

February 5, 2018

The Honorable Joe Seiwert, Chairperson  
House Committee on Energy, Utilities and Telecommunications  
Statehouse, Room 481-W  
Topeka, Kansas 66612

Dear Representative Seiwert:

**SUBJECT:** Fiscal Note for HB 2563 by Representative Sloan

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2563 is respectfully submitted to your committee.

HB 2563 would amend existing law concerning the Kansas Universal Service Fund (KUSF) to require advanced telecommunications providers, as defined by the bill, who provide advanced telecommunications services, also defined by the bill, to contribute to the KUSF based upon the providers' net retail revenues. Providers could collect from their customers an amount equal to or less than their contribution. Contributions would be set by the KUSF administrator for advanced telecommunications services based upon projected obligations.

The bill would cap the total annual amount of contributions required to be made by all telecommunications carriers, telecommunications public utilities, wireless telecommunications service providers, and providers of interconnected VoIP service at an amount greater than or equal to the total amount made by these entities between March 1, 2017, and March 1, 2018. KUSF support to all eligible telecommunications carriers would be capped by the Kansas Corporation Commission at amounts based on the amount of support received between March 1, 2017, and March 1, 2018. That cap would be reduced by 5.0 percent annually through March 1, 2022. Any contributions made that exceed the total capped distribution amounts would be credited to a rural broadband deployment and maintenance account created by the bill and administered by the KUSF administrator. Five percent of the total amount collected in this account would be allocated annually for distribution to county extension councils and extension districts. Advanced telecommunications providers could submit applications to the KUSF administrator for assistance from this account to deploy and maintain broadband service in rural areas. The bill specifies the requirements for applications, eligibility, and award of the assistance funds.

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According to the Kansas Corporation Commission, enactment of HB 2563 would have a neutral fiscal effect on the KUSF, increasing both expenditures and revenues by \$184,000 in FY 2018 and \$553,000 in FY 2019. The Commission indicates that given the number and nature of additional duties that would be assigned to the KUSF administrator, it is likely that the administration and audit expense would be, at a minimum, twice as much as the current KUSF administration expense and would be ongoing. However, it appears that these additional expenses could be offset by contributors to the new fund, as the associated expenses would be obligations of the fund.

Expenses for services performed by the Commission, such as capping and reducing eligible telecommunications carriers' KUSF support; establishing and maintaining a rural broadband deployment and maintenance account; establishing requirements for rural broadband applications; and establishing rules and regulations necessary to implement and administer the provisions of the bill could be handled from within existing resources. The agency indicates that most of these administrative expenses would be experienced in the first few years and are associated with the initial implementation of the provisions of the bill. Any fiscal effect associated with HB 2563 is not reflected in *The FY 2019 Governor's Budget Report*.

According to the Kansas Association of Counties, enactment of HB 2563 would facilitate the creation and maintenance of infrastructure required to expand broadband to rural areas which would result in expanded services to residents. However, the Association indicates that the bill could cause increased prices for services in urban areas, as telecommunications companies would pass along the cost of contributing to the KUSF.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,  
Director of the Budget

cc: Jake Fisher, KCC  
Melissa Wangemann, Association of Counties