

REPORTS OF STANDING COMMITTEES

MADAM PRESIDENT:

The Committee on **Utilities** recommends **HB 2201**, as amended by House Committee, be amended on page 1, in line 11, by striking "and ensure that" and inserting ", the Kansas universal service fund, the federal universal service fund, the creation of a state broadband fund to support the deployment of advanced telecommunications capability to all areas of the state, the statement of"; in line 12, by striking ", is maintained, with"; by striking all in line 13; in line 14, by striking "infrastructure" and inserting "and other telecommunications issues determined by the legislative coordinating council"; in line 15, after "(b)" by inserting "(1)"; also in line 15, by striking "13" and inserting "20"; also in line 15, by striking ", as"; by striking all in lines 16 and 17 and inserting a period; in line 18, by striking all after "(2)"; by striking all in lines 19 through 24; in line 25, by striking "representatives" and inserting "Nine members shall be from the senate committee on utilities as follows:

- (A) The chairperson, vice-chairperson and ranking minority member;
- (B) five members appointed by the president of the senate; and
- (C) one member appointed by the minority leader of the senate.

(3) Eleven members shall be from the house committee on utilities and telecommunications as follows:

- (A) The chairperson, vice-chairperson and ranking minority member;
- (B) seven members appointed by the speaker of the house of representatives; and
- (C) one member appointed by the minority leader of the house of representatives";

Also on page 1, in line 27, by striking "2016" and inserting "2015";

On page 2, in line 11, after "(g)" by inserting "(1) The department of revenue shall administer an audit of the Kansas universal service fund. The audit shall examine the overall efficiency and effectiveness of the KUSF. The department shall submit a final audit report to the telecommunications study committee on or before November 1, 2014.

(2) The telecommunications study committee shall determine the scope of the audit. The audit may include an analysis of the following:

(A) The total amount of KUSF support received expressed on a per-line basis;

(B) the total amount of rural utilities service debt or other debt, by recipient or related entity, and the maturity date, amortization and security for such debt;

(C) the capital expenditures on technology by type;

(D) affiliate transactions and transfers; and

(E) the compensation received by the recipient's executives, partners, members and board.

(3) The department may review or request any document filed with the commission, including confidential data, so long as a non-disclosure agreement is signed by the auditors.

(4) The cost of the audit shall be paid from the KUSF.

(h) ";

And by redesignating subsections accordingly;

Also on page 2, in line 16, by striking "final"; in line 19, by striking "31, 2016" and inserting "16, 2015"; in line 27, by striking "2016" and inserting "2015";

On page 6, in line 36, by striking the last "and"; in line 43, by striking the period and inserting "; and" following line 43, by inserting:

"(n) report to the senate committee on utilities and the house committee on utilities and telecommunications by January 15, 2014 concerning the status of the federal communications commission's further notice of proposed rulemaking regarding Internet Protocol to Internet Protocol

interconnection in WC docket nos. 10-90 et al., including, but not limited to, any final, non-appealable order issued in that proceeding regarding obligations to interconnect for the exchange of voice traffic regardless of the technology used to transmit that traffic that requires implementation by the commission.";

On page 22, in line 16, by striking "and"; in line 22, by striking the period and inserting "; and"; following line 22, by inserting:

"(G) administer consumer complaints against telecommunications carriers and electing carriers to investigate fraud, undue discrimination and other practices harmful to consumers, but the commission shall not use this authority to regulate telecommunications carriers or electing carriers beyond the jurisdiction provided the commission in this subsection.";

On page 25, in line 19, after "at" by inserting "the lesser of:

(A) ";

Also on page 25, in line 20, by striking ", not including" and inserting "; or

(B) \$11,400,000.

The amounts prescribed in subparagraph (A) or (B) shall not include";

On page 26, in line 20, after "(d)" by inserting "(1) Subject to paragraph (2), the commission may periodically review the KUSF to determine if the costs of qualified telecommunications public utilities, telecommunications carriers and wireless telecommunications service providers to provide local service justify modification of the KUSF. If the commission determines that any changes are needed, the commission shall modify the KUSF accordingly and annually report such changes to the senate standing committee on utilities and the house standing committee on utilities and telecommunications.

(2) ";

Also on page 26, by striking all in lines 35 through 43;

On page 27, by striking all in lines 1 through 17; in line 18, by striking "(f)" and inserting "(e) (1)"; in line 29, after "subsection" by inserting ", except that the total KUSF distributions made to all local exchange carriers operating under traditional rate of return regulation pursuant to subsection (b) of K.S.A. 66-2005, and amendments thereto, shall not exceed an annual \$29,000,000 cap. A waiver of the cap shall be granted based on a demonstration by a carrier that such carrier would experience significant hardship due to force majeure or natural disaster as determined by the commission";

Also on page 27, following line 35, by inserting:

"(2) Notwithstanding any other provision of law, no KUSF support received by a local exchange carrier electing pursuant to subsection (b) of K.S.A. 66-2005, and amendments thereto, to operate under traditional rate of return regulation shall be used to offset any loss of federal universal service fund support for such carrier.";

And redesignating remaining subsection accordingly;

On page 30, following line 40, by inserting:

"Sec. 13. K.S.A. 2012 Supp. 75-7224 is hereby amended to read as follows: 75-7224. (a) The board shall:

(1) Provide a program to facilitate the use of broadband technology-based video communication for distance learning and telemedicine by schools, libraries and hospitals;

(2) transition schools, libraries and hospitals that have a direct KAN-ED connection as of January 1, 2012, to a commercially provided broadband internet connection no later than June 30, 2013. At the time a school, library or hospital has been transitioned off a KAN-ED connection, the board shall pay up to \$350 per month to such school, library or hospital for the cost of broadband service until June 30, 2013;

(3) provide the secretary of commerce any information necessary to conduct the needs assessment described in subsection (b);

(4) assist schools, libraries and hospitals to apply for federal grants to be used for purposes consistent with this act; and

(5) collect data regarding:

(A) Distance learning and telemedicine usage; and

(B) the volume of data accessed.

The board shall develop a methodology for updating and validating any data collected for periodic revisions of the program, standards and priorities.

(b) (1) The secretary of commerce shall facilitate the execution of the needs assessment and the creation of the report. The secretary shall contract with a third party that has expertise in telecommunications services for educational institutions to conduct such needs assessment and create such report.

(2) The needs assessment shall include, for each school, library and hospital connected to the network as of January 1, 2012: Current and future broadband service and quality needs and a determination of all KAN-ED expenses for shared services or infrastructure, including any costs deferred by federal moneys, that are providing services and network connections. Based on the results of the needs assessment, the secretary of commerce, in coordination with the third party contractor, shall create a report that: (A) Compares the utilization, efficiency and effectiveness of KAN-ED to other similar programs in other states for schools, libraries and hospitals; (B) determines if the KAN-ED program, as of the effective date of this act, is worth its cost in terms of price, service, quality, needed network upgrades and increased utilization of broadband by schools, libraries and hospitals; (C) determines if there are alternative models or opportunities for broadband procurement by schools, libraries and hospitals; (D) determines if the services and applications offered by KAN-ED lead to full utilization of broadband technology by schools, libraries, hospitals and their surrounding communities; and (E) recommends any cost-effective broadband services that are available.

(3) The board shall reimburse the cost of conducting such needs assessment and report described in paragraph (2), not to exceed \$250,000.

(4) The results of such needs assessment and the report shall be submitted to the board on or before January 1, 2013.

(c) The board may request and receive assistance from any school, any library, any hospital, the state corporation commission, any other agency of the state or any telecommunications, cable or other communications services provider to gather necessary data to implement such program.

(d) The board shall establish: (1) Technical standards for operation and maintenance of the program; (2) the method of monitoring operations of the program; and (3) the method or methods of adjusting the program to reflect the needs of schools, libraries and hospitals as determined by the needs assessment or ongoing data collection for each such entity. Such standards and methods shall be included in the board's report to the legislature pursuant to K.S.A. 2012 Supp. 75-7226, and amendments thereto.

(e) Based on the findings of the needs assessments or collected data, the board shall develop a plan to: (1) Facilitate the use of broadband technology-based video communication for distance learning and telemedicine by schools, libraries and hospitals; and (2) transition schools, libraries and hospitals that have a direct KAN-ED connection as of January 1, 2012, to a commercially provided broadband internet connection no later than June 30, 2013. The plan may require users of the program to bear part of its cost. Such plan shall be included in the board's report to the legislature pursuant to K.S.A. 2012 Supp. 75-7226, and amendments thereto.

(f) The board may appoint such advisory committees as the board determines necessary to carry out the purposes of this act. The membership of advisory committees may include both members of the board and persons who are not board members. Such advisory committees, to the extent appropriate, shall include both communications services providers and participants knowledgeable

about topics such as network facilities and services, distance learning and telemedicine, user training and such other topics as may be necessary or useful. Members of advisory committees appointed by the board shall receive amounts provided for in subsection (e) of K.S.A. 75-3223, and amendments thereto.

(g) The board shall have all other powers necessary to achieve the purposes of this act, including, but not limited to, the power to: (1) Fix, charge and collect user fees for services provided by the KAN-ED program in accordance with the plan developed pursuant to subsection (e); and (2) receive any appropriations, fees, donations, grants, bequests and devises, conditional and otherwise, of money, property, services or other things of value for the purposes of this act.

(h) The state department of education, the office of information technology services of the department of administration, the state corporation commission and all other state agencies shall cooperate with the board in providing information and other assistance requested by the board for the performance of its duties pursuant to this act at no cost to such agencies.";

And by renumbering sections accordingly;

Also on page 30, in line 43, by striking "and" and inserting a comma; also in line 43, after "66-2009" by inserting "and 75-7224";

On page 1, in the title, in line 4, after the semicolon by inserting "concerning KAN-ED;"; in line 6, by striking the first "and" and inserting a comma; also in line 6, after "66-2009" by inserting "and 75-7224"; and the bill be passed as amended.

Chairperson