

California Performance Report

Capital Projects Fund 2024 Report

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Executive Summary

The California Public Utilities Commission (CPUC), serving as the state's program lead, will use the state's full allocation of \$540 million from the Capital Projects Fund (CPF) to address a significant digital divide that disproportionately affects California's low-income and rural communities. To request funding, the U.S. Treasury required states to submit a grant agreement and a plan for the use of CPF funds.

California is issuing its CPF allocation via a new competitive last mile broadband subgrant program, the Last Mile Broadband Expansion program. The California Legislature established the program in 2021 to fund last mile broadband infrastructure using state and federal funding. California's plan, as reflected in CPUC's program rules, also allows for middle mile infrastructure, but recipients are encouraged to focus on projects that will achieve last-mile connections—whether by focusing on funding last-mile projects or by ensuring that funded middle-mile projects have potential or partnered last-mile networks to leverage the middle-mile network. The awardees will build out high-speed broadband offering symmetrical 100 megabits per second (Mbps) download and upload speeds and address affordability to low-income households as well as encourage affordable service for middle-class households.

Following approval of the state's grant plan in April 2023 by U.S. Treasury, the CPUC built a new implementation team, developed a new grant management system that includes an interactive application portal, and worked with stakeholders to establish an equity framework that will serve those most in need. The CPUC opened the first application window on June 30, 2023, which closed on September 29, 2023. A total of 484 grant applications were received from incumbent and new providers, public entities, and tribes, requesting \$4.6 billion from the Last Mile Federal Funding Account (FFA)—primarily consisting of CPF funds and state General Fund. To date, California has awarded \$105.3 million for 14 projects in six counties.¹ The CPUC plans to continue issuing awards over the next several months.

Uses of Funds

Program Objectives

The program objectives are to fund last mile broadband infrastructure projects benefiting every county of the state, equitably distributing funding among counties while considering historically disadvantaged communities and addressing affordability in awarded areas. Unserved areas are defined as an area where no wireline broadband provider reliably offers broadband service at speeds of at least 25 Mbps download and 3 Mbps upload to the entire community. Funding priority is given to disadvantaged communities as explained in the Promoting Equitable Outcomes section of this report. The CPUC issued [Decision 22-04-055](#) to set rules and guidelines for

¹ See [Federal Funding Account Recommendations and Awards \(ca.gov\)](#) for additional details.

implementing the last mile infrastructure program (officially known as the “Federal Funding Account” per California Public Utilities Code Section 281, Subdivision (n)). Each county has an allocation pursuant to [Senate Bill 156](#) (Chapter 112, Statutes of 2021). The program is focused on investments in unserved areas.

Challenges in Addressing the Need for Broadband Access

California has immense challenges in terms of the number of unserved locations (estimated at roughly 800,000)² and varied geography (almost 164,000 square miles). The California Broadband Investment Model,³ building on the California Broadband Action Plan⁴ and California Cost Model that informed the state’s multi-year broadband investments, estimated the total cost to serve approximately 996,000 unserved at over \$9 billion. To address this need, California is using a suite of broadband programs,⁵ which consists of middle-mile⁶ and last mile investments—including the Last Mile Broadband Expansion program.

The Last Mile Broadband Expansion program recognizes that “[f]iber optic infrastructure is scalable and enables the next generation of application solutions for all communities.” Based on this recognition, to be eligible for funding, projects must be capable of offering wireline broadband service and are given preference over other types of infrastructure, such as digital subscriber line (DSL) and fixed wireless. All the applications considered for award by the Last Mile Broadband Expansion program propose to deploy fiber infrastructure. Full fiber drops to each household have a higher upfront cost than other types of infrastructure with a longer useful infrastructure life.

The CPUC must navigate additional complexities and costs to deploy reliable and affordable broadband to historically unserved and disenfranchised communities in California. Complexities and cost drivers include the significant cost of middle mile and backhaul infrastructure to reach California’s transformative public Middle Mile Broadband Initiative, and environmental permitting, including activities to avoid and

² Unserved identified by the CostQuest Technology Availability Likelihood based on California December 2020 service availability and Federal Communications Commission Form 477 June 2020 data. Updated with Federal Communications Commission deployment data as of June 2022 validated with California subscription data. See Federal Funding Account Public Map, <https://www.cpuc.ca.gov/industries-and-topics/internet-and-phone/broadband-implementation-for-california/last-mile-federal-funding-account/ffa-public-map>.

³ See California Broadband Investment Model (April 2023), https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/communications-division/documents/broadband-implementation-for-california/ffa-webpages/ca-broadband-investment-model_04212023.pdf.

⁴ See California Broadband Action Plan (December 2020), Appendix B, <https://broadbandcouncil.ca.gov/wp-content/uploads/sites/68/2020/12/BB4All-Action-Plan-Final-Draft-v26.pdf>.

⁵ See Broadband Deployment, Affordability, and Equity Programs, <https://www.cpuc.ca.gov/industries-and-topics/internet-and-phone/broadband-initiatives>.

⁶ See California Middle-Mile Broadband Initiative, <https://middle-mile-broadband-initiative.cdt.ca.gov/>.

mitigate significant effects on the environment under the California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA).

In addition, California has historically been prone to wildfire threat. This threat has grown substantially in recent years as the climate has changed. Underground networks can reduce or eliminate the damage and future restoration costs for networks damaged by wildfire. The cost of placing fiber underground is frequently three to four times the cost of placing it on an existing pole, and greater still in hard rock or mountainous terrain. The investment in underground construction greatly increases safety during wildfires by allowing critical communications channels to remain open for evacuations and first responder coordination.

Activities Implemented During the Reporting Period

All activities in the preceding 12 months have focused on awarding grant funds for projects that will provide reliable and affordable service to unserved locations throughout California.

The CPUC is awarding projects either through its ministerial review, under which CPUC staff may approve applications meeting specified criteria, or through its resolution process. The vast majority of applications will be approved by resolution due to various factors including the number of objections. The objection process is an opportunity for interested persons to provide written comments to identify if a grant application contravenes state or federal requirements, such as avoiding investment in locations that have existing agreements to build reliable service, and to identify other issues and errors of fact. Objections must include certain program criteria to be considered, and applicants have an opportunity to submit a response.

Under the resolution process, staff prepare a resolution describing the proposed infrastructure project and affordability considerations among other information necessary for the CPUC Commissioners to consider when voting on the resolution. Awardees are notified via letter and an announcement of the award is posted on the CPUC website. Successful applicants must acknowledge and accept the terms of the award, typically within 30 days of CPUC approval, agree to a project start date, and complete project construction in either 18 months (if exempt from CEQA requirements) or 24 months.

The CPUC has implemented the following activities over the reporting period:

- Conducted outreach throughout California regarding grant opportunities, project planning, data and mapping, business models, and regulations.
- Implemented and enhanced technology tools, such as an online grant management system to facilitate the application and grant management processes.
- Developed and implemented processes for the review and evaluation of applications, objections, and responses to objections.
- Issued maps of applicant project areas, published application location Geographic Information System data, and application Broadband Serviceable

Location Fabric identifiers.

- Awarded, funded, and supported 106 Local Agency Technical Assistance grantees, using state General Fund dollars, for technical assistance and application development. An additional 33 broadband technical assistance grants focused on California Tribes were awarded.
- Closed the first application window and objection period, and published summaries of each application for transparency and to facilitate the objection process.
 - The objection period was extended from 14 to 28 days, until November 20, 2023, given the high number of applications. Applicants had 28 days to respond to an objection. During this period, CPUC staff were reviewing applications for completeness as well as those without objections.
 - Received 484 applications and evaluated and published 896 objections and 858 responses to objections.
 - The 484 applications by type of entity represent:
 - 356 applications from incumbents (Incumbent Local Exchange Carriers and cable franchise holders).
 - 31 new entrant applications (Competitive Local Exchange Carriers and Internet Service Providers).
 - 89 public entity applications (cities, counties, cooperatives, joint powers authorities, and non-profit affiliates of public entities).
 - 8 Tribal applications.
 - Awarded \$105.3 million for 14 projects in six counties, including Alameda, Imperial, Lassen, Plumas, San Francisco, and Sierra.

Future milestones for the CPF allocation are as follows:

- 2024: Continue issuing awards through the end of 2024. Construction begins for projects with environmental permitting exemptions. Ensure awardees meet all requirements including submitting timely reports. Monitor project construction. Process reimbursement requests as awardees reach payment intervals. Continue outreach activities to encourage ongoing community engagement.
- 2025: Continue monitoring project construction and processing reimbursement requests. Ensure reporting requirements are met and continue conducting outreach activities. Monitor performance for projects that complete construction.
- 2026: Continue monitoring project construction and processing reimbursement requests. Ensure reporting requirements are met and continue conducting outreach activities. Monitor performance for projects that complete construction. Ensure all contract deliverables are complete by December 31, 2026.

Promoting Equitable Outcomes and Addressing Critical Needs

The CPUC is prioritizing funding for areas lacking reliable access to 25/3 Mbps, implementing affordability measures, and considering digital equity in awarding projects. The CPUC followed the California program statute and considered public comments to equitably allocate funding among rural and urban counties, accounting for households lacking service at 100 Mbps download speeds. The program formulates priority funding areas to serve an entire community to avoid a patchwork broadband infrastructure network where some households receive service and others do not. Proposed investments owned, operated, or affiliated with local governments, non-profits, cooperatives, or tribes are encouraged in the program because community-run networks serve entire communities.

The CPUC is using application [scoring criteria](#) to determine which projects are prioritized for funding in each of California's 58 counties. The CPUC has published demographic information to identify disadvantaged communities in the priority areas. Additional points go to projects in which 50 percent or more locations have one or more of the following characteristics: low-income areas where aggregated household incomes are less than 80 percent of the greater of the state or that county's median income, disadvantaged communities as defined by the California Environmental Protection Agency, and/or tribal lands. The application scoring criteria also provides points to encourage public providers to participate in the grant program, including local governments, non-profits, cooperatives, and tribal entities.

Awardees are required to participate in the Affordable Connectivity Program (ACP), which provides a discount on broadband service and connected devices to eligible households, or a successor program identified by the CPUC should the ACP expire, and to commit to not increasing prices for five years. Additional points are available for projects that commit to not increase prices for ten years. Furthermore, the scoring criteria includes points for offering low-cost plans to all subscribers and California LifeLine or federal Lifeline, which defray the cost of phone and broadband services for eligible households.

Awardees are required to submit quarterly reports during the construction phase outlining project details such as major construction milestones, project accomplishments, challenges, and subscribership data. On an annual basis, awardees must submit to the CPUC a performance report with project speeds, plan pricing, subscription data (including number of customers enrolled in low-cost and low-income broadband plans), and broadband data allowance information on all offered plans. This information will help inform outputs and outcomes for the CPF performance reports.

Labor

California prides itself in having some of the most worker protective labor laws in the country. Grants awarded by the CPUC under its Last Mile Broadband Expansion program will be subject to California's prevailing wage laws. Pursuant to these laws, California's Department of Industrial Relations sets wages to be paid to workers employed on public works projects according to the type of work and location of the project.

Further, the CPUC's Supplier Diversity Program, memorialized in General Order 156 (2015), encourages utilities and their prime contractors to purchase goods and services from women; minority; lesbian, gay, bisexual, and transgender (LGBT); and disabled veteran business enterprises.

In addition, the CPUC is prepared to provide any required data for post-award compliance reviews to ensure that awardees meet legal requirements relating to nondiscrimination and nondiscriminatory use of federal funds under Title VI of the Civil Rights Act.

Community Engagement

The CPUC's community engagement and public participation for CPF planning, execution, and monitoring includes robust, ongoing public engagement. During the reporting period, the CPUC provided public information and technical assistance to the public, potential applicants, and other stakeholders including:

- 347 in-person and virtual meetings and presentations.
- 20 technical assistance seminars in small groups.
- 448 viewings of video seminars.
- 1,205 responses to written inquiries.
- 1,754 stakeholder objections and responses to objections on proposed applications.

The CPUC communicates twice monthly with stakeholders through two newsletters, and provides additional, as-needed programmatic updates on the Last Mile Broadband Expansion program along with related broadband programs and policy initiatives.

In addition, the CPUC held formal tribal consultations with over 70 tribes and coordinated with state and federal broadband agencies. The program rules require awardees on tribal lands to consult with California Tribes, consistent with CPUC policy, at the planning stage and throughout the life of the project.

Public comments were solicited at various times during the scoping process: the beginning of the rulemaking was announced to six service lists related to utility matters, including those assessing utility affordability, for the California Advanced

Services Fund, for the California High Cost Fund A, and for universal telephone service. Comments were also sought during the scoping hearing and after the draft rules were issued. These opportunities were noticed to various service lists as well as to the daily calendar, which is subscribed to by various news organizations, local governments, and community-based organizations.

In developing the rules, the CPUC considered formal comments from more than 35 entities and well over 100 informal comments from the public. The CPUC incorporated public feedback in its program rules, identifying eligible areas, addressing broadband affordability concerns, and encouraging projects in disadvantaged communities. The CPUC held public meetings, webinars, and outreach to develop the record on which the program rules are based. Applicants were allowed to submit endorsements or letters of support from state and local government, community groups, and anchor institutions for the projects. Individual stakeholders were also able to make comments on the program's public map to indicate where service deficiencies exist.