitted to NTIA no later than November 30.
- ***Information Forthcoming on Capacity and Competitive Grant Programs.*** NTIA plans to provide more information on the Capacity and Competitive Grant Programs to states, territories, and other jurisdictions over the coming months.

