

# SB 156 Fact Sheet:

## Meeting the Digital Divide

SB 156

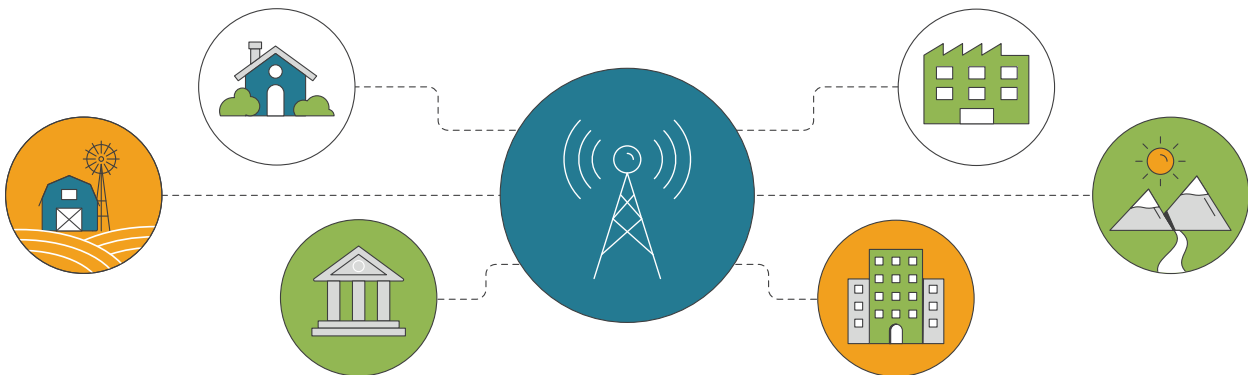


**On July 20, 2021, Governor Newsom signed the Broadband Trailer Bill, SB 156, into law.** The legislation provides policy detail to the Budget Act of 2021, which allocates \$6 billion towards expanding broadband infrastructure and access in California. This historic bill is one of the largest state broadband investments ever in the United States, funding three primary broadband programs and updating various rules and standards around the deployment of broadband.

### Middle Mile Broadband Infrastructure

This section provides \$3.25 billion for the construction of a state owned open-access middle mile broadband network. It also includes details about who will oversee the project and how areas of the state will be prioritized. Middle mile infrastructure serves as the middle distance connection between localities. It connects the internet backbone to the “last mile” infrastructure that provides internet directly to homes or offices. The bill:

- Identifies three new entities, in addition to the Public Utilities Committee (PUC), to oversee the planning and build out of this middle mile broadband network:
  - **CDT Office of Broadband and Digital Literacy (OBDL):** This new office within the California Department of Technology (CDT) will oversee the acquisition and management of the network. The OBDL will be responsible for developing the state-wide network once the planning process is complete and will have the authority to create standards and policies around the middle mile network.
  - **Third-Party Administrator:** OBDL will retain a non-profit third-party administrator to help manage the planning, development and maintenance of the middle-mile broadband project. The third-party administrator will work with the PUC to identify where the statewide network should be located.
  - **CDT Broadband Advisory Committee:** The CDT will create a Broadband Advisory Committee with representatives from various relevant state agencies. The advisory committee will provide policy advice to the OBDL and the third party administrator, oversee construction, and monitor the establishment of the network.
- Outlines how the PUC and third-party administrator should identify the priority locations for the middle mile network:
  - **They must prioritize:**
    - Locations that enable last-mile connections to residences unserved by 25 mbps downstream and 3 mbps upstream (25/3 mbps) and where there is no known middle-mile infrastructure that is open access, with sufficient capacity, and at affordable rates.



- State highway rights of way that serve a geographically diverse group of projects in rural and urban areas of the state to achieve the greatest reductions in the amount of households unserved by broadband internet access service meeting federal and state standards.
- **They may prioritize:**
  - Entities that lack sufficient high-bandwidth connections, including, elementary and secondary schools, community colleges and other institutions of higher education, government entities, healthcare institutions, libraries, public safety answering points and tribal lands.
- States that the draft priority locations developed by the PUC and third-party administrator will be published on the Commission website for 90 days and subject to public comment before being finalized.
- Outlines stipulations that will help improve the build out process and ensure project success and accountability. Exempts these projects from CEQA

### Broadband Last Mile Support:

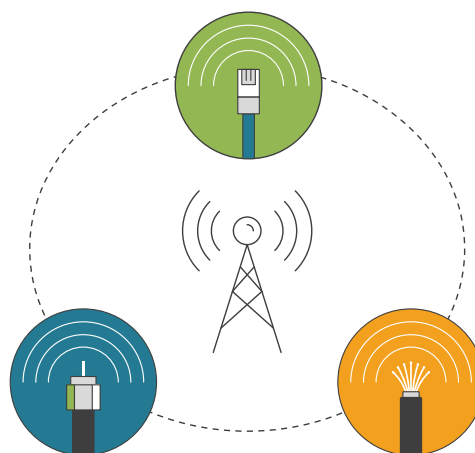
This section of the bill amends the rules for the Broadband Infrastructure Grant Account program within the California Advanced Services Fund (CASF) and allocates \$2 billion to the account to fund last mile projects. Last mile infrastructure includes the piece of an internet network that physically reaches the end consumer, which most often in the U.S. is DSL, cable or fiber. This bill:

- Allocates \$1 billion to rural counties and another \$1 billion to urban counties to fund last mile broadband projects. A base of \$5 million will be distributed to each county and the remaining funds will be issued based on the county's proportionate share of households lacking access to broadband internet service of at least 100 mbps download speed.
- Changes the definition of an "unserved area." Previously, an area was considered served if it offered broadband of at least 6/1 mbps speeds. Now, if an area does not offer broadband that is at least 25/3 mbps, it will be classified as unserved.
- Updates the minimum broadband speed that a project must provide to be funded by CASF. Formerly, the standard was 25/3 mbps. Now funding may only be granted if the project provides at least 100/20 mbps.
- Removes limitations on local governments to draw down CASF funds for public projects. Previously, local governments were only able to apply for CASF funding to build out public networks if no private company had applied for a project in that area.

regulations, requires annual reports on progress, and specifies the authority of the OBDL to compel providers to participate in the lifeline broadband subsidy program.

### Analysis

Currently, middle-mile networks are largely owned by private internet service providers (ISP) that have to date not built out sufficient service to rural areas with low population density or to low income areas. More areas of California are likely to gain access to high-speed internet through this middle mile network, and the open-access structure may increase competition by allowing ISPs to lease space on the network and compete for subscribers. This may likely improve service and decrease prices for consumers. It is important for county leaders to understand the location selection process for this public middle mile network so they can begin to prepare the relevant data and advocate for their community.



## Analysis

Changes to CASF speed standards are likely to make a significant impact on the internet speeds of Californians, as last-mile connections determine the broadband speeds available to residents. Previous definitions of “unserved area” use broadband speed standards so low that nearly all of the state was determined to have sufficient broadband access. Investment in last-mile infrastructure was also unprofitable for ISPs, meaning those connections in many parts of the state

only have legacy DSL networks and have not been upgraded to fiber optic cable. Additionally, by updating the broadband speeds CASF projects will ensure that publicly funded broadband projects will provide useful service with real time video conferencing capabilities. And, by lifting restrictions and allowing publicly run last-mile broadband networks across the state, service prices may become more affordable from competition between public and private ISPs.

## Loan-Loss Reserve

Provides \$750 million over three years to create a continuously appropriated loan-loss reserve fund within the state treasury designed to help local governments and nonprofits access funding for broadband projects. A loan-loss reserve fund is considered to be a credit enhancement, meaning it will cover a certain portion of losses to encourage loans and relaxed requirements from financial institutions for such projects. This bill:

- Allows local governments to acquire, construct or operate broadband networks and provide internet services
- Provides credit enhancement and supports other costs related to the financing of broadband infrastructure projects by local government agencies or nonprofits
- Allows joint powers of authority to issue revenue bonds to public or nonprofit organizations for the purpose of deploying broadband which can be supported by the loan loss reserve
- Gives the PUC authority to determine eligibility requirements, financing terms and conditions, and allocation criteria, for projects that wish to receive financing support from loan loss reserve fund

with loans from private banks or bonding measures passed by taxpayers. However, since public broadband is a relatively new concept, banks and taxpayers have been hesitant to fund these projects. By ensuring loans and allowing joint powers authorities to issue bonds, the loan loss reserve program will likely help municipalities and nonprofits overcome these financing barriers and start building out last-mile community broadband networks according to community needs.



## Analysis

For local governments and nonprofits working to solve internet affordability and access issues, obtaining the needed capital has been a barrier to pursuing this work. Typically municipalities fund utility projects

### The California Telehealth Policy Coalition

The coalition is the collaborative effort of over 100 statewide organizations and individuals who work collaboratively to advance California telehealth policy. The group was established in 2011 when AB 415 (The Telehealth Advancement Act) was introduced and continues as telehealth becomes integral in the delivery of health services in California. Convened by the Center for Connected Health Policy, the coalition aims to create a better landscape for health care access, care coordination, and reimbursement through and for telehealth.

Visit the coalition online at [www.cchpca.org/about/projects/california-telehealth-policy-coalition](http://www.cchpca.org/about/projects/california-telehealth-policy-coalition).