

February 9, 2016

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

Dear Representative Seiwert:

SUBJECT: Fiscal Note for HB 2597 by House Committee on Utilities and Telecommunications

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2597 is respectfully submitted to your committee.

Current law prohibits rate of return regulated carriers from recovering reductions in federal universal service support from the Kansas Universal Service Fund (KUSF). HB 2597 would amend existing law to nullify that prohibition and allow these carriers to receive KUSF support to recover intrastate embedded costs, revenue requirements, investments, and expenses. This provision nullifies the statutory \$30.0 million cap on distributions from the fund and the Federal Universal Service Fund reduction offset currently in statute.

In addition, the bill redefines “broadband” to mean the transmission of digital signals at rates equal to or greater than 10 megabits per second download and one megabit per second upload, and makes promotion, development and enhancement of economic opportunities through statewide availability and ongoing enhancement of reliable and affordable broadband services a matter of public policy.

Revenues and disbursements associated with the KUSF are not a part of the Kansas Corporation Commission (KCC) budget. According to the agency, passage of HB 2597 would result in sizeable increases in both revenues to and disbursements from the fund. Because there is no language included in HB 2597 to limit the amount that an individual carrier could recover from the fund and no cap on the total distribution amount, the agency estimates that passage of HB 2597 would cause an increase in contributions to the fund from all carriers of more than 38.0 percent, from the current rate of 6.53 percent of all assessable intrastate retail revenues to 9.04 percent. The agency estimates that disbursements would increase to \$17.1 million in FY 2017 and FY 2018. It is expected that over time the increase would be much larger due to future reductions in federal support and the implication of the bill language that recovery of all of a

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carrier's intrastate costs would be allowed. Any fiscal effect associated with HB 2597 is not reflected in *The FY 2017 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan".

Shawn Sullivan,
Director of the Budget

cc: Amy Gilbert, KCC