



June 8, 2023

The Honorable Toni Atkins
President pro Tempore of the State Senate
1021 O street, Room 8518
Sacramento, CA 95814

The Honorable Anthony Rendon
Speaker of the California State Assembly
1021 O Street, Room 8330
Sacramento, CA 95814

The Honorable Philip Ting, Chair
Assembly Budget Committee
1021 O Street, Room 8230
Sacramento, CA 95814

The Honorable Nancy Skinner, Chair
Senate Budget and Fiscal Review Committee
1021 O Street, Room 8630
Sacramento, CA 95814

Re: Reject Deferral and Supplantation of Broadband Infrastructure Funding

Dear Legislative and Budget Committee Leadership:

On behalf of the Rural County Representatives of California (RCRC), the California State Association of Counties (CSAC), and the League of California Cities (Cal Cities), we write to respectfully express our opposition to the California State Assembly's plan to cut \$625 million in last-mile broadband infrastructure funding and defer an additional \$950 million to the next three fiscal years. The Assembly's plan also reduces state middle-mile funding by \$125 million and proposes to backfill that loss, as well as the \$625 million in last mile funding, with future federal Broadband Equity Access and Deployment (BEAD) funding. Although we appreciate that the Legislature and the Administration must be cautious in uncertain fiscal times, deferring this investment in broadband infrastructure will directly harm the most disenfranchise communities in California for decades to come.

Universal access to high-speed internet is critical to the state's economy, education, health, and well-being. Investment in broadband connectivity is one of the essential ingredients in continuing to ensure California's vitality and dynamism. The pandemic significantly underscored the importance of making broadband accessible and affordable to all Americans, which prompted the federal government to pass a series of funding acts to spur broadband deployment across the country. Likewise, in 2021, the state Legislature and Governor made an unprecedented \$6 billion investment in expanding internet connectivity to all Californians. This investment in infrastructure included a state-owned middle mile, last mile infrastructure funding programs (Federal Funding Account and Loan Loss Reserve Fund), and a technical assistance program to support local agencies and tribal governments in planning for and deploying reliable broadband in their communities. The non-tribal local agency funding is currently oversubscribed and less than \$1 million is left in the tribal government technical assistance account.

In a 2020 report, the CPUC estimated that more than \$8 billion would be needed to connect all Californians. It is imperative that state investments continue as budgeted in 2021, as costs of

materials and labor will increase, prolonging the digital divide at a time when we should be working to quickly bridge this gap. Further, the Loan Loss Reserve Fund is intended to provide municipalities and non-profits finance securitization for private investments to construct and operate new public fiber networks. At a time of interest rate pressure, the Loan Loss Reserve Fund is invaluable in helping local governments obtain better borrowing rates and terms for bonds issued to deploy broadband infrastructure.

Lastly, supplanting state investment in broadband infrastructure with BEAD funding not only delays funding (BEAD will not be available until June 2024), but also jeopardizes California's total allocation, estimated to be anywhere from \$900 million - \$2 billion. The authorizing statute, the Infrastructure Investment and Jobs Act, states that the "Grant funds awarded to an eligible entity... shall be used to supplement, and not supplant, the amounts that the eligible entity would otherwise make available for the purposes for which the grant funds may be used."¹ Therefore, we believe that the BEAD funding cannot, and should not, be used to supplant the state's original investment in broadband infrastructure.

As the state faces a budget shortfall, we recognize the difficult decisions that must be made. We respectfully request that the Legislature continue the investments made in California's future by restoring original funding to the middle mile program, the Federal Funding Account and the Loan Loss Reserve fund. A delay in broadband infrastructure funding will ultimately lengthen the timeframes for construction and attempting to utilize BEAD funding to backfill state obligations possibly jeopardizes billions of dollars in additional federal broadband funding. Further, with inflation continuing to pressure the state and the nation, delays will only make broadband infrastructure more expensive to build due to the costs of labor and material, which will likely rise in the near future. These delays matter to the families, schools, and small businesses without service or with inadequate service, or who live in a connectivity monopoly.

We look forward to collaborating with you in the coming weeks to ensure affordable internet access for all. Should you have any questions about our position, please contact me at Kalyn Dean at kdean@counties.org, Tracy Rhine at Trhine@rccrcnet.org, and Damon Conklin at Dconklin@calcities.org.

Sincerely,



Tracy Rhine
Senior Policy Advocate
RCRC



Kalyn Dean
Legislative Advocate
CSAC



Damon Conklin
Legislative Representative
Cal Cities

cc: Joe Stephenshaw, Director, Department of Finance
Christy Bouma, Legislative Affairs Secretary, Office of Governor Gavin Newsom

¹ SEC. 60102.(I) (47 USC 1702)